

CHATTANOOGA GAS COMPANY
Docket No. 18-00035

Consumer Advocate Unit (CAU)
Data Request Set: CAU-2

CAU-2-1 Request:

Provide a comprehensive explanation describing the nature of the change described in footnote 3 of tab CAU 1-11 provided in the attachment to CAU 1-11.

CGC Response (November 8, 2019):

With the passage of the Tax Cuts and Jobs Act, the Company's accumulated deferred income tax (ADIT) balances were revalued at the lower federal income tax rate. During this process, the state ADIT balance was setup within the Company's tax subledger, Powertax, at the state effective tax rate. A state EDIT balance was then created in error based on a comparison of the state ADIT balance, which was recorded at the effective rate, and the FAS 109 balance using the state statutory rate of 6.5%. This EDIT balance then began to amortize through the general ledger in error in January 2018 based on the average rate assumption method (ARAM).

In the Company's 2018 rate case filing, the state EDIT was identified and removed for rate setting purposes. However, the correction was not made within the Company's tax subledger Powertax. Therefore, the EDIT amount continued to amortize, producing a journal entry that was recorded to the general ledger. An entry will be recorded to remove the state EDIT amortization from the Company's books and records as part of close process for November 2019. The Company will provide the correcting entry as soon as it is available, but no later than December 13, 2019.

Subsequent calculations of the Company's rate of return will be adjusted such that no state EDIT balance or amortization is included.

CGC Supplemental Response (December 13, 2019):

See CAU-2-1 Attachment for the correcting entry to remove the state EDIT amortization. The correcting entry includes the removal of the state EDIT amortization and associated impacts to the federal offset and reflects the finalization of the 2018 tax return.

Contact Person: Gary Tucker

Chattanooga Gas Company
Docket No. 18-00035
CAU-2-1 Supplemental Response, CAU-2-1 Attachment

2018 Excess Deferred Income Tax Amortization

	A	B	C	D
1		Per CGC Tucker Exhibit GT-1	2018 Final Amortization (1)	Difference
2	Federal	\$ 409,443	368,078	(41,365)
3	Federal Offset	(46,907)	(635)	46,272
4	State	68,074	-	(68,074)
5	Amortization of Protected EDIT	\$ 430,609	367,443	(63,166)
6	Amortization of Unprotected EDIT	500,995	500,995	(0)
7	Total Amortization of EDIT - Protected & Unprotected	\$ 931,604	868,438	(63,166)
8	(1) Amounts include the removal of the state EDIT amortization and associated impacts to the federal offset and reflect the finalization of the 2018 tax return.			

2019 EDIT Correction and true-up entry to 2018 EDIT Amortization

	A	B	C
9		Debit	Credit
10	427520 Deferred SIT - Property	68,074	
11	279101 Regulatory Tax Liability Reclass	22,350	
12	427500 Deferred FIT - Property		4,908
13	2599999 Regulatory Tax Liability		85,516