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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE
INVESTIGATION INTO THE IMPACT OF
FEDERAL TAX CODE REVISIONS ON
UTILITY COSTS AND RATEMAKING**

**CASE NO. GNR-U-18-01

STIPULATION**

This stipulation (“Stipulation”) is entered into by and among Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or “the Company”) and the Staff of the Idaho Public Utilities Commission (“Staff”), the Idaho Irrigation Pumpers Association Inc. (“IIPA”), PacifiCorp Idaho Industrial Customers (“PIIC”) and Monsanto Company (“Monsanto”). The Stipulation refers to the Company, Staff, IIPA, PIIC and Monsanto individually as a “Party,” and collectively, as the “Parties.”

I. INTRODUCTION

1. The terms and conditions of this Stipulation are set forth below. The Parties agree that this Stipulation represents a fair, just and reasonable compromise of all issues raised in this proceeding, and that this Stipulation is in the public interest. The Parties, therefore, recommend that the Idaho Public Utilities Commission (“Commission”) approve the Stipulation and all of its terms and conditions. *See* IDAPA 31.01.01.271, 272, and 274.

II. BACKGROUND

2. On or about December 22, 2017, Congress enacted “an act to provide for

reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018” (the “Tax Reform Act”) effective January 1, 2018. On January 17, 2018, the Commission opened an investigation¹ into the impact of the Tax Reform Act on utilities' costs and ratemaking, noting that a main feature of the Tax Reform Act was to reduce the federal corporate tax rate from 35 to 21 percent which could have a material decrease to many utilities' current tax expenses.

3. The Order directed utilities whose tax expense is lowered from the reduced federal corporate income tax rate, to recalculate their revenue requirement and make customers' rates subject to refund to allow the benefits from the tax rate decrease to flow to their customers.

4. On March 30, 2018, in compliance with Order No. 33965, the Company filed an estimate of the revenue requirement impact of the Tax Reform Act using the December 31, 2016, normalized Results of Operations filed with the Commission. These results were updated based on a 21 percent federal income tax rate and compared to the results with the 35 percent tax rate.

5. On April 30, 2018, the Company filed its December 31, 2017, normalized Results of Operations with the Commission. Based on these results the Company will provide the final revenue requirement impacts and a calculation of the other estimated impacts on June 15, 2018.

6. With the intent of resolving the issues raised in the Company's application filed in this proceeding on March 30, 2018, the Parties met on April 30, 2018, pursuant to IDAPA 31.01.01.271 and 272, for settlement discussions. Based upon the settlement discussions among the Parties, as a compromise of the positions in this proceeding, and for other consideration as set forth below, the Parties stipulate and agree as follows, subject to Commission approval of the terms and conditions of this Stipulation.

¹ Case No. GNR-U-18-01 Order No. 33965.

III. TERMS OF THE STIPULATION

7. The Parties agree that, to the extent the federal tax code revisions from the Tax Reform Act decrease the Company's costs and ratemaking expenses, the net savings associated with the Tax Reform Act will be deferred effective January 1, 2018, and all benefits will be returned to customers.

8. The Parties agree that, effective June 1, 2018, Idaho retail revenues will decrease overall by \$8.385 million (approximately 3.0 percent) through the two components described in Paragraphs 9-12 below.

9. The Parties agree that \$6.185 million of the decrease reflects the current federal and state income tax savings, as shown in the Revenue Requirement Impact table in the Application, and will be returned to customers through a new adjustment rate schedule, Electric Service Schedule No. 197, described in Paragraphs 16-19. The remaining \$2.2 million will be a reduction to Electric Service Schedule No. 94 - Energy Cost Adjustment rate.

10. In Order No. 33776 issued in the Company's 2017 energy cost adjustment mechanism ("ECAM") application, the Commission authorized the Company to begin amortization of the 2013 depreciation regulatory asset by an annual amount of \$4 million or 35 percent of the total \$11.5 million annual ECAM recovery. As of May 31, 2017, the balance was approximately \$5.7 million with an annual incremental deferral of approximately \$1.8 million. The balance as of May 31, 2018, is estimated to be approximately \$3.5 million.

11. The Parties agree that approximately \$3.5 million of Idaho's allocation of tax savings deferred from January 1, 2018, through May 31, 2018, will be used to offset the ending balance of the 2013 depreciation regulatory asset as of May 31, 2018.

12. The Parties agree that by using the deferred benefits from January through May 2018 to offset the depreciation regulatory asset, the annual ECAM rate will be reduced by \$2.2 million and that the final Schedule 94 rate will be designed to collect an additional \$1.8 million above the approved 2017 ECAM deferral to continue to offset the incremental 2013 depreciation deferral.

13. The Parties agree that any under or over allocation of the ongoing benefits will be recorded to a Tax Reform Act regulatory liability or asset. The Company will continue to defer any difference until base rates are reset through a general rate case.

14. The Parties agree that on June 15, 2018, the Company will provide a final report of the Tax Reform Act's net savings, including the calculation of excess deferred federal income taxes associated with both protected and unprotected deferred tax balances. The Company's filing will provide a reconciliation of 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 in paragraphs 9 and 10. In Phase II of this proceeding Parties will have the opportunity to review the balances that remain after accounting for the reduction to rates proposed in this Stipulation, as well as propose ratemaking treatment for the remaining deferred balances. The normalization of tax savings that will be 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 all deferred tax savings (those that are subject to ARAM, as well as those that are not subject to ARAM) will be specifically determined in Phase II. Phase II of this proceeding will be initiated following the Company's June 15, 2018 filing.

15. The Parties agree that the Company will continue to defer the balance of the Tax Reform Act regulatory account described in paragraph 14, including any balance after Phase II,

until the regulatory treatment is determined by the Commission but 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 of each year until all tax benefits are included in rates as approved by the Commission. All balances will be returned to customers through Schedule 197, as reductions or as offsets for rate stabilization purposes in the ECAM.

IV. RATE DESIGN

16. The Parties agree to 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 reduction, \$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.

17. The Parties agree that the \$6.185 million will be allocated to customer classes using the cost of service F101 – Rate Base factor. The rate reduction will be allocated to all retail tariff customers taking service under the Company's electric service schedules 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. This allocation is consistent with how federal income tax expense is allocated to customer classes on each class's share of rate base in the Company's class cost of service study. Page 1 of Attachment No. 1 shows the proposed rate spread for Electric Service Schedule No. 197.

18. The Parties agree to a per kilowatt-hour energy price for Schedule No. 197 based upon the same kilowatt hour volumes by class that are used in the Company's annual ECAM filing. To determine these rates, the price for each rate schedule will be calculated by dividing the

\$6.185 million by the corresponding annual energy for each rate schedule.

19. To avoid impacting demand-side management programs, the Parties agree that Schedule No. 191, Customer Efficiency Services Rate Adjustment, will be applied to customers' bills prior to applying the proposed Schedule No. 197 sur-credit.

V. GENERAL PROVISIONS

20. The Parties agree that this Stipulation represents a compromise of their positions on all issues in this proceeding. All negotiations relating to this Stipulation will not be admissible as evidence in this or any other proceeding regarding this subject matter.

21. The Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to IDAPA 31.01.01.274.

22. The Parties hereby waive any right they may have to appeal any portion of this Stipulation or the Order approving the same. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to file reply comments as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlement embodied in this Stipulation.

23. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

24. In the event the Commission rejects or modifies any part or all of this Stipulation, or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 15 days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party will be bound or prejudiced by the terms of this Stipulation, and each Party will be

entitled to seek reconsideration of the Commission's order, file testimony as it chooses, and do all other things necessary to put on such case as it deems appropriate.

25. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

26. No Party is bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor will this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation is not, and will not be construed as, an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party will be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those explicitly stated herein may be implied or inferred from this Stipulation.

27. The obligations of the Parties under this Stipulation are subject to the Commission's approval hereof in accordance with its terms and conditions and, if judicial review is sought, upon such approval being upheld on appeal by a court of competent jurisdiction.

Respectfully submitted this 10th day of May, 2018.

Rocky Mountain Power

By 

Idaho Public Utilities Commission Staff

By 

PacifiCorp Idaho Industrial Customers

Monsanto Company

By _____

By _____

**Idaho Irrigation Pumpers Association
Inc.**

By _____

Rocky Mountain Power

Idaho Public Utilities Commission Staff

By _____

By _____

PacifiCorp Idaho Industrial Customers

Monsanto Company

By *Ralph L. Wilson*

By *Penelope C. Dudgeon*

**Idaho Irrigation Pumpers Association
Inc.**

By *Emil Olsen*

TABLE A
ESTIMATED IMPACT OF PROPOSED TAX ACT ADJUSTMENT
FROM ELECTRIC SALES TO ULTIMATE CONSUMERS
DISTRIBUTED BY RATE SCHEDULES IN IDAHO
HISTORIC 12 MONTHS ENDED DECEMBER 2014

Line No.	Description	Sch.	Average Cust	MWH	Present Rev (\$000)			Proposed Rev (\$000)			Change			
					Base	TAA	Net	Base	TAA	Net	Base	%	Net Rev	%
(1)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Residential Sales														
1	Residential Service	1	46,059	442,589	\$49,602	\$0	\$49,602	\$49,602	(\$1,113)	\$48,489	\$0	0.0%	(\$1,113)	-2.2%
2	Residential Optional TOD	36	13,484	235,152	\$22,484	\$0	\$22,484	\$22,484	(\$645)	\$21,840	\$0	0.0%	(\$645)	-2.9%
3	AGA Revenue				\$3		\$3	\$3		\$3				
4	Total Residential		59,543	677,741	\$72,090	\$0	\$72,090	\$72,090	(\$1,758)	\$70,332	\$0	0.0%	(\$1,758)	-2.4%
Commercial & Industrial														
5	General Service - Large Power	6	1,036	303,011	\$23,667	\$0	\$23,667	\$23,667	(\$529)	\$23,137	\$0	0.0%	(\$529)	-2.2%
7	General Svc. - Lg. Power (R&F)	6A	214	30,600	\$2,616	\$0	\$2,616	\$2,616	(\$59)	\$2,558	\$0	0.0%	(\$59)	-2.2%
8	Subtotal-Schedule 6		1,250	333,611	\$26,283	\$0	\$26,283	\$26,283	(\$588)	\$25,695	\$0	0.0%	(\$588)	-2.2%
9	General Service - High Voltage	9	17	121,001	\$7,626	\$0	\$7,626	\$7,626	(\$156)	\$7,471	\$0	0.0%	(\$156)	-2.0%
10	Irrigation	10	4,969	602,488	\$54,316	\$0	\$54,316	\$54,316	(\$1,279)	\$53,037	\$0	0.0%	(\$1,279)	-2.4%
11	Comm. & Ind. Space Heating	19	103	5,151	\$438	\$0	\$438	\$438	(\$13)	\$426	\$0	0.0%	(\$13)	-2.9%
12	General Service	23	6,634	153,848	\$14,913	\$0	\$14,913	\$14,913	(\$302)	\$14,611	\$0	0.0%	(\$302)	-2.0%
13	General Service (R&F)	23A	2,314	33,450	\$3,376	\$0	\$3,376	\$3,376	(\$68)	\$3,308	\$0	0.0%	(\$68)	-2.0%
14	Subtotal-Schedule 23		8,948	187,299	\$18,289	\$0	\$18,289	\$18,289	(\$371)	\$17,919	\$0	0.0%	(\$371)	-2.0%
15	General Service Optional TOD	35	3	1,893	\$123	\$0	\$123	\$123	(\$3)	\$120	\$0	0.0%	(\$3)	-2.2%
16	Special Contract 1	400	1	1,443,926	\$86,967	\$0	\$86,967	\$86,967	(\$1,874)	\$85,093	\$0	0.0%	(\$1,874)	-2.2%
17	Special Contract 2	401	1	107,486	\$6,264	\$0	\$6,264	\$6,264	(\$138)	\$6,126	\$0	0.0%	(\$138)	-2.2%
18	AGA Revenue				\$478		\$478	\$478		\$478				
19	Total Commercial & Industrial		15,293	2,802,855	\$200,786	\$0	\$200,786	\$200,786	(\$4,422)	\$196,364	\$0	0.0%	(\$4,422)	-2.2%
Public Street Lighting														
20	Security Area Lighting	7	193	267	\$102	\$0	\$102	\$102	(\$1)	\$101	\$0	0.0%	(\$1)	-0.9%
21	Security Area Lighting (R&F)	7A	136	107	\$44	\$0	\$44	\$44	(\$0)	\$43	\$0	0.0%	(\$0)	-0.9%
22	Street Lighting - Company	11	37	87	\$40	\$0	\$40	\$40	(\$0)	\$39	\$0	0.0%	(\$0)	-0.9%
23	Street Lighting - Customer	12	234	2,424	\$436	\$0	\$436	\$436	(\$4)	\$432	\$0	0.0%	(\$4)	-0.9%
24	AGA Revenue				\$0		\$0	\$0		\$0				
25	Total Public Street Lighting		600	2,884	\$621	\$0	\$621	\$621	(\$5)	\$616	\$0	0.0%	(\$5)	-0.9%
26	Total Sales to Ultimate Customers		75,435	3,483,480	\$273,497	\$0	\$273,497	\$273,497	(\$6,185)	\$267,312	\$0	0.0%	(\$6,185)	-2.3%

TABLE A
ESTIMATED IMPACT OF PROPOSED ECAM ADJUSTMENT
FROM ELECTRIC SALES TO ULTIMATE CONSUMERS
DISTRIBUTED BY RATE SCHEDULES IN IDAHO
HISTORIC 12 MONTHS ENDED DECEMBER 2014

Line No.	Description	Sch.	Average Cust	MMWH	Present Rev (\$000)				Proposed Rev (\$000)				Change		
					Base	ECAM	Net		Base	ECAM	Net		Base	%	Net Rev
	(1)	(2)	(3)	(4)	(5)	(6)	(7)		(8)	(9)	(10)		(11)	(12)	(13)
														(14)	
Residential Sales															
1	Residential Service	1	46,059	442,589	\$49,602	\$1,509	\$51,112		\$49,602	\$1,220	\$50,822		\$0	0.0%	(\$290)
2	Residential Optional TOD	36	13,484	235,152	\$22,484	\$802	\$23,286		\$22,484	\$648	\$23,132		\$0	0.0%	(\$154)
3	AGA Revenue				\$3		\$3		\$3		\$3				
4	Total Residential		59,543	677,741	\$72,090	\$2,311	\$74,401		\$72,090	\$1,868	\$73,958		\$0	0.0%	(\$443)
Commercial & Industrial															
5	General Service - Large Power	6	1,036	303,011	\$23,667	\$1,028	\$24,695		\$23,667	\$831	\$24,498		\$0	0.0%	(\$197)
6	General Svc. - Lrg. Power (R&F)	6A	214	30,600	\$2,616	\$104	\$2,721		\$2,616	\$84	\$2,701		\$0	0.0%	(\$20)
7	Subtotal-Schedule 6		1,250	333,611	\$26,283	\$1,132	\$27,415		\$26,283	\$915	\$27,198		\$0	0.0%	(\$217)
8	General Service - High Voltage	9	17	121,001	\$7,626	\$387	\$8,013		\$7,626	\$314	\$7,940		\$0	0.0%	(\$74)
9	Irrigation	10	4,969	602,488	\$54,316	\$2,054	\$56,371		\$54,316	\$1,660	\$55,977		\$0	0.0%	(\$394)
10	Comm. & Ind. Space Heating	19	103	5,151	\$438	\$18	\$456		\$438	\$14	\$452		\$0	0.0%	(\$3)
11	General Service	23	6,634	153,848	\$14,913	\$524	\$15,437		\$14,913	\$424	\$15,337		\$0	0.0%	(\$101)
12	General Service (R&F)	23A	2,314	33,450	\$3,376	\$114	\$3,490		\$3,376	\$92	\$3,468		\$0	0.0%	(\$22)
13	Subtotal-Schedule 23		8,948	187,299	\$18,289	\$638	\$18,928		\$18,289	\$516	\$18,805		\$0	0.0%	(\$122)
14	General Service Optional TOD	35	3	1,893	\$123	\$6	\$129		\$123	\$5	\$128		\$0	0.0%	(\$1)
15	Special Contract 1	400	1	1,443,926	\$86,967	\$4,621	\$91,588		\$86,967	\$3,743	\$90,710		\$0	0.0%	(\$878)
16	Special Contract 2	401	1	107,486	\$6,264	\$344	\$6,608		\$6,264	\$279	\$6,543		\$0	0.0%	(\$65)
17	AGA Revenue				\$478		\$478		\$478		\$478				
18	Total Commercial & Industrial		15,293	2,802,855	\$200,786	\$9,201	\$209,987		\$200,786	\$7,446	\$208,232		\$0	0.0%	(\$1,755)
19															
20	Public Street Lighting														
21	Security Area Lighting	7	193	267	\$102	\$1	\$103		\$102	\$1	\$103		\$0	0.0%	(\$0)
22	Security Area Lighting (R&F)	7A	136	107	\$44	\$0	\$44		\$44	\$0	\$44		\$0	0.0%	(\$0)
23	Street Lighting - Company	11	37	87	\$40	\$0	\$40		\$40	\$0	\$40		\$0	0.0%	(\$0)
24	Street Lighting - Customer	12	234	2,424	\$436	\$8	\$444		\$436	\$7	\$442		\$0	0.0%	(\$2)
25	AGA Revenue				\$0		\$0		\$0		\$0				
26	Total Public Street Lighting		600	2,884	\$621	\$10	\$631		\$621	\$8	\$629		\$0	0.0%	(\$2)
27	Total Sales to Ultimate Customers		75,435	3,483,480	\$273,497	\$11,522	\$285,019		\$273,497	\$9,322	\$282,819		\$0	0.0%	(\$2,200)
															0.8%