



## The PUCO initiates an investigation regarding the impacts of the Tax Cuts and Jobs Act

January 12, 2018

The Public Utilities Commission of Ohio (the Commission) has initiated an investigation into the potential impacts of the Tax Cuts and Jobs Act of 2017 (the act) on regulated Ohio public utilities and their customers (PUCO Case No. 18-0047-AU-COI). This is the first time in over 30 years the Commission has initiated an extensive case regarding the potential impact of a tax law. The last time the Commission initiated this type of investigation was in 1987 when the corporate income tax rate was reduced from 46 percent to 35 percent due to the Tax Reform Act of 1986.

The act lowers the corporate income tax rate to 21 percent from 35 percent. In theory, a reduction in utilities' corporate tax rate should result in a reduction in customers' rates. This is due to the fact that taxes are part of the cost-of-service calculation used to set utilities' rates. A number of other states have also initiated cases investigating the potential impact of the act. The Oklahoma Attorney General has requested the Oklahoma Corporation Commission to initiate an investigation into the impacts of the act on utility rates.<sup>1</sup> Utility regulators in Kentucky, Michigan and Montana have also taken action to address the potential impact of the act.<sup>2</sup>

After the Attorney General for Massachusetts requested that Eversource, an electric utility, be required to recalculate its rates, Eversource agreed to pass on almost \$56 million in savings from the act to its 1.4 million customers.<sup>3</sup> Some utilities in other states have also indicated that they intend to pass tax savings through to customers.<sup>4</sup>

On January 10, 2018, the Commission issued an entry soliciting comments from all Ohio utilities and interested parties regarding

the potential impact of the act and how the Commission should address the law. Comments from all parties are due by February 15, 2018.

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<sup>1</sup> <http://www.oag.ok.gov/attorney-general-hunter-files-motions-for-utility-customer-rate-reduction-after-corporate-tax-rate-cut>

<sup>2</sup> <https://www.utilitydive.com/news/after-tax-overhaul-utility-regulators-are-pushing-for-lower-customer-rates/513850/>

<sup>3</sup> <https://www.seattletimes.com/business/states-to-us-pass-along-utilities-tax-savings-to-customers/>

<sup>4</sup> *Id.*

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