



**Public Utilities
Commission**

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August 25, 2020

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust its Electric Tax Cuts and Jobs Act Rider, Rider ETCJA, Case Nos. 18-1185-EL-UNC and 89-6002-EL-TRF.*

Dear Docketing Division:

Enclosed please find the Review and Recommendations of the Staff of the Public Utilities Commission of Ohio (Staff) in Duke Energy Ohio, Inc.'s Application to Adjust its Electric Tax Cuts and Jobs Act Rider, Rider ETCJA, Case Nos. 18-1185-EL-UNC and 89-6002-EL-TRF.

David Lipthrott
Chief, Accounting and Finance Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

Duke Energy Ohio, Inc.
Case No. 18-1185-EL-UNC
Case No. 89-6002-EL-TRF

SUMMARY

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law. Among other changes, the TCJA lowered the federal corporate income tax rate from a maximum 35 percent to a flat 21 percent, effective January 1, 2018. Additionally, the reduction in the federal corporate tax rate may result in excess accumulated deferred income taxes (ADIT) balances because the amount of ADIT that a public utility has recorded in its books will exceed the amount the public utility needs to pay its future federal income tax obligations.

On January 10, 2018, the Public Utilities Commission of Ohio (Commission or PUCO) opened a Commission-ordered investigation (COI), Case No. 18-47-AU-COI, in order 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. By Entry issued January 10, 2018, the Commission invited all of the rate-regulated Ohio utilities, as well as other interested stakeholders, to file comments discussing the following: (i) those components of utility rates that the Commission will need to reconcile with the TCJA and (ii) the process and mechanics for how the Commission should do so.¹ Additionally, the Commission directed utilities to record on their books as a deferred liability, in an appropriate account, the estimated reduction in federal income tax resulting from the TCJA, effective January 1, 2018. The utilities were instructed to continue this treatment until otherwise ordered by the Commission.²

On July 25, 2018, Duke Energy Ohio, Inc. (Duke or Company) filed an application before the Commission to establish a rider to credit to its electric customers the benefits of the TCJA ("Application"). Duke initiated this proceeding in order to resolve issues related to the impact of the TCJA on the rates charged to customers which have not been previously recognized in rates.

On December 17, 2018, Staff filed its Review and Recommendation with regard to Duke's Application. On February 20, 2019, the Commission issued a Finding and Order that Duke's Application be approved, subject to Staff's recommendations. On February 21, 2019, Duke filed tariff pages for its Electric Tax Cuts and Jobs Act Rider (Rider ETCJA) to begin refund of tax savings to ratepayers.

On January 31, 2020, Duke filed updated tariff pages for Rider ETCJA to reflect updated rates beginning the first billing cycle in March 2020.

STAFF REVIEW AND RECOMMENDATION

Staff performed a review of the Company's updated tariffs and workpapers to support the calculated rate and finds that they comply with the Commission's Order. Staff recommends the Company include in the ETCJA any adjustments to reconcile the estimated EDIT amortization with the actual amount amortized.

¹ *In the Matter of the Commission's Investigation of the Financial Impact of the Tax Cuts and Jobs Act of 2017 on Regulated Ohio Utility Companies*, Case No. 18-47-AU-COI, Entry at 1-2 (Jan. 10, 2018).

² *Id.* at 2.

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Case No(s). 18-1185-EL-UNC, 89-6002-EL-TRF

Summary: Staff Review and Recommendation in regards to Duke Energy Ohio, Inc.'s Application to Adjust its Electric Tax Cuts and Jobs Act Rider electronically filed by Zee Molter on behalf of PUCO Staff