NEWS RELEASE

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Docket Nos. RM18-11-000 and PL17-1-001

FERC Finalizes Gas Pipeline Tax Law-Related Policy Rule

The Federal Energy Regulatory Commission (FERC) today took final action to facilitate the pass through of the tax reductions provided by the Tax Cuts and Jobs Act signed into law on December 22, 2017, and ensure natural gas pipeline rates remain just and reasonable.

Today's final rule modifies the proposal from March, which sought to require interstate pipelines to file a one-time report, called FERC Form No. 501-G, to provide a rough estimate of a pipeline's return on equity before and after the new tax law and changes to the Commission's income tax allowance policies.

Although the final rule maintains the requirement to file the FERC 501-G, the final rule makes adjustments to the proposed form, including automatically eliminating the accumulated deferred income tax (ADIT) from a pipeline's cost of service when the form enters a federal and state income tax of zero for pipelines that are non-tax paying entities. This adjustment is consistent with the Order on Rehearing of the Revised Policy Statement in Docket PL17-1-001 issued concurrently with the final rule. The final rule also encourages pipelines to file an addendum to the FERC 501-G to reflect their individual financial situation.

In addition to filing the one-time report, the final rule provides interstate natural gas pipelines four options to address changes to the pipeline's revenue requirements as a result of the tax reductions:

- Make a limited section 4 filing to reduce its rates to reflect the reduced tax rates. For any pipeline doing so, FERC guarantees a three year moratorium on NGA section 5 rate investigations if the pipeline's FERC Form 501-G shows the pipeline's estimated ROE as 12 percent or less.
- Commit to file either a prepackaged uncontested rate settlement or a general NGA section 4 rate case. If the pipeline commits to do this by December 31, 2018, FERC will not initiate a section 5 investigation of its rates before that date.
- Explain why no rate change is needed.
- Take no further action.

Based on what option a pipeline selects, and the contents of the pipeline's FERC 501-G, FERC would consider whether to initiate a section 5 investigation of any pipeline's rates if it appears those rates may be unjust and unreasonable.

The final rule also adopts, with clarifying modifications, the procedures proposed for Natural Gas Policy Act section 311 and Hinshaw pipelines to reflect in their jurisdictional rates any rate reductions from the new tax law and changes to the Commission's income tax allowance policies.

The final rule takes effect 45 days after publication in the *Federal Register*. The final rule modifies the proposed implementation schedule to combine the third and fourth groups of pipelines into a single group. The deadline for the first group of pipelines to file their FERC Form No. 501-Gs will be 28 days after the effective date of the final rule, and the deadlines for the second and third groups will each be 28 days after the previous group's deadline.

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