

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Suburban	)	
Natural Gas Company to Establish the Tax	)	Case No. 20-0043-GA-ATA
Credit Rider.	)	
	)	
	)	
In the Matter of the Application of Suburban	)	
Natural Gas Company's Implementation of	)	Case No. 20-0044-GA-UNC
Certain Matters Relating to the Tax Cuts and	)	
Jobs Act of 2017.	)	

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**APPLICATION OF  
SUBURBAN NATURAL GAS COMPANY  
TO IMPLEMENT THE TAX CUTS AND JOBS ACT OF 2017  
AND  
ESTABLISH A TAX CREDIT RIDER**

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Pursuant to R.C. 4909.18 and the Stipulation and Recommendation approved by the Commission in Case No. 18-1205-GA-AIR (Rate Case Stipulation),<sup>1</sup> the Suburban Natural Gas Company (Suburban) hereby requests that the Public Utilities Commission of Ohio (Commission) approve its Application to resolve matters relating to the Tax Cuts and Jobs Act of 2017 (TCJA) that was enacted in December 2017 and to facilitate an efficient resolution of those matters as set forth herein. Suburban seeks approval for a tariff amendment under R.C. 4909.18, not for an increase in rates, to flow through all of the remaining benefits of the TCJA through a credit mechanism in a proposed new tax credit rider. In support of this Application, Suburban states as follows:

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<sup>1</sup> *In the Matter of the Application of Suburban Natural Gas Company for an Increase in Gas Distribution Rates*, Case Nos. 18-1205-GA-AIR, et al., Stipulation and Recommendation (May 23, 2019) (Rate Case Stipulation), adopted by Opinion and Order (September 26, 2019) (Rate Case Order).

1. Suburban is a natural gas company as defined by R.C. 4905.03 and a public utility as defined by R.C. 4905.02, and as such, is subject to the jurisdiction of this Commission.

2. On January 10, 2018, the Commission issued an Entry initiating Case No. 18-47-AU-COI (COI Entry) “to study the impacts of the TCJA on the Commission's jurisdictional rate-regulated utilities, and determine the appropriate course of action to pass benefits on to ratepayers” while also directing the utilities to record a deferred liability, effective January 1, 2018, for the estimated reduction in federal income tax resulting from the TCJA.

3. Among other things, the TCJA reduced the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018.

4. Subsequent to the Commission’s COI Entry, Suburban adjusted its base rates to reflect the tax liability reduction in the TCJA through its recent rate case in Case No. 18-1205-GA-AIR.<sup>2</sup> The new base rates reflecting the impacts of the TCJA became effective September 30, 2019.<sup>3</sup>

5. In the Rate Case Stipulation adopted by the Commission, the Signatory Parties partially implemented the impact of the TCJA by agreeing to a stipulated revenue requirement that included necessary adjustments to reflect the TCJA with regard to the federal current income tax rates and gross revenue conversion factor.<sup>4</sup>

6. The Rate Case Stipulation further established the basic structure to resolve the

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<sup>2</sup> Rate Case Stipulation at 12-13.

<sup>3</sup> Rate Case Order at ¶¶174-177; also see P.U.C.O. No. 4 filed in Case No. 18-1205-GA-AIR, et al. and 89-8027-GA-TRF (September 27, 2019) (as corrected on October 18, 2019).

<sup>4</sup> Rate Case Stipulation at 4-5, 12-13, and Attachment A.

remaining issues associated with the TCJA, which include all distribution-related excess accumulated deferred income taxes (EDIT) and any potential regulatory liability associated with the Commission's COI Entry, which is discussed in more detail below.<sup>5</sup>

7. The Rate Case Stipulation also directed Suburban to file this Application not for an increase in rates for the purpose of establishing a tax credit rider to return to customers the overcollection of income taxes resulting from the enactment of the TCJA.<sup>6</sup>

8. Suburban therefore proposes to create and establish a tax credit rider, the TCJA Credit Rider (TCJA Rider), as described below.

9. The TCJA Rider will be allocated to customer classes based on a percentage of base distribution revenues and will be trued-up annually. The TCJA Rider will be populated with an amount calculated on a projected level for the calendar year.

10. The eligible protected EDIT will be returned to customers in accordance with federal law. The Average Rate Assumption Method (ARAM) is typically used to determine the amortization of protected EDIT, which is then returned to ensure compliance with tax normalization requirements and avoid a tax normalization violation. As Suburban's records do not contain sufficient detail to apply ARAM, the TJCA allows the weighted average remaining life method to be utilized as an alternative to computing the amortization period over which EDIT is returned. Suburban has utilized this alternative methodology and calculated the weighted average remaining life of its assets at December 31, 2017 to be 287 months or 23.92 years. This is the period over which Suburban will return the protected EDIT in the TCJA Rider.

11. The protected EDIT balance as of December 31, 2017 is \$1,608,201.

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<sup>5</sup> Id. at 12-13.

<sup>6</sup> Id. at 13.

12. The protected EDIT is treated, for ratemaking purposes, as a reduction to regulated rate base through a credit made to FERC Uniform System of Accounts, Accounts 281, 282 and 283, less any debits in FERC Account 190 for EDIT assets (collectively, Deferred Income Tax FERC Accounts). As the protected EDIT is returned to customers each year, that regulatory liability account will be debited.

13. The actual amount of protected EDIT flowing back to customers through this rider will reflect the final balance, including a gross revenue conversion factor of 1.265823 established in the Rate Case Stipulation.<sup>7</sup> The protected EDIT will be allocated among customer classes based on a percentage of base distribution.

14. As set forth in the Rate Case Stipulation, the unprotected portion of the EDIT will be collected from customers over a 120-month or 10-year amortization period.<sup>8</sup>

15. The unprotected EDIT balance as of December 31, 2017 is (\$233,650).

16. The actual amount of unprotected EDIT collected from customers through this rider will reflect the final balance, including a gross revenue conversion factor of 1.265823 established in the Rate Case Stipulation.<sup>9</sup> The unprotected EDIT will be allocated among customer classes based on a percentage of base distribution.

17. To mirror the phase-in of the revenue increase established in the Rate Case Stipulation adopted by the Commission and to minimize the financial impact on the small natural gas company during the phase-in of the new base rates and its revenue increase, the regulatory liability relating to the Commission COI Entry (Regulatory Liability) will be refunded to customers over the same period as the phase-in, approximately 31 months

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<sup>7</sup> Id. at Attachment A (Schedule A-2).

<sup>8</sup> Id.

<sup>9</sup> Id. at Attachment A (Schedule A-2).

depending on the approval of this Application.<sup>10</sup>

18. The Regulatory Liability balance accumulating from the enactment of TJCA (January 1, 2018) to the date new base rates were implemented (September 30, 2019) is \$454,785. As established in the Rate Case Stipulation, a one-time carrying charge on the Regulatory Liability balance has been calculated to be included in the TCJA Rider.<sup>11</sup> The amount of the one-time carrying charge is \$26,033.

19. Beginning upon approval of this Application, Suburban will provide customers an aggregate refund through the TCJA Rider.

20. Similar to the protected EDIT, the Regulatory Liability and unprotected EDIT is treated for ratemaking purposes as a reduction to regulated rate base through a credit made to the Deferred Income Tax FERC Accounts. As is done with the protected EDIT, as the Regulatory Liability and unprotected EDIT is returned to customers each year, the corresponding amounts will be debited from the Deferred Income Tax FERC Accounts and/or the Regulatory Liability, as appropriate.

21. Suburban will begin returning all the aforementioned amounts associated with this filing back to customers upon approval of this Application.

22. Suburban respectfully requests that the Commission consider this Application on an expedited basis in order to enable benefits to begin flowing back to natural gas distribution customers as soon as possible.

23. In order to expeditiously resolve this issue and begin providing natural gas distribution customers with immediate benefits of the TCJA resulting in a reduction to rates

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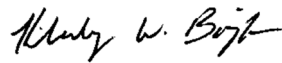
<sup>10</sup> The calculation of 31 months was based upon the assumption that the TJCA Rider would be approved and become effective March 1, 2020.

<sup>11</sup> Id. at 13.

through a credit, Suburban requests that the Commission grant this Application without a hearing in accordance with R.C. 4909.18.

WHEREFORE, Suburban respectfully requests that the Commission approve this Application and the proposed TCJA Rider.

Respectfully Submitted,



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Summary: Application Application of Suburban Natural Gas Company to Implement the Tax Cuts and Jobs Act of 2017 and Establish a Tax Credit Rider electronically filed by Mrs. Kimberly W. Bojko on behalf of Suburban Natural Gas Company