NEWS RELEASE

March 15, 2018

News Media Contact

Mary O'Driscoll | 202-502-8680

Docket Nos. RM18-12-000, EL18-72-000 et al., EL18-62-000 et al., ER18-840-000, ER18-783-000, RM18-11-000, PL17-1-000

Item Nos. E-1, E-2, E-3, E-7, E-8, G-1, G-2

FERC Addresses Tax Law Changes for Electricity, Natural Gas, Oil Companies

The Federal Energy Regulatory Commission (FERC) took action today to address changes in the income tax rates for the electric transmission and natural gas and oil pipeline companies that it regulates, stemming from the landmark Tax Cuts and Jobs Act of 2017.

FERC's actions today recognize the specific regulatory and operating parameters that must be addressed differently for each of the industries it regulates. However, the Commission did issue a Notice of Inquiry seeking information regarding whether and how the Commission should address accumulated deferred income taxes and bonus depreciation as to electric companies, and gas and oil pipelines.

Electricity

Because most of the FERC-regulated electric transmission companies have transmission rates that automatically adjust with changes in the tax rates, the adjustments for much of the industry are already taking place. However, the Commission today took the following specific actions:

- Issued two Federal Power Act show-cause orders involving 48 companies whose transmission tariffs specifically reference tax rates of 35 percent. The orders direct the companies to propose revisions to their transmission rates or show why they should not do so.
- Issued two waivers that allow Public Service Company of Colorado and certain transmission owners within the MISO to allow for mid-year rate adjustments to reflect the new law.

Natural Gas

The Commission issued a Notice of Proposed Rulemaking that would allow FERC to determine which pipelines under the Natural Gas Act may be collecting unjust and unreasonable rates in light of the corporate tax reduction and changes to the Commission's income tax allowance policies following the *United Airlines* decision. The proposal requires interstate pipelines to file a one-time report, called FERC Form No. 501-G, on the rate effect of the new tax law and changes to the Commission's income tax allowance policies. In addition to filing the one-time report, each pipeline would have four options:

- Each pipeline could make a limited section 4 filing to reduce its rates by the percentage reduction in its cost of service shown in its FERC Form No. 501-G.
- Each pipeline may commit to file either a prepackaged uncontested rate settlement or a general NGA section 4 rate case if it believes that using the limited section 4 option will not result in a just and reasonable rate. If the pipeline commits to do this by December 31, 2018, FERC will not initiate a section 5 investigation of its rates prior to that date.
- Alternatively, each pipeline that does not believe it has to change its rates may choose to file a statement explaining why.

- Finally, a pipeline may file the new FERC form without taking any other action. At that point, FERC would consider whether to initiate a section 5 investigation of any pipeline that has not submitted a limited section 4 rate reduction filing or committed to file a general section 4 rate case.

Separately, the Commission started two investigations under section 5 of the Natural Gas Act to determine whether the rates currently charged by Dominion Energy Overthrust Pipeline LLC and Midwestern Gas Transmission Company are just and reasonable.

Oil Pipelines

The Commission said it will address tax changes for the oil pipelines it regulates in the 2020 five-year review of the oil pipeline index level.

R-18-13