



**Avista Corp.**

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April 20, 2021

***Via Electronic Filing***

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

**RE: SUPPLEMENTAL INFORMATION**

**Docket No. UM 2124 - Application for Authorization to Approve Federal Income Tax Expense for Certain Plant Basis Adjustments Changes and to Defer Associated Change in Tax Expense.**

Dear Filing Center:

On October 30, 2020, the Company filed an Application for an Order Authorizing the Company to Change its Accounting for Federal Income Tax Expense for Certain Plant Basis Adjustments and Deferral of Associated Change in Tax Expense.

Avista, The Alliance of Western Energy Consumers (AWEC), and Staff participated in discussions of this filing on March 12 and March 26, 2021. AWEC conducted discovery and expressed concerns regarding the consideration given to the associated state tax benefits as the accounting method change will effectively eliminate Oregon taxable income for the next several years.

Avista agrees to defer associated state tax savings in the amount of approximately \$1.3 million per year starting on January 15th, 2021, which was the effective date of the base rate increase in the Company's last rate case until new rates are effective in Avista's next general rate case. This additional deferral for state income taxes is being requested in order to appropriately match the costs borne by and benefits received by customers.

This Supplemental information is filed pursuant to ORS 757.259, which empowers the Commission to authorize the deferral of expenses or revenues of a public utility for later incorporation into rates. As required by ORS 757.259(4), any amortization of the deferred amount will be subject to an earnings review and a finding by the Commission that the costs were prudently incurred. Avista

does not expect that amortization of the deferred amount will cause Avista to meet or exceed its most recently authorized return on equity.

The Company will record the deferred amount monthly by debiting FERC Account No. 407300 – Oregon SIT Deferral and crediting FERC Account No. 254301 – Regulatory Liability – OR SIT Deferral. Interest will accrue on the deferred account at the authorized rate of return until amortization begins. Once amortization begins, the deferred account will accrue interest at the Blended Treasury Rate in effect at that time.<sup>1</sup>

When amortization begins on the deferral for state income taxes, the following requirements will be met:

- Earnings Review – Prior to amortization, an annual earnings review will be conducted pursuant to ORS 757.259(5).
- Prudence Review – Prior to amortization, a prudence review will be conducted. The prudence review should include verification of the actual tax benefits to determine the amortization balance.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Design – Applicable benefits will be allocated to the appropriate customer classes.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (with exceptions) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

In the end, we are not otherwise modifying our original Application in this matter related to the accounting changes and deferral of federal income taxes for certain plant basis adjustments, but rather simply including an additional deferral regarding state income tax benefits. Avista requests Commission approval to defer the benefits related to state income taxes described above beginning on January 15, 2021 until new rates are effective in Avista's next general rate case.

Please direct any questions on this matter to Elizabeth Andrews at (509) 495-8601 or Jeanne Pluth at (509) 495-2204.

Sincerely,



Patrick Ehrbar  
Director of Regulatory Affairs  
Enclosures

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<sup>1</sup> In Order No. 05-1070, Docket No. UM 1147, the Commission determined that interest may accrue interest on deferred accounts at the authorized rate of return until amortization. Subsequent orders in Docket No. UM 1147 establish the rate during amortization. See Order Nos. 08-263, 10-279.