

1 **Q. Please state your name, address and position for the record.**

2 A. My name is Jonathan D. Hale. My business address is PacifiCorp, 825 NE  
3 Multnomah, Suite 1900, Portland, Oregon 97232. My current position is Senior  
4 Tax Director.

5 **Q. Have you previously filed testimony in this case?**

6 A. Yes. I filed rebuttal testimony in this case addressing the Production Activity  
7 Deduction, Bonus Depreciation and the Company's proposal to go to full tax  
8 normalization.

9 **Q. Do you have a correction to your pre-filed rebuttal testimony related to tax  
10 normalization?**

11 A. Yes. This case was filed reflecting a change from prior 40% normalization to  
12 100% tax normalization. The case as originally filed correctly reflects the  
13 incorporation of full normalization in the Company's revenue requirement.

14 In reviewing my testimony and calculations to prepare for hearing,  
15 however, I realized that a calculation error was made in evaluating the impact of  
16 the proposed change from 40% to 100% normalization on the Company's revenue  
17 requirement. I originally testified that the proposed change in the normalization  
18 schedule *decreases* revenue requirement by approximately \$13 million. In fact,  
19 the Company's proposed change in tax normalization *increases* revenue  
20 requirement by approximately \$9.5 million.

21 **Q. Please explain the calculation error.**

22 A. In my rebuttal testimony, I explained that the Company's proposal to go from  
23 40% normalization to 100% normalization addressed only the book basis

24 differences related to depreciable property. All other book-tax method and life  
25 depreciation differences related to property are 100% normalized, as required by  
26 federal income tax regulations.

27 In calculating the difference between 100% normalization and 40%  
28 normalization in this case, the Company should have included only book basis  
29 differences. Instead, the Company mistakenly included both book basis and  
30 book-tax basis differences. The book basis differences between 40% and 100%  
31 normalization, adjusted for rate base impacts, are approximately \$9.5 million,  
32 which is the correct number. The book-tax basis differences, adjusted for rate  
33 base impacts, are approximately (\$23.4 million.) The net of these two numbers,  
34 approximately (\$13 million), was the number I incorrectly cited in my rebuttal  
35 testimony.

36 **Q. When did you first realize that your rebuttal testimony reflected an error?**

37 A. Only within the last couple of days. As soon as we confirmed the error, I began  
38 preparing this testimony to correct it.

39 **Q. Does the Company continue to support a change in the normalization**  
40 **schedule?**

41 A. Yes. The Utah Commission has previously included in rates the Company's  
42 transition to full normalization. The Company reached the 40% level in the  
43 1980's but did not seek to make further progress toward full normalization in rate  
44 cases thereafter. Recognizing that more than 20 years have passed since the last  
45 incremental movement toward normalization, the Company continues to believe  
46 that making the change to full normalization is in the best interest of all

47 stakeholders. The policy of spreading the tax benefits related to accelerated tax  
48 treatment of basis differences is as relevant today as it was when originally  
49 implemented. Equalization of the costs and benefits of all assets which provide  
50 future benefits to customers is appropriate and making this change will provide  
51 consistent treatment across all categories of deferred taxes.

52 **Q. How does this change impact your pre-filed rebuttal testimony?**

53 A. I am withdrawing the following parts of my rebuttal testimony, all of which  
54 incorrectly reference the \$13 million revenue requirement reduction associated  
55 with the proposed change in normalization: Page 2, the sentence beginning on  
56 line 38 and ending on line 39; Page 2, the sentence beginning on line 42 and  
57 ending on line 44; Page 11, the sentence beginning on line 241 and ending on line  
58 242; and Page 11, the section of the testimony beginning at line 247 through Page  
59 12, line 272.

60 **Q. Do you have a second, unrelated correction to your testimony?**

61 A. Yes. On the sentence beginning on line 159 of my testimony, after the word  
62 “Depreciation” on line 160, the following clause should be added: “and changes  
63 in deferred taxes.” The final number in the sentence should be “\$876,615,” instead  
64 of \$964,000. As corrected, the sentence should read: “Utah’s net change to Total  
65 Income Tax Expense for removing the Production Activity Deduction but adding  
66 in the deduction for Tax Bonus Depreciation and changes in deferred taxes is a  
67 revenue requirement increase of \$876,615.” With this change, my testimony fully  
68 reflects the tax-related changes noted in 11.18 and 11.19 of Mr. McDougal’s  
69 Revenue Requirement Revisions Table at page 4 of his Rebuttal Testimony.

70 **Q. Does this conclude your testimony?**

71 **A. Yes.**