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# Washington Energy Report

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JULY 25, 2018

## [FERC Affirms Policy on Income Tax Allowance for Gas Pipelines](#)

By [Jamond Perry](#) & [Thomas DeVita](#) on July 24, 2018

POSTED IN [NATURAL GAS](#), [RULEMAKINGS](#)

On July 18, 2018, FERC affirmed its Revised Policy Statement on Treatment of Income Taxes ("Revised Policy Statement"), where FERC stated that it will generally not permit master-limited partnerships ("MLPs") to recover income tax allowance in their cost of service. In doing so, FERC dismissed requests for clarification and rehearing of its Revised Policy Statement, reiterating that tax pass-through entities (including MLPs) that recover an income tax allowance in addition to a return on equity ("ROE") based on the discounted cash flow ("DCF") methodology double recover investors' tax costs. FERC did however explain that while pass-through entities may eliminate previously-accumulated sums of accumulated deferred income tax ("ADIT") from cost of service, they did not need to refund those ADIT balances to ratepayers.

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## [FERC Finalizes Procedures for Evaluating Income Tax Cuts on Gas Pipeline Rates](#)

The Washington Energy Report is a weekly publication written by the Troutman Sanders Federal Energy Regulatory Commission ("FERC") practice that monitors and reports on significant developments in FERC and energy-related matters around the country.

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By [Meghan Mandel](#) & [Jasmine Hites](#) on July 24, 2018

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On July 18, 2018, FERC issued Order No. 849, finalizing its procedures and regulations regarding the effect of reduced corporate income taxes on certain natural gas pipelines and their rates at FERC. Notably, Order No. 849 requires interstate natural gas pipelines to submit "FERC Form No. 501-G," an abbreviated cost and revenue study designed to illustrate the effect of reduced corporate tax rates, which FERC might then use to determine whether the pipeline's rates may be unjust and unreasonable under the Natural Gas Act ("NGA").

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## [FERC Proposes Reforms to Regulations Governing Interlocking Positions](#)

By [Jamond Perry](#) & [Thomas DeVita](#) on July 24, 2018

POSTED IN [RULEMAKINGS](#)

On July 19, 2018, the Federal Energy Regulatory Commission ("FERC" or the "Commission") issued a Notice of Proposed Rulemaking ("NOPR") that would update FERC's regulations regarding interlocking positions. According to the NOPR, the proposed revisions to parts 45 and 46 of the Commission's regulations aim to "reflect statutory changes to the circumstances in which an applicant who would otherwise require Commission authorization to hold an interlocking position need not do so."

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## [FERC Accepts and Sets for Hearing Cost-of-Service Compensation Agreement](#)

By [Elizabeth McCormick](#) & [Christopher Zentz](#) on July 24, 2018

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On July 13, 2018, pursuant to section 205 of the Federal Power Act (“FPA”), FERC accepted and set for hearing a cost-of-service agreement between Constellation Mystic Power, LLC (“Mystic”), Exelon Generation Company, LLC (“Exelon”), and ISO New England Inc. (“ISO-NE”) providing cost-of-service compensation to Mystic for continued operation of two gas-fired generating units (“Mystic 8 and 9”) to ensure fuel security in New England. Commissioners Powelson and Glick dissented.

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