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COMMISSION  
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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION  
STAFF'S SEVENTEENTH REQUEST FOR INFORMATION**

**Question Staff No. 17-4:**

Please confirm that Rev. Proc. 2020-39 referenced in the article cited in Staff 17-3 above states in part at Section 4.02:

.02 Net operating loss carryforward (NOLC). Compliance with normalization requires a determination of the source of an NOLC so that rate base is not overstated in jurisdiction in which net deferred tax liabilities reduce rate base. While § 16167(l)-1(h)(1)(iii) is the relevant general authority, there is not one single methodology provided for determination of the portion of an NOLC that is attributable to depreciation. Section 1.167(l)-1(h)(1)(iii) instead informs taxpayers that the amount and time of the deferral of tax attributable to depreciation when there is an NOLC should be taken into account in such "appropriate time and manner as is satisfactory to the district director." Regulating commissions have expertise in this area, and any reasonable method for determining the portion of the NOLC attributable to depreciation should generally be respected provided such method does not clearly violate the normalization requirements.

**Response Staff No. 17-4:**

Confirmed. Please see Staff 17-3 Attachment 2 for a complete copy of IRS Rev. Proc. 2020-39.

Prepared By: Bradley M. Seltzer

Title: Partner, Eversheds Sutherland

Sponsored By: Bradley M. Seltzer

Title: Partner, Eversheds Sutherland