



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

March 1, 2021

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

Re: UM 1936 - 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

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.

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

Pursuant to ORS 757.259, OAR 860-036-2170 and OAR 860-027-0300, Staff of the Public Utility Commission of Oregon (Staff) files this 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 of 2017 (Application) for the twelve month period beginning March 2, 2021.

I. Deferral History

In 2017, the 115th United States Congress passed H.R.1 – Tax Cuts and Jobs Act (H.R.1 or Act).¹ The Act was signed into law on December 22, 2017 by President Donald Trump, with most provisions going into effect on January 1, 2018. The Act contains provisions that impact regulated utilities' federal tax obligations, including a reduction in the corporate income tax rate and the treatment of Contributions in Aid of Construction (CIAC) for water utilities. On March 1, 2018, Staff filed its initial Application for an order authorizing deferred accounting to track the impact, for later ratemaking treatment, of the Tax Act for the twelve month period beginning March 1, 2018. On February 28, 2019, Staff submitted an application for reauthorization to defer these amounts, and again on March 2, 2020, Staff submitted an application for reauthorization of the deferral. These applications were approved by the Public Utility

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

1 Commission of Oregon (Commission) on November 19, 2020 in Order No. 20-443. The
2 ratemaking treatment for these deferrals is addressed in Avion’s most recent general rate case,
3 Docket UW 181, Order No. 20-488.

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

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

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

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

19 **B. Reason for Deferral.**

20 Staff requests the Commission approve this Application pursuant to ORS 757.259(2)(e),
21 which provides the Commission with discretion to defer “identifiable utility expenses or
22 revenues, the recovery or refund of which the commission finds should be deferred in order to
23 minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately
24 the costs borne by and benefits received by ratepayers.” All aspects of the Act that impact
25 Avions’ federal tax obligations, other than CIAC Tax Benefits, have been incorporated into
26 Avion’s rates through the rates adopted in Docket No. UW 181. Rates in that docket were

1 effective for service rendered on or after January 1, 2021. The parties to the UW 181 stipulation
2 agreed to the reauthorization for this deferral in the stipulation. A deferral of the CIAC Tax
3 Benefits is necessary to continue tracking the difference in Avion’s federal tax obligations
4 resulting from the CIAC Tax Benefits. Deferring of the impact of CIAC Tax Benefits would
5 allow for the appropriate matching of costs borne by and benefits received by customers.

6 **C. Proposed Accounting.**

7 Staff requests that the deferred amounts be recorded in Account 253.1 Regulatory
8 Liabilities.

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

10 Staff will supplement this Application with an estimate of amounts to be deferred as soon
11 as those estimates are available. Because of the ongoing nature of CIAC contributions from
12 which the CIAC Tax Benefits are derived, it is not possible to estimate the amounts to be
13 deferred as of the filing of this Application.

14 **E. Notice.**

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

17 **II. Staff contacts.**

18 Communications regarding this Application should be addressed to:

19 Jill Goatcher
20 Oregon Department of Justice
21 1162 Court Street NE
22 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
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 CIAC Tax Benefits for the twelve month period beginning March 2, 2021.

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5 DATED this 1st day of March, 2021.

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Respectfully submitted,

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ELLEN F. ROSENBLUM
Attorney General

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/s/ Jill Goatcher

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

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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.

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

9 On March 1, 2021, Staff of the Public Utility Commission of Oregon (Staff) filed its
10 Application for Reauthorization to Defer Changes in Avion Water Company, Inc.'s (Avion or
11 Company) Federal Tax Obligations Resulting from Tax Cuts and Jobs Act (Application).

12 On December 22, 2017, President Trump signed into law H.R.1 – Tax Cuts and Jobs Act
13 (Act), which contained broad reforms to federal tax laws that will impact Avion's federal tax
14 obligations. Staff filed its Application in order to defer, for potential later ratemaking treatment,
15 the effects of H.R.1 on Avion's tax liability for the twelve month period beginning with the date
16 of its Application. Approval of Staff's Application will not authorize a change in Avion's rates,
17 but will permit the Commission to consider allowing such deferred amounts in rates in a
18 subsequent proceeding.

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

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IN AVION WATER COMPANY, INC.'S FEDERAL TAX OBLIGATIONS RESULTING FROM H.R.1
- TAX CUTS AND JOBS ACT

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 March 31, 2021.

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4 DATED this 1st day of March, 2021.

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Respectfully submitted,

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ELLEN F. ROSENBLUM
Attorney General

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/s/ Jill Goatcher

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

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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 181 and UM 1936.

DATED this 1st day of March, 2021.

/s/ Jill Goatcher

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

UM 1936 & UW 181 - SERVICE LIST

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