

**United Water Idaho
Case No. UWI-W-04-4**

**Staff Adjustment to Remove and Reclassify AFUDC Equity Tax Gross-up
Staff Adjustment to Remove Accumulated Depreciation and Depreciation Expense
Staff Adjustment to Deferred Debits**

Total AFUDC Rate	11.62%
Overall Rate of Return	8.84%
Equity Tax Gross-up Percentage	2.78%

	Equity Tax Gross-up Rate Base Adjustment	Depreciation Expense Adjustment	Accumulated Depreciation Adjustment
		Composite Depreciation Rate 3%	
May 2000 - December 2000	11,480		344
2001	9,116		273
2002	43,068		1,292
2003	171,908		5,157
thru 9-30-2004 (includes CWTP)	226,551	6,797	-
CWTP October 1, 2004 - May 31, 2005	222,840	6,685	-
	684,962	13,482	7,067

Staff Adjustments to recognize the removal and reclassification of AFUDC

AFUDC Equity Tax Gross-Up portion of AFUDC to remove from Plant in Service	\$ 684,962
Depreciation Expense to remove from O&M Expenses - test year	\$ 13,482
Accumulated Depreciation to remove from Rate Base	\$ 7,067
Deferred Debits - AFUDC Equity Tax Gross-up - Account 186XXX	\$ 684,962

UNITED WATER IDAHO
UWI-W-04-4
Staff Calculation of the Production Credit

(1)	(2)	(3)	(4)	(5)
Line No.	Plant Account Number	Plant Account Description	Staff Adjusted Pro Forma Average Rate Base	Production & Water Treatment Plant
1	301-10	Organization	111,642	
2	303-20	Land & Land Rights, Water Rights - Source of Supply	6,021,409	6,021,409
3	303-30	Land & Land Rights - Water Treatment	893,548	893,548
4	303-40	Land & Land Rights - Trans. & Distrib.	395,698	
5	303-50	Land & Land Rights - General Plant	205,126	
6	304-20	Structures and Improvements - Source of Supply	4,552,893	4,552,893
7	304-30	Structures and Improvements - Water Treatment	12,954,601	12,954,601
8	304-40	Structures and Improvements - Trans. & Distrib.	34,599	
9	304-50	Structures and Improvements - General Plant	3,076,483	
10	305-20	Collecting & Impounding Reservoirs - Source of Supply	79,997	79,997
11	306-20	Lake, River & Other Intakes	1,223,044	
12	307-20	Wells & Springs	8,854,317	
13	308-20	Infiltration Galleries & Tunnels	33,311	33,311
14	309-20	Supply Mains	2,192,625	
15	310-20	Power Generation Equipment	372,701	
16	311-20	Power Electric Pumping Equipment - Source of Supply	11,296,996	11,296,996
17	311-20	Power Diesel Pumping Equipment - Source of Supply	-	-
18	311-30	Power Pumping Equipment - Water Treatment	5,331,866	5,331,866
19	311-40	Power Pumping Equipment - Trans. & Distrib.	925,127	
20	320-30	Water Treatment Equipment	20,981,936	20,981,936
21	320-30	Water Treatment Equipment - Membranes	500,000	500,000
22	330-40	Distribution Reservoirs & Standpipes	9,294,072	
23	331-10	Trans. & Distrib. Mains & Accessories - Intangible	139	
24	331-20	Trans. & Distrib. Mains & Accessories - SOS	138	
25	331-40	Trans. & Distrib. Mains & Accessories	98,473,556	
26	333-40	Services	35,436,665	
27	334-40	Meters and Meter Installations	11,125,083	
28	335-40	Hydrants	1,035,848	
29	336-40	Backflow Prevention Devices	-	
30	339-10	Other Plant & Misc. Equipment - Intangible	-	
31	339-20	Other Plant & Misc. Equipment - Source of Supply	36,304	36,304
32	339-30	Other Plant & Misc. Equipment - Water Treatment	41,841	41,841
33	339-40	Other Plant & Misc. Equipment - Trans. & Distrib.	85,019	
34	339-50	Other Plant & Misc. Equipment - General Plant	15,187	
35	340-50	Office Furniture and Equipment	658,035	
36	340-50	AM / FM System - Mapping	532,463	
37	340-5A	Computer Hardware & Software	1,741,192	
38	340-5A	IFMS / WAN / PeopleSoft	2,759,047	
39	340-5A	Customer Information System	1,725,609	
40	341-50	Transportation Equipment	129,057	
41	342-50	Stores Equipment	23,502	
42	343-50	Tools, Shop and Garage Equipment	437,206	
43	343-50	Confined Space Monitor, Generator, Trench Shield	60,113	
44	344-50	Laboratory Equipment	112,130	
45	345-50	Power Operated Equipment	56,541	
46	345-50	Power Operated Equipment	61,891	
47	346-50	Communications Equipment	1,257,180	
48	347-50	Miscellaneous Equipment	103,457	
49	348-50	Other Tangible Property	-	
50	348-50	Master Plan	282,882	
51				
52		Rounding	2	
53				
54		Total Plant In Service	245,522,077	
55		Total Production & Water Treatment Plant		62,724,701
56				
57		Equity Portion of the Overall Rate of Return		4.65%
58		as proposed by Staff		
59				
60		Net Income attributable to Production and Water Treatment Plant		2,916,699
61		Equity piece of Overall Rate of Return X Total Production & Water Treatment Plant		
62				
63		Production Credit Percentage		3.00%
64				
65		Production Credit Reduction to Federal Income Taxes		\$ 87,501

UNITED WATER IDAHO
Case No. UWI-W-04-4
Staff Adjustment to M&S Fees
Details of Adjustments to M&S Fees

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Test Year M&S Fees included in Company Filing	\$ 2,006,757
2	Actual M&S paid in 2004	
3	Corporate M&S fees for 2004	1,395,735
4	Regulated M&S fees for 2004	590,343
5	Non-regulated M&S fees for 2004	<u>19,626</u>
6	Total	2,005,705
7	Remove Non-regulated M&S Fees for 2004 Line 5	(19,626)
8	Staff Proposed M&S Fees Line 6 minus Line 7	<u>1,986,079</u>
9	Staff Adjustment Line 8 minus Line 1	<u>\$ (20,678)</u>
Operating Income Tax Effect of Adjustment:		
	Adjustment Total	\$ (20,678)
	State Income Tax Rate	8%
	State Income Tax Expense	\$ 1,654
	Taxable Federal Income	(19,024)
	Federal Income Tax Rate	35%
	Federal Income Tax Expense	<u>\$ 6,658</u>
	Total operating expense	<u>\$ (12,366)</u>

United Water Idaho
Case No. UWI-W-04-4
Staff Adjustment to Revenues to Recognize Carriage Hill Revenue

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	To Adjust Regulated Revenues	\$ 28,138
2	Amortize over 5 years	\$ 5,628
3	Carriage Hill Revenue in Test Year	<u>\$ -</u>
4	Adjustment	<u>\$ 5,628</u>
	Income Tax Effect of Adjustment:	
	Adjustment Total	\$ 5,628
	State Income Tax Rate	8%
	State Income Tax Expense	\$ (450)
	Taxable Federal Income	5,177
	Federal Income Tax Rate	35%
	Federal Income Tax Expense	<u>\$ (1,812)</u>
	Total operating income	<u>\$ 3,365</u>

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

Line No.	Account & Description	Balance at July 31, 2004	Staff Pro Forma Balance
1	282001 Accumulated Deferred FIT ACRS	\$ 1,901,480	
2	282002 Accumulated Deferred FIT MACRS	6,727,567	
3	282010 Deferred FIT ADR	425,492	
4	283300 Deferred FIT	(798,893)	
5	283991 Deferred FIT AFUDC Equity	555,087	
6	253108 Deferred Advances and Contributions Gross UP	2,333,656	
7	Deferred Federal FIT at July 31, 2004	\$ 11,144,389	
8	Staff Pro Forma Tax Depreciation		\$ 15,545,339
9	Staff Pro Forma Book Depreciation (per Staff witness Harms)		5,895,970
10	Excess Tax Over Book Depreciation		\$ 9,649,369
11	Federal Income Tax Rate		35.00%
12	Incremental Deferred Federal Income Tax		\$ 3,377,279
13	Staff Total Deferred FIT (Line 7 plus line 12)		\$ 14,521,668
14	Company Total Deferred FIT as of July 31, 2004		11,144,389
15	Staff Accumulated Deferred Federal Income Tax Adjustment To Harms Staff Exhibit 111, Column B, Line 7		\$ 3,377,279

**United Water Idaho
Case No UWI-W-04-4
Pre-1971 Investment Tax Credits
Staff Pro Forma Balance**

(1)	(2)	(3)	(4)	(5)	(6)	(5)	(6)	(7)
Line No	Year	Book Life	Book Balance at July 31, 2004	Annual Expense	Ten Months Expense	Company Balance at May 31, 2005	Staff Pro Forma Adjustment	Staff Pro Forma Balance
1	1962	50 Years	1,364	182	152	1,212	152	1,364
2	1963	50 Years	1,131	134	112	1,019	112	1,131
3	1964	50 Years	905	99	83	823	83	905
4	1965	50 Years	1,841	176	147	1,694	147	1,841
5	1966	50 Years	1,540	136	113	1,427	113	1,540
6	1967	50 Years	1,554	124	103	1,451	103	1,554
7	1968	50 Years	3,468	258	215	3,253	215	3,468
8	1969	50 Years	2,525	176	147	2,378	147	2,525
			14,328	1285	1,071	13,257	1,071	14,328

	Company Test Year Adjusted	Company Adjustment	Company Pro Forma Year May 31, 2005	Staff Adjustment	Staff Pro Forma Balance
Pre-1971 Investment Tax Credits	(14,328)	1,071	(13,257)	(1,071)	(14,328)

	2004 Amortization Expense	Company Adjustment	Company Pro Forma Year May 31, 2005	Staff Adjustment	Staff Pro Forma Amount
Total Deferred Investment Tax Credits	48,445	-1,285	47,160	1,285	48,445

Company Pro Forma Amount transfers to Staff Exhibit 107, Column A, Line 11.

Staff Pro Forma Amount transfers to Staff Exhibit 107, Column B, Line 11.

Case No. UWI-W-04-04
Staff Computation of State and Federal Income Taxes
To Recognize Interest Synchronization & Depreciation

		(A) Company Calculation	(B) With Staff Adjustments
1	OPERATING INCOME BEFORE INCOME TAXES	\$ 16,535,538	\$ 12,344,478
2	LESS: TAX DEDUCTIONS		
3	Interest Expense (A)	\$ 5,475,409	\$ 4,289,797
4	Excess Tax Over Book Depreciation (B)	<u>\$ 7,261,492</u>	<u>\$ 9,649,369</u>
5	TOTAL TAX DEDUCTIONS	<u>\$ 12,736,901</u>	<u>\$ 13,939,166</u>
6	Taxable Income-State	\$ 3,798,637	\$ (1,594,688)
7	State Income Tax at 8%	<u>\$ 303,891</u>	<u>\$ (127,575)</u>
8	Federal Taxable Income (L.1-L.3-L.7)	<u>\$ 10,756,238</u>	<u>\$ 8,182,256</u>
9	Federal Income Tax at 35%	\$ 3,764,683	\$ 2,863,790
10	Less: Production Credit		\$ (87,501)
11	Less: Amortization of ITC	<u>\$ (47,160)</u>	<u>\$ (48,445)</u>
12	NET FEDERAL INCOME TAX EXPENSE	<u>\$ 3,717,523</u>	<u>\$ 2,727,844</u>
13	(A) CALCULATION OF INTEREST EXPENSE DEDUCTION:		
14	Pro Forma Rate Base	\$ 140,062,546	\$ 124,524,407
15	Debt Percentage of Capitalization	<u>55.060%</u>	<u>53.41%</u>
16	Debt Portion of Rate Base	<u>\$ 77,118,438</u>	<u>\$ 66,508,486</u>
17	Debt Rate	7.10%	6.45%
18	INTEREST EXPENSE	<u>\$ 5,475,409</u>	<u>\$ 4,289,797</u>
19	(B) EXCESS TAX OVER BOOK DEPRECIATION:		
20	Pro Forma Tax Depreciation	\$ 13,648,001	\$ 15,545,339
21	Pro Forma Book Depreciation	<u>\$ 6,386,509</u>	<u>\$ 5,895,970</u>
22	EXCESS TAX OVER BOOK DEPRECIATION	<u>\$ 7,261,492</u>	<u>\$ 9,649,369</u>

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 6TH DAY OF APRIL 2005, SERVED THE FOREGOING **DIRECT TESTIMONY OF KATHY STOCKTON**, IN CASE NO. UWI-W-04-04, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

MARK GENNARI
UNITED WATER
200 OLD HOOK RD
HARRINGTON PARK NJ 07640

DEAN J MILLER ESQ
McDEVITT & MILLER LLP
PO BOX 2564
BOISE ID 83701

DOUGLAS K STRICKLING
BOISE CITY ATTORNEY'S OFFICE
150 N CAPITOL BLVD.
PO BOX 500
BOISE ID 83701

CHUCK MICKELSON
CITY OF BOISE
150 N CAPITOL BLVD.
PO BOX 500
BOISE ID 83701

WILLIAM M. EDDIE
ADVOCATES FOR THE WEST
PO BOX 1612
BOISE ID 83701

BILL SEDIVY
IDAHO RIVERS UNITED
PO BOX 633
BOISE ID 83701

BRAD M. PURDY
ATTORNEY AT LAW
2019 N 17TH STREET
BOISE ID 83702

SHARON ULLMAN
9627 W. DESERT AVE
BOISE ID 83709

SCOTT L. CAMPBELL
101 S CAPITOL BLVD., 10TH FLOOR
PO BOX 829
BOISE ID 83701


SECRETARY