

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. M-100, SUB 148
DOCKET NO. M-100, SUB 138
DOCKET NO. G-5, SUB 595
DOCKET NO. G-5, SUB 565

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. 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 595)
)
In the Matter of)
Public Service Company of North)
Carolina, Inc. Filings to Reflect The)
Federal Tax Cuts and Jobs Act)
)
)
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
PROPOSAL AND REQUIRING
FILING OF REVISED TARIFFS

BY THE COMMISSION: On October 5, 2018, in Docket No. M-100, Sub 148, the Commission issued an Order Addressing the Impacts of The Federal Tax Cuts and Jobs Act on Public Utilities (the Order). The Order directed certain utilities, including Public Service Company of North Carolina, Inc., d/b/a PSNC Energy (PSNC), to “adjust their base rates to reflect the reduction in the federal corporate income tax rate to 21% for taxable years beginning after December 31, 2017, as outlined in the Tax Act.” The Commission further requested that certain utilities, including PSNC, “file proposals . . . to adjust their rates to reflect the reduction in the federal corporate income tax rate to 21%”

by no later than October 25, 2018¹ and that the Public Staff and other parties “file comments on the proposals by no later than Wednesday, November 14, 2018.”

On October 25, 2018, PSNC filed its proposal in response to the Commission’s Order. PSNC noted that its proposed revised rates reflect: (1) a reduction in the federal corporate income tax rate from 35% to 21%, and (2) the correction of an error made in connection with a previous adjustment of rates to account for a decrease in the State corporate income tax rate to 3%.

On November 14, 2018, the Public Staff filed its comments pursuant to the Commission’s Order. No other party filed comments. The Public Staff stated that it had reviewed the proposal and recommended that the Commission direct PSNC to implement the rates as set forth in the filing. The Public Staff further recommended that the Commission direct PSNC to file revised tariffs and give notice to its customers of the revised rates.

The Public Staff also noted that, although the rates filed by PSNC reflect the error correction related to the decrease in the State corporate income tax rate to 3%, the proposal does not address the provisional amount overcollected due to the computational error. The Public Staff recommended that this overcollection be treated in the same manner as the federal provisional amount as outlined in the Commission’s October 5, 2018 Order, and returned with interest at the overall weighted cost of capital approved in the Company’s last general rate case proceeding at the same point in time that the federal provisional amount is returned.

On December 7, 2018, PSNC filed a letter stating that, after consultation with the Public Staff, PSNC was proposing to provide the following notice as a bill message on each customer’s bill issued for service rendered on and after January 1, 2019:

The N.C. Utilities Commission approved the following rates effective for service rendered on and after January 1, 2019. These rates reflect a decrease resulting from a reduction in the federal income tax rate from 35% to 21% and a correction in the state income tax rate. (Docket No. G-5, Sub 595) [followed by rate applicable to individual rate schedule.]

PSNC requested that the Commission review the customer notice and issue an Order approving the notice and the rates set forth on Attachment 1 of the Company’s October 25, 2018 filing.

Based upon the foregoing, the Commission finds good cause to approve PSNC’s proposal to implement the change in the federal corporate income tax rate including the necessary correction to appropriately reflect the 3% State corporate income tax rate.

¹ The Commission specifically requested that PSNC’s adjusted base rates should also include the necessary correction to appropriately reflect the 3% State corporate income tax rate.

The Commission further finds it appropriate to require PSNC to treat the overcollected amount referenced by the Public Staff in its comments in the same manner as required for the federal provisional amount (i.e., PSNC shall hold in a deferred regulatory liability account the overcollected amount due to the State corporate income tax computational error to be considered in PSNC's next general rate case proceeding or in approximately three years (specifically, October 5, 2021), whichever is sooner and that such amount will be returned to customers with interest reflected at the overall weighted cost of capital approved in PSNC's last general rate case proceeding).

PSNC shall file its revised tariffs to reflect the proposed rate adjustments within 10 days of the issuance of this Order. The Public Staff is requested to file a letter as soon as reasonably possible thereafter verifying that the revised tariffs are correct and, if appropriate, recommending Commission approval. PSNC shall notify customers of the rate change through the proposed customer notice filed on December 7, 2018.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 17th day of December, 2018.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in blue ink, appearing to read "Janice H. Fulmore".

Janice H. Fulmore, Deputy Clerk