

OFFICIAL EXHIBITS

IURC
PUBLIC'S

EXHIBIT NO.

DATE

REPORTER

Cause No. 44990 SIA 2

Responses of CWA Authority Inc.

Office of Utility Consumer Counselor's

First Set of Data Requests

DATA REQUEST NO. 18:

Why did Petitioner record \$16,089,525 of system integrity adjustment revenues when the Commission only approved \$6,139,673 in Cause No. 44990?

RESPONSE:

Petitioner recorded \$6,139,673 as a SIA for the period August 1, 2016 through July 31, 2017 which was approved in Cause No. 44990. In addition, Petitioner is required by IC 8-1-31.5-13(b) to file "a petition for a change in its adjustment amount [...] after the end of each twelve (12) month period following the date on which the eligible utility files a petition under section 12 of this chapter." Accordingly, a SIA for the period August 1, 2017 through July 31, 2018 has also been recorded. The sum of these two figures represents the dollar amount of \$16,089,525 referenced in the data request.

Recognition of revenue related to the second SIA period is required for accrual accounting purposes as per Statement of Financial Accounting Concepts No. 6, paragraph 145, "The goal of accrual accounting is to account in the periods in which they occur for the effects on an entity of transactions and other events and circumstances, to the extent that those financial effects are recognizable and measurable." Further, recognition of SIA revenue is permitted by Accounting Standards Codification 980-605-25-4 as the below criteria have been satisfied:

- "a. The program is established by an order from the utility's regulatory commission that allows for automatic adjustment of future rates. Verification of the adjustment to future rates by the regulator would not preclude the adjustment from being considered automatic.
- b. The amount of additional revenues for the period is objectively determinable and is probable of recovery.
- c. The additional revenues will be collected within 24 months following the end of the annual period in which they are recognized."

WITNESS:

N/A