

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: TAX CUTS AND JOBS ACT OF 2017	DOCKET NO. INU-2018-0001
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ORDER INITIATING INVESTIGATION

(Issued January 18, 2018)

Public Law No. 115-97, known as the Tax Cuts and Jobs Act of 2017 (the Act), was signed into law on December 22, 2017, and amended the Internal Revenue Code in many respects. Among other things, the Act reduced the corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018. Federal income tax expense can be a significant factor in determining the revenue requirement for a rate-regulated utility, as the expense is used to calculate the utility's annual revenue requirement (and therefore its retail rates); to the extent that the reduction in the corporate income tax rate reduces a utility's income tax expense, the result may be that the utility's retail rates are no longer based upon expenses that are reasonable and just, as required by Iowa Code § 476.6(5).

Accordingly, pursuant to Iowa Code §§ 476.1, 476.2, 476.3, 476.6, and 476.15, and such other authority as may become relevant during the course of this inquiry, the Utilities Board (Board) is initiating this investigation to gather information concerning the effect of the Act on utilities that are subject to rate regulation by the Board pursuant to Iowa Code chapter 476 in order to determine whether the retail

rates of each utility are still just and reasonable. Those utilities will be required to provide information for consideration by the Board and other interested parties. Specifically, the Board is interested in each utility's responses to the following questions:

1. What is the estimated effect of the Act on the utility's federal income tax expense and total Iowa revenue requirement as determined in the utility's most recent general rate review proceeding?
2. What is the estimated effect of the Act on the utility's federal income tax expense and total Iowa revenue requirement as determined by the most recent calendar year for which information is available?
3. Does the utility agree that its retail rates in Iowa should be adjusted to reflect the effect of the Act? If not, explain the basis of the utility's position.
4. Regardless of the utility's answer to the preceding question, if the utility is required to adjust its Iowa retail rates to reflect the effect of the Act, describe any preferred mechanism or mechanisms for doing so for that specific utility.
5. Does the utility have any other comments regarding this matter?

A workshop will be held on January 25, 2018. Utilities should prepare presentations for the workshop that address these questions and any other matters related to the Act. Utilities should be prepared to answer questions from the Board and other participants. If possible, the Board would appreciate it if each utility would file its presentation in this docket in advance of the workshop.

Each rate-regulated utility affected by the reduction in the federal corporate income tax rate is advised that if the final outcome of this or any related proceeding is a reduction in its Iowa revenue requirement and an associated adjustment to its Iowa retail rates, pursuant to Iowa Code §§ 476.3 or 476.6, the Board will consider ordering refunds to customers based upon the time period during which overpayments were made by those customers. The Board may also consider other rate making treatments if appropriate. Accordingly, the Board finds it appropriate and in the public interest for the rate-regulated utilities to track all calculated differences resulting from the Act since January 1, 2018, and what would have been recorded if the Act had not gone into effect, such that any overpayments can be refunded at a future date, if appropriate.

IT IS THEREFORE ORDERED:

1. Pursuant to Iowa Code §§ 476.1, 476.2, 476.3, 476.6, and 476.15, the Utilities Board is opening Docket No. INU-2018-0001, "Tax Cuts and Jobs Act of 2017," to gather information regarding the effect on Iowa rate-regulated utilities of the recent reduction in the federal corporate income tax rate.
2. A workshop will be held beginning at 1 p.m. on January 25, 2018, to hear presentations from Iowa rate-regulated utilities regarding the effect of the recent reduction in the federal corporate income tax rate. Each utility should be prepared to discuss this matter and, to the extent possible, answer questions about it. The workshop will be held in the Board's Hearing Room at 1375 East Court Avenue, Des

Moines, Iowa. Persons desiring assistive services at the workshop should contact the Utilities Board at (515) 725-7300 at least 24 hours in advance of the workshop to request that appropriate arrangements be made. Utilities are asked to file their presentations in advance of the workshop if possible.

3. Further proceedings will be scheduled as necessary, after scheduling discussions at the workshop.

4. Each rate-regulated utility shall track all calculated differences since January 1, 2018, resulting from Public Law No. 115-97, known as the Tax Cuts and Jobs Act of 2017 (the Act), and what would have been recorded if the Act had not gone into effect, such that any overpayments can be refunded at a future date, if appropriate.

5. This order shall be served using the Electronic Filing System on MidAmerican Energy Company (gas and electric); Interstate Power and Light Company (gas and electric); Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy; Liberty Utilities (Midstates Natural Gas) d/b/a Liberty Utilities; and Iowa American Water Company, each of which is made a party to this proceeding.

6. This order shall also be served on all parties to the following dockets:

a. In re: Interstate Power and Light Co., Docket No.

RPU-2017-0001.

b. In re: Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities, Docket No. RPU-2016-0003.

- c. In re: Iowa American Water Company, Docket No. RPU-2016-0002.
- d. In re: MidAmerican Energy Co., Docket No. RPU-2013-0004.
- e. In re: Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy, Docket No. RPU-2010-0002.

UTILITIES BOARD

/s/ Geri D. Huser

/s/ Nick Wagner

ATTEST:

/s/ Trisha M. Quijano
Executive Secretary, Designee

/s/ Richard W. Lozier Jr.

Dated at Des Moines, Iowa, this 18th day of January 2018.