

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) NOTICE OF SETTLEMENT
RATEMAKING) STIPULATION (PACIFICORP)
)
) **NOTICE OF MODIFIED**
) **PROCEDURE**
)
) **ORDER NO. 34064**
)

On May 11, 2018, Rocky Mountain Power, a division of PacifiCorp (the “Company”) filed a settlement Stipulation (the “Settlement Stipulation”). The Settlement Stipulation is signed by the Company, the Staff of the Idaho Public Utilities Commission, and intervenors Idaho Irrigation Pumpers Association Inc., PacifiCorp Idaho Industrial Customers, and Monsanto Company. If approved, the Settlement Stipulation would return to customers 100% of the tax benefits the Company realizes under changes in tax law that decreased the Company’s corporate tax rate and expenses.

With this Order, the Commission provides notice of the Settlement Stipulation and that the matter will be processed by Modified Procedure, with deadlines to submit comments about the Settlement Stipulation as set below.

BACKGROUND

The federal Tax Cuts and Jobs Act of 2017 (the “Tax Reform Act”) decreased the federal corporate tax rate from 35% to 21%, effective January 1, 2018. In response, the Commission opened this multi-utility case to investigate whether to adjust the rates of certain utilities so that the benefits from the reduced tax rate can flow through to customers. *See* Order No. 33965. The Commission directed all affected utilities—including the Company—to immediately account for the tax benefits as a regulatory liability, and to report on how the tax changes affected them, and how resulting benefits could be passed on to customers. *See id.* at 1-2. The Company filed its report, which the Company styled as an application, on March 30, 2018.

NOTICE OF SETTLEMENT STIPULATION

YOU ARE HEREBY NOTIFIED that the Settlement Stipulation is available for public review as described below. The Settlement Stipulation, if approved, would return to customers the tax benefits the Company has realized under the Tax Reform Act. 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.

a. Effective June 1, 2018, Idaho retail revenues will decrease by \$8.385 million (about 3.0%). The decrease consists of a \$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.

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.

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

3. On June 15, 2018, the Company will file a final report on the Tax Reform Act's net savings. 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 Tax Reform Act, including a true-up of any under or over-allocation of the customer credits described above.

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 in the Tax Reform Act. The ratemaking treatment of deferred tax savings not subject to ARAM will be specifically determined in Phase II.

5. The Company will continue deferring the balance of the Tax Reform Act regulatory account, including any balance after Phase II, until the Commission determines its regulatory treatment and no later than in 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.

6. The Company will create a new Electric Service Schedule No. 197 – Federal Tax Act Adjustment, to pass a rate reduction associated with the Tax Reform Act back to customers. This schedule will be billed under a separate line item on customers' bills until the next general rate case. Of the \$8.385 million decrease, \$6.185 million will be returned to customers on Schedule No. 197 and \$2.2 million will be returned through a reduction to Schedule No. 94 – Energy Cost Adjustment.

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.

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.

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.

YOU ARE FURTHER NOTIFIED that this docket, the Settlement Stipulation, and any supporting workpapers, testimony, and exhibits are available for public inspection during regular business hours at the Commission offices. They also may be viewed on the Commission's website at www.puc.idaho.gov by clicking on "File Room" and then "Multi-Utility Cases" and going to the case number referenced in the above caption.

YOU ARE FURTHER NOTIFIED that the Commission is not bound by the parties' agreement as reflected in the Settlement Stipulation. The Commission will independently review the Settlement Stipulation consistent with Commission Rules 271-280, IDAPA 31.01.01.271-280, to decide whether to approve or reject it, or state conditions under which to accept it. The proposed settlement's proponents ultimately bear the burden to prove that it is just, fair, and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter, and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201-204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that the parties, and any person desiring to state a position on this Settlement Stipulation, may file a written comment about the Settlement Stipulation with the Commission **no later than May 22, 2018**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Settlement Stipulation may be mailed to the Commission and the Company at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

Yvonne R. Hogle
Assistant General Counsel
Rocky Mountain Power
1407 West North Temple, Suite 320
Salt Lake City, Utah 84116
e-mail: yvonne.hogle@pacificorp.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page at www.puc.idaho.gov. Click the "Case Comment or Question Form" under the "Consumers" tab, and complete the form using the case number on the front of this document. These comments must also be sent to the Company at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the parties may file reply comments **no later than May 24, 2018**.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

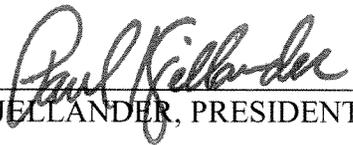
YOU ARE FURTHER NOTIFIED that all proceedings in this case will be conducted pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code, and the Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

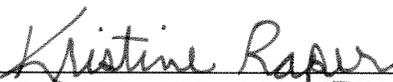
ORDER

IT IS HEREBY ORDERED that the Settlement Stipulation be processed under Modified Procedure, Rules 201-204 (IDAPA 31.01.01.201-.204). The parties and any interested persons shall have until May 22, 2018 to file written comments. The parties shall have until May 24, 2018 to file reply comments, if any.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *10th*
day of May 2018.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary
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