

SUEZ WATER RHODE ISLAND, INC.
Docket No. 4800
Ninth Set of Data Requests of the
Division of Public Utilities and Carriers
May 9, 2018

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(Cagle)

- 9-1.** Details of ADIT balances at December 31, 2017.
- a) Identify the December 31, 2017 recorded per-book balance of Accumulated Deferred Income Taxes (ADIT) in each account (account 190, 282, 283 etc.).
 - b) Show by each book-tax difference, the components which comprise the ADIT in each ADIT account.
 - c) For each component of the ADIT listed in response to the above requests, please also provide the following information:
 - i) The state income tax rate used to compute the ADIT.
 - ii) The federal income tax rate used to compute the ADIT.
 - iii) The combined state and federal income tax rate used to compute the ADIT.
 - iv) The balance (book-tax difference at 12/31/2017) to which the state and federal income tax rates were applied to compute the ADIT.
 - d) For each component in the ADIT accounts, identify the amount representing "excess" ADIT (i.e., calculated using the new 21% flat federal corporate income tax rate versus the previous FIT rate [e.g., of 34% or 35%] that the Company used).
 - e) For each amount of excess property-related ADIT in account 282, please indicate whether it is "protected" (i.e., related to the use of accelerated tax depreciation including MACRS and bonus tax depreciation) or "non-protected" (i.e., related to other book-tax differences such as repairs deductions, etc.).

Response:

- a) Please see attached. Currently, the Company is continuing to review in detail its income tax records in order to verify the balances of the regulatory liabilities subject to continued normalization ("protected") as well as those that are not ("unprotected") and has engaged an outside accounting firm to assist in that review. The Company anticipates that some change could occur to the approximated amortization period, protected vs. unprotected amounts as well

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as possible changes in the regulatory liability itself once all analyses are complete and as the 2017 income tax returns are filed. In addition the Company will be required to utilize ARAM. The Company is currently determining these amounts and will update its responses where applicable when known.

- b) Please see attached.
- c)
 - (i) N/A
 - (ii) 21%
 - (iii) 21%
 - (iv) Please see attached.
- d) Please see the response to 9-1 part a attachment, column (f)
- e) Please see the response to 9-1 part a attachment, columns (g) and columns (h).

SUEZ Water Rhode Island Inc.
Accumulated Deferred Income Tax and Excess Deferred Income Tax Regulatory Liability Balances
As of December 31, 2017

Line No.	Account	Description	ADIT Balance at 12/31/2017	Adjustments	Calculation of Balance at 12/31/2017	Calculation of Balances at 21%	Protected @ 21% FIT Rate	Unprotected @ 21% FIT Rate
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	19010	Def. Federal Inc Taxes- Other	\$519		\$519	\$311		\$311
2	19101	Def. FIT-FAS109 ITC [1]	(\$25,469)	\$25,469	\$0			
3	19103	Def. FIT-F71/F109 G/U ITC [1]	(\$13,739)	\$13,739	\$0			
4	25500	Deferred ITC [2]	\$72,752	(\$72,752)	\$0			
5	28203	Def. FIT-MACRS	\$3,054,514		\$3,054,514	\$1,832,709	\$1,832,709	
6	28207	Def FIT Pens Reg Asset FAS158	\$342,291		\$342,291	\$205,375		
7	28208	Def FIT PBOP Reg Asset FAS158	\$777		\$777	\$466		
8	28300	Def. FIT-Other	(\$68,287)		(\$68,287)	(\$40,972)		
9	28301	Def. FIT-Tank Painting	(\$26,626)		(\$26,626)	(\$15,976)	(15,976)	
10	28302	Def. FIT-Rate Expenses	\$2,590		\$2,590	\$1,554		
11	28306	Def. FIT-Pensions	(\$97,008)		(\$97,008)	(\$58,205)		
12	28307	Def. FIT-PEBOP	(\$263,025)		(\$263,025)	(\$157,815)		
13	28308	Def. FIT-Cost of Removal	\$55,074		\$55,074	\$33,044	33,044	
14	28310	Def. FIT-Uncollectibles	(\$432)		(\$432)	(\$259)		
15	28311	Def. FIT-Injuries and Damages	(\$18,333)		(\$18,333)	(\$11,000)		
16	28312	Def. FIT - AFUDC Equity	\$80,261		\$80,261	\$48,157	48,157	
17								
18		Total Deferred Tax before TCJA impact [3]	\$3,095,859		\$3,062,315	\$1,837,389	\$1,897,934	\$311
19								
20	28402	Def FIT - New Federal Tax Rate	(\$1,224,925)		(1,224,926) [4]			
21	28405	Def FIT-New Federal TaxRate GU	(\$325,613)		(325,613) [5]	(325,613)	(336,343)	(55)
22		283 Deferred income taxes & ITC	\$1,545,321	\$0	\$1,511,776	\$1,511,776	\$1,561,591	\$256
23								
24								
25	25316	Regulatory Liab-Tax New Federal Rate	\$1,550,538	\$0	\$1,550,539	\$325,613	\$336,343	(\$55)
26								
27		Total ADIT and Regulatory Liability after TCJA impact (line 26 plus line 29)	\$3,095,859		\$3,062,315			

[1] Change in balance is offset by the change in balance of the associated regulatory asset.

[2] Balance of Deferred ITC is not impacted by the change in income tax rate.

[3] Sum of Lines 1 through 16

[4] Confirmation of the calculation of the amount change due to rate: Line 18, column e times (.35-.21)/.35.

[5] Confirmation of the calculation gross-up of the amount change due to rate: Line 20, column e divided by (1-.21)

SUEZ WATER RHODE ISLAND
Deferred Balances Report - Pre-Tax (Reporting)
SWI_Dec2017_Run7, 00061 United Water Rhode Island

Code	Account	Name	Deferred Balance
0004b	28300000	Accrued Taxes-Excise	(1)
0004c	28300000	Accrued Taxes- Gross Receipts	0
0004d	28300000	Gross Earnings Tax Accrued	0
0004e	28300000	Accrued Taxes - Other	17,437
0005	28203000	Tax vs. Book Depreciation	(5,635,738)
0005a	28203000	Section 481(a) Adjustment	(1,330,444)
0005b	28203000	CY TPR Adjustment	(1,461,281)
0006	28203000	Capitalized Depreciation	13,227
0007	28203000	Tax vs. Book Gain on Disposal of Assets	(1,860)
0007_AT	28203000	Tax vs. Book Gain on Disposal of Assets	16,533
0008	28203000	Tax vs. Book Loss on Disposal of Assets	(398,891)
0009	28203000	AFUDC Avoided Interest	71,268
0010a	28312000	AFUDC Equity	(229,315)
0011a	28306000	Reversal of Accrued Pension	277,166
0011b	28306000	Reversal of Accrued Pension	(1)
0011c	28225111	Minimum Liability Adjustment BU 00200 only	0
0011d	28207000	FAS 158 - Pension	(977,975)
0011e	28208000	FAS 158 - PBOP	(2,221)
0014a	28307000	Accrued VEBA / PEBOP	(0)
0014b	28307000	PBOP Liability - Trustee	1,005,337
0014c	28307000	PBOP - Accumulated Transitional Obligation	(200,504)
0014d	28307000	PBOP - Recovery Reserve	(53,332)
0017c	19010000	Deferred Director Fees	(1,374)
0018a	28306000	Reversal of Prepaid Pension	0
0018b	28306000	Reversal of Prepaid Regulatory Pension	0
0030	28100000	Amortization of Acquisition Adjustm	0
0033b	28300000	Accrued Property Taxes	177,668
0042	19010000	Bond Discount - UWW Only	(19,013)
0042a	19010000	Bond Discount - BU 00100 NJ and 00200 N	0
0046b	28203000	CIAC	0
0048	19010000	Accrued Vacation Accrual	11,627
0050d	19010000	Accrue Regulatory Assessment	5,532
0051	28301000	Tank Painting	(252,215)
0051a	28301000	Amortization - Reg Def Tank Painting	328,292
0053	28203000	Joint Clamps Deducted	0
0054	28308000	Cost of Removal	(157,354)
0061h	19010000	Accrued Other	1,745
0070g	28300000	Prepaid Dues	0
0070k	28300000	Prepaid Expenses-Other	0
0071b	28303000	Other Deferred Charges	0
0071c	28303000	Other Deferred Charges-Non Utility	0
0072b	19010000	Accrued Medical Insurance	0
0072e	28300000	Prepaid General Insurance	0
0073	28311000	Injury and Damage expenses	20,683
0073a	28311000	Accrued Injuries and Damages Reserve	31,697
0076	28300000	Accrued Stock Options	1
0078a	28307000	Accrued LTIP	1
0078c	19010000	Accrued Enhanced Severance Program	0
0078d	19010000	Deferred Compensation	2
0079	28302000	Rate Case Expenses	(7,399)
0086	28310000	Tax vs. Book Bad Debts	1,231
0088	28310000	Amortization of Contract Fees	0
0089	28203000	Amortization of Homer	0
0090	28203000	Amortization of Capital Improvements	0
0092	28300000	Reversal of IRS Adjustment	0
0102	28203000	Amortization of Intangibles(excess purch pri	0
0104	28203000	Tax vs. Book Capital Gain	0
0106	28300000	Other Regulatory Assets	0
Total			(8,749,470)

Account	Description	Gross Deferred Balance	Tax Reform Adj	Gross-up Adj (no state tax)	Regulatory Liability
19010000	Def. Federal Inc Taxes- Other	(1,480)	(207)	(55)	(262)
28100000	Def. FIT- Accelerated Amort	-	-	-	-
28203000	Def. FIT-MACRS	(8,727,185)	(1,221,806)	(324,784)	(1,546,590)
28207000	Def FIT Pens Reg Asset FAS158	(977,975)	(136,917)	(36,396)	(173,312)
28208000	Def FIT PBOP Reg Asset FAS158	(2,221)	(311)	(83)	(394)
28300000	Def. FIT-Other	195,105	27,315	7,261	34,576
28301000	Def. FIT-Tank Painting	76,077	10,651	2,831	13,482
28302000	Def. FIT-Rate Expenses	(7,399)	(1,036)	(275)	(1,311)
28303000	Def. FIT-Deferred Charges	-	-	-	-
28306000	Def. FIT-Pensions	277,165	38,803	10,315	49,118
28307000	Def. FIT-PEBOP	751,502	105,210	27,967	133,178
28308000	Def. FIT-Cost of Removal	(157,354)	(22,030)	(5,856)	(27,886)
28310000	Def. FIT-Uncollectibles	1,231	172	46	218
28311000	Def. FIT-Injuries and Damages	52,380	7,333	1,949	9,283
28312000	Def. FIT - AFUDC Equity	(229,315)	(32,104)	(8,534)	(40,638)
Total Gross Deferred Balance		(8,749,470)	(1,224,926)	(325,613)	(1,550,539)
Gross Deferred Balance		(8,749,470)			
Tax Rate Decrease		14.0%			
Tax Reform Adj		1,224,926			
Gross-up Rate (no state tax)		79%			
Gross-up Adj		325,613			
Regulatory Liability		1,550,539			

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- 9.2** What software does the Company use to track the tax basis and tax depreciation of its utility plant assets?
- a) Explain the capabilities of that software for tracking tax basis and tax depreciation by plant account by vintage (year in which the plant was placed into service).
 - b) Explain the capabilities of that software for calculating amortization of excess accumulated deferred income taxes (EADIT) using an average rate assumption method (ARAM).

Response:

- a) The Company has recently transitioned to PowerTax to track such information. The Company is investigating if and how PowerTax may be utilized to calculate the amortization of EADIT under ARAM.
- b) The Company is currently investigating options regarding software or a software application to assist in the calculation of the amortization of EADIT under ARAM.

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- 9.3** What software does the Company use to track the book basis and book depreciation of its utility plant assets?
- a) Explain the capabilities of that software for tracking book basis and book depreciation by plant account by vintage (year in which the plant was placed into service).
 - b) Explain the capabilities of that software for calculating amortization of excess accumulated deferred income taxes (EADIT) using an average rate assumption method (ARAM).

Response: Please see the response to 9-2.

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- 9.4** Provide a listing of each regulatory asset and regulatory liability, by account, that was recorded on the Company's books as of December 31, 2017. For each item, also provide the following information:
- a. the amount.
 - b. the amortization period (if any) being applied.
 - c. whether the balance accrues carrying charges and, if so, the carrying charge rate and how it is determined.
 - d. the amount of ADIT related to the item and how that ADIT was determined (include details for the state and federal income tax rate applied to compute the ADIT and the balance to which the tax rates were applied).
 - e. whether the item was included in utility rate base in the Company's last Rhode Island rate case.
 - i. whether the item represents cost deferrals (over- or under-recoveries) that are expected to be recovered via a rider or surcharge and an explanation of such recovery.

Response: Please see attached.

		a.	b.	c.	d.	e.	i.
		Amount	Amort Period	Carrying Charges	ADIT @ 21%	Included in Rate Base	Over/Under Recoveries
18620000	Deferred Tank Painting Expense	435,315.31					
18650000	Reg Defrrd Tank Pnting - Amort	(328,292.12)					
		107,023.19	10 Years	As ratebase	22,474.87	Yes	No
18635000	RA-Deferred Pension FAS158	1,629,963.00	N/A				
18636000	RA-Deferred PBOP FAS158	3,699.00	N/A				
18680000	Deferred rate charges	7,398.75	Proposed 3 years	As ratebase	1,553.74	Yes	No
25316000	Regulatory Liab-Tax NewFedRate	1,550,538.32		No	325,613.05	Yes	No
25402000	DefRegLiab F71/F109-Fed:ITC	39,208.00		No		No	No

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9.5 Referring to the 21% federal corporate income tax rate that became effective January 1, 2018 as part of the Tax Cuts and Jobs Act (TCJA) that was signed into law by President Trump on December 22, 2017 and the identification of excess federal ADIT as of December 31, 2017:

- a) Explain whether and how the Company will be applying the Average Rate Assumption Method (ARAM) to the "protected" portions of the excess federal ADIT balances that relate to the use of accelerated tax depreciation for federal income tax purposes, and show in detail how the Company is calculating the ARAM.
- b) Is the Company proposing to use an alternative method for amortizing the "protected" portion of its excess ADIT? If so, identify and describe the method and show in detail how the Company is applying it.
- c) Please provide the Company's currently authorized depreciation rates, by plant account (and sub-account if applicable). For each depreciation rate, please provide a breakout of the rate between (1) the portion related to the recovery of original cost over the plant's estimated useful life and (2) the portion related to cost of removal/negative net salvage.
- d) How does the Company account for the cost of removal when actual removal costs are incurred, and how does the Company account for the component of depreciation rates (and depreciation expense) that relates to negative net salvage in recording Depreciation Expense and Accumulated Depreciation? Please explain fully, identify and provide accounting policies related to this, and provide illustrative journal entries made in 2017 showing the accounting.
- e) Does the cost of removal/negative net salvage component of the Company's depreciation rates have any impact on the derivation of the Average Rate Assumption Method that is specified in the Tax Cuts and Jobs Act for application to excess federal ADIT related to the use of accelerated tax depreciation? If "yes" explain fully, and provide an illustrative example showing how the cost of removal/negative net salvage component of the Company's depreciation rates impacts the ARAM.

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Response:

- a) The Company is currently working to determine the appropriate application of ARAM to be applied to protected portions of EADIT.
- b) The Company intends to apply the ARAM to the protected portion of EADIT for as many appropriate periods for which information is available. If there are periods for which information is available, the Company intends to amortize that portion of protected EADIT utilizing the RSGM.
- c) Please see the Company's filing, Exh. 4 Sch. 3. The Company's existing rates have been in effect for a number of years. As a result of the passage of time, the Company has not been able to determine when a depreciation study was last performed nor the composition of rates as requested.
- d) Historically, the Company has accounted for cost of removal as a debit to accumulated depreciation. A cost of removal component (if any) is not separately identified. In late 2015, the Company implemented PowerPlan software and, since that time has accounted for the actual cost of removal incurred separately. However, no separate accrual of cost of removal which may be imbedded in current depreciation rates is made.
- e) Please see the response to item d above. The Company believes this may have an impact on the Company's ARAM calculation. However as discussed previously, the Company is continuing to review in detail its income tax records in order to verify the balances of the regulatory liabilities subject to continued normalization ("protected") as well as those that are not ("unprotected") and has engaged an outside accounting firm to assist in that review. While the Company will be required to utilize ARAM, it is still in the process of determining this calculation and its impacts. The Company will update its responses where applicable when known.

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9-6
(Cagle)

- 9-6** 2017 plant additions and bonus tax depreciation.
- a) Please identify by account the Company's actual 2017 plant additions.
 - b) Does the Company anticipate claiming bonus tax depreciation on any of its 2017 plant additions?
 - i) If "yes" to part b, identify the 2017 plant additions which are eligible for bonus tax depreciation and show the amounts of bonus tax depreciation that the Company intends to claim.
 - c) Please also address whether and how the Company distinguished costs for public utility property (1) through September 27, 2017 and (2) from September 28, 2017 through December 31, 2017, in determining its 2017 bonus tax depreciation amounts.
 - i) If "no" to part c, explain fully why not, and provide a copy of the related financial and economic analysis.
 - d) Does the Company plan on claiming for tax year 2017 any MACRS tax depreciation on any of its 2017 plant additions?
 - i) If "yes" to part d, identify the 2018 plant additions for which the Company intends to claim MACRS tax depreciation and show the amounts of MACRS tax depreciation that the Company intends to claim for tax year 2017.
 - e) Does the Company plan on claiming for tax year 2018 any bonus tax depreciation on any of its 2018 plant additions (such as property that was under construction at September 27, 2017 and placed into service in 2018)?
 - i) If "yes" to part e, identify the 2018 plant additions for which the Company intends to claim bonus tax depreciation and show the amounts of bonus tax depreciation that the Company intends to claim for tax year 2018.

Response:

- a) Please see attached.
- b) The Company does not anticipate claiming bonus tax depreciation on 2017 plant additions.
- c) N/A
- d) Yes. 2017 MACRS tax depreciation is \$764,671
- e) No.

Page 11	Name of Respondent	This Report is:	Date of Report	Year of Report	Page 11
	Suez Water Rhode Island, Inc.	(1) <u>X</u> An Original (2) <u> </u> A Resubmission	(Mo, Da, Yr) 12/31/2017	2017	
	WATER UTILITY PLANT IN SERVICE (Acct 101)				
1	Include in column (e) entries reclassifying property from one account or utility service to another, etc. Corrections of entries of the current or				
2	immediately preceding year should be recorded in column (c) or column (d), accordingly, as they are corrections of additions or retirements.				
3					
4	Account	Balance First of	Additions	Retirements	Balance End
5		Year (Acct. 101)	During Year	During Year	of Year #101
6	(a)	(b)	(c)	(d)	(e)
7	<u>INTANGIBLE PLANT</u>				
8	Organization (301)	\$963	\$0	\$0	\$963
9	Franchises and Consents (302)	\$0	\$0	\$0	\$0
10	Other Plant & Miscellaneous Equipment (339)	\$231,444	\$0	(\$137,649)	\$93,794
11	Total Intangible Plant	\$232,407	\$0	(\$137,649)	\$94,757
12	<u>SOURCE OF SUPPLY & PUMPING PLANT</u>				
13	Land and Land Rights (303)	\$33,319	\$0	\$0	\$33,319
14	Structures and Improvements (304)	\$784,610	\$0	(\$16,182)	\$768,428
15	Collecting & Impounding Reservoirs (305)	\$0	\$0	\$0	\$0
16	Lake, River & Other Intakes (306)	\$0	\$0	\$0	\$0
17	Wells & Springs (307)	\$491,424	\$75,970	\$0	\$567,394
18	Infiltration Galleries & Tunnels (308)	\$1,601	\$0	\$0	\$1,601
19	Supply Mains (309)	\$58,771	\$0	\$0	\$58,771
20	Power Generation Equipment (310)	\$0	\$0	\$0	\$0
21	Pumping Equipment (311)	\$1,573,255	\$44,857	(\$86,080)	\$1,532,032
22	Other Plant & Miscellaneous Equipment (339)	\$108,877	\$0	(\$7,364)	\$101,513
23	Total Source of Supply & Pumping Plant	\$3,051,856	\$120,826	(\$109,626)	\$3,063,056
24	<u>WATER TREATMENT PLANT</u>				
25	Land and Land Rights (303)	\$0	\$0	\$0	\$0
26	Structures and Improvements (304)	\$18,475	\$0	(\$8,630)	\$9,845
27	Water Treatment Equipment (320)	\$551,499	\$275	(\$65,818)	\$485,956
28	Other Plant & Miscellaneous Equipment (339)	\$0	\$0	\$0	\$0
29	Total Water Treatment Plant	\$569,974	\$275	(\$74,448)	\$495,801
30	<u>TRANSMISSION & DISTRIBUTION PLANT</u>				
31	Land and Land Rights (303)	\$1,862	\$0	\$0	\$1,862
32	Structures and Improvements (304)	\$139,985	\$0	\$0	\$139,985
33	Distribution Reservoirs & Standpipes (330)	\$4,343,023	\$0	(\$20,000)	\$4,323,023
34	Transmission & Distribution Mains (331)	\$12,379,420	\$815,763	(\$2,807)	\$13,192,376
35	Services (333)	\$3,816,708	\$250,350	(\$4,700)	\$4,062,358
36	Meters & Meter Installations (334)	\$2,949,830	\$138,997	(\$60,014)	\$3,028,813
37	Hydrants (335)	\$1,058,166	\$60,464	(\$1,400)	\$1,117,230
38	Other Plant & Miscellaneous Equipment (339)	\$0	\$0	\$0	\$0
39	Total Transmission & Distribution Plant	\$24,688,993	\$1,265,575	(\$88,921)	\$25,865,647
40	<u>GENERAL PLANT</u>				
41	Land and Land Rights (303)	\$0	\$0	\$0	\$0
42	Structures and Improvements (304)	\$194,724	\$32,417	(\$33,869)	\$193,272
43	Office Furniture & Equipment (340)	\$62,632	\$0	(\$33,593)	\$29,040
44	Transportation Equipment (341)	\$0	\$0	\$0	\$0
45	Stores Equipment (342)	\$3,451	\$0	\$0	\$3,451
46	Tools, Shop & Garage Equipment (343)	\$76,831	\$12,817	(\$12,654)	\$76,994
47	Laboratory Equipment (344)	\$0	\$0	\$0	\$0
48	Power Operated Equipment (345)	\$15,685	\$0	\$0	\$15,685
49	Communication Equipment (346)	\$305,844	\$25,470	(\$1,489)	\$329,824
50	Miscellaneous Equipment (347)	\$79,677	\$0	\$0	\$79,677
51	Other Tangible Plant (348)	\$0	\$0	\$0	\$0
52	Other (Please Specify)	\$880,086	\$81,489	(\$17,523)	\$944,052
53	Total General Plant	\$1,618,932	\$152,193	(\$99,129)	\$1,671,995
54	Plant for future use				
55	Total Above Plant Accounts (Forward to p10, line 7)	\$30,162,162	\$1,538,869	(\$509,773)	\$31,191,257

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9-7 How much income tax expense savings has the Company experienced in each month of 2018 from January 1, 2018 through April 30, 2018 due to the TCJA and the reduction in the corporate income tax rate to 21 percent, effective January 1, 2018? Identify, quantify and explain the monthly 2018 income tax savings, and provide supporting calculations showing how such tax savings were calculated.

Response: Please see attached.

SWRI
Regulatory Liability Adjustment - 2018
April 2018 Close

State Gross Tax Rate	0.00%
00061	
United Water Rhode Island	
Total Pre-Tax Book Income	260,673
	35.0%
Taxes @ 35%	91,236
Total Pre-Tax Book Income	260,673
	21.0%
Taxes @ 21%	54,741
<u>Regulatory Liability Adjustment</u>	
Taxes @ 21%	54,741
Taxes @ 35%	(91,236)
Regulatory Liability Adjustment	(36,494)
<u>Regulatory Liability Gross-up Adjustment</u>	
Regulatory Liability Adjustment	(36,494)
Federal Gross-up Rate	21.00%
State Gross-up Rate	0.00%
Total Combined Adjustment	(46,195)
Regulatory Liability Adjustment	(36,494)
Regulatory Liability Gross-up Adjustment	(9,701)
Total Combined Adjustment	(46,195)
d	
<u>TAX ENTRY:</u>	
40251474 ContraRev 2018portion Tax Reform	46,195
25317000 Reg Liab-NewFedRate2018portion	(46,195)
<u>FEB YTD</u>	
25317000 Reg Liab-NewFedRate2018portion	(18,853)
<u>March Activity</u>	
25317000 Reg Liab-NewFedRate2018portion	(12,201)
<u>Book April Activity</u>	
25317000 Reg Liab-NewFedRate2018portion	(15,142)

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9-8
(Cagle)

9-8 How much pre-tax net operating income does the Company expect in each month of 2018? Show amounts and provide support showing how they were calculated or estimated.

Response: Please see attached.

SWRI - Budget

Line No.	Description	Budget May	Budget June	Budget July	Budget August	Budget September	Budget October	Budget November	Budget December
1	Pre-tax Income - Budget	117,716	214,058	286,153	320,965	227,981	79,812	56,359	70,428
2	Taxes at 21%	24,720	44,952	60,092	67,403	47,876	16,760	11,835	14,790
		-	-	-	-	-	-	-	-
3	Total Net Income After Tax	92,996	169,106	226,061	253,562	180,105	63,051	44,523	55,638
4	Income Taxes at 21%	24,720	44,952	60,092	67,403	47,876	16,760	11,835	14,790
5	Pre-tax income X 35%	41,201	74,920	100,154	112,338	79,794	27,934	19,725	24,650
6	Income Tax Difference	(16,480)	(29,968)	(40,061)	(44,935)	(31,917)	(11,174)	(7,890)	(9,860)
7	Additional Regulatory Liability	(20,861)	(37,934)	(50,711)	(56,880)	(40,402)	(14,144)	(9,988)	(12,481)
8	ADIT on Regulatory Liability	(4,381)	(7,966)	(10,649)	(11,945)	(8,484)	(2,970)	(2,097)	(2,621)
		(16,480)	(29,968)	(40,061)	(44,935)	(31,917)	(11,174)	(7,890)	(9,860)

Note: Please see the Resonse to 9-7 for the period January through April 2018.

State Income Tax Rate	0.00%
2017 Effective Tax Rate	35.00%
2018 Effective Tax Rate	21.00%

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9-9
(Cagle)

9-9 How much after-tax net operating income does the Company expect in each month of 2018? Show amounts and provide support showing how they were calculated or estimated.

Response: Please see the attachment to the response to 9-8.

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9-10
(Cagle)

9-10 How much after-tax net operating income does the company expect in each month of 2018? Show amounts and provide support showing how they were calculated or estimated.

Response: Please see the attachment to the response to 9-8.

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9-16
(Cagle)

9-16 Does the Company have any journal entries and journal entry workpapers showing how it identified and recorded amounts of Excess ADIT as of December 31, 2017 as a net regulatory liability? If not, explain fully why not. If so, identify and provide the journal entries and journal entry workpapers and supporting calculations.

Response: The entries are summarized in the attachment to the response to 9-1 a. The Company is currently assembling the appropriate journal entries which will be provided when assembly is complete.

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9-17
(Cagle)

- 9-17** Net operating loss carry-forwards.
- a) Does the Company have a net operating loss carry forward for federal income tax purposes as of 12/31/2016 or 12/31/2017? If so:
 - i) identify the federal NOL carryforward amount as of each date.
 - ii) show over what period the Company anticipates utilizing the 12/31/2017 NOL carryforward.
 - iii) identify, quantify and explain how the Company has recorded an ADIT balance related to the NOL carryforward as of each date.
 - iv) identify, quantify and explain how the Company has or will adjust its 12/31/2017 recorded ADIT balance related to the NOL carryforward for the reduction in the corporate FIT rate from the previous 34% or 35% to the new FIT rate of 21%.
 - b) Does the Company have a net operating loss carry forward for state income tax purposes as of 12/31/2016 or 12/31/2017? If so:
 - i) identify the state NOL carryforward amount as of each date.
 - ii) show over what period the Company anticipates utilizing the 12/31/2017 state NOL carryforward.
 - iii) identify, quantify and explain how the Company has recorded an ADIT balance related to the state NOL carryforward as of each date.

Response:

- a) No.
- b) N/A

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9-20
(Cagle)

9-20 Please quantify and explain all savings in 2018 and 2019 that the Company expects to realize from the TCJA.

Response: The effects of the change in income tax rate from 35% to 21% is reflected in the Company's filing. The Company currently anticipates no further impacts from the TCJA.