

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-5, SUB 565
DOCKET NO. M-100, SUB 138

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-5, SUB 565)	
)	
In the Matter of)	
Application of Public Service Company of)	
North Carolina, Inc., for a General Increase)	
in Its Rates and Charges)	
)	
DOCKET NO. M-100, SUB 138)	ORDER APPROVING REMOVAL
)	OF TEMPORARY RATE
)	DECREMENTS
In the Matter of)	
Implementation of House Bill 998 – An Act)	
to Simplify the North Carolina Tax)	
Structure and to Reduce Individual and)	
Business Tax Rates)	

BY THE COMMISSION: On March 31, 2016, in Docket No. G-5, Sub 565 (Sub 565), Public Service Company of North Carolina, Inc. (PSNC) filed an Application for a general rate increase. In that Application, one of the matters raised was PSNC's request that it be allowed to implement a rate decrement to refund to its customers over a one-year period the Company's excess deferred income tax (EDIT) balance as of December 31, 2015 of \$7,305,529. At that time, PSNC had deferred its EDIT balance as a regulatory liability under the Commission's Order in Docket No. M-100, Sub 138, dated May 13, 2014. Furthermore, as a part of its rate case application, in the direct testimony of Company witness Boone, PSNC also proposed that any additional EDIT amounts resulting from future federal or state income tax rate changes be deferred and then refunded by implementing rate decrements over a period approved by the Commission.

On August 4, 2016, the North Carolina Department of Revenue issued a notice stating that the corporate tax rate for years beginning on or after January 1, 2017, would be decreased to 3%. As a result of the announced decrease, PSNC and the Public Staff agreed to work together to determine the appropriate amount of EDIT to be refunded. On August 18, 2016, and on August 25, 2016, an agreement on EDIT was addressed in the Public Staff's direct testimony and PSNC's supplemental testimony, respectively.

On October 28, 2016, in Sub 565, in its Order Approving Rate Increase and Integrity Management Tracker (Rate Case Order), the Commission approved an amended stipulation between the Company and the Public Staff which included a

temporary decrement in rates to refund over a one-year period EDIT resulting from the change in the state corporate income tax rate from 6.9% to 4%. In addition, the Amended Stipulation stated that PSNC would make downward adjustments to its rates to recognize the further reduction in the state corporate income tax rate from 4% to 3% beginning January 1, 2017. The Order provided for any balance remaining after 12 months to be transferred to the Company's All Customers Deferred Account.

On January 17, 2018, PSNC submitted its proposal to refund the EDIT resulting from the decrease in the state corporate income tax rate from 4% to 3%, effective for the taxable year beginning January 1, 2017. As set forth in PSNC's Rate Case Order, the amount of EDIT to be refunded to reflect the change in the state corporate income tax rate from 6.9% to 4% was \$7,305,529. After 12 months from the issuance date of the Rate Case Order, PSNC had refunded all but \$891,441 of the EDIT balance of \$7,305,529. Further, PSNC stated that as of November 30, 2017, all but \$56,167 of that EDIT balance had been refunded. In addition, PSNC noted that the rate decrements are still in rates; PSNC proposed to leave them in rates through January 2018. PSNC opined that this should enable PSNC to refund the majority of the additional \$3,640,900 of EDIT which resulted from the decrease in the state corporate income tax rate from 4% to 3%, and recommended that any balance remaining as of January 31, 2018, be moved to the Company's All Customers Deferred Account.

Therefore, PSNC respectfully requested that the temporary EDIT rate decrements described in its January 17, 2018 Application be removed from rates effective February 1, 2018, and that any remaining balance in the EDIT account as of January 31, 2018 be moved to the All Customers Deferred Account. PSNC stated that the Public Staff had reviewed its Application and does not oppose it.

Based on the foregoing and the record, the Commission finds good cause to grant PSNC's January 17, 2018 Application thereby allowing PSNC to remove the temporary EDIT rate decrements described herein effective February 1, 2018, and directing that any remaining balance in the EDIT account as of January 31, 2018 be moved to PSNC's All Customers Deferred Account.

IT IS, THEREFORE, ORDERED as follows:

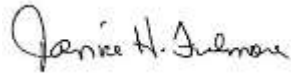
1. That the temporary EDIT rate decrements described herein be removed from rates effective February 1, 2018; and

2. That any remaining balance in the EDIT account as of January 31, 2018 be moved to the All Customers Deferred Account.

ISSUED BY ORDER OF THE COMMISSION.

This the 29th day of January, 2018.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Janice H. Fulmore". The signature is written in a cursive, flowing style.

Janice H. Fulmore, Deputy Clerk

Commissioner Charlotte A. Mitchell did not participate in this decision.