

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	1/4/2018
CASE NO:	UE-170485 & UG-170486	WITNESS:	Mark Thies
REQUESTER:	Public Counsel	RESPONDER:	Don Falkner/Liz Andrews
TYPE:	Data Request	DEPT:	Tax
REQUEST NO.:	PC – 165	TELEPHONE:	(509) 495-4326
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REQUEST:**Re: Tax Cuts and Jobs Act.**

Please explain with particularity the Company's overall plan to flow the tax benefits generated by the Tax Cuts and Jobs Act to ratepayers associated with the following: (1) rate reductions in the Act and (2) excess ADFIT generated by the Act.

RESPONSE:

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.