

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of :  
**The East Ohio Gas Company d/b/a** :  
**Dominion East Ohio** for Approval of : Case No. 17-2178-GA-RDR  
Tariffs to Adjust its Automated Meter :  
Reading Cost Recovery Charge and :  
Related Matters :

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**COMMENTS  
SUBMITTED ON BEHALF OF THE STAFF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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**On behalf of the Staff of  
The Public Utilities Commission of Ohio**

**March 23, 2018**

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**INTRODUCTION**

In accordance with the Public Utilities Commission of Ohio's (Commission) Opinion and Order adopting the Stipulation and Recommendation filed in Case No. 07-829-GA-AIR et al., the Staff of the Public Utilities Commission of Ohio (Staff) conducted its investigation in the above-referenced matter and submits its findings and recommendations to the Commission in these Comments.

The Commission's Rates and Analysis Department Staff prepared these Comments. Included are findings and recommendations resulting from financial reviews of The East Ohio Gas Company d/b/a Dominion East Ohio's (DEO or Company): proposed revenue requirement, matters related to its program to install automated meter reading (AMR) equipment on customer meters throughout its service area, and the associated AMR Cost Recovery Charge.

Pursuant to the Attorney Examiner's Entry dated March 6, 2018, these Comments are being filed with the Commission's Docketing Division. These Comments contain the results of the Staff's investigation. These Comments do not reflect the views of the Commission and the Commission is not bound by Staff's representations and/or recommendations.

## **BACKGROUND**

DEO is an Ohio corporation engaged in the business of providing natural gas service to approximately 1.2 million customers in northeastern, western, and southeastern Ohio communities.

In its October 15, 2008 Opinion and Order in Case No. 07-829-GA-RDR adopting the Stipulation and Recommendation (2007 Stipulation) filed by the parties, the Commission authorized DEO to establish an automated adjustment mechanism to recover the costs associated with an AMR program. The recovery mechanism, in the form of an annual rider, is designed to permit the Company to recover its annual costs to install AMR equipment on each of the nearly 1.3 million meters in its system over a five-year period. AMR equipment enables DEO to remotely read customers' meters, which promotes billing accuracy and customer convenience. The AMR program also lessens the need for estimated meter reads and for scheduling appointments to read inside meters.

The 2007 Stipulation established a process that called for annual filings to support proposed increases to the AMR Cost Recovery Charge. The process involves a pre-filing notice being filed in November of each year. The filing must contain schedules with nine

months of actual and three months of projected costs and related data in support of the rider increase. Also, the filing shall include a date certain of December 31st of the applicable year for property valuation. By February 28th of the following year, the Company must then file an application updating the data provided to include a full year of actual data. The process then provides that, unless the Staff finds DEO's filing to be unjust or unreasonable or another party files an objection that is not resolved by DEO, Staff will recommend the Commission approve the Company's Application. If approved by the Commission, the resulting increase to the AMR rider will take effect with the first billing cycle following the Commission order.

In accordance with the application process, on November 29, 2017, DEO pre-filed a notice in this case that included preliminary schedules containing projected data related to AMR costs incurred in 2017. On February 28, 2018, DEO filed its Application and supporting schedules with actual data for AMR device costs incurred in calendar year 2017. Although DEO completed installation of AMR devices throughout its system in 2012, it will continue to incur recoverable AMR-related costs such as depreciation and property tax expenses and continue to reduce the AMR Cost Recovery Charge by the annual operation and maintenance savings resulting from the AMR deployment. As a result, the Company will continue to file annual applications until the AMR costs are included in its base rates in its next base rate case. On March 6, 2018, the Attorney Examiner issued an Entry establishing the following procedural schedule:

- (a) March 23, 2018 – Deadline for filing of motions to intervene.
- (b) March 23, 2018 – Deadline for Staff and intervenors to file comments on the Application.
- (c) March 29, 2018 – Deadline for DEO to file a statement, informing the Commission whether the issues raised in the comments have been resolved.
- (d) March 30, 2018 – Deadline for the parties and Staff to file expert testimony.
- (e) In the event that some or all of the parties enter into a stipulation resolving some or all of the issues in this case, the parties must file such stipulation with the Commission by 9:00 a.m. on April 3, 2018.
- (f) In the event that all of the issues are not resolved or the parties enter into a stipulation, a hearing shall commence on April 4, 2018, at 10:00 a.m. at the offices of the Commission, 180 East Broad Street, 11<sup>th</sup> Floor, Hearing Room 11-D, Columbus, Ohio 43215. Any party requesting a continuance of the hearing must file a motion to continue the hearing with the Commission by 9:00 a.m. on April 3, 2018.

### **DEO'S APPLICATION**

For recovery of 2017 AMR costs, DEO's Application and supporting schedules propose an annualized revenue requirement of \$4,788,763, which when allocated to customers, results in a proposed AMR Cost Recovery Charge of \$0.33 per customer per month. The current rate that is being paid monthly by customers (as set last year in Case No. 16-2206-GA-RDR) is \$0.44 per customer.

DEO's recommended reduction in the AMR Cost Recovery Charge is primarily due to the Company's proposals to recognize the federal income tax rate reduction pursuant to the Tax Cuts and Jobs Act of 2017 (TCJA). The Company proposes to reduce the

pre-tax rate of return used in the AMR Cost Recovery Charge revenue requirement calculation from 11.36 percent to 9.91 percent in order to recognize the TCJA federal income tax rate reduction from 35 percent to 21 percent. However, the Company maintains that determining the impact of the TCJA on accumulated deferred income taxes (ADIT) associated with its AMR program is a complex matter that cannot be resolved in the current case. The Company acknowledges that ADIT has been accumulated using a 35 percent tax rate and that the federal income tax rate reduction to 21 percent results in excess deferred income taxes (EDIT) that should be passed back to customers, but it indicates that determining the manner and proper time period over which the EDIT should be amortized without violating tax normalization rules prescribing how such refunds should be recognized over time is very complex. Therefore, the Company proposes that amortization of the AMR-related EDIT for 2018 be reflected in the AMR Cost Recovery Charge application in 2019.

### **STAFF'S REVIEW, COMMENTS, AND RECOMMENDATIONS**

Staff reviewed the Company's Application, schedules, testimony, proposals to recognize the impacts of the TCJA, and related documentation and confirmed that the Company properly applied the depreciation rates adopted in Case No. 13-1988-GA-AAM. Regarding DEO's proposals to recognize the TCJA impacts, Staff notes that the Commission is currently investigating the financial impacts of the TCJA in Case No. 18-0047-AU-COI and determining what, if any, adjustments should be made to utility company rates in Ohio as a result of the federal income tax rate reduction. The Commission's

investigation is ongoing and the Commission has issued no directives to utilities on how to reflect the tax rate change in their rates. Similarly, DEO filed its Application, including its proposals for recognizing the federal income tax rate reduction, on February 28, 2018. Because Staff comments are due on March 23, 2018, Staff will continue its investigation of this matter, including reviewing DEO's proposals for recognizing the federal income tax rate reduction filed on February 28, 2018 and follow any Commission findings in Case No. 18-0047-AU-COI. Staff reserves the right to recommend adjustments to DEO's AMR Cost Recovery Charge rates proposed to take effect in 2019, including potential refunds to customers, on the basis of Staff's ongoing investigation and/or Commission findings and directives in the 18-0047-AU-COI case. Therefore, Staff recommends that the Commission accept DEO's proposed AMR Cost Recovery Charge rates as proposed in its Application, subject to potential reconciliation, adjustments, or refunds next year. Staff recommends that, in its Opinion and Order in this case, the Commission expressly notify DEO that next year's AMR Cost Recovery Charge rate may be adjusted to reflect any reconciliation or refunds resulting from ongoing investigations of the impacts of the federal income tax rate reduction. In addition, Staff recommends that the Commission direct DEO to note in its tariffs that the AMR Cost Recovery Charge is subject to reconciliation and potential refunds as determined by the Commission. With adoption of these recommendations, Staff has no other objections to DEO's Application and supporting documentation and recommends that the Commission approve DEO's Application as filed.



Respectfully Submitted,

**Michael DeWine**  
Attorney General

**William L. Wright**, Section Chief  
Public Utilities Section

*/s/ Jodi J. Bair*

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**On behalf of the Staff of  
The Public Utilities Commission of Ohio**

## PROOF OF SERVICE

I certify that a copy of the foregoing **Comments** was served via electronic mail upon Applicant's counsel, Mark A. Whitt, Andrew J. Campbell, and Rebekah J. Glover, Whitt Sturtevant, The KeyBank Building, 88 East Broad Street, Suite 1590, Columbus, Ohio, 43215, at [whitt@whitt-sturtevant.com](mailto:whitt@whitt-sturtevant.com), [campbell@whitt-sturtevant.com](mailto:campbell@whitt-sturtevant.com), and [glover@whitt-sturtevant.com](mailto:glover@whitt-sturtevant.com), on the 23rd day of March, 2018.

*/s/ Jodi J. Bair*

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**Jodi J. Bair**

Assistant Attorney General

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**Case No(s). 17-2178-GA-RDR**

Summary: Comments submitted by Assistant Attorney General Jodi Bair on behalf of the Staff of the Public Utilities Commission of Ohio. electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio