

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA  
COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

APPLICATION OF MIKE HUNTER, THE )  
ATTORNEY GENERAL OF OKLAHOMA, TO )  
LOWER THE RATES AND CHARGES FOR )  
ELECTRIC SERVICE AND PROVIDE FOR ANY )  
REFUND DUE TO THE CUSTOMERS OF ) CAUSE NO. PUD 201700572  
PUBLIC SERVICE COMPANY OF OKLAHOMA )  
GAS AND ELECTRIC COMPANY RESULTING )  
FROM THE TAX CUTS AND JOBS ACT OF 2017 )

**RESPONSE OF PUBLIC SERVICE COMPANY OF OKLAHOMA TO THE  
ATTORNEY GENERAL'S MOTION FOR IMMEDIATE REDUCTION IN RATES**

Comes now Public Service Company of Oklahoma ("PSO") and offers the following response to the Attorney General's ("AG") Motion filed December 22, 2017, to request the Commission to take the following actions to provide interim relief to customers:

- (1) Require PSO to immediately reduce its rates in amount necessary to reflect lower tax rates as would apply to its most recently approved rate base; and
- (2) Ensure excess Accumulated Deferred Income Tax (ADIT) is recorded as a regulatory liability during the pendency of this cause, the treatment of which can be determined at a later date.

**I. PSO'S RESPONSE TO AN IMMEDIATE RATE DECREASE**

PSO is currently involved in a base rate case which has scheduled oral argument on exceptions before the Commission *en banc* one hour after the hearing on the AG's Motion. (January 4, 2018, at 9:30 a.m.) It is expected the Commission will issue its Order in the base rate case no later than the middle (or end) of January 2018.

On page 6 of the AG's Motion it is stated that the Attorney General's lead analyst has calculated the minimum tax savings from the reduction in the federal tax rate to be over \$24 million annually, excluding the impact of ADIT. The AG's Motion goes on to state "the Attorney General's request relates *only to reduction to tax expense attributable to return on rate base, not tax savings arising from excess ADIT.*" (Emphasis in original).

PSO's rates should not be reduced as the evidence in PSO's current base rate case, Cause No. PUD 201700151, has \$37,825,528 (OIEC Exh. MG-2) as the lowest recommended revenue deficiency. PSO and other parties, including the AG, have recommended higher revenue deficiencies. Therefore, any reduction in the federal corporate income tax rate will not result in over earnings for PSO.

## II. THE SUBJECT MATTER OF THE AG'S APPLICATION AND MOTION ARE CURRENTLY BEFORE THE COMMISSION IN CAUSE NO. PUD 201700151

Currently, before the Corporation Commission is a recommendation of the Administrative Law Judge in Cause No. PUD 201700151 regarding the recent federal tax legislation. At page 35, paragraph 138, the ALJ has recommended the following to the Commissioners:

THE COMMISSION FURTHER FINDS that PSO be required to record a regulatory liability equal to excess ADIT and reduced ongoing tax costs related to any federal tax reform. The adjustment and regulatory treatment of this regulatory liability could be resolved in a future proceeding. This treatment would protect customer interest while allowing PSO and other interested parties to discuss appropriate action.

This cause should be stayed until the Commission makes a determination as to what action, if any, the Commission deems reasonable in their order to be issued in Cause No. PUD 201700151. For no other reason than judicial economy, the current case should be stayed.

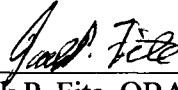
## III. RECORDING ADIT AS A REGULATORY LIABILITY

The AG's Motion is requesting the Commission take action which is outside of PSO's pending base rate case and is outside of the six-month post-test year time period. The AG's Motion in essence requests this Commission to engage in this single-issue rate-making which will have a direct impact on PSO's rates which are currently being determined by this Commission in Cause No. PUD 201700151. If the Commission grants the AG's Motion to require excess ADIT to be recorded as regulatory liability, then the Commission should also update other expenses to more fairly determine PSO's rates. For example, Southwest Power Pool costs which are not being recovered should be recorded as a regulatory asset. The Commission should also update PSO's rate base to include all plant in service as of December 31, 2018. These are just two examples of the action which the Commission should take to preserve the sanctity of PSO's test year in its current base rate case.

## IV. PAST COMMISSION DECISIONS

As stated in PSO's exceptions to the Report of the Administrative Law Judge in Cause No. PUD 201700151, this Commission has addressed changes in corporate income tax rates in the past. Cause No. PUD 000260 was filed in 1986 to address the effect of the Tax Reform Act of 1986 (TRA) on public utilities. This Commission issued Order No. 317294 in that cause to address the impact of the TRA on PSO's rates. In that particular case, the Commission found that certain offsets could be made to the cost savings that would be generated by the TRA. PSO believes that the AG's Motion recognizes PSO should "have a meaningful opportunity to present any off-setting expenses that would affect the return of excess ADIT." PSO welcomes the opportunity to present off-setting expenses at the appropriate time.

Respectfully submitted,



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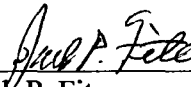
**ATTORNEYS FOR PUBLIC SERVICE  
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**CERTIFICATE OF ELECTRONIC SERVICE**

This is to certify that a true and correct copy of the above and foregoing was e-mailed to the following:

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