

**OFFICIAL COPY**

Feb 01 2018

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

1. On December 22, 2017, the Tax Cuts and Jobs Act (the Act) was signed into law. Among other things, the Act reduces the Federal income tax rate for corporations from 35% to 21% effective January 1, 2018. In response to this change, the Commission initiated this docket and entered an Order placing subject utilities on notice that the Federal corporate income tax component of all existing rates and charges will be billed and collected on a provisional rate basis pending further investigation and disposition, and soliciting comments and reply comments on how the Commission should proceed in response to the Act. Pursuant to the Order, the Public Staff provides the following initial comments:

2. The Public Staff believes it is permissible for the Commission to address the effects of the Act through this docket. The Act will result in a significant reduction in the Federal corporate income taxes paid by most, if not all, utilities regulated by the

Commission. This reduction will, in turn, result in a reduction in the cost of providing public utility services to North Carolina customers, which the Public Staff believes is sufficiently substantial and material to justify an exception to the doctrine against single-issue ratemaking.

3. At a minimum, the items addressed by the Commission in this docket should include, a reduction in rates to reflect the reduction in the Federal corporate income tax rate, the flowback to customers of Excess Deferred Income Taxes (EDIT), and the effects of changes to the taxability of Contributions in Aid to Construction (CIAC), all of which are results of the Act.

4. The Public Staff anticipates individual utilities may raise unique issues related to the impacts of the Act. The Public Staff will address these issues in reply comments.

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

This the 1<sup>st</sup> 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](mailto: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 1<sup>st</sup> day of February, 2018.

Electronically submitted  
s/ Heather D. Fennell