

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) ORDER NO. 34331
RATEMAKING) (ROCKY MOUNTAIN POWER)
)

On March 5, 2019, Rocky Mountain Power, a division of PacifiCorp (“Company”), filed a Phase II Stipulation (“Phase II 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 Phase II Settlement Stipulation and recommended the Commission approve it in the public interest.

Having reviewed the record, the Commission finds the Phase II Settlement Stipulation is just, fair, and reasonable. The Commission thus approves it in the public interest as discussed below.

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 approved 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 Phase II Settlement Stipulation to settle all remaining issues, and pass back to customers all benefits that the Company realized from the tax law changes.

The Commission issued a Notice of Settlement Stipulation setting deadlines for interested persons to comment on the Phase II Settlement Stipulation, and for the Company to file a reply. *See* Order No. 34272. Commission Staff filed the only comments, and recommended that the Commission approve the Phase II Settlement Stipulation in the public interest. *See* Comments of the Commission Staff on Phase II Settlement Stipulation (PacifiCorp) (“Staff Comments”). The Company did not reply.

The Phase II Settlement Stipulation and the Staff’s Comments are summarized below.

THE PHASE II SETTLEMENT STIPULATION AND COMMENTS

The parties believe the Phase II Settlement Stipulation is fair, just, and reasonable, and that the Commission should approve it in the public interest. *See* Phase II Settlement Stipulation at 1 and 8; Staff Comments at 1 and 6. The Phase II Settlement Stipulation, if approved, would fully return to customers the tax benefits the Company has realized under the tax law changes. The Phase II 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 ECAM's 90/10 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 ongoing 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.

DISCUSSION AND FINDINGS

The Commission considers settlement stipulations under Rules 271-277. IDAPA 31.01.01.271-277. When a settlement is presented to the Commission, the Commission will prescribe the procedures appropriate to the nature of the settlement to consider it. IDAPA 31.01.01.274. Further, proponents of a settlement must show that the settlement is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. IDAPA 31.01.01.275. Finally, the Commission is not bound by settlement agreements. Instead, the Commission “will independently review any settlement proposed to it to determine whether the settlement is just, fair and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.” IDAPA 31.01.01.276.

We have reviewed the record, including the Phase II Settlement Stipulation, and Staff’s Comments. We note all parties have signed the Phase II Settlement Stipulation and support it, and that no one opposes it. Further, the settling parties represent that the Phase II Settlement Stipulation

reasonably resolves the case and that it is in the public interest for the Commission to approve it. We agree.

We note that, in Phase I, the Commission ordered the Company to decrease its total retail revenues by about \$8.385 million (3%) starting June 1, 2018 (i.e., \$6.185 million annual base rates decrease plus \$2.2 million ECAM reduction). With the Phase II Settlement Stipulation, the parties have now quantified the remaining tax-related benefits and established a reasonable method for returning them to customers. These benefits include an additional \$1.4 million in current tax savings to be returned to customers each year through Schedule 197, starting June 1, 2019 (i.e., up from the \$6.185 million per year the Company began returning through the initial settlement stipulation, to \$7,598,000 per year); \$105.924 million in protected property-related EDIT savings to be returned to customers each year using the ARAM method through the ECAM; and \$14.883 million in non-protected and non-property EDIT to be returned to customers in the ECAM over seven years starting June 1, 2019. We find the Phase II Settlement Stipulation builds on the initial settlement stipulation to reasonably return to customers 100% of the financial benefit the Company realized under the tax law changes. Accordingly, based on the record before us, and to aid “in securing a just, speedy and economical determination of the issues presented to the Commission,” we find it reasonable and appropriate to approve the Phase II Settlement Stipulation—including the proposed Electric Service Schedule 197 attached thereto—in the public interest. IDAPA 31.01.01.273.

ORDER

IT IS HEREBY ORDERED that the Company’s Phase II Settlement Stipulation is approved. The proposed Electric Service Schedule 197 attached to the Phase II Settlement Stipulation is approved as filed, effective June 1, 2019.

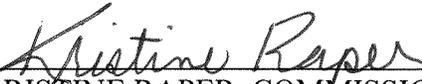
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

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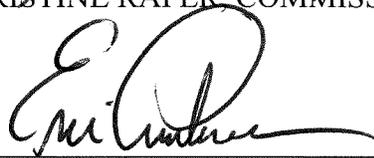
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *3rd*
day of May 2019.



PAUL KJELLANDER, PRESIDENT

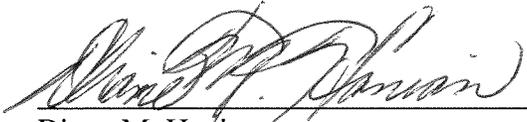


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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