

REQUEST: Please provide and describe the accounting journal entries necessary to accrue and amortize the ARM Regulatory Asset or Regulatory Liability account for two consecutive Historic Base Periods.

RESPONSE:

As shown on schedule 29 of "Example ARM Calendar Yr. 2017 equity earnings for 2017 was \$4,734,529 which was \$1,171,986 less than the \$5,906,515 authorized. Carrying charges for ½ year computed at the 6.98% authorized return is \$40,916 for a total of \$1,212,901 when grossed-up for State and Federal taxes is \$1,995,724. The \$1,995,724 is recorded as a Regulatory Asset to be amortized over the twelve-month period beginning August 1 when rates are effective.

To record the Regulatory Asset:

	Debit	Credit
Regulatory Asset ARM Earning Deficiency	\$1995,724	
ARM Accrued Revenue		\$1,995,724

To record Amortization of Regulatory Asset:

Monthly beginning August

	Debit	Credit
Amortization Expense-ARM Regulatory Asset -Earning Deficiency	166,310	
Regulatory Asset ARM Earning Deficiency ARM Revenue		\$166,310

If instead of an earning deficiency, there had been an earning excess:

	Debit	Credit
ARM Accrued Revenue	\$1,995,724	
Regulatory Liability- ARM Earning Excess		\$1,995,724

Monthly beginning August

	Debit	Credit
Regulatory Liability- ARM Earning Excess	\$166,310	
Amortization-Expense ARM -Earning Excess		\$166,310

The above entries as shown are for Regulatory and Ratemaking purposes. The GAAP accounting journals entries may be different.

Response by: Archie Hickerson and Gary Tucker.

REQUEST: Please provide and describe the accounting journal entries necessary to accrue and amortize the ARM Regulatory Asset or Regulatory Liability account for two consecutive Historic Base Periods.

RESPONSE:

As shown on schedule 29 of "Example ARM Calendar Yr. 2017 equity earnings for 2017 was \$4,868,3034,734,529 which was \$1,038,1321,171,986 less than the \$5,906,515 authorized. Carrying charges for ½ year computed at the 7.126.98% authorized return is \$36,40,916945 for a total of \$1,075,0771,212,901 when grossed-up for State and Federal taxes is \$1,768,9461,995,724. The \$1,768,946995,724 is recorded as a Regulatory Asset to be amortized over the twelve-month period beginning August 1 when rates are effective.

To record the Regulatory Asset:

	Debit	Credit
Regulatory Asset ARM Earning Deficiency	\$1, <u>768,946995,724</u>	
ARM Accrued Revenue		\$1, <u>768,946995,724</u>

To record Amortization of Regulatory Asset:
Monthly beginning August

	Debit	Credit
Amortization Expense-ARM Regulatory Asset -Earning Deficiency	\$ <u>147,412166,310</u>	
Regulatory Asset ARM Earning Deficiency ARM Revenue		\$ <u>147,412166,310</u>

If instead of an earning deficiency, there had been an earning excess:

	Debit	Credit
ARM Accrued Revenue	\$1, <u>768,946995,724</u>	
Regulatory Liability- ARM Earning Excess		\$1, <u>768,946995,724</u>

Monthly beginning August

	Debit	Credit
Regulatory Liability- ARM Earning Excess	\$ <u>147,412166,310</u>	
Amortization-Expense ARM -Earning Excess		\$ <u>147,412166,310</u>

The [above](#) entries as shown ~~is~~ [are](#) for Regulatory [and Ratemaking](#) purposes. [The](#) GAAP accounting [journal entries](#) may be different.

Response by: Archie Hickerson and Gary Tucker.