

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 1924 - Staff's Application for Reauthorization to Defer Changes in Northwest 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 Northwest 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 344 and UM 1924 service lists.

Sincerely,

Sommer Moser
Assistant Attorney General
Business Activities Section

ST7:pjr/#9356948
Enclosures

1 **BEFORE THE PUBLIC UTILITY COMMISSION**

2 **OF OREGON**

3 UM 1924(1)

4 In the Matter of

5 STAFF OF THE PUBLIC UTILITY
6 COMMISSION OF OREGON,

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

APPLICATION FOR REAUTHORIZATION
TO DEFER CHANGES IN NORTHWEST
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 Northwest Natural Gas Company's (NW Natural or Company) Federal Tax Obligations
13 Resulting from Tax Cuts and Jobs Act of 2017 (Application) for the twelve month period
14 beginning December 29, 2018.

15 **I. Deferral History**

16 The 115th United States Congress recently passed H.R.1 – Tax Cuts and Jobs Act (H.R.1
17 or Act).¹ 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.² The continued deferral of
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24 _____
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 29, 2017, NW Natural also filed its Application for Deferred Accounting Related
to the Federal Tax Act, which is docketed as UM 1919.

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 NW Natural'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 Northwest Natural's federal tax obligations that may be impacted by the
9 passage of the 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 NW Natural's federal tax obligations, for ratemaking purposes,
17 resulting from H.R.1. Deferral of the impact of H.R.1 on NW Natural'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. NW Natural'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, Northwest Natural's retail rates would continue to assume a 35
26 percent corporate tax rate, when the Company's actual liability, for ratemaking purposes, would

1 have 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 **III. 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
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 **IV. Conclusion**

2 For the reasons stated above, Staff respectfully requests that the Commission authorize
3 the deferral of the difference between NW Natural's current retail rates and its currently
4 approved retail rates inclusive of the impact of H.R.1.

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6 DATED this 28th 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 1924(1)

4 In the Matter of

5 STAFF OF THE PUBLIC UTILITY
6 COMMISSION OF OREGON,

7 Application to Defer Changes in Northwest
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 CHANGES
IN NORTHWEST 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 Northwest Natural Gas Company's (NW
12 Natural or Company) Federal Tax Obligations Resulting from Tax Cuts and Jobs Act
13 (Application) for the twelve month period beginning December 29, 2018. On December 29,
14 2017, Staff filed its initial deferral application for the twelve month period between December
15 29, 2017 and 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 Northwest Natural's current retail rates and its currently
20 approved retail rates inclusive of the impact of H.R.1 for the twelve month period beginning
21 December 29, 2018. Approval of Staff's Application will not authorize a change in NW
22 Natural's rates, but will permit the Commission to consider allowing such deferred amounts in
23 rates in a subsequent 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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NORTHWEST NATURAL GAS COMPANY'S FEDERAL TAX OBLIGATIONS RESULTING
FROM H.R.1 - TAX CUTS AND JOBS ACT

ST7/pjr/#9356505


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.

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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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10 Sommer Moser, OSB # 105260
11 Assistant Attorney General
12 Of Attorneys for Staff of the Public Utility
13 Commission of Oregon
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UM 1924 - CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Notice of Application for Reauthorization to Defer Changes in Northwest 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 344 and UM 1924.

DATED this 28th day of December, 2018.



Sommer Moser, OSB # 105260
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