Confidential per WAC 480-07-160
Exh. SLC-7C
Docket UE-230172
Witness: Sherona L. Cheung

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFICORP dba PACIFIC POWER & LIGHT COMPANY Respondent.	Docket UE-230172

PACIFICORP

REDACTED EXHIBIT OF SHERONA L. CHEUNG

Property Tax Estimation Procedures

March 2023 (REFILED April 19, 2023)

PacifiCorp's Property Tax Estimation Procedure

The procedures employed by PacifiCorp when estimating property tax expense for both rate case and budgetary purposes involves the steps described below. The estimation process is documented in the attached Master Property Tax Estimation Worksheet.

1. Identifying Assessed Values and Gross Taxes Payable for the Most Recent Assessment Year

State by state assessed values for the most recent assessment year are listed in Column A of the Master Property Tax Estimation Worksheet. These amounts, which are derived from each state's current year appraisal workpapers, consider the valuation methodologies commonly employed by each jurisdiction along with the taxable ratios and available exemptions.

Gross taxes payable are shown in Column I of the Master Property Tax Estimation Worksheet. These amounts are derived either from jurisdiction specific tax payment worksheets or, to the extent that tax bills have yet to arrive or be fully reconciled, from estimates of gross tax payable prepared by company staff. Note that the amounts in Columns E consider the portion of gross property tax that was capitalized during the most recent year while Column G considers the impact, if any, that prior year under or over accruals or tax refunds may have on current year expense levels.

Separating out these components provides a means of reconciling between the net property tax expense amounts shown in Column D to the gross property tax expense amounts shown in Column I. This process is necessary because the same adjustments must be accounted for in reverse order when moving from the estimated gross property tax expense amounts in Column J to the net operating tax expense amounts in Column M.

2. Preparing State Specific Assessed Value Estimates for Subsequent Assessment Years

Assessed values for each future year are then estimated by use of independent state specific valuation models which utilize the appraisal models and assumptions, including the particular types of cost or income valuation techniques or procedures commonly employed by each state. Each model specifically accounts for any exemptions available for the company's operating property.

Beginning with a version of these models which tie out to assessed values for the most recent year, each model is adjusted for anticipated changes in the amount of plant investment, operating income, exempt property, and allocation factors so that each state's model reflects the data that state appraisal staff would be expected to rely upon when estimating future year assessed values.

Given that the objective of this process is to emulate each state's valuation methodology, this estimation process assumes that each state will employ the same valuation methods during future assessment years that it employed during the most recent assessment year. The estimated assessed value produced by each state's model is then input into the appropriate cells in Column B on the Master Property Tax Estimation Worksheet. Any special taxing situations or available exemptions are considered during this process and thus, the resulting estimates of assessed values represent the value of taxable operating property.

It should be noted that for certain states, assessed values are determined following negotiations between state and company representatives. Because of this, the assessed values for certain states are, when necessary, estimated by reference to the expected year over year percentage changes in the net book value of operating property or expected changes in both the net book value of operating property and estimates of future period net operating income. Hence, the amounts shown in Column B for certain states represent the company's estimate of assessed values *after* negotiation.

3. Quantifying the Expected Year over Year Increases or Decreases in Assessed Values

A percentage change is then calculated in Column C to quantify the projected percentage increase or decrease in assessed value from the current year to each future period.

4. Estimating Gross Tax Payable for the Next Assessment Year

The gross tax expense amounts shown in Column J are then arrived at by increasing or decreasing the amount of gross property tax shown in Column I by the percentage change shown in Column C. If, for example, assessed values are expected to increase by 10% from one year to the next, then gross property tax expense would be expected to increase by 10% as well.

This procedure necessarily assumes that property tax rates remain level with those in place during the most recent tax year. PacifiCorp believes this to be a valid assumption since year over year changes in tax rates do not necessarily follow a consistent pattern. Tax rates utilized when estimating current and future year tax expense are shown in Columns N and O of the Master Property Tax Estimation Worksheet.

5. Estimating Tax to be Capitalized

Column K contains state specific estimates of tax expected to be capitalized during each future year.

6. Estimating Tax Savings Related to Pryor Mountain Wind Project

Column L contains an estimate of property tax savings associated with the Pryor Mountain wind project. Savings associated with this Montana wind project result from favorable county level abatements.

7. Estimating Operating Property Tax Expense

The estimate of gross property tax expense in Column J is then reduced by the amounts listed in Columns K and L with the result in Column M representing the company's estimate of operating property tax expense for each future calendar year.

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Master Property Tax Estimation Worksheet
Estimated 2024 Assessment Levels and Related Property Tax Expense

	Assessed Values			2022						2024				Effective Tax Rate	
State or Tribe	Actual as of January 1, 2022	Estimated as of January 1, 2024	Percent Change	Estimated Net Property Taxes	Add Back: Property Tax Capitalized		Remove Affect of PY (Under) or Overaccruals		Estimated Gross Property Taxes	Estimated Gross Property Taxes *	Less: Property Tax Capitalized	Pryor Mtn Savings	Estimated Net Property Taxes	2022	2024
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
			(B-A)/A						(D+E+F+G+H)	(I x (1+C))			(J+K+L)	I/A	J/B
AZ	1,867,851	[redacted]	[redacted]	30,000	-	-	-	-	30,000	[redacted]			30,000	1 61%	[redacted]
CA	337,000,000	[redacted]	[redacted]	3,076,987	219,391	-	-	-	3,296,378	[redacted]			5,415,000	0 98%	[redacted]
CO	89,604,177	[redacted]	[redacted]	1,767,874	-	-	(17,874)	-	1,750,000	[redacted]			1,010,000	1 95%	[redacted]
ID	774,932,583	[redacted]	[redacted]	6,255,567	64,433	-	-	-	6,320,000	[redacted]	[redacted]		7,200,000	0 82%	[redacted]
MT	350,751,557	[redacted]	[redacted]	5,101,634	-	-	-	1,710,000	6,811,634	[redacted]		[redacted]	4,320,000	1 94%	[redacted]
NM	2,463,475	[redacted]	[redacted]	20,000	-	-	-	-	20,000	[redacted]			20,000	0 81%	[redacted]
OR	3,640,000,000	[redacted]	[redacted]	40,135,307	2,260,913	-	-	-	42,396,220	[redacted]	[redacted]		42,420,000	1 16%	[redacted]
UT	6,904,639,770	[redacted]	[redacted]	83,540,243	304,883	-	145,978	-	83,991,104	[redacted]	[redacted]		82,940,000	1 22%	[redacted]
WA	893,505,000	[redacted]	[redacted]	8,479,345	162,601	-	358,054	-	9,000,000	[redacted]	[redacted]		10,180,000	1 01%	[redacted]
WY	3,089,049,551	[redacted]	[redacted]	22,941,271	198,728	-	-	-	23,139,999	[redacted]	[redacted]		26,110,000	0 75%	[redacted]
Umatilla	**	**		126,065	-	-	-	-	126,065	[redacted]			126,000		
Sho-Ban	**	**		298,571	-	-	-	-	298,571	[redacted]			299,000		
Navajo	**	**		15,000	-	-	-	-	15,000	[redacted]			15,000		
Goshute	**	**		31,415	-	-	-	-	31,415	[redacted]			31,000		
Ute	**	**		46,678	-	-	-	-	46,678	[redacted]			47,000		
Crow	**	**		79,000	-	-	-	-	79,000	[redacted]			79,000		
	16,083,813,964	[redacted]	[redacted]	171,944,957	3,210,949	-	486,158	1,710,000	177,352,064	[redacted]	[redacted]	[redacted]	180,242,000		

For Oregon, the estimate takes into account the accrual of tax over the state's July 1st to June 30th fiscal year

** Because the possessory interest tax imposed by tribal governments is typically a function of the rarely changing mileage and investment in transmission facilities which cross tribal lands rather than the market value of such property, current year tax amounts are used as a proxy for the amount of tax due for the next year

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Master Property Tax Estimation Worksheet
Estimated 2025 Assessment Levels and Related Property Tax Expense

	Assessed Values			2022						2025				Effective Tax Rate	
State or Tribe	Actual as of January 1, 2022	Estimated as of January 1, 2025	Percent Change	Estimated Net Property Taxes	Add Back: Property Tax Capitalized		Remove Affect of PY (Under) or Overaccruals		Estimated Gross Property Taxes	Estimated Gross Property Taxes *	Less: Property Tax Capitalized	Pryor Mtn Savings	Estimated Net Property Taxes	2022	2025
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
			(B-A)/A						(D+E+F+G+H)	(I x (1+C))			(J+K+L)	I/A	J/B
AZ	1,867,851	[redacted]	[redacted]	30,000	-	-	-	-	30,000	[redacted]			30,000	1 61%	[redacted]
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CO	89,604,177	[redacted]	[redacted]	1,767,874	-	-	(17,874)	-	1,750,000	[redacted]			5,410,000	1 95%	[redacted]
ID	774,932,583	[redacted]	[redacted]	6,255,567	64,433	-	-	-	6,320,000	[redacted]	[redacted]		9,510,000	0 82%	[redacted]
MT	350,751,557	[redacted]	[redacted]	5,101,634	-	-	-	1,710,000	6,811,634	[redacted]		[redacted]	4,100,000	1 94%	[redacted]
NM	2,463,475	[redacted]	[redacted]	20,000	-	-	-	-	20,000	[redacted]			20,000	0 81%	[redacted]
OR	3,640,000,000	[redacted]	[redacted]	40,135,307	2,260,913	-	-	-	42,396,220	[redacted]	[redacted]		50,050,000	1 16%	[redacted]
UT	6,904,639,770	[redacted]	[redacted]	83,540,243	304,883	-	145,978	-	83,991,104	[redacted]	[redacted]		89,280,000	1 22%	[redacted]
WA	893,505,000	[redacted]	[redacted]	8,479,345	162,601	-	358,054	-	9,000,000	[redacted]	[redacted]		10,380,000	1 01%	[redacted]
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Sho-Ban	**	**		298,571	-	-	-	-	298,571	[redacted]			299,000		
Navajo	**	**		15,000	-	-	-	-	15,000	[redacted]			15,000		
Goshute	**	**		31,415	-	-	-	-	31,415	[redacted]			31,000		
Ute	**	**		46,678	-	-	-	-	46,678	[redacted]			47,000		
Crow	**	**		79,000	-	-	-	-	79,000	[redacted]			79,000		
	16,083,813,964	[redacted]	[redacted]	171,944,957	3,210,949	-	486,158	1,710,000	177,352,064	[redacted]	[redacted]	[redacted]	206,817,000		

For Oregon, the estimate takes into account the accrual of tax over the state's July 1st to June 30th fiscal year

** Because the possessory interest tax imposed by tribal governments is typically a function of the rarely changing mileage and investment in transmission facilities which cross tribal lands rather than the market value of such property, current year tax amounts are used as a proxy for the amount of tax due for the next year