

ORDER NO. 24-440

ENTERED Dec 10 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 431

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Sale of Utility Property.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 10, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Alison Lackey

Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA13

**PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: December 10, 2024**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** December 11, 2024

DATE: November 19, 2024

TO: Public Utility Commission

FROM: Itayi Chipanera

THROUGH: Caroline Moore, Scott Gibbens, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UP 431)
Application Regarding the Sale of Investment Tax Credits.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) proposal to sell Investment Tax Credits (ITC) generated in 2024 and return the net proceeds from the sale to PGE customers in a way aligned with the outcome of PGE's pending general rate case, UE 435.

DISCUSSION:

Issue

Whether the Commission should approve PGE's application, seeking approval to sell ITCs.

Applicable Rule or Law

ORS 757.480 requires public utilities doing business in Oregon to seek prior approval from the Commission before selling or disposing utility property whose value exceed \$1 million.

OAR 860-027-0025 sets forth the information required to support an application seeking approval for the sale, or disposal of utility property.

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OAR 860-027-0025(1)(I) requires that the applicant show that the proposed transaction is consistent with the public interest.

Analysis

The Inflation Reduction Act of 2022 added standalone energy storage facilities linked to renewable energy to the list of renewable energy facilities that are eligible for investment tax credits. Investment tax credits are generated upon the completion of a qualifying project and serve to reduce the federal income tax obligations of the holder. PGE forecasts to generate \$66 million¹ in 2024 of ITCs from the completion of two energy storage systems. Furthermore, the IRA introduced Internal Revenue Code Section 6418, which grants ITC holders the option to transfer tax credits accrued after the year 2022.

Due to the limitation that holders of ITCs can offset only 75 percent of their federal tax liabilities using tax credits, any tax credits that surpass this threshold are carried forward and recorded on a company's balance sheet as Deferred Tax Assets (DTAs). This would apply to PGE's 2024 Investment Tax Credits (ITCs) if they were not otherwise utilized and would remain in rate base until they can be utilized or removed from the balance sheet.

The sale of ITCs eliminates them from adding to PGE's rate base and enables the company to return the net value of the sale proceeds to its customers and ease the current upward pressure on rates. The method by which this value will be distributed to customers is being evaluated in PGE's ongoing general rate case. At the time this memo was prepared, the Commission had not yet released an Order concerning PGE's general rate case. Staff assumes the Commission's resolution of PGE's rate case will be complete before or immediately after the effective date requested by the Company in this proceeding.

PGE has chosen the most competitive offer from three prospective purchasers, and the discussions are nearing completion. The prospective buyer, **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]**. At the proposed price, the net proceeds to be received from the sale will be **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]**. Additionally, PGE will deduct another estimated **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]** from the sale proceeds to cover transaction expenses and therefore the net value available for return to customers on the day the transaction closes is

¹ The Company provided a revised forecast in a data response to Staff, forecast in initial application was \$75 million.

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estimated to be [BEGIN CONFIDENTIAL] [REDACTED] [END
CONFIDENTIAL] of the original value of credits generated.

Conclusion

As a sale of property, the standard of review is to ensure the property sale meets a no-harm test. The proposed sale of investment tax credits is consistent with public interest, and meets the no-harm standard, as it saves customers money by escalating tax credit use rather than deferring them to accumulate in a tax deferred asset account while customers pay a return on the Company's higher rate base.

The Company has reviewed a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve PGE's request to sell 2024 Investment Tax Credits as proposed and conditional on PGE handling the return of the net proceeds in a manner that is consistent with the outcome of UE 435, with an effective date no later than December 11, 2024.

PGE UP 431 ITC Sale