

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. M-100, SUB 148

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

The Federal Tax Cuts and Jobs Act

) ORDER RULING THAT CERTAIN
) COMPONENTS OF CERTAIN
) PUBLIC UTILITY RATES ARE
) PROVISIONAL AS OF
) JANUARY 1, 2018, INITIATING A
) GENERIC PROCEEDING, AND
) REQUESTING COMMENTS

BY THE CHAIRMAN: On December 22, 2017, President Donald J. Trump signed into law the Tax Cuts and Jobs Act (the Federal Tax Cuts and Jobs Act). Among other provisions that are contained in this tax reform are provisions that will upon implementation reduce the tax rate of most, if not all, investor-owned public utilities providing services in North Carolina. Specifically, the new federal legislation reduces the Federal corporate income tax rate from 35% to 21%, effective for taxable years beginning after December 31, 2017. This reduced tax rate when effectuated will have an immediate and favorable impact on the cost of providing the aforementioned public utility services to consumers in North Carolina.

The Chairman, therefore, concludes that each and every public utility subject to the provisions of this Order should be, and hereby is, placed on notice that the Federal corporate income tax expense component of all existing rates and charges, effective January 1, 2018, will be billed and collected on a provisional rate basis pending further investigation and disposition of this matter by the Commission, with accompanying deferred accounting for the amount of reduced rates, as hereinafter provided. The Chairman further specifically finds it appropriate to exclude any water and/or wastewater public utility with \$250,000 or less in annual operating revenues from the directives of this Order.

In addition, the Chairman finds good cause to solicit comments and reply comments in regard to how the Commission should proceed in response to the enactment of the Federal Tax Cuts and Jobs Act. The Chairman requests that comments address all aspects of the Federal Tax Cuts and Jobs Act that are relevant to the particular company and/or interested party submitting comments.

In particular, the following companies are requested to file initial comments: Duke Energy Carolinas, LLC; Duke Energy Progress, Inc.; Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina; Piedmont Natural Gas Company, Inc.;

Public Service Company of North Carolina, Inc. d/b/a PSNC Energy; Frontier Natural Gas Company, LLC; Toccoa Natural Gas; Aqua North Carolina, Inc.; and Utilities, Inc. (hereinafter collectively referred to as the Utilities). Additionally, the Public Staff is requested to file initial comments, and other interested parties are encouraged to file comments.

The Utilities are requested to include the following information in their initial comments:

- (1) the estimated annual cost-of-service effect, on an item-by-item basis, of the changes to the levels of income tax expenses expected due to the enactment of the Federal Tax Cuts and Jobs Act. Please show the amount of each change and the related levels of tax expense before and after each change. Such information is to be presented on an NCUC jurisdictional basis (e.g., on a NC retail or NC intrastate basis, as appropriate); and
- (2) a complete detailed narrative explanation of how the Utility proposes to account for and treat excess deferred income taxes that were accrued in earlier years under Federal corporate income tax rates that were in excess of those set forth in the Federal Tax Cuts and Jobs Act.

IT IS, THEREFORE, ORDERED as follows:

1. That effective January 1, 2018, the Federal corporate income tax component of the rates and charges of all electric and natural gas distribution companies and all water and wastewater companies with annual operating revenues in excess of \$250,000 subject to the jurisdiction of the Commission shall be, and hereby are, ordered to be billed and collected on a provisional rate basis pending final disposition of this matter by the Commission.

2. That effective January 1, 2018, each and every utility subject to the provisions of this Order shall place in a deferred account the difference between revenues billed under rates then in effect, including provisional components thereof, and revenues that would have been billed had the Commission in determining the attendant cost of service based the Federal corporate income tax component thereof on the Internal Revenue Code as now amended by the Federal Tax Cuts and Jobs Act, assuming all other parameters entering into the cost of service equation are held constant.

3. That the Utilities are hereby made parties of record in this proceeding.

4. That any person having an interest in this proceeding may file a petition to intervene stating such interest on or before Thursday, January 18, 2018.

5. That the Utilities, intervenors, and the Public Staff shall file initial comments in response to the matters discussed in this Order, together with any other information

that may be helpful to the Commission's deliberations on this matter, on or before Thursday, February 1, 2018.

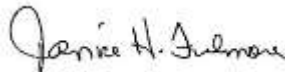
6. That the Utilities, intervenors, and the Public Staff may file reply comments on or before Thursday, February 15, 2018.

7. That in addition to the Utilities, the Chief Clerk of the Commission shall serve copies of this Order on all other jurisdictional electric, natural gas, water, wastewater, ferryboat, and Commission-approved price regulation plan incumbent local exchange telephone companies (i.e., Citizens Telephone Company d/b/a Comporium); and all parties of record with respect to the last general rate case proceedings of the Utilities, which include the Public Staff and the North Carolina Attorney General.

ISSUED BY ORDER OF THE COMMISSION.

This the 3rd day of January, 2018.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Janice H. Fulmore". The signature is written in a cursive, flowing style.

Janice H. Fulmore, Deputy Clerk