

Confidential per WAC 480-07-160
Exh. SEM-4C
Docket UE-19____
Witness: Shelley E. McCoy

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-19____

PACIFICORP

REDACTED EXHIBIT OF SHELLEY E. MCCOY

Property Tax Estimation Procedure

December 2019

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, take into account 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 give specific consideration to the portion of gross property tax that was capitalized during the current 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 tax expense amount in Column J to the net operating tax expense amount 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, income or sales comparison 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 current year assessed values, 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 taken into account 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 current 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 or Charged to Fuel Expense

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.

Master Property Tax Estimation Worksheet

Estimated 2021 Assessment Levels and Related Property Tax Expense

State or Tribe	Assessed Values		C (B-A)/A	2019							2021				Effective Tax Rate	
	A Actual as of January 1, 2019	B Estimated as of January 1, 2021		D Estimated Net Property Taxes	E Add Back: Property Tax Capitalized	F	G Remove Affect of PY (Under) or Overaccruals	H	I Estimated Gross Property Taxes (D+E-F+G+H)	J Estimated Gross Property Taxes * (I x (H-C))	K Less: Property Tax Capitalized	L Pryor Mtn Savings	M Estimated Net Property Taxes (J+K+L)	N 2019	O 2021	
AZ	200,000,000							2,670,000					1.34%			
CA	218,000,000			135,290				2,195,676					1.01%			
CO	175,020,643					(150,097)		2,830,000					1.62%			
ID	713,259,238			103,992				6,400,000					0.90%			
MT	177,698,736							5,560,000			(3,220,000)		3.13%			
NM	2,673,317							20,000					0.75%			
OR	2,189,000,000			1,342,106				26,170,460					1.20%			
UT	6,604,648,040			93,401				81,420,662					1.23%			
WA	982,615,000			736,202		1,327,516		10,570,000					1.08%			
WY	2,433,042,117			1,553,366				18,200,000					0.75%			
Umatilla	**			69,752				69,752								
Sho-Ban	**			271,335				271,335								
Navajo	**			15,000				15,000								
Goshute	**			29,054				29,054								
Ute	**			40,695				40,695								
Crow	**			72,000				72,000								
	13,695,937,091			3,964,357		1,177,419		156,534,634			(3,220,000)					
RMP	9,750,949,395			1,750,759				106,336,051								
PP	3,389,615,000			2,213,598		1,327,516		39,005,888								
PE	555,392,696					(150,097)		11,192,695			(3,220,000)					
	13,695,937,091			3,964,357		1,177,419		156,534,634			(3,220,000)					

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.