

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


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CHAIRMAN ERIC F. SKRMETTA**
**DISTRICT IV
VICE CHAIRMAN MIKE FRANCIS**
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