STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. M-100, SUB 148
DOCKET NO. E-2, SUB 1188

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-2, SUB 1188 In the Matter of Duke Energy Progress, LLC Filings to Reflect The Federal Tax Cuts and Jobs Act	)))))))))))	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 directed certain utilities, including Duke Energy Progress, LLC (DEP), 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 DEP, "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, 2018 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, DEP filed its proposal in Docket No. E-2, Sub 1188 in response to the Commission's Order. DEP filed Exhibit 1, Exhibit 1a, and Exhibit 1b detailing its proposal. DEP's proposal indicated that the annual revenue impact due to the reduction in the federal income tax rate is ($103,875,004) and that the proposed decrement rate effective for service rendered on and after December 1, 2018 would be ($0.00278) per kWh.

On October 29, 2018, the North Carolina Sustainable Energy Association (NCSEA) filed a Petition to Intervene in the docket. On November 2, 2018, the Commission issued an Order granting the Petition.

On November 6, 2018, the Carolina Industrial Group for Fair Utility Rates II (CIGFUR II) filed a Petition to Intervene in the docket. By Order dated November 9, 2018, the Commission granted the Petition.

On November 14, 2018, comments were filed by CIGFUR II, NCSEA, and the Public Staff pursuant to the Commission's Order.

CIGFUR II stated in its comments that it supports DEP's proposal to adjust rates to reflect the reduction in the federal corporate income tax rate to 21% by implementing a rate decrement of $0.00278 per kWh, effective beginning December 1, 2018. CIGFUR II maintained that DEP's proposal to apply the reduction to its volumetric energy usage rates is appropriate and identical to the methodology used by DEP for its current Excess Deferred Income Tax Rider, which the Commission found to be just and reasonable and approved in Docket No. E-2, Sub 1142 earlier this year. CIGFUR II also noted that implementing the decrement one month early will help to mitigate the impact of the significant fuel charge increase (5.9% for the Large General Service class) approved by the Commission in Docket No. E-2, Sub 1173, on November 8, 2018, which also becomes effective on December 1, 2018.

NCSEA noted in its comments that DEP's proposal would only apply to volumetric energy rates and not the other charges paid by ratepayers. NCSEA maintained that the proposal would not affect demand charges, basic monthly customer charges, or any other non-volumetric fees such as those charged under lighting service rate tariffs, seller charges for customers taking electric service under rates as PURPA Qualified Facilities, service restoration charges, or meter testing fees.

NCSEA asserted that DEP's proposal flies in the face of energy efficiency and conservation policies and that applying the reduction only to volumetric energy rates is inappropriate. First, NCSEA maintained that this proposal disproportionately provides the benefits of rate reduction to customers with high energy use. NCSEA also argued that the proposal is discriminatory as it deprives some classes, specifically the lighting classes, of the benefits of the rate reduction because it does not affect the base rates charged to several lighting classes. NCSEA asserted that as a matter of good policy, such a broad tax reduction by the federal government should be broadly applied by the utility. NCSEA also noted that Dominion Energy North Carolina's (DENC's) compliance filing shows a reduction to all non-fuel base rates of approximately 5.1358% on all bill components. NCSEA stated that it supports DENC's proposal and encourages the Commission to reject DEP's proposal and to require DEP to apply uniform reductions to all of DEP's base rates and charges in a manner materially similar to that proposed by DENC.

The Public Staff stated that it had reviewed DEP's proposal and recommended that the Commission direct DEP to adjust its rates as proposed. The Public Staff further recommended that DEP file its proposed tariffs reflecting these rates at the same time as the rate adjustments in the Company's REPS Rider, Fuel Adjustment Rider, and Joint Asset Rider proceedings. The Public Staff noted that these riders are effective December 1, 2018.

On November 20, 2018, DEP filed reply comments. DEP noted that although the Commission's October 5, 2018 Order did not provide for the filing of reply comments, DEP requested that the Commission allow and accept its letter as DEP's reply comments in support of its proposal to adjust rates to reflect the reduction in the federal corporate income tax rate. DEP noted that CIGFUR II and the Public Staff filed comments supporting DEP's proposal and that NCSEA filed comment opposing DEP's proposal because it is a uniform reduction in the energy rate.

DEP maintained that in addition to the reasons stated by the Public Staff and CIGFUR II in their comments, DEP recommends that its proposal be approved by the Commission for the following reasons:

(1) From an administrative and billing standpoint, DEP's proposal is easily implemented, which aligns with DEP's desire to have the rate decrement effective for the benefit of its customers on December 1, 2018, when DEP's new fuel, REPS, and JAAR rider rates become effective.

(2) DEP's proposal is consistent with how the Company has adjusted rates, with Commission approval, several times to reflect recent reductions in state corporate income taxes.

(3) NCSEA's proposal to apply the federal tax rate decrement to the basic customer charge would require additional administrative and billing changes that would be complex and difficult to implement by December 1, 2018, and would therefore not allow the proposed federal tax rate decrement to align with the effective date of the Company's other new rider rate changes.

(4) Finally, assuming arguendo that DEP's proposed uniform rate approach creates any inefficiencies among customer classes, which DEP does not believe exists, any such inefficiencies would be fully resolved in DEP's next general rate case when all costs are properly allocated to each rate class and reflected in rates.

DEP requested that the Commission approve its proposal to implement a rate decrement as originally filed on October 25, 2018, and as supported by the Public Staff and CIGFUR II.

After reviewing DEP's proposal and the comments filed in response to that proposal, the Commission finds good cause, based on the specific facts and circumstances of this case, to approve the proposal to implement the change in the federal corporate income tax rate. The Commission specifically notes that this decision is based upon the facts and circumstances in this case and should not be considered precedential in any way. The Commission reached this decision in order to allow DEP to change rates one time, effective December 1, 2018, for the three riders, with the fuel rider approved in Docket No. E-2, Sub 1173 being $7.29 per 1,000 kWh, along with the federal income tax change, to allow for one combined customer notice which will be less confusing for customers, and to mitigate the increase resulting from the riders.

Therefore, DEP shall file its revised tariffs to reflect the proposed rate adjustments for service rendered on and after December 1, 2018 at the same time as the adjustments in the Company's REPS Rider, Fuel Adjustment Rider, and Joint Agency Asset Rider proceedings. DEP shall also notify customers of the rate change due to the decrease in the federal corporate income tax rate in conjunction with the other rider rate changes occurring on December 1, 2018.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 26th day of November, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

Commissioner Lyons Gray did not participate in this decision.