

ELLEN F. ROSENBLUM  
Attorney General



LISA M UDLAND  
Deputy Attorney General

**DEPARTMENT OF JUSTICE**  
GENERAL COUNSEL DIVISION

March 1, 2022

**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 1936(4) - Staff's Application for Reauthorization to Defer Changes in Avion Water Company, Inc.'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 to Defer Changes in Avion Water Company, Inc.'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 UW 181 and UM 1936 service list.

Sincerely,

*/s/ Jill Goatcher*

Jill Goatcher  
Assistant Attorney General  
Business Activities Section

JDG/pjr  
Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1936(4)

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4 In the Matter of  
5 STAFF OF THE PUBLIC UTILITY  
6 COMMISSION OF OREGON,  
7 Application to Defer Changes in Avion Water  
8 Company, Inc.'s Federal Tax Obligations  
Resulting from H.R.1 - Tax Cuts and Jobs Act.

APPLICATION FOR REAUTHORIZATION  
TO DEFER CHANGES IN AVION WATER  
COMPANY, INC.'S FEDERAL TAX  
OBLIGATIONS RESULTING FROM H.R.1 -  
TAX CUTS AND JOBS ACT

9 Pursuant to ORS 757.259, OAR 860-036-2170 and OAR 860-027-0300, Staff of the  
10 Public Utility Commission of Oregon (Staff) files this Application for Reauthorization to Defer  
11 Changes in Avion Water Company, Inc.'s (Avion or Company) Federal Tax Obligations  
12 Resulting from Tax Cuts and Jobs Act of 2017 (Application) for the twelve month period  
13 beginning March 2, 2022.

14 **I. Deferral History**

15 In 2017, the 115<sup>th</sup> United States Congress passed H.R.1 – Tax Cuts and Jobs Act (H.R.1).  
16 H.R. 1 contains provisions that impact regulated utilities' federal tax obligations, including a  
17 reduction in the corporate income tax rate and the treatment of Contributions in Aid of  
18 Construction (CIAC) for water utilities. On March 1, 2018, Staff filed its initial Application for  
19 an order authorizing deferred accounting to track the impact, for later ratemaking treatment, of  
20 H.R. 1 for the twelve month period beginning March 1, 2018. On February 28, 2019, Staff  
21 submitted an application for reauthorization to defer these amounts, and again on March 2, 2020,  
22 Staff submitted an application for reauthorization of the deferral. These applications were  
23 approved by the Public Utility Commission of Oregon (Commission) on November 19, 2020 in  
24 Order No. 20-443. On March 1, 2021, Staff again submitted an application for reauthorization of  
25 the deferral. The ratemaking treatment for these deferrals is addressed in Avion's most recent  
26 general rate case, Docket UW 181, Order No. 20-488. On November 15, 2021, the United States

1 Congress passed the Infrastructure Investment and Jobs Act (H.R. 3684). H.R. 3684 changed the  
2 CIAC tax landscape so that CIAC contributed after December 31, 2020 will no longer be  
3 taxable. As a result, the deferral will be limited to CIAC Tax benefits associated with CIAC  
4 contributions in 2018, 2019, and 2020 (2018 - 2020 CIAC Tax Benefits).

5 This filing is Staff's application for reauthorization to continue deferring amounts related  
6 to the tax benefits associated with H.R. 1. While most of the issues associated with H.R. 1  
7 benefits were addressed in Order Nos. 20-443 and 20-488, there is a narrower subset of tax  
8 benefits associated with the CIAC contributions in 2018, 2019 and 2020 that require a continued  
9 deferral, as described below, to ensure future ratemaking treatment for tax benefits and  
10 obligations not currently reflected in rates.

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

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

13 Staff requests to defer, for later ratemaking treatment, certain CIAC-related tax benefits  
14 associated with H.R. 1. H.R. 1 resulted in the taxability of CIAC for water utilities, which was  
15 not present prior to H.R. 1. During the years 2018, 2019 and 2020, the CIAC-related tax  
16 obligation will be due to the taxing bodies for the year in which the CIAC was assumed, and was  
17 be paid along with other taxes paid for the year in which the CIAC was received. Also beginning  
18 at that time, and then for each year over the tax life of the asset, water utilities claim the tax  
19 depreciation of the CIAC assets, which functions as a deduction to the utility's taxable income  
20 (CIAC Tax Benefits). The benefits at issue for this Application are the 2018 - 2020 CIAC Tax  
21 Benefits.

22 **B. Reason for Deferral.**

23 Staff requests the Commission approve this Application pursuant to ORS 757.259(2)(e),  
24 which provides the Commission with discretion to defer "identifiable utility expenses or  
25 revenues, the recovery or refund of which the commission finds should be deferred in order  
26 minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately

1 incorporated into the costs borne by and benefits received by ratepayers.” All aspects of the Act  
2 that impact Avions’ federal tax obligations, other than 2018 - 2020 CIAC Tax Benefits, have been  
3 Avion’s rates through the rates adopted in Docket No. UW 181. Rates in that docket were  
4 effective for service rendered on or after January 1, 2021. The parties to the UW 181 stipulation  
5 agreed to the reauthorization for this deferral in the stipulation. A deferral of the 2018 - 2020  
6 CIAC Tax Benefits is necessary to continue tracking the difference in Avion’s federal tax  
7 obligations resulting from the 2018 - 2020 CIAC Tax Benefits. Deferring the impact of CIAC Tax  
8 Benefits would allow for the appropriate matching of costs borne by and benefits received by  
9 customers.<sup>1</sup>

10 **C. Proposed Accounting.**

11 Staff requests that the deferred amounts be recorded in Account 253.1 Regulatory  
12 Liabilities.

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

14 The CIAC Tax Benefit is estimated at \$53,317.61 in 2022.

15 **E. Notice.**

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

18 **II. Staff contacts.**

19 Communications regarding this Application should be addressed to:

20 Jill Goatcher  
21 Oregon Department of Justice  
22 1162 Court Street NE  
23 Salem, Oregon 97301  
jill.d.goatcher @state.or.us

Russell Beitzel  
Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, Oregon 97301  
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26 <sup>1</sup> Docket No. UW 181, *In the Matter of Avion Water Company, Inc., Request for a General Rate Revision*, Section II, paragraph 4(f).

1 **III. Conclusion**

2 For the reasons stated above, Staff respectfully requests that the Commission authorize  
3 the deferral of the 2018 - 2020 CIAC Tax Benefits for the twelve month period beginning  
4 March 2, 2022.

5 DATED this 1st day of March, 2022.

6 Respectfully submitted,

7 ELLEN F. ROSENBLUM  
8 Attorney General

9 /s/ Jill Goatcher

10 Jill Goatcher, OSB # 202294  
11 Assistant Attorney General  
12 Of Attorneys for Staff of the Public Utility  
13 Commission of Oregon  
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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1936(4)

In the Matter of  
STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON,  
Application to Defer Changes in Avion Water  
Company, Inc.’s Federal Tax Obligations  
Resulting from H.R.1 - Tax Cuts and Jobs Act.

NOTICE OF APPLICATION FOR  
REAUTHORIZATION TO DEFER CHANGES  
IN AVION WATER COMPANY, INC.’S  
FEDERAL TAX OBLIGATIONS RESULTING  
FROM H.R.1 - TAX CUTS AND JOBS ACT

On March 1, 2022, Staff of the Public Utility Commission of Oregon (Staff) filed its Application for Reauthorization to Defer Changes in Avion Water Company, Inc.’s (Avion or Company) Federal Tax Obligations Resulting from Tax Cuts and Jobs Act (Application).

On December 22, 2017, President Trump signed into law H.R.1 – Tax Cuts and Jobs Act, which contained broad reforms to federal tax laws that impacted Avion’s federal tax obligations by making CIAC received a taxable event effective January 1, 2018. On November 15, 2021, President Biden signed HR 3684, the Infrastructure Investment and Jobs Act, which restored the non-taxable nature of CIAC received effective January 2021. Staff filed its Application in order to defer, for potential later ratemaking treatment, the effects of H.R.1 on Avion’s tax liability due to the depreciation of CIAC assets received in 2018, 2019 and 2020 for the twelve month period beginning with the date of its Application. Approval of Staff’s Application will not authorize a change in Avion’s rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceedings.

Persons who wish to obtain a copy of Staff’s Application will be able to access it on the Public Utility Commission of Oregon’s website. Any person who wishes to submit written comments on Staff’s Application should do so by March 31, 2022.

DATED this 1st day of March, 2022.

Respectfully submitted,

ELLEN F. ROSENBLUM  
Attorney General

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/s/ Jill Goatcher

Jill Goatcher, OSB # 202294  
Assistant Attorney General  
Of Attorneys for Staff of the Public Utility  
Commission of Oregon

**UM 1936 – CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused the **Notice of Application for Reauthorization to Defer Changes in Avion Water Company, Inc.’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 Oregon Public Utility Commission Dockets UW 181 and UM 1936.

DATED this 1st day of March, 2022.

Respectfully submitted,

ELLEN F. ROSENBLUM  
Attorney General

/s/ Jill Goatcher  
Jill Goatcher, OSB # 202294  
Assistant Attorney General  
Of Attorneys for Staff of the Public Utility  
Commission of Oregon



**UM 1936 & UW 181 - SERVICE LIST**

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