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State regulators: Utilities must pass federal tax cut savings on to customers

OLYMPIA, Wash. – Washington state utility regulators have directed regulated companies to track federal tax savings resulting from the passage of the federal Tax Cuts and Jobs Act to ensure those savings will benefit utility customers.

The 2017 federal tax overhaul reduced the corporate tax rate from 35 percent to 21 percent. State law authorizes the Washington Utilities and Transportation Commission to determine how much profit regulated energy, telecom, and water companies can earn and what rates those companies can charge their customers.

The reduction in the federal corporate tax rate will reduce costs for many of the UTC's regulated companies. The commission has directed companies to report the expected revenue impacts of the tax revisions.

“Investor-owned utilities expect to see reduced taxes as a result of the tax legislation, and we expect them to pass those benefits on to Washington customers,” says UTC Chairman Dave Danner. “UTC staff is still working through the changes brought about by the tax law, but utilities are on notice that we expect customers will reap the benefits.”

Customers will not see immediate bill credits or reduced rates. The utilities' expected tax savings must be determined and reconciled with commission-set revenue requirements during regular tariff and rate case filings. Customers may see reduced rates as these proceedings go into effect.

Two energy companies, Avista and Cascade Natural Gas, have rate cases pending before the commission. Tax-related changes will be incorporated into rates during these cases.

Puget Sound Energy, Pacific Power and Light, and Northwest Natural Gas have already filed petitions with the commission outlining the potential changes to their 2018 taxes and estimating any potential excess earnings. The UTC will evaluate the specifics and incorporate the results into future rate cases. The UTC is also working with other regulated companies to determine the impacts of the federal tax law changes on their operations.

The UTC regulates the rates and services of investor-owned electric utilities, telecommunications, natural gas, and water companies, garbage-collection haulers, household-goods movers and charter-bus companies, commercial ferries, pipeline companies, and a low-level radioactive waste repository. The commission does not regulate broadband or Internet services, including those provided by regulated telecommunications companies.

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