

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION) CASE NO. GNR-U-18-01
INTO THE IMPACT OF FEDERAL TAX)
CODE REVISIONS ON UTILITY COSTS AND)
RATEMAKING) ORDER NO. 34071
) (IDAHO POWER COMPANY)
)

On April 12, 2018, Idaho Power Company filed a Settlement Stipulation and Motion to Approve Settlement Stipulation. The Settlement Stipulation is signed by the Company, Commission Staff, and the Industrial Customers of Idaho Power (the sole intervenor in this multi-utility case as it relates to the Company). If approved, the Settlement Stipulation would return to customers the tax benefits the Company has realized under new tax laws that decreased the Company’s corporate tax rate and expenses.

Having reviewed the record, the Commission finds the Settlement Stipulation is just, fair, and reasonable. The Commission thus grants the Motion, and approves the Settlement Stipulation in the public interest as discussed below.

BACKGROUND

The federal Tax Cuts and Jobs Act of 2017 (the “TCJA”) decreased the federal corporate tax rate from 35% to 21%, effective January 1, 2018. After the TCJA passed, the Governor of Idaho signed House Bill 463 reducing the Idaho State Corporate Income Tax rate from 7.4% to 6.925%. The tax rate reduction materially decreased the current and deferred tax expense included in customers’ rates.

The Commission opened this multi-utility case to investigate whether to adjust the rates of certain utilities that benefit from the reduced tax rates. *See* Order No. 33965. The Commission directed all affected utilities—including the Company—to immediately account for the tax benefits as a regulatory liability. The utilities also were to report on how the tax changes affected them, and how they could pass any resulting benefits to customers. *See id.* at 1-2.

The Company filed its Report on March 30, 2018 (the Company’s “Report”), and summarized the impact of the TCJA and Idaho state tax law changes on the Company as follows:

////

Tax Reform Impact – 2017 Pro Forma Analysis

	System	Idaho	Other
Current Tax Impact (Cash)	(\$15,416,760)	(\$11,178,487)	(\$4,238,273)
Deferred Tax Impact (Non Cash)	(\$15,690,259)	(\$14,918,298)	(\$771,961)
Total Tax Reform Impact	(\$31,107,019)	(\$26,096,785)	(\$5,010,234)

Note: The “Other” category reflects tax benefits apportioned to the Company’s other retail and wholesale jurisdictions.

Report at 3.

After the Company filed its Report, the Company, Commission Staff, and the Industrial Customers of Idaho Power (collectively, the “Parties”) conducted settlement discussions and filed the Settlement Stipulation now under consideration. Settlement Stipulation at 4.

The Commission issued a Notice of Settlement Stipulation setting deadlines for interested persons to comment on the Settlement Stipulation. *See* Order No. 34039. Commission Staff and the Company filed the only comments, and recommended that the Commission approve the Settlement Stipulation in the public interest. *See* Comments of the Commission Staff in Support of Settlement Stipulation Re: Idaho Power Company (“Staff Comments”), and Idaho Power Company’s Comments in Support of Settlement Stipulation.

The Settlement Stipulation, and the Staff’s and Company’s Comments, are summarized below.

THE SETTLEMENT STIPULATION AND COMMENTS

The Parties believe the Settlement Stipulation is fair, just, and reasonable, and that the Commission should approve it in the public interest, because it would return to customers all the tax benefits the Company has realized under the tax law changes and have limited negative impact on the Company. *See* Settlement Stipulation at 2; Staff Comments at 2-3; Company Comments at 6-10. In summary, the Settlement Stipulation, if approved, would: (A) provide customers \$33.9 million in cash and non cash benefits associated with the Company’s decreased tax burden, and (B) extend the Company’s Accumulated Deferred Income Tax (“ADITC”)/Revenue Sharing Mechanism beyond 2019 and increase customers’ share of Company earnings from 75% to 80% when the Company’s year-end return on equity (“ROE”) exceeds 10% but is no more than 10.5%. These customer benefits are further described below.

////

A. Customers Would Receive \$33.9 Million Benefits Related to the Company's Decreased Tax Burden.

Under the Settlement Stipulation, the Company would provide customers with \$33.9 million in benefits related to its decreased tax expenses. This total benefit includes: (1) a \$26.5 million rate decrease consisting of an \$18.7 million base-rate decrease and a \$7.8 million Power Cost Adjustment (“PCA”) decrease, and (2) a \$7.4 million non cash annual benefit that would offset certain deferred costs that customers might otherwise pay through rates. These benefits are further explained below.

1. \$26.5 Million Rate Decrease.

The Settlement Stipulation would directly decrease customer rates by \$26,497,560 from June 1, 2018 through May 31, 2019. This direct rate decrease consists of: (a) an \$18,678,936 base-rate decrease passed to customers through a uniform percentage decrease to all base-rate components except the service charge, and (2) a \$7,818,624 decrease through a rate credit from the revenue sharing component in the Company's PCA.¹ The \$18.7 million base-rate decrease would continue until the Company's base rates change through a future general rate case or other proceeding. The initial \$7.8 million PCA credit would continue from June 1, 2018 through May 31, 2019. The credit would then decrease to \$2,680,957 on June 1, 2019, and reach \$0 on June 1, 2020. *See* Settlement Stipulation at 6-8; Staff Comments at 4-5; Company Comments at 4-5.

2. \$7.4 Million Offset to Deferred Costs.

The Settlement Stipulation would provide a non cash annual benefit of about \$7.4 million to offset deferred costs that customers would otherwise have to pay through rates. Items to be offset include about \$ 1 million of deferred operations and maintenance expenses associated with the Energy Imbalance Market; \$2.8 million associated with Idaho's jurisdictional share of settlement expenses incurred as part of relicensing the Hells Canyon Complex; and \$3.6 million in nonspecific current and future deferrals as allowed for recovery from customers by the Commission. Starting on June 1, 2019, the entire \$7.4 million will accumulate each year as a regulatory liability, until the Company's next general rate case or when modified by the Commission. *See* Settlement Stipulation at 8-9; Staff Comments at 5; Company Comments at 5.

¹ Order Nos. 30978, 32424, and 33149 established the ADITC/Revenue Sharing Mechanism that enables the Company to either (1) amortize additional ADITC, or (2) share a portion of its revenues with customers through a credit on their bills when the Company's return on equity exceeds a certain level. The current ADITC/Revenue Sharing Mechanism would expire on December 31, 2019, absent the Settlement Stipulation. *See* Settlement Stipulation at 10; Staff Comments at 2, 5-6; Company Comments at 5-6.

B. Modified and Extended ADITC/Revenue Sharing Mechanism.

Besides providing customer benefits related to the Company's decreased tax burden, the Stipulated Settlement would provide additional customer benefits by modifying the Company's ADITC/Revenue Sharing Mechanism and extending it beyond its December 31, 2019 termination date. Beginning in 2020, customers would share in a higher portion of the Company's revenue if revenue sharing is achieved. Under the current Mechanism, customers receive 75% of the Company's earnings when the Company's ROE exceeds 10% but is less than or equal to 10.5%. The Settlement Stipulation would increase the customers' earnings share to 80%. And if the Company's Idaho jurisdictional ROE were to fall below 9.4% (vs. 9.5% under the current Mechanism) for any year beginning January 1, 2020, the Company could help stabilize its earnings by amortizing up to another \$5 million of state and federal ADITC. *See* Settlement Stipulation at 10-13; Staff Comments at 5-6; Company Comments at 5-6, 9-10.

DISCUSSION AND FINDINGS

The Commission considers settlement stipulations under Rules 271-277. IDAPA 31.01.01.271-277. When a settlement is presented to the Commission, the Commission will prescribe the procedures appropriate to the nature of the settlement to consider it. IDAPA 31.01.01.274. Further, proponents of a settlement must show that the settlement is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. IDAPA 31.01.01.275. Finally, the Commission is not bound by settlement agreements. Instead, the Commission "will independently review any settlement proposed to it to determine whether the settlement is just, fair and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." IDAPA 31.01.01.276.

We have reviewed the record, including the Company's initial Report, the Settlement Stipulation, Staff's Comments, and the Company's Comments. We note all Parties have signed the Settlement Stipulation and support it, and that no one opposes it. Further, the settling Parties represent that the Settlement Stipulation reasonably resolves the case and that it is in the public interest for the Commission to approve it. We agree.

The Settlement Stipulation would reasonably return to customers 100% of the financial benefit the Company realized under the tax law changes. The Settlement Stipulation not only would provide customers with a \$26.5 million rate decrease, it would lessen the impact of potential

future rate increases by creating a \$7.4 million regulatory liability to offset regulatory assets. Moreover, it would modify the ADITC/Revenue Sharing Mechanism to increase customers' share of revenues, and allow revenue sharing to continue beyond 2019. Accordingly, based on the record before us, and to aid "in securing a just, speedy and economical determination of the issues presented to the Commission," we find it reasonable and appropriate to approve the Settlement Stipulation—including the proposed tariff schedules included as Settlement Stipulation Attachment 2—in the public interest. IDAPA 31.01.01.273.

ORDER

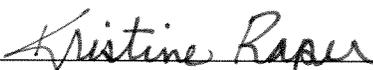
IT IS HEREBY ORDERED that the Company's Motion is granted, and the associated Settlement Stipulation—including the proposed tariff schedules included as Settlement Stipulation Attachment 2—is approved.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *31st* day of May 2018.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

GNRU1801_IPC_Settlement Order_kk