BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

DOCKET NOS. UM 1918(1) and UM 1918(2)

IN THE MATTER OF THE APPLICATION OF AVISTA UTILITIES FOR AN ORDER AUTHORIZING DEFERRAL OF FEDERAL INCOME TAX EXPENSES FOR THE EFFECTS OF REVISIONS OF THE FEDERAL INCOME TAX CODE UPON AVISTA'S COST OF SERVICE	) ANNUAL 2019 THROUGH) JANUARY 14, 2020 SUPPLEMENT) TO APPLICATION FOR) AUTHORIZATION OF CERTAIN) DEFERRAL ACCOUNTS)

BACKGROUND

On December 18, 2018, Avista Corporation, dba Avista Utilities ("Avista" or "Company"), pursuant to ORS 757.259 and OAR 860-027-0300(4), filed a supplemental application, UM 1918(1) pertaining to Tax Act benefits for 2019, with the Public Utility Commission of Oregon ("Commission") for an order authorizing it to utilize deferred accounting for the impact to its federal income tax ("FIT") expenses due to the revisions of the federal income tax code caused by enactment of the "Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" ("Act"), also referred to as the Tax Cuts and Jobs Act ("TCJA"). Within the Company's supplemental application, UM 1918(1), the Company respectfully requested that this deferral be effective beginning January 1, 2019.[1]

[1] On February 14, 2019, the Commission approved deferral of Tax Act benefits for 2018 in the amount of $3.7 million dollars (Oregon-allocated). On February 26, 2019, the Commission approved the Company's application to amortize the 2018 ratepayer benefits in Tariff Schedule 474 over a period of 12 months beginning March 1, 2019 through February 29, 2020. For additional details, see Avista's "Notice of Application for Reauthorization of Certain Deferral Accounts" filed on November 1, 2019.

On November 1, 2019, the Company filed a supplemental application in this docket, UM 1918(2), pertaining to the Tax Act benefits for both 2019 and January 1 through January 14, 2020.[2] In the supplemental application UM 1918(2) the Company proposed to return the January 1, 2019 through January 14, 2020 benefits to customers by extending Tariff Schedule 474 for an additional year through February 28, 2021.[3] The Company provided estimated amounts at that time to be returned to customers of approximately $3.704 million dollars for 2019, and $142 thousand dollars for the period January 1 – January 14, 2020. The Company also stated that the final refund amounts would vary, based on actual balances deferred, and would be provided by the Company as soon as available in 2020.

On November 19, 2019 the Commission Staff filed comments in Dockets UM 1918(1) and UM 1918(2), stating "For the reasons stated above, Staff concludes that Company's calculations are a reasonable estimate of the amounts due to ratepayers from January 1, 2019, through January 14, 2020, and recommends the Commission approve the Company's Application to defer Tax Act benefits." On December 3, 2019 the Commission approved per Order 19-423 the Company's application to defer Tax Act benefits for calendar year 2019 and the portion of 2020 prior to the January 15, 2020 effective date of the Company's general rate revision.

On January 13, 2020, Avista filed with the Commission its First Revision Sheet to Tariff Schedule 474, requesting to extend the effective date of Schedule 474 for an additional one-year period, to pass back to customers deferred tax benefits for the period 2019 through January 14, 2020.

[2] On March 14, 2019, the Company filed a Request for General Rate Revision. These tariffs were suspended for investigation in Docket No. UG 366. The general rate case concluded per Order No. 19-331 on October 8, 2019, ordering the Company to file new tariffs effective January 15, 2020. As stated by the Company on page three of its UM 1918(2) supplemental application: "All the financial impacts of changes to the federal tax code were addressed in a manner that properly captures those impacts in the Company's recent approved Oregon general rate UG-366 effective January 15, 2020, and will be properly incorporated into customers' rates at that time."

[3] Tariff 474 "Temporary Federal Income Tax Rate Credit – Oregon," returning 2018 deferred tax benefits to customers, was set to expire on February 29, 2020.

Avista stated its expectation of the deferred amount for the period January 1, 2019 through January 14, 2020 would be a similar amount as to what was being returned to customers through Tariff Schedule 474 (March 1, 2019 – February 29, 2020), presently $3.7 million. Given the expected 2019/2020 balance and the 2018 balance were expected to be fairly close, and rather than have multiple rate changes for customers over the next few months with the general rate case (UG-366) going into effect, the Company requested to extend the existing Tariff Schedule 474, at its existing rate, for another year – expiring February 28, 2021. The company also proposed to roll over (include) any remaining 2018 related amount, up or down, to the 2019/2020 deferral. At the end of the amortization period for the 2019/2020 deferral, the Company proposed to either include any remaining balance in the "Residual" account or in a future general rate case, depending on the size. On January 30, 2020 Staff provided comments recommending that the Commission approve the Company's request with the understanding any residual over/under amount would be returned to customers in the manner described in the application. At the February 13, 2020 public meeting, the Commission adopted Staff's recommendation in this matter docketed as ADV 1080, extending the effective date of Schedule 474 for an additional year, effective March 1, 2020.

SUMMARY OF TAX BENEFITS AND ACTUAL DEFERRED BALANCES THROUGH FEBRUARY 29, 2020

As noted above, through Tariff 474 the Company was to return the 2018 tax deferred benefits of approximately $3.7 million to customers over the period March 1, 2019 through February 29, 2020. Including interest, the total actual balance owed customers totaled $3,894,870. The actual balance returned to customers (including unbilled balances) through February 29, 2020 totaled $3,842,330. The remaining residual balance to return to customers, and rolled forward to the 2019/2020 deferral balance owed customers, is therefore $52,540.

As of February 29, 2020, the actual total annual deferred tax balance, related to deferred excess current/deferred income tax expense and deferred excess plant ADFIT, for the period January 1, 2019 through January 14, 2020 recorded on the Company's books, totals approximately $3.0 million (including interest).[4]

Adding the 2018 residual balance, the 2019/2020 deferred balance, and estimated interest for the period March 2020 through February 2021 of approximately $44,000, the expected total balance owed customers totals approximately $3.1 million as shown in the Summary Table below:

Summary Table

Total Deferred Tax Benefit Balance Owed Customers	
2018 Deferred Tax Benefit (Residual Balance)	$ 52,540
2019 Deferred Tax Benefit (including interest)	$ 2,592,872
2020 Deferred Tax Benefit (including interest)[1]	$ 397,816
Sub-Total Deferred Tax Benefit	$ 3,043,228
Estimated Interest March 2020 - February 2021	$ 44,167
Total Deferred Tax Benefit Balance Owed Customers	**$ 3,087,395**

[1]Deferred tax benefit for the period January 1, 2020 - January 14, 2020.

In comparison, the estimated deferred tax balance, as noted in the Company's "Notice of Application for Reauthorization of Certain Deferral Accounts" ("Notice of Application") filed on November 1, 2019 (see Table No. 1 and descriptions starting on page 6 of the "Notice of Application"), was $3.7 million for 2019 and $142,000 for the period January 1, 2020 through January 14, 2020. Per the "Notice of Application" at page 6, lines 25 - 32:

> Deferred excess tax and deferred excess plant ADFIT – results in an annual deferral (beginning January 1, 2019) of current and deferred income tax expense benefit of approximately $3.2 million, and excess plant-related ADFIT tax benefit of approximately $553,000. These two balances, or approximately $3.7 million, is the current estimate of these benefits of the annual amount to

[4] Balances associated with 2019 totaled $2,592,872 million, whereas the 2020 balances totaled $397,816, both including interest.

be deferred during 2019.

<u>For the 14 day period</u>, January 1, 2020 through January 14, 2020, the Company estimates the deferred tax benefit to be approximately $142,000 ($3.7 million x 14 days/365), plus interest.

As noted above, at the February 13, 2020 public meeting the Commission approved the Company's request to extend Tariff Schedule 474 (Docket ADV 1080) an additional one-year period, from March 1, 2020 to February 28, 2021 to pass back to customers the actual deferred tax benefits for the period 2019 through January 14, 2020. Given the actual deferred balance of $3.1 million, is somewhat less than the prior 2018 deferred balance of $3.7 million that established the rate to return to customers, the Company will monitor the amortization and the actual return to customers of the current deferred tax balance during the second half of 2020, and if necessary, file for a revision in the Tariff Schedule 474 to reduce the rate, or request an earlier expiration. Ultimately, at the end of the amortization period for the 2019/2020 deferral, the Company proposes to either include any remaining balance in the "Residual" account or in a future general rate case, depending on the size.

WHEREFORE, Avista Utilities respectfully supplements its deferral application with the utility's actual deferred amounts recorded on Avista's books of record for the period January 1, 2019 through January 14, 2020. The Company has since ceased its deferral of tax benefits concurrent with the effective date of its general rate revision per UG-366 and the inclusion of the TCJA in base rates.

DATED this 25th day of March 2020.

Respectfully submitted,

Avista Utilities

By: ______________________

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Director of Regulatory Affairs