BEFORE THE PUBLIC SERVICE COMMISSION
OF STATE OF MISSOURI

In the Matter of the Revenue Effects Upon Missouri Utilities of the Tax Cuts And Jobs Act of 2017.	)))	Case No. AW-2018-0174

JOINT INITIAL COMMENTS OF THE OFFICE OF THE PUBLIC COUNSEL, THE MISSOURI INDUSTRIAL ENERGY CONSUMERS AND THE MIDWEST ENERGY CONSUMERS GROUP

COMES NOW the Office of the Public Counsel ("OPC"); the Missouri Industrial Energy Consumers ("MIEC") and the Midwest Energy Consumers Group ("MECG") (collectively referred to as "Consumers") and for their Joint Initial Comments in this docket, respectfully state as follows:

1. On December 22, 2017, the Staff of the Missouri Public Service Commission ("Staff") filed its Motion to open this docket for the purpose of "determining the actual impact of the Tax Cuts and Jobs Act of 2017 upon Missouri public utilities and their ratepayers."

2. On December 27, 2017, Staff filed its Motion to Solicit Input. In that Motion, Staff asked that the Commission order the Missouri regulated electric and gas utilities, as well as Missouri American Water Company, to respond to a list of five questions including: "[w]hat is the appropriate avenue for effectuating change to utility rates as a result of the federal income tax reductions?" Staff asks that these utilities be ordered to provide responses to the five questions by January 12, 2018.

3. The Consumers appreciate Staff's efforts to initiate this docket as well as the questions subsequently formulated by the Staff. Of utmost concern, the Consumers believe that the benefits of the tax reform legislation should flow directly to the benefit of Missouri ratepayers since federal income tax liability is a significant expense used to determine the

revenue requirement upon which rates are based. Such a policy was previously established when the Commission considered the effects of the 1986 Tax Reform Act. There, the Commission required several large utilities to file tariffs designed to reduce rates to pass through the benefits of lower federal taxes since the failure to do so would create huge windfalls for utilities as the result of rates that, as a result of the federal tax changes, would then be unreasonably high.[1]

4. While the tax reform act was only recently signed into law, several states have already taken actions to pass through the benefits of reduced federal taxes to ratepayers. For instance:

Michigan: In addition to asking utilities to calculate impacts and methods to flow the benefits of those impacts to ratepayers, the Michigan Commission ordered that: "Beginning January 1, 2018, all of the above-captioned utilities shall apply regulatory accounting treatment, which includes the use of regulatory assets and regulatory liabilities, for all impacts resulting from the Tax Cuts and Jobs Act of 2017."

Montana: On December 27, 2017, the Montana Public Service Commission directed utilities to calculate the change in tax liability under the tax reform act and offer proposals for how it would apply the savings.

Minnesota: Minnesota Power, a subsidiary of Xcel Energy, announced that “"The new lower tax rate will be built into our rates, and the savings will be passed through to our customers based on methodology determined by the (Minnesota Public Utilities Commission)".

Kansas: The Kansas Corporation Commission Staff filed to open a docket designed to investigate the effects of the tax reform act, quantify the benefits and consider ways to return those benefits to ratepayers. As the KCC Chief of Accounting and Financial Analysis notes, "The new federal income tax legislation could create significant cost savings annually for the

[1] See, Case No. AO-87-48.

state's public utilities. These cost savings should not become a windfall for public utility investors."

Kentucky: The Kentucky Public Service Commission ordered for-profit utilities to track their savings under lower corporate tax rates, paving the way for those savings to be passed on to customers in the form of lower electricity, gas or water rates.

South Dakota: The South Dakota Public Utilities Commission held a hearing on December 29, 2017 to take comments on the effect of the tax reform act.

Arizona: The Arizona Corporations Commission has opened a docket to accept comments and proposals addressing the impact of tax reform on current utility rates. As one Commissioner pointed out, while it is a significant tax to make these rate reductions, "it is imperative that this Commission and the regulated utilities work together to pass the tax savings onto the ratepayers."

5. The actions of these states are consistent with a recent pronouncement of NARUC in which it proclaimed that "a reduction in the corporate income tax rate should result in a direct benefit to consumers."

6. Given the actions of this Commission in 1986 as well as the recent actions of several other states designed to ensure that the benefits of the reduction in the federal income tax rate are flowed back to customers, the Consumers urge the Commission to take steps consistent with those suggested in Staff's pleadings. Given the significant amount of money at stake in this matter, the Consumers urge the Commission to move expeditiously to address this matter. The Consumers urge the Commission to direct utilities to respond to Staff's questions no later than January 12, 2018.

7. The Consumers intend to be active in this docket and will provide further comments in response to the various utility comments.

Respectfully submitted,

MIDWEST ENERGY CONSUMERS GROUP

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