

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of :  
**The East Ohio Gas Company d/b/a** :  
**Dominion East Ohio** for Approval of : Case No. 18-1588-GA-RDR  
Tariffs to Adjust its Automated Meter :  
Reading Cost Recovery Charge and :  
Related Matters :

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**COMMENTS  
SUBMITTED ON BEHALF OF THE STAFF OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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**Dave Yost**  
Ohio Attorney General

**John H. Jones**  
Interim Section Chief

**Jodi J. Bair**  
Assistant Attorney General  
Public Utilities Section  
30 East Broad Street, 16<sup>th</sup> Floor  
Columbus, Ohio 43215  
614.644.8599 (telephone)  
866.431.4694 (fax)  
jodi.bair@ohioattorneygeneral.gov

**On behalf of the Staff of  
The Public Utilities Commission of Ohio**

**March 25, 2019**

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**INTRODUCTION**

In accordance with the Public Utilities Commission of Ohio's (Commission) Opinion and Order adopting the Stipulation and Recommendation filed in Case No. 07-829-GA-AIR et al., the Staff of the Public Utilities Commission of Ohio (Staff) conducted its investigation in the above-referenced matter and submits its findings and recommendations to the Commission in these Comments.

The Commission's Rates and Analysis Department Staff prepared these Comments. Included are findings and recommendations resulting from financial reviews of The East Ohio Gas Company d/b/a Dominion East Ohio's (DEO or Company): proposed revenue requirement, matters related to its program to install automated meter reading (AMR) equipment on customer meters throughout its service area, and the associated AMR Cost Recovery Charge.

Pursuant to the Attorney Examiner's Entry dated March 8, 2019, these Comments are being filed with the Commission's Docketing Division. These Comments contain the results of the Staff's investigation. These Comments do not reflect the views of the Commission and the Commission is not bound by Staff's representations and/or recommendations.

## **BACKGROUND**

DEO is an Ohio corporation engaged in the business of providing natural gas service to approximately 1.2 million customers in northeastern, western, and southeastern Ohio communities.

In its October 15, 2008 Opinion and Order in Case No. 07-829-GA-RDR adopting the Stipulation and Recommendation (2007 Stipulation) filed by the parties, the Commission authorized DEO to establish an automated adjustment mechanism to recover the costs associated with an AMR program. The recovery mechanism, in the form of an annual rider, is designed to permit the Company to recover its annual costs to install AMR equipment on each of the nearly 1.3 million meters in its system over a five-year period. AMR equipment enables DEO to remotely read customers' meters, which promotes billing accuracy and customer convenience. The AMR program also lessens the need for estimated meter reads and for scheduling appointments to read inside meters.

The 2007 Stipulation established a process that called for annual filings to support proposed increases to the AMR Cost Recovery Charge. The process involves a pre-filing notice being filed in November of each year. The filing must contain schedules with nine

months of actual and three months of projected costs and related data in support of the rider increase. Also, the filing shall include a date certain of December 31st of the applicable year for property valuation. By February 28th of the following year, the Company must then file an application updating the data provided to include a full year of actual data. The process then provides that, unless the Staff finds DEO's filing to be unjust or unreasonable or another party files an objection that is not resolved by DEO, Staff will recommend the Commission approve the Company's Application. If approved by the Commission, the resulting increase to the AMR rider will take effect with the first billing cycle following the Commission order.

In accordance with the application process, on November 30, 2018, DEO pre-filed a notice in this case that included preliminary schedules containing projected data related to AMR costs incurred in 2018. On February 28, 2019, DEO filed its Application and supporting schedules with actual data for AMR device costs incurred in calendar year 2018. Although DEO completed installation of AMR devices throughout its system in 2012, it will continue to incur recoverable AMR-related costs such as depreciation and property tax expenses and continue to reduce the AMR Cost Recovery Charge by the annual operation and maintenance savings resulting from the AMR deployment. As a result, the Company will continue to file annual applications until the AMR costs are included in its base rates in its next base rate case. On March 8, 2019, the Attorney Examiner issued an Entry establishing the following procedural schedule:

- (a) March 25, 2019 – Deadline for filing of motions to intervene.
- (b) March 25, 2019 – Deadline for Staff and intervenors to file comments on the Application.
- (c) March 29, 2019 – Deadline for DEO to file a statement, informing the Commission whether the issues raised in the comments have been resolved.
- (d) April 2, 2019 – Deadline for the parties and Staff to file expert testimony.
- (e) In the event that some or all of the parties enter into a stipulation resolving some or all of the issues in this case, the parties must file such stipulation with the Commission by 9:00 a.m. on April 4, 2019.
- (f) In the event that all of the issues are not resolved or the parties enter into a stipulation, a hearing shall commence on April 5, 2019, at 10:00 a.m. at the offices of the Commission, 180 East Broad Street, 11<sup>th</sup> Floor, Hearing Room 11-D, Columbus, Ohio 43215. Any party requesting a continuance of the hearing must file a motion to continue the hearing with the Commission by 9:00 a.m. on April 4, 2019.

### **DEO'S APPLICATION**

For recovery of 2018 AMR costs, DEO's Application and supporting schedules propose an annualized revenue requirement of \$3,746,639.37, which when allocated to customers, results in a proposed AMR Cost Recovery Charge of \$0.26 per customer per month. The current rate that is being paid monthly by customers (as set last year in Case No. 17-2178-GA-RDR) is \$0.33 per customer.

### **IMPACT OF THE TAX CUTS AND JOBS ACT OF 2017**

The Tax Cuts and Jobs Act of 2017 (TCJA) reduced the Federal corporate income tax rate from 35% to 21%. The TCJA had two primary effects associated with ratemaking for public utilities: a reduction in a utility's Federal income tax

expense and the recognition of Excess Accumulated Deferred Income Taxes (EDIT).<sup>1</sup> Dominion has incorporated these two components of the TCJA in this filing. First, in order to recognize the new tax rate, the pre-tax rate of return has been reduced from 11.36% to 9.91%. Second, the Company has recognized EDIT associated with liberalized depreciation as a regulatory liability and reduced rate base by the balance.<sup>2</sup> Dominion will begin amortizing and refunding the EDIT associated with liberalized depreciation when rates go into effect. In addition, Dominion asserts that the EDIT associated with the Net Regulatory Asset – PISCC does not need to be refunded to customers<sup>3</sup>, so the Company has excluded this EDIT balance from the computation of the revenue requirement. Dominion has included an adjustment of \$372 to reconcile the difference between the over-collection of tax expense from January – April 2018 and the actual amount refunded to customers.

#### **STAFF’S REVIEW, COMMENTS, AND RECOMMENDATIONS**

Staff reviewed the Company’s Application, schedules, testimony, proposals to recognize the impacts of the TCJA, and related documentation and confirmed that the Company properly applied the depreciation rates adopted in Case No. 13-1988-GA-AAM. Staff reviewed the Company’s schedules to verify the accuracy of the TCJA impacts. Staff determined that the pre-tax rate of return and EDIT associated with

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<sup>1</sup> Accumulated Deferred Income Taxes had been deferred at the previous corporate tax rate of 35%. When the tax rate was reduced to 21%, those balances were in excess of the utilities’ future tax obligations, which gave rise to the EDIT described above.

<sup>2</sup> The balance of Accumulated Deferred Income Taxes has been reduced by the balance of the EDIT.

<sup>3</sup> See Testimony of Vicki H. Friscic p. 4.

liberalized depreciation were appropriately reflected in the determination of the revenue requirement; however, Staff rejects the Company's assertion that EDIT associated with PISCC does not need to be refunded. Staff believes the deferred taxes associated with PISCC represent amounts that have been funded by customers, therefore customers are entitled to receive the EDIT associated with PISCC. Furthermore, as part of Case No. 18-0047-AU-COI, the Commission ordered utilities to return to customers *all* benefits resulting from the TCJA.<sup>4</sup> Staff recommends that the Company include the entire PISCC-related EDIT balance, as of December 31, 2017, as an offset to rate base, and that the balance be amortized over a period of 72 months (6 years) unless otherwise required to be amortized in accordance with the Average Rate Assumption Method (ARAM). Staff further recommends that the amortization of PISCC-related EDIT be grossed up at the prevailing Federal tax rate.

With the adoption of these recommendations, Staff has no other objections to DEO's Application and supporting documentation and recommends that the Commission approve DEO's Application as modified by the recommendation stated above.

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<sup>4</sup> *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, Finding and Order (Oct. 24, 2018) at 27.



Respectfully Submitted,

**Dave Yost**

Ohio Attorney General

**John H. Jones**

Interim Section Chief

*/s/ Jodi J. Bair*

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**Jodi J. Bair**

Assistant Attorney General

Public Utilities Section

30 East Broad Street, 16<sup>th</sup> Floor

Columbus, Ohio 43215

614.644.8599 (telephone)

866.431.4696 (fax)

jodi.bair@ohioattorneygeneral.gov

**On behalf of the Staff of**

**The Public Utilities Commission of Ohio**

## PROOF OF SERVICE

I certify that a copy of the foregoing **Comments** was served via electronic mail and/or regular U.S. mail, postage prepaid upon the following parties of record this 25th day of March, 2019.

*/s/ Jodi J. Bair*

**Jodi J. Bair**

Assistant Attorney General

### **Parties of Record:**

Amy Botschner-O'Brien  
Ohio Consumers' Counsel  
65 East State Street, 7<sup>th</sup> Floor  
Columbus, Ohio 43215-4203  
amy.botschner.obrien@occ.ohio.gov

Rebekah J. Glover  
Christopher T. Kennedy  
Whitt Sturtevant  
88 East Broad Street, Suite 1590  
Columbus, Ohio 43215  
glover@whitt-sturtevant.com  
kennedy@whitt-sturtevant.com

Attorney Examiner:

Anna Sanyal  
anna.sanyal@puco.ohio.gov

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Summary: Comments electronically filed by Ms. Yvette L Yip on behalf of the Public Utilities Commission of Ohio