

UNITED WATER IDAHO
STATEMENT OF OPERATING INCOME PER BOOK AND PROFORMA UNDER
PRESENT AND PROPOSED RATES FOR THE YEAR ENDED JULY 31, 2004

Company Rebuttal Case

Line No.	Description	Column (1) Adjustment Shown on	Column (2) Per Books 07/31/04	Column (3) Test Year Adjustment	Column (4) Adjusted Test Year	Column (5) Adjustments	Column (6) Under Proposed Rates Proforma
4.	Operating Revenues		\$ 31,000,222	\$ 540,238	\$ 31,540,460	\$ 6,785,523	\$ 38,325,983
5.	Operating Expenses						21.51%
6.	Operation & Maintenance	Exh 3, Sch 1	\$ 11,470,319	\$ 1,905,235	13,375,554	43,427	\$ 13,418,981
7.	Depreciation	Exh 3, Sch 2	4,738,848	1,634,000	6,372,848	-	6,372,848
8.	Amortization Of PFU	Exh 3, Sch 2	51,113	(51,113)	-	-	-
9.	Amortization Of UPAA	Exh 3, Sch 2	7,397	1,932	9,329	-	9,329
10.	Total Depreciation and Amortization		4,797,358	1,584,819	6,382,177	-	6,382,177
11.	Taxes Other Than Income						
12.	Ad Valorem	Exh 3, Sch 3	1,528,696	42,245	1,570,941	-	1,570,941
13.	Payroll Taxes	Exh 3, Sch 3	321,994	26,323	348,317	-	350,693
14.	Total Taxes Other		1,850,690	68,568	1,919,258	-	1,921,634
15.	Total Operating Expenses Excluding Income Taxes		\$ 18,118,367	\$ 3,558,622	\$ 21,676,989	\$ 43,427	\$ 21,720,416
16.	Op Income Before Income Taxes		\$ 12,881,855	\$ (3,018,384)	\$ 9,863,471	\$ 6,742,096	\$ 16,605,567
17.	Income Taxes						
18.	State Income Taxes	Exh 3, Sch 4	\$ 446,418	\$ (716,086)	\$ (269,668)	\$ 539,367	\$ 269,699
19.	Federal Income Taxes	Exh 3, Sch 4	3,005,942	(1,314,206)	1,691,736	2,170,955	3,862,691
20.	Total Income Taxes		\$ 3,452,360	\$ (2,030,292)	\$ 1,422,068	\$ 2,710,322	\$ 4,132,390
21.	Utility Operating Income		\$ 9,429,495	\$ (988,092)	\$ 8,441,403	\$ 4,031,774	\$ 12,473,177
22.	Adjusted Rate Base				\$ 140,148,149		\$ 140,148,149
23.	Rate of Return on Rate Base						9.02%

UNITED WATER IDAHO
CASE UWI-W-04-4
Rate Base Summary

Test Year Ended July 31, 2004 and the Pro Forma Year Ended May 31, 2005

Line No.	Description	(A) Per Books July 31, 2004	(B) Adjustments	(C) Test Year Adjusted	(D) Adjustments	(E) Pro Forma Year May 31, 2005
1	Utility Plant In Service	\$ 227,483,399		\$ 227,483,399	\$ 31,399,352	\$ 258,882,751
2	Accumulated Depreciation, Amortization of UPAA and Amortization of PHFU	(55,287,819)		(55,287,819)	(4,892,912)	(60,180,731)
3	Net Utility Plant	<u>\$ 172,195,580</u>	<u>\$ -</u>	<u>\$ 172,195,580</u>	<u>\$ 26,506,440</u>	<u>\$ 198,702,020</u>
4	Customer Advances for Construction	\$ (7,072,337)		(7,072,337)	706,980	(6,365,357)
5	Contributions in Aid of Construction (net)	(44,670,359)		(44,670,359)	1,660,660	(43,009,699)
6	Utility Plant Acquisition Adjustments (gross)	600,762		600,762		600,762
7	Accumulated Deferred Income Taxes	(11,144,388)		(11,144,388)	(3,297,916)	(14,442,304)
8	Pre-1971 Investment Tax Credits	(14,328)		(14,328)	1,071	(13,257)
9	Deferred Charges	1,635,124		1,635,124	995,634	2,630,758
10	Working Capital	2,045,126		2,045,126		2,045,126
11	Total Rate Base	<u>\$ 113,575,180</u>	<u>\$ -</u>	<u>\$ 113,575,180</u>	<u>\$ 26,572,869</u>	<u>\$ 140,148,049</u>

UNITED WATER IDAHO
Analysis of IPUC Staff Case

**Details of Adjustments to
Operating Expenses
At Present Rates**

S:\ACC\JERRY\Rates 2004 Official\Rebuttal Testimony\Company Rebuttal Case Summary UWI-W-04-04.xls]OPEX
July 31, 2004 Test Year

Adjustment No. (1)	Description (2)	Actual Twelve Months Ended July 31, 2004 (4)	Adjustments (5)	Pro Forma Expense at May 31, 2005 (6)	Rebuttal Adjustments	Company Rebuttal Position
Summary	Adjusted O&M:					
1	Payroll to O&M	\$ 3,155,584	\$ 232,555	\$ 3,388,139	(39,686)	3,348,453
2	Thrift Plan	90,156	1,321	91,477	-	91,477
3	Health Care	523,193	148,368	671,561	21,923	693,484
4	Pension	624,767	12,279	637,046	-	637,046
5	PEBOP	614,847	(145,345)	469,502	-	469,502
6	Payroll Overheads	(859,795)	(52,956)	(912,751)	10,692	(902,059)
7	Deferred Early Retirement Cost Amortization	152,208	105,526	257,734	-	257,734
8	Deferred Enhanced Severance Program Amortiz	-	49,751	49,751	-	49,751
9	Purchased Water	107,788	87,528	195,316	(9,832)	185,484
10	Tank Painting Amortization-Old	3,096	6,091	9,187	(3,046)	6,141
11	Power	1,242,538	514,265	1,756,803	69,630	1,826,433
12	Amortization of Deferred Power	-	516,667	516,667	(26,903)	489,764
13	Chemicals	235,950	78,224	314,174	(15,000)	299,174
14	Water Quality Testing (Outside Lab Only) Columbia Water Treatment Plant Misc Opex- Telephone, Water Quality Testing, Natural Gas, other Utilities, Security Alarm	78,348	7,662	86,010	-	86,010
15	Gas, other Utilities, Security Alarm	-	57,210	57,210	-	57,210
16	Variable Cost Savings Due to CWTP Operations	-	(139,580)	(139,580)	-	(139,580)
17	Transportation Expense	362,613	43,652	406,265	(50,204)	356,061
18	Customer Postage	170,280	8,061	178,341	-	178,341
19	Outside Computer	384,481	14,416	398,897	-	398,897
20	Outside Collection Customer Records & Collection Expense/Miscellaneous Customer Accounting Expenses	99,590	(20,125)	79,465	-	79,465
21	Expenses	18,009	(10,879)	7,130	-	7,130
22	Uncollectibles	162,706	(31,661)	131,045	-	131,045
23	IPUC Annual Assessment	72,347	3,476	75,823	4,984	80,807
24	Rate Case Expense Amortization	-	81,667	81,667	17,155	98,822
25	Relocation Expense Amortization	25,688	1,477	27,165	(11,165)	16,000
26	Business Insurance	789,765	293,535	1,083,300	-	1,083,300
27	Adjust Dues, Eliminate Lobbying & Charitable Gi	14,005	(14,005)	-	-	-
28	Information Technology	105,094	51,046	156,140	-	156,140
29	Enhanced Severance Program	2,995	(2,995)	-	-	-
30	Expenses Related to Customer Growth	-	73,022	73,022	22,623	95,645
31	Expenses Related to Weather Normalization	-	(8,792)	(8,792)	(3,849)	(12,641)
32	Outside Services Legal	82,851	(28,851)	54,000	-	54,000
33	Amortization of Deferred Terra Grande Expense:	-	1,569	1,569	(794)	775
34	Removal of Carriage Hill Operating Expense	-	(986)	(986)	(645)	(1,631)
	Total Adjusted O&M	8,259,104	1,933,193	10,192,297	(14,117)	10,178,180
	Unadjusted O&M:					
35	M & S Fees	2,006,757	-	2,006,757	(20,678)	1,986,079
36	Other Operation and Maintenance Expense	1,204,458	0	1,204,458	-	1,204,458
	Total Unadjusted O&M	3,211,215	0	3,211,215	(20,678)	3,190,537
	Total Operation and Maintenance Adjustment	\$ 11,470,319	\$ 1,933,193	\$ 13,403,512	\$ (34,795)	\$ 13,368,717
37	Depreciation	\$ 4,738,848	1,647,661	\$ 6,386,509	(13,661)	6,372,848
38	Amortization of Plant Held for Future Use	51,113	(51,113)	-	-	-
39	Amortization of Utility Plant Acquisition Adjustme	7,397	1,931	9,328	-	9,328
	Total Depreciation and Amortization	\$ 4,797,358	\$ 1,598,479	\$ 6,395,837	\$ (13,661)	\$ 6,382,176
40	Ad Valorem Taxes	\$ 1,528,696	\$ 42,245	\$ 1,570,941	-	1,570,941
41	Payroll Taxes	321,994	30,277	352,271	(3,954)	348,317
	Total Taxes Other	\$ 1,850,690	\$ 72,522	\$ 1,923,212	\$ (3,954)	\$ 1,919,258
	Total Operating Expenses	\$ 18,118,367	\$ 3,604,194	\$ 21,722,561	\$ (52,410)	\$ 21,670,151

UNITED WATER IDAHO

**Computation of State and Federal Income Taxes
At Present and Proposed Rates**

<u>Line No.</u>		<u>EXISTING RATES</u> (1)	<u>PROPOSED RATES</u> (2)
1.	OPERATING INCOME BEFORE INCOME TAXES	\$ 9,863,471	\$ 16,605,567
2.	LESS: TAX DEDUCTIONS		
3.	Interest Expense (A)	\$ 5,164,866	\$ 5,164,866
4.	Excess Tax Over Book Depreciation (B)	<u>\$ 8,069,456</u>	<u>\$ 8,069,456</u>
5.	TOTAL TAX DEDUCTIONS	<u>\$ 13,234,322</u>	<u>\$ 13,234,322</u>
6.	Taxable Income-State	\$ (3,370,851)	\$ 3,371,245
7.	State Income Tax at 8%	<u>\$ (269,668)</u>	<u>\$ 269,700</u>
8.	Federal Taxable Income (L.1-L.3-L.7)	<u>\$ 4,968,273</u>	<u>\$ 11,171,002</u>
9.	Federal Income Tax at 35%	\$ 1,738,896	\$ 3,909,851
9a.	Production Credit		
10.	Less: Amortization of ITC	<u>\$ (47,160)</u>	<u>\$ (47,160)</u>
11.	NET FEDERAL INCOME TAX EXPENSE	<u>\$ 1,691,736</u>	<u>\$ 3,862,691</u>
12.	(A) CALCULATION OF INTEREST EXPENSE DEDUCTION:		
13.	Pro Forma Rate Base		\$ 140,148,149
14.	Debt Percentage of Capitalization		53.410%
15.	Debt Portion of Rate Base		<u>74,853,126</u>
16.	Debt Rate		6.90%
17.	INTEREST EXPENSE		<u>\$ 5,164,866</u>
18.	(B) EXCESS TAX OVER BOOK DEPRECIATION:		
19.	Pro Forma Tax Depreciation		\$ 14,442,304
20.	Pro Forma Book Depreciation		<u>\$ 6,372,848</u>
21.	EXCESS TAX OVER BOOK DEPRECIATION (B)		<u>\$ 8,069,456</u>

United Water Idaho
UWI-W-04_

Calculation Revenue Requirement
Test Year Ended July 31, 2004 with Pro Forma Adjustments

1 Rate Base	\$	140,148,049
2 Required Rate of Return		<u>8.90%</u>
3 Required Net Operating Income	\$	12,473,176
4 Adjusted Net Operating Income Realized	\$	8,441,403
5 Net Operating Income Deficiency	\$	4,031,773
6 Net To Gross Multiplier**		1.683
7 Gross Revenue Increase	\$	6,785,523

** Calculation of Incremental Net to Gross Revenue Multiplier

8 Net Operating Income Required	100.00%
9 Less PUC Assessment Rate	0.24%
10 Less Uncollectibles Expense	0.40%
11 State Taxable Income Residual	<u>99.36%</u>
12 State Tax Rate	8.00%
13 Effective Net State Tax Rate (L11 * L12)	<u>7.95%</u>
14 Federal Taxable Income Residual (L11 - L13)	91.41%
15 Incremental Federal Income Tax Rate	35.00%
16 Effective Net Federal Tax Rate (L14 * L15)	<u>31.99%</u>
17 Composite: Uncollectibles, Fees & Taxes (Line 9 +10+13+16)	40.58%
18 Composite Residual (L8 - L17)	59.42%
19 Net to Gross Multiplier (L8 / L 18)	1.683

UNITED WATER IDAHO

**Details of Adjustments to
Operations and Maintenance Expense
At Present Rates**

Adjustment No. 1

Line No.	Description	Amount
1.	Adjustment of Payroll Chargeable to Operations and Maintenance	
2.	To adjust labor chargeable to operation and maintenance expense based upon pay rates at April 1, 2005 and proposed employee headcount . Use test year derived O & M percentage	<u>\$ 192,869</u>
	Details	
3.	Administrative,Engineering, Accounting,Inside Customer Service	34 \$ 1,587,606
4.	Production Department Employees	20 994,404
5.	Transmission & Distribution Employees	27 1,259,298
6.	Outside Customer Service Employees	<u>10 400,786</u>
7.	Total Regular Employees	91
8.	Temporary Employees	\$ 52,837
9.	Stand By Pay	28,023
10.	Management Incentive Pay	74,230
11.	Non-Union Incentive Pay	44,077
12.	Union Incentive Pay	15,900
13.	Union Lump Sum Payments	28,700
14.	ABCD Awards	<u>-</u>
		<u>\$ 243,767</u>
15.	Pro Forma Payroll @ 2005 Rates	<u>\$ 4,485,861</u>
16.	Test Year Derived O&M Percentage	74.6446%
17.	Pro Forma Expense	\$ 3,348,453
18.	Test Year Expense	<u>3,155,584</u>
19.	Adjustment	<u>\$ 192,869</u>

UNITED WATER IDAHO

**Details of Adjustments to
Operations and Maintenance Expense
At Present Rates**

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8.	Temporary Employees	\$ 52,837
9.	Stand By Pay	28,023
10.	Management Incentive Pay	74,230
11.	Non-Union Incentive Pay	44,077
12.	Union Incentive Pay	15,900
13.	Union Lump Sum Payments	28,700
14.	ABCD Awards	-
		<hr/>
		\$ 243,767
15.	Pro Forma Payroll @ 2005 Rates	<u>\$ 4,485,861</u>
16.	Test Year Derived O&M Percentage	74.6446%
17.	Pro Forma Expense	\$ 3,348,453
18.	Test Year Expense	<u>3,155,584</u>
19.	Adjustment	<u>\$ 192,869</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 3

Line No.	Description	Amount
1.	Adjustment of Employee Health Care Expense, Long Term Disability and Group Term Life Insurance	
		<u>\$ 170,291</u>
2.	To adjust health care, LTD and GTL expense to current costs level and proposed headcount.	
	Details	
3.	Gross HMO Blue Expense	\$ 453,117
4.	Gross United Health Care Choice Plus Plans	298,762
5.	Gross Dental & Vision Coverage	72,333
6.	Group Term Life Insurance Coverage	17,100
7.	Long Term Disability Coverage	21,700
8.	Employee Incentive Opt Out Payment	4,500
9.	Total Coverage Cost	\$ 867,512
10.	Less: Employee Contributions	174,028
11.	Pro Forma Health Care, LTD and GTL Expense	<u>\$ 693,484</u>
12.	Test Year Expense	523,193
13.	Adjustment	<u>\$ 170,291</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

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	Details	
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5.	Gross Dental & Vision Coverage	72,333
6.	Group Term Life Insurance Coverage	17,100
7.	Long Term Disability Coverage	21,700
8.	Employee Incentive Opt Out Payment	4,500
9.	Total Coverage Cost	\$ 867,512
10.	Less: Employee Contributions	174,028
11.	Pro Forma Health Care, LTD and GTL Expense	<u>\$ 693,484</u>
12.	Test Year Expense	523,193
13.	Adjustment	<u>\$ 170,291</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 9

Line No.		Amount
1.	Adjustment of Purchased Water Cost	
2.	Adjust purchased water expense for rented and leased natural flow rights, shares in canal company's and contracts/leases for storage water	<u>\$ 77,696</u>
	Details	
3.	Natural Flow associated expenses	\$ -
4.	Shares in Canal Companys, maintenance	32,308
5.	Contracts & Leases for storage water	149,676
6.	Other Miscellaneous	3,500
7.	Pro Forma Purchased Water	<u>\$ 185,484</u>
8.	Test Year Expense	107,788
9.	Adjustment	<u>\$ 77,696</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 9

Line No.		Amount
1.	Adjustment of Purchased Water Cost	
2.	Adjust purchased water expense for rented and leased natural flow rights, shares in canal company's and contracts/leases for storage water	<u>\$ 77,696</u>
	Details	
3.	Natural Flow associated expenses	\$ -
4.	Shares in Canal Company's, maintenance	32,308
5.	Contracts & Leases for storage water	149,676
6.	Other Miscellaneous	3,500
7.	Pro Forma Purchased Water	<u>\$ 185,484</u>
8.	Test Year Expense	107,788
9.	Adjustment	<u>\$ 77,696</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 10

Line No.		Amount
1.	Adjustment of Deferred Tank Painting Expense	
2.	To adjust the test year level of amortization expense for deferred tank painting due to additional deferred paintings	<u>\$ 3,045</u>
Details		
3.	Deferred Gowen Tank Painting	\$ 39,808
4.	Deferred Aeronica Well Tank Painting	21,100
5.	Total Deferred Expense	\$ 60,908
6.	Amortization Period	20 Years
7.	New Annual Amortization Expense	\$ 3,045
8.	Continuing Amortizations from Prior Case	3,096
9.	Pro Forma Purchased Water	<u>\$ 6,141</u>
10.	Test Year Expense	3,096
11.	Adjustment	<u>\$ 3,045</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 10

Line No.		Amount
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2.	To adjust the test year level of amortization expense for deferred tank painting due to additional deferred paintings	<u>\$ 3,045</u>
Details		
3.	Deferred Gowen Tank Painting	\$ 39,808
4.	Deferred Aeronica Well Tank Painting	21,100
5.	Total Deferred Expense	\$ 60,908
6.	Amortization Period	20 Years
7.	New Annual Amortization Expense	\$ 3,045
8.	Continuing Amortizations from Prior Case	3,096
9.	Pro Forma Purchased Water	<u>\$ 6,141</u>
10.	Test Year Expense	3,096
11.	Adjustment	<u>\$ 3,045</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 11

Line No.	Description	Amount
1.	Adjustment of Purchased Power Expense	
2.	To adjust purchased power expense based on test year usage priced at Idaho Power rates to be effective June 1, 2005; also reflect for CWTP and RWPS	<u>\$ 583,895</u>
	Details	
3.	Schedule 7 with and without franchise fee	\$ 19,006
4.	Schedule 9 with and without franchise fee	1,354,377
5.	Marden WTP repriced from 9P to 19	172,290
6.	CWTP and RWPS projected consuptive power use	236,400
7.	CWTP Redundant Power and Stand By Charge	44,360
8.		
9.	Pro Forma Power Expense	<u>\$ 1,826,433</u>
10.	Test Year Expense	1,242,538
11.	Adjustment	<u>\$ 583,895</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 11

Line No.	Description	Amount
1.	Adjustment of Purchased Power Expense	
2.	To adjust purchased power expense based on test year usage priced at Idaho Power rates to be effective June 1, 2005; also reflect for CWTP and RWPS	<u>\$ 583,895</u>
	Details	
3.	Schedule 7 with and without franchise fee	\$ 19,006
4.	Schedule 9 with and without franchise fee	1,354,377
5.	Marden WTP repriced from 9P to 19	172,290
6.	CWTP and RWPS projected consuptive power use	236,400
7.	CWTP Redundant Power and Stand By Charge	44,360
8.		
9.	Pro Forma Power Expense	<u>\$ 1,826,433</u>
10.	Test Year Expense	1,242,538
11.	Adjustment	<u>\$ 583,895</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 12

Line No.	Description	Amount
1.	Reflect Amortization of Deferred Power Expense	
2.	To reflect the amortization of deferred power expense as established by IPUC Order No 28505 in Case UWI-W-00-1	<u>\$489,764</u>
Details		
3.	Projected Balance in Deferred Power as of June 30, 2005	\$ 1,469,292
4.	Amortization Period	3 Years
5.	Pro Forma Annual Amortization Expense	<u>489,764</u>
6.	Test Year Expense	\$ -
7.	Adjustment	<u>489,764</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 13

Line No.	Description	Amount
1.	Adjust Chemical Expense	
2.	To normalize chemical expense using test year usage at current prices; adjust for CWTP chemical usage; normalize phosphate	<u>\$ 63,224</u>
Details		
3.	Normalize test year expense at current prices	\$ 242,029
4.	Normalize phosphate usage	-
5.	CWTP chemical usage	57,145
6.	Pro Forma Annual Expense	<u>299,174</u>
7.	Test Year Expense	\$ 235,950
8.	Adjustment	<u>63,224</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 13

Line No.	Description	Amount
1.	Adjust Chemical Expense	
2.	To normalize chemical expense using test year usage at current prices; adjust for CWTP chemical usage; normalize phosphate	<u>\$ 63,224</u>
Details		
3.	Normalize test year expense at current prices	\$ 242,029
4.	Normalize phosphate usage	-
5.	CWTP chemical usage	57,145
6.	Pro Forma Annual Expense	<u>299,174</u>
7.	Test Year Expense	<u>\$ 235,950</u>
8.	Adjustment	<u>63,224</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 14

Line No.	Description	Amount
1.	Water Quality Testing Expense	
2.	To adjust test year level of outside laboratory expense to comply with current testing cycle	<u>\$ 2,922</u>
Details		
3.	Wells planned to adjust operations:	
3a.	Inorganic Chemicals	\$ 6,300
3b.	Volitile Organic Chemicals	5,643
3c.	Synthetic Organic Chemicals	29,931
3d.	Nitrates	1,300
3e.	Nitrites	122
3f.	Fe/Mn	738
3g.	Arsenic	300
3h.	Radionuclides	2,000
3i.	Disinfection By-Products	9,076
3j.	Coliform	13,860
3k.	LT2ESWTR	12,000
3l.	miscellaneous test	-
4.	Total Pro Forma Outside Lab Testing	<u>81,270</u>
5.	Test Year Expense	<u>\$ 78,348</u>
6.	Adjustment	<u>2,922</u>

UNITED WATER IDAHO

**Details of Adjustments to
Operations and Maintenance Expense
At Present Rates**

Adjustment No. 14

Line No.	Description	Amount
1.	Water Quality Testing Expense	
2.	To adjust test year level of outside laboratory expense to comply with current testing cycle	<u>\$ 2,922</u>
 Details		
3.	Wells planned to adjust operations:	
3a.	Inorganic Chemicals	\$ 6,300
3b.	Volatile Organic Chemicals	5,643
3c.	Synthetic Organic Chemicals	29,931
3d.	Nitrates	1,300
3e.	Nitrites	122
3f.	Fe/Mn	738
3g.	Arsenic	300
3h.	Radionuclides	2,000
3i.	Disinfection By-Products	9,076
3j.	Coliform	13,860
3k.	LT2ESWTR	12,000
3l.	miscellaneous test	-
4.	Total Pro Forma Outside Lab Testing	<u>81,270</u>
5.	Test Year Expense	<u>\$ 78,348</u>
6.	Adjustment	<u>2,922</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 17

Line No.	Description	Amount
1.	Adjust Transportation Expense	
2.	To adjust transportation expense including lease, fuel, maintenance, labor and overheads, insurance & lease disposal proceeds at current projections and known & measurable changes	<u>\$ (6,552)</u>
Details		
3.	Lease Cost	\$ 299,719
4.	Fuel	130,200
5.	Maintenance materials, outside service	62,000
6.	Mechanic payroll and benefits	
7.	Insurance	56,400
8.	Lease disposal proceeds	(31,442)
9.	Pro Forma Annual Expense	<u>\$ 516,877</u>
10.	Test Year O&M ratio 68.89%	356,061
11.	Test Year Expense	<u>\$ 362,613</u>
12.	Adjustment	<u>\$ (6,552)</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 23

Line No.	Description	Amount
1.	Adjust IPUC Annual Assessment	
2.	To adjust test year level of IPUC annual assessment based on latest assessment rate and pro forma adjusted revenue	<u>\$ 8,460</u>
Details		
3.	Total revenue subject to adjustment	\$ 31,540,460
4.	IPUC assessment rate	0.256200%
4.	Pro Forma IPUC Assessment	<u>\$ 80,807</u>
5.	Test Year Expense	<u>\$ 72,347</u>
6.	Adjustment	<u>\$ 8,460</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 23

Line No.	Description	Amount
1.	Adjust IPUC Annual Assessment	
2.	To adjust test year level of IPUC annual assessment based on latest assessment rate and pro forma adjusted revenue	<u>\$ 8,460</u>
Details		
3.	Total revenue subject to adjustment	\$ 31,540,460
4.	IPUC assessment rate	0.256200%
4.	Pro Forma IPUC Assessment	<u>\$ 80,807</u>
5.	Test Year Expense	\$ 72,347
6.	Adjustment	<u>\$ 8,460</u>

UNITED WATER IDAHO
Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 24

Line No.	Description	Amount
1.	Adjust Rate Case Expense Amortization	
2.	To amortize over three years the project level of deferred rate case expense	<u>\$ 98,822</u>
	Details	
3.	Estimated deferred rate case expense	\$ 305,000
4.	Sharing of Costs of Public Information Campaign	\$ (8,533)
5.	Net Rate Case Cost	\$ 296,467
6.	Amortization Period	Three Years
7.	Pro Forma Rate Case Expense Amortization	<u>\$ 98,822</u>
8.	Test Year Expense	\$ -
9.	Adjustment	<u>\$ 98,822</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 24

Line No.	Description	Amount
1.	Adjust Rate Case Expense Amortization	
2.	To amortize over three years the project level of deferred rate case expense	<u>\$ 98,822</u>
	Details	
3.	Estimated deferred rate case expense	\$ 305,000
4.	Sharing of Costs of Public Information Campaign	\$ (8,533)
5.	Net Rate Case Cost	\$ 296,467
6.	Amortization Period	Three Years
7.	Pro Forma Rate Case Expense Amortization	<u>\$ 98,822</u>
8.	Test Year Expense	\$ -
9.	Adjustment	<u>\$ 98,822</u>

UNITED WATER IDAHO
Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 25

Line No.	Description	Amount
1.	Adjust Employee Relocation Expense Amortization	
2.	To amortize over five years deferred employee relocation expense	<u>\$ (9,688)</u>
Details		
3.	Unamortized balance of deferred relocation at 31-May-05	\$ -
4.	Additional relocation expense incurred	\$ 80,000
5.	Total Deferred Employee Relocation Expense	<u>\$ 80,000</u>
6.	Amortization Period	Five Years
7.	Pro Forma Relocation Expense Amortization	<u>\$ 16,000</u>
8.	Test Year Expense	\$ 25,688
9.	Adjustment	<u>\$ (9,688)</u>

UNITED WATER IDAHO

**Details of Adjustments to
Operations and Maintenance Expense
At Present Rates**

Adjustment No. 25

Line No.	Description	Amount
1.	Adjust Employee Relocation Expense Amortization	
2.	To amortize over five years deferred employee relocation expense	<u>\$ (9,688)</u>
 Details		
3.	Unamortized balance of deferred relocation at 31-May-05	\$ -
4.	Additional relocation expense incurred	\$ 80,000
5.	Total Deferred Employee Relocation Expense	<u>\$ 80,000</u>
6.	Amortization Period	Five Years
7.	Pro Forma Relocation Expense Amortization	<u>\$ 16,000</u>
8.	Test Year Expense	\$ 25,688
9.	Adjustment	<u>\$ (9,688)</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 30

Line No.	Description	Amount
1.	Expenses Related to Customer Growth	<u>\$ 95,645</u>
2.	To normalize operating expenses related to customers added to the system during the test year and during the pro forma period July 31, 2004 to May 31, 2005	
	Details	
3.	Purchased Power	\$ 1,826,432
4.	Chemicals	299,174
5.	Transportation Cost	357,266
6.	General Insurance	1,083,300
7.	T&D Excluding Payroll	388,083
8.	Total Variable Cost	<u>\$ 3,954,255</u>
9.	Total Variable Cost	\$ 3,954,255
10.	Test Year Revenue	\$ 31,000,222 =
11.	Variable Cost Percentage	12.76%
12.	Customer Growth Revenue per Witness Gradilone	\$ 749,828
13.	Operating Ratio Adjustment	<u>\$ 95,645</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 31

Line No.	Description	Amount
1.	Expenses Related to Weather Normalization	<u>\$ (12,641)</u>
2.	To normalize variable cost power and chemicals due to the negative weather normalization adjustment made by Witness Gradilone	
	Details	
3.	Purchased Power	\$ 1,826,432
4.	Chemicals	<u>299,174</u>
5.	Total Variable Cost related to weather	<u>\$ 2,125,606</u>
6.	Total Variable Cost	\$ 2,125,606
7.	Test Year Revenue	\$ 31,000,222 6.86%
8.	Revenue adjustment due to weather normalization	\$ (184,354)
9.	Variable Cost %	<u>6.86%</u>
10.	Operating Ratio Adjustment	<u>\$ (12,641)</u>

UNITED WATER IDAHO

Details of Adjustments to
Operations and Maintenance Expense
At Present Rates

Adjustment No. 33

Line No.	Description	Amount
1.	Adjust Pro Forma Expense for Amortization of Deferred Terra Grande Related Expenses	
2.	To adjust outside legal expense to recognize the amortization of deferred legal expense incurred by Company in pursuit of Terra Grande solution	<u>\$ 775</u>
Details		
3.	Total Expenses Incurred by Company	<u>\$ 3,877</u>
4.	Amortization Period	Five Years
5.	Normalized Pro Forma Annual Expense	<u>\$ 775</u>
6.	Test Year Expense	\$ -
7.	Adjustment	<u>\$ 775</u>

UNITED WATER IDAHO

**Details of Adjustments to
Operations and Maintenance Expense
At Present Rates**

Adjustment No. 34

Line No.	Description	Amount
1.	Adjust Operating Expense to Reflect Sale of Carriage Hill System	
2.	To normalize operating expense (power) due to the sale of the Carriage Hill System	<u>\$ (1,631)</u>
Details		
3.	Test year power cost incurred by Company	\$ 986
4.	Test year customer accounting expense	\$ 645
5.	Normalized Pro Forma Annual Expense	\$ -
	Adjustment	<u>\$ (1,631)</u>

UNITED WATER IDAHO

**Details of Adjustments to
Operations and Maintenance Expense
At Present Rates**

Adjustment No. 34

Line No.	Description	Amount
1.	Adjust Operating Expense to Reflect Sale of Carriage Hill System	
2.	To normalize operating expense (power) due to the sale of the Carriage Hill System	<u>\$ (1,631)</u>
	Details	
3.	Test year power cost incurred by Company	\$ 986
4.	Test year customer accounting expense	\$ 645
5.	Normalized Pro Forma Annual Expense	\$ -
	Adjustment	<u>\$ (1,631)</u>

UNITED WATER IDAHO

**Annual Depreciation Provision
Test Year Ended July 31, 2004**

Line No.	Account Description	Account No.	Pro Forma Utility Plant 05/31/2005	Pro Forma Contributions In Aid 05/31/2005	Pro Forma Advances 05/31/2005	Net Depreciable Plant	Depreciation Rate	Annual Depreciation
1. NON DEPRECIABLE PLANT:								
2.	Organization	301-10	\$ 107,048	\$ -	\$ (6,986)	\$ 100,062	0%	\$ -
3.	Land & Land Rights, Water Rights - Source of Supply	303-20	\$ 6,372,659	\$ (325,405)	\$ (294,807)	\$ 5,752,447	0%	\$ -
4.	Land & Land Rights - Water Treatment	303-30	\$ 889,034	\$ -	\$ -	\$ 889,034	0%	\$ -
5.	Land & Land Rights - Trans. & Distrib.	303-40	\$ 411,626	\$ -	\$ (42,978)	\$ 368,648	0%	\$ -
6.	Land & Land Rights - General Plant	303-50	\$ 213,383	\$ -	\$ -	\$ 213,383	0%	\$ -
7.	TOTAL NON DEPRECIABLE PLANT		\$ 7,993,750	\$ (325,405)	\$ (344,771)	\$ 7,323,574		
8. DEPRECIABLE PLANT:								
9.	Structures and Improvements - Source of Supply	304-20	\$ 4,774,026	\$ (263,428)	\$ (80,686)	\$ 4,429,912	2.00%	\$ 88,598
10.	Structures and Improvements - Water Treatment	304-30	\$ 15,162,696	\$ -	\$ -	\$ 15,162,696	2.00%	\$ 303,254
11.	Structures and Improvements - Trans. & Distrib.	304-40	\$ 35,388	\$ -	\$ -	\$ 35,388	2.00%	\$ 708
12.	Structures and Improvements - General Plant	304-50	\$ 3,334,842	\$ -	\$ -	\$ 3,334,842	2.50%	\$ 83,371
13.	Collecting & Impounding Reservoirs - Source of Supply	305-20	\$ 83,217	\$ (21,950)	\$ -	\$ 61,267	2.00%	\$ 1,225
14.	Lake, River & Other Intakes	306-20	\$ 1,272,275	\$ (68,216)	\$ -	\$ 1,204,059	2.00%	\$ 24,081
15.	Wells & Springs	307-20	\$ 9,288,130	\$ (1,397,310)	\$ (425,949)	\$ 7,464,871	2.86%	\$ 213,495
16.	Infiltration Galleries & Tunnels	308-20	\$ 34,652	\$ -	\$ -	\$ 34,652	2.00%	\$ 693
17.	Supply Mains	309-20	\$ 2,241,909	\$ (9,391)	\$ (364,295)	\$ 1,868,223	2.00%	\$ 37,364
18.	Power Generation Equipment	310-20	\$ 442,125	\$ -	\$ -	\$ 442,125	5.00%	\$ 22,106
19.	Power Electric Pumping Equipment - Source of Supply	311-20	\$ 11,722,649	\$ (1,814,218)	\$ (498,989)	\$ 9,409,442	5.00%	\$ 470,472
20.	Power Diesel Pumping Equipment - Source of Supply	311-20	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
21.	Power Pumping Equipment - Water Treatment	311-30	\$ 4,266,952	\$ -	\$ -	\$ 4,266,952	5.00%	\$ 213,348
22.	Power Pumping Equipment - Trans. & Distrib.	311-40	\$ 1,055,935	\$ -	\$ (129,574)	\$ 926,361	5.00%	\$ 46,318
23.	Water Treatment Equipment	320-30	\$ 22,303,751	\$ (36,860)	\$ (3,384)	\$ 22,263,507	5.00%	\$ 1,113,175
24.	Water Treatment Equipment - Membranes	320-30	\$ 787,496	\$ -	\$ -	\$ 787,496	14.00%	\$ 110,249
25.	Distribution Reservoirs & Standpipes	330-40	\$ 7,817,037	\$ (1,163,794)	\$ (854,814)	\$ 5,798,429	2.00%	\$ 115,969
26.	Trans. & Distrib. Mains & Accessories - Intangible	331-10	\$ 145	\$ -	\$ -	\$ 145	2.00%	\$ 3
27.	Trans. & Distrib. Mains & Accessories SOS	331-20	\$ 144	\$ -	\$ -	\$ 144	2.00%	\$ 3
28.	Trans. & Distrib. Mains & Accessories	331-40	\$ 104,212,459	\$ (40,115,756)	\$ (3,021,136)	\$ 61,075,567	2.00%	\$ 1,221,511
29.	Services	333-40	\$ 37,767,986	\$ (6,253,083)	\$ (563,650)	\$ 30,951,253	2.50%	\$ 773,781
30.	Meters and Meter Installations	334-40	\$ 11,963,160	\$ (191,517)	\$ -	\$ 11,771,643	2.50%	\$ 294,291
31.	Hydrants	335-40	\$ 1,067,642	\$ (563,006)	\$ (6,986)	\$ 497,650	2.50%	\$ 12,441
32.	Backflow Prevention Devices	336-40	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
33.	Other Plant & Misc. Equipment - Intangible	339-10	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
34.	Other Plant & Misc. Equipment - Source of Supply	339-20	\$ 45,794	\$ -	\$ -	\$ 45,794	2.00%	\$ 916
35.	Other Plant & Misc. Equipment - Water Treatment	339-30	\$ 43,525	\$ -	\$ -	\$ 43,525	2.00%	\$ 871
36.	Other Plant & Misc. Equipment - Trans. & Distrib.	339-40	\$ 88,441	\$ -	\$ -	\$ 88,441	2.00%	\$ 1,769
37.	Other Plant & Misc. Equipment - General Plant	339-50	\$ 15,798	\$ -	\$ -	\$ 15,798	2.00%	\$ 316
38.	Office Furniture and Equipment	340-50	\$ 690,776	\$ (1,131)	\$ -	\$ 689,645	6.67%	\$ 45,999
39.	AM / FM System - Mapping	340-50	\$ 552,910	\$ -	\$ -	\$ 552,910	10.00%	\$ 55,291
40.	Computer Hardware & Software	340-5A	\$ 1,785,294	\$ -	\$ -	\$ 1,785,294	20.00%	\$ 357,059
41.	IFMS / WAN / PeopleSoft	340-5A	\$ 4,067,475	\$ -	\$ -	\$ 4,067,475	10.00%	\$ 406,748
42.	Customer Information System	340-5A	\$ 1,795,069	\$ -	\$ -	\$ 1,795,069	10.00%	\$ 179,507
43.	Transportation Equipment	341-50	\$ 135,842	\$ -	\$ -	\$ 135,842	11.49%	\$ 15,608
49.	Stores Equipment	342-50	\$ 24,448	\$ -	\$ -	\$ 24,448	6.67%	\$ 1,631
50.	Tools, Shop and Garage Equipment	343-50	\$ 463,825	\$ -	\$ -	\$ 463,825	6.67%	\$ 30,937
51.	Confined Space Monitor, Generator, Trench Shield	343-50	\$ 62,533	\$ -	\$ -	\$ 62,533	14.50%	\$ 9,067
52.	Laboratory Equipment	344-50	\$ 116,643	\$ (16,729)	\$ -	\$ 99,914	6.67%	\$ 6,664
53.	Power Operated Equipment	345-50	\$ 58,817	\$ -	\$ -	\$ 58,817	0.00%	\$ -
54.	Power Operated Equipment	345-50	\$ 59,765	\$ -	\$ -	\$ 59,765	14.50%	\$ 8,666
55.	Communications Equipment	346-50	\$ 1,303,705	\$ -	\$ (71,123)	\$ 1,232,582	6.67%	\$ 82,213
56.	Miscellaneous Equipment	347-50	\$ 107,621	\$ -	\$ -	\$ 107,621	6.67%	\$ 7,178
57.	Other Tangible Property	348-50	\$ -	\$ -	\$ -	\$ -	2.00%	\$ -
58.	Master Plan	348-50	\$ 521,066	\$ -	\$ -	\$ 521,066	10.00%	\$ 52,107
59.	Rounding		\$ -	\$ -	\$ -	\$ -		
61.	TOTAL DEPRECIABLE PLANT		251,573,963	(51,916,389)	(6,020,586)	193,636,988		\$ 6,409,005
62.	TOTAL UTILITY PLANT IN SERVICE		259,567,713	(52,241,794)	(6,365,357)	200,960,562		
63.	Less: Depreciation Included on Transportation Schedule							\$ (15,608.25)
64.	Less: AFUDC Tax Gross Up \$684,962 at Composite rate of 3.0% per Audit Request No. 65 Response							\$ (20,549.00)
65.								\$ 6,372,848

UNITED WATER IDAHO

**Annual Depreciation Provision
Test Year Ended July 31, 2004**

Line No.	Account Description	Account No.	Pro Forma Utility Plant 05/31/2005	Pro Forma Contributions In Aid 05/31/2005	Pro Forma Advances 05/31/2005	Net Depreciable Plant	Depreciation Rate	Annual Depreciation
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3.	Land & Land Rights, Water Rights - Source of Supply	303-20	\$ 6,372,659	\$ (325,405)	\$ (294,807)	\$ 5,752,447	0%	\$ -
4.	Land & Land Rights - Water Treatment	303-30	\$ 889,034	\$ -	\$ -	\$ 889,034	0%	\$ -
5.	Land & Land Rights - Trans. & Distrib.	303-40	\$ 411,626	\$ -	\$ (42,978)	\$ 368,648	0%	\$ -
6.	Land & Land Rights - General Plant	303-50	\$ 213,383	\$ -	\$ -	\$ 213,383	0%	\$ -
7.	TOTAL NON DEPRECIABLE PLANT		\$ 7,993,750	\$ (325,405)	\$ (344,771)	\$ 7,323,574		
8. DEPRECIABLE PLANT:								
9.	Structures and Improvements - Source of Supply	304-20	\$ 4,774,026	\$ (263,428)	\$ (80,686)	\$ 4,429,912	2.00%	\$ 88,598
10.	Structures and Improvements - Water Treatment	304-30	\$ 15,162,696	\$ -	\$ -	\$ 15,162,696	2.00%	\$ 303,254
11.	Structures and Improvements - Trans. & Distrib.	304-40	\$ 35,388	\$ -	\$ -	\$ 35,388	2.00%	\$ 708
12.	Structures and Improvements - General Plant	304-50	\$ 3,334,842	\$ -	\$ -	\$ 3,334,842	2.50%	\$ 83,371
13.	Collecting & Impounding Reservoirs - Source of Supply	305-20	\$ 83,217	\$ (21,950)	\$ -	\$ 61,267	2.00%	\$ 1,225
14.	Lake, River & Other Intakes	306-20	\$ 1,272,275	\$ (68,216)	\$ -	\$ 1,204,059	2.00%	\$ 24,081
15.	Wells & Springs	307-20	\$ 9,288,130	\$ (1,397,310)	\$ (425,949)	\$ 7,464,871	2.86%	\$ 213,495
16.	Infiltration Galleries & Tunnels	308-20	\$ 34,652	\$ -	\$ -	\$ 34,652	2.00%	\$ 693
17.	Supply Mains	309-20	\$ 2,241,909	\$ (9,391)	\$ (364,295)	\$ 1,868,223	2.00%	\$ 37,364
18.	Power Generation Equipment	310-20	\$ 442,125	\$ -	\$ -	\$ 442,125	5.00%	\$ 22,106
19.	Power Electric Pumping Equipment - Source of Supply	311-20	\$ 11,722,649	\$ (1,814,218)	\$ (498,989)	\$ 9,409,442	5.00%	\$ 470,472
20.	Power Diesel Pumping Equipment - Source of Supply	311-20	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
21.	Power Pumping Equipment - Water Treatment	311-30	\$ 4,266,952	\$ -	\$ -	\$ 4,266,952	5.00%	\$ 213,348
22.	Power Pumping Equipment - Trans. & Distrib.	311-40	\$ 1,055,935	\$ -	\$ (129,574)	\$ 926,361	5.00%	\$ 46,318
23.	Water Treatment Equipment	320-30	\$ 22,303,751	\$ (36,860)	\$ (3,384)	\$ 22,263,507	5.00%	\$ 1,113,175
24.	Water Treatment Equipment - Membranes	320-30	\$ 787,496	\$ -	\$ -	\$ 787,496	14.00%	\$ 110,249
25.	Distribution Reservoirs & Standpipes	330-40	\$ 7,817,037	\$ (1,163,794)	\$ (854,814)	\$ 5,798,429	2.00%	\$ 115,969
26.	Trans. & Distrib. Mains & Accessories - Intangible	331-10	\$ 145	\$ -	\$ -	\$ 145	2.00%	\$ 3
27.	Trans. & Distrib. Mains & Accessories SOS	331-20	\$ 144	\$ -	\$ -	\$ 144	2.00%	\$ 3
28.	Trans. & Distrib. Mains & Accessories	331-40	\$ 104,212,459	\$ (40,115,756)	\$ (3,021,136)	\$ 61,075,567	2.00%	\$ 1,221,511
29.	Services	333-40	\$ 37,767,986	\$ (6,253,083)	\$ (563,650)	\$ 30,951,253	2.50%	\$ 773,781
30.	Meters and Meter Installations	334-40	\$ 11,963,160	\$ (191,517)	\$ -	\$ 11,771,643	2.50%	\$ 294,291
31.	Hydrants	335-40	\$ 1,067,642	\$ (563,006)	\$ (6,986)	\$ 497,650	2.50%	\$ 12,441
32.	Backflow Prevention Devices	336-40	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
33.	Other Plant & Misc. Equipment - Intangible	339-10	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
34.	Other Plant & Misc. Equipment - Source of Supply	339-20	\$ 45,794	\$ -	\$ -	\$ 45,794	2.00%	\$ 916
35.	Other Plant & Misc. Equipment - Water Treatment	339-30	\$ 43,525	\$ -	\$ -	\$ 43,525	2.00%	\$ 871
36.	Other Plant & Misc. Equipment - Trans. & Distrib.	339-40	\$ 88,441	\$ -	\$ -	\$ 88,441	2.00%	\$ 1,769
37.	Other Plant & Misc. Equipment - General Plant	339-50	\$ 15,798	\$ -	\$ -	\$ 15,798	2.00%	\$ 316
38.	Office Furniture and Equipment	340-50	\$ 690,776	\$ (1,131)	\$ -	\$ 689,645	6.67%	\$ 45,999
39.	AM / FM System - Mapping	340-50	\$ 552,910	\$ -	\$ -	\$ 552,910	10.00%	\$ 55,291
40.	Computer Hardware & Software	340-5A	\$ 1,785,294	\$ -	\$ -	\$ 1,785,294	20.00%	\$ 357,059
41.	IFMS / WAN / PeopleSoft	340-5A	\$ 4,067,475	\$ -	\$ -	\$ 4,067,475	10.00%	\$ 406,748
42.	Customer Information System	340-5A	\$ 1,795,069	\$ -	\$ -	\$ 1,795,069	10.00%	\$ 179,507
43.	Transportation Equipment	341-50	\$ 135,842	\$ -	\$ -	\$ 135,842	11.49%	\$ 15,608
49.	Stores Equipment	342-50	\$ 24,448	\$ -	\$ -	\$ 24,448	6.67%	\$ 1,631
50.	Tools, Shop and Garage Equipment	343-50	\$ 463,825	\$ -	\$ -	\$ 463,825	6.67%	\$ 30,937
51.	Confined Space Monitor, Generator, Trench Shield	343-50	\$ 62,533	\$ -	\$ -	\$ 62,533	14.50%	\$ 9,067
52.	Laboratory Equipment	344-50	\$ 116,643	\$ (16,729)	\$ -	\$ 99,914	6.67%	\$ 6,664
53.	Power Operated Equipment	345-50	\$ 58,817	\$ -	\$ -	\$ 58,817	0.00%	\$ -
54.	Power Operated Equipment	345-50	\$ 59,765	\$ -	\$ -	\$ 59,765	14.50%	\$ 8,666
55.	Communications Equipment	346-50	\$ 1,303,705	\$ -	\$ (71,123)	\$ 1,232,582	6.67%	\$ 82,213
56.	Miscellaneous Equipment	347-50	\$ 107,621	\$ -	\$ -	\$ 107,621	6.67%	\$ 7,178
57.	Other Tangible Property	348-50	\$ -	\$ -	\$ -	\$ -	2.00%	\$ -
58.	Master Plan	348-50	\$ 521,066	\$ -	\$ -	\$ 521,066	10.00%	\$ 52,107
59.	Rounding		\$ -	\$ -	\$ -	\$ -		
61.	TOTAL DEPRECIABLE PLANT		251,573,963	(51,916,389)	(6,020,586)	193,636,988		\$ 6,409,005
62.	TOTAL UTILITY PLANT IN SERVICE		259,567,713	(52,241,794)	(6,365,357)	200,960,562		
63.	Less: Depreciation Included on Transportation Schedule							\$ (15,608.25)
64.	Less: AFUDC Tax Gross Up \$684,962 at Composite rate of 3.0% per Audit Request No. 65 Response							\$ (20,549.00)
65.								\$ 6,372,848

UNITED WATER IDAHO

Details of Adjustments to
Payroll Taxes
At Present Rates

Adjustment No. 43

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1.	To adjust Federal Unemployment Insurance Tax	\$ 241
Details		
2.	Federal Taxable Base	\$ 7,000
3.	Federal Tax Rate	0.80%
4.	Employees covered by Federal Unemployment Tax (91 @ \$7,000 plus temp pay under limit \$32,224)	
5.	Taxable Base	\$ 669,224
6.	Taxable Wages	\$ 669,224
7.	Tax Rate	0.80%
8.	Pro Forma Federal Unemployment Tax	\$ 5,354
9.	Test Year Expense	<u>\$ 5,113</u>
10.	Adjustment	<u>\$ 241</u>

UNITED WATER IDAHO

Details of Adjustments to
Payroll Taxes
At Present Rates

Adjustment No. 43

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1.	To adjust Federal Unemployment Insurance Tax	\$ 241
	Details	
2.	Federal Taxable Base	\$ 7,000
3.	Federal Tax Rate	0.80%
4.	Employees covered by Federal Unemployment Tax (91 @ \$7,000 plus temp pay under limit \$32,224)	
5.	Taxable Base	\$ 669,224
6.	Taxable Wages	\$ 669,224
7.	Tax Rate	0.80%
8.	Pro Forma Federal Unemployment Tax	\$ 5,354
9.	Test Year Expense	<u>\$ 5,113</u>
10.	Adjustment	<u>\$ 241</u>

UNITED WATER IDAHO

Details of Adjustments to
Payroll Taxes
At Present Rates

Adjustment No. 42

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1.	To adjust State Unemployment Insurance Tax	<u>\$ 472</u>
Details		
2.	Idaho Taxable Base	\$ 29,500
3.	Idaho U C Tax Rate	0.20%
4.	Employees covered by U.C. Tax (91 @ \$29,500 less under limit wages \$20,709 plus temps \$52,837)	
5.	Taxable Base	\$ 2,716,628
6.	Taxable Wages	\$ 2,716,628
7.	Tax Rate	0.20%
8.	Pro Forma Idaho Unemployment Tax	\$ 5,433
9.	Test Year Expense	<u>\$ 4,961</u>
10.	Adjustment	<u>\$ 472</u>

UNITED WATER IDAHO

Details of Adjustments to
Payroll Taxes
At Present Rates

Adjustment No. 42

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1.	To adjust State Unemployment Insurance Tax	\$ 472
Details		
2.	Idaho Taxable Base	\$ 29,500
3.	Idaho U C Tax Rate	0.20%
4.	Employees covered by U.C. Tax (91 @ \$29,500 less under limit wages \$20,709 plus temps \$52,837)	\$ 2,716,628
5.	Taxable Base	\$ 2,716,628
6.	Taxable Wages	\$ 2,716,628
7.	Tax Rate	0.20%
8.	Pro Forma Idaho Unemployment Tax	\$ 5,433
9.	Test Year Expense	<u>\$ 4,961</u>
10.	Adjustment	<u>\$ 472</u>

UNITED WATER IDAHO

Details of Adjustments to
Payroll Taxes
At Present Rates

Adjustment No. 41

Line No.	Description	FICA Amount	Medicare Amount	Combined	Amount
1.	To adjust Employer FICA Tax Liability				\$ 25,610
Details					
2.	FICA Base for 2005	\$ 90,000	No Limit		
3.	FICA Rate for 2005	6.20%	1.45%		
4.	Pro Forma Payroll at 2005 Rates	\$ 4,485,861	\$ 4,485,861		
5.	Wages in Excess of FICA base	\$ 90,939	0		
6.	Taxable Wages	\$ 4,394,922	\$ 4,485,861		
7.	FICA Tax Rates	6.20%	1.45%		
8.	Pro Forma FICA Tax	\$ 272,485	\$ 65,045	\$ 337,530	
9.	Test Year Expense			\$ 311,920	
10.	Adjustment			\$ 25,610	

UNITED WATER IDAHO

Details of Adjustments to
Payroll Taxes
At Present Rates

Adjustment No. 41

Line No.	Description	FICA Amount	Medicare Amount	Combined	Amount
1.	To adjust Employer FICA Tax Liability				\$ 25,610
Details					
2.	FICA Base for 2005	\$ 90,000	No Limit		
3.	FICA Rate for 2005	6.20%	1.45%		
4.	Pro Forma Payroll at 2005 Rates	\$ 4,485,861	\$ 4,485,861		
5.	Wages in Excess of FICA base	\$ 90,939	0		
6.	Taxable Wages	\$ 4,394,922	\$ 4,485,861		
7.	FICA Tax Rates	6.20%	1.45%		
8.	Pro Forma FICA Tax	\$ 272,485	\$ 65,045	\$ 337,530	
9.	Test Year Expense				\$ 311,920
10.	Adjustment				\$ 25,610

**UNITED WATER IDAHO INC.
CASE UWI-W-04-04
SECOND PRODUCTION REQUEST OF THE COMMISSION STAFF**

Preparer: Patricia Foss
Sponsoring Witness: Greg Wyatt
Telephone (208) 362-7327
Title: General Manager

REQUEST NO. 38:

Please provide an estimate of the costs that would be incurred if United Water billed monthly instead of bi-monthly. Provide a breakdown of these costs by category, including categories such as personnel, vehicles, bill preparation, mailing, accounting, etc. How would the estimate be affected if monthly billing were performed only during the summer season?

RESPONSE NO. 38:

The estimated annual incremental cost to convert from bi-monthly billing to monthly billing is approximately \$1,100,000. See the attached worksheet for a detailed breakdown of cost.

Reading and billing monthly only in the summer is not recommended for the reasons listed below. While it would reduce monthly reading and billing costs somewhat, it creates other major challenges:

- Temporary staffing has to be hired, trained and then let go every 6 months.
- Investment in capital items, purchased specifically for this purpose, that are idle 6 months per year. Examples are vehicles, meter reading equipment, radios, computer stations, phones and tools.
-
- Billing protocol changes and the cost of programming to accommodate monthly billing (i.e. hi/lo parameters in reading and billing, schedules, due dates, past due notice processing)
- Vendors who would have to accommodate our fluctuation from 38,500 bills per month to 77,000 bills per month.

UNITED WATER IDAHO INC.

CASE NO. UWI-W-04-04

**SECOND PRODUCTION REQUEST
OF
IPUC STAFF**

**ATTACHMENT TO
RESPONSE TO
REQUEST NO. 38**

United Water Id
 Rate Case UWI-04-04
 Attachment to Response to IPUC Staff Production Request No. 38

Estimate of Cost
 Differential of Monthly
 Billing:

	Units	Unit Cost	Total Annual Expense
Meter Reading Personnel:			
Add Four Meter Read Positions at full contract wage as of April 2005 2080 hours at \$14.55 per	4	\$ 30,264	\$ 121,056
Benefit Additive per Healy Exhibit No. 3, Schedule 1, page 6 of 34		63.03%	76,302
Leased Vehicles, 1/2 ton short bed pick-ups, \$350 monthly w/ tax	4	4,200	16,800
Fuel based on 7,000 miles per year per vehicle, 25 gpm, \$2.10 per gallon	1,120	2.10	2,352
Insurance, Maint & Operating Cost	4	2,000	8,000
Clothing: 4 sets of winter/summer uniforms	16	100	1,600
			<u>\$ 226,109.60</u>

Customer Service:

Add Six Additional Customer Service Representatives	6	\$ 23,000	\$ 138,000
Benefit Additive per Healy Exhibit No. 3, Schedule 1, page 6 of 34		63.03%	86,981

Sub-Total Customer Service Expense

\$ 224,981.40

Billing and Payment Processing Expense:

Based on June 1, 2005 Customer Count of 76,907; 6 additional bills per = 456,582 bills	456,582	0.72	\$ 328,739
UBS Billing Cost	456,582	0.3059	139,668
Postage on Additional Bills	88,635	0.60	53,181
UBS Arrears Letters: double current volume of 88,635	88,635	0.3700	32,795
Postage on Additional Arrears Letters	332,072	0.1477	49,047
Lockbox Fees based on 72.73% of bills	18,658	0.3472	6,478
ACH Fees based on doubling of current 1,555 monthly batches			

Sub-Total Billing and Payment Processing Expense

\$ 609,908.52

Additive for miscellaneous cost including: training, office supplies, Itron maintenance, Fed Ex from UBS and Mellon Bank, payroll processing and HR expense, etc.

\$ 25,000.00

\$ 1,085,999.51

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\$BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

in the matter of THE APPLICATION OF UNITED WATER IDAHO INC. FOR A DEFERRED ACCOUNTING ORDER.)

)
)
)

CASE NO. UWI-W-01-2

ORDER NO. 28800

On May 18, 2001, United Water Idaho Inc. (Company or United Water) filed an Application requesting authorization to defer on its books, beginning May 1, 2001, certain electric power costs. United Water purchases all of its electricity from Idaho Power Company (Idaho Power). The costs to be deferred are the incremental costs the Company will realize as a direct result of Commission Order No. 28722 dated May 1, 2001 in Cases IPC-E-01-7 and IPC-E-01-11. That Order authorized a change in Idaho Power's electric rates. United Water does not request a determination of ratemaking treatment of these costs at this time, but will request they be recognized in rates in the Company's next general rate case application.

United Water's current water rates were established by Order No. 28505 dated September 5, 2000 in Case No. UWI-W-00-1. That order recognized the level of Idaho Power Company's electric rates at the date of the order. United Water estimates the magnitude of the increase in electric power rates to be approximately \$389,815 representing an increase of 35.75% over the level of electric cost authorized in United Water's last rate case and an approximate 3.54% increase in the Company's authorized operation and maintenance expense. Reference Order No. 28505. United Water characterizes the increase in expense as extraordinary and material. Because the Company has continued to add customers (test year 1999 65,054 customers; April 2001 69,406 customers), the actual expense increase will be somewhat larger.

As a regulated public utility, the Company notes that it is obligated to provide safe and reliable water service at all times. Reference Idaho Code § 61-302. Unlike businesses that are not regulated, United Water states that it does not have the option to reduce or curtail production as a way of avoiding higher energy costs.

United Water requests that the period of deferral commence on May 1, 2001. United Water further requests that the deferral be approved for any additional increases in Idaho Power Company rates that may be ordered by the Commission in Cases IPC-E-01-7 and IPC-E-01-11 and any subsequent PCA rate increase or related surcharge that may be authorized prior to the Company's next general rate case. The Company also proposes to apply a carrying charge on the unamortized deferred balance. The requested carrying charge is the rate the Commission approved for interest on customer deposits, presently 6%. Reference Order No. 28575. Allowance of a carrying charge is fair, just and reasonable, the Company contends, because it fairly compensates the Company for the use of funds which will be necessary to pay extraordinary electric power costs.

On June 18, 2001, the Commission issued Notices of Application and Modified Procedure in Case No. UWI-W-01-2. The deadline for filing written comments was July 9, 2001. Commission Staff was the only party to file comments. The Company filed reply comments on July 11, 2001.

Staff recommends approval of the Application except the Company's request to accrue a carrying charge and the portion regarding accounting for amortization of deferred amounts (Application, IX). Staff recommends that the Commission specifically reserve judgment regarding any future ratemaking.

Exhibit No. 15
Case No. UWI-W-04-04
Healy, United Water
Schedule 2
Page 1 of 3

treatment or amortization of the accumulated balances of deferred costs and associated income taxes until the Company's next general rate case. Staff recommends that the Company be required to maintain detailed records sufficient to replicate the Company's calculations of deferred charges at the time the Company files an application requesting recovery of the deferred amounts.

Regarding the Company's proposal to accrue a carrying charge on unamortized deferred balances, Staff notes that the Commission in Order No. 28630 (Case No. PAC-E-00-5) in the matter of a similar application by PacifiCorp stated, "the Commission finds that interest should not accrue on the deferral balance. The reasonableness of accruing interest may be presented to the Commission for decision when the determination of ratemaking treatment for these amounts in a future case is made." PacifiCorp in that case, Staff states, had requested authorization to accrue a carrying charge on deferred excess power costs. Staff in comments filed in that case opposed the carrying charge stating If the deferral is approved, PacifiCorp will be allowed to defer the excess power expenses for future recovery. The opportunity for such recovery is not currently allowed under the regulatory model for PacifiCorp in Idaho. If the deferral were not approved, no interest would accrue and even the cost recovery would be questionable. Therefore the changes to allow PacifiCorp the opportunity to recover these costs along with the improved earnings position that will result are sufficient benefits for the Company without interest. The ratemaking determination to accrue interest in the future on the Idaho unamortized amounts should be made when the other ratemaking determinations are made.

Staff believes the benefits discussed in the PacifiCorp case are applicable to United Water as well and therefore recommends similar treatment in this case.

United Water in reply comments contends that the circumstances in Case No. PAC-E-00-5 differ materially from those in the present case and that Order No. 28630 is not controlling. The PacifiCorp application, United Water notes, came at an early stage of the Northwest region's recent experience with volatile energy prices and was aimed at preserving the opportunity to recover uncertain and unknown excess power costs.

A key component of the Company's proposal in this case, United Water states, is the right to accrue a carrying charge. United Water states it is willing to forego current recovery of extraordinary and uncontrollable increases in electric power costs, but contends that the Company should be compensated for this foregone opportunity and for the costs of funds necessary to pay its increased expenses. The proposed carrying charge, the Company states, is intended only to keep the Company whole.

United Water notes that Idaho Power Company is permitted to accrue a carrying charge equal to the customer deposit rate on deferred balances in its PCA. Reference Order No. 28722, p. 7. There is no logical basis, the Company states, for granting a carrying charge to Idaho Power but denying the charge to United Water.

United Water recognizes that a Commission Order permitting deferral is not a prudence determination.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. UWI-W-01-02 including the comments and recommendations of the Commission Staff and the Company's reply comments. United Water has requested authorization to defer on its books beginning May 1, 2001, certain electric power costs. The Commission finds it reasonable to authorize such a deferral. The Company also proposes to apply a carrying charge on unamortized deferral balances at a rate equal to the customer deposit rate. The Commission finds it reasonable to reserve judgement on the recovery of the amount deferred as well as the appropriateness of any carrying charge until actual recovery is requested. The Commission also finds it reasonable to require the Company to maintain detailed records sufficient to replicate the Company's calculation of deferral charges.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over United Water Idaho Inc., a water utility, and the issues presented in Case No. UWI-W-01-2 pursuant to the authority granted in Idaho Code, Title 61 and the Commission's Rules of Procedure, IDAPA 31.01.01.000 et seq.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve establishment of a deferral account for incremental costs related to recent and future PCA related increases in Idaho Power Company electric power rates beginning May 1, 2001 and reserves judgement regarding United Water's request for a carrying charge. THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this _____ day of July 2001.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

vld/UWI-W-01-02_sw2
ORDER NO. 28800 1

Office of the Secretary
Service Date
August 1, 2001

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Exhibit No. 15
Case No. UWI-W-04-04
Healy, United Water
Schedule 2
Page 3 of 3

United Water Idaho
 Case No. UWI-W-04-04
 Deferred Rate Case Expense Summary
 As of April 2005 Month End
 Control Account 186-80 (Project T060041_060)

United Water Idaho Rate Case UWI-W-04-04 Rebuttal Projection of Deferred Rate Case Expense	Amount Per		Amount Verified in General Ledger	Pro Forma April	Additional Deferred Expense to be Incurred	Total Pro Forma Rate Case Expense
	Invoices in Hand not booked as of April	April				
McDevitt & Miller Legal	5,692.50	57,256.65	51,564.15		12,000.00	\$ 69,256.65
Utility Resources Inc	537.50	67,970.44	67,432.94		10,000.00	\$ 77,970.44
Givens & Pursely Legal	100.80	2,908.80	2,808.00		1,000.00	\$ 3,908.80
Dr. Wallace		7,558.07	7,558.07		-	\$ 7,558.07
AUS		12,622.28	12,622.28		9,000.00	\$ 21,622.28
Steele and Associates		17,064.71	17,064.71		-	\$ 17,064.71
Management and Service Billings		22,735.84	22,735.84		10,000.00	\$ 32,735.84
Gradilone Payroll, Fringe Days, Benefit OH		35,661.21	35,661.21			\$ 35,661.21
Misc (Federal Express, etc)		388.25	388.25		(166.25)	\$ 222.00
CDM		-	-		10,000.00	\$ 10,000.00
Pension Expert Witness		-	-		21,000.00	\$ 21,000.00
MJ Solutions		-	-		5,000.00	\$ 5,000.00
Intervenor Funding		-	-		3,000.00	\$ 3,000.00
	\$ 6,330.80	\$ 217,835.45	\$ 224,166.25	\$ 80,833.75		\$ 305,000.00

Reduce by 50% of Steele & Associates

8,533.00

Grand Total

296,467.00



NAWC

NATIONAL ASSOCIATION OF WATER COMPANIES

PETER L. COOK, EXECUTIVE DIRECTOR

MEMORANDUM

TO: NAWC ACTIVE MEMBER COMPANIES' OFFICIAL REPRESENTATIVES

FROM: MIKE HORNER, DIRECTOR OF ADMINISTRATION AND MEMBERSHIP

DATE: FEBRUARY 13, 2004

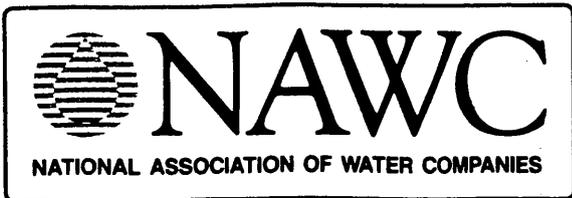
RE: DUES REMINDER – 2004 DUES GROSS WATER REVENUES

Enclosed is a duplicate GWR form for the company or companies for which you have been designated official representative. If you have recently submitted your GWR form and/or your dues, thank you, and please disregard this memo.

Please use the form to determine your NAWC dues for 2004. The dues rate is the same as it was last year. The form also asks for information about your company, including the number of "public water systems" your company represents. This provides us with general information concerning the industry. Please note that, for income tax purposes, the percent of nondeductible dues attributable to lobbying expenses for 2004 has been estimated to be 18%.

Also note that NAWC's bylaws have been changed so that dues must be paid by April 30.

We are appreciative of your involvement in NAWC, and look forward to your continued membership. If you have any questions about membership, please call me at 202/833-2181. Thank you!



PETER L. COOK, EXECUTIVE DIRECTOR

GWR Questionnaire Form

COMPANY: United Water Idaho
 OFFICIAL REPRESENTATIVE: Mr. ~~Wayne L. Booe~~ GREGORY P. WYATT
 LOCAL CONTACT: Mr. ~~Wayne L. Booe~~ GREGORY P. WYATT
 COMPANY ADDRESS (Local): 8248 W. Victory Road P.O. Box 190420
 Boise, ID 83709-4165 83719-0420
 TELEPHONE: 208-362-7325
 FAX: 208-362-7069
 Official Rep E-mail Address:
 Local Contact E-Mail Address:

VF 4169
 REQ 21114
 INPUT CU DATE 2/27/04

PARENT OR HOLDING COMPANY, IF ANY: **United Water Resources**

ZIP CODE(S) SERVED: 83616, 83642, 83651, 83686, 83702, 83703, 83704,
83705, 83706, 83709, 83712, 83713, 83714, 83716, 83720

Gross Water Revenues: \$ 30,530,020 No. of Customers (12/31/03): 74,177 x 3.15 per NAWC Report
 2004 NAWC Dues \$ 20,001.51 Population Served (12/31/03): 233,600
 No. of Employees (12/31/03): 85

2004 Dues Schedule

<u>Gross Water Revenues</u>	<u>2004 NAWC Dues</u>
Under \$50,000.....	\$47.25
\$50,000-999,999.....	0.18%
\$1,000,000-2,000,000.....	\$2,025 plus \$1.05 per 1,000 in excess of 1,000,000
\$2,000,000-3,000,000.....	\$3,089 plus \$0.78 per 1,000 in excess of 2,000,000
\$3,000,000 or more.....	\$3,865 plus \$0.59 per 1,000 in excess of 3,000,000

* Under the Omnibus Budget Reconciliation Act of 1993, expenditures paid or incurred in connection with "Lobbying" activities no longer qualify as deductible business expenses for tax purposes. NAWC is required to provide you with an estimate of that portion of your 2003 NAWC dues that will not be deductible because of the new law. That figure is 27% of your 2003 dues. 16% per attached for 2004

* Contributions or gifts to NAWC are not tax deductible as charitable contributions for income tax purposes. However, they may be tax deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of the association's lobbying activities.

08-9510-089-921300 lobbying dues 18% \$ 3600.27
 08-9510-029-930350 revenue based dues \$ 16,401.24

United Water Idaho
Case UWI-W-04-04
Deferred Debits Balance for the Test Year ended July 31, 2004
and the Pro Forma Year ending May 31, 2005

Account Number	Description	Balance at		Rebuttal Interim Activity		Balance at May 31, 2005	Amortization Period in Months	Annual Expense
		July 31, 2004	Debit	Credit	May 31, 2005			
186001	Deferred Rate Case Expense	12,169.03	292,830.97	(8,533.00)	296,467.00	36 Months	98,822.33	
186006	Deferred Power Expense	1,363,240.00	106,052.00		1,469,292.00	36 Months	489,764.00	
186024/186324	Deferred Relocation Cost	157,215.00	(77,215.00)		80,000.00	60 Months	16,000.00	
186320	Deferred Rents (Lakewood Well Lease)	19,458.00	(460.00)		18,998.00	600 months	552.00	
183000	Deferred Terra Grande Cost	3,300.25	1,406.60	(830.00)	3,876.85	36 Months	1,292.28	
186601	Deferred Tank Painting	79,742.00		(2,580.00)	77,162.00	120 Months	7,716.20	
Total		1,635,124.28	400,289.57	(89,618.00)	1,945,795.85			

United Water Idaho
Case UWI-W-04-4
Accumulated Deferred Federal Income Taxes
Balance at July 31, 2004 and Correction of Staff Pro Forma Adjustment

Line No.	Account and Description	Balance at 7/31/2004	Pro Forma Balance
1	Accumulated Deferred FIT ACRS	1,901,480	
2	Accumulated Deferred FIT MACRS	6,727,567	
3	Deferred FIT ADR	425,492	
4	Deferred FIT	(798,893)	
5	Deferred FIT AFUDC Equity	555,087	
6	Deferred Advances and Contributions Gross Up	<u>2,333,656</u>	
7	Deferred Federal FIT at July 31, 2004	<u>11,144,389</u>	
8	Pro Forma Tax Depreciation Using Staff Plant Additions		10,974,257
9	Staff Pro Forma Book Depreciation		<u>5,895,970</u>
10	Excess Tax Over Book Depreciation		5,078,287
11	Federal Income Tax Rate		35.00%
12	Incremental Deferred Federal Income Tax		<u>1,777,400</u>
13	Corrected Staff Total Deferred FIT (Line 7 plus Line 12)		12,921,789
14	Company Total Deferred DIT as of July 31, 2004		<u>11,144,389</u>
15	Corrected Staff ADIT Adjustment		<u>1,777,400</u>

United Water Idaho
Case UWI-W-04-4

Accumulated Deferred Federal Income Taxes
Balance at July 31, 2004 and Incremental Amount on Revised Plant Additions

Line No.	Account and Description	Balance at 7/31/2004	Pro Forma Balance
1	Accumulated Deferred FIT ACRS	1,901,480	
2	Accumulated Deferred FIT MACRS	6,727,567	
3	Deferred FIT ADR	425,492	
4	Deferred FIT	(798,893)	
5	Deferred FIT AFUDC Equity	555,087	
6	Deferred Advances and Contributions Gross Up	<u>2,333,656</u>	
7	Deferred Federal FIT at July 31, 2004	<u>11,144,389</u>	
8	Deferred Tax on AFUDC Equity pro forma	504,034	
9	Revised Pro Forma Deferred Federal FIT	<u>11,648,423</u>	
10	Pro Forma Tax Depreciation Using Revised Plant Additions		14,355,365
11	Pro Forma Book Depreciation		<u>6,372,848</u>
12	Excess Tax Over Book Depreciation		7,982,517
13	Federal Income Tax Rate		35.00%
14	Incremental Deferred Federal Income Tax		<u>2,793,881</u>
15	Revised Total Deferred FIT (Line 7 plus Line 12)		<u>14,442,304</u>
16	Company Total Deferred DIT as of July 31, 2004		<u>11,144,389</u>
17	Company Adjustment to ADIT		<u><u>3,297,915</u></u>

Internal Revenue Code

§ 168 Accelerated cost recovery system.

(7) Coordination with nonrevenue laws.

Any reference in this subsection to a provision not contained in this title shall be treated for purposes of this subsection as a reference to such provision as in effect on the date of the enactment of this paragraph.

(8) Termination.

This subsection shall not apply to property placed in service after December 31, 2005.

(k) Special allowance for certain property acquired after September 10, 2001, and before January 1, 2005.

(1) Additional allowance.

In the case of any qualified property—

(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 30 percent of the adjusted basis of the qualified property, and

(B) the adjusted basis of the qualified property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

(2) Qualified property.

For purposes of this subsection —

(A) In general. The term "qualified property" means property—

(i) (I) to which this section applies which has a recovery period of 20 years or less,

(II) which is computer software (as defined in section 167(f)(1)(B)) for which a deduction is allowable under section 167(a) without regard to this subsection ,

(III) which is water utility property, or

(IV) which is qualified leasehold improvement property,

(ii) the original use of which commences with the taxpayer after September 10, 2001,

(iii) which is—

(I) acquired by the taxpayer after September 10, 2001, and before January 1, 2005, but only if no written binding contract for the acquisition was in effect before September 11, 2001, or

(II) acquired by the taxpayer pursuant to a written binding contract which was entered into after September 10, 2001, and before January 1, 2005, and

United Water Idaho
Analysis of Effect of Grossing Up Equity Portion of AFUDC

	"Balanced State" Prior to Cap Ex	With Gross Up for Taxes	WithOUT Gross Up	
	Effect of Cap Ex & AFUDC	End Result	Effect of Cap Ex & AFUDC	End Result
Revenues	\$ 30,000	\$ 30,000	\$ 30,000	
Operating Costs	(21,000)	(21,000)	(21,000)	
Operating Income	9,000	9,000	9,000	
Interest Expense	(3,000)	(3,000)	(3,300)	
Additional AFUDC	0	900	700	
Pretax Income	6,000	600	400	
Income Tax Expense	(2,000)	(200)	(133)	
Net Income	\$ 4,000	\$ 400	\$ 267	\$ 4,267
Return on Equity	10.0%	10.0%	9.7%	
	Cost of debt	Allowed ROE		
60% Debt Portion of Rate Base	5.0%	\$ 6,000	\$ 6,000	\$ 66,000
40% Equity Portion of Rate Base		40,000	4,000	44,000
100% Total Rate Base		\$ 100,000	\$ 10,000	\$ 110,000
Weighted Avg. Cost of Capital - With tax gross up	7.0%			
Weighted Avg. Cost of Capital - No tax gross up	9.0%			
Assumed tax deduction for AFUDC (based on debt only)		\$ 500	\$ 500	
Actual Current Tax Liability at Rate of 33.33%		\$ 167	\$ 167	
Total Book Tax Liability Recorded		200	133	
DFIT - Increase (Reduction) in Rate Base		(\$ 33)	\$ 33	