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IDAHO PUBLIC
UTILITIES COMMISSION

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Attorney for the Staff of the
Idaho Public Utilities Commission

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION)
INTO THE IMPACT OF FEDERAL TAX CODE) **CASE NO. GNR-U-18-01**
REVISIONS ON UTILITY COSTS AND) **COMMENTS OF THE**
RATEMAKING) **COMMISSION STAFF IN**
) **SUPPORT OF SETTLEMENT**
) **STIPULATION RE: ROCKY**
) **MOUNTAIN POWER**
)

The Staff of the Idaho Public Utilities Commission comments as follows on the Settlement Stipulation (“Settlement Stipulation”) relating to Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or the “Company”) in Case No. GNR-U-18-01.

BACKGROUND

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act of 2017 (“TCJA”). Effective January 1, 2018, the TCJA decreased the federal corporate tax rate from 35 percent to 21 percent. In response, the Commission opened this multi-utility case to investigate whether to adjust the rates of certain utilities that benefit from the reduced tax rate. *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 on March 30, 2018, requesting to reduce retail rates by \$2.8 million to return a portion of the TCJA savings to customers. On April 30, 2018, the Company updated its report with normalized 2017 Results of Operations.

A settlement conference occurred at the Commission offices on April 30, 2018. Representatives of Rocky Mountain Power, Idaho Irrigation Pumpers Association, Inc., PacifiCorp Idaho Industrial Customers, Monsanto Company, and Commission Staff (collectively, the “Parties”) attended. Through discussions and compromise, the Parties agreed to the proposed Settlement Stipulation filed on May 10, 2018. If approved, the Settlement Stipulation would decrease the Company’s retail revenues by \$8.385 million, or about 3.0%, on June 1, 2018. The remaining benefits from the TCJA will be quantified and a method to return those amounts to customers will be determined later in a second phase to this proceeding (“Phase II”).

STAFF REVIEW

Staff has reviewed the Settlement Stipulation and believes it fairly compromises the Parties’ positions, and is reasonable and in the public interest. Staff thus recommends that the Commission approve it as written. The Settlement Stipulation, if approved, would return most of the tax benefits the Company has realized under the TCJA, and provides for a process to determine the amount of, and method to return to customers, any unaccounted for benefits.

Summary of the Settlement Stipulation

The Parties agree the Company would decrease customer rates by \$8.385 million. This decrease would consist of two rate components: (1) a retail credit through a new rate schedule, Electric Service Schedule No. 197, and (2) a reduction in the annual Energy Cost Adjustment Mechanism (“ECAM”). Effective June 1, 2018, rates would decrease by \$6.185 million to reflect current federal and state income tax savings. The Company would return this amount to customers as a credit through the new rate schedule, and allocate it to customer classes using the cost of service F101 – Rate Base factor as applied in the Company’s last general rate case filing (Case No. PAC-E-11-12). This rate schedule would remain in place until the Company’s next general rate case, at which time the Company would incorporate the tax-rate reduction into its base rates.

The Company would return the remaining \$2.2 million to customers by using it to decrease amounts customers otherwise would pay through the ECAM. In Order No. 33776, Case No PAC-E-17-02, the Commission authorized the Company begin amortizing the 2013 depreciation regulatory asset by \$4.0 million, or 35% of the total \$11.5 million annual ECAM recovery. In the current ECAM filing, the Company has proposed to maintain the \$4.0 million amortization of that regulatory asset. In this Settlement Stipulation, the Parties agree to amortize the depreciation regulatory asset by the expected annual incremental deferral of \$1.8 million, and thus reduce the ECAM recovery by \$2.2 million.

January 1 – May 31, 2018 Regulatory Liability

Per Commission Order No. 33965, the Company began to “immediately account for the financial benefits from the January 1, 2018 tax rate reduction to 21%” by treating the benefits as a deferred regulatory liability until they are reflected in customer rates and the net deferred balance has been returned to customers. The balance of the deferred regulatory liability is estimated to be \$3.5 million on May 31, 2018.

The balance of the 2013 depreciation regulatory asset is also estimated to be \$3.5 million, as of May 31, 2018. The Parties agree to the Company would use the estimated \$3.5 million deferred regulatory liability associated with the January through May tax savings to offset the remaining regulatory asset balance for the 2013 depreciation deferral. Any difference in amounts between the regulatory asset and the regulatory liability would be addressed in the proposed Phase II of this case.

Final Report and Phase II

The Parties agree that, on June 15, 2018, the Company will file a final report on the net savings under the Tax Reform Act. The Company’s report would include the calculation and amortization of excess deferred income taxes, and reconcile the above-described customer benefits with the balance recorded as a regulatory liability or asset, as appropriate. The Company’s filing would begin Phase II of this proceeding.

In Phase II, Parties would be able to examine and propose ratemaking treatment of the balances that remain under the TCJA. The Company would continue to defer the balance of the TCJA regulatory account, including any balance after Phase II, until the regulatory treatment is determined by the Commission, but not later than the next general rate case. In addition, the

Parties would identify how the Company will report and describe any remaining deferral balances on June 15 each year until all tax benefits are included in rates.

STAFF RECOMMENDATION

Staff believes the Settlement Stipulation reasonably resolves this matter for Rocky Mountain Power and its customers, and recommends the Commission approve it as filed.

Respectfully submitted this 22nd day of May 2018.



Karl T. Klein
Deputy Attorney General

Technical Staff: Joe Terry
Brad Iverson-Long
Donn English

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22ND DAY OF MAY 2018, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. GNR-U-18-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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