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Office of Consumer Services
Docket No. 26-035-20
Exhibit OCS 3.2D
Witness: Lane Kollen

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OCS Data Request 4.12

If the Company uses the blended state income tax rate to calculate state income tax expense in its rate cases before the Public Service Commission of Utah, then confirm an increase in the blended rate will result in higher state income tax expense, a harm to Utah customers, all else equal. If this statement is not correct, then provide a corrected statement and a copy of all support relied on for your response.

Response to OCS Data Request 4.12

In general, for ratemaking purposes, the impact of a change in PacifiCorp's blended applicable state tax rate that results in a remeasurement of accumulated deferred state income taxes ("ADSIT") affects both the cost of service (i.e., current and deferred state income tax expense) and rate base (i.e., ADSIT). Setting aside regulatory recovery of the remeasurement, the associated impact on Utah rates is dependent on the income tax expense attributable to the revenues and expenses included in the rate filing as well as the ADSIT attributable to the approved rate base.

UTLCG Data Request 4.14

Refer to the Direct Testimony of Nikki L. Kobliha, line 286.

- (a) Please confirm that the Company is characterizing the goodwill proposed to be retained by the Company as “earnings.” If denied, please explain the basis for your denial in detail.
- (b) Confirm that this statement refers to maintaining any PacifiCorp share of the gain on sale (“goodwill”) as retained earnings at the PacifiCorp level and will not be provided to Berkshire Hathaway Energy Company in the form of a dividend.
- (c) Will these earnings be permanently restricted and not available for dividends to PacifiCorp’s parent company?
- (d) Please explain in detail how the Company will retain any earnings.

Response to UTLCG Data Request 4.14

- (a) Confirmed.
- (b) Confirmed.
- (c) No. PacifiCorp does not place permanent restrictions on specific earnings to make them unavailable for dividends. However, Merger Commitment 18 indirectly limits the distribution of all earnings by prohibiting dividend payments, absent commission approval, if PacifiCorp’s equity ratio falls below 40 percent in Utah and 44 percent in all other states.
- (d) PacifiCorp does not currently plan to pay dividends to Berkshire Hathaway Energy Company (BHE) in the near future because (1) BHE committed in late 2023 to suspend dividends for five years, and (2) PacifiCorp’s equity ratio remains below 44 percent, as noted in the Company’s response to subpart (c) above.

UTLCG Data Request 4.21

Refer to Shelley E. McCoy's workpaper file "McCoy Workpapers.xlsx," "Adjustments" tab, Washington Public Utility Tax data line:

- (a) Provide the documentation supporting the \$17,123,011 value.
- (b) Provide the allocation factors applied in the Company's 2024 Unadjusted Results of Operations Results for the \$17,123,011 value under both the Washington Inter-Jurisdictional Allocation Method and the 2020 Protocol.
- (c) Confirm that the \$17,123,011 value was situs assigned to Washington and allocated to Utah under an SO Factor, resulting in an approximate 92% overcollection. If not confirmed, provide a detailed explanation as to why.
- (d) Identify where in the Company's accounting system the \$17,123,011 value is booked, including the FERC account, G/L reference, and any other information supporting the amount.
- (e) Provide the estimates for 2025 and 2026 for Washington Public Utility Tax, including but not limited to amounts included in the Company's 10 Year Business Plan.

Response to UTLCG Data Request 4.21

Referencing the Direct Testimony of Company witness, Shelley E. McCoy, specifically work paper "McCoy Workpapers.xlsx", the Company responds as follows:

- (a) Please refer to row 36517 on tab "YE 2024 BW" in "McCoy Workpapers.xlsx". This amount is a balance extracted from the Company's accounting records for the 12 months ended December 2024.
- (b) Washington Public Utility Tax (PUT) is allocated using the system overhead (SO) allocation factor under the 2020 Inter-Jurisdictional Cost Allocation Methodology (2020 Protocol). Under the Washington Inter-Jurisdictional Allocation Methodology (WIJAM), the Washington PUT is allocated situs to Washington.
- (c) Not confirmed. While the allocation factors differ between 2020 Protocol and WIJAM on this specific balance (i.e. the Washington PUT), this does not represent an overcollection in miscellaneous tax expenses. Under the 2020 Protocol, the Washington PUT is allocated using the SO allocation factor in lieu of a Washington state income tax. In accordance with Section 3.1.7 of the 2020 Protocol, income taxes are calculated using the federal tax rate and PacifiCorp's combined state effective tax rate. However, under WIJAM, because Washington's state income tax rate is zero percent, Washington retail rates do not reflect any state income tax expense. The adoption of the situs assignment of Washington PUT under WIJAM serves to balance

out the overall system tax expense recovery through Washington rates.

(d) Washington PUT is recorded in FERC Account 4081990, in general ledger (G/L) account 583260.

(e) The Washington PUT was \$20,911,971 for 2025. The Washington PUT for 2026 is expected to be similar to the 2025 amount.

OCS Data Request 2.37

Refer to the Direct Testimony of Nikki Kobliha at 11 wherein she states “PacifiCorp estimates that its applicable state tax rate will increase from 4.54 percent to approximately 5.00 percent.

- (a) Provide the Company’s calculations of these percentages in Excel in live format and with all formulas intact.
- (b) Confirm that the present Utah state corporate income tax rate is 4.45%.
- (c) Provide all reasons why the Company’s revenue requirement in Utah should not reflect the Utah state corporate income tax rate of 4.45% instead of the blended state income tax rates from all of the PacifiCorp states.
- (d) Confirm that PacifiCorp will record neither a gain nor a loss on the remeasurement of the ADIT given that the increase in the state ADIT for the non-Washington states will equal the reduction in the state ADIT for Washington upon the sale of the Washington assets.
- (e) Confirm that PacifiCorp will retain the gain from the reduction in the state ADIT for Washington if the ADIT is remeasured and increased for the non-Washington states. Explain your response and provide a copy of all support and authorities relied on for your response.
- (f) Refer to the Direct Testimony of Nikki Kobliha at 11 wherein she states: “Based on 2025 balances, PacifiCorp projects the remeasurement will increase its ADIT liability by approximately \$50 million.” Confirm that increase is for the non-Washington states and that there will be a reduction in the Washington ADIT of “approximately \$50 million.” Explain your response and provide a copy of all support and authorities relied on for your response.
- (g) Identify and describe each potential barrier, if any, to the Company providing an allocation of the reduction in the Washington ADIT to the other non-Washington states to offset the increase in the state ADIT from the remeasurement. In none, then so state.

Response to OCS Data Request 2.37

- (a) Please refer to Confidential Attachment OCS 2.37-1 and Confidential Attachment OCS 2.37-2.
- (b) Confirmed. Utah’s present corporate income tax rate is 4.45 percent.
- (c) For ratemaking purposes, PacifiCorp uses a blended applicable state tax rate, also known as a combined state effective tax rate, pursuant to Section 3.1.7 of

the 2020 Inter-Jurisdictional Cost Allocation Methodology (2020 Protocol), Docket No. 19-035-42 and its predecessors.

- (d) The premise that “PacifiCorp will record neither a gain nor a loss on the remeasurement of the ADIT given that the increase in the state ADIT for the non-Washington states will equal the reduction in the state ADIT for Washington upon the sale of the Washington assets” is incorrect.

The application of a higher blended applicable state tax rate to PacifiCorp’s post-sale balance of gross temporary differences will result in PacifiCorp recording a remeasurement expense, as represented in the following illustrative journal entry.

DR - Deferred Income Tax Expense	\$50,000,000
CR – Accumulated Deferred Income Tax (ADIT)	\$50,000,000

The state of Washington does not have a corporate income tax. Accordingly, no amount of PacifiCorp’s past, present or future ADIT is attributable to a state of Washington income tax liability.

- (e) Please refer to the Company’s response to subpart (d) above. There is no gain associated with the remeasurement of PacifiCorp’s ADIT.
- (f) Please refer to the Company’s response to subpart (d) above. There is no reduction in Washington ADIT because no amount of PacifiCorp’s ADIT is attributable to the state of Washington.
- (g) Please refer to the Company’s response to subpart (f) above.

Confidential information is provided subject to Public Service Commission of Utah (UPSC) Rules R746-1-601–606.

UTLCG Data Request 4.25

Refer to the Direct Testimony of Shelley E. McCoy, lines 67-70. Provide the estimated revenue requirement impact of increased state income taxes assuming the Service Area Transfer is approved.

Response to UTLCG Data Request 4.25

The Company does have an estimate of the full impact as a result of the revised state income tax rate after consideration of the Service Area Transfer. Using the December 2024 Utah Results of Operations (ROO), which is similar data to that used in the estimated non-net power costs (NPC) revenue requirement impact and changing the current state tax rate from 4.54 percent to 5 percent results in an increase to the Utah revenue requirement of \$1,255,450. Please refer to Attachment UTLCG 4.25 which provides the work paper supporting this calculation.

UTLCG Data Request 5.5

Refer to the direct testimony of Michael G. Wilding, lines 233-237, related to Gem's partial ownership interest in the McNary-to-Wallula transmission line:

- (a) Provide the full revenue requirement details for the McNary-to-Wallula transmission line in a format similar to those reflected in Ms. McCoy's work paper file "McCoy Workpapers.xlsx," including all O&M, taxes, depreciation, ADIT, rate base and other relevant revenue requirement components.
- (b) Identify the amount of partial ownership interest in the McNary-to-Wallula transmission line that is being transferred to Gem and provide the resulting revenue requirement reduction with a level of detail similar to that provided in response to UTLCG 5.5(a).
- (c) Identify all references to where the data provided in response to UTLCG 5.4(a) and (b) is reflected in the Company's filing, including but not limited to testimony that describes it and the cell locations in work papers or summary tables that capture the McNary-to-Wallula transmission line's removal, transfer to Gem, or other treatment resulting from the proposed transaction.
- (d) Are the Company's wheeling revenues or expenses impacted as a result of the contemplated partial ownership transfer of the transmission? If so, please identify the projected annual amounts.
- (e) Does the sale of a portion of the McNary-to-Wallula transmission line reduce the Company's ability to make wholesale sales or generate wheeling revenues? If so, please quantify such impacts and provide all documentation supporting your response.

Response to UTLCG Data Request 5.5

- (a) The details and calculation of revenue requirement is provided in the work paper supporting the Direct Testimony of Company witness, Shelley E. McCoy, specifically "McCoy Workpapers.xlsx", tab "Master_Pivot Transmission", row 347, columns D through T and row 1183, columns D through T.
- (b) Please refer to Attachment UTLCG 5.5.
- (c) References to the data are in the Direct Testimony of Company witness, Michael G. Wilding, lines 233 through 237, as well as "McCoy Workpapers.xlsx", tab "YE 2024 BW" and tab "Master_Pivot Table Transmission". In preparing this response, the Company has become aware that the 20.8 percent of McNary-to-Wallula transmission line was not removed in "McCoy Workpapers.xlsx". Please refer to Attachment

UTLCG 5.5 which provides the estimated revenue requirement impact of transferring a portion of this transmission line to Gem Sub LLC (Gem).

- (d) All third-party revenues for transmission service (along with third-party revenues for ancillary services) are included as revenue credits in the calculation of rates in each of the Company's state retail jurisdictions. Currently PacifiCorp does not separately forecast revenues from third-party transmission customers as the amount of recovery is dependent on the Company's transmission formula and not tied to specific use of one asset. The Company has a Federal Energy Regulatory Commission (FERC) approved Transmission Formula Rate template (Docket ER11-3643) which calculates the annual revenue requirement for all of the Company's transmission investments versus recovery on individual assets. Investments in transmission provide additional benefits to all customers, typically increasing the annual revenue requirement, but there are many factors and drivers that can increase or decrease the revenue requirement each year. Short-term transmission use is recognized as revenue and reduces the annual revenue requirement for long-term transmission use.
- (e) PacifiCorp's obligations to provide wholesale transmission service is governed by the Company's Open Access Transmission Tariff (OATT). Please refer to the Company's response subpart (d) above.

UTLCG Data Request 13.10

Confirm that the development of the “Total Rev Req” column in the “Master Pivot_General” tab and the “Master Pivot_Distribution” tab in Company witness Shelley E. McCoy’s workpaper “McCoy workpapers.xlsx” excludes all revenue in the “REVN” column from the calculation of revenue requirement. If not confirmed, please explain in detail how such revenue is included.

Response to UTL CG Data Request 13.10

Confirmed. The file “McCoy Workpapers.xlsx”, tab “Master Pivot_General”, has an incorrect formula that inadvertently excludes the revenue offsets. The formula in column V starts as “=sum(E5:I5)” it should be “=sum(D5:I5)”. The revenue in tab “Master Pivot_Distribution” was not included because they are retail revenues that are not part of the revenue requirement calculation.

UTLCG Data Request 13.12

Confirm that under the Company's proposed five-state allocation method, the five remaining states after the sale would receive a greater share of all system allocated revenue credits. If confirmed, please quantify the increased share of system allocated revenue credits on a total-Company and state basis. If not confirmed, please explain in detail the basis for your response.

Response to UTLCG Data Request 13.12

Confirmed. To the extent that a five-state allocation factor is larger than the six-state allocation factor, the allocation of revenue credits would be larger. Please refer to the Company's response to UTLCG Data Request 13.13 for the impact of correcting the formula error identified in the Company's response to UTLCG Data Request 13.10.

UTLCG Data Request 13.13

Confirm whether the revenue requirement for Utah would decrease in both the pre-sale and post-sale allocations to Utah if the revenue credit FERC accounts 451, 454, and 456 were included in the analysis in the “Master Pivot_General” tab. If confirmed, provide the impact to each state based on a six-state allocation and a five-state allocation. If not confirmed, please explain in detail the basis for your response.

Response to UTLCG Data Request 13.13

Confirmed. Please refer to Attachment UTLCG 13.13 for the impact to each state for the correction of the formula error identified in the Company’s response to UTLCG Data Request 13.10 that excluded the revenues on tab “Master Pivot_General”.

OCS Data Request 4.14

Confirm that an increase in deferred tax expense due to a temporary difference is offset by a reduction in current income tax expense due to the same temporary difference, all else equal. If this statement is not correct, then provide a corrected statement and a copy of all support relied on for your response.

Response to OCS Data Request 4.14

Citing from *Accounting for Public Utilities*, “certain transactions may affect the determination of net income for financial accounting purposes in one reporting period and the computation of taxable income in a different reporting period. Thus, revenues or gains and expense or losses may be included in the determination of taxable income either earlier or later than they are included in pre-tax accounting income.” *Accounting for Public Utilities*, Publication 16, Release 42, December 2025, §17.01[1] at 17-3. This category of revenues or gains and expense or losses are often referred to as temporary book-tax differences or timing differences.

The following entries are for a basic example where an expense is included in pre-tax accounting income in one reporting period and the computation of taxable income in a later reporting period.

In the reporting period where the expense is included in pre-tax accounting income, the journal entry would be as follows:

DR	Accumulated Deferred Income Tax	\$1,000	
	CR	Deferred Income Tax Expense	\$1,000

Accordingly, this initial journal entry impacts net income.

In the later reporting period when the expense is included in the computation of taxable income, the journal entry would be as follows:

DR	Deferred Income Tax Expense	\$1,000	
	CR	Accumulated Deferred Income Tax	\$1,000
DR	Income Tax Payable	\$1,000	
	CR	Current Income Tax Expense	\$1,000

Accordingly, this journal entry does not impact net income.

OCS Data Request 4.16

Indicate whether PacifiCorp has quantified the savings that it will achieve from the sale of the Washington assets from costs that it has incurred but has not been able to recover from WA customers or from non-Washington customers through the ratemaking process in each of the states, including, but not limited to, the costs of the Climate Commitment Act (CCA) charges that were incurred to serve WA, but have not been recoverable from the non-Washington states, costs that were incurred to serve WA, but have not been recoverable from WA, or other costs that have been incurred to serve all states, but have not been recoverable from WA. If so, please provide all analyses of each of these savings that will inure to PacifiCorp and the effects on the non-WA states in an Excel workbook in live format with all formulas intact, including all assumptions and data used to make these calculations. If not, explain why not and provide analyses of these savings, including a list and description of each identifiable savings that will inure to PacifiCorp and the effects on the non-WA states in an Excel workbook in live format with all formulas intact, including all assumptions and data used to make these calculations.

Response to OCS Data Request 4.16

As discussed in the testimonies of PacifiCorp witnesses, Joelle R. Steward, Ramon J. Mitchell and Nikki L. Kobliha, the Company has had to absorb the cost of Washington Climate Commitment Act (CCA) emission allowances tied to the generation from the Chehalis plant used to serve customers outside the state of Washington. While the Company sought recovery of these costs in various commission proceedings across the non-Washington states, recovery for these required allowances has been denied. The purchase of emission allowances has been approximately \$45 million per year.

Other than the avoided cost of purchasing CCA allowances, the Company has not performed the additional analysis in the request.