BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

)

)

)

In the Matter of the Application of Northeast Ohio Natural Gas Corp. for Approval of an Income Tax Credit Mechanism Rider.

Case No. 20-146-GA-ATA

COMMENTS BY THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

I. INTRODUCTION

One of OCC's key issues for Ohio consumers is that their electricity rates should be reduced since the corporate income taxes Northeast Ohio Natural Gas Corp.

("Northeastern") is paying to the federal government are reduced as a result of the Tax Cuts and Jobs Act of 2017 (from 35% to 21%). The PUCO should guarantee that Northeastern customers receive the full benefit of the tax cuts through reductions in utilities' rates now.

The PUCO in case 18-0047-AU-COI directed all rate-regulated utility companies to file an application "not for an increase in rates" in a newly initiated proceeding to determine how best to provide Ohio consumers with the full benefit of the federal tax cuts.¹ Northeastern filed its application to return the benefits of the Tax Cuts and Jobs Act of 2017 to its natural gas customers on January 23, 2020.² PUCO Staff filed its Review and Recommendations on March 4, 2020.³ By Entry dated April 6, 2020, the Attorney Examiner

¹ In re the Commission's Investigation of the Financial Impact of the Tax Cuts and Jobs Act of 2017 on Regulated Ohio Utility Companies, Case No. 18-0047-AU-COI Finding and Order (October 24, 2018).

² See Docket.

³ See id.

directed that parties file comments by April 22, 2020 and reply comments by May 7, 2020.⁴ OCC appreciates the opportunity to comment on Northeastern's application and the PUCO Staff's Review and Recommendations on behalf of Northeastern's approximately 17,500 customers.

II. COMMENTS

OCC is generally supportive of the PUCO Staff's Review and Recommendations. Northeastern's normalized excess deferred income tax balance related to plant of approximately \$1.8 million (as of December 31, 2017) should be amortized in accordance with federal law.⁵ The annual amount should include a gross up for federal income taxes using the gross revenue conversion factor from Case No. 18-1720-GA-AIR et al. (Northeastern's last rate case).

Northeastern's non-normalized excess deferred income tax balance not related to plant of approximately \$40,185 should be amortized over a period of 72 months (six years), grossed-up annually for federal income taxes using the applicable gross revenue conversions factor from Northeastern's last rate case.⁶

The deferred liability for taxes from January 1, 2018 through September 30, 2019 (commonly referred to as the "Stub Period"), the time period between when the tax cuts went into effect and when new distribution rates became effective, should accrue compounded carrying charges. This will make certain that consumers receive the full

⁴ See id.

⁵ See PUCO Staff's Review and Recommendations at 1-2.

⁶ See id. at 1, 3.

benefits of the tax cuts. The carrying charges should be set at Northeastern's cost of debt approved in its last rate case.⁷

OCC supports Northeastern's proposed allocation for returning the benefits of the tax cuts in its application – 71% to the Small General Service class (including the residential class).⁸ But OCC opposes Northeastern's proposal in its application to offset from consumers benefits from the tax cuts of an amount for incremental return on rate base associated with the amortization of excess deferred income taxes. The reduction to rate base for excess deferred income taxes is included in base rates and will be reset when Northeastern files base rate cases until the EDIT is exhausted. Based on the PUCO Staff's Review and Recommendations, Northeastern has withdrawn its request for such an offset.⁹

III. CONCLUSION

Northeastern is paying less in taxes as a result of the Tax Cuts and Jobs Act of 2017. But they have charged consumers under the old tax rate. They should not keep that money. They should return it to consumers. The PUCO should enter an Order for Northeastern to do so consistent with OCC's comments herein and PUCO Staff's Review and Recommendations.

⁷ See id.

⁸ See Northeastern's Application at Exhibit 2, Schedule 2.

⁹ See Staff Review at 2.

Respectfully submitted,

Bruce Weston (0016973) Ohio Consumers' Counsel

<u>/s/ William J. Michael</u> William J. Michael (0070921) Counsel of Record Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel

65 East State Street, 7th Floor Columbus, Ohio 43215-4213 Telephone [Michael]: (614) 466-9571 <u>william.michael@occ.ohio.gov</u> (willing to accept service by e-mail)

CERTIFICATE OF SERVICE

I hereby certify that a copy of these Comments were served on the persons stated below via electronic transmission, this 22nd day of April 2020.

> <u>/s/ William J. Michael</u> William J. Michael Assistant Consumers' Counsel

The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

SERVICE LIST

andrew.shaffer@ohioattorneygeneral.gov

Attorney Examiner:

matthew.sandor@puco.ohio.gov

talexander@calfee.com slesser@calfee.com mkeaney@calfee.com khehmeyer@calfee.com This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

4/22/2020 5:15:05 PM

in

Case No(s). 20-0146-GA-ATA

Summary: Comments Comments by The Office of The Ohio Consumers' Counsel electronically filed by Mrs. Tracy J Greene on behalf of Michael, William J.