AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	01/04/2017
CASE NO.:	UE-170485 & UG-170486	WITNESS:	Mark Thies
REQUESTER:	ICNU	RESPONDER:	Liz Andrews
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	ICNU – 136	TELEPHONE:	(509) 495-8601
		EMAIL:	liz.andrews@avistacorp.com

REQUEST:
On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (“TCJA”), also known as of the 115th Congress, was signed into law by the President. Please provide the following information relative to the impact of the TCJA on Avista’s rates in Washington:

a. Please recalculate the Company’s rebuttal testimony revenue requirements for gas and electric services taking into consideration all relevant tax provisions of the TCJA, including, but not limited to, income tax expense, updated tax provision calculations, and accumulated deferred income taxes.
b. Please provide a narrative explanation of how the reduction to the marginal corporate tax rate from 35% to 21% will impact the revenue requirement results Avista has previously calculated for gas and electric services in this matter.
c. Please provide a narrative explanation of how the provisions allowing for temporary 100-percent expensing for certain business assets will impact revenue requirement results Avista has previously calculated for gas and electric services in this matter. (See TCJA, Title 1, Subtitle C, Part III, Subpart A).
d. Please provide a narrative explanation of how the provisions related to the Base Erosion Minimum Tax will impact revenue requirement results Avista has previously calculated for gas and electric services in this matter (See § 14401).
e. Will relevant provisions of the TCJA result in a Net Operating Loss Carryforward in revenue requirement results Avista has previously calculated in this matter? If yes, please explain how the Net Operating Loss Carryforward was calculated and provide all workpapers supporting the calculation.
f. Will provisions of the TCJA result in any other tax assets or liabilities (e.g. Production Tax Credit Carryforwards) that Avista believes should be reflected in its recalculated revenue requirement results? If yes, please identify each such asset or liability, explain Avista’s basis for including it and provide workpapers to support the calculation of the associated amount.
g. Does Avista intend to propose an adjustment to its revenue requirement in this docket as a result of passage of the TCJA. If yes, please identify the amounts of the revenue requirement adjustments for both gas and electric services, and explain how those amounts were calculated.

RESPONSE:

a.-g. The Company is evaluating the impacts of the new law and preparing to comply with the accounting requirements of ASC-740 which requires recognition of the effect of tax law changes to be recognized in the period of enactment, in this case, December 2017. As it relates to our regulated operations, that impact will largely be restating deferred tax balances down to reflect the new 21% corporate rate while at the same time reflecting new “excess” deferred tax balances, along with required regulatory gross up amounts. Outside of the gross up amounts, our deferred tax balances will not change.

This is an extensive task. With that said, the Company is supportive of a generic regulatory proceeding that addresses an equitable methodology to flow associated benefits from the Tax Cuts and Jobs Act to customers. In the meantime, the Company proposes to develop a regulatory deferred accounting process to capture benefits until the generic proceeding is resolved.

To that end, on December 29, 2017 the Company filed separate electric and natural gas “Petition[s] for an Order Authorizing Deferral of Federal Income Tax Expenses for the Effects of Revisions of the Federal Income Tax Code Upon Avista’s Cost of Service.” In each petition the Company requests an order authorizing it to utilize deferred accounting for the impact to its federal income tax (FIT) expenses due to the revisions of the federal income tax code caused by enactment of the “Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018” (“Act”). Avista fully expects that all the financial impacts of changes to the federal tax code will be addressed in a manner that properly captures those impacts and are properly incorporated in customers’ rates. Since the federal income tax code changes are effective beginning January 1, 2018, Avista would defer the impact of the changes to federal income tax expenses beginning in January 2018.

As it relates to the revenue requirement requested by the Company in this rate case proceeding, the Company is in the process of determining the impact of the Tax Cuts and Jobs Act on its request for rate relief. The Company plans to have a more detailed response in response to the WUTC’s Bench Request No. 1, due on January 12, 2018.