



DEPARTMENT OF JUSTICE  
GENERAL COUNSEL DIVISION

March 1, 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](mailto:PUC.FilingCenter@state.or.us)

**Re: UM \_\_\_ Staff's Application 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 171 service list.

Sincerely,

Sommer Moser  
Assistant Attorney General  
Business Activities Section

ST7:pjr/#8789873  
Enclosures

1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 UM \_\_\_\_\_  
4

5 In the Matter of

6 STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON,

7 Application to Defer Changes in Avion Water  
Company, Inc.'s Federal Tax Obligations  
8 Resulting from H.R.1 - Tax Cuts and Jobs Act.

APPLICATION 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 to Defer Changes in Avion  
11 Water Company, Inc.'s (Avion or Company) Federal Tax Obligations Resulting from Tax Cuts  
12 and Jobs Act of 2017 (Application).

13 **I. OAR 860-027-0300(3) requirements.**

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

15 The 115<sup>th</sup> United States Congress recently passed H.R.1 – Tax Cuts and Jobs Act (H.R.1  
16 or Act).<sup>1</sup> The Act was signed into law on December 22, 2017 by President Donald Trump, with  
17 most provisions going into effect on January 1, 2018. The Act contains provisions that impact  
18 regulated utilities' federal tax obligations, including a reduction in the corporate income tax rate  
19 and the treatment of Contributions in Aid of Construction (CIAC) for water utilities.

20 Staff requests to defer, for later ratemaking treatment, the effects of H.R.1 on Avion's tax  
21 liability for the twelve month period beginning with the date of this application.<sup>2</sup> Due to the  
22 lengthy and complex nature of the Act and the variability of CIAC, it is not possible at this time  
23

24 <sup>1</sup> 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).

25 <sup>2</sup> Staff notes that the Commission is currently investigating its legal authority and the policy  
26 underlying the deferral of capital costs in docket UM 1909. To the extent that a Commission  
determination in that proceeding affects this Application, Staff will revise its Application at that  
time.

1 to quantify the difference in Avion’s federal tax obligations that may be impacted by the passage  
2 of the Act.

3 **B. Reason for Deferral.**

4 Staff requests the Commission approve this Application pursuant to ORS 757.259(2)(e),  
5 which provides the Commission with discretion to defer “identifiable utility expenses or  
6 revenues, the recovery or refund of which the commission finds should be deferred in order to  
7 minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately  
8 the costs borne by and benefits received by ratepayers.” A deferral is necessary to begin tracking  
9 the difference in Avion’s federal tax obligations resulting from H.R.1. Deferring the impact of  
10 H.R.1 on Avion’s federal tax obligations would allow for the appropriate matching of costs  
11 borne by and benefits received by customers.

12 For example, prior to the passage of H.R.1, CIAC was not included in a water utility’s  
13 gross income for state or federal income tax purposes. H.R.1 did not carry this exemption  
14 forward. As such, a water utility may be responsible for the tax effects of CIAC. On the other  
15 hand, the current version of the Act includes a reduction in the federal corporate tax rate.  
16 Avion’s current retail rates reflect an effective federal corporate tax rate of approximately 34  
17 percent. The corporate tax rate in H.R.1 is 21 percent, which may have an impact to the tax  
18 expense customers assume in cost of service, and could also have an impact on the Company’s  
19 Accumulated Deferred Income Tax (ADIT) balance currently included in rate base. Staff notes,  
20 however, that the full effects of H.R.1 are unknown at this time, including whether such changes  
21 would result in overall savings to customers.

22 **C. Proposed Accounting.**

23 Staff requests that the deferred amounts be recorded in Account 253.1 Regulatory  
24 Liabilities.

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BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UM \_\_\_\_\_

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 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, 2018, Staff of the Public Utility Commission of Oregon (Staff) filed an  
Application 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  
(Act), which contained broad reforms to federal tax laws that will impact Avion's federal tax  
obligations. Staff filed its Application in order to defer, for potential later ratemaking treatment,  
the effects of H.R.1 on Avion's tax liability 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 proceeding.

Persons who wish to obtain a copy of Staff's Application will be able to access it on the

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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 April 1, 2018.

3 DATED this 1st day of March, 2018.

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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  
14  
15  
16

**SERVICE LIST FOR OPUC DOCKET UW 171**

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