IDAHO POWER
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UTILITIES COMMISSION

LISA D. NORDSTROM
Lead Counsel
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March 30, 2018

VIA HAND DELIVERY

Diane Hanian, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. GNR-U-18-01 – Impact of Federal Tax Code Revisions on Utility Costs and Ratemaking
Idaho Power's Tax Reform Impact Report and Request for Extension of Time to File Tariffs

Dear Ms. Hanian:

Pursuant to Idaho Public Utilities Commission Order No. 33965 in the above-referenced case, Idaho Power Company hereby submits an original and four (4) copies of its Tax Reform Impact Report. Because the attachment to the report is confidential, a Protective Agreement is also enclosed. If the Protective Agreement is satisfactory, please have the attorney assigned to this case execute the same. Please handle the confidential information in accordance with the Protective Agreement executed in this matter.

As described herein, Idaho Power also respectfully requests an extension of the requirement of Order No. 33965 to file the tariff schedules.

If you have any questions regarding this filing, please contact Senior Regulatory Analyst Courtney Waites at (208) 388-5612 or cwaites@idahopower.com.

Sincerely,

Lisa D. Nordstrom

Lisa D. Nordstrom

LDN:kkt

Enclosures

GNR-U-18-01
TAX REFORM IMPACT
IDAHO POWER COMPANY
March 30, 2018

Pursuant to Idaho Public Utilities Commission ("Commission") Order No. 33965 issued in Case No. GNR-U-18-01, Idaho Power Company ("Idaho Power" or "Company") herewith provides the following report identifying and quantifying the income tax changes resulting from the U.S. Tax Cuts and Jobs Act of 2017 ("2017 Tax Act").

I. BACKGROUND

On December 22, 2017, the 2017 Tax Act was signed into law. See Pub. L. No. 115-97, 131 Stat 2045. The income tax provisions of the 2017 Tax Act provide for "reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018." Effective January 1, 2018, the 2017 Tax Act lowers the corporate tax rate to 21 percent from the existing maximum rate of 35 percent, provides for expanded bonus depreciation, limits the deductibility of interest expense, eliminates alternative minimum tax, repeals the manufacturing deduction, and imposes additional limitations on the deductibility of executive compensation.

Public utility companies, such as Idaho Power, retain the full deductibility of interest expense but are no longer eligible for the bonus depreciation provisions; however, traditional accelerated tax depreciation methods are still available. While the change in the corporate income tax rate will reduce the Company's income tax expense beginning in 2018, accounting rules required Idaho Power to remeasure deferred income tax assets and liabilities as of the date of the enactment, significantly reducing net deferred tax liabilities, as well as causing an increase in income tax expense for 2017.

On January 17, 2018, the Commission issued a Notice of Investigation in Order No. 33965 directing all rate-regulated utilities (besides small water companies with less than 200 customers, and the small electric utility, Atlanta Power) to: (1) immediately account for the financial benefits from the January 1, 2018, tax rate reduction to 21 percent as a deferred regulatory liability, and (2) by Friday, March 30, 2018, file a report with the Commission identifying and quantifying all tax changes individually.

Order No. 33965 specified that each report must disclose the federal income tax components for the year 2017, and the federal income tax components if the utility had been subject to the 2017 Tax Act's revisions to the tax code, including the 21 percent tax rate. Order No. 33965 at 2. Each utility's report must include proposed tariff schedules that show the revenue requirement impacts from the 2017 Tax Act, with the differences between the law in effect on December 31, 2017, and the law in effect on and after January 1, 2018. *Id.* Utilities that operate in Idaho and in other states must separately calculate system-wide and Idaho-specific figures to show how the 2017 Tax Act impacts total operations and Idaho operations. *Id.* An identification and quantification of federal income tax components that changed as a result of the 2017 Tax Act, as well as changes that result from the Idaho state tax rate change, is included below and provided in detail the confidential attachment to this report.

II. <u>IDAHO POWER'S 2017 PROFORMA ANALYSIS</u>

Idaho Power has performed a 2017 proforma analysis, comparing actual 2017 financial statement income tax expense with a quantification of the impact to the Company's income tax expense had Idaho Power been subject to the 2017 Tax Act provisions for the 2017 year. The Company's 2017 proforma analysis also includes the changes to the Idaho state tax rate (federal and state changes collectively referred to as "Tax Reform").

Tax Reform results in a current tax expense reduction, serving as an immediate cash savings. In addition to current tax expense reductions, Tax Reform caused adjustments to 2017 deferred tax expense, reducing amounts customers owe in the future. Due to Idaho Power's use of flow-through income-tax accounting, which has historically reduced income tax expense and contributed to lower rates for customers, the Tax Reform changes may not reduce future deferred income tax expense as significantly as that of Idaho Power's peer utilities who use fully normalized income tax accounting.

The following summarizes the results of Idaho Power's 2017 proforma analysis, on a total system and jurisdictional basis, as detailed in the confidential attachment:

Tax Reform Impact – 2017 Proforma Analysis

	System	**Idaho**	**Other[1]**
Current Tax Impact (Cash)	($15,416,760)	($11,178,487)	($4,238,273)
Deferred Tax Impact (Non-Cash)	($15,690,259)	($14,918,298)	($771,961)
Total Tax Reform Impact	**($31,107,019)**	**($26,096,785)**	**($5,010,234)**

1. The "Other" category reflects tax benefits apportioned to the Company's other retail and wholesale jurisdictions.

III. RECOMMENDATION

The results of Idaho Power's 2017 proforma analysis indicate expense reductions exist that may be eligible to be provided to customers pursuant to Order No. 33965. While in recent years adjustments in tax law that have either increased or decreased income tax expenses for Idaho Power have been addressed in the Accumulated Deferred Income Tax Credit ("ADITC")/Revenue Sharing mechanism approved by Order Nos. 30978, 32424, and 33149, the Company, Commission Staff, and the Industrial Customers of Idaho Power (the "Parties") have been exploring options to provide a rate reduction for customers in 2018 outside of the ADITC/Revenue Sharing mechanism. On March 29, 2018, the Parties reached a settlement in principle regarding how Tax Reform benefits should be provided to customers. As such, Idaho Power respectfully requests an extension of the requirement of Order No. 33965 to file the resulting tariff schedules showing the revenue requirement impacts of Tax Reform. Instead, Idaho Power will file tariff schedules in conjunction with a settlement stipulation, with a proposed effective date of June 1, 2018, as soon as practicable.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 30th day of March 2018 I served a true and correct copy IDAHO POWER COMPANY'S TAX REFORM IMPACT REPORT upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff Karl Klein Deputy Attorney General Idaho Public Utilities Commission 472 West Washington (83702) P.O. Box 83720 Boise, Idaho 83720-0074	_X_ Hand Delivered ____U.S. Mail ____Overnight Mail ____FAX _X_ Email karl.klein@puc.idaho.gov
Industrial Customers of Idaho Power Peter J. Richardson Greg Adams RICHARDSON ADAMS, PLLC 515 North 27th Street (83702) P.O. Box 7218 Boise, Idaho 83707	____Hand Delivered _X_ U.S. Mail ____Overnight Mail ____FAX _X_ Email peter@richardsonadams.com greg@richardsonadams.com
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Kimberly Towell

Kimberly Towell, Executive Assistant