

ELLEN F. ROSENBLUM  
Attorney General



FREDERICK M. BOSS  
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**DEPARTMENT OF JUSTICE**  
GENERAL COUNSEL DIVISION

February 28, 2019

**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 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 for Reauthorization 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 and UM 1936 service lists.

Sincerely,

Sommer Moser  
Assistant Attorney General  
Business Activities Section

ST7:pjr/#9462249  
Enclosures

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

3 UM 1936

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 1, 2019.

14 **I. Deferral History**

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. On March  
20 1, 2018, Staff filed its initial Application for an order authorizing deferred accounting to track  
21 the impact, for later ratemaking treatment, of the Tax Act for the twelve month period beginning  
22 with the date of the Application. The continued deferral of these amounts is necessary in order  
23 to ensure future ratemaking treatment for tax benefits and obligations not currently reflected in  
24 rates.

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26 <sup>1</sup> The final version of the Act may be accessed at <https://www.congress.gov/bill/115th-congress/house-bill/1/text>.

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

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

3 Staff requests to defer, for potential later ratemaking treatment, the difference between  
4 Avion's current retail rates and its currently approved retail rates inclusive of the effects of  
5 H.R.1. Due to the lengthy and complex nature of the Act and the variability of CIAC, it is not  
6 possible at this time to quantify the specific changes in Avion's federal tax obligations that may  
7 be impacted by the passage of the Act for the deferral period.

8 **B. Reason for Deferral.**

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

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

1           **C.     Proposed Accounting.**

2           Staff requests that the deferred amounts be recorded in Account 253.1 Regulatory  
3 Liabilities.

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

5           Staff will supplement this Application with an estimate of amounts to be deferred as soon  
6 as those estimates are available. Because of the lengthy and complex nature of the legislation,  
7 the time that will be necessary to analyze the impacts to regulated utility federal taxes, and the  
8 unpredictable nature of CIAC contributions, it is not possible to estimate the amounts to be  
9 deferred as of the filing of this Application.

10          **E.     Notice.**

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

13          **II.    Staff contacts.**

14          Communications regarding this Application should be addressed to:

15          Sommer Moser	Russell Beitzel
16          Oregon Department of Justice	Public Utility Commission of Oregon
17          1162 Court Street NE	201 High Street SE, Suite 100
18          Salem, Oregon 97301	Salem, Oregon 97301
19          sommer.moser@state.or.us	russell.beitzel@state.or.us

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1 **III. Conclusion**

2 For the reasons stated above, Staff respectfully requests that the Commission authorize  
3 the deferral of the difference between Avion's current retail rates and its currently approved  
4 retail rates inclusive of the impact of H.R.1 for the twelve month period beginning with the date  
5 of this Application.

6 DATED this 25 day of February, 2019.

7 Respectfully submitted,

8 ELLEN F. ROSENBLUM  
9 Attorney General

10 

11 Sommer Moser, OSB # 105260  
12 Assistant Attorney General  
13 Of Attorneys for Staff of the Public Utility  
14 Commission of Oregon

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1936

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, 2019, Staff of the Public Utility Commission of Oregon (Staff) filed an 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) for the twelve month period beginning March 1, 2019. On March 1, 2018, Staff filed its initial deferral application for the twelve month period beginning March 1, 2018.

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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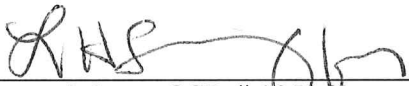
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1 Public Utility Commission of Oregon's website. Any person who wishes to submit written  
2 comments on Staff's Application should do so by April 1, 2019.

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DATED this 28<sup>th</sup> day of February, 2019.

Respectfully submitted,  
ELLEN F. ROSENBLUM  
Attorney General




Sommer Moser, OSB # 105260  
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 OPUC Dockets UW 171 and UM 1936.

DATED this 28<sup>th</sup> day of February, 2019.

  
\_\_\_\_\_  
Sommer Moser, OSB #105260  
Assistant Attorney General  
Of Attorneys for Staff of the Public Utility  
Commission



OFFICIAL SERVICE LIST

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Printed: 7/24/2018

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