



Corporate Tax Reform and other Federal Issues Impacting Public Gas Systems

March 20, 2018

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Federal Issues

- Lowering of the Corporate Tax Rates
- Section 5 Reform
- EPCA Reform
- Margin Requirements
- Appliance Efficiency Rulemakings
- APGA's Direct Use Task Group

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Corporate Tax Reform and Pipeline Rates

- Tax Cuts and Jobs Act of 2017 lowered the corporate tax rate from 35% to 21%.
- All pipeline rates continue to recover from ratepayers an income tax allowance assuming a 35% rate.
- APGA sent January 3 letter to FERC urging quick action to reduce rates to reflect lower tax rate
- Other groups (producers, shippers) have followed APGA's letter with their own letters

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FERC Action

- Issue addressed at the March 15th Open Meeting
- Commission approved an order requiring pipelines to address the effect of the tax cuts or explain why no action is needed
- Pipelines have 30 days to make a filing
- Pipeline rate adjustments anticipated to occur late summer, early fall at earliest

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Section 5 Reform

- FERC lacks refund authority under NGA to protect consumers from pipeline over-collections
- Congress passed legislation to provide refunds under FPA but did not change NGA
- Pipelines over-collected \$4.1 billion from 2012 - 2016 (Source - NGSAs ROE Study)
- APGA pushing for legislative change



EPCA Reform

- DOE Mission/EEERE
- Section 433 EISA
- Addresses appliance efficiency standards process
- APGA pushing for:
 - Greater transparency
 - Improved modeling
 - Cost/benefit analysis



Margin Requirements

- Margin requirements on uncleared swap transactions between two swap dealers or major swap participants
- A back to back swap transaction is a component of a natural gas prepayment transaction
- If margin requirements are imposed on the back-end of the swap transaction, those costs would ultimately be passed onto the prepay transaction
- APGA has met with CFTC to work towards getting no-action letter



Appliance Efficiency Rulemakings

- Furnace SNOPR
- Commercial Boiler Rule
- Residential/Commercial Water Heaters
- DOE Process Rule
 - Public Meeting January 9th
 - Comments filed March 5th



APGA's Direct Use Task Group

Mission: Counter the regulatory and legislative threats to consumers' ability/right to use natural gas by advocating policies, regulations & legislation that promote consumer choice and natural gas direct use

Goals:

- Fair, balanced and transparent DOE rulemaking process for appliance efficiency standards
- Legislation changing DOE efficiency parameters to include primary energy
- Fair, balanced and transparent building codes and standards making processes
- Eliminate legislative and regulatory restrictions to the direct use of natural gas

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DUTG Communications Initiative

- APGA Direct Use Task Group established a Communications Team in July 2017
- Porter Novelli hired as PR firm in October 2017
- Focus Groups held in Atlanta and Kansas City in late February 2018
- Phase 1 completion in March/April 2018 with messaging/branding, research findings
- Next Step/Phase 2?

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Other Issues

- Farm Bill
- Definition of a Political Subdivision
- Elimination of Advanced Refundings
- NGV Tax Credits
- Future Congressional Action?



Questions?