## **ITEM NO. CA5**

# PUBLIC UTILITY COMMISSION OF OREGON STAFF REPORT PUBLIC MEETING DATE: February 7, 2023

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

- **DATE:** January 23, 2023
- **TO:** Public Utility Commission
- **FROM:** Kathy Zarate

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

SUBJECT: <u>PACIFIC POWER</u>: (Docket No. UM 1983(4)) Requests reauthorization to use deferred accounting for expenses related to the Multnomah County Business Income Tax.

## STAFF RECOMMENDATION:

Approve Pacific Power's (PacifiCorp, PAC, or Company) request to re-authorize the deferral of revenues and expenses associated with the Multhomah County Business Income Tax (MCBIT) for the 12-month period beginning November 27, 2022.

### DISCUSSION:

#### lssue

Whether the Commission should approve PacifiCorp's request for reauthorization to defer revenues and expenses associated with the collection and remittance of the MCBIT.

#### Applicable Rule or Law

PacifiCorp makes this filing in accordance with ORS 757.259 and OAR 860-027-0300. ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses, or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth several requirements for applications to defer. Docket No. UM 1983(4) January 23, 2023 Page 2

## <u>Analysis</u>

### Background

The Company maintains a balancing account to accrue any difference between the Company's actual MCBIT expense and what is collected from customers. Each year, the Company makes an advice filing to adjust the 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 deferred amounts may result in an increase or a decrease in the MCBIT rate for the following year.

The Commission approved the deferral application on January 18, 2019, in Order No. 19-018, to defer costs and revenues related to the MCBIT for the 12 months beginning November 27, 2018. PacifiCorp has filed for annual reauthorizations since Order No. 19-018, which have been approved by the Commission every year.

### Reason for Deferral

ORS 757.259(2)(e) allows the deferral of identifiable utility expenses in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne and received by customers. In this application, PacifiCorp seeks to continue the use of a balancing account to match the costs borne and benefits received by customers.

### **Proposed Accounting**

PacifiCorp will record both MCBIT expenses and Schedule 103 MCBIT recovery in FERC Account 241, Tax Collections Payable.

### Estimated Deferrals in Authorization Period

When PacifiCorp files its next tariff advice to update Schedule 103 for expected 2023 MCBIT expense, the tariff advice filing will request to collect the estimated 2023 MCBIT expense and any residual balance from the 2021 and 2022 MCBIT over a 12-month period. At this time, the 2023 MCBIT expense is forecasted to be approximately \$452,000.

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## Information Related to Future Amortization

- Earnings review An earnings review may be required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review A prudence review is required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance.
- Sharing One hundred percent of the deferred balance is subject to utility recovery, pending a prudence review.
- Rate Spread/Design The costs are allocated among all Multnomah County customers on an equal percentage of revenue basis.
- Three Percent Test (ORS 757.259(6)) The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259 (8) and (10)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

# **Conclusion**

As the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is valid, Staff recommends the Commission approve PacifiCorp's application.

The Company has reviewed this memo and agrees with its contents.

# **PROPOSED COMMISSION MOTION:**

Approve Pacific Power's request to re-authorize the deferral of revenues and expenses associated with the MCBIT for the 12-month period beginning November 27, 2022.

PAC UM 1983(4) MCBIT Deferral