



# Oregon

Kate Brown, Governor

## Public Utility Commission

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April 20, 2021



BY EMAIL

PacifiCorp

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RE: Advice No. 21-006

At the public meeting on April 20, 2021, the Commission adopted Staff's recommendation in this matter docketed as ADV 1251. The Staff Report and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser

Chief Administrative Law Judge

Public Utility Commission of Oregon

(503) 378-3098

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 20, 2021**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** April 21, 2021

**DATE:** April 12, 2021

**TO:** Public Utility Commission

**FROM:** John Fox

**THROUGH:** Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

**SUBJECT:** PACIFIC POWER:  
(Docket No. ADV 1251/Advice No. 21-006)  
Schedule 104 - Oregon Corporate Activity Tax Recovery Adjustment

**STAFF RECOMMENDATION:**

Staff recommends the Public Utility Commission of Oregon (Commission) approve Pacific Power's (PacifiCorp, PAC, or Company) Advice No. 21-006, updating its Schedule 104 – Oregon Corporate Activity Tax Recovery Adjustment, for service rendered on and after April 21, 2021.

**DISCUSSION:**

Issue

Whether the Commission should approve PacifiCorp's proposed revision of Schedule 104 - Oregon Corporate Activity Tax Recovery Adjustment – which seeks to recover via an Automatic Adjustment Clause the annual forecast amount of the Oregon Corporate Activity Tax and a true-up of the previous year's over- or under-recovery of tax relative to the Company's actual tax liability.

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.

### Analysis

#### *Background*

In Order No. 20-028, the Commission approved PacifiCorp's application requesting authorization for a deferred account and a new tariff, Schedule 104, implementing a rate schedule, balancing account, and automatic adjustment clause for the Oregon Corporate Activity Tax (OCAT) with the condition that the tariff will terminate and the tax will be included in base rates at a future date to be agreed upon by the parties.<sup>1</sup>

In Order No. 20-473, the Commission denied Staff's proposal to include the OCAT in 2021 base rates in the amount of \$5.2 million, finding that:

[T]he record of this proceeding does not demonstrate that this level of expense is sufficiently certain to include in base rates at this time. Accordingly, we adopt PacifiCorp's request to continue to track and defer the variance between the revenues collected and the actual OCAT expense in the balancing account authorized in Order No. 20-028.<sup>2</sup>

At its April 6, 2021, regular public meeting, the Commission approved PacifiCorp's application requesting reauthorization of deferred accounting for the Oregon Corporate Activity Tax for the 12-month period beginning January 1, 2021.

In its Advice Filing No. 21-006, PacifiCorp states the following:

The purpose of this filing is to update the Oregon Corporate Activity Tax (OCAT) rate for 2021. As of January 31, 2021, PacifiCorp has under-collected its OCAT liability by \$789,001. PacifiCorp estimates a 2021 OCAT liability of \$5,697,416. PacifiCorp proposes to adjust the OCAT rate

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<sup>1</sup> *In re PacifiCorp*, OPUC Docket Nos. UM 2036, UE 367, Order No. 20-028 (Jan. 29, 2020).

<sup>2</sup> *In re PacifiCorp*, OPUC Docket No. UE 374, Order No. 20-473 at 107 (Dec. 18, 2020).

to collect approximately \$6.5 million which would increase the OCAT rate from 0.41 percent to 0.54 percent.

*Analysis*

Specifically, the Company's filing seeks to increase tariff revenues from \$4.954 million to \$6.524 million, a net increase of \$1.57 million.<sup>3</sup> Staff notes that the \$4.954 figure is less than the \$5.2 million estimate underlying the current tariff, which is to be expected because the Company's recent general rate case resulted in an overall decrease in revenues to which the current 0.41 percent rate is applied.

Regarding the under-collected 2020 OCAT liability of \$789 thousand, the Company states that approximately \$500 thousand of this amount is due to an increase in the amount of tax due and \$300 thousand is due to the tariff producing less revenue than expected.<sup>4</sup>

Staff also notes that projected tariff revenue exceeds the sum of the 2021 estimate and the 2020 under-collected amount by \$38 thousand (\$6.524 – 5.697 – 0.789 million). This is due to rounding up the tariff rate to 0.54 percent, which Staff believes is reasonable because both the 2020 and 2021 OCAT amounts are still estimated and the recovery mechanism is designed to defer under- and over-collection for future reflection in rates.

Staff recommends ongoing tracking the various annual estimates and actual expenses.<sup>5</sup> Amounts are summarized in the following table:

Year	Initial Estimate	Revised Estimate
2020	\$ 5,200,000	\$ 5,677,252
2021	\$ 5,403,053	\$ 5,697,416

In Staff's view, the estimates supporting the proposed rate change are reasonable.

To satisfy the requirements of OAR 860-022-0025(2) and OAR 860-022-0030, PacifiCorp provides the following responses:

The proposed change will affect approximately 628,000 customers and result in an overall rate increase of approximately 0.1 percent. A typical residential customer using

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<sup>3</sup> Advice No. 21-006, Attachment A.

<sup>4</sup> Estimates provided via informal inquiry.

<sup>5</sup> 2021 initial estimate of \$5.4 million is per UM 2036(1) filing. Exact amount of \$5,403,053 provided via informal inquiry.

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900 kilowatt-hours per month will see a monthly bill increase of approximately \$0.13 per month as a result of this change.

### Conclusion

For the reasons stated above, Staff recommends the Commission approve PacifiCorp's proposed revision of Schedule 104 – Oregon Corporate Activity Tax Recovery Adjustment.

### **PROPOSED COMMISSION MOTION:**

Approve PacifiCorp's Advice No. 21-006, updating its Schedule 104 – Oregon Corporate Activity Tax Recovery Adjustment, for service rendered on and after April 21, 2021.

**OREGON CORPORATE ACTIVITY TAX  
RECOVERY ADJUSTMENT**

**Purpose**

To recover from Consumers in the State of Oregon the Oregon Corporate Activity Tax (OCAT) paid by the Company in accordance with HB 3427-A.

**Applicable**

To all bills for all Consumers whose electric service requirements are supplied by the Company in the State of Oregon.

**Balancing Account**

A balancing account will be maintained to accrue any difference between the Company's actual OCAT expense and the amount collected from Consumers through this adjustment rate. Any over- or under-collection of the OCAT expense will be considered when the OCAT Rate is periodically reviewed.

**Oregon Corporate Activity Tax Recovery Adjustment Rate**

The adjustment rate is:

0.54% of the total billed amount to the Consumer excluding the Low Income Bill Payment Assistance Fund (Schedule 91), the Adjustment Associated with the Pacific Northwest Power Planning and Conservation Act (Schedule 98), the Public Purpose Charge (Schedule 290), the Energy Conservation Charge (Schedule 297) and separately stated state and local taxes. (l)

The adjustment rate will be reviewed periodically and updated as necessary to collect the expected OCAT expense and to correct any over- or under-collection in the OCAT balancing account.