

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2012**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2013

DATE: December 11, 2012

TO: Public Utility Commission

FROM: Geoffrey Moore

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman

SUBJECT: PACIFIC POWER: (Advice No. 12-018) Revises Schedule 103, Multnomah County Business Tax (MCBIT) Recovery.

STAFF RECOMMENDATION:

Staff recommends that Pacific Power's Advice No. 12-018 be approved.

DISCUSSION:

PacifiCorp (Pacific or Company) made this filing to revise Schedule 103, Multnomah County Business Income Tax Recovery.

The Multnomah County Business Income Tax (MCBIT) Recovery, Schedule 103, recovers the Company's MCBIT expenses from Multnomah County customers. Under OAR 860-022-0045, 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. Schedule 103 applies to all customer classes receiving service within Multnomah County, Oregon. The purpose of this filing is to update the MCBIT Rate to reflect actual and estimated collections and expenditures through 2013.

The Company determines the MCBIT Rate by forecasting their expected MCBIT tax liability for the next calendar year and adding this forecasted amount to the expected over- or under-collection of the prior year MCBIT taxes. This total amount is then divided by the forecasted revenues for Multnomah County to determine the final MCBIT Rate. The Company maintains a balancing account to accrue any difference between the Company's actual MCBIT expenses and what is collected from customers. The

Company will update the MCBIT Rate to reflect either a credit (over-collection) or charge (under-collection) to Multnomah County customers via periodic filings.

The proposed MCBIT rate in the filing includes actual adjustments for 2012 and forecasted MCBIT collections for 2013. The Company's MCBIT balancing account has a credit balance (owing to customers) of \$21,136 due to the use of bonus depreciation to decrease taxable income between 2010 and 2012.

The result of this filing is a charge to Multnomah County customers of approximately \$299,224 (\$320,360 estimated 2013 tax liability less \$21,136 balancing account credit).¹ The Company proposes to collect this amount from Multnomah County customers through a MCBIT Rate of 0.16 percent (\$299,224 tax liability divided by \$183,245,999 estimated 2013 Multnomah County revenues), effective beginning January 1, 2013. Over- or under-collected expenses will accrue in a balancing account for later consideration during the next periodic MCBIT Rate revision.

The previous MCBIT Rate revision resulted in a MCBIT Rate of negative 0.19 percent effective on May 23, 2012. The increase in the MCBIT Rate is due to the past cancellation of the MCBIT Adjustment Rate, which caused refunds of previously over-collected MCBIT taxes from 2010 and 2011, and the decrease in availability of bonus depreciation to the Company in 2013.

The update to Schedule 103 results in a net rate increase of approximately 0.35 percent for Multnomah County customers only.² The average Multnomah County residential customer using 950 kWh per month will see an increase of approximately 34 cents per month as a result of this change.

STAFF'S ANALYSIS:

During Staff's review of this filing, Staff noticed that the Company does not apply interest to the balancing account amortization. Staff noted that this is inconsistent with the other two investor-owned utilities that are subject to the MCBIT. Generally, Staff would recommend that utility tariffs be consistent across the utility companies, however, due to the relatively small balance in the Company's 2012 MCBIT balancing account, Staff recommends the Commission approve the Company's filing without the application of interest. However, Staff recommends PacifiCorp actively monitor the account to ensure rates are set so that the average balancing account value remains small. If large

¹ The 2013 MCBIT tax liability of \$320,360 is computed by multiplying the Company's Multnomah County taxable income (\$22,093,783) by the MCBIT tax rate (1.45 percent).

² 0.16 percent (2013 rate) minus negative 0.19 percent (2012 rate) equals rate increase of 0.35 percent.

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balances occur, Staff will likely revisit its recommendation of not opposing PacifiCorp's policy to not accrue interest to this balancing account.

PROPOSED COMMISSION MOTION:

Pacific Power's Advice No. 12-018 be approved.