

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

| | | |
|--|---|----------------|
| In the Matter of the Application of Aqua |) | |
| Ohio Wastewater, Inc., for Implementation of |) | 18-1841-ST-UNC |
| the Tax Cuts and Jobs Act of 2017. |) | |

| | | |
|--|---|----------------|
| In the Matter of the Application of Aqua |) | |
| Ohio Wastewater, Inc. for Approval of Tariff |) | 18-1842-ST-ATA |
| Revisions. |) | |

APPLICATION

In accordance with R.C. 4909.18 and the October 24, 2018 Finding and Order (Order) of the Public Utilities Commission of Ohio (Commission) in Case No. 18-47-AU-COI, Aqua Ohio Wastewater, Inc. (AWI, the Applicant, or the Company) respectfully files this Application with the Commission seeking approval to resolve matters related to the Tax Cuts and Jobs Act of 2017 (TCJA). AWI seeks approval of proposed tariff revisions under R.C. 4909.18 not for an increase in rates, to establish a credit mechanism through which to return the remaining benefits of the TCJA to its wastewater service customers.

In support of this Application, AWI states:

1. AWI is a “public utility” and a “sewage disposal company” as defined in R.C. 4905.02(A) and 4905.03(M). As such, AWI is subject to the Commission’s jurisdiction in accordance with R.C. 4905.04, 4905.05, and 4905.06.
2. AWI is authorized to engage in the business of providing wastewater service to customers served under the terms and conditions of AWI’s P.U.C.O. Tariff No. 1, as set forth in its Certificate of Public Convenience No. 1.
3. On October 24, 2018, the Commission issued its Order in Case No. 18-47-AU-COI, directing all Ohio rate-regulated utility companies to file an application not for an increase in rates, in accordance with R.C. 4909.18, to allow the Commission the opportunity to consider the impacts of the TCJA on each specific company.

4. In accordance with the Order, AWI proposes to apply a credit, the TCJA Negative Surcharge, to the base sewer rates in its Franklin Division to reflect the tax savings realized under the TCJA. This credit will provide the following benefits:

a. Reduction in the Federal Income Tax (FIT) Rate:

- i. The estimated balance of deferrals recorded by the Company for wastewater service accumulated from January 1, 2018, through December 31, 2018, is \$212,900. This estimated balance of deferrals will be included in the TCJA Negative Surcharge beginning when the order is in place. The credit amount applied to each applicable customer will be reflected as a percentage of the customer's base sewer charges. This credit amount will be adjusted annually to reflect further changes in the FIT and will continue until the Commission approves new base sewer rates at which time the reduction will be incorporated into the base rates.

b. Amortization of Accumulated Deferred Income Taxes (ADIT):

- i. Protected or normalized excess ADITs of approximately \$369,565 will be amortized based on the average rate assumption method (ARAM) as required to conform to normalization rules. The normalization rate will adjust annually in accordance with ARAM.
- ii. Unprotected excess ADITs of approximately \$317,367 which includes those related to property, plant, and equipment will be amortized over 10 years beginning with the first month the negative surcharge is effective.
- iii. The amortization of all ADITs will be grossed up using the revenue conversion factor based on the prevailing federal income tax rate. The TCJA Negative Surcharge applied to each applicable customer will be

reflected as a percentage of the customer's base sewer charges. This credit amount will be adjusted annually to reflect further changes in the ADITs and will continue until the Commission approves new base sewer rates at which time the reduction will be incorporated into the base rates.

5. In support of its Application, AWI submits the following:

- a. Attachment A, which contains proposed tariff revisions reflecting the TCJA Negative Surcharge to be applied to customers in each of AWI's service areas; and
- b. Attachment B, which contains the supporting calculations for the proposed credit amount, including balances of ADIT, deferrals, and estimated rates.

6. To facilitate a full and fair consideration of the issues unique to AWI when determining the impact of the TCJA, and to ensure a timely return of all tax benefits to its customers, AWI requests a Finding and Order approving this Application as soon as is practicable, and no later than September 1, 2019.

WHEREFORE, AWI respectfully requests that the Commission approve this Application and the attached rate schedules, and grant any other necessary and proper relief.

Dated: December 20, 2018

Respectfully submitted,

/s/ Andrew J. Campbell

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Andrew J. Campbell (0081485)

Rebekah J. Glover (0088798)

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(Counsel willing to accept service by email)

ATTORNEYS FOR AQUA OHIO

WASTEWATER, INC.

Attachment A

Aqua Ohio Wastewater, Inc.
6650 South Avenue
Boardman, OH 44512

Section 2
Second Revised Sheet No. 3
Replaces First Revised Sheet No. 3
P.U.C.O. Tariff No. 1

Deleted: First

Deleted: Original

| | | | |
|------------------------------------|----------|-----------------------|----------------------------|
| Premises-Definition of | 3-1 | 3 | 11/21/17 |
| Pressure, Water | 3-2 | 1 | 11/21/17 |
| R | | | |
| Rates-Franklin Division | 4 | 1-3 | <u>xx/xx/xx</u> , 11/21/17 |
| Rates-Former Firestone Trace | 4 | 4-5 | 3/7/18 |
| Reconnection of Service | 3-2 | 7-8 | 11/21/17 |
| Repair of Customer Facilities | 3-2; 3-6 | 2; 1 | 11/21/17 |
| Restoring Service-Requirements | 3-2 | 7-8 | 11/21/17 |
| S | | | |
| Schedule of Rates | 4 | 1-5 | <u>xx/xx/xx</u> , 3/7/18, |
| | | | 11/21/17 |
| Service-Application | 3-4 | 1-2 | 11/21/17 |
| Service-Bills and Payments | 3-3 | 1-2 | 11/21/17 |
| Service-Bills for Delinquent | 3-3 | 1 | 11/21/17 |
| Service-Bills for Mailing | 3-3 | 1 | 11/21/17 |
| Service-Bills for, When rendered | 3-3 | 1 | 11/21/17 |
| Service-Bills for, Where Paid | 3-3 | 1 | 11/21/17 |
| Service-Building Construction | 3-6 | 1-2 | 11/21/17 |
| Service-Calls After Hours | 3-2 | 7-8 | 11/21/17 |
| Service-Contracts for | 3-4 | 1-2 | 11/21/17 |
| Service-Customer Lines | 3-6 | 1-5 | 11/21/17 |
| Service-Deficiency or Failure | 3-2 | 1 | 11/21/17 |
| Service-Deposits | 3-2 | 4-5, 7, 9 | 11/21/17 |
| Service-Discontinuance | 3-2; 3-3 | 3-7; 1 | 11/21/17 |
| Service-Installation | 3-6 | 1-2 | 11/21/17 |
| Service-Maintenance and Repair | 3-6 | 1 | 11/21/17 |
| Service-Metered | 3-3 | 1 | 11/21/17 |
| Service-Reconnection | 3-2 | 7-8 | 11/21/17 |
| Service-Regulations | 3-2 | 1-9 | 11/21/17 |
| Service-Separate Meter Requirement | 3-6 | 1 | 11/21/17 |
| Service-Size and Type | 4 | See Sch. Rates | 3/7/18, 11/21/17 |
| Service-Temporary | 3-2; 3-4 | 3; 2 | 11/21/17 |
| Service-Temporarily Discontinue | 3-3 | 2 | 11/21/17 |
| Sewer System-Contamination | 3-6 | 2-4 | 11/21/17 |
| Superseded Tariffs | 1 | 1 | 11/21/17 |
| T | | | |
| <u>TCJA Negative Surcharge</u> | <u>4</u> | <u>See Sch. Rates</u> | <u>xx/xx/xx</u> |
| Temporary Service | 3-2; 3-4 | 3; 2 | 11/21/17 |
| Temporary Shut off Notice | 3-2 | 2 | 11/21/17 |

Deleted: March 7, 2018

Deleted: March 7, 2018

Deleted: February 21, 2018

Deleted: 17-1717-WS-ACE

Issued: _____ Effective: _____

Issued by Edmund Kolodziej, Jr., President, Aqua Ohio Wastewater, Inc.
In accordance with the Public Utilities Commission of Ohio
Order Dated _____ for Case No. 18-XXXX-ST-UNC

Aqua Ohio Wastewater, Inc.
6650 South Avenue
Boardman, OH 44512

Section 4
First Revised Sheet No. 3
Replaces Original Sheet No. 3
P.U.C.O. Tariff No. 1

Deleted: Original

RECONNECTION CHARGES

A charge of fifty dollars and ninety-five cents (\$50.95) will be made for reconnect of sewer service after discontinuance of service for non-compliance with the Company's tariff provisions, except that the charge for any service turned on at the request of a Customer after regular business hours or on Saturdays, Sundays, or holidays, will be one hundred fifty-five dollars and eighty-six cents (\$155.86). If sewer service has been physically disconnected, the Company shall bill the Customer for the out-of-pocket expenses incurred for the disconnection and reconnection.

DISHONORED PAYMENT CHARGE

Provided a customer's payment from the customer's approved financial institution is properly processed by the Company, if a payment that has been received as payment for service is returned by the financial institution or is not recognized due to insufficient funds, a charge of fifteen dollars and seventy-one cents (\$15.71) will be assessed to cover the cost of processing this transaction.

LATE PAYMENT CHARGE

The late payment fee of 5% is based on current charges only and is not compounded on future delinquencies. The customer receives a six (6) day grace period (after the due date) before late fees are applied. The six-day grace period allows for any mail or processing delays.

ACCOUNT ACTIVATION CHARGE

An account activation charge of thirty-one dollars and seventy-six cents (\$31.76) will be charged for a service connection during the Company's regular business hours.

TCJA NEGATIVE SURCHARGE

A surcharge of -7.88% of base sewer rate charges will be applied to reflect tax savings realized under the Tax Cuts and Jobs Act of 2017, effective on bills rendered on or after XXX, 2019.

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Issued: _____ Effective: _____

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| T | | | |
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Attachment B

Aqua Ohio Inc.
Calculation of TCJA Negative Surcharge - Sewer
Case No. 18-1841-ST-UNC

Page 1 of 5

TCJA % of
Base
Revenue

| Line | Amortization of Excess ADIT's | | Sewer | Admin | Total | |
|------|---|-------------------------|-----------|----------|-----------|--------|
| 1 | Protected Property, Plant and Equipment | ARAM | (15,336) | (7,524) | (22,860) | |
| 2 | | | | | - | |
| 3 | Unprotected Property, Plant and Equipment | 10 YR | (34,867) | (1,209) | (36,075) | |
| 4 | | | | | - | |
| 5 | Unprotected not related to PP&E | 10 YR | - | 474 | 474 | |
| 6 | | | | | | |
| 7 | Total Amortization of Excess ADITs | | (50,203) | (8,259) | (58,462) | |
| 8 | | | | | | |
| 9 | Gross Up for Income | 1.26582 | (63,547) | (10,454) | (74,002) | -2.03% |
| 10 | | | | | | |
| 11 | Amortize FIT Deferrals 1/1/18 to 12/31/18 | | (212,900) | 0 | (212,900) | -5.85% |
| 12 | | | | | | |
| 13 | Total Annualized Refund | | (276,447) | (10,454) | (286,902) | |
| 14 | | | | | | |
| 15 | Current Base Revenue | Prior 12 months Revenue | | | 3,640,065 | |
| 16 | | | | | | |
| 17 | TCJA negative surcharge (% of Base Revenue) | | | | | -7.88% |
| 18 | | | | | | |
| 19 | | | | | | |

Aqua Ohio Inc.
Calculation of Deferrals - SEWER
Case No. 18-1841-ST-UNC

Page 2 of 5

Calculation of ADIT Amortization for Negative Surcharge

| Line | | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Total |
|---|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Protected Excess ADIT- PP&E | | | | | | | | | | | | | | |
| 1 | Beginning Balance | 330,896 | 329,633 | 328,370 | 327,107 | 325,844 | 324,581 | 323,318 | 322,055 | 320,792 | 319,529 | 318,266 | 317,003 | 315,740 |
| 2 | Amortization | (1,263) | (1,263) | (1,263) | (1,263) | (1,263) | (1,263) | (1,263) | (1,263) | (1,263) | (1,263) | (1,263) | (1,263) | |
| 3 | Ending Balance | 329,633 | 328,370 | 327,107 | 325,844 | 324,581 | 323,318 | 322,055 | 320,792 | 319,529 | 318,266 | 317,003 | 315,740 | 315,740 |
| 4 | | | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | | | |
| Unprotected Excess ADIT- PP&E | | | | | | | | | | | | | | |
| 7 | Beginning Balance | 322,008 | 323,271 | 324,534 | 325,797 | 327,060 | 328,323 | 329,586 | 330,849 | 332,112 | 333,375 | 334,638 | 335,901 | 337,164 |
| 8 | Amortization | 1,263 | 1,263 | 1,263 | 1,263 | 1,263 | 1,263 | 1,263 | 1,263 | 1,263 | 1,263 | 1,263 | 1,263 | |
| 9 | Ending Balance | 323,271 | 324,534 | 325,797 | 327,060 | 328,323 | 329,586 | 330,849 | 332,112 | 333,375 | 334,638 | 335,901 | 337,164 | 337,164 |
| 10 | | | | | | | | | | | | | | |
| Unprotected Excess ADIT- Non- PP&E | | | | | | | | | | | | | | |
| 12 | Beginning Balance | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 | Amortization | | | | | | | | | | | | | |
| 14 | Ending Balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 | | | | | | | | | | | | | | |
| 16 | | | | | | | | | | | | | | |
| 17 | Sub-total Excess ADIT's | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 |
| 18 | | | | | | | | | | | | | | |
| 19 | | | | | | | | | | | | | | |
| 20 | | | | | | | | | | | | | | |
| 21 | | | | | | | | | | | | | | |
| | | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | | | | |
| Protected Excess ADIT- PP&E | | | | | | | | | | | | | | |
| 24 | Beginning Balance | 315,740 | 314,462 | 313,184 | 311,906 | 310,628 | 309,350 | 308,072 | 306,794 | 305,516 | | | | |
| 25 | Amortization | (1,278) | (1,278) | (1,278) | (1,278) | (1,278) | (1,278) | (1,278) | (1,278) | (1,278) | | | | |
| 26 | Ending Balance | 314,462 | 313,184 | 311,906 | 310,628 | 309,350 | 308,072 | 306,794 | 305,516 | 304,238 | | | | |
| 27 | | | | | | | | | | | | | | |
| 28 | | | | | | | | | | | | | | |
| Unprotected Excess ADIT- PP&E | | | | | | | | | | | | | | |
| 30 | Beginning Balance | 337,164 | 338,442 | 339,720 | 340,998 | 342,276 | 343,554 | 344,832 | 346,110 | 347,388 | | | | |
| 31 | Amortization | 1,278 | 1,278 | 1,278 | 1,278 | 1,278 | 1,278 | 1,278 | 1,278 | 1,278 | | | | |
| 32 | Ending Balance | 338,442 | 339,720 | 340,998 | 342,276 | 343,554 | 344,832 | 346,110 | 347,388 | 348,666 | | | | |
| 33 | | | | | | | | | | | | | | |
| Unprotected Excess ADIT- Non- PP&E | | | | | | | | | | | | | | |
| 35 | Beginning Balance | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| 36 | Amortization | | | | | | | | | | | | | |
| 37 | Ending Balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| 38 | | | | | | | | | | | | | | |
| 39 | Total Excess ADIT's | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | 652,904 | | | | |

Aqua Ohio Inc.
Calculation of Deferrals - ADMIN
Case No. 18-1841-ST-UNC

Page 3 of 5

Calculation of ADIT Amortization for Negative Surcharge

| | | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Total |
|------|---|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Line | Protected Excess ADIT- PP&E | | | | | | | | | | | | | |
| 1 | Administrative Beginning Balance | 1,255,481 | | | | | | | | | | | | |
| 2 | Divisional Allocation | 3.08% | | | | | | | | | | | | |
| 3 | Jurisdictional Beginning Balance | 38,669 | 38,140 | 37,611 | 37,082 | 36,553 | 36,024 | 35,495 | 34,966 | 34,437 | 33,908 | 33,379 | 32,850 | 32,321 |
| 4 | Amortization (Jurisdictional) | (529) | (529) | (529) | (529) | (529) | (529) | (529) | (529) | (529) | (529) | (529) | (529) | |
| 5 | Ending Balance | 38,140 | 37,611 | 37,082 | 36,553 | 36,024 | 35,495 | 34,966 | 34,437 | 33,908 | 33,379 | 32,850 | 32,321 | 32,321 |
| 6 | | | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | | | |
| 8 | Unprotected Excess ADIT- PP&E | | | | | | | | | | | | | |
| 9 | Administrative Beginning Balance | 3,148 | | | | | | | | | | | | |
| 10 | Divisional Allocation | 3.08% | | | | | | | | | | | | |
| 11 | Jurisdictional Beginning Balance | 97 | 626 | 1,155 | 1,684 | 2,213 | 2,742 | 3,271 | 3,800 | 4,329 | 4,858 | 5,387 | 5,916 | 6,445 |
| 12 | Amortization (Jurisdictional) | 529 | 529 | 529 | 529 | 529 | 529 | 529 | 529 | 529 | 529 | 529 | 529 | |
| 13 | Ending Balance | 626 | 1,155 | 1,684 | 2,213 | 2,742 | 3,271 | 3,800 | 4,329 | 4,858 | 5,387 | 5,916 | 6,445 | 6,445 |
| 14 | | | | | | | | | | | | | | |
| 15 | Unprotected Excess ADIT- Non- PP&E | | | | | | | | | | | | | |
| 16 | Administrative Beginning Balance | (153,831) | | | | | | | | | | | | |
| 17 | Divisional Allocation | 3.08% | | | | | | | | | | | | |
| 18 | Jurisdictional Beginning Balance | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) |
| 19 | Amortization (Jurisdictional) | | | | | | | | | | | | | |
| 20 | Ending Balance | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) |
| 21 | | | | | | | | | | | | | | |
| 22 | | | | | | | | | | | | | | |
| 23 | Sub-total Excess ADIT's | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 |
| 24 | | | | | | | | | | | | | | |
| 25 | | | | | | | | | | | | | | |
| 26 | | | | | | | | | | | | | | |
| 27 | | | | | | | | | | | | | | |
| 28 | | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | | | | |
| 29 | Protected Excess ADIT- PP&E | | | | | | | | | | | | | |
| 30 | Jurisdictional Beginning Balance | 32,321 | 31,694 | 31,067 | 30,440 | 29,813 | 29,186 | 28,559 | 27,932 | 27,305 | | | | |
| 31 | Amortization (Jurisdictional) | (627) | (627) | (627) | (627) | (627) | (627) | (627) | (627) | (627) | | | | |
| 32 | Ending Balance | 31,694 | 31,067 | 30,440 | 29,813 | 29,186 | 28,559 | 27,932 | 27,305 | 26,678 | | | | |
| 33 | | | | | | | | | | | | | | |
| 34 | | | | | | | | | | | | | | |
| 35 | Unprotected Excess ADIT- PP&E | | | | | | | | | | | | | |
| 36 | Jurisdictional Beginning Balance | 6,445 | 7,072 | 7,699 | 8,326 | 8,953 | 9,580 | 10,207 | 10,834 | 11,461 | | | | |
| 37 | Amortization (Jurisdictional) | 627 | 627 | 627 | 627 | 627 | 627 | 627 | 627 | 627 | | | | |
| 38 | Ending Balance | 7,072 | 7,699 | 8,326 | 8,953 | 9,580 | 10,207 | 10,834 | 11,461 | 12,088 | | | | |
| 39 | | | | | | | | | | | | | | |
| 40 | Unprotected Excess ADIT- Non- PP&E | | | | | | | | | | | | | |
| 41 | Jurisdictional Beginning Balance | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | | | | |
| 42 | Amortization (Jurisdictional) | | | | | | | | | | | | | |
| 43 | Ending Balance | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | (4,738) | | | | |
| 44 | | | | | | | | | | | | | | |
| 45 | Total Excess ADIT's | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | 34,028 | | | | |

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[illegible]

Aqua Ohio Inc
Revenue Calc - Negative Surcharge - Sewer
Case No. 18-1841-ST-UNC

| Line | | |
|------|------------------------------|-------------------------------|
| 1 | Approved Revenue Requirement | 3,765,747 Actual Revenue 2017 |
| 2 | | |
| 3 | Less SIC No longer in effect | (107,926) |
| 4 | | |
| 5 | Miscellaneous Revenue | (17,756) |
| 6 | | |
| 7 | Adjusted Base Revenue | <u><u>3,640,065</u></u> |

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12/20/2018 3:07:53 PM

in

Case No(s). 18-1841-ST-UNC, 18-1842-ST-ATA

Summary: Text In the Matter of the Application for Implementation of the Tax Cuts and Jobs Act of 2017 electronically filed by Ms. Rebekah J. Glover on behalf of Aqua Ohio Wastewater, Inc.