Subject: [No Subject]

From: mike carter [redacted]

To: [redacted]

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PUBLIC SERVICE COMMISSION

TO WHOM IT MAY CONCERN:

Duke asking for a rate increase of this size is not acceptable. The tax break the company will receive each year will more than cover the amount it is asking for. Other areas of the country utility companies are using their tax break windfall to off set increases. Duke should be required to do the same.

Sincerely,

Michael Carter

Michael Carter

Utilities to Pass Along Tax Savings

By Ezequiel Minaya

A flurry of regulated gas and electric utilities are passing savings stemming from the recent tax overhaul to their customers, a move welcomed by consumers but met with concern by credit-ratings analysts.

Utilities' tax payments, alongside other operating costs, are built into retail rates and paid for by customers. Now that the federal government has slashed the corporate tax rate to 21% from 35%, utilities will pay less tax, which will need to be reflected in revised rates.

Rate changes will save a few dollars off the average customer's bill. Although state authorities may give regulated utilities little choice but to return tax savings to customers, credit markets may still penalize the sector for the diminished cash flow.

Moody's Investors Service Inc. reduced the outlook for 24 regulated utilities and utility holding companies to negative from stable in January, saying they would be adversely affected by tax changes.

"If [cash flow is] going to be smaller, to us the financial risk has gone up," said Toby Shea, a senior credit officer at Moody's who covers utilities.

The sector relies on borrowing large amounts of money to build and maintain infrastructure such as power plants and transmission lines. The steady stream of customer bill payments underpins utilities' credit ratings, which in turn dictate their cost of debt.

Regulated utilities will also have to refund some of the tax payments they have collected from customers based on the 35% rate, but haven't yet passed to the federal government. Companies can refund this cash over years.

Utility holding company **National Grid U.S.** expects a noncash tax credit of $2 billion in 2018 as a result of the lower tax rate, said Peggy Smyth, the company's finance chief.

"It's going to be returned to customers over a period of 20 to 30 years," Ms. Smyth said.

National Grid's subsidiaries in New York, Massachusetts and Rhode Island have requested more modest rate increases with a total of $131 million in cuts linked to the new federal tax legislation.

To do so, regulated utilities submit proposals to state public utility commissions which approve retail rates. The calculation allows companies to recover from customers the cost of providing service including expenses like fuel, operations, depreciation and income tax.

National Grid's New York customers will see first-year increases of only 1.7% for electric and 2.4% for gas rates, as opposed to the 13% and 14% originally proposed, said James Denn, a spokesman for the New York State Department of Public Service, the state's utility regulator.

"It's the right thing to do for our customers," Ms. Smyth said. "We view that as a pass-through cost and to the extent that the tax rate is going down, we are going to build that into the new rates."

Since January, more than a dozen utilities in states including Massachusetts, Oregon, Florida and New York have made similar moves.

The latest company was **Duke Energy** Corp. The utility's subsidiaries in North Carolina last week filed paperwork with local authorities seeking permission to cut retail rates or use its tax savings to defray the cost of storm-related recovery efforts.

"Tax reform has presented us a unique opportunity to reduce customer bills in the near term, while also helping to offset future rate increases," said Steven Young, Duke Energy's finance chief.

NextEra Energy Inc. subsidiary Florida Power & Light, or FPL, last month said it plans to use its tax savings to pay for $1.3 billion in recovery costs from Hurricane Irma. Though customers won't see those savings, they will be spared a rate increase.

Ratings Firms Study Impact of Tax Law

Implications of the new tax law, including how credit markets view the revised cash flow of utilities, are unclear.

Ratings firms have been less optimistic than some utility executives about the changes. The possible impact of the tax overhaul has triggered scrutiny across the sector, said Gabe Grosberg, director of S&P Global's North America regulated utility team. S&P Global rates some 200 regulated utilities. "We look at each company," he said. "Some have sufficient cushion; others don't have the cushion we are looking for." Earlier last month, S&P changed its outlook for **Dominion Energy** Inc., a Virginia-based gas-and-power company, to negative from stable.

The soured outlook means that there is at least a 1-in-3 chance that the company's current triple-B+ rating will be downgraded within the next two years, Mr. Grosberg said. A lower credit rating can result in higher interest rates, and therefore higher payments on new or refinanced debt, though broader bond market forces can temper that impact.

A spokesman for Dominion declined to comment.