BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of 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

COMMENTS OF COLUMBIA GAS OF OHIO, INC.

I. INTRODUCTION

The Public Utilities Commission of Ohio ("Commission") initiated this proceeding by Entry dated January 10, 2018, in order to consider the impacts of the Tax Cuts and Jobs Act of 2017 ("TCJA") and to determine the appropriate course of action to pass benefits resulting from the legislation on to customers. The TCJA, signed into law on December 22, 2017, enacted changes in the federal tax system including a reduction in the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018.

The Commission's Entry invited interested stakeholders to file comments discussing both:

(i) those components of utility rates that the Commission will need to reconcile with the TCJA; and,
(ii) the process and mechanics for how the Commission should do so.

Pursuant to the Commission's Entry, Columbia Gas of Ohio, Inc. ("Columbia") files these Comments.

Columbia is pleased that Congress crafted a tax bill that includes priorities important to regulated utilities and their customers. Lower federal income tax rates result in lower costs for Columbia's customers, while encouraging investments in critical energy infrastructure that benefits the communities Columbia serves.

Columbia has several rates that will be impacted by the passage of the TCJA. Some of Columbia's impacted rates are also the subject of existing Commission dockets with Commission action pending. As discussed below, in those situations in which there are existing dockets that relate to Columbia's impacted rates, Columbia recommends addressing the tax changes in those dockets. It is likely that other regulated utilities also will have an assortment of rates impacted by the tax changes. Some of those utilities may have existing dockets in which to address some of the tax rate changes, and some may not. This suggests that each utility's treatment of rates impacted by the change in the federal income tax rate may need to be tailored to fit the circumstances of that utility. That is, an attempt to utilize a uniform mechanism for all utilities, while simplistic, is not likely to be the most efficient way of dealing with complex tax issues within the context of vastly different utility rate structures.

When reviewing the unique characteristics of each utility, the Commission should also try to minimize the number of rate adjustments it makes for each utility. This will help to enhance customer understanding of any rate adjustments resulting from the amendment of the federal tax code.

In the remainder of these Comments, Columbia will address the impact of the TCJA upon Columbia's rates, and Columbia's recommendations for the process of recognizing in customer rates the impact of the reduced federal income tax rate.

II. BASE RATES

Columbia's base rates were established in 2008.[1] The revenue requirement upon which those rates were based included Columbia's test year level of federal income tax expense, calculated with the 35% tax rate effective at that time. With the reduction in the federal income tax rate effective January 1, 2018, Columbia's base rates will over-collect Columbia's federal tax expense.

Also included in the same revenue requirement calculation are accumulated deferred income taxes ("ADIT"). Generally Accepted Accounting Principles ("GAAP") require that the ADIT reflect the value of the tax expected to be paid. The temporary differences giving rise to Columbia's ADIT are expected to reverse at the new corporate rate of 21%. Therefore, Columbia is required to re-measure

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[1] *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Distribution Service*, PUCO Case Nos. 08-72-GA-AIR et al., Order (December 3, 2008).

the ADIT using the 21% federal income tax rate instead of the 35% rate. This remeasurement results in excess deferred taxes on Columbia's balance sheet which currently are reflected in Columbia's base rates, Infrastructure Development Rider rates, and proposed Capital Expenditure Program Rider rates. These excess deferred taxes must be reviewed to determine which excess taxes should be reflected in the development of reduced rates, and to ensure proper assignment of excess deferred taxes to the appropriate rate schedules. Failure to make proper assignment of excess taxes to rate schedules may result in an improper subsidization of one rate class by another.

Some utilities may have a rate case pending, or may be filing one in the near future. Those utilities may request that all TCJA tax reduction impacts be accounted for in the calculation of new rates in those cases. In addition, there may be other utilities which have applications, such as Columbia's Capital Expenditure Program Rider ("CEP"), before the Commission that are impacted by the TCJA. Columbia proposes, in those instances, that the Commission permit utilities with cases before the Commission impacted by TCJA to file, in that same docket, their proposed reduction in base rates resulting from TCJA.

In Columbia's situation, said filings would be made in Case No. 17-2202-GA-ALT upon determination of the proper assignment of the excess deferred taxes between the rate schedules for base rates, CEP and IRP. The proper assignment of excess deferred taxes will be determined by October 15, 2018, which is the last day available for Columbia's submission of its 2017 Federal Tax Return. Therefore, Columbia will be able to file its proposed by rate reductions by no later than October 15, 2018. This treatment will result in a procedural schedule that provides for a reduction in base rates that reflects both the reduction in tax rate and the commencement of the pass back of excess deferred taxes resulting from the TCJA. The timing of this proposed process will mitigate the overall impact resulting from establishment of a CEP rider while simultaneously resulting in the revision of base rates that reflect the impact of the TCJA.

Pursuant to the Commission's Entry in this proceeding, utilities will be recording on their books as a deferred liability, in an appropriate account, the estimated reduction in federal income tax resulting from the TCJA. The recording of the deferred liability, and its eventual pass back, ensure that customers receive the full benefit of the federal income tax rate reduction while at the same time providing the Commission the time it needs to ensure that each utility has adjusted all rates to reflect the impact of the TCJA. Columbia proposes that it be permitted to pass back all base rate over-collections resulting from the change in tax rate from

35% to 21%, as well as from the need to delay the reduction in base rates until such time Columbia can accurately determine the impact of ADIT. This base rate adjustment would be accomplished in one step through the development and filing of bill credits. The bill credits will be determined through the allocation of the base rate over-collection to rate schedules based on total proforma revenue authorized by the Commission in Columbia's 2008 rate case. Customer Charge and volumetric billing credits for each rate schedule will then be determined based upon contributions within each rate schedule. These billing credits will be in place for a period of twelve months or until such time Columbia has completed the pass back of these base rate over-collections.

III. OTHER RATES

Columbia and many other utilities have riders or other types of adjustment clauses in addition to their base rates. To the extent these other rates are scheduled to be adjusted during 2018, the impacts of the federal income tax rate reduction can be reflected in the calculation of the adjusted rates. If there are riders or other rates not scheduled for adjustment in 2018, those rates should be subject to the same application process described above for base rates.

1. Columbia's Rider IRP and Rider DSM Annual Adjustment

The reduced corporate federal income tax rate impacts Columbia's revenue requirement in its Infrastructure Replacement Program ("IRP") Rider, as well as its Demand Side Management ("DSM") Rider.[2] These two Columbia riders are adjusted together annually. By February 28, 2018, Columbia will file its application in Case No. 17-2374-GA-RDR, proposing the rider adjustments to be effective May 1, 2018. This filing will incorporate the reduced federal income tax rate and include an adjustment that provides for the pass back of the over-collection of federal taxes, during the period January 1, 2018 through April 30, 2018, resulting from the reduction in federal tax rates not reflected in current rates. This filing will not include the flow through of the impact of excess deferred taxes on rates because the determination of the excess, as well as the allocation to the proper rate classes, will not be complete by February 28, 2018. Columbia proposes that amounts over-collected as the result of the delay in the commencement of IRP billing rates which provide for reductions due to the ADIT change, during the period January 1, 2018 through April 2019, be passed back to customers in Columbia's 2019 IRP rates. The

[2] This change will be limited to change in the Gross Conversion Factor used to calculate the federal income tax component of the DSM Shared Savings.

2018 and 2019 IRP/DSM rider applications will be subject to Staff review and Staff will have an opportunity to ensure that the tax rate reduction has been accurately computed. That being the case, no extra filings should be necessary to account for the impact of the tax rate changes upon Columbia's Rider IRP and Rider DSM.

2. Columbia's proposed Capital Expenditure Program

On December 1, 2017, Columbia filed an Application in Case No. 17-2202-GA-ALT. The Application sought authority to establish a CEP Rider. The purpose of the CEP Rider is to recover the post-in-service carrying costs, incremental depreciation expense, and property tax expense currently deferred pursuant to Columbia's capital expenditure program deferral ("CEP Deferral"), as well as the corresponding assets to which these expenses are directly attributable in the capital expenditure program. This is a new rider, and therefore there is no existing Columbia CEP rider that incorporates pre-2018 tax rates. However, as discussed above, Columbia proposes to adjust its base rates in this proceeding at the same time that the CEP rider rate is established.

The Commission has not yet taken any action with respect to the Application. During the pendency of the proceeding Columbia will work with Staff and other parties to incorporate the impact of the TCJA tax changes. That being the case, no extra filings should be necessary to account for the impact of the tax rate changes upon Columbia's CEP Rider.

Respectfully submitted,

/s/ Stephen B. Seiple

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CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case.

*/s/Stephen B. Seiple*__________________
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Case No(s). 18-0047-AU-COI

Summary: Comments of Columbia Gas of Ohio electronically filed by Cheryl A MacDonald on behalf of Columbia Gas of Ohio, Inc.