

ELLEN F. ROSENBLUM
Attorney General



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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 Avista Utilities' 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 Avista Utilities' 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 325 service list.

Sincerely,

Sommer Moser
Assistant Attorney General
Business Activities Section

ST7:pjr/#8688754
Enclosures

1 **BEFORE THE PUBLIC UTILITY COMMISSION**

2 **OF OREGON**

3 UM _____

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5 In the Matter of

6 STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON,

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

APPLICATION TO DEFER CHANGES IN
AVISTA UTILITIES' 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 to Defer Changes in Avista Utilities'

11 (Avista or Company) Federal Tax Obligations Resulting from Tax Cuts and Jobs Act of 2017

12 (Application).

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

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

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

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

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

25 ² Staff notes that the Commission is currently investigating its legal authority and the policy
26 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 Avista'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 Avista's federal tax obligations, for ratemaking purposes,
10 resulting from H.R.1. Deferral of the impact of H.R.1 on Avista'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. Avista's current retail rates assume a federal corporate tax rate
15 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, Avista's retail rates would continue to assume a 35 percent corporate
19 tax rate, when the Company's actual liability, for ratemaking purposes, would have been
20 significantly reduced to 21 percent. Staff notes, however, that the effects of H.R.1 are unknown
21 at this time, including whether such changes would result in overall savings to customers.

22 **C. Proposed Accounting.**

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

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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, 2018.

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4 DATED this 29th day of December, 2017.

5 Respectfully submitted,

6 ELLEN F. ROSENBLUM
7 Attorney General

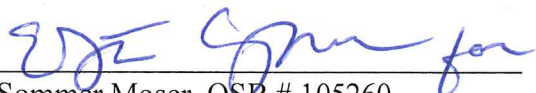
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9 Sommer Moser, OSB # 105260
10 Assistant Attorney General
11 Of Attorneys for Staff of the Public Utility
12 Commission of Oregon
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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Notice of Application to Defer Changes in Avista Utilities' 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 325.

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

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