

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	
	)	Docket No. UE-17_____
Avista Corporation, d/b/a Avista Utilities	)	
	)	PETITION OF AVISTA
For an Order Authorizing Deferral of Federal Income	)	CORPORATION
Tax Expenses for the Effects of Revisions of the	)	
Federal Income Tax Code Upon Avista's Cost of	)	
Service.	)	

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**I. INTRODUCTION**

1           In accordance with WAC 480-100-203(3), Avista Corporation, doing business as Avista Utilities ("Avista" or "Company"), at 1411 East Mission Avenue, Spokane, Washington, hereby petitions the Commission for 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").

2           Avista is a utility that provides service to approximately 370,000 electric customers and 230,000 natural gas customers in a 26,000 square-mile area in eastern Washington and northern Idaho. Avista Utilities also serves approximately 100,000 natural gas customers in Oregon. The largest community served by Avista is Spokane, Washington, which is the location of its corporate headquarters. Please direct all correspondence related to this Petition as follows:

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3 Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040,  
RCW 80.28.020, and WAC 480-07-370(1)(b).

## II. BACKGROUND

4 The Company's cost of service includes federal income taxes that have been calculated  
in accordance with the Internal Revenue Code of 1986. In late-2017, the United States Congress  
passed the "Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent  
Resolution on the Budget for Fiscal Year 2018", which amends sections of the 1986 Code. The  
Act was signed into law by President Trump on December 22, 2017. The Act is effective for  
tax years beginning after December 31, 2017. The Act includes extensive changes to the federal  
income tax code for business entities, including Avista. Lowering the tax rate from 35% of  
taxable income to 21% of taxable income is one of the provisions that will change the federal  
income tax expense that Avista records and includes in its cost of service.

5 Current federal income tax expense will change due to the lower federal tax rate of 21%  
(down from the current 35% federal tax rate). The impact of a rate change on the current tax  
expense is only one piece of the expected impact of the tax code reform, and will not be  
considered in isolation. Other items that we anticipate impacting the Company's cost of service  
are changes to deferred taxes, both on the income statement and on the balance sheet,

amortization of deferred tax amounts that represent the difference between the historical 35% rate and the revised 21% rate, as well as other possible items that may no longer be deductible, such as state and local tax expenses. The impact of a reduction in the corporate tax rate, along with changes in allowed deductions that may off-set the tax rate reduction, will not be a straight forward calculation. These changes will need to flow through the Company's income statement and balance sheet to determine the overall effect. In addition, the Company will need to work with its tax depreciation software vendor to ensure the impacts of the tax code revisions are available for its tax calculation.

6 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. At a later date, the Company will supplement this filing with the expected impact of the changes and with detail of the amounts that have been deferred.

### **III. PROPOSED ACCOUNTING TREATMENT**

7 Avista proposes to record the deferred amount in FERC Account 449.1 (Provision for Rate Refunds) crediting FERC Account 229 (Accumulated Provision for Rate Refund). In absence of a deferred accounting order from the Commission, Avista would record costs associated with the deferred amount to FERC Account 182.3 (Other Regulatory Assets), FERC Account 190 (Accumulated Deferred Income Taxes), FERC Account 236 (Taxes Accrued), FERC Account 254 (Other Regulatory Liabilities), FERC Account 282 (Accumulated Deferred Income Taxes – Other Property), FERC Account 283 (Accumulated Deferred Income Taxes – Other), FERC

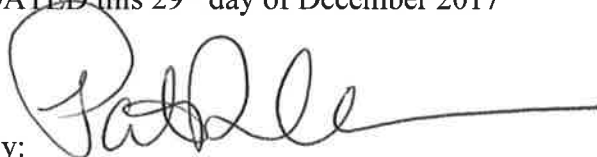
Account 409.1 (Income Taxes-Utility Operating Income), FERC Account 410.1 (Provisions for Deferred Income Taxes, Utility Operating Income) and FERC Account 411.1 (Provision for Deferred Income Taxes – Credit, Utility Operating income). When the amounts are returned to customers, the Company would record the amortization of the deferred federal income tax expense in FERC Account No. 407.4 – Regulatory Credits, using separate sub-accounts.

8 Interest will be accrued based on the FERC interest rate, which for the first quarter of 2018 is 4.25%.<sup>1</sup>

## V. REQUEST FOR RELIEF

9 WHEREFORE, Avista respectfully requests that the Commission issue an Order approving the deferred accounting treatment proposed above. Avista will address the prudence and recovery of these costs in its next general rate case filing or other future proceeding, as appropriate.

DATED this 29<sup>th</sup> day of December 2017

By:   
Patrick D. Ehrbar  
Director of Rates, Avista Corp.

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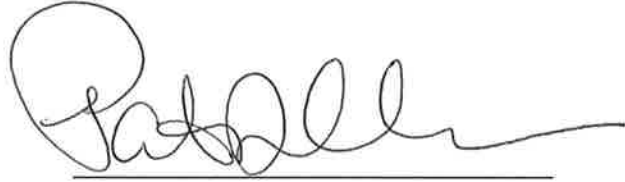
<sup>1</sup> <https://www.ferc.gov/enforcement/acct-matts/interest-rates.asp>

**VERIFICATION**

STATE OF WASHINGTON )  
                                  )  
County of Spokane         )

Patrick D. Ehrbar, being first duly sworn on oath, deposes and says: That he is a Director of Rates of Avista Corporation and makes this verification for and on behalf of said corporation, being thereto duly authorized;

That he has read the foregoing Petition, knows the contents thereof, and believes the same to be true.



SIGNED AND SWORN to before me on this 29<sup>th</sup> day of December 2017.



NOTARY PUBLIC in and for the State of  
Washington, residing at Spokane.

Commission Expires: 11/23/21