

Exhibit No.:
Issue: *ISRS Accumulated
Deferred Income Taxes*
Witness: *Lisa M. Ferguson*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *WO-2018-0373*
Date Testimony Prepared: *November 13, 2018*

MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION
AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

LISA M. FERGUSON

staff
MALUC Exhibit No. 4
Date 11-20-18 Reporter Bjt
File No. _____

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WO-2018-0373

Jefferson City, Missouri
November 2018

1 DIRECT TESTIMONY

2 OF

3 LISA M. FERGUSON

4 MISSOURI-AMERICAN WATER COMPANY

5 CASE NO. WO-2018-0373

6 Q. Please state your name and business address.

7 A. Lisa M. Ferguson, 111 N. 7th Street, Suite 105, St. Louis, MO 63101.

8 Q. By whom are you employed?

9 A. I am employed by the Missouri Public Service Commission ("Commission")
10 as a member of the Auditing Staff ("Staff").

11 Q Are you the same Lisa M. Ferguson who contributed to *Staff's*
12 *Recommendation* filed October 19, 2018 in this case?

13 A. Yes, I am.

14 Q. Have you previously filed testimony before this Commission?

15 A. Yes. A listing of the cases in which I have previously filed testimony
16 before this Commission, and the issues I have addressed in testimony is attached as Schedule
17 LMF-d1 to this direct testimony.

18 Q. What is the purpose of your direct testimony in this proceeding?

19 A. My direct testimony will provide a summary ISRS revenue requirement
20 calculation for both Staff and Missouri-American Water Company (MAWC). I will also
21 address aspects of MAWC's proposed inclusion of a net operating loss (NOL) as an offset to
22 the deferred tax liability as part of the overall incremental increase in Infrastructure System
23 Replacement Surcharge (ISRS) revenues as part of its Petition. My direct testimony will also

Direct Testimony of
Lisa M. Ferguson

1 provide a quantification of the difference in ISRS revenue requirement proposed by MAWC
2 and by Staff.

3 In his direct testimony in this proceeding, Staff witness Mark L. Oligschlaeger will
4 address policy related matters regarding MAWC's proposed income tax treatment in this case
5 that Staff cannot support.

6 Q. Please describe what cost recovery items are properly included in an ISRS rate
7 calculation.

8 A. The ISRS rule, 4 CSR 240-3.650(1), states that recovery of:

9 (A) Appropriate pretax revenues – the revenues necessary to:

10 1. Produce net operating income equal to the eligible water
11 utility's weighted cost of capital multiplied by the net original cost of
12 eligible infrastructure system replacements (original cost of eligible
13 infrastructure system replacements, net of accumulated deferred
14 income taxes and accumulated depreciation associated with the
15 replacements), including recognition of accumulated deferred income
16 taxes and accumulated depreciation associated with eligible
17 infrastructure system replacements that are included in a currently
18 effective ISRS.

19 According to the rule, the utility should also:

- 20 2. Recover state, federal, and local income or excise taxes
21 applicable to such income; and
22 3. Recover all other ISRS costs.

23 A visual depiction follows showing Staff's and MAWC's updated ISRS calculations based on
24 *MAWC's Response to Staff Recommendation* filed on October 29, 2018 (an updated
25 reconciliation will be filed concurrently with this testimony as Schedule LMF-d2):

Direct Testimony of
Lisa M. Ferguson

	<u>Staff</u>	<u>MAWC</u>
Capital Investment	\$64,158,930	\$64,158,930
Less: Net Contributions in Aid of Construction (CIAC)	(\$1,054,368)	(\$1,054,368)
Less: Deferred Income Tax	(\$8,920,441)	\$474,872
Less: Accumulated Reserve	(\$432,599)	(\$432,599)
Equals: Net Capital Investment	\$53,751,522	\$63,144,704
Times: Overall Pre-Tax Rate of Return (per stipulation in WR-2017-0285)	9.44%	9.44%
Equals: Revenue Requirement on Capital Investment	\$5,074,144	\$5,961,061
Add: Property Tax	\$0	\$0
Add: Depreciation Expense	\$826,505	\$826,505
Add/Less: Under/Overcollection ISRS Reconciliation	\$477,310	\$477,310
Total ISRS Revenue Requirement	\$6,377,959	\$7,264,876

1 As the chart above demonstrates, Staff and MAWC are in agreement with the various
2 elements of the ISRS calculation except for the deferred income tax calculation that is
3 highlighted in gray. Staff and MAWC are calculating the deferred tax liability in the same
4 manner; however MAWC takes an extra step to offset that deferred tax liability with an
5 imputed deferred tax asset relating to an assumed NOL amount. The ISRS revenue
6 requirement difference between Staff and MAWC with regard to the tax issue is
7 approximately \$886,917.

8 Q. Please explain what accumulated deferred income taxes are and how they are
9 determined.

10 A. A utility's deferred tax reserve balance represents, in effect, a net prepayment
11 of income taxes by a company's customers in rates prior to actual payment to the taxing
12 authorities. MAWC may deduct depreciation expense on an accelerated basis for income tax

1 purposes. Depreciation expense used for income taxes paid by MAWC is higher than
2 depreciation expense used for rate making purposes. This results in what is referred to as a
3 “book-tax timing difference,” and creates a deferral of income taxes to the future. The net
4 credit balance in the deferred tax reserve represents a source of cost-free funds; therefore, rate
5 base is reduced by the deferred tax reserve balance to avoid having customers pay a return on
6 funds that are provided cost-free to the company. Since the level of book depreciation
7 expense is lower than the level of accelerated tax depreciation expense used for income tax
8 purposes, customers are typically required to pay higher costs for income taxes in rates than
9 MAWC will actually pay to the Internal Revenue Service (IRS). The difference in income
10 taxes paid by the utility to the IRS and those amounts collected by the utility from its
11 customers through rates are “accumulated” to recognize the future tax liability that will
12 eventually be paid to the IRS. In cases where a utility incurs an NOL the accumulated
13 deferred income tax (ADIT) balance is then offset by that NOL due to the fact that the utility
14 did not have enough taxable income to utilize all of its available deductions.

15 The amount of deferred tax associated with this ISRS petition is determined by the
16 sum of the tax timing differences (deductions) for repairs and accelerated depreciation that are
17 applied to the investment for the period of January 1, 2018, through September 30, 2018.
18 That amount is shown in the table above, and is not disputed. However, MAWC then offsets
19 the deferred tax liability by imputing a deferred tax asset.

20 Q. How does MAWC calculate the net operating loss that is used to offset the
21 deferred tax liability?

22 A. MAWC sums the tax timing differences related to repairs and accelerated
23 depreciation with depreciation expense and interest expense, and then subtracts those

1 reductions from zero. Zero represents the revenue that MAWC has yet to recover in regard to
2 this ISRS investment. This calculation creates a “hypothetical” net operating loss amount that
3 is not appropriate for recovery in an ISRS rate calculation.

4 Q. Why does Staff take the position that the NOL calculation proposed by
5 MAWC is inappropriate for purposes of ISRS?

6 A. If MAWC’s methodology is used, the existence of a hypothetical net operating
7 loss will always result from the calculation, whether the utility is actually recording an
8 NOL amount on its books or not. That is because in Missouri a utility must place investment
9 in-service prior to obtaining recovery in rates. Recovery of such investment can be sought on
10 an interim basis through an ISRS filing (for gas and water utilities) or through permanent rates
11 as part of a general rate case filing. MAWC is seeking interim recovery in this petition, so the
12 utility assumes zero revenue in its ISRS calculation because it will not receive ISRS revenue
13 related to this particular investment until new rates are put in effect as part of this proceeding.
14 However, as MAWC is not generating or booking any actual NOL during this ISRS period, it
15 is obvious that other factors are causing a situation in which MAWC has enough taxable
16 income to “use” prior amounts of booked NOL in the ISRS period and is not generating or
17 booking any incremental NOL associated with ISRS plant additions that might need to be
18 taken into account in this ISRS case.

19 Q. Is MAWC actually currently generating an NOL?

20 A. No. For several years prior to 2018, MAWC generated an amount of NOL
21 largely associated with its use of bonus depreciation deductions. The balance of the NOL as
22 of December 31, 2017, is currently included in MAWC’s base rates as an offset to ADIT as a
23 result of its last general rate case, Case No. WR-2017-0285. This means that for the period of

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1 January 1, 2018, through September 30, 2018, there would have to be an incremental increase
2 in MAWC's ongoing NOL balances directly related to ISRS plant additions in order for any
3 NOL to be eligible for inclusion in the ISRS ratemaking process at this time. However, based
4 on MAWC's response to Staff Data Request No. 0004 shown below, its NOL balance has
5 been decreasing over time in 2018, and is expected to continue to do so. The original
6 response to this data request is included with this testimony as Schedule LMF-d3:¹

<u>Month</u>	<u>NOL Deferred Tax Asset Balance</u>	<u>Change in Balance</u>
December 2017	\$31,464,998	--
January 2018	\$31,464,998	\$0
February 2018	\$30,928,397	(\$536,601)
March 2018	\$30,222,134	(\$706,263)
April 2018	\$28,099,143	(\$2,122,991)
May 2018	\$26,261,074	(\$1,838,069)
June 2018	\$27,493,077	\$1,232,003
July 2018	\$25,207,589	(\$2,285,488)
August 2018	\$23,689,065	(\$1,518,524)
September 2018	\$21,183,942	(\$2,505,123)
December 2018 (Estimated)	\$19,722,615	(\$1,461,327)
December 2019 (Estimated)	\$10,222,615	(\$9,500,000)

7 Q. Does MAWC file income tax returns on a stand-alone basis?

8 A. No. MAWC files a consolidated tax return with its parent corporation,
9 American Water Works. In the response to Staff Data Request No. 0005 attached to this
10 testimony as Schedule LMF-d4, it is conveyed that "MAWC's NOL usage is allocated based
11 on an individual company's NOL carryforward as a percent of the total group's NOL
12 carryforward balance." Also in the response to Staff Data Request No. 0005, MAWC
13 acknowledged that it expects to use prior NOL balances in 2018 and 2019 because the
14 consolidated tax group is projecting taxable income for those years.

¹ Please note that the "change in balance" as included in MAWC's response to Staff Data Request No. 0004 in the attachment reflects increasing or positive "change in balance" amounts, when in fact the NOL Deferred Tax Asset balances are actually decreasing over time.

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1 Q. Does the fact that MAWC still has a prior NOL amount on its books mean that
2 offsetting the deferred tax liability with an NOL as part of this ISRS is appropriate?

3 A. No. The NOL generated by MAWC prior to 2018 was appropriately and fully
4 reflected in MAWC's base rates in its prior general rate case. There has been no incremental
5 actual generation of NOLs by MAWC during this ISRS period associated with ISRS plant
6 additions or for any other reason.

7 Q. Does this conclude your direct testimony?

8 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

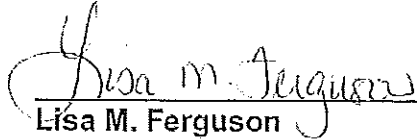
In The Matter of Petition of Missouri-American)	
Water Company for Approval to Establish an)	<u>Case No. WO-2018-0373</u>
Infrastructure System Replacement Surcharge)	Tariff No. YW-2019-0018
(ISRS))	

AFFIDAVIT OF LISA M. FERGUSON

State of Missouri)
) ss.
St. Louis County)

COMES NOW Lisa M. Ferguson, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Direct Testimony*; and that the same is true and correct according to her best knowledge and belief.

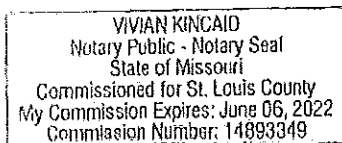
Further the Affiant sayeth not.

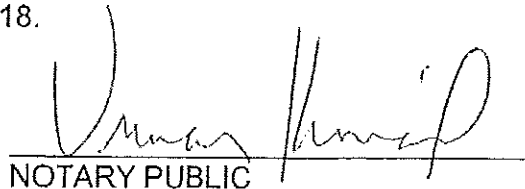


Lisa M. Ferguson

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for St. Louis County, State of Missouri, at my office in St. Louis, on this 9th day of November, 2018.





NOTARY PUBLIC

Lisa M. Ferguson

Present Position:

I am a Utility Regulatory Auditor V, Auditing Department, Commission Staff Division of the Missouri Public Service Commission. As a Utility Regulatory Auditor, I review all exhibits and testimony on assigned issues, develop accounting adjustments and issue positions that are supported by workpapers and written testimony.

Educational Credentials and Work Experience:

I have an Associate of Science degree from Moberly Area Community College, a Bachelor's of Science degree in Accounting from Truman State University, and a Master's degree in Accounting from Truman State University. I have been employed by the Missouri Public Service Commission since June 2008. Prior to joining the Commission, I worked in several departments, primarily Customer Service and as an accounting assistant, for Hy-Vee Food and Drug from July 1998 to May 2002. I was also employed by Kelly L. Lovekamp as a legal office assistant during 2001. From June 2002 to May 2008, I was employed as a support staff for Chariton Valley Association. My duties included support of daily living activities for people with disabilities.

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
Ameren Missouri (ELEC)	EA-2018-0202	Terra-Gen Wind Generation CCN
Ameren Missouri (ELEC)	ER-2018-0362	2017 TCJA Tax Reform effect on current and excess deferred taxes
Liberty Gas (MNG)	GR-2018-0013	Income tax, Accumulated Deferred Income Tax (ADIT), Property Tax, Vegetation Management, Payroll, Payroll Tax, Employee Benefits Accounting Schedules/Reconciliation Filed Direct, Rebuttal, Surrebuttal (True-up Direct)
Spire Missouri (Laclede Gas & Missouri Gas Energy)	GR-2017-0215 GR-2017-0216	Co-Lead Auditor Insulation Financing, EnergyWise Revenue/Rate Base, Gas Safety AAO Overcollection, Natural Gas/Propane Inventory, MGE Rate base Offset, Income Taxes, ADIT, Surveillance Reporting, Uniform Expense, AMR Devices Filed Direct, Rebuttal, Surrebuttal Testified on FIN 48 as part of ADIT, Surveillance Reporting, AMR Devices, 2017 TCJA Tax Reform effect on current and excess deferred taxes
Ameren Missouri	EO-2017-0176	Cost Allocation Manual
Ameren Missouri	EO-2017-0127	Asset Sale Case – Mercy Health

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
Ameren Missouri (ELEC)	ER-2016-0179	Allocations, Coal Refinement, Callaway II Write-Off, Capacity, FAC expense removal, FIN 48, Income Taxes, ADIT, Mark Twain Transmission, MISO revenues & expenses, MISO Transmission revenues & expenses, Sioux Construction Accounting Accounting Schedules/Reconciliation Filed Direct, Rebuttal, Surrebuttal
Rex Deffenderfer Enterprises	WR-2016-0267	Lead Auditor – Oversee All Issues
House Springs Sewer Co.	SM-2016-0204	Sale of Company Assets to Jefferson County Public Sewer District
Missouri American	WR-2015-0301 & SR-2015-0302	Amortizations, Arnold Acquisition, Belleville Labs, Capitalized O&M Depreciation, Regulatory Assets & Liabilities, Regulatory Deferrals, Hickory Hills Receivership Costs Accounting Schedules/Reconciliation
Missouri American	WO-2016-0054	Asset Purchased Case; Missouri American Acquisition of Jaxson Estates
House Springs Sewer Co.	Earnings Investigation	Operations & Maintenance Contract, Legal Fees, Office Rent & Electric, Plant/Reserve/CIAC, Repairs & Maintenance, Sludge Hauling, City of Byrnes Mill Expense, Garnishment

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
Ameren Missouri (ELEC)	ER-2014-0258	Fuel, NBEC, Fuel Additives, Fuel Inventory, Off System Sales, Purchased Power, Callaway Refueling, Coal Car Depreciation, Low Level Radioactive Waste Expense Accounting Schedules/Reconciliation Filed Direct, Rebuttal, Surrebuttal
Liberty Gas (MNG)	GR-2014-0152	Board of Directors Fees, Payroll, Employee Benefits, Incentive Compensation, Environmental Expense, Fleet Fuel Expense, Property Tax, Relocation Expense
Terre Du Lac Utility Co.	WR-2014-0104 SR-2014-0105	Revenues, Uncollectibles, Water Loss Adjustment
Laclede Gas Co.	GR-2013-0171	Revenue, Energy Wise and Insulation Revenues and Ratebase, Gas Costs, Gross Receipts Tax, ISRS Revenue, OSS and Capacity Release, Postage Expense, Unbilled Revenues, Uncollectibles
Lincoln County Water & Sewer	SR-2013-0321	Revenues, Bank Fees, Billing Expense, DNR Fees, Office Supplies, Postage Expense, PSC Assessment, SOS Fees, Uncollectibles
Gladlo Water and Sewer Co.	SR-2013-0258 WR-2013-0259	Informal Rate Case – All Issues
Missouri American	SO-2013-0260	Asset Purchased Case; Missouri American Acquisition of Meramec Sewer Co; Rate Base Determination
Ameren Missouri	EO-2013-0044	Asset Sale Case

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
Meramec Sewer Co	SR-2012-0309	Rate Base, Revenues, Uncollectibles
Ameren Missouri (ELEC)	ER-2012-0166	<p>Advertising, AMS Allocations, Capitalized O&M Depreciation, Distribution Training, Employee Benefits other than Pensions, Environmental Expense, Incentive Compensation, Legal Expense, Name Change/Branding Expense, Payroll, Payroll Taxes, Production Training Expense, Severance, Underground Training Expense, VSE/ISP Amortization</p> <p>EMS Accounting Schedules</p> <p>Filed Direct and Surrebuttal Testimony</p> <p>Deposed on Severance and Advertising</p> <p>Testified on Severance</p>
Missouri American	SO-2012-0091	Asset Purchased Case; Missouri American Acquisition of Meramec Sewer Co; Rate Base Determination
House Springs Sewer Co.	SR-2011-0274	Revenues, Billing Supplies Expense, Bank Fees, Dues & Donations, Outside Services, Miscellaneous Expense, Rent Expense, Postage Expense, PSC Assessment, Rate Case Expense, Secretary of State Fees, EMS Accounting Schedules
Missouri American	WO-2011-0106	ISRS Filing; Extending data to Effective Date; Retirements; Deferred Taxes; Accumulated Depreciation

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
Ameren Missouri (ELEC)	ER-2011-0028	Capitalized O&M Depreciation, Dues & Donations, 900 Account analysis, Property Taxes, Other Rate Base Items, Corporate Franchise Taxes, CWC, Plant and Reserve, PSC Assessment, Rate Case Expense, Advertising, Interest on Customer Deposits, Outside Contractors/Services, Allocations Accounting Schedules/Reconciliation Filed Direct and Surrebuttal Testimony Deposed on Advertising Testified on Property Tax
AmerenUE (GAS)	GR-2010-0363	Capitalized O&M Depreciation, Dues & Donations, 900 Account analysis, Property Taxes, Other Rate Base Items, Corporate Franchise Taxes, CWC, Plant and Reserve, PSC Assessment, Rate Case Expense, Advertising, Interest on Customer Deposits, Outside Contractors/Services Accounting Schedules/Reconciliation Filed Direct Testimony
KMB Utility Corporation	WR-2010-0345 & SR-2010-0346	Revenues, Late Fees, Electric Bills, Lost Water Adjustment, Uncollectibles, Master meter reads Filed Staff Recommendation

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
Ameren UE (ELEC)	ER-2010-0036	Advertising, Capitalized O&M Depreciation, Dues & Donations, 900 Account Analysis, Property Taxes, Other Rate Base Items, Corp. Franchise Taxes, Leases, CWC, Plant, Depreciation/ Reserve, PSC Assessment, Rate Case Expense, Interest on Customer Deposits, Insurance Expenses, Accounting Runs, Injuries and Damages Accounting Schedules/Reconciliation Filed Direct and Surrebuttal Testimony
Peaceful Valley	SR-2009-0146 WR-2009-0145	Informal Small Water and Sewer Request for Rate Increase
Cannon Home Association	SR-2009-0144	Informal Small Water Request for Rate Increase
Atmos Energy	GO-2009-0046	Assisted on ISRS Filing; Extending data to Effective Date; Retirements; Deferred Taxes; Accumulated Depreciation; Removal of Meters
Ameren UE (GAS)	GT-2009-0038	Assisted on ISRS Filing; Extending data to Effective Date; Additions/Retirements; Deferred Taxes; Accumulated Depreciation
Laclede Gas Company	GO-2009-0029	Assisted on Abandonment Case – Recommendation Submission
Mill Creek	SR-2005-0116	Quarterly Reviews; Procedural Schedule; A/P Billing Calendar; Conference Calls; Discussion Notes; Revenues

MAWC ISRS WO-2018-0373
ISRS Revenue Requirement Calculation with Staff Adjustments

ISRS PLANT ADDITIONS

	MAWC Filed Application*	MAWC's Updated Position	MAWC's Response Position (10/29/18)	Staff's Position	Staff's Corrected Position (10/29/18)	Amount of NOL Removed	Total Staff and MAWC Differences
Plant Additions - Replacements							
Gross Plant Additions	\$ 64,485,018	\$ 62,997,486	\$ 62,895,856	\$ 62,886,584	\$ 62,895,856	\$ -	\$ -
CIAC	\$ (2,319)	\$ (2,319)	\$ (2,318)	\$ (2,318)	\$ (2,318)	\$ -	\$ -
Deferred Taxes	\$ 459,213	\$ 448,062	\$ 473,307	\$ (8,889,734)	\$ (8,891,053)	\$ (9,364,360)	\$ (9,364,360)
Accumulated Depreciation	\$ (403,131)	\$ (389,623)	\$ (425,978)	\$ (425,946)	\$ (425,978)	\$ -	\$ -
Total Net Main Replacements	\$ 64,538,781	\$ 63,053,606	\$ 62,940,867	\$ 53,568,586	\$ 53,576,507	\$ (9,364,360)	\$ (9,364,360)
Plant Additions - Relocations							
Gross Plant Additions	\$ 892,753	\$ 1,263,074	\$ 1,263,074	\$ 1,263,074	\$ 1,263,074	\$ -	\$ -
CIAC	\$ (1,004,055)	\$ (1,052,664)	\$ (1,052,049)	\$ (1,052,050)	\$ (1,052,049)	\$ -	\$ -
Deferred Taxes	\$ 19	\$ 1,479	\$ 1,564	\$ (29,388)	\$ (29,388)	\$ (30,952)	\$ (30,952)
Accumulated Depreciation	\$ (4,481)	\$ (5,880)	\$ (6,622)	\$ (6,622)	\$ (6,622)	\$ -	\$ -
Total Net Service Line Replacements and Insertion Projects	\$ (115,764)	\$ 206,009	\$ 205,967	\$ 175,014	\$ 175,015	\$ (30,952)	\$ (30,952)
TOTAL ISRS NET PLANT ADDITIONS	\$ 64,423,017	\$ 63,259,615	\$ 63,146,834	\$ 53,743,600	\$ 53,751,522	\$ (9,395,312)	\$ (9,395,312)

CALCULATION OF ISRS REVENUE REQUIREMENT

	MAWC Filed Application*	MAWC Updated Position	MAWC's Response Position (10/29/18)	Staff's Position	Staff's Corrected Position (10/29/18)	Amount of NOL Removed	Total Staff and MAWC Differences
Total ISRS net plant additions	\$ 64,423,017	\$ 63,259,615	\$ 63,146,834	\$ 53,743,600	\$ 53,751,522	\$ (9,395,312)	\$ (9,395,312)
Overall Pretax Rate of Return	9.44%	9.44%	9.44%	9.44%	9.44%	9.44%	9.44%
Revenue Requirement on Capital	\$ 6,081,533	\$ 5,971,708	\$ 5,961,061	\$ 5,073,396	\$ 5,074,144	\$ (886,917)	\$ (886,917)
Depreciation Expense	\$ 817,820	\$ 827,918	\$ 826,505	\$ 826,376	\$ 826,505	\$ -	\$ -
ISRS Undercollection	\$ 537,711	\$ 477,310	\$ 477,310	\$ 477,310	\$ 477,310	\$ -	\$ -
Revenue Requirement Before Interest Deductibility	\$ 7,437,064	\$ 7,276,936	\$ 7,264,876	\$ 6,377,082	\$ 6,377,959	\$ (886,917)	\$ (886,917)

Missouri Public Service Commission

Respond Data Request

Data Request No.	0004
Company Name	Missouri-American Water Company-(Water)
Case/Tracking No.	WO-2018-0373
Date Requested	9/28/2018
Issue	General Information & Miscellaneous - Infrastructure System Replacement (ISRS)
Requested From	Brian LaGrand
Requested By	Jacob Westen
Brief Description	NOL Deferred Tax Asset Balances
Description	Please provide the actual monthly balances of MAWC's NOL deferred tax asset starting December 31, 2017 through most current available. Also provide the projected monthly balances of the NOL deferred tax asset for the remainder of 2018 through December 31, 2019. Requested by: Lisa Ferguson (lisa.ferguson@psc.mo.gov).
Response	See MoPSC 0004 Attachment for monthly balances from December 2017 through September 2018, and estimated balances for December 2018 and December 2019. Monthly balances are not available after September 2018.
Objections	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **WO-2018-0373** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Missouri-American Water Company-(Water)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Missouri-American Water Company-(Water)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security :	Public
Rationale :	NA

Missouri-American Water
 WO-2018-0373
 MoPSC 0004

NOL Deferred Tax Asset balances

<u>Month</u>	<u>Ending Balance</u>	<u>Change in balance</u>	
Dec-17	31,464,998		
Jan-18	31,464,998	-	
Feb-18	30,928,397	536,601	
Mar-18	30,222,134	706,263	
Apr-18	28,099,143	2,122,991	
May-18	26,261,074	1,838,069	
Jun-18	27,493,077	(1,232,003)	
Jul-18	25,207,589	2,285,488	
Aug-18	23,689,065	1,518,524	
Sep-18	21,183,942	2,505,123	
Dec-18	19,722,615	11,742,383	Estimate
Dec-19	10,222,615	9,500,000	Estimate

Missouri Public Service Commission

Respond Data Request

Data Request No.	0005
Company Name	Missouri-American Water Company-(Water)
Case/Tracking No.	WO-2018-0373
Date Requested	9/28/2018
Issue	General Information & Miscellaneous - Infrastructure System Replacement (ISRS)
Requested From	Brian LaGrand
Requested By	Jacob Westen
Brief Description	NOL Detail
Description	Is MAWC currently expected to generate additional NOL amounts in 2018 and 2019 on an aggregate basis, or to use prior NOLs to offset taxable income in 2018 and 2019 in the aggregate? Please provide the projected net NOL amount generated or used for both calendar years. Requested by: Lisa Ferguson (lisa.ferguson@psc.mo.gov).
Response	MAWC expects to use prior NOLs in 2018 and 2019 because it is part of its parent company's, American Water Works (AWW), consolidated group which projects taxable income for those tax years. AWW projects to use approximately \$391 million in 2018 and approximately \$320 million in 2019. NOL usage is allocated based on an individual company's NOL carryforward as a percent of the total group's NOL carryforward balance. For 2018, MAWC is estimated to be allocated approximately \$56 million, which when tax-effected will reduce the deferred tax asset by approximately \$11.7 million. For 2019, MAWC is estimated to be allocated approximately \$45 million, which when tax-effected will reduce the deferred tax asset by approximately \$9.5 million.
Objections	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **WO-2018-0373** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Missouri-American Water Company-(Water)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Missouri-American Water Company-(Water)** and its employees, contractors, agents or others employed by or acting in its behalf.

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Security : Public
Rationale : NA