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LISA D. NORDSTROM
Lead Counsel
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May 14, 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 Comments in Support of Settlement Stipulation

Dear Ms. Hanian:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Comments in support of the Settlement Stipulation filed in this matter on April 12, 2018.

Sincerely,

Lisa D. Nordstrom

LDN:kkt

Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)	CASE NO. GNR-U-18-01
INVESTIGATION INTO THE IMPACT OF)	
FEDERAL TAX CODE REVISIONS ON)	IDAHO POWER COMPANY'S
UTILITY COSTS AND RATEMAKING)	COMMENTS IN SUPPORT OF
)	SETTLEMENT STIPULATION
_____)	

Idaho Power Company ("Idaho Power" or "Company"), by and through its undersigned attorney, hereby submits to the Idaho Public Utilities Commission ("Commission") these comments in the above-captioned proceeding. The Company's comments are organized as follows:

Section I – provides the procedural background and summarizes the Company's filing in this case pursuant to Order No. 33965;

Section II – details the agreed upon terms of the Settlement Stipulation ("Stipulation") reached by all parties; and

Section III – summarizes why the proposed Stipulation is in the public interest and should be approved.

I. BACKGROUND

On December 22, 2017, the U.S. Tax Cuts and Jobs Act (“2017 Tax Act”) was signed into law. See Pub. L. No. 115-97, 131 Stat 2045. 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, Generally Accepted Accounting Principles 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. 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.*

On February 22, 2018, the Commission also issued a Notice of Deadline for: (1) Persons to Intervene, and (2) Utility-Parties to Request Settlement Notification. Order No. 33991. The Industrial Customers of Idaho Power ("ICIP") was the only party to file a petition to intervene in Idaho Power's proceeding and the Commission granted its intervention in Order No. 33994.

As required by Order No. 33965, Idaho Power identified and quantified its federal income tax components that changed because of the 2017 Tax Act, as well as changes that result from the 2018 Idaho state tax rate change (federal and state changes collectively referred to as "Tax Reform"), in a report filed in this docket on March 30, 2018. Idaho Power's 2017 proforma analysis, on a total system and jurisdictional basis, is summarized as follows:

Tax Reform Impact – 2017 Proforma Analysis

	System	Idaho	Other
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)

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

The Company, Commission Staff ("Staff"), and ICIP (collectively, the "Parties") met on March 19, 26, and 29, 2018, for settlement discussions regarding rate issues related

to the inclusion of revenue requirement changes stemming from Tax Reform in Idaho Power's rates. Based upon these settlement discussions, and as a compromise of the respective positions of the Parties, the Parties came to an agreement and a settlement stipulation was prepared and signed by the Parties.

Idaho Power filed the agreed upon Stipulation and corresponding Motion to Approve on April 12, 2018. The Stipulation was entered into by Idaho Power, Staff, and ICIP.

On April 23, 2018, the Commission issued Order No. 34039 setting a comment deadline of May 14, 2018, and a reply comment deadline of May 21, 2018.

II. SETTLEMENT STIPULATION

The Parties agree that a total annual Idaho jurisdictional benefit of \$26,497,560 associated with Tax Reform, which is a combination of current tax expense and a portion of deferred tax reductions, will be provided to customers through a direct rate reduction beginning June 1, 2018. The direct rate reduction will be provided to customers via two rate components on June 1, 2018: \$18,678,936 will be provided as a base rate reduction and \$7,818,624 will be provided through the Earnings Sharing¹ component of the Power Cost Adjustment ("PCA") mechanism. Assuming no out-of-cycle adjustment by the Federal Energy Regulatory Commission ("FERC"), beginning June 1, 2019, the Parties agree this credit to the PCA will be reduced to \$2,680,957 to reflect: (1) the removal of the one-time credit associated with the January – May 2018 tax savings deferral, and (2) the impact of three months of reduced third-party transmission revenues that occurs

¹ Pursuant to Order Nos. 30978, 32424, and 33149, Idaho Power credits customer bills through the Earnings Sharing component of the PCA for any revenues shared pursuant to these orders.

beginning October 1, 2019. Beginning June 1, 2020, this credit to the PCA will be reduced to zero to reflect the impact of a full year of reduced third-party transmission revenues.

In addition, Tax Reform resulted in changes to deferred tax expense. The Parties agree Idaho Power will provide a non-cash customer benefit resulting from deferred tax reductions of \$7,417,848 as an offset to regulatory assets, or amounts customers owe, annually beginning on June 1, 2018, until the Company's next general rate case proceeding or until otherwise modified by the Commission. Idaho Power will provide the non-cash customer benefit in the following order: (1) first, to offset in its entirety, the regulatory asset account established pursuant to Order No. 33706, that includes incremental operations and maintenance expenses associated with participation in the Energy Imbalance Market, (2) second, \$2,771,815 in Idaho jurisdictional Baker County settlement agreement expenses incurred through December 31, 2015, and deferred to a regulatory asset established pursuant to Order No. 34031, and (3) finally, the remaining non-cash customer benefits will be provided as an offset to non-specific current or future deferrals deemed prudent and approved for recovery from customers by the Commission.

The Settlement Stipulation also provides for an indefinite extension of the existing Accumulated Deferred Income Tax Credit ("ADITC") / Revenue Sharing mechanism beyond the current termination date of December 31, 2019, with certain modified terms to become effective January 1, 2020. As detailed in the Stipulation, these modified terms include increases to the customer portion of the sharing percentages in the event that revenue sharing is achieved, as well as lowering the return on equity ("ROE") floor up to which Idaho Power may support earnings with accelerated ADITC amortization from the current 9.5 percent to 9.4 percent. The Parties agree that once the Company has fully

amortized the \$45 million of ADITC, revenue sharing will cease: however, Idaho Power may at any time request to replenish the total amount of ADITC it is permitted to amortize, and if approved by the Commission, revenue sharing would continue. The Stipulation also eliminates any specified termination date for the mechanism. Except as otherwise provided for in the Stipulation or ordered by the Commission, in no event shall any additional amounts of amortized ADITC be reflected in the utility operating results of the Company for ratemaking purposes, regulatory financial statement purposes, and for purposes of the Company's regulated books of account.

III. SETTLEMENT IS FAIR, JUST, AND REASONABLE AND IN THE PUBLIC INTEREST

Idaho Power supports the Stipulation in this case because it: (1) provides for a reasonable resolution for the revenue requirement reduction associated with Tax Reform, representing a fair and balanced outcome for both customers and shareowners, (2) offers customers the timely recognition of Tax Reform benefits by incorporating the revenue requirement changes into rates effective June 1, 2018, (3) achieves a result that limits the potential negative financial impact on the Company, and (4) extends indefinitely the ADITC / Revenue Sharing mechanism that will continue to serve as a benefit to both Idaho Power and its customers.

A. Fair and Balanced Provision of Benefits to Customers.

As discussed above, the Stipulation in this case was developed through multiple discussions with Staff and ICIP, using the 2017 proforma analysis as the basis for the quantification of benefits. Through these discussions, Parties developed the Stipulation that results in the provision of income tax benefits to customers in a manner that reasonably reflects the actual changes to the Company's revenue requirement resulting from Tax

Reform. Therefore, the proposed rate impact resulting from this Stipulation is fair and balanced from the perspectives of both Idaho Power and its customers, providing a reasonable level of income tax benefits to customers in a timely manner while limiting the potential negative financial impact to the Company. In addition, the determination of the \$26 million direct rate reduction and the \$7 million deferral offset aligns with the Commission's directive in Order No. 33965 by quantifying and providing benefits to customers based on the Company's 2017 proforma analysis. While the specific provisions of the Stipulation do not exactly align with expected actual cash and non-cash impacts of the Tax Reform, the Company believes that the Stipulation as a whole represents a reasonable compromise that appropriately balances the interests of Idaho Power and its customers.

B. Timely Recognition of Benefits.

If approved, the Stipulation will result in the timely recognition of benefits in customer rates beginning June 1, 2018. The Stipulation allows for the provision of direct benefits to customers as soon as administratively feasible following the enactment of the 2017 Tax Act and subsequent action by the Commission. The Stipulation not only provides for the ongoing recognition of income tax benefits through customer rates beginning June 1, 2018, but also recognizes benefits of Tax Reform that occurred in the first five months of 2018. Additionally, direct benefits included in the Stipulation incorporate approximately \$3.5 million in benefits associated with reduced FERC-jurisdictional income tax expense that will ultimately be reflected in the Company's Open Access Transmission Tariff ("OATT") transmission formula rate, allowing Idaho retail customers to benefit from timing differences between the enactment of Tax Reform and the corresponding impact to the Company's OATT transmission formula rates. In its entirety, the Stipulation results in the reasonable

and timely recognition of income tax benefits in customer rates as soon as administratively feasible.

C. Limited Negative Impact to Idaho Power.

In addition to providing income tax benefits to customers in a fair and timely manner, the terms of the Stipulation also reasonably limit the potential for negative financial impacts to Idaho Power stemming from credit rating concerns or the need to issue additional debt or equity to provide benefits to customers. 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, Tax Reform did not reduce Idaho Power's income tax expense as significantly as the income tax expense of some peers in the utility industry who use fully normalized income tax accounting, resulting in affirmation of Idaho Power's stable outlook from the rating agency, as can be seen in the Moody's Investors Service press release dated February 5, 2018, and included as Attachment 1. Although the stipulated direct rate reductions exceed the actual cash benefits the Company expects to realize, Idaho Power believes the compromise reflected in the Stipulation reasonably limits the potential for negative financial impacts to the Company, and should not result in a material negative impact to the Company's credit metrics or overall credit rating. In addition to avoiding negative credit rating impacts, the level of cash benefits provided to customers will not result in the need for Idaho Power to issue any additional long-term debt or equity to accommodate the direct reduction in retail revenue. Lastly, additional provisions of the Stipulation, such as the extension of the ADITC / Revenue Sharing mechanism and the ability to modify the temporary OATT-related benefit in the event of an out-of-cycle FERC action, appropriately provide benefits to customers while limiting the potential for negative financial impacts to

Idaho Power due to differences between the stipulated rate reductions and actual financial results.

D. Long-Term Benefits through Extension of ADITC / Revenue Sharing.

Absent the action taken by the Commission and the resulting Stipulation in this case, the Company's current ADITC / Revenue Sharing mechanism would have flowed through to customers the benefits of Tax Reform in the form of revenue sharing (in the event the Company's ROE exceeded 10 percent) or the preservation of ADITC (in the event the Company's ROE fell below 9.5 percent). In recognition that the agreement detailed in the Stipulation modifies the manner through which customers receive benefits associated with changes in net income, the Stipulation contains a provision that extends the current ADITC / Revenue Sharing mechanism with certain modifications as detailed above.

As discussed in the Company's 2018 PCA filing, from 2011 through 2015 the ADITC / Revenue Sharing mechanism resulted in revenue sharing with customers totaling \$121.2 million, either as a direct offset in the PCA or as an offset to amounts that would have otherwise been collected in rates. In the future, the enhanced sharing percentages detailed in the Stipulation effective January 1, 2020, will serve to increase the potential for customers to realize direct benefits resulting from revenue sharing.

In addition to the direct financial benefits provided to customers, the ADITC / Revenue Sharing mechanism also provides Idaho Power with the ability to support its earnings if its year-end Idaho jurisdictional ROE falls below a certain level, currently set at 9.5 percent under the existing mechanism. As discussed above, effective January 1, 2020, the ROE floor incorporated into the mechanism will decrease to 9.4 percent, unless the Company's ROE is otherwise modified by Commission order. This reduction in the ROE

floor will continue to provide Idaho Power earnings stability by mitigating downside risk, while the reduced amount will serve to preserve ADITCs available over time to facilitate the long-term viability of the mechanism. The Company believes the use of 9.4 percent until its next general rate case reflects an appropriate compromise within the context of the broader Stipulation.

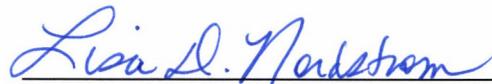
Since its inception, the ADITC / Revenue Sharing mechanism has allowed for direct customer benefits through revenue sharing, in addition to rate stability resulting from the ability of Idaho Power to support its earnings through the accelerated amortization of ADITC. By eliminating the termination date for the existing mechanism and modifying the terms as discussed in the Stipulation, both Idaho Power and its customers will continue to receive the benefits of this mechanism beyond the existing December 31, 2019, termination date.

IV. CONCLUSION

Idaho Power believes the terms agreed to in the Stipulation represent a compromise of the respective positions of the Parties, balancing the interest of customers and Idaho Power by providing a customer benefit of \$33.9 million for the June 1, 2018, through May 31, 2019, time period. Although the timing of the stipulated amount does not align perfectly with the expected cash and non-cash savings resulting from Tax Reform, the Stipulation will result in the timely provision of benefits to customers while limiting the potentially negative financial impact to Idaho Power. Further, the Stipulation also acknowledges Idaho Power's deviation from the provisions of the current ADITC / Revenue Sharing mechanism that would normally flow decreases in income tax expense to customers by extending that mechanism beyond the current termination date.

For all of the reasons presented in these comments, Idaho Power urges the Commission to adopt the Stipulation submitted in this proceeding as filed, without modification, and to issue an order authorizing the terms of the Stipulation. The Company respectfully requests that the Commission issue an order on or before June 1, 2018, authorizing the terms of the Stipulation.

DATED at Boise, Idaho, this 14th day of May 2018.



LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 14th day of May 2018 I served a true and correct copy of the IDAHO POWER COMPANY'S COMMENTS IN SUPPORT OF SETTLEMENT STIPULATION upon the following named parties by the method indicated below, and addressed to the following:

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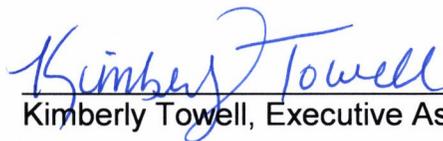
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Kimberly Towell, Executive Assistant

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. GNR-U-18-01

IDAHO POWER COMPANY

ATTACHMENT 1

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's affirms Idaho Power at A3 and IDACORP at Baa1; outlooks stable

Global Credit Research - 05 Feb 2018

New York, February 05, 2018 -- Moody's Investors Service, ("Moody's") today affirmed the ratings of Idaho Power Company (IPC), including its A3 Issuer rating, A1 senior secured rating, its P-2 short term rating for commercial paper and its VMIG 2 industrial revenue bond rating. Moody's affirmed the ratings of its parent company, IDACORP's (IDA) Baa1 Issuer rating and its P-2 short term rating for commercial paper. The outlooks of IPC and IDA are stable. IDA's credit profile is based primarily on its principal subsidiary, IPC, with one notch of structural subordination applied. IDA has no standalone long-term debt, but is an occasional issuer of commercial paper.

RATINGS RATIONALE

"Nearly 100% of IDACORP's revenue, assets and cash flow are derived from utility operations at Idaho Power. The low business risk profile, financial performance and credit profile of IDACORP's primary subsidiary are the most important factors supporting IDACORP's rating" said Robert Petrosino, Vice President/Senior Analyst. IDA's other operating subsidiaries are relatively small and include: IDACORP Financial Services, an investor in affordable housing projects and other real estate investments; and Ida-West Energy, an operator of nine small hydro-electric generation projects that satisfy the requirements of the Public Utility Regulatory Policies Act of 1978.

IPC enjoys a constructive regulatory environment and a unique asset base that largely mitigate the utility's weaker relative cash flow metrics, including CFO pre-WC to debt consistently in the mid-to-high teens. This compares poorly to A3-rated vertically integrated peers, which typically produce between 20% and 25% CFO pre-WC to debt. IPC does not fully benefit from tax deferrals as they are flowed back to customers in rates, and has a longer depreciable asset life given its hydro generation centric asset base, both of which contribute to the relative weakness in CFO metrics.

Nevertheless, given the predictability of IPC's financial profile and the above average regulatory support in Idaho, we see a high degree of credit stability. IPC's financial and regulatory consistency support the A3 rating, compared to peers that have a higher degree of risk in regulatory decisions or increased financial volatility. The cooperative regulatory environment that the IPUC maintains helps to lower IPC's business risk, as the suite of cost recovery provisions allowed is above average compared to the other states across the US. These mechanisms provide certainty to cash flow generation in any given year, with variances typically due to hydro or weather conditions that average out over time.

In addition to the commodity and conservation trackers, and decoupling, IPC is currently operating under a settlement stipulation through 2019. The settlement is a significant credit positive, since it allows IPC to amortize additional accumulated deferred investment tax credits (ADITC) in an aggregate amount up to \$45 million should its return on equity (ROE) fall below 9.5% in its Idaho jurisdiction. This essentially provides an earnings floor level for IPC. Assuming the \$45 million availability is not exhausted, this enhances the predictability of IPC's earnings and cash flow for the three year term of the settlement. However, IPC has not needed to use ADITC amortization to meet its 9.5% ROE since the settlement was enacted.

In May 2017, IPC received approval to accelerate rate base recovery related to its ownership interests in the North Valmy coal plant. IPC expects to end participation in the North Valmy plant by 2025.

In December 2017, IPC filed with its Idaho regulators for approval of a stipulation of settlement related to the expenses incurred in the re-licensing process of its Hells Canyon Hydro-electric Complex (HCC). The company is seeking a prudence determination on \$216.5 million to be included in customer rates in the future. HCC has 1,167 MWs of generation capacity, representing 34% of IPC's total capacity. The company has been collecting \$6.5 million annually in AFUDC related to HCC's relicensing. When a relicensed HCC is moved into rate base, IPC's hydro generation will represent a value of approximately \$600/kw. IPC expects a new 40 to 50 year license no earlier than 2021.

IPC is experiencing good growth across customer classes driven by its nation leading population growth in

Idaho as well as by attracting new business and existing business expansion. The state and its cities are experiencing population growth as existing companies expand operations and new companies open their doors in IPC's service territory.

IPC's generation resources are sufficient to meet the company growing load profile. IPC's 2017 Integrated Resource Plan does not call for any additional generation resources over the near to intermediate term with no resource needs prior to 2026. Longer term planning needs are largely expected to be met by the mid-2020s expected in-service date of its Boardman to Hemingway (B2H) transmission line, currently in development with minor permitting approvals remaining.

We expect a gradual absolute and relative improvement in IPC's financial profile. A consistent capital plan which averages \$300 million annually over the next few years has largely been funded with cash flow. IDA has achieved steady dividend growth and its payout is commensurate with the industry and peers.

Rating Outlook

IDA's stable outlook is substantially driven by the outlook of IPC. IPC's stable rating outlook reflects a very supportive regulatory environment that offers timely cost recovery and constructive rate making policies, providing very consistent and predictable cash flow.

Factors that Could Lead to an Upgrade

IDA's rating would likely be upgraded with the upgrade of IPC. The rating of IPC could be upgraded if key credit metrics improve such that cash flow from operations pre-working capital (CFO pre-WC) to debt approaches mid 20% percent on a sustained basis.

Factors that Could Lead to a Downgrade

IDA's rating would likely be downgraded with the downgrade of IPC. IPC could be downgraded if financial metrics were to weaken, such that CFO pre-WC to debt persists below the high teens. Additionally, IPC's rating could be downgraded if the company were to experience a decline in the level of regulatory support for its operating or capital expenditures.

Outlook Actions:

..Issuer: IDACORP, Inc.

....Outlook, Remains Stable

..Issuer: Idaho Power Company

....Outlook, Remains Stable

Affirmations:

..Issuer: American Falls Reservoir District, ID

....Senior Unsecured Revenue Bonds, Affirmed A3

....Senior Unsecured Revenue Bonds, Affirmed VMIG 2

..Issuer: Humboldt (County of) NV

....Senior Secured Revenue Bonds, Affirmed A1

..Issuer: IDACORP, Inc.

.... Issuer Rating, Affirmed Baa1

....Senior Unsecured Commercial Paper, Affirmed P-2

..Issuer: Idaho Power Company

.... Commercial Paper, Affirmed P-2

.... Issuer Rating, Affirmed A3
....Senior Secured First Mortgage Bonds, Affirmed A1
....Senior Secured Regular Bond/Debenture, Affirmed A1
....Underlying Senior Secured Regular Bond/Debenture, Affirmed A1
..Issuer: Morrow (Port of) OR
....Senior Unsecured Revenue Bonds, Affirmed A3
....Senior Unsecured Revenue Bonds, Affirmed VMIG 2
..Issuer: Sweetwater (County of) WY
....Senior Secured Revenue Bonds, Affirmed A1

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in June 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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