Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

1776 K Street, NW, Suite 720 • Washington, D.C. 20006
Telephone (202) 223-1420 • www.ieca-us.org

January 10, 2018

The Honorable Kevin J. McIntyre
Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: Interstate Natural Gas Pipeline Rates are No Longer Just and Reasonable – Need for Immediate FERC Action in Response to Corporate Tax Reform

Dear Chairman McIntyre:

On behalf of the Industrial Energy Consumers of America (IECA), due to the reduced corporate income tax rate now in effect as a result of the passage of the Tax Cuts and Jobs Act of 2017, manufacturing consumers of natural gas are now paying interstate pipeline rates that are unjust and unreasonable. IECA urges the Federal Energy Regulatory Commission (Commission) to act promptly to ensure that the recourse rates paid by customers of interstate natural gas pipelines are reduced to reflect the lower corporate tax rate.

IECA is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales, over 3,400 facilities nationwide, and with more than 1.7 million employees. IECA membership companies represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, brewing, independent oil refining, and cement.

First, we urge the Commission to set deadlines for potential immediate refunds at 100 percent and rate reductions for consumers. Secondly, interstate natural gas pipelines often pay a federal tax rate that is less than the stated federal rate, yet they charge rates that are based upon the highest federal tax rate. We urge the Commission to make changes so that rates reflect the natural gas pipeline companies' actual corporate tax rate.

All pipelines under the jurisdiction of the Commission currently recover from ratepayers an income tax allowance that assumes a corporate tax rate of 35 percent. The Tax Cuts and Jobs Act of 2017 has reduced that rate to 21 percent. All pipelines maintain accumulated deferred income tax (ADIT) accounts that are now significantly overfunded because the tax has been collected from ratepayers at 35 percent, but will be paid in the future at 21 percent. The difference should be returned to natural gas ratepayers through rate reductions. The new tax rate could lower firm recourse rates by 5-9 percent. This is a measurable change of a substantial nature.[1]

[1] National Fuel Gas Supply Corp., 51 FERC ¶ 61,122 at n. 55 (1990).

IECA's member companies are large natural gas and electricity consumers that almost always obtain natural gas service through maximum recourse interstate pipeline rates. Because it can be costly and difficult to bring rate challenges under Section 5 of the Natural Gas Act, IECA requests the Commission to act now, just as a great number of state commissions are acting to reduce retail utility rates.

In 1986, when the Commission declined to act to change the interstate pipeline industry, its decision was assumed to be based upon the view that tax trackers were then included in a large number of natural gas pipeline companies' rate settlements.[2] However today, IECA is not aware of trackers in place, except for Columbia Gas Transmission.

To our dismay, the Commission lacks refund authority under Section 5, which means that only prospective rate relief is available under the law. This is further reason for prompt Commission action to ensure that pipeline customers do not continue to pay inflated rates based on the old tax rate. We look forward to working with you on this matter to ensure swift action.

Sincerely,

Paul Cicio
President

cc: FERC Commissioners
Senate Committee on Energy and Natural Resources
House Committee on Energy and Commerce

[2] Electric Utilities: Rate Changes Related to Federal Corporate Income Tax Rates for Public Utilities, Order No. 475, 52 Fed. Reg. 24,987 (1987).