

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 10, 2019**

REGULAR  CONSENT  EFFECTIVE DATE October 11, 2019

DATE: September 26, 2019

TO: Public Utility Commission

FROM: John Fox

THROUGH: Jason Eisdorfer and Marianne Gardner **SIGNED**

SUBJECT: CASCADE NATURAL GAS: (ADV 1011/Advice No. O19-09-02) Revision to Schedule 198, recalculated to comply with the Order No. 19-088 in Docket UG 347.

**STAFF RECOMMENDATION:**

Approve Cascade's request to revise Tariff P.U.C. OR. No. 10, Schedule 198 Unprotected Excess Deferred Income Tax (EDIT) on less than statutory notice, effective for service rendered on and after October 11, 2019.

**DISCUSSION:**

Issue

Whether the Commission should approve Cascade's Advice No. O19-09-02, revising Schedule 198, EDIT, on less than statutory notice to correct rates that were inadvertently calculated incorrectly.

Applicable Rule or Law

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls, and charges for services that have been established and are in force at the time. The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes. ORS 757.220. The

Commission may approve changes in tariffs to be effective on less than statutory notice upon a finding of good cause shown.

OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change.

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. ORS 757.259(4); OAR 860-027-0300(9).

In Cascade's last general rate case, Docket UG 347, the Commission adopted a stipulation in Order No. 19-088 that provides for the return of Cascade's non-plant EDIT balance to customers on an equal percent of margin basis over five years under a separate tariff schedule.

## Analysis

### *Background*

On December 22, 2017, President Donald Trump signed H.R.1 – Tax Cuts and Job Act (Tax Act), with most provisions going into effect on January 1, 2018. The Tax Act amends sections of the 1986 code, most notably the reduction in the federal corporate income tax rate from 35 percent to 21 percent. The change in the corporate income tax rate also results in EDIT assets and liabilities that must be reversed.

Full consideration of the Tax Act benefits includes the following computational elements:

- The decrease in the annual revenue requirement due to changes in how taxable income from operations is determined; the effect of reducing the statutory federal rate from 35 percent to 21 percent; and changes in allowable tax credits, etc.
- Changes to the value of accumulated deferred income taxes included in the Company's rate base.
- Revaluation of deferred tax obligations at the new lower statutory rate resulting in excess deferred income taxes (EDIT).
  - Federal law provides that the return to ratepayers of EDIT related to utility plant must generally comply with the Average Rate Assumption Method (ARAM). Failure to adhere to the ARAM methodology would terminate the

- Company's ability to use accelerated depreciation methods for tax purposes. These amounts are generally referred to as "protected" EDIT.
- EDIT unrelated to utility plant and plant-related EDIT not subject to the ARAM methodology may be returned to customers using any reasonable amortization method. These amounts are generally referred to as "unprotected" EDIT.

Cascade's obligation to return these benefits was accomplished partly in the Company's most recent general rate case,<sup>1</sup> and partly in a separate deferral docket.<sup>2</sup>

In particular, in the general rate case, the Company agreed to return unprotected EDIT in the amount of \$502,331 per year for five years through a separate tariff rider beginning on April 1, 2019.<sup>3</sup> Cascade filed a compliance filing effective April 1, 2019, with the return of the unprotected EDIT addressed in Schedule 198.

*ADV 1011/Advice No. O19-09-02*

In September 2019, while preparing the compliance filing associated with the deferral docket, the Company became aware that the tariff associated with the unprotected EDIT was calculated incorrectly. Specifically, the \$502,331 amount was divided by five instead of a full \$502,331 being returned annually.

The Company has requested this tariff change on less than statutory notice in order to pass back approved amounts to customers as soon as practicable. Because this filing represents a rate reduction to customers for amounts previously approved, Staff finds that there is good cause to approve amortization on less than statutory notice.

Staff estimates the refund shortfall since April 1, 2019, to be approximately \$137 thousand dollars based on monthly PGA volumes. In order to minimize the number of tariff changes, the Company intends to leave the tariff in place past April 1, 2024, until the full five year refund amount of \$2,511,655 has been returned to customers. Staff, Oregon Citizen's Utility Board (CUB), and Alliance of Western Energy Consumers (AWEC) concur in this approach.

---

<sup>1</sup> See *In the Matter of CASCADE NATURAL GAS CORPORATION, Request for a General Rate Revision*, Docket No. UG 347, Order No. 19-088.

<sup>2</sup> See *In the Matter of CASCADE NATURAL GAS CORPORATION, Application for Deferral of 2018 Net Benefits Associated with the US Tax Cuts and Jobs Act*, Docket No. UM 1927, Order No. 19-302.

<sup>3</sup> Order No. 19-088, at 9.

Conclusion

Staff has reviewed the revised tariff schedule and associated work papers provided by the Company, and finds that they are calculated to collect the amounts approved in Order No. 19-088. Staff recommends the Commission approve Cascade's proposed revisions to Schedule 198.

**PROPOSED COMMISSION MOTION:**

Approve Cascade's request to revise Tariff P.U.C. OR. No. 10, Schedule 198 Unprotected Excess Deferred Income Tax (EDIT) on less than statutory notice effective for service rendered on and after October 11, 2019.