

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

NORTHWEST NATURAL GAS COMPANY  
dba NW NATURAL

For Authorization to Defer Certain Expenses  
or Revenues Associated with the 2018 U.S.  
Tax Cuts and Jobs Act.

**NORTHWEST NATURAL'S  
AMENDED APPLICATION  
FOR ACCOUNTING  
ORDER  
DOCKET NO. UG - 171224**

**I. INTRODUCTION**

1 Pursuant to WAC 480-07-370(1)(b) and 480-90-203, Northwest Natural Gas Company (“NW Natural” or the “Company”) files this amended application (“Application”) with the Washington Utilities and Transportation Commission (the “Commission”) to update FERC accounts to be used consistent with our proposal in our recently filed general rate case as well as update the estimated amounts subject to deferral. The Washington Utilities and Transportation Commission Staff asked the Company on February 6, 2019 to update and amend the original application filed December 29, 2017. This amended application continues to seek authorization to use deferred accounting, from December 29, 2017 forward, for costs and benefits associated with the recent enactment of the federal tax reform act, originally known as the “Tax Cuts and Jobs Act” (“tax reform”). As described more fully below, NW Natural anticipates that tax reform will result in net benefits to customers that the Company seeks to defer for later rate-making treatment.

## II. BACKGROUND

2 NW Natural is a natural gas utility and public service company doing business in the state of Washington and is subject to the jurisdiction of the Commission regarding rates, service, and accounting practices. The Company's principal place of business is 220 N.W. Second Avenue, Portland, Oregon, 97209-3991

3 Communications regarding this Application should be addressed to:

NW Natural  
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Portland, Oregon 97209-3991  
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4 In addition, NW Natural respectfully requests that all data requests be addressed to:

e-Filing for Regulatory Affairs  
[eFiling@nwnatural.com](mailto:eFiling@nwnatural.com)

### **III. REASONS FOR REQUEST FOR DEFERRED ACCOUNTING**

5 Federal tax reform was enacted on December 22, 2017. The most significant provision is the lowering of the federal corporate income tax rate from 35% to 21% beginning January 1, 2018. As a result of the lower corporate tax rate, regulated utility income tax expense is anticipated to be lower than it otherwise would be, and federal deferred income tax balances will be remeasured using the new lower rate. NW Natural anticipates that tax reform will result in a net benefit for NW Natural customers. This Application seeks to defer all costs and benefits resulting from tax reform, so that an appropriate net adjustment can be made to customers' rates in the manner approved by the Commission in the future.

### **IV. PROPOSED ACCOUNTING TREATMENT**

6 Beginning on December 31, 2017, NW Natural recorded deferred amounts related to excess deferred income taxes in FERC Account 254 (Other Regulatory Liabilities) with offsetting amounts to FERC Account 283 (Accumulated Deferred Income Taxes – Other). In addition, beginning on January 1, 2018, NW Natural started to record deferred amounts related to interim period tax benefits in FERC Account 254 (Other Regulatory Liabilities) with offsetting amounts in FERC Account 495 (Other Gas Revenues). If this application is denied, the changes related to excess deferred income tax liabilities will be recorded in FERC Account 283 (Accumulated Deferred Income Taxes – Other), FERC Account 410.1 (Provisions for Deferred Income Taxes, Utility Operating Income), and FERC Account 411.1 (Provision for Deferred Income Taxes – Credit, Utility Operating

Income). In addition, no deferral amounts would be recorded for interim period tax savings.

7           NW Natural may determine, as it works through the accounting specifics, that other accounts will be used also.

#### **V.       ESTIMATED AMOUNTS SUBJECT TO DEFERRAL**

8           NW Natural included an update regarding tax reform deferrals in rate case docket UG-181053. At the time of the rate case filing, the interim period tax benefit for calendar year 2018 was estimated to be \$1.14 million, including a gross up for income taxes. Now that calendar year 2018 has come to a close, it appears the calendar year figure is \$ [REDACTED], including a gross up for income taxes. This interim period tax benefit deferral is anticipated to continue until October 31, 2019 (the day before the anticipated rate effective date from UG-181053). The excess deferred income tax deferrals, before income tax gross up, include a liability related to plant balances of \$14.592 million and an asset related to non-plant balances of \$0.32 million.

9           NW Natural anticipates that these tax reform deferrals for interim period tax benefits and excess deferred income taxes will be discussed and ultimately decided on in the Company's recently filed general rate case (UG – 181053). NW Natural will update the Commission and interested parties if the estimated deferral balances disclosed above change significantly.

10          NW Natural respectfully requests that the Commission continue to seek authorization for deferral accounting to defer the net benefits of tax reform described in this Application.

Dated this 19<sup>th</sup> day of February 2019.

Respectfully Submitted,

/s/ Kyle T. Walker

NW NATURAL

Kyle T. Walker

Rates/Regulatory Manager

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