

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 3, 2020**

REGULAR CONSENT EFFECTIVE DATE January 1, 2020

DATE: October 20, 2020

TO: Public Utility Commission

FROM: John Fox

THROUGH: Bryan Conway and John Crider **SIGNED**

SUBJECT: IDAHO POWER:
(Docket No. UM 2045)
Application for Deferred Accounting of Oregon's Corporate Activity Tax.

STAFF RECOMMENDATION:

Approve Idaho Power Company's (Idaho Power or Company) application for an accounting order authorizing the Company to defer for later ratemaking treatment costs associated with the Oregon Corporate Activity Tax estimated to be \$400,000, for the 12-month period beginning January 1, 2020.

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), initially estimated to be approximately \$400,000 for calendar year 2020.¹

Applicable Rule or Law

Beginning with the date of the Application, 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

¹ Application at 3.

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 2019 Oregon Legislative Assembly approved a new Corporate Activity Tax effective January 1, 2020.

The tax is imposed on the privilege of doing business in Oregon, based on Oregon-sourced commercial activities and is not a transactional tax nor an income tax—it is a modified gross-receipts tax. However, apportionment and tax administration will occur pursuant to existing income tax statutes.

The tax is in addition to any other taxes or fees imposed by the State of Oregon and will be imposed at a rate of \$250 plus 0.57 percent of taxable commercial activity in excess of \$1 million each year. Taxable commercial activity is defined as commercial activity sourced in this state less a subtraction for 35 percent of the greater of “cost inputs” or “labor costs.”²

Ratemaking treatment of the OCAT has been approved or is in the process of approval for the other investor owned utilities (IOU) in Oregon. Staff has recommended approval of deferred accounting in 2020 for the other five IOUs.³

Idaho Power does not currently have a general rate case before the Commission nor has it filed another proposal for ratemaking treatment of the OCAT, such as an automatic adjustment clause.

Description of Expense and Reason for Deferral

The Company states:

Idaho Power requests authorization 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 Commission has approved similar treatment for Idaho

² Oregon Revised Statutes, 2019 edition, 317A.125 and 317A.119

³ PacifiCorp: UM 2036, UE 367, UE 374. Portland General Electric: UM 2037, UE 368. NW Natural: UM 2044, UG 388. Avista Utilities: UM 2042, UG 389. Cascade Natural Gas Corporation: UM 2052, UG 390.

Power's changes in tax expense in Docket No. UM 1928; Order No. 18-199 authorized the deferral of \$1.48 million in benefits associated with the reduction of income tax expense resulting from federal tax reform. 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.⁴

Proposed Accounting

Idaho Power proposes to record amounts that would be subject to deferral in FERC Account 182 – Regulatory Assets. The Company is still evaluating the corresponding entry but anticipates it will be recorded to FERC Account 409 – Current State Income Tax. Absent approval, the corresponding entry for the new OCAT payments would be recorded to FERC Account 131 – Cash.

Estimated Deferral in Authorization Period

Idaho Power estimates the deferred amount to be approximately \$400,000 for calendar year 2020.

Information Related to Future Amortization

- Earnings Review – The Commission reviews earnings 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 approval of this deferral for calendar year 2020 is consistent with the ongoing resolution of the OCAT for other investor owned utilities in Oregon, and that deferral of these amounts will match costs borne by and benefits received by ratepayers.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's application to defer for later rate-making treatment costs associated with the Oregon Corporate Activity Tax, initially estimated to be approximately \$400,000 for calendar year 2020.

⁴ Application at 2.