

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 3, 2019**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE** \_\_\_\_\_ December 4, 2019

**DATE:** November 19, 2019

**TO:** Public Utility Commission

**FROM:** John Fox

**THROUGH:** Michael Dougherty and Marianne Gardner **SIGNED**

**SUBJECT:** AVISTA UTILITIES:  
(Docket Nos. UM 1918(1) and UM 1918(2))  
Application for Reauthorization to Defer Federal Income Tax Expenses for the Effects of Revisions of the Federal Income Tax Code upon Cost of Service.

**STAFF RECOMMENDATION:**

Approve Avista Utilities' (Avista or Company) Application for Reauthorization to Defer Federal Income Tax Expenses for the Effects of Revisions of the Federal Income Tax Code upon Cost of Service, docketed at UM 1918(1) for the twelve-month period beginning January 1, 2019, and docketed as UM 1918(2) for the period beginning January 1, 2020, through January 14, 2020, estimated to be \$3.8 million (Oregon allocated) in total.

**DISCUSSION:**

Issue

Whether the Commission should approve Avista's application to defer federal tax reform (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.

Applicable Rule or Law

Beginning with the date of the application, the Commission may approve the deferral of identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate

changes for the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers. ORS 757.269(2)(e) and (4). Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. ORS 757.259(4); OAR 860-027-0300(9). The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility. ORS 757.259(5).

### Analysis

#### *Background*

On December 18, 2018, the Company filed a supplemental application, UM 1918(1), pertaining to Tax Act benefits for 2019.

On February 14, 2019, the Commission subsequently approved deferral of Tax Act benefits for 2018 in the amount of \$3.7 million dollars (Oregon-allocated).<sup>1</sup>

On February 26, 2019, the Commission approved the Company's application to amortize the 2018 ratepayer benefits in Tariff Schedule 174 over a period of 12 months beginning March 1, 2019.<sup>2</sup>

On March 14, 2019, the Company filed a Request for General Rate Revision. These tariffs were suspended for investigation and the Company was ordered to file new tariffs effective January 15, 2020.<sup>3</sup>

On November 1, 2019, the Company filed a supplemental application in this docket, UM 1918(2), pertaining to Tax Act benefits for both 2019 and January 1 through January 14, 2020.

#### *Review of the Company's Application*

As stated by the Company on page three of its UM 1918(2) supplemental application,

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<sup>1</sup> See *In the Matter of AVISTA CORPORATION, dba AVISTA UTILITIES, Application for Authorization to Defer Federal Income Tax Expenses for the Effects of Revisions of the Federal Income Tax Code upon Avista's Cost of Service*, Docket No. UM 1918, Order No. 19-05, Feb 19, 2019.

<sup>2</sup> See Avista's Advice No. 19-01-G, Docket No. ADV 923.

<sup>3</sup> See *In the Matter of Avista Corporation, DBA Avista Utilities, Application for a General Rate Revision*, Docket No. UG 366, Order No. 19-331, Oct 8, 2019, at 5.

“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.”

*Staff notes that, effective January 15, 2020, base rates will include a \$601 thousand dollar annual ratepayer benefit from the amortization of protected excess deferred income taxes (EDIT) in addition to the reduction in the federal statutory tax rate from 35 percent to 21 percent and that unprotected EDIT was fully resolved Order No. 19-05.*

The Company proposes to return the January 1, 2019, through January 14, 2020, benefits by extending Tariff Schedule 174 for an additional year through February 28, 2021, and estimates the amount to be returned as \$3.704 million dollars and \$142 thousand dollars for 2019 and 2020, respectively.

*Staff notes that the proposed 2019 deferral is slightly higher than 2018 after adjusting for the amortization of unprotected EDIT included in the 2018 deferral.<sup>4</sup>*

The Company also states that the final refund amounts will vary based on actual balances deferred and final deferred tax amounts will be provided as soon as available in 2020.

### Conclusion

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.

### **PROPOSED COMMISSION MOTION:**

Approve Avista Utilities applications to defer federal Tax Act benefits, docketed at UM 1918(1) for the twelve-month period beginning January 1, 2019, and docketed as UM 1918(2) for the period beginning January 1, 2020 through January 14, 2020, estimated to be \$3.8 million (Oregon allocated) in total.

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<sup>4</sup> See Order 19-050 at 6.