

**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 ) NOTICE OF INVESTIGATION**  
**AND RATEMAKING )**  
**) ORDER NO. 33965**

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**NOTICE OF INVESTIGATION**

YOU ARE HEREBY NOTIFIED that, on December 22, 2017, the President signed the Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”) into law. *See* Pub. L. No. 115-97, 131 Stat 2054. A main feature of the Act is to reduce the federal corporate tax rate from 35% to 21%, effective January 1, 2018. This significant tax rate reduction will materially decrease many utilities’ current tax expenses.

YOU ARE FURTHER NOTIFIED that, because a utility’s tax expenses are included in its revenue requirement, and the Commission uses the revenue requirement to set fair, just, and reasonable rates, the Commission is opening this case to investigate whether the Commission should adjust utilities’ rates and charges to reflect corporate income tax and revenue requirement reductions caused by the 2017 Tax Act. *Idaho Code* § 61-503. If the lower federal corporate income tax lowers a utility’s tax expense, then the Commission would recalculate the utility’s revenue requirement, make customer rates subject to refund, and allow benefits from the tax rate decrease to flow to the utility’s customers.

YOU ARE FURTHER NOTIFIED that, to protect utility customers against paying unreasonably high rates, the Commission finds it reasonable to direct every rate-regulated utility to account for the financial benefits from the tax rate reduction to 21% as a deferred regulatory liability. To determine if rates should be changed, with current rates subject to refund and adjustment, the following process shall be used:

(1) Each rate-regulated utility (besides small water companies with less than 200 customers, and the small electric utility, Atlanta Power) must:

(a) Immediately account for the financial benefits from the January 1, 2018 tax rate reduction to 21% as a deferred regulatory liability; and

(b) By Friday, March 30, 2018, file a report with the Commission identifying and quantifying all tax changes individually. The report must disclose the federal income tax

components for the year 2017, and the federal income tax components if the utility had been subject to 2017 Tax Act's revisions to the tax code, including the 21% tax rate. Each utility's report must include proposed tariff schedules that show the revenue requirement impacts from the 2017 Tax Act, with the differences between the law in effect on December 31, 2017 and the law in effect on and after January 1, 2018. Utilities may supplement their reports with further estimates or explanation of taxes under the new and old tax codes under normalized conditions if those utilities' rates are ordinarily set under normalized conditions.<sup>1</sup> Utilities that operate in Idaho and in other states must separately calculate system-wide and Idaho-specific figures to show how the 2017 Tax Act impacts total operations and Idaho operations.

(2) After a utility files its report, Commission Staff must use reasonable efforts to, within 60 days, audit the utility and report to the Commission on the audit results and whether Staff agrees or disagrees with the utility's proposed tariffs.

(3) If Staff disagrees with the utility's proposed tariffs and recommends changes to them, then the Commission plans to issue an Order directing the utility to show cause why Staff's recommended rate changes should not be made.

YOU ARE FURTHER NOTIFIED that the documentation related to this case will be filed with the Commission and available for public inspection during regular business hours at the Commission office. The documentation may also be viewed on the Commission's website at [www.puc.idaho.gov](http://www.puc.idaho.gov) by clicking on "File Room" and then "Multi-Utility Cases."

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted according to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

### **ORDER**

IT IS HEREBY ORDERED that all rate-regulated utilities (besides small water companies with less than 200 customers, and the small electric utility, Atlanta Power) immediately: (1) account for the financial benefits from the January 1, 2018 tax rate reduction to

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<sup>1</sup> Thus, while the Commission is requiring a utility to provide information based on 2017 results, the Commission is allowing a utility to propose alternative results if the utility believes using the 2017 results would be inappropriate. If the utility proposes using alternative results, the utility must still report the 2017 results.

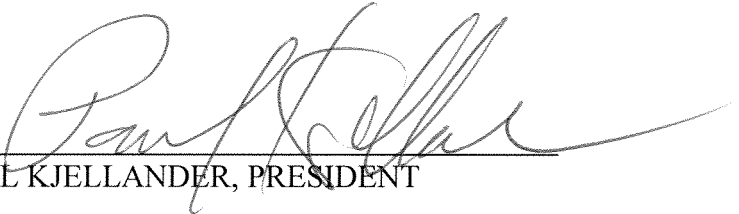
21% as a deferred regulatory liability; (2) file the reports required by this Order by March 30, 2018.

IT IS FURTHER ORDERED that the Commission's Staff audit the utility and report to the Commission as discussed above.

IT IS FURTHER ORDERED that, effective immediately, each utility's rates shall be subject to refund based on the outcome of this case.

THIS IS AN INTERLOCUTORY ORDER. Any person interested in this Order may file a petition for review within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. A petition to review may request that the Commission: (1) rescind, clarify, alter, amend; (2) stay; or (3) finalize this Interlocutory Order. After any person has petitioned for review, any other person may file a cross-petition within seven (7) days. See Rules 321, 322, 323.03, 324, 325 (IDAPA 31.01.01.321-325).

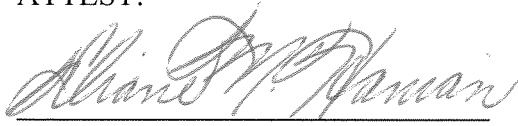
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *16<sup>th</sup>* day of January 2018.

  
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PAUL KJELLANDER, PRESIDENT

  
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KRISTINE RAPER, COMMISSIONER

  
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ERIC ANDERSON, COMMISSIONER

ATTEST:

  
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Diane Hanian  
Commission Secretary

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