

GAS UTILITIES DOCKET NO. 10695

REGULATORY ACCOUNTING	§	
	§	
RELATED TO FEDERAL INCOME	§	RAILROAD COMMISSION OF TEXAS
	§	
TAX CHANGES	§	

GAS UTILITIES ACCOUNTING ORDER

WHEREAS, on December 22, 2017, Congress enacted the Tax Cuts and Jobs Act of 2017 (the “Act”), which reduced the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018; and

WHEREAS, the Act’s reduction to the federal corporate income tax rate applies to investor-owned gas utilities and results in both lower income tax expense on current income and, in some cases, excess deferred taxes; and

WHEREAS, the Railroad Commission of Texas (“Commission”) has exclusive, original jurisdiction over the books, accounts, and records of a gas utility pursuant to the Gas Utility Regulatory Act, Tex. Util. Code § 102.101; and

WHEREAS, pursuant to Tex. Util. Code § 102.001, the Commission has exclusive, original jurisdiction over the rates and services of a gas utility: (1) that distributes natural gas or synthetic natural gas in areas outside a municipality and areas inside a municipality that surrenders its jurisdiction to the Commission under Tex. Util. Code § 103.003; and (2) that transmits, transports, delivers, or sells natural gas or synthetic natural gas to a gas utility that distributes the gas to the public; and

WHEREAS, the Commission desires to ensure that gas utility customers in the State of Texas receive the benefits associated with the reduction in the federal corporate income tax rate under the Act.

NOW, THEREFORE, IT IS ORDERED THAT:

1. All gas utilities subject to the Commission’s jurisdiction shall accrue on their books and records, as of the effective date of this Order, regulatory liabilities to reflect the impact of the decrease to the federal corporate income tax rate under the Act. The regulatory liabilities shall be used to reflect the following:

- A. The portion of the gas utility’s revenue representing the difference between: (1) the cost of service as approved by the Commission or the regulatory authority in the gas utility’s most recent statement of intent or other rate proceeding, and (2) the cost of service that would have resulted had the rates been based on the 21 percent federal corporate income tax rate, as of the effective date of this Order;

- B. The portion of the gas utility's revenue representing the difference between: (1) each Interim Rate Adjustment surcharge approved by the regulatory authority since the gas utility's most recent statement of intent or other rate proceeding, and (2) each Interim Rate Adjustment surcharge that would have resulted had the surcharges been based on the 21 percent federal corporate income tax rate, as of the effective date of this Order; and
- C. The excess deferred tax reserve, including any associated gross up in taxes, caused by the reduction in the federal corporate income tax rate, as of the effective date of this Order.

2. All gas utilities subject to the Commission's exclusive, original jurisdiction under Tex. Util. Code § 102.001, shall, through a filing made pursuant to Ordering Paragraph No. 4:

- A. Decrease base rates to reflect the difference between: (1) the cost of service as approved by the Commission or the regulatory authority in the gas utility's most recent statement of intent rate proceeding, and (2) the cost of service that would have resulted had the rates been based on the 21 percent federal corporate income tax rate; and
- B. Create and apply a rate offset which equals the difference between: (1) each Interim Rate Adjustment surcharge approved by the Commission or the regulatory authority since the gas utility's most recent statement of intent rate proceeding, and (2) each Interim Rate Adjustment surcharge that would have resulted had the surcharges been based on the 21 percent federal corporate income tax rate.

3. All gas utilities subject to the Commission's exclusive, original jurisdiction under Tex. Util. Code § 102.001 shall refund to ratepayers within 12 months of a Commission decision issued pursuant to a filing made under Ordering Paragraph No. 4:

- A. The amount collected by the gas utility that reflects the difference in base rates between: (1) the cost of service as approved by the Commission or the regulatory authority in the gas utility's most recent statement of intent rate proceeding, and (2) the cost of service that would have resulted had the rates been based on the 21 percent federal corporate income tax rate between the effective date of this Order and the effective date of the changes ordered in Ordering Paragraph No. 2A; and
- B. The amount collected by the gas utility that reflects the difference between: (1) each Interim Rate Adjustment surcharge approved by the Commission or the regulatory authority since the gas utility's most recent statement of intent rate proceeding, and (2) each Interim Rate Adjustment surcharge that would have resulted had the surcharges been based on the 21 percent federal corporate income tax rate between the effective date of this Order and the effective date of the changes ordered in Ordering Paragraph No. 2B.

4. To comply with Ordering Paragraph Nos. 2 and 3, all gas utilities subject to the Commission's exclusive, original jurisdiction under Tex. Util. Code § 102.001 shall, no later than September 1, 2018 for gas utilities serving more than 10,000 customers, and no later than March 1, 2019 for gas utilities serving less than 10,000 customers:

A. File with the Commission's Oversight and Safety Division an administrative application pursuant to Tex. Util. Code § 104.111; or

B. File a statement of intent pursuant to Tex. Util. Code § 104.102.

5. The Director of the Oversight and Safety Division has the authority to administratively approve an application submitted pursuant to Ordering Paragraph No. 4A.

6. Any administrative order approved pursuant to Ordering Paragraph Nos. 4A and 5 shall be fully subject to review for reasonableness and accuracy in the gas utility's next statement of intent proceeding, and if applicable, the gas utility shall be required to reconcile any discrepancies.

7. The regulatory liability and proposed amortization established by a gas utility pursuant to Ordering Paragraph No. 1C shall be presented for consideration in setting the cost of service rates of the gas utility during the next statement of intent or other rate proceeding. The amortization of the entire regulatory liability shall be consistently calculated using a methodology set forth under the Act.

8. This Order shall not apply to negotiated rates of a gas utility pursuant to Tex. Util. Code § 102.003(b).

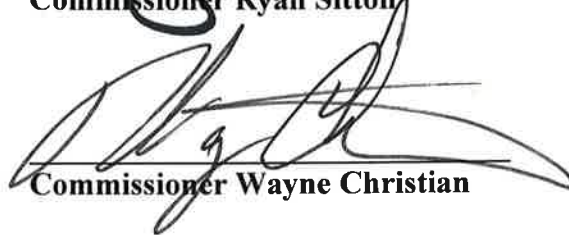
9. This Order shall be effective January 1, 2018.

Signed in Austin, Texas the 27th day of February, 2018.

RAILROAD COMMISSION OF TEXAS


Chairman Christi Craddick


Commissioner Ryan Sitton


Commissioner Wayne Christian

ATTEST:



Secretary