

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE INVESTIGATION ) CASE NO. GNR-U-18-01**  
**INTO THE IMPACT OF FEDERAL TAX )**  
**CODE REVISIONS ON UTILITY COSTS AND )**  
**RATEMAKING ) ORDER NO. 34072**  
**) (ROCKY MOUNTAIN POWER)**  
**)**

---

On May 11, 2018, Rocky Mountain Power, a division of PacifiCorp (the “Company”) filed a settlement Stipulation (the “Settlement Stipulation”) signed by the Company, Commission Staff, and intervenors Idaho Irrigation Pumpers Association, Inc., PacifiCorp Idaho Industrial Customers, and Monsanto Company (the sole intervenors in this multi-utility case as it relates to the Company). If approved, the Settlement Stipulation would set up a two-stage process by which the Company would return to customers 100% of the tax benefits the Company has realized under new tax laws that decreased the Company’s corporate tax rate and expenses.

Having reviewed the record, the Commission finds the Settlement Stipulation is just, fair, and reasonable. The Commission thus approves it in the public interest as discussed below.

**BACKGROUND**

The federal Tax Cuts and Jobs Act of 2017 (the “TCJA”) decreased the federal corporate tax rate from 35% to 21%, effective January 1, 2018. After the TCJA passed, the Governor of Idaho signed House Bill 463 reducing the Idaho State Corporate Income Tax rate from 7.4% to 6.925%. The tax rate reduction materially decreased the current and deferred tax expense included in customers’ rates.

The Commission opened this multi-utility case to investigate whether to adjust the rates of certain utilities that benefit from the reduced tax rates. *See* Order No. 33965. The Commission directed all affected utilities—including the Company—to immediately account for the tax benefits as a regulatory liability. The utilities also were to report on how the tax changes affected them, and how they could pass any resulting benefits to customers. *See id.* at 1-2.

The Company filed its report, which the Company styled as an “Application,” on March 30, 2018 (the Company’s “Report”). In it, the Company estimated how the new tax laws would impact its revenue requirement, using the December 31, 2016 normalized Results of Operations. The Company asked to return part of the tax benefits to customers through a \$2.8 million (about 1%) decrease to retail rates, effective June 1, 2018. The Company also asked to create a deferred

regulatory liability for incremental income tax benefits. *See* Report at 1 and 6. On April 30, 2018, the Company updated its Report with normalized 2017 Results of Operations. *See* Settlement Stipulation at 2.

The Company, Commission Staff, and the Industrial Customers of Idaho Power (collectively, the “Parties”) subsequently conducted settlement discussions and filed the Settlement Stipulation now under consideration. *Id.*

The Commission issued a Notice of Settlement Stipulation setting deadlines for interested persons to comment on the Settlement Stipulation. *See* Order No. 34064. Commission Staff filed the only comments, and recommended that the Commission approve the Settlement Stipulation in the public interest. *See* Comments of the Commission Staff in Support of Settlement Stipulation Re: Rocky Mountain Power (“Staff Comments”).

The Settlement Stipulation and the Staff’s Comments are summarized below.

#### **THE SETTLEMENT STIPULATION AND COMMENTS**

The Parties believe the Settlement Stipulation is fair, just, and reasonable, and that the Commission should approve it in the public interest. *See* Settlement Stipulation at 1; Staff Comments at 1-2. The Settlement Stipulation provides, in summary:

1. If the Company's costs and ratemaking expenses decrease, then the Company will defer associated net savings effective January 1, 2018, and return all benefits to customers. *See* Stipulation at 3.

- a. Effective June 1, 2018, Idaho retail revenues will decrease by \$8.385 million (about 3%). The decrease consists of \$6.185 million in current federal and state income tax savings to be returned to customers through new Electric Service Schedule No. 197, and a \$2.2 million reduction to Electric Service Schedule No. 94 - Energy Cost Adjustment rate. *Id.*
- b. The Commission’s 2017 Energy Cost Adjustment Mechanism (“ECAM”) order authorized the Company to amortize the 2013 depreciation regulatory asset by \$4 million per year (35% of the annual \$11.5 million ECAM recovery). *See* Order No. 33776. On May 31, 2017, the 2013 depreciation regulatory asset account had a \$5.7 million balance, with an extra \$1.8 million in incremental depreciation to be deferred each year. On May 31, 2018, the 2013 regulatory asset balance will be about \$3.5 million. The Company will offset this amount

with \$3.5 million of Idaho's allocation of deferred tax savings, which will decrease the annual ECAM rate by \$2.2 million. Additionally, the final Schedule 94 ECAM rate will collect \$1.8 million more than the approved 2017 ECAM deferral to continue offsetting the \$1.8 million incremental depreciation deferral. *See* Stipulation at 3-4.

2. The Company will record any under or over-allocation of the benefits as a regulatory liability or asset, and will continue to defer any difference until base rates are reset through a general rate case. *Id.* at 4.

3. On June 15, 2018, the Company will file a final report on the Company's net savings under the new tax laws. The final report will: (1) include the calculation of excess deferred federal income taxes associated with both protected and unprotected deferred tax balances; and (2) reconcile the accounting for the benefits from the new tax laws, including a true-up of any under or over-allocation of the customer credits described above. *Id.* at 4.

4. Once the Company files its final report on June 15, 2018, the Parties will initiate a second phase in this proceeding as it relates to Rocky Mountain Power. In this Phase II, the Parties will review the remaining deferred balances, after accounting for the stipulated rate decrease, and propose ratemaking treatment for them. The normalization of tax savings subject to the average rate assumption method ("ARAM") will be identified as required by tax normalization provisions under the tax laws. The ratemaking treatment of deferred tax savings not subject to ARAM will be specifically determined in Phase II. *Id.*

5. The Company will continue deferring the balance of the tax-related regulatory account, including any balance after Phase II, until the Commission determines its regulatory treatment and no later than in the next general rate case. During Phase II, the Parties will identify how the Company will report and describe the remaining deferral balances on June 15 each year until all tax benefits are included in Commission-approved rates. The Company will return all balances to customers through Schedule 197 as reductions or offsets for rate stabilization purposes in the ECAM. *Id.* at 4-5.

6. The Company will create a new Electric Service Schedule No. 197 – Federal Tax Act Adjustment, to decrease customer rates. This schedule would appear as a separate line item on customers' bills until the next general rate case. Of the \$8.385 million decrease, the Company

would return \$6.185 million to customers on Schedule No. 197 and \$2.2 million to customers through Schedule No. 94 – Energy Cost Adjustment. *Id.* at 5.

7. The Company will allocate \$6.185 million to customer classes using the cost of service F101 – Rate Base factor. The Company will allocate the rate reduction to all retail tariff customers based on the rate base allocation to each customer class from the Company's cost of service study as filed in Case No. PAC-E-11-12. *Id.*

8. The Company will base its per kilowatt-hour energy price for Schedule No. 197 on the same kilowatt-hour volumes by class that it used in its annual ECAM filing. To determine these rates, the Company will calculate the price for each rate schedule by dividing the \$6.185 million by the corresponding annual energy for each rate schedule. *Id.* at 5-6.

9. To avoid affecting demand-side management programs, the Company will apply Schedule No. 191, Customer Efficiency Services Rate Adjustment, to customers' bills before applying the proposed Schedule No. 197 sur-credit. *Id.* at 6.

#### **DISCUSSION AND FINDINGS**

The Commission considers settlement stipulations under Rules 271-277. IDAPA 31.01.01.271-277. When a settlement is presented to the Commission, the Commission will prescribe the procedures appropriate to the nature of the settlement to consider it. IDAPA 31.01.01.274. Further, proponents of a settlement must show that the settlement is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. IDAPA 31.01.01.275. Finally, the Commission is not bound by settlement agreements. Instead, the Commission “will independently review any settlement proposed to it to determine whether the settlement is just, fair and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.” IDAPA 31.01.01.276.

We have reviewed the record, including the Company's initial Report, the Settlement Stipulation, and Staff's Comments. We note all Parties have signed the Settlement Stipulation and support it, and that no one opposes it. Further, the settling Parties represent that the Settlement Stipulation reasonably resolves the case and that it is in the public interest for the Commission to approve it. We agree.

The Settlement Stipulation would, over time, reasonably return to customers 100% of the financial benefit the Company realized under the tax law changes. First, the Settlement Stipulation will decrease the Company's retail revenues by \$8.385 million (about 3%) starting June 1, 2018.

This decrease will consist of: (1) a \$6.185 million retail credit through new Electric Service Schedule 197, which would be allocated to customer classes using the cost of service F101 – Rate Base factor from the Company’s last general rate case (Case No. PAC-E-11-12), and remain in place until incorporated in base rates in the Company’s next general rate case. The Company filed a Schedule 197, reflecting these changes, on May 30, 2018; and (2) a \$2.2 million decrease to amounts that customers otherwise would pay through the ECAM under a revised Electric Service Schedule No. 94 — Energy Cost Adjustment. The Company filed a revised Schedule 94, reflecting this change, on May 25, 2018 in Case No. PAC-E-18-01. Further, any remaining tax-related benefits will be quantified, and a method to return those amounts to customers will be determined in Phase II of this case as it relates to the Company. Accordingly, based on the record before us, and to aid “in securing a just, speedy and economical determination of the issues presented to the Commission,” we find it reasonable and appropriate to approve the Settlement Stipulation—including the proposed tariff schedules included as Settlement Stipulation Attachment 2—in the public interest. IDAPA 31.01.01.273.

**ORDER**

IT IS HEREBY ORDERED that the Company’s Motion is granted, and the associated Settlement Stipulation is approved. Company Tariff Schedule Nos. 94 and 197, as referenced in our Findings and Discussion above, are approved as filed.

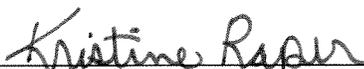
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

////

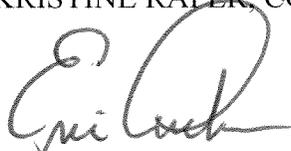
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *31st*  
day of May 2018.



\_\_\_\_\_  
PAUL KJELLANDER, PRESIDENT



\_\_\_\_\_  
KRISTINE RAPER, COMMISSIONER



\_\_\_\_\_  
ERIC ANDERSON, COMMISSIONER

ATTEST:



\_\_\_\_\_  
Diane M. Hanian  
Commission Secretary

GNRU1801\_PAC\_Settlement Order\_kk