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

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

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

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

A. Expense or Revenue at Issue.

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

B. Reason for Deferral.

Staff requests the Commission approve this Application pursuant to ORS 757.259(2)(e), which provides the Commission with discretion to defer “identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.” All aspects of the Act that impact Avion’s federal tax obligations, other than CIAC Tax Benefits, have been incorporated into Avion’s rates through the rates adopted in Docket No. UW 181. Rates in that docket were
effective for service rendered on or after January 1, 2021. The parties to the UW 181 stipulation agreed to the reauthorization for this deferral in the stipulation. A deferral of the CIAC Tax Benefits is necessary to continue tracking the difference in Avion’s federal tax obligations resulting from the CIAC Tax Benefits. Deferring the impact of CIAC Tax Benefits would allow for the appropriate matching of costs borne by and benefits received by customers.

C. Proposed Accounting.

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

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

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

E. Notice.

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

II. Staff contacts.

Communications regarding this Application should be addressed to:

Jill Goatcher  
Oregon Department of Justice  
1162 Court Street NE  
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
III. Conclusion

For the reasons stated above, Staff respectfully requests that the Commission authorize the deferral of the CIAC Tax Benefits for the twelve month period beginning March 2, 2021.

DATED this 1st day of March, 2021.

Respectfully submitted,

ELLEN F. ROSENBLUM
Attorney General

/s/ Jill Goatcher

Jill Goatcher, OSB # 202294
Assistant Attorney General
Of Attorneys for Staff of the Public Utility Commission of Oregon
BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1936

In the Matter of
STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON,


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, 2021, Staff of the Public Utility Commission of Oregon (Staff) filed its 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).

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
Public Utility Commission of Oregon’s website. Any person who wishes to submit written comments on Staff’s Application should do so by March 31, 2021.

DATED this 1st day of March, 2021.

Respectfully submitted,

ELLEN F. ROSENBLUM
Attorney General

/s/ Jill Goatcher

Jill Goatcher, OSB # 202294
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 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
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