ORDER NO. 26-346

ENTERED Sep 15 2026

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1991(7)

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application for Reauthorization to Defer Benefits or Costs Associated with Research and Development.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 15, 2026, 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. CA8

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 15, 2026

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** __________N/A__________

DATE: May 20, 2026

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Scott Gibbens and Michelle Scala **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1991(7))
Deferral of net benefits or costs associated with Research and Development Tax Credits.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric Company's (PGE or Company) application to defer costs and benefits associated with PGE's Research and Development (R&D) Income Tax Credit, one for the 12-month period beginning December 18, 2025.

DISCUSSION:

Issue

Whether the Commission should authorize PGE's request to defer the benefits (Deferred Amount) associated with PGE's actual research and development income tax credits (R&D tax credits) and the costs of a consultant to perform the studies to determine the proposed R&D tax credits to claim on PGE's income tax returns.

Applicable Law

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates upon a finding that amounts should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers, the Commission may authorize deferred accounting treatment with interest of utility expenses and revenues. OAR 860-027-0300 generally sets forth the Commission's application requirements for deferrals and amortization of deferred amounts. In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include an explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6). 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.

The Commission's final determination on deferred amounts 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

Commission Order No. 18-464 (Docket No. UE 335) adopted the third partial stipulation dated September 6, 2018, which outlined that PGE will engage a consultant to assess the qualifications of PGE's costs for R&D tax credits. The stipulation also indicated that any net benefits resulting from this study would be returned to customers, while any net costs would be shared equally between PGE's customers and shareholders. The R&D tax credit serves as a federal income tax incentive for conducting qualified research in the U.S. aimed at developing new or enhanced products, processes, or software.

The R&D tax credit is calculated as a percentage of qualified expenses as defined under §41 of the Internal Revenue Code and by ORS 317.152. The R&D tax credit must be utilized prior to production tax credits (PTCs), meaning that the application of R&D tax credits may postpone the use of PTCs, potentially affecting PGE's capacity to reduce its PTC carryforward balance.

Note: In Staff's report in AR 677 on May 19, 2026, and supported by the Commission's Phase 1 comments in AR 676 at the July 7, 2026 Special Public Meeting, Staff will look for opportunities to streamline or consolidate existing adjustment schedules into base rates when feasible.

The incorporation of existing deferrals into base rates would reduce year-to-year filings, improve transparency, and support the multi-year rate plan (MRP) goal of incorporating a broader set of costs within the multi-year framework.

Staff encourages the Company and stakeholders to continue to evaluate the reasonableness of moving this and other deferrals into base rates in preparation for the move to multi-year ratemaking. However, Staff believes that approval of this deferral is

reasonable until such a time that the Commission determines to consolidate the costs at issue into base rates in a general or multi-year rate proceeding.

Description of Utility Expense
Expense are associated with PGE's actual R&D tax credits and the costs of a consultant to perform the studies to determine the proposed R&D tax credits to claim on PGE's income tax returns.

Reasons for Deferral
In accordance with ORS 757.259(2)(e) and the aforementioned reasons, PGE requests to maintain the deferred accounting treatment for the net benefits and/or costs linked to the 2025 vintage of R&D tax credits.

To ascertain the R&D tax credit for each vintage, PGE anticipates incurring expenses for a consultant who will assist in calculating the eligible amount of R&D tax credit to be claimed. The consultant will conduct an initial scoping study to identify the qualified research expenses for 2025 and estimate the corresponding tax credit.

Proposed Accounting
The Company proposes to continue to use two separate accounts for the applicable vintage. If the Deferred Amount is a credit (refund), PGE proposes to record it as a regulatory liability in FERC Account, 254 Other Regulatory Liability, with a debit to FERC Accounts 410.1 Provision for deferred income taxes, utility operating income and 190 Accumulated deferred income taxes. If the deferred amount is a debit (collection), PGE proposes to record it as a regulatory asset in FERC Account 182.3, Other Regulatory Assets, with a credit to FERC Account 407.4, Regulatory credits.

Estimate of Amounts
The cost and benefits of the vintage for tax years 2026 will not be determined until studies are completed for each of the tax years.

Nevertheless, in the company's response to OPUC Staff's NONC IR No. 08, the Company listed its projects or studies, which would entail an expenditure of approximately 1.5 million for 2026.

Table 1 ,below, lists the current vintages, the R&D tax credits, the adjustments to derive the net benefit available for customer refund, and the expected refund by year.

Table 1
R&D Tax Credit Vintages

($ in millions)	Tax Years	A R&D Tax Credits	B Reserve for Uncertain Tax Position	C Study Cost	D=A+B+C Net Amount Available for Refund or Collection	Net Benefit Refund Year	Final Refund / Collection Amount[1]	Final Refund / Collection Year[1]
Vintage 1	2016-2017-2018	$5.34	($1.45)	($0.36)	$3.54	2021	TBD	TBD
Vintage 2	2019	$0.27	$0	($0.01)	$0.26	2021	TBD	TBD
Vintage 3	2020	$1.55	($0.51)	($0.08)	$0.96	2022	TBD	TBD
Vintage 4	2021	$0.07	$0	($0.01)	$0.06	2023	TBD	TBD
Vintage 5	2022	$2.00	($0.72)	($0.13)	$1.16	2024	TBD	TBD
Vintage 6	2023	$1.83	($0.73)	($0.19)	$0.91	2025	TBD	TBD
Vintage 7	2024	$1.24	($0.50)	($0.14)	$0.6	2026	TBD	TBD
Vintage 8	2025	TBD	TBD	TBD	TBD	2027	TBD	TBD

1) Post IRS audit or expiration of statute of limitations.

Information Related to Future Amortization

- Earnings Review - The Deferred Amounts of the R&D tax credits are subject to an automatic adjustment clause rate schedule and are not subject to an earnings review under ORS 757.259.

- Prudence Review - A prudence review should be performed by the Commission Staff as part of the amortization and final adjustment filings.

- Share Percentages - All prudently incurred costs and benefits will be collected from or refunded to customers based on the following:
  - PGE's customers will receive a refund of 100 percent of the Deferred Amount, when it is a net benefit.
  - PGE's customers will receive a charge of 50 percent of the Deferred Amount when it is a net cost.

- Rate Spread/Rate Design - Any Deferred Amount will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of revenues.

- Three Percent Test (ORS 757.259) (6) - The amortization of the Deferred Amounts for each vintage associated with the R&D tax credits will be subject to the three percent test in accordance with the ORS 757.259(7) and (8), which limits 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

Staff concludes that reauthorization of the deferral of costs and benefits for R&D tax credits complies with the requirements of ORS 757.259 and OAR 860-027-0300.

Staff also agrees that the yearly amortization of net tax credits is appropriately accomplished through continued use of an automatic adjustment clause mechanism.

The Company has reviewed this memo and has stated no objection.

PROPOSED COMMISSION MOTION:

Approve PGE's applications for reauthorization to defer costs and benefits associated with PGE's R&D Income Tax Credits for the 12-month period beginning December 18, 2025.