

**CHAPTER 7827**  
**PUBLIC UTILITIES COMMISSION**  
**RATE ADJUSTMENTS**

RATE ADJUSTMENTS DUE TO TAX REFORM  
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**RATE ADJUSTMENTS DUE TO TAX REFORM ACT OF 1986**

**7827.0100 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in this chapter have the meanings given them in this part.

Subp. 2. **Commission.** "Commission" means the Minnesota Public Utilities Commission.

Subp. 3. **Department.** "Department" means the Minnesota Department of Public Service.

Subp. 4. **Public utility.** "Public utility" has the meaning given it in Minnesota Statutes, section 216B.02, subdivision 4.

Subp. 5. **Tax reform act.** "Tax reform act" means the federal Tax Reform Act of 1986, Public Law Number 99-514.

Subp. 6. **Telephone company.** "Telephone company" has the meaning given it in Minnesota Statutes, section 237.01, subdivision 2, for telephone companies providing service to 15,000 or more subscribers.

**Statutory Authority:** *MS s 216B.03; 216B.08; 237.02; 237.06; 237 10*

**History:** *11 SR 2338*

**7827.0200 PURPOSE.**

The purpose of this chapter is to require telephone companies and public utilities to adjust rates for service within Minnesota to recognize the reduction in operating costs attributable to the reductions in federal corporate income taxes as a result of the tax reform act.

**Statutory Authority:** *MS s 216B.03; 216B.08; 237.02; 237.06; 237.10*

**History:** *11 SR 2338*

**7827.0300 REASONABLE RATES.**

On and after July 1, 1987, the overall rates of public utilities and telephone companies are found to be unjust and unreasonable unless:

A. the rates have been adjusted to account for the reduction in federal income tax expense computed under part 7827.0400;

B. the rates have been established pursuant to a general rate case decision rendered on or after January 1, 1987, that incorporates the new federal income tax rate in the determination of the revenue requirement;

C. the rates are interim rates subject to refund as part of a general rate case;

D. the public utility or telephone company is a party to a commission proceeding pending on January 1, 1987, or initiated between January 1, 1987, and July 1, 1987, in which the commission has ordered an investigation for the stated purpose of determining whether the public utility's or telephone company's rates should be reduced and has directed, in the investigation, that the company file financial data that address the impact of the tax reform act; or

E. the rates have been established under a stipulated settlement and a commission decision approving the settlement. If a public utility or telephone company files with the commission before July 1, 1987, an agreement to make collections for its federal income tax expense subject to appropriate refund, the public utility or telephone company shall have an additional 90 days to obtain commission approval of the stipulated settlement.

Public utilities and telephone companies whose rates are found to be just and reasonable under item B, C, D, or E are exempt from the requirements of parts 7827.0400 to 7827.0600.

**Statutory Authority:** *MS s 216B.03; 216B.08; 237.02; 237.06; 237.10*

**History:** *11 SR 2338*

#### **7827.0400 COMPUTATION.**

The federal income tax expense adjustment amount must be computed and submitted to the commission as follows:

A. The public utility or telephone company shall compute current operating income based upon actual 1986 revenues and expenses, adjusted to include items that are the same in nature and kind as in the currently effective order in the utility's most recent rate proceeding, and normalized to the extent necessary to reflect normal operating conditions. Adjustments made to 1986 actual revenues and expenses must be separately identified and detailed.

B. Using the same method approved by the commission in the most recent rate proceeding, the public utility or telephone company shall compute income tax expense based upon the operating income determined in item A, in two ways as specified in subitems (1) and (2). The income tax expense must show the breakdown by component, including deferred taxes, net investment tax credits, and any other component applicable to an individual public utility or telephone company. The public utility or telephone company shall submit detailed schedules supporting the income tax expense computed under the following:

(1) using the tax rates and provisions in effect before enactment of the tax reform act; and

(2) using the tax rates effective July 1, 1987, containing a maximum tax rate of 34 percent and final provisions of the tax reform act.

C. The public utility or telephone company shall compute the difference between item B, subitems (1) and (2). The difference must be multiplied by the gross revenue conversion factor using the tax rates applied in item B, subitem (2). The calculation supporting the gross revenue conversion factor must be submitted to the commission.

**Statutory Authority:** *MS s 216B.03; 216B.08; 237.02; 237.06; 237.10*

**History:** *11 SR 2338*

#### **7827.0500 ADJUSTMENTS OF TARIFFS, SCHEDULES.**

**Subpart 1. Adjustments; tariffs filed.** The public utility or telephone company shall reduce its rates by the federal income tax expense adjustment amount calculated under part 7827.0400. The public utility or telephone company must file tariffs for service rendered on and after July 1, 1987, reflecting the reduced rates, in accordance with subparts 3, 4, and 5.

**Subp. 2. Detailed supporting schedules submitted.** The public utility or telephone company shall submit detailed schedules supporting the calculation of the reduced rates.

**Subp. 3. Public utility charges reduced, allocated.** A public utility shall reduce unit demand and unit energy charges uniformly across all rate schedules. The reduction must be allocated between demand and energy charges in proportion to 1986 normalized demand and energy revenues.

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**Subp. 4. Telephone company local exchange rates.** A telephone company providing local exchange service shall reduce the rates for local exchange access line services by a uniform percentage.

**Subp. 5. Telephone company interexchange rates.** A telephone company providing interexchange service shall reduce toll rates for message telecommunications services by a uniform percentage.

**Statutory Authority:** *MS s 216B.03; 216B.08; 237.02; 237.06; 237.10*

**History:** *11 SR 2338*

## 7827.0600 FILINGS; WRITTEN COMMENTS.

A tariff required under part 7827.0500 and documentation required under parts 7827.0400 and 7827.0500 must be filed with the commission, the department, and the Office of the Attorney General, Residential Utilities Division, by July 29, 1987.

Interested persons may submit written comments to the commission within 20 days from the date of filing.

**Statutory Authority:** *MS s 216B.03; 216B.08; 237.02; 237.06; 237.10*

**History:** *11 SR 2338*