



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

December 31, 2018

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-3398

Attn: Filing Center

RE: UM 1917(1)—PacifiCorp's Application for Reauthorization of Deferred Accounting Related to Federal Tax Act

PacifiCorp d/b/a Pacific Power submits for filing its Application for Reauthorization of Deferred Accounting Related to Federal Tax Act.

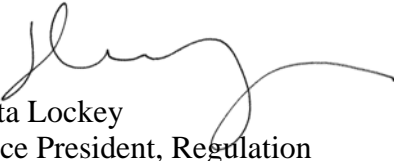
It is respectfully requested that all formal data requests to the company regarding this filing be addressed to the following:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Please direct any informal inquiries to Natasha Siores at (503) 813-6583.

Sincerely,



Etta Lockey
Vice President, Regulation

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1917(1)

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for Reauthorization of Deferred
Accounting Related to Federal Tax Act.

**APPLICATION FOR
REAUTHORIZATION OF
DEFERRED ACCOUNTING**

I. INTRODUCTION

In accordance with Oregon Revised Statutes (ORS) 757.259(2)(e) and Oregon Administrative Rules (OAR) 860-027-0300, PacifiCorp d/b/a Pacific Power applies to the Public Utility Commission of Oregon (Commission) for an order reauthorizing deferral of Oregon's allocated share of the impacts associated with the income tax provisions enacted by the federal Tax Act.¹ PacifiCorp respectfully requests reauthorization for 12 months beginning January 1, 2019.

II. CONTACT INFORMATION

Communications regarding this application should be addressed to:

Oregon Dockets
PacifiCorp
825 NE Multnomah St., Suite 2000
Portland, OR 97232
Email: oregondockets@pacificorp.com

Matthew McVee
Chief Regulatory Counsel
PacifiCorp
825 NE Multnomah St., Suite 1800
Portland, OR 97232
Phone: 503-813-5585
Email: matthew.mcvee@pacificorp.com

In addition, PacifiCorp requests that all data requests regarding this application be sent to the following:

By email (preferred): datarequest@pacificorp.com

¹ An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Pub. L. No. 115-97, 131 Stat 2054 (2017).

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah St., Suite 2000
Portland, OR 97232

Informal questions may be directed to Natasha Siores, Manager, Regulatory Affairs, at 503-813-6583.

III. BACKGROUND

The Tax Act contains provisions that will result in comprehensive changes to PacifiCorp's financial statements. The most notable impact is the reduction in the federal corporate income tax rate from 35 percent to 21 percent. The Tax Act also requires normalization of excess deferred income taxes associated with public utility property utilizing the average rate assumption method of accounting (ARAM) and eliminates the allowance for bonus depreciation for public utility property. The Tax Act also repeals the domestic production activities deduction section 199, the exclusion of income contributions in aid of construction received from governments of public purposes, and the deduction and imposition of certain limitations with respect to certain expenditures.

The Tax Act impacted the company's revenue requirement in two key ways. First, the decreased tax rate reduced the company's current income tax expense. Second, the decreased tax rate also created additional excess deferred income taxes (EDIT).² On December 28, 2017, PacifiCorp filed an application requesting authority to defer the expected impact to both current income taxes and EDIT associated with the income tax

² The Tax Act impacted three groups of accumulated deferred income tax (ADIT): protected property related items; non-protected property related items and non-property related items. The decrease to the tax rate reduces the future ADIT liability by reflecting the lower income tax rate that will be due when the temporary differences reverse. This reduction (EDIT) was calculated by measuring the temporary differences at the new combined federal and state statutory income tax rate compared to the ADIT balance existing under the old statutory income tax rate. EDIT were recorded to a regulatory liability resulting in no immediate net change to the rate base upon which the company earns a return. EDIT balances must be normalized using the ARAM method of accounting.

provisions of the Tax Act until the income tax changes are reflected in base rates. A Commission decision on PacifiCorp's initial deferral application for 2018 activity is pending; without presupposing the Commission's decision, PacifiCorp is respectfully requesting reauthorization of the deferral of the impact of the Tax Act from January 1, 2019, through December 31, 2019, at this time in compliance with OAR 860-027-0300(2) and (4).

IV. OAR 860-027-0300(3) and (4)

A. Description of Utility Expense

As described above, the Tax Act's decrease to the corporate income tax rate impacts the company's revenue requirement by reducing the company's current income tax expense and creating additional EDIT.

B. Reasons for Deferral

Reauthorization of deferred accounting is necessary to capture the impacts associated with decreased income tax expense and EDIT for the benefit of customers until such time as these changes can be incorporated into base rates or otherwise passed on to customers.³

C. Proposed Accounting

If this application is approved, PacifiCorp proposes to record deferred amounts related to the reduction in federal corporate income tax rate in FERC Account 229—Accumulated Provision for Rate Refund with the corresponding entry to FERC Account 449.1—Provision for Rate Refunds and related income tax effects to FERC Account 190—Accumulated Deferred Income Taxes, FERC Account 236—Taxes Accrued, FERC Account 409.1—Income Taxes-Utility Operating Income and FERC Account 411.1—Provision for

³ PacifiCorp's proposal for the benefits associated with the tax deferral was filed earlier this month, *see In the Matter of PacifiCorp dba Pacific Power Application for Approval of Accounting Treatment*, Docket No. UM 1985, Application (Dec. 7, 2018).

Deferred Income Taxes – Credit, Utility Operating income. If this application is denied, the collection of revenue requirement at the higher tax rate will remain in general business revenues (FERC Accounts 440—Residential Sales, 442—Commercial and Industrial Sales, and 444—Public Street and Highway Lighting). In addition, if this application is approved, PacifiCorp proposes to record deferred amounts related to excess deferred income tax liabilities in FERC Account 254—Other Regulatory Liabilities and FERC Account 182—Other Regulatory Assets with offsetting amounts to FERC Account 190—Accumulated Deferred Income Taxes, FERC Account 281—Accumulated Deferred Income Taxes – Accelerated Amortization, FERC Account 282—Accumulated Deferred Income Taxes – Other Property, and FERC Account 283—Accumulated Deferred Income Taxes – Other. If this application is denied, the changes related to excess deferred income tax liabilities will be recorded in FERC Account 190—Accumulated Deferred Income Taxes, FERC Account 281—Accumulated Deferred Income Taxes – Accelerated Amortization, FERC Account 282—Accumulated Deferred Income Taxes – Other Property, FERC Account 283—Accumulated Deferred Income Taxes – Other, FERC Account 410.1—Provisions for Deferred Income Taxes, Utility Operating Income, and FERC Account 411.1—Provision for Deferred Income Taxes – Credit, Utility Operating income.

D. Estimate of Amounts

PacifiCorp estimates the following amounts related to the 2019 impacts of the Tax Act.

2019 Current Income Tax Expense	2019 Protected Property EDIT Amortization w/ Gross-Up
\$46.7 million	\$9.9 million

E. Notice

A copy of the Notice of Application is included as Exhibit A. This notice will be served to the service list in docket UM 1917.

F. Description and Explanation of Entries in the Deferred Account to Date

The deferral related to 2018 current income tax expense is \$46.7 million. The Oregon share of non-protected EDIT is \$139.5 million, including gross-up. The Oregon share of protected property EDIT amortization related to 2018 is estimated to be \$10.4 million, including gross-up.

G. Reasons for Continuation of Deferred Accounting

As stated above, reauthorization of deferred accounting is necessary to capture the continuing impacts associated with decreased income tax expense and EDIT for the benefit of customers until such time as these changes can be incorporated into base rates or otherwise passed on to customers.

VI. CONCLUSION

PacifiCorp respectfully requests that the Commission authorize the company to continue deferring the Oregon-allocated share of the impacts associated with the Tax Act. A Commission decision on PacifiCorp's initial deferral application for 2018 activity is pending; without presupposing the Commission's decision, PacifiCorp is respectfully requesting reauthorization of the deferral of the impact of the Tax Act from January 1, 2019, through December 31, 2019, at this time in compliance with OAR 860-027-0300(2) and (4)

Respectfully submitted this 31st day of December, 2018.

By: 

Matthew McVee
Chief Regulatory Counsel
PacifiCorp d/b/a Pacific Power

Exhibit A

EXHIBIT A

NOTICE

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1917(1)

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for Reauthorization of Deferred
Accounting Related to Federal Tax Act.

**NOTICE OF
APPLICATION FOR
REAUTHORIZATION OF
DEFERRED ACCOUNTING**

On December 31, 2018, PacifiCorp d/b/a Pacific Power filed an application with the Public Utility Commission of Oregon (Commission) for an order reauthorizing deferral of Oregon's allocated share of the impacts associated with the income tax provisions enacted by the federal Tax Act.¹ PacifiCorp respectfully requests reauthorization for 12 months beginning January 1, 2019. To obtain a copy of the application, contact the following:

Oregon Dockets
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
E-mail: oregondockets@pacificorp.com

Any person who wishes to submit written comments to the Commission must do so within 25 days of the date of PacifiCorp's application.

Respectfully submitted on December 31, 2018.

By: _____



Matthew D. McVee
Chief Regulatory Counsel

¹ An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Pub. L. No. 115-97, 131 Stat 2054 (2017).

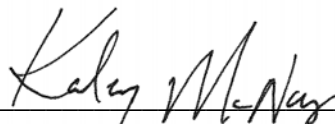
CERTIFICATE OF SERVICE

I certify that I electronically filed a true and correct copy of PacifiCorp's **Application for Reauthorization of Deferred Accounting Related to Federal Tax Act** on the parties listed below via electronic mail in compliance with OAR 860-001-0180.

Service List UM 1917

OREGON CITIZENS' UTILITY BOARD 610 SW BROADWAY, STE 400 PORTLAND, OR 97205 dockets@oregoncub.org	PACIFICORP, DBA PACIFIC POWER 825 NE MULTNOMAH ST, STE 2000 PORTLAND OR 97232 oregondockets@pacificorp.com
JOHN FOX (C) PUBLIC UTILITY COMMISSION OF OREGON PO BOX 1088 SALEM, OR 97308 john.fox@state.or.us	WILLIAM GEHRKE OREGON CITIZENS' UTILITY BOARD 610 SW BROADWAY, STE 400 PORTLAND, OR 97205 will@oregoncub.org
MICHAEL GOETZ OREGON CITIZENS' UTILITY BOARD 610 SW BROADWAY, STE 400 PORTLAND, OR 97205 mike@oregoncub.org	MATHEW MCVEE (C) PACIFICORP 825 NE MULTNOMAH ST STE 1800 PORTLAND, OR 97232 mathew.mcvee@pacificorp.com
SOMMER MOSER (C) PUC STAFF--DEPARTMENT OF JUSTICE BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 sommer.moser@state.or.us	BRAD MULLINS (C) MOUNTAIN WEST ANALYTICS 1750 SW HARBOR WAY STE 450 PORTLAND, OR 97201 brmullins@mwnalytics.com
RILEY G PECK (C) DAVISON VAN CLEVE, PC 1750 SW HARBOR WAY STE 450 PORTLAND, OR 97201 rgp@dvclaw.com	TYLER C PEPPE (C) DAVISON VAN CLEVE, PC 1750 SW HARBOR WAY STE 450 PORTLAND, OR 97201 tcp@dvclaw.com

Dated December 31, 2018.



Kaley McNay
Senior Coordinator, Regulatory Operations