NEWS RELEASE

March 15, 2018

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Docket Nos. PL17-1-000, IS08-390-008,
IS08-390-009, and IS09-437-008, et al.
Agenda Items G-2, G-3 and G-4

FERC Revises Polices, Will Disallow Income Tax Allowance Cost Recovery in MLP Pipeline Rates

The Federal Energy Regulatory Commission (FERC) today responded to a federal court remand by stating it no longer will allow master limited partnership (MLP) interstate natural gas and oil pipelines to recover an income tax allowance in cost of service rates.

The U.S. Court of Appeals for the District of Columbia Circuit in *United Airlines, Inc. v. FERC*, (827 F.3d 122 (D.C. Cir. 2016) held that FERC failed to demonstrate there was no double recovery of income tax costs when permitting SFPP, L.P., an MLP, to recover both an income tax allowance and a return on equity determined by the discounted cash flow methodology.

The Commission today acted in response both to the court remand and comments filed in response to an inquiry issued after the court ruling. FERC will now revise its 2005 Policy Statement for Recovery of Income Tax Costs so that it no longer will allow MLPs to recover an income tax allowance in the cost of service.

The revised policy statement explains that, while all partnerships seeking to recover an income tax allowance will need to address the double-recovery concern, the application of the *United Airlines* court case to non-MLP partnerships will be addressed as those issues arise in subsequent proceedings.

In Docket Nos. IS08-390-008 and IS08-390-009, the Commission denies SFPP an income tax allowance and determines a real return on equity of 10.24 percent (Agenda Item G-3). In Docket Nos. IS09-437-008, et al., FERC accepts SFFP's compliance filing, subject to the company submitting a further compliance that, among other things, removes the income tax allowance in SFPP's East Line cost of service and calculates refunds (Agenda Item G-4).

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