

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

DOCKET NOS. UE-190529 and UG-190530 (*Consolidated*)

MARK E. GARRETT ON BEHALF OF PUBLIC COUNSEL UNIT

EXHIBIT MEG-5

State Commission Orders

November 22, 2019

EXHIBIT MG-5.1



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

FILED

12/28/17
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A1712019

In the Matter of the Application of PacifiCorp (U 901 E)
for Approval of a Tax Reform Memorandum Account
effective January 1, 2018

Application No. 17-12-___

**APPLICATION OF PACIFICORP (U 901 E) FOR
APPROVAL OF A TAX REFORM MEMORANDUM
ACCOUNT AND REQUEST FOR EXPEDITED
CONSIDERATION**

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Attorneys for PacifiCorp

Dated: December 28, 2017

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of PacifiCorp (U 901 E)
for Approval of a Tax Reform Memorandum Account
effective January 1, 2018

Application No. 17-12-_____

**APPLICATION OF PACIFICORP (U 901 E) FOR
APPROVAL OF A TAX REFORM MEMORANDUM
ACCOUNT AND REQUEST FOR EXPEDITED
CONSIDERATION**

In accordance with Article 2 of the Commission's Rules of Practice and Procedure, PacifiCorp d/b/a Pacific Power (PacifiCorp) submits this Application for Approval of a Tax Reform Memorandum Account to track the expected income tax impacts associated with the Federal tax legislation, formally titled "To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018", H.R. 1 (Tax Act), signed into law on December 22, 2017. PacifiCorp requests that the effective date of the Tax Reform Memorandum Account be January 1, 2018, in order to allow PacifiCorp to track the full impact of the Tax Act. There is no ratemaking treatment associated with this application; PacifiCorp will seek authority to amortize the balance recorded in the Tax Reform Memorandum Account in a future ratemaking proceeding.

PacifiCorp also requests expedited consideration of this Application.

I. INTRODUCTION

PacifiCorp is a multi-jurisdictional utility providing electric service to retail customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp serves approximately 45,000 customers in Del Norte, Modoc, Shasta, and Siskiyou counties in Northern California.

In 2011, the Commission issued Resolution L-411A, which directed a number of utilities, including PacifiCorp, to establish memorandum accounts to track the impacts of the 2010 Tax Relief Act. The 2010 Tax Relief Act changed the treatment of bonus depreciation on utility property, which would affect regulated utilities' cost-of-service; because the utilities' rates were set on three-year general rate case cycles, the Commission determined it was necessary for the utilities to establish memorandum accounts to ensure the tax impacts could be reflected in rates during each utility's next general rate case. In accordance with Resolution L-411A, PacifiCorp filed Advice Letter 447-E to establish the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 Memorandum Account. That memorandum account, however, is specific to the impacts of the 2010 tax legislation and it cannot address the impacts that will result from the new Tax Act.

On December 22, 2017, the Tax Act was signed into law by the President of the United States. The Tax Act contains provisions that will result in comprehensive changes to PacifiCorp's financial statements. The most notable impact is the reduction in the federal corporate income tax rate from 35 percent to 21 percent. In addition, the change in the federal corporate income tax rates results in excess net deferred income tax liabilities, which must be reversed. PacifiCorp is continuing to analyze the provisions of the Tax Act to determine other impacts.

PacifiCorp respectfully requests authorization to establish a memorandum account to track the expected income tax impact associated with the Tax Act in a newly proposed Tax

Reform Memorandum Account. The Commission has authorized similar tax memorandum accounts for other electric utilities.¹

II. PROPOSED MEMORANDUM ACCOUNT

PacifiCorp requests authorization to track the expected income tax impacts associated with the income tax provisions enacted by the Tax Act that was signed into law on December 22, 2017. The company proposes to track for future credit to customers, amounts related to the reduction in the federal corporate income tax rate and related changes in the net deferred income tax liabilities associated with the Tax Act. PacifiCorp is continuing to assess and evaluate any other impacts of the Tax Act that would also be recorded in the Tax Reform Memorandum Account.

C. Proposed Accounting

As discussed above, PacifiCorp requests authorization to record the expected income tax impacts associated with the income tax provisions enacted by the Tax Act in the Tax Reform Memorandum Account. PacifiCorp seeks to match the costs borne and benefits received by customers by way of the deferred accounting sought in this application. If this application is approved, the amounts recorded in the Tax Reform Memorandum Account would include the deferred amounts related to the reduction in federal corporate income tax rate recorded in FERC Account 229 – Accumulated Provision for Rate Refund with the corresponding entry to FERC Account 449.1 – Provision for Rate Refunds and related income tax effects recorded in FERC 190 – Accumulated Deferred Income Taxes, FERC 236 – Taxes Accrued, FERC 409.1 – Income Taxes-Utility Operating Income and FERC 411.1 – Provision for Deferred Income Taxes

¹ See, e.g., *Application of Southwest Gas Corp.*, D.17-06-006, pp. 5–9 (authorizing a tax memorandum account consistent with the circumstances addressed in Res. L-411A); *Application of Liberty Utilities*, D.16-12-024, pp. 21–23 (authorizing a tax memorandum account consistent with Res. L-411A); *Application of San Diego Gas & Electric Co.*, D.16-06-054, p. 196 (directing SDG&E and SoCalGas to each establish a tax memorandum account).

– Credit, Utility Operating income. In addition, if this application is approved, PacifiCorp proposes the Tax Reform Memorandum Account would include deferred amounts related to excess deferred income tax liabilities recorded in FERC Account 254 – Other Regulatory Liabilities and FERC Account FERC 182 - Other Regulatory Assets with offsetting amounts to FERC 190 – Accumulated Deferred Income Taxes, FERC 281 -Accumulated Deferred Income Taxes – Accelerated Amortization, FERC 282 – Accumulated Deferred Income Taxes – Other Property, and FERC 283 – Accumulated Deferred Income Taxes – Other. A copy of the tariff language for the proposed Tax Reform Memorandum Account is attached to this Application as Attachment A.

D. Estimate of Amounts

PacifiCorp is continuing to analyze the provisions of the Tax Act to determine and quantify the impacts. An estimate of the total expected benefit is not available at this time.

E. Disposition of Tax Reform Memorandum Account

PacifiCorp proposes that future ratemaking treatment of the amounts recorded in the Tax Reform Memorandum Account will be determined only after a request by the Company in a subsequent proceeding, a showing of the reasonableness of the tax impacts, and approval by the Commission. Such a request may be made by a formal application specifically for that purpose, by inclusion in a subsequent general rate case, or other rate-setting request.

III. STATUTORY AND REGULATORY REQUIREMENTS

A. Applicant and Correspondence (Rules 2.1(a) and (b))

PacifiCorp is a public utility organized and existing under the laws of the state of Oregon. PacifiCorp engages in the business of generating, transmitting, and distributing electric energy in portions of northern California and in Idaho, Oregon, Utah, Washington, and Wyoming.

PacifiCorp's principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232.

Communications regarding this application should be addressed to:

Cathie Allen
Regulatory Affairs Manager
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232
Telephone: (503) 813-5934
Facsimile: (503) 813-6060
Email: californiadockets@pacificorp.com

Matthew McVee
Chief Regulatory Counsel
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232
Telephone: (503) 813-5585
Facsimile: (503) 813-7262
Email: matthew.mcvee@pacificorp.com

Michael B. Day
Megan Somogyi
Goodin, MacBride, Squeri & Day, LLP
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
E-mail: mday@goodinmacbride.com

In addition, PacifiCorp respectfully requests that all data requests in this case be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

B. Statutory and Procedural Authority (Rule 2.1)

Rule 2.1 requires that all applications state clearly and concisely the authorization or relief sought, cite by appropriate reference the statutory provision or other authority under which Commission authorization or relief is sought, and be verified by the applicant. The relief being sought is summarized in Sections I and II of this application. The statutory and other authority

under which this relief is being sought includes Rule 2.1, Resolution L-411A, Sections 451, 454, and 701 of the California Public Utilities Code, and this Commission's prior decisions, orders, and resolutions. An officer of PacifiCorp has verified this application as required by Rules 1.11 and 2.1.

C. Proposed Categorization, Need for Hearing, Issues to be Considered, Relevant Safety Considerations, and Proposed Schedule (Rule 2.1(c))

1. Proposed Category of Proceeding

Rule 2.1(c) requires PacifiCorp to state “[t]he proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule.” PacifiCorp proposes that the Commission classify this proceeding as “ratesetting.” The issues in this proceeding relate to the authorization to establish a Tax Reform Memorandum Account to record the impacts associated with the Tax Act. While no ratemaking treatment is associated with this application, the definitions of “adjudicatory” or “quasi-legislative” as set forth in Rule 1.3(a) and (d) clearly do not apply to this application. Rule 7.1(e)(2) specifies that when a proceeding does not clearly fit into any of the categories, it should be conducted under the ratesetting procedures. Rule 1.3(e) also defines ratesetting proceedings to include “other proceedings” that do not fit clearly into other categories.

2. Need for Hearing

PacifiCorp does not believe hearings are necessary. There is no ratemaking treatment associated with this application, and any disposition of the amounts recorded in the Tax Reform Memorandum Account will be subject to Commission review in a future proceeding. PacifiCorp respectfully requests that the Commission authorize PacifiCorp to establish the Tax Reform Memorandum Account effective January 1, 2018.

3. Issues to be Considered and Relevant to Safety Considerations

The issues to be considered are described in this Application.

In D. 16-01-017, the Commission amended Rule 2.1(c) to require that applications clearly state the “relevant safety considerations.” The Company is committed to promoting the health, safety, comfort and convenience of customers and the public at large. Safety for PacifiCorp employees, customers, and stakeholders is one of PacifiCorp’s six core principles. PacifiCorp has developed and implemented various programs to help customers, employees, and stakeholders understand their own personal safety. In 2012 PacifiCorp received Prestigious Member Recognition from the National Safety Council for holding safety as a core value and making safety a priority in business. In 2013, 2015, and 2016 PacifiCorp received the Occupational Excellence Achievement Award from the National Safety Council for working to reduce on the job injuries. PacifiCorp was recognized for its safety achievement by the Edison Electric Institute by being in the top 1% of the safest electrical utilities in America for 2015. PacifiCorp also holds its contractors to a high standard of safety by requiring its contractors to register with a third-party evaluator of the contractor’s safety performance.

The Company complies with all applicable safety codes, including, but not limited to, the National Electric Safety Code, the Occupational Health and Safety Act, and any applicable state health and safety act requirements, at all of its generation facilities. Certain safety codes may also be applicable to the operation of the Company’s transmission and distribution facilities. PacifiCorp has developed standards that meet or exceed the National Electrical Safety Code. Employees are trained in work practice regulations along with Company construction standards to the highest standards and consistency.

The Company also works to develop teamwork to mitigate safety risks and has developed and implemented programs to continue improvement in safety. The Company continuously communicates safety goals in order to stay consistently on message across the organization. These programs include training and communicating from the top down, consistently delivering the same safety message and programs to all locations, and auditing the communications and programs. The Company sends daily emails to all of its employees noting accident reports and containing general reminders about safety. Other examples of the Company's commitment to safety include periodic emails with general safety tips for workplace and personal safety, safety committees for each floor of its corporate offices and field offices, annual safety training requirements which are linked to each employee's performance review, daily hazard assessment meetings for field offices, and annual evacuation drills.

The Company prioritizes safety for all resources and to the benefit of all employees, customers, and stakeholders.

4. Proposed Schedule and Request for Expedited Resolution

PacifiCorp proposes the following schedule, which allows for expedited Commission resolution of the Application:

Application Filed	December 28, 2017
Protest/Responses to Application	30 days following notice of filing of application in the Daily Calendar
Prehearing Conference	February 15, 2018
Scoping Memo	March 15, 2018
Proposed Decision	April 13, 2018
Final Commission Decision	May 15, 2018

D. Organization and Qualification to Transact Business (Rule 2.2)

A certified copy of PacifiCorp's Articles of Incorporation, as amended and presently in effect, was filed with the Commission in A.97-05-011, which resulted in Commission issuance of D.97-12-093, and is incorporated by reference under Rule 2.2.

E. CEQA Compliance (Rule 2.4)

The proposed Tax Reform Memorandum Account described in this application does not have the potential to result in either direct physical change to the environment or a reasonably foreseeable indirect physical change in the environment under the California Environmental Quality Act (CEQA) Guideline 15378. Accordingly, the relief requested in this application is not a "project" within the meaning of CEQA and is therefore exempt from CEQA review.²

III. CONCLUSION

PacifiCorp respectfully requests the Commission authorize the company to establish the Tax Reform Memo Account, effective January 1, 2018, to track the expected impacts associated with income tax provisions enacted by the federal Tax Act.

² See, e.g., *Sierra Pacific Power Company*, D.10-10-017 (holding that a transfer of control would not cause a change in the environment and was therefore exempt from CEQA); *Application of Lodi Gas Storage*, D.08-01-018 (holding that a transfer of control with no attendant changes in operations would not impact the environment and was exempt from CEQA).

Respectfully submitted December 28, 2017, at San Francisco, California.

GOODIN, MACBRIDE,
SQUERI & DAY, LLP
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Email: mday@goodinmacbride.com

/s/ Michael B. Day

Michael B. Day

Attorneys for PacifiCorp

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Matthew McVee
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Portland, Oregon 97232
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Email: matthew.mcvee@pacificorp.com

ATTACHMENT A

Tax Reform Memorandum Account

Pacific Power & Light Company
Portland, Oregon

Original Cal.P.U.C.Sheet No. _____
Canceling _____ Cal.P.U.C.Sheet No. _____

Tax Reform Memorandum Account

(N)

I. Purpose

The Tax Reform Memorandum Account will track the expected income tax impacts associated with the Federal tax legislation, formally titled "To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018", H.R. 1 (Tax Act) signed into law on December 22, 2017.

II. Applicability

The Tax Reform Memorandum Account shall apply to all customers unless otherwise specified by the Commission.

III. Accounting Procedures

The Tax Reform Memorandum Account will record the deferred amounts related to the reduction in federal corporate income tax rate recorded in FERC Account 229 - Accumulated Provision for Rate Refund with the corresponding entry to FERC Account 449.1 (Provision for Rate Refunds) and related income tax effects recorded in FERC 190 (Accumulated Deferred Income Taxes), FERC 236 (Taxes Accrued), FERC 409.1 - Income Taxes-Utility Operating Income and FERC 411.1 - Provision for Deferred Income Taxes - Credit, Utility Operating income. In addition, the Tax Reform Memorandum Account would include deferred amounts related to excess deferred income tax liabilities recorded in FERC Account 254 - Other Regulatory Liabilities and FERC Account FERC 182 - Other Regulatory Assets with offsetting amounts to FERC 190 - Accumulated Deferred Income Taxes, FERC 281 (Accumulated Deferred Income Taxes - Accelerated Amortization), FERC 282 - Accumulated Deferred Income Taxes - Other Property, and FERC 283 - Accumulated Deferred Income Taxes - Other. Analysis of the impacts of the Tax Act is continuing and there may be other Tax Act-related impacts recorded in the Tax Reform Memorandum Account.

IV. Disposition

Rate-making treatment of the amounts recorded in the Tax Reform Memorandum Account will be determined only after a request by the Company in a subsequent proceeding, a showing of the reasonableness of the tax impacts, and approval by the Commission. Such a request may be made by a formal application specifically for that purpose, by inclusion in a subsequent general rate case, or other rate-setting request.

(N)

(Continued)

Issued by

Advice Letter No. _____ Issued by Ettà Lockey Date Filed December 28, 2017

Name

Decision No.	_____	VP, Regulation	Effective	_____
		Title		
TF6 TMA-1.NEW			Resolution No.	_____

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of PacifiCorp (U
901 E) for Approval of a Tax Reform
Memorandum Account effective January 1, 2018

Application No. 17-12- ____

VERIFICATION

I am an officer of the applicant in the above-captioned proceeding and am authorized to make this verification on its behalf. The statements in the foregoing document are true on my own knowledge, except as to matters which are stated therein on information or belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 28, 2017, at Portland, Oregon.



Scott Bolton
Senior Vice President, External Affairs and
Customer Solutions

EXHIBIT MG-5.2



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

December 28, 2017

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, Oregon 97301-3398

Attn: Filing Center

RE: UM ___ PacifiCorp's Application for Deferred Accounting Related to the Federal Tax Act

Enclosed for filing by PacifiCorp d/b/a Pacific Power is an Application for Deferred Accounting Related to the Federal Tax Act.

It is respectfully requested that all formal data requests to the company regarding this filing be addressed to the following:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Please direct any informal inquiries to me at (503) 813-6583.

Sincerely,

A handwritten signature in black ink, appearing to read "Natasha Siores".

Natasha Siores
Manager, Regulatory Affairs

Enclosures

cc: Service List UE 263

CERTIFICATE OF SERVICE

I certify that I electronically filed a true and correct copy of PacifiCorp's **Application for Deferred Accounting Related to the Federal Tax Act** on the parties listed below via electronic mail in compliance with OAR 860-001-0180.

**Service List
UE 263**

<p>OREGON CITIZENS' UTILITY BOARD 610 SW BROADWAY, STE 400 PORTLAND, OR 97205 dockets@oregoncub.org</p>	<p>GREGORY M. ADAMS RICHARDSON ADAMS, PLLC PO BOX 7218 BOISE, ID 83702 greg@richardsonadams.com</p>
<p>GREG BASS NOBLE AMERICAS ENERGY SOLUTIONS, LLC 401 WEST A ST., STE. 500 SAN DIEGO, CA 92101 gbass@noblesolutions.com</p>	<p>KURT J BOEHM BOEHM KURTZ & LOWRY 36 E SEVENTH ST - STE 1510 CINCINNATI, OH 45202 kboehm@bklawfirm.com</p>
<p>STEVE W CHRISS (C) WAL-MART STORES, INC. 2001 SE 10TH ST BENTONVILLE, AR 72716-0550 stephen.chriss@wal-mart.com</p>	<p>MARIANNE GARDNER (C) PUBLIC UTILITY COMMISSION OF OREGON PO BOX 1088 SALEM, OR 97308-1088 marianne.gardner@state.or.us</p>
<p>KEVIN HIGGINS ENERGY STRATEGIES LLC 215 STATE ST - STE 200 SALT LAKE CITY, UT 84111-2322 khiggins@energystrat.com</p>	<p>ROBERT JENKS (C) OREGON CITIZENS' UTILITY BOARD 610 SW BROADWAY, STE 400 PORTLAND, OR 97205 bob@oregoncub.org</p>
<p>SARAH E LINK (C) PACIFIC POWER 825 NE MULTNOMAH ST STE 1800 PORTLAND, OR 97232 sarah.link@pacificorp.com</p>	<p>JODY KYLER COHN BOEHM, KURTZ & LOWRY 36 E SEVENTH ST STE 1510 CINCINNATI, OH 45202 jkylar@bklawfirm.com</p>
<p>KATHERINE A MCDOWELL (C) MCDOWELL RACKNER & GIBSON PC 419 SW 11TH AVE., SUITE 400 PORTLAND, OR 97205 katherine@mcd-law.com</p>	<p>SAMUEL L ROBERTS (C) HUTCHINSON COX COONS ORR & SHERLOCK 777 HIGH ST STE 200 PO BOX 10886 EUGENE, OR 97440 sroberts@eugenelaw.com</p>

<p>TRACY RUTTEN LEAGUE OF OREGON CITIES 1201 COURT STREET NE SUITE 200 SALEM, OR 97301 trutten@orcities.org</p>	<p>IRION A SANGER (C) SANGER LAW PC 1117 SE 53RD AVE PORTLAND, OR 97215 irion@sanger-law.com</p>
<p>DONALD W SCHOENBECK (C) REGULATORY & COGENERATION SERVICES INC 900 WASHINGTON ST STE 780 VANCOUVER, WA 98660-3455 dws@r-c-s-inc.com</p>	<p>NONA SOLTERO FRED MEYER STORES/KROGER 3800 SE 22ND AVE PORTLAND, OR 97202 nona.soltero@fredmeyer.com</p>
<p>DOUGLAS C TINGEY PORTLAND GENERAL ELECTRIC 121 SW SALMON 1WTC1301 PORTLAND, OR 97204 doug.tingey@pgn.com</p>	<p>JAY TINKER PORTLAND GENERAL ELECTRIC 121 SW SALMON ST 1WTC-0306 PORTLAND, OR 97204 pge.opuc.filings@pgn.com</p>
<p>MICHAEL T WEIRICH (C) PUC STAFF--DEPARTMENT OF JUSTICE BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 michael.weirich@state.or.us</p>	

Dated December 28, 2017.



Katie Savarin
Coordinator, Regulatory Operations

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for Approval of Deferred Accounting
Related to Federal Tax Act.

**APPLICATION FOR DEFERRED
ACCOUNTING**

I. INTRODUCTION

In accordance with Oregon Revised Statutes (ORS) 757.259(2)(e) and Oregon Administrative Rules (OAR) 860-027-0300, PacifiCorp d/b/a Pacific Power submits this application to the Public Utility Commission of Oregon (Commission) for an order authorizing PacifiCorp to defer the expected impacts associated with the income tax provisions enacted by the federal “To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018,” H.R. 1 (Tax Act) signed into law on December 22, 2017.

PacifiCorp requests to begin deferral of these amounts until the change is included in PacifiCorp’s base rates.¹

II. NOTICE

Communications regarding this application should be addressed to:

Oregon Dockets
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Email: oregondockets@pacificorp.com

Matthew D. McVee
Chief Regulatory Counsel
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Email: matthew.mcvee@pacificorp.com

¹ In accordance with OAR 860-027-0300, PacifiCorp will file for reauthorization of the deferral, as necessary.

In addition, PacifiCorp requests that all data requests regarding this application be sent to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Informal questions may be directed to Natasha Siores, Manager, Regulatory Affairs, at 503-813-6583.

III. BACKGROUND

The Tax Act contains provisions that will result in comprehensive changes to PacifiCorp's financial statements. The most notable impact is the reduction in the federal corporate income tax rate from 35 percent to 21 percent. In addition, the change in the federal corporate income tax rates results in excess deferred income tax liabilities, which must be reversed. PacifiCorp is continuing to analyze the provisions of the Tax Act to determine other impacts to be considered in this deferral application.

IV. DEFERRAL OF COSTS

PacifiCorp respectfully requests authorization under ORS 757.259(2)(e) to defer the impacts related to implementation of the Tax Act. As required by OAR 860-027-0300(3), PacifiCorp provides the following:

A. Description of Utility Expense

PacifiCorp is requesting to defer the expected impacts associated with the income tax provisions enacted by the Tax Act that was signed into law on December 22, 2017. The company expects to defer for future credit to customers, amounts related to the reduction in

the federal corporate income tax rate and related changes in deferred income tax liabilities.

PacifiCorp is continuing to assess and evaluate any other impacts of the Tax Act.

B. Reasons for Deferral

As discussed above, PacifiCorp requests deferral of the expected impacts associated with the income tax provisions enacted by the Tax Act. PacifiCorp seeks to match the costs borne and benefits received by customers by way of the deferred accounting sought in this application.

C. Proposed Accounting

If this application is approved, PacifiCorp proposes to record deferred amounts related to the reduction in federal corporate income tax rate in FERC Account 229—Accumulated Provision for Rate Refund with the corresponding entry to FERC Account 449.1—Provision for Rate Refunds and related income tax effects to FERC Account 190—Accumulated Deferred Income Taxes, FERC Account 236—Taxes Accrued, FERC Account 409.1—Income Taxes – Utility Operating Income and FERC Account 411.1—Provision for Deferred Income Taxes – Credit, Utility Operating income. If this application is denied, the collection of revenue requirement at the higher tax rate will remain in general business revenues (FERC Accounts 440—Residential Sales, 442—Commercial and Industrial Sales, and 444—Public Street and Highway Lighting). In addition, if this application is approved, PacifiCorp proposes to record deferred amounts related to excess deferred income tax liabilities in FERC Account 254—Other Regulatory Liabilities and FERC Account 182—Other Regulatory Assets with offsetting amounts to FERC Account 190—Accumulated Deferred Income Taxes, FERC Account 281—Accumulated Deferred Income Taxes – Accelerated Amortization, FERC Account 282—Accumulated Deferred Income Taxes – Other Property, and FERC Account 283—Accumulated Deferred Income Taxes – Other. If

this application is denied, the changes related to excess deferred income tax liabilities will be recorded in FERC Account 190—Accumulated Deferred Income Taxes, FERC Account 281—Accumulated Deferred Income Taxes – Accelerated Amortization, FERC Account 282—Accumulated Deferred Income Taxes – Other Property, 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.

D. Estimate of Amounts

PacifiCorp is continuing to analyze the provisions of the Tax Act to determine and quantify the impacts. An estimate of the total expected benefit is not available at this time.

E. Notice

A copy of the Notice of Application and a list of persons served with the notice are attached as Exhibit A to this application.

V. CONCLUSION

PacifiCorp respectfully requests that, in accordance with ORS 757.259(2)(e), the Commission authorize the company to defer the expected impacts associated with income tax provisions enacted by the federal Tax Act.

Respectfully submitted this 28th day of December, 2017.


By: 
Matthew D. McVee
Chief Regulatory Counsel
PacifiCorp d/b/a Pacific Power

Exhibit A

EXHIBIT A

NOTICE

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of

PACIFICORP d/b/a PACIFIC POWER

Application for Reauthorization of Deferred
Accounting Related to Federal Tax Act.

**NOTICE OF
APPLICATION FOR DEFERRED
ACCOUNTING**

On December 28, 2017, PacifiCorp d/b/a Pacific Power filed an application with the Public Utility Commission of Oregon (Commission) for an order authorizing deferred accounting treatment for Oregon-allocated amounts related to the expected impacts associated with the income tax provisions enacted by the federal tax act that was signed into law on December 22, 2017. The granting of this application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding. To obtain a copy of the application, contact the following:

Oregon Dockets
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
E-mail: oregondockets@pacificorp.com

Any person may submit written comments to the Commission regarding the application within 25 days of the filing of the application.

Respectfully submitted on December 28, 2017.

By:



Matthew McVee
Chief Regulatory Counsel
PacifiCorp d/b/a Pacific Power

EXHIBIT MG-5.3

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

PACIFIC POWER & LIGHT COMPANY

Petition for an Order Approving Deferred
Accounting Related to Federal Tax Act.

DOCKET UE-17 ____

PACIFIC POWER'S PETITION FOR
ACCOUNTING ORDER

I. INTRODUCTION

1 In accordance with WAC 480-07-370(b), Pacific Power & Light Company (Pacific Power), a division of PacifiCorp, petitions the Washington Utilities and Transportation Commission (Commission) for an order authorizing the Company to defer the expected impacts associated with the income tax provisions enacted by the federal “To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” (Tax Act) that was signed into law on December 22, 2017. Pacific Power seeks deferral of these costs to track and preserve them for later ratemaking treatment.

II. BACKGROUND

2 Pacific Power is an electric utility and public service company doing business in the state of Washington under RCW 80.04.010, and its public utility operations, retail rates, service, and accounting practices are subject to the Commission’s jurisdiction. PacifiCorp also provides retail electricity service under the name Pacific Power in Oregon and California and under the name Rocky Mountain Power in Idaho, Utah, and

Wyoming. The Company's principal place of business is 825 NE Multnomah Street, Suite 2000, Portland, Oregon, 97232.

3 Pacific Power's name and address:

Washington Dockets
Pacific Power
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
washingtondockets@PacifiCorp.com

Matthew D. McVee
Chief Regulatory Counsel
Pacific Power
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
matthew.mcvee@pacificorp.com

In addition, PacifiCorp respectfully requests that all data requests be addressed to:

By e-mail (preferred) datarequest@pacificorp.com

By regular mail Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

III. THE BASIS FOR REQUESTING DEFERRED ACCOUNTING

A. Description

4 The Tax Act contains provisions that will result in comprehensive changes to Pacific Power's financial statements. The most notable impact is the reduction in the federal corporate income tax rate from 35 percent to 21 percent. In addition, the change in the federal corporate income tax rates results in excess deferred income tax liabilities, which must be reversed. Pacific Power is continuing to analyze the provisions of the Tax Act to determine other impacts to be considered in this petition, and requests that these costs be deferred for later ratemaking treatment.

B. Proposed Accounting

5 Pacific Power proposes to record deferred amounts related to the reduction in federal corporate income tax rate in FERC Account 229—Accumulated Provision for Rate Refund with the corresponding entry to FERC Account 449.1—Provision for Rate Refunds and related income tax effects to FERC 190—Accumulated Deferred Income Taxes, FERC 236—Taxes Accrued, FERC 409.1—Income Taxes – Utility Operating Income and FERC 411.1—Provision for Deferred Income Taxes – Credit, Utility Operating income. If this petition is denied, the collection of revenue requirement at the higher tax rate will remain in general business revenues (FERC accounts 440—Residential Sales, 442—Commercial and Industrial Sales, and 444—Public Street and Highway Lighting).

6 In addition, Pacific Power proposes to record deferred amounts related to excess deferred income tax liabilities in FERC Account 254—Other Regulatory Liabilities and FERC Account FERC 182—Other Regulatory Assets with offsetting amounts to FERC 190—Accumulated Deferred Income Taxes, FERC 281—Accumulated Deferred Income Taxes – Accelerated Amortization, FERC 282—Accumulated Deferred Income Taxes – Other Property, and FERC 283—Accumulated Deferred Income Taxes – Other. If this petition is denied, the changes related to excess deferred income tax liabilities will be recorded in FERC 190—Accumulated Deferred Income Taxes, FERC 281—Accumulated Deferred Income Taxes – Accelerated Amortization, FERC 282—Accumulated Deferred Income Taxes – Other Property, FERC 283—Accumulated Deferred Income Taxes – Other, FERC 410.1—Provisions for Deferred Income Taxes, Utility Operating Income, and FERC 411.1—Provision for Deferred Income Taxes – Credit, Utility Operating income.

7 The Company requests that it be allowed to accrue interest on the unamortized
balance at a rate equal to its authorized weighted average cost of capital most recently
approved by the Commission in Docket UE-152253.

C. Estimate of Amounts

8 As explained above, Pacific Power is continuing to analyze the provisions of the
Tax Act to determine and quantify the impacts. An estimate of the total expected benefit
is not available at this time.

IV. CONCLUSION

9 Pacific Power respectfully requests that the Commission authorize Pacific Power
to defer the expected impacts associated with the income tax provisions enacted by the
Tax Act. Pacific Power will address any ratemaking treatment of these costs in a future
filing or general rate case.

Respectfully submitted this 28th day of December, 2017.

By: /s/
Matthew D. McVee
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Pacific Power & Light Company
825 NE Multnomah Street, Suite 2000
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(503) 813-5585
mathew.mcvee@pacificorp.com

EXHIBIT MG-5.4



1407 W North Temple, Suite 310
Salt Lake City, Utah 84114

January 12, 2018

VIA ELECTRONIC FILING

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

RE: **Docket No. 17-035-69 - Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018"**

Rocky Mountain Power hereby submits for filing its response to the Motion for Orders for Deferred Accounting Treatment of Benefits Associated with 2018 Tax Reconciliation Act filed by the Utah Association of Energy Users January 2, 2018. Concurrent with the Company's response, the Company hereby submits in this filing its Application for Accounting Order to defer all revenue requirement impacts associated with the income tax provisions recently enacted by the federal government beginning January 1, 2018.

Rocky Mountain Power respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

By E-mail (preferred): datarequest@pacificorp.com
utahdockets@pacificorp.com
jana.saba@pacificorp.com
yvonne.hogle@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Jana Saba at (801) 220-2823.

Sincerely,


Joelle Steward
Vice President, Regulation

cc: Service List

R. Jeff Richards (#7294)
Yvonne R. Hogle (#7550)
1407 West North Temple, Suite 320
Salt Lake City, Utah 84116
Telephone: (801) 220-4050
Facsimile: (801) 220-3299
Email: robert.richards@pacificorp.com
yvonne.hogle@pacificorp.com

Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Investigation of Revenue Requirement)	DOCKET NO. 17-035-69
Impacts of the New Federal Tax)	
Legislation Titled: "An act to provide for)	RESPONSE TO MOTION FOR ORDERS
reconciliation pursuant to titles II and V of)	FOR DEFERRED ACCOUNTING
the concurrent resolution of the budget for)	TREATMENT OF BENEFITS
fiscal year 2018")	ASSOCIATED WITH 2018 TAX
)	RECONCILIATION ACT
)	

Rocky Mountain Power, a division of PacifiCorp ("Rocky Mountain Power" or the "Company"), pursuant to the Public Service Commission Administrative Procedures Act Rule, R746-1-301, hereby responds to the Motion for Orders for Deferred Accounting Treatment of Benefits Associated with 2018 Tax Reconciliation Act filed by the Utah Association of Energy Users January 2, 2018 ("UAE Motion"). In support of its Response, the Company states as follows:

1. On December 21, 2017, the Public Service Commission of Utah ("Commission") issued a Notice of Comment Period initiating this docket to investigate the revenue requirement impacts of "[the] act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018" (the "2018 Tax Act") and directing all utility companies to file written comments on or before January 31, 2018 ("Notice of Comment Period").
2. On or about December 22, 2017, the 2018 Tax Act was enacted.
3. On or about January 2, 2018, UAE filed the UAE Motion.

4. In response to the UAE Motion the Commission issued, on January 3, 2018, its Notice Regarding the Utah Association of Energy Users' Motion for Orders for Deferred Accounting Treatment of Benefits Associated with 2018 Tax Reconciliation Act ("Notice of UAE Motion"). In its Notice of UAE Motion, the Commission requested comments on January 12, 2018 because "UAE's Motion requests a deferral period commencing January 1, 2018."¹

5. The Company supports deferred accounting of the impacts of the 2018 Tax Act,² and concurrent with this response is filing an Application for Deferred Accounting that includes the proposed accounting for the deferral. The Company initially intended to include its proposed deferral in its January 31, 2018 filing pursuant to the Notice of Comment Period. In light of the UAE Motion and the comment period set forth in the Notice of the UAE Motion, the Company has expedited this part of its filing to provide the Commission and parties its deferral application. The Company will provide the details of the estimated impacts and proposed ratemaking treatment of the 2018 Tax Act in its January 31, 2018 filing, in accordance with the Notice of Comment Period.

6. The Company requests that the Commission stay the UAE Motion until the Company's Application for Deferred Accounting, and the details thereof, are addressed.

WHEREFORE, based on the foregoing, the Company respectfully requests the Commission stay any action on the UAE Motion until the Company's Application for Deferred Accounting is resolved.

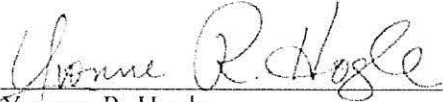
¹ Notice of UAE Motion, at 1.

² For example, upon enactment of the 2018 Tax Act, Rocky Mountain Power informally contacted each of its state commissions to inform them of its intent to defer the impacts while ratemaking treatment was developed and inquire as to the preferred course of action. In Utah, the Company was informed about the Commission's imminent issuance of the Notice of Comment Period that would set the timing for utility filings. In Wyoming, the Public Service Commission included the 2018 Tax Act on its public meeting agenda on December 28, 2017, at which the Company indicated its support for the commission's motion to defer the impacts. In the Pacific Power states, and consistent with the historical process for deferrals in those states, the Company filed deferred accounting applications on December 28, 2017.

DATED this 12th day of January, 2018.

Respectfully submitted,

ROCKY MOUNTAIN POWER



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Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Investigation of Revenue Requirement Impacts) of the New Federal Tax Legislation Titled: "An) act to provide for reconciliation pursuant to) titles II and V of the concurrent resolution of) the budget of fiscal year 2018"))	DOCKET NO. 17-035-69 APPLICATION FOR ACCOUNTING ORDER
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Rocky Mountain Power, a division of PacifiCorp ("Rocky Mountain Power" or the "Company"), under Utah Code Ann. § 54-4-23, submits this application ("Application") to the Public Service Commission of Utah ("Commission") for an order authorizing the Company to defer all revenue requirement impacts associated with the income tax provisions enacted by the federal government "[t]o provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018," H.R. 1 (the "2018 Tax Act"), for a deferral period beginning January 1, 2018, continuing as proposed in the Company's forthcoming January 31, 2018 filing, in which the Company will provide additional details of its proposed deferred and ratemaking treatment.

In support of this Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp, an electrical corporation and public utility in the state of Utah and is subject to the jurisdiction of the Commission with regard to its public utility operations. PacifiCorp also provides retail electric service in the states of

Idaho and Wyoming under the name Rocky Mountain Power, and in the states of Oregon, Washington, and California under the name Pacific Power.

2. This Application is filed pursuant to Utah Code Ann. §54-4-23, which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction.

3. Communications regarding this Application should be addressed to:

Jana Saba
Manager, Utah Regulatory Affairs
Rocky Mountain Power
1407 West North Temple, Suite 330
Salt Lake City, Utah 84116
E-mail: jana.saba@pacificcorp.com

Yvonne R. Hogle
Assistant General Counsel
Rocky Mountain Power
1407 West South Temple, Suite 320
Salt Lake City, Utah 84116
E-mail: yvonne.hogle@pacificcorp.com

In addition, Rocky Mountain Power requests that all data requests regarding this application be addressed to:

By email (preferred)

datarequest@pacificcorp.com

By regular mail

Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Informal inquiries related to this application may be directed to Jana Saba at (801) 220-2823.

4. The Company is filing this Application because it supports deferred accounting of the impacts of the 2018 Tax Act beginning January 1, 2018.

5. Specifically, Rocky Mountain Power proposes to record deferred amounts related to the reduction in federal corporate income tax rate in FERC Account 229—Accumulated Provision for Rate Refund, with the corresponding entry to FERC Account 449.1—Provision for Rate Refunds, and related income tax effects to FERC Account 190—Accumulated Deferred

Income Taxes, FERC Account 236—Taxes Accrued, FERC Account 409.1—Income Taxes – Utility Operating Income, and FERC Account 411.1—Provision for Deferred Income Taxes – Credit, Utility Operating income. If this application is denied, the collection of revenue requirement at the higher tax rate will remain in general business revenues (FERC Accounts 440—Residential Sales, 442—Commercial and Industrial Sales, and 444—Public Street and Highway Lighting). In addition, if this application is approved, PacifiCorp proposes to record deferred amounts related to excess deferred income tax liabilities in FERC Account 254—Other Regulatory Liabilities and FERC Account 182—Other Regulatory Assets, with offsetting amounts to FERC Account 190—Accumulated Deferred Income Taxes, FERC Account 281—Accumulated Deferred Income Taxes – Accelerated Amortization, FERC Account 282—Accumulated Deferred Income Taxes – Other Property, and FERC Account 283—Accumulated Deferred Income Taxes – Other.

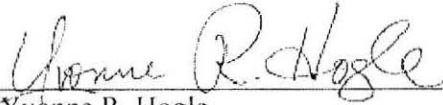
6. Rocky Mountain Power will provide additional details regarding the ratemaking and deferred accounting treatment in its January 31, 2018 filing, including an estimate of the total expected benefit.

WHEREFORE, Rocky Mountain Power respectfully requests, in accordance with Utah Code Ann. §54-4-23, the Commission issue an order authorizing the Company to defer all revenue requirement impacts associated with the income tax provisions enacted by the 2018 Tax Act in the accounts referenced above, beginning January 1, 2018.

Respectfully submitted this 12th day of January, 2018.

Respectfully submitted,

ROCKY MOUNTAIN POWER



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Attorney for Rocky Mountain Power

CERTIFICATE OF SERVICE

Docket No. 17-035-69

I hereby certify that on January 12, 2018, a true and correct copy of the foregoing was served by electronic mail to the following:

Utah Office of Consumer Services

Cheryl Murray cmurray@utah.gov

Michele Beck mbeck@utah.gov

Division of Public Utilities

Erika Tedder etedder@utah.gov

Assistant Attorney General

Patricia Schmid pschmid@agutah.gov

Justin Jetter jjetter@agutah.gov

Robert Moore rmoore@agutah.gov

Steven Snarr stevensnarr@agutah.gov

Rocky Mountain Power

Data Request Response Center datarequest@pacificorp.com

Jana Saba jana.saba@pacificorp.com;
utahdockets@pacificorp.com


Jennifer Angell
Supervisor, Regulatory Operations

EXHIBIT MG-5.5

Service Date: December 29, 2017

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER Of the Investigation of) REGULATORY DIVISION
Federal Tax reform impacts on public utility)
revenue requirements) DOCKET NO. N2017.12.94
)

NOTICE OF COMMISSION ACTION

PLEASE TAKE NOTICE that the Commission held a business meeting on December 27, 2017, to discuss a conference report for H.R. 1, An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (2017 Tax Act). This report passed through both chambers of the United States Congress on December 20, 2017.¹

This 2017 Tax Act, the first major reform of federal taxation since the 1980s, was signed into law by the President on December 22, 2017, and is effective for tax year 2018. The 2017 Tax Act has at least two significant changes to business income tax, which will impact investor-owned utilities and their consumers:

- 1) a reduction in the corporate Federal Income Tax (FIT) rate, from 35% to 21%.
Consumers pay utility rates which gross-up a utility's equity return by its statutory tax liability. The 2017 Tax Act will reduce the FIT by more than a third, substantially reducing this expense; and
- 2) an excess deferred tax reserve which must be normalized for the benefit of customers. Deferred tax liabilities are owed by utilities as a consequence of mandatory normalization pursuant to existing federal tax code.

The Commission recognizes the revenue impacts of this reform are material, unplanned, beyond the control of utility management, and unusual. *See* Order 7528a, Docket D2016.11.88, ¶ 18 (Mar. 6, 2017) (deferred accounting order factors). The Commission may at any time, upon

¹ <https://www.congress.gov/bill/115th-congress/house-bill/1/all-actions?overview=closed#tabs>

DOCKET NO. N2017.12.94

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its own motion, investigate any of the rates, tolls, charges, rules, practices, and services. Mont. Code Ann. § 69-3-324 (2017). The Commission believes the tax benefit associated with the reform is subject to deferred accounting under the Commission's precedent and pursuant to authority granted by statute. *Id.*; Order 7528a ¶ 18; *see* Mont. Code Ann. §§ 69-3-106, -110, -202, -206, -208 and Mont. Admin. R. 38.5.110 (2017). Expedient action by the Commission is necessary so that the Commission's options relative to this tax benefit are preserved. Order 7528a ¶ 38 (retroactive ratemaking prohibited).

In this notice, the Commission requires NorthWestern Energy's electric and gas utilities, Montana-Dakota Utilities (MDU) electric and gas utilities, and Energy West Montana/Cut Bank Gas Co. (EWM/CBG) to record on their books as a deferred liability, in an appropriate account, the estimated reduction in FIT resulting from the 2017 Tax Act. The entries for the deferral shall be calculated using the methodology utilized by the Commission in setting revenue requirements: the utilities shall take the equity currently invested in rate base, multiplied by the last-approved return on equity, to derive an equity return, and then calculate relative to this return the difference between the gross-up for a FIT of 35% and 21%. This difference shall be entered as a deferred liability, until final rates are established for a public utility in a general rate case or until otherwise ordered by the Commission. These entries may or may not equal the actual FIT benefit realized by a utility or its parent company. The Commission is cognizant that this method of calculating a deferral is not the sole method that could be used. However, the Commission believes this is the simplest and the most suitable in light of the time constraints imposed by the legislation's enactment. Additionally, the public utilities subject to this notice shall calculate the excess deferred tax reserve caused by the reduction in the corporate FIT rate. Utilities shall recognize as a deferred liability the estimated reduction of the utilities' revenue requirement resulting from the normalization requirements of the legislation.

No later than March 31, 2018, public utilities subject to this notice shall file a proposal to address the effect of the 2017 Tax Act, including any financial information that is sufficient to establish a revenue requirement which reflects prospectively any possible impacts of the 2017 Tax Act, as well as financial information that will support any proposals for future investment or

DOCKET NO. N2017.12.94

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expense programs which might offset any possible rate reduction. The proposals will provide for the following:

- A calculation of the deferred liability accrued thus far in 2018 and expected to be accrued until the time when final rates are next issued in accordance with a general rate case;
- If a public utility wishes, an alternative proposal for a methodology to appropriately calculate the amount of this deferral;
- A proposal to extinguish the deferral, either through refunds to consumers, its use as customer-contributed capital for infrastructure projects, or as an offset to unusually large operating expenditures not captured in current rates, or through some other use;
- A proposal to file occasional reports on the accrual and extinguishment of the deferred liability, including what financial information the utility would file that is sufficient to establish a revenue requirement which reflects the impacts of the tax act, as well as financial information that would support the extinguishment of the deferred liability through incremental spending; and
- Other issues related to the effects of the legislation as the public utility wishes to raise.

The Commission recognizes the amount of the deferral is subject to change if the utility proposes an alternative methodology.

Such filings will be separately docketed by utility and subject to further proceedings consistent with the contested case provisions of the Montana Administrative Procedures Act, including comment or testimony from intervenors, such as the Montana Consumer Counsel, and the opportunity for hearings, as necessary.

The Commission recognizes that the gas utility operations of MDU and EWM/CBG currently have rate cases before the Commission and will address the pass-through of 2017 Tax Act effects directly in those dockets. *See* Dockets D2017.9.79 and D2017.9.80. In lieu of a separate filing, the Commission will direct MDU and EWM/CBG gas operations to file supplemental testimony and financial information addressing these issues in the aforementioned rate case dockets. Pursuant to Mont. Admin. R. 38.5.102(3), the Commission can determine whether good cause exists to waive Mont. Admin. R. 38.5.106 in order to allow the Commission to consider making an appropriate adjustment to rates due to the 2017 Tax Act.

DOCKET NO. N2017.12.94

4

BY THE MONTANA PUBLIC SERVICE COMMISSION

BRAD JOHNSON, Chairman
TRAVIS KAVULLA, Vice Chairman
ROGER KOOPMAN, Commissioner
BOB LAKE, Commissioner
TONY O'DONNELL, Commissioner

EXHIBIT MG-5.6

For Immediate Release

Contact: Chris Puyear
christopher.puyear@mt.gov
(C): 406-431-2499

December 27, 2017

PSC requires utilities to account for effects of tax reform, set aside money for customer benefit

Commission among the first state regulators in the country to take action

Helena, Mont. – The Montana Public Service Commission today took the first step to ensure that utility customers realize benefits from sweeping tax reform signed into law last week.

The Commission directed regulated utilities in the state to calculate the change in tax liability that each company expects to receive under the new tax bill and to come forward with a proposal for how to apply those benefits by the end of March.

Critics of the broader tax bill argue that these savings are likely to be pocketed by corporate shareholders, but Chairman Brad Johnson, R-East Helena, said that's not the case for regulated companies in Montana.

"Consumers are currently paying more in taxes through utility rates than the actual tax expense that utilities will incur next year," he said. "The Commission wants to ensure that this money is not simply captured by shareholders, but instead is directed in a way that provides a long-term benefit to the consumer."

The Tax Cuts and Jobs Act represents the most comprehensive federal tax reform in over 30 years. The legislation, which will become effective for tax year 2018, creates a significant change in tax liability for regulated utilities through the reduction of the corporate income tax rate. The change creates a gap between the tax rate of 35 percent that customers currently pay through rates and the 21 percent rate at which utilities will be taxed next year.

Additionally, because consumers have paid tax expense on future tax liabilities due to other federal policies, such as bonus depreciation, the lower rate that will be applied to those liabilities in future tax years creates another benefit for customers. The Commission's staff released a memo last week suggesting the total tax benefit to Montana's utility customers will amount to tens of millions of dollars annually.

NorthWestern's electric and gas utilities are subject to the Commission's requirement, as is the electric service of Montana-Dakota Utilities. Two other utilities, Great Falls' Energy West gas

utility and MDU's gas utility, will stand to have their rates adjusted for the effects of tax reform during pending rate cases which those utilities filed in September 2017.

"Utilities basically have four options, said Commissioner Roger Koopman, R-Bozeman. "They can issue customer refunds, use the money as a source of zero cost financing for capital projects, direct the funds to offset large, unusual expenses, or propose some combination of these three applications.

"I suspect the commission will be strongly inclined toward ratepayer refunds," Koopman added.

For now, the additional funds collected through rates will be accounted for as a deferred liability. Since retroactive ratemaking is unlawful, the Commission, by imposing its accounting requirement before the law's effective date, is preserving its authority to determine how this additional revenue should be treated.

"Our Commission is, if not the first, one of early movers on this issue among the 50 state utility commissions in the nation," said Commissioner Travis Kavulla, R-Great Falls. "Taking this first step is essential to ensuring that consumers reap the benefits of the tax reform legislation."

###

For PSC updates please follow us on Twitter and "like" our Facebook page [Montana PSC](#)

Made up of five elected commissioners, the PSC works to ensure that Montanans receive safe and reliable service from regulated public utilities while paying reasonable rates. Utilities regulated by the PSC generally include private investor-owned natural gas, electric, telephone, water, and sewer companies. In addition, the PSC regulates certain motor carriers, and oversees natural gas pipeline safety and intrastate railroad safety.

EXHIBIT MG-5.7

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

February 6, 2018

IN RE:

**TENNESSEE PUBLIC UTILITY COMMISSION
INVESTIGATION OF IMPACTS OF FEDERAL TAX
REFORM ON THE PUBLIC UTILITY REVENUE
REQUIREMENTS**

**DOCKET NO.
18-00001**

**ORDER OPENING AN INVESTIGATION AND REQUIRING DEFERRED ACCOUNTING
TREATMENT**

This matter came before Chairman David F. Jones, Vice Chairman Robin Morrison, Commissioner Herbert H. Hilliard, Commissioner Kenneth C. Hill and Commissioner Keith Jordan of the Tennessee Public Utility Commission (“TPUC” or “Commission”), at a regularly scheduled Commission Conference held on January 16, 2018.

During the Conference, the Commissioners voted unanimously to require Atmos Energy Corporation (“Atmos Energy”), Chattanooga Gas Company (“Chattanooga Gas”), Kingsport Power Company d/b/a AEP Appalachian Power (“Kingsport Power”), Piedmont Natural Gas Company (“Piedmont Natural Gas”), and Tennessee American Water Company (“Tennessee American Water”), to immediately apply deferred accounting treatment, specifically described herein, with respect to the impact of the lowering of the federal corporate income tax rate and to require the named public utilities to provide to the Commission no later than March 31, 2018, the amounts deferred and a proposal to reduce rates or otherwise make adjustments to account for the tax benefits resulting from the 2017 Tax Cuts and Jobs Act, Pub. L. No. 115-97 (“2017 Tax Act”).

BACKGROUND

Generally, the statutory rate for federal income tax expense is included as a component of the revenue requirement when utility rates are set by the Commission. On December 22, 2017, new federal tax reductions, including those for businesses, were signed into law. The primary business tax reduction impacting utilities and utility rates was the lowering of the corporate tax rate from 35% to 21%, which will significantly reduce income tax expenses that are currently recovered in utility service rates. The lower tax rates will also impact the future tax liability for utilities that have deferred income taxes because the tax deferrals were included in ratemaking calculations at 35% when in fact the rate is now 21%; this lower tax liability is not reflected in existing rates because future recovery in previous proceedings was based upon a 35% tax rate.

Income taxes and deferred tax liabilities are major components included in establishing rates for all corporate investor-owned utilities. Many public utility commissions, including Tennessee, require depreciation methods to recognize depreciation benefits over the life of the asset placed into service.¹ The Internal Revenue Service (“IRS”), however, allows businesses, including utilities, to recover investment at a faster rate by utilizing accelerated depreciation methods. Accelerated depreciation lowers a utility’s income for federal tax purposes in the early years when an asset is placed in service thereby reducing income taxes owed in those early years. These tax savings are then recorded as deferred income taxes and returned to ratepayers in future years to avoid utility windfall profits.

Absent an adjustment, utilities’ service rates would be unreflective of a significantly lower cost. This Commission and other state commissions have in the past allowed for deferring expenses and/or revenues until such time as a final decision can be made as to (1) the proper amounts to be

¹ See *In Re: Petition of Tennessee American Water Company to Change and Increase Certain Rates and Charges to Permit It To Earn A Fair And Reasonable Rate of Return*, Docket No. 08-00039, Order, p. 32 (January 13, 2009).

recovered by the utility or returned to ratepayers and (2) the method by which amounts are recovered by utilities or returned to ratepayers.²

The five largest public utilities under the Commission's jurisdiction, Tennessee American Water, Kingsport Power, Atmos Energy, Piedmont Natural Gas and Chattanooga Gas charge rates that were set by the Commission using the now superseded statutory rate of 35% while utilizing accelerated depreciation for income tax purposes. However, most of the smaller utilities under the Commission's jurisdiction, either do not utilize accelerated depreciation methods or the amounts are not significant. A large number of the smaller utilities do not currently pay the 35% tax rate, but rather pay lower tax rates due to lower earnings being taxed on the graduated business tax scale or because they do not generate significant positive net income. Several of the smaller utilities are established as Limited Liability Companies ("LLCs"), wherein income taxes are not included in the calculation of utility rates because the LLC members are personally responsible for paying income taxes on utility operations. Finally, telecommunication providers that have opted for market regulation are not subject to the Commission's rate-setting jurisdiction.³

FINDINGS AND CONCLUSIONS

The tax benefits of the 2017 Tax Act have an immediate impact. Since the earnings of larger utilities under the Commission's jurisdiction are significantly impacted by the 2017 Tax Act due to the lowering of the corporate tax rate from 35% to 21%, Commission review and action is necessary in order to investigate to prevent utilities from receiving windfall profits. This review should take place in an efficient manner as possible.

² *In re: Application to Lower Rates and Charges for Any Refund Due to Customers of Centerpoint Energy Resources Corporation, Oklahoma Corporation Commission*, No. PUD 201700568, *Order*, (January 9, 2018); *Kentucky Industrial Utility Customers v. Kentucky Utilities Company, et al.* Kentucky Public Service Commission, Case No. 2017-00477, *Order* (December 27, 2017); *In Re: Tax Reform Act of 1986*, Mass. Dept. of Public Utilities, *Order*, D.P.U. 87-21-A, (June 1, 1987); *Pennsylvania Public Utility Commission v. ALLTEL Pennsylvania, Inc.* M-860105, *Order Prescribing Temporary Rate Reductions in Response to the Tax Reform Act of 1986*, (June 10, 1987).

³ Tenn. Code Ann. § 65-5-109(m).

The 2017 Tax Act, which became effective January 1, 2018, significantly impacts earnings of investor-owned utilities in two significant areas. First, the corporate federal income tax rate is being reduced from 35% to 21%. As utility rates are based upon the 35% statutory tax rate, the new 21% tax rate will significantly reduce utilities' federal income tax expense currently recovered in utility service rates. Second, the lower tax rate also creates excess deferred tax reserves due to the fact that taxes were deferred at a higher rate. This reduced tax liability also affects revenue requirements of utilities.

Since the 2017 Tax Act will result in increased earnings for utilities, the Commissioners found that it is necessary to investigate and make appropriate rate reductions or other ratemaking adjustments in order to avoid utilities from receiving windfall profits.⁴ Furthermore, since the tax benefits are immediate and to preserve the Commission's options relative to this tax benefit, the Commissioners determined that utilities should use deferral accounting to capture the benefits of tax reform. Specifically, the Commissioners voted unanimously that the five largest utilities under the Commission's jurisdiction – Tennessee American Water, Kingsport Power, Atmos Energy, Piedmont Natural Gas and Chattanooga Gas must:

1. Track and accumulate monthly in a deferred account the portion of its revenue representing the difference between the cost of service approved by the Commission in its most recent rate case and the cost of service that would have resulted had the provision for federal income taxes been based on 21% rather than 35%; and
2. Calculate the excess deferred tax reserve caused by the reduction in the corporate federal income tax rate and recognize as a deferred liability the estimated reduction of the utilities' revenue requirement resulting from the 2017 Tax Act; and

⁴ Local and long distance telecommunication providers that have elected to operate under market regulation pursuant to state law are exempt from the Commission's regulation of retail rates.

3. Calculate and defer any other tax effects resulting from the 2017 Tax Act on revenue requirement that are not included in the preceding calculations.

Further, the Commissioners voted unanimously that these calculations, including all amounts deferred, shall be submitted to the Commission no later than March 31, 2018, along with proposals to reduce rates or make other ratemaking adjustments to account for the tax benefits resulting from the 2017 Tax Act. In addition, the Commissioners voted unanimously to create a separate docket for each individual utility's filing. The Commissioners directed the Commission Staff to work with and assist the remaining water, wastewater and natural gas utilities under the Commission's jurisdiction in calculating the tax impacts on their earnings resulting from the 2017 Tax Act and for the Staff to report the results to the Commission.

IT IS THEREFORE ORDERED THAT:

1. Atmos Energy Corporation, Chattanooga Gas Company, Kingsport Power Company d/b/a AEP Appalachian Power, Piedmont Natural Gas Company, and Tennessee American Water Company shall:

- a. Track and accumulate monthly in a deferred account the portion of its revenue representing the difference between the cost of service approved by the Tennessee Public Utility Commission in its most recent rate case and the cost of service that would have resulted had the provision for federal income taxes been based on 21% rather than 35%; and
- b. Calculate the excess deferred tax reserve caused by the reduction in the corporate federal income tax rate and recognize as a deferred liability the estimated reduction of the utilities' revenue requirement resulting from the 2017 Tax Cuts and Jobs Act; and

c. Calculate and defer any other tax effects resulting from the 2017 Tax Cuts and Jobs Act on revenue requirement that are not included in the preceding calculations.


2. The calculations made by Atmos Energy Corporation, Chattanooga Gas Company, Kingsport Power Company d/b/a AEP Appalachian Power, Piedmont Natural Gas Company, and Tennessee American Water Company in relation to the tax deferred accounting treatment ordered herein shall be submitted no later than March 31, 2018, including proposals to reduce rates or make other ratemaking adjustments to account for the tax benefits resulting from the 2017 Tax Cuts and Jobs Act.

3. The Docket Manager of the Tennessee Public Utility Commission is directed to open separate, individual dockets for Atmos Energy Corporation, Chattanooga Gas Company, Kingsport Power Company d/b/a AEP Appalachian Power, Piedmont Natural Gas Company, and Tennessee American Water Company for the filing of the aforementioned calculations, adjustments and proposals.

4. The Staff of the Tennessee Public Utility Commission shall work with the remaining water, wastewater and natural gas utilities under the jurisdiction of the Tennessee Public Utility Commission to calculate the tax impacts on earnings resulting from the 2017 Tax Cuts and Jobs Act, and Staff shall report the results to the Commission.

Chairman David F. Jones, Vice Chairman Robin L. Morrison, Commissioner Herbert H. Hilliard, Commissioner Kenneth C. Hill, and Commissioner Keith Jordan concur.

ATTEST:



Earl R. Taylor, Executive Director

EXHIBIT MG-5.8

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF MIKE HUNTER, THE)	
ATTORNEY GENERAL OF OKLAHOMA,)	
TO LOWER THE RATES AND CHARGES)	
FOR ELECTRIC SERVICE AND PROVIDE)	CAUSE NO. PUD 201700572
FOR ANY REFUND DUE TO THE)	
CUSTOMERS OF PUBLIC SERVICE)	
COMPANY OF OKLAHOMA RESULTING)	
FROM THE TAX CUTS AND JOBS)	ORDER NO. <u>671981</u>
ACT OF 2017)	

HEARING: January 4, 2018, in Courtroom 301
 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before Mary Candler, Administrative Law Judge

APPEARANCES: Dara Derryberry, Deputy Attorney General, Katy Evans Boren and
 Jared B. Haines, Assistant Attorneys General *representing* Office of
 Attorney General, State of Oklahoma
 Jack P. Fite and Joann S. Worthington, Attorney *representing* Public
 Service Company of Oklahoma
 Michael Velez, Senior General Counsel *representing* Public Utility
 Division, Oklahoma Corporation Commission
 Thomas P. Schroedter, Attorney *representing* Oklahoma Industrial
 Energy Consumers
 Matthew Dunne, Attorney *representing* United States Department of
 Defense and all other Federal Executive Agencies
 Deborah R. Thompson, Attorney *representing* AARP
 Rick D. Chamberlain, Attorney *representing* Walmart Stores East, LP,
 and Sam’s East, Inc.

**ORDER ON THE ATTORNEY GENERAL’S MOTION
 FOR IMMEDIATE REDUCTION IN RATES AND PROTECTION
OF CUSTOMER INTERESTS**

BY THE COMMISSION:

The Corporation Commission (“Commission”) of the State of Oklahoma being regularly in session and the undersigned Commissioners present and participating, there comes on for consideration and action the Attorney General’s Motion for Immediate Reduction in Rates and Protection of Customer Interests (“Motion”), filed on December 22, 2017. The Motion was set for hearing on January 4, 2018, and heard before the Administrative Law Judge (“ALJ”). On this date, the ALJ recommended the Motion be granted in part and denied in part.

Attorney General

The Attorney General’s (“AG”) Motion requested that the Commission take the following actions: (1) require Public Service Company of Oklahoma (“PSO”) to immediately

Cause No. PUD 201700572 - Order on the Attorney General's Motion for Immediate Reduction in Rates and Protection of Customer Interests

Page 2 of 4

reduce its rates in an amount necessary to reflect lower tax rates as would apply to its most recently approved rate base; and (2) ensure excess Accumulated Deferred Income Tax ("ADIT") is recorded as a regulatory liability during the pendency of this cause. The AG's Motion urged that if the Commission does not pass savings on to customers immediately, it should at least require PSO to record a regulatory liability to reflect tax savings accruing until the completion of this cause. In support of its Motion, the AG asserts that the Tax Cuts and Jobs Act of 2017 ("Act"), was enacted by the United States Congress and signed into law by the President of the United States on December 22, 2017. This Act reduces the federal corporate income tax rate from 35 percent to 21 percent as of January 1, 2018. The AG further asserts this Act will provide savings to PSO's customers through its effect on PSO's federal income tax expense and on PSO's ADIT. The Motion states the AG initiated this cause to ensure that PSO returns tax savings, including excess ADIT, to PSO's customers. The Motion further alleges that during the course of this cause, ADIT will be drawn down at a higher federal income tax rate, and the difference between the 35 percent rate and the 21 percent rate, as well as any other tax savings resulting from the Act, may be permanently lost if the Commission does not order PSO to record the excess ADIT, as well as any other tax savings not immediately returned to customers, as a regulatory liability.

PSO

PSO appeared at the hearing of the Motion through counsel and, on January 3, 2018, filed the Response of PSO to Attorney General's Motion for Immediate Reduction in Rates ("Response"). In its Response, PSO noted that all parties in the current PSO base rate case, Cause No. PUD 201700151, recommended a revenue deficiency of more than \$24,000,000, which was the AG's calculated excess income tax amount from changing the corporate tax rate from 35 percent to 21 percent. The lowest recommended revenue deficiency was \$37,000,000. The AG also estimated the excess ADIT would be approximately \$14,000,000 annually. PSO argued there was no issue of PSO over earning.

PSO requested that the AG's Motion be denied.

Oklahoma Industrial Energy Consumers

The Oklahoma Industrial Energy Consumers ("OIEC") appeared at the hearing of the Motion through counsel and supported the AG's Motion.

United States Department of Defense and all other Federal Executive Agencies

The United States Department of Defense and all other Federal Executive Agencies appeared at the hearing of the Motion through counsel and supported the AG's Motion.

The Public Utility Division

The Public Utility Division ("PUD") appeared at the hearing of the Motion through counsel. PUD counsel urged the Commission to issue an order making rates subject to refund and to order new tariffs after PSO's next rate review. PUD also stated its support for a regulatory account to track possible tax implications and refunds due to customers. However,

Cause No. PUD 201700572 - Order on the Attorney General's Motion for Immediate Reduction in Rates and Protection of Customer Interests

Page 3 of 4

PUD emphasized that any refunds should only occur after a rate review to ensure that only known and measurable amounts are returned to customers. PUD expressed its opposition to a change in rates based solely upon the tax rate reduction, as such action would constitute single-issue ratemaking. PUD noted that numerous changes are still unknown as the law includes, but is not limited to, impacts on depreciation rates for plant assets, elimination of deductions for certain benefits as well as other tax credits and will have other tax-related implications.

PUD counsel recommended that the Commission order rates to be subject to refund and that new tariffs be implemented following PSO's next rate review.

AARP

AARP entered a special appearance at the hearing through counsel and supported the AG's Motion. AARP submitted recent orders issued from the Commissions in Kentucky, Montana and Michigan, along with Kansas case memo's demonstrating that action was required to direct the appropriate accounting treatment for both the reduced ongoing tax rate and the accumulated deferred income tax impacts. AARP argued that immediate action is necessary to preserve the Commission's ability to deal with the rate impact of these issues in the future.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

THE COMMISSION FINDS it has jurisdiction over this matter by virtue of Article IX, Section 18, of the Oklahoma Constitution, 17 O.S. §§ 151 and 153, and the rules of the Commission.

THE COMMISSION FURTHER FINDS notice is proper. Notice for the hearing of this Motion met the requirements of OAC 165:5-9-2(b).

THE COMMISSION FURTHER FINDS the AG's request for immediate reduction in PSO's rates in an amount necessary to reflect lower tax rates is denied.

THE COMMISSION FURTHER FINDS PSO shall record a deferred liability beginning on the effective date of this Order, to reflect the reduced federal corporate tax rate to 21 percent and the associated savings in excess ADIT and any other tax implications of the Act on an interim basis subject to refund until utility rates are adjusted to reflect the federal tax savings through either a final order in pending rate case PUD 201700151, or a final order in PSO's next general rate case, or as otherwise ordered by the Commission. In the event a final order in PUD 201700151 does not fully resolve this issue or PSO has not filed a general rate case within four months of this Order, PSO is directed to file a proceeding to address the impacts of the Act and establish final rates. Nothing in this Order shall prohibit PSO from filing this separate proceeding prior to filing its rate case.

THE COMMISSION FURTHER FINDS the amounts of any refunds determined to be owed to customers shall accrue interest at a rate equivalent to PSO's cost of capital as recognized in Order No. 658529 issued in Cause No. PUD 201500208 until issuance of a final order in PSO's pending rate case in Cause No. PUD 201700151. As of the effective date of a final order in Cause No. PUD 201700151, interest shall begin accruing at PSO's cost of capital as determined in this subsequent proceeding.

Cause No. PUD 201700572 - Order on the Attorney General's Motion for Immediate Reduction in Rates and Protection of Customer Interests

Page 4 of 4

ORDER

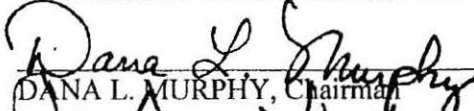
THE COMMISSION THEREFORE ORDERS the AG's request for immediate reduction in PSO's rates in an amount necessary to reflect lower tax rates is denied.

THE COMMISSION FURTHER ORDERS PSO shall record a deferred liability beginning on the effective date of this Order, to reflect the reduced federal corporate tax rate to 21 percent and the associated savings in excess ADIT and any other tax implications of the Act on an interim basis subject to refund until utility rates are adjusted to reflect the federal tax savings through either a final order in pending rate case PUD 201700151, or a final order in PSO's next general rate case, or as otherwise ordered by the Commission. In the event a final order in PUD 201700151 does not fully resolve this issue or PSO has not filed a general rate case within four months of this Order, PSO is directed to file a proceeding to address the impacts of the Act and establish final rates. Nothing in this Order shall prohibit PSO from filing this separate proceeding prior to filing its rate case.

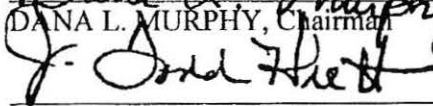
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THIS ORDER SHALL BE EFFECTIVE IMMEDIATELY.

OKLAHOMA CORPORATION COMMISSION



DANA L. MURPHY, Chairman



J. TODD HIETT, Vice Chairman

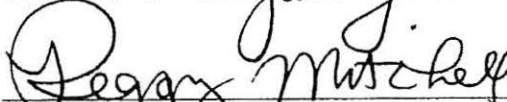
Dissent: I want a rate cut now to stop the overcollection for taxes.

BOB ANTHONY, Commissioner

CERTIFICATION

DONE AND PERFORMED by the Commissioners participating in the making of this order as shown by their signatures above this 9 day of January, 2018.

[Seal]



PEGGY MITCHELL, Secretary

EXHIBIT MG-5.9

PROJECT NO. 47945

PROCEEDING TO INVESTIGATE AND ADDRESS THE EFFECTS OF TAX CUTS AND JOBS ACT OF 2017 ON THE RATES OF TEXAS INVESTOR-OWNED UTILITY COMPANIES § § § § §
PUBLIC UTILITY COMMISSION OF TEXAS

FILED 13 PM 1:42

**AMENDED ORDER
RELATED TO CHANGES IN FEDERAL INCOME TAX RATES**

After further consideration of the issues related to changes in the federal income tax rates, the Commission has determined that the Order entered on January 25, 2018 should be amended. Therefore, the Commission amends the previous order by deleting references to carrying charges on the balance of excess accumulated deferred federal income taxes (ADFIT).

This Order addresses the change in the federal income tax rates on electric, telecommunications, and water and sewer investor-owned utilities in the State of Texas. Late last year, an act was passed that, in part, amends the Internal Revenue Code¹ by, among other things, reducing the federal income tax rate to be imposed on C corporations from 35% to 21%, effective January 1, 2018, as well as reducing the federal income tax rate on certain other entities.²

Through this Order, the Commission takes the first steps to reflect this lower tax rate in the utility bills of Texas customers. The Commission directs the Commission Staff to review each investor-owned utility in Texas, with input from interested stakeholders, on a case-by-case basis to determine the appropriate mechanism to adjust its rates to reflect the changes under the newly enacted federal tax law.

Until a rate change may be approved to adjust charges to Texas customers, the Commission issues this accounting order under its statutory authority to preserve any changes in the federal income tax expense charged by utilities until rates can be changed.³ The Commission requires

¹ Internal Revenue Code, 26 U.S.C.A. § 61 (West 2011 and Supp. 2014).

² Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017).

³ Public Utility Regulatory Act, Tex. Util. Code Ann. § 14.151 (West 2016 & Supp. 2017); Tex. Water Code Ann. § 13.131(a) (West 2008 & Supp. 2017).

each electric, telecommunication, and class A water and sewer investor-owned utility, except as later stated in this Order, to record as a regulatory liability beginning on January 25, 2018, the following: (1) the difference between the revenues collected under existing rates and the revenues that would have been collected had the existing rates been set using the recently approved federal income tax rates; and, (2) the balance of ADFIT that now exists because of the decrease in the federal income tax rate from 35% to 21%.

The requirement in the Order to create a regulatory liability does not apply to Oncor Electric Delivery Company LLC, El Paso Electric Company, or Southwestern Electric Power Company, except as provided in this paragraph. These three utilities have previously been ordered by the Commission to establish a regulatory liability tracking the difference in the amount of federal income tax collected in current rates, and the amount of federal income tax calculated under the new federal income tax rates. Accordingly, these three utilities shall record the balance of excess ADFIT as a regulatory liability.

In addition, in reviewing the rates of water and sewer utilities, the Commission Staff should first focus on class A and the larger class B utilities. The Commission Staff should then take a sample of the class C and smaller class B utilities to determine the effect of the new tax law, and report the findings back to the Commission.

In accordance with the discussion in the Order, the Commission orders the following:

1. Each investor-owned electric, telecommunications, and class A water and sewer utility in the State of Texas, for which the Commission has jurisdiction, shall, starting the date this Order is signed, record as a regulatory liability the following: (1) the difference between the revenues collected under existing rates and the revenues that would have been collected had the existing rates been set using the recently approved federal income tax rates; and, (2) the balance of excess accumulated deferred federal income taxes (ADFIT) that now exists because of the decrease in the federal income tax rate from 35% to 21%.
2. The Commission Staff shall investigate each investor-owned utility in Texas, with input from interested stakeholders, on a case-by-case basis, as discussed in this Order, to determine the appropriate mechanism to adjust its rates to reflect the changes under the newly enacted federal tax law.

Project No. 47945


Amended Accounting Order

Page 3 of 3

3. The Commission Staff shall report its findings regarding class C and smaller class B water and sewer utilities within six months of the signing of this Order.

Signed at Austin, Texas the 15th day of February 2018.

PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



BRANDY MARTY MARQUEZ, COMMISSIONER



ARTHUR C. D'ANDREA, COMMISSIONER

EXHIBIT MG-5.10

GAS UTILITIES DOCKET NO. 10695

REGULATORY ACCOUNTING	§	
	§	
RELATED TO FEDERAL INCOME	§	RAILROAD COMMISSION OF TEXAS
	§	
TAX CHANGES	§	

GAS UTILITIES ACCOUNTING ORDER

WHEREAS, on December 22, 2017, Congress enacted the Tax Cuts and Jobs Act of 2017 (the “Act”), which reduced the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018; and

WHEREAS, the Act’s reduction to the federal corporate income tax rate applies to investor-owned gas utilities and results in both lower income tax expense on current income and, in some cases, excess deferred taxes; and

WHEREAS, the Railroad Commission of Texas (“Commission”) has exclusive, original jurisdiction over the books, accounts, and records of a gas utility pursuant to the Gas Utility Regulatory Act, Tex. Util. Code § 102.101; and

WHEREAS, pursuant to Tex. Util. Code § 102.001, the Commission has exclusive, original jurisdiction over the rates and services of a gas utility: (1) that distributes natural gas or synthetic natural gas in areas outside a municipality and areas inside a municipality that surrenders its jurisdiction to the Commission under Tex. Util. Code § 103.003; and (2) that transmits, transports, delivers, or sells natural gas or synthetic natural gas to a gas utility that distributes the gas to the public; and

WHEREAS, the Commission desires to ensure that gas utility customers in the State of Texas receive the benefits associated with the reduction in the federal corporate income tax rate under the Act.

NOW, THEREFORE, IT IS ORDERED THAT:

1. All gas utilities subject to the Commission’s jurisdiction shall accrue on their books and records, as of the effective date of this Order, regulatory liabilities to reflect the impact of the decrease to the federal corporate income tax rate under the Act. The regulatory liabilities shall be used to reflect the following:

- A. The portion of the gas utility’s revenue representing the difference between: (1) the cost of service as approved by the Commission or the regulatory authority in the gas utility’s most recent statement of intent or other rate proceeding, and (2) the cost of service that would have resulted had the rates been based on the 21 percent federal corporate income tax rate, as of the effective date of this Order;

- B. The portion of the gas utility's revenue representing the difference between: (1) each Interim Rate Adjustment surcharge approved by the regulatory authority since the gas utility's most recent statement of intent or other rate proceeding, and (2) each Interim Rate Adjustment surcharge that would have resulted had the surcharges been based on the 21 percent federal corporate income tax rate, as of the effective date of this Order; and
 - C. The excess deferred tax reserve, including any associated gross up in taxes, caused by the reduction in the federal corporate income tax rate, as of the effective date of this Order.
2. All gas utilities subject to the Commission's exclusive, original jurisdiction under Tex. Util. Code § 102.001, shall, through a filing made pursuant to Ordering Paragraph No. 4:
- A. Decrease base rates to reflect the difference between: (1) the cost of service as approved by the Commission or the regulatory authority in the gas utility's most recent statement of intent rate proceeding, and (2) the cost of service that would have resulted had the rates been based on the 21 percent federal corporate income tax rate; and
 - B. Create and apply a rate offset which equals the difference between: (1) each Interim Rate Adjustment surcharge approved by the Commission or the regulatory authority since the gas utility's most recent statement of intent rate proceeding, and (2) each Interim Rate Adjustment surcharge that would have resulted had the surcharges been based on the 21 percent federal corporate income tax rate.
3. All gas utilities subject to the Commission's exclusive, original jurisdiction under Tex. Util. Code § 102.001 shall refund to ratepayers within 12 months of a Commission decision issued pursuant to a filing made under Ordering Paragraph No. 4:
- A. The amount collected by the gas utility that reflects the difference in base rates between: (1) the cost of service as approved by the Commission or the regulatory authority in the gas utility's most recent statement of intent rate proceeding, and (2) the cost of service that would have resulted had the rates been based on the 21 percent federal corporate income tax rate between the effective date of this Order and the effective date of the changes ordered in Ordering Paragraph No. 2A; and
 - B. The amount collected by the gas utility that reflects the difference between: (1) each Interim Rate Adjustment surcharge approved by the Commission or the regulatory authority since the gas utility's most recent statement of intent rate proceeding, and (2) each Interim Rate Adjustment surcharge that would have resulted had the surcharges been based on the 21 percent federal corporate income tax rate between the effective date of this Order and the effective date of the changes ordered in Ordering Paragraph No. 2B.

4. To comply with Ordering Paragraph Nos. 2 and 3, all gas utilities subject to the Commission's exclusive, original jurisdiction under Tex. Util. Code § 102.001 shall, no later than September 1, 2018 for gas utilities serving more than 10,000 customers, and no later than March 1, 2019 for gas utilities serving less than 10,000 customers:

- A. File with the Commission's Oversight and Safety Division an administrative application pursuant to Tex. Util. Code § 104.111; or
- B. File a statement of intent pursuant to Tex. Util. Code § 104.102.

5. The Director of the Oversight and Safety Division has the authority to administratively approve an application submitted pursuant to Ordering Paragraph No. 4A.

6. Any administrative order approved pursuant to Ordering Paragraph Nos. 4A and 5 shall be fully subject to review for reasonableness and accuracy in the gas utility's next statement of intent proceeding, and if applicable, the gas utility shall be required to reconcile any discrepancies.

7. The regulatory liability and proposed amortization established by a gas utility pursuant to Ordering Paragraph No. 1C shall be presented for consideration in setting the cost of service rates of the gas utility during the next statement of intent or other rate proceeding. The amortization of the entire regulatory liability shall be consistently calculated using a methodology set forth under the Act.

8. This Order shall not apply to negotiated rates of a gas utility pursuant to Tex. Util. Code § 102.003(b).

9. This Order shall be effective January 1, 2018.

Signed in Austin, Texas the 27th day of February, 2018.

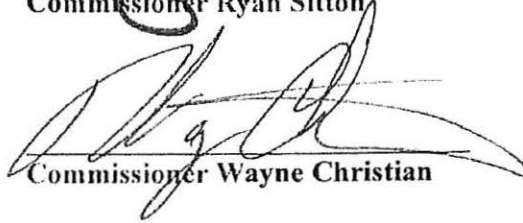
RAILROAD COMMISSION OF TEXAS



Chairman Christi Craddick



Commissioner Ryan Sitton



Commissioner Wayne Christian

ATTEST:




Secretary

EXHIBIT MG-5.11

APSC FILED Time: 1/12/2018 12:03:48 PM. Recvd: 1/12/2018 12:03:45 PM. Docket: 18-006-U-Doc: 1

ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF AN INVESTIGATION OF)
THE EFFECT ON REVENUE REQUIREMENTS)
RESULTING FROM CHANGES TO CORPORATE)
INCOME TAX RATES UNDER THE TAX CUTS)
AND JOBS ACT OF 2017)

DOCKET NO. 18-006-U
ORDER NO. 1

ORDER

The terms of this Order shall apply to the following investor-owned utilities in Arkansas: Entergy Arkansas, Inc.; Oklahoma Gas & Electric Company; Southwestern Electric Power Company; The Empire District Electric Company; Arkansas Oklahoma Gas Corporation; Black Hills Energy Arkansas, Inc.; CenterPoint Energy Arkansas Gas; and Liberty Utilities Inc. (Pine Bluff Water) (Arkansas IOUs).

In this Order, the Commission requests information pursuant to the jurisdiction and authority granted to it pursuant to Arkansas Code Annotated §§ 23-2-302 and 304, respectively. The information requested is necessary for the Commission to conduct a preliminary investigation pursuant to Arkansas Code Annotated §23-3-118, which the Commission has elected to conduct on its own motion.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act of 2017 (TCJA). At that time, the Commission commenced an assessment of the TCJA and its impact on the rates of Arkansas utilities. The TCJA reduced the maximum corporate income tax rate from 35 percent to 21 percent beginning January 1, 2018. Because income taxes are one of the components included in the cost of service used to calculate a utility's rates, the reduction in tax rates will presumably result in a reduction in utility costs. All Arkansas IOUs should realize a reduction in tax rates. There will presumably be a related excess deferred income tax

balance which should be refunded to ratepayers. The Commission believes that as a result of the TCJA, the current Arkansas IOUs' rates may no longer be just and reasonable effective January 1, 2018.

The Commission therefore orders and directs as follows:

1. As a result of the TCJA of 2017, each Arkansas IOU shall prepare and file an analysis of the ratemaking effects of the TCJA on its revenue requirement. The analysis shall reflect the incremental reduction in the cost of service brought about by the tax rate change. The analysis shall be based on the cost of service underlying the utility's most recent final rate order unless that order was entered before January 1, 2014.¹ Each Arkansas IOU is directed to file within 30 days of the date of this Order such analysis including electronic workpapers with working links and formulae relating to the change in revenue requirement with and without the impact of the TCJA effective January 1, 2018.

2. In addition, each Arkansas IOU shall begin, effective January 1, 2018, to book regulatory liabilities to record the current and deferred impacts of the TCJA. While the exact amount of the tax savings and resulting rate reductions cannot be determined with precision at this time, each of the Arkansas IOUs should use its best estimate to determine the amounts to be recorded as deferred regulatory liabilities, subject to review and adjustment as part of this case.

3. Any Arkansas IOU which currently has a case pending before the Commission shall, as necessary, make adjustments to each affected entry to incorporate

¹ For a company which has not received a final rate order since January 1, 2014, the analysis shall be based on the information contained in the company's 2016 Annual Report(s) to the Arkansas Public Service Commission. Using net income before taxes as a starting point, the company shall calculate the ratemaking effects of the TCJA (for Arkansas jurisdictional ratemaking purposes).

changes incurred by the passing of the TCJA.

4. The Commission will by subsequent order solicit comments or testimony from the parties regarding the extent of the impacts of the TCJA, and how any resulting benefits including carrying charges should flow back to ratepayers.

5. The named Arkansas IOUs are hereby made parties to this Docket, along with the Office of the Attorney General, Arkansas Electric Energy Consumers, Inc., and Arkansas Gas Consumers, Inc. Other interested entities may petition to intervene in accordance with Rule 4.02 of the Commission's *Rules of Practice and Procedure*.

6. The Secretary of the Commission is directed to serve this Order on all entities made parties by the preceding paragraph.

BY ORDER OF THE COMMISSION.

This 12th day of January, 2018.

Ted J. Thomas, Chairman

Elana C. Wills, Commissioner

Kimberly A. O'Guinn, Commissioner

Mary Loos, Secretary of the Commission

I hereby certify that this order, issued by the Arkansas Public Service Commission, has been served on all parties of record on this date by the following method:

U.S. first-class postage prepaid using the mailing address of each party as indicated in the official docket file, or
 Electronic mailing the email address of each party as indicated in the official docket file

EXHIBIT MG-5.12

BEFORE THE LOUISIANA PUBLIC SERVICE COMMISSION

SPECIAL ORDER NO. 13-2018

LOUISIANA PUBLIC SERVICE COMMISSION
EX PARTE

In re: Notice to jurisdictional utilities to immediately track and record, as of January 1, 2018, the impacts of the Tax Cuts and Jobs Act as a regulatory liability and opening a rulemaking docket regarding same.

(Decided at the Commission's Business and Executive Session held February 21, 2018.)

Overview

This order is being issued by the Louisiana Public Service Commission, on its own motion, to provide notice to all Louisiana Public Service Commission-jurisdictional utilities that the Commission will require those utilities to immediately track and record, as of January 1, 2018, as a regulatory liability (deferred liability), the impacts of the recently passed federal tax legislation.

At the Commission's December 20, 2017 Business and Executive Session, Chairman Skrmetta directed utilities to provide reports at the February B&E regarding savings for ratepayers as a result of the new federal tax laws taking effect in 2018. On December 22, 2017 President Trump signed into law the Tax Cuts and Jobs Act ("TCJA" or "the Act"). The Act includes provisions changing, effective January 1, 2018, tax expense utilized by public utilities subject to the Commission's jurisdiction. Specifically, the TCJA reduces the federal corporate income tax rate from 35 percent to 21 percent. The revenue requirements for most Louisiana utilities thus are currently overstated for at least two reasons. First, the current rates of the vast majority of Commission-jurisdictional utilities were established to include recovery of the 35 percent federal corporate tax rate on the equity portion of capital investments, but as of January 1, 2018, that tax rate has been reduced to 21%. Second, Louisiana utilities have recorded on their books deferred taxes in excess of their future tax liability and these excess deferred taxes need to be refunded to ratepayers.

For these reasons all Commission-jurisdictional utilities will be required, as of January 1, 2018 to record as a regulatory liability (deferred liability), those amounts necessary to reflect both the reduced federal corporate tax rate expense of 21 percent and the excess accumulated deferred income taxes. It is the Commission's intent that all of the benefits resulting from the tax changes contained in TCJA will be flowed through, dollar-for-dollar, to Louisiana ratepayers. While the Commission understands that the amount of the tax savings and resulting rate reductions cannot, at this time, be precisely determined, each Commission-jurisdictional utility should use its best estimate to determine the amount to be recorded as a regulatory liability, subject to review and subsequent true-up and refund with carrying costs.

Commission Jurisdiction

The Commission exercises jurisdiction in this proceeding pursuant to Article IV, Section 21 of the Louisiana Constitution, and La. R.S. 45:1163(A)(1) and La. R.S. 45:1176.

La. Const. Art. IV, Sec. 21 provides in pertinent part:

The Commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and perform other duties as provided by law.

Conclusion

This matter was considered at the Commission's Business and Executive Session held February 21, 2018. Following discussion, on motion of Chairman Skrmetta, seconded by Commissioner Greene and unanimously adopted, the Commission voted to adopt the draft Special Order filed into Docket No. X-34747 as follows:

IT IS THEREFORE ORDERED THAT:

1. Beginning as of January 1, 2018, each Commission-jurisdictional utility shall record as a regulatory liability (deferred liability) the amount required to reflect the reduction in the federal corporate tax rate from 35 percent to 21 percent and the associated savings in excess accumulated deferred income taxes until such time as its rates are changed by the Commission to reflect these federal tax savings.
2. A new rulemaking docket shall be opened to consider these issues and the appropriate manner in which to flow through these tax benefits to Louisiana ratepayers, including carrying costs on the unrefunded amounts.
3. The Commission Staff is directed to solicit comments from and/or direct discovery to the Commission-jurisdictional utilities and other interested stakeholders and report back to the Commission as soon as practicable and preferably by the March 21, 2018 Business and Executive Session, with recommendations as to how the federal tax-related benefits will be flowed through to Louisiana ratepayers.
4. This Order is effective immediately.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
 February 23, 2018

/S/ ERIC F. SKRMETTA
 DISTRICT I
 CHAIRMAN ERIC F. SKRMETTA

/S/ MIKE FRANCIS
 DISTRICT IV
 VICE CHAIRMAN MIKE FRANCIS

S/ FOSTER L. CAMPBELL
 DISTRICT V
 COMMISSIONER FOSTER L. CAMPBELL

/S/ LAMBERT C. BOISSIERE, III
 DISTRICT III
 VICE CHAIRMAN LAMBERT C. BOISSIERE, III

/S/ CRAIG GREENE
 DISTRICT II
 COMMISSIONER CRAIG GREENE


 BRANDON M. FREY
 SECRETARY

EXHIBIT MG-5.13

ML 218514

ORDER NO. 88530

IN THE MATTER OF THE IMPACT OF THE
FEDERAL TAX CUTS AND JOBS ACT OF
2017 ON MARYLAND UTILITY RATES

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BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND

CASE NO. 9473

Issue Date: January 12, 2018

The Congress of the United States passed, and on December 22, 2017, President Donald Trump signed, the Tax Cuts and Jobs Act of 2017 (“TCJA”) into law. The TCJA includes a significant reduction of the federal corporate income tax rate effective January 1, 2018.

On January 4, 2018, the Maryland Office of People’s Counsel (“OPC”) filed a Petition to Investigate the Regulatory Impacts of the Tax Cuts and Jobs Act of 2017 and Provide for Rate Relief for Customers of Investor-Owned Utilities (“OPC Petition”). The OPC Petition requests the Maryland Public Service Commission (“Commission”) to open a docket, direct the Maryland investor-owned Utilities (“IOUs”) to apply regulatory accounting treatment for all impacts resulting from the TCJA, and require the Maryland IOUs to submit a filing of certain information.

On January 10, 2018 the Technical Staff of the Commission (“Staff”) filed a Petition for Order and Show Cause of The Staff of the Public Service Commission of Maryland (“Staff Petition”). In it, Staff requested the Commission direct Maryland gas, electric, incumbent local exchange telephone companies, and water companies whose

rates are explicitly grossed up for taxes to show cause as to why their rates should not be immediately reduced to account for the impacts of the TCJA, and require them to track the impacts of the TCJA in a regulatory liability or asset from January 1, 2018.

Md. Code Ann., Public Utilities Article (“PUA”) Section 4-201 requires the Commission to ensure that the rates of public service companies are “just and reasonable for the regulated services that it renders.” The Commission hereby consolidates the Staff and OPC Petitions and grants their requests as modified herein. The Commission agrees with Staff that this Order shall apply to Maryland gas, electric, incumbent local exchange telephone companies, and water companies “whose rates are explicitly grossed up for taxes.”¹ The Commission agrees with both Petitions that such Maryland Utilities shall track the impacts of the TCJA beginning on January 1, 2018 and apply regulatory accounting treatment, which includes the use of regulatory assets and regulatory liabilities, for all impacts resulting from the TCJA. The Commission also directs such Maryland Utilities to make a filing on or before February 15, 2018, explaining the expected impacts of the TCJA on their expenses and revenues, and explaining when and how they expect to pass through those effects to their customers.² In accordance with PUA § 4-201, this proceeding will examine the impact of the TCJA on the rates of Maryland Utilities to ensure that the rates their customers are paying are, in fact, just and reasonable.

¹ A preliminary list of applicable Maryland Utilities is attached hereto as Attachment 1.

² The Commission recognizes and appreciates that Baltimore Gas and Electric Company, Washington Gas Light Company, Potomac Electric Power Company, and Delmarva Power and Light Company have made, or indicated they will make soon, filings to promptly pass through the expected savings from the TCJA to their customers.

IT IS THEREFORE, this 12th day of January, in the year Two Thousand and Eighteen, by the Public Service Commission of Maryland,

ORDERED: (1) That a proceeding to examine the impacts of the Tax Cuts and Jobs Act of 2017 on the rates and charges of Maryland Utilities is instituted by the Commission;

(2) That all Maryland gas, electric, incumbent local exchange telephone companies, and water companies whose rates are explicitly grossed up for taxes are directed to track the impacts beginning January 1, 2018 and apply regulatory accounting treatment, which includes the use of regulatory assets and regulatory liabilities, for all impacts resulting from the Tax Cuts and Jobs Act of 2017; and

(3) That all Maryland gas, electric, incumbent local exchange telephone companies and water companies whose rates are explicitly grossed up for taxes are directed to file with the Commission on or before February 15, 2018, an explanation of the expected impacts of the Tax Cuts and Jobs Act of 2017 on their expenses and revenues, and explain when and how they expect to pass through those effects to their customers.

By Direction of the Commission,

/s/ David J. Collins

David J Collins
Executive Secretary

ATTACHMENT 1

Initial List of Maryland Gas, Electric, Incumbent Local Exchange Telephone Companies, and
Water Companies Whose Rates Are Explicitly Grossed Up For Taxes

Baltimore Gas and Electric Company

Potomac Electric Power Company

Delmarva Power and Light Company

The Potomac Edison Company

Washington Gas Light Company

Chesapeake Utilities Corporation

Sandpiper Energy, Inc.

Columbia Gas of Maryland, Inc.

UGI Central Penn Gas, Inc.

Pivotal Utility Holdings, Inc. d/b/a Elkton Gas

Verizon Maryland LLC

Armstrong Telephone Company

Artesian Water Maryland, Inc.

Maryland American Water Company

Utilities, Inc.

Provinces Utilities, Inc.

Green Ridge Utilities, Inc.

Maryland Water Service, Inc.

EXHIBIT MG-5.14

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.)	
)	
COMPLAINANT)	
)	CASE NO. 2017-00477
V.)	
)	
KENTUCKY UTILITIES COMPANY, LOUISVILLE GAS AND ELECTRIC COMPANY, KENTUCKY POWER COMPANY, AND DUKE ENERGY KENTUCKY, INC.)	
)	
DEFENDANTS)	

ORDER

On December 21, 2017, Kentucky Industrial Utility Customers, Inc. ("KIUC") filed a formal complaint, on behalf of 18 named customers, against Kentucky Utilities Company ("KU"); Louisville Gas and Electric Company ("LG&E"), operating as an electric and gas utility; Kentucky Power Company ("Kentucky Power"); and Duke Energy Kentucky, Inc. ("Duke Energy"), operating as an electric and gas utility; (collectively, "Defendants"), alleging that their respective rates are no longer fair, just, and reasonable due to the recent enactment of the Tax Cuts and Jobs Act reducing the federal corporate tax rate from 35 percent to 21 percent. The complaint states that the current rates of each of the Defendants were established by the Commission to include recovery of the 35 percent federal corporate tax rate on the equity portion of capital investments, but that as of January 1, 2018, that tax rate is reduced to 21 percent. In addition to requesting rate

reductions to reflect the lower tax rate, the complaint alleges that each of the Defendants has on its books deferred taxes which are now in excess of future liability and these excess deferred taxes need to be refunded to ratepayers over the remaining useful life of the property, estimated to be 20 years. In support of its complaint, KIUC filed an affidavit of a consulting accountant recommending revenue reductions for each of the Defendants based on its respective financial figures for the 12 months ended September 30, 2017.

Based on a review of the complaint and being otherwise sufficiently advised, the Commission finds that KIUC has established a *prima facie* case that as of January 1, 2018, the rates of each of the Defendants will no longer be fair, just, or reasonable. Rates must be set at a level to allow a utility to recover all of its reasonable expenses, including taxes, and to provide its shareholders an opportunity to earn a fair return on invested capital. Since ratepayers are required to pay through their rates the tax expenses of a utility, any reduction in tax rates must be timely passed through to ratepayers. Since the tax rate reduction is effective January 1, 2018, and the Commission's ratemaking authority is prospective in nature, each of the Defendants should record a deferred liability starting January 1, 2018, to reflect both the reduced federal corporate tax rate expense of 21 percent and the excess deferred accumulated income taxes to be returned to ratepayers over the next 20 years.

While the exact amount of the tax savings and resulting rate reductions cannot be determined with precision at this time, each of the Defendants should use its best estimate to determine the amount to be recorded as a deferred liability, subject to review and adjustment as part of this case. This is the same procedures followed by utilities in Kentucky when they seek approval of deferred assets before the final amounts are known

with certainty. Rate cases were recently concluded for KU and LG&E, and rate cases are now ongoing for Kentucky Power and Duke Energy. Thus, the issues to be addressed in this complaint case are properly limited to the savings resulting from the January 1, 2018, tax reduction, the appropriate level of deferred liabilities to be recorded on an interim basis to reflect the reduced federal corporate tax rate, and the appropriate level of reductions in utility rates to reflect the reduced federal corporate tax rate.

Finally, KU, LG&E, Kentucky Power, and Duke Energy are hereby notified that they have been individually named as Defendants in a formal complaint filed on December 21, 2017, a copy of which is attached as the Appendix to this Order.

IT IS THEREFORE ORDERED that:

1. Pursuant to 807 KAR 5:001, Section 20, KU, LG&E, Kentucky Power, and Duke Energy shall satisfy the matters complained of or file a written answer to the complaint within ten days from the date of service of this Order.


2. KU, LG&E, Kentucky Power, and Duke Energy shall commence recording deferred liabilities on their respective books for electric and gas service, as applicable, to reflect the reduction in the federal corporate tax rate to 21 percent and the associated savings in excess deferred taxes on an interim basis until utility rates are adjusted to reflect the federal tax savings.

Should documents of any kind be filed with the Commission in the course of this proceeding, the documents shall also be served on all parties of record. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

By the Commission

ENTERED
DEC 27 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director