

March 25, 2020

***VIA ELECTRONIC FILING***

Utah Public Service Commission  
Heber M. Wells Building, 4th Floor  
160 East 300 South  
Salt Lake City, UT 84114

Attention: Gary Widerburg  
Commission Administrator

RE: Docket No. 17-035-69

**Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation  
Titled: “An act to provide for reconciliation pursuant to titles II and V of the  
concurrent resolution of the budget for fiscal year 2018”**

*Supplemental Notice*

PacifiCorp d.b.a. Rocky Mountain Power (“Rocky Mountain Power” or “the Company”) hereby files this notice to inform the Utah Public Service Commission (“Commission”) and intervening parties of two Excess Deferred Income Tax (“EDIT”) related changes that have occurred since the Commission issued its November 9, 2018, Order Approving Settlement Stipulation in the above referenced docket (“Order”).

***Summary of EDIT Related Changes***

First, Rocky Mountain Power submitted direct testimony July 10, 2018, supporting the final report on the revenue requirement impacts associated with the Tax Cuts and Jobs Act (“TCJA”). Table 3, page 9 of the direct testimony of Company witness Mr. Steven R. McDougal, provided a summary of the EDIT, including its classification as either protected or non-protected. On August 2, 2018, the Company filed an update to Mr. McDougal’s direct testimony, revising the classification of EDIT. While total EDIT did not change, the reclassification resulted in more EDIT being classified as protected and less EDIT being classified as non-protected. During the process of extracting non-protected property EDIT balances from the Company’s tax fixed asset system so it could be returned to customers in the manner approved by the Commission, the Company determined that the August 2, 2018, reclassification was not necessary. Accordingly, while total EDIT still has not changed, this subsequent correction now results in more EDIT being classified as non-protected and less classified as protected.

Second, PacifiCorp will be using the Reverse South Georgia Method (“RSGM”) to amortize protected EDIT, retroactive to January 1, 2018, because the Company’s books and underlying records do not contain the necessary vintage account data to use the Average Rate Assumption Method (“ARAM”) as originally contemplated. The amortization of PacifiCorp’s protected EDIT for 2018, 2019, and 2020 is greater under the RSGM as compared to the Company’s ARAM

projections.

### ***Reverse South Georgia Method***

The Company's books and underlying records do not contain the necessary vintage account data to use the ARAM due to directly assigned ("situs") book depreciation on system-allocated assets. PacifiCorp depreciates system-allocated assets using a base composite life; this base level of book depreciation is system-allocated. An incremental amount of book depreciation is calculated for jurisdictions that approve a composite life different from the base or otherwise approve accelerated book depreciation for system-allocated assets; this incremental amount of book depreciation is situs allocated.

Book depreciation is required at a jurisdictional level by vintage and tax class to have the necessary vintage account data to utilize the ARAM. Because it is not maintained at this level for book accounting purposes, PacifiCorp relies on its tax fixed asset system to produce the necessary vintage account data for tax purposes by performing a procedure to allocate book depreciation. As presently configured, the book depreciation allocation procedure cannot process situs book depreciation on system-allocated assets in a manner that impacts only the vintage account data of the respective jurisdiction with the situs book depreciation. As a result, the situs book depreciation must be accounted for separately as a tax class of its own, thereby rendering the jurisdictional vintage account data to which the EDIT is actually attached incomplete for the purposes of using the ARAM.

Unlike the ARAM, book depreciation is not required at the jurisdictional level by vintage and tax class for the amortization of EDIT when using the RSGM. The RSGM requires only the use of a remaining regulatory life for an asset or group of assets to amortize the EDIT straight line. To implement the RSGM, the Company categorized Utah-allocated protected EDIT at the level of detail presented in the Company's most recently filed depreciation study. The protected EDIT is then amortized straight-line over Utah's approved remaining regulatory life for each respective asset or group of assets. For tax years 2018 to 2020, the remaining lives are based on Utah's most recently approved depreciation study. Prospectively, the remaining lives will be updated periodically to match each subsequently commission-approved depreciation study.

### ***IRS Normalization Requirements and the Reverse South Georgia Method***

Although there are uncertainties with respect to the proper application of section 13001(d) of the TCJA, the Company has carefully considered this matter and, based on the facts and circumstances, have concluded that PacifiCorp's use of the RSGM is permitted as a normalization method of accounting. The Internal Revenue Service ("IRS") recognizes the need for clarity with regard to the EDIT normalization requirements in light of the TCJA. In Notice 2019-33, the IRS announced its intent to issue guidance to clarify the EDIT normalization requirements, which may include guidance on the use of the RSGM; the Company anticipates this guidance will be issued in 2020. In comments submitted in response to Notice 2019-33, the Edison Electric Institute has requested that the IRS issue transitional guidance that allows taxpayers to correct potential normalization violations on a prospective basis and that the violations be forgiven without penalty. If uncertainties still exist after the guidance is issued, the Company will evaluate the need to file a private letter ruling request.

### ***Impacts of EDIT Related Changes***

Attachment A accompanying this filing provides a projection of the deferred TCJA tax benefits as

of December 31, 2020, including the impacts of the EDIT classification correction and the use of RSGM to amortize protected EDIT.

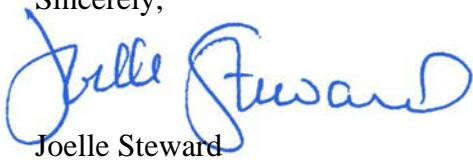
Rocky Mountain Power respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

By E-mail (preferred):           datarequest@pacificorp.com  
  Jana.saba@pacificorp.com  
  utahdockets@pacificorp.com

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

Informal inquiries may be directed to Jana Saba at (801) 220-2823.

Sincerely,



Joelle Steward  
Vice President, Regulation

Cc: Service List Docket No. 17-035-69

**Rocky Mountain Power**  
**Docket No. 17-035-69**  
**March 25, 2020**  
**Attachment A**

**Reconciliation of Utah Deferred Tax Reform Balances**

Item	Non-EDIT	Protected	Non-Protected EDIT			Subtotal	Total
	Tax Benefits	EDIT	Property	Non-Property	Def. Amort.		
<b>Deferred TCJA Tax Benefits: 17-035-69</b>	<b>(199,127,901)</b>	<b>(615,974,874)</b>	<b>(104,732,415)</b>	<b>(22,560,698)</b>	<b>0</b>	<b>(127,293,113)</b>	<b>(942,395,888)</b>
Classification Correction	0	17,996,367	(17,996,367)	0	0	(17,996,367)	0
<b>Deferred TCJA Tax Benefits: FINAL</b>	<b>(199,127,901)</b>	<b>(597,978,507)</b>	<b>(122,728,782)</b>	<b>(22,560,698)</b>	<b>0</b>	<b>(145,289,480)</b>	<b>(942,395,888)</b>
Deferred Amort. of Protected EDIT: 2018	0	26,227,482	0	0	(26,227,482)	(26,227,482)	0
Deferred Amort. of Protected EDIT: 2019	0	26,403,073	0	0	(26,403,073)	(26,403,073)	0
Deferred Amort. of Protected EDIT: 2020	0	26,200,586	0	0	(26,200,586)	(26,200,586)	0
<b>Deferred TCJA Tax Benefits: 12/31/2020, Before Gross-Up</b>	<b>(199,127,901)</b>	<b>(519,147,366)</b>	<b>(122,728,782)</b>	<b>(22,560,698)</b>	<b>(78,831,141)</b>	<b>(224,120,621)</b>	<b>(942,395,888)</b>
Gross-Up Factor	1.000000	1.326024	1.326024	1.326024	1.326024	1.326024	
<b>Deferred TCJA Tax Benefits: 12/31/2020, Before Amounts Used</b>	<b>(199,127,901)</b>	<b>(688,401,867)</b>	<b>(162,741,310)</b>	<b>(29,916,027)</b>	<b>(104,531,985)</b>	<b>(297,189,322)</b>	<b>(1,184,719,090)</b>
Less: TCJA Rate Reduction	183,000,000	0	0	0	0	0	183,000,000
Less: 2018 Plant Buy-Down	4,890,414	0	138,877,696	29,916,027	0	168,793,723	173,684,137
Less: 2019 Plant Buy-Down	4,890,414	0	0	0	0	0	4,890,414
Less: 2020 Plant Buy-Down	4,890,414	0	0	0	0	0	4,890,414
<b>Projected Deferred TCJA Tax Benefits: 12/31/2020</b>	<b>(1,456,659)</b>	<b>(688,401,867)</b>	<b>(23,863,614)</b>	<b>0</b>	<b>(104,531,985)</b>	<b>(128,395,599)</b>	<b>(818,254,125)</b>

**TCJA Non-EDIT Tax Benefits**

Item	2018	2019	2020	Total
Current Tax Benefit	(65,890,404)	(65,890,404)	(65,890,404)	(197,671,212)
Accrued Interest	(527,997)	(345,430)	(583,262)	(1,456,689)
<b>Total Non-EDIT Tax Benefits</b>	<b>(66,418,401)</b>	<b>(66,235,834)</b>	<b>(66,473,666)</b>	<b>(199,127,901)</b>

**Use of TCJA Tax Benefits**

Item	2018	2019	2020	Total
TCJA Rate Reduction - Schedule 197	61,000,000	61,000,000	61,000,000	183,000,000
Plant Buy-Down: Current Tax Deferral	4,890,414	4,890,414	4,890,414	14,671,242
Plant Buy-Down: Non-protected EDIT	168,793,723	0	0	168,793,723
<b>Total Amounts Used</b>	<b>234,684,137</b>	<b>65,890,414</b>	<b>65,890,414</b>	<b>366,464,965</b>

**Comparison of Protected EDIT Amortization: RSGM v ARAM**

Item	RSGM	ARAM	Difference
Protected EDIT Amortization: 2018	(26,227,482)	(13,628,800)	(12,598,682)
Protected EDIT Amortization: 2019	(26,403,073)	(12,505,625)	(13,897,448)
Protected EDIT Amortization: 2020	(26,200,586)	(12,329,759)	(13,870,827)
<b>Total</b>	<b>(78,831,141)</b>	<b>(38,464,184)</b>	<b>(40,366,957)</b>

**CERTIFICATE OF SERVICE**

Docket No. 17-035-69

I hereby certify that on March 25, 2020, a true and correct copy of the foregoing was served by electronic mail to the following:

**Utah Office of Consumer Services**

Cheryl Murray [cmurray@utah.gov](mailto:cmurray@utah.gov)

Michele Beck [mbeck@utah.gov](mailto:mbeck@utah.gov)

**Division of Public Utilities**

Erika Tedder [etedder@utah.gov](mailto:etedder@utah.gov)

**Assistant Attorney General**

Patricia Schmid [pschmid@agutah.gov](mailto:pschmid@agutah.gov)

Justin Jetter [jjetter@agutah.gov](mailto:jjetter@agutah.gov)

Robert Moore [rmoore@agutah.gov](mailto:rmoore@agutah.gov)

Steven Snarr [stevensnarr@agutah.gov](mailto:stevensnarr@agutah.gov)

**Utah Association of Energy Users**

*Hatch, James & Dodge, P.C.*

Gary A. Dodge (C) [gdodge@hjdllaw.com](mailto:gdodge@hjdllaw.com)

Phillip J. Russell [prussell@hjdllaw.com](mailto:prussell@hjdllaw.com)

Kevin Higgins (C) [khiggins@energystrat.com](mailto:khiggins@energystrat.com)

Neal Townsend (C) [ntownsend@energystrat.com](mailto:ntownsend@energystrat.com)

Courtney Higgins [chiggins@energystrat.com](mailto:chiggins@energystrat.com)

**US Magnesium, LLC**

Gary A. Dodge (C) [gdodge@hjdllaw.com](mailto:gdodge@hjdllaw.com)

Phillip P. Russell [prussell@hjdllaw.com](mailto:prussell@hjdllaw.com)

Roger Swenson [roger.swenson@prodigy.net](mailto:roger.swenson@prodigy.net)

**Utah Industrial Energy Consumers**

*Parsons Behle & Latimer*

William J. Evans [bevans@parsonsbehle.com](mailto:bevans@parsonsbehle.com)

Vicki M. Baldwin (C) [vbaldwin@parsonsbehle.com](mailto:vbaldwin@parsonsbehle.com)

Chad C. Baker [cbaker@parsonsbehle.com](mailto:cbaker@parsonsbehle.com)

**Nucor Steel-Utah**

Peter J. Mattheis (C) [pjm@smxblaw.com](mailto:pjm@smxblaw.com)

Eric J. Lacey (C) [ejl@smxblaw.com](mailto:ejl@smxblaw.com)

Jeremy R. Cook (C) [jcook@cohnekinghorn.com](mailto:jcook@cohnekinghorn.com)

**Rocky Mountain Power**

Data Request Response Center

Jana Saba

[datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

[jana.saba@pacificorp.com](mailto:jana.saba@pacificorp.com);

[utahdockets@pacificorp.com](mailto:utahdockets@pacificorp.com)



---

Mary Penfield  
Adviser, Regulatory Operations