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COMPANY NAME:

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December 31, 2018

Oregon Public Utility Commission
Attention: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3612

**Re: UM 1927 - Application for Authorization to Defer Certain Expenses or Revenues
Associated with Tax Reform**

Attention: Filing Center

Cascade Natural Gas Corporation (Cascade or the Company) submits the attached application to defer costs and benefits associated with 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 347. A copy of the Notice and the Certificate of Service are attached to the application.

Please direct any questions regarding this filing to me at (509) 734-4591.

Sincerely,

/s/ Pamela Archer

Pamela Archer
Supervisor, Regulatory Affairs

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1927

In the Matter of the Application of Cascade) Notice of Application for the Reauthorization
Natural Gas Corporation for an Order) of Certain Deferral Accounts
Approving the Deferral of 2019 net benefits)
Associated with the U.S. Tax Cuts and Jobs)
Act)

Pursuant to ORS 757.259 and OAR 860-027-0300, Cascade Natural Gas Corporation (CNGC) hereby respectfully submits this application for reauthorization to defer for later rate-making treatment the expected net benefits associated with the tax rules and provisions implemented through the current U.S. Tax Cuts and Jobs Act (Tax Plan) for the twelve-month period beginning January 1, 2019. CNGC requests reauthorization of this deferral to be effective beginning January 1, 2019 and will seek amortization of the deferred amounts in a future Commission proceeding.

In support of this Application, CNGC states:

1. CNGC is a public utility in the state of Oregon and its rates, service and accounting practices are subject to the regulation of the Commission.
2. This application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items.
3. Written communications regarding this Application should be addressed to:

Michael Parvinen
Director of Regulatory Affairs
Cascade Natural Gas Corporation
8113 West Grandridge Boulevard
Kennewick, WA 99336-7166
Telephone: (509)734-4593
Facsimile: (509)737-7166
Email: CNGCRegulatory@cngc.com

I. OAR 860-027-0300(3) and (4) Requirements

The following is provided pursuant to OAR 860-027-0300(3):

A. Background – OAR 860-027-0300(3)(a)

The Tax Plan legislation that passed on December 22, 2017 includes provisions that directly or indirectly affect utility industries. The most important provision is the lowering of the federal corporate income tax rate from 35% to 21% beginning January 1, 2018. In accordance with the deferral application filed in this docket on December 29, 2017, CNGC has been deferring the benefits associated with the Tax Plan for the period from January 1, 2018 through the present, as well as the remeasurement of the accumulated deferred income tax (ADIT) recorded at the end of 2017. CNGC plans to continue deferring the benefits associated with implementation of the Tax Plan in 2019, and accordingly, files this application for reauthorization of deferred accounting.

B. Reasons for Deferral – OAR 860-027-0300(3)(b)

Pursuant to ORS 757.259(2)(e), for the reasons discussed above, CNGC seeks deferred accounting treatment of 2019 net benefits associated with the implementation of the Tax Plan. The granting of this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers. Approving the Application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

C. Proposed Accounting for Recording Amounts Deferred – OAR 860-027-0300(3)(c)

CNGC proposes to record the deferred amount in FERC Account 449.1 (Provision for Rate Refunds) crediting FERC Account 229 (Accumulated Provision for Rate Refund). In absence of a deferred accounting order from the Commission, CNGC would record costs associated with the deferred amount to FERC 182.3 (Other Regulatory Assets), FERC 190 (Accumulated Deferred Income Taxes), FERC 236 (Taxes Accrued), FERC 254 (Other Regulatory Liabilities), FERC 282

(Accumulated Deferred Income Taxes – Other Property), FERC 283 (Accumulated Deferred Income Taxes – Other), FERC 409.1 (Income Taxes-Utility Operating Income), FERC 410.1 (Provisions for Deferred Income Taxes, Utility Operating Income) and FERC 411.1 (Provision for Deferred Income Taxes – Credit, Utility Operating Income).

CNGC may determine that other accounts will be used as it works through all the accounting specifics.

D. Estimate of Amounts to be Recorded for the Next 12 months – OAR 860-027-0300(3)(d)

The net amount to be deferred in 2019 is currently unknown. Cascade will update the Commission and interested parties with an estimate when it becomes available. Cascade anticipates that the net deferred amount, if applicable, will be a function of the total tax liability in 2019 as compared to total tax liability that would have occurred absent the Tax Plan, taking into account other conditions described in Section II below.

E. Notice – OAR 860-027-0300(3)(e)

A notice of this Application has been served on all parties who participated in the Company's most recent general rate case, UG 347, and is attached to this Application.

F. Description and Explanation of the Entries Recorded to Date – OAR 860-027-0300(4)(a)

A total of \$1.53 million has been deferred so far associated with the change in the federal tax rate.

G. Reasons for Continuation of Deferred Accounting – OAR 860-027-0300(4)(b)

CNGC has proposed to address certain impacts of tax reform in the Company's current pending rate case, Docket UG 347. At this point, however, impacts of implementation of the Tax Plan have not yet been resolved, and revised rates from that proceeding will not be effective until

April 1, 2019. Cascade expects to continue to defer the benefits associated with implementation of the Tax Plan until the Commission has fully resolved these issues, either in Docket UG 347 or another proceeding.

II. Summary of Filing Conditions

A. Earnings Review

Refunding CNGC's 2019 net benefits associated with the Tax Plan will be subject to an earnings review in accordance with ORS 757.259(5). CNGC proposes that the Earnings Review be applied as follows:

- The Earnings Review would include all of CNGC's 2019 actual operation and maintenance, tax, and depreciation expenses, gas costs, and rate base, and would be prepared similar to the method used to prepare our annual Result of Operations Report (ROO).¹ This method produces a Return on Equity (ROE) that represents CNGC's regulated adjusted results.
- Next, CNGC would compare 2019 regulated adjusted ROE to the 9.4% ROE authorized in CNGC's 2016 general rate case through Commission Order No. 16-477.
- CNGC would then amortize the Tax Plan deferral (i.e., refund to customers) in conjunction with all other applicable deferrals (see below) such that the resulting regulated adjusted ROE would be at or above the 9.4% authorized ROE. To the extent that the sequence of deferral amortizations (as described above) results in a collection from customers, the resulting regulated adjusted ROE would be at or below the 9.4% authorized ROE.

¹ To calculate annual ROO, CNGC applies certain accounting and regulatory adjustments to its actual operating results in accordance with recent Commission decisions and the OPUC Staff letter dated March 25, 1992.

B. Prudence Review

A prudence review should be performed by the Commission Staff as part of the amortization filing.

C. Sharing

All prudently incurred costs and benefits, after appropriate application of an earnings review, would be collected or refunded from or to customers with no sharing mechanism.

D. Rate Spread/Rate Design

Any 2019 net benefits associated with the Tax Plan will be allocated to each schedule using the applicable schedule's forecasted volumes on the basis of an equal percent of revenues.

E. Three percent test (ORS 757.259(6))

The amortization of the 2019 net benefits associated with the Tax Plan will be subject to the three percent test in accordance with the ORS 757.259(7) and (8), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

III. Conclusion

For the reasons stated above, CNGC requests permission to defer the 2019 net benefits associated with the implementation of the Tax Plan.

DATED this December 31st, 2018.

Respectfully Submitted,

/s/ Pamela Archer

Pamela Archer
Supervisor, Regulatory Analysis
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Attachment A

Notice of Application for Deferral of 2019 Net Benefits Associated with the Tax Plan

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1927

In the Matter of the Application of Cascade Natural Gas Corporation for an Order Approving the Deferral of 2019 Net Benefits Associated with the U.S. Tax Cuts and Jobs Act) Notice of Application for the Reauthorization of Certain Deferral Accounts))
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On December 31, 2018, Cascade Natural Gas Corporation (“CNGC”) filed an application with the Public Utility Commission of Oregon (the “Commission”) for an Order reauthorizing the deferral of net benefits associated with the implementation of the U.S. Tax Cuts and Jobs Act for the twelve-month period beginning January 1, 2019.

Approval of CNGC’s Application will not authorize a change in CNGC’s rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

Persons who wish to obtain a copy of CNGC’s application will be able to access it on the Public Utility Commission of Oregon website.

Any person who wishes to submit written comments to the Commission on CNGC’s application must do so no later than January 31, 2019.

Dated this December 31st, 2018.

/s/ Pamela Archer
Pamela Archer
Supervisor, Regulatory Analysis
Cascade Natural Gas Corporation
8113 West Grandridge Boulevard
Kennewick, WA 99336-7166
Telephone: (509)734-4591
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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Notice of Application for Deferred Accounting Treatment of 2019 Net Benefits Associated with the U.S. Tax Cuts and Jobs Act** to be served by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket UG 347.

Dated at Kennewick, Washington, this 31st day of December, 2018.

/s/ Pamela Archer

Pamela Archer
Supervisor, Regulatory Analysis
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SERVICE LIST
OPUC DOCKET No. UG 347

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