

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of-----)
)
 PUBLIC UTILITIES COMMISSION) DOCKET NO. 2018-0012
)
 Instituting a Proceeding To)
 Investigate the Impacts of)
 The Tax Cuts and Jobs Act of 2017.)
 _____)

ORDER NO. 35241

OPENING A PROCEEDING TO INVESTIGATE THE IMPACTS OF
THE TAX CUTS AND JOBS ACT OF 2017

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PUBLIC UTILITIES
COMMISSION

FILED

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OPENING A PROCEEDING TO INVESTIGATE THE IMPACTS OF
THE TAX CUTS AND JOBS ACT OF 2017

The Public Utilities Commission ("commission"), by this Order and pursuant to Hawaii Revised Statutes ("HRS") §§ 269-6, -7, and -15, opens this proceeding to investigate the impacts of the Tax Cuts and Jobs Act of 2017 ("2017 Tax Act")¹ on the following regulated utilities, and names said utilities as Parties to this docket:

- 1) Hawaiian Electric Company, Inc.;
- 2) Hawaii Electric Light Company, Inc.;
- 3) Maui Electric Company, Ltd.;
- 4) Kauai Island Utility Cooperative;
- 5) Hawaiian Telcom, Inc.;

¹Public Law No. 115-97, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018.

- 6) The Gas Company, LLC;
- 7) Young Brothers, Ltd.;
- 8) Hawaii-American Water Company
(Hawaii Kai Operations);
- 9) Waikoloa Resort Utilities, Inc.;
- 10) Hawaii Water Service Company, Inc. - Kaanapali;
- 11) Kona Water Service Company, Inc.;
- 12) Kaupulehu Water Company;
- 13) Hono Heke Corporation;
- 14) Princeville Utilities Company, Inc.;
- 15) South Kohala Water Corporation;
- 16) Waikoloa Water Company, Inc.;
- 17) Kohala Ranch Water Company;
- 18) Aqua Puhi, LLC;
- 19) Keauhou Community Services, Inc.;
- 20) Kapalua Water Company;
- 21) Waikoloa Sanitary Sewer Company, Inc.;
- 22) Laie Water Company, Inc.;
- 23) Kapalua Waste Treatment Company;
- 24) Hawaii - American Water Company
(Mauna Lani Operations);
- 25) Hawaii Water Service Company, Inc.
- Pukalani Wastewater District
- 26) Molokai Public Utilities, Inc.;

- 27) Hawaiian Beaches Water Company, Inc.;
- 28) Lanai Water Co., Inc.;
- 29) HOH Utilities, LLC;
- 30) Turtle Bay Wastewater Treatment, LLC;
- 31) Kaupulehu Waste Water Company;
- 32) Waimea Wastewater Company, Inc.;
- 33) Launiupoko Irrigation Company, Inc.;
- 34) Wai'ola O Molokai, Inc.;
- 35) Manele Water Resources, LLC;
- 36) Launiupoko Water Company, Inc.
- 37) MOSCO, Inc.;
- 38) Olowalu Water Company, Inc.;
- 39) ATC Makena WWTP Services Corp.;
- 40) Kukui'ula South Shore Community Services LLC;
- 41) North Shore Water Company, LLC;
- 42) Punalu'u Water & Sanitation Corp.;
- 43) Kealia Water Company Holdings LLC;
- 44) Hana Water Systems, LLC - South;
- 45) Hana Water Systems, LLC - North;
- 46) Kilauea Irrigation Co., Inc.

The DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS,
DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate") is an

ex officio party to this proceeding, pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62(a).

I.

BACKGROUND

On December 22, 2017, the President of the United States signed the 2017 Tax Act into law, effective January 1, 2018, which, among other things, significantly reduces the federal corporate income tax rate.

On January 18, 2018, the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate") filed a letter with the commission noting that, while the Consumer Advocate is continuing its review of the 2017 Tax Act, "the 40% reduction in the corporate income tax rate raises an issue of whether regulated companies, whose current rates reflect a federal corporate income tax rate at approximately 35%, should be required to take action so that their current utility rates are not unreasonable."² In furtherance of this determination, the Consumer Advocate "urge[d] the [c]ommission to take the necessary actions to preserve Hawaii consumers' interests

²Letter from Consumer Advocate to commission, "Tax Cuts and Jobs Act, signed December 22, 2017, effective as of January 1, 2018 and its impact on Regulated Utility and Transportation Companies," filed on January 18, 2018, at 1 ("Consumer Advocate Letter").

by granting deferral accounting authority and requiring affected regulated companies to make the necessary regulatory liability entries (and to maintain the relevant support) to quantify and preserve for regulatory action the 2017 Tax Act impacts."³ The Consumer Advocate also noted the various actions being taken by utility commissions across the country to address the impacts of the 2017 Tax Act on the entities they regulate.

II.

DISCUSSION

Due to the potentially significant effects of the 2017 Tax Act on the regulated utilities listed above, until the commission is able to issue final decisions regarding any utility rate adjustments necessary to account for the 2017 Tax Act, the commission finds it is reasonable and in the public interest for these utilities to immediately begin tracking the impacts of the 2017 Tax Act, as of January 1, 2018. Each utility shall use deferred regulatory accounting practices, such as the use of regulatory assets and liabilities, to record the differences resulting from the 2017 Tax Act and what would have been recorded if the Act did not go into effect. The deferred regulatory accounting treatment shall include recognition of excess deferred

³Consumer Advocate Letter at 4.

income tax, as applicable. The amounts recorded shall be subject to commission review.

The commission also directs any utility listed above that does not anticipate being affected by the 2017 Tax Act, to file a statement with the commission in this docket explaining the reasons why, by February 2, 2018.

The commission finds that because the commission does not intend to order any of the aforementioned utilities to take any action regarding rate adjustments in this docket, the commission will not be soliciting motions to intervene in this proceeding at this time, but may ask for public comment, as necessary.

III.

ORDERS

THE COMMISSION ORDERS:

1. The utilities listed on pages 1 to 3 of the instant Order are hereby named as Parties to this proceeding, and are directed to immediately begin tracking the impacts of the 2017 Tax Act, as of January 1, 2018. Each utility shall use deferred regulatory accounting practices, such as the use of regulatory assets and liabilities, to record the differences resulting from the 2017 Tax Act and what would have been recorded if the Act did not go into effect. The deferred regulatory

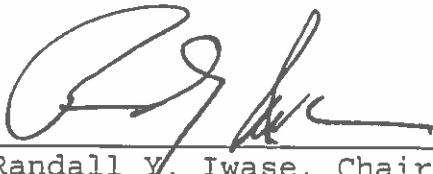
accounting treatment shall include recognition of excess deferred income tax, as applicable. The amounts recorded shall be subject to review as part of this proceeding.

2. The commission also directs any utility listed above that does not anticipate being affected by the 2017 Tax Act, to file a statement with the commission in this docket explaining the reasons why, by February 2, 2018.

3. The commission will provide further direction regarding final utility rate adjustments as a result of the 2017 Tax Act through subsequent orders in dockets outside of this proceeding (i.e., in rate cases or order to show cause proceedings).


DONE at Honolulu, Hawaii JAN 26 2018.

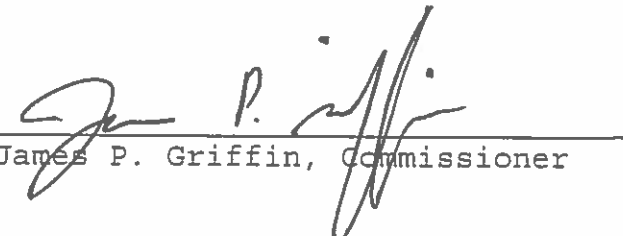
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Randall Y. Iwase, Chair

By 
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:


Caroline C. Ishida
Commission Counsel

By 
James P. Griffin, Commissioner

2018-0012.ljk

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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