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STATE OF INDIANA

**INDIANA UTILITY REGULATORY COMMISSION**

IN THE MATTER OF THE INDIANA UTILITY )  
REGULATORY COMMISSION'S INVESTIGATION )  
INTO THE IMPACTS OF THE TAX CUTS AND )  
JOBS ACT OF 2017 AND POSSIBLE RATE )  
IMPLICATIONS )  
RESPONDENTS: ALL JURISDICTIONAL RATE- )  
REGULATED, INVESTOR-OWNED UTILITIES )

CAUSE NO. 45032

APPROVED: JAN 0 3 2018

**ORDER OF THE COMMISSION**

**Presiding Officers:**  
**James D. Atterholt, Chair**  
**Loraine L. Seyfried, Chief Administrative Law Judge**

On December 22, 2017, President Donald Trump signed into law the Tax Cuts and Jobs Act of 2017 ("Act").<sup>1</sup> The Act contains provisions reducing the corporate tax rate of 35% to 21% and revising the federal tax structure. These new federal requirements affect the current tax expense and deferred tax accounting methods used by employers, including utilities. Many of the Act's provisions are effective as of January 1, 2018.

The current rates being charged by most, if not all, of Indiana's jurisdictional rate-regulated, investor-owned utilities were approved by the Indiana Utility Regulatory Commission ("Commission") and include recovery of costs incorporating the federal corporate tax rate of up to 35%. Therefore, the Commission finds it appropriate to initiate this investigation to review and consider the implications of the Act on utility rates and what additional action, if any, is warranted.

**1. Commission Jurisdiction.** The Commission is authorized under Ind. Code § 8-1-2-42 to approve changes in the schedule of rates, tolls, and charges of Indiana public utilities. Such charges must be reasonable and just. Ind. Code § 8-1-2-4. The Commission also has authority to initiate an investigation into all matters relating to any public utility pursuant to Ind. Code § 8-1-2-58. In addition, Ind. Code § 8-1-2-72 authorizes the Commission to alter or amend any order made by the Commission, upon notice and after opportunity to be heard. The Commission is also authorized to take emergency action when necessary to prevent injury to the business or interests of the people or any public utility of this state. Ind. Code § 8-1-2-113. In addition to the foregoing statutory provisions, the Commission notes that the Indiana Court of Appeals has specifically found that inherent in this grant of power is the implicit power and authority to "do that which is necessary to effectuate the regulatory scheme." *South Eastern Indiana Natural Gas v. Ingram*, 617 N.E.2d 943, 948 (Ind. Ct. App. 1993). Accordingly, the Commission has jurisdiction over the Respondents and subject matter of this investigation.

<sup>1</sup>Pub. L. No. 115-97, 131 Stat 2054 (2017).

2. **Parties.** As this investigation will consider the Act's effect on rates and charges approved by the Commission for Indiana investor-owned public utilities, we find that all Indiana jurisdictional rate-regulated, investor-owned utilities should be notified of this proceeding and made Respondents to this Cause. The Indiana Office of Utility Consumer Counselor should be included on the service list and participate in this proceeding pursuant to Ind. Code ch. 8-1-1.1. In addition, the Commission encourages those with a substantial interest in the subject matter of this investigation to seek intervention in accordance with 170 IAC 1-1.1-11.

3. **Scope of Investigation.** The Commission recognizes that the approved tax reform will create benefits for utility customers because of the reduced federal tax burden on Respondents. The determination and customer realization of these benefits that flow from the Act warrant deliberative consideration. Accordingly, the purpose of this investigation is to review and consider the impacts from the Act and how any resulting benefits should be realized by customers.

Under the Act, the tax rate reduction is effective January 1, 2018. Because customer utility service rates today reflect a now materially altered tax structure, the reform-derived benefits are accruing today and going forward. Accordingly, the Commission finds it is appropriate and in the public interest for Respondents to immediately begin using regulatory accounting, such as the use of regulatory assets and liabilities, for all calculated differences resulting from the Act and what would have been recorded if the Act did not go into effect. While the exact amount of the tax benefits and resulting rate impacts cannot be determined at this time, each of the Respondents should use its best estimate to determine the amount to be recorded as a deferred liability, subject to review and adjustment as part of this proceeding.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

1. An investigation is commenced to allow the Commission to consider the impacts and resulting benefits from the Act and how any resulting benefit should be realized by customers.
2. Respondents shall apply regulatory accounting treatment, such as the use of regulatory assets and regulatory liabilities, for all estimated impacts resulting from the Act.
3. Indiana jurisdictional rate-regulated, investor-owned utilities shall be notified of this proceeding and made Respondents to this Cause.
4. A preliminary hearing and prehearing conference to determine a procedural schedule for this investigation is scheduled for February 6, 2018, at 10:00 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana.
5. This Order shall be effective on and after the date of its approval.

**ATTERHOLT, FREEMAN, HUSTON, WEBER AND ZIEGNER CONCUR:**

JAN 03 2018

**APPROVED:**

**I hereby certify that the above is a true  
and correct copy of the Order as approved.**



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**Mary M. Becerra,  
Secretary of the Commission**