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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Stephen McAlpine, Chairman
Paul F. Lisankie
Robert M. Pickett
Antony Scott
Janis W. Wilson

In the Matter of the Investigation into the Impact of
the Tax Cuts and Jobs Act of 2017 on the Revenue
Requirement and Rates of ALASKA ELECTRIC
LIGHT & POWER COMPANY)

U-18-039

ORDER NO. 1

**ORDER INITIATING INVESTIGATION, SCHEDULING SHOW CAUSE
HEARING, ADDRESSING TIMELINE FOR DECISION, INVITING
PARTICIPATION BY THE ATTORNEY GENERAL, DESIGNATING
COMMISSION PANEL, AND APPOINTING ADMINISTRATIVE LAW JUDGE**

BY THE COMMISSION:

The Tax Cuts and Jobs Act of 2017 (2017 Tax Act) was signed into law on December 22, 2017.¹ The 2017 Tax Act includes provisions lowering the effective federal corporate income tax rate from a maximum of 35 percent to a flat rate of 21 percent. Investor-owned Alaska public utilities and pipeline carriers have rates established based on revenue requirements that incorporated the higher former federal income tax rates. The Attorney General (AG) petitioned us to open an investigation into the impacts of the 2017 Tax Act on the revenue requirements of investor-owned public utilities and pipeline

¹Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97, 131 Stat. 2054.

1 carriers, and whether the rates of these public utilities and pipeline carriers should be
2 adjusted to reflect the 2017 Tax Act impacts.² The AG supplemented its Petition.³

3 We invited a number of investor-owned Alaska public utilities and pipeline
4 carriers to describe the impacts of the 2017 Tax Act, including any actions taken by the
5 utility or pipeline carrier regarding revenue deferrals and Accumulated Deferred Income
6 Taxes (ADIT).⁴ Many of these public utilities and pipeline carriers responded, including
7 Alaska Electric Light & Power Company (AEL&P). AEL&P initially estimated that the 2017
8 Tax Act will reduce its annual revenue requirement by up to \$2 million and require it to
9 reclassify an amount of ADIT as excessive. AEL&P voluntarily established a 2017 Tax
10 Act deferral account in which to record the difference between the income tax expense
11 on which its rates were set and its actual 2018 income tax expense.⁵

12 We subsequently issued letter orders requiring certain investor-owned
13 Alaska public utilities and pipeline carriers, including AEL&P, to establish deferral
14 accounts that consistently capture information quantifying the reduction in income tax
15 expense related to the 2017 Tax Act.⁶ AEL&P responded to Letter Order No. L1800195
16 by providing the formula with which it was calculating an income tax reduction deferral.
17 In that response, AEL&P advised that it had deferred \$1.3 million of estimated tax savings
18

19 _____
20 ²*Office of the Attorney General's Petition to Open an Investigation into the Impact*
21 *of the Tax Cuts and Jobs Act on Utility and Pipeline Carrier Revenue Requirements*, filed
February 12, 2018, in Docket I-18-002 (Petition).

22 ³*Office of the Attorney General's Notice of Filing Supplement to Petition to Open*
23 *Investigation into the Impact of the Tax Cuts and Jobs Act on Utility and Pipeline Carrier*
24 *Revenue Requirements*, filed February 14, 2018, in Docket I-18-002.

25 ⁴Correspondence from S. McAlpine, dated March 23, 2018, in Docket I-18-002.

26 ⁵Correspondence from C. Hulbert, filed April 6, 2018, in Docket I-18-002.

⁶See Letter Order No. L1800195, dated May 4, 2018.

1 over the first four months of 2018.⁷ Annualizing this amount, the impact on AEL&P's
2 revenue requirement could be \$3.9 million.

3 AEL&P's current rates were established based upon a \$45 million annual
4 revenue requirement.⁸ We find a potential \$3.9 million, or 8.7 percent reduction to annual
5 revenue requirement is a significant change of circumstances that should be investigated
6 to ensure that AEL&P's rates are just and reasonable.⁹ Therefore, under
7 3 AAC 48.130(g), we open this docket to investigate the impacts of the 2017 Tax Act on
8 AEL&P's revenue requirement and rates. We schedule a hearing where AEL&P is invited
9 to show cause why a portion of its revenue in an amount equal to the estimated impact
10 on AEL&P of the 2017 Tax Act should not be declared interim and refundable.

11 Show Cause Hearing

12 We schedule the initial show cause hearing in this docket for June 19, 2018,
13 at 11:00 a.m., in Juneau, Alaska. The City and Borough of Juneau has offered to make
14 its Assembly Chambers at 155 S. Seward Street available for this hearing. At this hearing,
15 AEL&P will be provided an opportunity to present evidence and argument on whether
16 some amount of its revenue should be made interim and refundable to reflect the 2017
17 Tax Act impacts. Public comment will also be accepted as time allows.

18 Decision Timeline

19 The commission is required by AS 42.05.175(d) to issue a final decision
20 regarding a formal investigation of a utility not later than 365 days after the date the
21 initiating order is issued, if the investigation is not based on a formal complaint. Therefore,

22 ⁷Correspondence from C. Hulbert, filed May 22, 2018, in Docket I-18-002.

23 ⁸Order U-16-086(6), *Order Accepting Stipulation, Consenting to Release of*
24 *Revenue Held in Escrow, Approving Tariff Sheets, and Closing Docket*, dated
November 15, 2017, Appendix at 3.

25 ⁹AS 42.05.381(a).

1 the commission will issue the final order in this proceeding no later than Wednesday,
2 June 5, 2019.

3 Participation by the AG

4 We believe it is in the public interest for the AG to participate in the
5 proceeding as a party. The chairman therefore invites the AG to do so.¹⁰

6 Commission Panel

7 The chairman designates Commissioners Paul F. Lisankie and Janis W.
8 Wilson and himself as the commission panel¹¹ and further designates Commissioner
9 Lisankie as the commission docket manager.

10 Administrative Law Judge

11 Under AS 42.04.070(b), the chairman appoints Administrative Law Judge
12 James L. Walker to facilitate conduct of this docket. The administrative law judge will
13 issue procedural orders in this docket, unless the commission docket manager
14 determines that a particular procedural order should be issued by the commission panel.¹²
15 Orders issued by the administrative law judge will be considered orders of the commission
16 for purposes of petitions for reconsideration under AS 42.05.171.

21 ¹⁰AS 42.04.070(c).

22 ¹¹Under AS 42.04.080(a), the chairman designates a commission panel to hear,
23 or, if a hearing is not required, to otherwise consider and decide docketed matters.

24 ¹²The commission docket manager, after consultation with other members of the
25 panel, may delegate to the administrative law judge whatever authority to issue
26 procedural orders he or she considers necessary or advisable in these dockets. See
3 AAC 48.165(b).

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ORDER

THE COMMISSION FURTHER ORDERS:

1. A show cause hearing¹³ is scheduled to convene at 11:00 a.m., June 19, 2018, in the Assembly Chambers, City and Borough of Juneau, located at 155 S. Seward Street, Juneau, Alaska.

2. Commissioners Paul F. Lisankie, Stephen McAlpine, and Janis W. Wilson are designated as the commission panel.

3. Commissioner Paul F. Lisankie is designated as the commission docket manager.

4. James L. Walker is appointed as the administrative law judge.

DATED AND EFFECTIVE at Anchorage, Alaska, this 5th day of June, 2018.

BY DIRECTION OF THE COMMISSION
(Commissioners Robert M. Pickett and
Antony Scott, not participating.)



¹³If you are a person with a disability who may need a special accommodation, auxiliary aid or service, or alternative communication format to participate in the scheduled event, please contact Valerie Fletcher-Mitchell at 1-907-276-6222, or TTY/Alaska Relay at 7-1-1 or 1-800-770-8973, or send your request by electronic mail to rca.mail@alaska.gov at least three business days before the scheduled event to make the necessary arrangements.

Any party wishing to appear telephonically at the scheduled event must advise us in advance and provide a telephone number where it may be reached for that appearance.