

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 28, 2023**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE** \_\_\_\_\_ **N/A** \_\_\_\_\_

**DATE:** December 7, 2023

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Bryan Conway and Marc Hellman **SIGNED**

**SUBJECT:** IDAHO POWER COMPANY:  
(Docket No. UM 2045(3))  
Application for Reauthorization to Defer Expenses Related to Oregon's  
Corporate Activity Tax.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Idaho Power Company's (Idaho Power or Company) application for an accounting order reauthorizing the Company to defer for later ratemaking treatment costs associated with the Oregon Corporate Activity Tax for the 12-month period January 1 through December 31, 2023.

**DISCUSSION:**

Issue

Whether the Commission should approve Idaho Power's application to defer for later ratemaking treatment costs associated with the Oregon Corporate Activity Tax (OCAT) for calendar year 2023.

Applicable Law

The Commission may approve the deferral of identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes for the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.  
ORS 757.269(2)(e) and (4).

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. ORS 757.259(4); OAR 860-027-0300(9).

The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility. ORS 757.259(5).

### Analysis

#### *Background*

The OCAT, which was signed into law on May 16, 2019, with House Bill 3427, and amended technically with HB 2164 on July 23, 2019, was adopted to impose a tax on all types of business entities, based on their Oregon-sourced commercial activity.

The OCAT is a modified gross-receipts tax and is in addition to all other business taxes already imposed by the State of Oregon. Revenue from the OCAT will be used for education spending in the State of Oregon. Because the Company's Oregon-sourced taxable commercial activity is above \$1 million, effective January 1, 2020, Idaho Power's tax expense increased as result of the OCAT.

The Company is required to make an estimated OCAT payment in December of the year prior to filing an OCAT return. The Company made its first estimated OCAT payment in December 2020 and filed its first OCAT return in 2021.

The payment made in 2020 was applied against the liability on the 2020 OCAT return, the same process occurred in December 2021 for the 2021 OCAT return.

In addition, the Commission has approved similar treatment for Idaho Power's changes in tax expense in Docket No. UM 1928; Order No. 20-148 authorized the deferral of \$1.52 million in benefits associated with the reduction of income tax expense resulting from federal tax reform.

#### *Reason for Deferral*

The Company requests reauthorization to defer the tax expense payments resulting from the establishment of the OCAT and the resulting increase to the Company's Oregon state taxes. The Company's deferral request in this case is filed pursuant to ORS 757.259(2)(e) and is intended to minimize the frequency of rate changes or the fluctuation of rate levels.

*Proposed Accounting*

The Company records amounts that would be subject to the deferral order in accordance with the Code of Federal Regulations to the Federal Energy Regulatory Commission (“FERC”) Account 182 – Regulatory Assets with the corresponding entry recorded to FERC Account 409 – Income Taxes.

*Estimate of Amounts*

The OCAT is \$250 plus 0.57 percent of the Company’s Oregon-sourced taxable commercial activity above \$1 million less applicable exceptions and deductions.

The Company estimates OCAT expenses for the January 1, 2023, through December 31, 2023, time period will be similar to amounts paid in 2021, or approximately \$300,000.

*Information Related to Future Amortization*

- Earnings Review – Staff recommends an earnings test be applied for this deferral prior to amortization.
- Prudence Review – The prudence review should include verification of the taxes paid to determine the amortization balance.
- Sharing – One hundred percent of the deferred balance is subject to utility recovery, pending a prudence review and earnings review.
- Rate Spread/Design – Applicable costs will be allocated to the appropriate customer classes

Conclusion

Staff concludes that deferral of these amounts will match costs borne by and benefits received by ratepayers.

The Company has reviewed a draft of this memo and voiced no concerns.

**PROPOSED COMMISSION MOTION:**

Approve Idaho Power’s application for reauthorization to defer for later ratemaking treatment costs associated with the Oregon Corporate Activity Tax for calendar year 2023.