

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. M-100, SUB 148

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
The Federal Tax Cuts and Jobs Act) CLARIFICATION TO REPLY) COMMENTS OF THE) PUBLIC STAFF

NOW COMES THE PUBLIC STAFF – North Carolina Utilities Commission, by and through its Executive Director, Christopher J. Ayers respectfully submits a clarification to its reply comments filed in this docket on February 20, 2018.

On February 20, 2017 the Public Staff filed reply comments in the above reference docket. Regarding Frontier Natural Gas Company (Frontier), the Public Staff stated the following:

“Frontier asserts that its rates are not based on cost of service, and therefore, it should not be subject to this docket. Frontier has been collecting funds from its ratepayers in order to pay Frontier’s Federal income tax obligations. The Act reduces the Federal tax obligations of Frontier and its ratepayers should benefit from the reduction in the federal corporate income tax resulting from the Act. Accordingly, the Public Staff recommends that Frontier be subject to the provisions of this docket.”

In Docket No. G-40, Sub 136, the Commission approved a merger between Frontier and FR Bison Holdings, Inc., subject to certain regulatory conditions. Regulatory Condition #10, provided that the Public Staff would not request a change in Frontier’s margin rates unless certain exceptions apply. The Regulatory Condition in its entirety reads:

“Rate Case Moratorium. Neither Frontier nor the Public Staff will request a change in Frontier’s margin rates until after December 31, 2021, except as set forth below. For purposes of this provision, the margin rate is defined as the tariff rate less the benchmark cost of gas and temporary increments and/or decrements imposed pursuant to G.S. 62-133.4 or Commission Rule R1-17(k). The exceptions to the moratorium imposed by this Condition are as follows: (a) Should Frontier or the Public Staff believe that Frontier should implement a pipeline safety rate adjustment mechanism pursuant to G.S. 62-133.7A, either party shall have the right to apply to or petition the Commission to initiate a general rate case proceeding; and (b) effective July 1, 2019, should Frontier’s rolling twelve-month earned return on average rate base, based on a reasonable pro forma capital structure and reasonable regulatory adjustments, exceed 12.00% for two quarters in any consecutive four-quarter period, the Public Staff shall have the right, after notice to and consultation with Frontier’s management, to petition the Commission to initiate a general rate case proceeding.”

Consistent with the Regulatory Condition, the Public Staff seeks to clarify that in its comments submitted on February 20, 2018, the Public Staff is not requesting the Commission to change Frontier’s margin rates. The Public Staff recognizes that the Commission is not bound by the Public Staff’s agreement with Frontier with respect to any change in margin rates and may find in its discretion that Frontier should be directed to reduce its rates to reflect the changes in the Federal Tax Cut and Jobs Act. Notwithstanding the forgoing, the Public Staff does request that Frontier be subject to any reporting requirements adopted in this docket.

This the 28th day of February, 2018.

PUBLIC STAFF
Christopher J. Ayers
Executive Director

David T. Drooz
Chief Counsel

Electronically submitted
s/ Heather D. Fennell
Staff Attorney

4326 Mail Service Center
Raleigh, North Carolina 27699-4300
Telephone: (919) 733-0975
heather.fennell@psncuc.nc.gov

CERTIFICATE OF SERVICE

I certify that a copy of these Comments has been served on all parties of record or their attorneys, or both, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 28th day of February, 2018.

Electronically submitted
s/ Heather D. Fennell