

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
The Application of Ohio Edison)
Company, The Cleveland Electric) Case Nos. 18-1604-EL-UNC, et al.
Illuminating Company, and The)
Toledo Edison Company to)
Implement Matters Relating to the)
Tax Cuts and Jobs Act of 2017

**TESTIMONY
OF
JONATHAN J. BORER
RESEARCH AND POLICY DIVISION
RATES AND ANALYSIS DEPARTMENT**

STAFF EXHIBIT NO. _____

January 14, 2019

TESTIMONY OF JONATHAN J. BORER

1. Q. Please state your name and business address.

A. My name is Jonathan J. Borer. My business address is 180 East Broad Street, Columbus, Ohio 43215-3793.

2. Q. **By whom are you employed and in what capacity?**

A. I am employed by the Public Utilities Commission of Ohio (PUCO or Commission) as a Utility Specialist I in the Research and Policy Division of the Rates and Analysis Department. My duties include conducting investigations of assigned phases of rate case applications and other financial audits of public utility companies subject to the jurisdiction of the PUCO.

3. Q. Would you briefly state your educational background?

A. I earned a Bachelor of Science in Accounting and a Bachelor of Science in Management from Purdue University in 2014. In 2017, I attended the Annual Regulatory Studies Program offered by the Institute of Public Utilities as well as the National Association of Regulatory Utility Commissioners (NARUC) Utility Rate School.

1 4. **Q. Please briefly outline your work experience.**

2 A. I have been with the PUCO since November 2016 with my entire time
3 spent in the Rates and Analysis Department. Prior to working at the PUCO,
4 I was employed with Morgan Stanley within the Global Wealth
5 Management Group.

6
7 5. **Q. Have you previously provided testimony before the PUCO?**

8 A. Yes. I have provided testimony regarding income tax related matters in
9 Case Nos. 15-1830-EL-AIR, 16-1725-PL-AIR, and 18-0047-AU-COI.

10
11 6. **Q. What is the purpose of your testimony in this proceeding?**

12 A. The purpose of my testimony is to summarize the aspects of the Stipulation
13 and Recommendation filed on November 9, 2018 in this proceeding
14 (Stipulation) that relate to the tax savings associated with the Tax Cuts and
15 Jobs Act of 2017 (TCJA). More specifically, I will address how Ohio
16 Edison Company, The Cleveland Electric Illuminating Company and The
17 Toledo Edison Company (collectively, Companies) will be flowing back to
18 customers the tax savings associated with the TCJA.

1 7. Q. **Please provide a general summary of the tax savings the Companies**
2 **will flow back to customers as part of this Stipulation.**

3 A. There are two primary categories of tax savings that the Companies will
4 flow back to customers:

- 5 1. The savings in federal income tax expense as a result of the
6 reduction in the federal corporate income tax rate from a
7 highest bracket of 35% to a flat rate of 21%, and
8 2. The savings associated with Excess Accumulated Deferred
9 Income Taxes.

10 The Companies have agreed to pass back all tax savings deferred from
11 January 1, 2018 until the commencement of the tax savings credit
12 mechanism discussed below. In total, the tax savings to be returned to
13 customers are estimated to be approximately \$900 million.

14

15 8. Q. **Please describe how the Companies will flow the tax savings back to**
16 **customers.**

17 A. As part of the Stipulation, the Companies have agreed to establish a new
18 credit mechanism through which the tax savings will be refunded to
19 customers.

20

21

1 9. Q. **How are the Companies refunding the savings associated with the**
2 **reduction in the federal income tax rate?**

3 A. The Companies' income tax expense savings not reflected in riders are
4 approximately \$35 million annually.
5

6 10. Q. **How are the Companies refunding the savings associated with EDIT?**

7 A. There are three categories of EDIT which the Companies have agreed to
8 pass back to customers:

9 1. Normalized EDIT consists of balances that are required to be
10 amortized in accordance with the Average Rate Assumption
11 Method (ARAM). The pre-tax balance of the Companies'
12 normalized EDIT net liabilities is approximately \$483
13 million, and will be amortized over the remaining lives of the
14 underlying assets.

15 2. Non-normalized property EDIT consists of property-related
16 EDIT balances that do not have any IRS limitations placed on
17 the amortization period. The pre-tax balance of the
18 Companies' non-normalized property EDIT net liabilities is
19 approximately \$194 million, and will be amortized over a 10
20 year period.

21 3. Non-normalized non-property EDIT consists of EDIT
22 balances not related to property and do not have any IRS

1 limitations placed on the amortization period. The pre-tax
2 balance of the Companies' non-normalized non-property
3 EDIT net assets is approximately \$93 million, and will be
4 refunded over a 5 year period.

5
6 11. Q. **Does this conclude your testimony?**

7 A. Yes it does. However, I reserve the right to submit supplemental testimony
8 as described herein, as new information subsequently becomes available or
9 in response to positions taken by other parties.

CERTIFICATE OF SERVICE

This is to certify that the foregoing **Testimony of Jonathan J. Borer** has been served upon all of the parties of record in Case Nos. 18-1604-EL-UNC, et al. by electronic and/or U.S. mail, postage pre-paid mail this 14th day of January, 2019.

/s/Thomas G. Lindgren

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Summary: Testimony of Jonathan J. Borer electronically filed by Ms. Tonnetta Scott on behalf of PUC