**BEFORE**
**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| 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. | )<br>)<br>)<br>) | Case No. 18-0047-AU-COI |

# COMMENTS OF VECTREN ENERGY DELIVERY OF OHIO, INC.

Vectren Energy Delivery of Ohio, Inc. (VEDO) hereby submits comments to the Public Utilities Commission of Ohio (Commission) addressing the January 10, 2018 Entry's request for information on passing the benefits accruing from the Tax Cuts and Jobs Act of 2017 (the TCJA) to VEDO's customers. The Entry specifically seeks comments discussing:

(1) those components of utility rates that the Commission will need to reconcile with the TCJA; and

(2) the process and mechanism for how the Commission should do so.

VEDO will address these questions below. In providing these comments, VEDO would observe that the TCJA is a very recent law, affecting a complex range of issues. VEDO offers the following at the request of the Commission and in the interest of promoting a dialogue regarding these issues. As it continues to digest the TCJA, VEDO may modify the proposed approaches described below, and these comments should not be considered as binding commitments in any future proceeding.

## I. COMMENTS

VEDO will first identify some of the components of utility rates that the Commission will need to reconcile with the TCJA. Second, VEDO will focus on the process and mechanism the Commission should utilize to determine the impacts of the TCJA. A one-size-fits-all mechanism is not appropriate because many utilities are situated differently. VEDO, for example, will be initiating a base rate case by March 30, 2018, which offers an opportunity to efficiently and effectively consider the impacts of the TCJA on its base rates. Other utilities may be differently situated, and the Commission should allow sufficient flexibility in its evaluation of TCJA impacts to acknowledge those different situations.

### A. Components of Accounting for the TCJA.

Several components of VEDO's rates could be impacted by the TCJA in the upcoming rate case as compared to what would have been proposed had the TCJA not been enacted. This could include: (1) changes to the revenue requirement to reflect reduction of the federal income tax rate; (2) the deferred tax liability balance included within base rates; (3) the pre-tax cost of capital calculation applied to both proposed rate base and future rider filings; (4) allocations to each customer class and Rate Schedule of changing costs; and (5) rate design impacts. VEDO will be initiating a rate case by March 30, 2018, where such components can be fully considered in a comprehensive proceeding.

### B. Two Mechanisms Are Appropriate to Reflect the TCJA in VEDO's Rates: Rider Adjustments and a Base Rate Case.

VEDO believes two mechanisms are best suited to reflect the rate impact of the TCJA. First, VEDO's rider mechanisms that include a pre-tax cost of capital could be adjusted to reflect the lower federal corporate tax rate in the next annual filing. Second, the broader impact of the TCJA, specifically related to the flow back of excess deferred taxes, could be addressed in VEDO's soon-to-be-filed gas base rate case.

#### 1. Rider Adjustments

For any VEDO riders that contain a pre-tax cost of capital component, VEDO expects to make an adjustment at the time of the next annual filing to reflect a lower federal income tax rate. Starting January 1, 2018, and prior to the implementation of rates in the respective next annual rider filing, reconciliations of rider recoveries could reflect any variances driven by the lower federal income tax rate, which could be recorded as a regulatory liability specific to the rider. In addition, VEDO's Uncollectible Expense (UEX) Rider and Percentage of Income Payment Plan (PIPP) Rider, which contain a pre-tax carrying cost component, could be adjusted to reflect the lower federal corporate tax rate in the next annual filing, with the reconciliations reflecting the impact of the lower tax rate starting January 1, 2018.

### 2. Base Rate Case

VEDO will file a base rate case with the PUCO in the first quarter of 2018. VEDO believes that this base rate case will provide a timely, comprehensive opportunity for the Commission to consider all non-rider impacts of the TCJA on VEDO's customers.

Either the base rates proposed by VEDO in its base rate proceeding will reflect the impacts of the TCJA, or VEDO may propose a rider mechanism to return the specific excess deferred tax liability resulting from the federal tax rate change to its customers, along with the regulatory liability balance reflecting the reduced tax effect from January 1, 2018, through the period when revised rates are placed in service. Under the IRS's normalization rules, which require a defined amortization process for protected (*i.e.*, related to property, plant, and equipment) excess deferred tax liability balances, VEDO and the Commission must ensure that whatever mechanism returns appropriate balances to customers does so without violating the normalization rules. VEDO is still working to determine the specific details of how such mechanisms could work to ensure compliance with normalization rules.

## II. CONCLUSION

VEDO appreciates the opportunity to provide comments in this proceeding, and respectfully requests that the Commission consider VEDO's comments as it considers how to address the TCJA and its impact on rates.

Dated: February 15, 2018

Respectfully submitted,

/s/ Andrew J. Campbell

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Summary: Comments electronically filed by Ms. Rebekah J. Glover on behalf of Vectren Energy Delivery of Ohio, Inc.