



MIKE HUNTER  
ATTORNEY GENERAL

January 19, 2018

The Honorable Kevin J. McIntyre, Chairman  
The Honorable Cheryl A. LaFleur, Commissioner  
The Honorable Neil Chatterjee, Commissioner  
The Honorable Robert F. Powelson, Commissioner  
The Honorable Richard Glick, Commissioner  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: Request for Immediate Action to Protect Customer Interests and to Ensure that Utility Rates are Just and Reasonable Following the Tax Cuts and Jobs Act of 2017**

Dear Mr. Chairman and Commissioners:

The United States Congress recently enacted a sweeping overhaul of federal income tax law, including a reduction in the highest corporate income tax rate from 35 percent to 21 percent. This action has significant implications for customers of utilities regulated by the Federal Energy Regulatory Commission ("FERC"), which include interstate electric transmission and natural gas pipeline companies. As Attorney General of Oklahoma, I represent the interests of Oklahoma utility customers in state and federal rate-related proceedings. To protect Oklahoma customers' interests, I am writing to request that FERC take immediate action to ensure that FERC-regulated utilities' rates are just and reasonable following the enactment of the Tax Cuts and Jobs Act of 2017 ("the Act"). Taking action has special importance for retail utility customers in Oklahoma because many FERC-regulated utilities' wholesale rates are simply passed on to Oklahoma customers by their state-regulated retail utilities.

Two actions are necessary to protect customers' interests. They are (1) lowering rates as quickly as possible to reflect lower corporate income tax rates, ensuring that customers benefit immediately, and (2) tracking all excess accumulated deferred income tax and other tax savings so that they can ultimately be refunded, with interest, to customers. To this effect, my office has already filed multiple cases at the Oklahoma Corporation Commission, the state agency regulating retail utility rates in Oklahoma. In those cases, I requested that the Corporation Commission take both of the actions I have described in order to protect Oklahoma utility customers' interests. The Corporation Commission responded by ordering Oklahoma utilities to provide estimates of their new tax savings and promptly refund the savings to customers. Until total savings are determined, the Corporation Commission ordered that those utilities record regulatory liabilities that can be

refunded in the future. My office initiated these state actions the same day the Act was passed in order to ensure Oklahomans retain the maximum benefits available from the Act.

FERC should take similar actions with respect to the wholesale utilities that fall under FERC jurisdiction. For example, most electric utilities in Oklahoma take transmission service under the Southwest Power Pool's Open Access Transmission Tariff, which includes revenue requirements for transmission owners that have been set by FERC through the Annual Transmission Revenue Requirement process. These revenue requirements have declined due to reduced income tax expenses. Taking action to reduce rates charged under the Open Access Transmission Tariff to reflect a lower revenue requirement will ultimately benefit retail customers while allowing utilities to earn a reasonable rate of return. Similar circumstances exist for natural gas pipelines, whose FERC-approved transportation costs are passed through to ratepayers by both local distribution utilities and by electric utilities that rely on gas-fired electric generation.

I encourage you to take prompt action pursuant to FERC's statutory and regulatory authority concerning the FERC-regulated rates of utilities that operate in Oklahoma. Without prompt action, retail customers will continue paying rates that include excessive, unjust, and unreasonable wholesale electricity transmission and gas transportation rates, which they have been paying since the Act became effective on January 1, 2018.

Respectfully,

A handwritten signature in black ink, appearing to read "Mike Hunter".

MIKE HUNTER

Oklahoma Attorney General