

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. 34272
)	

On March 5, 2019, Rocky Mountain Power, a division of PacifiCorp (“Company”), filed a Phase II Stipulation (“Settlement Stipulation”) that proposes to settle all remaining issues as to the Company and return to customers 100% of the benefits that the Company has realized from recent tax law changes. The Company, the 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), have signed the Settlement Stipulation and recommended the Commission approve it in the public interest.

With this Order, the Commission provides notice of the Settlement Stipulation and sets deadlines for parties and interested persons to submit comments.

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 the benefits from the reduced tax rate can pass 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.

On May 31, 2018, the Commission entered an order approving an initial settlement stipulation signed by the Company and all parties. The initial settlement stipulation required the Company to use Electric Service Schedule 197—Federal Tax Act Adjustment, to refund

\$6,185,000 to Idaho retail customers effective June 1, 2018. This refund was to be a preliminary portion of the tax benefits the Company realized from the tax law changes. The initial settlement stipulation also provided for a Phase II of the case. In Phase II, the parties were to review balances remaining after accounting for the reduction to rates proposed in the initial settlement stipulation, and propose ratemaking treatment for the remaining deferred balances. *See* Order No. 34072.

On March 5, 2019, the Company filed the Settlement Stipulation at issue here to settle all remaining issues, and pass back to customers all benefits that the Company realized from the tax law changes.

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 law changes. The Settlement Stipulation provides, in summary:

1. Effective June 1, 2019, Schedule 197 rates would be revised to refund to Idaho retail customers about \$7,589,000 annually, for an increase to the Phase I refund of about \$1,400,000. The revised Schedule 197 would remain in effect until rates are set in the Company's next general rate case.
2. Starting June 1, 2019, the Company will use the Energy Cost Adjustment Mechanism ("ECAM") to amortize over two years the \$1,141,000 deferred balance of the current tax savings from January 1, 2018 through May 31, 2019 not yet returned to customers.
3. The Idaho-allocated Excess Deferred Income Taxes ("EDIT") resulting from the new tax laws include protected property-related EDIT of \$105,924,604, with estimated annual amortizations through the average rate assumption method ("ARAM") of \$2,564,410 in 2018, \$2,352,309 in 2019, and \$2,306,632 in 2020; and non-protected and non-property EDIT of \$14,883,505. As the EDIT balances amortize in rates, the amounts will include a rate base carrying charge offset to account for the corresponding increase in rate base associated with the amortized EDIT until the next Idaho general rate case.
4. The actual annual ARAM amortization of protected property-related EDIT, and the annual straight-line amortization of non-protected property and non-property EDIT, will be reduced by a rate base offset calculated at the pre-tax weighted average cost of

capital of 9.312% on the after-tax EDIT amounts until the EDIT rate base balances are updated and included in the next Idaho general rate case.

5. The actual annual ARAM amortization of protected property EDIT, less the associated rate base offset, will be refunded to Idaho retail customers in the subsequent year through the ECAM under Schedule 94 and will not be subject to the sharing band. Additionally, the non-protected property and non-property EDIT will be amortized over seven years (\$2,126,215 per year less the rate base offset), beginning June 1, 2019, and be used in part to offset the 2013 incremental depreciation expense deferral approved by Commission Order 32910 in Case No. PAC-E-13-04. Both will be included in Idaho retail customer rates in the ECAM until the rate effective date in the next general rate case and will not be subject to the sharing band. The parties may propose to change the seven-year amortization period for the unamortized portion of the non-protected property and non-property EDIT balance in the next Idaho general rate case.
6. The tax savings to be passed through the ECAM to customers effective June 1, 2019 will be accomplished by multiplying Idaho retail energy for June 1, 2019 through May 31, 2020 by \$0.957 per megawatt hour (“MWh”).
7. Effective June 1, 2020, the Company will update the tax amortization rate to include any over or under collection from the prior period along with the 2019 protected property EDIT amount updated based on actual tax return data and reduced for the corresponding rate base carrying charge offset. The current estimated rate before these true-ups is \$0.853 per MWh.
8. When the Company files its next Idaho general rate case, the Company’s application will reflect information relating to the tax laws, including: current federal income taxes calculated using the test period data; annual amortization and updated balances of protected property EDIT for the test period; annual amortization and updated balances of non-protected property and non-property EDIT for the test period; and the Schedule 197 rider will end with the rate effective date of the general rate case.
9. The on-going incremental depreciation expense associated with the 2013 depreciation study will be included in base rates beginning on the effective date of the rates set in the next Idaho general rate case. Any deferred balance associated with the 2013

depreciation will be trued-up in the next ECAM following the rate effective date in the next general rate case.

10. Regarding rate design, the above-described rate reductions will be passed through to customers under Schedule 197 or Schedule 94.
11. The \$7,589,000 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 class cost of service study as filed in Case No. PAC-E-11-12.
12. To avoid affecting demand-side management programs, Schedule No. 191, Customer Efficiency Services Rate Adjustment will be applied to customers’ bills before applying the proposed Schedule 197 sur-credit.
13. The parties recommend the Commission approve the Phase II Settlement Stipulation in the public interest, and state that its terms are fair, just, and reasonable.

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’s office. 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.

NOTICE OF SETTLEMENT STIPULATION (PACIFICORP)

NOTICE OF MODIFIED PROCEDURE

ORDER NO. 34272

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 **within 21 days from the service date of this Order**. 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	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
Street Address for Express Mail:	
472 W. Washington Street Boise, ID 83702-5918	

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 Company must file any reply comments **within 7 days after the comment deadline**.

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.*

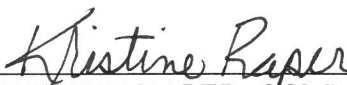
ORDER

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 interested persons may file comments by within 21 days from the service date of this Order. The Company shall have 7 days from the comment deadline in which to file reply comments, if any.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15th day of March 2019.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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