

R1-35 USE OF ACCELERATED DEPRECIATION BY ELECTRIC, WATER, SEWER, GAS AND TELEPHONE UTILITY COMPANIES UNDER FEDERAL TAX REFORM ACT OF 1969

(a) Electric, water, sewer, gas and telephone utility companies operating in North Carolina are hereby authorized, but not required, to use liberalized or accelerated depreciation and are authorized to normalize the difference between the federal and State income taxes due with the use of accelerated depreciation and the federal and State income tax which would be due with the use of various straight-line depreciation methods for their regular books of account and for rate-making purposes, to the extent such accelerated depreciation and normalization thereof is authorized by Section 441 of the Federal Tax Reform Act of 1969 as enacted by Congress in December of 1969, subject to the terms and conditions provided in this rule.

(b) The accelerated depreciation and normalization of the results thereof for accounting and rate-making purposes shall be authorized on all utility property which qualifies for accelerated depreciation under Section 441 of the Federal Tax Reform Act of 1969.

(c) Utility companies using accelerated depreciation and normalization thereof under this rule shall record deferred operating federal income taxes in a temporary income account to be designated as "Operating federal income taxes deferred - accelerated tax depreciation"; deferred operating State income taxes in an account designated "Other operating taxes"; deferred nonoperating federal income taxes in an account designated "Federal income taxes - nonoperating taxes"; and deferred nonoperating State income taxes in an account designated "Other nonoperating taxes", and contra credits shall be made to corresponding subdivisions of a temporary balance sheet account to be designated "Reserve for accumulated deferred income taxes - accelerated tax depreciation."

(d) The deferred federal and State income tax funds made available temporarily by the adoption of such accelerated depreciation and normalization thereof on the utility company books should be utilized by said utility company for construction of utility plant, and in no event shall the same be transferred to earned surplus.

(e) Any utility company which has used accelerated depreciation with flow-through methods of accounting as defined in Section 441 of the Federal Tax Reform Act of 1969 is authorized, but not required, to continue such flow-through methods of accounting to the full extent allowed under said Section 441 of the Federal Tax Reform Act of 1969.

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