

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. M-100, SUB 138
DOCKET NO. G-5, SUB 525
DOCKET NO. G-5, SUB 565

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. M-100, SUB 138)
)
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)
)
DOCKET NO. G-5, SUB 525)
)
In the Matter of)
Application of Public Service Company of)
North Carolina, Inc., for Authorization to)
Flow Through Alternative Fuel Tax Credits)
to CNG Retail Sales Customers)
)
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)

ORDER APPROVING REVISED
TARIFFS, EFFECTIVE
JANUARY 1, 2017

BY THE COMMISSION: Pursuant to Section 2.4.(a) of Session Law 2015-6 (House Bill (HB) 41), the Commission must adjust the rate for the sale of electricity, piped natural gas, and water and wastewater service to reflect all of the tax changes as enacted in Session Law 2013-316 (HB 998). Under G.S. 105-130.3A, as enacted in HB 998, an automatic reduction in the State corporate income tax rate from 4% to 3% will become effective for the taxable year beginning on or after January 1, 2017, because certain net General Fund tax collection levels were met for the State's fiscal year 2015-2016.

On September 19, 2016, the Commission issued its Order Requiring Revised Tariff Filings, Proposed Customer Notices, and Requesting Review and Comments by the Public Staff – North Carolina Utilities Commission (Public Staff). In the Order, the

Commission concluded, among other things, that natural gas public utilities¹ must adjust their rates, effective for the taxable year beginning on or after January 1, 2017, to reflect the reduction from 4% to 3% in the State corporate income tax rate. Therefore, the Commission required, among other things, that all natural gas public utilities file revised tariffs and proposed customer notices by no later than October 12, 2016, reflecting the new rates at the 3% State corporate income tax rate.

On October 12, 2016, Public Service Company of North Carolina, Inc. (PSNC or the Company) filed a letter in Docket No. M-100, Sub 138. The Company noted in its letter that it is proposing to address the reduction in the State corporate income tax rate from 4% to 3% effective for the taxable year beginning on or after January 1, 2017, through its general rate case proceeding pending at the time before the Commission in Docket No. G-5, Sub 565. The Company noted that Section 8 of the Amended Stipulation provides that the 2017 SIT rate is being addressed through the Company's updated base rates. PSNC stated that, accordingly, its rates will not be required to be changed within the context of Docket No. M-100, Sub 138.

On November 2, 2016, the Public Staff filed its comments as requested by the Commission in its September 19, 2016 Order. The Public Staff stated that it agrees that the reduction in the State corporate income tax rate from 4% to 3% should be addressed through PSNC's rate case pending before the Commission in Docket No. G-5, Sub 565.

On December 15, 2016, PSNC filed a letter in Docket Nos. M-100, Sub 138, G-5, Sub 525, and G-5, Sub 565. The Company noted that the parties to the Amended Stipulation in the general rate case proceeding agreed to work together on determining the appropriate revenue reduction reflecting the State income tax change and to file with the Commission notice of such reductions prior to implementation. PSNC stated that pursuant to that agreement, the Company was filing, as attached, a schedule setting forth the allocation of the revenue reduction and the Company's revised tariffs reflecting the revenue reduction attributable to the reduction in the State corporate income tax rate. The Company also included a statement of revised "R" factors for PSNC's Customer Usage Tracker. PSNC noted that the revised tariffs also reflect the expiration of the Alternative Motor Fuel Excise Tax Credits. The Company stated that by Order dated March 1, 2016, in Docket No. G-5, Sub 525, the Commission authorized PSNC to implement its proposal to flow through the tax credits associated with the retail sale of compressed natural gas for motor fuel purposes for its Rate Schedule 135. PSNC stated that the tax credits will expire December 31, 2016, and the revised tariffs filed by PSNC reflect the removal of the tax credit decrement applicable to Rate Schedule 135, effective January 1, 2017.

¹ The Order required that all natural gas utilities, with the exception of Toccoa Natural Gas (Toccoa), Frontier Natural Gas Company, LLC (Frontier), and Piedmont Natural Gas Company, Inc. (Piedmont), each for a specific reason as outlined in the September 19, 2016, Order, file revised tariffs by October 12, 2016.

On December 20, 2016, PSNC filed a revised tariff to correct Rate Schedule 135 that concerns the expiration of the tax credits associated with the retail sale of compressed natural gas for motor fuel purposes.

On December 21, 2016, the Public Staff filed a letter stating that it had reviewed the tariffs filed by PSNC on December 15, 2016, as revised on December 20, 2016, believes that they comply with the Commission's orders in the described dockets, and recommended approval.

Based on the record of evidence, the Commission finds good cause to approve the tariffs filed by PSNC on December 15, 2016, as revised on December 20, 2016, effective for service rendered on and after January 1, 2017. PSNC shall notify its customers of the changes in rates approved herein.

IT IS, THEREFORE, ORDERED as follows:

1. That the revised tariffs filed by PSNC on December 15, 2016, as revised on December 20, 2016, are hereby approved and are deemed filed with the Commission pursuant to G.S. 62-138. The revised tariffs are effective for service rendered on and after January 1, 2017.

2. That PSNC shall notify its customers of the changes in rates approved herein.

ISSUED BY ORDER OF THE COMMISSION.

This the 22nd day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script, appearing to read "Linnetta Threath".

Linnetta Threath, Acting Deputy Clerk