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Feb 20 2018

February 20, 2018

VIA ELECTRONIC FILING

Ms. M. Lynn Jarvis, Chief clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: Docket No. M-100, Sub 148

Dear Ms. Jarvis:

On behalf of Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina, enclosed are the Reply Comments of Dominion Energy North Carolina for filing in the above-referenced proceeding.

Should you have any questions, please do not hesitate to contact me. Thank you for your assistance in this matter.

Very truly yours,

/s/E. Brett Breitschwerdt

EBB:kjg

Enclosures

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In the Matter of
The Federal Tax Cuts and Jobs Act)
) REPLY COMMENTS OF DOMINION
) ENERGY NORTH CAROLINA

DOMINION ENERGY NORTH CAROLINA'S REPLY COMMENTS

¹ Public Staff Initial Comments, at p. 2. (explaining that the Act’s federal corporate income tax changes are “sufficiently substantial and material to justify an exception to the doctrine against single-issue ratemaking”).

address the federal corporate income tax changes through a rulemaking procedure under the Public Utilities Act.²

Dominion Energy North Carolina recognizes the Public Staff's and other parties' objective of ensuring that provisionally-collected amounts are expeditiously recognized in the Company's utility rates. However, efficiencies would be achieved by comprehensively addressing all federal income tax issues in the Company's next general rate case. To balance these interests, the Company commits to filing a single-issue adjustment to its base rate cost of service on or before June 30, 2019, if the Company has not filed a general rate case as of that date.

For the Company's non-base rates and charges with approved deferral accounting and experience modification factors (i.e., fuel factor, riders for the Company's demand-side management programs and energy efficiency program costs, and Renewable Energy and Energy Efficiency Portfolio Standard compliance costs), the Company continues to recommend addressing the impact of the Act in upcoming annual rider proceedings where applicable.³

Finally, with regard to addressing excess deferred federal income taxes ("EDFIT") associated with the Act's federal corporate income tax rate reduction, the Company also recommends that the Commission address the effect of the EDFIT in the Company's next general rate case. This approach will ensure that ratepayers receive the benefit of EDFIT created by the Act, while also preserving the Company's ability to deduct accelerated depreciation on its federal income tax returns for the benefit of

² See *State of North Carolina ex rel. Utils. Comm'n v. Nantahala Power and Light Co.*, 326 N.C. 190, 204 (N.C. 1990) (establishing Commission authority under Public Utilities Act to require single issue ratemaking adjustment by rulemaking procedure outside of the general ratemaking process to pass through a similarly material reduction in federal corporate income taxes).

³ Dominion Energy North Carolina's Initial Comments, at p. 6.

ratepayers. As explained in the Company's initial comments, the predominant portion of EDFIT is subject to the Internal Revenue Code's ("IRC") normalization rules.⁴ Certain tax technical issues have yet to be resolved and additional guidance from the Internal Revenue Service is expected. Addressing the ratemaking treatment of EDFIT in the Company's next general rate case rather than through rulemaking allows for additional time to resolve these issues to ensure that the Company's rates and charges are maintained in accordance with the IRC's normalization rules.

In summary, the Company believes that provisional recovery and deferral accounting combined with its commitment to file a single-issue proceeding to address these impacts by June 30, 2019, if it has not yet filed a base rate case, appropriately balances the desire to expeditiously pass the benefits of the Act to ratepayers with the Company's approach of efficiently adjusting its rates and charges to comprehensively address all base rate cost of service impacts resulting from the Act. If the Commission determines that it is appropriate to reduce utility rates through a rulemaking procedure on a more accelerated schedule, the Company recommends that the Commission only order the Company to adjust the income tax expense portion of operating income in the Company's cost of service and leave the other elements of the tax changes enacted in the Act for review in the Company's next general rate case. In any case, the Company stands ready to work with the Public Staff and to take whatever action the Commission directs to provide the benefits of the Act to the Company's customers.

⁴ Dominion Energy North Carolina's Initial Comments, at p. 5.

Respectfully submitted, this 20th day of February, 2018.

/s/E. Brett Breitschwerdt

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Reply Comments of Dominion Energy North Carolina as filed in Docket No. M-100, Sub 148, was served electronically or via U.S. mail, first-class, postage prepaid, upon all parties of record.

This, the 20th day of February, 2018.

/s/E. Brett Breitschwerdt

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