

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE IMPACT)	CASE NO.
OF THE TAX CUTS AND JOB ACT ON THE)	2018-00064
RATES OF WKG STORAGE, INC.)	

ORDER

By Order entered on February 19, 2018, the Commission initiated this investigation of the effect of the Tax Cuts and Jobs Act (TCJA) on the rates of WKG Storage, Inc., (WKG). The rates being charged at that time by WKG for gas storage and transportation service were established by the Commission in Case No. 2016-00053 to include recovery of a 34 percent federal corporate tax rate on the net operating income.¹ However, under the TCJA, that tax rate was reduced to 21 percent as of January 1, 2018.

The Commission issued an Order on December 12, 2018, finding that WKG's proposed methodologies to reflect the Federal Income Tax (FIT) expense reduction and the estimated excess Accumulated Deferred Income Tax (ADIT) impacts were reasonable and in the public interest. The Commission found that the use of the Reverse South Georgia Method for calculating the excess ADIT to be reasonable and determined the amount to be \$34,086 per calendar year 2020 and beyond. At the time, the proposed amortization of the excess ADIT was based on estimates, as the actual ADIT amounts would not be known until WKG filed its fiscal year ending September 2018 tax returns in

¹ Case No. 2016-00053, *Application of WKG Storage, Inc. for Rate Adjustment for Small utilities Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 30, 2016), Order at 14. WKG's rates were subsequently modified on rehearing in a manner unrelated to the tax rate by Order entered in that case on Oct. 20, 2016.

July 2019. Therefore, the Commission approved on an interim basis, subject to future change, two schedules of estimated reduced rates to reflect the impacts of the lower federal corporate tax rate. One of the rate schedules was for service rendered from January 1, 2019, through December 31, 2019, while the other was for service rendered on and after January 1, 2020. In doing so, the Commission noted that this investigation was ongoing and the record needed to be further developed before a determination could be made as to the actual reduction in the rates necessary to accurately reflect the impact of the TCJA on WKG's excess ADIT. WKG was ordered to file no later than 30 days after it files its fiscal year 2018 Federal Income Tax return a revision to its estimates and how those amounts will flow back to customers.

WKG filed notice on August 1, 2019, that its consolidated tax return had been filed on July 5, 2019, and that it had finalized its excess ADIT and determined that the correct annual excess ADIT amortization to be \$36,284. Since the impact of the difference between the correct annual excess ADIT amortization and the estimate now included in the rates to be effective January 1, 2020, is minimal, WKG requested approval to maintain its currently effective tariff sheet. In the alternative, WKG provided support for revised rates to be effective January 1, 2020, should the Commission require WKG to change its rates.

The revenue requirement approved in Case No. 2016-00053 was \$2,097,707.² Adjusting for expense adjustments from the lowered FIT and the corrected annual excess ADIT lowers the revenue requirement to \$2,004,097.³ The rates approved in the

² See WKG Storage, Inc. Rate Filing Response, Attachement_1_-_Supporting_Spreadsheet.xlsx.

³ *Id.*

December 12, 2018 Order to be effective on and after January 1, 2020, produce a revenue requirement of \$2,004,450, or \$353 more than the corrected revenue requirement of \$2,004,097. Due to the minimal difference in revenue requirements, the Commission finds that no changes need to be made to the rates set forth in the December 12, 2018 Order to be effective on and after January 1, 2020, since they will allow WKG to recover its revenue requirement.

IT IS THEREFORE ORDERED that:

1. WKG's proposed rates in Attachment 3 to the August 1, 2019 filing are denied.
2. The rates and charges set forth in Appendix C to the December 12, 2018 Order are fair, just, and reasonable for WKG to charge on and after January 1, 2020.
3. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED
DEC 20 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2018-00064

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00064 DATED DEC 20 2019

The following rates and charges are prescribed for the customers in the area served by WKG Storage, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

Storage Transportation Service Rate TS-1

Injection	\$0.1431 per 1,000 cubic feet
Withdrawal	\$0.1431 per 1,000 cubic feet

Storage Transportation Service Rate S-1

Storage	\$0.0716 per MCF
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