

FILED
September 7, 2018
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**IN THE MATTER OF THE INDIANA UTILITY)
REGULATORY COMMISSION'S)
INVESTIGATION INTO THE IMPACTS OF THE)
TAX CUTS AND JOBS ACT OF 2017 AND)
POSSIBLE RATE IMPLICATIONS UNDER)
PHASE 2 FOR COMMUNITY UTILITIES OF)
INDIANA, INC)**

CAUSE NO. 45032 S20

SETTLEMENT TESTIMONY

OF

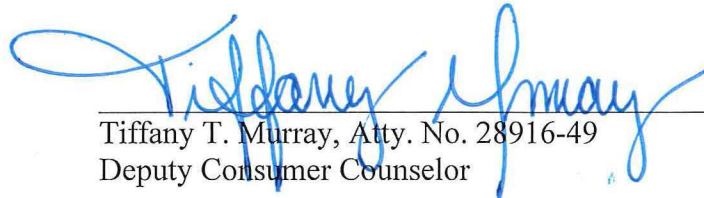
MARGARET A. STULL - PUBLIC'S EXHIBIT NO. 1-S

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

September 7, 2018

Respectfully Submitted,



Tiffany T. Murray, Atty. No. 28916-49
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor Settlement Testimony of Margaret A. Stull* has been served upon the following counsel of record in the captioned proceeding by electronic service on September 7, 2018.

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SETTLEMENT TESTIMONY OF OUCC WITNESS MARGARET A. STULL
CAUSE NO. 45032 S20
COMMUNITY UTILITIES OF INDIANA, INC.

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Margaret A. Stull, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana, 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as
6 a Chief Technical Advisor with the Water/Wastewater Division. My qualifications
7 are set forth in Appendix A of this document.

8 **Q: What is the purpose of your settlement testimony in this subdocket?**

9 A: My testimony provides a review of the rate adjustment and ratepayer benefits
10 achieved by the Stipulation and Settlement Agreement entered into between
11 Community Utilities of Indiana, Inc. ("CUII" or "Respondent") and the OUCC
12 (collectively, the "Settling Parties") relating to CUII's Phase 2 tax issues, as those
13 are defined in the Commission's investigation into the impacts of the Tax Cuts and
14 Jobs Act of 2017 ("TCJA") in Cause No. 45032-S20 ("Settlement").

II. PHASE 2 TAX ISSUES

1 **Q: Please describe how this Settlement timely provides Phase 2 tax benefits to**
2 **CUII's customers.**

3 A: At page 2, the Commission's Order issued on February 16, 2018 ("February 16
4 Order") provides the scope of issues to be addressed in Phase 2 of the
5 Commission's investigation:

6 Phase 2 will address all remaining issues, including (1) the amount
7 and amortization of normalized and non-normalized excess
8 accumulated deferred income taxes and the regulatory accounting
9 being used by Respondents as required by the Commission's
10 January 3, 2018 Order in this Cause for estimated impacts resulting
11 from the Act, and (2) the timing and method for how these benefits
12 will be realized by customers, whether directly or indirectly.

13 As such, this Settlement provides Phase 2 tax benefits to customers in two ways: 1)
14 one-time bill credit of the regulatory liability created by excess taxes embedded in
15 CUII's base rates since January 1, 2018; and 2) amortization of excess accumulated
16 deferred income taxes ("ADIT") as of December 31, 2017.

17 **Q: How does the Settlement resolve treatment of CUII's regulatory liability**
18 **created by embedded excess taxes?**

19 A: CUII witness Mr. Steve Lubertozzi states that CUII implemented temporary base
20 rates on January 8, 2018 that reflected the new 21% corporate income tax rate.
21 (Lubertozzi Direct at 6.) The Settlement states that the Settling Parties agree that
22 CUII's over-collected revenues for the period January 1, 2018 through January 7,
23 2018 are \$4,056.28, and that such over-collected revenue will be credited to active
24 water and wastewater customers through a one-time bill credit of \$0.49 for a water
25 or wastewater customer and \$0.98 for water and wastewater customers, to be

1 reflected in the first full billing month following a Final Order approving the
2 Settlement Agreement.

3 **Q: How does the Settlement address the amortization of excess ADIT?**

4 A: Excess ADIT represents the amounts that a utility has collected from ratepayers to
5 pay future taxes that, as a result of the reduction in tax rates, will not now be
6 imposed. Essentially, ADIT represents a “loan” from ratepayers to the utility, and
7 when the income tax rate decreases, the amount of the “loan” from ratepayers is
8 reduced and needs to be “repaid” or returned to customers. Excess ADIT represents
9 the amount of the “loan” to be repaid. Excess ADIT can either be protected (results
10 from temporary federal income tax differences generated by the different between
11 book and tax depreciation rates) or unprotected (all other temporary federal income
12 tax differences). Protected excess ADIT must be returned to ratepayers using the
13 average rate assumption method (“ARAM”) or, if the utility does not have adequate
14 data to apply ARAM, the “Reverse South Georgia” method may be used.
15 Unprotected excess ADIT can be returned to ratepayers over a time period
16 determined by the jurisdictional regulatory body.

17 With that understanding, the Settling Parties agree that as of December 31,
18 2017, CUII’s total protected excess ADIT balance (after gross-up) is \$723,570, and
19 the unprotected balance after gross-up is \$276,312. The Settlement Agreement
20 reflects that CUII’s protected excess ADIT is to be amortized over a 30-year period
21 and CUII’s unprotected excess ADIT is to be amortized back to customers over a
22 4-year period. This results in an annual revenue reduction of \$24,119 for protected

1 excess ADIT and \$69,078 for unprotected excess ADIT. These calculations are
2 accurately reflected in Settlement Agreement Attachment A.

3 **Q: Did you validate the rate reductions shown in CUII's revised tariffs, included**
4 **in Settlement Agreement Attachment B?**

5 A: Yes. Settlement Agreement Attachment B properly implements the revenue
6 reductions created by the specific terms of the Settlement.

7 **Q: Do you believe the Settlement is in the public interest?**

8 A: Yes. The Settlement reflects compromises made by CUII from the positions taken
9 in its Phase 2 subdocket testimony, and provides a fair result for CUII's ratepayers.

10 **Q: Does this conclude your testimony?**

11 A: Yes, it does.

APPENDIX A

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from the University of Houston at Clear Lake City in August 1982 with
3 a Bachelor of Science degree in accounting. From 1982 to 1985, I held the position
4 of Gas Pipeline Accountant at Seagull Energy in Houston, Texas. From 1985 to
5 2001, I worked for Enron in various positions of increasing responsibility and
6 authority. I began in gas pipeline accounting, was promoted to a position in
7 financial reporting and planning, for both the gas pipeline group and the
8 international group, and finally was promoted to a position providing accounting
9 support for infrastructure projects in Central and South America. In 2002, I moved
10 to Indiana, where I held non-utility accounting positions in Indianapolis. In August
11 2003, I accepted my current position with the OUCC. In 2011, I was promoted to
12 Senior Utility Analyst. In 2018, I was promoted to Chief Technical Advisor. Since
13 joining the OUCC I have attended the National Association of Regulatory Utility
14 Commissioners (“NARUC”) Eastern Utility Rate School in Clearwater Beach,
15 Florida, and the Institute of Public Utilities’ Advanced Regulatory Studies Program
16 in East Lansing, Michigan. I have also attended several American Water Works
17 Association and Indiana Rural Water Association conferences. I have also attended
18 several NARUC Sub-Committee on Accounting and Finance Spring and Fall
19 conferences. I have participated in the National Association of State Utility
20 Consumer Advocates (“NASUCA”) Water Committee and the NASUCA Tax and

1 Accounting Committee. In March 2016 I was appointed chair of the NASUCA Tax
2 and Accounting Committee.

3 **Q: Please describe your duties and responsibilities at the OUCC.**

4 A: I review Indiana utilities' requests for regulatory relief filed with the Commission.

5 I also prepare and present testimony based on my analyses, and make
6 recommendations to the Commission on behalf of Indiana utility customers.

7 **Q: Have you held any professional licenses?**

8 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of
9 Texas until I moved to Indiana in 2002.

10 **Q: Have you previously testified before the Indiana Utility Regulatory**
11 **Commission ("Commission")?**

12 A: Yes. I have testified before the Commission as an accounting witness in various
13 causes involving water, wastewater, electric, and gas utilities.