

ITEM NO. CA8

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 30, 2018

REGULAR CONSENT EFFECTIVE DATE February 2, 2018

DATE: January 16, 2018

TO: Public Utility Commission

FROM: John Fox JF

THROUGH: Jason Eisdorfer and John Crider
JE Jc

SUBJECT: CASCADE NATURAL GAS: (Docket No. ADV 703/Advice No. O18-01-01)
Contribution in Aid of Construction Federal Income Taxes

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve Cascade Natural Gas Company's (Cascade or Company) Advice No. O18-01-01 request to revise the tax rate applied to customer contributions in aid of construction from 20.33 percent to 11.7 percent, and to reflect the revised tax rate in its Rule 9, Service Line Extensions.

DISCUSSION:

Issue

Whether the Commission should approve Advice No. O18-01-01, effective for service rendered on or after February 2, 2018, whereby the tariff P.U.C. Or. No. 10 is updated to reduce the tax rate applied to customer contributions in aid of construction from 20.33 percent to 11.7 percent due to the recent enacted reduction in the statutory federal corporate income tax rate. The filing also updates the Company's Rule 9, Service Line Extensions, to reflect the new tax rate.

Applicable Rule or Law

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. The Commission may approve tariff changes if they are deemed to be fair, just and reasonable. ORS 757.210. Tariff revisions or corrections may be made by filing revised

sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes. ORS 757.220. The Commission is permitted to allow rate changes with less than statutory notice upon good cause shown. ORS 757.220.

Analysis

Cascade's Sheet No. 9.2 contains the Company's Rule 9, which governs service line extensions. Cascade's Sheet No. 10.1 contains the Company's Rule 10, which governs main installations.

A customer who needs a service line installation, pursuant to the Company's Rule 9, is responsible for the installed cost of any length of service line in excess of forty feet inside the customer's property line abutting the alley, street or right-of-way in which the main is situated, with additional allowances based on the type of appliance(s) to be used on the customer premises. If the customer fails to install any or all of the gas appliances which provided additional free footage and fails to commence gas usage within 60 days from the date that the service line is installed, the Company will bill the customer for the cost per foot of such additional footage, including an amount equal to applicable taxes to compensate for the cost resulting from customer provided construction funds.

A new customer who needs a distribution main extension to receive gas service, pursuant to the Company's Rule 10, must pay the cost of construction that exceeds four and one-half (4-1/2) times the estimated gross annual revenue from the extension less the cost of gas to be derived therefrom. The Company may deny any extension if conditions relative to the extension indicate that such service will not be of such permanence as to warrant the expenditure required. The Company may also require from the applicant(s) the advance of funds, including an amount equal to applicable taxes to compensate for the cost resulting from customer provided construction funds, which may be required in excess of the free allowance; such advance subject to refund without interest consistent with the Company's Rule 10.

The Company's filing is intended to update the applicable tax rate for customer contributions in aid from construction, resulting from H.R. 1 Tax Cuts and Jobs Act recently signed into law. The result is a reduction in the applicable tax rate from 35 percent to 21 percent, which reduces the rate for customer contributions from 20.33 percent to 11.7 percent.

Staff has reviewed the work papers provided and confirmed the Company's calculations. Staff also confirmed by inquiry that the Company is using a blended tax rate that accounts for the apportionment of income between Oregon and Washington. Washington corporations pay no state income tax. This is consistent with the business income apportionment required under Oregon law (ORS 314.650).

Conclusion

After a review of Cascade's filing and accompanying work papers, Staff finds that the Company's proposed rates are reasonable. As this filing meets the requirements of ORS 757.205, ORS 757.210, and OAR 860-022-0025, Staff recommends the Commission approve it.

PROPOSED COMMISSION MOTION:

Approve Cascade's Advice No. O18-01-01, on less than statutory notice, and allow the updated tariff P.U.C. Or. No. 10 to go into effect for services rendered on or after February 2, 2018.