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income tax expenses allowable by the Commission.  

(5) **Ratemaking purposes** means for the purpose of fixing, modifying, accepting, approving, disapproving, or rejecting rates under the Natural Gas Act.  

(6) **Tax effect** means the tax reduction or addition associated with a specific expense or revenue transaction.  

(7) **Transaction** means an activity or event that gives rise to an accounting entry.  

(c) **Reduction of, and addition to, Rate Base.**  
(1) The rate base of an interstate pipeline using tax normalization under this section must be reduced by the balances that are properly recordable in Account 281, “Accumulated deferred income taxes-accelerated amortization property”; Account 282, “Accumulated deferred income taxes—other property”; and Account 283, “Accumulated deferred income taxes—other.” Balances that are properly recordable in Account 190, “Accumulated deferred income taxes,” must be treated as an addition to rate base. Include, as an addition or reduction, as appropriate, amounts in Account 182.3, Other regulatory assets, and Account 254, Other regulatory liabilities, that result from a deficiency or excess in the deferred tax accounts (see paragraph (d) of this section) and which have been, or are soon expected to be, authorized for recovery or refund through rates.  

(2) Such rate base reductions or additions must be limited to deferred taxes related to rate base, construction, or other costs and revenues affecting jurisdictional cost-of-service.  

(d) **Special rules.**  
(1) This paragraph applies:  

(i) If the rate applicant has not provided deferred taxes in the same amount that would have accrued had tax normalization always been applied; or  

(ii) If, as a result of changes in tax rates, the accumulated provision for deferred taxes becomes deficient in, or in excess of, amounts necessary to meet future tax liabilities.  

(2) The interstate pipeline must compute the income tax component in its cost-of-service by making provision for any excess or deficiency in deferred taxes.  

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A natural gas company that files a tariff change under this part may not receive a cash working capital adjustment to its rate base unless the company or other participant in a rate proceeding under this part demonstrates, with a fully developed and reliable lead-lag study, a net revenue receipt lag or a net expense payment lag (revenue lead). Any demonstrated net revenue receipt lag will be credited to rate base; and, any demonstrated net expense payment lag will be deducted from rate base.