

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for Approval) Case No. 17-2202-GA-ALT
of an Alternative Form of Regulation)

**DIRECT TESTIMONY
OF
WM. ROSS WILLIS**

IN SUPPORT OF THE STIPULATION AND RECOMMENDATION

On Behalf of
The Office of the Ohio Consumers' Counsel
65 East State Street, 7th Floor
Columbus, Ohio 43215-4213

October 29, 2018

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. EVALUATION OF THE PROPOSED SETTLEMENT	4
III. CONCLUSION.....	9

ATTACHMENTS

WRW Attachment A - List of Previous Testimony Filed at the PUCO by Wm Ross Willis

WRW Attachment B - Approximate Total Value of Federal Income Tax Reductions by
Category and the Residential Value of the Total.

1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.***

4 ***A1.*** My name is Wm. Ross Willis. My business address is 65 East State Street,
5 Columbus, Ohio 43215.

6

7 ***Q2. BY WHOM ARE YOU EMPLOYED?***

8 ***A2.*** I am employed by the Office of the Ohio Consumers' Counsel ("OCC").

9

10 ***Q3. WHAT IS YOUR CURRENT POSITION WITH OCC AND WHAT ARE***
11 ***YOUR DUTIES?***

12 ***A3.*** I am a Senior Regulatory Analyst within the Analytical Department. My duties
13 include performing analysis of impacts on the utility bills of residential consumers
14 with respect to utility filings before the Public Utilities Commission of Ohio
15 ("PUCO") and PUCO-initiated investigations. I examine utility financial and asset
16 records to determine operating income, rate base, and the revenue requirement, on
17 behalf of residential consumers.

18

19 ***Q4. WOULD YOU BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND?***

20 ***A4.*** I earned a Bachelor of Business Administration degree that included a major in
21 finance and a minor in management from Ohio University in December 1983. In
22 November 1986, I attended the Academy of Military Science and received a

*Direct Testimony of Wm. Ross Willis
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 17-2202-GA-ALT*

1 commission in the Air National Guard. Moreover, I have attended various
2 seminars and rate case training programs sponsored by the PUCO.

3

4 ***Q5. PLEASE OUTLINE YOUR WORK EXPERIENCE.***

5 ***A5.*** I joined the PUCO in February 1984 as a Utility Examiner in the Utilities
6 Department. I held several technical and managerial positions with the PUCO
7 over my 30-plus year career. I retired from the PUCO on December 1, 2014. My
8 last position with the PUCO was Chief, Rates Division within the Rates and
9 Analysis Department. In that position, my duties included developing, organizing,
10 and directing the PUCO staff during rate case investigations and other financial
11 audits of public utility companies subject to the jurisdiction of the PUCO. The
12 determination of revenue requirements in connection with rate case investigations
13 was under my purview. I joined OCC in October 2015.

14

15 My military career spans 27 honorable years of service with the Ohio National
16 Guard. I earned the rank of Lieutenant Colonel and I am a veteran of the war in
17 Afghanistan. I retired from the Air National Guard in March 2006.

18

19 ***Q6. HAVE YOU PREVIOUSLY TESTIFIED IN CASES BEFORE THE PUCO?***

20 ***A6.*** Yes, WRW Attachment A is a listing of the cases in which I have presented
21 testimony before the PUCO.

1 ***Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY?***

2 ***A7.*** The purpose of my direct testimony is to recommend that the PUCO adopt the
3 Stipulation and Recommendation (“Settlement”) filed by the signatory parties,
4 including OCC, in this case on October 25, 2018. The Settlement addresses
5 charges to consumers regarding the Capital Expenditure Program (“CEP
6 Investment”) for the period October 2011 through December 31, 2017. And the
7 Settlement converts Columbia Gas of Ohio’s (“Columbia”) tax savings under the
8 Federal Tax Cuts and Jobs Act (“federal tax cuts”) into consumer savings on
9 Columbia’s monthly gas bills.

10

11 ***Q8. WHAT ARE THE PUCO’S STANDARDS OF REVIEW FOR EVALUATING***
12 ***PROPOSED SETTLEMENTS?***

13 ***A8.*** The PUCO uses three criteria for evaluating the reasonableness of a proposed
14 settlement:

- 15 1. Is the settlement a product of serious bargaining among
16 capable, knowledgeable parties?
- 17 2. Does the settlement, as a package, benefit customers and
18 the public interest?
- 19 3. Does the settlement package violate any important
20 regulatory principle or practice?

21

22 The PUCO also routinely considers whether the parties represent a diversity of
23 interests.

1 ***Q9. PLEASE SUMMARIZE YOUR OPINIONS REGARDING THE***
2 ***SETTLEMENT.***

3 ***A9.*** I recommend that the PUCO adopt the Settlement as filed. The proposed
4 Settlement meets the PUCO's three-prong test. This Settlement represents a fair
5 and reasonable compromise among the parties to resolve issues in this case
6 involving Columbia and its 1.5 million customers. It is a product of serious
7 bargaining among parties with diverse interests. Diversity of interests is
8 particularly shown by the agreement of both OCC (which represents Columbia's
9 1.3 million residential consumers) and Columbia (the utility). The Settlement, as a
10 package, benefits customers and the public interest. And the package does not
11 violate important regulatory principles or practices.

12

13 **II. EVALUATION OF THE PROPOSED SETTLEMENT**

14

15 ***Q10. WHO ARE THE SIGNATORY PARTIES TO THE SETTLEMENT?***

16 ***A10.*** The Signatory Parties are OCC, PUCO Staff, Columbia, Ohio Energy Group,
17 Ohio Manufacturers' Association Energy Group, Industrial Energy Users-Ohio,
18 Ohio Partners for Affordable Energy, and The Kroger Company, and Interstate
19 Gas Supply, Inc. (collectively, the "Signatory Parties").

1 ***Q11. IS THE SETTLEMENT IN THESE CASES A PRODUCT OF SERIOUS***
2 ***BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES THAT***
3 ***REPRESENT DIVERSE INTERESTS?***

4 ***A11.*** Yes. The various parties and their counsel have participated in numerous
5 proceedings before the PUCO. The signatory parties have a history of active
6 participation in PUCO proceedings and are represented by experienced and
7 competent counsel. The parties are knowledgeable on issues addressed by the
8 Settlement. Columbia and interested parties participated in negotiations that
9 required numerous meetings, resulting in concessions, as evidenced by the
10 Settlement. That Columbia and the Consumers' Counsel both signed particularly
11 reflects diverse interests. I was actively involved on behalf of OCC in these
12 negotiations.

13

14 ***Q12. DOES THE SETTLEMENT, AS A PACKAGE, BENEFIT COLUMBIA'S***
15 ***CUSTOMERS AND THE PUBLIC INTEREST?***

16 ***A12.*** Yes. The Consumers' Counsel signed the Settlement (subject to some footnotes)
17 for the benefits provided to Columbia's customers that OCC represents. Benefits
18 to customers and the public interest in the Settlement related to the CEP
19 Investment for the period October 2011 through December 31, 2017, include a
20 depreciation offset of \$289.9 million.¹
21 The Settlement also addresses tax-related rate reductions of approximately \$284
22 million related to the federal tax cuts and an additional \$22.6 million to be

¹ See Settlement page 4.

Direct Testimony of Wm. Ross Willis
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 17-2202-GA-ALT

1 refunded for the period January 2018 through December 31, 2018, resulting in
2 total benefits to consumers of over \$300 million.² Attached to my testimony is
3 WRW Attachment B, which depicts the approximate total value of federal
4 income tax reductions by category and the residential (SGS class) value of the
5 total.

6
7 Specific benefits to customers by category are as follows:

- 8 • Consumers will benefit from a \$289.9 million offset to
9 Columbia's CEP charges. The offset is appropriate
10 because, when Columbia installs new infrastructure (plant),
11 it should stop charging customers for depreciation on the
12 old infrastructure that was replaced and is no longer in
13 service. The agreement stops the charges to consumers for
14 \$289.9 million in depreciation expense.³
- 15 • The above reduction (and another reduction of \$205,710 in
16 disallowed costs) lowers Columbia's revenue requirement
17 related to the CEP investment from \$109.4 million to \$74.5
18 million.⁴ So Columbia's CEP revenue requirement is \$34.9
19 million less than what Columbia requested because of the
20 two adjustments above (the disallowance and the

² Settlement at 8, 10.

³ Settlement at 4.

⁴ Id.

*Direct Testimony of Wm. Ross Willis
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 17-2202-GA-ALT*

1 depreciation offset). Customers will see this benefit as an
2 offset to their utility bills going forward.

- 3 • The Settlement includes annual caps on the rates that
4 Columbia's customers are charged. These caps will also
5 limit Columbia's capital expense deferral authority. The
6 residential (SGS) rate caps are \$4.56 for 2019, based on
7 investment through 2018, \$5.61 for 2020, based on
8 investment through 2019, \$6.66 for 2021, based on
9 investment through 2020, and \$7.71 for 2022, until base
10 rates go into effect with the 2021 rate case based on
11 investment through 2021.⁵
- 12 • The total benefit to Columbia customers because of the
13 federal tax cuts is approximately \$284 million plus an
14 additional \$22.6 million credit to customers.⁶
- 15 • Columbia will reduce its base rates established in Case No.
16 08-72-GA-AIR for the benefit of customers by
17 approximately \$121 million to reflect the reduced federal
18 tax rates as part of the federal tax cuts.⁷
- 19 • Approximately \$224 million associated with the protected
20 excess accumulated deferred income tax balance will be

⁵ Settlement at 6.

⁶ Subject to the 2019 review of IRP; See Settlement at 8, 10.

⁷ Settlement at 8; WRW Attachment B.

*Direct Testimony of Wm. Ross Willis
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 17-2202-GA-ALT*

1 returned to all customers based on the Average Rate

2 Assumption Method as required by federal tax

3 normalization requirements. The residential (SGS class)

4 share of this benefit is approximately \$174 million.⁸

- 5 • The unprotected excess accumulated deferred income tax
- 6 balance of approximately \$43 million will be returned to all
- 7 customers over a period of six years. The residential share
- 8 of this benefit is approximately \$28.9 million.⁹

- 9 • Columbia will return to customers the over-collection of
- 10 taxes of approximately \$22.6 million resulting from the
- 11 federal tax cuts for the period of January 1, 2018 to
- 12 December 31, 2018. The credit will be displayed as a
- 13 separate line-item on customers bill until the over-
- 14 collection has been returned.¹⁰
- 15

16 ***Q13. DOES THE SETTLEMENT VIOLATE ANY IMPORTANT REGULATORY***

17 ***PRINCIPLES?***

18 ***A13.*** No. Of particular note is the appropriate ratemaking to reflect that Columbia's

19 reduced tax expense should be reflected as offsets to consumers' monthly bills.

20 As discussed above, consumer benefits related to Columbia's CEP and tax

⁸ WRW Attachment B.

⁹ Id.

¹⁰ Settlement at 10.

1 savings from the corporate federal income tax rate reduction are reflected in this
2 Settlement. The result is a just and reasonable outcome related to the CEP and the
3 Tax Cuts and Jobs Act of 2017.

4

5 **III. CONCLUSION**

6

7 ***Q14. DOES THIS CONCLUDE YOUR TESTIMONY?***

8 ***A14.*** Yes. However, I reserve the right to incorporate new information that may
9 subsequently become available. I also reserve the right to supplement my
10 testimony if other parties submit new or corrected information in connection with
11 this proceeding.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Wm. Ross Willis on behalf of the Office of the Ohio Consumers' Counsel* has been served upon those persons listed below via electronic service this 29th day of October 2018.

/s/ Bryce McKenney
Bryce McKenney
Assistant Consumers' Counsel

SERVICE LIST

Robert.eubanks@ohioattorneygeneral.gov
Jodi.bair@ohioattorneygeneral.gov
bojko@carpenterlipps.com
dressel@carpenterlipps.com
paul@carpenterlipps.com

sseiple@nisource.com
josephclark@nisource.com
egallon@porterwright.com
mstemm@porterwright.com
etaylor@porterwright.com
fdarr@mwncmh.com
mpritchard@mwncmh.com

Attorney Examiners:
Patricia.schabo@puc.state.oh.us
Greta.see@puc.state.oh.us

Testimony before The Public Utilities Commission of Ohio

Ohio Power Company – Case No. 18-1007-EL-UNC

Dayton Power & Light Company – Case No. 15-1830-EL-AIR

Commission Ordered Investigation (TCJA) – Case No. 18-47-AU-COI

Ohio Gas Company – Case No. 17-1139-GA-AIR

Aqua Ohio, Inc. – Case No. 16-907-WW-AIR

Globe Metallurgical, Inc. - Case No. 16-737-EL-AEC

Ohio Power Company - Case No. 13-2385-EL-SSO

Aqua Ohio, Inc. – Case No. 13-2124-WW-AIR

Camplands Water LLC. - Case No. 13-1690-WW-AIR

Duke Energy Ohio, Inc. - Case No. 12-1685-GA-AIR

Duke Energy Ohio, Inc. - Case No. 12-1682-EL-AIR

Ohio American Water Company - Case No. 11-4161-WS-AIR

Water and Sewer LLC. - Case No. 11-4509-ST-AIR

Aqua Ohio, Inc. - Case No. 09-1044-WW-AIR

Duke Energy Ohio, Inc. - Case No. 08-709-EL-AIR

*Ohio Edison Company, The Cleveland Electric Illuminating Company
And The Toledo Edison Company - Case No. 07-551-EL-AIR*

Northeast Ohio Natural Gas Corp. - Case No. 03-2170-GA-AIR

Water and Sewer LLC. – Case No. 03-318-WS-AIR

Southeast Natural Gas Company – Case No. 01-140-GA-AEM

Masury Water Company - Case No. 00-713-WW-AIR

Akron Thermal, Limited Partnership - Case No. 00-2260-HT-AEM

GTE North, Inc. - Case No. 87-1307-TP-AIR

The Cleveland Electric Illuminating Company - Case No. 85-675-EL-AIR

Columbia Gas of Ohio
Capital Expenditure Program (CEP) Rider
Federal Income Tax Reductions
Case No. 17-2202-GA-ALT

WRW Attachment B

Federal Income Tax Category	Total Value	Amort. (Yr)	Annual Value	SGS Allocation	Total Value SGS	Annual Value SGS
Federal Tax Reductions Resulting from Base Rates (08-72-GA-AIR)						
Excess Protected ADIT	\$ 81,013,595	ARAM	\$ 1,613,045	78.5574%	\$ 63,642,174	\$ 1,267,166
Unprotected Excess ADIT	22,942,899	6	3,823,817	78.5574%	18,023,345	3,003,891
Federal Income Tax Expense	<u>17,157,000</u>	Annual	<u>17,157,000</u>	78.5574%	<u>13,478,093</u>	<u>13,478,093</u>
Subtotal	121,113,494		22,593,862		95,143,612	17,749,151
Federal Income Tax Reductions Resulting from IRP						
Excess Protected ADIT (AMRP)	138,747,694	ARAM	1,451,981	72.3600%	100,397,831	1,050,653
NOL on Protected ADIT (AMRP)	(27,780,333)	36.764	(755,640)	72.3600%	(20,101,849)	(546,781)
Unprotected Excess ADIT (AMRP)	16,161,557	6	2,693,593	72.3600%	11,694,503	1,949,084
Excess Protected ADIT (AMRD)	5,190,875	ARAM	54,322	76.3400%	3,962,714	41,469
NOL on Protected ADIT (AMRD)	(1,424,587)	36.764	(38,750)	76.3400%	(1,087,530)	(29,581)
Unprotected Excess ADIT (AMRD)	628,653	6	104,776	76.3400%	479,914	79,986
Excess Protected ADIT (RISER)	33,374,506	ARAM	349,261	96.8300%	32,316,534	338,189
NOL on Protected ADIT (RISER)	(4,903,612)	36.764	(133,381)	96.8300%	(4,748,167)	(129,153)
Unprotected Excess ADIT (RISER)	<u>3,409,956</u>	6	<u>568,326</u>	96.8300%	<u>3,301,860</u>	<u>550,310</u>
Subtotal	<u>163,404,709</u>		<u>4,294,488</u>		<u>126,215,810</u>	<u>3,304,177</u>
Total Base Rate and IRP	\$ <u>284,518,203</u>		\$ <u>26,888,350</u>		\$ <u>221,359,422</u>	\$ <u>21,053,327</u>
	\$ 17,098,246 **					\$ 13,226,879 **

** This amount has already been reflected through the IRP Rates going forward **

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/29/2018 5:03:02 PM

in

Case No(s). 17-2202-GA-ALT

Summary: Testimony Direct Testimony of Wm. Ross Willis in Support of the Stipulation and Recommendation electronically filed by Ms. Jamie Williams on behalf of McKenney, Bryce A. Mr.