

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 16, 2024**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A**

DATE: April 4, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Russell Beitzel **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Dockets No. UM 2131(2) and UM 2131(3))
Applications for Reauthorization of Deferral of Costs and Revenues
Associated with the Metro Supportive Housing Services Tax.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) applications requesting reauthorization of a deferred account for costs and revenues associated with the Metro Supportive Housing Services (MSHS) Tax for the 12-month periods beginning on January 1, 2023, ending December 31, 2023, Docket No. UM 2131(2), and January 1, 2024, ending December 31, 2024, Docket No. UM 2131(3), respectively.

DISCUSSION:

Issue

Whether the Commission should approve PGE's applications for deferred accounting related to the Metro Supportive Housing Services (MSHS) Tax for two 12-month periods.

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 757.259(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).

ORS 757.269(1) states:

[T]he Public Utility Commission shall act to balance the interests of the customers of the utility and the utility's investors by setting fair, just and reasonable rates that include amounts for income taxes...[and]...amounts for income taxes included in rates are fair, just and reasonable if the rates include current and deferred income taxes and other related tax items that are based on estimated revenues derived from the regulated operations of the utility.

OAR 860-022-0045 states that, 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

On May 19, 2020, voters in greater Portland approved Metro Measure 26-210 to support housing services for people experiencing homelessness or at risk of experiencing homelessness, which went into effect for tax years beginning on or after January 1, 2021.

A one percent tax is being imposed on net income from businesses within the Portland Metro jurisdiction that have over \$5 million in gross receipts from both within and outside the Portland Metro jurisdiction. PGE has been subject to paying this tax beginning in 2021.

Reason For Deferral

Pursuant to ORS 757.259(2)(e) and for the reasons discussed above, the Company seeks deferred accounting treatment for costs and revenues associated with the imposed MSHS Tax. Granting this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by

customers. The approval of the Application will support the necessary use of an automatic adjustment clause and associated balancing account.

Proposed Accounting

PGE proposes the following MSHS Tax accounting treatment: the balancing account will be recorded in FERC Account 242 (Current Regulatory Liability). MSHS payments (i.e., payments to the taxing authority) will be debited to FERC Account 242 and credited to FERC Account 407.4 (Regulatory Credit). MSHS amortization (i.e., revenues collected from PGE's Metro customers via the MSHS Tax tariff) will be credited to FERC Account 242 and debited to FERC Account 407.4. Interest will accrue on the balance at the approved blended treasury rate.

Estimated Deferrals in Authorization Period

The Company in UM 2131(2) estimates the MSHS Tax amount to defer during 2023 to be approximately \$0.5 million dollars. However, for UM 2131(3), the company estimates the Tax amount to defer during 2024 to be approximately \$1.4 million dollars.

Note: OAR 860-022-0040 and OAR 860-022-0045 pertain to tax recoveries of cities and counties, respectively. While Metro is a unique entity, the tax itself is based on net income rather than a franchise arrangement. In fact, its staff reports associated with the Metro ordinances indicate the Metro Council's intent to adopt an income apportionment method consistent with that used by Multnomah County and the use of the Multnomah County Business Income Tax (MCBIT) as a guide for implementing the MSHS tax.

In Order No. 21-029, the Commission approved PGE's Advice No. 20-48, implementing Schedule 103, used to collect the Metro Supportive Housing Services Tax from customers residing within the Metro jurisdiction. The Commission's Order included an automatic adjustment clause; and also approved the first deferral filing and stated that ongoing annual deferrals will be necessary for this docket.

On November 30, 2021, the Commission approved PGE's Advice No. 21-33, revising the Schedule 103 rate to zero for the collection of the MSHS Tax from customers that reside within the Metro jurisdiction effective for service on or after January 1, 2022. At that time, the Company reported a significant carryforward balance in favor of ratepayers due to tariff collections exceeding the amount of tax due in 2021 and estimated the 2022 tax to be \$446 thousand which is commensurate with this filing.

Information Related to Future Amortization

- Earnings Review – The MSHS Tax deferral will be subject to an automatic adjustment clause rate schedule, where all associated costs and revenues will flow through the established balancing account. Staff supports this deferral not be subject to an earnings review under ORS 757.259, due to the nature of the costs deferred.

- Prudence Review – A prudence review should be performed by the Commission Staff as part of their review of this deferral’s annual reauthorization filings or applications to update Schedule 103.
- Sharing – No sharing mechanism applies to the MSHS tax costs or revenues.
- Rate Spread/Design – The MSHS Tax costs will be charged to customers as a percentage with certain exclusions.
- Three Percent Test (ORS 757.259(6)) – The three percent test would not apply because PGE will not seek amortization of the deferred amounts in a future proceeding.

Conclusion

For the reasons stated above, Staff recommends the Commission approve PGE’s request for reauthorization of a deferred account related to the MSMH Tax for the two 12-month periods beginning on January 1, 2023, ending December 31, 2023, for Docket No. UM 2131(2); and, on January 1, 2024, ending December 31, 2024, for Docket No. UM 2131(3), respectively.

The Company has had the opportunity to review this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve PGE’s application requesting reauthorization for a deferred account for costs and revenues associated with MSHS Tax for the two 12-month periods beginning on January 1, 2023, ending December 31, 2023, for Docket No. UM 2131(2); and January 1, 2024, ending December 31, 2024, for Docket No. UM 2131(3).