



**Avista Corp.**

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December 19, 2019

Public Utility Commission of Oregon  
Filing Center  
201 High St SE Suite 100  
PO Box 1088  
Salem, OR 97308

Attention: Filing Center

**RE: Docket No. UM\_\_\_ Application of Avista Corporation for Deferred Accounting of  
Costs Associated with the Oregon Corporate Activities Tax**

Enclosed for filing is Avista Corporation's application for deferred accounting of costs associated with the Oregon Corporate Activities Tax.

Please contact Joel Anderson with any questions related to this filing at (509) 495-2811 or [joel.anderson@avistacorp.com](mailto:joel.anderson@avistacorp.com)

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Ehrbar", is written over the word "Sincerely,". The signature is fluid and cursive, extending to the right with a long horizontal stroke.

Patrick Ehrbar  
Director of Regulatory Affairs

Enclosures

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

DOCKET NO. UM \_\_\_\_

IN THE MATTER OF THE APPLICATION OF ) NOTICE OF APPLICATION FOR  
AVISTA UTILITIES FOR AN ORDER ) THE DEFERRAL OF THE OREGON  
APPROVING THE DEFERRAL OF COSTS ) CORPORATE ACTIVITIES  
FOR THE OREGON CORPORATE ) TAX  
ACTIVITIES TAX )

Avista Corporation, dba Avista Utilities (“Avista” or “Company”) pursuant to ORS 757.259 and OAR 860-27-0300 applies to the Public Utility Commission of Oregon ("Commission") for an order authorizing Avista to defer for later rate-making treatment costs associated with the Oregon Corporate Activities Tax (CAT) pursuant to House Bill 3427 (H.B. 3427). Avista requests this deferral to be effective beginning January 1<sup>st</sup> 2020 and subject to annual renewals.

In support of this Application, the Company states:

Avista provides natural gas service in southwestern and northeastern Oregon and is a public utility subject to the Commission’s jurisdiction.

This application is filed pursuant to ORS 757.259 which allows the Commission, upon application, to authorize deferral of certain items.

Avista requests that all notices, pleadings and correspondence regarding this filing be sent to the following:

1 David J. Meyer, Esq.  
2 Vice President  
3 Avista Corporation  
4 P.O. Box 3727  
5 1411 East Mission, MSC 7  
6 Spokane, WA 99220-3727  
7 (509) 495-4316  
8 [David.Meyer@avistacorp.com](mailto:David.Meyer@avistacorp.com)

Patrick D. Ehrbar  
Director of Regulatory Affairs  
Avista Corporation  
P.O. Box 3727  
1411 East Mission, MSC 27  
Spokane, WA 99220-3727  
(509) 495-8620  
[Patrick.Ehrbar@avistacorp.com](mailto:Patrick.Ehrbar@avistacorp.com)

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11 **BACKGROUND**

12 On May 16, 2019, Oregon Governor Kate Brown approved House Bill 3427 (HB 3427).  
13 Among other provisions, HB 3427 authorizes the collection of the Oregon CAT, which is  
14 scheduled to go into effect for tax years beginning on or after January 1, 2020. The Oregon CAT  
15 is Oregon's first modified gross receipts tax and is intended to raise state revenues to fund  
16 education-related investments.<sup>1</sup>

17 This tax will be imposed on "taxable commercial activity" in excess of \$1 million at the rate  
18 of 0.57 percent, plus a flat tax of \$250 on the taxpayer's first \$1 million of taxable commercial  
19 activity. The bill defines "taxable commercial activity" as the "total amounts realized" by the  
20 taxpayer arising from transactions and activity in the regular course of the taxpayer's trade or  
21 business that are sourced to Oregon. However, HB 3427 does exclude a number of items from  
22 the amounts included in the tax calculation, including: franchise fees, public purpose charges,  
23 Regional Power Act Exchange credits, and other "pass-through" items. Avista is subject to paying  
24 this tax beginning in 2020, with the current estimate expected to total approximately \$800,000 for  
25 tax-year 2020 and must file a tax return reflecting this new tax in 2021.<sup>2</sup> Avista has not otherwise  
26 included any forecast or estimate of the Oregon CAT in customer prices through a general rate

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<sup>1</sup> HB 3427-A, Section 76 (requiring revenues to be deposited in the fund for Student Success)

<sup>2</sup> Avista used data from the last four years of sales in Oregon to arrive at an estimate for 2020.

1 case or any other proceeding, as this is a new tax, to which Avista had not previously been  
2 subjected.

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4 **REASONS FOR DEFERRAL**

5 Pursuant to ORS 757.259(2)(e) and for the reasons discussed above, Avista seeks  
6 deferred accounting treatment for tax associated with the imposed Oregon CAT. As mentioned  
7 above, the imposition of this tax was unforeseen and unpredictable, thus Avista was unable to  
8 include this in a prior forecast or include in a prior rate proceeding. In the Company’s view  
9 this request is not dissimilar from its deferral request in December 2017 related to the Tax  
10 Cuts and Jobs Act (Federal Tax Reform), whereby an unforeseen change in taxation was  
11 approved for deferral and later inclusion in customer rates. Granting this Application will  
12 minimize the frequency of rate changes and match appropriately the costs borne by and  
13 benefits received by customers.

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15 **PROPOSED ACCOUNTING**

16 Avista proposes to record the deferred amount as a regulatory asset by debiting FERC  
17 account 182.3 (Regulatory Asset), and crediting FERC Account 407.4 (Regulatory Credit).  
18 Avista estimates the amount to be deferred during the 12-month period subsequent to the filing  
19 to be approximately \$800,000 dollars. Interest will be accrued on the balance at the approved  
20 blended treasury rate.

1           WHEREFORE, Avista Utilities respectfully requests that the commission authorize  
2 the company to defer costs associated with the Oregon CAT. The Company is not proposing  
3 an adjustment to customer's retail rates through this application at this time.

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5 Dated this 19th day of December, 2019.

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Respectfully submitted,

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Avista Utilities

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By: 

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Patrick Ehrbar

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Director of Regulatory Affairs