BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE
June 27, 2019

IN RE:	)	
	)	
CHATTANOOGA GAS COMPANY COMPLIANCE FILING AND REPORT	)	**DOCKET NO. 18-00035**
	)	

ORDER ESTABLISHING ISSUES FOR CONSIDERATION

This matter came before the Hearing Officer of the Tennessee Public Utility Commission ("Commission" or "TPUC") during a telephone Status Conference held with Chattanooga Gas Company ("CGC") and the Consumer Advocate Unit in the Financial Division of the Tennessee Attorney General ("Consumer Advocate"), the parties in this matter, on March 27, 2019 to consider the issues to be addressed in this docket.

BACKGROUND

On January 1, 2018, the 2017 Tax Cuts and Jobs Act, Pub. L. No. 115-97 ("2017 Tax Act") became effective, which significantly impacted the earnings of investor-owned utilities. The 2017 Tax Act reduced the corporate federal income tax rate from 35% to 21%. On February 6, 2018 in Docket No. 18-00001, the Tennessee Public Utility Commission ("Commission" or "TPUC") issued its *Order Opening an Investigation and Requiring Deferred Accounting Treatment*. In its Order, the Commission ordered Atmos Energy Corporation ("Atmos Energy"), CGC, Kingsport Power Company d/b/a AEP Appalachian Power ("Kingsport Power"), Piedmont Natural Gas Company ("Piedmont Natural Gas"), and Tennessee American Water Company

("Tennessee American Water") to immediately apply deferred accounting treatment with respect to the impact of the lowering of the federal corporate income tax rate and to provide the Commission no later than March 31, 2018, the amounts deferred and a proposal to reduce rates or otherwise make adjustments to account for the tax benefits resulting from the 2017 Tax Act.[1] The Commission Order directed Staff to assist the remaining water, wastewater and natural gas utilities under the Commission's jurisdiction in calculating the tax impacts on their earnings resulting from the 2017 Tax Act and report the results to the Commission.

In an email from the Consumer Advocate dated March 12, 2019, the Consumer Advocate submitted a couple of outstanding issues to be addressed in this docket: 1) the treatment of excess deferred income taxes that the company has amortized beginning January 1, 2018, as set forth in the Commission's Order in Docket No. 18-00017 (on page 55) and 2) the appropriate disposition of Income Tax Expense savings accrued during the period January 1, 2018 through the date new CGC rate became effective. CGC disagreed that the second issue should be included as an issue for consideration. CGC argued that the issue regarding savings had already been determined in its recent rate case. The Hearing Officer convened a Status Conference on March 27, 2019 to discuss the issues to be included in the docket.

STATUS CONFERENCE

During the Status Conference, the Consumer Advocate reiterated the issues it thought should be included in the docket. The Consumer Advocate argued that the Commission never said that deferred amounts should remain with the Company and the deferred tax dollars should flow back to ratepayers and the tax dockets were set up to address these types of issues. The Consumer Advocate asserted that it is proper to litigate these issues in the tax docket and there

[1] *See In re: Tennessee Public Utility Commission Investigation of Impacts of Federal Tax Reform on Public Utility Revenue Requirements*, Docket No. 18-00001, *Order Opening Investigation and Requiring Deferred Accounting Treatment* (February 6, 2018).

has been no final determination on this issue.

CGC argued that all of the issues had been litigated, and if the Commission had intended to send more than one issue to the tax docket it would have specifically done so. CGC maintained that the issue of tax savings was already considered and decided in the rate case. CGC asserted that the Commission made the determination in the rate case that the tax savings was in rate base, and the amount was zero.

FINDINGS & CONCLUSIONS

During the Status Conference, the parties argued their positions verbally; however, the parties did not file any motions or supporting documentation in the record. The parties only disagreed as to whether the second issue regarding the disposition of tax savings should be included as an issue in this docket. CGC maintained that a determination had already been made on the issue of the disposition of tax savings in CGC's rate case decided by the Commission on October 15, 2018 in Docket No. 18-00017.

The Hearing Officer finds that one of the objectives of this docket and similar dockets for the other larger utilities, commonly referred to as "tax dockets," is to determine the disposition of the tax savings by the utilities to the ratepayers. In its *Order Opening an Investigation and Requiring Deferred Accounting Treatment* issued in Docket No. 18-00001, the Commission states that CGC and certain other larger public utilities shall "provide to the Commission no later than March 31, 2018, the amounts deferred and a proposal to reduce rates or otherwise make adjustments to account of the tax benefits resulting from the 2017 Tax Cuts and Jobs Act, Pub. L. No. 115-97 ("2017 Tax Act")." Because of this mandate by the Commission, the current docket was opened with the filing of the *Chattanooga Gas Company Compliance Filing and Report* on March 29, 2019. Therefore, the Hearing Officer concludes that it is appropriate for the disposition of the tax savings to be considered in the current docket. Of course, CGC may argue before the Commission that its tax savings was already calculated and included in its recent rate case. The Commission is in the best position to determine whether it has previously ruled on the issue of the disposition of the tax savings.

IT IS THEREFORE ORDERED THAT:

The following issues, as proposed by the Consumer Advocate, shall be considered in this docket:

1) the treatment of excess deferred income taxes amortized by Chattanooga Gas Company beginning January 1, 2018, as set forth on p. 55 of the Tennessee Public Utility Commission Order in Docket No. 18-00017;

2) the appropriate disposition of Income Tax Expense savings accrued during the period January 1, 2018 through the date new Chattanooga Gas Company rates became effective.

Monica Smith-Ashford

Monica Smith-Ashford, Hearing Officer