

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 13, 2020**

REGULAR CONSENT EFFECTIVE DATE March 1, 2020

DATE: January 30, 2020

TO: Public Utility Commission

FROM: John Fox

THROUGH: Michael Dougherty, John Crider, and Marianne Gardner **SIGNED**

SUBJECT: AVISTA UTILITIES:
(Docket No. ADV 1080/Advice No. 20-01-G)
Extend Schedule 474 Temporary Federal Income Tax Rate Credit for an additional one-year period.

STAFF RECOMMENDATION:

Approve Avista Utilities' (Avista or Company) application requesting to extend the effective date of Schedule 474 for an additional one-year period.

DISCUSSION:

Issue

Whether the Commission should approve Avista's Advice No. 20-01-G, extending Schedule 474, Temporary Federal Income Tax Rate Credit – Oregon, amortizing amounts due to ratepayers from January 1, 2019 through January 14, 2020, attributable to the revisions of the federal income tax code caused by the enactment of the Tax Cuts and Jobs Act (Tax Act) signed into law on December 22, 2017.

Applicable Rule or Law

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls, and charges for service 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).

Analysis

On December 3, 2019, the Commission approved the Company's application to defer Tax Act benefits for calendar year 2019 and the portion of 2020 prior to the January 15, 2020, effective date of the Company's general rate revision.¹

At that time, the Company estimated the amount to be returned as \$3.704 million dollars and \$142 thousand dollars for 2019 and 2020, respectively.

The Company's current application states the following:

As discussed with Commission Staff, we are still finalizing the actual amount to be deferred through January 14, 2020. Our expectation is the deferred amount for the period January 1, 2019 through January 14, 2020 will be a similar amount as to what is being returned to customers through Tariff Schedule 474 (March 1, 2019 - February 29, 2020) presently (\$3.7 million). Given the 2019/2020 balance and the 2018 balance are fairly close, and rather than have multiple rate changes for customers over the next few months with the general rate case (UG-366) going into effect, we are requesting to extend the existing Tariff Schedule 474, at its existing rate, for another year - expiring February 28, 2021. We are proposing to roll over (include) any remaining 2018 related amount, up or down, to the 2019/2020 deferral. At the end of the amortization period for the 2019/2020

¹ Docket Nos. UM 1918(1) and UM 1918(2), Order No. 19-423.

deferral, we will either include any remaining balance in the Residual account or in a future general rate case, depending on the size.

Staff notes that the Schedule 474 tariff was designed to return \$3.708 million dollars to customers plus interest at the Company's weighted average cost of capital for amounts not under amortization and the Modified Blended Treasury rate for amounts being amortized, as described in Order No. 08-263 as modified by Order No. 10-279.

Staff also notes that the amount of tax benefits returned to customers during the amortization period depends on the actual amount of gas delivered each month, which will vary from the tariff design.

On May 25, 2018, the Company agreed, pursuant to the filing of an all-party stipulation in Docket No. UM 1897, to waive, and not seek to apply, an earnings test to the Tax Act benefits. Even though the Hydro One Merger docket is now defunct, Avista continues to honor the agreement to waive an earnings test related to the Tax Act benefits. Therefore, no additional review of the Company's earnings is necessary prior to amortization, and no sharing between customers and the Company is requested.

Conclusion

Staff concludes that amounts underlying the current tariff continue to be a reasonable estimate of the amounts necessary to return the remaining Tax Act benefits to customers. Accordingly, Staff recommends that Commission approve the Company's request to continue the current Schedule 474 rates for another year effective March 1, 2020, with the understanding any residual over/under amount will be returned to customers in the manner described in the application.

PROPOSED COMMISSION MOTION:

Approve Avista's application requesting to extend the effective date of Schedule 474 for an additional year effective March 1, 2020.