

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of The Commission's)
Investigation of the Financial Impact of the) Case No. 18-47-AU-COI
Tax Cuts and Jobs Act of 2017 on)
Regulated Ohio Utility Companies.)

COMMENTS OF INTERSTATE GAS SUPPLY, INC.

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February 15, 2018

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On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (“TCJA”) was signed into law. Among other things, the TCJA reduced the federal corporate income tax rate from 35% to 21%. Although Ohio has restructured its retail electric and natural gas markets, the rates of distribution utilities are often established based upon principles of cost-based ratemaking. Moreover, rates, fees, and assets that distribution utilities assess or assign to competitive market participants may be based upon these principles. Naturally, when a critical component of the ratemaking formula decreases across the board, downward pressure is placed on the amount of revenue that a utility should collect under the regulatory compact. Income taxes are one such component; therefore, the Commission opened this investigation to evaluate the impact on regulated utilities.

Interstate Gas Supply, Inc. (“IGS”) supports the Commission’s evaluation in this proceeding, which should lead to downward pressure on utility rates. But it is important to ensure that these changes are thoughtfully implemented across all rate structures. For example, suppliers often pay fees and charges for services such as balancing or data retrieval. To the extent that there is a return on equity component in the calculation of these rates, the rates must be evaluated and reduced to account for the impact of the TCJA.

The evaluation of the impact of the TCJA on customers in Ohio entails a complicated analysis and review of existing rates. While that analysis is undoubtedly complicated, it is not impossible. Indeed, proactive electric utilities and interstate pipelines have already filed applications with state commissions and the Federal Energy Regulatory Commission (“FERC”) to reduce rates to account for the impact of the TCJA.¹

While the Commission has an opportunity to directly impact retail rates of utilities within its jurisdiction, this issue does not stop with the Ohio utilities—indeed, stakeholders across the country and at the FERC are wrestling with this issue.² The Ohio utilities and the Commission may positively impact that process. For example, on the gas side, retail rates are impacted substantially by upstream pipeline and storage rates authorized by FERC. Just like in Ohio, these rates may be based upon a higher assumed tax rate. Retail customers will not receive the full benefit of tax reform unless the upstream rates are reduced. IGS encourages the Ohio utilities and the Commission to be engaged in the FERC process to ensure that pipeline, storage, and transmission rates are also reviewed to ensure that they are just and reasonable.

¹ *Columbia Gas Transmission, LLC, Reduction of Settlement Base Rates & 2017 CCRM Rates*, RPM18-426-000, (Feb. 5, 2018); see also *In the matter, on the Commission’s own motion, to consider changes in the rates of all of the following Michigan rate-regulated electric, steam, and natural gas utilities to reflect the effects of the federal Tax Cuts and Jobs Act of 2017: Alpena Power Company, Consumers Energy Company, Detroit Thermal, LLC, DTE Electric Company, DTE Gas Company, Indiana Michigan Power Company, Northern States Power Company, Upper Peninsula Power Company, Upper Michigan Energy Resources Corporation, Wisconsin Electric Power Company, Presque Isle Electric & Gas Co-Op, Michigan Gas Utilities Corporation, and SEMCO Energy Gas Company*, Case No. U-18494, Comments of Consumers Energy (Jan. 19, 2018); *IN THE MATTER OF THE APPLICATION OF POTOMAC ELECTRIC POWER COMPANY FOR ADJUSTMENTS TO ITS RETAIL RATES FOR THE DISTRIBUTION OF ELECTRIC ENERGY*, Case No. 9472, Supplemental Testimony and Exhibits (Feb. 5, 2018).

² *Petition for Initiation of Show Cause Proceedings*, Docket No. RP18-415-000, Industry Petition for Initiation of Show Cause Proceedings Directed to Interstate Natural Gas Pipelines and Storage Companies (Jan. 31, 2018); *Petition for Initiation of Show Cause Proceedings*, Docket No. RP18-415-000, Comments of Direct Energy Business Marketing LLC and Interstate Gas Supply, Inc. in Support of Industry Petition (Feb. 12, 2018).

IGS supports the Commission's evaluation of regulated distribution utilities and looks forward to proactively working to address the impact of this matter on retail energy suppliers and their customers.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing *Comments of Interstate Gas Supply, Inc.* was served this 15th day of February 2018 via electronic mail upon the following:

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/s/ Joseph Oliker

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Summary: Comments of Interstate Gas Supply, Inc. electronically filed by Mr. Joseph E. Oliker on behalf of IGS Energy