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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Applicant

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION
OF UNITED WATER IDAHO INC. FOR
AUTHORITY TO INCREASE ITS RATES
AND CHARGES FOR WATER SERVICE IN
THE STATE OF IDAHO

Case No. UWI-W-09-01

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF KEVIN H. DOHERTY

1 Q. Please state your name and business address.

2 A. Kevin Doherty. My business address is 200 Old Hook Road, Harrington Park,
3 New Jersey 07640.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by United Water Management and Services Inc. (UWM&S) as
6 Director of Rates.

7 Q. Please describe your work experience.

8 A. Prior to joining United Water, from 1987 to 1989, I was employed by Arthur
9 Young and Company as a Staff Auditor. I participated in audits for clients in the
10 manufacturing, energy, and defense industries. I was employed by Citizens
11 Communications Company beginning in 1989. From 1989 until 1994, I held the
12 position of Senior Capital Asset Accountant, responsible for preparation of
13 various plant in service and depreciation reports, and I provided data for rate
14 proceedings and certain bond indenture requirements. In 1994, I was promoted to
15 Senior Regulatory Accountant and participated in rate proceedings in the states of
16 Ohio and Illinois. In 1995, I was promoted to Regulatory Specialist, and testified
17 on rate base in rate proceedings in the states of Pennsylvania and Arizona. In
18 1999, I accepted a position as Manager of Regulatory Accounting and testified on
19 rate base and certain operating expenses in the states of Vermont and Arizona. I
20 joined United Water in 2003 and have filed testimony on behalf of United Water
21 in the states of Arkansas, Delaware, New Jersey, New York and Pennsylvania.

22

23

1 Q. Please summarize your educational background.

2 A. I graduated from Pace University in 1987 with a Bachelor of Business
3 Administration degree in Accounting, and have completed Pace University's
4 MBA program in Financial Management. I have attended seminars and
5 presentations that addressed accounting, rates and other financial matters.

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to describe and present the calculation of the
8 revenue deficiency and the resulting request for rate relief, and sponsor the
9 calculation of Rate Base for the test year ending May 31, 2009 with proforma
10 adjustments through December 31, 2009. United Water Idaho ("United Water" or
11 "The Company"). Additionally, I am sponsoring the calculation of the Company's
12 Depreciation Expense for the test year ending May 31, 2009 with proforma
13 adjustments through December 31, 2009.

14 Q. What level of increase is being sought by the Company in this proceeding?

15 A. United Water is seeking a revenue increase of \$5,626,085 or 15.2% over current
16 rates for the Test Year ending December 31, 2009. Company witness Wyatt will
17 be discussing the drivers of this increase.

18 Q. What rate of return on rate base is this rate increase based upon?

19 A. It is based on an overall rate of return of 8.49% with a return on equity of 10.40%.
20 United Water and Commission Staff held discussions prior to the filing of this
21 case and agreed that a return on equity of 10.40% was just and reasonable, and
22 agreed to its use in the rate case. I have attached signed copies of both a letter
23 from the Company to Staff proposing the use of a return on equity of 10.40%, and

1 Staff's response that formalizes the agreement between the two parties as Exhibit
2 6.

3 Q. Have you prepared an Exhibit that shows the calculation of the Company's
4 proposed overall Rate of Return of 8.49%?

5 A. Yes. Exhibit 7, page 1 shows the capital structure of United Waterworks along
6 with the cost of debt as well as the agreed upon return on equity of 10.40%. The
7 weighted average of these components is the 8.49% overall requested rate of
8 return.

9 Q. Has the Commission previously approved the use of United Waterworks' capital
10 structure and cost of debt by the Company in its rate case filings?

11 A. Yes it has. The Commission approved the use of United Waterworks' capital
12 structure and cost of debt with its Order No. 27616 in Case No. UWI-W-97-6.

13 Q. Have you prepared from the Company's books and records a series of exhibits
14 depicting the Company's balance sheet and operating income statement for the
15 twelve months ended May 31, 2009?

16 A. I have prepared Exhibits Numbered 8 and 9 illustrating the Company's Balance
17 Sheet (Exhibit No. 8) and Operating Income Statement Per Books (Exhibit No. 9)
18 as of May 31, 2009.

19 Q. Have you prepared an exhibit that indicates the pro forma operating income for
20 the Company at existing and proposed rates?

21 A. Yes. I have prepared Exhibit No. 10, which is titled "Statement of Operating
22 Income Per Books and Pro Forma under Present and Proposed Rates For The
23 Twelve Months Ending December 31, 2009".

1 Column 1 of Exhibit No. 10 identifies the schedule on Exhibit No. 11 that details
2 the adjustments to the test year results indicated in aggregate fashion on Exhibit
3 No. 10. Column 2 of Exhibit No. 10 indicates the elements of operating income:
4 operations and maintenance expense, depreciation and amortization expense,
5 taxes other than income and income taxes. The amounts therein are per books, as
6 shown on Exhibit No. 11. Column 3 of Exhibit No. 10 shows a summary of test
7 year adjustments made to revenues and expenses. The adjustment to operating
8 revenue shown on line 1 is detailed on Exhibit 12 and will be explained by
9 Witness Loy. The adjustments to operation and maintenance expenses,
10 summarized on line 2, are detailed on Exhibit No. 11, Schedule 1 and they will
11 also be explained by Witness Loy. The adjustments to depreciation expense and
12 amortization of utility plant acquisition adjustments summarized on lines 3 and 4
13 are detailed in Exhibit No. 11, Schedule 2, pages 1 and 2, and will be explained
14 later in my testimony. The adjustments to operating taxes summarized on lines 6
15 and 7 are detailed in Exhibit No. 11, Schedule 3, pages 1 to 3, and will be
16 explained by Witness Loy. Column 4 of Exhibit No. 10 shows the adjusted
17 operating income at existing rates for the test period. Column 4 also indicates that
18 based on the test year adjustments made, the Company will earn a 6.31% overall
19 rate of return on its rate base investment as of December 31, 2009 with known and
20 measurable adjustments taken into consideration. Column 5 of Exhibit No. 10
21 indicates the adjustments to operating revenue, operation and maintenance
22 expenses, and income taxes under the increased rates proposed by the Company
23 herein. The adjustment to operating revenues of \$5,626,085 was computed using

1 an 8.49% rate of return on rate base. Column 6 of Exhibit No. 10 illustrates the
2 adjusted operating income necessary to produce the requested rate of return,
3 8.49%. The income taxes shown on lines 11 and 12 were computed as indicated
4 on Exhibit No. 11, Schedule 4, and will be explained in conjunction therewith.

5 Q. Returning to Column 3 of Exhibit No. 10, please explain the adjustments to
6 operating expenses?

7 A. Operation and maintenance expenses have been increased by \$1,281,820 (Exhibit
8 10, line 2). Depreciation and amortization expense have been increased by
9 \$203,372 (Exhibit 10, line 5). Payroll taxes have been increased \$53,927
10 (Exhibit 10, line 8). Federal income taxes have increased \$2,534,377 and State
11 income taxes have been decreased by \$1,694,275 (Exhibit No. 10, lines 11 & 12).

12 The detailed support for the operating expense adjustments are shown on the four
13 Schedules following the Exhibit 11 Summary. Schedule 1, pages 1 to 22, provides
14 detail for adjustments made to operation and maintenance expenses that are
15 explained by Witness Loy. Schedule 2, pages 1 and 2, provides detail for
16 adjustments to depreciation and amortization expense. Schedule 3, pages 1 to 3,
17 provides detail for adjustments to property and payroll taxes. Schedule 4, page 1
18 provides detail for adjustment of State and Federal income tax expense. Page 2 of
19 Schedule 4 shows the methodology I employed to compute the "Net to Gross
20 Multiplier" utilized in this case to gross up the Net Operating Income deficiency

21 Q. Please explain Exhibit No. 11, Schedule 2.

22 A. Exhibit No. 11, Schedule 2 consists of two pages indicating the depreciable basis
23 of Utility Plant by primary account, net of contributions and advances (advances

1 for construction are classified as non-depreciable property until the Company
2 acquires an investment in the property through the payment of refunds on
3 advances as required by Order No. 28505 in Case UWI-W-00-1), the depreciation
4 rate for each plant account and the annual depreciation expense by primary
5 account. The depreciation rates utilized are the same as those used in prior rate
6 case filings. Pro forma annual depreciation expense of \$7,255,334 is summarized
7 at the bottom of the schedule, and the amortization of certain utility plant
8 acquisition adjustments that have previously been approved by the IPUC of
9 \$9,329 (the calculation of this amortization is shown on Exhibit 13, Schedule 7) is
10 added. The total depreciation and amortization of \$7,264,663 is then compared to
11 depreciation and amortization expense recorded in the test year of \$7,061,291.
12 The difference between the proforma and recorded amounts yields an adjustment
13 of \$203,372.

14 Q. Please explain Exhibit No.11, Schedule 3.

15 A. Exhibit No. 11, Schedule 3, shows the adjustments to both test year property and
16 payroll taxes and is explained by Witness Loy.

17 Q. Please explain Exhibit No. 11, Schedule 4.

18 A. Exhibit No. 11, Schedule 4, Page 1 of 2 shows the calculation of state and federal
19 income taxes at both existing and proposed rates. The amounts shown on line 1
20 of columns 1 and 2 are the same as the amounts shown on line 10 of columns 4
21 and 6 on Exhibit No. 10. These figures represent operating income before income
22 taxes. From these figures the applicable statutory deductions must be deducted
23 when computing the state and federal income taxes.

1 The first deduction is interest expense and it is deductible in the computation of
2 both state and federal taxable income. The calculation for the interest deduction is
3 shown in Note A on lines 11 through 15. The deduction of interest expense is
4 shown on line 2.

5 The second deduction is the excess of pro forma tax depreciation over pro forma
6 book depreciation. The excess tax depreciation is deducted from state taxable
7 income only since state income taxes are calculated on the basis of flow-through
8 accounting while federal income taxes are calculated on the basis of normalization
9 accounting. Lines 17, 18 and 19 indicate the amounts used in determining excess
10 tax depreciation.

11 The remaining calculations are self-explanatory except for the amortization of
12 investment tax credit shown on Line 9. Federal income tax expense was reduced
13 by the amortization of ITC that is amortized ratably over the lives of the assets
14 and represents 2% of the ITC claimed from 1971 through 1999.

15 Q. Please explain the adjustment shown on line 2, Column 5 of Exhibit No. 10.

16 A. The adjustment shown on line 2, Column 5 of Exhibit No. 10 represents
17 additional uncollectible expense and IPUC assessment as a result of the pro forma
18 adjustment to operating revenue shown on line 1, Column 5 of Exhibit No. 10

19 Q. Does this conclude your testimony regarding operating expenses?

20 A. Yes.

21 Q. Please address your rate base testimony.

1 A. The Company was directed by the Commission in Case UWI-W-04-04, Order
2 Nos. 29838 and 29871, to file future rate cases utilizing a thirteen-month average
3 rate base methodology.

4 Q. Has the Company complied with the Commission directive stated above?

5 A. Yes. The Company has computed rate base using essentially the same
6 methodology as was used by the IPUC Staff and approved by the Commission in
7 Case No. UWI-W-04-04. Major elements of rate base, namely: plant in service,
8 accumulated depreciation, contributions in aid of construction, advances for
9 construction and utility plant acquisition adjustments are all thirteen-month
10 averaged. Working capital is computed as of the Company's May 31, 2009
11 balance sheet. Deferred debits and gains on sales of property are not averaged but
12 are included in rate base at their anticipated balance as of December 31, 2009 the
13 end of the proforma period.

14 Q. What is the level of rate base the Company is requesting in this proceeding?

15 A. The rate base is \$154,127,480. Company Witness Rhead discusses the plant in
16 service additions that are a part of the reason for the increase in their direct
17 testimony.

18 Q. Please explain Exhibit 13, Schedule 1, Page 1 of 1.

19 A. Exhibit 13, Schedule 1, Page 1 of 1, Rate Base Summary, shows the elements of
20 the Company's rate base as of December 31, 2009, using the thirteen-month
21 average methodology. The elements of rate base are as follows: Utility Plant in
22 Service; Accumulated Depreciation; Customer Advances for Construction;
23 Contributions In Aid of Construction; Net Utility Plant Acquisition Adjustments;

1 Accumulated Deferred Income Taxes; Pre-1971 Investment Tax Credits; Deferred
2 Charges, Working Capital and a rate base deduction for the Gain on the Sale of
3 Property.

4 Q. Please explain Exhibit 13, Schedule 2, Page 1 of 1.

5 A. Exhibit 13, Schedule 2, Page 1 of 1, Thirteen-Month Average Worksheet, shows
6 the monthly balances from December 31, 2008 to December 31, 2009 for those
7 rate base components that are thirteen-month averaged. Monthly balances are
8 carried forward to this schedule from the supporting schedules for Plant in Service
9 (Schedule 3), Accumulated Depreciation and Amortization (Schedule 4),
10 Customer Advances for Construction (Schedule 5), Contributions in Aid of
11 Construction (Schedule 6), Utility Plant Acquisition Adjustment (Schedule 7) and
12 Pre-1971 Investment Tax Credits (Schedule 8). Schedule 2 shows the thirteen-
13 month average calculation of the balances from the respective schedules.

14 Q. Please explain Exhibit 13, Schedule 3, Pages 1 through 3.

15 A. Exhibit 13, Schedule 3, Pages 1 through 3 shows the Company's Utility Plant
16 balance as of May 31, 2009 by plant account. Schedule 3 then summarizes the
17 forecast plant additions and retirements by plant account from June through
18 December 2009. Witness Rheads' Exhibit 4 forms the basis for the plant activity
19 shown on this schedule. The thirteen-month average of Utility Plant in Service is
20 \$324,143,710.

21 Q. Please explain Exhibit 13, Schedule 4, Page 1 of 1.

22 A. Exhibit 13, Schedule 4, Page 1 of 1 shows the Company's Accumulated
23 Depreciation and CIAC Amortization. The schedule shows the recorded amounts

1 for these rate base components for the months of December 2008 through May
2 2009. For the months beginning in June 2009, I calculated a monthly incremental
3 amount for both accumulated depreciation and amortization of CIAC. To these
4 monthly amounts, I added any retirement, cost of removal or salvage information
5 provided by Witness Rhead, forming a balance for accumulated depreciation and
6 amortization of CIAC for the months of June through December 2009. The
7 thirteen-month average of accumulated depreciation is \$71,369,828, while the
8 thirteen-month average for amortization of CIAC is \$15,255,672.

9 Q. Please explain Exhibit 13, Schedule 5, Page 1 of 1.

10 A. Exhibit 13, Schedule 5, Page 1 of 1 summarizes change to advances for
11 construction for the test year. Since the issuance of Order No. 28505 in case UWI-
12 W-00-1, the Company does not depreciate advanced property. This requires the
13 Company to accurately track, by associated plant account, all additions and
14 refunds impacting the advance account. The thirteen-month average balance of
15 advances for construction is \$7,067,143.

16 Q. Please explain Exhibit 13, Schedule 6, Page 1 of 1.

17 A. Exhibit 13, Schedule 6, Page 1 of 1 indicates activity in Contributions in Aid of
18 Construction (CIAC) during the test period. Like advances for construction,
19 CIAC funded assets are not depreciated for rate-making purposes. The thirteen-
20 month average balance of net CIAC is \$71,658,448.

21 Q. Please explain Exhibit 13, Schedule 7, Page 1 of 1.

22 A. Exhibit 13, Schedule 7, Page 1 of 1 indicates the net change to the balance of
23 Utility Plant Acquisition Adjustment (UPAA). The UPAA gross balance is

1 comprised of both debit and credit balances. The gross value of the six individual
2 UPAAs, all approved by the Commission in various proceedings, is a positive
3 \$600,762. As of December 31, 2009, the net balance will be \$536,245; the
4 thirteen-month average balance is \$540,910.

5 Q. Please explain Exhibit 13, Schedule 8, Page 1 of 1.

6 A. Exhibit 13, Schedule 8, Page 1 of 1 indicates the composition of Accumulated
7 Deferred Income Taxes (ADIT) at the end of the test period. The tax depreciation
8 portion of this account was adjusted for assets in service as of December 31, 2009.
9 The balance of ADIT excludable from rate base for rate-making purposes is
10 \$10,030,655.

11 Q. Please explain Exhibit 13, Schedule 9, Page 1 of 1.

12 A. Exhibit 13, Schedule 9, Page 1 of 1, represents the activity related to the pre-1971
13 investment tax credits that are deducted from rate base and amortized at a rate of
14 \$1.285 annually. The balance at December 31, 2009 will be \$7,388. The thirteen-
15 month average balance is \$8,031.

16 Q. Please explain Exhibit 13, Schedule 10, Page 1 of 1.

17 A. Exhibit 13, Schedule 10, Page 1 of 1, identifies the deferred items the Company
18 has included in rate base. The total balance is \$2,019,690. Of this balance,
19 \$1,141,906 is the net unamortized balance of deferred items included in rate base
20 from the Company's two previous rate cases. The \$877,784 of new deferred
21 charges requested for inclusion in rate base in this proceeding is comprised of five
22 line items. First is the estimated cost of preparing and presenting the current case
23 of \$198,884. Next is the cost incurred by the Company to paint the Ustick tank.

1 The cost of this project was \$74,182. As explained by Witness Loy, the Company
2 is requesting a twenty year amortization of this expenditure. Also, the Company
3 will spend \$276,000 before December 31, 2009 to paint the Steelhead, Crestline
4 and Hillcrest tanks. The Company has also requested a twenty year amortization
5 of these expenditures, in line with the amortization of tank paintings granted in
6 case UWI-W-04-04. These planned tank painting projects are explained by
7 Witness Loy. Also included is the Company's request to earn a return on the
8 unamortized balance of its Conservation Plan and its related costs which are
9 expected to be \$195,264. Witness Wyatt explains the Conservation Plan in his
10 direct testimony and Witness Loy reflects the requested amortization of these
11 costs in his Operating Expense exhibits. Finally, the Company is reflecting a
12 \$133,454 increase to its deferred debit account that represents additional AFUDC
13 equity tax gross-up for the period between the previous rate case and the end of
14 the test year in this case. These dollar amounts have been moved out of plant-in-
15 service pursuant to Order No. 29838 in Case UWI-W-04-04.

16 Q. Please explain Exhibit 13, Schedule 11, Pages 1 through 6.

17 A. Exhibit 13, Schedule 11, Pages 1 through 6 indicates the calculation of the
18 allowance for working capital prepared by the Company using the balance sheet
19 dated May 31, 2009. The same methodology used in Case UWI-W-06-02 was
20 employed in the instant case. The working capital allowance included in rate base
21 is \$2,912,431.

22 Q. Please explain Exhibit 13, Schedule 12, Page 1 of 1.

1 A. Exhibit 13, Schedule 12, Page 1 of 1 shows the calculation of the unamortized
2 gains from the Company's sales of property. First is the gain associated with the
3 sale of the Danskin property to the City of Kuna. In Case No. UWI-W-07-05,
4 Order No. 30481, dated December 27, 2007, the Commission approved a
5 Settlement Stipulation between the Company and Staff that established the
6 amount of the gain at \$207,905 and also called for the inclusion of the remaining
7 unamortized balance to be included as a deduction from rate base in any
8 subsequent rate case. The unamortized balance of this gain is calculated to be
9 \$69,302 at December 31, 2009. Next is the gain associated with the sale of the
10 Canyon County properties to the City of Nampa. In Case No. UWI-W-08-02,
11 Order No. 30651, dated October 7, 2008, the Commission approved accounting
12 treatment similar to what it had approved in Case No. UWI-W-07-05, whereby the
13 unamortized balance of the gain associated with the sale the Canyon Property
14 would be also be included as a deduction from rate base in any subsequent case.
15 The initial amount of this gain was \$49,402 and the unamortized balance is
16 calculated to be \$30,182 at December 31, 2009. The sum of these two
17 unamortized gains is \$99,484 at December 31, 2009 and this amount is included
18 as a deduction from rate base on Schedule 1.

19 Q. Does this conclude your direct testimony?

20 A. Yes.

McDevitt & Miller LLP
Lawyers

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420 West Bannock Street
P.O. Box 2564-83701
Boise, Idaho 83702

Chas. F. McDevitt
Dean J. (Joe) Miller

July 30, 2009

Via U.S. Mail

Weldon Stutzman
Deputies Attorney General
Idaho Public Utilities Commission
472 W. Washington
Boise, Idaho 83720

Re: **United Water Idaho Case No. UWI-W-09-1;
Return on Common Equity**

Dear Weldon:

This is to confirm discussions between Greg Wyatt and myself with you, Randy Lobb and Terri Carlock yesterday regarding return on equity (ROE) to be allowed in United Water's impending general rate case.

As we discussed, the current allowed return is 10.3% which was established in United Water's 2004 rate case and adopted by stipulation in the United Water's 2006 rate case. A review of Commission ROE allowances in electric utility rate case indicates that an allowance of 10.5% has become common in recent cases.

Thus, for settlement purposes, we agreed that a mid-point of 10.4% percent was a reasonable compromise from the Staff and Company perspectives.

Accordingly, it is our intention to file direct testimony recommending a 10.4% allowance and recite that it is based on discussions with Staff and your agreement. We would anticipate that Staff would subsequently file direct testimony confirming our agreement and supporting the 10.4% recommendation.

Kindly confirm that I have accurately stated our understanding by reply correspondence.

Very Truly Yours,
McDevitt & Miller LLP


Dean J. Miller

DJM/hh
cc: Greg Wyatt, United Water

Case No. UWI-W-09-01
Exhibit No. 6
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K. Doherty

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July 31, 2009

Dean J. (Joe) Miller
McDevitt & Miller LLP
PO Box 2564
Boise, ID 83701-2564

**Re: United Water Idaho, Case No. UWI-W-09-01
Return on Common Equity**

Dear Joe,

This will confirm Staff's and United Water's agreement, as outlined in your correspondence dated July 30, 2009, to support a return on equity (ROE) of 10.4% in the Company's pending rate case. Staff will file testimony to support a 10.4% ROE.

Sincerely,

A handwritten signature in black ink, appearing to read "Weldon B. Stutzman".

Weldon B. Stutzman
Deputy Attorney General

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Case No. UWI-W-09-01
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K. Doherty

United Water Idaho
Calculation of Weighted Average Cost of Capital
Case UWI-W-09-01
Capital Structure and Cost of Debt of United Waterworks

Capital Structure Component	Amount	Percentage	Cost of Source	Weighted Avg. Cost of Capital
Debt	\$ 293,015,000	48.87%	6.49%	3.17%
Equity	\$ 306,516,216	51.13%	10.40%	5.32%
Total	\$ 599,531,216	100.00%		8.49%

Case No. UWI-W-09-01
 Exhibit No.7
 Page 1 of 2
 K.Doherty

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UNITED WATERWORKS
30-Jun-09
COMPOSITE COST RATE OF DEBT

Line #	[1] Description of Debt	[2] Issue Date	[3] Maturity Date	[4] [a] Amount Outstanding	[5] Unamortized Net Discount, Premium and Expense (C.4+(-)C.5)	[6] Net Proceeds (C.4+(-)C.5)	[7] Stated Interest Rate	[8] Annual Interest Expense (C.4xC.7)	[9] Amortization of Net Discount Premium and Expense	[10] Annual Cost (C.8+C.9)	[11] Effective Cost Rate	[12] Weighted Embedded Cost Rate
1	Medium Term Note Series A 1998	2/98	2/23	25,000,000	1,320,483	23,679,537	6.97%	1,742,500	97,212	1,839,712	7.77%	0.66%
2	Medium Term Note Series A 1998	12/98	12/17	5,000,000	34,272	4,965,728	6.90%	345,000	4,032	349,032	7.03%	0.12%
3	Medium Term Note Series A 1998	2/98	2/28	15,000,000	148,984	14,851,036	7.10%	1,065,000	8,016	1,073,016	7.23%	0.38%
4	Tax Exempt-Delaware 95 TEF	6/95	6/25	25,000,000	642,977	24,357,023	6.20%	1,550,000	40,404	1,590,404	6.53%	0.57%
5	Tax Exempt-Dauphin 92 TEF Series B	6/92	6/17	4,185,000	32,585	4,152,415	6.70%	280,395	4,116	284,511	6.85%	0.10%
6	Tax Exempt-Boise 2001 TEF	9/01	9/31	26,435,000	2,928,883	23,506,117	5.00%	1,321,750	132,132	1,453,882	6.19%	0.52%
7	Tax Exempt-DE 2002 TEF	3/02	3/33	16,605,000	1,774,284	14,830,716	5.15%	855,158	74,964	930,122	6.27%	0.33%
8	Tax Exempt NY (NR) 2002 TEF	3/02	3/34	11,645,000	1,316,880	10,328,120	5.15%	599,718	53,388	653,106	6.32%	0.23%
9	Tax Exempt-Dauphin 92 TEF Series A	6/92	6/24	10,000,000	275,549	9,724,451	6.90%	690,000	18,480	708,480	7.29%	0.25%
10	Tax Exempt-Boise 05 TEF	5/05	5/35	19,285,000	1,772,665	17,492,335	4.55%	876,558	95,460	942,018	5.39%	0.34%
11	Tax Exempt-JAX95TEF	8/95	8/25	20,000,000	435,456	19,564,544	6.35%	1,270,000	27,072	1,297,072	6.63%	0.46%
12	Tax Exempt-Boise 97 \$20MTEF Series 1997	8/97	8/27	19,850,000	773,604	19,076,396	5.30%	1,052,050	42,780	1,094,830	5.74%	0.39%
13	Tax Exempt-Pennsylvania Series 2007	2/07	2/37	25,030,000	1,207,048	23,822,952	4.50%	1,126,350	43,760	1,170,110	4.91%	0.42%
14	Senior Note Series A	11/07	11/17	15,000,000	128,514	14,871,486	5.66%	849,000	15,269	864,269	5.81%	0.31%
15	Senior Note Series B	11/07	11/28	15,000,000	141,178	14,858,822	6.13%	919,500	7,271	926,771	6.24%	0.33%
16	Medium Term Note Mutual of Omaha A	10/08	10/29	7,500,000	50,088	7,449,912	6.54%	490,500	2,473	492,973	6.62%	0.18%
17	Medium Term Note Mutual of Omaha B	12/08	12/29	7,500,000	50,603	7,449,397	6.59%	494,250	2,478	496,728	6.67%	0.18%
18	Medium Term Note NY Life A	10/08	12/18	12,500,000	80,079	12,419,921	6.21%	776,250	8,646	784,896	6.32%	0.28%
19	Medium Term Note NY Life B	12/08	12/18	12,500,000	81,874	12,418,126	6.31%	788,750	8,684	797,434	6.42%	0.28%
20	Total Long-Term Debt			293,015,000	13,195,967	279,819,033		17,092,728	666,638	17,749,366		6.34%
	Additional Debt Costs											
21	Unamortized Costs Associated With Retired Medium Term Note (\$10M@9.84%)				87,516				5,616	5,616	0.002%	0.002%
22	Premium on Retirement of Medium Term Note Corp. Debt (\$20M @ 10.05%, \$15M @ 9.57%) and Jacksonville Debt (\$12M @ 6.75%)				344,267				22,092	22,092	0.01%	0.01%
23	Unamortized Costs Associated With Retired Jacksonville Debt (\$12M @ 6.75%)				5,058,048				340,992	340,992	0.12%	0.12%
24	Unamortized Costs Associated With Retired Jacksonville Debt (\$12M @ 6.75%)				334,522				24,924	24,924	0.01%	0.01%
25	Unamortized Costs Associated With Retired UW Westchester TEF (\$2.25M @ 8.85%)				57,406				8,554	8,554	0.003%	0.003%
26	Totals				19,077,726				1,058,816	18,151,544		6.49%

United Water Idaho
Balance Sheet Per Books
May 31, 2009
Case No. UWI-W-09-01

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Line No.	Assets	
	Utility Plant	
1	Water Plant in Service	\$ 323,204,871
2	Retirement Work in Progress	(138,954)
3	Plant Held for Future Use	0
4	Construction Work in Progress	1,997,485
5	Utility Plant Acquisition Adjustment	600,761
6	Less: Accumulated Depreciation and Amortization	(86,126,408)
7	Net Utility Plant	<u>239,538,155</u>
	Investments	
8	Other Investments	11,054
9	Total Investments	<u>11,054</u>
	Current Assets	
10	Cash	(2,561,690)
11	Accts/Notes Receivable - Customers	890,816
12	Other Receivables	152,003
13	Provision for Uncollectable Accounts	(28,700)
14	Material & Supplies Inventory	364,579
15	Prepaid Expenses	(9,065,516)
16	Accrued Utility Revenue	4,639,684
17	Total Current Assets	<u>(5,608,824)</u>
	Deferred Debits	
18	Deferred Rate Case Expense	102,196
19	Other Deferred Charges	2,374,182
20	Total Deferred Debits	<u>2,476,378</u>
21	Total Assets	<u>\$ 236,416,763</u>
	Capitalization and Liabilities	
	Capital	
22	Common Stock Issued	\$ 1,261,750
23	Additional Paid-in Capital	76,704,330
24	Retained Earnings	66,172,255
25	Total Equity Capital	<u>144,138,335</u>
	Liabilities	
26	Accounts Payable	224,178
27	Notes Payable	0
28	Customer Deposits	2,756
29	Accrued Other Taxes Payable	1,356,364
30	Accrued Income Taxes Payable	3,002,212
31	Misc Current & Accrued Liabilities	709,244
32	Advances for Construction	7,050,743
33	Other Deferred Liabilities	6,958,186
34	Accumulated Investment Tax Credits	1,078,368
35	Contributions in Aid of Construction	86,656,999
36	Accumulated Amortization of CIAC	(15,084,975)
37	Accumulated Deferred Income Tax	324,354
38	Total Liabilities	<u>92,278,428</u>
39	Total Liabilities & Capital	<u>\$ 236,416,763</u>

IDAHO PUBLIC UTILITIES COMMISSION

United Water Idaho
Statement of Income
For the Twelve Months Ended May 31, 2009
Case No. UWI-W-09-01

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IDAHO PUBLIC
UTILITIES COMMISSION

Line No.			
1	Operating Revenues	\$	36,905,290
	Operating Expenses		
2	Operation and Maintenance Expense		13,765,211
3	Depreciation Expense		7,051,962
4	Amortization, Utility Plant Acquisition Adjustment		9,329
5	Taxes Other Than Income Taxes		1,757,475
6	Income Taxes		2,292,778
7	Total Operating Expenses		<u>24,876,755</u>
8	Net Operating Revenues		<u>12,028,535</u>
9	Gains (Losses) from Disposition of Utility Plant		90,469
10	Utility Operating Income		<u>\$12,119,004</u>

Case No. UWI-W-09-01

Exhibit No. 9

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IDAHO PUBLIC UTILITIES COMMISSION

UNITED WATER IDAHO
STATEMENT OF OPERATING INCOME PER BOOKS AND PROFORMA UNDER
PRESENT AND PROPOSED RATES FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2009

Line No.	Description	Column (1) Adjustment Reference	Column (2) Per Books 05/31/09	Column (3) Test Year Adjustment	Column (4) Adjusted Test Year	Column (5) Under Proposed Adjustments	Column (6) Under Proposed Rates Proforma
1	Operating Revenues	Exh No.12, Sch 1	\$36,905,290	\$79,596	\$36,984,886	\$5,626,085	\$42,610,971
Operating Expenses							
2	Operating & Maintenance	Exh No.11, Sch 1	13,765,548	1,281,820	15,047,368	37,487	15,084,855
3	Depreciation	Exh No.11, Sch 2	7,051,962	203,372	7,255,334	-	7,255,334
4	Amortization Of UPAA	Exh No.11, Sch 2	9,329	-	9,329	-	9,329
5	Total Depreciation and Amortization		7,061,291	203,372	7,264,663	-	7,264,663
Taxes Other Than Income							
6	Ad Valorem	Exh No.11, Sch 3	1,370,595	-	1,370,595	-	1,370,595
7	Payroll Taxes	Exh No.11, Sch 3	386,543	53,927	440,470	-	440,470
8	Total Taxes Other Than Income		1,757,138	53,927	1,811,065	-	1,811,065
Total Operating Expenses							
9	Excluding Income Taxes		22,583,977	1,539,119	24,123,096	37,487	24,160,582
10	Operating Income Before Income Taxes		14,321,312	(1,459,523)	12,861,790	5,588,599	18,450,388
Income Taxes							
11	State Income Taxes	Exh No.11, Sch 4	2,289,830	(1,694,275)	595,555	424,733	1,020,288
12	Federal Income Taxes	Exh No.11, Sch 4	2,947	2,534,377	2,537,324	1,807,353	4,344,677
13	Total Income Taxes		2,292,777	840,102	3,132,879	2,232,086	5,364,965
14	Utility Operating Income		\$12,028,535	(\$2,299,625)	\$9,728,911	\$3,356,512	\$13,085,423
15	Adjusted Rate Base	Exh No.13, Sch 1			\$154,127,480		\$154,127,480
16	Rate of Return on Rate Base				6.31%		8.49%
17	Required Rate of Return	Exh No.7, Page 1			8.49%		
18	Required Net Operating Income				\$13,085,423		
19	Operating Income Deficiency				\$3,356,512		
20	Gross Revenue Conversion Factor	Exh No.11, Sch 4			1.6762		
21	Revenue Deficiency				\$5,626,085		

United Water Idaho
 Calculation of Depreciation Expense and Amortization of UPAA
 Case UWI-W-09-01

Plant Account Number	Plant Account Description	Net Depreciable Plant				Depreciation Rate	Depreciation Expense
		Gross Plant In Service 12/31/2009	CIAC 12/31/2009	Advances 12/31/2009	Plant 12/31/2009		
301-10	Organization	104,548	-	(6,986)	97,562	0.00%	-
	Organization-CIAC		(9,878)	-	(9,878)	0.00%	-
303-20	Land & Land Rights - Source of Supply	1,497,002	-	(376,878)	1,120,124	0.00%	-
303-2W	Water Rights - Source of Supply	5,976,698	-	-	5,976,698	0.00%	-
303-30	Land & Land Rights - Water Treatment	145,297	-	-	145,297	0.00%	-
303-40	Land & Land Rights - Trans. & Distrib.	1,105,432	-	-	1,105,432	0.00%	-
303-50	Land & Land Rights - General Plant	213,383	-	-	213,383	0.00%	-
	Land and Land Rights-CIAC		(325,405)	-	(325,405)	0.00%	-
304-20	Structures and Improvements - Source of Supply	5,065,120	-	(79,492)	4,985,628	2.00%	99,713
	Str & Imprv.-Source of Supply-CIAC		(331,644)	-	(331,644)	2.00%	(6,633)
304-30	Structures and Improvements - Water Treatment	15,419,328	-	-	15,419,328	2.00%	308,387
304-40	Structures and Improvements - Trans. & Distrib.	1,569,578	-	-	1,569,578	2.00%	31,392
304-50	Structures and Improvements - General Plant	3,249,125	-	-	3,249,125	2.50%	81,228
305-20	Collecting & Impounding Reservoirs - Source of Supply	83,217	-	-	83,217	2.00%	1,664
	Coll. & Impound. Reservoirs-Source of Supply-CIAC		(21,950)	-	(21,950)	2.00%	(439)
306-20	Lake, River & Other Intakes	1,164,725	-	-	1,164,725	2.00%	23,294
307-20	Wells & Springs	8,842,701	-	(564,726)	8,277,975	2.86%	236,750
	Wells & Springs-CIAC		(1,397,310)	-	(1,397,310)	2.86%	(39,963)
308-20	Infiltration Galleries & Tunnels	60,351	-	-	60,351	2.00%	1,207
309-20	Supply Mains	2,205,582	-	(374,273)	1,831,309	2.00%	36,626
	Supply Mains-CIAC		(9,391)	-	(9,391)	2.00%	(188)
310-20	Power Generation Equipment	1,284,761	-	-	1,284,761	5.00%	64,238
311-20	Power Electric Pumping Equipment - Source of Supply	17,712,795	-	(462,018)	17,250,778	5.00%	862,539
	Electric Pump. Equip.-Source of Supply-CIAC		(1,783,358)	-	(1,783,358)	5.00%	(89,168)
311-20	Power Diesel Pumping Equipment - Source of Supply	-	-	-	-	0.00%	-
311-30	Power Pumping Equipment - Water Treatment	35,674	-	-	35,674	5.00%	1,784
311-40	Power Pumping Equipment - Trans. & Distrib.	1,697,230	-	-	1,697,230	5.00%	84,862
320-30	Water Treatment Equipment	23,920,349	-	(3,384)	23,916,965	5.00%	1,195,848
320-30	Water Treatment Equipment - Membranes	992,097	-	-	992,097	14.28%	141,671
	Water Treatment Equipment-CIAC		(34,570)	-	(34,570)	5.00%	(1,729)
330-40	Distribution Reservoirs & Standpipes	9,523,589	-	(1,054,339)	8,469,251	2.00%	169,385
	Distribution Reservoirs & Standpipes-CIAC		(1,163,794)	-	(1,163,794)	2.00%	(23,276)
331-10	Trans. & Distrib. Mains & Accessories - Intangible	-	-	-	-	0.00%	-
331-20	Trans. & Distrib. Mains & Accessories - SOS	-	-	-	-	0.00%	-
331-40	Trans. & Distrib. Mains & Accessories	142,947,424	-	(3,202,486)	139,744,938	2.00%	2,794,899
	T&D Mains & Accessories-CIAC		(70,622,073)	-	(70,622,073)	2.00%	(1,412,441)
333-40	Services	50,992,625	-	(606,560)	50,386,065	2.50%	1,259,652
	Services-CIAC		(11,842,006)	-	(11,842,006)	2.50%	(296,050)
334-40	Meters and Meter Installations	14,194,432	-	-	14,194,432	2.50%	354,861
	Meters-CIAC		(309,508)	-	(309,508)	2.50%	(7,738)
335-40	Hydrants	3,230,141	-	(6,986)	3,223,155	2.50%	80,579
	Hydrants-CIAC		(469,843)	-	(469,843)	2.50%	(11,746)

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 Schedule 2
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