BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. AVISTA CORPORATION D/B/A AVISTA UTILITIES, Respondent.	DOCKETS UE-170485 and UG-170486 (*Consolidated*) PUBLIC COUNSEL'S COMMENT ON CONSOLIDATION AND RESPONSE TO AVISTA'S ACCOUNTING PETITIONS
In the Matter of the Petition of AVISTA CORPORATION d/b/a AVISTA UTILITIES 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.	DOCKETS UE-171221 and UG-171222 (*Consolidated*)

1. Pursuant to the Commission's Notice of Intent to Consolidate and Notice of Opportunity to Comment on Avista's Accounting Petitions, dated February 16, 2018, Public Counsel files this Comment and Response. Generally, Public Counsel believes consolidation may prove to be efficient in resolving the issue of identifying the impacts of The Tax Cuts and Jobs Act (TCJA) and passing those impacts to customers. Public Counsel supports including the impact of the TCJA in rates being determined in Avista's general rate case. Additionally, to the extent impact

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of the TCJA cannot be immediately calculated, identified, quantified, or passed back to ratepayers, Public Counsel supports implementing mechanisms to track the impact and pass back amounts to customers.

2. In the general rate case, the Commission requested information in Bench Request 1 (BR 1) from Avista regarding the impact of the TCJA and provided parties the opportunity to comment on Avista's response. Avista responded that it needed more time to calculate the total impact of the TCJA and proposed timelines to provide the information, but also stated, "Nevertheless, all of the benefits associated with the costs paid by customers related to the TCJA will be returned to customers as discussed in this response."[1] Commission Staff, Public Counsel, and The Energy Project commented on Avista's response.

3. The Commission may have before it enough information to determine how best to pass the impacts of the TCJA to ratepayers. The federal tax changes will result in a reduction of Avista's cost of service, and updating Avista's rates for these impacts is important to prevent over-collection of funds from ratepayers.

4. The new tax legislation will impact Avista's costs in multiple ways. Simplistically, the TCJA reduces Avista's income tax burden from 35 percent to 21 percent, but also affects Avista's Accumulated Deferred Federal Income Tax (ADFIT). Public Counsel believes immediate adjustment of Avista's tax rate is reasonable and achievable.

5. The treatment of ADFIT and excess ADFIT is more involved. Avista, like other utilities, accumulates ADFIT. If the tax rate remains unchanged, Avista would pay down its ADFIT

[1] Avista's Response to Bench Request 1 (Jan. 11, 2018).

balance as it pays the deferred tax to the taxing authority. However, since the tax rate lowered and Avista accumulated ADFIT at a higher tax rate, its ADFIT will never completely deplete. Additionally, once the new tax rate went into effect in January 2018, Avista (and other utilities) have been over-collecting funds associated with ADFIT because the prior, higher tax rate is embedded in rates.

6. As Public Counsel understands, excess ADFIT cannot be returned immediately, but rather it would be returned to customers over time, in conjunction with amortization schedules. Without a tracking mechanism in place to track the difference between the higher collected tax amount and the new lower tax rate, Avista will not be able to pass the funds back to customers, who would not receive the benefits from TCJA until Avista's next rate case.

7. The Commission may benefit from additional input from parties before a decision regarding how to pass back excess ADFIT. Avista will submit more information, and parties can evaluate and respond to the information. Whatever the Commission decides, the full impact of the TCJA should be passed to customers because customers should receive the full amount of their over-paid tax rate and the savings caused by the new tax legislation.

DATED this 23rd day of February 2018.

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