

In the Matter of the Application of)
Northeast Ohio Natural Gas Corp. for) Case No. 20-146-GA-ATA
Approval of an Income Tax Credit)
Mechanism Rider.)

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 Based on the PUCO Staff's Review and Recommendations, Northeastern has withdrawn its request for such an offset.⁹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,

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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.

/s/ William J. Michael
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:

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