STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. M-100, SUB 148
DOCKET NO. E-22, SUB 532
DOCKET NO. E-22, SUB 560

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. M-100, SUB 148 In the Matter of The Federal Tax Cuts and Jobs Act DOCKET NO. E-22, SUB 532 In the Matter of Application by Virginia Electric and Power Company, d/b/a Dominion North Carolina Power, for Adjustment of Rates and Charges Applicable to Electric Utility Service in North Carolina DOCKET NO. E-22, SUB 560 In the Matter of Compliance Filing in Response to October 5, 2018 *Order Addressing the Impacts of the Federal Tax Cuts and Jobs Act on Public Utilities*	)	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 the following comments in this docket.

On January 3, 2018, in response to the Tax Cuts and Jobs Act (Tax Act) signed into law on December 22, 2017, the Commission issued in Docket No. M-100, Sub 148 its Order Ruling That Certain Components of Certain Public Utility

Rates Are Provisional as of January 1, 2018, Initiating a Generic Proceeding, and Requesting Comments. Among other things, the Order places public utilities subject to the Order on notice that the federal corporate income tax expense component of all existing rates and charges will be deemed to be collected on a provisional basis as of January 1, 2018.

On October 5, 2018, the Commission issued its Order Addressing the Impacts of the Federal Tax Cuts and Jobs Act on Public Utilities (Order). In the Order the Commission noted its agreement with the parties that, pursuant to the North Carolina Supreme Court's decision in State ex rel. Utilities Comm'n v. Nantahala Power and Light Co., 326 N.C. 190, 388 S.E.2d 118 (1990), the Commission has the authority to require the flow-through of the reduction in the corporate federal corporate income tax rate through the rulemaking proceeding in Docket No. M-100, Sub 148. The Commission concluded that it was appropriate to order an immediate reduction in the base rates of affected utilities to reflect the reduction in the federal corporate income tax rate from 35% to 21% mandated by the Tax Act.[1] The Commission ordered certain utilities to file by October 25, 2018, proposals and supporting work papers to adjust rates to reflect the reduction in the federal corporate income tax to 21% for taxable years following December 31, 2018. The Commission requested that the Public Staff file comments on the filed proposals no later than November 14, 2018.

[1] For subject utilities where the reduction in the tax rate was not previously addressed in a general rate case, the Commission created company-specific dockets for issues related to the implementation of its Order.

The Commission further concluded that it was appropriate for the subject utilities to continue to hold the difference between revenues billed at the 35% and 21% federal corporate income tax rates in deferred regulatory liability accounts. This 2018 Provisional Rate Regulatory Liability (2018 PRRL) and the federal excess deferred income tax (Federal EDIT) generated due to the reduction in the federal corporate income tax rate will be addressed either in the utilities' next rate case or three-years, whichever occurs first. The Commission noted that both the 2018 PRRL and the Federal EDIT will be returned to customers with interest at the overall weighted cost of capital approved in the utilities' respective last general rate case proceedings.

The Commission directed the Public Staff to work with Virginia Electric Power Company, d/b/a Dominion Energy North Carolina (DENC or the Company) to determine the impact, if any, to the Company's State Tax Rider EDIT due to the Tax Act. The Public Staff was directed to file its recommendation by November 2, 2018.

On October 26, 2018, DENC filed its compliance filing in response to the Commission's October 5, 2018, Order. On October 29, 2018, DENC filed its Attachment C, which it had inadvertently omitted from its compliance filing.

On November 2, 2018, the Public Staff filed a motion for an extension of time to and including November 14, 2018, for the Public Staff to file its recommendation on how to address any impact from the Tax Act on DENC's State Tax Rider EDIT. The Commission granted the motion on the day it was filed.

On November 6, 2018, CIGFUR I filed a petition to intervene in this docket. The Commission issued an Order granting the petition on November 9, 2018.

On November 14, 2018, the Public Staff filed a motion for a second extension of time to and including November 20, 2018, for the Public Staff to file its recommendation on how to address any impact from the Tax Act on DENC's State Tax Rider EDIT. The Commission granted the motion on November 15, 2018.

The Public Staff has reviewed DENC's filing in this docket, along with associated workpapers provided to the Public Staff by DENC, and makes the following comments:

The Public Staff has reviewed DENC's filing in this docket, along with associated workpapers provided to the Public Staff by DENC, and makes the following comments:

1. It its compliance filing, DENC has presented a consolidated "rebilling" proposal to address four issues: (i) the rate adjustment to reflect the reduction in the federal corporate income tax; (ii) an immediate refund to ratepayers of the 2018 PRRL, rather than waiting until DENC's next rate case; (iii) an adjustment to reflect the impact of the Tax Act on DENC's State Tax Rider EDIT, and (iv) a true- up adjustment to the State Tax Rider EDIT as part of the rebilling procedure to ensure that the total Year 2 State Tax Rider EDIT credit amount approved by the Commission in Docket No. E-22, Sub 532 is correctly refunded to customers.

2. The Public Staff agrees in principle that these four issues can be addressed in this proceeding, and through discussions with the Company, has reached agreement with DENC with regard to certain revisions and clarifications to its proposal, as further discussed below.

3. The Public Staff has reviewed the Company's filing of the rate adjustment to reflect the reduction in the federal corporate income tax and agrees with the Company's calculations.

4. The Public Staff does not object to DENC's proposal to immediately return to ratepayers the 2018 PRRL through a one-time rebilling credit. However, because the Company is electing to immediately return the 2018 PRRL, rather than waiting for its next general rate case, the Company did not include interest on the 2018 PRRL, as required in Ordering Paragraph 5 of the Commission's Order. In the course of discussions with the Public Staff, the Company has subsequently agreed to include interest on the 2018 PRRL. The parties agree that the interest should be imposed beginning on January 1, 2018, until the rebilling proposed by the Company is accomplished. The interest applied should be at the overall weighted cost of capital approved in the Company's last general rate case, adjusted to reflect tax savings on the interest component, taking into account the change in the federal income tax rate to 21%.

5. The Public Staff agrees that the State Tax Rider EDIT should be adjusted to reflect the impact of the reduction in the federal corporate income tax, and believes that interest should apply to the adjustment amount, calculated in a similar manner as the interest on the 2018 PRRL.

6. The Public Staff also agrees that an adjustment should be made to ensure that the correct rider credit is refunded to customers for the State Tax Rider EDIT. In its Order in Docket No. E-22, Sub 532, the Commission directed DENC to refund excess accumulated deferred income taxes (State EDIT) created by a reduction in the state tax rate over a two-year period beginning on November 1, 2016, and ending October 31, 2018. As provided in the rate case Order, State Tax Rider EDIT was based on pro forma kWh sales and amounts refunded during the first year were to be trued-up at the end of the first year of the Rider. The Commission issued an Order in Docket No. E-22, Sub 532, on October 20, 2017, so revising the State Tax Rider EDIT. The October 20, 2017 Order also directed DENC to analyze the rider again towards the end of the second year to determine if further adjustments would need to be made. The Public Staff does not object to the true-up adjustment being made as part of the overall rebilling process proposed by DENC in this proceeding. The final amount of the State Rider EDIT credits will not be available until mid-December.

7. After discussion between the parties, the Public Staff and DENC have reached agreement as to a methodology to calculate a final adjustment to State Rider EDIT that will combine both (1) the effect on the 2018 portion of the refund of the reduction in the federal income tax rate and (2) a true-up to assure that the overall refund accomplished through State Rider EDIT accurately reflects actual kWh sales. DENC plans to make a filing to reflect this adjustment once final actual refunds already made through State Rider EDIT are known. The Public Staff will review this filing when it is made by DENC.

8. The Public Staff requests that the Commission direct DENC to file, at the time that final receipts from State Rider EDIT are known:

(a) its proposed final narrative and calculations supporting its proposed rebilling of the 2018 PRRL, with interest, as agreed to by the Company and the Public Staff.

(b) its proposed final narrative and calculations supporting the combined tax and true-up adjustments to State Rider EDIT, with interest, as agreed to by the Company and the Public Staff.

9. The Public Staff recommends that the Commission approve DENC's proposal to adjust its rates as proposed in its filings.

The Public Staff respectfully requests that the Commission consider the foregoing comments in its deliberations in this docket.

This the 20th day of November, 2018.

PUBLIC STAFF
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Executive Director

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Electronically submitted
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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 20th day of November, 2018.

Electronically submitted
s/ Heather D. Fennell