

ITEM NO. CA8

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 21, 2019

REGULAR CONSENT EFFECTIVE DATE June 1, 2019

DATE: May 8, 2019

TO: Public Utility Commission

FROM: *S. Fox*
John Fox

THROUGH: *EPA* *S. Fox*
Jason Eisdorfer and Marianne Gardner

SUBJECT: IDAHO POWER COMPANY: (UE 357) Application for Amortization in Rates of Certain Deferred Expenses Associated with the Income Tax Provisions in H.R.1.

STAFF RECOMMENDATION:

Approve Idaho Power Company's application for an order approving amortization of deferred amounts associated with the income tax provisions of H.R.1, also known as the U.S. Tax Cuts and Jobs Act ("Tax Act"), for the June 1, 2019 through May 31, 2020, time period.

DISCUSSION:

Issue

Whether the Commission should approve continued amortization of Oregon-jurisdictional tax benefits in the amount of \$1,483,736 in base rates beginning June 1, 2019.

Applicable Rule

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. The Commission may approve tariff changes if they are deemed to be fair, just and reasonable. ORS 757.210. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025. Filings that make 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 changes. ORS 757.220. The

Commission may approve changes in tariffs to be effective on less than statutory notice upon a finding of good cause shown.

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.

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).

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.

In Order No. 19-166 the Commission:

Approved Idaho Power Company's application for an accounting order reauthorizing the Company to defer Tax Act benefits 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.

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.

Staff recommends the Commission approve continued amortization of \$1,483,736 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 and Order No.19-166 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 order approving amortization of deferred amounts associated with the income tax provisions of H.R.1, also known as the U.S. Tax Cuts and Jobs Act ("Tax Act"), for the June 1, 2019 through May 31, 2020, time period.