

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 7, 2019

REGULAR _____ CONSENT X EFFECTIVE DATE June 1, 2019

DATE: April 23, 2019

TO: Public Utility Commission

FROM: John Fox *JF*

THROUGH: Jason Eisdorfer *EPA* and Marianne Gardner *MG*

SUBJECT: IDAHO POWER COMPANY: (UM 1928(1)) 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, for the period between January 1, 2019 and December 31, 2019, calculated to be \$1,483,736, consistent with the Term Sheet agreed to by Idaho Power, Staff and CUB.

DISCUSSION:

Issue

Whether the Commission should reauthorize deferral of Oregon-jurisdictional tax benefits in the amount of \$1,483,736 for calendar year 2019.

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

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.

Idaho Power filed an application for reauthorization of the deferral of Tax Act benefits as directed on December 28, 2019.

Conclusion

Order 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.

Assuming this 2019 application for deferral reauthorization is approved by the Commission, in accordance with the agreement among the parties, no rate change or compliance filing will be necessary before June 1, 2019 as the ratepayer benefits are already included in base rates.

Staff recommends the Commission approve the 2019 deferral in the amount requested and approve continued amortization in base rates beginning June 1, 2019 and ending May 31, 2020. This approval facilitates the agreement previously approved in order to return tax benefits to Idaho Power ratepayers.

Staff also notes that ongoing annual deferrals of the Tax Act benefits will be necessary until the Company's next general rate case filing. The agreement approved by the Commission in Order No. 18-199 is only applicable to benefits deferred for the 2018 and 2019 years. Accordingly, all aspects of ratepayer benefits from the Tax Act will be re-determined in future Commission proceedings effective for deferral periods beginning January 1, 2020 and beyond.

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, for the period between January 1, 2019 and December 31, 2019, calculated to be \$1,483,736, consistent with the Term Sheet agreed to by Idaho Power, Staff and CUB.