

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

In the Matter of the Application of The East)	
Ohio Gas Company d/b/a Dominion Energy)	Case No. 18-1909-GA-ATA
Ohio for Approval of Tariff Revisions.)	

In the Matter of the Application of The East)	
Ohio Gas Company d/b/a Dominion Energy)	
Ohio for Authority to Revise Its)	Case No. 19-1639-GA-AAM
Depreciation Accrual Rates and to Amortize)	
Its Reserve Imbalance.)	

**TESTIMONY OF VICKI H. FRISCIC IN SUPPORT OF THE STIPULATION
ON BEHALF OF
THE EAST OHIO GAS COMPANY D/B/A DOMINION ENERGY OHIO**

November 8, 2019

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1 **I. INTRODUCTION**

2 **Q1. Please introduce yourself.**

3 A. My name is Vicki H. Friscic. I am employed by The East Ohio Gas Company d/b/a
4 Dominion Energy Ohio (DEO) as Director Regulatory & Pricing. My business address is
5 1201 East 55th Street, Cleveland, Ohio 44103.

6 **Q2. Are you the same Vicki Friscic who submitted direct testimony in Case Nos. 18-**
7 **1908-GA-UNC and 18-1909-GA-ATA on September 10, 2019?**

8 A. Yes.

9 **Q3. What is the purpose of your testimony today?**

10 A. My testimony supports the Stipulation filed on October 31, 2019, and addresses facts
11 relevant to its compliance with the Commission's standards for stipulations.

12 **II. THE STIPULATION**

13 **Q4. What cases does the Stipulation resolve?**

14 A. The Stipulation essentially resolves two separate cases: DEO's application to address the
15 impacts of the 2017 Tax Cuts and Jobs Act (TCJA), filed in Case Nos. 18-1908-GA-UNC
16 and 18-1909-GA-ATA (the TCJA Case), and DEO's application for approval of new
17 depreciation accrual rates and for authority to amortize its over-accrued depreciation
18 reserve, filed in Case No. 19-1639-GA-AAM (the Depreciation Case).

19 **Q5. Does the Stipulation resolve all issues presented in both cases?**

20 A. Yes. The Stipulation is a comprehensive settlement of all issues between all parties,
21 namely, the Commission's Staff, the Office of the Ohio Consumers' Counsel (OCC), and
22 DEO (the Signatory Parties). The Retail Energy Supply Association (RESA) is not a
23 signatory party, but it intervened in the TCJA Case and does not oppose the Stipulation.

1 Like RESA, OCC has not formally intervened in the Depreciation Case, but it is familiar
2 with DEO's application and supports its approval as part of the Stipulation.

3 **Q6. How does the Stipulation resolve the two cases?**

4 A. In the TCJA Case, DEO has agreed to withdraw all objections to the Staff
5 recommendations and has also agreed to provide an additional credit to customers of
6 \$24.5 million (the details of that credit are explained below). This will both increase and
7 speed the pass through of TCJA benefits to customers; if not for the Stipulation, the
8 benefits would have been less, and the return of these benefits would have been delayed
9 by litigation.

10 In the Depreciation Case, Staff and OCC recommend the approval of DEO's
11 application as filed. This includes but is not limited to DEO's request for accounting
12 authority to amortize its over-accrued depreciation reserve of \$77,103,796, with the
13 amortization to be effective beginning January 1, 2019, and continuing for a five-year
14 period. Prompt approval of DEO's application in the Depreciation Case will provide
15 DEO with needed certainty as it closes its 2019 books and plans future year activities,
16 and will also offset the negative financial impact on DEO's books associated with the
17 expiration of the ten-year amortization of a prior over-accrued reserve.

18 **Q7. Is DEO seeking approval to increase rates to reflect the amortization of DEO's over-**
19 **accrued depreciation reserve?**

20 A. No. DEO merely seeks accounting authority to amortize the over-accrued reserve on its
21 books. As DEO's application in the Depreciation Case states (§ 14), and as the
22 Stipulation confirms (§ 7), approval of the application and the Stipulation will not
23 increase rates.

1 **Q8. Does the Stipulation provide TCJA benefits for customers beyond what was**
2 **recommended by Staff and OCC in the TCJA case?**

3 A. Yes. DEO agreed to provide an additional \$24.5 million credit, above and beyond what
4 had been recommended by Staff and supported by OCC. It should be noted that DEO
5 believed that the Staff recommendation *already* provided for too high a level of TCJA
6 crediting to begin with, by failing to allow an offset of financing costs, and by tying
7 EDIT refunds to 2017 plant balances (instead of 2007 balances). DEO does not bring this
8 up out of a desire to express disagreement, only to point out that it believes DEO's
9 acceptance of the TCJA Staff recommendation *by itself* provides substantial "additional"
10 benefits. The additional \$24.5 million that DEO has agreed to credit to ratepayers makes
11 the Stipulation that much *more* beneficial.

12 **Q9. What does the \$24.5 million represent?**

13 A. As the Stipulation explains, the total credit to customers of \$24.5 million reflects DEO's
14 agreement to forgo the collection of its plant unprotected excess deferred income tax
15 asset balance of \$19,298,599, and to provide an additional credit to customers of
16 \$5,201,401 over the six-year amortization period.

17 **Q10. Does the Stipulation set forth any timing requirements?**

18 A. Yes. The Stipulation provides that any party may withdraw from the Stipulation, with
19 both cases returning to their prior procedural footing, if an order has not been issued by
20 December 31, 2019, that approves the Stipulation or that otherwise approves the
21 proposed depreciation accrual rates and the five-year amortization of the over-accrued
22 depreciation reserve effective beginning January 1, 2019. This provision reflects the
23 desire of all the parties to promptly resolve these cases: to give DEO the financial and

1 accounting certainty it needs to close its 2019 books and plan for 2020, and to pass
2 through to ratepayers all the TCJA benefits provided by the Stipulation.

3 **Q11. Is this desire for a prompt order reflected elsewhere in the Stipulation?**

4 A. Yes. The Signatory Parties also recommend that additional hearings in this case are not
5 necessary. A hearing has already been held in the TCJA Case, and the issues in that case
6 have been fully vetted by the parties. Likewise, depreciation cases similar to DEO's have
7 frequently been approved without a hearing, and the parties agree that DEO's application
8 has been fully documented and that an evidentiary hearing is not necessary. That being
9 the case, additional hearings would only cause a delay and risk undoing an agreement
10 that provides significant benefits to all parties.

11 **Q12. Does the Stipulation contain any other provisions of note?**

12 A. Yes. In the Stipulation, DEO commits to file its next application to increase base rates no
13 later than October of 2024. In addition to providing certainty to Staff and other parties as
14 to DEO's future filing activities, this commitment will also permit the full amortization of
15 the newly over-accrued depreciation reserve by the time of DEO's next rate case, which
16 could help simplify the issues presented in that future case.

17 The Stipulation also addresses the relationship of the TCJA Case with DEO's
18 pending Capital Expenditure Program (CEP) Rider case. Certain elements of the TCJA's
19 impact related to DEO's CEP are being addressed now—namely, EDIT balances
20 associated with the CEP capital investments will be returned through the Tax Savings
21 Credit Rider. But the Stipulation recognizes that other adjustments may be recommended
22 by other parties in the CEP case, and the Stipulation expressly reserves the Signatory
23 Parties' rights to support or oppose such proposals.

1 **Q13. The Stipulation also states, “All amounts credited to consumers via the Tax Savings**
2 **Credit Rider (TSCR) will be applied as a percentage of base rate revenues based on**
3 **the test year information in DEO’s last rate case.” Can you explain what this**
4 **means?**

5 A. Yes. This explains how DEO will allocate TCJA credits to the different customer classes,
6 including sales, transportation, and storage services, which will reflect the allocations
7 embedded in DEO’s current base rates. DEO will confirm the details of the allocation
8 with Staff and with other interested parties to these proceedings prior to flowing any
9 amounts to customers via the TSCR.

10 **Q14. Is the Stipulation a product of serious bargaining among knowledgeable parties?**

11 A. Yes. The Stipulation is the result of a serious and open review process, in which all
12 parties were represented by able, experienced counsel and had access to technical experts.
13 No party was excluded from negotiations, and all parties had opportunity to review the
14 Stipulation and participate in or request further discussions. The Stipulation is the
15 outcome of a lengthy process of investigation, discovery, discussion, and negotiation.
16 The fact that DEO agreed to credit an additional \$24.5 million to customers that no party
17 had previously recommended is a clear sign that serious bargaining occurred. In short, the
18 Stipulation represents a comprehensive, reasonable resolution of the issues in this case by
19 informed parties with diverse interests.

20 **Q15. Does the Stipulation benefit ratepayers and is it in the public interest?**

21 A. Yes. The Stipulation will hasten the pass through of TCJA savings to customers, and
22 indeed will substantially increase those savings. If the Stipulation had not been reached,
23 lengthy litigation could have been the result and the complete return to customers of
24 TCJA savings could have been delayed, certainly for months and potentially for years.
25 Once again, DEO has agreed to enhance those benefits by agreeing to pass through an

1 additional \$24.5 million beyond Staff's recommendation in the TCJA Case. Finally, the
2 pass through of TCJA savings will not be offset by the approval of DEO's application in
3 the Depreciation Case, as that approval will not increase rates.

4 **Q16. Does the Stipulation violate any important regulatory principle or practice?**

5 A. No. In light of the foregoing, I do not believe that the Stipulation violates any important
6 regulatory principle or practice.

7 **Q17. What is your recommendation to the Commission?**

8 A. I recommend that the Commission approve the Stipulation. The Stipulation represents a
9 fair, balanced, and reasonable compromise of diverse interests and provides a highly
10 beneficial result for customers, thereby meeting the Commission's criteria for adopting
11 settlements.

12 **III. CONCLUSION**

13 **Q18. Does this conclude your testimony?**

14 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a courtesy copy of the foregoing was served by electronic mail this
8th day of November, 2019, to the following:

william.michael@occ.ohio.gov
angela.obrien@occ.ohio.gov
ambrosia.logsdon@occ.ohio.gov
andrew.shaffer@ohioattorneygeneral.gov
jodi.bair@ohioattorneygeneral.gov
mjsettineri@vorys.com
glpetrucci@vorys.com

lauren.augostini@puco.ohio.gov
sarah.parrot@puco.ohio.gov

/s/ Christopher T. Kennedy

One of the Attorneys for The East Ohio Gas
Company d/b/a Dominion Energy Ohio

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Summary: Testimony Testimony of Vicki H. Friscic in Support of the Stipulation electronically filed by Mr. Christopher T Kennedy on behalf of The East Ohio Gas Company d/b/a Dominion Energy Ohio