

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission’s)
Investigation of the Financial Impact of the) Case No. 18-0047-AU-COI
Tax Cuts and Jobs Act of 2017 on Regulated)
Ohio Utility Companies.)

**REPLY COMMENTS OF
THE EAST OHIO GAS COMPANY D/B/A DOMINION ENERGY OHIO**

In its January 10, 2018 Entry, the Commission requested comments from interested parties concerning the recently enacted Tax Cuts and Jobs Act (TCJA). On February 20, after comments were filed by a large number of parties, an additional Entry “solicit[ed] reply comments in order to assist the Commission with its review of the underlying reconciliation issues and possible mechanisms to resolve those issues for regulated Ohio utility companies.” *Id.*

¶ 5.

In accordance with that Entry, The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO or the Company) respectfully offers the following comments. These reply comments are subject to the same caveats provided in DEO’s initial comments, and any silence on particular points raised in the initial round of comments should not be taken as support for that point.

I. REPLY COMMENTS

Given the number of comments filed, the complexity of the subject matter, and the time available, it is not possible to address each and every comment that has been filed. The variety of comments and concerns confirms what DEO and others have explained: each utility has its own distinct history and presents a unique set of circumstances, and a one-size-fits-all solution would certainly be impractical, and may not even be desirable. All this shows that it would not be realistic to expect a single Commission action to serve as a “silver bullet” that resolves with

finality a complex set of issues within the rate structure of each and every regulated utility across the state.

At the same time, DEO does believe that it is both possible and advisable to identify general principles that could both guide the Commission's decision-making, and thereby give the parties a roadmap to use in developing and submitting targeted proposals. In DEO's view, two fundamental steps present themselves:

- First, a general step, applicable to all utilities, in which the Commission lays out the governing principles and instructs the parties to act accordingly while acknowledging that individual companies may employ different means to implement them.
- Second, each utility would then initiate its own docket (or identify an existing one) in which the impacts of the TCJA can be thoroughly assessed and resolved for that company.

With that framework in mind, DEO offers its perspective on the kinds of principles and procedures that the Commission should consider applying as it moves forward.

A. Customers should reap the benefits associated with the TCJA with the understanding that a number of factors will affect the timing and means to achieve that goal.

As a general matter, DEO agrees that customers should reap the benefits of the TCJA, and that they should do so in a timely fashion. But as the Commission well knows, this is not the simple exercise in arithmetic it is sometimes made out to be.

A number of factors must be taken into account. Some are general and will apply to all utilities, for instance:

- The need for IRS clarification in certain areas.
- Normalization violation concerns that must be navigated.
- The time needed to determine certain aspects of the benefit, e.g., the quantification of so-called "excess deferred income taxes (EDIT)."

Others, by their nature, would be more specific to individual utilities, for instance:

- Past Commission actions or approvals that may limit available options.
- The existence and amount of regulatory assets that have yet to be recovered.
- The existence or availability of other proceedings (whether in progress or soon to be initiated) where ratemaking impacts can be assessed in a broader context.
- The potential for certain remedies to result in financial distress, credit-rating downgrades, or deleterious cash-flow impacts.

The foregoing factors are merely illustrative; others may present themselves. The Commission should take advantage of this proceeding to cull general principles from the different perspectives that have been shared.

B. Given the impracticality of a one-size-fits-all approach, the Commission should instruct each utility to address TCJA impacts in individual dockets.

Once these governing principles have been identified, they could then be considered in future, individualized dockets.

If nothing else, the variety of comments demonstrates that the Commission must account for many concerns in addressing the TCJA. Even within similar stakeholder groups, numerous perspectives reveal themselves. Utilities, too, must approach the issue from very different starting points due to their unique circumstances and histories.

In seeking the basic goal of promptly flowing through TCJA benefits to customers, parties should be encouraged to be creative and open to settlement of the issue. DEO recommends that the Commission, in addition to providing governing principles, should also instruct each utility to initiate a new docket (or identify an existing one) in which the utility will identify, to the extent possible, the specified impacts of the TCJA and provide a plan for addressing them.

Procedurally, individual dockets will be much easier for the Commission and stakeholders to administer. Substantively, individual dockets will give the Commission and the

parties more flexibility to work through each, unique situation. The Commission should take advantage of the ability to tailor different solutions to different situations, and not insist on a rigid uniformity. The goal should be the same; the way to achieve that goal need not be.

C. Certain mechanics could serve as the default.

Although DEO believes that the details of implementation should be left to individual dockets, it may be possible to identify certain “default” ratemaking mechanics that should be applied in the absence of alternative approaches that would better suit the needs of the company and its customers.

For example, DEO believes that, in calculating deferrals, impacts should generally be allocated across classes consistent with each company’s last rate case and reflect the rate design approved by the Commission. Likewise, one would expect that any amounts deferred as a regulatory liability and subsequently passed back to customers would be subject to a true-up to ensure that the correct amount is ultimately credited to customer bills. DEO would also expect that any riders affected by the TCJA would reflect the 21-percent rate in the tax gross-up or pre-tax rate-of-return calculation in the next available update.

Whether to set forth certain default mechanics is, of course, a matter for the Commission’s discretion. But providing such instruction could eliminate ambiguity and narrow the issues in other proceedings. If the Commission chooses to do so, however, DEO recommends that room be left for companies or other stakeholders to demonstrate that an alternative approach better serves the applicable goals.

D. The understandable desire for timeliness should not lead to ill-considered actions.

While benefits should be flowed to customers in a timely fashion, the Commission should not rush to judgment. Concerns for timeliness cut both ways: depending on the circumstances, a short-sighted “remedy” could do more harm than good.

It has only been a matter of weeks since the TCJA was enacted, but the actions taken by the Commission in response could resound for years. Addressing the tax gross-up component in rates is only the first chapter; EDIT issues are complicated, will take months to determine, and should be addressed separately. Moreover, independent rating agencies have pointed out that the implementation of the TCJA could result in financial harm to vulnerable utilities, with corresponding downstream impacts on customers.

Identifying such vulnerabilities and resolving such concerns can best be done in individual dockets; trying to address them *en masse* would not be practical. The odds of unintended harm will be greatly reduced if the Commission provides stakeholders with reasonable time to work through these issues and propose targeted solutions.

II. CONCLUSION

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

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Respectfully submitted,

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Summary: Reply Comments electronically filed by Ms. Rebekah J. Glover on behalf of The East Ohio Gas Company d/b/a Dominion Energy Ohio