

ELLEN F. ROSENBLUM
Attorney General



FREDERICK M. BOSS
Deputy Attorney General

DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

December 29, 2017

via E-mail

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97308-1088
PUC.FilingCenter@state.or.us

**Re: UM _____ Staff's Application to Defer Changes in Cascade Natural Gas
Company's Federal Tax Obligations Resulting from H.R.1 - Tax Cuts and Jobs Act**

Enclosed for filing is Oregon Public Utility Commission Staff's (Staff) Application to Defer Changes in Cascade Natural Gas Company's Federal Tax Obligations Resulting from H.R.1 - Tax Cuts and Jobs Act.

A Notice of Application and copy of the Application have been sent to each person on the UG 305 service list.

Sincerely,

Sommer Moser
Assistant Attorney General
Business Activities Section

ST7:pjr/#8688753
Enclosures

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM _____

In the Matter of
STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON,
Application to Defer Changes in Cascade
Natural Gas Company’s Federal Tax
Obligations Resulting from H.R.1 - Tax Cuts
and Jobs Act.

APPLICATION TO DEFER CHANGES IN
CASCADE NATURAL GAS COMPANY’S
FEDERAL TAX OBLIGATIONS RESULTING
FROM H.R.1 - TAX CUTS AND JOBS ACT

Pursuant to ORS 757.259 and OAR 860-027-0300, Staff of the Public Utility Commission of Oregon (Staff) files this Application to Defer Changes in Cascade Natural Gas Company’s (Cascade or Company) Federal Tax Obligations Resulting from Tax Cuts and Jobs Act of 2017 (Application).

I. OAR 860-027-0300(3) requirements.

A. Expense or Revenue at Issue.

The 115th United States Congress recently passed H.R.1 – Tax Cuts and Jobs Act (H.R.1 or Act).¹ The Act was signed into law on December 22, 2017 by President Donald Trump, with most provisions going into effect on January 1, 2018. The Act contains provisions that impact regulated utilities’ federal tax obligations, including reduction to the corporate income tax rate.

Staff requests to defer, for potential later ratemaking treatment, the difference between Cascade’s current retail rates and its currently approved retail rates inclusive of the impact of H.R.1.² Due lengthy and complex nature of the Act, it is not possible at this time to identify the

¹ The final version of the Act may be accessed at <https://www.congress.gov/bill/115th-congress/house-bill/1/text>.

² Staff notes that the Commission is currently investigating its legal authority and the policy underlying the deferral of capital costs in docket UM 1909. To the extent that a Commission determination in that proceeding affects this Application, Staff will revise its Application at that time.

1 specific changes in Cascade's federal tax obligations that may be impacted by the passage of the
2 Act.

3 **B. Reason for Deferral.**

4 Staff requests the Commission approve this Application pursuant to ORS 757.259(2)(e),
5 which provides the Commission with discretion to defer "identifiable utility expenses or
6 revenues, the recovery or refund of which the commission finds should be deferred in order to
7 minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately
8 the costs borne by and benefits received by ratepayers." A deferral may be necessary to begin
9 tracking the potential changes to Cascade's federal tax obligations, for ratemaking purposes,
10 resulting from H.R.1. Deferral of the impact of H.R.1 on Cascade's federal tax obligations
11 assumed for ratemaking purposes would allow for the appropriate matching of costs borne by
12 and benefits received by ratepayers.

13 For example, among other provisions, the current version of the Act includes a reduction
14 in the federal corporate tax rate. Cascade's current retail rates assume a federal corporate tax
15 rate of 35 percent. The proposed corporate tax rate in H.R.1 is 21 percent, which would have an
16 impact to the tax expense customers assume in cost of service, and could also have an impact on
17 the Company's Accumulated Deferred Income Tax (ADIT) balance currently included in rate
18 base. Absent this deferral, Cascade's retail rates would continue to assume a 35 percent
19 corporate tax rate, when the Company's actual liability, for ratemaking purposes, would have
20 been significantly reduced to 21 percent. Staff notes, however, that the effects of H.R.1 are
21 unknown at this time, including whether such changes would result in overall savings to
22 customers.

23 **C. Proposed Accounting.**

24 Staff requests that the deferred amounts be recorded in FERC Account 254, Other
25 Regulatory Liabilities.

26

1 **D. Estimate of Amounts to be Recorded in Deferred Account.**

2 Staff will supplement this Application with an estimate of amounts to be deferred as soon
3 as those estimates are available. Because of the lengthy and complex nature of the legislation,
4 and the time that will be necessary to analyze the impacts to regulated utility federal taxes, it is
5 not possible to estimate the amounts to be deferred as of the filing of this Application.

6 **E. Notice.**

7 A copy of the Notice of Application and a list of persons served with Notice are attached
8 to this Application as Exhibit A.

9 **II. Staff contacts.**

10 Communications regarding this Application should be addressed to:

11 Sommer Moser
12 Oregon Department of Justice
13 1162 Court Street NE
14 Salem, Oregon 97301
15 sommer.moser@state.or.us

11 Marianne Gardner
12 Public Utility Commission of Oregon
13 201 High Street SE, Suite 100
14 Salem, Oregon 97301
15 marianne.gardner@state.or.us

15 ///
16 ///
17 ///
18 ///
19 ///
20 ///
21 ///
22 ///
23 ///
24 ///
25 ///

1 **III. Conclusion**

2 For the reasons stated above, Staff respectfully requests that the Commission authorize
3 the deferral of the difference between Cascade's current retail rates and its currently approved
4 retail rates inclusive of the impact of H.R.1.

5

6 DATED this 29th day of December, 2017.

7

Respectfully submitted,

8

ELLEN F. ROSENBLUM
Attorney General

9

10



11

Sommer Moser, OSB # 105260
Assistant Attorney General
Of Attorneys for Staff of the Public Utility
Commission of Oregon

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 UM _____

4
5 In the Matter of
6 STAFF OF THE PUBLIC UTILITY
7 COMMISSION OF OREGON,
8 Application to Defer Changes in Cascade
9 Natural Gas Company's Federal Tax
Obligations Resulting from H.R.1 - Tax Cuts
and Jobs Act.

NOTICE OF APPLICATION TO DEFER
CHANGES IN CASCADE NATURAL GAS
COMPANY'S FEDERAL TAX
OBLIGATIONS RESULTING FROM H.R.1 -
TAX CUTS AND JOBS ACT

10 On December 29, 2017, Staff of the Public Utility Commission of Oregon (Staff) filed an
11 Application to Defer Changes in Cascade Natural Gas Company's (Cascade or Company)
12 Federal Tax Obligations Resulting from Tax Cuts and Jobs Act (Application).

13 On December 22, 2017, President Trump signed into law H.R.1 – Tax Cuts and Jobs Act
14 (Act), which contained broad reforms to federal tax laws that will impact Idaho Power's federal
15 tax obligations. Staff filed its Application in order to defer, for potential later ratemaking
16 treatment, the difference between Cascade's current retail rates and its currently approved retail
17 rates inclusive of the impact of H.R.1. Approval of Staff's Application will not authorize a
18 change in Cascade's rates, but will permit the Commission to consider allowing such deferred
19 amounts in rates in a subsequent proceeding.

20 Persons who wish to obtain a copy of Staff's Application will be able to access it on the

21 ///

22 ///

23 ///

24 ///

25 ///

26 ///

Page 1- UM – NOTICE OF APPLICATION TO DEFER CHANGES IN CASCADE NATURAL GAS
COMPANY'S FEDERAL TAX OBLIGATIONS RESULTING FROM H.R.1 - TAX CUTS AND JOBS
ACT

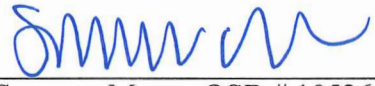
ST7/pjr/#8

1 Public Utility Commission of Oregon's website. Any person who wishes to submit written
2 comments on Staff's Application should do so by January 31, 2018.

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

DATED this 29th day of December, 2017.

Respectfully submitted,
ELLEN F. ROSENBLUM
Attorney General

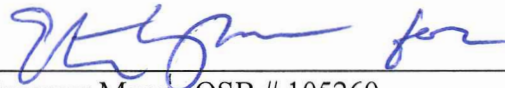


Sommer Moser, OSB # 105260
Assistant Attorney General
Of Attorneys for Staff of the Public Utility
Commission of Oregon

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Notice of Application to Defer Changes in Cascade Natural Gas Company's Federal Tax Obligations Resulting from H.R.1 – Tax Cuts and Jobs Act** to be served by electronic mail to those parties whose e-mail addresses appear on the attached service list for OPUC Docket UG 305.

Dated this 29th day of December, 2017.



Sommer Moser, OSB # 105260
Assistant Attorney General
Of Attorneys for Staff of the Public Utility
Commission of Oregon

SERVICE LIST FOR OPUC DOCKET UG 305

OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY, STE 400 PORTLAND OR 97205 dockets@oregoncub.org
TOMMY A BROOKS CABLE HUSTON BENEDICT HAAGENSEN & LLOYD	1001 SW FIFTH AVE, STE 2000 PORTLAND OR 97204-1136 tbrooks@cablehuston.com
EDWARD FINKLEA	545 GRANDVIEW DR ASHLAND OR 97520 efinklea@nwigu.org
ROBERT JENKS OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY, STE 400 PORTLAND OR 97205 bob@oregoncub.org
MICHAEL GOETZ OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY, STE 400 PORTLAND OR 97205 mike@oregoncub.org
STEPHANIE ANDRUS PUC STAFF--DEPARTMENT OF JUSTICE	BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 Stephanie.andrus@state.or.us
LISA F RACKNER MCDOWELL RACKNER & GIBSON PC	419 SW 11TH AVE., SUITE 400 PORTLAND OR 97205 dockets@mrg-law.com
CHAD M STOKES CABLE HUSTON BENEDICT HAAGENSEN & LLOYD LLP	1001 SW 5TH - STE 2000 PORTLAND OR 97204-1136 cstokes@cablehuston.com
MARIANNE GARDNER PUC STAFF	PO BOX 1088 SALEM OR 97308-1088 marianne.gardner@state.or.us
KAYLIE KLEIN PUC STAFF--DEPARTMENT OF JUSTICE	BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 kaylie.klein@state.or.us