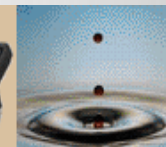




Arkansas
Public Service Commission



POWERPOINT
130 2018 BETHEL
APSC

Federal Corporate Income Tax Rate Change and Open Public Service Commission Proceeding to Address It

Joint Committee on Energy
State Capitol, Big MAC Room A
10:00 AM
January 30, 2018
Presented By: John P. Bethel

Federal Activity

- December 22, 2017
- President signs bill
- Reduces federal corporate income tax rate from 35% to 21%
- Last occurred in 1986



Internal Activities

- Examined federal action and potential effects
- Researched the 1986 proceeding
- Researched other states' activities



Arkansas Public Service Commission

Governor's Letter

- January 11, 2018
- Requested action as soon as possible
- Reflect the effect of lower tax rates through lower utility rates



STATE OF ARKANSAS
ASA HUTCHINSON
GOVERNOR

January 11, 2018

Ted Thomas
Chairman
Arkansas Public Service Commission
P.O. Box 400
Little Rock, AR 72203-0400

Dear Chairman Thomas:

As you know, investor-owned utilities have a monopoly, regulated by the Public Service Commission, on providing electricity and natural gas services to Arkansas's families and businesses. Arkansas law allows utility providers to charge rates that recover the cost of providing utility service plus a rate of return on investment. Federal income taxes paid by the utility are one such cost.

The Tax Cut and Jobs Act recently passed by Congress and signed into law by President Trump will cut corporate taxes for utilities, thereby cutting a cost that is charged to Arkansas ratepayers. The purpose of this letter is to request that the Arkansas Public Service Commission, as expeditiously as possible, take whatever steps are necessary to pass the benefit of the corporate tax cut to Arkansas families and businesses in the form of lower utility rates.

Thank you for your attention with respect to this matter.

Sincerely,

A handwritten signature of Asa Hutchinson in black ink.
Asa Hutchinson

Commission Action

- January 12, 2018
- Order No. 1, Docket No. 18-006-U
- Utility filings due by February 12, 2018
- Quantify effect of the federal income tax rate change



Likely Areas Affected

- Income tax expense
- Accumulated Deferred Income Taxes – both depreciation related and non-depreciation related
- Quantify effective January 1, 2018



Potential Methods for Rate Adjustment

- Separate rate or rider
- Base rate adjustment – 1 pending rate case application, 2 more filed this year
- Formula rate plan filings – 3 companies currently have FRP
- Some combination of the above
- Something else



Future Activities

- Quantify effects on rates from January 1, 2018 forward
- Receive utility responses by February 12, 2018
- Set schedule for comments and hearing
- Develop the method or methods to adjust rates to reflect the federal corporate income tax rate reduction



The End

■ Questions?



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