

June 15, 2018

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 Secretary

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"**

In accordance with the Public Service Commission of Utah order in the above referenced docket issued on April 27, 2018, Rocky Mountain Power hereby submits its supplemental filing to provide the final report on the revenue requirement impacts and proposed ratemaking treatment associated with the recent federal income tax legislation. Workpapers supporting this filing will also be provided electronically.

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
utahdockets@pacificorp.com
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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

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Attorney for Rocky Mountain Power

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 SUPPLEMENTAL FILING AND FINAL REPORT
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Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or the “Company”), pursuant to the Public Service Commission Administrative Procedures Act Rule R746-1-301 and the Commission’s order in this docket issued April 27, 2018 (“Order”), respectfully submits this supplemental filing and final report (“Final Report”) to the Public Service Commission of Utah (“Commission”). In support of the Final Report, the Company states as follows.

PROCEDURAL BACKGROUND

1. The Company incorporates the procedural background of this docket referenced in its February 7, 2018 comments, its March 16, 2018 initial report and application, titled “Application” (the “Initial Report”), and in the April 16, 2018 Reply Comments of Rocky Mountain Power.

2. Hearings to consider the Initial Report were held April 18, 2018.

3. The Commission issued its Order on the Company’s proposal April 27, 2018. Pursuant to the Order, the Commission approved an ongoing, annual rate reduction of \$61 million,

or approximately 4.7 percent, for the remaining eight months of 2018, or 3.1 percent on an annualized basis, beginning May 1, 2018.

4. The Company submitted its Compliance Filing May 4, 2018, which the Commission approved May 9, 2018.

5. Consistent with the Compliance Filing, the Company implemented the rate reduction through Electric Service Schedule No. 197 – Federal Tax Act Adjustment.

6. The Order also directed the Company to file, on or before June 15, 2018, the Final Report which includes:

- An overview of the Tax Reform Act;
- The final calculation of the full revenue requirement impacts of the tax law changes and the effects related to excess accumulated deferred income taxes; and
- The Company’s proposal for a) returning ongoing and additional Tax Reform Act benefits to customers and b) seeking recovery of offsets to the deferral amount.

7. Details of the final calculation and proposal are provided in the attached Exhibit 1. A multi-year schedule of the timing of deferrals and refunds to customers along with the calculation of applicable carrying charges is attached as Exhibit 2.

OVERVIEW OF THE TAX REFORM ACT

The Tax Reform Act was enacted December 22, 2017, with the majority of the provisions becoming effective January 1, 2018. In its February 7, 2018 comments, the Company identified six notable items related to the Tax Reform Act that affect the Company’s annual revenue requirement as follows:

- The federal corporate income tax rate reduction from 35 to 21 percent;¹
- The requirement to normalize excess deferred income taxes associated with public utility property utilizing the average rate assumption method (“ARAM”);
- The elimination of the allowance for bonus depreciation for public utility property;
- The repeal of the domestic production activities deduction section 199 (“DPAD”);
- The repeal of the exclusion from income contributions in aid of construction (“CIAC”) received from governments of public purposes; and
- The repeal of the deduction and imposition of certain limitations with respect to certain expenditures.

FINAL REVENUE REQUIREMENT IMPACTS

On February 7, 2018, the Company provided a preliminary estimate using the June 2017 Normalized Results of Operations of \$76.2 million. This estimate was calculated using a “price change” approach in which the Company reduced revenues to reflect the lower revenue requirement while maintaining the same earned return on equity before accounting for the change to the corporate income tax rate.

Some of the revenue requirement impacts associated with Tax Reform Act (normalization of excess deferred income tax including the repeal of the domestic production activities deduction, repeal of the exclusion from income of CIAC, imposition of limitations on the deductibility of certain expenditures, and the impact on wheeling revenues) were not included in the initial estimate because they were more complex or required additional guidance or information to calculate.

To calculate the final impact, the Company compared the results of operations under the

¹ In addition, the change in tax law impacts the Company’s Federal Energy Regulatory Commission (“FERC”) Open Access Transmission Tariff (“OATT”) reducing the third party wheeling revenues received by the Company. Changes in wheeling revenue will be included in the Energy Balancing Account and not reflected herein.

prior federal tax rate of 35 percent to the new federal tax rate of 21 percent, attached as Exhibit 1, page 1. The results are summarized in Table 1 below:

TABLE 1

Revenue Requirement Impacts (\$ Thousands)	
	Utah
Current Taxes	\$ 65,890
ARAM Amortization	26,413
TOTAL	\$ 92,303

To prepare the comparison, the Company modified its December 31, 2017 results of operations to include all of the plant additions for 2018 to correctly calculate the impact the tax law change will have on revenue requirement, as shown on page 2 of Exhibit 1, forming the starting point in Exhibit 1, page 1. The Company then made the following adjustments:

- Changed the federal tax rate;
- Adjusted for tax related changes such as the change in section 199, changes to employees meals deductibility, and the elimination of the deduction for transit passes (Exhibit 1, page 3);
- Added the ARAM amortization (Exhibit 1, page 4); and
- Adjusted the accumulated deferred income tax balances (Exhibit 1 page 5).

Federal Corporate Income Tax Rate Reduction

The reduction of the federal corporate income tax rate from 35 to 21 percent impacts the Company's revenue requirement in three ways: first, it reduces current income taxes; second, it creates a reduction to the accumulated deferred income taxes ("ADIT") liability; and third, it reduces the Company's FERC OATT, which reduces third party wheeling revenues. The impact of the first two items is included in the Final Report. The impact on the Company's wheeling revenues due to the reduction in the OATT, currently estimated to reduce Utah's share by

approximately \$3.5 million, will be reflected in the Company's Energy Balancing Account filing in 2019.

Required Normalization of Excess Deferred Income Taxes

In addition to current income taxes, the Tax Reform Act also impacts three groups of ADIT:

- 1) protected property related items;
- 2) non-protected property related items; and
- 3) non-protected, non-property related items.

The decrease to the tax rate reduces the future ADIT liability by reflecting the lower income tax rate that will be due when the temporary differences reverse. This reduction ("Excess Deferred Income Taxes") was calculated by measuring the temporary differences at the new combined federal and state statutory income tax rate compared to the ADIT balance existing under the old statutory income tax rate. The Excess Deferred Income Taxes were recorded to a regulatory liability resulting in no immediate net change to the rate base upon which the Company earns a return.

The treatment of the regulatory liability associated with property-related timing differences is governed by normalization rules. The Tax Reform Act provides that Excess Deferred Income Taxes on public utility property (*e.g.*, temporary differences that result from different depreciation methods and lives) or protected property related ADIT must be normalized using the ARAM of accounting.² Under the ARAM, the public utility identifies the reversal pattern (book depreciation turnaround vs. tax depreciation turnaround) and reverses the Excess Deferred Income Taxes

² Violations of the income tax normalization provisions associated with public utility property would result in (i) a prohibition against the public utility's claim to accelerated depreciation with respect to all public utility property and (ii) imposition of an additional tax on the public utility wherein the tax for the taxable year will increase by the amount by which it reduces its excess tax reserve more rapidly than permitted under a normalization method of accounting.

beginning when the turnaround occurs over the remaining book life through regulated operating expense. Thus, while excess ADIT was calculated based on balances at the time of the enactment of the rate change that excess would not begin to reverse until book depreciation exceeds tax depreciation.

The Company also has non-protected property related Excess Deferred Income Taxes. While the Tax Reform Act does not require that non-protected property related to Excess Deferred Income Taxes be normalized using ARAM, the Company has historically treated it that way and proposes that treatment continue. In part, this is due to the configuration of the Company's property-related tax system, PowerTax, which presently uses ARAM to amortize all Excess Deferred Income Taxes included in the system, protected and non-protected.

The non-property Excess Deferred Income Taxes are not subject to the income tax normalization rules imposed by the Tax Reform Act and can be used to satisfy other regulatory assets or deferred and amortized over a period prescribed by the regulatory jurisdiction. Based on the 2017 Normalized Results of Operations, the impact of the Tax Reform Act on the non-property related Excess Deferred Income Taxes was \$46.5 million total-Company and \$22.6 million allocated to Utah. The Company is proposing a five-year amortization of this balance beginning with the effective date of rates established in the next general rate case.

The Excess Deferred Income Tax balances and amortization expense included in the Final Report are shown in Tables 2 and 3 below.

TABLE 2

Excess Deferred Income Tax Balance as of December 31, 2018		
\$ Thousands	Total Company	Utah
Property Related		
Protected	\$ 1,331,532	\$ 596,036
Non-Protected	259,302	121,260
Non-Property Related	46,534	22,561
TOTAL	\$ 1,637,368	\$ 739,857

TABLE 3

Excess Deferred Income Tax Amortization Included in Filing	
\$ Thousands	Utah
Property Related	
ARAM (includes protected and non-protected property)	\$ 20,470
Non-Property Related ⁽¹⁾	-
TOTAL	\$ 20,470

(1) The Company is proposing to amortize the Non-Property related over five years beginning with the rate effective date of the next general rate case, or at another time as approved by the Commission.

PROPOSED ACCOUNTING TREATMENT FOR RATE STABILIZATION

Based on the December 31, 2017, Normalized Results of Operations, the net revenue requirement impact of the Tax Reform Act is \$92.3 million. Consistent with the Order, \$61 million is currently being refunded to customers. The Company proposes to continue the current \$61 million annual rate reduction and defer the \$31.3 million difference into a regulatory liability to be used to offset Commission-approved regulatory assets.

Gradualism and rate stability are longstanding ratemaking principles recognized by this Commission in setting rates. The Company proposes to pass approximately 66 percent, of the

benefit to customers now and defer the remaining balance of the regulatory liability. Reducing rates by the full balance of the Tax Reform Act benefits would provide interim reductions, only to leave customers facing upward pressures on rates a short time thereafter. Significant changes in customer rates downward then upward in a matter of a few years does not meet the principle of gradualism, and does not promote rate stability. The Company proposes that a deferred regulatory liability and the Company's proposed ratemaking treatment provides for responsible accounting treatment that will provide customer benefits of the Tax Reform Act through lower and more stable rates, as set forth in the example of the proposed deferral shown in Exhibit 2.

PROPOSAL FOR RECOVERY OF OFFSETS TO THE DEFERRED ACCOUNT

The Company proposes a two-step process by which it could request offsets to the deferred account. First, the Company would apply for approval to establish a deferral in an appropriate docket. For example, the Company would request approval of incremental depreciation expense associated with the depreciation study within the depreciation study approval docket. Second, once the Commission approves the Company's request to establish a deferral, the Company would then file a request in this docket to offset the deferral with the tax change regulatory liability.

IMPACT TO CREDIT RATING

Fitch, Standard & Poor's, and Moody's Investor Service ("Moody's") have issued reports suggesting that the tax law changes may have the potential to negatively impact utility company credit metrics. Deferring part of the reduction will allow more time to analyze these impacts and adjust capital structure levels, as appropriate. At face value, it is easy to assume that the primary impacts on the Company of the Tax Reform Act and its reduction of corporate rates from 35 percent down to 21 percent are entirely positive, but a closer analysis shows there are negatives

in the case of regulated public utilities. A January 2018 report from The Brattle Group (“Brattle Tax Report”) discusses several of these adverse effects.³

The Brattle Tax Report demonstrates that coverage ratios for utilities will tighten as earnings before interest and taxes (“EBIT”) and earnings before interest, taxes, depreciation and amortization (“EBITDA”) decrease, EBIT and EBITDA interest coverage is lowered and EBITDA to debt is also lowered. These reduced coverage ratios potentially result in ratings downgrades which may increase utilities’ borrowing costs. The report goes on to show that utilities’ realized earnings volatility is increased by a lower tax rate because the “cushion” provided by the impact of taxes on utility rates becomes smaller. This will make earnings more sensitive to reductions to EBITDA as the offsetting tax benefit goes from a 35 percent rate to a 21 percent rate. The Brattle Tax Report also states that cash flows may be deferred due to a lower tax rate on depreciation timing differences.

The same impacts noted in the Brattle Tax Report led Moody’s to lower the outlook for 24 regulated utilities on January 19, 2018, based primarily on the Tax Reform Act’s impacts on cash flows. On January 24, 2018, just after issuing its revised negative outlooks, Moody’s, issued a Sector Comment for regulated utilities in the US entitled “Tax reform is credit negative for sector, but impacts vary by company.” The comment cited many of the same adverse impacts raised in the Brattle Tax Report, noting that while tax reform is neutral for utility earnings it is negative for cash flow and further noting that cash flow to debt ratio could decline by 150–250 basis points.

While the Company has not had its outlook revised to negative, the adverse impacts discussed by Moody’s and The Brattle Group will likely impact the Company if all benefits are

³ See The Brattle Group, “Six Implications of the New Tax Law for Regulated Utilities”, January 2018 (available at http://files.brattle.com/files/13011_six_implications_of_the_new_tax_law_for_regulated_utilities.pdf).

refunded to customers immediately. Deferring part of the reduction to rates to offset future rate increases will ease some of these negative impacts, and allow more time for the Company, the Commission, and the other parties to analyze the impacts and reach a solution that keeps the Company financially healthy. Deferring the remaining balance of the Tax Reform Act into a regulatory liability and allowing the Company to offset known cost increases discussed gives the Company time to better consider potential adverse impacts from the Tax Reform Act and to adjust its capital structure as appropriate to account for them. Recent conversations with Moody's discussed the status of the tax reform refund proceedings in each state and the anticipated weakening of PacifiCorp's cash from operations pre-working capital to debt metric, estimates similar to those discussed in the confidential session of the April 18, 2018 hearing. Moody's will be monitoring the outcome of the tax reform proceedings as it finalizes its next credit opinion of PacifiCorp.

REQUEST FOR RELIEF

Gradualism and rate stability are longstanding ratemaking principles recognized by this Commission in setting rates. The Company's proposal to continue to refund to customers \$61 million annually and defer the remaining balance to a regulatory liability is intended to support these same principals and is responsible accounting treatment. The Company's proposed ratemaking treatment will provide customer benefits of the Tax Reform Act through lower and more stable rates and support the Company's current credit rating.

DATED this 15th day of June 2018.

RESPECTFULLY SUBMITTED,

ROCKY MOUNTAIN POWER

A handwritten signature in blue ink, reading "Yvonne R. Hogle", is written over a horizontal line.

Yvonne R. Hogle
Assistant General Counsel

Exhibit 1

Rocky Mountain Power
Revenue Requirement Impact - Tax Rate Change

RESULTS OF OPERATIONS SUMMARY

		DECEMBER 2017 NORMALIZED RESULTS ¹ UTAH	TOTAL CURRENT	TOTAL ARAM	21% TAX RATE DECEMBER 2017 NORMALIZED RESULTS UTAH
1	Operating Revenues				
2	General Business Revenues	1,977,173,142	(65,890,414)	(26,413,018)	1,884,869,710
3	Interdepartmental	0	0	0	0
4	Special Sales	99,091,638	0	0	99,091,638
5	Other Operating Revenues	74,277,480	0	0	74,277,480
6		<u>2,150,542,260</u>	<u>(65,890,414)</u>	<u>(26,413,018)</u>	<u>2,058,238,828</u>
7					
8	Operating Expenses:				
9	Steam Production	474,540,209	0	0	474,540,209
10	Nuclear Production	0	0	0	0
11	Hydro Production	18,594,627	0	0	18,594,627
12	Other Power Supply	416,643,699	0	0	416,643,699
13	Transmission	89,078,922	0	0	89,078,922
14	Distribution	82,131,005	0	0	82,131,005
15	Customer Accounting	33,063,752	(157,391)	(63,092)	32,843,269
16	Customer Service & Infor	4,804,901	0	0	4,804,901
17	Sales	0	0	0	0
18	Administrative & General	<u>61,149,705</u>	<u>0</u>	<u>0</u>	<u>61,149,705</u>
19					
20		1,180,006,819	(157,391)	(63,092)	1,179,786,335
21					
22	Depreciation	290,531,714	0	0	290,531,714
23	Amortization	25,337,049	0	0	25,337,049
24	Taxes Other Than Income	69,404,051	(195,167)	(78,235)	69,130,648
25	Income Taxes - Federal	24,188,936	(3,957,459)	(5,318,921)	14,912,556
26	Income Taxes - State	6,565,241	3,480,573	(1,204,588)	8,841,226
27	Income Taxes - Def Net	107,107,327	(65,665,310)	(20,470,344)	20,971,673
28	Investment Tax Credit Adj.	(3,090,508)	0	0	(3,090,508)
29	Misc Revenue & Expense	<u>577,753</u>	<u>0</u>	<u>0</u>	<u>577,753</u>
30					
31		1,700,628,382	(66,494,755)	(27,135,181)	1,606,998,446
32					
33	Operating Revenue for Return	<u>449,913,878</u>	<u>604,342</u>	<u>722,163</u>	<u>451,240,382</u>
34					
35	Rate Base:				
36	Electric Plant in Service	11,951,351,290	0	0	11,951,351,290
37	Plant Held for Future Use	7,249,580	0	0	7,249,580
38	Misc Deferred Debits	357,202,241	0	0	357,202,241
39	Elec Plant Acq Adj	22,318,810	0	0	22,318,810
40	Pensions	0	0	0	0
41	Prepayments	16,391,012	0	0	16,391,012
42	Fuel Stock	87,842,266	0	0	87,842,266
43	Material & Supplies	100,367,439	0	0	100,367,439
44	Working Capital	21,202,252	174,290	(716)	21,375,826
45	Weatherization Loans	16,220	0	0	16,220
46	Miscellaneous Rate Base	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
47					
48		12,563,941,109	174,290	(716)	12,564,114,684
49					
50	Rate Base Deductions:				
51	Accum Prov For Depr	(3,687,877,141)	0	0	(3,687,877,141)
52	Accum Prov For Amort	(224,055,412)	0	0	(224,055,412)
53	Accum Def Income Taxes	(2,055,276,934)	8,390,409	10,235,172	(2,036,651,353)
54	Unamortized ITC	(151,351)	0	0	(151,351)
55	Customer Adv for Const	(19,682,679)	0	0	(19,682,679)
56	Customer Service Deposits	(15,561,423)	0	0	(15,561,423)
57	Misc. Rate Base Deductions	<u>(185,178,397)</u>	<u>0</u>	<u>0</u>	<u>(185,178,397)</u>
58					
59		(6,187,783,337)	8,390,409	10,235,172	(6,169,157,756)
60					
61	Total Rate Base	<u>6,376,157,772</u>	<u>8,564,699</u>	<u>10,234,456</u>	<u>6,394,956,928</u>
62					
63	Return on Rate Base	7.056%			7.056%
64					
65	Return on Equity	8.747%			8.747%

Footnotes:

(1) The December 2017 Normalized Results of Operations were revised from the filed December 2017 Results of Operations to accurately reflect the revenue requirement prior to the tax reform act.

¹Please refer to Exhibit 1 page 2.

(2) Refer to UT JAM Dec 2017 ROO UT (21%) models and UT work papers.

Rocky Mountain Power
Revenue Requirement Impact - Tax Rate Change

RESULTS OF OPERATIONS SUMMARY

	DECEMBER 2017 FILED RESULTS		DECEMBER 2017 NORMALIZED RESULTS
	UTAH	ADJUSTED ¹	UTAH
1 Operating Revenues			
2 General Business Revenues	1,977,173,142	0	1,977,173,142
3 Interdepartmental	0	0	0
4 Special Sales	99,091,638	0	99,091,638
5 Other Operating Revenues	74,278,466	(986)	74,277,480
6	<u>2,150,543,246</u>	<u>(986)</u>	<u>2,150,542,260</u>
7			
8 Operating Expenses:			
9 Steam Production	474,540,209	0	474,540,209
10 Nuclear Production	0	0	0
11 Hydro Production	18,594,627	0	18,594,627
12 Other Power Supply	416,643,699	0	416,643,699
13 Transmission	89,078,922	0	89,078,922
14 Distribution	82,233,705	(102,700)	82,131,005
15 Customer Accounting	33,063,752	0	33,063,752
16 Customer Service & Infor	4,804,901	0	4,804,901
17 Sales	0	0	0
18 Administrative & General	61,169,480	(19,775)	61,149,705
19			
20	1,180,129,294	(122,475)	1,180,006,819
21			
22 Depreciation	284,922,828	5,608,886	290,531,714
23 Amortization	24,536,787	800,262	25,337,049
24 Taxes Other Than Income	69,433,038	(28,987)	69,404,051
25 Income Taxes - Federal	76,584,601	(52,395,665)	24,188,936
26 Income Taxes - State	13,684,942	(7,119,701)	6,565,241
27 Income Taxes - Def Net	53,483,653	53,623,674	107,107,327
28 Investment Tax Credit Adj.	(3,090,508)	0	(3,090,508)
29 Misc Revenue & Expense	577,753	0	577,753
30			
31	1,700,262,389	365,993	1,700,628,382
32			
33 Operating Revenue for Return	<u>450,280,857</u>	<u>(366,979)</u>	<u>449,913,878</u>
34			
35 Rate Base:			
36 Electric Plant in Service	11,729,140,988	222,210,302	11,951,351,290
37 Plant Held for Future Use	7,249,580	0	7,249,580
38 Misc Deferred Debits	357,301,560	(99,319)	357,202,241
39 Elec Plant Acq Adj	22,318,810	0	22,318,810
40 Pensions	0	0	0
41 Prepayments	16,395,923	(4,912)	16,391,012
42 Fuel Stock	87,842,266	0	87,842,266
43 Material & Supplies	100,361,615	5,823	100,367,439
44 Working Capital	21,872,007	(669,756)	21,202,252
45 Weatherization Loans	16,219	1	16,220
46 Miscellaneous Rate Base	0	0	0
47			
48	12,342,498,969	221,442,140	12,563,941,109
49			
50 Rate Base Deductions:			
51 Accum Prov For Depr	(3,684,881,173)	(2,995,968)	(3,687,877,141)
52 Accum Prov For Amort	(223,387,826)	(667,585)	(224,055,412)
53 Accum Def Income Taxes	(2,046,125,175)	(9,151,759)	(2,055,276,934)
54 Unamortized ITC	(151,351)	0	(151,351)
55 Customer Adv for Const	(19,682,679)	0	(19,682,679)
56 Customer Service Deposits	(15,561,423)	0	(15,561,423)
57 Misc. Rate Base Deductions	(185,230,442)	52,045	(185,178,397)
58			
59	(6,175,020,069)	(12,763,268)	(6,187,783,337)
60			
61 Total Rate Base	<u>6,167,478,900</u>	<u>208,678,872</u>	<u>6,376,157,772</u>
62			
63 Return on Rate Base	7.301%		7.056%
64			
65 Return on Equity	9.222%		8.747%

Footnotes:

(1) The December 2017 Normalized Results of Operations were revised from the filed December 2017 Results of Operations by adding the following adjustments: Other Capital Additions, Other Plant Additions Depreciation Expense and Reserve, AFUDC Equity, Major Plant Additions, and the Major Plant Additions Depreciation Expense and Reserve. Please refer to the UT JAM Dec 2017 ROO (35%) model, and the work papers.

Rocky Mountain Power
Utah Results of Operations - December 2017
Tax Deductible Items - New

WORK PAPER ADJUSTMENT PAGE NO. 9.7

	<u>ACCOUNT</u>	<u>Type</u>	<u>TOTAL COMPANY</u>	<u>FACTOR</u>	<u>FACTOR %</u>	<u>UTAH ALLOCATED</u>	<u>REF#</u>
Adjustment to Tax:							
Schedule M Deduction - Sec. 199	SCHMDP	3	(34,219,097)	SG	43.504%	(14,886,731)	
Schedule M Deduction - Sec. 199	SCHMDP	3	(1,620,786)	SE	42.601%	(690,467)	
Sch M Add - Meals & Entertainment	SCHMAP	3	731,873	SO	43.096%	315,406	
Sch M Add - Meals & Entertainment	SCHMAP	3	22,879	SE	42.601%	9,747	
Sch M Add - Transit Pass	SCHMAP	3	343,380	SO	43.096%	147,982	

Description of Adjustment:

This adjustment removes Section 199, and adds an additional 50% of Meals & Entertainment for a 100% add back of Meals & Entertainment expense from the December 2017 results of operations to reflect ongoing tax expense as a result of the changes from the Tax Cuts and Jobs Act of 2017 signed on December 22, 2017 with an effective date of January 1, 2018. Included also is an add back for the transit pass costs provided for employees that are no longer tax deductible.

Rocky Mountain Power
Utah Results of Operations - December 2017
ARAM Adjustment - NEW

WORK PAPER ADJUSTMENT PAGE NO. 9.5

	<u>ACCOUNT</u>	<u>Type</u>	<u>TOTAL COMPANY</u>	<u>FACTOR</u>	<u>FACTOR %</u>	<u>UTAH ALLOCATED</u>	<u>REF#</u>
Adjustment to Tax:							
Add 2018 ARAM Amount	41110	B	(19,720,908)	UT	100.000%	(19,720,908)	
Add 2018 ARAM Amount	282	B	9,860,454	UT	100.000%	9,860,454	
Add 2018 ARAM Amount - Bridger Coal	41110	B	(749,436)	UT	100.000%	(749,436)	
Add 2018 ARAM Amount - Bridger Coal	282	B	374,718	UT	100.000%	374,718	

Description of Adjustment:

This adjustment provides an annual amortization of the accumulated deferred income taxes related to the change in federal tax rate of the protected property and non-protected property using the average rate assumption method (ARAM).

Also,

This adjustment provides an annual amortization of the accumulated deferred income taxes related to the change in federal tax rate of the protected property and non-protected property using the average rate assumption method (ARAM) for Bridger Coal Company.

Rocky Mountain Power
Utah Results of Operations - December 2017
Deferred Income Tax - New

WORK PAPER ADJUSTMENT PAGE NO. 9.6

	<u>ACCOUNT</u>	<u>Type</u>	<u>TOTAL COMPANY</u>	<u>FACTOR</u>	<u>FACTOR %</u>	<u>UTAH ALLOCATED</u>	<u>REF#</u>
Adjustment to Tax:							
Restate DIT @ 24.5866%	41010	3	(7,385,150)	UT	100.000%	(7,385,150)	
Remove DIT Attributed to Flow Through	41010	3	(10,321,248)	UT	100.000%	(10,321,248)	

Description of Adjustment:

This adjustment restates the deferred income tax expense to the pro-forma period using the new effective tax rate. This adjustment also removes the ARAM associated with flow through taxes. The full impact of the ARAM will be captured under a separate ARAM adjustment.

Exhibit 2

Rocky Mountain Power
Estimated Federal Tax Impact Deferral and Amortization Table
State of Utah
\$ - Thousands

		Deferral	Less Refund	Carrying Charge Rate ¹		
				4.19%		
				4.09%		
	<u>Beginning Balance</u>	<u>Current Tax & ARAM</u>	<u>Refund</u>	<u>Carrying Charge</u>	<u>Ending Balance</u>	<u>Ref</u>
Jan-18	\$ -	\$ 7,692	\$ -	\$ 13	\$ 7,705	
Feb-18	7,705	7,692	-	40	15,438	
Mar-18	15,438	7,692	-	67	23,197	
Apr-18	23,197	7,692	-	92	30,981	
May-18	30,981	7,692	(7,625)	106	31,154	(2)
Jun-18	31,154	7,692	(7,625)	106	31,327	
Jul-18	31,327	7,692	(7,625)	107	31,501	
Aug-18	31,501	7,692	(7,625)	107	31,675	
Sep-18	31,675	7,692	(7,625)	108	31,850	
Oct-18	31,850	7,692	(7,625)	109	32,026	
Nov-18	32,026	7,692	(7,625)	109	32,202	
Dec-18	32,202	7,692	(7,625)	110	32,379	
Total	\$	92,303	\$ (61,000)	\$ 1,076	\$ 32,379	
Jan-19	\$ 32,379	\$ 7,692	\$ (5,083)	\$ 115	\$ 35,102	
Feb-19	35,102	7,692	(5,083)	124	37,835	
Mar-19	37,835	7,692	(5,083)	133	40,577	
Apr-19	40,577	7,692	(5,083)	143	43,328	
May-19	43,328	7,692	(5,083)	152	46,089	
Jun-19	46,089	7,692	(5,083)	162	48,859	
Jul-19	48,859	7,692	(5,083)	171	51,639	
Aug-19	51,639	7,692	(5,083)	180	54,428	
Sep-19	54,428	7,692	(5,083)	190	57,227	
Oct-19	57,227	7,692	(5,083)	199	60,035	
Nov-19	60,035	7,692	(5,083)	209	62,852	
Dec-19	62,852	7,692	(5,083)	219	65,680	
Total	\$	92,303	\$ (61,000)	\$ 1,997	\$ 65,680	
Jan-20	\$ 65,680	\$ 7,692	\$ (5,083)	\$ 228	\$ 68,517	
Feb-20	68,517	7,692	(5,083)	238	71,363	
Mar-20	71,363	7,692	(5,083)	248	74,219	
Apr-20	74,219	7,692	(5,083)	257	77,086	
May-20	77,086	7,692	(5,083)	267	79,961	
Jun-20	79,961	7,692	(5,083)	277	82,847	
Jul-20	82,847	7,692	(5,083)	287	85,742	
Aug-20	85,742	7,692	(5,083)	297	88,648	
Sep-20	88,648	7,692	(5,083)	307	91,563	
Oct-20	91,563	7,692	(5,083)	317	94,488	
Nov-20	94,488	7,692	(5,083)	326	97,423	
Dec-20	97,423	7,692	(5,083)	336	100,368	
Total	\$	92,303	\$ (61,000)	\$ 3,385	\$ 100,368	

(1) Beginning April 1, 2018, the carrying charge rate decreased from 4.19% to 4.09% per Docket No. 18-035-T01.

(2) Currently, tariff schedule 197 is refunding \$61.0m effective May 1, 2018 per the Commission's April 27, 2018 order.

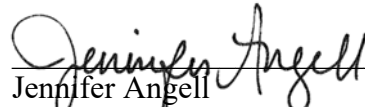
CERTIFICATE OF SERVICE

I hereby certify that on June 15, 2018, a true and correct copy of the foregoing was served by electronic mail and overnight delivery to the following:

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