**DEO EXHIBIT 1.0**

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

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| In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion Energy Ohio re: Implementation of the Tax Cuts and Jobs Act of 2017. | ) ) ) ) ) | Case No. 18-1908-GA-UNC |
| In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion Energy Ohio for Approval of Tariff Revisions. | ) ) ) | Case No. 18-1909-GA-ATA |

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# DIRECT TESTIMONY OF VICKI H. FRISCIC
# ON BEHALF OF
# THE EAST OHIO GAS COMPANY D/B/A DOMINION ENERGY OHIO

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**September 10, 2019**

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**Direct Testimony of**
**Vicki H. Friscic**

## I. INTRODUCTION

**Q1. Please introduce yourself.**

A. My name is Vicki H. Friscic. I am employed by The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO or Company) as Director Regulatory & Pricing. My business address is 1201 East 55th Street, Cleveland, Ohio 44103.

**Q2. In your capacity as Director Regulatory & Pricing, are you generally familiar with DEO's books and records?**

A. Yes. I am responsible for preparing and making a variety of regulatory filings that include financial information derived from DEO's financial records, including the general ledger, annual reports, income statements, and balance sheets.

**Q3. Please briefly describe your education and professional experience.**

A. I graduated from Ohio University with a Bachelor of Business Administration in Accounting degree. Upon graduation, I spent seven years with the accounting firm Price Waterhouse as an auditor, during which time I became a licensed CPA and was ultimately promoted to Audit Manager. I then worked for the Financial Services Group of Progressive Insurance for two years in managerial accounting positions. Upon leaving Progressive, I was employed by Pepsi-Cola as Manager, Financial Services for its Northeast Ohio franchise for four years. When Pepsi moved its accounting function out of Ohio, I worked as a CPA at a local firm for four years providing accounting, auditing, business consulting, and tax services to small businesses. I've been employed by The East Ohio Gas Company for nearly twenty-two years, starting as Manager, Tax and Accounting Services. In 2001, I joined DEO's Regulatory Affairs department and was promoted to my current position in 2008. I continue to hold an active CPA license and am a member of the Ohio Society of CPAs.

**Q4. Are you familiar with DEO's Application in this proceeding?**

A. Yes. I oversaw the preparation of DEO's Application and the Attachments.

**Q5. What is the purpose of your direct testimony in this proceeding?**

A. The purpose of my direct testimony is to describe the Company's Application, address the Review and Recommendations of the Commission Staff and the Comments of The Office of the Ohio Consumers' Counsel (OCC), and support the Company's proposals. To the extent that the Company has accepted a proposal of Staff and/or OCC, my testimony identifies the adoption of that proposal and modification to the Application.

## II. BACKGROUND

**Q6. What was the impetus for DEO's Application in this proceeding?**

A. The Tax Cuts and Jobs Act of 2017 (TCJA), signed into law on December 22, 2017, provides for a number of changes in the federal tax system. Most notably, the federal corporate income tax rate was reduced from 35 percent to 21 percent, effective January 1, 2018. The Commission opened a Commission-ordered investigation (COI) in Case No. 18-0047-AU-COI to study the impacts of the TCJA on the jurisdictional rate-regulated utilities and determine the appropriate course of action to pass through any benefits to ratepayers. In its Finding and Order in that proceeding, issued on October 24, 2018, the Commission ordered all Ohio rate-regulated utilities to file an application "not for an increase in rates," pursuant to R.C. 4909.18, "in a newly initiated proceeding, to pass along to consumers the tax savings resulted from the TCJA." 18-0047 Order at 18. In accordance with that Order, DEO filed the Application that initiated this proceeding.

**Q7. Did the Commission's Order in Case No. 18-0047-AU-COI explain the basis for its decision to direct each utility to file an application to initiate a separate proceeding?**

A. Yes. The Commission determined that "a generalized, 'one-size-fits-all' approach would be inappropriate to address all of the issues raised by the TCJA." 18-0047 Order at 17. The Commission found that separate proceedings would be "the most appropriate course of action to resolve any outstanding issues related to the TCJA and [would] allow for a more deliberate and thorough analysis for each utility's individual circumstances." 18-0047 Order at 18. The Commission further held that, "in keeping with [its] case-by-case approach," it was "open to any alternative proposals by utilities, provided such proposals pass all tax savings on to customers, have the full agreement of Staff and provide for input from other interested stakeholders." 18-0047 Order at 18.

**Q8. Are you aware of other applications by other investor-owned utilities that the Commission has approved that have resolved issues raised by the TCJA?**

A. Yes. Although I am not familiar with all of the specific details for each application filed by other investor-owned utilities that addressed issues raised by the TCJA, I am generally aware that the Commission has approved applications that have resolved issues raised by the TCJA for Dayton Power and Light (Opinion and Order, issued on September 26, 2018, in Case No. 15-1830-EL-AIR); Ohio Power Company d/b/a AEP Ohio (Finding and Order, issued on October 3, 2018, in Case No. 18-1007-EL-UNC); Columbia Gas of Ohio, Inc. (Opinion and Order, issued on November 28, 2018, in Case No. 17-2202-GA-ALT); Duke Energy of Ohio, Inc. (Electric) (Finding and Order, issued on February 20, 2019, in Case No. 18-1185-EL-UNC); the FirstEnergy companies (Opinion and Order, issued on July 17, 2019, in Case No. 18-1604-EL-UNC); Ohio Gas Co. (Opinion and Order, issued on June 19, 2019, in Case No. 18-1903-GA-WVR); and Vectren Energy Delivery of Ohio, Inc. (Opinion and Order, issued on August 28, 2019, in Case No. 18-

0298-GA-AIR). In addition, I am generally aware of three other applications related to the TCJA for electric and gas investor-owned utilities that remain pending as of the date of this testimony for Duke Energy of Ohio, Inc. (Gas) (Case No. 18-1830-GA-UNC); Vectren Energy Delivery of Ohio, Inc. (Case No. 19-0029-GA-UNC); and Dayton Power and Light (Case No. 19-0572-EL-UNC). To the extent that any of the above-mentioned applications is relevant to an issue that remains contested for DEO's application, I will discuss that application in my testimony.

**Q9. Has the Commission approved any other applications for DEO in other proceedings that resolved issues related to the TCJA?**

A. Yes. DEO has already begun the process of returning TCJA savings to customers pursuant to the Commission's approval of applications related to DEO's Pipeline Infrastructure Replacement (PIR) Cost Recovery Charge (Case Nos. 17-2177-GA-RDR and 18-1587-GA-RDR) and DEO's Automated Meter Reading (AMR) Cost Recovery Charge (Case Nos. 17-2178-GA-RDR and 18-1588-GA-RDR). I will discuss the tax impacts reflected in the PIR and AMR riders further below in my testimony.

## III. DEO'S APPLICATION

**Q10. Will the proposals in DEO's Application, if approved, pass along to consumers all tax savings resulting from the TCJA?**

A. Yes. As will be discussed further below, a critical step in ensuring that <u>all</u> tax savings are passed back to customers is calculating those savings in a manner that takes into account <u>all</u> of the relevant impacts. A failure to do so will result in amounts that do not properly reflect sound ratemaking principles and tax-related costs and benefits embedded in current rates.

**Q11. Please summarize the Company's proposals in the Application as filed.**

A. The Company's Application proposed the following means by which DEO could recognize the pass through of tax savings resulting from the TCJA to customers:

(1) return the TCJA impacts related to the PIR and AMR programs through the PIR and AMR cost recovery charges;

(2) return current federal income tax (FIT) expense savings deferred during the stub period (i.e., since January 1, 2018) through the proposed Tax Savings Credit Rider (TSCR) with a one-time application of carrying charges on the deferred balances;

(3) recognize the prospective impact of current FIT expense savings through (a) ongoing base-rate reductions or (b) as an offset to the Pipeline Safety Management Program (PSMP) regulatory asset;

(4) pass normalized excess deferred income taxes (EDIT) through the TSCR pursuant to the average rate assumption method (ARAM) tax normalization rules; and

(5) pass non-normalized EDIT through the TSCR over (a) ten years or (b) a more aggressive time period if in conjunction with a future near-term base rate case or alternative regulation application providing rate relief.

In light of the recommendations and comments filed by Staff and OCC in this proceeding, DEO will withdraw its proposal to apply any tax savings as a credit to its PSMP regulatory asset. The Company proposed that approach as an alternative that would support longer-term gradualism and rate stability. DEO has no objection to passing back tax savings more promptly as evidenced by the fact that its primary proposal would reduce customer bills immediately through a base rate reduction and TSCR implementation.

**Q12. Does the Company's Application contain any other proposals related to the pass back of TCJA savings to customers?**

A. Yes. The Application proposes that the increase in rate base from reductions in accumulated deferred income taxes (ADIT) be recognized through the TSCR. As DEO's EDIT balances are amortized, ADIT will decrease by a corresponding amount, net of the FIT gross up. DEO proposes to offset the TSCR amounts to customers with the financing costs associated with (i.e., the return on) the cumulative increase in rate base. In addition, the Application proposes an annual true-up of the amounts passed back through the TSCR and the actual TCJA impacts, net of the return on the cumulative increase in rate base, accrued over the stub period and post-stub period. That difference in the aggregate would be recognized as a regulatory asset or liability and addressed in DEO's next base rate case.

**Q13. Please explain how the TCJA impacts related to the PIR and AMR programs have been recognized through the PIR and AMR cost recovery charges.**

A. The PIR and AMR charges effective in May 2018 established in Case Nos. 17-2177-GA-RDR and 17-2178-GA-RDR already reflected the reduction in FIT in two ways: (1) the pre-tax rate of return was revised to reflect the new 21 percent income tax rate; and (2) a credit adjustment was made to refund to customers an amount estimated to be the difference between the total billed to customers for the period January 2018 through April 2018 at the then-current PIR and AMR charges and what the billed total would have been with the FIT rate at 21 percent.

**Q14. How were EDIT amounts relating to the PIR and AMR programs addressed in charges effective in May 2019 established in Case Nos. 18-1587-GA-RDR and 18-1588-GA-RDR?**

A. The PIR and AMR cost recovery charges put into effect in May 2019 were based on respective program rate base amounts as of December 31, 2018, and associated costs for the calendar year 2018. With assistance of Dominion Energy's Tax department, DEO determined the EDIT amounts in the program rate base as of the beginning of the year (i.e., December 31, 2017) and as of the end of the year, December 31, 2018. EDIT for each program was moved to a separate line in the program rate base, and the change in the balance from the beginning of the year to the end of the year was recognized as EDIT amortization for 2018. Accordingly, the amount was grossed up for FIT at 21 percent and included as a credit to the revenue requirement approved by the Commission. Further, the revenue requirement for each program included an additional credit to true-up the estimates of the January through April 2018 billings described above for rates put into effect in May 2018.

**Q15. How would DEO address TCJA savings in its PIR and AMR filings for charges to be effective in May 2020 and in future filings?**

A. For PIR and AMR charges to be put into effect in May 2020 and beyond, DEO will determine the EDIT amortization amount, gross it up for FIT and credit the revenue requirement as described above. The Company will also reduce the ADIT rate base offset to reflect any EDIT amortization through the prior year-end. This will occur annually until such time as DEO has a rate case, after which the EDIT amortization will be flowed back to customers as determined in the rate case.

**Q16. Does the Company's Application address how DEO would address the impact of the FIT reduction on annual residential rate-increase caps for the PIR charge?**

A. Yes. DEO explained it would recalculate and, in fact, has recalculated the annual residential rate-increase caps approved by the Commission in Case No. 15-0362-GA-ALT to reflect the 21 percent FIT rate in the pre-tax rate of return. To the extent that DEO's capital spending produces a revenue requirement that exceeds the amount that could be recovered within the recalculated rate increase cap in any year, DEO will reduce the proposed PIR revenue requirement so as not to exceed the revised rate increase cap for residential customers.

**Q17. Please explain the Application's proposal to recognize the deferred TCJA-related savings associated with the reduction in current FIT expense for the post-January 1, 2018 period (i.e., the stub period).**

A. DEO has been deferring as a regulatory liability the difference between amounts billed to customers at existing base rates and amounts that would have been billed since January 1, 2018, if the FIT expense embedded in base rates reflected the reduction attributable to the TCJA. The Application proposes passing back this stub period FIT savings to customers over a 12-month period, with a one-time application of carrying costs, through the TSCR. The TSCR would be calculated and applied as a percentage of the base rate charges included in customer billings, adjusted annually. It will appear as a separate line item on customer bills and remain in effect until the Commission establishes new base rates. The carrying charges applied to the monthly deferred regulatory liability associated with the reduction in FIT expense over the stub period would be calculated using the annual interest rate of 3.00 percent. This rate is the same rate applied to the monthly deferred regulatory assets accrued under PSMP. The use of the same rate for a regulatory liability and regulatory asset, both of which are accrued over relatively short time frames, provides symmetry and avoids the inconsistency of using one rate when customers owe the Company money but a different rate when the Company owes customers money.

**Q18. Please explain the Application's proposal to address the prospective or ongoing impact of the reduction in FIT expense.**

A. As noted above, the Application presents the Commission with two proposals: (1) a reduction in base rates for all sales, transportation, and storage service rate schedules by 5.608 percent, based on the test year information in DEO's last base rate case; or (2) to record the revenue generated by the 5.608 percent reduction as a regulatory liability to be offset against the regulatory asset being deferred under the PSMP. The calculation of the percentage adjustment is set forth in Attachment A to the Application, which is described in detail below. As noted above, DEO has withdrawn the second proposal.

**Q19. Why did the Company propose to pass back those savings through a base rate reduction rather than the TSCR?**

A. Passing back tax savings via a base rate reduction properly reflects the ratemaking determinations in DEO's last base rate case and avoids disrupting the relative economics and incentives across and within individual rate schedules. Riders such as the TSCR typically resolve and track known dollar amounts. By contrast, the prospective reduction in FIT expense is unknown and will vary based on the number of bills and customer usage and thus is best addressed through an across-the-board percentage reduction in base rate charges.

**Q20. How would the Company apply the TSCR to customer bills?**

A. The Application proposes to structure the TSCR as a percentage adjustment to customer base rate charges for the same reason that it proposed a percentage adjustment to base rates. Applying the TSCR as a credit per bill or per Mcf would distort the relative economics across and within individual rate schedules and result in some customers receiving a larger proportionate benefit than others. Applying the rider as a percentage credit would provide a more equitable outcome and, like the base rate reduction, better reflect the ratemaking determinations in the Company's last base rate case.

**Q21. Please explain the Application's proposal to return tax savings associated with the normalized or protected EDIT.**

A. As noted above, the Application proposes to amortize and pass through all normalized EDIT in accordance with the Internal Revenue Code (IRC) ARAM tax normalization rules. The Application proposed to base the monthly amortization amount on ADIT balances included in rate base as of the March 31, 2007 date certain from DEO's last rate case, adjusted through December 31, 2017 for turnaround of book versus tax depreciation differences subsequent to the March 31, 2007 date certain. The amount of normalized EDIT to be passed through to customers would be based on an annual amortization amount estimated at the time the initial TSCR rate is determined. The year-to-year changes associated with the normalized EDIT would then be reflected in the prospective TSCR rates. Normalized EDIT amortization deferred during the stub period would be passed through to customers as part of the TSCR over a 12-month period, after which the portion of the TSCR attributable to the stub period would be eliminated. The current period normalized EDIT amortization commencing in the month the TSCR is implemented would be passed through to customers as part of the TSCR until such time as the Commission establishes new base rates reflecting an appropriate annualized test year amount.

**Q22. Please explain the Application's proposal to return tax savings associated with the non-normalized or unprotected EDIT.**

A. As noted above, the Application proposes to amortize and pass through the non-normalized EDIT balance as of December 31, 2017, over ten years. As with normalized EDIT, the current period non-normalized EDIT amortization commencing in the month the TSCR is implemented would be passed through to customers as part of the TSCR until such time as the Commission establishes new base rates reflecting an appropriate annualized test year amount.

**Q23. Please explain the Application's proposal to offset TCJA amounts by the return on the cumulative increase in rate base.**

A. As noted above, the amortization of the EDIT balances, both protected and unprotected, results in a corresponding decrease in ADIT, net of the FIT gross up, which in turn, all other things being equal, results in an increase in rate base. The Application proposes to recognize the incremental financing cost for (i.e., return on) the cumulative increase in rate base through the TSCR so that the entire ratemaking impact of the EDIT pass through can be fully and properly reflected. The Application (pages 9-10) sets forth the calculation of the offset to otherwise applicable TSCR amounts to recognize the return on the increase in rate base. In addition, Attachment B to the Application provided an example of the calculation of the return on the increase in rate base using hypothetical figures.

**Q24. Please explain the Application's proposal to true-up amounts passed back through the TSCR and actual TCJA savings.**

A. I will address the true-up process further below when addressing the Staff Report recommendations.

**Q25. Did DEO submit any attachments in support of its Application?**

A. Yes. The Application included two attachments. Attachment A provided a calculation of the base rate reduction to address the prospective or ongoing impact of the reduction in FIT expense. Attachment B provided an example of the calculation of the return on the increase in rate base due to the reduction in ADIT as EDIT amounts are amortized.

**Q26. Please describe the calculation shown in Attachment A to the Application.**

A. Using the revenue requirement approved by the Commission in DEO's last rate case, DEO first recalculated that revenue requirement to include FIT expense at 21% instead of 35% and adjusting the gross revenue conversion factor accordingly. This calculation showed a decrease in the approved revenue requirement of $19,759,047 attributable to the TCJA tax rate reduction. DEO adjusted the revenue requirement reduction to remove gross receipt tax of 4.6044 percent, which was approved in the last rate case, to arrive at the test year TCJA base rate revenue impact of $18,889,308. DEO then took the total system base rate revenues for all rate classes approved in the last rate case and updated for SFV rates approved in Case No. 09-654-GA-UNC, and deducted revenues associated with negotiated rate agreements to determine non-discounted base rate revenues of $336,837,773. The test year TCJA base rate revenue impact of $18,889,308 divided by the non-discounted base rate revenues of $336,837,773 results in a base rate impact of 5.608 percent.

**Q27. Please describe the calculation shown in Attachment B to the Application.**

A. The calculation in Attachment B starts with the amounts of EDIT amortization being passed to customers monthly through the TSCR in the first column. Because those amounts are grossed up for FIT, the gross up is removed to derive the monthly amortization amount shown in the second column. The monthly EDIT amortization decreases total accumulated deferred income taxes (ADIT). The third column shows the accumulation of the monthly EDIT amortization amounts to reflect the cumulative increase in rate base resulting from the decreases in ADIT. The monthly financing cost in the fifth column is determined by applying the monthly post-TCJA pre-tax rate of return (i.e., 9.91 percent divided by 12) to the average monthly balance of the rate base increase shown in the fourth column. As previously mentioned, the amounts shown in Attachment B are hypothetical amounts for illustrative purposes.

**Q28. Do you believe that the proposals in DEO's Application, as filed, are consistent with and responsive to the Commission's directives in its Order in Case No. 18-0047-AU-COI?**

A. Yes. I am not a lawyer and am not offering a legal interpretation of the Commission's Order in Case No. 18-0047-AU-COI. With that said, the Company's proposals in the Application pass along to consumers the impact of the tax savings resulting from the TCJA, and resolve all of the Company's outstanding issues resulting from the TCJA with approaches that are supported and appropriate for DEO's individual circumstances. This was certainly DEO's intention, and to my knowledge, no party has suggested that DEO failed to satisfy the directives in this Order.

## IV. STAFF REVIEW AND RECOMMENDATIONS

**Q29. Have you reviewed the Staff Review and Recommendations (Staff Report) filed in this proceeding on March 5, 2019?**

A. Yes.

**Q30. Does the Staff Report recommend that the Commission adopt DEO's Application without modification?**

A. No. Although the Staff Report accepts certain aspects of the proposals in DEO's Application, the Staff Report recommendations include several changes to, or rejections of, the Company's proposals in its Application.

**Q31. Please describe the differences between the proposals in Staff Report and the Company's Application to recognize the reduction in the FIT.**

A. There are two main differences between the Staff report and the Application's proposals to recognize the reduction in the FIT. **First**, Staff rejects outright DEO's second proposal to defer prospective FIT savings as a regulatory liability to be used to offset the regulatory asset under PSMP. Staff does not, however, explicitly address DEO's first proposal to address prospective FIT savings, namely to reduce base rates for all sales, transportation and storage service rate schedules by 5.608 percent. Instead, Staff recommends that "…immediate recognition of the tax savings is preferred and Rider TSCR be established to include an annual credit to customers attributable to the remaining impact of TCJA's reduction in the FIT to 21 percent that is attributable to the Company's distribution base rates going forward." (Staff Rept. at 5.) It is unclear whether that recommendation rejects the Company's proposal to adjust base rates, rather than utilize the TSCR, to achieve the immediate recognition and to pass back the prospective FIT savings. **Second**, Staff recommends that the carrying charges applied to the deferred stub period savings be based on the 6.50 percent cost of long-term debt approved in DEO's most recent base rate case, Case No. 07-0829-GA-AIR, and compounded. In contrast, the Company's Application proposed that the carrying charges for the stub period savings reflect the same 3.0 percent utilized for the regulatory asset balance accumulated under the PSMP without compounding.

**Q32. Has DEO accepted any of these Staff Report recommendations regarding prospective FIT savings?**

A. Yes. As noted above, the Company has withdrawn its alternative proposal to apply any prospective FIT savings as a credit to the PSMP regulatory asset.

**Q33. Please explain why an adjustment to base rates is an appropriate and reasonable means to recognize the prospective FIT savings.**

A. As stated in the Company's Application, the Commission has already approved a base rate reduction to reflect the prospective reduction in FIT expense for at least one other gas utility. *In re Columbia Gas of Ohio, Inc.*, Case No. 17-2202-GA-ALT, Opin. & Order at 27-28 (Nov. 28, 2018); *see also In re Duke Energy of Ohio, Inc.*, 18-1830-GA-UNC, Appl. at 3 (Dec. 21, 2018) (proposing 5.3 percent base rate reduction to account for FIT rate reduction). As stated previously, adjusting base rates in this fashion properly reflects the ratemaking determinations approved in DEO's prior rate case and avoids disrupting the relative economics and incentives across and within individual rate schedules. In addition, riders are typically used to track specific, known amounts. For this reason, the Application proposes that the TSCR pass back specific, known amounts associated with stub period savings and, as described below, normalized and non-normalized EDIT amortization.

**Q34. Why don't you consider prospective FIT savings a "specific, known amount"?**

A. While the impact on DEO's revenue requirement is known, the impact on customers (whether in total or individually) is not. The specific amount saved will depend on factors that are unknown now and that will vary year to year, such as overall customer counts and individual customer usage. Thus, the amount of the reduction for prospective FIT savings going forward is not known, even if the 5.608 percent reduction is fixed. A prospective reduction in base rates, however, can fully and properly reflect the impact of that reduction, while still achieving the Commission's objective to immediately recognize ongoing FIT savings on customer bills.

**Q35. Is there another reason a base rate reduction is preferred by DEO to implement TCJA reductions associated with current FIT expense?**

A. Yes. As noted in its reply comments to Staff's recommendations, programming to make changes to DEO's billing systems will be necessary to implement TCJA reductions and to reflect them on customer bills. DEO's IT department has estimated it will take approximately three months after receiving a Commission order in this case to program and test the billing system changes before the TSCR can be implemented. This time estimate did not take into account also programming the TSCR to include another component for what DEO proposed as a simple base rate reduction. A base rate reduction, however, can be implemented relatively quickly, potentially at the start of the very next billing month following approval. The two-part approach proposed by DEO better achieves Staff's and the Commission's objective to immediately recognize tax savings on customer bills.

**Q36. I want to ask you some questions regarding Case No. 18-1830-GA-UNC, which was mentioned earlier in your testimony. Please describe that case.**

A. Case No. 18-1830-GA-UNC pertains to Duke Energy-Ohio's proposals to pass back TCJA savings to its natural gas customers. The impacts on Duke's electric customers were recognized in a different case. Like DEO's, Duke's case did not settle and recently went to hearing over issues similar to those at issue here.

**Q37. Have you reviewed Staff's testimony in that proceeding?**

A. Yes, as it relates to the issues relevant to DEO's application.

**Q38. In Case No. 18-1830-GA-UNC, Staff asserts that refunding FIT savings through a specific line item on the customer's bill is more transparent and easier to understand. (Staff Ex. 2.0, p. 3.) Does DEO agree with Staff's assertion with respect to prospective FIT savings?**

A. No. Upon the implementation of base rate reductions, DEO plans to provide messaging to customers to inform them that base rates have been reduced to reflect the lower FIT rate and that further reductions will occur through the TSCR. DEO will ensure the explanations are easy to understand and will submit proposed messages to Staff for review before issuance.

**Q39. Is there any difference in the amount of tax savings passed back to customers through the use of reduction to base rates as opposed to the TSCR?**

A. No. Whether customer bills reflect a 5.608% decrease in base rates applied to ongoing bills or through that percentage applied to base rate charges but included in the TSCR, the impact will be virtually the same. DEO's proposed approach is far simpler to administer. As already noted, the tax savings benefit can start sooner with a base rate reduction.

**Q40. Please explain why the Commission should reject Staff's approach to determining carrying charges for the stub period savings.**

A. As noted above, the Company believes that carrying charges on balances owed to and by customers should be calculated and applied in the same manner. By utilizing a higher interest rate and applying it with compounding, the Staff Report imposes an unwarranted penalty solely on the basis of which party is required to pay the other. The long-term debt rate is more appropriate for post in-service carrying costs associated with infrastructure programs where long-lived assets are largely financed with long-term debt until such time as a return on rate base reflecting long-term debt and equity is provided. Neither the accumulated PSMP balances nor the stub period income tax deferrals, however, involve comparable long-term financing.

**Q41. So DEO is not opposed to applying carrying costs to stub period savings?**

A. Not at all. DEO wholeheartedly believes that stub period savings credited to customers should include carrying cost. The issue here is simply one of equity. Applying an interest rate for amounts owed <u>to</u> customers that is more than twice that applied to amounts owed <u>by</u> customers is manifestly unfair. The Company recognizes that the Commission has approved the use of a long-term debt rate for other utilities. I cannot speak to those utilities' acceptance of that carrying-cost interest rate, although I do recognize that many of these cases were settled and involved trade-offs on tax issues as well as others. Regardless, in this case, a directly comparable but much lower carrying charge is being applied to amounts owed by customers. As the Commission recognized in its 18-0047 Order, "the most appropriate course of action to resolve any outstanding issues related to the TCJA and [would] allow for a more deliberate and thorough analysis for each utility's individual circumstances." 18-0047 Order at 18. DEO's "individual circumstances" warrant a different outcome. The use of a long-term debt rate in other cases does not mean that it's appropriate in this case where the inequity of that result is abundantly clear.

**Q42. Have you calculated the change in tax savings passed back to customers through the use of DEO's proposed rate for carrying charges for stub period TCJA deferrals to date?**

A. Yes. The carrying cost value calculated at 6.5 percent on TCJA balances deferred through August 2019 is approximately $1.9 million with compounding. Calculated at 3 percent with or without compounding, it is approximately $0.8 million.

**Q43. Please describe the differences between the proposals in Staff Report and the Company's Application concerning the treatment of EDIT.**

A. There are three main differences between the Staff Report and the Application's proposals concerning the treatment of EDIT. **First**, the Staff Report expressly states that normalized EDIT only include balances that the IRC requires to be amortized in accordance with ARAM. **Second**, the Staff Report recommends that the monthly amortization of normalized EDIT be based on the December 31, 2017 balance, less any balance of normalized EDIT accounted for in the PIR and AMR riders, to "ensure that the full balance of normalized EDIT as of 12/31/17 is returned to customers." (Staff Rept. at 6.) The Application proposed that the monthly amortization of normalized EDIT be based on the ADIT balances at March 31, 2007, adjusted through December 31, 2017 for the change in the ADIT-related temporary differences in book versus tax accounting. **Third**, the Staff Report recommends that non-normalized EDIT be amortized over 72 months (six years). In contrast, the Company's Application proposed a ten-year amortization.

**Q44. Has DEO accepted any of these Staff Report recommendations?**

A. Yes. With respect to the first point raised by Staff noted above, in the Application, the Company said it would confer with Staff regarding the non-normalized EDIT balance to determine which components should be categorized as normalized. In response to the Staff Report's recommendation that EDIT balances without IRC limitations placed on the amortization period be treated the same as non-normalized EDIT, the Company has reviewed and adjusted its normalized and non-normalized EDIT balances. Exhibit A to this testimony identifies the adjusted balances.

**Q45. Has DEO made any other changes to the adjusted EDIT balances?**

A. Yes. DEO's tax system only calculates EDIT balances by asset vintage-year on a year-end basis. For that reason, the adjusted normalized EDIT balance is as of December 31, 2007, instead of the March 31, 2007 date certain balance proposed in the Application. This change will result in customers receiving a larger credit through the TSCR. Exhibit A shows the protected EDIT balance as of December 31, 2007, rolled forward to December 31, 2017, excluding the December 31, 2017 balances for AMR, PIR, and Capital Expenditure Program (CEP).

**Q46. Has DEO accepted any of the other Staff Report recommendations concerning EDIT?**

A. No.

**Q47. Please explain why it is appropriate and reasonable to utilize the normalized EDIT balance as of December 31, 2007, adjusted through December 31, 2017 for differences in book versus tax depreciation, instead of the December 31, 2017 balance of normalized EDIT as proposed by the Staff Report.**

A. The basic issue is that customers have not yet paid for post-2007 investments in rates, so no "matching principle" justifies return of the tax savings associated with those investments. (This is not true of AMR and PIR investments, and EDIT associated with those investments is being returned on balances through 2017.) In other words, since customers never “funded” post-2007 investments, there is no basis for “re-funding” the related tax savings.

Existing base rates charged to customers encompass net plant investments as of the date certain of DEO’s last base rate case offset by the associated level of ADIT as well as a test year level of deferred tax expense. As explained above, DEO’s tax system calculates ADIT/EDIT as of calendar year-end balances and DEO has now recommended the use of the December 31, 2007 balance as the basis for its normalized EDIT amount, adjusted for changes in that EDIT through December 31, 2017. Aside from investments in the PIR and AMR programs for which EDIT is being recognized from the start of those programs, customers have not yet paid for and DEO has not yet earned a return on any investments subsequent to 2007. Accordingly, the ADIT on protected assets between 2007 and December 31, 2017, should not give rise to normalized EDIT amounts to be refunded to customers. Refunding amounts based on a December 31, 2017, balance would effectively result in customers being refunded money that they never paid in the first place.

**Q48. In the Duke proceeding, Case No. 18-1830-GA-UNC, Staff asserts that if the Commission does not refund EDIT based on the balances as of December 31, 2017, the utility will realize “a permanent tax savings,” which will never be realized by the ratepayer. Does DEO agree with Staff’s assertion?**

A. No. DEO believes Staff’s assertion mischaracterizes the difference in tax savings at issue. As with other financial activity between rates cases and outside of riders, there are fluctuations both plus and minus that are not incorporated into rates. For example, if DEO purchases more efficient light bulbs, it will spend money and it will save money. If the cost of the light bulbs is not reflected in rates, there is no basis for passing the associated savings back to customers. The mere fact that a utility enjoys a "savings" of some kind does not justify a rate reduction if customers did not fund the activity that led to the savings. Staff's so-called "permanent tax savings" are no more permanent than a permanent increase in O&M attributable to a hike in hourly pay under a union agreement. It is nothing more than one of many changes in costs – some positive and others negative – that a utility experiences between rate cases. Referring to tax savings as "permanent" does not change that dynamic. Using a date that approximates the Company's last date certain is consistent with the calculation of the current FIT tax savings based on test year amounts in the same rate case, a calculation that Staff has accepted in this and other TCJA proceedings. DEO is committed to providing customers all of the tax savings benefits they deserve, but those benefits should be calculated appropriately.

**Q49. Have you estimated the change in tax savings passed back to customers through the use of DEO's normalized EDIT balance as of December 31, 2007?**

A. Yes, as reflected on Exhibit A, the normalized EDIT amount to be passed to customers, in addition to amounts being passed to customers through the PIR and AMR charges, would be $137.9 million based on December 31, 2007 balances rolled forward to December 31, 2017, versus $211.8 million based on balances at December 31, 2017.

**Q50. Please explain why it is appropriate and reasonable to utilize a ten-year amortization period for non-normalized EDIT, instead of the six-year amortization proposed by the Staff Report.**

A. The Company is aware that time periods shorter than ten years have been accepted by other utilities and approved by the Commission for the amortization of non-normalized EDIT. As noted in the Application however, the significant size of DEO's non-normalized EDIT balance, and the associated cash-flow and financing impacts, does not warrant a shorter amortization period on a stand-alone basis (i.e., not in conjunction with an application providing rate relief). In contrast, the Staff Report does not explain or provide a rationale for the amortization of DEO's non-normalized EDIT balance over a six-year period, even though the Commission has approved the amortization of non-normalized EDIT over a ten-year period for other utilities. *See*, *e.g.*, *In re Duke Energy Ohio, Inc.*, Case No. 18-1185-EL-UNC, Finding & Order at 6 (Feb. 20, 2019 (adopting Staff's recommendation of a ten-year period to amortize a balance of $74.9 million).

**Q51. Have you estimated the change in annual tax savings passed back to customers through the use of DEO's proposed ten-year amortization period?**

A. Based on the non-normalized balance of $162,164,524 shown on Exhibit A, which has been grossed up for FIT, the proposed ten-year amortization would amount to $16,216,452 per year being passed to customers through the TSCR compared with $27,027,421 per year with an amortization period of six years. In either case, however, customers would receive the full $162,164,524 credit over the entire span.

**Q52. Does the Staff Report accept the Company's proposal to recognize the incremental return on rate base resulting from the amortization of EDIT through the TSCR?**

A. No. The Staff Report recognizes that DEO has the opportunity to recover the incremental return on rate base from the amortization of EDIT in the AMR and PIR proceedings. The Staff Report, however, rejects DEO's proposal to recover the incremental return on rate base from the amortization of non-AMR and non-PIR EDIT through the TSCR. Staff contends that "a new mechanism should [not] be established to recover the incremental return, and recovery should only be permitted through existing mechanisms." (Staff Rept. at 6.) Instead, Staff argues that "a base rate case is the appropriate means to recover the return associated with the amortization of the remaining EDIT." (Staff Rept. at 6.)

**Q53. Why should the Commission reject Staff's position on the recovery of the incremental return on rate base?**

A. Ignoring the impact of EDIT amortization on the rate base on which the Company earns a return is not consistent with sound ratemaking. Customer rates reflect a test year expense for deferred income taxes associated with the book-tax timing differences. Those deferred income taxes are then accumulated and used to reduce rate base, which provides a substantial benefit to customers. In DEO's last rate case, for example, accumulated deferred income taxes reduced rate base by $400 million. Applying the 11.36-percent pre-tax rate of return approved in that case reduced the resulting revenue requirement by $45 million. By comparison, the test year expense for deferred income taxes associated with straight line versus tax depreciation was less than $3 million. Insisting that the Company amortize and pass back EDIT without also recognizing the substantial impact on rate base completely ignores the benefit that customers receive from the reduced rate base created by that very same EDIT.

**Q54. Does the Staff Report deny the existence of this financial impact on DEO?**

A. No; on the contrary, Staff acknowledges that impact in its recommendations when it states that "all else equal, the amortization of EDIT increases the revenue requirements." Staff Recommendations at 7. While cited in the context of PIR- and AMR-related EDIT, that conclusion is no less valid when applied to non-PIR and non-AMR EDIT amounts. Confirming the point, the Staff Report acknowledges that there is an "incremental return on rate base associated with the amortization of the remaining EDIT," but it rejects recognizing this return on the basis a "mechanism does not currently exist to recover [it]." *Id.*

**Q55. Why is it inappropriate and unreasonable to delay recovery of the incremental return on rate base until resolution of DEO's next base rate case?**

A. Carving out a key impact for resolution in a subsequent rate case is contrary to the very nature of the Commission's investigation into TCJA impacts and its approval of approaches adopted for other utilities where those impacts were addressed in stand-alone proceedings and not their next rate case. The Commission should consider all relevant TCJA impacts in this proceeding and not leave such a large impact unaddressed until the Company's next rate case.

Ironically, Staff's position on this issue is inverse to its recommendation to refund EDIT using the December 31, 2017 date. In the latter situation, Staff recommends refunding savings even though ratepayers never actually *funded* the activity that led to those savings. But here, where the refund of EDIT clearly *does* impose a material financing impact on DEO, the Staff Report refuses to recognize the impact on DEO of funding it. This is another instance in which the Staff Report appears to focus one-sidedly on the result of a recommendation (increase refunds to ratepayers), as opposed to the principle behind it.

**Q56. Can you speak to Staff's stated rationale for denying recognition of the financing impact of refunding such large amounts of EDIT?**

A. Yes. Staff states "a new mechanism should [not] be established to recover the incremental return, and recovery should only be permitted through existing mechanisms." (Staff Rept. at 6.) DEO does not find the Staff Report's rationale to be persuasive. First, the TSCR that Staff supports is itself a "new mechanism" for DEO. Indeed, the only reason DEO is proposing to recognize financing costs is *because* the Commission is requiring DEO to refund EDIT balances through a "new mechanism."

Second, even if the TSCR is not considered a new mechanism by virtue of its approval for other utilities, inclusion of the incremental return on rate base in the TSCR would merely be one of a number of items that will be calculated and tracked as it is updated from year to year. The recognition of financing costs would merely offset the TSCR; it would not require a new mechanism, beyond the TSCR, which all parties agree should be created.

**Q57. Has Staff supported the use of a new mechanism to recognize a return on incremental rate base caused by EDIT amortization in any other cases?**

A. Yes, it has. In the November 9, 2018, Stipulation and Recommendation in Case No. 18-1604-EL-UNC signed by Staff, the signatory parties agreed that "[t]he Companies will include in the ***new credit mechanism*** a return on the cumulative amortized normalized EDIT net liabilities." (Stip at 8, emphasis added) While DEO understands that return would otherwise have been included in FirstEnergy's DCR rate base, it is nonetheless telling that Staff expressly supported the inclusion of a return on incremental rate base in a "new" mechanism in the same manner as that proposed by DEO, albeit for non-normalized EDIT.

**Q58. How material is the incremental return on rate base from the amortization of EDIT?**

A. That impact is material even if we limit the focus to non-normalized EDIT amortization alone. Exhibit B, Schedule 1 illustrates the impact of non-normalized EDIT amortization on the Company's return on rate base using the adjusted December 31, 2017 balance of $162 million under Staff's recommended six-year amortization period. Amortizing such a large amount over such a short time frame will increase rate base by more than $21 million every single year. Because that amount accumulates over time, the resulting impact on the Company's return on rate base increases dramatically as shown below:

| Year | Incremental Return on Rate Base |
|---|---|
| 1 | $ 1,057,975 |
| 2 | $ 3,173,925 |
| 3 | $ 5,289,874 |
| 4 | $ 7,405,824 |
| 5 | $ 9,521,774 |
| 6 | $11,637,724 |

For comparison, Exhibit B, Schedule 2 illustrates the impact of the same non-normalized EDIT amortization on the Company's return on rate base under the ten-year period proposed by DEO. Under either amortization period, the impact to DEO is too significant to disregard its importance.

While it's highly likely that the Company will file a rate case well before the end of six years, the magnitude of the above amounts makes it clear that disregarding that impact would be unjust and unreasonable. Passing back EDIT amounts without addressing the substantial benefit that customers received from a reduced rate base in DEO's last rate case would result in customers receiving far more refunds than are actually generated by the TCJA. As previously stated, DEO is committed to providing customers all of the tax saving benefits they deserve: all it asks is that those benefits be calculated properly.

**Q59. Is the material impact on the incremental return on rate base the only reason that it would be unreasonable to ignore it?**

A. No. While that materiality is the major reason that the Commission should reflect that impact through the TSCR, the use of the December 31, 2017 non-normalized EDIT balance is also important.

**Q60. Please explain the relevance of using the December 31, 2017 balance of non-normalized EDIT to determine the balance to be amortized.**

A. Even though the date certain in DEO's last rate case was March 31, 2007, the Application proposes to amortize non-normalized EDIT based on a December 31, 2017 balance. A substantial portion of that balance is associated with growth in the Company's pension asset. In DEO's last rate case, an ADIT amount of $220.2 million was treated as "cost-free" capital in conjunction with a date certain pension asset of $629.2 million. By comparison, the December 31, 2017 non-normalized EDIT balance includes $187.1 million related to DEO's pension-related EDIT. (It is also worth noting that that amount alone equals 13% of DEO's entire rate base of $1,404.7 million in its last rate case.) DEO's Application proposes to pass through that entire benefit even though customer rates do not yet include a $472.9 million increase in rate base associated with its pension asset net of ADIT as of December 31, 2017. In simple terms, the Company is proposing to give customers a substantial EDIT benefit even though their rates do not include the full cost of the asset creating that benefit in the first place. Recognizing the incremental return on rate base is the least that should be done in light of that fact.

**Q61. Have other utilities been provided the same recognition of financing impacts?**

A. I am not aware of whether other utilities have requested precisely the same recognition of financing impacts as DEO. My understanding is that some TCJA cases were resolved in conjunction with applications to increase rates, which may have lessened the financing impact of refunding EDIT, and for other companies I believe the relative dollar impact would have been significantly less given their lower EDIT balances. I am not aware that the Commission has specifically rejected such treatment, and in DEO's case, the reasons for the request are clear: the magnitude of DEO's non-normalized EDIT relative to its last rate base; the fact that this huge balance largely reflects the post-date-certain growth of a pension asset; all combined with the already-significant level of DEO's normalized EDIT. These are prime examples of the individual circumstances that the Commission said should be considered on a case-by-case basis in resolving TCJA impacts.

**Q62. Has DEO reviewed the EDIT balances that other utilities in Ohio will amortize and pass back to customers?**

A. Yes. Exhibit C summarizes the total EDIT balances, both normalized and non-normalized, that other large investor-owned gas and electric utilities in Ohio will amortize and pass back to customers. The amounts shown include EDIT balances that will be passed back via distribution infrastructure recovery riders. Accordingly, the normalized EDIT of $294.0 million shown on Exhibit C for DEO includes the following amounts from Exhibit A: $137.9 million not associated with infrastructure programs at December 31, 2007 rolled forward to December 31, 2017, $6.7 million related to the AMR program, and $149.4 related to the PIR program.

**Q63. What does this data in Exhibit C show?**

A. Exhibit C shows that DEO's total level of normalized and non-normalized EDIT is larger than any other large investor-owned gas utility in the state and is only exceeded by the total EDIT amount for FirstEnergy. That ranking becomes even more impactful when one considers that FirstEnergy and AEP – the only other utilities with a level even close to DEO's – recover a return on their cumulative amortized normalized EDIT either through a distribution infrastructure rider (for AEP) or a new credit mechanism (for FirstEnergy).

**Q64. Please elaborate on the importance of electric companies being able to recover a return on incremental rate base as their normalized EDIT is amortized.**

A. Since the electric companies are able to recover that return, they lack recovery on the amortization of their non-normalized EDIT balance only. That balance amounts to $177.6

million for AEP and $128.3 million for FirstEnergy. By comparison, Staff recommends that DEO be left with no recovery of the return on incremental rate base on the amortization of its non-normalized EDIT balance as well as any normalized EDIT not addressed through its PIR or AMR cost recovery riders. The combination of the two amounts to $374 million (if the normalized EDIT is valued at December 31, 2017) or $300 million (if the normalized EDIT is valued at December 31, 2007). In either case, the balance of DEO's EDIT that would be amortized with no recovery of the return on incremental rate base is virtually a multiple of the next largest amounts. Performing that same comparison with the remaining large investor-owned utilities in the state would reveal even greater differences. When it comes to the impact of not recovering the return on incremental rate base as EDIT balances are amortized, DEO is clearly in a league of its own.

**Q65. Does the data in Exhibit C demonstrate that DEO's individual circumstances justify recovery of the incremental return on rate base through the TSCR?**

A. Yes. As my testimony demonstrates, recognizing the incremental return on rate base is consistent with sound ratemaking principles and practices and should be approved regardless of EDIT balances. However, the magnitude of DEO's EDIT balances illustrates the soundness of the Commission's conclusion that a generalized, 'one-size-fits-all' approach is not appropriate to address all of the issues raised by the TCJA. Without the means to recover the incremental return on rate base for all of its normalized EDIT, DEO is exposed to much greater financial degradation if EDIT amortization is not also accompanied by the recovery of an incremental return on rate base. That is particularly true given the size of its non-normalized EDIT balance and the fact that it reflects a large amount of EDIT accumulated since the Company's last rate case.

**Q66. If the Commission wanted to recognize the incremental return on rate base, but not through the TSCR, what would DEO recommend?**

A. If the Commission preferred to recognize the incremental return on rate base in DEO's next rate case instead of the TSCR, the Commission should order DEO to establish a regulatory asset that would accumulate that impact and allow for its recovery in the Company's next rate case.

**Q67. Does Staff make any recommendations concerning the true-up of TSCR amounts?**

A. Yes. Staff recommends that the TSCR be trued up annually to mitigate large variances between the amount refunded through the TSCR and the actual tax impact of the TCJA. The Staff Report notes that this annual true up would assist in minimizing the resulting regulatory asset or liability that will be incorporated into the Company's next base rate filing.

**Q68. Does DEO take issue with Staff's recommendation on the annual TSCR true-up?**

A. No. The true-up for the TSCR would occur annually until the Commission approves new base rates for the Company at which time updated test year amounts and amortizations will be reflected in customer rates in the normal manner utilized for ratemaking purposes without subsequent true-ups. DEO notes, however, that inclusion of the reduction for current FIT expense in the TSCR as recommended by Staff, rather than through a base rate reduction as proposed by DEO, would not warrant a true up as it would be based on the appropriate level of current billings going forward.

## V. OCC COMMENTS

**Q69. Have you reviewed the comments of OCC to DEO's Application and the Staff Report?**

A. Yes.

**Q70. Can you summarize OCC's comments?**

A. OCC largely recommends that the Commission adopt the Staff Report recommendations. To the extent that OCC's recommendations mirror those in the Staff Report, I will not address the recommendations a second time in testimony. There are, however, a few statements in OCC's comments that I will address.

**Q71. OCC states that the Commission should adopt the "AEP model," which OCC claims would not allow DEO "to simultaneously increase its rates (for other reasons) to offset the tax cuts rate decrease." (OCC Comments at 4, 5, and 10.) Does DEO's Application propose unrelated offsets to the TCJA savings?**

A. No. As discussed above, recognition of the incremental return on rate base is recognition of a cost of passing back the TCJA savings. It is not an unrelated offset. Although DEO is aware that the Commission has resolved TCJA issues for other utilities as part of a larger package consolidated with other applications or proposals that sought to increase customers' rates, that is not the case here.

**Q72. OCC claims that DEO's alternative proposal to record prospective tax savings as a regulatory liability to offset the PSMP asset "comingles unrelated cases and adds needless complexity" (OCC Comments at 4) to the pass back of TCJA savings. Does DEO agree?**

A. No. In making that recommendation, DEO did not view its proposal as a "needless complexity," but rather as one that provided longer-term gradualism and rate stability. As stated above, however, DEO has withdrawn this proposal.

**Q73. OCC claims that setting the carrying charge at DEO's cost of long-term debt rate is consistent with the carrying costs recognized for the PIR and AMR. Why should the Commission utilize a different rate for carrying costs for the TSCR?**

A. As described above, the long-term debt rate is more appropriate for post in-service carrying costs associated with infrastructure programs, such as PIR and AMR, where long-lived assets are largely financed with long-term debt until such time as a return on rate base reflecting long-term debt and equity is provided. That is not the case for TCJA deferrals, just as the long-term debt rate was not permitted by Staff for the PSMP deferrals.

**Q74. OCC recommends that the Commission "adopt the PUCO Staff's recommendation that Dominion file a base rate case." (OCC Comments at 9.) Did Staff make this recommendation?**

A. No. As explained above, the Staff Report recommends that the Commission should delay recovery of the incremental return on rate base until DEO's next base rate case. The Staff Report does not recommend that DEO file a base rate case.

**Q75. OCC recommends that the Commission direct DEO to return TCJA savings to customers based on class allocation percentages adopted in DEO's most recent base rate case for billing customers for services rendered. Is that proposal consistent with DEO's Application?**

A. DEO is not sure what OCC means by the allocation percentages adopted in the Company's last rate case. However, the combination of an across-the-board base rate reduction and application of the TSCR in the same manner will assure that each customer class will receive the same proportionate benefit, a result that would appear to be in line with OCC's recommendation on that front.

**Q76. OCC's comments assert that "another significant issue that needs addressed in Dominion's service area" is the charges by some marketers under the Monthly Variable Rate program. (OCC Comments at 1.) Is that issue relevant to the TCJA issues and appropriate for consideration in this proceeding?**

A. No. There is a separate Commission proceeding, Case No. 18-1419-GA-EXM, in which that issue will be considered.

## VI. CONCLUSION

**Q77. Does this conclude your direct testimony?**

A. Yes, it does.

## CERTIFICATE OF SERVICE

I hereby certify that a copy of this Direct Testimony of Vicki H. Friscic was served by electronic mail upon the following parties this 10th day of September, 2019:

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/s/ Christopher T. Kennedy
One of the Attorneys for The East Ohio Gas Company d/b/a Dominion Energy Ohio

Exhibit A

**The East Ohio Gas Company d/b/a Dominion Energy Ohio**
**Case No. 18-1908-GA-UNC**

**Schedule of Cumulative Timing Differences and Excess Deferred Income Taxes**
**As of 12/31/17 Updated for 2017 Tax Return and Tax Basis Balance Sheet Analysis**

| | Original Estimate | | | | | | |
|---|---|---|---|---|---|---|---|
| **REGULATED EDIT COMPUTATION:** | **TIMING DIFFERENCES AT 12/31/2017 (Pre-Tax)** | **@ 35%** | **@ 21%** | **DIFFERENCE - EDIT** | **GROSS UP** | **GROSSED UP REGULATORY LIABILITY** | |
| PLANT PROTECTED | $ (2,082,574,060) | $ (728,900,921) | $ (437,340,553) | $ (291,560,368) | $ (77,503,389) | $ (369,063,757) | |
| UNPROTECTED | (1,023,970,479) | (358,389,668) | (215,033,801) | (143,355,867) | (38,107,256) | (181,463,123) | |
| PLANT UNPROTECTED | (157,076,434) | (54,976,752) | (32,986,051) | (21,990,701) | (5,845,629) | (27,836,330) | |
| **TOTAL EDIT REGULATORY LIABILITY** | $ (3,263,620,974) | $ (1,142,267,341) | $ (685,360,404) | $ (456,906,936) | $ (121,456,274) | $ (578,363,211) | |
| **Change in Classification of Timing Differences:** | | | | | | | |
| PLANT PROTECTED: | | | | | | | |
| Book Depreciation - Protected | (284,039,345) | | | | | | a. |
| Capitalized Interest - Protected | 18,063,676 | | | | | | b. |
| | (265,975,669) | | | | | | |
| PLANT UNPROTECTED: | | | | | | | |
| COST OF REMOVAL-TAX - Unprotected | 284,039,345 | | | | | | **a.** |
| Capitalized Interest - Protected | (18,063,676) | | | | | | b. |
| | 265,975,669 | | | | | | |

| | Revised | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **REGULATED EDIT COMPUTATION:** | **TIMING DIFFERENCES AT 12/31/2017 (Pre-Tax)** | **@ 35%** | **@ 21%** | **DIFFERENCE - EDIT** | **GROSS UP** | **GROSSED UP REGULATORY LIABILITY** | | **GROSSED UP REGULATORY LIABILITY - Protected EDIT as of 12/31/2007*** |
| PLANT PROTECTED | (2,348,549,729) | $ (821,992,405) | $ (493,195,443) | $ (328,796,962) | $ (87,401,724) | $ (416,198,686) | | |
| UNPROTECTED | (1,023,970,479) | (358,389,668) | (215,033,801) | (143,355,867) | (38,107,256) | (181,463,123) | | |
| PLANT UNPROTECTED | 108,899,235 | 38,114,732 | 22,868,839 | 15,245,893 | 4,052,706 | 19,298,599 | | |
| **TOTAL EDIT REGULATORY LIABILITY** | $ (3,263,620,974) | $ (1,142,267,341) | $ (685,360,404) | $ (456,906,936) | $ (121,456,274) | $ (578,363,211) | | |
| | | | Plant Protected EDIT shown above | $ (328,796,962) | (87,401,724) | (416,198,686) | | |
| | | | AMR EDIT | (5,298,095) | (1,408,354) | (6,706,449) | c. | |
| | | | PIR EDIT | (118,024,304) | (31,373,549) | (149,397,853) | c. | |
| | | | CEP EDIT | (38,161,900) | (10,144,303) | (48,306,203) | d. | |
| | | | **Plant Protected Less AMR, PIR, and CEP** | **$ (167,312,663)** | **$ (44,475,518)** | **$ (211,788,181)** | | **$ (137,880,031)** |
| | | | Unprotected | | | (181,463,123) | | (181,463,123) |
| | | | Plant Unprotected | | | 19,298,599 | | 19,298,599 |
| | | | | | | $ (373,952,705) | | $ (300,044,555) |

* Amounts rolled forward to 12/31/17; Already excludes AMR and PIR assets; pre-CEP.

a. Cost of Removal (COR) was embedded in book depreciation at 12/31/2017. After detailed analysis, COR embedded in book depreciation was identified and properly reclassified from the book/tax depreciation timing difference (protected) to the COR timing difference (unprotected).

b. Tax capitalized interest. All tax capitalized interest timing differences were reclassified to protected to ensure that all amounts are treated consistently to avoid Normalization issues.

c. EDIT amounts before the tax gross up were determined as of 12/31/2017 in respective AMR and PIR cost recovery charge filings in February 2019.

d. CEP edit was determined by the Dominion Energy Tax department as follows:

| | **TIMING DIFFERENCES AT 12/31/2017 (Pre-Tax)** | **@ 35%** | **@ 21%** | **DIFFERENCE - EDIT** | **GROSS UP** | **GROSSED UP REGULATORY LIABILITY** |
|---|---|---|---|---|---|---|
| CEP timing differences | $ 272,585,002 | 95,404,751 | 57,242,850 | 38,161,900 | 10,144,303 | 48,306,203 |

**Exhibit B**
**Schedule 1**

**The East Ohio Gas Company d/b/a Dominion Energy Ohio**
**Case No. 18-1908-GA-UNC**

**Impact of Financing Costs Applied to Cumulative Amortized EDIT Balances - 6 Year Amortization**

| Month | EDIT Passed Back Through TSCR (Grossed-up FIT) | Monthly EDIT Amortization *ADIT Reduction* | Rate Base Increase Based on EDIT Amortization | Average Monthly Balance of Rate Base Increase | Monthly Financing Cost | Annual TSCR Offset |
|---|---|---|---|---|---|---|
| | [A] | [B] = [A * (1-21%)] | [C] = [Cumulative Column B] | [D] = [Column C, Avg of Current & Previous Month] | [E] = [Column D * 9.91%/12] | [F] |
| 1 | $ 2,252,285 | $ 1,779,305 | $ 1,779,305 | $ 889,653 | $ 7,347 | |
| 2 | 2,252,285 | 1,779,305 | 3,558,610 | 2,668,958 | 22,041 | |
| 3 | 2,252,285 | 1,779,305 | 5,337,916 | 4,448,263 | 36,735 | |
| 4 | 2,252,285 | 1,779,305 | 7,117,221 | 6,227,568 | 51,429 | |
| 5 | 2,252,285 | 1,779,305 | 8,896,526 | 8,006,873 | 66,123 | |
| 6 | 2,252,285 | 1,779,305 | 10,675,831 | 9,786,179 | 80,818 | |
| 7 | 2,252,285 | 1,779,305 | 12,455,136 | 11,565,484 | 95,512 | |
| 8 | 2,252,285 | 1,779,305 | 14,234,442 | 13,344,789 | 110,206 | |
| 9 | 2,252,285 | 1,779,305 | 16,013,747 | 15,124,094 | 124,900 | |
| 10 | 2,252,285 | 1,779,305 | 17,793,052 | 16,903,399 | 139,594 | |
| 11 | 2,252,285 | 1,779,305 | 19,572,357 | 18,682,705 | 154,288 | **Year 1** |
| 12 | 2,252,285 | 1,779,305 | 21,351,662 | 20,462,010 | 168,982 | $ 1,057,975 |
| 13 | 2,252,285 | 1,779,305 | 23,130,968 | 22,241,315 | 183,676 | |
| 14 | 2,252,285 | 1,779,305 | 24,910,273 | 24,020,620 | 198,370 | |
| 15 | 2,252,285 | 1,779,305 | 26,689,578 | 25,799,925 | 213,064 | |
| 16 | 2,252,285 | 1,779,305 | 28,468,883 | 27,579,231 | 227,758 | |
| 17 | 2,252,285 | 1,779,305 | 30,248,188 | 29,358,536 | 242,453 | |
| 18 | 2,252,285 | 1,779,305 | 32,027,493 | 31,137,841 | 257,147 | |
| 19 | 2,252,285 | 1,779,305 | 33,806,799 | 32,917,146 | 271,841 | |
| 20 | 2,252,285 | 1,779,305 | 35,586,104 | 34,696,451 | 286,535 | |
| 21 | 2,252,285 | 1,779,305 | 37,365,409 | 36,475,756 | 301,229 | |
| 22 | 2,252,285 | 1,779,305 | 39,144,714 | 38,255,062 | 315,923 | |
| 23 | 2,252,285 | 1,779,305 | 40,924,019 | 40,034,367 | 330,617 | **Year 2** |
| 24 | 2,252,285 | 1,779,305 | 42,703,325 | 41,813,672 | 345,311 | $ 3,173,925 |
| 25 | 2,252,285 | 1,779,305 | 44,482,630 | 43,592,977 | 360,005 | |
| 26 | 2,252,285 | 1,779,305 | 46,261,935 | 45,372,282 | 374,699 | |
| 27 | 2,252,285 | 1,779,305 | 48,041,240 | 47,151,588 | 389,394 | |
| 28 | 2,252,285 | 1,779,305 | 49,820,545 | 48,930,893 | 404,088 | |
| 29 | 2,252,285 | 1,779,305 | 51,599,851 | 50,710,198 | 418,782 | |
| 30 | 2,252,285 | 1,779,305 | 53,379,156 | 52,489,503 | 433,476 | |
| 31 | 2,252,285 | 1,779,305 | 55,158,461 | 54,268,808 | 448,170 | |
| 32 | 2,252,285 | 1,779,305 | 56,937,766 | 56,048,114 | 462,864 | |
| 33 | 2,252,285 | 1,779,305 | 58,717,071 | 57,827,419 | 477,558 | |
| 34 | 2,252,285 | 1,779,305 | 60,496,377 | 59,606,724 | 492,252 | |
| 35 | 2,252,285 | 1,779,305 | 62,275,682 | 61,386,029 | 506,946 | **Year 3** |
| 36 | 2,252,285 | 1,779,305 | 64,054,987 | 63,165,334 | 521,640 | $ 5,289,874 |
| 37 | 2,252,285 | 1,779,305 | 65,834,292 | 64,944,640 | 536,334 | |
| 38 | 2,252,285 | 1,779,305 | 67,613,597 | 66,723,945 | 551,029 | |
| 39 | 2,252,285 | 1,779,305 | 69,392,903 | 68,503,250 | 565,723 | |
| 40 | 2,252,285 | 1,779,305 | 71,172,208 | 70,282,555 | 580,417 | |
| 41 | 2,252,285 | 1,779,305 | 72,951,513 | 72,061,860 | 595,111 | |
| 42 | 2,252,285 | 1,779,305 | 74,730,818 | 73,841,166 | 609,805 | |
| 43 | 2,252,285 | 1,779,305 | 76,510,123 | 75,620,471 | 624,499 | |
| 44 | 2,252,285 | 1,779,305 | 78,289,429 | 77,399,776 | 639,193 | |
| 45 | 2,252,285 | 1,779,305 | 80,068,734 | 79,179,081 | 653,887 | |
| 46 | 2,252,285 | 1,779,305 | 81,848,039 | 80,958,386 | 668,581 | |
| 47 | 2,252,285 | 1,779,305 | 83,627,344 | 82,737,692 | 683,275 | **Year 4** |
| 48 | 2,252,285 | 1,779,305 | 85,406,649 | 84,516,997 | 697,970 | $ 7,405,824 |
| 49 | 2,252,285 | 1,779,305 | 87,185,955 | 86,296,302 | 712,664 | |
| 50 | 2,252,285 | 1,779,305 | 88,965,260 | 88,075,607 | 727,358 | |
| 51 | 2,252,285 | 1,779,305 | 90,744,565 | 89,854,912 | 742,052 | |
| 52 | 2,252,285 | 1,779,305 | 92,523,870 | 91,634,217 | 756,746 | |
| 53 | 2,252,285 | 1,779,305 | 94,303,175 | 93,413,523 | 771,440 | |
| 54 | 2,252,285 | 1,779,305 | 96,082,480 | 95,192,828 | 786,134 | |
| 55 | 2,252,285 | 1,779,305 | 97,861,786 | 96,972,133 | 800,828 | |
| 56 | 2,252,285 | 1,779,305 | 99,641,091 | 98,751,438 | 815,522 | |
| 57 | 2,252,285 | 1,779,305 | 101,420,396 | 100,530,743 | 830,216 | |

**The East Ohio Gas Company d/b/a Dominion Energy Ohio**
**Case No. 18-1908-GA-UNC**

**Impact of Financing Costs Applied to Cumulative Amortized EDIT Balances - 6 Year Amortization**

| Month | EDIT Passed Back Through TSCR (Grossed-up FIT) | Monthly EDIT Amortization *ADIT Reduction* | Rate Base Increase Based on EDIT Amortization | Average Monthly Balance of Rate Base Increase | Monthly Financing Cost | | Annual TSCR Offset |
|---|---|---|---|---|---|---|---|
| | [A] | [B] = [A * (1-21%)] | [C] = [Cumulative Column B] | [D] = [Column C, Avg of Current & Previous Month] | [E] = [Column D * 9.91%/12] | | [F] |
| 58 | 2,252,285 | 1,779,305 | 103,199,701 | 102,310,049 | 844,910 | | |
| 59 | 2,252,285 | 1,779,305 | 104,979,006 | 104,089,354 | 859,605 | | **Year 5** |
| 60 | 2,252,285 | 1,779,305 | 106,758,312 | 105,868,659 | 874,299 | $ | 9,521,774 |
| 61 | 2,252,285 | 1,779,305 | 108,537,617 | 107,647,964 | 888,993 | | |
| 62 | 2,252,285 | 1,779,305 | 110,316,922 | 109,427,269 | 903,687 | | |
| 63 | 2,252,285 | 1,779,305 | 112,096,227 | 111,206,575 | 918,381 | | |
| 64 | 2,252,285 | 1,779,305 | 113,875,532 | 112,985,880 | 933,075 | | |
| 65 | 2,252,285 | 1,779,305 | 115,654,838 | 114,765,185 | 947,769 | | |
| 66 | 2,252,285 | 1,779,305 | 117,434,143 | 116,544,490 | 962,463 | | |
| 67 | 2,252,285 | 1,779,305 | 119,213,448 | 118,323,795 | 977,157 | | |
| 68 | 2,252,285 | 1,779,305 | 120,992,753 | 120,103,101 | 991,851 | | |
| 69 | 2,252,285 | 1,779,305 | 122,772,058 | 121,882,406 | 1,006,546 | | |
| 70 | 2,252,285 | 1,779,305 | 124,551,364 | 123,661,711 | 1,021,240 | | |
| 71 | 2,252,285 | 1,779,305 | 126,330,669 | 125,441,016 | 1,035,934 | | **Year 6** |
| 72 | 2,252,285 | 1,779,305 | 128,109,974 | 127,220,321 | 1,050,628 | $ | 11,637,724 |

**The East Ohio Gas Company d/b/a Dominion Energy Ohio**
**Case No. 18-1908-GA-UNC**

**Impact of Financing Costs Applied to Cumulative Amortized EDIT Balances - 10 Year Amortization**

| Month | EDIT Passed Back Through TSCR (Grossed-up FIT) | Monthly EDIT Amortization *ADIT Reduction* | Rate Base Increase Based on EDIT Amortization | Average Monthly Balance of Rate Base Increase | Monthly Financing Cost | Annual TSCR Offset |
|---|---|---|---|---|---|---|
| | [A] | [B] = [A * (1-21%)] | [C] = [Cumulative Column B] | [D] = [Column C, Avg of Current & Previous Month] | [E] = [Column D * 9.91%/12] | [F] |
| 1 | $ 1,351,371 | $ 1,067,583 | $ 1,067,583 | $ 533,792 | $ 4,408 | |
| 2 | 1,351,371 | 1,067,583 | 2,135,166 | 1,601,375 | 13,225 | |
| 3 | 1,351,371 | 1,067,583 | 3,202,749 | 2,668,958 | 22,041 | |
| 4 | 1,351,371 | 1,067,583 | 4,270,332 | 3,736,541 | 30,858 | |
| 5 | 1,351,371 | 1,067,583 | 5,337,916 | 4,804,124 | 39,674 | |
| 6 | 1,351,371 | 1,067,583 | 6,405,499 | 5,871,707 | 48,491 | |
| 7 | 1,351,371 | 1,067,583 | 7,473,082 | 6,939,290 | 57,307 | |
| 8 | 1,351,371 | 1,067,583 | 8,540,665 | 8,006,873 | 66,123 | |
| 9 | 1,351,371 | 1,067,583 | 9,608,248 | 9,074,456 | 74,940 | |
| 10 | 1,351,371 | 1,067,583 | 10,675,831 | 10,142,040 | 83,756 | |
| 11 | 1,351,371 | 1,067,583 | 11,743,414 | 11,209,623 | 92,573 | **Year 1** |
| 12 | 1,351,371 | 1,067,583 | 12,810,997 | 12,277,206 | 101,389 | $ 634,785 |
| 13 | 1,351,371 | 1,067,583 | 13,878,581 | 13,344,789 | 110,206 | |
| 14 | 1,351,371 | 1,067,583 | 14,946,164 | 14,412,372 | 119,022 | |
| 15 | 1,351,371 | 1,067,583 | 16,013,747 | 15,479,955 | 127,839 | |
| 16 | 1,351,371 | 1,067,583 | 17,081,330 | 16,547,538 | 136,655 | |
| 17 | 1,351,371 | 1,067,583 | 18,148,913 | 17,615,121 | 145,472 | |
| 18 | 1,351,371 | 1,067,583 | 19,216,496 | 18,682,705 | 154,288 | |
| 19 | 1,351,371 | 1,067,583 | 20,284,079 | 19,750,288 | 163,104 | |
| 20 | 1,351,371 | 1,067,583 | 21,351,662 | 20,817,871 | 171,921 | |
| 21 | 1,351,371 | 1,067,583 | 22,419,245 | 21,885,454 | 180,737 | |
| 22 | 1,351,371 | 1,067,583 | 23,486,829 | 22,953,037 | 189,554 | |
| 23 | 1,351,371 | 1,067,583 | 24,554,412 | 24,020,620 | 198,370 | **Year 2** |
| 24 | 1,351,371 | 1,067,583 | 25,621,995 | 25,088,203 | 207,187 | $ 1,904,355 |
| 25 | 1,351,371 | 1,067,583 | 26,689,578 | 26,155,786 | 216,003 | |
| 26 | 1,351,371 | 1,067,583 | 27,757,161 | 27,223,369 | 224,820 | |
| 27 | 1,351,371 | 1,067,583 | 28,824,744 | 28,290,953 | 233,636 | |
| 28 | 1,351,371 | 1,067,583 | 29,892,327 | 29,358,536 | 242,453 | |
| 29 | 1,351,371 | 1,067,583 | 30,959,910 | 30,426,119 | 251,269 | |
| 30 | 1,351,371 | 1,067,583 | 32,027,493 | 31,493,702 | 260,085 | |
| 31 | 1,351,371 | 1,067,583 | 33,095,077 | 32,561,285 | 268,902 | |
| 32 | 1,351,371 | 1,067,583 | 34,162,660 | 33,628,868 | 277,718 | |
| 33 | 1,351,371 | 1,067,583 | 35,230,243 | 34,696,451 | 286,535 | |
| 34 | 1,351,371 | 1,067,583 | 36,297,826 | 35,764,034 | 295,351 | |
| 35 | 1,351,371 | 1,067,583 | 37,365,409 | 36,831,618 | 304,168 | **Year 3** |
| 36 | 1,351,371 | 1,067,583 | 38,432,992 | 37,899,201 | 312,984 | $ 3,173,925 |
| 37 | 1,351,371 | 1,067,583 | 39,500,575 | 38,966,784 | 321,801 | |
| 38 | 1,351,371 | 1,067,583 | 40,568,158 | 40,034,367 | 330,617 | |
| 39 | 1,351,371 | 1,067,583 | 41,635,742 | 41,101,950 | 339,434 | |
| 40 | 1,351,371 | 1,067,583 | 42,703,325 | 42,169,533 | 348,250 | |
| 41 | 1,351,371 | 1,067,583 | 43,770,908 | 43,237,116 | 357,067 | |
| 42 | 1,351,371 | 1,067,583 | 44,838,491 | 44,304,699 | 365,883 | |
| 43 | 1,351,371 | 1,067,583 | 45,906,074 | 45,372,282 | 374,699 | |
| 44 | 1,351,371 | 1,067,583 | 46,973,657 | 46,439,866 | 383,516 | |
| 45 | 1,351,371 | 1,067,583 | 48,041,240 | 47,507,449 | 392,332 | |
| 46 | 1,351,371 | 1,067,583 | 49,108,823 | 48,575,032 | 401,149 | |
| 47 | 1,351,371 | 1,067,583 | 50,176,406 | 49,642,615 | 409,965 | **Year 4** |
| 48 | 1,351,371 | 1,067,583 | 51,243,990 | 50,710,198 | 418,782 | $ 4,443,494 |
| 49 | 1,351,371 | 1,067,583 | 52,311,573 | 51,777,781 | 427,598 | |
| 50 | 1,351,371 | 1,067,583 | 53,379,156 | 52,845,364 | 436,415 | |
| 51 | 1,351,371 | 1,067,583 | 54,446,739 | 53,912,947 | 445,231 | |
| 52 | 1,351,371 | 1,067,583 | 55,514,322 | 54,980,530 | 454,048 | |
| 53 | 1,351,371 | 1,067,583 | 56,581,905 | 56,048,114 | 462,864 | |
| 54 | 1,351,371 | 1,067,583 | 57,649,488 | 57,115,697 | 471,680 | |
| 55 | 1,351,371 | 1,067,583 | 58,717,071 | 58,183,280 | 480,497 | |
| 56 | 1,351,371 | 1,067,583 | 59,784,655 | 59,250,863 | 489,313 | |
| 57 | 1,351,371 | 1,067,583 | 60,852,238 | 60,318,446 | 498,130 | |

**The East Ohio Gas Company d/b/a Dominion Energy Ohio**
**Case No. 18-1908-GA-UNC**

**Impact of Financing Costs Applied to Cumulative Amortized EDIT Balances - 10 Year Amortization**

| Month | EDIT Passed Back Through TSCR (Grossed-up FIT) | Monthly EDIT Amortization *ADIT Reduction* | Rate Base Increase Based on EDIT Amortization | Average Monthly Balance of Rate Base Increase | Monthly Financing Cost | | Annual TSCR Offset |
|---|---|---|---|---|---|---|---|
| | [A] | [B] = [A * (1-21%)] | [C] = [Cumulative Column B] | [D] = [Column C, Avg of Current & Previous Month] | [E] = [Column D * 9.91%/12] | | [F] |
| 58 | 1,351,371 | 1,067,583 | 61,919,821 | 61,386,029 | 506,946 | | |
| 59 | 1,351,371 | 1,067,583 | 62,987,404 | 62,453,612 | 515,763 | | **Year 5** |
| 60 | 1,351,371 | 1,067,583 | 64,054,987 | 63,521,195 | 524,579 | $ | 5,713,064 |
| 61 | 1,351,371 | 1,067,583 | 65,122,570 | 64,588,779 | 533,396 | | |
| 62 | 1,351,371 | 1,067,583 | 66,190,153 | 65,656,362 | 542,212 | | |
| 63 | 1,351,371 | 1,067,583 | 67,257,736 | 66,723,945 | 551,029 | | |
| 64 | 1,351,371 | 1,067,583 | 68,325,319 | 67,791,528 | 559,845 | | |
| 65 | 1,351,371 | 1,067,583 | 69,392,903 | 68,859,111 | 568,661 | | |
| 66 | 1,351,371 | 1,067,583 | 70,460,486 | 69,926,694 | 577,478 | | |
| 67 | 1,351,371 | 1,067,583 | 71,528,069 | 70,994,277 | 586,294 | | |
| 68 | 1,351,371 | 1,067,583 | 72,595,652 | 72,061,860 | 595,111 | | |
| 69 | 1,351,371 | 1,067,583 | 73,663,235 | 73,129,443 | 603,927 | | |
| 70 | 1,351,371 | 1,067,583 | 74,730,818 | 74,197,027 | 612,744 | | |
| 71 | 1,351,371 | 1,067,583 | 75,798,401 | 75,264,610 | 621,560 | | **Year 6** |
| 72 | 1,351,371 | 1,067,583 | 76,865,984 | 76,332,193 | 630,377 | $ | 6,982,634 |
| 73 | 1,351,371 | 1,067,583 | 77,933,567 | 77,399,776 | 639,193 | | |
| 74 | 1,351,371 | 1,067,583 | 79,001,151 | 78,467,359 | 648,010 | | |
| 75 | 1,351,371 | 1,067,583 | 80,068,734 | 79,534,942 | 656,826 | | |
| 76 | 1,351,371 | 1,067,583 | 81,136,317 | 80,602,525 | 665,643 | | |
| 77 | 1,351,371 | 1,067,583 | 82,203,900 | 81,670,108 | 674,459 | | |
| 78 | 1,351,371 | 1,067,583 | 83,271,483 | 82,737,692 | 683,275 | | |
| 79 | 1,351,371 | 1,067,583 | 84,339,066 | 83,805,275 | 692,092 | | |
| 80 | 1,351,371 | 1,067,583 | 85,406,649 | 84,872,858 | 700,908 | | |
| 81 | 1,351,371 | 1,067,583 | 86,474,232 | 85,940,441 | 709,725 | | |
| 82 | 1,351,371 | 1,067,583 | 87,541,816 | 87,008,024 | 718,541 | | |
| 83 | 1,351,371 | 1,067,583 | 88,609,399 | 88,075,607 | 727,358 | | **Year 7** |
| 84 | 1,351,371 | 1,067,583 | 89,676,982 | 89,143,190 | 736,174 | $ | 8,252,204 |
| 85 | 1,351,371 | 1,067,583 | 90,744,565 | 90,210,773 | 744,991 | | |
| 86 | 1,351,371 | 1,067,583 | 91,812,148 | 91,278,356 | 753,807 | | |
| 87 | 1,351,371 | 1,067,583 | 92,879,731 | 92,345,940 | 762,624 | | |
| 88 | 1,351,371 | 1,067,583 | 93,947,314 | 93,413,523 | 771,440 | | |
| 89 | 1,351,371 | 1,067,583 | 95,014,897 | 94,481,106 | 780,256 | | |
| 90 | 1,351,371 | 1,067,583 | 96,082,480 | 95,548,689 | 789,073 | | |
| 91 | 1,351,371 | 1,067,583 | 97,150,064 | 96,616,272 | 797,889 | | |
| 92 | 1,351,371 | 1,067,583 | 98,217,647 | 97,683,855 | 806,706 | | |
| 93 | 1,351,371 | 1,067,583 | 99,285,230 | 98,751,438 | 815,522 | | |
| 94 | 1,351,371 | 1,067,583 | 100,352,813 | 99,819,021 | 824,339 | | |
| 95 | 1,351,371 | 1,067,583 | 101,420,396 | 100,886,604 | 833,155 | | **Year 8** |
| 96 | 1,351,371 | 1,067,583 | 102,487,979 | 101,954,188 | 841,972 | $ | 9,521,774 |
| 97 | 1,351,371 | 1,067,583 | 103,555,562 | 103,021,771 | 850,788 | | |
| 98 | 1,351,371 | 1,067,583 | 104,623,145 | 104,089,354 | 859,605 | | |
| 99 | 1,351,371 | 1,067,583 | 105,690,729 | 105,156,937 | 868,421 | | |
| 100 | 1,351,371 | 1,067,583 | 106,758,312 | 106,224,520 | 877,237 | | |
| 101 | 1,351,371 | 1,067,583 | 107,825,895 | 107,292,103 | 886,054 | | |
| 102 | 1,351,371 | 1,067,583 | 108,893,478 | 108,359,686 | 894,870 | | |
| 103 | 1,351,371 | 1,067,583 | 109,961,061 | 109,427,269 | 903,687 | | |
| 104 | 1,351,371 | 1,067,583 | 111,028,644 | 110,494,853 | 912,503 | | |
| 105 | 1,351,371 | 1,067,583 | 112,096,227 | 111,562,436 | 921,320 | | |
| 106 | 1,351,371 | 1,067,583 | 113,163,810 | 112,630,019 | 930,136 | | |
| 107 | 1,351,371 | 1,067,583 | 114,231,393 | 113,697,602 | 938,953 | | **Year 9** |
| 108 | 1,351,371 | 1,067,583 | 115,298,977 | 114,765,185 | 947,769 | $ | 10,791,344 |
| 109 | 1,351,371 | 1,067,583 | 116,366,560 | 115,832,768 | 956,586 | | |
| 110 | 1,351,371 | 1,067,583 | 117,434,143 | 116,900,351 | 965,402 | | |
| 111 | 1,351,371 | 1,067,583 | 118,501,726 | 117,967,934 | 974,219 | | |
| 112 | 1,351,371 | 1,067,583 | 119,569,309 | 119,035,517 | 983,035 | | |
| 113 | 1,351,371 | 1,067,583 | 120,636,892 | 120,103,101 | 991,851 | | |
| 114 | 1,351,371 | 1,067,583 | 121,704,475 | 121,170,684 | 1,000,668 | | |

**The East Ohio Gas Company d/b/a Dominion Energy Ohio**
**Case No. 18-1908-GA-UNC**

**Impact of Financing Costs Applied to Cumulative Amortized EDIT Balances - 10 Year Amortization**

| Month | EDIT Passed Back Through TSCR (Grossed-up FIT) | Monthly EDIT Amortization *ADIT Reduction* | Rate Base Increase Based on EDIT Amortization | Average Monthly Balance of Rate Base Increase | Monthly Financing Cost | Annual TSCR Offset |
|---|---|---|---|---|---|---|
| | [A] | [B] = [A * (1-21%)] | [C] = [Cumulative Column B] | [D] = [Column C, Avg of Current & Previous Month] | [E] = [Column D * 9.91%/12] | [F] |
| 115 | 1,351,371 | 1,067,583 | 122,772,058 | 122,238,267 | 1,009,484 | |
| 116 | 1,351,371 | 1,067,583 | 123,839,641 | 123,305,850 | 1,018,301 | |
| 117 | 1,351,371 | 1,067,583 | 124,907,225 | 124,373,433 | 1,027,117 | |
| 118 | 1,351,371 | 1,067,583 | 125,974,808 | 125,441,016 | 1,035,934 | |
| 119 | 1,351,371 | 1,067,583 | 127,042,391 | 126,508,599 | 1,044,750 | **Year 10** |
| 120 | 1,351,371 | 1,067,583 | 128,109,974 | 127,576,182 | 1,053,567 | $ 12,060,914 |

**Exhibit C**

**The East Ohio Gas Company d/b/a Dominion Energy Ohio**
**Case No. 18-1908-GA-UNC**

***EDIT Values of Ohio Utilities***

| | Normalized* | Non-Normalized | Total |
|---|---|---|---|
| **Electric Companies** | | | |
| AEP | $ 278.0 | $ 177.6 | $ 455.6 |
| DPL | $ 48.3 | $ 11.9 | $ 60.2 |
| Duke (Electric) | $ 149.4 | $ 74.9 | $ 224.3 |
| FirstEnergy | $ 425.2 | $ 128.3 | $ 553.4 |
| | | | |
| **Gas Companies** | | | |
| Columbia | $ 81.0 | $ 21.0 | $ 102.0 |
| DEO | $ 294.0 | $ 162.2 | $ 456.2 |
| Duke (Gas) | $ 93.7 | $ 19.5 | $ 113.2 |
| Vectren | $ 59.1 | $ 20.2 | $ 79.3 |

* Includes amounts to be passed to customers through infrastructure programs.