BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Dan Lipschultz	Commissioner
Matthew Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

In the Matter of a Commission Investigation into the Effects on Electric and Natural Gas Utility Rates and Services of the 2017 Federal Tax Act	ISSUE DATE: January 25, 2019 DOCKET NO. E, G-999/CI-17-895 ORDER CLARIFYING PRIOR ORDER

PROCEDURAL HISTORY

On December 22, 2017, Public Law 115-97 (known as the Tax Cuts and Jobs Act, or TCJA) took effect, reducing the marginal federal income tax rate for corporations from a maximum 35 percent to a flat 21 percent, starting in 2018.[1]

On December 5, 2018, the Commission issued its Order Responding to Changes in Federal Tax Law.

On December 21, 2018, Great Plains Natural Gas Company (Great Plains) petitioned for clarification of the order.

On January 17, 2019, the matter came before the Commission.

FINDINGS AND CONCLUSIONS

The Commission's December 5, 2018 order discussed how the federal Internal Revenue Service (IRS) distinguishes between *protected excess accumulated deferred income tax liability* (protected excess ADIT) and *unprotected excess accumulated deferred income tax liability* (unprotected excess ADIT):

> *Protected excess ADIT* refers to the tax expense associated with accelerated depreciation of utility plant assets. The TCJA's normalization requirements require utilities to return protected excess ADIT to ratepayers over the remaining life of the underlying plant assets using the Average Rate Assumption Method (ARAM). But *unprotected excess ADIT*—including other tax effects, such as miscellaneous differences between a public utility's tax and book basis in utility assets other than

[1] *See* H.R. 1—115th Congress: AN ACT TO PROVIDE FOR RECONCILIATION PURSUANT TO TITLES II AND V OF THE CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2018.

> plant assets—are not subject to the TCJA's normalization requirements. Accordingly, parties have proposed a variety of ways for returning unprotected excess ADIT to ratepayers.[2]

The order also directed Great Plains to refund TCJA-related savings to its ratepayers as follows:

> The utility shall reduce its base rates, consistent with its current rate design, to reflect the following annual savings:
>
> 1) $235,708, plus
>
> 2) Protected excess accumulated deferred income tax liability, amortized using ARAM as early as IRS provisions allow, plus
>
> 3) Unprotected excess ADIT liability, amortized over ten years.[3]

Great Plains asks the Commission to clarify that Great Plains may continue its practice of accounting for excess ADIT by categorizing it as either *plant-related* or *non-plant-related*, rather than *protected* or *unprotected*. Great Plains notes that, while the financial consequences of this distinction may be immaterial, it would permit the company to maintain uniform accounting across the multiple jurisdictions in which it operates.

No party opposed this request.

Finding this petition reasonable and consistent with the intent of the December 5, 2018 order, the Commission will grant it.

[2] December 5, 2018 order, at 4; internal citation omitted.

[3] *Id.*, at 15.

ORDER

1. Notwithstanding the language of the Commission's Order Responding to Changes in Federal Tax Law (December 5, 2018), Great Plains Natural Gas Company may continue to account for excess accumulated deferred income tax as either "plant-related" excess ADIT or "non-plant-related" excess ADIT.

2. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf
Executive Secretary

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