Before

**The Public Utilities Commission of Ohio**

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| In the Matter of the Application of Ohio Gas Company for an Increase in Gas Distribution Rates | )  )  ) | Case No. 17-1139-GA-AIR |
|  |  |  |
| In the Matter of the Application of Ohio Gas Company for Tariff Approval | )  )  ) | Case No. 17-1140-GA-ATA |
|  |  |  |
| In the Matter of the Application of Ohio Gas Company for Approval of Certain Accounting Authority | )  )  ) | Case No. 17-1141-GA-AAM |

**Joint Stipulation and Recommendation**

January 26, 2018

Before

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**Joint Stipulation and Recommendation**

1. Background
2. Rule 4901-1-30, Ohio Administrative Code (“OAC”), provides that any two or more parties to a proceeding may enter into a written or oral stipulation concerning the issues presented in such proceeding. Pursuant to Rule 4901-1-10 (C) OAC, the Staff of the Public Utilities Commission of Ohio (“Staff”) is considered a party for the purpose of entering into a stipulation under Rule 4901-1-30 OAC.
3. The purpose of this document is to set forth the understanding of the Ohio Gas Company (“Ohio Gas”), the Office of the Ohio Consumers’ Counsel (“OCC”), and the Staff (collectively, “Parties”), and to resolve all issues raised in this proceeding.
4. General Matters
5. It is understood by the Parties that this Stipulation and Recommendation (“Stipulation”) is not binding upon the Commission. However, the agreement contained herein is supported by information provided herewith, is based upon the Parties’ desire to arrive at a reasoned and reasonable result considering the law, facts and circumstances and, accordingly, should be given careful consideration by the Commission.
6. This Stipulation is submitted for purposes of this case only and should not be understood to necessarily reflect the positions which the Parties would have taken if all the issues in the proceeding would have been litigated. Like most Stipulations and Recommendations reviewed by the Commission, the willingness of the Parties to jointly sponsor this document is predicated on the reasonableness of the Stipulation taken as a whole. The fact that this document is being offered by OCC, Staff, and Ohio Gas should not be construed as necessarily indicating agreement on theory or concepts.
7. The Parties believe that this Stipulation represents a reasonable compromise of varying interests. This Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification. Each party has a right in its sole discretion to determine whether the Commission’s approval of this Stipulation constitutes a “material modification” thereof. Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within thirty (30) days of issuance of the Commission’s order, to file an application for rehearing or to terminate and withdraw from the Stipulation by filing a notice with the Commission in this proceeding, including service to all the Parties. The Parties agree that they will not oppose or argue against any other Party’s application for rehearing that seeks to uphold the original unmodified Stipulation. Upon the Commission’s issuance of any entry on rehearing that does not adopt the Stipulation without material modification, any party may terminate and withdraw from the Stipulation by filing a notice with the Commission within thirty (30) days of the Commission’s entry on rehearing. Upon notice of termination or withdrawal by any party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, this proceeding shall go forward at the procedural point at which this Stipulation was filed, and the parties will be afforded the opportunity to present evidence through witnesses, cross-examine all witnesses, present rebuttal testimony, and brief all issues which shall be decided based upon the record as if this Stipulation had never been executed. In particular, no Party will be precluded from filing testimony in support of its objections to the Staff Report filed November 22, 2017.
8. Except for enforcement purposes, neither this Stipulation nor the information and data contained herein, nor the Commission Order approving the Stipulation shall be cited as precedent in any future proceedings for or against any Signatory Party, or the Commission itself.
9. In order to resolve all the issues in this proceeding, the agreement set forth below is offered for the Commission’s consideration.
10. Authorized Revenue Determination, rate adjustments, tariff revisions, and accounting adjustments
11. The Parties agree that the schedules attached hereto as Appendix A, being revised schedules to the Staff Report of Investigation, contain the appropriate information to determine the gross revenue and the revenue increase which Ohio Gas should have the opportunity to collect as a result of this proceeding.
12. The Parties agree that a revenue increase of $2,419,587, to be collected from customers through the non-gas cost recovery portion of Ohio Gas’s total rate, is at the midpoint of the range produced by the upper and lower limits of the Staff’s rate of return recommendation in its Staff Report, as adjusted in the schedules attached as Appendix A, and is the amount of increase which should be authorized in this proceeding.[[1]](#footnote-1)
13. The Parties agree that the agreed to increase should be collected from customers by increasing Ohio Gas’s customer charge without any increase in the usage sensitive portion of Ohio Gas’s rates.
14. The Parties agree that the tariff sheet attached hereto as Appendix B is expected to permit Ohio Gas the opportunity to collect from its customers no more than the agreed to increase plus current non-gas cost revenue, is reasonable, and should be approved.
15. The Parties agree that the customer notice contained in Appendix C attached hereto is reasonable and should be approved in order to permit Ohio Gas to properly notify its customers of the rate increase agreed to herein.
16. The Parties recommend that the Commission timely approve this Stipulation in order for the rates and charges contained on the tariff sheet attached hereto (Appendix B) to become effective for all service rendered on and after March 1, 2018.
17. The Parties are aware that the Commission is seeking comments regarding changes in federal tax law that became effective on January 1, 2018 in a separate proceeding, PUCO Case No. 18-0047-AU-COI. This Stipulation is intended to address the recently enacted changes to federal corporate income taxes and represents a compromise of several issues raised by those changes. To that end, the tariff proposed in this Stipulation incorporates a reduction in the federal income tax rate from 34% to 21%. Incorporation of the lower tax rate reduces the revenue requirement increase from $3,048,566 to $2,419,587. As part of the resolution of the issues related to the changes in federal tax law, Ohio Gas understands that the Commission may order Ohio Gas to file a request to adjust rates in PUCO Case No. 18-0047-AU-COI or another case. To the extent that that order would permit Ohio Gas to seek to increase rates, Ohio Gas agrees to waive its opportunity to request such an increase. To the extent that that order would require Ohio Gas to reduce its rates, Ohio Gas agrees to make an application to effect that change, but may do so under protest. Further, it is agreed and recommended that no Party waives any legal, administrative, judicial, or appellate rights to challenge or support any change in the rates of Ohio Gas if such a change is in addition to the rates set out in this Stipulation. Further, it is agreed and recommended that the Commission find that the settlement of issues related to the changes in federal income tax rates in this Stipulation is not intended to serve as a precedent or indicate the position of any Party regarding any other proceeding concerning the implementation of changes in federal income tax rates effective on January 1, 2018 and affecting a public utility other than Ohio Gas that is subject to regulation of its rates by the Commission.
18. The Parties agree that the Commission should approve the terms and conditions of service set out in Appendix B as PUCO No. 2. The effective date shall be upon approval of the Application and Stipulation and the filing of a tariff in compliance with the orders of the Commission.
19. The Parties agree that the following exhibits should be admitted into the record:

* Joint Exhibit 1: Stipulation and Recommendation
* Company Exhibit 1: The Company’s Application (the application and supporting schedules) filed in this proceeding on May 31, 2017.
* Company Exhibit 2: The Testimony of Company Witness Bowser in Support of the Application filed in this proceeding on May 31, 2017.
* Company Exhibit 3: The Testimony of Company Witness Watkins in Support of the Application filed in this proceeding on May 31, 2017.
* Company Exhibit 4: The Testimony of Company Witness Berg in Support of the Application filed in this proceeding on May 31, 2017.
* Company Exhibit 5: The Company’s Compliance Filing filed in this proceeding on July 17, 2017.
* Company Exhibit 6: The Company’s Proof of Publication of its Application filed in this proceeding on August 29, 2017.
* Company Exhibit 7: The Company’s Proof of Publication of Local Public Hearing filed in this proceeding on January 9, 2018.
* OCC Exhibit 1: OCC’s Objections to the Staff Report of Investigation filed December 22, 2017.
* Staff Exhibit 1: Staff Report of Investigation filed November 22, 2017.

1. The Parties agree that no party is prohibited from filing and presenting testimony in support of this Stipulation.
2. The Parties agree that notice of Ohio Gas’s rate increase application has been properly published and all the procedural requirements necessary to permit the Commission to authorize the increase agreed to herein have been satisfied.
3. the Parties agree that Ohio Gas should include the customer notice, attached as Appendix C, with the first utility bill that each customer receives after the rates approved in this proceeding are in effect.
4. The Parties agree that adjustments to depreciation accrual reserves contained in Appendix D attached hereto should be approved by the Commission for Ohio Gas’s use until otherwise ordered.

On behalf of the Staff of the

Public Utilities Commission of Ohio

On behalf of Ohio Gas Company

On behalf of the Office of the

Ohio Consumers’ Counsel

**Certificate of Service**

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO’s e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing *Joint Stipulation and Recommendation*, was sent by, or on behalf of, the undersigned counsel for Ohio Gas to the following parties of record on January 26, 2018, *via* electronic transmission.

*/s/ Frank P. Darr*

Frank P. Darr

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(Counsel of Record)

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**On Behalf of the Staff of the Public Utilities Commission of Ohio**

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**Attorney Examiners**

1. This agreed revenue increase of $2,419,587 is based upon a return on equity of 9%. [↑](#footnote-ref-1)