

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 25, 2018

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2018 APR 25 P 3: 21

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

CASE NO. PUR-2018-00005

*Ex Parte:* Regulatory Accounting  
related to the federal Tax Cuts and  
Jobs Act of 2017

ORDER

In December 2017, the federal *Tax Cuts and Jobs Act of 2017* was enacted into law (Public Law 115-97) ("Act"). Among other provisions, the Act reduces the federal corporate income tax rate from 35% to 21%, effective January 1, 2018.

In order to ensure that a corporate tax rate reduction contained in the Act can ultimately benefit the customers of utilities through rates, on January 8, 2018, the State Corporation Commission ("Commission") issued an Order ("January 8, 2018 Order") in this case directing that, effective January 1, 2018, Virginia utilities to which the Act's tax cut provisions are applicable shall accrue regulatory liabilities reflecting the Virginia jurisdictional revenue requirement impacts of the reduced corporate income tax rate.<sup>1</sup> The Commission found that this regulatory accounting recognition of cost of service savings will serve to protect the interests of customers until such time as the federal tax benefits can be appropriately reflected in customers' rates.

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<sup>1</sup> The utilities subject to this directive include: Virginia-American Water Company; Aqua Virginia, Inc.; Washington Gas Light Company ("Washington Gas"); Columbia Gas of Virginia, Inc. ("Columbia"); Virginia Natural Gas, Inc. ("VNG"); Roanoke Gas Company ("Roanoke Gas"); Atmos Energy Corporation ("Atmos"); Southwestern Virginia Gas Company ("Southwestern"); Appalachian Natural Gas Distribution Company ("ANGD"); Kentucky Utilities Company; Appalachian Power Company; and Virginia Electric and Power Company.

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In its January 8, 2018 Order, the Commission further directed that the utilities subject to the Act should reflect the impacts thereof in their respective informational submissions that are typically provided to the Commission or its Staff on an annual basis.

On April 2, 2018, the Staff of the Commission ("Staff") filed a Motion of Staff of the State Corporation Commission to Require the Filing of Additional Information ("Motion"). In its Motion, Staff states that while the water and electric utilities have plans in place to ensure that their customers' rates reflect the federal income tax benefits resulting from the Act, the majority of natural gas utilities have not yet notified the Commission or Staff of any such plans.<sup>2</sup> Staff further states that, though the affected gas utilities have indicated that they will file an annual informational filing ("AIF") containing the additional information required by the Order, Staff believes more information and action is necessary.<sup>3</sup>

Specifically, Staff requests that the Commission direct Columbia, VNG, Roanoke Gas, Southwestern, Atmos, and ANGD to file expanded AIFs that, in addition to the information required by the Commission's Order, contain: (i) documentation quantifying the annual revenue requirement savings resulting from the Act (including detailed support for the accrued regulatory liabilities ordered by the Commission); (ii) a proposed revenue reduction that reflects the cost savings resulting from the Act or an alternative methodology to pass those savings along to customers; and (iii) Schedule 29 – Workpapers for Earnings Test and Ratemaking Adjustments and Schedule 36 – Income Taxes as described in 20 VAC 5-201-90 of the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings.<sup>4</sup>

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<sup>2</sup> Motion at 4.

<sup>3</sup> *Id.* at 5.

<sup>4</sup> *Id.* at 5-6.

According to Staff, the requested information is necessary for Staff to make a recommendation regarding the appropriate rate reductions that should be implemented as a result of the Act and will enable the Commission to set rates that allow customers to enjoy, in a timely manner, the benefit of the savings resulting from the Act.<sup>5</sup>

On April 17, 2018, Columbia filed a response to the Motion. Columbia does not oppose providing the additional information sought by Staff in the Motion but states that as a result of Staff's Motion it has contemporaneously requested a 120-day extension of its April 30, 2018 AIF filing date in Case No. PUR-2018-00056.

On April 20, 2018, Atmos filed a Motion to Waive Annual Informational Filing and 60-Day Notice in Case No. PUR-2018-00014. In its filing, Atmos states that it will file a general rate case on or after June 1, 2018, and requests the Commission waive the requirement to file an AIF.

VNG, Southwestern, Roanoke Gas, and ANGD did not file a response to Staff's Motion.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that this docket should be reopened and Staff's Motion should be granted in part and denied in part, as discussed herein.

The information requested by Staff in item (ii) of its Motion shall be limited to a proposed base rate reduction that reflects the cost savings resulting from the Act. Should a natural gas utility subject to this directive desire to propose an alternative methodology for passing those savings along to customers, it may instead file a general base rate case that, among other things, incorporates the income tax savings resulting from the Act.

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<sup>5</sup> *Id.* at 5.

Therefore, we find that, in addition to the information required by the Commission's January 8, 2018 Order, Columbia, VNG, Southwestern, Roanoke Gas, and ANGD<sup>6</sup> shall include with their respective AIFs the following information: (i) documentation quantifying the annual revenue requirement savings resulting from the Act (including detailed support for the accrued regulatory liabilities ordered by the Commission); (ii) a proposed base rate reduction that reflects the cost savings resulting from the Act; and (iii) Schedule 29 – Workpapers for Earnings Test and Ratemaking Adjustments and Schedule 36 – Income Taxes as described in 20 VAC 5-201-90 of the Commission's Rules Governing Utility Rate Applications and Annual Information Filings.

Accordingly, IT IS ORDERED THAT:

- (1) Case No. PUR-2018-00005 is reopened for the limited purpose of this Order.
- (2) Staff's Motion is granted in part and denied in part, as set forth herein.
- (3) This case is dismissed.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to all persons on the attached Service List.

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<sup>6</sup> Washington Gas and Atmos have notified the Commission that, rather than filing an AIF, they will each be filing a general base rate case in 2018 to incorporate the savings associated with the Act into rates.

## SERVICE LIST

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ALLEGHENY POWER A Div of The Potomac Edison Co. Steven E. Strah President 10802 Bower Ave Williamsport MD 21795-3016	AMERICAN ELECTRIC POWER Noelle J. Coates Senior Counsel 3 JAMES CNTR 1051 E CARY ST STE 1100 RICHMOND VA 23219
APPALACHIAN POWER COMPANY Mark E. Dempsey VP, External Affairs PO Box 2021  Roanoke VA 24022	Dominion Energy Virginia Robert Blue CEO Law Dept RS-2 120 Tredegar St Richmond VA 23219
KENTUCKY UTILITIES COMPANY Robert M. Conroy VP, State Regulation & Rates LG&E and KU Energy LLC 220 W Main St Louisville KY 40202	ATMOS ENERGY CORPORATION J. Kevin Dobbs President Atmos Energy Corporation 810 Crescent Centre Dr Ste 600 Franklin TN 37067-6226
COLUMBIA GAS OF VIRGINIA INC JAMES S COPENHAVER ESQUIRE 1809 COYOTE DR  CHESTER VA 23836-2400	COLUMBIA GAS OF VIRGINIA INC Brent Archer President 1809 Coyote Dr  Chester VA 23836
APPALACHIAN NATURAL GAS COMPANY JOHN EBERT, PRESIDENT POB 2543 (24212) 220 W VALLEY ST  ABINGDON VA 24210	ROANOKE GAS COMPANY JOHN S. D'ORAZIO PRESIDENT & CEO 519 KIMBALL AVE NE (24016) PO BOX 13007 ROANOKE VA 24011
SOUTHWESTERN VIRGINIA GAS COMPA JAMES MCCLAIN, II PRESIDENT AND CEO 208 LESTER STREET  MARTINSVILLE VA 24112	VIRGINIA NATURAL GAS, INC. James R. Kibler PRESIDENT 544 SOUTH INDEPENDENCE BLVD.  VIRGINIA BEACH VA 23452-1104
WASHINGTON GAS LIGHT COMPANY ADRIAN CHAPMAN PRESIDENT AND COO 6801 INDUSTRIAL RD  SPRINGFIELD VA 22151	AQUARIUS WATER SYSTEMS INC DON LIPSCOMB 151 FT LISCOMB RD  LURAY VA 22835

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AQUA VIRGINIA, INC.  
John J. Aulbach, II, President  
2414 GRANITE RIDGE ROAD

BLUEFIELD VALLEY WATER WORKS CO  
JEFFREY L MCINTYRE, PRES  
PO BOX 1906

ROCKVILLE VA 23146  
BLUE RIDGE WATER AGENCY INC  
CURTIS B BROWN, PRES  
ROUTE 616  
POB 87

CHARLESTON WV 25327-1906  
BROOKFIELD WATER COMPANY  
JOHN W GRIFFIN, PRES  
481 PLANTATION DR

BLUE RIDGE VA 24064  
BUCKLAND WATER & SANITATION ASS  
Ed Moore  
President  
4263 Aiken Drive

FINCASTLE VA 24090-5112  
CASCADE MOUNTAIN WATER COMPANY,  
ROBERT GREENE, PRESIDENT  
PO BOX 353

Vinhill VA 20187-3935  
CENTRAL WATER COMPANY INC  
STEPHEN C ROSSI VP  
1410 16TH ST SE

FANCY GAP VA 24328-0353  
CENTRAL WATER SYSTEM INC  
CARL KELLOGG

ROANOKE VA 24014  
COMMONWEALTH UTILITIES INC  
CRAIG JEBSON PRES  
218 N MAIN ST  
PO BOX 520

PO Box 119  
SMITHFIELD VA 23431  
C&P ISLE OF WIGHT WATER COMPANY  
TED W CHRISTIAN PRES  
20042 IWIP RD

CULPEPER VA 22701  
EAST COAST TRANSPORT, INC.  
JERRY K CROUSE, PRES/CEO  
14302 FNB PARKWAY

SMITHFIELD VA 23430  
FOUNDERS BRIDGE UTILITY COMPANY  
Russell T Aaronson III, Preside  
1700 Bayberry Crt Ste 300

OMAHA NE 68154-5212  
GROUNDHOG MTN. WATER & SEWER CO  
RON HYATT, PRES  
2812 BRENNEN LANE

RICHMOND VA 23226-3791  
HARBOUR EAST SEWAGE DISPOSAL CO  
C. DAVID SHERRILL, PRES  
800 WEST HUNDRED ROAD

HIGH POINT NC 27262-8463

CHESTER VA 23836-2517

110444173

HIGH KNOB UTILITIES, INC.  
KEITH ARNETT, PRES & R/A  
17 WINDY WAY, SUITE A

LUNDIE UTILITIES, INC.  
KIMBERLY A PINCHBECK, PRES  
6932 FOREST HILL AVE

FRONT ROYAL VA USA 22630  
MARINER'S LANDING WATER & SEWER  
JOHN A WHITE, PRES  
1011 MARINER'S VILLAGE DR

RICHMOND VA 23225  
MASSANUTTEN PUBLIC SERVICE UTIL  
STEVEN LUBERTOZZI, PRES  
2335 SANDERS RD

HUDDLESTON VA 24104  
NOAH'S LANDING PUBLIC SERVICE C  
JOHN ROMANO PRESIDENT  
201 Wood Brook Way

NORTHBROOK IL USA 60062  
NORTHERN NECK WATER, INC.  
KEVIN L. GOULDMAN  
PRESIDENT  
4542 HORNERS MILL ROAD

Glen Allen VA 23059  
OLD DOMINION UTILITY SERVICES,  
ROBERT J SPROWLS, PRES  
630 E FOOTHILL BLVD

MONTROSS VA USA 22520  
PARK PLACE WATER WORKS, INC.  
JAMES K MCKELVEY, OWNER  
400 SCRUGGS RD STE 100

SAN DIMAS CA 91773  
PEACOCK HILL SERVICE COMPANY  
KARL GASS, PRES  
POB 284

MONETA VA 24121  
PO RIVER WATER AND SEWER COMPAN  
MATTHEW E. RAYNOR, PRES  
524 MEADOW AVENUE LOOP

IVY VA USA 22945  
PUBLIC SERVICE COMPANY OF VIRGI  
JOSEPH J MULLEN, PRES  
7751 GLENTIVAR LANE

BANNER ELK NC 28604  
RED HILL UTILITY LLC  
CARL RAY BEARD  
2073 CYPRESS DR

GREENWOOD VA 22943  
SANTILLANE WATER COMPANY, INC.  
GEORGE C MOORE, PRES  
1410 16TH ST SE

CHARLOTTESVILLE VA 22911  
SEDLEY WATER COMPANY  
ROBERT P FINCH, PRES  
PO BOX 340

ROANOKE VA 24014

TOANO VA 23168

180440173

SES MID-ATLANTIC UTILITIES, INC  
S. MICHAEL LYNN, PRES  
9251 INDUSTRIAL CT STE 101

SOMMERSBY WATER COMPANY  
JOHN W GRIFFIN, PRES  
481 PLANTATION DR

MANASSAS VA 20109  
STAROVERLAKE WATER COMPANY, INC  
SCOTT MCCULLEY, PRES  
PO BOX 712

FINCASTLE VA 24090  
STRIPERS LANDING WATER COMPANY  
MARY WEIGAND, SEC  
204 MCCLANAHAN ST SW

HARDY VA 24101  
SYDNOR UTILITIES, INC.  
CHARELES S VERDERY, PRES  
2111 MAGNOLIA ST

ROANOKE VA 24014  
THE HOMESTEAD WATER COMPANY, IN  
MICHAEL J DEITEMEYER, PRES  
4001 MAPLE AVE STE 600

RICHMOND VA 23223  
THOMAS BRIDGE WATER CORPORATION  
HARRY DEAN, PRES  
586 THOMAS BRIDGE ROAD

DALLAS TX 75219  
T-L WATER COMPANY  
LARRY LAMB  
PRESIDENT  
COURT SQUARE BUILDING  
POB 277

MARION VA USA 24354  
TRAIL'S END UTILITY COMPANY, IN  
JACK G SMITH  
PRES  
POB 268

STANARDSVILLE VA USA 22973  
VIRGINIA AMERICAN WATER COMPANY  
BARRY L. SUITS  
PRESIDENT  
2223 DUKE STREET

HORNTOWN VA USA 23395  
WOODHAVEN WATER COMPANY  
WILLIAM B CHANDLER  
PRESIDENT  
7242-A LAKESHORE DRIVE

ALEXANDRIA VA USA 22310  
Martin, Mark A.  
VP, Rates & Regulatory Affairs  
Atmos Energy Coporation  
3275 Highlnd Pointe Dr

QUINTON VA USA 23141-1153  
Biller, Timothy E.  
Esquire  
Hunton & Williams  
Riverfront Plaza, East Tower  
951 East Byrd Street  
Richmond VA 23219

Owensboro KY 42303  
Byrum, Jr., John K.  
Esquire  
Wood Rogers PLC  
Riverfront Plaza, West Tower  
901 E Byrd St Ste 1550  
Richmond VA 23219



Browder, Jr. , C. Meade  
Sr. Assistant Attorney General  
Office of the Attorney General  
Division of Consumer Counsel  
202 N 9TH ST FL 8  
Richmond VA

23219-3424

180440173