

ORDER NO. 88530

IN THE MATTER OF THE IMPACT OF THE
FEDERAL TAX CUTS AND JOBS ACT OF
2017 ON MARYLAND UTILITY RATES

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BEFORE THE
PUBLIC SERVICE COMMISSION
OF MARYLAND

CASE NO. 9473

Issue Date: January 12, 2018

The Congress of the United States passed, and on December 22, 2017, President Donald Trump signed, the Tax Cuts and Jobs Act of 2017 (“TCJA”) into law. The TCJA includes a significant reduction of the federal corporate income tax rate effective January 1, 2018.

On January 4, 2018, the Maryland Office of People’s Counsel (“OPC”) filed a Petition to Investigate the Regulatory Impacts of the Tax Cuts and Jobs Act of 2017 and Provide for Rate Relief for Customers of Investor-Owned Utilities (“OPC Petition”). The OPC Petition requests the Maryland Public Service Commission (“Commission”) to open a docket, direct the Maryland investor-owned Utilities (“IOUs”) to apply regulatory accounting treatment for all impacts resulting from the TCJA, and require the Maryland IOUs to submit a filing of certain information.

On January 10, 2018 the Technical Staff of the Commission (“Staff”) filed a Petition for Order and Show Cause of The Staff of the Public Service Commission of Maryland (“Staff Petition”). In it, Staff requested the Commission direct Maryland gas, electric, incumbent local exchange telephone companies, and water companies whose

rates are explicitly grossed up for taxes to show cause as to why their rates should not be immediately reduced to account for the impacts of the TCJA, and require them to track the impacts of the TCJA in a regulatory liability or asset from January 1, 2018.

Md. Code Ann., Public Utilities Article (“PUA”) Section 4-201 requires the Commission to ensure that the rates of public service companies are “just and reasonable for the regulated services that it renders.” The Commission hereby consolidates the Staff and OPC Petitions and grants their requests as modified herein. The Commission agrees with Staff that this Order shall apply to Maryland gas, electric, incumbent local exchange telephone companies, and water companies “whose rates are explicitly grossed up for taxes.”¹ The Commission agrees with both Petitions that such Maryland Utilities shall track the impacts of the TCJA beginning on January 1, 2018 and apply regulatory accounting treatment, which includes the use of regulatory assets and regulatory liabilities, for all impacts resulting from the TCJA. The Commission also directs such Maryland Utilities to make a filing on or before February 15, 2018, explaining the expected impacts of the TCJA on their expenses and revenues, and explaining when and how they expect to pass through those effects to their customers.² In accordance with PUA § 4-201, this proceeding will examine the impact of the TCJA on the rates of Maryland Utilities to ensure that the rates their customers are paying are, in fact, just and reasonable.

¹ A preliminary list of applicable Maryland Utilities is attached hereto as Attachment 1.

² The Commission recognizes and appreciates that Baltimore Gas and Electric Company, Washington Gas Light Company, Potomac Electric Power Company, and Delmarva Power and Light Company have made, or indicated they will make soon, filings to promptly pass through the expected savings from the TCJA to their customers.

IT IS THEREFORE, this 12th day of January, in the year Two Thousand and Eighteen, by the Public Service Commission of Maryland,

ORDERED: (1) That a proceeding to examine the impacts of the Tax Cuts and Jobs Act of 2017 on the rates and charges of Maryland Utilities is instituted by the Commission;

(2) That all Maryland gas, electric, incumbent local exchange telephone companies, and water companies whose rates are explicitly grossed up for taxes are directed to track the impacts beginning January 1, 2018 and apply regulatory accounting treatment, which includes the use of regulatory assets and regulatory liabilities, for all impacts resulting from the Tax Cuts and Jobs Act of 2017; and

(3) That all Maryland gas, electric, incumbent local exchange telephone companies and water companies whose rates are explicitly grossed up for taxes are directed to file with the Commission on or before February 15, 2018, an explanation of the expected impacts of the Tax Cuts and Jobs Act of 2017 on their expenses and revenues, and explain when and how they expect to pass through those effects to their customers.

By Direction of the Commission,

/s/ David J. Collins

David J Collins
Executive Secretary

ATTACHMENT 1

Initial List of Maryland Gas, Electric, Incumbent Local Exchange Telephone Companies, and
Water Companies Whose Rates Are Explicitly Grossed Up For Taxes

Baltimore Gas and Electric Company

Potomac Electric Power Company

Delmarva Power and Light Company

The Potomac Edison Company

Washington Gas Light Company

Chesapeake Utilities Corporation

Sandpiper Energy, Inc.

Columbia Gas of Maryland, Inc.

UGI Central Penn Gas, Inc.

Pivotal Utility Holdings, Inc. d/b/a Elkton Gas

Verizon Maryland LLC

Armstrong Telephone Company

Artesian Water Maryland, Inc.

Maryland American Water Company

Utilities, Inc.

Provinces Utilities, Inc.

Green Ridge Utilities, Inc.

Maryland Water Service, Inc.