ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

1407 West North Temple, Suite 330
Salt Lake City, Utah 84116

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IDAHO PUBLIC
UTILITIES COMMISSION

June 15, 2018

VIA OVERNIGHT DELIVERY

Diane Hanian
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: CASE NO. GNR-U-18-01
INVESTIGATION INTO THE IMPACT OF FEDERAL TAX CODE REVISIONS ON UTILITY COSTS AND RATEMAKING

Dear Ms. Hanian:

Please find enclosed an original and seven (7) copies of Rocky Mountain Power's Final Report in the above referenced matter. Enclosed is a CD containing the non-confidential work papers.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Joelle Steward

Joelle Steward
Vice President, Regulation

CERTIFICATE OF SERVICE

I hereby certify that on this 15th of June, 2018, I caused to be served via e-mail a true and correct copy of Rocky Mountain Power's Final Report in Case No. GNR-U-18-01 to the following:

Service List

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Dated this 15th day of June, 2018.

Katie Savarin

Katie Savarin
Coordinator, Regulatory Operations

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Attorney for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

INVESTIGATION INTO THE IMPACT OF FEDERAL TAX CODE REVISIONS ON UTILITY COSTS AND RATEMAKING	**CASE NO. GNR-U-18-01** **FINAL REPORT**

Rocky Mountain Power, a division of PacifiCorp ("Rocky Mountain Power" or "the Company"), in accordance with Idaho Code §61-502, §61-503, and RP 052, respectfully submits this final report ("Final Report") to the Idaho Public Utilities Commission ("Commission") pursuant to a) Order No. 33965 through which the Commission initiated an investigation into the impact of the federal income tax legislation enacted December 22, 2017, titled An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution of the Budget for Fiscal Year 2018 ("Tax Reform Act"), and b) the all-party agreement ("Stipulation") filed in this docket with the Commission May 11, 2018, and approved by Order No. 34072.

This Final Report complies with paragraph 14 of the Stipulation which requires the Company to 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. In accordance with the Stipulation, the Company must provide a reconciliation of the treatment of the benefits from the Tax Reform Act, including a true-up of any under- or over-allocation of customer credits.

The Company's initial report and the Stipulation in this docket has resulted in a rate reduction of $8.385 million, or approximately 3 percent, beginning June 1, 2018. Specifically, the Company reduced rates by $6.185 million through Electric Service Schedule No. 197 – Federal Tax Act Adjustment, which will be in effect until the tax savings are included in base rates in the next general rate case, and by $2.2 million through Schedule No. 97 – Energy Cost Adjustment Rate, enabled by a one-time credit of $3.4 million applied as an offset to the 2013 incremental depreciation regulatory asset balance.

PROCEDURAL BACKGROUND

On or about December 22, 2017, Congress enacted the Tax Reform Act effective January 1, 2018. In response, the Commission initiated this investigation[1] into the impact of the federal tax code revisions on utilities' costs and ratemaking. On March 30, 2018, in compliance with Order No. 33965, the Company filed an application ("Report") proposing immediate deferral of all savings associated with the Tax Reform Act and authorization to decrease rates by $2.8 million effective June 1, 2018.

With the intent of resolving the issues raised by parties as a result of the Company's proposal in the Report, the parties met on April 30, 2018 for settlement discussions, which led to execution of the Stipulation that was approved by the Commission May 31, 2018, pursuant to Order No. 34072.

Consistent with the Stipulation, the Company provides this Final Report of the Tax Reform Act's net savings, and a reconciliation of the accounting for the benefits from the Tax Reform Act. The Final Report gives parties an opportunity to review the Tax Reform Act balance that remains after accounting for the ongoing $6.185 million reduction to rates and the $3.4 million one-time offset approved by Commission Order No. 34072. It also allows parties to respond to the

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

Company's proposed ratemaking treatment for the remaining net Tax Reform Act benefits.

OVERVIEW OF THE TAX REFORM ACT

The Tax Reform Act was enacted December 22, 2017, with the majority of the provisions becoming effective January 1, 2018. In general, the most notable items affecting the Company's annual revenue requirement include:

- The federal corporate income tax rate reduction from 35 to 21 percent;
- The requirement to normalize excess deferred income taxes associated with public utility property utilizing the average rate assumption method ("ARAM");
- The elimination of the allowance for bonus depreciation for public utility property;
- The repeal of the domestic production activities deduction (section 199);
- The repeal of the deduction and imposition of certain limitations with respect to certain expenditures;
- A reduction to third-party wheeling revenues due to the change in the corporate income tax rate; and
- The impact of the reduced tax gross-up on Production Tax Credits ("PTCs").

ESTIMATED REVENUE REQUIREMENT IMPACTS

To comply with the March 30, 2018 filing requirement[2] for the Company to provide the revenue requirement impact of the federal tax code changes, the Company initially provided a preliminary estimate using the 2016 Normalized Results of Operations in its Report. By the time settlement discussions were held April 30, 2018, the Company had completed the 2017 Normalized Results of Operations and updated its original estimate therewith. Both estimates were calculated using a "price change" approach in which the Company reduced revenues to reflect the

[2] Order No. 33965.

lower revenue requirement while maintaining the same earned return on equity before accounting for the change to the corporate income tax rate.

Some of the revenue requirement impacts associated with Tax Reform Act (normalization of excess deferred income tax including the repeal of the domestic production activities deduction, imposition of limitations on the deductibility of certain expenditures, and the impact on wheeling revenues) were not included in either estimate in the Report because they were more complex or required additional guidance or information to calculate. However, consistent with the Stipulation, this Final Report provides a complete calculation of all the impacts of the Tax Reform Act.

The Company calculated the impacts by comparing the 2017 Results of Operations under the old federal tax rate of 35 percent with the new federal tax rate of 21 percent, attached as Exhibit 1. The results are summarized in Table 1 below:

TABLE 1

Tax Impact		
$ Thousands		**Idaho**
Current Taxes	$	8,103
Wheeling Revenue Offset		(514)
ARAM Amortization		3,316
TOTAL	**$**	**10,905**

To prepare the comparison, the Company modified its 2017 Results of Operations to include all of the plant additions for 2018 to correctly calculate the impact the Tax Reform Act will have on the Company (see Exhibit 1, page 2), forming the starting point in Exhibit 1. The impacts associated with the elimination of the allowance of bonus depreciation for public utility property will only impact future revenue requirement calculations as new property is placed into service. The Company then made the following adjustments:

- Changed the federal tax rate,

- Adjusted for tax related changes, such as the change in section 199, changes to employees meals deductibility, and the elimination of the deduction for transit passes (see Exhibit 1, page 3),
- Added in the ARAM amortization discussed below (see Exhibit 1, page 4),
- Adjusted the accumulated deferred income tax balances (see Exhibit 1, page 5),
- Adjusted wheeling revenues for the tax law impact on (see Exhibit 1, page 6).

Federal Corporate Income Tax Rate Reduction

The reduction of the federal corporate income tax rate from 35 to 21 percent impacts the Company's revenue requirement in three ways: First, it reduces current income taxes; second, it creates a reduction to the accumulated deferred income taxes ("ADIT") liability; and third, it reduces the Company's FERC Open Access Transmission Tariff ("OATT"), which reduces third-party wheeling revenues.

Required Normalization of Excess Deferred Income Taxes

In addition to current income taxes, the Tax Reform Act also impacts three groups of ADIT: protected property related items; non-protected property related items; and non-protected non-property related items.

The decrease to the tax rate reduces the future ADIT liability by reflecting the lower income tax rate that will be due when the temporary differences reverse. This reduction ("Excess Deferred Income Taxes") was calculated by measuring the temporary differences at the new combined federal and state statutory income tax rate compared to the ADIT balance existing under the old statutory income tax rate. The Excess Deferred Income Taxes were recorded to a regulatory liability resulting in no immediate net change to the rate base upon which the Company earns a return.

The treatment of the regulatory liability associated with property-related timing differences is governed by normalization rules. The Tax Reform Act provides that Excess Deferred Income Taxes on public utility property (*e.g.,* temporary differences that result from different depreciation methods and lives) or protected property related ADIT must be normalized using the average rate assumption method ("ARAM") of accounting.[3] Under the ARAM, the public utility identifies the reversal pattern (book depreciation turnaround vs. tax depreciation turnaround) and reverses the Excess Deferred Income Taxes beginning when the turnaround occurs over the remaining book life through regulated operating expense. Thus, while excess ADIT was calculated based on balances at the time of the enactment of the rate change that excess would not begin to reverse until book depreciation exceeds tax depreciation.

The Company also has non-protected property related Excess Deferred Income Taxes. While the Tax Reform Act does not require that non-protected property related to Excess Deferred Income Taxes be normalized using ARAM, the Company has historically treated it that way and proposes that treatment continue. In part, this is due to the configuration of the Company's property-related tax system, PowerTax, which presently uses ARAM to amortize all Excess Deferred Income Taxes included in the system, protected and non-protected.

The non-protected non-property Excess Deferred Income Taxes are not subject to the income tax normalization rules imposed by the Tax Reform Act and can be used to satisfy other regulatory assets or deferred and amortized over a period prescribed by the regulatory jurisdiction. Based on the 2017 Normalized Results of Operations, the impact of the Tax Reform Act on the

[3] Violations of the income tax normalization provisions associated with public utility property would result in (i) a prohibition against the public utility's claim to accelerated depreciation with respect to all public utility property and (ii) imposition of an additional tax on the public utility wherein the tax for the taxable year will increase by the amount by which it reduces its excess tax reserve more rapidly than permitted under a normalization method of accounting.

non-protected non-property related Excess Deferred Income Taxes was $46.5 million total-Company and $1.2 million for Idaho. Idaho includes actual cash payments rather than accruals for pension expenses reducing its non-protected non-property Excess Deferred Income Taxes. The Company is proposing a five-year amortization of this balance beginning with the next general rate case.

The Excess Deferred Income Tax balances and amortization expense included in the filing are shown in Tables 2 and 3 below.

TABLE 2

Excess Deferred Income Tax Balance as of December 31, 2018		
$ Thousands	**Total Company**	**Idaho**
Property Related		
Protected	$ 1,331,532	$ 77,448
Non-Protected	259,302	12,017
Non-Property Related	46,534	1,215
TOTAL	**$ 1,637,368**	**$ 90,680**

TABLE 3

Excess Deferred Income Tax Amortization Included in Filing	
$ Thousands	**Idaho**
Property Related ARAM (includes protected & Non-protected Property)	$ 2,654
Non-Property Related (1)	-
TOTAL	**$ 2,654**

OFFSETTING IMPACT TO FERC OATT

The net impact of the Tax Reform Act was a reduction to the Company's overall revenue requirement. This also applies to the transmission revenue requirement used for its FERC OATT. The reduction to the transmission revenue requirement reduces the FERC OATT, which reduces the amount of transmission wheeling revenues collected from third-party users of the Company's transmission system. This reduced Idaho allocated wheeling revenues by $0.5 million, which is netted against the overall savings shown in this report.

TAX IMPACT ON PRODUCTION TAX CREDITS

The Internal Revenue Code ("IRC") provides that a wind facility will generate PTCs equal to an inflation-adjusted 1.5 cents per kilowatt hour of electricity that is produced and sold to a third-party for a period of 10 years, beginning on the date the facility is placed in-service for income tax purposes.[4]

The annual amount of PTCs passed on to customers is based on three factors: 1) the megawatt-hours of energy produced at the qualifying wind facilities; 2) the inflation-adjusted IRS rate; and 3) the Company's tax gross-up rate. The Company's wind facilities were placed in-service in 2006 through 2010. Thus, beginning in 2016 as the first qualifying wind facilities reached their 10-year anniversary from their initial in-service date, the energy produced from those wind facilities no longer qualified for PTCs. The number of qualifying wind facilities continues to decline each year as they reach the 10-year anniversary from their initial in-service date. Due to both the volatility of megawatt-hours produced from the wind facilities and the approaching end of the qualification period for each of the wind facilities, the Commission authorized[5] tracking PTCs in the Energy Cost Adjustment Mechanism ("ECAM").

The Tax Reform Act reduces the Company's tax gross-up rate applied to PTCs from 1.61 percent to 1.33 percent, which reduces the value of the PTC customers receive in rates from $1.99 per MWH to $1.75 per MWH, based on the PTCs included in the 2017 Normalized Results of Operations. Beginning January 1, 2018, the PTC rate will change from $1.99 to $1.75 per MWh

[4] IRC section 45(a).
[5] Order No. 33440 in Case No. PAC-E-15-09 page 6.

to reflect that a portion of the PTCs have been adjusted for the current tax gross-up rate, Exhibit 2 provides the calculation of the new PTC rate.

PROPOSED ACCOUNTING TREATMENT FOR RATE STABILIZATION

Based on the 2017 Normalized Results of Operations, the net revenue requirement impact of the Tax Reform Act is $10.9 million. Consistent with the Stipulation, $6.185 million will be returned to customers through Schedule 197, $3.3 million is subject to ARAM, leaving approximately $1.4 million per year which the Company proposes to defer into a regulatory liability to be used to offset regulatory assets like the 2013 incremental depreciation balance, Deer Creek closure costs, or other future customer expenses such as the 2018 depreciation study.

Gradualism and rate stability are longstanding ratemaking principles recognized by this Commission in setting rates. The Company's proposal to pass $9.485 million annually ($6.185 million plus $3.3 million), represents 87 percent, of the benefit to customers now and defer the remaining $1.4 million into a regulatory liability better aligns with those principles. Reducing rates by the full balance of the Tax Reform Act benefits would provide interim reductions, only to leave customers facing greater upward pressures on rates a short time thereafter. Significant changes in customer rates downward then upward in a matter of a few years does not meet the principle of gradualism, and does not promote rate stability. The Company proposes that a deferred regulatory liability and the Company's proposed ratemaking treatment provides for responsible accounting treatment that will provide customer benefits of the Tax Reform Act through lower and more stable rates, as set forth in the example of the proposed deferral shown in Exhibit 3.

IMPACT TO CREDIT RATING

Fitch, S&P, and Moody's have all issued reports suggesting that the tax law changes may have the potential to negatively impact utility company credit metrics. Deferring part of the reduction will allow more time to analyze these impacts and adjust capital structure levels, as appropriate. At face value, it is easy to assume that the primary impacts on the Company of the Tax Reform Act and its reduction of corporate rates from 35 percent down to 21 percent are entirely positive, but a closer analysis shows there are negatives in the case of regulated public utilities. A January 2018 report from The Brattle Group ("Brattle Tax Report") discusses several of these adverse effects.[6]

The Brattle Tax Report demonstrates that coverage ratios for utilities will tighten as earnings before interest and taxes ("EBIT") and earnings before interest, taxes, depreciation and amortization ("EBITDA") decrease, EBIT and EBITDA interest coverage is lowered and EBITDA to debt is also lowered. These reduced coverage ratios potentially result in ratings downgrades which may increase utilities' borrowing costs. The report goes on to show that utilities' realized earnings volatility is increased by a lower tax rate because the "cushion" provided by the impact of taxes on utility rates becomes smaller. This will make earnings more sensitive to reductions to EBITDA as the offsetting tax benefit goes from a 35 percent rate to a 21 percent rate. The Brattle Tax Report also states that cash flows may be deferred due to a lower tax rate on depreciation timing differences.

The same impacts noted in the Brattle Tax Report led Moody's Investor Service ("Moody's") to lower the outlook for 24 regulated utilities on January 19, 2018 based primarily on the Tax Reform Act's impacts on cash flows. On January 24, 2018, just after issuing its revised negative outlooks, Moody's, issued a Sector Comment for regulated utilities in the US entitled "Tax reform is credit negative for sector, but impacts vary by company." The comment cited many

[3] *See* The Brattle Group, "Six Implications of the New Tax Law for Regulated Utilities", January 2018 (available at http://files.brattle.com/files/13011_six_implications_of_the_new_tax_law_for_regulated_utilities.pdf).

of the same adverse impacts raised in the Brattle Tax Report, noting that while tax reform is neutral for utility earnings it is negative for cash flow and further noting that cash flow to debt ratio could decline by 150–250 basis points.

While the Company has not had its outlook revised to negative, the adverse impacts discussed by Moody's and The Brattle Group will likely impact the Company if all benefits are refunded to customers immediately. Deferring part of the reduction to rates to offset future rate increases will ease some of these negative impacts, and allow more time for the Company, the Commission and the other parties to analyze the impacts and reach a solution that keeps the Company financially healthy. Deferring the remaining balance of the Tax Reform Act into a regulatory liability and allowing the Company to offset known cost increases discussed gives the Company time to better consider potential adverse impacts from the Tax Reform Act and to adjust its capital structure as appropriate to account for them.

REQUEST FOR RELIEF

Gradualism and rate stability are longstanding ratemaking principles recognized by this Commission in setting rates. The Company's proposal to pass 87 percent of the benefit to customers now and defer the remaining balance to a regulatory liability is intended to support these same principals and is responsible accounting treatment. The Company's proposed ratemaking treatment will provide customer benefits of the Tax Reform Act through lower and more stable rates and support the Company's current credit rating.

DATED this 15th day of June, 2018.

RESPECTFULLY SUBMITTED,
ROCKY MOUNTAIN POWER

Yvonne R. Hogle

Yvonne R. Hogle
Assistant General Counsel

EXHIBIT 1

Revenue Requirement Impact - Tax Rate Change

Rocky Mountain Power

Revenue Requirement Impact - Tax Rate Change

RESULTS OF OPERATIONS SUMMARY

		DECEMBER 2017 NORMALIZED RESULTS[1] IDAHO	TOTAL CURRENT TAX	TOTAL WHEELING REVENUE OFFSET	TOTAL ARAM	21% TAX RATE DECEMBER 2017 NORMALIZED RESULTS IDAHO[2]
1	Operating Revenues					
2	General Business Revenues	278,539,915	(8,102,608)	513,983	(3,316,058)	267,635,233
3	Interdepartmental	0	0	0	0	0
4	Special Sales	28,641,606	0	0	0	28,641,606
5	Other Operating Revenues	9,499,302	0	(511,924)	0	8,987,379
6		316,680,824	(8,102,608)	2,060	(3,316,058)	305,264,218
7						
8	Operating Expenses:					
9	Steam Production	70,928,509	0	0	0	70,928,509
10	Nuclear Production	0	0	0	0	0
11	Hydro Production	2,674,996	0	0	0	2,674,996
12	Other Power Supply	75,549,044	0	0	0	75,549,044
13	Transmission	12,913,866	0	0	0	12,913,866
14	Distribution	10,936,574	0	0	0	10,936,574
15	Customer Accounting	4,542,613	(10,489)	665	(4,293)	4,528,497
16	Customer Service & Infor	160,110	0	0	0	160,110
17	Sales	0	0	0	0	0
18	Administrative & General	7,907,381	0	0	0	7,907,381
19						
20		185,613,093	(10,489)	665	(4,293)	185,598,977
21						
22	Depreciation	41,078,813	0	0	0	41,078,813
23	Amortization	3,831,300	0	0	0	3,831,300
24	Taxes Other Than Income	9,873,361	(22,282)	1,413	(9,119)	9,843,373
25	Income Taxes - Federal	3,720,069	(322,703)	(3)	(675,640)	2,721,722
26	Income Taxes - State	907,657	532,021	(1)	(153,014)	1,286,664
27	Income Taxes - Def Net	12,610,002	(8,567,639)	0	(2,653,891)	1,388,472
28	Investment Tax Credit Adj.	(439,790)	0	0	0	(439,790)
29	Misc Revenue & Expense	(6,721)	0	0	0	(6,721)
30						
31		257,187,784	(8,391,092)	2,076	(3,495,957)	245,302,810
32						
33	Operating Revenue for Return	59,493,040	288,484	(16)	179,899	59,961,408
34						
35	Rate Base:					
36	Electric Plant in Service	1,690,932,850	0	0	0	1,690,932,850
37	Plant Held for Future Use	(0)	0	0	0	(0)
38	Misc Deferred Debits	21,883,486	0	0	0	21,883,486
39	Elec Plant Acq Adj	822,391	0	0	0	822,391
40	Pensions	0	0	0	0	0
41	Prepayments	2,886,288	0	0	0	2,886,288
42	Fuel Stock	11,878,959	0	0	0	11,878,959
43	Material & Supplies	13,727,710	0	0	0	13,727,710
44	Working Capital	1,267,654	4,110	(236)	(31)	1,271,497
45	Weatherization Loans	1,687,023	0	0	0	1,687,023
46	Miscellaneous Rate Base	0	0	0	0	0
47						
48		1,745,086,360	4,110	(236)	(31)	1,745,090,203
49						
50	Rate Base Deductions:					
51	Accum Prov For Depr	(554,286,183)	0	0	0	(554,286,183)
52	Accum Prov For Amort	(33,988,970)	0	0	0	(33,988,970)
53	Accum Def Income Taxes	(262,095,165)	4,251,577	0	2,653,891	(255,189,696)
54	Unamortized ITC	(73,502)	0	0	0	(73,502)
55	Customer Adv for Const	(1,763,371)	0	0	0	(1,763,371)
56	Customer Service Deposits	0	0	0	0	0
57	Misc. Rate Base Deductions	(15,243,459)	0	0	0	(15,243,459)
58						
59		(867,450,650)	4,251,577	0	2,653,891	(860,545,181)
60						
61	Total Rate Base	877,635,710	4,255,688	(236)	2,653,860	884,545,022
62						
63	Return on Rate Base	6.779%				6.779%
64						
65	Return on Equity	8.208%				8.208%

Footnotes:

(1) The December 2017 Normalized Results of Operations were revised from the filed December 2017 Results of Operations to accurately reflect the revenue requirement prior to the tax reform act. Please refer to Exhibit 1 page 2.

(2) Refer to RAM Dec 2017 Results ID - 21% and JAM Dec 2017 Results ID - 21% models and ID work papers - 21%.

Rocky Mountain Power

Revenue Requirement Impact - Tax Rate Change

RESULTS OF OPERATIONS SUMMARY

	Description of Account Summary:	DECEMBER 2017 FILED RESULTS IDAHO	ADJUSTED [1]	DECEMBER 2017 NORMALIZED RESULTS IDAHO
1	Operating Revenues			
2	General Business Revenues	278,539,915	0	278,539,915
3	Interdepartmental	0	0	0
4	Special Sales	28,641,606	0	28,641,606
5	Other Operating Revenues	9,499,302	0	9,499,302
6		316,680,824	0	316,680,824
7				
8	Operating Expenses:			
9	Steam Production	70,928,509	0	70,928,509
10	Nuclear Production	0	0	0
11	Hydro Production	2,674,996	0	2,674,996
12	Other Power Supply	75,549,044	0	75,549,044
13	Transmission	12,913,866	0	12,913,866
14	Distribution	10,936,574	0	10,936,574
15	Customer Accounting	4,542,613	0	4,542,613
16	Customer Service & Infor	160,110	0	160,110
17	Sales	0	0	0
18	Administrative & General	7,907,381	0	7,907,381
19				
20		185,613,093	0	185,613,093
21				
22	Depreciation	40,569,404	509,409	41,078,813
23	Amortization	3,807,907	23,393	3,831,300
24	Taxes Other Than Income	9,873,361	0	9,873,361
25	Income Taxes - Federal	9,373,979	(5,653,910)	3,720,069
26	Income Taxes - State	1,675,930	(768,273)	907,657
27	Income Taxes - Def Net	6,896,682	5,713,320	12,610,002
28	Investment Tax Credit Adj.	(439,790)	0	(439,790)
29	Misc Revenue & Expense	(6,721)	0	(6,721)
30				
31		257,363,845	(176,061)	257,187,784
32				
33	Operating Revenue for Return	59,316,980	176,061	59,493,040
34				
35	Rate Base:			
36	Electric Plant in Service	1,655,736,461	35,196,389	1,690,932,850
37	Plant Held for Future Use	(0)	0	(0)
38	Misc Deferred Debits	21,883,486	0	21,883,486
39	Elec Plant Acq Adj	822,391	0	822,391
40	Pensions	0	0	0
41	Prepayments	2,886,288	0	2,886,288
42	Fuel Stock	11,878,959	0	11,878,959
43	Material & Supplies	13,727,710	0	13,727,710
44	Working Capital	1,279,688	(12,035)	1,267,654
45	Weatherization Loans	1,687,023	0	1,687,023
46	Miscellaneous Rate Base	0	0	0
47				
48		1,709,902,005	35,184,355	1,745,086,360
49				
50	Rate Base Deductions:			
51	Accum Prov For Depr	(553,776,774)	(509,409)	(554,286,183)
52	Accum Prov For Amort	(33,965,577)	(23,393)	(33,988,970)
53	Accum Def Income Taxes	(259,055,450)	(3,039,715)	(262,095,165)
54	Unamortized ITC	(73,502)	0	(73,502)
55	Customer Adv for Const	(1,763,371)	0	(1,763,371)
56	Customer Service Deposits	0	0	0
57	Misc. Rate Base Deductions	(15,243,459)	0	(15,243,459)
58				
59		(863,878,133)	(3,572,517)	(867,450,650)
60				
61	Total Rate Base	846,023,872	31,611,838	877,635,710
62				
63	Return on Rate Base	7.011%		6.779%
64				
65	Return on Equity	8.660%		8.208%

Footnotes:

(1) The December 2017 Normalized Results of Operations were revised from the filed December 2017 Results of Operations by adding the following adjustments: Other Capital Additions, Deprecation Expense and Reserve, AFUDC Equity, and tax changes on the Major Plant Additions. Please refer to RAM Dec 2017 Results ID - 35%, the JAM Dec 2017 Results ID - 35%, and the ID work papers -35%.

Rocky Mountain Power
Idaho Results of Operations - December 2017
Tax Deductible Items - New

WORK PAPER ADJUSTMENT PAGE NO. 7.7

	ACCOUNT	Type	TOTAL COMPANY	FACTOR	FACTOR %	IDAHO ALLOCATED	REF#
Adjustment to Tax:							
Schedule M Deduction - Sec. 199	SCHMDP	3	(34,219,097)	SG	6.221%	(2,128,639)	
Schedule M Deduction - Sec. 199	SCHMDP	3	(1,620,786)	SE	6.466%	(104,807)	
Sch M Add - Meals & Entertainment	SCHMAP	3	731,873	SO	5.953%	43,568	
Sch M Add - Meals & Entertainment	SCHMAP	3	22,879	SE	6.466%	1,479	
Sch M Add - Transit Pass	SCHMAP	3	343,380	SO	5.953%	20,441	

Description of Adjustment:

This adjustment removes Section 199, and adds an additional 50% of Meals & Entertainment for a 100% add back of Meals & Entertainment expense from the December 2017 results of operations to reflect ongoing tax expense as a result of the changes from the Tax Cuts and Jobs Act of 2017 signed on December 22, 2017 with an effective date of January 1, 2018. Included also is an add back for the transit pass costs provided for employees that are no longer tax deductible.

Rocky Mountain Power
Idaho Results of Operations - December 2017
ARAM Adjustment - NEW

WORK PAPER ADJUSTMENT PAGE NO. 7.9

	ACCOUNT	Type	TOTAL COMPANY	FACTOR	FACTOR %	IDAHO ALLOCATED	REF#
Adjustment to Tax:							
Add 2018 ARAM Amount	41110	3	(2,540,219)	ID	100.000%	(2,540,219)	
Add 2018 ARAM Amount	282	3	2,540,219	ID	100.000%	2,540,219	
Add 2018 ARAM Amount - Bridger Coal	41110	3	(113,672)	ID	100.000%	(113,672)	
Add 2018 ARAM Amount - Bridger Coal	282	3	113,672	ID	100.000%	113,672	

Description of Adjustment:

This adjustment provides an annual amortization of the accumulated deferred income taxes related to the change in federal tax rate of the protected property and non-protected property using the average rate assumption method (ARAM).

Also,
This adjustment provides an annual amortization of the accumulated deferred income taxes related to the change in federal tax rate of the protected property and non-protected property using the average rate assumption method (ARAM) for Bridger Coal Company.

Rocky Mountain Power
Idaho Results of Operations - December 2017
Deferred Income Tax - New

WORK PAPER ADJUSTMENT PAGE NO. 7.8

	ACCOUNT	Type	TOTAL COMPANY	FACTOR	FACTOR %	IDAHO ALLOCATED	REF#
Adjustment to Tax:							
Restate DIT @ 24.5866%	41010	3	(1,154,165)	ID	100.000%	(1,154,165)	
Remove DIT Attributed to Flow Through	41010	3	(734,855)	ID	100.000%	(734,855)	

Description of Adjustment:

This adjustment restates the deferred income tax expense to the pro-forma period using the new effective tax rate. This adjustment also removes the ARAM associated with flow through taxes. The full impact of the ARAM will be captured under a separate ARAM adjustment.

Rocky Mountain Power
Idaho Results of Operations - December 2017
Tax Impact on Wheeling Revenue - NEW

WORK PAPER ADJUSTMENT PAGE NO. 3.5

	ACCOUNT	Type	TOTAL COMPANY	FACTOR	FACTOR %	IDAHO ALLOCATED	REF#
Adjustment to Revenue:							
Other Electric Revenues	456	3	(8,229,471)	SG	6.221%	(511,924)	

Adjustment Detail:

Adjusted Wheeling Revenues 12 ME December 2018	103,558,626
Impact of Tax Rate Change	(8,229,471)
Adjusted Wheeling Revenues 12 ME December 2018	95,329,156

Description of Adjustment:

This adjustment includes the change in the FERC transmission rate due to the tax rate change.

EXHIBIT 2

Production Tax Credit Base Rate

Idaho Energy Cost Adjustment Mechanism
Production Tax Credit Base Rate
GNR-U-18-01

Base PTCs - PAC-E-15-09	**PAC-E-15-09**
1 Total Company PTCs in Rates	$ (115,633,069)
2 ID SG Allocation Factor	6.0063%
3 Idaho Allocated PTCs in Rates	($6,945,269)
4 Annual Idaho Base Load @ meter (MWh)	3,483,480
5 ID Allocated PTCs in Rates ($/MWh)	**$ (1.99)**

Base PTCs - GNR-U-18-01		**PAC-E-15-09**	**GNR-U-18-01**
PTC in GNR-U-18-01 Before Tax Gross-up		$ (47,555,547)	$ (47,555,547)
Net to Gross factor = (1/(1-tax rate))		1.6116	1.3260
Base Amount Updated for New Tax Rate		$ (76,641,923)	$ (63,058,655)
ID SG Allocation Factor from GNR-U-18-01		6.2206%	6.2206%
Included in GNR-U-18-01	$ 844,961	$ (4,767,587)	$ (3,922,627)
Idaho Allocated PTCs in Rates	($6,100,308)		
Annual Idaho Base Load @ meter (MWh)	3,483,480		
ID Allocated PTCs in Rates ($/MWh)	**$ (1.75)**		

Federal/State Combined Tax Rate	37.951%	24.587%
Net to Gross factor = (1/(1-tax rate))	1.6116	1.3260

EXHIBIT 3

Estimated Federal Tax Impact Deferral and Amortization Table

Rocky Mountain Power
Estimated Federal Tax Impact Deferral and Amortization Table
State of Idaho
$ - Thousands

	Beginning Balance	Current Tax, Wheeling, ARAM[1]	Offsets	Total Deferred	Refund	Ending Balance	Ref
		Deferral			Annual Refund $ 6,185		
Jan-18	$ -	$ 909	$ -	$ 909	$ -	$ 909	
Feb-18	909	909	-	909	-	1,817	
Mar-18	1,817	909	-	909	-	2,726	
Apr-18	2,726	909	-	909	-	3,635	
May-18	3,635	909	-	909	-	4,544	
Jun-18	4,544	909	(3,425)	(2,516)	515	1,512	(2)
Jul-18	1,512	909	-	909	515	1,905	
Aug-18	1,905	909	-	909	515	2,299	
Sep-18	2,299	909	-	909	515	2,692	
Oct-18	2,692	909	-	909	515	3,085	
Nov-18	3,085	909	-	909	515	3,478	
Dec-18	3,478	909	-	909	515	3,872	
Total		**$ 10,905**	**$ (3,425)**	**$ 7,480**	**$ 3,608**	**$ 3,872**	
Jan-19	$ 3,872	$ 909	$ -	$ 909	$ 515	$ 4,265	
Feb-19	4,265	909	-	909	515	4,658	
Mar-19	4,658	909	-	909	515	5,052	
Apr-19	5,052	909	-	909	515	5,445	
May-19	5,445	909	-	909	515	5,838	
Jun-19	5,838	909	-	909	515	6,232	
Jul-19	6,232	909	-	909	515	6,625	
Aug-19	6,625	909	-	909	515	7,018	
Sep-19	7,018	909	-	909	515	7,412	
Oct-19	7,412	909	-	909	515	7,805	
Nov-19	7,805	909	-	909	515	8,198	
Dec-19	8,198	909	-	909	515	8,591	
Total		**$ 10,905**	**$ -**	**$ 10,905**	**$ 6,185**	**$ 8,591**	
Jan-20	$ 8,591	$ 909	$ -	$ 909	$ 515	$ 8,985	
Feb-20	8,985	909	-	909	515	9,378	
Mar-20	9,378	909	-	909	515	9,771	
Apr-20	9,771	909	-	909	515	10,165	
May-20	10,165	909	-	909	515	10,558	
Jun-20	10,558	909	-	909	515	10,951	
Jul-20	10,951	909	-	909	515	11,345	
Aug-20	11,345	909	-	909	515	11,738	
Sep-20	11,738	909	-	909	515	12,131	
Oct-20	12,131	909	-	909	515	12,525	
Nov-20	12,525	909	-	909	515	12,918	
Dec-20	12,918	909	-	909	515	13,311	
Total		**$ 10,905**	**$ -**	**$ 10,905**	**$ 6,185**	**$ 13,311**	

(1) See Exhibit 1 page 1 line 2 for detail of the $10.9 million.

(2) Includes $3.425m offset for the 2013 depreciation study, effective June 2018. The settled cash refund of $6.185m is effective June 2018.