

FILED  
JUNE 19, 2018  
INDIANA UTILITY  
REGULATORY COMMISSION

CONFIDENTIAL  
EXHIBIT

Direct Testimony of Bobby D. Estep  
Respondent's Exhibit 1  
Cause No. 45032 S19  
Page 1 of 9

AQUA INDIANA, INC.

IURC CAUSE NO. 45032-S19

IURC  
RESPONDENT'S  
EXHIBIT NO. 10-3178  
DATE 10-31-18 REPORTER AT  
DIRECT TESTIMONY  
OF  
BOBBY D. ESTEP  
CONTROLLER, AQUA INDIANA, INC.

SPONSORING RESPONDENT'S EXHIBIT NO. 1  
ATTACHMENT A

**INTRODUCTION OF WITNESS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Bobby D. Estep. My business address is 14421 Illinois Road, Fort Wayne, IN 46814.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed as Controller by Aqua Indiana, Inc. ("Aqua Indiana" or "Company"), which is a subsidiary of Aqua America, Inc.

**Q. PLEASE BRIEFLY DESCRIBE YOUR PRESENT RESPONSIBILITIES AND BUSINESS EXPERIENCE.**

A. In my current position, I provide accounting supervision and guidance to Aqua Indiana's water and wastewater operations. I first became associated with Aqua Indiana in 2006 when I became Aqua America's Regional Director of Accounting for Indiana and Missouri. Prior to that, I was employed by Gibraltar Packing Group, Inc. from 1997 to 2006. While at Gibraltar Packing Group, Inc., I held various accounting positions including Assistant Controller of the Indiana Facility to Controller of the Indiana, North Carolina and Nebraska Facilities. Prior to joining Gibraltar Packing Group, I was the controller of Midsouth Mechanical, Inc. and LaGrange Propane Service, Inc.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

A. I am a graduate of LaGrange College with a Bachelor of Business Administration. My coursework included 30 hours of upper level accounting.

**Q. HAVE YOU PREVIOUSLY APPEARED AND PRESENTED TESTIMONY BEFORE THE INDIANA UTILITY REGULATION COMMISSION (THE "COMMISSION")?**

A. Yes.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. My testimony is being provided in accordance with the Commission's Docket Entry dated May 14, 2018 in Cause No. 45032, which created this subdocket for the purpose of addressing Phase 2 issues for Aqua Indiana's seven divisions where the impact of the Tax Cuts and Jobs Act of 2017 (the "Act") results in a direct rate benefit to customers. More specifically, my testimony identifies and addresses the accounting for Aqua Indiana's accumulated deferred income tax ("ADIT") balances, which are explained and supported in Schedules 2 through 4 appearing as part of Attachment A to this testimony. I also discuss the steps Aqua Indiana took to comply with the Commission's directive to use regulatory accounting for estimated impacts resulting from the Act, which is supported by Schedule 8 appearing as part of Attachment A to this testimony. Finally, my testimony addresses the proposed steps to adjust all affected rates and charges and all ADIT balances and regulatory accounts, which are supported by Schedule 1 of Attachment A.

**Q. WERE THE SCHEDULES THAT CONSTITUTE ATTACHMENT A PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?**

A. Yes, they were.

**AQUA INDIANA DIVISIONS SUBJECT TO SUBDOCKET 19**

**Q. THE COMMISSION'S DOCKET ENTRY DATED MAY 14, 2018 PROVIDES THAT AQUA INDIANA MAY INCLUDE ITS PHASE 2 RELIEF UNDER SUBDOCKET 19 FOR ANY OF ITS DIVISIONS WHERE THE IMPACT OF THE ACT RESULTS IN A DIRECT RATE BENEFIT TO CUSTOMERS. WHICH DIVISIONS OF AQUA INDIANA ARE IMPLICATED IN THIS SUBDOCKET?**

A. The Act resulted in a direct rate benefit to customers of the following seven divisions of Aqua Indiana: Darlington, Lake County (Water), Lake County (Sewer), Southern Hills (also known as Heir Industries), Aboite Wastewater, Wildwood Shores and Wymberly. The Act did not result in a direct rate benefit to Aqua Indiana's Wedgewood Park and White Oak divisions, because the base rates for those two divisions do not include an amount for federal income tax expense. Therefore, the Wedgewood Park and White Oak divisions of Aqua Indiana are the only Aqua Indiana divisions not implicated in this subdocket.

**ACCUMULATED DEFERRED INCOME TAX**

**Q. PLEASE SUMMARIZE SCHEDULE 3 OF ATTACHMENT A.**

A. Schedule 3 of Attachment A identifies the December 31, 2017 recorded per-books balance of ADIT Accounts 282 and 283, valued prior to and after the effects of the Act, for each of the seven Aqua Indiana divisions impacted by this subdocket. For each division, Schedule 3 shows the December 31, 2017 balance for each account (see columns labeled "Pre Tax Reform"), as well as the

amount of each ADIT account balance after the effects of the Act are applied (see columns labeled "Post Tax Reform").

**Q. DOES SCHEDULE 3 OF ATTACHMENT A IDENTIFY EACH BOOK-TAX DIFFERENCE COMPRISING THE BALANCE IN EACH ADIT ACCOUNT?**

A. Yes. The difference of each ADIT Account for each division is found on Schedule 3 (see columns labeled "Difference").

**Q. PLEASE EXPLAIN SCHEDULE 2 OF ATTACHMENT A.**

A. Schedule 2 of Attachment A identifies the amount of excess federal ADIT, which is calculated using the 21% corporate federal income tax rate versus the previous tax rate of 35% used by these divisions of Aqua Indiana. Schedule 2 also indicates the amounts of "protected" and "unprotected" ADIT.

**Q. CAN YOU PLEASE EXPLAIN THE ROWS RELATED TO CONSUMERS INDIANA ON SCHEDULE 2?**

A. Consumers Indiana is made up of Lake County Water and Lake County Sewer. The rows on Schedule 2 related to Consumers Indiana reflect the allocation of the excess ADIT balances to Lake County Water and Lake County Sewer based on net investment (see Schedule 7). This allocation is appropriate because the excess ADIT balances for Consumers Indiana currently are combined and are not broken out on its books by water and sewer.

**Q. WHAT ARE THE INDIANA SHARED ITEMS REFLECTED ON SCHEDULE 2 OF ATTACHMENT A?**

A. The Indiana shared items are mostly IT assets, which are shared by each utility operated by or affiliated with Aqua Indiana in Indiana. Schedule 2 allocates the excess ADIT balances associated with these shared assets based on customer counts (see Schedule 6) in a similar manner as used to allocate Indiana's shared assets in previous general rate case filings. There are also some unprotected items on Schedule 2 such as bad debt and employee benefit related items that are likewise being allocated in the same manner as I explained above

**Q. WITH RESPECT TO PROTECTED EXCESS ADIT, DOES SCHEDULE 2 TO ATTACHMENT A REFLECT HOW AQUA INDIANA PROPOSES TO AMORTIZE SUCH BALANCES?**

A. Yes. As shown on Note 1 of Schedule 2 to Attachment A, Aqua Indiana proposes to apply the Average Rate Assumption Method ("ARAM") to calculate the amortization period for its protected excess ADIT balance. The amounts of the final protected ADIT are reflected on Schedule 4 to Attachment A.

**Q. HOW DOES AQUA INDIANA PROPOSE HANDLING UNPROTECTED EXCESS ADIT?**

A. Schedule 2 to Attachment A identifies the amounts of unprotected excess ADIT. As indicated in Note 2 thereof, Aqua Indiana proposes to amortize this unprotected excess ADIT balance over three (3) years to return the amount to ratepayers. Aqua Indiana has chosen to normalize the unprotected ADIT balances over the three (3) year period due to the differences in the timing of the reversal of the various items for book and tax.

**REGULATORY ACCOUNTING**

**Q. PLEASE SUMMARIZE SCHEDULE 8 THAT IS PART OF ATTACHMENT A.**

A. Schedule 8 to Attachment A contains an accounting which reflects Aqua Indiana's compliance with the Commission's directive in its January 3, 2018 Order to begin using regulatory accounting for all estimated impacts resulting from the Act.

**Q. PLEASE DESCRIBE THE ACCOUNTING TREATMENT, COMPUTATION METHODOLOGY, AND ACCUMULATED BALANCES FOR ALL RATES AND CHARGES.**

A. For each division, the regulatory liability was calculated by multiplying the operating revenues subject to change by the various rate reductions approved in Phase 1 of Cause No. 45032, which resulted in the revenue reduction to be returned to customers of such division. Page 1 of Schedule 8 contains a summary of the regulatory liability calculated for each division from January 1, 2018 until the effective date of the tariff changes approved by the Commission in Phase 1. Because the Phase 1 rate reductions were not made effective on the same date by the Commission, there are slight timing differences among the divisions. Pages 2 through 8 of Schedule 8 are individual accounts of each division.

**Q. WHAT IS AQUA INDIANA'S PROPOSAL TO RETURN THE REGULATORY BALANCES STARTING JANUARY 1, 2018 TO RATEPAYERS?**

A. Aqua Indiana proposes to return the regulatory balances to the ratepayers of each division by applying a surcharge credit (i.e., negative surcharge) to customers' bills. Aqua Indiana proposes three surcharge credit changes over the course of four years. Schedule 1 to Attachment A supports Aqua Indiana's proposal. The amount of the surcharge credits are shown on row 26, entitled "Proposed surcharge credit from TCJA", shown on page 1 of 3 (year one), page 2 of 3 (years two and three), and page 3 of 3 (years 4 and beyond). As shown on Schedule 1, page 1 of 3, in year one, each division will return to ratepayers the entirety of the regulatory liability amounts resulting from the change in the FIT rate, over a twelve month period. Also in year one, for each division, protected excess ADIT, after application of ARAM, will be returned to ratepayers as reflected in row 10 (Excess deferred taxes (ARAM)). These protected amounts will be returned until the earlier of a base rate case for that division, or until the protected excess ADIT is fully amortized. Unprotected excess ADIT will be amortized and returned over three years, as I explained earlier in my testimony. Due to the different amounts to be returned over different time periods, the amount of the proposed surcharge credit will be different for each division, and will change from year 1, to years 2 and 3, to years 4 and afterwards.

**Q. WHY DOES SCHEDULE 1 REFLECT NO SURCHARGE FOR THE DARLINGTON DIVISION IN YEARS 1, 2, AND 3?**

A. For the Darlington Division, the calculation supports a surcharge increase in years 1 through 3 due to the fact that when the amortization of the unprotected



excess ADIT balances are netted with the ARAM of the protected excess ADIT balance, it produces a positive surcharge to the customers of the Darlington Division. Aqua Indiana is not proposing to apply this rate increase to the ratepayers of the Darlington Division during years 1 through 3. However, when the unprotected excess ADIT items are fully amortized at the end of year 3, Aqua Indiana is proposing that the Darlington customers receive a 5.19% surcharge credit on their bills beginning in year 4.

**PROPOSED STEPS TO ADJUST RATES AND CHARGES**

**Q. HOW DOES AQUA INDIANA PROPOSE TO ADJUST THE RATES AND CHARGES FOR THE IMPACTED DIVISIONS?**

A. As a result of the proposed flowback of ADIT balances and regulatory accounts, Aqua Indiana proposes to include a surcharge credit on the customer bills, as I just explained. Aqua Indiana anticipates the Commission will issue an Order in this subdocket proceeding authorizing the imposition of surcharge credit, as supported by the evidence. Each of Aqua Indiana's affected divisions proposes to then file a revised tariff sheet reflecting the amount of the surcharge credit percentage for each impacted division for years 1, 2, 3 and 4.

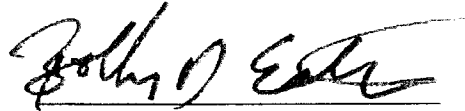
**CONCLUSION**

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A. Yes, at this time.

VERIFICATION

I have read the foregoing testimony and the factual matters reflected therein are true and correct to the best of my knowledge, information and belief.

A handwritten signature in black ink, appearing to read "Bobby D. Estep", written over a horizontal line.

Bobby D. Estep

Aqua Indiana

Proposed rate deduction calculation - Year 1

Cause No. 45032 Subdocket 19

Attachment A

Schedule 1 Page 1 of 3

	Aboite Wastewater	Wildwood Shores	Wymerly	Heir Industries (Southern Hills)	Darlington	Consumers (Lake County Water)	Consumers (Lake County Sewer)	Total
Aboite WW								
Excess deferred taxes (ARAM)	58,935	470	1,753	2,388	8,114	32,960	10,715	115,335
Unprotected excess deferred taxes - amortization	(7,449)	14,073	(550)	(92)	(31,875)	(568)	(556)	(27,015)
	51,486	14,544	1,203	2,296	(23,761)	32,392	10,160	88,319
Gross up factor	1.343	1.343	1.343	1.343	1.343	1.343	1.343	1.343
	69,148	19,533	1,616	3,084	(31,913)	43,505	13,645	118,617
Regulatory Liabilities - change in tax rate (TCJA)	206,805	1,515	6,938	999	4,653	7,190	7,711	235,810
Total amount to return to customers	275,953	21,048	8,554	4,083	(27,260)	50,694	21,356	354,428
2018 projected revenues	9,723,060	112,489	674,595	84,371	210,039	501,548	469,990	11,776,093
% reduction in revenue - year 1	2.84%	18.71%	1.27%	4.84%	-12.98%	10.11%	4.54%	3.01%
Proposed surcharge credit from TCJA - Year 1	2.84%	18.71%	1.27%	4.84%	0.00%	10.11%	4.54%	3.01%

Aqua Indiana

Proposed rate deduction calculation - Years 2 & 3

Cause No. 45032 Subdocket 19

Attachment A

Schedule 1 Page 2 of 3

	Aboite Wastewater	Wildwood Shores	Wymberly	Heir Industries (Southern Hills)	Darlington	Consumers (Lake County Water)	Consumers (Lake County Sewer)	Total
Aboite WW								
Excess deferred taxes (ARAM)	58,935	470	1,753	2,388	8,114	32,960	10,715	115,335
Unprotected excess deferred taxes - amortization	(7,449)	14,073	(550)	(92)	(31,875)	(568)	(556)	(27,015)
	51,486	14,544	1,203	2,296	(23,761)	32,392	10,160	88,319
Gross up factor	1.343	1.343	1.343	1.343	1.343	1.343	1.343	1.343
	69,148	19,533	1,616	3,084	(31,913)	43,505	13,645	118,617
Regulatory Liabilities - change in tax rate (TCJA)								-
Total amount to return to customers	69,148	19,533	1,616	3,084	(31,913)	43,505	13,645	118,617
2018 projected revenues	9,723,060	112,489	674,595	84,371	210,039	501,548	469,990	11,776,093
% reduction in revenue - years 2 & 3	0.71%	17.36%	0.24%	3.65%	-15.19%	8.67%	2.90%	1.01%
Proposed surcharge credit from TCJA - Years 2 & 3	0.71%	17.36%	0.24%	3.65%	0.00%	8.67%	2.90%	1.01%

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Proposed rate deduction calculation - Years 4 and forward

Cause No. 45032 Subdocket 19

Attachment A

Schedule 1 Page 3 of 3

	Aboite Wastewater	Wildwood Shores	Wymerly	Heir Industries (Southern Hills)	Darlington	Consumers (Lake County Water)	Consumers (Lake County Sewer)	Total
Aboite WW	58,935	470	1,753	2,388	8,114	32,960	10,715	115,335
	58,935	470	1,753	2,388	8,114	32,960	10,715	115,335
Gross up factor	1.343	1.343	1.343	1.343	1.343	1.343	1.343	1.343
	79,152	631	2,354	3,207	10,897	44,268	14,391	154,900
Regulatory Liabilities - change in tax rate (TCJA)								-
Total amount to return to customers	79,152	631	2,354	3,207	10,897	44,268	14,391	154,900
2018 projected revenues	9,723,060	112,489	674,595	84,371	210,039	501,548	469,990	11,776,093
% reduction in revenue - years 4 and forward	0.81%	0.56%	0.35%	3.80%	5.19%	8.83%	3.06%	1.32%
Proposed surcharge credit from TCJA - Year 4 7 forward	0.81%	0.56%	0.35%	3.80%	5.19%	8.83%	3.06%	1.32%

Aqua Indiana  
Summary of Excess Deferred Taxes  
Cause No. 45032 Subdocket 19

Attachment A  
Schedule 2 Page 1 of 1

12.31.2017	<u>Sign Convention</u> <u>(DR)/CR</u>		<u>Note 1</u> <u>Note 2</u>					
	<u>Excess Defd</u>	<u>Protected</u>	<u>(UnProtecte</u> <u>d)</u>	<u>Combined</u>	<u>Allocated</u> <u>Protected</u>	<u>Allocated</u> <u>(UnProtected</u> <u>d)</u>	<u>Allocated</u> <u>Combined</u>	<u>Annual</u> <u>Amortizatio</u> <u>n of</u> <u>Unprotected</u>
Aboite Wastewater	(2,727,254)	(2,716,062)	(11,192)	(2,727,254)	(2,921,993)	22,346	(2,899,647)	7,449
Aboite WW	(51,229)	(8,782)	(42,447)	(51,229)	(10,173)	(42,220)	(52,394)	(14,073)
Wymberly	(141,334)	(141,256)	(78)	(141,334)	(151,867)	1,650	(150,217)	550
Heir Industries	(12,127)	(12,144)	17	(12,127)	(13,728)	275	(13,453)	92
Darlington	(4,969)	(99,876)	94,907	(4,969)	(104,286)	95,625	(8,661)	31,875
Consumers Indiana:	(760,593)	(760,660)	67	(760,593)	Consumers Indiana allocated below:			
Lake County - Water					(588,890)	1,704	(587,185)	568
Lake County - Sewer					(192,060)	1,667	(190,393)	556
Indiana Shared	(255,523)	(305,233)	49,710	(255,523)	Allocated to all Aqua Indiana Divisions above & South Haven in subdocket 18 - see amount below.			
AQUA INDIANA TOTAL	(3,953,029)	(4,044,013)	90,984	(3,953,029)	(3,982,996)	81,046	(3,901,950)	27,015
Amount of Indiana Shared Assets to be allocated to South Haven in subdocket 18					(61,017)	9,937	(51,080)	3,312
Amount South Haven annual amortization of unprotected to be filed in subdocket 18								1,480
INDIANA TOTAL					(4,044,013)	90,984	(3,953,029)	31,808

Note 1 - Excess Deferred Taxes that are protected as defined by regulations in TCJA legislation.  
The Excess Deferred Taxes will be reversed using the Average Rate Assumption method.

Note 2 - Excess Deferred Taxes are not Protected under the regulations provided in TCJA legislation.  
The UnProtected Excess or Deficient Deferred Taxes will be restored over a three year amortization period.

Aqua Indiana

Inventory of Deferred Taxes 12.31.2017

Cause No. 45032 Subdocket 19

Attachment A

Schedule 3 Page 1 of 4

	Aboite Wastewater	Aboite Wastewater	Aboite Wastewater	Wildwood Shores	Wildwood Shores	Wildwood Shores
	<u>Post Tax Reform</u>	<u>Pre Tax Reform</u>	<u>Difference</u>	<u>Post Tax Reform</u>	<u>Reform</u>	<u>Difference</u>
Aboite WW						
Plant Book vs Tax Depr	(4,574,336)	(7,290,398)	2,716,062	(89,112)	(139,515)	50,403
Regulated 282XXX	(4,574,336)	(7,290,398)	2,716,062	(89,112)	(139,515)	50,403
Total 282XXX	(4,574,336)	(7,290,398)	2,716,062	(89,112)	(139,515)	50,403
Regulatory Asset Amortizations	(66,213)	(101,659)	35,446	0	0	0
Bad Debt	5,065	7,777	(2,712)	(1,542)	(2,367)	825
Employee Benefit Related	12,894	19,796	(6,902)	0	0	0
Other	29,724	44,364	(14,640)	5	4	1
Total 283XXX	(18,530)	(29,722)	11,192	(1,537)	(2,363)	826
Grand Total	(4,592,866)	(7,320,120)	2,727,254	(90,649)	(141,878)	51,229

Excess Deferred Taxes at 12.31.2017 from Tax Reform

Plant Related	Plant Related	(2,716,062)	(50,403)
Non Plant	Non Plant	(11,192)	(826)
Combined- Regulated Excess Defd Tax- In Reg Liability)	Combined	(2,727,254)	(51,229)
Plant Non Regulated Excess Defd Tax	Non Reg (Expensed)	-	
Total Excess Defd Taxes	Total	(2,727,254)	(51,229)

Agua Indiana

Inventory of Deferred Taxes 12.31.2017

Cause No. 45032 Subdocket 19

Attachment A

Schedule 3 Page 2 of 4

	Wymerly	Wymerly	Wymerly	Heir Industries (Southern Hills)	Heir Industries (Southern Hills)	Heir Industries (Southern Hills)
	<u>Reform</u>	<u>Reform</u>	<u>Difference</u>	<u>Post Tax Reform</u>	<u>Reform</u>	<u>Difference</u>
Aboite WW						
Plant Book vs Tax Depr	(237,600)	(378,856)	141,256	(19,380)	(31,524)	12,144
Regulated 282XXX	(237,600)	(378,856)	141,256	(19,380)	(31,524)	12,144
Total 282XXX	(237,600)	(378,856)	141,256	(19,380)	(31,524)	12,144
Regulatory Asset Amortizations	0	0	0	0	0	0
Bad Debt	(208)	(319)	111	34	52	(18)
Employee Benefit Related	(214)	(176)	(38)	0	0	0
Other	33	28	5	6	5	1
Total 283XXX	(389)	(467)	78	40	57	(17)
Grand Total	(237,989)	(379,323)	141,334	(19,340)	(31,467)	12,127

Excess Deferred Taxes at 12.31.2017 from Tax Reform

Plant Related	(141,256)	(12,144)
Non Plant	(78)	17
Combined- Regulated Excess Defd Tax- In Reg Liability)	(141,334)	(12,127)
Plant Non Regulated Excess Defd Tax		
Total Excess Defd Taxes	(141,334)	(12,127)



Aqua Indiana

Inventory of Deferred Taxes 12.31.2017

Cause No. 45032 Subdocket 19

Attachment A

Schedule 3 Page 3 of 4

	Darlington	Darlington	Darlington	Consumers Indiana	Consumers Indiana	Consumers Indiana
	<u>Reform</u>	<u>Reform</u>	<u>Difference</u>	<u>Post Tax Reform</u>	<u>Pre Tax Reform</u>	<u>Difference</u>
Aboite WW						
Plant Book vs Tax Depr	(9,723)	(14,928)	5,205	-1354948	-2105545	750,597
Regulated 282XXX	(9,723)	(14,928)	5,205	(1,354,948)	(2,105,545)	750,597
Total 282XXX	(9,723)	(14,928)	5,205	(1,354,948)	(2,105,545)	750,597
Regulatory Asset Amortizations	0	0	0	0	0	0
Bad Debt	441	677	(236)	268	412	(144)
Employee Benefit Related	0	0	0	0	0	0
Other	0	0	0	(58)	(135)	77
Total 283XXX	441	677	(236)	210	277	(67)
Grand Total	(9,282)	(14,251)	4,969	(1,354,738)	(2,105,268)	750,530

Excess Deferred Taxes at 12.31.2017 from Tax Reform

Plant Related	(5,205)	(750,597)
Non Plant	236	67
Combined- Regulated Excess Defd Tax- In Reg Liability)	(4,969)	(750,530)
Plant Non Regulated Excess Defd Tax		
Total Excess Defd Taxes	(4,969)	(750,530)

Aqua Indiana

Inventory of Deferred Taxes 12.31.2017

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Attachment A

Schedule 3 Page 4 of 4

	Indiana Shared	Indiana Shared	Indiana Shared
	<u>Reform</u>	<u>Reform</u>	<u>Difference</u>
Aboite WW			
Plant Book vs Tax Depr	(543,881)	(849,114)	305,233
Regulated 282XXX	(543,881)	(849,114)	305,233
Total 282XXX	<u>(543,881)</u>	<u>(849,114)</u>	<u>305,233</u>
Regulatory Asset Amortizations	(234)	(360)	126
Bad Debt	49,866	76,561	(26,695)
Employee Benefit Related	44,224	67,538	(23,314)
Other	(147)	(320)	173
Total 283XXX	<u>93,709</u>	<u>143,419</u>	<u>(49,710)</u>
Grand Total	<u>(450,172)</u>	<u>(705,695)</u>	<u>255,523</u>

Excess Deferred Taxes at 12.31.2017 from Tax Reform

Plant Related	(305,233)
Non Plant	<u>49,710</u>
Combined- Regulated Excess Defd Tax- In Reg Liability)	<u>(255,523)</u>
Plant Non Regulated Excess Defd Tax	
Total Excess Defd Taxes	<u>(255,523)</u>

Aqua Indiana

Analysis of Excess Deferred Tax Reversals in 2018

Cause No. 45032 Subdocket 19

Attachment A

Schedule 4 Page 1 of 1

2018 Excess Deferred Tax Reversal

	<u>Federal</u>	<u>State</u>	<u>FROS</u>	<u>Total</u>	<u>Adjust</u>	<u>Final Protected ARAM</u>	<u>Allocation of Consumers Water</u>	<u>Allocation of Shared IT Asset</u>	<u>Final Allocated Protected ARAM</u>
Aboite WW	47,914	3,335	(2,820)	48,429		48,429		10,505	58,935
Wildwood	(46)	(4)	23	(27)	Note 1 426	399		71	470
Wymberly	1,304	(151)	59	1,212		1,212		541	1,753
Heir	2,109	427	(230)	2,307		2,307		81	2,388
Darlington	(5,095)	1,324	(174)	(3,946)	Note 1 11,834	7,889		225	9,114
Consumers Indiana:	41,605	3,576	(2,540)	42,641		42,641			
Lake County - Water							32,443	518	32,960
Lake County - Sewer							10,198	517	10,715
	<u>87,794</u>	<u>8,506</u>	<u>(5,683)</u>	<u>90,617</u>	<u>12,260</u>	<u>102,877</u>	<u>42,641</u>	<u>12,458</u>	<u>115,335</u>
<u>Allocable across other Divisions</u>									
Shared IT Assets	<u>\$12,455</u>	<u>\$5,417</u>	<u>(\$2,301)</u>	<u>15,571</u>	<u>-</u>	<u>15,571</u>		<u>(12,458)</u>	<u>3,113 *</u>

Note 1 - Basis Differences, expensed for tax in year 1 are in the unprotected group and amortized over three years.

\* To be allocated to South Haven in Subdocket 19

Aqua Indiana

Gross up factor calculation

Cause No. 45032 Subdocket 19

Attachment A

Schedule 5 Page 1 of 1

Aboite v Gross up Factor

Federal	21.00%
State	5.75%
FBOS	-1.21%
Combined	25.54%

100%
-25.54%
74.46%

Gross Up Factor	1.343
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AQUA INDIANA, INC.

Customer Count - Allocation

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Aqua Indiana, Inc. Aboite WW	5/31/2018 Customer Count	Allocation Factor %
Aboite - Wastewater	13,915	67.47%
Darlington	298	1.44%
Heir (Southern Hills)	107	0.52%
Lake - Water	686	3.33%
Lake - Sewer	685	3.32%
South Haven	4,123	19.99%
Wildwood	94	0.46%
Wymberly	717	3.48%
TOTAL	20,625	100%

AQUA INDIANA, INC.

Consumers Water (Lake County) - Allocation

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	<u>Lake County Water</u>	<u>Lake County Sewer</u>	<u>Lake County Total</u>
Aboite WW			
Utility Property Plant and Equipment	2,451,822	2,500,187	4,952,009
Less: CIAC	<u>(1,049,626)</u>	<u>(2,059,415)</u>	<u>(3,109,041)</u>
Net Investment	1,402,196	440,771	1,842,968
Percentage of Net Investment	76.08%	23.92%	100.00%

Aqua Indiana

Regulatory Liability - TCJA 2017

Revenue Reserve for change in Federal Income Tax Rate

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Aboite WW

Regulatory  
Liability

Aboite Wastewater - Division	(206,805)
Wildwood Shores - Division	(1,515)
Wymberly - Division	(6,938)
Southern Hills - Division	(999)
Darlington Water - Division	(4,653)
Lake County Water - Division	(7,190)
Lake County Sewer - Division	(7,711)
Total Aqua Indiana	<u>(235,810)</u>

See attached supporting schedules

Aqua Indiana

Aboite Wastewater - Division

Regulatory Liability - TCJA 2017

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	January FY18	February FY18	March FY18	April FY18	May FY18	Total
Aboite WW						
SW-Flat Rate Rev-Residential	56,808	54,715	64,246	58,387	55,473	289,629
SW-Flat Rate Rev-Commercial	3,891	3,746	4,414	4,013	3,768	19,831
SW-Measured Rev-Residential	683,608	681,185	683,691	698,445	664,982	3,411,911
SW-Measured Rev-Commercial	76,442	70,091	82,464	84,673	76,499	390,169
SW-Measured Rev-Pub Authority	10,025	7,512	17,685	14,198	11,522	60,942
Operating Revenue Sewer	830,774	817,249	852,500	859,715	812,245	4,172,482
Approved rate reduction % (Tariff change)	-5.51%	-5.51%	-5.51%	-5.51%	-5.51%	
Revenue reduction to be returned to customer	(45,776)	(45,030)	(46,973)	(47,370)	(44,755)	(229,904)
Number of days in month					31	
IURC approved rate reduction effective May 16, 2018					15	
Regulatory Liability (Revenue to be returned to c	(45,776)	(45,030)	(46,973)	(47,370)	(21,655)	(206,805)



Aqua Indiana

Wildwood Shores - Division

Regulatory Liability - TCJA 2017

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	January <u>FY18</u>	February <u>FY18</u>	March <u>FY18</u>	April <u>FY18</u>	<u>Total</u>
Aboite WW					
SW-Flat Rate Rev-Residential	9,942	8,834	10,633	9,814	39,223
SW-Flat Rate Rev-Commercial	<u>160</u>	<u>149</u>	<u>176</u>	<u>160</u>	<u>645</u>
Operating Revenue Sewer	10,102	8,983	10,809	9,974	39,869
Approved rate reduction %	-4.00%	-4.00%	-4.00%	-4.00%	-4.00%
Revenue reduction to be returned to customer	<u>(404)</u>	<u>(359)</u>	<u>(432)</u>	<u>(399)</u>	<u>(1,595)</u>
Number of days in month				30	
IURC approved rate reduction effective April 25, 2018				24	
Regulatory Liability (Revenue to be returned to customer)	<u>(404)</u>	<u>(359)</u>	<u>(432)</u>	<u>(319)</u>	<u>(1,515)</u>

Aqua Indiana

Wymberly - Division

Regulatory Liability - TCJA 2017

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	January <u>FY18</u>	February <u>FY18</u>	March <u>FY18</u>	April <u>FY18</u>	<u>Total</u>
Aboite WW					
SW-Flat Rate Rev-Residential	57,325	53,434	62,688	58,165	231,613
SW-Measured Rev-Commercial	<u>89</u>	<u>21</u>	<u>112</u>	<u>79</u>	<u>300</u>
Operating Revenue Sewer	57,415	53,455	62,799	58,244	231,914
Approved rate reduction %	-3.15%	-3.15%	-3.15%	-3.15%	-3.15%
Revenue reduction to be returned to customer	<u>(1,809)</u>	<u>(1,684)</u>	<u>(1,978)</u>	<u>(1,835)</u>	<u>(7,305)</u>
Number of days in month				30	
IURC approved rate reduction effective April 25, 2018				24	
Regulatory Liability (Revenue to be returned to cu	<u>(1,809)</u>	<u>(1,684)</u>	<u>(1,978)</u>	<u>(1,468)</u>	<u>(6,938)</u>

Aqua Indiana

Southern Hills - Division

Regulatory Liability - TCJA 2017

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	January <u>FY18</u>	February <u>FY18</u>	March <u>FY18</u>	April <u>FY18</u>	<u>Total</u>
Aboite WW					
SW-Flat Rate Rev-Residential	7,364	7,073	7,992	5,528	27,958
Operating Revenue Sewer	7,364	7,073	7,992	5,528	27,958
Approved rate reduction %	-3.72%	-3.72%	-3.72%	-3.72%	-3.72%
Revenue reduction to be returned to customer	(274)	(263)	(297)	(206)	(1,040)
Number of days in month				30	
IURC approved rate reduction effective April 25, 2018				24	
Regulatory Liability (Revenue to be returned to cu	(274)	(263)	(297)	(165)	(999)

Aqua Indiana

Darlington Water - Division

Regulatory Liability - TCJA 2017

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	January <u>FY18</u>	February <u>FY18</u>	March <u>FY18</u>	April <u>FY18</u>	<u>Total</u>
Aboite WW					
Metered Sales-Residential	20,753	19,701	16,820	15,104	72,378
Public Fire Protection	1,309	1,190	1,269	1,150	4,919
Operating Revenue Water	22,062	20,891	18,089	16,254	77,296
Approved rate reduction %	-6.28%	-6.28%	-6.28%	-6.28%	-6.28%
Revenue reduction to be returned to customer	(1,386)	(1,313)	(1,137)	(1,021)	(4,857)
Number of days in month				30	
IURC approved rate reduction effective April 25, 2018				24	
Regulatory Liability (Revenue to be returned to cu	(1,386)	(1,313)	(1,137)	(817)	(4,653)

Aqua Indiana

Lake County Water - Division

Regulatory Liability - TCJA 2017

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	January <u>FY18</u>	February <u>FY18</u>	March <u>FY18</u>	April <u>FY18</u>	May <u>FY18</u>	<u>Total</u>
Aboite WW						
Metered Sales-Residential	33,663	27,297	31,859	33,271	34,031	160,120
Metered Sales-Commercial	1,559	1,448	1,269	1,537	1,567	7,381
Public Fire Protection	836	858	855	877	870	4,297
Operating Revenue Water	36,058	29,604	33,983	35,685	36,469	171,798
Approved rate reduction %	-4.70%	-4.70%	-4.70%	-4.70%	-4.70%	
Revenue reduction to be returned to customer	(1,695)	(1,391)	(1,597)	(1,677)	(1,714)	(8,075)
Number of days in month					31	
IURC approved rate reduction effective May 16, 2018					15	
Regulatory Liability (Revenue to be returned to cu	(1,695)	(1,391)	(1,597)	(1,677)	(829)	(7,190)

Aqua Indiana

Lake County Sewer - Division

Regulatory Liability - TCJA 2017

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	January <u>FY18</u>	February <u>FY18</u>	March <u>FY18</u>	April <u>FY18</u>	May <u>FY18</u>	<u>Total</u>
Aboite WW						
SW-Flat Rate Rev-Residential	39,966	37,679	40,231	41,715	41,995	201,587
SW-Measured Rev-Commercial	1,615	2,076	1,483	1,691	1,746	8,611
Operating Revenue Sewer	41,581	39,756	41,715	43,406	43,741	210,199
Approved rate reduction %	-4.11%	-4.11%	-4.11%	-4.11%	-4.11%	
Revenue reduction to be returned to customer	(1,709)	(1,634)	(1,714)	(1,784)	(1,798)	(8,639)
Number of days in month					31	
IURC approved rate reduction effective May 16, 2018					15	
Regulatory Liability (Revenue to be returned to cu	(1,709)	(1,634)	(1,714)	(1,784)	(870)	(7,711)