

ELLEN F. ROSENBLUM
Attorney General



FREDERICK M. BOSS
Deputy Attorney General

DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

December 28, 2018

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 1925 - Staff's Application for Reauthorization to Defer Changes in PacifiCorp'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 for Reauthorization to Defer Changes in PacifiCorp'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 UE 263 and UM 1925 service lists.

Sincerely,

Sommer Moser
Assistant Attorney General
Business Activities Section

ST7:pjr/#9356886
Enclosures

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

3 UM 1925(1)

4 In the Matter of

5 STAFF OF THE PUBLIC UTILITY
6 COMMISSION OF OREGON,

7 Application to Defer Changes in PacifiCorp's
8 Federal Tax Obligations Resulting from H.R.1
- Tax Cuts and Jobs Act.

APPLICATION FOR REAUTHORIZATION
TO DEFER CHANGES IN PACIFICORP'S
FEDERAL TAX OBLIGATIONS RESULTING
FROM H.R.1 - TAX CUTS AND JOBS ACT

9 Pursuant to ORS 757.259 and OAR 860-027-0300, Staff of the Public Utility

10 Commission of Oregon (Staff) files this Application for Reauthorization to Defer Changes in
11 PacifiCorp's (or Company) Federal Tax Obligations Resulting from Tax Cuts and Jobs Act of
12 2017 (Application) for the twelve month period beginning December 29, 2018.

13 **I. Deferral History**

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

18 On December 29, 2017, Staff filed its initial Application for an order authorizing deferred
19 accounting to track the impact, for later ratemaking treatment, the impacts of the Tax Act for the
20 twelve month period beginning with the date of the Application.² The continued deferral of
21 these amounts is necessary in order to ensure future ratemaking treatment for tax benefits not
22 currently reflected in rates.

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25 ¹ The final version of the Act may be accessed at [https://www.congress.gov/bill/115th-
congress/house-bill/1/text](https://www.congress.gov/bill/115th-congress/house-bill/1/text).

26 ² On December 28, 2017, PacifiCorp also filed its Application for Deferred Accounting Related
to the Federal Tax Act, which is docketed as UM 1917.

1 **II. OAR 860-027-0300(3) requirements.**

2 **A. Expense or Revenue at Issue.**

3 Staff requests to defer, for potential later ratemaking treatment, the difference between
4 PacifiCorp's current retail rates and its currently approved retail rates inclusive of the impact of
5 H.R.1. Due lengthy and complex nature of the Act, it is not possible at this time to identify the
6 specific changes in PacifiCorp's federal tax obligations that may be impacted by the passage of
7 the Act for the deferral period.

8 **B. Reason for Deferral.**

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

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

3 **C. Proposed Accounting.**

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

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

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

11 **E. Notice.**

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

14 **III. Staff contacts.**

15 Communications regarding this Application should be addressed to:

16 Sommer Moser	Marianne Gardner
17 Oregon Department of Justice	Public Utility Commission of Oregon
18 1162 Court Street NE	201 High Street SE, Suite 100
19 Salem, Oregon 97301	Salem, Oregon 97301
sommer.moser@state.or.us	marianne.gardner@state.or.us

20 **IV. Conclusion**

21 For the reasons stated above, Staff respectfully requests that the Commission authorize

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1 the deferral of the difference between PacifiCorp's current retail rates and its currently approved
2 retail rates inclusive of the impact of H.R.1.

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DATED this 28th day of December, 2018.

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

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

4 UM 1925(1)

5 In the Matter of

6 STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON,

7 Application to Defer Changes in PacifiCorp's
8 Federal Tax Obligations Resulting from H.R.1
- Tax Cuts and Jobs Act.

NOTICE OF APPLICATION FOR
REAUTHORIZATION TO DEFER CHANGES
IN PACIFICORP'S FEDERAL TAX
OBLIGATIONS RESULTING FROM H.R.1 -
TAX CUTS AND JOBS ACT

9 On December 28, 2018, Staff of the Public Utility Commission of Oregon (Staff) filed an
10 Application for Reauthorization to Defer Changes in PacifiCorp's (or Company) Federal Tax
11 Obligations Resulting from Tax Cuts and Jobs Act (Application) for the twelve month period
12 beginning December 29, 2018. On December 29, 2017, Staff filed its initial deferral application
13 for the twelve month period between December 29, 2017 and December 28, 2018.

14 On December 22, 2017, President Trump signed into law H.R.1 – Tax Cuts and Jobs Act
15 (Act), which contained broad reforms to federal tax laws that will impact PacifiCorp's federal
16 tax obligations. Staff filed its Application in order to defer, for potential later ratemaking
17 treatment, the difference between PacifiCorp's current retail rates and its currently approved
18 retail rates inclusive of the impact of H.R.1 for the twelve month period beginning December 29,
19 2018. Approval of Staff's Application will not authorize a change in PacifiCorp's rates, but will
20 permit the Commission to consider allowing such deferred amounts in rates in a subsequent
21 proceeding.

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

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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, 2019.

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4 DATED this 28th day of December, 2018.

5 Respectfully submitted,

6 ELLEN F. ROSENBLUM
7 Attorney General


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9 _____
10 Sommer Moser, OSB # 105260
11 Assistant Attorney General
12 Of Attorneys for Staff of the Public Utility
13 Commission of Oregon

UM 1925 - CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Notice of Application for Reauthorization to Defer Changes in PacifiCorp'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 lists for OPUC Dockets UE 263 and UM 1925.

DATED this 28th day of December, 2018.



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

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