

NW Natural

2018 Washington Interim Period Deferral - TCJA Income Tax Benefit
Interim Benefit from January 1, 2018 through December 31, 2018
Forecasted - As of Each Date Noted - For Full Calendar Year

No.	Full Year Estimate as of January 2018			2018 Twelve Month Interim Period		
	w/o TCJA	w/ TCJA	Change	Full Year Estimate as of October 2018 w/o TCJA	w/ TCJA	Change
Operating Revenues						
1	\$67,875,145	\$67,875,145	\$ -	\$64,333,332	\$64,333,332	\$ -
2	0	0	-	1,931,910	1,931,910	-
3	268,100	268,100	-	-2,147,429	-2,147,429	-
4	68,143,245	68,143,245	-	64,117,813	64,117,813	-
Operating Revenue Deductions						
5	\$25,764,992	\$25,764,992	-	\$23,211,211	\$23,211,211	-
6	67,667	67,667	-	33,696	33,696	-
7	13,622,391	13,622,391	-	17,225,134	17,225,134	-
8	39,455,050	39,455,050	-	40,470,041	40,470,041	-
9	3,140,184	1,880,120	1,260,063A	2,243,045	1,341,837	901,208 -A
10	2,744,232	2,744,232	-	1,268,490	1,268,490	-
11	3,725,797	3,725,797	-	3,006,041	3,006,041	-
12	9,671,750	9,671,750	-	9,126,419	9,126,419	-
13	58,737,012	57,476,949	1,260,063	56,114,036	55,212,828	901,208
14	\$9,406,233	\$10,666,296	-\$1,260,063	\$8,003,778	\$8,904,985	(\$901,208)
		Income Tax Gross Up: 1.266 -B		Income Tax Gross Up: 1.266 -B		
		-\$1,595,240		\$ (1,140,929)		
15	Interim Period Benefit Deferral (Grossed Up)		Rounded: \$1.6 Million	Rounded: \$1.14 Million		

Federal Income Tax Expense

	Full Year Estimate as of October 2018		
	w/o TCJA	w/ TCJA	Change
Operating Revenues	\$ 64,117,813	\$ 64,117,813	\$ -
Operating Deductions	(40,470,041)	(40,470,041)	-
Property & Other Taxes	(4,274,531)	(4,274,531)	-
Book Depreciation	(9,126,419)	(9,126,419)	-
Interest (Rate Base * Cost of Debt)	(4,639,194)	(4,639,194)	-
PreTax Regulatory Earnings Subtotal	5,607,628	5,607,628	-
Permanent Tax Differences	829,570	829,570	-
PreTax Subtotal Plus Perm. Tax Differences	6,437,198	6,437,198	-
Federal Income Tax Rate	35%	21%	
Federal Income Tax Before Credits	2,253,019	1,351,812	901,208
Research Credit	(9,975)	(9,975)	-
Federal Income Tax Expense	#####	#####	901,208

A U.S. Federal corporate income tax rate decreased from 35% to 21%, which is a 40% decrease. The 'change' in federal income tax expense above, or interim period benefit, is consistent with this expected decrease (e.g., reduction in January estimate on row 9 of \$1.26 million is 40% of w/o TCJA federal tax expense of \$3.14 million)

B Income tax gross up rate derived by dividing one by one minus the applicable blended statutory income tax rate [1.266 = (1 / (1-.21))]

To estimate the net reduction to income tax expense from the TCJA, NW Natural is utilizing a 2018 annual commission basis report format to perform a "with" and "without" TCJA calculation. Using 2018 actual results is consistent with Commission policy as recently clarified in Order No. 07 in Cascade Natural Gas' recent Docket UG-170929.