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March 15, 2019

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
Salem, Oregon 97301

Re: Docket UM _____
In the Matter of Idaho Power Company's Application for Amortization in
Rates of Certain Deferred Expenses

Attention Filing Center:

Enclosed for filing is an electronic copy of Idaho Power Company's Application for Amortization in Rates of Certain Deferred Expenses. The Application has been served on the parties of Idaho Power Company's last general rate case.

Sincerely,

Wendy McIndoo
Office Manager

Attachments

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UE _____**

4 In the Matter of

5 IDAHO POWER COMPANY

6 Application for Amortization in Rates of
7 Certain Deferred Expenses.

**APPLICATION FOR CONTINUED
AMORTIZATION**

8 **I. INTRODUCTION**

9 Pursuant to ORS 757.259 and OAR 860-027-0300, Idaho Power Company ("Idaho
10 Power" or "Company") requests that the Public Utility Commission of Oregon
11 ("Commission") issue an order approving amortization of deferred amounts associated with
12 the income tax provisions of H.R.1, also known as the U.S. Tax Cuts and Jobs Act ("Tax
13 Act"), for the June 1, 2019, through May 31, 2020, time period, as approved by the
14 Commission on May 30, 2018.¹ Idaho Power requests approval to amortize approximately
15 \$1.5 million associated with the calendar year 2019 Oregon-jurisdictional cost-of-service
16 benefits of the Tax Act. Because Order No. 18-199 approved the amortization of
17 approximately \$1.5 million in tax benefits associated with the calendar year 2018, effective
18 June 1, 2018, through May 31, 2019, the Company's request will maintain the current level
19 of amortization resulting in no change to customer rates through May 31, 2020.

20 In support of this Application, the Company states as follows:

21 **II. COMMUNICATIONS**

22 Idaho Power wishes to waive paper service in this docket. Communications
23 regarding this Application should be addressed to all of the following:
24

25 _____
26 ¹ *Re. Idaho Power Co. Application for Deferred Accounting of Earnings Related to the U.S. Tax Cuts and Jobs Act*, Docket UM 1928, Order No. 18-199 (May 30, 2018) [hereinafter "Order No. 18-199"].

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8 **III. BACKGROUND**

9 **A. Current Deferrals in Amortization.**

10 Idaho Power is currently amortizing the deferral of \$1,483,736 in tax benefits
11 associated with the Tax Act for the calendar year 2018 with amortization to be complete on
12 May 31, 2019. The Company is requesting to begin amortization of tax benefits associated
13 with the Tax Act for the calendar year 2019 on June 1, 2019, immediately following the
14 completion of amortization of the 2018 tax benefits, and pursuant to Order No. 18-199.

15 **B. The Tax Benefits Associated with the Tax Act Deferral.**

16 The Tax Act contains provisions that resulted in changes to Idaho Power's financial
17 statements. The Company's income tax expense included in the revenue requirement
18 computation approved in the last general rate case was calculated in accordance with the
19 Internal Revenue Code of 1986. The Tax Act amends sections of the 1986 code, most
20 notably the reduction in the federal corporate income tax rate from 35 percent to 21 percent.

21 On December 27, 2017, Idaho Power filed an application requesting authorization to
22 defer, for later ratemaking treatment, impacts associated with the income tax provisions of
23 the Tax Act.² On May 30, 2018, the Commission issued Order No. 18-199 approving a term
24 sheet ("Term Sheet") agreed to by Idaho Power, Commission Staff, and the Oregon Citizens'

25 _____
26 ² Docket No. UM 1928.

1 Utility Board, collectively the “Parties,” that quantified the cost-of-service benefits of the Tax
2 Act and the Tax Act impacts associated with the North Valmy power plant levelized revenue
3 requirement. The Parties agreed that the annual Oregon-jurisdictional tax benefits of
4 \$1,483,736 are a reasonable quantification of all tax benefits resulting from the Tax Act for
5 2018 and 2019. Further, the Parties agreed that the annualized tax benefits will remain in
6 customer rates through May 31, 2020, to provide customers with a full 24-month benefit
7 period associated with 2018 and 2019 tax benefits and that Idaho Power will forgo the
8 application of an earnings test for the same period.

9 In order to facilitate this ratemaking treatment, the Company agreed to request
10 reauthorization from the Commission of the Oregon-jurisdictional tax reform benefits
11 authorized in Docket No. UM 1928. On December 28, 2018, Idaho Power filed its request
12 for reauthorization to defer the annual Oregon-jurisdictional tax benefits of \$1,483,736 for
13 2019 in Docket No. UM 1928(1). The Company’s deferral request is still pending.

14 **C. The Level of Amortization in Customer Rates.**

15 Idaho Power’s current level of amortization associated with 2018 tax benefits in
16 customer rates is \$1,483,736. Because full amortization will occur on May 31, 2019, and
17 pursuant to Order No. 18-199, Idaho Power is proposing to begin amortization of the
18 \$1,483,736 in 2019 tax benefit amounts beginning June 1, 2019. Idaho Power proposes to
19 continue to apply the tax benefits to customer classes as a uniform percentage decrease to
20 base revenues, and to bill components as a uniform percentage decrease to all base rate
21 components except the service charge. Because the Company’s request will maintain the
22 current level of amortization and application of benefits will remain a uniform percentage
23 decrease, the result is no change to customer rates.

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IV. DISCUSSION

Idaho Power requests authority for amortization in rates of the \$1.5 million in deferred benefits associated with the calendar year 2019 Oregon-jurisdictional cost-of-service benefits of the Tax Act approved by the Commission in Order No. 18-199. Idaho Power is currently amortizing the calendar year 2018 Oregon-jurisdictional cost-of-service benefits of the Tax Act, as authorized by the Commission in Order No. 18-199. The 2018 tax benefits will be fully amortized on May 31, 2019. Idaho Power requests that the Commission allow the Company to begin amortizing the amounts that are the subject of this Application immediately following amortization of the 2018 tax benefits. Approval of this amortization is appropriate because the Commission has found that the quantification of the tax benefits associated with the calendar year 2019 is fair, just, and reasonable, and the Company's request will provide to customers the timely return of 100 percent of those tax reform benefits.

A. The Tax Benefit Quantification is Fair, Just, and Reasonable.

The Commission found in Order No. 18-199 that Idaho Power's estimate of the tax benefit for the years 2018 and 2019 that used the pro forma 2017 analysis provided by the Company, 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 the Tax Act provisions for the 2017 years, was fair, just, and reasonable. In the Term Sheet approved with Order No. 18-199, the Parties agreed that deferred Tax Act benefits will equal \$1,483,736 for ratemaking purposes, on an Oregon-allocated basis, which includes both cost-of-service and rate base adjustments to reflect the estimated impact of the Tax Act. The Parties agreed that the Term Sheet provides the greatest benefits for Idaho Power's Oregon customers and provides the timely return of 100 percent of the tax reform benefits.

1 Finally, the Parties agreed that the annual benefit of \$1,483,736 reflects a reasonable
2 quantification of all tax benefits resulting from the Tax Act for 2018 and 2019.

3 **B. Idaho Power's Proposed Ratemaking Treatment is Reasonable and Compliant.**

4 The Company is requesting to begin amortization of tax benefits associated with the
5 Tax Act for the calendar year 2019 on June 1, 2019, immediately following the completion
6 of amortization of the 2018 tax benefits, and pursuant to Order No. 18-199. In order to
7 facilitate the ratemaking treatment agreed to in the Term Sheet whereby annualized tax
8 benefits remain in customer rates through May 31, 2020, and to provide customers with a
9 full 24-month benefit period associated with 2018 and 2019 tax benefits, the Company
10 agreed to request amortization of 2019 deferred amounts with a rate effective date no later
11 than June 1, 2019, to ensure Idaho Power provides the timely return of 100 percent of the
12 tax reform benefits associated with the calendar year 2019.

13 **V. CONCLUSION**

14 For the foregoing reasons, Idaho Power respectfully requests that the Commission
15 authorize amortization of \$1,483,736 associated with the calendar year 2019 Oregon-
16 jurisdictional cost-of-service benefits of the Tax Act beginning June 1, 2019.

17 DATED: March 15, 2019.

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Attorneys for Idaho Power Company

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing document in
3 Idaho Power Company's Application for Continued Amortization on the parties in Docket
4 UE 233, Idaho Power Company's last general rate case, on the date indicated below by
5 email addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: March 15, 2019



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