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December 28, 2018

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 1919 – Application of NW Natural for Reauthorization to Defer Certain Expenses or Revenues associated with Tax Reform

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith a reauthorization 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 344. 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 1919

In the Matter of

NORTHWEST NATURAL GAS COMPANY,
dba NW Natural,

For Reauthorization to Defer Certain Expenses
or Revenues Pursuant to ORS 757.259.

APPLICATION

1 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the
2 “Company”) hereby files with the Public Utility Commission of Oregon (the
3 “Commission”) this application (“Application”) seeking reauthorization to use deferred
4 accounting pursuant to ORS 757.259, and OAR 860-27-300, for the 12-month period
5 beginning December 31, 2018 through December 30, 2019 as a result of the enactment
6 of the federal tax reform act, originally known as the “Tax Cuts and Jobs Act” (“TCJA” or
7 “tax reform”). NW Natural anticipates that tax reform will, overall, result in benefits to
8 customers that the Company seeks to defer until the conclusion of Phase 2 of the
9 Company’s current general rate case in Docket UG 344.

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.**

1 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

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

4 **C. Communications.**

5 Communications regarding this Application should be addressed to:

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

14
15 Kyle T. Walker, CPA
16 Rates & Regulatory Affairs
17 220 NW Second Avenue
18 Portland, Oregon 97209-3991
19 Phone: (503) 226-4211 ext. 5858
20 Email: kyle.walker@nwnatural.com

21
22 Zachary D. Kravitz
23 Rates & Regulatory Affairs
24 220 NW Second Avenue
25 Portland, Oregon 97209-3991
26 Phone: (503) 220-2379
27 Email: zdk@nwnatural.com

28
29 **D. Description of the Expenses or Revenues for which Deferred Accounting is**
30 **Requested – OAR 860-027-0300(3)(a).**

31
32 Federal tax reform was enacted on December 22, 2017 and became effective on
33 January 1, 2018. The tax reform represents a major change to corporate tax policy, and
34 given this extensive legislation, NW Natural is continuing to engage in efforts to resolve
35 the issue in our ongoing general rate case. The most significant provision is the lowering
36 of the federal corporate income tax rate from 35% to 21% beginning January 1, 2018 that

1 the Company embedded in rates November 1, 2018 pursuant to Order No. 18-419. 2.

2 The two remaining issues in UG 344 are the calculation and appropriate regulatory
3 treatment of the Interim Period benefit, which NW Natural is deferring (Interim Period
4 Deferral), and the remeasurement and appropriate regulatory treatment for the benefit
5 from the net decrease in NW Natural’s cumulative utility deferred income tax liability
6 balances, recorded upon enactment in 2017, which NW Natural is currently deferring
7 (EDIT Deferral). Overall, on a net basis, we expect that the tax reform will allow NW
8 Natural to reduce expense to customers. This request seeks to continue to defer all costs
9 and benefits resulting from tax reform, so that an appropriate net adjustment can be made
10 to customers’ rates in the manner approved by the Commission in the future.

11 **E. Reasons for Application for Reauthorization of Deferred Accounting – OAR**
12 **860-027-0300(3)(b).**
13

14 ORS 757.259 is a “statutorily authorized exception to the general prohibition
15 against retroactive ratemaking” that allows a “means to address utility expenses or
16 revenues outside of the utility’s general rate case proceeding.¹ Under ORS
17 757.259(2)(e), the Commission has discretion to authorize a deferral of “[i]dentifiable
18 utility expenses or revenues, the recovery or refund of which the commission finds
19 should be deferred in order to . . . match appropriately the costs borne by and benefits
20 received by rate payers.” To determine whether an expense or revenue should be
21 deferred, the Commission “utilizes a flexible, fact-specific approach that acknowledges

¹ *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).

1 the wide range of reasons why deferred accounting might be beneficial to customers.”²
2 This request is intended to defer all amounts that are recovered through rates, but
3 which are determined to be appropriately adjusted in light of the tax reform.

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

5 Beginning on December 31, 2018, and ending 12 months from this date (except
6 to the extent this deferral is reauthorized), NW Natural proposes to record deferred
7 amounts in FERC Account 449.1 (Provision for Rate Refunds) crediting FERC Account
8 229 (Accumulated Provision for Rate Refund), and related income tax effects to FERC
9 Account 190 –Accumulated Deferred Income Taxes, FERC Account 236 – Taxes
10 Accrued, FERC Account 409.1 – Income Taxes-Utility Operating Income and FERC
11 Account 411.1 – Provision for Deferred Income Taxes – Credit, Utility Operating
12 income. In addition, if this application is approved, NW Natural proposes to record
13 deferred amounts related to excess deferred income tax liabilities in FERC Account 254
14 – Other Regulatory Liabilities and FERC Account 182 –Other Regulatory Assets with
15 offsetting amounts to FERC Account 190 – Accumulated Deferred Income Taxes,
16 FERC Account 281 – Accumulated Deferred Income Taxes – Accelerated Amortization,
17 FERC Account 282 – Accumulated Deferred Income Taxes – Other Property, and
18 FERC Account 283 – Accumulated Deferred Income Taxes – Other. If this application
19 is denied, the changes related to excess deferred income tax liabilities will be recorded
20 in FERC Account 190 – Accumulated Deferred Income Taxes, FERC Account 281 –
21 Accumulated Deferred Income Taxes – Accelerated Amortization, FERC Account 282 –

² *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 Accumulated Deferred Income Taxes – Other Property, FERC Account 283 –
2 Accumulated Deferred Income Taxes – Other, FERC Account 410.1 – Provisions for
3 Deferred Income Taxes, Utility Operating Income, and FERC Account 411.1 – Provision
4 for Deferred Income Taxes – Credit, Utility Operating income.

5 NW Natural may determine, as it works through the accounting specifics, that
6 other accounts may also be used.

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

8 No additional amounts are anticipated to be deferred, however, tax reform is
9 continuing to be resolved in UG 344.

10 **H. Entries into deferred account during past 12 months – OAR 860-027-**
11 **0300(4)(a)**

12
13 \$6.79 million has been deferred associated with the change in the federal tax
14 rate. \$144.3 million has been deferred related to the Oregon allocated excess deferred
15 income taxes.

16 **I. Reason for Continuation of Deferral Account – OAR 860-027-0300(4)(b)**

17 The impact of tax reform on NW Natural is still being litigated in UG 344.

18 **J. Requirements per Commission Order No. 09-263.**

19 Pursuant to Commission Order No. 09-263, issued in Docket UM-1286:

20 **1. A completed Summary Sheet, the location in the PGA filing and an**
21 **account map that highlights the transfer of dollars from one account**
22 **to another.**

23 It has not been decided how the tax reform benefits will be amortized at
24 this time.

1 **2. The effective date of the deferral**

2 This application is for the 12-month period beginning December 31, 2018
3 through December 30, 2019.

4 **3. Prior year Order Number approving the deferral**

5 Approval to defer 100% of the effects on tax reform is still pending.

6 **4. The amount deferred last year.**

7 \$6.79 million has been deferred associated with the change in the federal
8 tax rate. \$144.3 million has been deferred related to the Oregon allocated
9 excess deferred income taxes.

10 **5. The amount amortized last year.**

11 No amortization occurred last year.

12 **6. The interest rate that will apply to the accounts.**

13 Interest accrues at the Company's cost of capital of 7.317%.

14 **7. An estimate of the upcoming PGA-period deferral and/or
15 amortization.**

16 NW Natural is unable to estimate further deferrals or amortization related
17 to tax reform.

18 **I. Notice – OAR 800-027-0300(3)(e)(6).**

19 A notice of this Application has been served on the all parties who participated in
20 the Company's most recent general rate case, UG 344, and is attached to this
21 Application.

22 NW Natural respectfully requests that the Commission issue an order
23 reauthorizing the Company to defer the costs described in this Application.

1 Dated this 28th day of December 2018.

2 Respectfully Submitted,

3 NW NATURAL

4 /s/ Zachary D. Kravitz
5 Zachary D. Kravitz
6 Rates/Regulatory Director
7 220 NW Second Avenue
8 Portland, Oregon 97209-3991
9 Phone: (503) 220-2379
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11
12 /s/ Kyle Walker, CPA
13 Kyle Walker, CPA
14 Rates/Regulatory Analyst
15 220 NW Second Avenue
16 Portland, Oregon 97209-3991
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UM 1919

**NOTICE OF APPLICATION FOR REAUTHORIZATION FOR
DEFER CERTAIN EXPENSES OR REVENUES**

December 28, 2018

To All Parties Who Participated in UG 344:

Please be advised that on December 28, 2018 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for reauthorization to use deferred accounting as a result of the enactment of the federal tax reform act, originally known as the "Tax Cuts and Jobs Act" ("TCJA" or "tax reform"), pursuant to the provisions of ORS 757.259(2)(e

This is not a rate case. The purpose of this Notice is to inform parties who participated in the Company's most recent general rate case, UG 344, that a Reauthorization of Deferral Application has been 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 Public Utility Commission of Oregon as follows:

NW Natural
Attn: Kyle Walker, CPA
220 NW Second Ave
Portland, Oregon 97209-3991
Telephone: (503) 226-4211 Ext. 5858

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 matter by January 27, 2019. The granting of this Reauthorization of Deferral Application will not authorize a change in rates, but will permit the Company to defer amounts in rates to a subsequent proceeding.



**CERTIFICATE OF SERVICE
Docket UM 1919**

I hereby certify that on December 28, 2018 I served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES AND REVENUES related to the use of deferred accounting as a result of the enactment of the federal tax reform act, originally known as the "Tax Cuts and Jobs Act" ("TCJA" or "tax reform") to all parties of record for the Company's most recent general rate case, UG 344.

UG 344

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DATED December 28, 2018 Portland, OR.

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