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December 29, 2017

**VIA ELECTRONIC FILING**

Public Utility Commission of Oregon  
Attention: Filing Center  
201 High Street SE Suite 100  
Post Office Box 1088  
Salem, Oregon 97308-1088

**Re: UM \_\_\_\_\_ – Application of NW Natural for Authorization to Defer Certain Expenses or Revenues Associated with Tax Reform**

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith an application to defer costs and benefits associated with federal tax reform, as described more fully in the application.

A notice concerning this application has been sent to all parties who participated in the Company’s last general rate case, UG 221. A copy of the Notice and the Certificate of Service are attached to the Application.

Please address correspondence on this matter to me with copies to the following:

eFiling  
Rates & Regulatory Affairs  
NW Natural  
220 NW Second Avenue  
Portland, Oregon 97209  
Telecopier: (503) 721-2516  
Telephone: (503) 226-4211, ext. 3589  
eFiling@nwnatural.com

Please contact me if you have any questions or require any further information.

Sincerely,

*/s/ Zachary D. Kravitz*

Zachary D. Kravitz  
Associate Counsel

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM \_\_\_\_\_**

In the Matter of

NORTHWEST NATURAL GAS COMPANY,  
dba NW Natural,

For Authorization to Defer Certain Expenses  
or Revenues Associated with the 2018 U.S.  
Tax Cuts and Jobs Act.

Application

1 Pursuant to ORS 757.259 and OAR 860-27-300, Northwest Natural Gas  
2 Company (“NW Natural” or the “Company”) hereby files with the Public Utility  
3 Commission of Oregon (the “Commission”) this application (“Application”) seeking  
4 authorization to use deferred accounting as a result of the recent enactment of the  
5 federal tax reform act, originally known as the “Tax Cuts and Jobs Act” (“tax reform”).  
6 As described more fully below, NW Natural anticipates that tax reform will, overall, result  
7 in benefits to customers that the Company seeks to defer for later rate-making  
8 treatment. NW Natural requests that this deferral be effective for the 12-month period  
9 beginning December 31, 2017 through December 30, 2018.

10 In support of this Application, NW Natural states:

11 **A. NW Natural.**

12 NW Natural is a public utility in the State of Oregon and is subject to the  
13 jurisdiction of the Commission regarding rates, service, and accounting practices.

14 **B. Statutory Authority.**

15 This application is filed pursuant to ORS 757.259, which empowers the  
16 Commission to authorize the deferral of expenses or revenues of a public utility for  
17 later inclusion in rates.

1 - APPLICATION FOR AUTHORIZATION TO DEFER CERTAIN EXPENSES

1 **C. Communications.**

2 Communications regarding this Application should be addressed to:

3  
4 NW Natural  
5 e-Filing for Regulatory Affairs  
6 220 NW Second Avenue  
7 Portland, Oregon 97209-3991  
8 Telephone: (503) 226-4211, ext. 3589  
9 Facsimile: (503) 721-2516  
10 Email: [eFiling@nwnatural.com](mailto:eFiling@nwnatural.com)

11  
12 Mark R. Thompson  
13 Rates & Regulatory Affairs  
14 220 NW Second Avenue  
15 Portland, Oregon 97209-3991  
16 Phone: (503) 721-2476  
17 Email: [mark.thompson@nwnatural.com](mailto:mark.thompson@nwnatural.com)

18  
19 Zachary D. Kravitz  
20 220 NW Second Avenue  
21 Portland, Oregon 97209-3991  
22 Phone: (503) 220-2379  
23 Email: [zdk@nwnatural.com](mailto:zdk@nwnatural.com)

24  
25  
26 **D. Description of the Expenses or Revenues for which Deferred Accounting is**  
27 **Requested – OAR 860-027-0300(3)(a).**

28  
29 Federal tax reform was enacted on December 22, 2017 and will be effective on  
30 January 1, 2018. The tax reform represents a major change to corporate tax policy, and  
31 given this extensive legislation, NW Natural is continuing to evaluate its full impact on the  
32 Company. The most significant provision is the lowering of the federal corporate income  
33 tax rate from 35% to 21% beginning January 1, 2018. Other effects include, but may not  
34 be limited to, changes to deferred taxes, and impacts to state and local taxes to the extent  
35 those are tied to or affected by the federal taxing system. These changes will cause  
36 certain of NW Natural's expenses or net investment amounts to go up, and others to go

1 down. Overall, on a net basis, we expect that the tax reform will allow NW Natural to  
2 reduce expense to customers. This request seeks to defer all costs and benefits resulting  
3 from tax reform, so that an appropriate net adjustment can be made to customers' rates  
4 in the manner approved by the Commission in the future.

5 **E. Reasons for Application for Deferred Accounting – OAR 860-027-0300(3)(b).**

6 ORS 757.259 is a “statutorily authorized exception to the general prohibition  
7 against retroactive ratemaking” that allows a “means to address utility expenses or  
8 revenues outside of the utility’s general rate case proceeding.<sup>1</sup> Under ORS  
9 757.259(2)(e), the Commission has discretion to authorize a deferral of “[i]dentifiable  
10 utility expenses or revenues, the recovery or refund of which the commission finds  
11 should be deferred in order to . . . match appropriately the costs borne by and benefits  
12 received by rate payers.” To determine whether an expense or revenue should be  
13 deferred, the Commission “utilizes a flexible, fact-specific approach that acknowledges  
14 the wide range of reasons why deferred accounting might be beneficial to customers.”<sup>2</sup>  
15 This request is intended to defer all amounts that are recovered through rates, but  
16 which are determined to be appropriately adjusted in light of the tax reform.

17 **F. Accounting – OAR 860-027-0300(3)(c).**

18 Beginning on December 31, 2017, and ending 12 months from this date (except  
19 to the extent this deferral is reauthorized), NW Natural proposes to record deferred  
20 amounts in FERC Account 449.1 (Provision for Rate Refunds) crediting FERC Account

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<sup>1</sup> *In re Matter Public Utility Commission of Oregon Staff Request to Open Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 2 (October 5, 2005).

<sup>2</sup> *In re Matter Public Utility Commission of Oregon Staff Request to Open Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 5 (October 5, 2005).

1 229 (Accumulated Provision for Rate Refund), and related income tax effects to FERC  
2 Account 190 –Accumulated Deferred Income Taxes, FERC Account 236 – Taxes  
3 Accrued, FERC Account 409.1 – Income Taxes-Utility Operating Income and FERC  
4 Account 411.1 – Provision for Deferred Income Taxes – Credit, Utility Operating  
5 income. In addition, if this application is approved, NW Natural proposes to record  
6 deferred amounts related to excess deferred income tax liabilities in FERC Account 254  
7 – Other Regulatory Liabilities and FERC Account 182 –Other Regulatory Assets with  
8 offsetting amounts to FERC Account 190 – Accumulated Deferred Income Taxes,  
9 FERC Account 281 – Accumulated Deferred Income Taxes – Accelerated Amortization,  
10 FERC Account 282 – Accumulated Deferred Income Taxes – Other Property, and  
11 FERC Account 283 – Accumulated Deferred Income Taxes – Other. If this application  
12 is denied, the changes related to excess deferred income tax liabilities will be recorded  
13 in FERC Account 190 – Accumulated Deferred Income Taxes, FERC Account 281 –  
14 Accumulated Deferred Income Taxes – Accelerated Amortization, FERC Account 282 –  
15 Accumulated Deferred Income Taxes – Other Property, FERC Account 283 –  
16 Accumulated Deferred Income Taxes – Other, FERC Account 410.1 – Provisions for  
17 Deferred Income Taxes, Utility Operating Income, and FERC Account 411.1 – Provision  
18 for Deferred Income Taxes – Credit, Utility Operating income.

19 NW Natural may determine, as it works through the accounting specifics, that  
20 other accounts will be used also.

21 **G. Estimated Amounts Subject to Deferral – OAR 860-027-0300(3)(d).**

22 NW Natural is currently evaluating the overall impact of tax reform on customer  
23 rates. NW Natural will update the Commission and interested parties with an estimate

1 when it becomes available. Additionally, NW Natural anticipates that this deferral  
2 application will be processed further through engagement with the OPUC Staff and  
3 other parties, and that some of the outcomes determined through those discussions,  
4 and subsequent determinations of the Commission, may affect the amounts of benefits  
5 determined appropriate to provide to customers, and the mechanics through which such  
6 benefits are provided. For these reasons, the Company is not able to provide an overall  
7 estimated amount at this time.

8 **H. Notice – OAR 800-027-0300(3)(e).**

9 A notice of this Application has been served on the all parties who participated in  
10 the Company's most recent general rate case, UG 221, and is attached to this  
11 Application.

12 NW Natural respectfully requests that the Commission issue an order authorizing  
13 the Company to defer the costs described in this Application.

14 Dated this 29<sup>th</sup> day of December 2017.

15 Respectfully Submitted,

16 /s/ Zachary D. Kravitz

17 NW NATURAL

18 Zachary D. Kravitz  
19 Associate Counsel  
20 220 NW Second Avenue  
21 Portland, Oregon 97209-3991  
22 Phone: (503) 220-2379  
23 Email: [zdk@nwnatural.com](mailto:zdk@nwnatural.com)  
24



UM \_\_\_\_\_  
**NOTICE OF APPLICATION TO  
DEFER CERTAIN EXPENSES OR REVENUES**

December 29, 2017

**To All Parties Who Participated in UG 221:**

Please be advised that on December 29, 2017 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), applied for authorization to use deferred accounting as a result of the recent enactment of the federal tax reform act, originally known as the "Tax Cuts and Jobs Act" ("tax reform"). A copy of the Company's Deferral Application is available for inspection at its main office or at the Public Utility of Oregon's ("Commission") eDocket website.

**This is not a rate case.**

The purpose of this Notice is to inform parties that participated in the Company's most recent general rate case, UG 221, that an Application was filed.

Parties who desire more information or who wish to obtain a copy of the filing, or notice of the time and place of any hearing, if scheduled, should contact the Company or the Commission as follows:

**NW Natural  
Attn: Zach Kravitz  
220 NW Second Ave  
Portland, Oregon 97209-3991  
Telephone: (503) 220-2379**

**Public Utility Commission of Oregon  
Attn: Filing Center  
201 High Street SE, Suite 100  
PO Box 1088  
Salem, Oregon 97301-1088  
Telephone: (503) 373-0886**

Any person may submit to the Commission written comments on this Deferral Application by January 29, 2018. The granting of this Authorization of Deferral Application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

\* \* \* \* \*



**CERTIFICATE OF SERVICE**  
**UM \_\_\_\_\_**

I hereby certify that on December 29, 2017 I have served by electronic mail the foregoing NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER CERTAIN EXPENSES AND REVENUES related the recent enactment of the federal tax reform act, originally known as the "Tax Cuts and Jobs Act" ("tax reform") upon all parties of record in docket UG 221, which is the Company's most recent general rate case.

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DATED December 29, 2017 Portland, OR.

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