

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](mailto:PUC.FilingCenter@state.or.us)

**Re: UM 1922 - Staff's Application for Reauthorization 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 for Reauthorization 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 and UM 1922 service lists.

Sincerely,

Sommer Moser  
Assistant Attorney General  
Business Activities Section

ST7:pjr/#9356962  
Enclosures

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

3   UM 1922(1)

4  
5 In the Matter of

6 STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON,

7 Application to Defer Changes in Cascade  
8 Natural Gas Company's Federal Tax  
Obligations Resulting from H.R.1 - Tax Cuts  
9 and Jobs Act.

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

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

11 Commission of Oregon (Staff) files this Application for Reauthorization to Defer Changes in

12 Cascade Natural Gas Company's (Cascade or Company) Federal Tax Obligations Resulting from

13 Tax Cuts and Jobs Act of 2017 (Application) for the twelve month period beginning December

14 29, 2018.

15 **I. Deferral History**

16 The 115<sup>th</sup> United States Congress recently passed H.R.1 – Tax Cuts and Jobs Act (H.R.1

17 or Act).<sup>1</sup> The Act was signed into law on December 22, 2017 by President Donald Trump, with

18 most provisions going into effect on January 1, 2018. The Act contains provisions that impact

19 regulated utilities' federal tax obligations, including reduction to the corporate income tax rate.

20 On December 29, 2017, Staff filed its initial Application for an order authorizing deferred

21 accounting to track the impact, for later ratemaking treatment, the impacts of the Tax Act for the

22 twelve month period beginning with the date of the Application.<sup>2</sup> The continued deferral of

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

26 <sup>2</sup> On December 29, 2017, Cascade also filed its Application for Deferred Accounting Related to the Federal Tax Act, which is docketed as UM 1927.

1 these amounts is necessary in order to ensure future ratemaking treatment for tax benefits not  
2 currently reflected in rates.

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

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

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

10 **B. Reason for Deferral.**

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

20 For example, among other provisions, the current version of the Act includes a reduction  
21 in the federal corporate tax rate. Cascade's current retail rates assume a federal corporate tax  
22 rate of 35 percent. The proposed corporate tax rate in H.R.1 is 21 percent, which would have an  
23 impact to the tax expense customers assume in cost of service, and could also have an impact on  
24 the Company's Accumulated Deferred Income Tax (ADIT) balance currently included in rate  
25 base. Absent this deferral, Cascade's retail rates would continue to assume a 35 percent

26 corporate tax rate, when the Company's actual liability, for ratemaking purposes, would have

1 been significantly reduced to 21 percent. Staff notes, however, that the effects of H.R.1 are  
2 unknown at this time, including whether such changes would result in overall savings to  
3 customers.

4 **C. Proposed Accounting.**

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

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

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

12 **E. Notice.**

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

15 **II. Staff contacts.**

16 Communications regarding this Application should be addressed to:

17 Sommer Moser  
18 Oregon Department of Justice  
19 1162 Court Street NE  
20 Salem, Oregon 97301  
21 sommer.moser@state.or.us

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

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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.

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6 DATED this 28<sup>th</sup> day of December, 2018.

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Respectfully submitted,

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ELLEN F. ROSENBLUM  
Attorney General

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

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

3 UM 1922(1)

4 In the Matter of

5 STAFF OF THE PUBLIC UTILITY  
6 COMMISSION OF OREGON,

7 Application to Defer Changes in Cascade  
8 Natural Gas Company's Federal Tax  
9 Obligations Resulting from H.R.1 - Tax Cuts  
and Jobs Act.

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

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

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

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

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Page 1 - UM 1922 – NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CHANGES  
IN CASCADE NATURAL GAS COMPANY'S FEDERAL TAX OBLIGATIONS RESULTING  
FROM H.R.1 - TAX CUTS AND JOBS ACT

ST7/pjr/#9356540

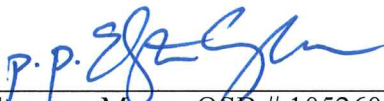
Department of Justice  
1162 Court Street NE  
Salem, OR 97301-4096  
(503) 947-4520 / Fax: (503) 378-3784

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.

3  
4 DATED this 28<sup>th</sup> day of December, 2018.

5 Respectfully submitted,

6 ELLEN F. ROSENBLUM  
7 Attorney General

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

**UM 1922 - CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused the **Notice of Application for Reauthorization 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 lists for OPUC Dockets UG 305 and UM 1922.

DATED this 28<sup>th</sup> day of December, 2018.



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



## UG 305 Service List

TOMMY BROOKS CABLE HUSTON BENEDICT HAAGENSEN & LLOYD	1001 SW FIFTH AVE., STE. 2000 PORTLAND, OR 97204-1136 TBROOKS@CABLEHUSTON.COM
CHAD STOKES CABLE HUSTON BENEDICT HAAGENSEN & LLOYD	1001 SW FIFTH AVE., STE. 2000 PORTLAND, OR 97204-1136 CSTOKES@CABLEHUSTON.COM
OPUC DOCKETS OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY, STE. 400 PORTLAND, OR 07205 DOCKETS@OREGONCUB.ORG
MICHAEL GOETZ OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY, STE. 400 PORTLAND, OR 07205 MIKE@OREGONCUB.ORG
ROBERT JENKS OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY, STE. 400 PORTLAND, OR 07205 BOB@OREGONCUB.ORG
LISA F RACKNER MCDOWELL RACKNER & GIBSON PC	DOCKETS@MRG-LAW.COM
KAYLIE KLEIN OREGON DEPARTMENT OF JUSTICE	1162 COURT ST. NE SALEM, OR 97301 KAYLIE.KLEIN@DOJ.STATE.OR.US
STEPHANIE ANDRUS OREGON DEPARTMENT OF JUSTICE	1162 COURT ST. NE SALEM, OR 97301 STEPHANIE.ANDRUS@DOJ.STATE.OR.US
MARIANNE GARDNER PUBLIC UTILITY COMMISSION OF OREGON	PO BOX 1088 SALEM, OR 97308 MARIANNE.GARDNER@STATE.OR.US
EDWARD FINKLEA NORTHWEST INDUSTRIAL GAS USERS	545 GRANDVIEW DR. ASHLAND, OR 97520 EFINKLEA@NWIGU.ORG
GENE JORDAN	2219 SW QUINNEY DR. PENDLETON, OR 97801
PAMELA ARCHER CASCADE NATURAL GAS	PAMELA.ARCHER@CNGC.COM
MARYALICE ROSALES CASCADE NATURAL GAS	MARYALICE.ROSALES@CNGC.COM
MICHAEL PARVINEN CASCADE NATURAL GAS	MICHAEL.PARVINEN@CNGC.COM

## UM 1922 Service List

CASCADE NATURAL GAS

8113 W GRANDRIDGE BLVD  
KENNEWICK WA 99336  
cngcregulatory@cngc.com

JOHN FOX  
PUBLIC UTILITY COMMISSION OF OREGON

PO BOX 1088  
SALEM OR 97308  
john.fox@state.or.us

MARIANNE GARDNER  
PUBLIC UTILITY COMMISSION OF OREGON

PO BOX 1088  
SALEM OR 97308-1088  
marianne.gardner@state.or.us

SOMMER MOSER  
PUC STAFF - DEPARTMENT OF JUSTICE

1162 COURT ST NE  
SALEM OR 97301  
sommer.moser@doj.state.or.us

MICHAEL PARVINEN  
CASCADE NATURAL GAS

8113 W GRANDRIDGE BLVD  
KENNEWICK WA 99336-7166  
michael.parvinen@cngc.com