

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 21, 2020**

REGULAR CONSENT EFFECTIVE DATE June 1, 2020

DATE: April 7, 2020

TO: Public Utility Commission

FROM: John Fox

THROUGH: Bryan Conway, Michael Dougherty, John Crider, and Marianne Gardner **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
Docket No. UM 1928(2)
Application for Reauthorization for Deferred Accounting Related to the US
Tax Cuts and Jobs Act.

STAFF RECOMMENDATION:

Approve Idaho Power Company's application for an accounting order reauthorizing the Company to defer for later ratemaking treatment impacts associated with the income tax provisions of H.R.1, also known as the U.S. Tax Cuts and Jobs Act ("Tax Act"), docketed as UM 1928(2), effective January 1, 2020.

DISCUSSION:

Issue

Whether the Commission should reauthorize deferral of Oregon-jurisdictional tax benefits effective January 1, 2020.

Applicable Rule

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).

Analysis

Pending Tariff Application

Concurrently with this application, UM 1928(2), a separate application (UE 373/Tariff Advice No. 19-13) was filed requesting an adjustment in base rates effective June 1, 2020. The Company is requesting an increase in the annualized Oregon jurisdictional benefits from \$1,483,736 to \$1,519,887.

The Staff report and recommendation pertaining to the tariff application is pending subject to Commission consideration of this deferral application.

Background

In Order No. 18-199, the Commission:

Directed 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.

Approved 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.

Approved 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.

Directed 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.

Furthermore, in the Term Sheet agreed to by Idaho Power, Staff, and CUB approved by the Commission in Order No. 18-199, Idaho Power agreed to forgo the application of an earnings test for deferred Tax Act benefits for 2018 and 2019.

A compliance filing occurred on May 31, 2018, revising base rates effective June 1, 2018, inclusive of the 2018 Tax Act benefits as approved by the Commission.

In Order No. 19-166, the Commission approved the Company's application to reauthorize the deferral of Tax Act benefits for the period between January 1, 2019 and December 31, 2019. A further tariff changes was not necessary as the refund amount, calculated to be \$1,483,736, continued in the base rates.

Conclusion

Order No. 18-199 contemplated the return of Tax Act benefits to ratepayers in identical annual amounts of \$1,483,736 for both 2018 and 2019. This annual amount was included in base rates effective June 1, 2018.

Staff recommends the Commission approve the deferral of Tax Act benefits in the amount requested of \$1,519,887.

The Company's analysis and justification of the increased deferral amount is presented in the pending tariff application, UE 373. Staff's analysis and recommendation regarding the amount to be amortized will occur in that docket.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's application for an accounting order reauthorizing the Company to defer for later ratemaking treatment impacts associated with the income tax provisions of H.R.1, also known as the U.S. Tax Cuts and Jobs Act ("Tax Act"), docketed as UM 1928(2), in the amount of \$1,519,887 effective January 1, 2020.