

Decision 18-05-030 May 31, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PacifiCorp (U901E) for Approval of a Tax
Reform Memorandum Account effective
January 1, 2018.

Application 17-12-019

**DECISION APPROVING PACIFICORP'S UNOPPOSED
APPLICATION AND GRANTING RELIEF REQUESTED**

Summary

This decision grants the relief requested in the unopposed application filed by PacifiCorp. This unopposed application requests approval of a tax reform memorandum account to track the expedited income tax impacts associated with the Federal tax legislation signed into law on December 22, 2017.

This proceeding is closed.

1. Background and Procedural History

On December 28, 2017, PacifiCorp (PacifiCorp) filed Application (A.) 17-12-019, its *Application of PacifiCorp for Approval of a Tax Reform Memorandum Account and Request for Expedited Consideration* (Application). In its Application, PacifiCorp requests approval of a Tax Reform Memorandum Account to track the full income tax impacts associated with the Federal tax legislation, signed into law on December 22, 2017 (the Tax Act). PacifiCorp requests that the effective date of the Tax Reform Memorandum Account be January 1, 2018, in order for PacifiCorp to track the full impact of the Tax Act. PacifiCorp will seek authority to amortize the balance recorded in the Tax

Reform Memorandum Account in a future ratemaking proceeding. PacifiCorp requests expedited consideration of this Application.

On January 11, 2018, Resolution ALJ-176-3411 preliminarily determined that this proceeding is ratesetting and that hearings are necessary. On December 28, 2017, the Office of Ratepayer Advocates (ORA) filed a response to PacifiCorp's Application. In its response, ORA stated it did not oppose PacifiCorp's proposal to establish a Tax Reform Memorandum Account and its request for expedited consideration of PacifiCorp's Application.

On February 27, 2018, a Notice of a Prehearing Conference (PHC) was issued by Administrative Law Judge (ALJ) Colin R. Rizzo. The PHC took place in San Francisco on March 14, 2018, in order to establish the service list for the proceeding, discuss the scope of the proceeding, and develop a procedural timetable for the management of this proceeding.

2. Discussion

PacifiCorp is a multi-jurisdictional utility providing electric service to 1.8 million retail customers in six states: California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp serves approximately 45,000 customers in Del Norte, Modoc, Shasta, and Siskiyou counties in Northern California. On December 22, 2017, the Tax Act was signed into law and contains provisions that result in comprehensive changes to PacifiCorp's tax structure.

2.1. Proposed Tax Reform Memorandum Account

The Tax Act creates significant changes to the nation's tax code. The new law lowers the corporate tax rate to 21 percent, from a previous high of 35 percent. As an impacted corporate entity of this federal tax law change, PacifiCorp requests Commission authorization to establish a Tax Reform Memorandum Account effective January 1, 2018 to track the full impact of the

federal tax law change. Additionally, PacifiCorp proposes to track for future credit to customers, amounts related to the reduction in the federal corporate income tax rate, and related changes in the net deferred income tax liabilities associated with the Tax Act. PacifiCorp states any other impacts of the Tax Act will be recorded in the Tax Reform Memorandum Account.

In its Application, PacifiCorp explains that the Tax Reform Memorandum Account will record the expected income tax impacts associated with the new income tax provisions. PacifiCorp will match the costs borne and benefits received by customers by way of the deferred accounting, discussed in its Application and in Attachment A of its Application.¹

ORA does not oppose PacifiCorp's proposal to establish a Tax Reform Memorandum Account and supports an expeditious refund of all tax savings to ratepayers.

2.2. Review of the Proposed Tax Reform Memorandum Account

PacifiCorp's tax structure is consistent with PacifiCorp's Revised Inter-Jurisdictional Cost Allocation Protocol (Revised Protocol) approved by the

¹ Application of PacifiCorp (U901E) for Approval of a Tax Reform Memorandum Account and Request for Expedited Consideration, Application at 3 and Attachment A. Deferred amounts related to the reduction in federal corporate income tax rate recorded in FERC Account 229-Accumulated Provision for Rate Refund with the corresponding entry to FERC Account 449.1- Provision for Rate Refund with the corresponding entry to FERC Account 449.1-Provision for Rate Refunds and related income tax effects recorded in FERC 190-Accumulated Deferred Income Taxes, FERC 236-Taxes Accrued, FERC 409.1-Income Taxes-Utility Operating Income and FERC 411.1 Provision for Deferred Income Taxes Credit, Utility Operating income. Deferred amounts related to excess deferred income tax liability will be recorded in FERC Account 254-Other Regulatory Liabilities and FERC Account 182-Other Regulatory Assets with offsetting amounts to FERC 190-Accumulated Deferred Income Taxes, FERC 281-Accumulated Deferred Income Taxes- Accelerated Amortization, FERC 282-Accumulated Deferred Income Taxes-Accelerated Amortization, FERC 282-Accumulated Deferred Income Taxes- Other Property, and FERC 283 Accumulated Deferred Income Taxes - Other.

Commission as part of the multi-party settlement in PacifiCorp's last general rate case.² Under the Revised Protocol, in addition to the federal statutory income tax rate, each of PacifiCorp's retail service jurisdictions receive a proportional component of the state income tax liability from the states in which PacifiCorp operates. The structure and accounting mechanisms of the Tax Reform Memorandum Account, the subject of this Application, appear consistent with the Revised Protocols. We believe this provides the appropriate level of transparency, streamlines the implementation of the new federal tax law to expeditiously return of any benefits borne back to ratepayers, and eases the administrative and prohibitive financial burdens of alternate tax memorandum accounts.

This Tax Reform Memorandum Account will still be under the scrutiny of Commission review. To be sure, PacifiCorp's Tax Reform Memorandum Account will be subject to review and inspection in its future general rate case where Commission staff will analyze PacifiCorp's costs of operation, maintenance of its system and inspect its accounts, books, records, papers, and documents.

3. Conclusion

The scope and procedures for the memorandum account appears settled. ORA supports PacifiCorp's proposal. There are no other parties to this proceeding. PacifiCorp's application is, therefore, uncontested.

Our review of the evidence presented by PacifiCorp confirms that PacifiCorp's request appears reasonable. Therefore, we grant the relief PacifiCorp requests in its application.

² See Decision 10-09-010.

4. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

5. Assignment of Proceeding

Commissioner Carla J. Peterman is the assigned Commissioner and Colin R. Rizzo is the assigned ALJ in this proceeding.

Findings of Fact

1. The December 28, 2017 PacifiCorp Tax Reform Memorandum Account Application is uncontested.
2. The December 28, 2017 PacifiCorp Tax Reform Memorandum Account Application was necessitated by the change in federal tax law.

Conclusions of Law

1. The December 28, 2017 Tax Reform Memorandum Account Application is reasonable in light of the whole record.
2. The December 28, 2017 Tax Reform Memorandum Account Application is consistent PacifiCorp's Revised Inter-Jurisdictional Cost Allocation Protocol.
3. PacifiCorp's Tax Reform Memorandum Account, books, papers, records, and documents are subject to review in its future general rate case.
4. This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.
5. This order should be effective immediately so that PacifiCorp may prepare the necessary accounting mechanisms and rates may be timely calibrated.

O R D E R

IT IS ORDERED that:

1. The Application of PacifiCorp (U901E) for Approval of a Tax Reform Memorandum Account and Request for Expedited Consideration is granted.
2. PacifiCorp shall file a Tier 1 Advice Letter within 30 days of the effective date of this decision to establish the Tax Reform Memorandum Account in compliance with this decision.
3. Application 17-12-019 is closed.

This order is effective today.

Dated May 31, 2018, at San Francisco, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners