Internal Revenue Service

Number: **201930016**
Release Date: 7/26/2019
Index Number: 168.00-00

Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.
Telephone Number:

Refer Reply To:
CC:PSI:B06
PLR-130887-18

Date:
April 10, 2019

In Re:

LEGEND

Taxpayer =

Parent =

State 1 =

State 2 =

Holdings =

Commission =

Organization =

Formula Rate =

Location =

PLR =

Year 1 =

Year 2 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Date 9 =

Date 10 =

a =

b =

c =

d =

e =

f =

g =

Dear :

This letter responds to a request for a ruling dated October 16, 2018, and subsequent correspondence submitted on behalf of Taxpayer by your authorized representatives. Taxpayer requests a ruling on the application of the depreciation normalization rules of § 168(i)(9) of the Internal Revenue Code and § 1.167(l)-1 of the Income Tax Regulations (together, the "normalization rules") to certain Commission regulatory procedures, which are described below. The relevant facts as represented in your submission are set forth below.

Taxpayer, an independent electric transmission utility incorporated in State 2, operates a high-voltage transmission system in State 3, State 4, State 5, and State 6. Taxpayer is owned by Holdings, an indirect subsidiary of Parent, which is a State 1 corporation. Taxpayer files a consolidated federal income tax return on a calendar year basis with its affiliates, including Parent. Taxpayer's rates are regulated by Commission and are established on a cost-of-service model.

Taxpayer implemented formula-based rates effective Date 9, as calculated under Organization's Formula Rate, as authorized by a Commission order. The annual formula-based rates are based on a forward-looking test year and are subject to a true-up adjustment based on the actual financial results of the test period. Since Year 2, the Formula Rate employed by Taxpayer has been authorized by a Commission order. The modifications to the Formula Rate templates of Taxpayer in Year 2 were, in part, intended to implement the holdings of a private letter ruling (PLR) issued to Taxpayer related to the normalization rules.

Organization is a not-for-profit regional transmission organization managing the operations and investments in approximately a miles of high-voltage transmission and b megawatts of power-generating resources owned by utilities in the all or parts of c U.S. states and Location. Its objectives include improving reliability, coordination of operations, seams management, and price and informational transparency of the electric transmission utilities operating in its region. Organization bills and collects revenues from the customers of Taxpayer.

Taxpayer's transmission rates are set annually using a Commission-approved formula rate. The rates remain in effect for a d-year period. On Date 1 of each year, Taxpayer estimates its revenue requirement for the forthcoming calendar year, the service year, based in part on the facilities in service or expected to be placed in service during that forthcoming year. The revenue requirement determined based on the annual projection becomes effective on Date 2 of the service year. By completing the formula rate templates approved by Organization on an annual basis, Taxpayer is able to adjust its transmission rates to reflect changing operational data and financial performance, including the amount of network load on the transmission systems, operating expenses and additions of utility plant when placed in service, among other items.

The Commission-approved rate formulas use previously-approved rates of return on equity and do not require further action or Commission filings for the calculated rate to go into effect, although the rate is subject to legal challenge at Commission. Taxpayer will continue to use formula rates to calculate its annual revenue requirements unless Commission determines that such rate formulas are unjust and unreasonable or another mechanism is determined by Commission to be just and reasonable.

The cost-based formula templates include a true-up mechanism, whereby

Taxpayer compares its actual revenue requirement (determined after the end of the service year) to its billed revenues for the service year to determine any over-collection or under-collection of the revenue requirement. The intent of the true-up mechanism is to ensure that customers are paying no more than the actual cost of service if the actual net revenue requirement is less than the billed revenues that were based on the projected revenue requirements (an over-collection), and to protect Taxpayer if the actual net revenue requirement is more than the billed revenues (an under-collection). The actual net revenue requirement for the service year, and accordingly, the true-up amount computed in the year following the service period are based largely on the amounts reported to Commission for the service year.

The amount of over-collection or under-collection is reflected in customer bills within e years of the service year under the provisions of the Formula Rate. Specifically, an over-collection for a given service year is subtracted from the revenue requirement for the service year that is e years after the service year to which the over-collection relates. A regulatory liability is recorded for over-collections under the true-up mechanism and carrying charges are paid to customers until these amounts reduce prices charged in the future. An under-collection for a given service year is added to the revenue requirement for the service year that is e years after the service year to which the under-collection relates. A regulatory asset is recorded for under-collections under the true-up mechanism and carrying charges are charged to customers until these amounts are recovered.

Thus, the actual revenue requirement for a service year is charged both during such service year and as part of a true-up adjustment reflected in rates charged e years after the service year to which it relates. The revenue requirement charged for a given service year that is charged during such period is based on the monthly billing rate calculated in the previous year in the filing due by Date 1 (using the projected revenue requirement and projected customer loads for such service year) as applied to the actual monthly peak loads during the service year. The actual revenue requirement for a service year is determined after the end of the service year. The true-up adjustment reflects differences primarily between projected and actual operating costs, rate base and interest expense as well as differences between projected and actual customer loads (sales volumes). An over-collection or under-collection typically results from differences between the projected revenue requirement used to establish the billing rate charged during the service year and actual revenue requirement determined after the service year or from differences between actual and projected monthly peak loads.

In accordance with the provisions of the Commission-approved formula rate templates, Taxpayer computes the rate base for its annual projections and its actual revenue requirements used to determine the true-up adjustments using average rate base calculations. Average rate base uses average plant balances, including accumulated depreciation, in determining the annual revenue requirement based on f-month averaging. Average rate base uses simple averaging for land held for future use,

materials and supplies, and prepayments. Gross rate base is reduced by Accumulated Deferred Federal Income Taxes ("ADFIT"). Prior to the issuance of the PLR to Taxpayer, average ADFIT was computed based on the simple averaging convention. Since the issuance of the PLR, average ADFIT has been computed on the basis of the f-month averaging convention for purposes of the projected revenue requirement computations and on the basis of the simple averaging methodology for purposes of the actual revenue requirement computations used to determine the true-up adjustments. The same test year is used for all rate base components for the annual projected revenue requirement components for the annual projected revenue requirement computations and actual revenue requirement computations used to determine true-up adjustments. Balances for all month-ends agree with accounting records, and year-end balances for the actual revenue requirement calculation agree with the relevant Commission filings.

Prior to the issuance of the PLR, Taxpayer did not apply the § 1.167(l)-1(h)(6) proration requirement to ADFIT increases or decreases for purposes or either projected revenue requirements or the actual revenue requirements used to determine the true-up adjustments. Since the issuance of the PLR, Taxpayer has computed monthly ADFIT balances for purposes of the projected revenue requirements based on the application of the proration formula to forecasted monthly ADFIT increases or decreases, and used these prorated month-end ADFIT amounts in the f-month averaging for its projected revenue requirement computations. Taxpayer does not apply the proration formula to any portion of actual ADFIT increases or decreases to compute average actual ADFIT for its actual revenue requirements used to determine its true-up adjustments.

Taxpayer has modified its formula rate templates, as necessary, to conform to the guidance in the PLR, including corrective actions that the Service described as a condition required to avoid the denial of accelerated depreciation. Taxpayer considers the PLR to be clear and complete, and intended that the modifications to its ADFIT calculations implemented shortly after receipt of the PLR would be the only template modifications required to maintain compliance with the normalization rules in the foreseeable future. However, Taxpayer currently believes that its formula rate template ratemaking practices since the receipt of the PLR comply with the normalization rules because they adhere to the holdings of the PLR.

A Date 3 Commission Order ("the Date 3 Commission Order") instituted proceedings to examine the methodology used by f utilities for calculating their ADFIT balances in their projected test year and annual true-up calculations for their transmission formula rates. The Date 3 Commission Order requires the f companies, including Taxpayer, to change their computations of ADFIT (and rate base) in a manner that applies one of the holdings of . Taxpayer responded to the Date 3 Commission Order by jointly filing an initial brief (not on a consolidated basis) with its e affiliates that are filing substantially identical private letter ruling requests, and g unrelated companies that are Organization members ("Date 4 Initial Brief").

Further, Taxpayer and its e affiliates that are filing substantially identical private letter ruling requests, jointly filed with Commission proposed revisions to their Formula Rate templates complying with the Date 3 Commission Order for projected revenue requirement computations and actual revenue requirement computations used to determine true-up adjustments of each of the companies, to become effective after the Service issues the private letter rulings that Taxpayer and its e affiliates are requesting ("Date 4 Filing"). Taxpayer jointly filed a reply brief (not on a consolidated basis) with its e affiliates filing a substantially identical private letter ruling request, and g unrelated Organization companies on Date 7, in response to a brief filed by an intervenor ("Date 10 Reply Brief").

The specific ADFIT computational change ordered by Commission involves the use of averaging (and, thus, the deferred tax consistency requirement) and would be contrary to a statement in the PLR, describing the corrective actions involving the ADFIT computations required in Taxpayer's subsequent rate proceedings. The change mandated by the Date 3 Commission Order would affect both the projected revenue requirement computations and the actual revenue requirement computations used to determine true-up adjustments.

Although Taxpayer is not contesting that the ADFIT computational change ordered by Commission would also comply with the normalization rules, Taxpayer is hesitant to unilaterally cease adhering to one of the corrective actions described in the PLR as a condition required to avoid the sanction of denial of accelerated depreciation due to its pre-Year 2 formula rate ADFIT computational methodology. Taxpayer is seeking a private letter ruling to supplement the PLR to clarify that the corrective actions described in the PLR were not intended to be the sole ADFIT computation allowable after issuance of the PLR in order for Taxpayer to be treated as having complied with the normalization rules in years prior to receipt of the PLR. Thus, Taxpayer may make further ADFIT computational changes in order to comply with the Date 3 Commission Order prospectively, while maintaining compliance with the normalization rules.

Taxpayer also addresses certain holdings of   that are not the focus of the Date 3 Commission Order. The holdings clarify that the proration requirement used in the projected revenue requirement also applies, to an extent specified in   , to actual revenue requirement computations used to determine true-up adjustments. Taxpayer intends to modify its templates used for true-up adjustments at the next available opportunity in order to apply these holdings if the Service rules favorably in this supplemental ruling request.

The Date 3 Commission Order and related proceedings are focused on an ADFIT computation that the Commission refers to as
and on

Specifically, the Commission refers to ADFIT averaging using ADFIT amounts that have been prorated Taxpayer has employed this approach since the annual projected revenue requirement filing immediately following the receipt of the PLR. Until formally instructed otherwise by the Service, Taxpayer considers its ADFIT computational approach to be a mandatory aspect of the corrective actions in accordance within the analysis of issue 4 of the PLR.

This computational issue was not analyzed in the private letter ruling request submitted by Taxpayer resulting in the PLR, and this topic was not the subject of any of the specific rulings requested by Taxpayer at that time. Thus, the terms of compliance with the normalization rules were likely not intended to imply that the approach Taxpayer indicated it would use after issuance of the PLR was the only means to satisfy the normalization rules applicable to future test periods and average rate base. However, Taxpayer believes that unilaterally ceasing to adhere to a specific corrective action described in the PLR may be inappropriate and inconsistent with the historical practice of the Service and the utility industry in establishing, maintaining and remedying compliance with the normalization rules prior to the issuance of the safe harbor guidance of Revenue Procedure 2017-47, 2017-38 I.R.B. 233, which permits utilities to “self-correct” inadvertent non-compliance with the normalization rules in certain circumstances.

In addition to addressing Taxpayer proposed to Commission in its Date 4 Filing that its template for its actual revenue requirement used to compute its true-up adjustment be amended to reflect the principles of regarding preservation of the effects of the proration formula. Although Taxpayer considers itself in compliance with the normalization rules at this time because this aspect of the proration computation in annual ratemaking with true-up adjustments is not mandated in the PLR, Taxpayer believes that it is necessary to revise its templates to adopt all clarifications of the ADFIT normalization rules resulting from if it modifies its templates to reflect any of the holdings of .

On Date 4, Taxpayer responded to the Commission Date 3 Order by filing an initial brief. Taxpayer is willing to make the ADFIT computational change as mandated by the Commission Date 3 Order and believes such computational method would also comply with the deferred tax normalization rules. However, Taxpayer is hesitant to unilaterally cease adhering to the corrective action described in Taxpayer’s private letter ruling without the Service’s guidance.

On Date 5, Commission issued an order: (1) indicating that it did not believe it was necessary for Taxpayer to delay the implementation of the template changes pending approval from the Internal Revenue Service, and (2) ordering Taxpayer to make a compliance filing to implement the template changes. On Date 6, Taxpayer submitted its compliance filing addressing , including tariff revisions to reflect the preservation-of-proration holdings of (the "Date 6 Compliance Filing"). Taxpayer represents that it intended to continue to employ allowed in the PLR until receiving additional guidance from the Service. However, to comply with the Commission Date 5 Order, Taxpayer will cease using beginning on Date 8.

RULINGS REQUESTED

Taxpayer requests the following rulings:

1. The corrective action described in the PLR includes an example of an ADFIT computation that would comply with the normalization requirements, but it was not intended to be the sole allowable computation. Therefore, Taxpayer would not be subject to the sanction of denial of accelerated depreciation in years prior to the receipt of the PLR, and would maintain compliance with the normalization rules if another ADFIT computation consistent with the normalization requirements were employed in any of the rate cycles after receiving the PLR.

2. Taxpayer would comply with the consistency requirement under § 168(i)(9)(B) in computing its projected revenue requirement employing a future test period with an average rate base computation by (a) applying the proration formula rules under § 1.167(l)-1(h)(6) to the projected monthly increases or decreases in ADFIT without (b) further applying an averaging convention, as applied to other elements of rate base, either to the prorated end-of-period ADFIT balance or to the prorated increases or decreases in ADFIT used to compute the prorated end-of-period ADFIT balance.

3. Taxpayer would comply with the consistency requirement under § 168(i)(9)(B) and the proration formula rules under § 1.167(l)-1(h)(6) in computing its actual revenue requirement computations used to determine true-up adjustments by (a) continuing to apply the proration formula rules to its actual ADFIT increases or decreases to the extent such increases or decreases were projected and prorated in computing its projected revenue requirement and (b) applying an averaging convention to actual ADFIT increase or decreases (or portions thereof) to the extent not previously subjected to the proration formula. Taxpayer would violate the normalization rules in computing its actual revenue requirement used to determine its true-up adjustments if any portion of its actual ADFIT increases

or decreases is neither prorated nor averaged.

LAW AND ANALYSIS

Section 168(f)(2) of the Internal Revenue Code provides that the depreciation deduction determined under § 168 shall not apply to any public utility property (within the meaning of § 168(i)(10)) if the taxpayer does not use a normalization method of accounting.

Section 168(i)(9)(C) provides that in the case of any public utility property to which § 168 does not apply by reason of § 168(f)(2), the allowance for depreciation under § 167(a) shall be an amount computed using the method and period referred to in § 168(i)(9)(A)(i).

Former § 167(l) generally provided that public utilities were entitled to use accelerated methods for depreciation if they used a "normalization method of accounting." A normalization method of accounting was defined in former § 167(l)(3)(G) in a manner consistent with that found in § 168(i)(9)(A). Section 1.167(1)-1(a)(1) of the Income Tax Regulations provides that the normalization requirements for public utility property pertain only to the deferral of federal income tax liability resulting from the use of an accelerated method of depreciation for computing the allowance for depreciation under § 167 and the use of straight-line depreciation for computing tax expense and depreciation expense for purposes of establishing cost of services and for reflecting operating results in regulated books of account. These regulations do not pertain to other book-tax timing differences with respect to state income taxes, F.I.C.A. taxes, construction costs, or any other taxes and items.

Prior to the Revenue Reconciliation Act of 1990, the definition of public utility property was contained in § 167(l)(3)(A) and § 168(i)(10), which defined public utility property by means of a cross reference to § 167(l)(3)(A). The definition of public utility property is unchanged. Section 1.167(l)-1(b) provides that under § 167(l)(3)(A), property is public utility property during any period in which it is used predominantly in a § 167(l) public utility activity. The term "section 167(l) public utility activity" means, in part, the trade or business of the furnishing or sale of electrical energy if the rates for such furnishing or sale, as the case may be, are regulated, i.e., have been established or approved by a regulatory body described in § 167(l)(3)(A). The term "regulatory body described in section 167(l)(3)(A)" means a State (including the District of Columbia) or political subdivision thereof, any agency or instrumentality of the United States, or a public service or public utility commission or other body of any State or political subdivision thereof similar to such a commission. The term "established or approved" includes the filing of a schedule of rates with a regulatory body which has the power to approve such rates, though such body has taken no action on the filed schedule or generally leaves undisturbed rates filed by the taxpayer.

In order to use a normalization method of accounting, § 168(i)(9)(A) requires that a taxpayer, in computing its tax expense for establishing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, to use a method of depreciation with respect to public utility property that is the same as, and a depreciation period for such property that is not shorter than, the method and period used to compute its depreciation expense for such purposes. Under § 168(i)(9)(A)(ii), if the amount allowable as a deduction under § 168 differs from the amount that would be allowable as a deduction under § 167 using the method, period, first and last year convention, and salvage value used to compute regulated tax expense under § 168(i)(9)(A)(i), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from such difference.

Section 1.167(l)-1(h)(1)(i) provides that the reserve established for public utility property should reflect the total amount of the deferral of income tax liability resulting from the taxpayer's use of different depreciation methods for tax and ratemaking purposes.

Section 1.167(l)-1(h)(1)(iii) provides that the amount of federal income tax liability deferred as a result of the use of different depreciation methods for tax and ratemaking purposes is the excess (computed without regard to credits) of the amount the tax liability would have been had the depreciation method for ratemaking purposes been used over the amount of the actual tax liability. This amount shall be taken into account for the taxable year in which the different methods of depreciation are used. If, however, in respect of any taxable year the use of a method of depreciation other than a subsection (1) method for purposes of determining the taxpayer's reasonable allowance under § 167(a) results in a net operating loss carryover (NOLC) to a year succeeding such taxable year which would not have arisen (or an increase in such carryover which would not have arisen) had the taxpayer determined his reasonable allowance under § 167(a) using a subsection (1) method, then the amount and time of the deferral of tax liability shall be taken into account in such appropriate time and manner as is satisfactory to the district director.

Section 1.167(l)-1(h)(2)(i) provides that the taxpayer must credit this amount of deferred taxes to a reserve for deferred taxes, a depreciation reserve, or other reserve account. This regulation further provides that, with respect to any account, the aggregate amount allocable to deferred tax under § 167(1) shall not be reduced except to reflect the amount for any taxable year by which Federal income taxes are greater by reason of the prior use of different methods of depreciation. That section also notes that the aggregate amount allocable to deferred taxes may be reduced to reflect the amount for any taxable year by which federal income taxes are greater by reason of the prior use of different methods of depreciation under § 1.167(l)-1(h)(1)(i) or to reflect asset retirements or the expiration of the period for depreciation used for determining the allowance for depreciation under § 167(a).

Under § 1.167(l)-1(h)(6)(i), a taxpayer does not use a normalization method of regulated accounting if, for ratemaking purposes, the amount of the reserve for deferred taxes under § 167(l) which is excluded from the base to which the taxpayer's rate of return is applied, or which is treated as no-cost capital in those rate cases in which the rate of return is based upon the cost of capital, exceeds the amount of such reserve for deferred taxes for the period used in determining the taxpayer's tax expense in computing cost of service in such ratemaking.

Section 1.167(l)-1(h)(6)(ii) provides that for the purpose of determining the maximum amount of the reserve to be excluded from the rate base (or to be included as no-cost capital) under subdivision (i) above, if solely an historical period is used to determine depreciation for Federal income tax expense for ratemaking purposes, then the amount of the reserve account for the period is the amount of the reserve (determined under § 1.167(l)-1(h)(2)(i)) at the end of the historical period. If solely a future period is used for such determination, the amount of the reserve account for the period is the amount of the reserve at the beginning of the period and a pro rata portion of the amount of any projected increase to be credited or decrease to be charged to the account during such period. If such determination is made by reference both to an historical portion and to a future portion of a period, the amount of the reserve account for the period is the amount of the reserve at the end of the historical portion of the period and a pro rata portion of the amount of any projected increase to be credited or decrease to be charged to the account during the future portion of the period. The pro rata portion of any increase to be credited or decrease to be charged during a future period (or the future portion of a part-historical and part-future period) shall be determined by multiplying any such increase or decrease by a fraction, the numerator of which is the number of days remaining in the period at the time such increase or decrease is to be accrued, and the denominator of which is the total number of days in the period (or future portion).

Section 168(i)(9)(B)(i) provides that one way the requirements of § 168(i)(9)(A) will not be satisfied is if the taxpayer, for ratemaking purposes, uses a procedure or adjustment which is inconsistent with such requirements. Under § 168(i)(9)(B)(ii), such inconsistent procedures and adjustments include the use of an estimate or projection of the taxpayer's tax expense, depreciation expense, or reserve for deferred taxes under § 168(i)(9)(A)(ii), unless such estimate or projection is also used, for ratemaking purposes, with respect to all three of these items and with respect to the rate base (hereinafter referred to as the “Consistency Rule”).

Issue 1

The corrective action in the PLR includes an example of an ADFIT computation that would comply with the normalization rules. We agree that the example was not intended to be the sole allowable computation. Therefore, Taxpayer would not be subject to the sanction of denial of accelerated depreciation in years prior to the receipt

of the PLR, and would maintain compliance with the normalization rules if another ADFIT computation consistent with the normalization rules were employed in any of the rate cycles after receiving the PLR.

Issue 2

Taxpayer states that if the purpose of the regulatory averaging and proration can be shown to be the same, the consistency requirement should not apply. Taxpayer represents that the purpose of the proration requirement is to take into account for ratemaking purposes the economic fact that changes in ADFIT balances in a future test period (and the attendant cash flows) will occur over a period of time. According to Taxpayer, the critical question is whether the averaging convention has a different purpose. According to Taxpayer, the answer appears to lie in the nature of the test period. If the test period is part historical, part future, the timing of the rate base expenditures cannot be what regulatory averaging was meant to address.

However, Taxpayer maintains that the purposes of regulatory averaging and proration can be the same when the entire test year is a future test period. Taxpayer maintains, and we agree, that averaging conventions, when applied to entirely future test periods, should presumptively be treated as having the same purpose as the Proration Requirement, thereby negating the necessity to apply both conventions serially to changes in ADFIT balances. Therefore, Taxpayer would comply with the consistency requirement under § 168(i)(9)(B) in computing its projected revenue requirement employing a future test period with an average rate base computation by (a) applying the proration formula rules under § 1.167(l)-1(h)(6) to the projected monthly increases or decreases in ADFIT, and without (b) further applying an averaging convention, as applied to other elements of the rate base, either to the prorated end-of-period ADFIT balance or to the prorated increases or decreases in ADFIT used to compute the prorated end-of-period ADFIT balance.

Issue 3

It is satisfactory under the normalization rules to determine ADFIT in the projected revenue requirement for a future period with an average rate base by applying the proration formula rules to projected ADFIT increases and decreases without a separate averaging convention identical or similar to the averaging applied to other rate base items. For purposes of the actual revenue requirement used for the true-up mechanism we believe that 1) it is permissible under the normalization rules to not average the portion of actual ADFIT increases and decreases that were prorated in the calculation of the projected revenue requirement, and 2) it is impermissible under the normalization rules for the differential between actual and projected ADFIT increases and decreases to not be subjected to an averaging convention.

Therefore, Taxpayer would comply with the consistency requirement under § 168(i)(9)(B) and the proration formula rules under § 1.167(l)-1(h)(6) in computing its actual revenue requirement computations used to determine true-up adjustments by (a) continuing to apply the proration formula rules to its actual ADFIT increase or decreases to the extent such increases or decreases were projected and prorated in computing its projected revenue requirement and (b) applying an averaging convention to actual ADFIT increase or decreases (or portions thereof) to the extent not previously subjected to the proration formula. Taxpayer would violate the normalization rules in computing its actual revenue requirement used to determine its true-up adjustments if any portion of its actual ADFIT increases or decreases is neither prorated nor averaged.

Except as specifically determined above, no opinion is expressed or implied concerning the Federal income tax consequences of the transaction described above.

The rulings contained in this letter are based upon information and representations submitted by Taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification upon examination.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this ruling must be attached to any federal income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling. In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representatives. We are also sending a copy of this letter to the appropriate Industry Director, LB&I.

Sincerely,

David A. Selig
Senior Counsel, Branch 6
Office of Associate Chief Counsel
(Passthroughs & Special Industries)