

1 Public Utilities Commission

2

3 Adopted Permanent Rules Relating to Rate Adjustments Due to Tax

4 Reform Act of 1986

5

6 Rules as Adopted

7 7827.0100 DEFINITIONS.

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

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

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

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

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

18 Subp. 6. **Telephone company.** "Telephone company" has the
19 meaning given it in Minnesota Statutes, section 237.01,
20 subdivision 2, for telephone companies providing service to
21 15,000 or more subscribers.

22 7827.0200 PURPOSE.

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

28 7827.0300 REASONABLE RATES.

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

32 A. the rates have been adjusted to account for the
33 reduction in federal income tax expense computed under part
34 7827.0400;

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

5 C. ~~the rate-is-an~~ rates are interim rate rates
6 subject to refund as part of a general rate case;

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

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

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

26 7827.0400 COMPUTATION.

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

29 A. The public utility or telephone company shall
30 compute current operating income based upon actual 1986 revenues
31 and expenses, adjusted to include items that are the same in
32 nature and kind as in the currently effective order in the
33 utility's most recent rate proceeding, and normalized to the
34 extent necessary to reflect normal operating conditions.

35 Adjustments made to 1986 actual revenues and expenses must be

1 separately identified and detailed.

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

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

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

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

23 7827.0500 ADJUSTMENTS OF TARIFFS, SCHEDULES.

24 Subpart 1. **Adjustments; tariffs filed.** The public utility
25 or telephone company shall reduce its rates by the federal
26 income tax expense adjustment amount calculated under part
27 7827.0400. The public utility or telephone company must file
28 tariffs for service rendered on and after July 1, 1987,
29 reflecting the reduced rates, in accordance with subparts 3, 4,
30 and 5.

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

34 Subp. 3. **Public utility charges reduced, allocated.** A
35 public utility shall reduce unit demand and unit energy charges

1 uniformly across all rate schedules. The reduction must be
2 allocated between demand and energy charges in proportion to
3 1986 normalized demand and energy revenues.

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

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

12 7827.0600 FILINGS; WRITTEN COMMENTS.

13 A tariff required under part 7827.0500 and documentation
14 required under parts 7827.0400 and 7827.0500 must be filed with
15 the commission, the department, and the Office of the Attorney
16 General, Residential Utilities Division, by May 1, 1987, or 30
17 days after the effective date of parts 7827.0100 to 7827.0600,
18 whichever is later.

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