

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Public Service Commission
Rate Impact and Accounting Treatment
Investigation

Case No. PU-17-490

AFFIDAVIT OF SERVICE BY REGULAR MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Geralyn R. Schmaltz deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **2nd** day of **January, 2018**, she deposited in the United States Mail, Bismarck, North Dakota, **4** envelopes by regular mail, with postage fully prepaid, securely sealed, each containing a photocopy of:

- **Request To Initiate Investigation Into The Effects Of Tax Reform And For Accounting Treatment**

The envelopes were addressed as follows:

Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 North 4th Street
Bismarck, ND 58501

Great Plains Natural Gas Company
PO Box 176
Fergus Falls, MN 56537

Otter Tail Power Company
215 S. Cascade Street
Fergus Falls, MN 56538-0496

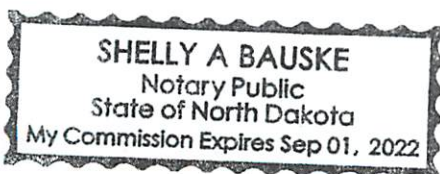
Northern States Power Company
414 Nicollet Mall – 7th Floor
Minneapolis, MN 55401

Each post office address shown is the respective addressee's last reasonably ascertainable post office

Subscribed and sworn to before me
this **2nd** day of **January, 2018**.



Notary Public



SEAL

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF NORTH DAKOTA**

**Advocacy Staff's Request to Investigate the
Effects of Tax Reform and for
Accounting Treatment**

Case No. PU- 17-490

**REQUEST TO INITIATE INVESTIGATION INTO THE EFFECTS OF TAX REFORM
AND FOR ACCOUNTING TREATMENT**

Introduction

On December 22, 2017, President Donald Trump signed H.R. 1, Tax Cuts and Jobs Bill Act of 2017 (Tax Reform), which amends the Internal Revenue Code to reduce tax rates and modify policies. Advocacy Staff requests the North Dakota Public Service Commission (Commission) issue an Order Initiating Investigation of the effects of Tax Reform on the cost of service in North Dakota. Advocacy Staff further requests regulatory accounting treatment, which may include the use of deferred accounting for assets and liabilities impacted by the Tax effective as of January 1, 2018.

Discussion

It is Advocacy Staff's understanding that many provisions of the Tax Reform go into effect starting January 1, 2018. Among other things, the tax reform lowers the corporate income tax rates from 35% to 21% beginning in the 2018 tax year. As part of electric and gas ratemaking, corporate income tax is a component of determining just and reasonable rates to be borne by the consumer. The passage of the Tax Reform, happening in fairly short order (a matter of weeks), has led Advocacy Staff to believe

these circumstances to be dramatic, unprecedented in recent history, unforeseeable, and extraordinary.

To Advocacy Staff's knowledge, the last Commission action resulting from a tax overhaul was H.R. 3838, Tax Reform Bill of 1986. The Tax Reform Bill of 1986, signed into law on October 22, 1986, provided months for a Commission to respond. The Commission responded by issuing, on its own motion, an Order Initiating Investigation in Case No. 10,906. The investigation requested "information be obtained from investor-owned rate-regulated utilities regarding the effect of the tax reform on each company's tax liability (increase or decrease) to determine whether a regulatory response is necessary and whether it is appropriate."

As the Commission is well aware, ratemaking is often a forward-looking exercise. The Commission sets rates that will be just and reasonable during the period that they will be in effect. The purpose of regulatory accounting treatment is to defer recognition of expenses or revenues in a current period for possible ratemaking treatment in a subsequent period. Understanding that the Commission may have concerns regarding the issue of retroactivity and the effects on currently pending rate cases, Advocacy Staff intends to investigate and address these issues moving forward.

Conclusion

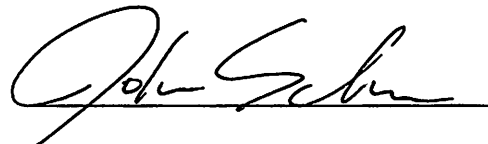
Advocacy Staff's request includes the following utilities: Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.; Great Plains Natural Gas Co.; Otter Tail Power Company; and Northern States Power Company.

THEREFORE, Advocacy Staff requests the Commission issue an order:

1. Initiating Investigation and request comments to determine the impact of the Tax Reform;
2. Beginning January 1, 2018, the above-referenced utilities shall apply the appropriate regulatory accounting treatment, including the use of regulatory assets and liability accounts, to record the impacts of the Tax Reform;
3. All other action necessary that the Commission finds just and reasonable in carrying out its jurisdiction, including refunding customers the net benefits of the Tax Reform based on the accounting of these benefits.

Dated: December 29, 2017

On behalf of Advocacy Staff,

A handwritten signature in black ink, appearing to read "John Schuh", written over a horizontal line.

John M. Schuh
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Bismarck, ND 58505
jschuh@nd.gov