

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION) CASE NO. GNR-U-18-01
INTO THE IMPACT OF FEDERAL TAX)
CODE REVISIONS ON UTILITY COSTS AND)
RATEMAKING) ORDER NO. 34073
) (INTERMOUNTAIN GAS)
)

On May 10, 2018, Intermountain Gas Company (the “Company”) filed a Stipulation and Settlement (“Settlement Stipulation”) and a Motion to Approve settlement Stipulation and Request for Modified Procedure (the “Motion.”) The Settlement Stipulation was signed by the Company, Commission Staff, and intervenor Alliance of Western Energy Consumers (“AWEC”) (the sole intervenor as to the Company in this multi-utility case). If approved, the Settlement Stipulation would return to customers the tax benefits the Company has realized under new tax laws that decreased the Company’s corporate tax rate and expenses.

Having reviewed the record, the Commission finds the Settlement Stipulation is just, fair, and reasonable. The Commission thus grants the Motion, and approves the Settlement Stipulation in the public interest as discussed below.

BACKGROUND

The federal Tax Cuts and Jobs Act of 2017 (the “TCJA”) decreased the federal corporate tax rate from 35% to 21%, effective January 1, 2018. After the TCJA passed, the Governor of Idaho signed House Bill 463 reducing the Idaho State Corporate Income Tax rate from 7.4% to 6.925%.

The Commission opened this multi-utility case to investigate whether to adjust the rates of certain utilities that benefit from the reduced tax rates. *See* Order No. 33965. The Commission directed all affected utilities—including the Company—to immediately account for the tax benefits as a regulatory liability. The utilities also were to report on how the tax changes affected them, and how they could pass any resulting benefits to customers. *See id.* at 1-2.

The Company filed its report, which the Company styled as an application, on March 23, 2018 (the Company’s “Report”). The Company proposed to return \$4,966,895 in tax benefits to customers, with new rates to take effect April 1, 2018. *See* Report, at 1. To better enable the Commission and its Staff to assess the Company’s proposal, the Commission suspended the Company’s proposed effective date until October 1, 2018, or when the Commission issues an

earlier order accepting, rejecting, or modifying the Company's proposed schedules. *See* Order No. 34030 (citing *Idaho Code* § 61-622).

The Company, Commission Staff, and AWEC (collectively, the "Parties") then conducted settlement discussions and filed the Settlement Stipulation now under consideration. If approved, the Settlement Stipulation would return about \$5.1 million in tax benefits to the Company's customers. *See* Settlement Stipulation, at 3.

The Commission issued a Notice of Settlement Stipulation setting deadlines for interested persons to comment on the Settlement Stipulation. *See* Order No. 34063. Commission Staff filed the only comments, and recommended that the Commission approve the Settlement Stipulation in the public interest. *See* Comments of the Commission Staff in Support of Settlement Stipulation Re: Intermountain Gas Company ("Staff Comments").

The Settlement Stipulation, and Staff's Comments, are summarized below.

THE SETTLEMENT STIPULATION AND STAFF COMMENTS

The Parties believe the Settlement Stipulation is fair, just, and reasonable, and that the Commission should approve it in the public interest, because it would return to customers the tax benefits the Company has realized under the federal and state tax law changes. *See* Settlement Stipulation at 3-4; Staff Comments at 4. In summary, the Settlement Stipulation would provide customers a long-term benefit by decreasing base rates by about \$5.1 million effective June 1, 2018. The Settlement Stipulation also would provide a short-term benefit by crediting customers to the extent the rates they paid from January 1, 2018 to May 31, 2018 included tax expense that became excessive after the TCJA took effect. These customer benefits are further explained below.

A. The Company would decrease customer base rates by \$5.1 Million.

The Settlement Stipulation would decrease the Company's revenue requirement by about \$5.1 million, which represents the tax benefits the Company is returning to customers. Settlement Stipulation, at 3. The Company would return this amount to customers through a uniform percentage decrease to base rates for each customer class. *See* Settlement Stipulation, Attachment 1, page 1. The total amount consists of these components:

	Revenue Requirement	
1 Income Tax Benefit	\$	2,750,730
2 Deferred Income Tax - Plant	\$	1,189,021
3 Deferred Income Tax - Non Plant	\$	(154,543)
4 Amortization of Investment Tax Credits	\$	(47,482)
5 Total Benefit	\$	3,737,726
6 Revenue Conversion Factor		1.36749
7 Total Benefit Returned to Customers	\$	5,111,303

See Staff Comments at 2-3 (further explaining the components). To accomplish these changes, the Settlement Stipulation attached proposed tariffs that the Parties recommend the Commission approve with an effective date of June 1, 2018. See Settlement Stipulation at 3, Attachment 3.

B. The Company would credit customers for tax-related benefits it received from January 1 – May 31, 2018.

Because the new tax laws decreased the tax expense included in customers’ rates, the Commission required the Company to immediately treat the excess tax collected as a deferred regulatory liability to be returned to customers later. Specifically, per Commission Order No. 33965, the Company began to “immediately account for the financial benefits from the January 1, 2018 tax rate reduction to 21%,” by treating the benefits as a deferred regulatory liability. The Company’s monthly deferral includes the tax benefit of reducing current and deferred income tax expense to 21%, and the monthly amortization of the excess plant accumulated deferred income taxes from January 1, 2018 – May 31, 2018. Under the Settlement Stipulation, the Company would return this liability to customers over 12 months as a credit in the Company’s next PGA filing, with new rates reflecting the credit to be effective October 1, 2018. See Settlement Stipulation at 3; Staff Comments at 4.

DISCUSSION AND FINDINGS

The Commission’s process for considering settlement stipulations is set forth in Procedural Rules 271-277. IDAPA 31.01.01.271-277. When a settlement is presented to the Commission, the Commission will prescribe the procedures appropriate to the nature of the settlement to consider it. IDAPA 31.01.01.274. Further, proponents of a settlement must show that the settlement is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy. IDAPA 31.01.01.275. Finally, the Commission is not bound by settlement agreements. Instead, the Commission “will independently review any settlement proposed to it to

determine whether the settlement is just, fair and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy.” IDAPA 31.01.01.276.

We have reviewed the record, including the Company’s initial Report, the Settlement Stipulation, and Staff’s Comments. We note all Parties have signed the Settlement Stipulation and support it, and that no one opposes it. Further, the settling Parties—including the Company, AWEC, and Staff—represent that the Settlement Stipulation reasonably resolves the case, and that it is in the public interest for the Commission to approve it. We agree. We find the Settlement Stipulation reasonably returns to customers 100% of the financial benefit the Company realized under the tax law changes. Accordingly, based upon the record before us, and to aid “in securing a just, speedy and economical determination of the issues presented to the Commission,” we find it reasonable and appropriate to approve the Settlement Stipulation in the public interest. IDAPA 31.01.01.273.

ORDER

IT IS HEREBY ORDERED that the Company’s Motion is granted, and the associated Settlement Stipulation—including proposed Tariff Schedules RS, GS-1, IS-R, IS-C, LV-1, T-3, and T-4 in Attachment No. 3 to the Settlement Stipulation—is approved effective June 1, 2018.

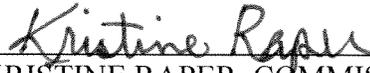
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this ~~31st~~
day of May 2018.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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