



Control Number: 48451



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PUC DOCKET NO. 48451

**APPLICATION OF SOUTHERN
UTILITIES COMPANY FOR A MINOR
TARIFF CHANGE FOR NEW
FEDERAL TAX CHANGE CREDIT
RIDER**

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PUBLIC UTILITY COMMISSION

OF TEXAS

JOINT PROPOSED NOTICE OF APPROVAL AND REQUEST TO ADMIT EVIDENCE

COMES NOW, Southern Utilities Company (Southern), and Staff (Staff) of the Public Utility Commission (Commission) and file this Joint Proposed Notice of Approval and Request to Admit Evidence in response to the Notice Requiring Filing issued by the Commission.

I. Background

On June 8, 2018, Southern filed an application for approval to implement a new Federal Tax Change Credit Rider (FTCC), giving effect to the Tax Cuts and Jobs Act of 2017 (TCJA) and in response to the Amended Order Related to Changes in Federal Income Tax Rates in Project No. 47945. This filing does not address the accounting and rate-making treatment of excess accumulated deferred federal income tax arising from changes to federal tax law in the TCJA.

On August 2, 2018, the Commission issued a Notice Requiring Filing directing Southern and Staff to file an agreed notice of approval by August 17, 2018. Therefore, this pleading is timely filed.

II. Request to Admit Evidence

Southern and Staff request to admit the following evidence into the record of this proceeding:

- a) Application of Southern Utilities Company for a Minor Tariff Change for New Federal Tax Change Credit Rider, filed June 8, 2018;

- b) Affidavits and Proof of Notice, filed June 26, 2018;
- c) Commission Staff's Sufficiency Recommendation, filed July 9, 2018;
- d) Notice Addressing Sufficiency, Adopting Procedural Schedule, and Approving Credit Rider on an Interim Basis, filed July 11, 2018;
- e) Commission Staff's Final Recommendation that the Application be approved, filed July 20, 2018;
- f) Commission Staff's Amendment to Final Recommendation, filed July 25, 2018;

III. Proposed Notice of Approval


Staff and Southern have agreed on the attached Joint Proposed Notice of Approval to grant Southern's application for approval to implement a Federal Tax Cut Credit rider.

IV. Conclusion

Staff has reviewed the application and recommends its approval. Staff and Southern respectfully request that the Commission adopt the attached findings of fact and conclusions of law as well as admit the specified pieces of evidence.

DATED: August 17, 2018

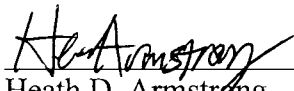
Respectfully submitted,

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**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

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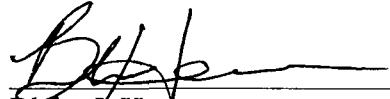
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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on August 17, 2018, in accordance with 16 TAC § 22.74.



Blake J. Harmon

PUC DOCKET NO. 48451

APPLICATION OF SOUTHERN	§	PUBLIC UTILITY COMMISSION
UTILITIES COMPANY FOR A MINOR	§	
TARIFF CHANGE FOR NEW	§	OF TEXAS
FEDERAL TAX CHANGE CREDIT	§	
RIDER	§	
	§	

JOINT PROPOSED NOTICE OF APPROVAL

This Joint Proposed Notice of Approval addresses the application of Southern Utilities Company (Southern) for approval to implement a Federal Tax Cut Credit rider, giving effect to the Tax Cuts and Jobs Act of 2017 (TCJA) and in response to the Amended Accounting order in Project No. 47945. The Public Utility Commission (Commission) Staff (Staff) recommended approval of the application. The application is approved.

Consistent with the above discussion, the Administrative Law Judge (ALJ) makes the following findings of fact and conclusions of law:

I. Findings of Fact

Procedural History, Description, and Background

1. Southern is a water utility providing water service to customers in Smith and adjoining counties.
2. Late last year, an act was passed that, in part, amends the Internal Revenue Code¹ by reducing the federal income tax rate to be imposed on C corporations from 35% to 21% effective January 1, 2018, as well as reducing the federal income tax rate on certain other entities.²

¹ Internal Revenue Code, 2 U.S.C.A. § 61 (West 2011 and Supp. 2014).

² Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017)

3. On February 15, 2018, the Commission issued an amended accounting order to address the change in the federal income tax rates for investor-owned electric, telecommunications, water, and sewer utilities in the State of Texas.³
4. On June 8, 2018, Southern filed with the Commission an application to approve the implementation of a new Federal Tax Cut Credit rider (FTCC), giving effect to the Tax Cuts and Jobs Act of 2017 via a minor tariff change under the Commission's original ratemaking jurisdiction pursuant to 16 TAC §24.21(b)(2)(A)(v).
5. Southern proposes to implement the FTCC effective for bills rendered on or after an effective date of August 1, 2018 with the same credit continued through December 31, 2018, which includes a catch up credit rider amount for February through July 2018, and lowered slightly for bills rendered on or after January 1, 2019 ending with Southern's next rate case.
6. The rates established by this Order accurately reflect the federal income tax rate reduction from 35% to 21% on Southern's annual federal income tax expenses.
7. The FTCC does not address the accounting and rate-making treatment of excess accumulated deferred federal income tax arising from changes to the federal tax law in the TCJA.
8. It is permissible for Southern to defer for future regulatory treatment any amortization of the protected and unprotected excess accumulated deferred federal income taxes that it makes for accounting purposes and reflect such deferred liability amounts in the determination of Southern's rates in its next base rate application.
9. On July 9, 2018, Commission Staff filed its Sufficiency Recommendation in which it found

³ *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Companies*, Project No. 47945, Amended Accounting Order (Feb. 15, 2018)

Southern's application to be administratively complete.

10. On July 11, 2018, the ALJ ruled that Southern's application is administratively complete, that the deadline to intervene was July 23, 2018, that the deadline for Commission Staff to file a final recommendation was July 23, 2018, and that the deadline for request for referral to the State Office of Administrative Hearings (SOAH) was July 25, 2018.
11. No third-party motions to intervene in the proceeding were filed by the intervention deadline of July 23, 2018.
12. On July 20, 2018, Commission Staff filed a final recommendation, recommending approval of Southern's application.
13. On July 23, 2018, Commission Staff filed an amendment to their final recommendation, because of an inadvertent error in the table of contents of the tariff attached to Staff's final recommendation.

Notice

14. On June 21, 2018, notice of the application was issued to all customers.
15. On June 26, 2018, Southern filed an affidavit attesting to the provision of such notice.

Informal Disposition

16. More than 15 days have passed since completion of the notice provided in this docket.
17. Commission Staff and Southern are the only parties to this proceeding.

II. Conclusions of Law

1. Southern is a water and sewer utility as defined in Texas Water Code §13.002(23) and 16 TAC §24.3(76).
2. The Commission has jurisdiction over the application filed in this docket under TWC §13.041 and 16 TAC §24.21(b)(2)(A).

3. Southern provided notice of the petition in compliance with 16 TAC §24.21(b)(2)(F).
4. The Commission processed the application under Texas Water Code and Commission rules.
5. The requirements for informal disposition under 16 TAC §22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following Order:

1. Southern's application is approved.
2. Within 10 days of this Notice of Approval, Southern shall file a clean copy of the approved Federal Tax Cut Credit rider with the Commission's Central Records Division.
3. All other motions, requests for entry of specific findings of fact or conclusions of law, and any other requests for general or specific relief, if not expressly granted herein, are hereby denied.

SIGNED AT AUSTIN, TEXAS the _____ day of _____, 2018.

PUBLIC UTILITY COMMISSION OF TEXAS

ADMINISTRATIVE LAW JUDGE