
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Repower Wind Facilities	Docket No. 17-035-39
---	----------------------

UAE Exhibit 1.3RE

OCS Data Request 13.10

Refer to the Supplemental Direct Testimony of Joelle R. Steward, at lines 106 – 109, which states: “However, in light of the changes in the near-term rate impacts due to tax reform, the Company proposes to separately defer the net costs in excess of the cap associated with tax law changes, and seek recovery through an offset to the deferral for the impacts from tax reform, pending in Docket No. 17-035-69”.

- (a) Please explain, in detail, how the amount separately deferred will be calculated.
- (b) Provide the amount that would be separately deferred for each month and each year based on the amounts presented in Exhibit RMP__ (JRS-2SD) and Exhibit RMP__ (JRS-3SD).

Response to OCS Data Request 13.10

The Company proposes to make an annual determination of the additional resource tracking mechanism (RTM) deferral associated with Tax Reform that the Company will defer and seek recovery of as part of the Tax Reform docket. Please refer to Attachment OCS 13.10, especially tabs “Tax Reform Deferral JRS-2SD” and “Tax Reform Deferral JRS-3SD” for an example calculation of how the additional Tax Reform deferral will be calculated.

The additional Tax Reform Deferral is calculated by subtracting the cap benefit using the previous 35 percent federal tax rate from the cap benefit using the Tax Reform 21 percent federal tax rate. The cap benefit difference is the amount to be deferred and addressed in the Tax Reform docket.

The following adjustments were made to the Supplemental Direct filing results in order to provide results using a 35 percent federal tax rate:

- (a) Calculated the pre-tax return on rate base and grossed up production tax credit (PTC) incorporating a 35 percent federal tax rate.
- (b) Recalculated accumulated deferred income tax (ADIT) incorporating a 35 percent federal tax rate. For purposes of the example in Attachment OCS 13.10, JRS-2SD and JRS-3SD, ADIT was recalculated by multiplying ADIT in the Supplemental Direct filing by the old composite tax rate divided by the new composite tax rate [0.37951 divided by 0.24587].

Example Calculation of Additional RTM Cap Adjustment due to Federal Tax Law Change

		<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1	Cap Benefit @ 21% Tax Rate				
	JRS-2SD @ 21% Fed Tax, - (line 24-line 23)	952	9,132	3,664	-
2	Cap Benefit @ 35% Tax Rate				
	JRS-2SD @ 35% Fed Tax, - (line 22-line 23)	-	3,409	-	-
3	Additional Deferral until Tax Reform Case				
	line 1 - line 2	952	5,722	3,664	-
4	Cumulative Tax Reform Additional Deferral				
	Cumulative of line 3	952	6,674	10,339	10,339