ITEM NO. 3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 29, 2018

REGULAR __X__ **CONSENT** ____ **EFFECTIVE DATE** __June 1, 2018__

DATE: May 24, 2018

TO: Public Utility Commission

FROM: SG Scott Gibbens and JF John Fox

THROUGH: JPB for JE Jason Eisdorfer and JPB for JC John Crider

SUBJECT: (Docket Nos. ADV 730/Advice No. 18-02, UM 1928) Requests approval of changes to rates related to the accelerated depreciation of Valmy and approval to defer and amortize the 2018 ratepayer benefits associated with the income tax provisions of the U.S. Tax Cuts and Jobs Act.

STAFF RECOMMENDATION:

1. Approve the Term Sheet agreed to by Idaho Power Company ("Idaho Power" or "Company"), Staff and the Oregon Citizens' Utility Board ("CUB"), collectively "Parties," set forth in Attachment A to this memorandum, as a settlement of the issues presented in this memo for 2018 and 2019.

2. Approve Idaho Power's Application to defer for later ratemaking treatment impacts associated with the income tax provisions of H.R.1, the U.S. Tax Cuts and Jobs Act ("Tax Act"), docketed as UM 1928, for the period between January 1, 2018 and December 31, 2018, calculated to be $1,483,736, consistent with the Term Sheet agreed to by Idaho Power, Staff and CUB.

3. Direct Idaho Power to file an application to reauthorize the deferral of Tax Act benefits for the calendar year 2019, no later than December 31, 2018, for the annual revenue requirement amount of $1,483,736, consistent with the Term Sheet agreed to by Idaho Power, Staff and CUB.

4. Approve amortization of the 2018 ratepayer benefits of $1,483,736 associated with the Tax Act beginning June 1, 2018 and ending May 31, 2019, consistent with the Term Sheet agreed to by Idaho Power, Staff and CUB.

5. Find Idaho Power's decision to cease coal-fired operations of Idaho Power's share of Valmy Unit 1 by year-end 2019 prudent, based on the analysis provided in ADV

730 and Idaho Power's most recently acknowledged Integrated Resource Plan ("IRP").

6. Approve Idaho Power's request to recover the annual incremental revenue requirement of $2,498,886 related to the accelerated depreciation of Valmy Unit 1, beginning June 1, 2018 and ending December 31, 2019.

7. Direct Idaho Power to file updated base rate tariff sheets which reflect the net impact of all rate changes to go into effect on June 1, 2018.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's request to update to its base rates, effective June 1, 2018, to recover $2,498,886 associated with the end of its operation of Idaho Power's share of Valmy Unit 1 by December 31, 2019. Further, whether the Commission should authorize the Company to defer and amortize the 2018 ratepayer benefits, calculated to be $1,483,736, associated with the Tax Act, with an amortization period beginning June 1, 2018 and ending May 31, 2019.

Applicable Rule or Law

The Commission may approve tariff changes if they are deemed to be fair, just and reasonable. See ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025 and OAR 860-022-0030. Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. See ORS 757.220; OAR 860-022-0020.

OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change.

OAR 860-022-0030(1) further requires that for tariff or schedule filings proposing increased rates, the utility must, for each separate schedule, identify the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue which will be derived from applying the proposed schedule, the average monthly use and resulting bills under both the existing rates and the proposed rates that will fairly represent the application of the proposed tariff or schedules, and the reasons or grounds relied upon in support of the proposed increase.

Beginning with the date of the application, the Commission may approve the deferral of identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes for the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers. ORS 757.269(2)(e) and (4). Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. ORS 757.259(4); OAR 860-027-0300(9). The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility. ORS 757.259(5).

ORS 757.269 requires the Commission to establish schedules and rates under ORS 757.210 that include amounts for income taxes. Amounts for income taxes included in rates are fair, just and reasonable if the rates include current and deferred income taxes and other related tax items that are based on *estimated* revenues derived from the regulated operations of the utility. ORS 757.269(1). ORS 757.269(2) sets forth the requirements for tax amounts included in rates.

<u>Analysis</u>

Valmy Background
Valmy is a coal-fired power plant near Winnemucca, Nevada, consisting of two units. Unit I went into service in 1981 and Unit 2 in 1985. Idaho Power and NV Energy each own 50 percent of the plant. NV Energy operates the plant and the two owners make joint decisions regarding environmental investments, plant retirement, or conversion. Idaho Power's share of the nameplate generating capacity is 284 megawatts (MW).

In Order No. 17-235, the Commission approved a stipulation which created an automatic adjustment clause to recover the accelerated depreciation associated with moving the end-of-life from 2031 and 2035 for units 1 and 2 respectively, to 2025 for both units.[1] The Order also allowed the recovery of the return on the undepreciated capital investment and the decommissioning costs. On February 28, 2018, Idaho Power

[1] *In re Idaho Power Company*, OPUC Docket No. UE 316, Order No. 17-235 (June 30, 2017). Staff notes that Idaho Power recovers the incremental revenue requirement associated with the accelerated depreciation of Valmy units 1 and 2 through a change in base rates, rather than a separate rate schedule. Pursuant to the terms of the stipulation, Idaho Power is permitted to update its base rates annually.

filed its first annual update to the Valmy incremental revenue requirement pursuant to the Stipulation adopted with Order No. 17-235, docketed as ADV 730. In this filing, the Company also requested to further accelerate the deprecation of unit 1 to reflect an end-of-life of 2019, rather than 2025, to align with the analysis in its then-pending IRP. Subsequent to the date that ADV 730 was filed, the Commission acknowledged Idaho Power's IRP Action Plan, which included its cessation of Valmy Unit 1 operations by year-end 2019.[2]

Although the IRP showed a net benefit to customers by ceasing operations at Unit 1 in 2019,[3] the details of the exit plan are still not final.[4] Thus far, NV Energy has indicated its intent to continue operating unit 1 of the Valmy plant until at least 2025. In an effort to align actual operations with IRP planning, Idaho Power and NV Energy have agreed to a Term Sheet, which sets forth tentative terms under which Idaho Power may exit both Valmy units.[5] Both parties are working on a definitive agreement which will finalize the process by which Idaho Power exits Valmy and are aiming to have it completed by the end of the calendar year 2018.[6] Any potential added costs or compensation required by Idaho Power as the result of its agreement with NV Energy were not included in the Company's revenue requirement calculation. Should the Company seek to recover these costs, it must do so in a separate rate proceeding.

In its initial filing, the Company stated that the end-of-life change would result in an increase to revenue requirement of $1,326,273; however, following Staff discovery, the Company found an error in the calculation and filed an updated request to which showed an increase of $2,498,886.[7] The accelerated depreciation for Valmy unit 1 amounts to an approximately 4.5 percent increase to the Company's annual revenue requirement.

In the process of discussions between Staff, CUB, and the Company regarding the filing, the parties determined that the rate impact to customers from the accelerated depreciation of Valmy could be mitigated by offsetting the revenue requirement change with the amortization of Tax Act benefits to customers, as described below.

Tax Act Deferral Background

On December 22, 2017, President Donald Trump signed H.R.1 – Tax Cuts and Job Act (Tax Act), with most provisions going into effect on January 1, 2018. The Tax Act

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[2] *In re Idaho Power Company*, OPUC Docket No. LC 68, Order No. 18-176 (May 23, 2018).
[3] LC 68 Idaho Power Reply Comments, pages 54 and 55.
[4] See Idaho Power's response to Staff IR No. 5 included as attachment B.
[5] *Ibid.*
[6] *Ibid.*
[7] ADV 730 – Idaho Power Supplemental Filing (April 23, 2018).

amends sections of the 1986 code, most notably the reduction in the federal corporate income tax rate from 35 percent to 21 percent. The change in the corporate income tax rate also results in excess deferred income tax (EDIT) assets and liabilities that must be reversed.

The income tax expense currently included in Idaho Power's base rates was approved in its last general rate case and was calculated in accordance with the Internal Revenue Code of 1986. Therefore, the Tax Act benefits are not reflected in Idaho Power's base rates.

On December 29, 2017, the Company filed a deferral application "to defer for later ratemaking treatment impacts associated with the income tax provisions of [the Tax Act]."[8] On April 16, 2018, the Company filed a supplemental application estimating annual Oregon jurisdictional benefits related to tax reform between $1 million and $1.5 million using year-end 2017 results. The Company also stated that it does not anticipate the Oregon jurisdictional earnings in excess of the currently authorized Oregon jurisdictional rate of return on equity. Therefore, the Company's estimate of 2018 deferred amounts is $0.

On December 29, 2017, Staff also filed an application to defer the changes in Idaho Power's federal tax obligations resulting from H.R.1 — Tax Cuts and Jobs Act (Application).[9] Staff filed similar applications for all six energy utilities to ensure ratepayers would benefit from the tax reduction beginning January 1, 2018. Idaho Power responded on April 30, 2018, referring back to the contemporaneous docket filed by the Company as well as asserting the Company's belief that deferred amounts should be subject to an earnings test pursuant to ORS 757.259(5).

Because the effects of the Tax Act were unknown at the time, neither the Company's deferral application nor Staff's contained a calculation of the anticipated Tax Act changes. Subsequent to the filing of these applications, Idaho Power, Staff, other utilities and stakeholders participated in a workshop to understand the Tax Act implications, and began working through a methodology to calculate benefits to ratepayers and a methodology for passing such benefits onto customers. Since that time, Staff has continued to work with each utility informally to address the deferral and amortization of Tax Act benefits.

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[8] UM 1928 - Idaho Power Company's Application for Deferred Accounting of Earnings Related to the U.S. Tax Cuts and Jobs Act at 1.

Staff Discussion and Findings
Staff independently investigated Idaho Power's ADV 730, asking more than one dozen information requests and by actively participating in the Company's IRP. Staff determined that Idaho Power's decision to accelerate the end-of-life for Valmy represents the lease cost and least risk planning as found in its 2017 IRP. Staff further determined that Idaho Power's proposed rates in the replacement sheets for ADV 730 to be correct, fair, just and reasonable. The decision to cease coal-fired operations at Valmy six years earlier results in an estimated net present value savings of roughly $33 million for customers.

Staff's analysis also considered the estimated anticipated exit costs that Idaho Power may incur for its joint operations with NV Energy. Although, Idaho Power's filing did not request recovery of such costs, Staff found that the estimated costs were within a range that would still render the Company's decision to exit unit 1 operations to be least-cost, least-risk. Notably, the Company is not seeking recovery of any costs outside of those already approved by the Commission in Order No. 17-235, including anticipated exit costs.

For UM 1928, Staff requested supplemental information and issued information requests pertaining to tax benefits. Specifically, Staff asked the Company to provide additional information regarding its filing before the Idaho Public Utilities Commission,[10] and to provide detailed workpapers assuming a calculation of Tax Act benefits that would utilize 2017 as a "test year" to calculate estimated tax benefits for 2018 and 2019.

A full return of tax benefits to ratepayers includes the following computational elements:

- The decrease in the annual revenue requirement due to changes in how taxable income from operations is determined, the effect of reducing the statutory federal rate from 35 percent to 21 percent, and changes in allowable tax credits, etc.
- Changes to the value of utility plant and accumulated deferred income taxes included in the Company's rate base.
- Revaluation deferred tax obligations at the new lower statutory rate resulting excess deferred income taxes (EDIT).
    - Federal law provides that the return to ratepayers of EDIT related to utility plant must generally comply with the Average Rate Assumption Method (ARAM). Failure to adhere to the ARAM methodology would terminate the Company's ability to use accelerated deprecation methods for tax purposes.

[10] *In re Idaho Power* Company, IPUC Docket No. GNR-U-18-01. Filing accessed at 4/28/18 10:09 a.m.

- EDIT unrelated to utility plant may be returned to customers using any reasonable amortization method. This is not applicable to due to the Company's use of flow through accounting for tax differences not requiring normalization.

Idaho Power, Staff and CUB agree that deferred Tax Act benefits will equal $1.484 million for ratemaking purposes, on an Oregon-allocated basis, which reflects both cost-of-service and rate base adjustments to reflect the estimated impacts of the Tax Act. Attachment C contains Staff's analysis and calculations that allowed it to support the inclusion of $1.484 million as fair, just and reasonable in Oregon rates. However, the parties have not agreed to a specific calculation supporting the inclusion of $1.484 million in rates Significant drivers of the Company's estimate include elimination of the manufacturing deduction, elimination of bonus depreciation, decreased state tax expense, related changes in deferred tax accounts arising from the 2017 tax year, and the decrease in the federal statutory rate from 35 percent to 21 percent.

Staff's analysis calculated EDIT based on the Company's reported a regulatory liability for $194 million of depreciation-related EDIT resulting from tax reform on the Company's 2017 year-end financial statements.[11] However, Staff notes that reversal of the ARAM portion of EDIT requires complex asset by asset calculations which are not available at this time. The Company has indicated that these calculations are not expected to be completed and available until the fall of 2018. Therefore, for settlement purposes for 2018 and 2019 only, the Parties recognize that there are other income tax benefits from Tax Reform including EDIT that cannot be accurately quantified on a 2017 pro-forma basis, but that should be a component(s) of Idaho Power's income tax provision in future periods. Consequently, the Parties agree to an annual ratepayer benefit of $0.284 million to cover all such items. This value is included in line 7 of Attachment C to this memo.

Agreement for Ratemaking Treatment
Idaho Power, Staff and CUB determined that the Company's Oregon customers would benefit from timing the amortization of tax benefits to coincide with the timing of rate recovery for the accelerated depreciation of Valmy Unit 1. In order to accomplish a simultaneous rate change, Idaho Power, Staff and CUB have agreed to certain ratemaking treatment:

- Request that the Commission approve rates that include the incremental levelized revenue requirement reflecting a December 31, 2019 end-of-life for Valmy Unit 1, calculated to be an increase in Oregon jurisdictional rates of $2,498,886.

- Request that the Commission approve deferral of the Tax Act benefits pursuant to docket UM 1928, for calendar year 2018, calculated to be $1,484,736. Idaho Power will then file to reauthorize its UM 1928 deferral for the same amount, representing 2019 Tax Act benefits, no later than December 31, 2018.
- Request that the Commission approve amortization of 2018 benefits beginning June 1, 2018, and ending May 31, 2019. Idaho Power will make a filing with the Commission, with a rate effective date no later than June 1, 2019, to request amortization of 2019 benefits to customers beginning June 1, 2019 and ending May 31, 2020.
- Idaho Power has agreed to forgo the application of an earnings test for deferred Tax Act benefits for 2018 and 2019.
- Idaho Power will apply the annual Tax Act benefit to customers classes as a uniform percentage decrease to base revenues, and to billing components as a uniform percentage decrease to all base rate components except the Service Charge.
- No later than December 31, 2019, Idaho Power will file a deferral application to begin tracking tax reform benefits beginning January 1, 2020.

The full agreement among the parties is included as Attachment A to this memorandum.

<u>Conclusion</u>

Staff concludes that the proposed agreement outlined in the Term Sheet provides the greatest benefits for Idaho Power's Oregon customers and the Company, both in the short and long term. Customers will benefit by the timely return of 100 percent of the tax reform benefits, and will experience a smaller rate increase on June 1, 2018 than would otherwise be the case due to the accelerated depreciation of Valmy Unit 1. Further, accelerating the depreciation of Valmy Unit 1 to match the useful life of the plant ensures that there is a matching of customer burdens and benefits associated with the plant. Therefore, Staff recommends the Commission accept the agreement among the parties, as reflected in the Term Sheet (Attachment A) and as set forth in this memorandum.

PROPOSED COMMISSION MOTION:

1. Approve the Term Sheet agreed to by Idaho Power Company ("Idaho Power" or "Company"), Staff and the Oregon Citizens' Utility Board ("CUB"), set forth in Attachment A to this memorandum, as a settlement of the issues presented in this memo for 2018 and 2019.

2. Approve Idaho Power's Application to defer for later ratemaking treatment impacts associated with the income tax provisions of H.R.1, the U.S. Tax Cuts and Jobs Act ("Tax Act"), docketed as UM 1928, for the period between January 1, 2018 and December 31, 2018, calculated to be $1,483,736, consistent with the Term Sheet agreed to by Idaho Power, Staff and CUB.

3. Direct Idaho Power to file an application to reauthorize the deferral of Tax Act benefits for the calendar year 2019, no later than December 31, 2018, for the annual revenue requirement amount of $1,483,736, consistent with the Term Sheet agreed to by Idaho Power, Staff and CUB.

4. Approve amortization of the 2018 ratepayer benefits associated with the Tax Act beginning June 1, 2018 and ending May 31, 2019, consistent with the Term Sheet agreed to by Idaho Power, Staff and CUB.

5. Find Idaho Power's decision to cease coal-fired operations of Idaho Power's share of Valmy Unit 1 by year-end 2019 prudent, based on the analysis provided in ADV 730 and Idaho Power's most recently acknowledged Integrated Resource Plan ("IRP").

6. Approve Idaho Power's request to recover the incremental revenue requirement of $2,498,886 related to the accelerated depreciation of Valmy Unit 1, beginning June 1, 2018 and ending December 31, 2019.

7. Direct Idaho Power to file updated base rate tariff sheets which reflect the net impact of all rate changes to go into effect on June 1, 2018.

ADV 730 (Valmy) and UM 1928 (Tax Reform Benefits) Term Sheet

Idaho Power Company (Idaho Power or Company), Oregon Public Utility Commission Staff (Staff) and the Oregon Citizens' Utility Board (CUB) agree to the following regarding ADV 730 and UM 1928:[1]

Valmy Unit 1

- Idaho Power, Staff and CUB agree that Idaho Power's decision to cease coal-fired operations of Idaho Power's share of Valmy Unit 1 by year-end 2019 is prudent, based on the analysis in Idaho Power's most recently acknowledged IRP[2] and the analysis provided in the ADV 730 filing and discovery, which includes the annual levelized revenue requirement associated with exiting Valmy Unit 1 as described below.
- Idaho Power, Staff and CUB acknowledge that the Company has entered into an agreement with NV Energy acknowledging Idaho Power's plans to cease coal-fired operations of Idaho Power's share at Valmy Unit 1 by December 31, 2019 and agree that given the short time frame in which the Company can recover both its return of investment and return on investment prior to exiting operations, proceeding on an estimated cost basis is appropriate.
- Idaho Power, Staff and CUB agree that the estimated incremental revenue requirement of $2,498,886 related to the accelerated depreciation of Valmy Unit 1 is just and reasonable based on the information known to date.
- Idaho Power, Staff and CUB agree that the Company has the burden of demonstrating the prudence of potential exit costs associated with the Definitive Agreement with NV Energy regarding Idaho Power's exit from Valmy Unit 1 as part of a future filing before the Commission at such time that the Company requests recovery of any costs through customer rates.

Tax Benefit Deferral

- Idaho Power, Staff and CUB agree to estimate tax benefits for years 2018 and 2019 using the pro-forma 2017 analysis provided by Idaho Power, which compares actual 2017 financial statement income tax expense with a quantification of the impact to the Company's expense had Idaho Power been subject to Tax Reform provisions for the 2017 year.
- Idaho Power, Staff and CUB agree that the tax benefits calculated for purposes of this agreement are equal to an annual amount of $1,483,736 (Oregon-allocated), which represents both the cost-of-service benefits of tax reform and the tax reform impacts associated with the North Valmy plant levelized revenue requirement.
- Idaho Power, Staff, and CUB agree that the annual benefit of $1,483,736 reflects a reasonable quantification of all tax benefits resulting from Tax Reform for 2018 and 2019.

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[1] Idaho Power, Staff and CUB note that there are two currently pending deferral applications to track the tax impacts from the recent passage of the U.S. Tax Cuts and Job Act ("Tax Reform"), Docket UM 1921 (filed by Staff) and Docket UM 1928 (filed by Idaho Power). Staff agrees withdraw its deferral application upon final Commission disposition on UM 1928.

[2] Idaho Power's decision to exit operations at Valmy Unit 1 was a 2017 Integrated Resource Plan was acknowledged at the April 10, 2018 public meeting.

Ratemaking Treatment

- Idaho Power, Staff and CUB agree to offset the Valmy incremental revenue requirement presented in ADV 730 with the pro-forma 2017 tax benefits from June 1, 2018 through December 31, 2019. The net revenue requirement impact will be reflected through a change in Idaho Power's base rate schedules, consistent with the Commission's prior ratemaking treatment of the accelerated depreciation of the Valmy plant in Order 17-235.
- Idaho Power, Staff, and CUB agree that the $1,483,736 annualized tax benefits will remain in customer rates for the time period January 1, 2020, through May 31, 2020, to provide customers with a full 24 month benefit period associated with 2018 and 2019 tax benefits. In order to facilitate this ratemaking treatment, Idaho Power agrees to request reauthorization of its UM 1928 deferral no later than December 31, 2018, and to request amortization of 2019 deferred amounts with a rate effective date no later than June 1, 2019.
- Idaho Power, Staff and CUB agree that the tax benefits included in the off-set are equal to an annual amount of $1,483,736 (Oregon-allocated), which represents both the cost-of-service benefits of tax reform and the tax reform impacts associated with the North Valmy plant levelized revenue requirement.
- For tax benefits identified for years 2018 and 2019 provided to customers under this agreement, Idaho Power agrees to forgo the application of an earnings test.
- The total annual Oregon jurisdictional tax benefit of approximately $1.5 million includes the reduction in the Valmy levelized revenue requirement resulting from Tax Reform. The parties agree that any updates to the Valmy levelized revenue requirement made between January 1, 2020 through December 31, 2025, as required under ORS 757.210(1), will be computed using tax rates in effect prior to Tax Reform, as Tax Reform benefits will be tracked through the deferral to be filed December 31, 2019.
- By December 31, 2019, Idaho Power agrees to file a deferral request to begin tracking tax reform benefits beginning January 1, 2020, at which time Idaho Power, Staff and any other interested party will discuss the methodology to quantify potential future tax reform benefits. Idaho Power's filing of a deferral by December 31, 2019 does not bind any party to a position on Idaho Power's deferral.
- Idaho Power, CUB, and Staff agree to apply the annual benefit of $1,483,736 to customer classes as a uniform percentage decrease to base revenues, and to billing components as a uniform percentage decrease to all base rate components except the Service Charge.

Communication to Customers

- Idaho Power agrees to communicate to its customers that certain benefits from the Tax Reform Act have been passed through in rates, consistent with this agreement, through newspaper ads in the Baker City Herald, Argus Observer, Hells Canyon Journal, and Malheur Enterprise, and a press release.

STAFF'S INFORMATION REQUEST NO. 5:

Please provide an update on the current status of negotiations with NV Energy. Please include a timeline which includes estimated completion dates for all documents referenced in Confidential Attachment 1. If final documents have not been executed, please also provide the most recent term sheet(s) available.

IDAHO POWER COMPANY'S RESPONSE TO STAFF'S INFORMATION REQUEST NO. 5:

Idaho Power and NV Energy continue to participate in ongoing discussions regarding the binding provisions that will be set forth in a Definitive Agreement with respect to Idaho Power's decision to cease coal-fired operations of Valmy Unit 1 by 2019 and Unit 2 by 2025, and have not executed a final agreement. Confidential Attachment 1 to the filing is the only term sheet available. Idaho Power and NV Energy are actively pursuing agreement on the terms of the Definitive Agreement and are striving for an execution date of December 31, 2018.

Idaho Power Company
Summary of Oregon Ratepayer Benefits from Federal Tax Reform

Line		(a) System	(b) Oregon	(c) Oregon %
1	2017 Current Tax Impact	$ (11,310,551)	$ (485,223)	
2	2017 Deferred Tax Impact	(15,690,259)	(673,112)	
3	Estimate Using 2017 Year End Results	(27,000,810)	(1,158,335)	4.29%
4	HCC AFUDC Tax Gross-up Reduction	(1,925,914)		N/A
5	Valmy Revenue Requirement Tax Benefit	(2,180,295)	(41,402)	1.90%
6		(31,107,019)	(1,199,737)	
7	Other income tax benefits		(283,999)	
8			$ (1,483,736)	
9	Oregon Ratepayer Benefits per Month		$ (123,645)	

Notes:

10 HCC AFUDC Tax Gross-up is applicable to Idaho only.

11 Valmy Tax Benefit % varies due to differences in the amounts and timing of inclusion in rates for each state.

Revenue Requirement for the Valmy Plant

at May 31, 2017

Attachment D

Revenue Requirement On Existing Investments at May 31, 2017

	Unit 1	Unit 2 & Common
2017	45,745,505	27,932,827
2018	42,945,057	26,587,433
2019	40,297,900	25,357,629
2020	-	24,128,636
2021	-	22,901,195
2022	-	21,674,336
2023	-	20,446,847
2024	-	19,219,854
2025	-	17,992,754
Total	128,988,462	206,241,510
PV	121,435,967	165,320,851
Payment	51,294,368	25,335,282

Decommissioning Costs

	2025 Costs	Payment
Decommissioning Costs (Estimated in 2025 dollars)	21,583,188	1,871,087

Total System Summary

Rev Rqmt - Existing Investment	76,629,650
Rev Rqmt - Decommissioning Costs & Salvage	1,871,087
New Rev Rqmt (To be tracked through the balancing account)	78,500,737
Estimated Rev Rqmt Currently in Base Rates (2011)	18,021,801
Rev Rqmt Currently in Base Rates (2017)	14,342,085
Total Rev Rqmt Currently in Base Rates	32,363,886
Net Change in Rev Rqmt	46,136,850
2017 Rev Rqmt Not in Base Rates	967,311
Annual Rev Rqmt. Impact to Customers	47,104,161

Oregon Jurisdictional Summary

Rev Rqmt - Existing Investment	3,289,891
Rev Rqmt - Decommissioning Costs & Salvage	80,330
New Rev Rqmt (To be tracked through the balancing account)	3,370,221
Estimated Rev Rqmt Currently in Base Rates (2011)	781,846
Rev Rqmt Currently in Base Rates (2017)	1,056,800
Total Rev Rqmt Currently in Base Rates	1,838,646
Net Change in Rev Rqmt	1,531,575
2017 Rev Rqmt Not in Base Rates	967,311
Annual Rev Rqmt. Impact to Customers	2,498,886