



**Avista Corp.**

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December 04, 2020

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 2042 Application of Avista Corporation for Reauthorization of  
Deferred Accounting of Costs Associated with the Oregon Corporate Activities  
Tax**

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

Please contact Liz Andrews with any questions related to this filing at (509) 495-8601 or [liz.andrews@avistacorp.com](mailto:liz.andrews@avistacorp.com)

Sincerely,

A handwritten signature in black ink, reading "Patrick Ehrbar". The signature is written in a cursive style with a long horizontal stroke at the end.

Patrick Ehrbar  
Director of Regulatory Affairs

Enclosures

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BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
DOCKET NO. UM 2042

IN THE MATTER OF THE APPLICATION OF ) NOTICE OF APPLICATION FOR  
AVISTA UTILITIES FOR AN ORDER ) REAUTHORIZATION OF  
REAUTHORIZING DEFERRAL OF COSTS ) THE DEFERRAL OF THE OREGON  
FOR THE OREGON CORPORATE ACTIVITIES ) CORPORATE ACTIVITIES TAX  
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 reauthorizing 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).<sup>1</sup> The Company respectfully requests that this deferral be effective beginning January 1, 2021 through January 14, 2021.

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:

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<sup>1</sup> The Commission authorized Avista to defer for later rate-making treatment costs associated with the Oregon CAT estimated at \$800,000 for tax-year 2020, per Order 20-398 in UM 2042, on November 25, 2020.

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2 Vice President  
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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 was  
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>2</sup>

17 This tax is imposed on "taxable commercial activity" in excess of \$1 million at the rate of  
18 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.

24 Avista is subject to paying this tax beginning in 2020, with the current estimate expected to  
25 total approximately \$800,000 annually for tax-years 2020 and 2021, and must file tax returns  
26 reflecting this new tax in 2021 and 2022, respectively.<sup>3</sup> Prior to recently, Avista had not otherwise

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<sup>2</sup> HB 3427-A, Section 76 (requiring revenues to be deposited in the fund for Student Success)

<sup>3</sup> Avista used data from the last four years of sales in Oregon to arrive at an estimate for 2020 and 2021.

1 included a forecast or estimate of the Oregon CAT in customer prices through a general rate case  
2 or any other proceeding, as this was a new tax to which Avista had not previously been subjected.

3 On December 18, 2019, Avista filed an Application seeking deferred accounting treatment  
4 of the Oregon CAT for calendar-year 2020 (Docket UM 2042). The Commission adopted Staff's  
5 recommendation approving Avista's Application in Order No. 20-398.

6 During 2020, Avista included all of the financial impacts of the Oregon CAT in the  
7 Company's general rate case, Docket UG-389. If the settlements in that case are approved by the  
8 Commission, effective January 15, 2021 the Oregon CAT will be properly incorporated in  
9 customers' rates at that time. Therefore, this Reauthorization request is for the portion of 2021  
10 before the Oregon CAT is embedded in customer rates; namely January 1, 2021 through January  
11 14, 2021.

### 12 13 **REASONS FOR DEFERRAL**

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

1 **PROPOSED ACCOUNTING**

2 Avista proposes to record the deferred amount as a regulatory asset by debiting FERC  
3 account 182.3 (Regulatory Asset), and crediting FERC Account 407.4 (Regulatory Credit).  
4 Avista estimates the amount to be deferred during the period January 1, 2021 through January  
5 14, 2021, subsequent to the filing to be approximately \$31,000.<sup>4</sup> Interest will be accrued on  
6 the balance at the approved authorized rate of return (AROR).<sup>5</sup>

7  
8 WHEREFORE, Avista Utilities respectfully requests that the commission authorize  
9 the company to defer costs associated with the Oregon CAT for the period January 1, 2021  
10 through January 14, 2021. The Company is not proposing an adjustment to customer’s retail  
11 rates through this application at this time.

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13 Dated this 4th day of December, 2020.

14 Respectfully submitted,

15 Avista Utilities

16  
17 By:  \_\_\_\_\_

18 Patrick Ehrbar  
19 Director of Regulatory Affairs

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<sup>4</sup> Based on an annual estimate of \$800,000 / 365 \* 14 days.

<sup>5</sup> Deferred amounts will earn interest at the Company's authorized rate of return (AROR) until such time as the Commission authorizes amortization. The modified blended treasury rate (MBT) will be applied prospectively once amortization is approved in a future rate proceeding.