

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
THE EAST OHIO GAS COMPANY D/B/A
DOMINION ENERGY OHIO TO ADJUST ITS
PIPELINE INFRASTRUCTURE
REPLACEMENT PROGRAM COST
RECOVERY CHARGE AND RELATED
MATTERS.

CASE NO. 17-2177-GA-RDR

FINDING AND ORDER

Entered in the Journal on April 18, 2018

I. SUMMARY

{¶ 1} The Commission approves the application of The East Ohio Gas Company d/b/a Dominion Energy Ohio to adjust its pipeline infrastructure replacement program cost recovery charge.

II. DISCUSSION

{¶ 2} The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO or Company) is a natural gas company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4929.11 provides that the Commission may allow any automatic adjustment mechanism or device in a natural gas company's rate schedules that allows a natural gas company's rates or charges for a regulated service or goods to fluctuate automatically in accordance with changes in a specified cost or costs.

{¶ 4} On October 15, 2008, in Case No. 07-829-GA-AIR, et al., the Commission approved a stipulation filed by DEO and the other parties, which, inter alia, adopted, with some modifications, Staff's recommendations set forth in the Staff Report filed on May 23, 2008. The Staff Report set forth procedures to be followed for the annual updates to DEO's pipeline infrastructure replacement (PIR) program cost recovery charge (Rider PIR). Specifically, the process provided that DEO would file an annual application supporting an

initial charge and subsequent adjustments to Rider PIR. *In re The East Ohio Gas Co. d/b/a Dominion East Ohio*, Case No. 07-829-GA-AIR, et al., Opinion and Order (Oct. 15, 2008).

{¶ 5} On August 3, 2011, the Commission approved a stipulation that modified DEO's PIR program. As part of the modified program, DEO would transition its Rider PIR filings from a fiscal-year basis to a calendar-year basis. Under this new process, DEO is to submit a prefiling notice by November 30 each year, and an updated filing with actual data by February 28, with the goal of the revised Rider PIR charge becoming effective as of the first billing cycle in May of each year. *In re The East Ohio Gas Co. d/b/a Dominion East Ohio*, Case No. 11-2401-GA-ALT (2011 PIR Case), Opinion and Order (Aug. 3, 2011).

{¶ 6} On September 14, 2016, the Commission approved a stipulation that extended DEO's PIR program and Rider PIR through 2021. *In re The East Ohio Gas Co. d/b/a Dominion East Ohio*, Case No. 15-362-GA-ALT, Opinion and Order (Sept. 14, 2016).

{¶ 7} The current Rider PIR charge is: \$9.69 per month for General Sales Service (GSS) and Energy Choice Transportation Service (ECTS) customers; \$61.02 per month for Large Volume General Sales Service (LVGSS) and Large Volume Energy Choice Transportation Service (LVECTS) customers; \$321.68 per month for General Transportation Service (GTS) and Transportation Service for Schools (TSS) customers; and \$0.0678 per thousand cubic feet (Mcf) for Daily Transportation Service (DTS) customers, capped at \$1,000.00 per month. *In re The East Ohio Gas Co. d/b/a Dominion East Ohio*, Case No. 16-2205-GA-RDR, Finding and Order (Apr. 19, 2017).

{¶ 8} In accordance with the procedure approved by the Commission in the 2011 PIR Case, DEO filed a prefiling notice in the current proceeding on November 30, 2017. On February 28, 2018, DEO filed an application requesting an adjustment to its current Rider PIR for costs incurred between January 1, 2017, and December 31, 2017. Along with its application, DEO also filed the direct testimony of Vicki H. Friscic and Schedules 1 through 17A in support of its application.

{¶ 9} In its February 28, 2018 application, DEO requests that the Commission approve an adjustment to Rider PIR reflecting costs associated with capital investments made during the period January 1, 2017, through December 31, 2017. As reflected in Schedule 1 of the application, DEO submits that the total annual revenue requirement for Rider PIR would be \$165,465,953.57. Further, as proposed in DEO's application, Rider PIR would be adjusted as follows:

Rate Class	Current Rates	Proposed Rates	Proposed Increase	Proposed Decrease
GSS/ECTS	\$9.69 per month	\$10.23 per month	\$0.54 per month	
LVGSS/LVECTS	\$61.02 per month	\$59.66 per month		\$1.36 per month
GTS/TSS	\$321.68 per month	\$378.04 per month	\$56.36 per month	
DTS	\$0.0678 per Mcf	\$0.0633 per Mcf		\$0.0045 per Mcf

{¶ 10} In her testimony, Ms. Friscic states that DEO's customers are realizing several benefits from the PIR program including: enhanced service reliability and safety well into the future resulting from the replacement of aging infrastructure; reduced operations and maintenance (O&M) costs that have occurred to date and will continue to occur over time resulting from a lower leak repair rate as compared to the O&M costs that would have been incurred if DEO had not accelerated the replacement of its pipelines; and lower service line costs because DEO now installs and maintains the curb-to-meter service lines that were previously the responsibility of customers. Ms. Friscic provides an overview of the process for adjusting Rider PIR and an explanation for how the calculations were determined in the accompanying schedules, necessitating a total annualized revenue requirement of \$165,465,953.57. Ms. Friscic asserts that Rider PIR allows DEO to continue to provide safe and reliable service through the replacement of dated infrastructure in an accelerated manner. (DEO App., Att. C at 2-17.)

{¶ 11} By Entry issued March 6, 2018, the attorney examiner required that Staff and intervenor comments on the application be filed by March 23, 2018, and that DEO file, by March 30, 2018, a statement informing the Commission whether all issues raised in the comments had been resolved.

{¶ 12} Staff, Ohio Consumers' Counsel (OCC), and Ohio Partners for Affordable Energy (OPAE) filed comments on DEO's application on March 23, 2018.

{¶ 13} On March 30, 2018, the attorney examiner issued an Entry granting the motions to intervene filed by OCC and OPAE.

{¶ 14} In its comments, Staff states that it reviewed and analyzed all of the documentation filed by DEO and traced it to supporting work papers and to source data. As part of its review, Staff issued data requests, conducted investigative interviews, and performed independent analyses when necessary. Staff notes that, according to DEO, the Company replaced, in 2017, 189.95 miles of bare steel and cast iron (BS/CI) pipelines and 40,726 service lines (including both main-to-curb and curb-to-meter service lines) and moved 28 inside customer meters outside. Staff further notes that, including the 2016 replacements and move-outs, the Company reports that, since inception of the PIR program in July 2008, it has replaced a total of 1,566.26 miles of BS/CI pipelines, replaced 355,352 service lines, and moved 1,616 meters outside.

{¶ 15} Staff notes that DEO's recommended PIR cost recovery charge includes the Company's proposal to recognize the federal income tax rate reduction pursuant to the Tax Cuts and Jobs Act of 2017 (TCJA). Staff explains that DEO proposes to reduce the pre-tax rate of return used in the PIR cost recovery charge revenue requirement calculation from 11.36 percent to 9.91 percent, in order to recognize the federal income tax rate reduction from 35 percent to 21 percent. Staff adds that DEO believes that determining the impact of the TCJA on accumulated deferred income taxes associated with its PIR program is a complex matter that cannot be resolved in the current case. Staff states that DEO, therefore,

proposes that amortization of the PIR-related excess deferred income taxes for 2018 be reflected in next year's PIR application. Further, Staff notes that the Commission is currently investigating the financial impacts of the TCJA in *In re the Commission's Investigation of the Financial Impact of the Tax Cuts and Jobs Act of 2017 on Regulated Ohio Utility Companies*, Case No. 18-47-AU-COI (*Tax COI Case*), 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.

{¶ 16} Staff, therefore, recommends that the Commission accept DEO's proposed PIR cost recovery charge as proposed in its application, subject to potential reconciliation, adjustments, or refunds next year. Staff further recommends that, in its order in this case, the Commission expressly notify DEO that next year's PIR cost recovery charge 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 PIR cost recovery charge is subject to reconciliation and potential refunds as determined by the Commission.

{¶ 17} Staff states that, with adoption of the above-noted recommendations, it has no other objections to DEO's application to adjust the Company's PIR cost recovery charge. Consequently, Staff recommends that the Commission approve DEO's application as filed.

{¶ 18} In its comments, OCC states that DEO should amend the language in its tariff for Rider PIR to ensure that customers are refunded for overcharges, in accordance with the Court's decision in *In re Rev. of Alternative Energy Rider Contained in Tariffs of Ohio Edison Co.*, Slip Opinion No. 2018-Ohio-229. Further, OCC states that DEO should estimate its excess accumulated deferred income taxes (ADIT) and immediately begin providing consumers the benefits of its lower corporate tax rate as a result of the TCJA.

{¶ 19} In its comments, OPAE states that it is concerned that the impact of the recent TCJA be properly reflected in this application to adjust the PIR cost recovery charge. OPAE notes that the federal income tax rate for corporations was reduced effective January 1, 2018,

from 35 percent to 21 percent. OPAE states that there is no doubt that the actual federal corporate tax rate in effect as of January 1, 2018, is the rate that must be used in the calculation of the charge and that any over-recovery based on the wrong tax rate as of January 1, 2018, will be refunded to customers through an adjustment to the PIR charge determined in this application.

{¶ 20} On March 30, 2018, DEO filed its statement to inform the Commission whether the issues raised in the comments have been resolved. In its statement, DEO indicates that the Company does not object to Staff's recommendations. DEO notes that, after discussions with Staff, the Company proposes to include the following language in its PIR tariff: "This Rider is subject to reconciliation or adjustment, including, but not limited to, increases or refunds. Such reconciliation or adjustment shall be limited to: (1) the twelve-month period of expenditures upon which the rates were calculated, if determined to be unlawful, unreasonable, or imprudent by the Commission in the docket in which those rates were approved or by the Supreme Court of Ohio; and (2) those implementing the Commission's orders in Case No. 18-47-AU-COI or in any other case ordered by the Commission to address the impacts of federal income tax reform."

{¶ 21} In its statement, DEO also recognizes that OCC and OPAE reserve the right to present the issues raised in the comments regarding the treatment of excess ADIT for the Commission's consideration in the *Tax COI Case* or any other relevant docket to address tax reform changes. According to DEO, OCC and OPAE also reserve the right to validate that the Company has appropriately accounted for excess ADIT in the February 2019 PIR charge update filing. DEO concludes that, because Staff recommends approval of the PIR cost recovery charge and the Company accepts Staff's recommendations, and given that OCC and OPAE do not oppose the resolutions set forth above, a hearing in this case is unnecessary. Therefore, DEO requests that the Commission approve its February 28, 2018 application as filed and the proposed tariff language.

{¶ 22} Upon consideration of the application and the comments filed by Staff, OCC, and OPAE, the Commission finds that DEO's application to adjust its PIR cost recovery charge is reasonable and should be approved. The Commission accepts Staff's recommendations, and notes that DEO's PIR cost recovery charge may be adjusted, in the Company's next annual adjustment proceeding, to reflect any reconciliation or refunds resulting from ongoing investigations of the impact of the federal income tax rate reduction and based on the outcome of the Commission proceedings in the *Tax COI Case*. We also find that DEO's proposed tariff language should be approved.

III. ORDER

{¶ 23} It is, therefore,

{¶ 24} ORDERED, That DEO's application to adjust Rider PIR is approved. It is, further,

{¶ 25} ORDERED, That DEO's proposed tariff language is approved. It is, further,

{¶ 26} ORDERED, That DEO is authorized to file tariffs, in final form, consistent with this Finding and Order. DEO shall file one copy in this case docket and one copy in its TRF docket. It is, further,

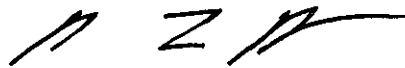
{¶ 27} ORDERED, That the effective date of the new tariffs shall be a date not earlier than the date upon which the final tariff pages are filed with the Commission. It is, further,

{¶ 28} ORDERED, That DEO notify its customers of the changes to the tariffs via bill message or bill insert within 30 days of the effective date of the revised tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division at least ten days prior to its distribution to customers. It is, further,

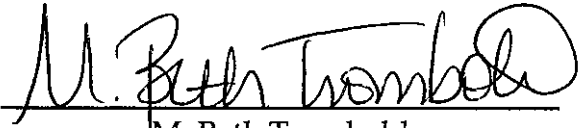
{¶ 29} ORDERED, That nothing in this Finding and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 30} ORDERED, That a copy of this Finding and Order be served upon each party of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



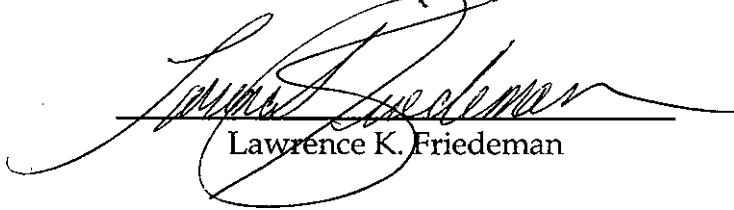
Asim Z. Haque, Chairman



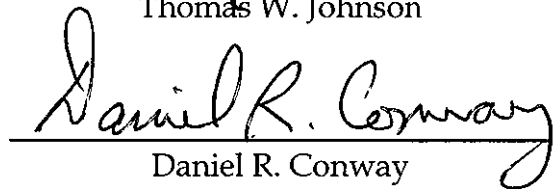
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