

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

Tax Cuts and Jobs Act of 2017 –
Temporary Rates Order

Public Meeting held May 17, 2018
2641242-LAW
Docket No. M-2018-2641242

STATEMENT OF CHAIRMAN GLADYS M. BROWN

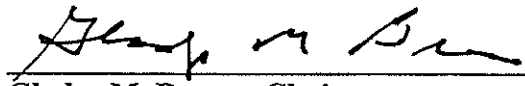
Before the Commission is the Temporary Rates Order pursuant to the Tax Cuts and Jobs Act of 2017 (TCJA). Following passage of the TCJA, the Commission initiated this instant Docket to determine the effect of the TCJA on large electric, gas, water, and wastewater utilities tax liabilities, and, to consider methods to reflect these tax effects in utility rates.

As economic regulators, it is the Commission's responsibility to ensure that utility rates are just and reasonable. Further, it is necessary for utility rates to reflect relevant tax expenses. Utilities' existing rates were designed under the previously set 35% federal income tax rate. The Commission is now prompted to act to ensure utility rates reflect the new 21% rate, to do otherwise would retain rates which are unjust and unreasonable.

Therefore, with this Temporary Rates Order the Commission takes the important step of reducing distribution rates, commencing July 1st, for fixed utilities which accrue tax benefits under the new law.¹ For those utilities with pending rate cases, the Commission directs them to address the tax changes within those respective proceedings. In aggregate, the Commission projects annual rate reductions of \$210 million for electric utilities, \$66 million for natural gas utilities, and \$48 million for water and wastewater utilities.

I would like to thank the Staff at the Commission for all of their hard work in this complicated proceeding. The Law Bureau, the Bureau of Technical Utility Services, and the Bureau of Audits have all exerted a significant amount of effort to expeditiously handle challenging, but nonetheless pivotal, analyses and recommendations to get us to this point. I believe this work has resulted in an innovative answer by this Commission to effectively flow-through the benefits of the TCJA back to customers.

May 17, 2018
Date



Gladys M. Brown, Chairman

¹ The small number of utilities which realize no change in a revenue requirement due to the TCJA will likewise realize no change in rates. The small number of utilities which accrue a revenue requirement increase from the TCJA will see a corresponding positive surcharge