

Docket No. 20000-519-EA-17
Witness: Nikki L. Koblaha

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

Supplemental Direct Testimony of Nikki L. Koblaha

February 2018

1 **Q. Are you the same Nikki L. Kobliha who previously provided rebuttal testimony in**
2 **this case on behalf of Rocky Mountain Power (“Company”), a division of**
3 **PacifiCorp?**

4 A. Yes.

5 **PURPOSE AND SUMMARY OF TESTIMONY**

6 **Q. What is the purpose of your supplemental direct testimony in this proceeding?**

7 A. My supplemental direct testimony discusses the impact of the final tax reform
8 legislation passed in December 2017 and supports the Company’s request for approval
9 of the wind repowering project. In my supplemental direct testimony, I outline relevant
10 provisions in the federal income tax reform enacted in December 2017. I confirm there
11 are no changes to current federal income tax law on production tax credits (“PTCs”),
12 which provide significant value to the wind repowering project.

13 **Q. Please summarize your testimony.**

14 A. In December 2017, the U.S. Congress passed, and the President signed, H.R 1 (“Tax
15 Act”), which included significant federal income tax reforms. The passage of the Tax
16 Act resolved any risk that federal tax reform posed to the wind repowering project. The
17 Tax Act sets a new corporate income tax rate, now incorporated in the Company’s
18 updated economic analysis presented by Company witness Mr. Rick T. Link. The Tax
19 Act also confirms the continued availability of PTCs for the wind repowering project,
20 from which much of their economic benefit is derived. The enactment of the Tax Act
21 therefore resolves the concerns on this issue because the impacts are now known and
22 incorporated into the economic analysis.

23 **SUPPLEMENTAL DIRECT TESTIMONY**

1 **Q. When was the Tax Act enacted?**

2 A. The Tax Act was signed into law by the President on December 22, 2017.

3 **Q. When does the Tax Act become effective?**

4 A. The Tax Act generally becomes effective for years beginning after December 31, 2017.

5 **Q. Does the Tax Act reduce the Company's federal income tax rate?**

6 A. Yes, the Tax Act reduces the Company's federal income tax rate from 35 percent to
7 21 percent.

8 **Q. For purposes of the repowering project, is there a difference between the federal
9 statutory income tax rate and effective tax rate under the Tax Act?**

10 A. No, absent the impact of the PTCs. Thus, the Company's updated economic modeling
11 described by Mr. Link appropriately used a 21 percent tax rate.

12 **Q. Does the reduction in the corporate tax rate directly affect the value of PTCs?**

13 A. No, the reduction in the corporate income tax rate does not directly impact the value of
14 the PTCs. It does, however, impact the tax gross-up value of the PTCs to customers.

15 **Q. Does the Tax Act change any aspect of federal income tax law related to PTCs?**

16 A. No. There were no modifications to the federal income tax code or any Internal
17 Revenue Service guidance relating to the PTCs. Thus, there were no changes to the
18 five-percent safe-harbor equipment purchase requirement, the 80/20 test for repowered
19 wind facilities, and the continuous construction requirement that the Company relies
20 on to obtain PTC benefits for the repowered facilities.

1 **Q. Are there any other provisions of the Tax Act that affect the wind repowering**
2 **project?**

3 A. Yes. Two other impacts associated with the reduction in the corporate income tax rate
4 exist. A reduction to the corporate income tax rate reduces the tax gross-up, lowering
5 the Company's overall rate of return on the wind repowering project. The lower tax rate
6 also reduces the accumulated deferred income tax liability related to the use of
7 Modified Accelerated Cost Recovery System ("MACRS") accelerated depreciation for
8 the five-year tax life of the Wind Projects, which will increase the net rate base balance.

9 Bonus depreciation rules have also changed. Under prior income tax law,
10 repowered wind projects placed in service in 2019 by the Company would have received
11 30 percent bonus depreciation. Repowered wind projects placed in service in 2020
12 would have received no bonus depreciation. The new tax reform legislation generally
13 provides that regulated utilities like the Company will not be allowed to use bonus
14 depreciation on projects placed in service after September 27, 2017. The Wind Projects,
15 however, remain subject to the five-year MACRS accelerated depreciation. The impacts
16 of the reduction in the corporate income tax rate and the elimination of bonus
17 depreciation for regulated utilities has been fully reflected in the updated economic
18 analysis prepared by Mr. Link.

19 **Q. Does the reduction in the Company's federal income tax rate make the wind**
20 **repowering project uneconomic?**

21 A. No, as demonstrated in Mr. Link's updated economic analysis of the wind repowering
22 project.

1 **Q. At this point, do you foresee any future tax reform legislation that will materially**
2 **impact the economics of the wind repowering project?**

3 A. No. As discussed above, the federal corporate tax rate has decreased to 21 percent
4 beginning in 2018, and there is no reason to believe that another decrease will occur in
5 the near future. As described by Mr. Link, the wind repowering project continues to
6 provide substantial customer benefits under the Company's new 21 percent federal tax
7 rate.

8 **Q. Does this conclude your supplemental direct testimony?**

9 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE)
APPLICATION OF ROCKY MOUNTAIN)
POWER FOR AN ORDER APPROVING) DOCKET NO. 20000-519-EA-17
NONTRADITIONAL RATEMAKING) (RECORD NO. 14780)
RELATED TO WIND REPOWERING)

AFFIDAVIT, OATH AND VERIFICATION

Nikki L. Kobliha (Affiant) being of lawful age and being first duly sworn, hereby deposes and says that:

Affiant is the Vice President, Chief Financial Officer and Treasurer for PacifiCorp, which is a party in this matter.

Affiant prepared and caused to be filed the foregoing testimony. Affiant has, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

Affiant hereby verifies that, based on Affiant's knowledge, all statements and information contained within the testimony and all of its associated attachments are true and complete and constitute the recommendations of the Affiant in her official capacity as Vice President, Chief Financial Officer and Treasurer.

Further Affiant Sayeth Not.

Dated this 2 day of February, 2018

[Handwritten signature of Nikki L. Kobliha]

Nikki L. Kobliha
VP, CFO & Treasurer
825 NE Multnomah St. Ste 2000
503-813-5645

STATE OF Oregon)
) SS:
COUNTY OF Multnomah)

The foregoing was acknowledged before me by Patty Deas on this 2nd day of February 2018. Witness my hand and official seal.

[Handwritten signature of Patricia Ann Deas]
Notary Public

