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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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"	**Docket No. 17-035-69** **UAE'S COMMENTS IN RESPONSE TO RMP DEFERRED ACCOUNTING FILING**

In accordance with the Commission's Notice of Comment Period in this docket dated December 21, 2017, the Utah Association of Energy Users ("UAE") files these comments in response to the filing made by Rocky Mountain Power, a division of PaciCorp ("RMP" or "the Company") in this docket on February 7, 2018.

This docket was initiated by the Commission last December to explore ratemaking implications of significant changes to federal tax rates. On January 2, 2018, UAE filed a motion for deferred accounting treatment of all benefits associated with the U.S. Tax Reconciliation Act ("DAO Motion"). Specifically, UAE sought an order deferring for later ratemaking treatment all savings or benefits received or realized by RMP as a result of the reduced tax rates. Other parties, including the Division, the Office of Consumer Services and the Utah Industrial Energy

Consumers supported the DAO Motion. RMP filed comments also supporting deferral, and promising to provide additional details in its filing, which was made on February 7, 2018.

Tax Savings. In its filing, RMP's identifies several changes required by the Tax Reform Act that impact the Company's income tax expense and ultimately its revenue requirement. These include a reduction in the federal corporate income tax ("FIT") rate from 35 percent to 21 percent; a requirement to normalize certain deferred income taxes associated with public utility property utilizing the average rate assumption method; the elimination of the allowance for bonus depreciation for public utility property; the repeal of the domestic production activities deduction ("DPAD"); the repeal of the exclusion from income contributions in aid of construction ("CIAC") received from governments for public purposes; and the repeal of the deduction and imposition of certain limitations with respect to certain expenditures.

RMP estimates, in part, the Utah jurisdictional revenue requirement impact of the Tax Reform Act to be an annual reduction of approximately $76 million. RMP estimates the savings by recalculating its Utah Results of Operations ("ROO") for the 12-months ending June 30, 2017 ("June 2017 ROO"), which was filed with the Commission on October 31, 2017. The recalculation was performed for two of the significant impacts of the Tax Reform Act, the reduction of the FIT rate from 35% to 21%, and the repeal of the DPAD. RMP explains that the Company did not estimate the impact that result from the other changes in the Tax Reform Act at this time because they are either more complex in nature or it believes additional guidance or information is required. RMP proposes to address the impacts from these other changes in a future filing. The Company used a "price change approach" to reduce revenues to reflect the lower revenue requirement while maintaining the same earned return on equity as filed in the June 2017 ROO.

While the filing by RMP has not afforded UAE the opportunity to examine the details of RMP's calculation, UAE believes that the price change approach applied to the ROO as proposed by RMP is reasonable in concept. Therefore, UAE supports moving forward with this basic approach at this time.

Accounting Treatment and Allocation. The Company reiterates its support for deferring the benefits of the Tax Reform Act to a regulatory liability beginning January 1, 2018 until the effective date of new rates set in future ratemaking proceedings. RMP proposes to file a rate reduction of approximately $20 million to be effective May 1, 2018, while the final impacts from the Tax Reform Act are being finalized. This change in rates is expected to align with the change to seasonal summer base rates and interim effective rates for the Energy Balancing Account. RMP suggests this preliminary rate change will lower rates for customers while the Company finalizes the impacts and develops a strategy to use the regulatory liability to offset future known cost increase pressures. The Company is not proposing to use the deferral to offset other costs until the next rate case. Further, RMP suggests that credit rating agencies have issued reports suggesting that the tax law changes may negatively impact utility credit metrics and that deferring part of the reduction to offset future rate increases will allow more time to evaluate the situation and take appropriate actions.

The Company proposes to make an updated filing using the ROO ending December 31, 2017 ("December 2017 ROO") to calculate the final amount of the tax deferral which would remain in effect until the next rate case. RMP proposes that the December 2017 ROO period is better than the other potential options such as the 12-months ending June 2013 used in the last general rate case in Docket No. 13-035-184, the 12-months ending December 31, 2018, or the June 2017 ROO. RMP requests 45 days after the filing of the December 2017 ROO to calculate and file the final deferral calculation, including all impacts from the Tax Reform Act. While the filing is pending, RMP proposes to reduce rates by $20 million beginning on May 1, 2018, which would be allocated to each rate class based on the rate base allocation from the most recent annual cost of service study.

UAE does not object to a two-stage approach in which an initial rate reduction is made on or before May 1, 2018, followed by a more comprehensive calculation based on the December 2017 ROO. However, in light of the $76 million partial estimate of revenue requirement reductions calculated by RMP, the $20 million initial reduction proposed by RMP appears substantially inadequate. While some uncertainty about the final revenue requirement savings calculated using the December 2017 ROO may make it reasonable for the initial reduction to be set at a level that is less than the full amount of the partial estimate, the public interest objective here should be to reduce customer rates as *much* as reasonably possible as *soon* as reasonably possible to reflect the reduction in tax expense. This approach will properly return the tax savings to the customers who should receive them and when they should be received. Therefore, UAE recommends that the initial reduction should be set at no less than 80 percent of the partial estimate, or approximately $61 million, and allocated as proposed by RMP.

Requested Relief. UAE respectfully asks the Commission to grant its DAO Motion and to enter a deferred accounting order requiring RMP to defer all benefits of the Tax Reconciliation Act for the benefit of customers beginning January 1, 2018. In addition, UAE asks the Commission to enter orders requiring RMP to (i) adjust current rates through a line item sur-credit effective on or before May 1, 2018, designed to return at least $61,000,000 to customers during calendar year 2018, and a similar amount each year thereafter until such savings can be fully accounted for in a future general rate case; (ii) allocate the deferral benefit among classes based on the rate base allocation from the most recent annual cost of service study; and (iii) submit proposals in this docket within a reasonable amount of time for incorporating other appropriate changes to the revenue requirement caused by the Tax Reconciliation Act.

DATED this 23rd day of February 2018.

HATCH, JAMES & DODGE

/s/ ____________________

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 23rd day of February 2018 on the following:

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/s/ ____________________