

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 13, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2023

DATE: November 22, 2022

TO: Public Utility Commission

FROM: Steph Yamada

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1444/Advice No. 22-30)
Schedule 106, Multnomah County Business Income Tax Update.

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE) Advice No. 22-30, revising Schedule 106, for the collection of the Multnomah County Business Income Tax from Multnomah County customers effective January 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request to adjust the rate collected through its Schedule 106, Multnomah County Business Income Tax (MCBIT) Recovery.

Applicable Rule or Law

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes. ORS 757.220.

OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change.

The adjustment schedule represented in this filing applies to all customers receiving service within the boundaries of Multnomah County in accordance with OAR 860-022-0045, which says in part:

If any county in Oregon imposes or increases taxes or licensing, franchise, or operating permit fees, the utility required to pay such taxes or fees shall collect the amount from its customers within the county imposing such taxes or fees.

Analysis

Background

The MCBIT is an income tax on net business income. For tax years beginning on and after January 1, 2020, the tax is equal to two percent of the net income from a business's Multnomah County operations.

The Company maintains a balancing account to accrue any difference between the Company's actual MCBIT expenses and what is collected from customers. The ongoing deferrals associated with the MCBIT balancing account are filed annually in Docket No. UM 1986, most recently approved for the 12-month period beginning December 7, 2021.¹

Each year, the Company makes an advice filing to adjust the Schedule 106 rate to reflect the Company's projections of the MCBIT tax expense for the coming year, as well as incorporating any residual balance from the previous year. The Company determines the MCBIT Rate by forecasting its expected MCBIT tax liability for the next calendar year and adding this forecasted amount to the expected over or under-collection of the prior year MCBIT taxes. This total amount is then divided by the forecasted revenues for Multnomah County to determine the final MCBIT Rate. The current Schedule 106 rate of 0.155 percent was approved in Docket No. ADV 1331 and became effective January 1, 2022.

¹ See *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application for Deferral of Costs to Support the Use of Balancing Account*, Docket No. UM 1986(3), Order No. 21-489, Dec 28, 2021.

Current Filing

The rate adjustment in this filing reflects the Company's projections of the 2023 MCBIT tax expense and the current state of the MCBIT balancing account. PGE requests to set the MCBIT rate to zero percent effective January 1, 2023, and provides the following explanation:

The projected balance at the end of 2022 is estimated to be a credit of about \$1 million due to lower than expected tax expense in 2021 and 2022. The 2023 estimated tax expense is estimated to be about \$750K. PGE proposes to set the Schedule 106 collection rate to 0% in 2023 in order to reduce the balance. PGE will reassess the tax in its filing next year and reintroduce a percentage charge.

Staff notes that, as the projected balance at the end of 2022 exceeds the estimated 2023 tax expense, a negative MCBIT rate (refund) would be necessary to bring the balancing account to zero by the end of 2023. In response to informal inquiry from Staff, the Company stated that, following the projected 2023 tax payment of \$750K, "the balancing account will only have a remaining credit balance of \$290K" at the end of 2023.² Because the rate is reevaluated annually, this remaining balance will serve to offset the rate established in the Company's next annual filing. Consequently, Staff finds PGE's current proposal of zero percent to be just and reasonable.

To satisfy the requirements of OARs 860-022-0025(2), PGE provides the following responses:

The proposed Schedule 106 rate change will result in a 0.15% overall rate decrease for approximately 324,000 Multnomah County Customers. A typical Schedule 7 Residential Customer consuming 780 kWh monthly will see a bill decrease of approximately \$0.17.

The Company has reviewed a draft of this memo and has not noted any concerns.

Conclusion

Staff has reviewed the Company's filing, provided work papers, and responses to informal inquiries regarding this filing. For the reasons stated above, Staff recommends the Commission approve PGE's proposed revision of tariff Schedule 106, MCBIT Recovery.

² Via email November 14, 2022.

Docket No. ADV 1444/Advice No. 22-30
November 22, 2022
Page 4

PROPOSED COMMISSION MOTION:

Approve PGE's Advice No. 22-30, revising the Schedule 106 rate to zero percent for the collection of the MCBIT from Multnomah County customers for service rendered on and after January 1, 2023.

ADV 1444 PGE Schedule 106 MCBIT.docx