414 Nicollet Mall
Minneapolis, MN 55401

September 15, 2017

—Via Electronic Filing—

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: REPLY COMMENTS
NUCLEAR DECOMMISSIONING ACCRUAL
DOCKET NO. E002/M-14-761

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits this Reply to the Comments submitted by the Minnesota Department of Commerce, Division of Energy Resources (Department) in response to the Minnesota Public Utility Commission's Notice of Comment Period dated September 5, 2017.

A. Investment Strategy

In its Comments, the Department advances the same position it took in response to our 2016 compliance filing and makes largely the same recommendations. In particular, the Department recommends that the NDT be benchmarked against a portfolio of 80% equities and 20% long-term fixed income (the "80/20 Portfolio") and that the accrual be adjusted for underperformance relative to this 80/20 Portfolio on a going forward basis. We detailed our objections to these recommendations and the Department's analysis in our Comments filed on August 15, 2016; our Reply Comments filed on August 25, 2016; and in oral argument at a Commission hearing on December 21, 2016. We will not repeat those arguments and objections here but very briefly summarize our most significant concern with the Department's position below.

As we made clear in 2016, we do not believe it is reasonable or appropriate to establish a benchmark for the NDT that reflects a substantially different asset allocation and risk profile than the actual NDT portfolio. Indeed, the

Department's proposal would only drive the Company toward modifying its asset allocation to track the benchmark. If the Commission wants to order a modification to the NDT's asset allocation, it can certainly do so. We simply request that the Commission not adopt a benchmark that is untethered from the NDT's actual asset allocation, which was previously approved by the Commission in its October 2015 Order.

Additionally, on August 25, 2017, we filed an analysis of our NDT investment strategy that was completed by a third-party expert in long-term institutional investment strategies. In the cover letter to that filing, we noted that the Commission may want to include discussion of that report in the upcoming NDT triennial docket. We continue to support that recommendation and so will not discuss any of the substance of that report in these Reply Comments. We believe it would be most efficient to combine all of these separate discussions regarding the NDT into a single docket and procedural schedule, and we respectfully recommend doing that following our triennial filing on December 1, 2017.

B. Variance in Income Taxes

In its Comments, the Department recommended that we provide more information to support the 42.6 percent of 2016 estimated tax expense for Monticello. The Department also expressed concern that decommissioning costs are grossed up for tax purposes despite being included in rate cases. Finally, the Department recommended that Xcel Energy be required to provide copies of the IRS 2016 Private Letter Rulings (PLRs) and explain the reason(s) for these PLRs. We address each of these issues in turn below.

The 42.6 percent that was presented in our August 30, 2017 Comments was Monticello's percentage share of the total taxable income derived from the values on Table 5 from our initial compliance filing. The intent of that discussion was to explain that if Monticello represented 42.6 percent of the total market value of the fund or taxable income of all three units combined, it is intuitive that it should bear 42.6 percent of the tax costs for 2016 without regard to any prior year activity. We used the values from Table 5 to demonstrate the relationship Monticello has to the total. The taxable income example is shown below in Table 1, and it includes a calculation of taxes by taking the taxable income multiplied by the composite tax rate of 27.84%. The composite tax rate is based on a 20% federal tax rate and a 9.8% Minnesota tax rate, and it reflects the fact that Minnesota taxes are deductible on the federal return, meaning the fund ultimately pays slightly less than 20% on its federal taxes.

Table 1

Taxable Income Example from Table 5 Values

	Monticello	Prairie Island Unit 1	Prairie Island Unit 2	Total
Interest/Dividends	14,477,536	9,436,073	10,390,091	34,303,700
Realized Gains/(Losses)	(289,056)	(258,518)	(185,533)	(733,107)
Management Fees	(2,549,167)	(1,736,622)	(1,874,510)	(6,160,299)
Trustee Fees	(91,354)	(91,140)	(91,114)	(273,608)
Est. Taxable Income	11,547,959	7,349,793	8,238,934	27,136,686
% of Taxable Income	42.6%	27.1%	30.3%	100.0%
Tax Rate	27.84%	27.84%	27.84%	
	3,214,952	2,046,182	2,293,719	7,554,853
% of Total Taxes	42.6%	27.1%	30.3%	100.0%

With respect to grossing up decommissioning costs for tax purposes, we note that there are several taxable items related to nuclear decommissioning. The inclusion of the accrual in our revenue means the Company has to pay tax on that revenue received. Second, the Qualified Trust must pay taxes on the earnings of the fund. These are not the same thing and, thus, do not amount to double taxation. The concept is similar to one's personal taxes where an employee pays taxes on his or her income from work and then—if he or she decides to invest this income and earns a return—would have to pay taxes on that additional investment income.

In a rate proceeding, the decommissioning accrual is an operating expense the Company needs to recover in order to contribute the total amount as ordered to the Qualified Trust. The decommissioning accrual is also a tax deduction for the same amount. From a revenue requirements perspective, then, in order for the Company to collect the full amount of the decommissioning accrual, the customer needs to be billed the operating expense net of tax savings grossed up for the Company's corporate tax rate because the Company is obligated to pay income tax on the revenue collected. For the nuclear decommissioning accrual, this would be calculated as shown below in Table 2.

Table 2

Sample Revenue Requirement Calculation

Revenue Requirement		
Nuclear Decommissioning Accrual	14,030,831	a
NSPM Composite Tax Rate	40%	b
Tax Savings	(5,612,332)	c = a * b
Revenue Requirement before Gross-up	8,418,499	d = a + c
Tax Gross-up (1/(1-tax rate))	1.6667	e = (1/(1-b))
Revenue Requirement after Gross-up	14,030,831	f - d * e

In other words, if the net operating deficiency were not grossed up, the Company would not collect the full amount of the accrual required by the study. However, since the nuclear decommissioning is fully deductible on our income taxes, the total revenue requirement after gross-up is equal to the approved decommissioning accrual.

Finally, the requested 2016 PLRs have been included as Attachment A. In order to tax deduct the contribution to the Qualified Trusts, the Company must request the amounts to be deducted through a PLR. We must file for these when the authorized amount is changed by the Commission, to assure full deductibility of the amount, or every ten years if the authorized amount has not changed.[1] These PLRs are necessary to provide the tax savings represented in Table 2 above so that the revenue requirement after gross-up equals the authorized decommissioning accrual. There were four PLRs filed in 2016. One for each unit was filed for the 2016 taxable year, and one was filed for Prairie Island Unit 2 for the 2015 taxable year. The fourth PLR for Prairie Island Unit 2 was necessary because the previous PLR for this unit was older than ten years. The PLRs for the 2016 taxable year were necessary because of the pour over[2] from the Escrow fund, and they included the new accrual amounts from the 2014 decommissioning filing for 2016.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at lisa.h.perkett@xcelenergy.com or (612)330-6950 if you have any questions regarding this filing.

[1] Treas. Reg §1.468A-3(f)(1)(i)

[2] The PLRs refer to the pour over as a "special transfer."

Sincerely,

/s/

LISA H. PERKETT
PRINCIPAL FINANCIAL CONSULTANT

Enclosure
c: Service List

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Index Number: 468A.00-00

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PSI:B06
PLR-108506-16

Date:
JUL 27 2016

LEGEND:

Taxpayer	=
Parent	=
Plant	=
Location	=
State 1	=
State 2	=
State 3	=
State 4	=
State 5	=
Commission A	=
Commission B	=
Commission C	=
Commission D	=
Commission E	=
Order	=

Recent Study	=
Prior Study	=
Method	=
Date 1	=
a	=
b	=
c	=
d	=
e	=
f	=
g	=
h	=
i	=
j	=
k	=

l	=
m	=
n	=
o	=
p	=
q	=
r	=
s	=
x	=
y	=
z	=
aa	=
bb	=
cc	=
dd	=
ee	=
ff	=
gg	=
hh	=
ii	=
Year 1	=
Year 2	=
Year 3	=
Year 4	=
Year 5	=
Year 6	=
Fund	=
Director	=

Dear :

This letter responds to your request, dated March 7, 2016, for a schedule of deduction amounts and a revised schedule of ruling amounts pursuant to section 468A(f) of the Internal Revenue Code and § 1.468A-8 of the Income Tax Regulations. You also provided additional information by letter dated May 11, 2016. Taxpayer was previously granted schedules of ruling amounts, and on July 9, 2008, Taxpayer was granted a schedule of deduction amounts along with a revised schedule of ruling amounts. Information was submitted pursuant to § 1.468A-3(e)(2).

Taxpayer represents the facts and information relating to its request for a schedule of deduction amounts and request for a schedule of ruling amounts as follows:

Taxpayer is an investor-owned utility incorporated in State 1. Taxpayer, along with an affiliate incorporated in State 2, is engaged in the operation of an electric public utility system involving the generation, transmission, distribution and sale of electric energy and the distribution and sale of natural gas in State 3, State 1, State 4, State 5, and State 2. Taxpayer files a consolidated federal income tax return with its Parent on a calendar-year basis using the accrual method of accounting. Taxpayer is under the audit jurisdiction of the Industry Director.

Taxpayer owns x percent of Plant. The Plant is situated at Location. With respect to the decommissioning costs related to the Plant which are included in the Taxpayer's cost of service for ratemaking purposes, the Taxpayer is subject to regulation by Commission A (a percent), Commission B (b percent), Commission C (c percent), Commission D (d percent), and Commission E (e percent).

Commission A, in Order dated Date 1, approved the Taxpayer's estimated decommissioning costs to be included in Taxpayer's cost of service for ratemaking purposes following Commission A's mandatory periodic review of Taxpayer's decommissioning costs. The Order approves, and relies upon assumptions provided in, the Recent Study. These costs, as well as those in Prior Study, have been incorporated into the cost of service by Commission A and Commission D. Taxpayer's decommissioning costs incorporated into its cost of service by Commission B and Commission C are based on Prior Study. The proposed method of decommissioning under both studies for the Plant is Method.

The total estimated cost of $f (in Year 1 dollars) was used as a base cost for decommissioning the Plant. The total estimated future cost of decommissioning the Plant is $g (in future dollars). It is estimated that substantial decommissioning costs will first be incurred in Year 4 and that decommissioning will be substantially complete at the end of Year 5. The methodology used to convert the Year 1 dollars to future dollars was by escalating the estimated costs, taking into account estimates of inflation and escalation, at a rate of h percent for those costs related to operations and radiological categories and i percent for those costs related to storage of spent fuel and site restoration. The assumed after-tax rate of return to be earned by the amount collected for decommissioning is j percent through Year 4 and is k percent thereafter.

In the prior schedule of ruling amounts, issued under section 468A of the Code as in effect prior to 2006, the estimated useful life of the Plant is years, and the estimated period for which the Fund is to be in effect is years. Thus, the percentage of the total estimated costs qualifying for deduction in the schedule of ruling amounts under prior law was percent for Commissions A, C, and E, and bb percent for Commissions B and D. By letter dated July 9, 2008, the Service granted Taxpayer a schedule of deduction amounts, allowing Taxpayer to make a special transfer of $cc to the Fund.

Section 468A(a), as amended by the Energy Tax Incentives Act of 2005 (the Act), Pub. L. 109-58, 119 Stat. 594, allows an electing taxpayer to deduct payments made to a nuclear decommissioning reserve fund.

Section 468A(b) limits the amount that may be paid into the nuclear decommissioning fund in any year to the ruling amount applicable to that year. Prior to the changes made by the Act, the deduction was limited to the lesser of the amount included in the utility's cost of service for ratemaking purposes or the ruling amount. Generally, as a result, only regulated utilities could take advantage of section 468A. The Act amendment of section 468A eliminated the cost-of-service limitation. Accordingly, decommissioning costs of an unregulated nuclear power plant may now be funded by deductible contributions to a qualified nuclear decommissioning fund.

Section 468A(d)(1) provides that no deduction shall be allowed for any payment to the nuclear decommissioning fund unless the taxpayer requests and receives from the Secretary a schedule of ruling amounts. The "ruling amount" for any tax year is defined under § 468A(d)(2) as the amount which the Secretary determines to be necessary to fund the total nuclear decommissioning cost of that nuclear power plant over the estimated useful life of the plant. This term is further defined to include the amount necessary to prevent excessive funding of nuclear decommissioning costs or funding of these costs at a rate more rapid than level funding, taking into account such discount rates as the Secretary deems appropriate.

Prior to the changes made by the Act, deductible contributions were limited to the amount necessary for an electing taxpayer to fund the plant's post-1983 nuclear decommissioning costs (determined as if decommissioning costs accrued ratably over the estimated useful life of the plant), provided that the taxpayer elected to establish a fund in 1984. Prior law also did not allow a taxpayer electing to establish a fund later than 1984 to contribute to that fund any amount in excess of that amount necessary to fund the ratable portion of the plant's nuclear decommissioning costs beginning in the year the fund is established.

Section 468A(f)(1) now allows a taxpayer to contribute to a nuclear decommissioning fund the entire cost of decommissioning the plant, including both the pre-1984 amount that was denied under the law prior to the Act as well as any amount attributable to any year after 1983 in which a taxpayer had not established a fund under § 468A. Section 468A(f)(2)(A) provides that the deduction for the contribution of the previously-excluded amount is allowed ratably over the remaining useful life of the nuclear plant.

Section 1.468A-1(a) provides that an eligible taxpayer may elect to deduct nuclear decommissioning costs under § 468A of the Code. An "eligible taxpayer," as defined under § 1.468A-1(b)(1) of the regulations, is a taxpayer that has a "qualifying interest" in any portion of a nuclear power plant. A qualifying interest is, among other things, a direct ownership interest.

Section 1.468A-2(b)(1) provides that the maximum amount of cash payments made (or deemed made) to a nuclear decommissioning fund during any tax year shall not exceed the ruling amount applicable to the nuclear decommissioning fund for such taxable year. The limitation on the amount of cash payments for purposes of § 1.468A-2(b)(1) does not apply to any "special transfer" permitted under § 1.468A-8.

Section 1.468A-3(a)(1) provides that, in general, a schedule of ruling amounts for a nuclear decommissioning fund is a ruling specifying annual payments that, over the tax years remaining in the "funding period" as of the date the schedule first applies, will result in a projected balance of the nuclear decommissioning fund as of the last day of the funding period equal to (and in no event more than) the "amount of decommissioning costs allocable to the fund."

Section 1.468A-3(a)(2) provides that, to the extent consistent with the principles and provisions of this section, each schedule of ruling amounts shall be based on reasonable assumptions concerning the after-tax rate of return to be earned by the amounts collected for decommissioning, the total estimated cost of decommissioning the nuclear plant, and the frequency of contributions to a nuclear decommissioning fund for a taxable year. Under § 1.468A-3(a)(3), the Internal Revenue Service shall provide a schedule of ruling amounts identical to the schedule proposed by the taxpayer, but no such schedule shall be provided by the Service unless the taxpayer's proposed schedule is consistent with the principles and provisions of that section.

Section 1.468A-3(a)(4) provides that the taxpayer bears the burden of demonstrating that the proposed schedule of ruling amounts is consistent with the principles of the regulations and that it is based on reasonable assumptions. That section also provides additional guidance regarding how the Service will determine whether a proposed schedule of ruling amounts is based on reasonable assumptions. For example, if a public utility commission established or approved the currently applicable rates for the furnishing or sale by the taxpayer of electricity from the plant, the taxpayer can generally satisfy this burden of proof by demonstrating that the schedule of ruling amounts is calculated using the assumptions used by the public utility commission in its most recent order. In addition, a taxpayer that owns an interest in a deregulated nuclear plant may submit assumptions used by a public utility commission that formerly had regulatory jurisdiction over the plant as support for the assumptions used in calculating the taxpayer's proposed schedule of ruling amounts, with the understanding that the assumptions used by the public utility commission may be given less weight if they are out of date or were developed in a proceeding for a different taxpayer. The use of other industry standards, such as the assumptions underlying the taxpayer's most recent financial assurance filing with the NRC, are described by the regulations as an alternative means of demonstrating that the taxpayer has calculated its proposed schedule of ruling amounts on a reasonable basis. Section 1.468A-3(a)(4) further provides that consistency with financial accounting statements is not sufficient, in the absence of other supporting evidence, to meet the taxpayer's burden of proof.

Section 1.468A-3(b)(1) provides that, in general, the ruling amount for any tax year in the funding period shall not be less than the ruling amount for any earlier tax year. Under § 1.468A-3(c)(1), the funding period begins on the first day of the first tax year for which a deductible payment is made to the nuclear decommissioning fund and ends on the last day of the taxable year that includes the last day of the estimated useful life of the nuclear power plant to which the fund relates.

Section 1.468A-3(c)(2) provides rules for determining the estimated useful life of a nuclear plant for purposes of § 468A. In general, under § 1.468A-3(c)(2)(i)(A), if the plant was included in rate base for ratemaking purposes for a period prior to January 1, 2006, the date used in the first such ratemaking proceeding as the estimated date on which the nuclear plant will no longer be included in the taxpayer's rate base is the end of the estimated useful life of the nuclear plant. Section 1.468A-3(c)(2)(i)(B) provides that, if the nuclear plant is not described in § 1.468A-3(c)(2)(i)(A), the last day of the estimated useful life of the nuclear plant is determined as of the date the plant is placed in service. Under § 1.468A-3(c)(2)(i)(C), any reasonable method may be used in determining the estimated useful life of a nuclear power plant that is not described in § 1.468A-3(c)(2)(i)(A).

Section 1.468A-3(d)(1) provides that the amount of decommissioning costs allocable to a nuclear decommissioning fund is the taxpayer's share of the total estimated cost of decommissioning the nuclear power plant. Section 1.468A-3(d)(3) provides that a taxpayer's share of the total estimated cost of decommissioning a nuclear power plant equals the total estimated cost of decommissioning such plant multiplied by the taxpayer's qualifying interest in the plant.

Section 1.468A-3(e) provides the rules regarding the manner of requesting a schedule of ruling amounts. Section 1.468A-3(e)(1)(v) provides that the Service will not provide or revise a ruling amount applicable to a taxable year in response to a request for a schedule of ruling amounts that is filed after the deemed payment date (as defined in § 1.468A-2(c)(1)) for such taxable year.

Section 1.468A-3(e)(2) enumerates the information required to be contained in a request for a schedule of ruling amounts filed by a taxpayer in order to receive a ruling amount for any taxable year.

Section 1.468A-3(e)(3) provides that the Service may prescribe administrative procedures that supplement the provisions of §§ 1.468A-3(e)(1) and (2). In addition, that section provides that the Service may, in its discretion, waive the requirements of §§ 1.468A-3(e)(1) and (2) under appropriate circumstances.

Section 1.468A-3(f)(1) describes the circumstances in which a taxpayer must request a revised schedule of ruling amounts. Section 1.468A-3(f)(1)(iii) requires that a taxpayer request a revised schedule of ruling amounts for the fund if the taxpayer

requests a schedule of deduction amounts. The revised schedule of ruling amounts must apply beginning with the first taxable year following the first year in which a deduction is allowed under the schedule of deduction amounts.

Section 1.468A-3(f)(2) provides that any taxpayer that has previously obtained a schedule of ruling amounts may request a revised schedule of ruling amounts. Such a request must be made in accordance with the rules of § 1.468A-3(e). The Internal Revenue Service shall not provide a revised schedule of ruling amounts applicable to a taxable year in response to a request for a schedule of ruling amounts that is filed after the deemed payment deadline date for such taxable year.

Section 1.468A-8(a)(1) provides that, under the provisions of § 468A(f), as described above, a taxpayer may make a special transfer of cash or property to the nuclear decommissioning fund. This special transfer is not subject to the § 468A(b) limitation. The amount of the special transfer is the present value of the pre-2006 nonqualifying percentage of the estimated future costs of decommissioning the nuclear plant that was disallowed under section 468A prior to the Act.

Section 1.468A-8(a)(2) defines the pre-2005 nonqualifying percentage as equal to 100 percent reduced by the sum of the qualifying percentage used in determining the taxpayer's last schedule of ruling amounts for the fund under section 468A as it existed prior to the Act and the percentage transferred in any previous special transfer.

Section 1.468A-8(a)(3) provides that the taxpayer is not required to transfer the entire amount eligible for the special transfer in one year but must take any prior special transfers into account in calculating the pre-2005 qualifying percentage.

Section 1.468A-8(b) provides that the deduction for the special transfer is allowed ratably over the remaining useful life of the nuclear plant. Under § 1.468A-8(b)(2)(i), the deduction for property contributed in a special transfer is limited to the lesser of the fair market value of the property or the taxpayer's basis in the property. Under § 1.468A-8(b)(4), the taxpayer recognizes no gain or loss on the special transfer of property, the taxpayer's basis in the fund is not increased by reason of the special transfer of property, and the fund's basis in the property transferred in the special transfer is the same as the transferee's basis in that property immediately prior to the special transfer.

Section 1.468A-8(c) provides that taxpayer may not make a special transfer to a qualified nuclear decommissioning fund unless the taxpayer requests from the IRS a schedule of deduction amounts in connection with such transfer. A request for a schedule of deduction amounts may be made in connection with a request for a schedule of ruling amounts but in such case, the calculations for both the schedule of ruling amounts and the schedule of deduction amounts must be separately stated.

As stated above, prior to the changes made by the Act, deductible contributions were limited to the lesser of (1) the amount necessary found the plant's post-1983 nuclear decommissioning costs, or (2) the amount necessary to fund the plant's decommissioning costs for that portion of the plant's estimated useful life for which a fund had been established. Under that prior law, Taxpayer was allowed to contribute to Commissions A, C, and E jurisdictions, percent of the amounts necessary to fully decommission its share of the Plant and to Commissions B and D jurisdictions, percent. Section 468A(f)(1) allows a taxpayer to contribute to the nuclear decommissioning fund the pre-1984 amount that was denied under the law prior to the Act.

Taxpayer made a special transfer to Fund of $dd, pursuant to the letter from the Service dated July 9, 2008. Under the provisions of § 468A(f), Taxpayer was permitted to make a special transfer of $cc (in Year 2 dollars) at that time to fully make up for the pre-1984 amount that was denied under the law prior to the Act. The amount of $dd is ee percent of $cc. Taxpayer now proposes to make a special transfer of the remaining ff percent of the special deduction allowed by the Service in the July 9, 2008, ruling. Escalating $dd to Year 1 dollars is accomplished by multiplying $dd by an escalating factor of gg, the same factor representing the escalation of total estimated decommissioning costs between Year 2 and Year 1 dollars. The amount that Taxpayer is allowed to contribute to the Fund as a special transfer is $hh. Taxpayer has requested that it be allowed to contribute to the Fund as a special transfer in Year 3 is $ii.

We have examined the representations and information submitted by the Taxpayer in relation to the requirements set forth in § 468A and the regulations thereunder. We find that Taxpayer's proposal to contribute $ii to the Fund and to deduct the amount transferred is consistent with the principles and provisions of section 468A and the regulations thereunder. Based solely upon these representations of the facts, we conclude that the Taxpayer is permitted to make a special transfer of $. Under § 1.468A-8(a)(3), a taxpayer must take any prior special transfers into account in calculating the pre-2005 qualifying percentage.

SCHEDULE OF DEDUCTION AMOUNTS

YEAR	DEDUCTION AMOUNT

We note that, if Taxpayer elects to make a special transfer of property for all or a portion of this special transfer, the amount of the transfer is the lesser of the fair market value of the property transferred or the basis of the property in the hands of the Taxpayer immediately prior to the transfer. In addition, because Taxpayer has elected to make a special transfer of less than the $ permitted, Taxpayer is entitled to make

an additional special transfer of the difference between the amount permitted to be transferred and the amount transferred. To make an additional special transfer, Taxpayer must request an additional schedule of deductions. Such request must take the prior schedule of deductions into account in calculating the permissible amount of the special transfer.

Furthermore, regarding Taxpayer's request for a revised schedule of ruling amounts, we have examined the representations and information submitted by the Taxpayer in relation to the requirements set forth in § 468A and the regulations thereunder. Based solely upon these representations of the facts, we reach the following conclusions:

1. Pursuant to § 1.468A-3(a)(4), Taxpayer has met its burden of demonstrating that the proposed schedule of ruling amounts is consistent with the principles of the Code and regulations and is based on reasonable assumptions.

2. Taxpayer has a qualifying interest in the Plant and is, therefore, an eligible taxpayer under § 1.468A-1(b)(1) of the regulations.

3. Taxpayer, as owner of the Plant, has calculated its decommissioning costs under § 1.468A-3(d)(3) of the regulations.

4. The proposed schedule of ruling amounts was derived by following the assumptions contained in Recent Study and Prior Study that have been considered and approved by Commission A. The underlying assumptions were used by Commission A to calculate the amount of decommissioning costs to be included in Taxpayer's cost of service for ratemaking purposes. Thus, Taxpayer has demonstrated, pursuant to § 1.468A-3(a)(4), that the proposed schedule of ruling amounts is based on reasonable assumptions and is consistent with the principles of § 468A and the regulations thereunder.

5. The maximum amount of cash payments made (or deemed made) to the Fund during any tax year is restricted to the ruling amount applicable to the Fund, as set forth under § 1.468A-2(b)(1) of the regulations.

Based solely on the determinations above, we conclude that the Taxpayer's proposed schedule of ruling amounts satisfies the requirements of § 468A of the Code. We have approved the following revised schedule of ruling amounts.

APPROVED SCHEDULE OF RULING AMOUNTS

Years	Commission A	Commission B	Commission D	Commission C	Totals
Year 3	$l	$s	$n	$p	$q
Each Year, Year 6-Year 4	$m	$s	$o	$p	$r

If any of the events described in § 1.468A-3(f)(1) occur in future years, the Taxpayer must request a review and revision of the schedule of ruling amounts. Generally, the Taxpayer is required to file such a request on or before the deemed payment deadline date for the first taxable year in which the rates reflecting such action became effective. When no such event occurs, the Taxpayer must file a request for a revised schedule of ruling amounts on or before the deemed payment deadline of the tenth taxable year following the close of the tax year in which this schedule of ruling amounts is received.

Except as specifically determined above, no opinion is expressed or implied concerning the Federal income tax consequences of the transaction described above.

This ruling is directed only to the Taxpayer who requested it. Section 6110(k)(3) of the Code provides it may not be used or cited as precedent. In accordance with the power of attorney on file with this office, a copy of this letter is being sent to the Taxpayer. We are also sending a copy of this letter ruling to the Director. Pursuant to § 1.468A-7(a), a copy of this letter must be attached (with the required Election Statement) to the Taxpayer's federal income tax return for each tax year in which the Taxpayer claims a deduction for payments made to the Fund.

Sincerely,

Peter C. Friedman
Senior Technician Reviewer, Branch 6
Office of Associate Chief Counsel
(Passthroughs & Special Industries)

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Index Number: 468A.04-02

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PSI:B06
PLR-108504-16

Date:
July 07, 2016

Re: Revised Schedule of Ruling Amounts

LEGEND:

Taxpayer	=
Parent	=
Plant	=
Location	=
State 1	=
State 2	=
State 3	=
State 4	=
State 5	=
Commission A	=
Commission B	=
Commission C	=
Commission D	=
Commission E	=
Order	=
Recent Study	=
Prior Study	=
Method	=
Date 1	=
Date 2	=
Date 3	=
Date 4	=
a	=
b	=
c	=
d	=
e	=
f	=
g	=

h =
i =
j =
k =
l =
m =
n =
o =
p =
q =
x =
Year 1 =
Year 2 =
Year 3 =
Year 4 =
Year 5 =
Fund =

Director =

Dear :

This letter responds to your request, dated March 7, 2016, for an elective revised schedule of ruling amounts under § 468A(d)(1) of the Internal Revenue Code and § 1.468A-3(f)(1)(iv) of the Income Tax Regulations. Taxpayer was previously granted revised schedules of ruling amounts, most recently on Date 1.

Taxpayer represents the facts and information relating to its request for a revised schedule of ruling amounts as follows:

Taxpayer is an investor-owned utility incorporated in State 1. Taxpayer, along with an affiliate incorporated in State 2, is engaged in the operation of an electric public utility system involving the generation, transmission, distribution and sale of electric energy and the distribution and sale of natural gas in State 3, State 1, State 4, State 5, and State 2. Taxpayer files a consolidated federal income tax return with its Parent on a calendar-year basis using the accrual method of accounting. Taxpayer is under the audit jurisdiction of the Industry Director.

Taxpayer owns x percent of Plant. The Plant is situated at Location. The Plant's operating license was extended by the Nuclear Regulatory Commission on Date 2, and expires on Date 4. With respect to the decommissioning costs related to the Plant which are included in the Taxpayer's cost of service for ratemaking purposes, the Taxpayer is subject to regulation by Commission A (a percent), Commission B (b

percent), Commission C (c percent), Commission D (d percent), and Commission E (e percent).

Commission A, in Order dated Date 3, approved the Taxpayer's estimated decommissioning costs to be included in Taxpayer's cost of service for ratemaking purposes following Commission A's mandatory periodic review of Taxpayer's decommissioning costs. The Order approves, and relies upon assumptions provided in, the Recent Study, which takes the extension of the operating license of Plant into account. These costs, as well as those in Prior Study, have been incorporated into the cost of service by Commission A and Commission D. Taxpayer's decommissioning costs incorporated into its cost of service by Commission B and Commission C are based on Prior Study. The proposed method of decommissioning under both studies for the Plant is Method.

The total estimated cost of $f (in Year 1 dollars) was used as a base cost for decommissioning the Plant. The total estimated future cost of decommissioning the Plant is $g (in Year 4 - Year 5 dollars). It is estimated that substantial decommissioning costs will first be incurred in Year 4 and that decommissioning will be substantially complete at the end of Year 5. The methodology used to convert the Year 1 dollars to Year 4 - Year 5 dollars was by escalating the estimated costs at a rate of h percent until plant operations and radiological decommissioning activities have been completed and then at i percent thereafter, through Year 5. The assumed after-tax rate of return to be earned by the amount collected for decommissioning is j percent through Year 4 and is k percent thereafter.

Section 468A(a), as amended by the Energy Tax Incentives Act of 2005 (the Act), Pub. L. 109-58, 119 Stat. 594, allows an electing taxpayer to deduct payments made to a nuclear decommissioning reserve fund.

Section 468A(b) limits the amount that may be paid into the nuclear decommissioning fund in any year to the ruling amount applicable to that year. Prior to the changes made by the Act, the deduction was limited to the lesser of the amount included in the utility's cost of service for ratemaking purposes or the ruling amount. Generally, as a result, only regulated utilities could take advantage of § 468A. The Act amendment of § 468A eliminated the cost-of-service limitation. Accordingly, decommissioning costs of an unregulated nuclear power plant may now be funded by deductible contributions to a qualified nuclear decommissioning fund.

Section 468A(d)(1) provides that no deduction shall be allowed for any payment to the nuclear decommissioning fund unless the taxpayer requests and receives from the Secretary a schedule of ruling amounts. The "ruling amount" for any tax year is defined under § 468A(d)(2) as the amount which the Secretary determines to be necessary to fund the total nuclear decommissioning cost of that nuclear power plant over the estimated useful life of the plant. This term is further defined to include the

amount necessary to prevent excessive funding of nuclear decommissioning costs or funding of these costs at a rate more rapid than level funding, taking into account such discount rates as the Secretary deems appropriate.

Section 468A(h) provides that a taxpayer shall be deemed to have made a payment to the nuclear decommissioning fund on the last day of a taxable year if the payment is made on account of such taxable year and is made within 2½ months after the close of the tax year. This section applies to payments made pursuant to either a schedule of ruling amounts or a schedule of deduction amounts.

Section 1.468A-1(a) provides that an eligible taxpayer may elect to deduct nuclear decommissioning costs under § 468A of the Code. An "eligible taxpayer," as defined under § 1.468A-1(b)(1) of the regulations, is a taxpayer that has a "qualifying interest" in any portion of a nuclear power plant. A qualifying interest is, among other things, a direct ownership interest.

Section 1.468A-2(b)(1) provides that the maximum amount of cash payments made (or deemed made) to a nuclear decommissioning fund during any tax year shall not exceed the ruling amount applicable to the nuclear decommissioning fund for such taxable year. The limitation on the amount of cash payments for purposes of § 1.468A-2(b)(1) does not apply to any "special transfer" permitted under § 1.468A-8.

Section 1.468A-3(a)(1) provides that, in general, a schedule of ruling amounts for a nuclear decommissioning fund is a ruling specifying annual payments that, over the tax years remaining in the "funding period" as of the date the schedule first applies, will result in a projected balance of the nuclear decommissioning fund as of the last day of the funding period equal to (and in no event more than) the "amount of decommissioning costs allocable to the fund."

Section 1.468A-3(a)(2) provides that, to the extent consistent with the principles and provisions of this section, each schedule of ruling amounts shall be based on reasonable assumptions concerning the after-tax rate of return to be earned by the amounts collected for decommissioning, the total estimated cost of decommissioning the nuclear plant, and the frequency of contributions to a nuclear decommissioning fund for a taxable year. Under § 1.468A-3(a)(3), the Internal Revenue Service shall provide a schedule of ruling amounts identical to the schedule proposed by the taxpayer, but no such schedule shall be provided by the Service unless the taxpayer's proposed schedule is consistent with the principles and provisions of that section.

Section 1.468A-3(a)(4) provides that the taxpayer bears the burden of demonstrating that the proposed schedule of ruling amounts is consistent with the principles of the regulations and that it is based on reasonable assumptions. That section also provides additional guidance regarding how the Service will determine whether a proposed schedule of ruling amounts is based on reasonable assumptions.

For example, if a public utility commission established or approved the currently applicable rates for the furnishing or sale by the taxpayer of electricity from the plant, the taxpayer can generally satisfy this burden of proof by demonstrating that the schedule of ruling amounts is calculated using the assumptions used by the public utility commission in its most recent order. In addition, a taxpayer that owns an interest in a deregulated nuclear plant may submit assumptions used by a public utility commission that formerly had regulatory jurisdiction over the plant as support for the assumptions used in calculating the taxpayer's proposed schedule of ruling amounts, with the understanding that the assumptions used by the public utility commission may be given less weight if they are out of date or were developed in a proceeding for a different taxpayer. The use of other industry standards, such as the assumptions underlying the taxpayer's most recent financial assurance filing with the NRC, are described by the regulations as an alternative means of demonstrating that the taxpayer has calculated its proposed schedule of ruling amounts on a reasonable basis. Section 1.468A-3(a)(4) further provides that consistency with financial accounting statements is not sufficient, in the absence of other supporting evidence, to meet the taxpayer's burden of proof.

Section 1.468A-3(b)(1) provides that, in general, the ruling amount for any tax year in the funding period shall not be less than the ruling amount for any earlier tax year. Under § 1.468A-3(c)(1), the funding period begins on the first day of the first tax year for which a deductible payment is made to the nuclear decommissioning fund and ends on the last day of the taxable year that includes the last day of the estimated useful life of the nuclear power plant to which the fund relates.

Section 1.468A-3(c)(2) provides rules for determining the estimated useful life of a nuclear plant for purposes of § 468A. In general, under § 1.468A-3(c)(2)(i)(A), if the plant was included in rate base for ratemaking purposes for a period prior to January 1, 2006, the date used in the first such ratemaking proceeding as the estimated date on which the nuclear plant will no longer be included in the taxpayer's rate base is the end of the estimated useful life of the nuclear plant. Section 1.468A-3(c)(2)(i)(B) provides that, if the nuclear plant is not described in § 1.468A-3(c)(2)(i)(A), the last day of the estimated useful life of the nuclear plant is determined as of the date the plant is placed in service. Under § 1.468A-3(c)(2)(i)(C), any reasonable method may be used in determining the estimated useful life of a nuclear power plant that is not described in § 1.468A-3(c)(2)(i)(A).

Section 1.468A-3(d)(1) provides that the amount of decommissioning costs allocable to a nuclear decommissioning fund is the taxpayer's share of the total estimated cost of decommissioning the nuclear power plant. Section 1.468A-3(d)(3) provides that a taxpayer's share of the total estimated cost of decommissioning a nuclear power plant equals the total estimated cost of decommissioning such plant multiplied by the taxpayer's qualifying interest in the plant.

Section 1.468A-3(e) provides the rules regarding the manner of requesting a schedule of ruling amounts. Section 1.468A-3(e)(1)(v) provides that the Service will not provide or revise a ruling amount applicable to a taxable year in response to a request for a schedule of ruling amounts that is filed after the deemed payment date (as defined in § 1.468A-2(c)(1)) for such taxable year.

Section 1.468A-3(e)(2) enumerates the information required to be contained in a request for a schedule of ruling amounts filed by a taxpayer in order to receive a ruling amount for any taxable year.

Section 1.468A-3(e)(3) provides that the Service may prescribe administrative procedures that supplement the provisions of §§ 1.468A-3(e)(1) and (2). In addition, that section provides that the Service may, in its discretion, waive the requirements of §§ 1.468A-3(e)(1) and (2) under appropriate circumstances.

Section 1.468A-3(f)(2) provides that any taxpayer that has previously obtained a schedule of ruling amounts may request a revised schedule of ruling amounts. Such a request must be made in accordance with the rules of § 1.468A-3(e). The Internal Revenue Service shall not provide a revised schedule of ruling amounts applicable to a taxable year in response to a request for a schedule of ruling amounts that is filed after the deemed payment deadline date for such taxable year.

We have examined the representations and information submitted by the Taxpayer in relation to the requirements set forth in § 468A and the regulations thereunder. Based solely upon these representations of the facts, we reach the following conclusions:

1. Pursuant to § 1.468A-3(a)(4), Taxpayer has met its burden of demonstrating that the proposed schedule of ruling amounts is consistent with the principles of the Code and regulations and is based on reasonable assumptions.

2. Taxpayer has a qualifying interest in the Plant and is, therefore, an eligible taxpayer under § 1.468A-1(b)(1) of the regulations.

3. Taxpayer, as owner of the Plant, has calculated its decommissioning costs under § 1.468A-3(d)(3) of the regulations.

4. The proposed schedule of ruling amounts was derived by following the assumptions contained in Recent Study and Prior Study that have been considered and approved by Commission A. The underlying assumptions were used by Commission A to calculate the amount of decommissioning costs to be included in Taxpayer's cost of service for ratemaking purposes. Thus, Taxpayer has demonstrated, pursuant to § 1.468A-3(a)(4), that the

proposed schedule of ruling amounts is based on reasonable assumptions and is consistent with the principles of § 468A and the regulations thereunder.

5. The maximum amount of cash payments made (or deemed made) to the Fund during any tax year is restricted to the ruling amount applicable to the Fund, as set forth under § 1.468A-2(b)(1) of the regulations.

Based solely on the determinations above, we conclude that the Taxpayer's proposed schedule of ruling amounts satisfies the requirements of § 468A of the Code. We have approved the following revised schedule of ruling amounts.

APPROVED SCHEDULE OF RULING AMOUNTS

Years	Commission A	Commission D	Commission C[1]	Totals
Year 2		$m	$o	$p
Each Year, Year3- Year 4	$l	$n	$o	$q

If any of the events described in § 1.468A-3(f)(1) occur in future years, the Taxpayer must request a review and revision of the schedule of ruling amounts. Generally, the Taxpayer is required to file such a request on or before the deemed payment deadline date for the first taxable year in which the rates reflecting such action became effective. When no such event occurs, the Taxpayer must file a request for a revised schedule of ruling amounts on or before the deemed payment deadline of the tenth taxable year following the close of the tax year in which this schedule of ruling amounts is received.

Except as specifically determined above, no opinion is expressed or implied concerning the Federal income tax consequences of the transaction described above. Specifically, no determination is made whether the Independent Study conforms to industry standards and practices.

This ruling is directed only to the Taxpayer who requested it. Section 6110(k)(3) of the Code provides it may not be used or cited as precedent. In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative. We are also sending a copy of this letter ruling to the Director. Pursuant to § 1.468A-7(a), a copy of this letter must be attached (with the

[1] The ruling amount for Commission C is not specifically reviewed herein and is reprinted to arrive at the amount for the total ruling amount. For purposes of the review and revision under § 1.468A-3(i)(1)(iii)(A)(3), the date of the schedule of ruling amounts approved by the Service on July 9, 2008, governs the review period for the Commission C ruling amounts.

required Election Statement) to the Taxpayer's federal income tax return for each tax year in which the Taxpayer claims a deduction for payments made to the Fund.

Sincerely yours,

PETER C. FRIEDMAN
Senior Technician Reviewer, Branch 6
Office of the Associate Chief Counsel
(Passthroughs and Special Industries)

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Index Number: 468A.00-00

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PSI:B06
PLR-108497-16

Date:
JUL 21 2016

LEGEND:

Taxpayer	=
Parent	=
Plant	=
Location	=
State 1	=
State 2	=
State 3	=
State 4	=
State 5	=
Commission A	=
Commission B	=
Commission C	=
Commission D	=
Commission E	=
Order	=

Recent Study	=
Prior Study	=
Method	=
Date 1	=
a	=
b	=
c	=
d	=
e	=
f	=
g	=
h	=
i	=
j	=

k	=
l	=
m	=
n	=
o	=
p	=
q	=
r	=
x	=
y	=
z	=
aa	=
bb	=
cc	=
dd	=
ee	=
ff	=
gg	=
hh	=
ii	=
Year 1	=
Year 2	=
Year 3	=
Year 4	=
Year 5	=
Year 6	=
Fund	=
Director	=

Dear :

This letter responds to your request, dated March 7, 2016, for a schedule of deduction amounts and a revised schedule of ruling amounts pursuant to section 468A(f) of the Internal Revenue Code and § 1.468A-8 of the Income Tax Regulations. You also provided additional information by letter dated May 11, 2016. Taxpayer was previously granted schedules of ruling amounts, most recently on May 11, 2004, and Taxpayer was granted a schedule of deduction amounts on July 9, 2008. Information was submitted pursuant to § 1.468A-3(e)(2).

Taxpayer represents the facts and information relating to its request for a schedule of deduction amounts and request for a schedule of ruling amounts as follows:

Taxpayer is an investor-owned utility incorporated in State 1. Taxpayer, along with an affiliate incorporated in State 2, is engaged in the operation of an electric public utility system involving the generation, transmission, distribution and sale of electric energy and the distribution and sale of natural gas in State 3, State 1, State 4, State 5, and State 2. Taxpayer files a consolidated federal income tax return with its Parent on a calendar-year basis using the accrual method of accounting. Taxpayer is under the audit jurisdiction of the Industry Director.

Taxpayer owns x percent of Plant. The Plant is situated at Location. The Plant's operating license was extended by the Nuclear Regulatory Commission and expires in Year 4. With respect to the decommissioning costs related to the Plant which are included in the Taxpayer's cost of service for ratemaking purposes, the Taxpayer is subject to regulation by Commission A (a percent), Commission B (b percent), Commission C (c percent), Commission D (d percent), and Commission E (e percent).

Commission A, in Order dated Date 1, approved the Taxpayer's estimated decommissioning costs to be included in Taxpayer's cost of service for ratemaking purposes following Commission A's mandatory periodic review of Taxpayer's decommissioning costs. The Order approves, and relies upon assumptions provided in, the Recent Study, which takes the extension of the operating license of Plant into account. These costs, as well as those in Prior Study, have been incorporated into the cost of service by Commission A and Commission D. Taxpayer's decommissioning costs incorporated into its cost of service by Commission B and Commission C are based on Prior Study. The proposed method of decommissioning under both studies for the Plant is Method.

The total estimated cost of $f (in Year 1 dollars) was used as a base cost for decommissioning the Plant. The total estimated future cost of decommissioning the Plant is $g (in future dollars). It is estimated that substantial decommissioning costs will first be incurred in Year 4 and that decommissioning will be substantially complete at the end of Year 5. The methodology used to convert the Year 1 dollars to future dollars was by escalating the estimated costs, taking into account estimates of inflation and escalation, at a rate of h percent for those costs related to operations and radiological categories and i percent for those costs related to storage of spent fuel and site restoration. The assumed after-tax rate of return to be earned by the amount collected for decommissioning is j percent through Year 4 and is k percent thereafter.

In the prior schedule of ruling amounts, issued under section 468A of the Code as in effect prior to 2006, the estimated useful life of the Plant is y years, and the estimated period for which the Fund is to be in effect is z years. Thus, the percentage of the total estimated costs qualifying for deduction in the schedule of ruling amounts under prior law was aa percent for Commissions A, C, and E, and bb percent for Commissions B and D. By letter dated July 9, 2008, the Service granted Taxpayer a

schedule of deduction amounts, allowing Taxpayer to make a special transfer of $cc to the Fund.

Section 468A(a), as amended by the Energy Tax Incentives Act of 2005 (the Act), Pub. L. 109-58, 119 Stat. 594, allows an electing taxpayer to deduct payments made to a nuclear decommissioning reserve fund.

Section 468A(b) limits the amount that may be paid into the nuclear decommissioning fund in any year to the ruling amount applicable to that year. Prior to the changes made by the Act, the deduction was limited to the lesser of the amount included in the utility's cost of service for ratemaking purposes or the ruling amount. Generally, as a result, only regulated utilities could take advantage of section 468A. The Act amendment of section 468A eliminated the cost-of-service limitation. Accordingly, decommissioning costs of an unregulated nuclear power plant may now be funded by deductible contributions to a qualified nuclear decommissioning fund.

Section 468A(d)(1) provides that no deduction shall be allowed for any payment to the nuclear decommissioning fund unless the taxpayer requests and receives from the Secretary a schedule of ruling amounts. The "ruling amount" for any tax year is defined under § 468A(d)(2) as the amount which the Secretary determines to be necessary to fund the total nuclear decommissioning cost of that nuclear power plant over the estimated useful life of the plant. This term is further defined to include the amount necessary to prevent excessive funding of nuclear decommissioning costs or funding of these costs at a rate more rapid than level funding, taking into account such discount rates as the Secretary deems appropriate.

Prior to the changes made by the Act, deductible contributions were limited to the amount necessary for an electing taxpayer to fund the plant's post-1983 nuclear decommissioning costs (determined as if decommissioning costs accrued ratably over the estimated useful life of the plant), provided that the taxpayer elected to establish a fund in 1984. Prior law also did not allow a taxpayer electing to establish a fund later than 1984 to contribute to that fund any amount in excess of that amount necessary to fund the ratable portion of the plant's nuclear decommissioning costs beginning in the year the fund is established.

Section 468A(f)(1) now allows a taxpayer to contribute to a nuclear decommissioning fund the entire cost of decommissioning the plant, including both the pre-1984 amount that was denied under the law prior to the Act as well as any amount attributable to any year after 1983 in which a taxpayer had not established a fund under § 468A. Section 468A(f)(2)(A) provides that the deduction for the contribution of the previously-excluded amount is allowed ratably over the remaining useful life of the nuclear plant.

Section 1.468A-1(a) provides that an eligible taxpayer may elect to deduct nuclear decommissioning costs under § 468A of the Code. An "eligible taxpayer," as defined under § 1.468A-1(b)(1) of the regulations, is a taxpayer that has a "qualifying interest" in any portion of a nuclear power plant. A qualifying interest is, among other things, a direct ownership interest.

Section 1.468A-2(b)(1) provides that the maximum amount of cash payments made (or deemed made) to a nuclear decommissioning fund during any tax year shall not exceed the ruling amount applicable to the nuclear decommissioning fund for such taxable year. The limitation on the amount of cash payments for purposes of § 1.468A-2(b)(1) does not apply to any "special transfer" permitted under § 1.468A-8.

Section 1.468A-3(a)(1) provides that, in general, a schedule of ruling amounts for a nuclear decommissioning fund is a ruling specifying annual payments that, over the tax years remaining in the "funding period" as of the date the schedule first applies, will result in a projected balance of the nuclear decommissioning fund as of the last day of the funding period equal to (and in no event more than) the "amount of decommissioning costs allocable to the fund."

Section 1.468A-3(a)(2) provides that, to the extent consistent with the principles and provisions of this section, each schedule of ruling amounts shall be based on reasonable assumptions concerning the after-tax rate of return to be earned by the amounts collected for decommissioning, the total estimated cost of decommissioning the nuclear plant, and the frequency of contributions to a nuclear decommissioning fund for a taxable year. Under § 1.468A-3(a)(3), the Internal Revenue Service shall provide a schedule of ruling amounts identical to the schedule proposed by the taxpayer, but no such schedule shall be provided by the Service unless the taxpayer's proposed schedule is consistent with the principles and provisions of that section.

Section 1.468A-3(a)(4) provides that the taxpayer bears the burden of demonstrating that the proposed schedule of ruling amounts is consistent with the principles of the regulations and that it is based on reasonable assumptions. That section also provides additional guidance regarding how the Service will determine whether a proposed schedule of ruling amounts is based on reasonable assumptions. For example, if a public utility commission established or approved the currently applicable rates for the furnishing or sale by the taxpayer of electricity from the plant, the taxpayer can generally satisfy this burden of proof by demonstrating that the schedule of ruling amounts is calculated using the assumptions used by the public utility commission in its most recent order. In addition, a taxpayer that owns an interest in a deregulated nuclear plant may submit assumptions used by a public utility commission that formerly had regulatory jurisdiction over the plant as support for the assumptions used in calculating the taxpayer's proposed schedule of ruling amounts, with the understanding that the assumptions used by the public utility commission may be given less weight if they are out of date or were developed in a proceeding for a different

taxpayer. The use of other industry standards, such as the assumptions underlying the taxpayer's most recent financial assurance filing with the NRC, are described by the regulations as an alternative means of demonstrating that the taxpayer has calculated its proposed schedule of ruling amounts on a reasonable basis. Section 1.468A-3(a)(4) further provides that consistency with financial accounting statements is not sufficient, in the absence of other supporting evidence, to meet the taxpayer's burden of proof.

Section 1.468A-3(b)(1) provides that, in general, the ruling amount for any tax year in the funding period shall not be less than the ruling amount for any earlier tax year. Under § 1.468A-3(c)(1), the funding period begins on the first day of the first tax year for which a deductible payment is made to the nuclear decommissioning fund and ends on the last day of the taxable year that includes the last day of the estimated useful life of the nuclear power plant to which the fund relates.

Section 1.468A-3(c)(2) provides rules for determining the estimated useful life of a nuclear plant for purposes of § 468A. In general, under § 1.468A-3(c)(2)(i)(A), if the plant was included in rate base for ratemaking purposes for a period prior to January 1, 2006, the date used in the first such ratemaking proceeding as the estimated date on which the nuclear plant will no longer be included in the taxpayer's rate base is the end of the estimated useful life of the nuclear plant. Section 1.468A-3(c)(2)(i)(B) provides that, if the nuclear plant is not described in § 1.468A-3(c)(2)(i)(A), the last day of the estimated useful life of the nuclear plant is determined as of the date the plant is placed in service. Under § 1.468A-3(c)(2)(i)(C), any reasonable method may be used in determining the estimated useful life of a nuclear power plant that is not described in § 1.468A-3(c)(2)(i)(A).

Section 1.468A-3(d)(1) provides that the amount of decommissioning costs allocable to a nuclear decommissioning fund is the taxpayer's share of the total estimated cost of decommissioning the nuclear power plant. Section 1.468A-3(d)(3) provides that a taxpayer's share of the total estimated cost of decommissioning a nuclear power plant equals the total estimated cost of decommissioning such plant multiplied by the taxpayer's qualifying interest in the plant.

Section 1.468A-3(e) provides the rules regarding the manner of requesting a schedule of ruling amounts. Section 1.468A-3(e)(1)(v) provides that the Service will not provide or revise a ruling amount applicable to a taxable year in response to a request for a schedule of ruling amounts that is filed after the deemed payment date (as defined in § 1.468A-2(c)(1)) for such taxable year.

Section 1.468A-3(e)(2) enumerates the information required to be contained in a request for a schedule of ruling amounts filed by a taxpayer in order to receive a ruling amount for any taxable year.

Section 1.468A-3(e)(3) provides that the Service may prescribe administrative procedures that supplement the provisions of §§ 1.468A-3(e)(1) and (2). In addition, that section provides that the Service may, in its discretion, waive the requirements of §§ 1.468A-3(e)(1) and (2) under appropriate circumstances.

Section 1.468A-3(f)(1) describes the circumstances in which a taxpayer must request a revised schedule of ruling amounts. Section 1.468A-3(f)(1)(iii) requires that a taxpayer request a revised schedule of ruling amounts for the fund if the taxpayer requests a schedule of deduction amounts. The revised schedule of ruling amounts must apply beginning with the first taxable year following the first year in which a deduction is allowed under the schedule of deduction amounts.

Section 1.468A-3(f)(2) provides that any taxpayer that has previously obtained a schedule of ruling amounts may request a revised schedule of ruling amounts. Such a request must be made in accordance with the rules of § 1.468A-3(e). The Internal Revenue Service shall not provide a revised schedule of ruling amounts applicable to a taxable year in response to a request for a schedule of ruling amounts that is filed after the deemed payment deadline date for such taxable year.

Section 1.468A-8(a)(1) provides that, under the provisions of § 468A(f), as described above, a taxpayer may make a special transfer of cash or property to the nuclear decommissioning fund. This special transfer is not subject to the § 468A(b) limitation. The amount of the special transfer is the present value of the pre-2006 nonqualifying percentage of the estimated future costs of decommissioning the nuclear plant that was disallowed under section 468A prior to the Act.

Section 1.468A-8(a)(2) defines the pre-2005 nonqualifying percentage as equal to 100 percent reduced by the sum of the qualifying percentage used in determining the taxpayer's last schedule of ruling amounts for the fund under section 468A as it existed prior to the Act and the percentage transferred in any previous special transfer.

Section 1.468A-8(a)(3) provides that the taxpayer is not required to transfer the entire amount eligible for the special transfer in one year but must take any prior special transfers into account in calculating the pre-2005 qualifying percentage.

Section 1.468A-8(b) provides that the deduction for the special transfer is allowed ratably over the remaining useful life of the nuclear plant. Under § 1.468A-8(b)(2)(i), the deduction for property contributed in a special transfer is limited to the lesser of the fair market value of the property or the taxpayer's basis in the property. Under § 1.468A-8(b)(4), the taxpayer recognizes no gain or loss on the special transfer of property, the taxpayer's basis in the fund is not increased by reason of the special transfer of property, and the fund's basis in the property transferred in the special transfer is the same as the transferee's basis in that property immediately prior to the special transfer.

Section 1.468A-8(c) provides that taxpayer may not make a special transfer to a qualified nuclear decommissioning fund unless the taxpayer requests from the IRS a schedule of deduction amounts in connection with such transfer. A request for a schedule of deduction amounts may be made in connection with a request for a schedule of ruling amounts but in such case, the calculations for both the schedule of ruling amounts and the schedule of deduction amounts must be separately stated.

As stated above, prior to the changes made by the Act, deductible contributions were limited to the lesser of (1) the amount necessary found the plant's post-1983 nuclear decommissioning costs, or (2) the amount necessary to fund the plant's decommissioning costs for that portion of the plant's estimated useful life for which a fund had been established. Under that prior law, Taxpayer was allowed to contribute to Commissions A, C, and E jurisdictions, aa percent of the amounts necessary to fully decommission its share of the Plant and to Commissions B and D jurisdictions, bb percent. Section 468A(f)(1) allows a taxpayer to contribute to the nuclear decommissioning fund the pre-1984 amount that was denied under the law prior to the Act.

Taxpayer made a special transfer to Fund of $dd, pursuant to the letter from the Service dated July 9, 2008. Under the provisions of § 468A(f), Taxpayer was permitted to make a special transfer of $cc (in Year 2 dollars) at that time to fully make up for the pre-1984 amount that was denied under the law prior to the Act. The amount of $dd is ee percent of $cc. Taxpayer now proposes to make a special transfer of the remaining ff percent of the special deduction allowed by the Service in the July 9, 2008, ruling. Escalating $dd to Year 1 dollars is accomplished by multiplying $dd by an escalating factor of gg, the same factor representing the escalation of total estimated decommissioning costs between Year 2 and Year 1 dollars. The amount that Taxpayer is allowed to contribute to the Fund as a special transfer is $hh. Taxpayer has requested that it be allowed to contribute to the Fund as a special transfer in Year 3 is $ii.

We have examined the representations and information submitted by the Taxpayer in relation to the requirements set forth in § 468A and the regulations thereunder. We find that Taxpayer's proposal to contribute $ii to the Fund and to deduct the amount transferred is consistent with the principles and provisions of section 468A and the regulations thereunder. Based solely upon these representations of the facts, we conclude that the Taxpayer is permitted to make a special transfer of $ii. Under § 1.468A-8(a)(3), a taxpayer must take any prior special transfers into account in calculating the pre-2005 qualifying percentage.

SCHEDULE OF DEDUCTION AMOUNTS

YEAR	DEDUCTION AMOUNT

We note that, if Taxpayer elects to make a special transfer of property for all or a portion of this special transfer, the amount of the transfer is the lesser of the fair market value of the property transferred or the basis of the property in the hands of the Taxpayer immediately prior to the transfer. In addition, because Taxpayer has elected to make a special transfer of less than the $ permitted, Taxpayer is entitled to make an additional special transfer of the difference between the amount permitted to be transferred and the amount transferred. To make an additional special transfer, Taxpayer must request an additional schedule of deductions. Such request must take the prior schedule of deductions into account in calculating the permissible amount of the special transfer.

Furthermore, regarding Taxpayer's request for a revised schedule of ruling amounts, we have examined the representations and information submitted by the Taxpayer in relation to the requirements set forth in § 468A and the regulations thereunder. Based solely upon these representations of the facts, we reach the following conclusions:

1. Pursuant to § 1.468A-3(a)(4), Taxpayer has met its burden of demonstrating that the proposed schedule of ruling amounts is consistent with the principles of the Code and regulations and is based on reasonable assumptions.

2. Taxpayer has a qualifying interest in the Plant and is, therefore, an eligible taxpayer under § 1.468A-1(b)(1) of the regulations.

3. Taxpayer, as owner of the Plant, has calculated its decommissioning costs under § 1.468A-3(d)(3) of the regulations.

4. The proposed schedule of ruling amounts was derived by following the assumptions contained in Recent Study and Prior Study that have been considered and approved by Commission A. The underlying assumptions were used by Commission A to calculate the amount of decommissioning costs to be included in Taxpayer's cost of service for ratemaking purposes. Thus, Taxpayer has demonstrated, pursuant to § 1.468A-3(a)(4), that the proposed schedule of ruling amounts is based on reasonable assumptions and is consistent with the principles of § 468A and the regulations thereunder.

5. The maximum amount of cash payments made (or deemed made) to the Fund during any tax year is restricted to the ruling amount applicable to the Fund, as set forth under § 1.468A-2(b)(1) of the regulations.

Based solely on the determinations above, we conclude that the Taxpayer's proposed schedule of ruling amounts satisfies the requirements of § 468A of the Code. We have approved the following revised schedule of ruling amounts.

APPROVED SCHEDULE OF RULING AMOUNTS

Years	Commission A	Commission D	Commission C	Totals
Year 3	$l	$n	$p	$q
Each Year, Year 6- Year 4	$m	$o	$p	$r

If any of the events described in § 1.468A-3(f)(1) occur in future years, the Taxpayer must request a review and revision of the schedule of ruling amounts. Generally, the Taxpayer is required to file such a request on or before the deemed payment deadline date for the first taxable year in which the rates reflecting such action became effective. When no such event occurs, the Taxpayer must file a request for a revised schedule of ruling amounts on or before the deemed payment deadline of the tenth taxable year following the close of the tax year in which this schedule of ruling amounts is received.

Except as specifically determined above, no opinion is expressed or implied concerning the Federal income tax consequences of the transaction described above.

This ruling is directed only to the Taxpayer who requested it. Section 6110(k)(3) of the Code provides it may not be used or cited as precedent. In accordance with the power of attorney on file with this office, a copy of this letter is being sent to the Taxpayer. We are also sending a copy of this letter ruling to the Director. Pursuant to § 1.468A-7(a), a copy of this letter must be attached (with the required Election Statement) to the Taxpayer's federal income tax return for each tax year in which the Taxpayer claims a deduction for payments made to the Fund.

Sincerely,

/S/

Peter C. Friedman
Senior Technician Reviewer, Branch 6
Office of Associate Chief Counsel
(Passthroughs & Special Industries)

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **201540007**
Release Date: 10/2/2015

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Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PSI:B06
PLR-104454-15

Date:
June 30, 2015

Re:

LEGEND:

Taxpayer	=
Parent	=
Plant	=
Location	=
State 1	=
State 2	=
State 3	=
State 4	=
State 5	=
Commission A	=
Commission B	=
Commission C	=
Commission D	=
Commission E	=
Order	=
Independent Study	=
Method	=
Date 1	=
Date 2	=
Date 3	=
Date 4	=
a	=
b	=
c	=
d	=
e	=
f	=
g	=
h	=

i =
j =
k =
l =
m =
n =
o =
p =
q =
Year 1 =
Year 2 =
Year 3 =
Year 4 =
Year 5 =
Year 6 =
Year 7 =
Fund =
Director =

Dear :

This letter responds to your request, dated January 29, 2015, for a mandatory revised schedule of ruling amounts under § 468A(d)(1) of the Internal Revenue Code and § 1.468A-3(f)(1)(iv) of the Income Tax Regulations. Taxpayer was previously granted revised schedules of ruling amounts, most recently on Date 1. The request for a revised schedule of ruling amounts is mandatory as a result of an extension of Taxpayer's operating license on Date 2. Supplemental information was submitted on May 15, 2015 pursuant to § 1.468A-3(e)(1)(vii).

Taxpayer represents the facts and information relating to its request for a revised schedule of ruling amounts as follows:

Taxpayer is an investor-owned utility incorporated in State 1. Taxpayer, along with an affiliate incorporated in State 2, is engaged in the operation of an electric public utility system involving the generation, transmission, and distribution of electric energy and the distribution of natural gas in State 3, State 1, State 4, State 5, and State 2. Taxpayer files a consolidated federal income tax return with its Parent on a calendar-year basis using the accrual method of accounting. Taxpayer is under the audit jurisdiction of the Industry Director.

Taxpayer is the sole owner of the Plant. The Plant is situated at Location. The Plant's operating license was extended by the Nuclear Regulatory Commission on Date 2, and expires on Date 4. With respect to the decommissioning costs related to the

Plant which are included in the Taxpayer's cost of service for ratemaking purposes, the Taxpayer is subject to regulation by Commission A (a percent), Commission B (b percent), Commission C (c percent), Commission D (d percent), and Commission E (e percent).

Commission A, in Order effective Date 3 , established the amount of decommissioning costs to be included in Taxpayer's cost of service for ratemaking purposes. The Order relies upon assumptions provided in the Independent Study, which takes the extension of the operating license of Plant into account. The proposed method of decommissioning the Plant is Method.

The estimated cost of $f (in Year 1 dollars) was used as a base cost for decommissioning the Plant. The estimated present value of the future cost of decommissioning the Plant is $g (in Year 4 - Year 7 dollars). It is estimated that substantial decommissioning costs will first be incurred in Year 4 and that decommissioning will be substantially complete at the end of Year 7. The methodology used to convert the Year 1 dollars to Year 4 - Year 7 dollars was by escalating the estimated costs at an inflation rate of h percent through Year 5 and then at i percent from Year 6 through Year 7. The assumed after-tax rate of return to be earned by the amount collected for decommissioning is j percent through Year 4 and is k percent thereafter.

Section 468A(a), as amended by the Energy Tax Incentives Act of 2005 (the Act), Pub. L. 109-58, 119 Stat. 594, allows an electing taxpayer to deduct payments made to a nuclear decommissioning reserve fund.

Section 468A(b) limits the amount that may be paid into the nuclear decommissioning fund in any year to the ruling amount applicable to that year. Prior to the changes made by the Act, the deduction was limited to the lesser of the amount included in the utility's cost of service for ratemaking purposes or the ruling amount. Generally, as a result, only regulated utilities could take advantage of § 468A. The Act amendment of § 468A eliminated the cost-of-service limitation. Accordingly, decommissioning costs of an unregulated nuclear power plant may now be funded by deductible contributions to a qualified nuclear decommissioning fund.

Section 468A(d)(1) provides that no deduction shall be allowed for any payment to the nuclear decommissioning fund unless the taxpayer requests and receives from the Secretary a schedule of ruling amounts. The "ruling amount" for any tax year is defined under § 468A(d)(2) as the amount which the Secretary determines to be necessary to fund the total nuclear decommissioning cost of that nuclear power plant over the estimated useful life of the plant. This term is further defined to include the amount necessary to prevent excessive funding of nuclear decommissioning costs or funding of these costs at a rate more rapid than level funding, taking into account such discount rates as the Secretary deems appropriate.

Section 468A(h) provides that a taxpayer shall be deemed to have made a payment to the nuclear decommissioning fund on the last day of a taxable year if the payment is made on account of such taxable year and is made within 2½ months after the close of the tax year. This section applies to payments made pursuant to either a schedule of ruling amounts or a schedule of deduction amounts.

Section 1.468A-1(a) provides that an eligible taxpayer may elect to deduct nuclear decommissioning costs under § 468A of the Code. An "eligible taxpayer," as defined under § 1.468A-1(b)(1) of the regulations, is a taxpayer that has a "qualifying interest" in any portion of a nuclear power plant. A qualifying interest is, among other things, a direct ownership interest.

Section 1.468A-2(b)(1) provides that the maximum amount of cash payments made (or deemed made) to a nuclear decommissioning fund during any tax year shall not exceed the ruling amount applicable to the nuclear decommissioning fund for such taxable year. The limitation on the amount of cash payments for purposes of § 1.468A-2(b)(1) does not apply to any "special transfer" permitted under § 1.468A-8.

Section 1.468A-3(a)(1) provides that, in general, a schedule of ruling amounts for a nuclear decommissioning fund is a ruling specifying annual payments that, over the tax years remaining in the "funding period" as of the date the schedule first applies, will result in a projected balance of the nuclear decommissioning fund as of the last day of the funding period equal to (and in no event more than) the "amount of decommissioning costs allocable to the fund."

Section 1.468A-3(a)(2) provides that, to the extent consistent with the principles and provisions of this section, each schedule of ruling amounts shall be based on reasonable assumptions concerning the after-tax rate of return to be earned by the amounts collected for decommissioning, the total estimated cost of decommissioning the nuclear plant, and the frequency of contributions to a nuclear decommissioning fund for a taxable year. Under § 1.468A-3(a)(3), the Internal Revenue Service shall provide a schedule of ruling amounts identical to the schedule proposed by the taxpayer, but no such schedule shall be provided by the Service unless the taxpayer's proposed schedule is consistent with the principles and provisions of that section.

Section 1.468A-3(a)(4) provides that the taxpayer bears the burden of demonstrating that the proposed schedule of ruling amounts is consistent with the principles of the regulations and that it is based on reasonable assumptions. That section also provides additional guidance regarding how the Service will determine whether a proposed schedule of ruling amounts is based on reasonable assumptions. For example, if a public utility commission established or approved the currently applicable rates for the furnishing or sale by the taxpayer of electricity from the plant, the taxpayer can generally satisfy this burden of proof by demonstrating that the

schedule of ruling amounts is calculated using the assumptions used by the public utility commission in its most recent order. In addition, a taxpayer that owns an interest in a deregulated nuclear plant may submit assumptions used by a public utility commission that formerly had regulatory jurisdiction over the plant as support for the assumptions used in calculating the taxpayer's proposed schedule of ruling amounts, with the understanding that the assumptions used by the public utility commission may be given less weight if they are out of date or were developed in a proceeding for a different taxpayer. The use of other industry standards, such as the assumptions underlying the taxpayer's most recent financial assurance filing with the NRC, are described by the regulations as an alternative means of demonstrating that the taxpayer has calculated its proposed schedule of ruling amounts on a reasonable basis. Section 1.468A-3(a)(4) further provides that consistency with financial accounting statements is not sufficient, in the absence of other supporting evidence, to meet the taxpayer's burden of proof.

Section 1.468A-3(b)(1) provides that, in general, the ruling amount for any tax year in the funding period shall not be less than the ruling amount for any earlier tax year. Under § 1.468A-3(c)(1), the funding period begins on the first day of the first tax year for which a deductible payment is made to the nuclear decommissioning fund and ends on the last day of the taxable year that includes the last day of the estimated useful life of the nuclear power plant to which the fund relates.

Section 1.468A-3(c)(2) provides rules for determining the estimated useful life of a nuclear plant for purposes of § 468A. In general, under § 1.468A-3(c)(2)(i)(A), if the plant was included in rate base for ratemaking purposes for a period prior to January 1, 2006, the date used in the first such ratemaking proceeding as the estimated date on which the nuclear plant will no longer be included in the taxpayer's rate base is the end of the estimated useful life of the nuclear plant. Section 1.468A-3(c)(2)(i)(B) provides that, if the nuclear plant is not described in § 1.468A-3(c)(2)(i)(A), the last day of the estimated useful life of the nuclear plant is determined as of the date the plant is placed in service. Under § 1.468A-3(c)(2)(i)(C), any reasonable method may be used in determining the estimated useful life of a nuclear power plant that is not described in § 1.468A-3(c)(2)(i)(A).

Section 1.468A-3(d)(1) provides that the amount of decommissioning costs allocable to a nuclear decommissioning fund is the taxpayer's share of the total estimated cost of decommissioning the nuclear power plant. Section 1.468A-3(d)(3) provides that a taxpayer's share of the total estimated cost of decommissioning a nuclear power plant equals the total estimated cost of decommissioning such plant multiplied by the taxpayer's qualifying interest in the plant.

Section 1.468A-3(e) provides the rules regarding the manner of requesting a schedule of ruling amounts. Section 1.468A-3(e)(1)(v) provides that the Service will not provide or revise a ruling amount applicable to a taxable year in response to a request

for a schedule of ruling amounts that is filed after the deemed payment date (as defined in § 1.468A-2(c)(1)) for such taxable year.

Section 1.468A-3(e)(2) enumerates the information required to be contained in a request for a schedule of ruling amounts filed by a taxpayer in order to receive a ruling amount for any taxable year.

Section 1.468A-3(e)(3) provides that the Service may prescribe administrative procedures that supplement the provisions of §§ 1.468A-3(e)(1) and (2). In addition, that section provides that the Service may, in its discretion, waive the requirements of §§ 1.468A-3(e)(1) and (2) under appropriate circumstances.

Section 1.468A-3(f)(1) describes the circumstances in which a taxpayer must request a revised schedule of ruling amounts. Section 1.468A-3(f)(1)(iv) requires that a taxpayer request a revised schedule of ruling amounts for the fund if the operating license of the nuclear plant to which the fund relates is extended. The request for the revised schedule of ruling amounts must be submitted on or before the deemed payment deadline for the taxable year that includes the date on which the license extension is granted.

Section 1.468A-3(f)(2) provides that any taxpayer that has previously obtained a schedule of ruling amounts may request a revised schedule of ruling amounts. Such a request must be made in accordance with the rules of § 1.468A-3(e). The Internal Revenue Service shall not provide a revised schedule of ruling amounts applicable to a taxable year in response to a request for a schedule of ruling amounts that is filed after the deemed payment deadline date for such taxable year.

We have examined the representations and information submitted by the Taxpayer in relation to the requirements set forth in § 468A and the regulations thereunder. Based solely upon these representations of the facts, we reach the following conclusions:

1. Pursuant to § 1.468A-3(a)(4), Taxpayer has met its burden of demonstrating that the proposed schedule of ruling amounts is consistent with the principles of the Code and regulations and is based on reasonable assumptions.

2. Taxpayer has a qualifying interest in the Plant and is, therefore, an eligible taxpayer under § 1.468A-1(b)(1) of the regulations.

3. Taxpayer, as owner of the Plant, has calculated its decommissioning costs under § 1.468A-3(d)(3) of the regulations.

4. The proposed schedule of ruling amounts was derived by following the assumptions contained in an Independent Study that Taxpayer has

represented is a standard type study used in the industry. In addition, the same underlying assumptions were used by Commission A to calculate the amount of decommissioning costs to be included in Taxpayer's cost of service for ratemaking purposes. Thus, Taxpayer has demonstrated, pursuant to § 1.468A-3(a)(4), that the proposed schedule of ruling amounts is based on reasonable assumptions and is consistent with the principles of § 468A and the regulations thereunder.

5. The maximum amount of cash payments made (or deemed made) to the Fund during any tax year is restricted to the ruling amount applicable to the Fund, as set forth under § 1.468A-2(b)(1) of the regulations.

Based solely on the determinations above, we conclude that the Taxpayer's proposed schedule of ruling amounts satisfies the requirements of § 468A of the Code. We have approved the following revised schedule of ruling amounts.

APPROVED SCHEDULE OF RULING AMOUNTS

Years	Commission C	Commission D	Total
Each Year, Year 2 – Year 3	$l	$m	$n
Year 4	$o	$p	$q

If any of the events described in § 1.468A-3(f)(1) occur in future years, the Taxpayer must request a review and revision of the schedule of ruling amounts. Generally, the Taxpayer is required to file such a request on or before the deemed payment deadline date for the first taxable year in which the rates reflecting such action became effective. When no such event occurs, the Taxpayer must file a request for a revised schedule of ruling amounts on or before the deemed payment deadline of the tenth taxable year following the close of the tax year in which this schedule of ruling amounts is received.

Except as specifically determined above, no opinion is expressed or implied concerning the Federal income tax consequences of the transaction described above. Specifically, no determination is made whether the Independent Study conforms to industry standards and practices.

This ruling is directed only to the Taxpayer who requested it. Section 6110(k)(3) of the Code provides it may not be used or cited as precedent. In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative. We are also sending a copy of this letter ruling to the Director. Pursuant to § 1.468A-7(a), a copy of this letter must be attached (with the

required Election Statement) to the Taxpayer's federal income tax return for each tax year in which the Taxpayer claims a deduction for payments made to the Fund.

Sincerely yours,

PETER C. FRIEDMAN
Senior Technician Reviewer, Branch 6
Office of the Associate Chief Counsel
(Passthroughs and Special Industries)

cc:

CERTIFICATE OF SERVICE

I, Carl Cronin, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

Docket No. E002/M-14-761

Dated this 15th day of September 2017

/s/

Carl Cronin
Regulatory Administrator

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