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|  | **PENNSYLVANIA**  **PUBLIC UTILITY COMMISSION**  **Harrisburg, PA 17105-3265** |  |

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|  | Public Meeting held November 14, 2019 |
| Commissioners Present: |  |

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| Gladys Brown Dutrieuille, Chairman | | |  |
| David W. Sweet, Vice Chairman | | |  |
| Andrew G. Place | | |  |
| John F. Coleman, Jr. | | |  |
| Ralph V. Yanora |  |
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| Petition of PPL Electric Utilities Corporation  To Establish a Mechanism to Distribute the Tax Savings Associated with the TCJA for the Period Between January 1, 2018, and June 30, 2018 | P-2019-3013366 |
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**OPINION AND ORDER**

**BY THE COMMISSION:**

On October 4, 2019, PPL Electric Utilities Corporation (PPL or Company) filed a petition pursuant to 52 Pa. Code §5.41, and the Commission’s directive in the Order entered on May 17, 2018 at Docket No. R-2018-3000775 (PPL Compliance Order) for authority to distribute the tax savings associated with the Tax Cuts and Jobs Act of 2017 (TCJA) for the period of January 1, 2018 through June 30, 2018 (Stub Period). No party has filed an Answer or Protest to this Petition.

Consistent with the Commission’s prior order, PPL Electric is required to file a petition to refund to customers the tax savings associated with the TCJA for the Stub Period on or before May 14, 2021. PPL Electric proposes to begin to distribute the savings associated with the period on January 1, 2020. In order to facilitate this accelerated distribution, PPL Electric has proposed to revise the existing TCJA Temporary Surcharge mechanism to provide for the distribution of these savings from January 1, 2020, through December 31, 2020.

**THE PETITION**

The PPL Compliance Order required PPL to establish a deferred regulatory liability account to record the tax savings associated with the Stub Period. The account was to accrue interest at the residential mortgage lending rate as specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et seq.). The Commission further determined that the rate treatment of this account was to be addressed in a Section 1308(d) general base rate case. If a general base rate case was not filed within three (3) years of the adoption date of the PPL Compliance Order, PPL shall file a petition to propose how to distribute the funds in the regulatory liability account.

PPL states that it recorded actual tax savings for the Stub Period of $39,380,264 plus accrued interest of $3,238,689 for a total of $42,618,953. The Company avers that by deferring the distribution of the accrued tax liability to May 14, 2021 (i.e. three years after the Order entered date), the total amount owed would increase to $46,218,149. By distributing the TCJA savings, PPL states that it will accelerate the refund of TCJA savings to customers and clear the deferred account from PPL’s books, thus better reflecting current operations. PPL further submits it should not be required to withhold distribution of these savings and continue to accrue interest on these savings until after May 14, 2021.

PPL currently has a negative TCJA Temporary Surcharge of 7.81%. PPL avers that it will file its next TCJA Temporary Surcharge rate on December 1, 2019 for the 2020 period. At this time PPL will reconcile tax savings, over/ under collections, and interest to determine the appropriate surcharge for the year 2020. The Company is proposing to include the amount of the deferred regulatory liability, $44,161,466[[1]](#footnote-2), as part of the 2020 TCJA Temporary Surcharge.

**DISCUSSION**

The PPL Compliance Order required PPL to petition the Commission to distribute the TCJA savings if the rate treatment for this account was not addressed in a 1308(d) general base rate case within three years of the Order entered date. At this point, PPL has neither filed a base rate case, nor has three years passed. Thus, while the PPL Compliance Order does not yet compel PPL to file a petition, it does not restrict the Company from filing a petition to distribute the savings from the Stub Period.

In the Order entered May 17, 2018 at Docket No. M-20182641212[[2]](#footnote-3) (General TCJA Order), the Commission determined that “tax savings and associated reductions in utility revenue requirements should be flowed back to consumers on a current basis” (p. 14) and “we need not await a base rate case filing to address its effect on the justness and reasonableness of consumer rates” (General TCJA Order p. 15). The Order also noted that the three-year timeframe was put in place “to avoid an unreasonable delay in dealing with such funds” (General TCJA Order p. 17-18).

The issue for consideration before us today is whether PPL should begin to flow the deferred tax savings to customers prior to the May 14, 2021 date identified as the end of the three-year window. At this time, the Commission is not approving the veracity of the Company’s figures or any specific amount.

We find that PPL may choose to include the TCJA Stub Period tax savings as part of the TCJA Temporary Surcharge. The Commission has intended for the tax savings to be flowed back to consumers without unreasonable delay.[[3]](#footnote-4) Accordingly, PPL’s Petition for authority to distribute the tax savings associated with the Tax Cuts and Jobs Act of 2017 (TCJA) for the period of January 1, 2018 through June 30, 2018 is hereby approved. **THEREFORE,**

**IT IS ORDERED:**

1. That PPL’s Petition for authority to distribute the tax savings associated with the Tax Cuts and Jobs Act of 2017 for the period of January 1, 2018 through June 30, 2018 utilizing the TCJA Temporary Surcharge mechanism beginning on January 1, 2020 is hereby approved.
2. That a copy of this order be served upon PPL, the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate.
3. That this proceeding be marked closed.

 **BY THE COMMISSION**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: November 14, 2019

ORDER ENTERED: November 14, 2019

1. This amount includes additional interest accrued on the actual tax savings of $39,380,264 until the proposed refund is to become effective. [↑](#footnote-ref-2)
2. The Commission initiated this docket to determine the effects of the TCJA. [↑](#footnote-ref-3)
3. On July 24, 2018, The Commission permitted PECO Energy Company (Gas Division) to include tax savings that began accruing on January 1, 2018 in its initial TCJA Voluntary surcharge at Docket No. R-2018-3000512. [↑](#footnote-ref-4)