

December 7, 2018

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-3398

Attn: Filing Center

RE: UM ____ —PacifiCorp's Application for Accounting Order and Request for Amortization Related to the Federal Tax Act

In accordance with ORS 757.120, ORS 757.125, ORS 757.210, ORS 757.259(5) and OAR 860-027-0045, PacifiCorp d/b/a Pacific Power files the enclosed application for accounting and request for amortization related to the Federal Tax Act.

PacifiCorp respectfully requests that all communications related to this filing be addressed to:

Oregon Dockets
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
oregondockets@pacificorp.com

Ajay Kumar
Attorney
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
Ajay.kumar@pacificorp.com

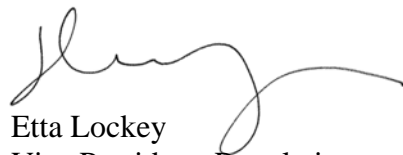
Additionally, PacifiCorp requests that all formal information requests regarding this matter be addressed to:

By E-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Natasha Siores at (503) 813-6583.

Sincerely,



Etta Lockey
Vice President, Regulation

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for Approval of Accounting
Treatment.

**APPLICATION FOR ACCOUNTING
ORDER AND REQUEST FOR
AMORTIZATION RELATED TO THE
FEDERAL TAX ACT**

I. INTRODUCTION

In accordance with ORS 757.120, ORS 757.125, ORS 757.210, ORS 757.259(5) and OAR 860-027-0045, PacifiCorp d/b/a Pacific Power requests that the Public Utility Commission of Oregon (Commission) issue an order that authorizes the company to: (1) amortize the 2018 deferred amounts associated with the current income tax impact of the Tax Act¹ over two years beginning on February 1, 2019;² (2) use the current income tax impacts of the Tax Act that will be deferred in 2019 and 2020 along with the deferral of the Tax Act's impact to non-protected excess deferred income taxes (EDIT) to buy down steam plant book balances leading up to the effective date of the recently filed application to revise depreciation rates (Depreciation Study);³ and (3) continue to defer the Tax Act's impact to excess deferred income taxes (EDIT) related to protected property and approve amortization of these amounts over five years beginning in 2021.

¹ An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Pub. L. No. 115-97, 131 Stat 2054 (2017).

² The company filed an application to defer the impact of the Tax Act on December 28, 2017. *See In the Matter of PacifiCorp d/b/a Pacific Power's Application for Deferred Accounting Related to Federal Tax Act*, Docket No. UM 1917, Application for Deferred Accounting (Dec. 28, 2017).

³ *In the Matter of PacifiCorp dba Pacific Power, Application for Authority to Implement Revised Depreciation Rates*, Docket No. UM 1968, Application at 1 (Sep. 13, 2018) (Depreciation Study Application).

PacifiCorp’s proposal immediately provides customers the benefit of the Tax Act through a 1.8 percent reduction in rates related to the changes in current income tax expense for 2018. In addition, use of the non-protected property-related EDIT balance and the benefit of the changes in current income tax expense for 2019 and 2020 together to buy down steam plant book balances will lessen the impacts of the increased depreciation expense reflected in the Depreciation Study. The amortization of the protected property-related EDIT balance beginning in 2021 will also offset the impacts of the Depreciation Study. PacifiCorp’s proposal provides rate stability for customers and minimizes rate changes in the coming years, while still providing customers with an immediate rate reduction. In addition to the rate benefits associated with this proposal, buy-down of the net book value of steam plants is consistent with the Oregon policy to remove coal resources from rates and will provide greater flexibility to the company as it manages potential impacts associated with changing economics for its generation portfolio and increased regulation of carbon-emitting resources such as coal.

PacifiCorp requests that the Commission approve the requested accounting treatment by February 1, 2019, to allow for amortization of the 2018 current income tax benefits to begin on February 1, 2019, and to allow the company to update the Depreciation Study to reflect the accounting treatment requested here.

II. NOTICE

Communications regarding this application should be addressed to:

PacifiCorp Oregon Dockets
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
oregondockets@pacificorp.com

Ajay Kumar
Attorney
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
ajay.kumar@pacificorp.com

In addition, PacifiCorp requests that all data requests regarding this application be sent to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Informal questions may be directed to Natasha Siores at (503) 813-6583.

III. BACKGROUND

The Tax Act contains provisions that will result in comprehensive changes to PacifiCorp's financial statements. The most notable impact is the reduction in the federal corporate income tax rate from 35 percent to 21 percent. The Tax Act also requires normalization of excess deferred income taxes associated with public utility property utilizing the average rate assumption method of accounting (ARAM) and eliminates the allowance for bonus depreciation for public utility property. The Tax Act also repeals the domestic production activities deduction section 199, the exclusion of income contributions in aid of construction received from governments of public purposes, and the deduction and imposition of certain limitations with respect to certain expenditures.

The Tax Act impacted the company's revenue requirement in two key ways. First, the decreased tax rate reduced the company's current income tax expense. Second, the decreased tax rate also created additional EDIT.⁴ On December 28, 2017, PacifiCorp filed an

⁴ The Tax Act impacted three groups of accumulated deferred income tax (ADIT): protected property related items; non-protected property related items and 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 (EDIT) 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. EDIT were recorded to a regulatory liability resulting in no immediate net change to the rate base upon which the company earns a return. EDIT balances must be normalized using the ARAM method of accounting.

application requesting authority to defer the expected impact to both current income taxes and EDIT associated with the income tax provisions of the Tax Act until the income tax changes are reflected in base rates. PacifiCorp's deferral application was docketed as UM 1917.

In addition, PacifiCorp recently filed a Depreciation Study with a proposed effective date of January 1, 2021.⁵ PacifiCorp's Depreciation Study identified an increase in Oregon depreciation rates. This increase is driven by several factors including the impact of incremental capital additions in steam plant, the shortening of terminal lives for several coal-fired units, and revised depreciation rates to account for the impact of repowering the company's wind generation facilities in 2019 and 2020.⁶ Adoption of the proposed depreciation rates would result in an increase of approximately \$67.1 million in annual Oregon depreciation expense.⁷

IV. OVERVIEW OF PACIFICORP'S PROPOSAL

The Commission is authorized to require public utilities to keep uniform accounts in the manner prescribed by the Commission.⁸ The Commission may also allow amortization of amounts previously approved for deferral.⁹ In accordance with this authority, PacifiCorp requests that the Commission issue an order approving the proposal as more fully described below.¹⁰

First, to pass back the benefits of lower current income tax expense, the company requests approval to begin amortization of the deferred balance reflecting the changes to the

⁵ Depreciation Study Application.

⁶ Depreciation Study Application at 3-5.

⁷ Depreciation Study Application at 5.

⁸ ORS 757.120 and ORS 757.125.

⁹ ORS 757.259(5); ORS 757.210.

¹⁰ Supporting calculations have been provided as Exhibits 1-3 enclosed with this application.

current income tax expense for 2018. Specifically, PacifiCorp proposes to amortize the 2018 deferral balance of \$46.7 million over two years to reduce customer rates. The company proposes to implement the change through a new tariff Schedule 195, Federal Tax Act Adjustment, effective beginning February 1, 2019. Proposed tariff Schedule 195 is provided as Exhibit 4 to this filing. The proposed rates and rate impacts are discussed more fully below.

Second, PacifiCorp requests approval to continue to defer the Tax Act's impact on current income tax expense,¹¹ which will be \$46.7 million annually. Also, as described in its 2019 Transition Adjustment Mechanism (TAM) proceeding, PacifiCorp proposes to apply the decreased value of the production tax credits (PTCs) due to the reduced tax rate from the 2018 TAM as an offset to the 2019 current income tax expense deferral, a reduction of approximately \$3 million.¹² The company requests an accounting order to allow it to use the changes to the company's current income tax benefits that will be deferred in 2019 (net of the 2018 TAM PTC impact) and 2020 and non-protected EDIT balances to buy down net book value of coal plant assets. This has the practical effect of offsetting the increased depreciation expense reflected in the Depreciation Study. The estimated Oregon share of non-protected EDIT balance is approximately \$139.5 million on a grossed-up basis. The proposed offset will be made to only those amounts that the Commission has previously approved for inclusion in Oregon rates—meaning that incremental coal plant investments made since the company's last general rate case and reflected in the current Depreciation Study will not be subject to the offset using the Tax Act benefits. As a result, the company's

¹¹ The request to continue to defer the impact of the Tax Act will be addressed by separate application in Docket No. UM 1917.

¹² *In the Matter of PacifiCorp dba Pacific Power, 2019 Transition Adjustment Mechanism*, Docket No. UE 339, PAC/100, Wilding/7-8 (Mar. 30, 2018).

proposal will not impact review by the Commission or stakeholders of the current Depreciation Study or place any restrictions on a future prudence review of any costs included in the current Depreciation Study. PacifiCorp’s proposed buy down of the net book value of coal plant balances is as follows:

Facility	Buy-down Amount*
Cholla	\$46.0 million
Naughton	\$34.5 million
Colstrip	\$11.5 million
Dave Johnston	\$57.5 million
Jim Bridger	\$46.0 million
Wyodak	\$34.5 million
Total	\$229.9 million

*Total does not foot due to rounding.

As described in the table above, PacifiCorp is proposing to buy down \$229.9 million of coal plant net book value using the company’s current income tax benefits that will be deferred in 2019 (net of the 2018 TAM PTC impact) and 2020 and non-protected EDIT balances.

Third, PacifiCorp requests approval to continue to defer the balance created by the reduction in the accumulated liability balances associated with protected property-related EDIT balances until the end of 2020. The company has estimated Oregon customers’ share of protected property-related EDIT balances deferred through December 31, 2020, will be approximately \$30.3 million on a grossed-up basis. PacifiCorp proposes to amortize the EDIT deferral balance over a five-year period beginning in 2021.

The cumulative impact of PacifiCorp’s proposal is an immediate 1.8 percent rate reduction for customers during 2019 and 2020 and an estimated reduction in the anticipated rate increase associated with the Depreciation Study by approximately \$51.5 million, a reduction of 76 percent. The immediate rate relief and the reduced impact of the Depreciation Study are tangible and substantial benefits to customers resulting from the

unique opportunity presented by the Tax Act. Additionally, there will be separate interest rates for the deferral balances for the amortized and un-amortized portions of the current income tax expense impact of the Tax Act. The applicable interest rate for deferral balances not under amortization related to the current income tax expense will be the company's weighted average cost of capital most recently approved by the Commission. The rate for current income tax expense deferral balances under amortization will be the Modified Blended Treasury Rate, consistent with the treatment of interest rates described in Order No. 08-263 as modified by Order No. 10-279. Finally, interest will not accrue on EDIT balances, as these are treated as rate base deductions and will not accrue a carrying charge.

V. REQUEST FOR AMORTIZATION

As discussed above, PacifiCorp proposes to amortize the 2018 deferral balance associated with current income tax expense over two years beginning February 1, 2019, through a new tariff, Schedule 195, Federal Tax Adjustment.

Proposed Schedule 195, provided in Exhibit 4, distributes the proposed credit to the rate schedules based on the spread of present base revenues, less net power cost revenues. PacifiCorp earns a rate of return on its rate base and is ultimately taxed upon that return. Net power cost is a large expense for PacifiCorp, on which it does not earn a return, and which is recovered through the TAM. Consequently, the levels of net power cost in customer rates do not significantly impact PacifiCorp's federal income tax expense. Therefore, PacifiCorp will remove net power cost revenues from the present base revenues over which proposed Schedule 195 is spread. The Schedule 195 rates have been set on a cents per kilowatt-hour basis for each rate schedule to distribute the appropriate amount based the proposed rate

spread. The proposed Schedule 195 rates and rate spread are shown in Exhibit 5 to this filing.

Rate impacts by rate schedule for proposed Schedule 195 are shown on Exhibit 6 to this filing. The overall impact in this filing is an annual net rate decrease of \$23.4 million or 1.8 percent with an average 1.9 percent net decrease for residential customers. Exhibit 7 shows a billing comparison between present and proposed rates for a residential customer at various levels of monthly usage. The average residential customer who uses 900 kWh in a month would see a \$2.00 monthly bill decrease.

VI. REQUEST FOR ACCOUNTING ORDER

In accordance with ORS 757.120 and ORS 757.125, PacifiCorp requests that the Commission issue an accounting order authorizing the company to use the benefits from changes to the company's current income tax that will be deferred in 2019 (net of the 2018 TAM PTC impact) and 2020 and non-protected EDIT balances to buy down net book value of coal plant assets as an offset to the increased depreciation expense reflected in the Depreciation Study.

PacifiCorp proposes to reflect the buy-down of the net book value associated with the company's coal plant assets in the company's accounting as soon as the deferred benefits are applicable or otherwise available.¹³ The company proposes to use the 2019 and 2020 deferral balances created by the reduction in current federal taxes, which would be approximately \$93.7 million by December 31, 2020, less \$3 million pertaining to the

¹³ The benefits from the change in the current income tax deferred in 2019 and 2020 cannot be applied until occurred, thus the \$46.7 million will be applied at the end of 2019 and 2020. Also, as described above, PacifiCorp proposes to apply the decreased value of the PTCs from the 2018 TAM as an offset to the 2019 current income tax expense deferral, a reduction of approximately \$3 million. Non-protected EDIT balances could be applied as soon as Commission approval is received.

reduction in value of PTCs in the 2018 TAM, towards the current net book value of coal plant assets. In addition, PacifiCorp proposes to use the non-protected EDIT balances of approximately \$139.5 million on a grossed-up basis towards the net book value of coal plant assets.

PacifiCorp also requests an accounting order approving the company’s proposal to continue to defer the Tax Act’s impact on protected property-related EDIT balances and amortize the deferred amounts over a five-year period, beginning in 2021.¹⁴ The company has estimated Oregon customers’ share of EDIT balances accrued by the end of December 31, 2020, to be \$30.3 million on a grossed-up basis.

VII. CUSTOMER BENEFITS

“The Commission sets rates with the goals of promoting rate stability over time and avoiding sudden substantial rate increases.”¹⁵ The Commission is also specifically authorized to use deferred accounting to minimize “the frequency of rate changes or the fluctuation of rate levels[.]”¹⁶ PacifiCorp’s proposal here promotes rate stability through a balanced approach that provides customers the full benefit of the Tax Act, including an immediate reduction in rates, while also using future benefits, including both current tax benefits and EDIT balance to offset anticipated upward pressure on rates.

Over the next several years, PacifiCorp’s rates will be impacted by several countervailing pressures that will increase volatility—including the rate decrease associated

¹⁴ As with the Tax Act’s impact on current income tax expense, the continued deferral related to the EDIT balances will also be addressed by separate application in docket UM 1917.

¹⁵ *In the Matter of the Application of Portland General Electric Company for an Investigation into Least Cost Plan Plant Retirement*, Docket Nos. DR 10, UE 188, and UM 989, Order No. 08-487 at 66 (Sept. 30, 2008).

¹⁶ ORS 757.259(2)(e).

with the Tax Act, the increase in depreciation expense associated with the Depreciation Study, and the rate impact of the company's anticipated 2020 general rate case.

By using the 2019 (net of the 2018 TAM PTC impact) and 2020 current income tax deferral balances to offset the impact of the Depreciation Study and reserving the EDIT balance until the company's next general rate case, the company can smooth the impact of the various rate pressures and provide stability for its Oregon customers, which is a value the Commission has expressly endorsed. This allows the Commission to take advantage of the benefits of tax reform for customers today and support efforts to smooth rates and provide rate stability for customers.

Moreover, by decreasing the net book value of the company's coal assets, PacifiCorp's proposal provides Oregon greater resource planning flexibility and reduces the risk that existing and future environmental regulations may create stranded assets due to the early retirement of coal plants. Oregon law also requires PacifiCorp to eliminate coal-fired units from their "allocation of electricity" by 2030.¹⁷ The company's proposal is a proactive step towards removing coal resources from Oregon rates while minimizing the rate impact on customers.

Importantly, Commission approval of PacifiCorp's proposed accounting treatment will not preclude full review of PacifiCorp's pending Depreciation Study, nor will it preclude full review of the prudence of capital expenditures reflected in the Depreciation Study through a subsequently filed general rate case. This allows the Commission to take advantage of the benefits of tax reform for customers today, ensure smooth rates and rate

¹⁷ ORS 757.518(2).

stability, while simultaneously maintaining full regulatory oversight and decision making relative to the Depreciation Study and a subsequent general rate case.

VIII. CONCLUSION

PacifiCorp respectfully requests that the Commission approve the amortization of the current income tax benefits deferred in 2018, approve the use of the current income tax benefits from 2019 (net of the 2018 TAM PTC impact) and 2020 and of non-protected EDIT balances to buy down net book value of coal resources, and approve the continued deferral and future amortization of protected property-related EDIT balances. Approving these three proposals will provide customers with immediate benefits of the Tax Act, while also better ensuring rate stability going forward, and advancing Oregon's policy to remove coal resources from customer rates.

By:

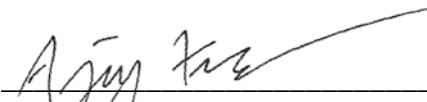

Ajay Kumar
Attorney

Exhibit 1

PacifiCorp
Revenue Requirement Impact - Tax Rate Change

RESULTS OF OPERATIONS SUMMARY

	DECEMBER 2017 NORMALIZED RESULTS ¹ OREGON	TOTAL CURRENT TAX	TOTAL ARAM ²	21% TAX RATE DECEMBER 2017 NORMALIZED RESULTS OREGON ³	
1	Operating Revenues				
2	General Business Revenues	1,294,806,628	(46,734,097)	(10,040,914)	1,238,031,616
3	Interdepartmental	0	0	0	0
4	Special Sales	131,103,994	0	0	131,103,994
5	Other Operating Revenues	40,376,894	0	0	40,376,894
6		<u>1,466,287,516</u>	<u>(46,734,097)</u>	<u>(10,040,914)</u>	<u>1,409,512,504</u>
7					
8	Operating Expenses:				
9	Steam Production	279,527,566	0	0	279,527,566
10	Nuclear Production	0	0	0	0
11	Hydro Production	11,055,834	0	0	11,055,834
12	Other Power Supply	298,653,060	(1,071,863)	0	297,581,196
13	Transmission	53,953,613	0	0	53,953,613
14	Distribution	61,513,756	0	0	61,513,756
15	Customer Accounting	32,701,757	(222,941)	(47,899)	32,430,917
16	Customer Service & Infor	3,461,760	0	0	3,461,760
17	Sales	0	0	0	0
18	Administrative & General	43,651,606	0	0	43,651,606
19					
20		<u>784,518,952</u>	<u>(1,294,804)</u>	<u>(47,899)</u>	<u>783,176,249</u>
21					
22	Depreciation	221,014,055	0	0	221,014,055
23	Amortization	15,295,688	0	0	15,295,688
24	Taxes Other Than Income	76,596,875	(1,296,404)	(278,535)	75,021,936
25	Income Taxes - Federal	35,367,553	(1,477,747)	(1,966,820)	31,922,986
26	Income Taxes - State	4,806,589	2,869,724	(445,430)	7,230,882
27	Income Taxes - Def Net	64,982,352	(46,033,883)	(7,586,156)	11,362,313
28	Investment Tax Credit Adj.	0	0	0	0
29	Misc Revenue & Expense	1,224	0	0	1,224
30					
31		<u>1,202,583,288</u>	<u>(47,233,114)</u>	<u>(10,324,840)</u>	<u>1,145,025,334</u>
32					
33	Operating Revenue for Return	<u>263,704,227</u>	<u>499,016</u>	<u>283,926</u>	<u>264,487,170</u>
34					
35	Rate Base:				
36	Electric Plant in Service	7,480,085,317	0	0	7,480,085,317
37	Plant Held for Future Use	(0)	0	0	(0)
38	Misc Deferred Debits	66,612,473	0	0	66,612,473
39	Elec Plant Acq Adj	6,046,228	0	0	6,046,228
40	Pensions	0	0	0	0
41	Prepayments	10,232,374	0	0	10,232,374
42	Fuel Stock	49,221,309	0	0	49,221,309
43	Material & Supplies	66,773,532	0	0	66,773,532
44	Working Capital	13,086,539	118,233	(225)	13,204,547
45	Weatherization Loans	(1,276)	0	0	(1,276)
46	Miscellaneous Rate Base	0	0	0	0
47					
48		<u>7,692,056,496</u>	<u>118,233</u>	<u>(225)</u>	<u>7,692,174,504</u>
49					
50	Rate Base Deductions:				
51	Accum Prov For Depr	(2,798,724,210)	0	0	(2,798,724,210)
52	Accum Prov For Amort	(160,419,499)	0	0	(160,419,499)
53	Accum Def Income Taxes	(1,151,877,540)	6,547,916	3,793,078	(1,141,536,547)
54	Unamortized ITC	(105,460)	0	0	(105,460)
55	Customer Adv for Const	(7,859,740)	0	0	(7,859,740)
56	Customer Service Deposits	0	0	0	0
57	Misc. Rate Base Deductions	(50,356,310)	0	0	(50,356,310)
58					
59		<u>(4,169,342,761)</u>	<u>6,547,916</u>	<u>3,793,078</u>	<u>(4,159,001,767)</u>
60					
61	Total Rate Base	<u>3,522,713,735</u>	<u>6,666,148</u>	<u>3,792,853</u>	<u>3,533,172,737</u>
62					
63	Return on Rate Base	7.486%			7.486%
64					
65	Return on Equity	9.581%			9.581%

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. Please refer to Exhibit 1 page 2.

(2) Under PacifiCorp's proposal, ARAM will be deferred and amortized over five years beginning in 2021.

(3) Refer to RAM Dec 2017 Results OR - 21% and JAM Dec 2017 Results OR - 21% models and OR work papers - 21%.

PacifiCorp
Revenue Requirement Impact - Tax Rate Change

RESULTS OF OPERATIONS SUMMARY

	DECEMBER 2017 FILED RESULTS OREGON	ADJUSTED ¹	DECEMBER 2017 NORMALIZED RESULTS OREGON
1	Operating Revenues		
2	General Business Revenues	1,294,806,628	0
3	Interdepartmental	0	0
4	Special Sales	131,103,994	0
5	Other Operating Revenues	40,376,894	0
6		<u>1,466,287,516</u>	<u>0</u>
7			<u>1,466,287,516</u>
8	Operating Expenses:		
9	Steam Production	279,527,566	0
10	Nuclear Production	0	0
11	Hydro Production	11,055,834	0
12	Other Power Supply	298,653,060	0
13	Transmission	53,953,613	0
14	Distribution	61,513,756	0
15	Customer Accounting	32,701,757	0
16	Customer Service & Infor	3,461,760	0
17	Sales	0	0
18	Administrative & General	43,651,606	0
19			
20		<u>784,518,952</u>	<u>0</u>
21			<u>784,518,952</u>
22	Depreciation	219,104,498	1,909,558
23	Amortization	15,234,741	60,947
24	Taxes Other Than Income	76,596,875	0
25	Income Taxes - Federal	58,658,090	(23,290,537)
26	Income Taxes - State	7,971,386	(3,164,797)
27	Income Taxes - Def Net	40,723,591	24,258,761
28	Investment Tax Credit Adj.	0	0
29	Misc Revenue & Expense	1,224	0
30			
31		<u>1,202,809,357</u>	<u>(226,069)</u>
32			<u>1,202,583,288</u>
33	Operating Revenue for Return	<u>263,478,159</u>	<u>226,069</u>
34			<u>263,704,227</u>
35	Rate Base:		
36	Electric Plant in Service	7,417,185,004	62,900,313
37	Plant Held for Future Use	(0)	0
38	Misc Deferred Debits	66,612,473	0
39	Elec Plant Acq Adj	6,046,228	0
40	Pensions	0	0
41	Prepayments	10,232,374	0
42	Fuel Stock	49,221,309	0
43	Material & Supplies	66,773,532	0
44	Working Capital	13,336,595	(250,056)
45	Weatherization Loans	(1,276)	0
46	Miscellaneous Rate Base	0	0
47			
48		<u>7,629,406,239</u>	<u>62,650,257</u>
49			<u>7,692,056,496</u>
50	Rate Base Deductions:		
51	Accum Prov For Depr	(2,798,123,597)	(600,614)
52	Accum Prov For Amort	(160,402,088)	(17,411)
53	Accum Def Income Taxes	(1,149,513,786)	(2,363,754)
54	Unamortized ITC	(105,460)	0
55	Customer Adv for Const	(7,859,740)	0
56	Customer Service Deposits	0	0
57	Misc. Rate Base Deductions	(50,356,310)	0
58			
59		<u>(4,166,360,982)</u>	<u>(2,981,778)</u>
60			<u>(4,169,342,761)</u>
61	Total Rate Base	<u>3,463,045,257</u>	<u>59,668,479</u>
62			<u>3,522,713,735</u>
63	Return on Rate Base	7.608%	7.486%
64			
65	Return on Equity	9.819%	9.581%

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, Depreciation Expense and Reserve, AFUDC Equity, and tax changes on the Major Plant Additions. Please refer to RAM Dec 2017 Results OR - 35%, the JAM Dec 2017 Results OR - 35%, and the OR work papers -35%.

PacifiCorp
Oregon Results of Operations - December 2017
Tax Deductible Items_21%

WORK PAPER ADJUSTMENT PAGE NO. 7.8

	<u>ACCOUNT</u>	<u>Type</u>	<u>TOTAL</u> <u>COMPANY</u>	<u>FACTOR</u>	<u>FACTOR %</u>	<u>OREGON</u> <u>ALLOCATED</u>	<u>REF#</u>
Adjustment to Tax:							
Schedule M Deduction - Sec. 199	SCHMDP	3	(34,219,097)	SG	25.773%	(8,819,236)	
Schedule M Deduction - Sec. 199	SCHMDP	3	(1,620,786)	SE	24.952%	(404,418)	
Sch M Add - Meals & Entertainment	SCHMAP	3	731,873	SO	27.107%	198,388	
Sch M Add - Meals & Entertainment	SCHMAP	3	22,879	SE	24.952%	5,709	
Sch M Add - Transit Pass	SCHMAP	3	343,380	SO	27.107%	93,079	

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.

**PacifiCorp
Oregon Results of Operations - December 2017
ARAM Adjustment_21%**

WORK PAPER ADJUSTMENT PAGE NO. 7.9

	<u>ACCOUNT</u>	<u>Type</u>	<u>TOTAL COMPANY</u>	<u>FACTOR</u>	<u>FACTOR %</u>	<u>OREGON ALLOCATED</u>	<u>REF#</u>
Adjustment to Tax:							
Add 2018 ARAM Amount	41110	3	(7,435,998)	OR	Situs	(7,435,998)	
Add 2018 ARAM Amount	282	3	3,717,999	OR	Situs	3,717,999	
Adjust Rolling Hills ARAM	41110	3	258,735	OR	Situs	258,735	
Adjust Rolling Hills ARAM	282	3	(129,368)	OR	Situs	(129,368)	
Add 2018 ARAM Amount-BCC	41110	3	(408,893)	OR	Situs	(408,893)	
Add 2018 ARAM Amount-BCC	282	3	204,447	OR	Situs	204,447	

Description of Adjustment:

This adjustment reverses the accumulated deferred income taxes related to the change in federal tax rate of the protected property using the average rate assumption method (ARAM). The ARAM is further adjusted to remove the Rolling Hills ARAM consistent with Commission Order No. 08-548.

PacifiCorp
 Oregon Results of Operations - December 2017
 Deferred Income Tax Expense_21%

WORK PAPER ADJUSTMENT PAGE NO. 7.10

	<u>ACCOUNT</u>	<u>Type</u>	<u>TOTAL COMPANY</u>	<u>FACTOR</u>	<u>FACTOR %</u>	<u>OREGON ALLOCATED</u>	<u>REF#</u>
Adjustment to Tax:							
Restate Deferred Income Taxes @ 24.5866%	41010	3	(7,114,637)	OR	Situs	(7,114,637)	
Remove Deferred Income Taxes Attributed to Flow Th	41010	3	(1,726,545)	OR	Situs	(1,726,545)	

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

PacifiCorp
Estimated Federal Tax Impact Deferral and Amortization Table
State of Oregon
\$ - Thousands

	Deferral				Annual Refund		Ref
	Beginning Balance	Current Tax & ARAM ¹	Offsets	Total Deferred	Refund	Ending Balance	
Jan-18	\$ -	\$ 4,731	\$ -	\$ 4,731	\$ -	\$ 4,731	
Feb-18	4,731	4,731	-	4,731	-	9,463	
Mar-18	9,463	4,731	-	4,731	-	14,194	
Apr-18	14,194	4,731	-	4,731	-	18,925	
May-18	18,925	4,731	-	4,731	-	23,656	
Jun-18	23,656	4,731	-	4,731	-	28,388	
Jul-18	28,388	4,731	-	4,731	-	33,119	
Aug-18	33,119	4,731	-	4,731	-	37,850	
Sep-18	37,850	4,731	-	4,731	-	42,581	
Oct-18	42,581	4,731	-	4,731	-	47,313	
Nov-18	47,313	4,731	-	4,731	-	52,044	
Dec-18	52,044	4,731	-	4,731	-	56,775	
Total		\$ 56,775	\$ -	\$ 56,775	\$ -	\$ 56,775	
Jan-19	\$ 56,775	\$ 4,731	\$ -	\$ 4,731	\$ (1,947)	\$ 59,559	
Feb-19	59,559	4,731	-	4,731	(1,947)	62,343	
Mar-19	62,343	4,731	-	4,731	(1,947)	65,127	
Apr-19	65,127	4,731	-	4,731	(1,947)	67,911	
May-19	67,911	4,731	-	4,731	(1,947)	70,695	
Jun-19	70,695	4,731	-	4,731	(1,947)	73,479	
Jul-19	73,479	4,731	-	4,731	(1,947)	76,263	
Aug-19	76,263	4,731	-	4,731	(1,947)	79,047	
Sep-19	79,047	4,731	-	4,731	(1,947)	81,831	
Oct-19	81,831	4,731	-	4,731	(1,947)	84,615	
Nov-19	84,615	4,731	-	4,731	(1,947)	87,399	
Dec-19	87,399	4,731	-	4,731	(1,947)	90,183	
Total		\$ 56,775	\$ -	\$ 56,775	\$ (23,367)	\$ 90,183	
Jan-20	\$ 90,183	\$ 4,731	\$ -	\$ 4,731	\$ (1,947)	\$ 92,967	
Feb-20	92,967	4,731	-	4,731	(1,947)	95,751	
Mar-20	95,751	4,731	-	4,731	(1,947)	98,535	
Apr-20	98,535	4,731	-	4,731	(1,947)	101,319	
May-20	101,319	4,731	-	4,731	(1,947)	104,103	
Jun-20	104,103	4,731	-	4,731	(1,947)	106,887	
Jul-20	106,887	4,731	-	4,731	(1,947)	109,671	
Aug-20	109,671	4,731	-	4,731	(1,947)	112,455	
Sep-20	112,455	4,731	-	4,731	(1,947)	115,239	
Oct-20	115,239	4,731	-	4,731	(1,947)	118,023	
Nov-20	118,023	4,731	-	4,731	(1,947)	120,807	
Dec-20	120,807	4,731	-	4,731	(1,947)	123,591	
Total		\$ 56,775	\$ -	\$ 56,775	\$ (23,367)	\$ 123,591	

(1) See Exhibit 1 page 1 line 2 for detail of the \$56.8 million.

Exhibit 3

**PacifiCorp
CY 2018 TAM
Production Tax Credits_Tax Reform Recalculation**

PTC Revenue Requirement in UE-323 Approved PTCs

Line no	Plant Name	PTC Expiration Date	Total Company		Factor	Factors CY 2018	Oregon Allocated	
			CY 2018				CY 2018	Revenue
			Final			Final	Requirement	
1	JC Boyle	11/7/2015	\$ -	-	SG	25.741%	\$ -	\$ -
2	Blundell Bottoming Cycle KWh	12/1/2017	-	-	SG	25.741%	-	-
3	Glenrock KWh	12/30/2018	(7,949,734)	-	SG	25.741%	(2,046,304)	(3,293,544)
4	Glenrock III KWh	1/16/2019	(2,985,815)	-	SG	25.741%	(768,565)	(1,237,012)
5	Goodnoe KWh	12/17/2017	-	-	SG	25.741%	-	-
6	High Plains Wind	10/14/2019	(7,424,880)	-	SG	25.741%	(1,911,204)	(3,076,099)
7	Leaning Juniper 1 KWh	9/13/2016	-	-	SG	25.741%	-	-
8	Leaning Juniper Indemnity	9/13/2016	-	-	SG	25.741%	-	-
9	Marengo KWh	8/2/2017	-	-	SG	25.741%	-	-
10	Marengo II KWh	6/25/2018	(2,482,279)	-	SG	25.741%	(638,952)	(1,028,399)
11	McFadden Ridge	10/31/2019	(2,065,509)	-	SG	25.741%	(531,673)	(855,732)
12	Seven Mile KWh	12/30/2018	(8,359,081)	-	SG	25.741%	(2,151,672)	(3,463,135)
13	Seven Mile II KWh	12/30/2018	(1,646,541)	-	SG	25.741%	(423,828)	(682,156)
14	Dunlap I Wind KWh	9/29/2020	(8,486,538)	-	SG	25.741%	(2,184,480)	(3,515,940)
15								
16	Total Production Tax Credit		<u>\$ (41,400,377)</u>				<u>\$ (10,656,679)</u>	<u>\$ (17,152,017)</u>

PTC Revenue Requirement in UE-323 - Restated at 21% Tax Rate

Line no	Plant Name	PTC Expiration Date	Total Company		Factor	Factors CY 2018	Oregon Allocated	
			CY 2018				CY 2018	Revenue
			Restated			Restated	Requirement	
23	JC Boyle	11/7/2015	-	-	SG	25.741%	-	-
24	Blundell Bottoming Cycle KWh	12/1/2017	-	-	SG	25.741%	-	-
25	Glenrock KWh	12/30/2018	(7,949,734)	-	SG	25.741%	(2,046,304)	(2,713,449)
26	Glenrock III KWh	1/16/2019	(2,985,815)	-	SG	25.741%	(768,565)	(1,019,136)
27	Goodnoe KWh	12/17/2017	-	-	SG	25.741%	-	-
28	High Plains Wind	10/14/2019	(7,424,880)	-	SG	25.741%	(1,911,204)	(2,534,303)
29	Leaning Juniper 1 KWh	9/13/2016	-	-	SG	25.741%	-	-
30	Leaning Juniper Indemnity	9/13/2016	-	-	SG	25.741%	-	-
31	Marengo KWh	8/2/2017	-	-	SG	25.741%	-	-
32	Marengo II KWh	6/25/2018	(2,482,279)	-	SG	25.741%	(638,952)	(847,266)
33	McFadden Ridge	10/31/2019	(2,065,509)	-	SG	25.741%	(531,673)	(705,011)
34	Rolling Hills KWh	1/16/2019	-	-	SG	25.741%	-	-
35	Seven Mile KWh	12/30/2018	(8,359,081)	-	SG	25.741%	(2,151,672)	(2,853,170)
36	Seven Mile II KWh	12/30/2018	(1,646,541)	-	SG	25.741%	(423,828)	(562,007)
37	Dunlap I Wind KWh	9/29/2020	(8,486,538)	-	SG	25.741%	(2,184,480)	(2,896,674)
38								
39								
40	Total Production Tax Credit		<u>(41,400,377)</u>				<u>(10,656,679)</u>	<u>(14,131,015)</u>

Increase Absent Load Change 3,021,001

Exhibit 4

FEDERAL TAX ACT ADJUSTMENT
Purpose

This schedule amortizes the 2018 deferred amounts associated with the current income tax impact of the 2017 federal tax act as authorized by Commission Order No. 19-XXX in Docket UM XXX.

Monthly Billing

All bills calculated in accordance with Schedules contained in presently effective Tariff Or. No.36 will have applied an amount equal to the product of all kWh multiplied by the following applicable rate as listed by Delivery Service schedule.

Delivery Service Schedule

Schedule 4, per kWh	-0.216¢
Schedule 5, per kWh	-0.216¢
Schedule 15, per kWh	-0.266¢
Schedule 23, 723, per kWh	-0.208¢
Schedule 28, 728, per kWh	-0.159¢
Schedule 30, 730, per kWh	-0.136¢
Schedule 41, 741, per kWh	-0.221¢
Schedule 47, 747, per kWh	-0.116¢
Schedule 48, 748, per kWh	-0.116¢
Schedule 50, per kWh	-0.233¢
Schedule 51, 751, per kWh	-0.368¢
Schedule 52, 752, per kWh	-0.272¢
Schedule 53, 753, per kWh	-0.134¢
Schedule 54, 754, per kWh	-0.167¢

(N)

(N)

Exhibit 5

PACIFIC POWER
FEDERAL TAX ADJUSTMENT - SCHEDULE 195
RATE SPREAD AND RATE CALCULATION
FORECAST 12 MONTHS ENDING DECEMBER 31, 2019

Line No.	Description	Sch No.	No. of Cust	MWh	Present Revenues (\$000)			Rate Spread	Proposed Schedule 195	
					Base Rates	Remove NPC	Base Excl. NPC		Rates ¢/kWh	Credit (\$000)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
							(5) + (6)			
Residential										
1	Residential	4	506,345	5,401,764	\$623,235	(\$155,279)	\$467,956	49.82%	(0.216)	(\$11,668)
2	Total Residential		506,345	5,401,764	\$623,235	(\$155,279)	\$467,956			(\$11,668)
Commercial & Industrial										
3	Gen. Svc. < 31 kW	23	80,663	1,139,223	\$126,505	(\$31,302)	\$95,203	10.13%	(0.208)	(\$2,370)
4	Gen. Svc. 31 - 200 kW	28	10,452	1,972,036	\$181,441	(\$55,572)	\$125,869	13.40%	(0.159)	(\$3,136)
5	Gen. Svc. 201 - 999 kW	30	866	1,328,571	\$108,451	(\$35,732)	\$72,719	7.74%	(0.136)	(\$1,807)
6	Large General Service >= 1,000 kW	48	195	3,221,037	\$226,897	(\$78,844)	\$148,053	16.24%	(0.116)	(\$3,736)
7	Partial Req. Svc. >= 1,000 kW	47	6	49,859	\$5,617	(\$1,148)	\$4,469		(0.116)	(\$58)
8	Agricultural Pumping Service	41	7,982	222,624	\$25,979	(\$6,193)	\$19,786	2.11%	(0.221)	(\$492)
9	Total Commercial & Industrial		100,164	7,933,350	\$674,890	(\$208,792)	\$466,098			(\$11,598)
Lighting										
10	Outdoor Area Lighting Service	15	6,305	9,058	\$1,167	(\$198)	\$969	0.10%	(0.266)	(\$24)
11	Street Lighting Service	50	225	7,713	\$861	(\$139)	\$722	0.08%	(0.233)	(\$18)
12	Street Lighting Service HPS	51	815	19,940	\$3,514	(\$567)	\$2,947	0.31%	(0.368)	(\$73)
13	Street Lighting Service	52	35	404	\$53	(\$9)	\$44	0.00%	(0.272)	(\$1)
14	Street Lighting Service	53	273	9,678	\$611	(\$90)	\$521	0.06%	(0.134)	(\$13)
15	Recreational Field Lighting	54	104	1,345	\$112	(\$22)	\$90	0.01%	(0.167)	(\$2)
16	Total Public Street Lighting		7,757	48,138	\$6,318	(\$1,024)	\$5,294			(\$132)
17	Total Sales before Emp. Disc.		614,266	13,383,252	\$1,304,443	(\$365,095)	\$939,348			(\$23,398)
18	Employee Discount				(\$484)	\$124	(\$360)			\$9
19	AGA Revenue				\$2,439		\$2,439			
20	Total Sales		614,266	13,383,252	\$1,306,398	(\$364,971)	\$941,427	100.00%		(\$23,389)

Exhibit 6

Federal Tax Adjustment - Schedule 195

PACIFIC POWER
 ESTIMATED EFFECT OF PROPOSED PRICE CHANGE
 ON REVENUES FROM ELECTRIC SALES TO ULTIMATE CONSUMERS
 DISTRIBUTED BY RATE SCHEDULES IN OREGON
 FORECAST 12 MONTHS ENDING DECEMBER 31, 2019

Line No.	Description	Sch No.	No. of Cust	MWh	Present Revenues (\$000)			Proposed Revenues (\$000)			Change				Line No.
					Base Rates	Adders ¹	Net Rates	Base Rates	Adders ¹	Net Rates	Base Rates (\$000)	% ²	Net Rates (\$000)	% ²	
					(5)	(6)	(7)	(8)	(9)	(10)	(8) - (5)	(11)/(5)	(10) - (7)	(13)/(7)	
					(5) + (6)			(8) + (9)							
Residential															
1	Residential	4	506,345	5,401,764	\$623,235	\$5,942	\$629,177	\$623,235	\$5,942	\$617,509	\$0	0.0%	(\$11,668)	-1.9%	1
2	Total Residential		506,345	5,401,764	\$623,235	\$5,942	\$629,177	\$623,235	\$5,942	\$617,509	\$0	0.0%	(\$11,668)	-1.9%	2
Commercial & Industrial															
3	Gen. Svc. < 31 kW	23	80,663	1,139,223	\$126,505	\$5,296	\$131,801	\$126,505	\$5,296	\$129,431	\$0	0.0%	(\$2,370)	-1.8%	3
4	Gen. Svc. 31 - 200 kW	28	10,452	1,972,036	\$181,441	\$3,372	\$184,813	\$181,441	\$3,372	\$181,677	\$0	0.0%	(\$3,136)	-1.7%	4
5	Gen. Svc. 201 - 999 kW	30	866	1,328,571	\$108,451	\$1,276	\$109,727	\$108,451	\$1,276	\$107,920	\$0	0.0%	(\$1,807)	-1.7%	5
6	Large General Service >= 1,000 kW	48	195	3,221,037	\$226,897	(\$9,525)	\$217,372	\$226,897	(\$9,525)	\$213,636	\$0	0.0%	(\$3,736)	-1.7%	6
7	Partial Req. Svc. >= 1,000 kW	47	6	49,859	\$5,617	(\$152)	\$5,465	\$5,617	(\$152)	\$5,407	\$0	0.0%	(\$58)	-1.7%	7
8	Agricultural Pumping Service	41	7,982	222,624	\$25,979	(\$1,219)	\$24,760	\$25,979	(\$1,219)	\$24,268	\$0	0.0%	(\$492)	-2.0%	8
9	Total Commercial & Industrial		100,164	7,933,350	\$674,890	(\$952)	\$673,938	\$674,890	(\$952)	\$662,340	\$0	0.0%	(\$11,598)	-1.7%	9
Lighting															
10	Outdoor Area Lighting Service	15	6,305	9,058	\$1,167	\$216	\$1,383	\$1,167	\$216	\$1,359	\$0	0.0%	(\$24)	-1.7%	10
11	Street Lighting Service	50	225	7,713	\$861	\$169	\$1,030	\$861	\$169	\$1,012	\$0	0.0%	(\$18)	-1.7%	11
12	Street Lighting Service HPS	51	815	19,940	\$3,514	\$723	\$4,237	\$3,514	\$723	\$4,164	\$0	0.0%	(\$73)	-1.7%	12
13	Street Lighting Service	52	35	404	\$53	\$9	\$62	\$53	\$9	\$61	\$0	0.0%	(\$1)	-1.8%	13
14	Street Lighting Service	53	273	9,678	\$611	\$121	\$732	\$611	\$121	\$719	\$0	0.0%	(\$13)	-1.8%	14
15	Recreational Field Lighting	54	104	1,345	\$112	\$21	\$133	\$112	\$21	\$131	\$0	0.0%	(\$2)	-1.7%	15
16	Total Public Street Lighting		7,757	48,138	\$6,318	\$1,259	\$7,577	\$6,318	\$1,259	\$7,445	\$0	0.0%	(\$132)	-1.7%	16
17	Total Sales before Emp. Disc. & AGA		614,266	13,383,252	\$1,304,443	\$6,249	\$1,310,692	\$1,304,443	\$6,249	\$1,287,294	\$0	0.0%	(\$23,398)	-1.8%	17
18	Employee Discount				(\$484)	(\$4)	(\$488)	(\$484)	(\$4)	(\$479)	\$0		\$9		18
19	Total Sales with Emp. Disc		614,266	13,383,252	\$1,303,959	\$6,245	\$1,310,204	\$1,303,959	\$6,245	\$1,286,815	\$0	0.0%	(\$23,389)	-1.8%	19
20	AGA Revenue				\$2,439		\$2,439	\$2,439		\$2,439	\$0		\$0		20
21	Total Sales		614,266	13,383,252	\$1,306,398	\$6,245	\$1,312,643	\$1,306,398	\$6,245	\$1,289,254	\$0	0.0%	(\$23,389)	-1.8%	21

¹ Excludes effects of the Low Income Bill Payment Assistance Charge (Sch. 91), BPA Credit (Sch. 98), Klamath Dam Removal Surcharges (Sch. 199), Public Purpose Charge (Sch. 290) and Energy Conservation Charge (Sch. 297).

² Percentages shown for Schedules 48 and 47 reflect the combined rate change for both schedules

Exhibit 7

Pacific Power
Monthly Billing Comparison
Delivery Service Schedule 4 + Cost-Based Supply Service
Residential Service

kWh	Monthly Billing*		Difference	Percent Difference
	Present Price	Proposed Price		
100	\$20.27	\$20.04	(\$0.23)	-1.13%
200	\$30.04	\$29.59	(\$0.45)	-1.50%
300	\$39.82	\$39.15	(\$0.67)	-1.68%
400	\$49.60	\$48.70	(\$0.90)	-1.81%
500	\$59.39	\$58.28	(\$1.11)	-1.87%
600	\$69.17	\$67.84	(\$1.33)	-1.92%
700	\$78.95	\$77.40	(\$1.55)	-1.96%
800	\$88.74	\$86.95	(\$1.79)	-2.02%
900	\$98.51	\$96.51	(\$2.00)	-2.03%
950	\$103.42	\$101.30	(\$2.12)	-2.05%
1,000	\$108.30	\$106.07	(\$2.23)	-2.06%
1,100	\$121.24	\$118.80	(\$2.44)	-2.01%
1,200	\$134.18	\$131.52	(\$2.66)	-1.98%
1,300	\$147.13	\$144.23	(\$2.90)	-1.97%
1,400	\$160.07	\$156.95	(\$3.12)	-1.95%
1,500	\$173.01	\$169.67	(\$3.34)	-1.93%
1,600	\$185.95	\$182.40	(\$3.55)	-1.91%
2,000	\$237.72	\$233.27	(\$4.45)	-1.87%
3,000	\$367.15	\$360.48	(\$6.67)	-1.82%
4,000	\$496.57	\$487.68	(\$8.89)	-1.79%
5,000	\$626.00	\$614.88	(\$11.12)	-1.78%

* Net rate including Schedules 91, 98, 199, 290 and 297.

Note: Assumed average billing cycle length of 30.42 days.