

165 FERC ¶ 61,112
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Cheryl A. LaFleur and Richard Glick.

Vector Pipeline L.P.

Docket Nos. RP19-60-000
RP19-61-000

ORDER ON RATE REDUCTION FILING AND FERC FORM NO. 501-G

(Issued November 15, 2018)

1. On October 11, 2018, in Docket No. RP19-61-000, Vector Pipeline L.P. (Vector) filed revised tariff records¹ pursuant to section 4 of the Natural Gas Act (NGA) to implement a rate reduction consistent with section 154.404 of the Commission's regulations.² The Commission accepts Vector's tariff records effective December 1, 2018, as proposed.

¹ Vector Pipeline L.P., FERC NGA Gas Tariff, Baseline Tariff, [Sheet No. 20, Rates: FT-1 and FT-L, 3.0.0](#), [Sheet No. 20A, Rates: FT-H and IT-1, 3.0.0](#), and [Sheet No. 21, Rates: PALS-1, TTS and MBA, 3.0.0](#).

² 18 C.F.R. § 154.404(a) (2018), which provides:

Purpose. The limited rate filing permitted by this section is intended to permit:

(1) a natural gas company subject to the federal corporate income tax to reduce its maximum rates to reflect the decrease in the federal corporate income tax rate pursuant to the Tax Cuts and Jobs Act of 2017, and

(2) a natural gas company organized as a pass-through entity either (i) to eliminate any income tax allowance and accumulated deferred income taxes reflected in its current rates or (ii) to reduce its maximum rates to reflect the decrease in the federal income tax rates applicable to partners pursuant to the Tax Cuts and Jobs Act of 2017.

I. Background and Proposal

2. On July 18, 2018, the Commission issued Order No. 849,³ a final rule adopting procedures for determining which jurisdictional natural gas pipelines may be collecting unjust and unreasonable rates in light of: (1) the income tax reductions provided by the Tax Cuts and Jobs Act⁴; and (2) the Commission's Revised Policy Statement⁵ and Opinion No. 511-C⁶ establishing a policy that master limited partnerships (MLPs) may not recover an income tax allowance in response to the decision of the United States Court of Appeals for the District of Columbia Circuit (D.C. Circuit) in *United Airlines*.⁷ Order No. 849 required, pursuant to sections 10 and 14(a) of the NGA, that all interstate natural gas companies with cost-based stated rates, that filed a 2017 FERC Form No. 2 or 2-A, must file a FERC Form No. 501-G informational filing.⁸ The FERC Form No. 501-G is designed to collect financial information to evaluate the impact of the Tax Cuts and Jobs Act and *United Airlines* Issuances on interstate natural gas pipelines' revenue requirements. Using the data in the pipelines' 2017 FERC Form Nos. 2 and 2-A, the form estimates: (1) the percentage reduction in the pipeline's cost of service resulting from the Tax Cuts and Jobs Act and the Revised Policy Statement; and (2) the pipeline's current return on equity (ROE) before and after the reduction in corporate income taxes and the elimination of income tax allowances for MLP pipelines.

³ *Interstate and Intrastate Natural Gas Pipelines; Rate Changes Relating to Federal Income Tax Rate*, Order No. 849, 83 Fed. Reg. 36,672 (July 30, 2018), FERC Stats. & Regs. ¶ 31,404 (2018) (cross-referenced at 164 FERC ¶ 61,031) (Order No. 849).

⁴ An 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, 131 Stat. 2054 (2017) (Tax Cuts and Jobs Act).

⁵ *Inquiry Regarding the Commission's Policy for Recovery of Income Tax Costs*, Revised Policy Statement, 83 FR 12,362 (Mar. 21, 2018), FERC Stats & Regs. ¶ 35,060 (2018), *order on reh'g*, 164 FERC ¶ 61,030 (2018).

⁶ *SFPP, L.P.*, Opinion No. 511-C, 162 FERC ¶ 61,228, at P 9 (2018).

⁷ *United Airlines, Inc. v. FERC*, 827 F.3d 122 (D.C. Cir. 2016). For purposes of this order, the Revised Policy Statement, *United Airlines*, and Opinion No. 511-C will collectively be referred to as "*United Airlines* Issuances."

⁸ The One-time Report on Rate Effect of the Tax Cuts and Jobs Act is referred to interchangeably as "One-time Report" or "FERC Form No. 501-G."

3. Order No. 849 also provided several options each interstate natural gas pipeline may choose from to address the changes to the pipeline's revenue requirement as a result of the income tax reductions, including a limited NGA section 4 rate reduction filing. Order No. 849 adopted section 154.404 of the Commission's regulations, authorizing natural gas pipelines to submit limited NGA section 4 filings to reduce their rates to reflect the Tax Cuts and Jobs Act and the *United Airlines* Issuances, without making any other rate changes. Section 154.404 permits pass-through pipelines, including MLPs, to either eliminate their tax allowances or reduce their rates to reflect the reduced income tax expenses provided by the Tax Cuts and Jobs Act. In order to provide an additional incentive for pipelines to make a limited NGA section 4 rate reduction filing, Order No. 849 included a guarantee that the Commission will not, for a three-year moratorium period, initiate a NGA section 5 rate investigation of a pipeline that makes such a filing, if that filing reduces the pipeline's ROE to 12 percent or less.⁹

4. On October 11, 2018, in Docket No. RP19-60-000, Vector filed FERC Form No. 501-G consistent with the reporting requirements of Order No. 849. Vector's FERC Form No. 501-G shows an indicated cost-of-service reduction of 9.3 percent, and a Total Estimated Return on Equity of 14.9 percent, after adjustment to reflect Tax Cuts and Jobs Act and *United Airlines* Issuances. Vector stated in that filing that it would submit a limited NGA section 4 filing to reduce its maximum tariff rates to reflect the reduction in the corporate income tax rate.

5. Also on October 11, 2018, in Docket No. RP19-61-000, Vector filed the instant limited NGA section 4 rate reduction pursuant to section 154.404 of the Commission's regulations. Vector proposes to reduce its currently effective rates by 9.3 percent, effective December 1, 2018. Vector states that it is a limited partnership and joint venture of Enbridge Inc. and DTE Energy Company (which own 60 percent and 40 percent interests, respectively). Vector states that although it is a pass-through entity, all of its income and losses are consolidated on the federal income tax returns of its corporate parents. Therefore, Vector asserts that it is considered to be subject to federal corporate income taxes for the purpose of section 154.404(a)(1) of the Commission's regulations.

6. Vector notes that virtually all of its 2017 transmission revenue was derived from negotiated rate agreements or from agreements with discounted rates below those proposed in the instant limited section 4 filing. Additionally, Vector states that it projects that in 2019, the vast majority of its transportation revenues will be derived from negotiated rate and lease agreements or from discounted rate agreements, all of which are also at rates below those proposed in the instant limited NGA section 4 filing. Last,

⁹ Order No. 849, FERC Stats. & Regs. ¶ 31,404 at PP 199-200.

Vector notes that much of this revenue will come from two recent long-term negotiated rate and lease agreements with Rover Pipeline LLC and NEXUS Gas Transmission, LLC.

II. Notice of Filing, Interventions, and Protests

7. Public notice of Vector's FERC Form No. 501-G filing in Docket No. RP19-60-000 was issued on October 15, 2018. Public notice of Vector's limited NGA section 4 filing in Docket No. RP19-61-000 was also issued on October 15, 2018. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.¹⁰ Pursuant to Rule 214,¹¹ all timely motions to intervene and any unopposed motions to intervene filed out-of-time before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. No protests or adverse comments were received.

III. Discussion

8. The Commission finds that Vector's proposal to reduce its rates by 9.3 percent as calculated in the FERC Form No. 501-G is consistent with section 154.404 of the Commission's regulations and provides a net benefit to Vector's customers. Accordingly, the Commission accepts Vector's referenced tariff records to be effective December 1, 2018, as requested.

9. The Commission notes that Vector's FERC Form No. 501-G reflects a Total Estimated Return on Equity of 14.9 percent¹² after adjustment to reflect the Tax Cuts and Jobs Act and *United Airlines* Issuances. As such, Vector is not eligible for the three-year moratorium period established in Order No. 849. Therefore, although the Commission is accepting Vector's rate reduction filing, the Commission is not precluded from establishing a hearing under NGA section 5 to investigate whether a further rate reduction is justified in Docket No. RP19-60-000.

¹⁰ 18 C.F.R. § 154.210 (2018).

¹¹ *Id.* § 385.214.

¹² Vector FERC Form No. 501-G, page 3, line 26, column (E).

The Commission orders:

Vector's tariff records as noted above are accepted, effective December 1, 2018.

By the Commission. Commissioner McIntyre is not voting on this order.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.