

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 27, 2022**

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

**DATE:** December 13, 2022

**TO:** Public Utility Commission

**FROM:** John Fox

**THROUGH:** Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

**SUBJECT:** PACIFIC POWER:  
(Docket No. ADV 1463/Advice No. 22-015)  
Cancel Schedule 195 Federal Tax Act Adjustment.

**STAFF RECOMMENDATION:**

Staff recommends the Public Utility Commission of Oregon (Commission) approve Pacific Power's (PacifiCorp, PAC, or Company) Advice No. 22-015 canceling its Schedule 195 Federal Tax Adjustment effective with service rendered on and after January 1, 2023.

**DISCUSSION:**

Issue

Whether the Commission should approve PacifiCorp's application to cancel Schedule 195, Federal Tax Act Adjustment, which amortizes deferred amounts associated with the income tax impact of the 2017 federal tax act as authorized by Commission order in Docket No. UM 1985.

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.

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).

## Analysis

### *Tax Act Deferral Background*

On December 22, 2017, President Donald Trump signed H.R.1 – Tax Cuts and Job Act (Tax Act), with most provisions going into effect on January 1, 2018. The Tax Act amends sections of the 1986 code, most notably the reduction in the federal corporate income tax rate from 35 percent to 21 percent. The change in the corporate income tax rate also resulted in excess deferred income tax (EDIT) assets and liabilities that must be reversed. PacifiCorp's applications for deferred accounting related to the Tax Act were approved in Order Nos. 19-017 and 20-371.<sup>1</sup>

### *Amortization Background*

Schedule 195 was established in compliance with Order No. 19-028, in which the Commission approved PacifiCorp's application to amortize 2018 ratepayer benefits from the income tax rate reduction.<sup>2</sup> At that time, the parties (PacifiCorp, Staff, AWEC, CUB and Vitesse LLC) also agreed to continue deferring current tax benefits for 2019 and 2020 as well as the portion of EDIT not subject to IRS normalization rules for consideration in the UE 374 rate case.

In Order No. 20-473, the Commission approved PacifiCorp's proposal to use a portion of the deferred benefits to offset the Cholla 4 unrecovered plant balance and closure costs. The remaining TCJA balance, approximately \$13.3 million, was ordered to be

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<sup>1</sup> See *In the Matter of PACIFICORP, dba PACIFIC POWER, Application for Approval of Deferred Accounting Related to the Federal Tax Act*, Docket No. UM 1917.

<sup>2</sup> See *In the Matter of PACIFICORP, dba PACIFIC POWER, Application for an Accounting Order and Request for Amortization Related to the Federal Tax Act*, Docket No. UM 1985.

returned to customers over two years, through Schedule 195, with interest at the modified blended Treasury rate (i.e., blended Treasury rate plus 100 basis points).<sup>3</sup>

### *Current Filing*

The Company estimates that the amounts being amortized through Schedule 195 will be fully distributed with usage on or before December 31, 2022. PacifiCorp proposes to cancel Schedule 195 effective January 1, 2023.<sup>4</sup>

### *Analysis*

The currently effective Schedule 195 rates were established in the UE 374 compliance filing, Advice No. 20-017. Staff notes that the details presented in Attachment 1 of the application are slightly different than the details underlying the tariff which were set to recover \$13.3 million as ordered by the Commission. Staff has reviewed the Company's work papers and confirmed application of the correct interest rate<sup>5</sup> to the deferred balances during amortization.

PacifiCorp has confirmed, via informal inquiry, that no residual balance is anticipated at December 31, 2022. However, if there is a residual balance, it will be transferred to the Oregon regulatory assets/liabilities consolidation account.

Staff notes that, since this application proposes to cancel a previously approved tariff, prudence and earnings reviews are not applicable.

To satisfy the requirements of OAR 860-022-0025(2) PacifiCorp provides the following:

This proposed change will affect approximately 646,000 customers and result in an overall rate increase of approximately \$7.1 million or 0.6 percent. A typical residential customer using 900 kilowatt-hours per month will see a monthly bill increase of \$0.58.

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

### Conclusion

For the reasons stated above, Staff recommends the Commission approve the Company's application to cancel Schedule 195.

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<sup>3</sup> See In the Matter of PACIFICORP, dba PACIFIC POWER, Request for a General Rate Revision, Order No. 20-473 at 85.

<sup>4</sup> Application at 2.

<sup>5</sup> 2020 Modified Blended Treasury rate 2.63 percent.

Docket No. ADV 1463/Advice No. 22-015  
December 13, 2022  
Page 4

**PROPOSED COMMISSION MOTION:**

Approve PacifiCorp's Advice No. 22-015 canceling its Schedule 195 Federal Tax Adjustment effective with service rendered on and after January 1, 2023.

ADV 1463