

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF CWA AUTHORITY, INC. FOR)
APPROVAL PURSUANT TO INDIANA CODE)
SECTION 8-1-31.5-13 TO CHANGE THE AMOUNT)
OF ITS SYSTEM INTEGRITY ADJUSTMENT AND) CAUSE NO. 44990 SIA 2
IMPLEMENT A SCHEDULE OF RATES AND)
CHARGES APPLICABLE THERETO)**

**CWA AUTHORITY, INC.'S RESPONSE TO THE COMMISSION'S QUESTION SET
FORTH IN ITS NOVEMBER 14, 2018 DOCKET ENTRY**

Petitioner, CWA Authority, Inc. ("CWA"), by counsel, respectfully submits the following response to the question set forth in the docket entry issued by the Commission on November 14, 2018, in this Cause.

Question 1:

Debarati Bardhan, at page 6 of Petitioner's Exhibit 1, explains that it is appropriate to exclude the \$16,089,525 in Miscellaneous Revenues SIA (CWA Account 536011) from Total Actual Revenues as shown on Attachment DB-2, Line 4. However, Workpaper 6 indicates that Billed SIA Monthly Revenue (CWA Account 186401) is only \$3,686,788. Please provide a detailed reconciliation of what appears to be a discrepancy in amounts between the Miscellaneous Revenues SIA and Billed SIA Monthly Revenue accounts, including an explanation of the purpose of each account

Response 1:

Miscellaneous Revenues SIA (CWA Account 536011) is an Income Statement account.

As reflected on Petitioner's Workpaper 2, Petitioner recorded \$6,139,673 as an SIA accrual 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, an SIA accrual for the period August 1, 2017 through July 31, 2018 of \$9,949,852 has also been recorded. The sum of these two figures represents the dollar amount of \$16,089,525 referenced in the docket entry.

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."

Billed SIA Monthly Revenues (CWA Account 186401) on the other hand is a Balance Sheet account.

It includes amounts billed to customers related to SIA 1 between January 1, 2018 and July 31, 2018 (7 months). Customers are billed based on the SIA 1 Rate of \$ 0.2598/1000 gallons. The Billed SIA Revenue through July 31, 2018 was \$ 3,686,788, as reflected on Petitioner's Workpaper 6 and as referenced in the docket entry.

Respectfully submitted,

/s/ Lauren R. Toppen
Attorney for Petitioner

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served on the Indiana Office of Utility Consumer Counselor by electronic mail on this 20th day of November 2018.

/s/ Lauren R. Toppen

Attorney for Petitioner