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Docket Nos. RM19-5-000, PL19-2-000, AC18-59-000

Agenda Items E-1, E-4, E-26

FERC Acts on Tax Reductions for Energy Customers, Provides Industry Guidance

The Federal Energy Regulatory Commission (FERC) today took further steps to ensure that ratepayers receive the benefit of the tax reductions from the Tax Cuts and Jobs Act signed into law on December 22, 2017 (Tax Reform). Today's steps include issuance of a Notice of Proposed Rulemaking, a policy statement, and several orders implementing individual rate revisions and reductions.

Today's Notice of Proposed Rulemaking (NOPR) (RM19-5-000) proposes to require each public utility transmission provider with transmission rates under an Open Access Transmission Tariff , a transmission owner tariff or a rate schedule to revise those rates to account for changes caused by the Tax Cuts and Jobs Act. These proposed reforms are designed to address the tax law's effects on the Accumulated Deferred Income Taxes (ADIT) reflected in their transmission rates.

Under these reforms, all public utilities with transmission formula rates would:

- include mechanisms to deduct any excess ADIT from or add any deficient ADIT to their rate bases;
- include mechanisms in those rates that would raise or lower their income tax allowances by any amortized excess or deficient ADIT; and
- incorporate a new permanent worksheet into their rates that will annually track information related to excess or deficient ADIT.

All public utilities with transmission stated rates would determine the amount of excess and deferred income tax caused by the reduced federal corporate income tax rate, and return or recover this amount to or from customers.

Today's policy statement (PL19-2-000) provides accounting and ratemaking guidance for treatment of ADIT for all FERC-jurisdictional public utilities, natural gas pipelines and oil pipelines. The policy statement also addresses the accounting and ratemaking treatment of ADIT following the sale or retirement of an asset after December 31, 2017.

Among other tax law-related actions taken today, FERC accepted three interstate natural gas pipeline rate reduction filings and one settlement stemming from implementation of Order No. 849, approved in July. Order No. 849 requires pipelines to provide, through a one-time report, the FERC Form No. 501-G, an estimate of their returns on equity before and after the new tax law and changes to the Commission's tax allowance policies. Today's actions accept filings for Millennium Pipeline Company, L.L.C., North Baja Pipeline LLC, and Vector Pipeline L.P., and accept a settlement for Kern River Gas Transmission Company.

FERC also approved an accounting request from the Edison Electric Institute (AC18-59-000) related to recording a reclassification of any stranded tax effects from Tax Reform. Lastly, FERC acted on 46 of the Federal Power Act section 206 show-cause investigations initiated in March, in which the Commission directed certain public utilities whose transmission tariffs specifically reference tax rates of 35 percent to reduce their tax rates to 21 percent or show why they did not need to do so.

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