

1 BEFORE THE PUBLIC UTILITY COMMISSION

2 OF OREGON

3 DOCKET NO. UM _____

4

5	IN THE MATTER OF THE APPLICATION OF) NOTICE OF APPLICATION
6	AVISTA UTILITIES FOR AN ORDER) FOR AUTHORIZATION
7	AUTHORIZING DEFERRAL OF FEDERAL) OF CERTAIN DEFERRAL
8	INCOME TAX EXPENSES FOR THE EFFECTS) ACCOUNTS
9	OF REVISIONS OF THE FEDERAL INCOME)
10	TAX CODE UPON AVISTA’S COST OF SERVICE)

11
12

13 Avista Corporation, dba Avista Utilities (“Avista” or “Company”), pursuant to ORS
14 757.259 and OAR 860-027-0300(4), applies to the Public Utility Commission of Oregon
15 (“Commission”) for an order authorizing it to utilize deferred accounting for the impact to its
16 federal income tax (FIT) expenses due to the revisions of the federal income tax code caused by
17 enactment of the “Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent
18 Resolution on the Budget for Fiscal Year 2018” (“Act”). The Company respectfully requests that
19 this deferral be effective beginning January 1, 2018.

20 In support of this Application, the Company states:

21 Avista provides natural gas service in southwestern and northeastern Oregon and is a
22 public utility subject to the Commission’s jurisdiction under ORS 757.005(1)(a)(A).

23 Avista requests that all notices, pleadings and correspondence regarding this Application
24 be sent to the following:

25

1 Patrick Ehrbar
2 Director of Rates
3 Avista Corporation
4 P.O. Box 3727
5 Avista Corporation
6 1411 E. Mission, MSC-27
7 Spokane, WA 99220-3727
8 (509) 495-8620
9 Pat.ehrbar@avistacorp.com

David J. Meyer
Vice President and Chief Counsel
for Regulatory and
Governmental Affairs
P.O. Box 3727
1411 E. Mission, MSC-27
Spokane, WA 99220-3727
(509) 495-4316
David.meyer@avistacorp.com

10 This Application is filed pursuant to ORS 757.259, which empowers the Commission to
11 authorize the deferral of expenses or revenues of a public utility for later incorporation into rates.

12

13 BACKGROUND

14 The Company's cost of service includes federal income taxes that have been calculated in
15 accordance with the Internal Revenue Code of 1986. In late-2017, the United States Congress
16 passed the "Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent
17 Resolution on the Budget for Fiscal Year 2018", which amends sections of the 1986 Code. The
18 Act was signed into law by President Trump on December 22, 2017. The Act is effective for tax
19 years beginning after December 31, 2017. The Act includes extensive changes to the federal
20 income tax code for business entities, including Avista. Lowering the tax rate from 35% of
21 taxable income to 21% of taxable income is one of the provisions that will change the federal
22 income tax expense that Avista records and includes in its cost of service.

23 Current federal income tax expense will change due to the lower federal tax rate of 21%
24 (down from the current 35% federal tax rate). The impact of a rate change on the current tax
25 expense is only one piece of the expected impact of the tax code reform, and will not be
26 considered in isolation. Other items that we anticipate impacting the Company's cost of service
27 are changes to deferred taxes, both on the income statement and on the balance sheet, amortization
28 of deferred tax amounts that represent the difference between the historical 35% rate and the

1 revised 21% rate, as well as other possible items that may no longer be deductible, such as state
2 and local tax expenses. The impact of a reduction in the corporate tax rate, along with changes in
3 allowed deductions that may off-set the tax rate reduction, will not be a straight forward
4 calculation. These changes will need to flow through the Company's income statement and
5 balance sheet to determine the overall effect. In addition, the Company will need to work with its
6 tax depreciation software vendor to ensure the impacts of the tax code revisions are available for
7 its tax calculation.

8 Avista fully expects that all the financial impacts of changes to the federal tax code will be
9 addressed in a manner that properly captures those impacts and are properly incorporated in
10 customers' rates. Since the federal income tax code changes are effective beginning January 1,
11 2018, Avista would defer the impact of the changes to federal income tax expenses beginning in
12 January 2018. At a later date, the Company will supplement this filing with the expected impact
13 of the changes and with detail of the amounts that have been deferred.

14
15 PROPOSED ACCOUNTING

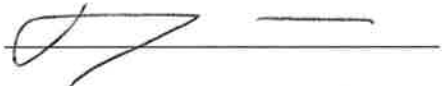
16 Avista proposes to record the deferred amount in FERC Account 449.1 (Provision for Rate
17 Refunds) crediting FERC Account 229 (Accumulated Provision for Rate Refund). In absence of a
18 deferred accounting order from the Commission, Avista would record costs associated with the
19 deferred amount to FERC Account 182.3 (Other Regulatory Assets), FERC Account 190
20 (Accumulated Deferred Income Taxes), FERC Account 236 (Taxes Accrued), FERC Account 254
21 (Other Regulatory Liabilities), FERC Account 282 (Accumulated Deferred Income Taxes – Other
22 Property), FERC Account 283 (Accumulated Deferred Income Taxes – Other), FERC Account
23 409.1 (Income Taxes-Utility Operating Income), FERC Account 410.1 (Provisions for Deferred
24 Income Taxes, Utility Operating Income) and FERC Account 411.1 (Provision for Deferred

1 Income Taxes – Credit, Utility Operating income). When the amounts are returned to customers,
2 the Company would record the amortization of the deferred federal income tax expense in FERC
3 Account No. 407.4 – Regulatory Credits, using separate sub-accounts.

4 Interest will be accrued based on the Company’s authorized rate of return. Once the
5 deferral is approved for recovery and associated amortization, interest will accrue at the Modified
6 Blended Treasury Rate similar to the Company’s other amortization accounts.

7
8 WHEREFORE, Avista Utilities respectfully requests that the Commission authorize the
9 Company to defer the impact to its Federal Income Tax (FIT) expenses due to the revisions of the
10 federal income tax code caused by enactment of the Act to Provide for Reconciliation Pursuant to
11 Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018. The Company is
12 not proposing an adjustment to customer’s retail rates through this Application at this time.

13 DATED this 29th day of December 2017.

14 Respectfully submitted,
15 Avista Utilities
16 By: 
17 David J. Meyer, Vice President and Chief
18 Counsel for Regulatory and Governmental Affairs