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August 23, 2018

David Foster, Director-Utilities Division
Joe Shirley, Deputy Director-Utilities Division
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Re: 1. Tennessee Public Utility Commission's Order of February 6, 2018 Opening an Investigation and Requiring Deferred Accounting Treatment, Docket No. 18-00001
2. Utilities Division's First Report and Recommendation Regarding Tax Impacts of the 2017 Tax Cuts and Jobs Act, submitted July 16, 2018, Docket No. 18-00001

Gentlemen:

Please accept this letter as ESG Pipeline (JC), LLC's ("ESG Pipeline") comments in response to document 2 referenced above.

ESG Pipeline received its Certificate of Convenience & Necessity (CCN) through the Commission's Order of April 19, 2006 in Docket No. 05-00244. In this same Order, the Commission also approved ESG Pipeline's proposed Special Contract with Mountain Home Energy Center, LLC ("Mountain Home").¹ All gas transported through the pipeline was purchased by Mountain Home. However, in July 2017, ESG Pipeline ceased all gas transportation operations. As a result, ESG Pipeline is no longer transporting gas to any customer and we currently have no expectation of restarting operations.

Further, ESG Pipeline is a limited liability company that has not elected to pay taxes under the Internal Revenue Code, and is thus unaffected by the 2017 Tax Act, as discussed in Section IV.A. of the Staff's above-referenced report. For the same reason it does not have Accumulated Deferred Income Taxes (Section IV.C.). As noted in footnote 8 to the Staff's Report, ESG Pipeline was unaffected by the change with respect to the tax law change with respect to Contributions In Aid of Construction ("CIAC").

For these reasons, there does not appear to be either a need or reason to make a tariff filing to adjust rates in consequence of the 2017 Tax Cut & Jobs Act. Thank you for the opportunity to explain our viewpoint on this issue. Please feel free to reach out to me if you have any remaining questions.

Sincerely,

Drew E. Bailey
Vice President, Finance & Accounting

cc: William H. Novak

¹ ESG Pipeline and Mountain Home are affiliates under common ownership.