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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION IF UNITED WATER IDAHO INC, FOR AUTHORITY TO INCREASE ITS RATES AND CHANGES FOR WATER SERVICE IN THE STATE OF IDAHO	Case No. UWI-W-11-02

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF PAUL R. HERBERT
CONCERNING
REVENUE UNDER PRESENT AND PROPOSED RATES
COST OF SERVICE ALLOCATION
AND
CUSTOMER RATE DESIGN

1 **Q. Please state your name and address.**

2 A. My name is Paul R. Herbert. My business address is 207 Senate Avenue,
3 Camp Hill, Pennsylvania.

4 **Q. By whom are you employed?**

5 A. I am employed by Gannett Fleming, Inc.

6 **Q. Please describe your position with Gannett Fleming, Inc., and briefly**
7 **state your general duties and responsibilities.**

8 A. I am President of the Valuation and Rate Division. My duties and
9 responsibilities include the preparation of accounting and financial data for
10 revenue requirement and cash working capital claims, the allocation of cost
11 of service to customer classifications, and the design of customer rates in
12 support of public utility rate filings.

13 **Q. Have you presented testimony in rate proceedings before a regulatory**
14 **agency?**

15 A. Yes. I have testified before the Pennsylvania Public Utility Commission, the
16 New Jersey Board of Public Utilities, the Public Utilities Commission of Ohio,
17 the Public Service Commission of Ist Virginia, the Kentucky Public Service
18 Commission, the Iowa State Utilities Board, the Virginia State Corporation
19 Commission, the Missouri Public Service Commission, the New Mexico
20 Public Regulation Commission, the Public Utilities Commission of the State
21 of California, the Illinois Commerce Commission, the Delaware Public
22 Service Commission, the Arizona Corporation Commission, the Connecticut
23 Department of Public Utility Control, and the Tennessee Regulatory
24 Authority, concerning revenue requirements, cost of service allocation, rate

1 design and cash working capital claims. A list of cases in which I have
2 testified is attached to my testimony.

3 **Q. What is your educational background?**

4 A. I have a Bachelor of Science Degree in Finance from the Pennsylvania State
5 University, University Park, Pennsylvania.

6 **Q. Would you please describe your professional affiliations?**

7 A. I am a member of the American Water Works Association and served as a
8 member of the Management Committee for the Pennsylvania Section. I am
9 also a member of the Pennsylvania Municipal Authorities Association. In
10 1998, I became a member of the National Association of Water Companies
11 as III as a member of its Rates and Revenue Committee.

12 **Q. Briefly describe your work experience.**

13 A. I joined the Valuation Division of Gannett Fleming Corddry and Carpenter,
14 Inc., predecessor to Gannett Fleming, Inc., in September 1977, as a Junior
15 Rate Analyst. Since then, I advanced through several positions and was
16 assigned the position of Manager of Rate Studies on July 1, 1990. On June
17 1, 1994, I was promoted to Vice President and Senior Vice President in
18 November 2003. On July 1, 2007, I was promoted to my current position as
19 President of the Valuation and Rate Division.

20 While attending Penn State, I was employed during the summers of
21 1972, 1973 and 1974 by the United Telephone System - Eastern Group in its
22 accounting department. Upon graduation from college in 1975, I was

employed by Herbert Associates, Inc., Consulting Engineers (now Herbert Rowland and Grubic, Inc.), as a field office manager until September 1977.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony is in support of the proof of revenue under present and proposed rates, and cost of service allocation and rate design study under my direction and supervision for United Water Idaho Inc. (the "Company").

Q. Have you prepared exhibits presenting the results of your study?

A. Yes. Exhibit No. 5 presents the proof of revenue including the application of present and proposed rates to consumption analysis for the twelve months ended April 30, 2011 and pro forma revenue under present and proposed rates, including adjustments to revenue. Exhibit No. 6 presents the results of the allocation of pro forma cost of service as of April 30, 2011, and the proposed rate design.

PROOF OF REVENUE – EXHIBIT NO. 5

Q. Have you prepared proof of revenue schedules under present and proposed rates?

A. Yes. Schedules 1 through 7 in Exhibit 5 set forth the proof of revenues from the application of present and proposed rates to the customer consumption analysis. Pages 1 through 3 provide an explanation of the schedules.

Q. Did you prepare the adjustments as shown in Schedules 4 through Schedule 4C of Exhibit 5?

1 A. Yes. The billing determinants associated with three revenue adjustments
2 are summarized in Schedule 4. The revenues are calculated for the three
3 adjustments in Schedules 4A, 4B, and 4C. Adjustment R1 adjusts revenues
4 by annualizing for the gain or loss of customers during the test year ended
5 April 30, 2011. Adjustment R2 adjusts revenues for the projected number of
6 customers through February 28, 2012. Adjustment R3 adjusts revenues due
7 to the projected decline in customer usage for residential and commercial
8 customers.

9 **Q. How did you determine the projected decline in customer usage for**
10 **residential customers?**

11 A. Using billed consumption records from January 2001 through December
12 2010, our analysis of residential water usage proceeded in three main steps.
13 Step one was to determine the level of baseline indoor usage, which is not
14 sensitive to weather variations. Step two examines seasonal irrigation
15 usage and determines its relationship to weather variations and its trend
16 over time. Step three combines the projected indoor usage with projected
17 irrigation usage to yield projected total consumption per residential customer.

18 **Q. Please detail your steps 1 through 3.**

19 In Step 1, I examined the month to month variation in billed consumption for
20 the last five-year period. I determined that the billed consumption per
21 customer data for December through April consistently remained well below
22 the other months' values. Also, the values across years for each month fell
23 in a much tighter cluster than values for the other months (suggesting

invariance to weather conditions). I reasoned that data for these months could therefore be used as representative of an indoor rate of consumption. That is, the consumption for those winter months did not contain a significant outdoor use component that is dependent on variations in weather. It should be noted that the values for each month reflect a lag in billing due to bi-monthly billing and thus roughly represent consumption spanning late October through March. I annualized this winter consumption in Schedule 6 of Exhibit No. 5, by multiplying the gallons per customer per day (column 3) by 365 to yield an estimate of the total indoor usage per customer per year (column 4). I used linear regression to fit a trendline of this resulting annual indoor consumption (column 5). The resulting trend equation showed a very good fit, with an adjusted R-squared of 0.855. This value can be interpreted as the percentage of the year to year variation in indoor consumption that can be explained as a trend over time. The associated F-statistic with this R-squared indicates that the trendline fits the data to a significance level that is below one one-hundredth of one percent (less than 0.01%). The slope of the resulting trendline is -1,681, meaning that annual indoor use is projected to decline by 1,681 gallons per customer per year, or about 2.25 ccf.

In Step 2, I calculated the irrigation use as the difference between total billed consumption per customer per year and the annualized winter (i.e., indoor) usage. I performed a regression analysis to fit the irrigation consumption to year and to a weather variable, the Palmer Z index for the Boise area. This index is a short-term (monthly) measure of soil moisture. I

used the average Z-index for the 7-month period of April through October. The irrigation consumption showed a very good fit to the year and weather variables, with an adjusted R-squared of 0.911. Like the indoor trendline, this equation had an associated F-statistic that indicates that the equation fits the data to a significance level that is below one one-hundredth of one percent. The test statistics for the coefficients on the year and weather variables were each very strong, with significance levels well below one percent.

Using this equation, I fit a trendline of irrigation usage over time by setting the value of the weather variable equal to the 30-year average of the Palmer Z index in column 7 of Schedule 6. The 30 year average is negative 0.16, indicating that this level of slight drought has been "normal" for the Boise area for the April-October. The resulting trendline is thus "normalized" for weather. This normalized irrigation trendline has a slope of negative 1,571, indicating that, for weather held constant, irrigation use is projected to decline by 1,571 gallons per customer per year or 2.10 ccf.

In Step 3, I calculated a total consumption trendline as the sum of the indoor and irrigation trendlines in column 9 of Schedule 6. The slope of the resulting total consumption trendline is negative 3,252, indicating that total consumption, normalized for weather, is projected to decline by 3,252 gallons per customer per year. (Note that this slope is the sum of the indoor and irrigation slopes.) This annual decline corresponds to a decrease of 4.35 ccf per customer per year.

Schedule 7 is a graph of the total billed consumption and estimated consumption lines. The weather-normalized trendline, where the drought index is fixed at the 30-year average, is shown along with the results of fitting the irrigation consumption to the year and to the actual drought index simultaneously (dotted line). The dotted line is included to show the close tracking of this line with actual billed consumption, which demonstrates the high explanatory power of the time and weather variables in the residential irrigation regression equation.

Q. How was the adjustment to usage determined in Schedule 4 for residential customers?

A. I took the average projected annual consumption of 153.8 ccf (115,053 gallons) per residential customer multiplied it by the number of residential customers in the test year of 73,937 which equals 11,371,472 ccf and subtracted from that the test year residential consumption of 11,425,250, resulting in an adjustment of -53,778 ccf.

Q. How did you determine the projected decline in customer usage for commercial customers?

A. For commercial customers, I began by proceeding with the type of analysis conducted for residential water usage as described above. I calculated a base, indoor usage from winter consumption and calculated an irrigation use as the difference between total billed consumption and indoor consumption. However, when I developed regressions of irrigation use on time and weather, I found that, in contrast to the residential results, the drought index

variable was not significant in explaining the variation in commercial irrigation consumption, while the year variable showed a weak relationship with irrigation consumption. I reasoned that it makes some sense that commercial seasonal water use is less weather dependent than residential, as such customers may be on fixed schedules for watering and there are other seasonal uses (e.g., car washes, laundries, construction) that are relatively independent of weather.

Since the irrigation consumption regression results showed no reason to treat irrigation differently than indoor use, I performed a regression analysis of total billed commercial consumption per customer on year and found the resulting trend line to yield a very good fit to the consumption data, with an adjusted R-squared of 0.761 and an associated F-statistic that indicates that the equation fits the data to a significance level that is below one-tenth of one percent.

The resulting trendline slope of negative 18,112 indicates that commercial consumption can be projected to decline by 18,112 gallons per customer per year, which corresponds to declines of 24 ccf per customer per year and 50 gallons per customer per day. This decline represents a 3.5% decrease in commercial consumption from the projected 2011 value to the projected 2012 value. See Schedule 8 and the graph on Schedule 9.

Q. Do your commercial irrigation regression results therefore indicate that weather does not affect commercial consumption?

A. Not at all. The test statistics associated with our regression equations only state that I cannot with confidence *reject* the hypothesis that weather *does not* affect commercial irrigation consumption. This is not the same as saying definitively that weather does not affect consumption. In fact, our regression of irrigation on year and weather estimated a coefficient on the weather variable of negative 12,651. The p-value on this coefficient was 20.3% (for a two-tailed test, i.e., a test that weather has neither positive nor negative effect). This p-value means that, if weather indeed truly has no effect, then the chance of seeing the irrigation usage that was measured for the past ten years is approximately 20 percent. Considering that I could rule out weather having a positive effect, then the p-value could be halved, to approximately 10 percent. Because analysts typically use a threshold of 5 percent or lower for a p-value, I could not reject the hypothesis that weather has no effect.

Q. How was the adjustment to usage determined in Schedule 4 for commercial customers?

A. I took the average projected annual consumption of 665.3 ccf per commercial customer multiplied it by the number of commercial customers in the test year of 8,906 which equals 5,924,829 ccf and subtracted from that the test year residential consumption of 6,074,546, resulting in a in an adjustment of -149,717 ccf.

Q. Please explain your choice of the Palmer Z index to measure weather conditions.

A. The National Climatic Data Center of the National Oceanic and Atmospheric Administration (NOAA) compiles various indices to measure drought for each climatic district in the United States. The various Palmer indices use temperature data in estimating evapotranspiration combined with precipitation data in equations designed to measure the level of drought (soil moisture levels) existing in the given month. The Z index, also referred to as the "moisture anomaly index", is calibrated such that 0.00 is neutral while negative represents relatively low soil moisture (drought). For example, the April-October average index for 2002, the third driest year on record in terms of precipitation, is -2.07. An alternative index, the Palmer Drought Severity Index (PDSI) is a measure of long-term drought conditions that is sometimes used in fitting water demand. The PDSI includes the Z index in its intermediate calculations. I reasoned that the Palmer Z index had fewer of the shortcomings sometimes attributed to the Drought Severity Index and also that domestic watering would be dependent on immediate temperature and precipitation conditions that would be adequately captured by an index oriented to short term (monthly) measures, as the Z-index does. Moreover, I ran the regression with the PDSI in place of the Z-index, and found the Z index to yield a better fit as measured by R-squared.

Q. What is the significance of the findings of your consumption projections?

A. The past ten years of billing data shows a pronounced declining trend in consumption, particularly when controlling for varying weather conditions.

This trend is to be expected in light of measures aimed to reduce water demand, such as the federal energy standards for household fixtures and appliances, United Water Idaho's programs to promote water conservation, and the requirement that new developments connect to non-potable irrigation water sources if they are available. The trend is being experienced and studied in water systems across the country. Because the fixtures and appliances are gradually and continually being replaced, federal standards are being tightened, consumer awareness continues to grow, and new developments continue to be added, this trend of decreasing usage can be expected to continue.

While a decline of 3,252 gallons per residential customer per year (8.9 gallons per day) appears large, it is well within reason. It is true that studies for water companies in the eastern and midwestern U.S. are also finding a declining use, just not to this extent, but they do not serve as a good basis for comparison because usage in these areas is much lower due largely to the lower use for outdoor watering. Available study data for arid areas includes Phoenix, where annual residential water use per customer declined by nearly 20,000 gallons (averaging a 5,000 gallon decline each year) from 2002-2006, a decrease of over 2.8 percent per year. It also helps to put the decline in the context of potential reductions in a hypothetical household. For example, for a household that flushes the toilet 10 times per day, replacing the old standard 3.5 gallons per flush toilet with

the current 1.6 gallons per flush model would reduce the household's water consumption by 19 gallons per day.

It is crucial to United Water Idaho to be forward rather than backward looking in estimating its expected water consumption levels in order to insure that rates are set properly for a sufficient revenue stream. That is, the Company needs to account for these declining trends, rather than apply rates that are based on consumption from previous years as if such consumption levels will continue to hold true.

Q. Could it be argued that consumption is declining over time due to economic conditions?

A. One of the reasons for using data back to 2001 is to incorporate a variety of economic conditions. The decline is also evident for the period before the economic downturn began in 2008. That is, water use per customer was on a declining trend even when the economy was growing. This is also the case in 2010, when the Idaho gross domestic product grew at an inflation-adjusted rate of two percent while water use per customer continued its decline.

Q. Would a five-year average be a reasonable basis to insure sufficient revenue for the Company, considering that it incorporates the low usage of the immediately preceding two wet years (2009 and 2010)?

A. There would be several shortcomings to this approach. The first is with respect to the weather-invariant components of demand. Indoor residential consumption is not dependent on these weather variations, yet shows a

pronounced declining trend. See my previous statement about the very strong regression results fitting a time trend to this data. Likewise, commercial consumption shows an unmistakable downward trend over time. With a downward time trend, the five-year (or any fixed length) average over the previous period will be higher than the average in the subsequent years.

The other shortcoming is related to the weather patterns over the past five years. While the two recent years were "wetter" (had a lower drought index) than average, 2007 was the tenth driest (in precipitation) year on record. The average drought index for the five years from 2006-2010 was -0.25, which in fact is lower than the long-term average used in our equations (-0.16). That is, the average consumption for the period reflects what is, on average, a drier period of weather than is "normal". Even if there weren't the declining time trend noted and discussed previously, the five year average would overestimate expected future consumption due to it drawing from a drier period than normal.

Schedule 7 introduced above in the discussion of the residential consumption analysis, includes a flat line (dashed) at 128,887 gallons per year, representing the five-year average consumption for the period 2006-2010. The schedule displays the growing divergence of projected future consumption from this five-year average consumption line as one moves along the future trendline. Use of the five-year average consumption of 128,887 rather than the projected use of 115,053 gallons per customer

would grossly overstate the revenues to be generated for the period when new rates will be effective from this rate case.

Q. What other evidence can you provide that shows that the use of a five-year average is inappropriate?

A. In the Company's last rate case at Case No. UWI-W-009-01, Exhibit No. 12, Schedule 4 shows the residential usage per bill based on a five-year average at 28.83 ccf. This equates to an annual level of 172.98 ccf or 129,389 gallons per year. This level is 10.9% higher than the 2010 average usage and 12.5% higher than the projected usage of 115,053.

For commercial customers, the five-year average from the last case was 124.46 ccf per bill or 746.76 ccf annually or 558,576 gallons per year. This level is 8.6% higher than the 2010 average usage and 12.3% higher than the projected usage of 497,614.

Stated quite simply, the Company cannot continue to use a multi-year average usage to determine the appropriate level of rates. To do so will continue to erode the Company's revenue levels and its allowed rate of return.

Q. What are the Company's options if it is required to continue to use outdated consumption data to set rates?

A. In my opinion, if the Company continues to be required to use multi-year average usage data to set rates, they should explore alternative methods to propose revenue reconciliation or decoupling mechanisms in order to ensure its revenue stream and avoid the erosion of their rate of return.

COST OF SERVICE ALLOCATION

Q. Briefly describe the purpose of your cost allocation study.

A. The purpose of the study was to allocate the total cost of service, which is the total revenue requirement, to the several customer classifications. In the study, the total costs Ire allocated to the residential, commercial, public authority, and private and public fire protection classifications in accordance with generally accepted principles and procedures. The cost of service allocation results in indications of the relative cost responsibilities of each class of customers. The allocated cost of service is one of several criteria appropriate for consideration in designing customer rates to produce the required revenues.

Q. Have you prepared an exhibit presenting the results of your studies?

A. Yes. The results of my allocation of the pro forma cost of service as of April 30, 2011, and proposed customer rates to produce the pro forma revenue requirement as of that date are presented in Exhibit No. 6.

Q. Please describe the method of cost allocation that was used in your study.

A. The base-extra capacity method, as described in the 2000 and prior editions of the Water Rates Manual published by the American Water Works Association (AWWA), was used to allocate the pro forma costs. It is a recognized method for allocating the cost of providing water service to customer classifications in proportion to each classification's use of the commodity, facilities, and services. It is generally accepted as a sound

1 method for allocating the cost of water service and was the method that was
2 used by the Company in the Company's prior rate cases.

3 **Q. Is the method described in Exhibit No. 6?**

4 A. Yes. It is described on pages 1-3 of the exhibit.

5 **Q. Please describe the procedure followed in the cost allocation study.**

6 A. Each identified classification of cost in the pro forma cost of service was
7 allocated to the customer classifications through the use of appropriate
8 allocation factors. This allocation is presented in Schedule B, page 1of 6
9 through page 6 of 6 in Exhibit No. 6. The items of cost, which include
10 operation and maintenance expenses, depreciation expense, taxes and
11 income available for return, are identified in column 1 of Schedule B. The
12 cost of each item, shown in column 3, is allocated to the several customer
13 classifications based on allocation factors referenced in column 2. The
14 development of the allocation factors is presented in Schedule C of the
15 exhibit.

16 I will use some of the larger cost items to illustrate the principles and
17 considerations used in the cost allocation methodology. Purchased water,
18 purchased electric power and treatment chemicals are examples of costs
19 that tend to vary with the amount of water consumed and are thus
20 considered base costs. They are allocated to the several customer
21 classifications in direct proportion to the average daily consumption of those
22 classifications through the use of Factor 1. The development of Factor 1 is
23 shown in Schedule C on page 1 of 21 in Exhibit No. 6.

Other source of supply, water treatment and transmission costs are associated with meeting usage requirements in excess of the average, generally to meet maximum day requirements. Costs of this nature were allocated to customer classifications partially as base costs, proportional to average daily consumption, partially as maximum day extra capacity costs, in proportion to maximum day extra capacity, and, in the case of certain pumping stations and transmission mains, partially as fire protection costs, through the use of Factors 2 and 3. The development of the allocation factors, referenced as Factors 2 and 3, is shown in Schedule C, on pages 1-4 of 21 in Exhibit No. 6.

Costs associated with storage facilities and the capital costs of distribution mains were allocated partly on the basis of average consumption and partly on the basis of maximum hour extra demand, including the demand for fire protection service, because these facilities are designed to meet maximum hour and fire demand requirements. The development of the factors, referenced as Factors 4 and 5, used for these allocations is shown in Schedule C, on pages 5-8 of 21 in Exhibit No. 6. Fire demand costs were allocated to public and private fire protection service and general service in proportion to the relative potential demands on the system by hydrants, fire services, and commercial service lines sized to provide both fire protection and general service, as presented on Schedule E, page 1 of 1 in Exhibit No. 6.

Costs associated with the operation and maintenance of mains were allocated on combined bases of maximum day and maximum hour extra capacity because these facilities serve both functions. The relative weightings of Factor 3 (maximum day) and Factor 4 (maximum hour) for the operation and maintenance of mains were based on footage of mains, serving maximum day and maximum hour functions. The development of these weighted factors, referenced as Factor 6, is presented on Schedule C, page 9 of 21 in Exhibit No. 6.

Costs associated with meters and service line facilities were allocated to customer classifications in proportion to the capital costs of the sizes and quantities of meters and services serving each classification. The development of factors for meters and services, referenced as Factor 8 and Factor 9, is presented on Schedule C, pages 10-13 of 21 C in Exhibit No. 6.

Costs for customer accounting, billing and collecting were allocated on the basis of the number of customers for each classification, and costs for meter reading were allocated on the basis of metered customers. The development of these factors, referenced as Factor 12 and Factor 13, is presented on Schedule C, pages 15 of 21 in Exhibit No. 6.

Administrative and general costs were allocated on the basis of allocated direct costs excluding those costs, such as purchased water, power, and chemicals which require little administrative and general expense. The development of factors for this allocation, referenced as Factor 14, is presented on Schedule C, page 16 of 21 in Exhibit No. 6.

Annual depreciation accruals were allocated on the basis of the function of the facilities represented by the depreciation expense for each depreciable plant account. The original cost less depreciation of utility plant in service was similarly allocated for the purpose of developing factors, referenced as Factor 18, for allocating items such as income taxes and return. The development of Factor 18 is presented on Schedule C, pages 18-20 in Exhibit No. 6.

Q. What was the source of the total cost of service data set forth in column 3 of Schedule B of Exhibit No. 6?

A. The pro forma costs of service were furnished by the Company and are set forth in Exhibit No. 10

Q. Refer to Schedule C, pages 2 through 6 of 21 of Exhibit No. 6, and explain the source of the system maximum day and maximum hour ratios used in the development of factors referenced as Factors 2, 3 and 4.

A. The ratios were based on a review of experienced Company data for 2001 through 2009 as shown on Schedule D on Exhibit No. 6. The maximum day ratio of 2.3 times the average day approximates the ratio of maximum daily send-out experienced by the Company in 2005. The system maximum hour ratio of 3.6 times the average hour was based the ratio of maximum hourly send-out also experienced by the Company in 2005.

1 **Q. What factors were considered in estimating the maximum day extra**
2 **capacity and maximum hour extra capacity demands used for the**
3 **customer classifications in the development of Factors 2, 3 and 4?**
4 A. The estimated demands were based on judgment which considered the
5 system maximum day and hour ratios, field observations of the service areas
6 of the Company, and generally-accepted customer class maximum day and
7 maximum hour diversity factors.
8 **Q. Please describe the reallocation of public fire costs.**
9 A. The cost of service study reallocates the public fire protection costs to the
10 residential, commercial, and public authority classifications since the
11 Company does not charge for public fire protection through public fire
12 hydrant rates. The public fire costs should be recovered in the other
13 classes' fixed charges.
14 **Q. How did you reallocate the cost of public fire service?**
15 A. Based on the fact that these costs are fixed and should be recovered in fixed
16 charges, I allocated the public fire costs using Factor 20, which is based on
17 the meter equivalents of the residential, commercial and public authority
18 classifications.
19 **Q. Have you summarized the results of your cost allocation study?**
20 A. Yes. The results are summarized in columns 1, 2 and 3 of Schedule A,
21 page 1 of 1 of Exhibit No. 6. Column 2 sets forth the total allocated pro
22 forma cost of service as of April 30, 2011 for each customer classification

identified in column 1. Column 3 presents each customer classification's cost responsibility as a percent of the total cost.

Q. Have you compared these cost responsibilities with the proportionate revenue under existing rates for each customer classification?

A. Yes. A comparison of the allocated cost responsibilities and the percentage revenue under existing rates can be made by comparing columns 3 and 5 of Schedule A of Exhibit 6. A similar comparison of the percentage cost responsibilities (relative cost of service) and the percentage of pro forma revenues (relative revenues) under proposed rates can be made by comparing columns 3 and 7 of Schedule A of Exhibit No. 6.

CUSTOMER RATE DESIGN

Q. What are the appropriate factors to be considered in the design of the rate structure?

A. In preparing a rate structure, one should consider the allocated costs of service, the impact of radical changes from the present rate structure, the understandability and ease of application of the rate structure, community and social influences, and the value of service. General guidelines should be developed with management to determine the extent to which each of these criteria is to be incorporated in the rate structure to be designed, inasmuch as the pricing of a commodity or service is a function of management.

Q. Did management provide rate design guidelines to you?

A. Yes, it did. The guidelines included (1) increase customer charges to be more in line with customer costs, (2) develop private fire rates to recover the cost of providing private fire service, and (3) increase rates by customer classification in a manner that moves the revenues recovered from each classification toward the indicated cost of service.

Q. Do the proposed rates comply with these guidelines?

A. Yes, they do.

Q. Please describe the rate structure.

A. The existing rate structure consists of monthly customer charges, which vary by meter size, and consumption charges based on a 2-block inclining rate structure in the summer and one block structure for consumption in the winter. The proposed rate structure continues to include customer charges by meter size (with proposed increases as described later in my testimony) and the same winter uniform consumption rate and inclining block rates in the summer.

Q. Please explain the increases in the customer charges.

A. The existing customer charges for residential, commercial, and public classes are well-below cost of service. The proposed 5/8-inch and ¾-inch customer charges reflect an approximate 28.2% increase over the existing base rate customer charges with similar or larger increase for the larger-sized meters.

The increase to the bi-monthly 5/8-inch and ¾-inch customer charges is from $18.10 to $23.20. This increase continues the movement toward the

indicated cost of service for a 5/8-inch meter of $26.00 on a bi-monthly basis. The customer cost analysis includes the cost of Public Fire Service of $1.48 per bi-monthly bill as discussed earlier in my testimony. The calculation of customer costs is shown on Schedule F of Exhibit No. 6.

Q. What are the appropriate costs to include in a customer charge?

A. According to the AWWA Water Rates Manual, M1, a properly designed customer charge should recover the operation and maintenance expenses associated with meters and service lines as well as the depreciation expense and return and taxes related to meters and service line investment. It should also recover the cost of meter reading and billing and collecting costs associated with rendering a customer bill. These costs are all customer-related and do not vary with the level of consumption, only with the size of the meter and service line.

Also, as mentioned earlier, the customer charge should recover the cost of public fire protection since these costs are not recovered through public fire hydrant rates and are also fixed costs that do not vary with usage. Refer to Schedule F for the detailed calculation of customer costs.

Q. Does the AWWA Water Rates Manual support the recovery of public fire protection costs through fixed charges?

A. Yes, it does. Chapter 30, page 227 of the manual discusses the alternative methods for direct charges to recover public fire costs where there are no public fire hydrant charges. It states as follows:

> *An alternative direct-charge mechanism is a fixed charge that is unrelated to water use included on the water*

bill. . . . One alternative is to charge each customer a fixed amount. While easy to administer, this method does not recognize any differences in the level of fire protection provided. . . another option is billing based on equivalent meters, where it is assumed that customers with larger meters have larger properties to protect.

In the customer charge analysis provided in Schedule F, I used the equivalent meters method to develop public fire charges for each meter size to be included in the customer charge.

Q. Why is it important to set sufficient and appropriate customer charges?

A. Customer costs are fixed costs that do not vary with customer usage. If such costs are not recovered in customer charges, then the only place for recovery is in the consumption charges. With the Company facing declining use as demonstrated in my testimony and exhibits, the Company will continue to under-recover fixed costs and erode their allowed rate of return.

Q. What changes are you proposing to Private Fire Protection rates?

A. The existing private fire protection rates generate revenues well below the cost of service. The proposed rates for private fire protection are increased by 30% to move the Private Fire Protection class closer to cost of service.

Q. What are the proposed consumption rates?

A. The existing consumption rates are increased 16.2% and maintain the same rate blocks and the 25% differential between the first and second block rates for summer usage.

Q. Do the proposed rates result in movement toward the cost of service for each classification?

1 A. Yes, as Schedule A, page 1 of 1, in Exhibit No. 6 demonstrates, the
2 revenues under proposed rates are better aligned with the cost of service by
3 classification than the revenues under present rates.

4 **Q. Have you prepared comparisons of present and proposed rates for**
5 **each classification?**

6 A. Yes. Schedule G of Exhibit No. 6 presents comparisons of the present and
7 proposed rate schedules.

8 **Q. Have you prepared proof of revenue schedules under present and**
9 **proposed rates?**

10 A. I have provided proof of revenues from the application of present and
11 proposed rates to the bill analysis in Exhibit No. 5.

12 **Q. Does this complete your testimony at this time?**

13 A. Yes, it does.

	Year	Jurisdiction	Docket No.	Client/Utility	Subject
1.	1983	Pa. PUC	R-832399	T. W. Phillips Gas and Oil Co.	Pro Forma Revenues
2.	1989	Pa. PUC	R-891208	Pennsylvania-American Water Company	Bill Analysis and Rate Application
3.	1991	PSC of W. Va.	91-106-W-MA	Clarksburg Water Board	Revenue Requirements (Rule 42)
4.	1992	Pa. PUC	R-922276	North Penn Gas Company	Cash Working Capital
5.	1992	NJ BPU	WR92050532J	The Atlantic City Sewerage Company	Cost Allocation and Rate Design
6.	1994	Pa. PUC	R-943053	The York Water Company	Cost Allocation and Rate Design
7.	1994	Pa. PUC	R-943124	City of Bethlehem	Revenue Requirements, Cost Allocation, Rate Design and Cash Working Capital
8.	1994	Pa. PUC	R-943177	Roaring Creek Water Company	Cash Working Capital
9.	1994	Pa. PUC	R-943245	North Penn Gas Company	Cash Working Capital
10.	1994	NJ BPU	WR94070325	The Atlantic City Sewerage Company	Cost Allocation and Rate Design
11.	1995	Pa. PUC	R-953300	Citizens Utilities Water Company of Pennsylvania	Cost Allocation and Rate Design
12.	1995	Pa. PUC	R-953378	Apollo Gas Company	Revenue Requirements and Rate Design
13.	1995	Pa. PUC	R-953379	Carnegie Natural Gas Company	Revenue Requirements and Rate Design
14.	1996	Pa. PUC	R-963619	The York Water Company	Cost Allocation and Rate Design
15.	1997	Pa. PUC	R-973972	Consumers Pennsylvania Water Company - Shenango Valley Division	Cash Working Capital
16.	1998	Ohio PUC	98-178-WS-AIR	Citizens Utilities Company of Ohio	Water and Wastewater Cost Allocation and Rate Design
17.	1998	Pa. PUC	R-984375	City of Bethlehem - Bureau of Water	Revenue Requirement, Cost Allocation and Rate Design
18.	1999	Pa. PUC	R-994605	The York Water Company	Cost Allocation and Rate Design
19.	1999	Pa. PUC	R-994868	Philadelphia Suburban Water Company	Cost Allocation and Rate Design
20.	1999	PSC of W.Va.	99-1570-W-MA	Clarksburg Water Board	Revenue Requirements (Rule 42), Cost Allocation and Rate Design
21.	2000	Ky. PSC	2000-120	Kentucky-American Water Company	Cost Allocation and Rate Design
22.	2000	Pa. PUC	R-00005277	PPL Gas Utilities	Cash Working Capital
23.	2000	NJ BPU	WR00080575	Atlantic City Sewerage Company	Cost Allocation and Rate Design
24.	2001	Ia. St Util Bd	RPU-01-4	Iowa-American Water Company	Cost Allocation and Rate Design
25.	2001	Va. St. Corp	PUE010312	Virginia-American Water Company	Cost Allocation and Rate Design
26.	2001	WV PSC	01-0326-W-42T	West-Virginia American Water Company	Cost Allocation And Rate Design
27.	2001	Pa. PUC	R-016114	City of Lancaster	Tapping Fee Study
28.	2001	Pa. PUC	R-016236	The York Water Company	Cost Allocation and Rate Design
29.	2001	Pa. PUC	R-016339	Pennsylvania-American Water Company	Cost Allocation and Rate Design
30.	2001	Pa. PUC	R-016750	Philadelphia Suburban Water Company	Cost Allocation and Rate Design
31.	2002	Va. St. Corp Cm	PUE-2002-00375	Virginia-American Water Company	Cost Allocation and Rate Design
32.	2003	Pa. PUC	R-027975	The York Water Company	Cost Allocation and Rate Design
33.	2003	Tn Reg. Auth	03-	Tennessee-American Water Company	Cost Allocation and Rate Design
34.	2003	Pa. PUC	R-038304	Pennsylvania-American Water Company	Cost Allocation and Rate Design
35.	2003	NJ BPU	WR03070511	New Jersey-American Water Company	Cost Allocation and Rate Design
36.	2003	Mo. PSC	WR-2003-0500	Missouri-American Water Company	Cost Allocation and Rate Design
37.	2004	Va. St. Corp Cm	PUE-200 -	Virginia-American Water Company	Cost Allocation and Rate Design
38.	2004	Pa. PUC	R-038805	Pennsylvania Suburban Water Company	Cost Allocation and Rate Design
39.	2004	Pa. PUC	R-049165	The York Water Company	Cost Allocation and Rate Design
40.	2004	NJ BPU	WRO4091064	The Atlantic City Sewerage Company	Cost Allocation and Rate Design
41.	2005	WV PSC	04-1024-S-MA	Morgantown Utility Board	Cost Allocation and Rate Design
42.	2005	WV PSC	04-1025-W-MA	Morgantown Utility Board	Cost Allocation and Rate Design
43.	2005	Pa. PUC	R-051030	Aqua Pennsylvania, Inc.	Cost Allocation and Rate Design
44.	2006	Pa. PUC	R-051178	T. W. Phillips Gas and Oil Co.	Cost Allocation and Rate Design
45.	2006	Pa. PUC	R-061322	The York Water Company	Cost Allocation and Rate Design
46.	2006	NJ BPU	WR-06030257	New Jersey American Water Company	Cost Allocation and Rate Design

LIST OF CASES IN WHICH PAUL R. HERBERT TESTIFIED

	Year	Jurisdiction	Docket No.	Client/Utility	Subject
47.	2006	Pa. PUC	R-061398	PPL Gas Utilities, Inc.	Cost Allocation and Rate Design
48.	2006	NM PRC	06-00208-UT	New Mexico American Water Company	Cost Allocation and Rate Design
49.	2006	Tn Reg Auth	06-00290	Tennessee American Water Company	Cost Allocation and Rate Design
50.	2007	Ca. PUC	U-339-W	Suburban Water Systems	Water Conservation Rate Design
51.	2007	Ca. PUC	U-168-W	San Jose Water Company	Water Conservation Rate Design
52.	2007	Pa. PUC	R-00072229	Pennsylvania American Water Company	Cost Allocation and Rate Design
53.	2007	Ky. PSC	2007-00143	Kentucky American Water Company	Cost Allocation and Rate Design
54.	2007	Mo. PSC	WR-2007-0216	Missouri American Water Company	Cost Allocation and Rate Design
55.	2007	Oh. PUC	07-1112-WS-AIR	Ohio American Water Company	Cost Allocation and Rate Design
56.	2007	Il. CC	07-0507	Illinois American Water Company	Customer Class Demand Study
57.	2007	Pa. PUC	R-00072711	Aqua Pennsylvania, Inc.	Cost Allocation and Rate Design
58.	2007	NJ BPU	WR07110866	The Atlantic City Sewerage Company	Cost Allocation and Rate Design
59.	2007	Pa. PUC	R-00072492	City of Bethlehem – Bureau of Water	Revenue Reqmts, Cost Alloc.
60.	2007	WV PSC	07-0541-W-MA	Clarksburg Water Board	Cost Allocation and Rate Design
61.	2007	WV PSC	07-0998-W-42T	West Virginia American Water Company	Cost Allocation and Rate Design
62.	2008	NJ BPU	WR08010020	New Jersey American Water Company	Cost Allocation and Rate Design
63.	2008	Va St Corp Com	PUE-2008-00009	Virginia American Water Company	Cost Allocation and Rate Design
64.	2008	Tn. Reg. Auth.	08-00039	Tennessee American Water Company	Cost Allocation and Rate Design
65.	2008	Mo PSC	WR-2008-0311	Missouri American Water Company	Cost Allocation and Rate Design
66.	2008	De PSC	08-96	Artesian Water Company, Inc.	Cost Allocation and Rate Design
67.	2008	Pa PUC	R-2008-2032689	Penna. American Water Co. – Coatesville Wastewater	Cost Allocation and Rate Design
68.	2008	AZ Corp. Com.	W-01303A-08-0227 SW-01303A-08-0227	Arizona American Water Co. - Water Wastewater	Cost Allocation and Rate Design
69.	2008	Pa PUC	R-2008-2023067	The York Water Company	Cost Allocation and Rate Design
70.	2008	WV PSC	08-0900-W-42T	West Virginia American Water Company	Cost Allocation and Rate Design
71.	2008	Ky PSC	2008-00250	Frankfort Electric and Water Plant Board	Cost Allocation and Rate Design
72.	2008	Ky PSC	2008-00427	Kentucky American Water Company	Cost Allocation and Rate Design
73.	2009	Pa PUC	2008-2079660	UGI – Penn Natural Gas	Cost of Service Allocation
74.	2009	Pa PUC	2008-2079675	UGI – Central Penn Gas	Cost of Service Allocation
75.	2009	Pa PUC	2009-2097323	Pennsylvania American Water Co.	Cost Allocation and Rate Design
76.	2009	Ia St Util Bd	RPU-09-	Iowa-American Water Company	Cost Allocation and Rate Design
77.	2009	Il CC	09-0319	Illinois-American Water Company	Cost Allocation and Rate Design
78.	2009	Oh PUC	09-391-WS-AIR	Ohio-American Water Company	Cost Allocation and Rate Design
79.	2009	Pa PUC	R-2009-2132019	Aqua Pennsylvania, Inc.	Cost Allocation and Rate Design
80.	S009	Va St Corp Com	PUE-2009-00059	Aqua Virginia, Inc.	Cost Allocation (only)
81.	2009	Mo PSC	WR-2010-0131	Missouri American Water Company	Cost Allocation and Rate Design
82.	2010	Va St Corp Com	PUE-2010-00001	Virginia American Water Company	Cost Allocation and Rate Design
83.	2010	Ky PSC	2010-00036	Kentucky American Water Company	Cost Allocation and Rate Design
84.	2010	NJ BPU	WR10040260	New Jersey American Water Company	Cost Allocation and Rate Design
85.	2010	Pa PUC	2010-2167797	T.W. Phillips Gas and Oil Co.	Cost Allocation and Rate Design
86.	2010	Pa PUC	2010-2166212	Pennsylvania American Water Co. - Wastewater	Cost Allocation and Rate Design
87.	2010	Pa PUC	R-2010-2157140	The York Water Company	Cost Allocation and Rate Design
88.	2010	Ky PSC	2010-00094	Northern Kentucky Water District	Cost Allocation and Rate Design
89.	2010	WV PSC	10-0920-W-42T	West Virginia American Water Co.	Cost Allocation and Rate Design
90.	2010	Tn Reg Auth	10-00189	Tennessee American Water Company	Cost Allocation and Rate Design
91.	2010	Ct Dept PU Cntrl	10-09-08	United Water Connecticut	Cost Allocation and Rate Design
92.	2010	Pa PUC	R-2010-2179103	City of Lancaster-Bureau of Water	Rev Rqmts, Cst Alloc/Rate Dsgn
93.	2011	Pa PUC	R-2010-2214415	UGI Central Penn Gas, Inc.	Cost Allocation
94.	2011	Pa PUC	R-2011-2232359	The Newtown Artesian Water Co.	Revenue Requirement
95.	2011	Pa PUC	R-2011-2232243	Pennsylvania American Water Co.	Cost Allocation and Rate Design
96.	2011	PaPUC	R-2011-2232985	United Water Pennsylvania Inc.	Demand Study, COS/Rate Dsgn
97.	2011	PaPUC	R-2011-2244756	City of Bethlehem-Bureau of Water	Rev. Rqmts/COS/Rate Dsgn

98.	2011	Mo PSC	WR-2011-0337,338	Missouri American Water Company	Cost Allocation and Rate Design
99.	2011	Oh PUC	11-4161-WS-AIR	Ohio American Water Company	Cost Allocation and Rate Design
100.	2011	NJ BPU		New Jersey American Water Company	Cost Allocation and Rate Design

Exhibit No. 5
Case No. UWI-W-11-02
Witness: P. R. Herbert

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UNITED WATER IDAHO INC.
BOISE, IDAHO

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS FOR THE TWELVE MONTHS ENDED APRIL 30, 2011 AND PRO FORMA REVENUE UNDER PRESENT AND PROPOSED RATES

GANNETT FLEMING, INC. - VALUATION AND RATE DIVISION

Harrisburg, Pennsylvania Calgary, Alberta Valley Forge, Pennsylvania

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UNITED WATER IDAHO INC.
BOISE, IDAHO

APPLICATION OF PRESENT AND PROPOSED RATES TO CONSUMPTION ANALYSIS FOR THE TWELVE MONTHS ENDED APRIL 30, 2011 AND PRO FORMA REVENUE UNDER PRESENT AND PROPOSED RATES

INTRODUCTION

This report is organized into seven schedules. Schedule 1 summarizes the application of proposed rates to the consumption analysis for the twelve months ended April 30, 2011, and the pro forma revenues under proposed rates for the twelve months ended April 30, 2011. Schedule 2 summarizes the application of present rates to the consumption analysis and the pro forma revenues under present rates for the twelve months ended April 30, 2011. Schedules 3 through 5 set forth the application of historic, present and proposed rates to the detailed consumption analysis and billing determinants. Schedules 6 and 7 describe the usage adjustment in Schedule 4.

PRESENT RATE APPLICATION

Schedule 2 summarizes the pro forma revenues under present rates. Column 2 presents the revenues per books. Columns 3 and 4 present the removal of unbilled revenue accrued. Column 5 presents the revenues from the application of test year rates in effect to the detailed consumption analysis for the twelve months ended April 30, 2011. The application of rates and customer classifications presented are from the application of test year rates in Schedule 5. The adjustment factor in column 6 is calculated by dividing column 4 by column 5.

Column 7 is the result of applying present rates to the billing determinants in the test year (Schedule 5, column 7).

Column 8 of Schedule 2 is the result of applying the adjustment factor in column 6 to the revenues in column 7. The application of present base rates to the pro forma test year adjustments of number of bills and consumption shown in Schedule 4 is presented in Schedules 4A, 4B and 4C, column 5 and brought forward to columns 8, 9 and 10 of Schedule 2.

PROPOSED RATE APPLICATION

Schedule 1 summarizes the pro forma revenues under proposed rates for the twelve months ended April 30, 2011, and determines the revenue increase by customer classification under proposed rates. Column 2 of Schedule 1 sets forth the pro forma revenues under present rates brought forward from column 12 of Schedule 2. Column 3 is the result of applying proposed rates to the detailed consumption analysis presented in Schedule 3. The adjustment factor is applied to the revenues in column 3 to determine the proposed revenues in column 5. Columns 6, 7 and 8 shows the results of applying proposed rates to the pro forma adjustments brought forward from column 7 of Schedules 4A, 4B and 4C. Column 9 of Schedule 1 is the sum of columns 5, 6, 7 and 8 and is the total pro forma revenues under proposed rates. The proposed increase in revenues is shown in column 10 by subtracting the pro forma revenues under present rates in column 2 from the pro forma revenues under proposed rates in column 9. The percent increase is shown in column 11.

USAGE ADJUSTMENT

Schedules 6 through 9 demonstrate the decline in annual usage for residential and commercial customers when normalized for weather. These charts were used to determine the projected average annual customers usage of 153.8ccf for residential customers and 665.3ccf for commercial customers. See Schedule 4, adjustment R3 for related consumption adjustments.

UNITED WATER IDAHO INC.

SUMMARY OF PROFORMA REVENUES UNDER PROPOSED RATES FOR THE TWELVE MONTHS ENDED APRIL 30, 2011
AND THE CALCULATION OF THE REVENUE INCREASE UNDER PROPOSED RATES

Customer Classification	Pro Forma Revenues, Present Rates (Schedule 2)	Bill Analysis Revenues, Proposed Rates (Schedule 3)	Adjustment Factor (Sch. 2, col 6)	Revenues, Proposed Rates	Adjustment R1 Annualization of Test Year Growth	Adjustment R2 Customer Growth from 5/1/2011 thru 2/28/2012	Adjustment R3 Weather and other Pro Forma Usage Adjustments Proposed Rates	Total Pro Forma Revenue Proposed Rates	Proposed Increase	Percent Increase
(1)	(2)	(3)	(4)	(5)=(4)X(3)	(6)	(7)	(8)	(9)=(5)+(6) +(7)+(8)	(10)=(9)-(2)	(11)
METERED SALES										
Residential	$26,134,939	$31,310,931	0.99651943	$31,201,951	$97,350	$139,967	($98,948)	$31,340,321	$5,205,382	19.9%
Commercial	10,971,179	13,281,639	0.99953405	13,275,450	12,414	53,792	(271,305)	13,070,350	2,099,171	19.1%
Municipal	203,316	237,136	0.99440979	235,811	(1,210)	7,264	0	241,864	38,548	19.0%
Total Metered Sales	$37,309,434	$44,829,706		$44,713,212	$108,554	$201,024	($370,253)	$44,652,536	$7,343,102	19.7%
UNMETERED SALES										
Residential	10,565	$12,666	1.00000000	$12,666	$0	$0	$0	$12,666	$2,101	19.9%
Private Fire Protection	815,298	1,055,371	0.99963861	1,054,989	3,457	288	0	1,058,735	243,437	29.9%
Subtotal Unmetered Sales	825,863	1,068,036		1,067,655	3,457	288	0	1,071,400	245,538	29.7%
Total Sales of Water	$38,135,297	$45,897,742		$45,780,867	$112,011	$201,312	(370,253)	$45,723,936	$7,588,639	19.9%
Other Operating Revenues	161,306	189,031		189,031	0	0	0	189,031	27,726	17.2%
Total	$38,296,603	$46,086,774		$45,969,898	$112,011	$201,312	($370,253)	$45,912,968	$7,616,365	19.9%

UNITED WATER IDAHO INC.

SUMMARY OF REVENUE UNDER PRESENT RATES AND PRO FORMA REVENUES UNDER PRESENT RATES
FOR THE TWELVE MONTHS ENDED APRIL 30, 2011

Customer Classification	Adjusted Revenues, Per Books Yest Year Rates 4/30/2011	Removal of Net Unbilled Revenue Accrual	Adjusted Test Year Book Revenue	Bill Analysis Revenues, Test Year Rates (Schedule 5)	Adjustment Factor	Revenues Under Present Rates (Schedule 4)	Adjusted Revenue Under Present Rates	Adjustment R1 Annualization of Test Year Growth	Adjustment R2 Customer Growth from 5/1/2011 thru 2/28/2012	Adjustment R3 Weather and other Pro Forma Usage Adjustments Present Rates	Total Pro Forma Revenue Present Rates
(1)	(2)	(3)	(4)	(5)	(6)=(4)/(5)	(7)	(8)=(7)X(6)	(9)	(10)	(11)	(12)=(8)+(9) +(10)+(11)
METERED SALES											
Residential	$25,647,566 (b)	$0	$25,647,566	$25,737,146	0.99651943	$26,113,102	$26,022,214	$81,174	$116,710	($85,159)	$26,134,939
Commercial	10,987,522	0	10,987,522	10,992,644	0.99953405	11,153,403	11,148,206	10,588	45,881	(233,497)	10,971,179
Municipal	195,280	0	195,280	196,377	0.99440979	199,402	198,288	(1,006)	6,034	0	203,316
Total Metered Sales	$36,830,367	$0	$36,830,367	$36,926,167	0.99740564	$37,465,908	$37,368,708	$90,757	$168,625	($318,656)	$37,309,434
UNMETERED SALES											
Residential	$10,409	$0	$10,409	$10,409	1.00000000	$10,565	10,565	0	$0	$0	10,565
Private Fire Protection	798,986	0	798,986	799,275	0.99963861	811,846	811,553	3,457	288	0	815,298
Subtotal Unmetered Sales	809,395	0	809,395	809,684		822,411	822,117	3,457	288	0	825,863
Total Sales of Water	$37,639,762	$0	$37,639,762	$37,735,851		$38,288,318	$38,190,825	$94,214	$168,913	(318,656)	$38,135,297
Net Unbilled Revenue Accrual	(132,760)	132,760	0	0		0	0	0	0	0	0
Total Water Revenue	$37,507,002	$132,760	$37,639,762	$37,735,851		$38,288,318	$38,190,825	$94,214	$168,913	($318,656)	$38,135,297
Other Operating Revenues	161,306		161,306	161,306		161,306	161,306	0	0	0	161,306
Total	$37,668,308	$0	$37,801,068	$37,897,157		$38,449,624	$38,352,131	$94,214	$168,913	($318,656)	$38,296,603

(b) Does not include unmetered sales.

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UNITED WATER IDAHO INC.

APPLICATION OF PRESENT RATES AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED APRIL 30, 2011

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Rate (6)	Proposed Revenue (7)
			Residential - Bi-Monthly			
Customer Charge						
5/8	81,047	0	$18.10	$1,466,951	$23.20	$1,880,290
3/4	316,986	0	18.10	5,737,447	23.20	7,354,075
1	43,405	0	23.79	1,032,605	29.70	1,289,129
1 1/2	1,333	0	38.55	51,387	50.80	67,716
2	628	0	55.65	34,948	78.70	49,424
Subtotal	443,399	0		8,323,338		10,640,634
Winter						
Up to 3 CCF	0	762,235	1.3521	1,030,618	1.5710	1,197,472
Up to 3 CCF	0	3,192,552	1.3521	4,316,649	1.5710	5,015,498
Summer						
Up to 3 CCF	0	544,454	1.3521	736,156	1.5710	855,337
Over 3 CCF	0	6,926,009	1.6902	11,706,341	1.9639	13,601,990
Subtotal	0	11,425,250		17,789,764		20,670,297
Flat Rate	146		72.36	10,565	86.75	12,666
Total Class	443,545	11,425,250		$26,123,667		$31,323,596
			Commercial - Bi-Monthly			
Customer Charge						
5/8	2,844	0	$18.10	$51,476	$23.20	$65,981
3/4	12,421	0	18.10	224,820	23.20	288,167
1	14,414	0	23.79	342,909	29.70	428,096
1 1/2	9,915	0	38.55	382,223	50.80	503,682
2	10,473	0	55.65	582,822	78.70	824,225
3	780	0	102.23	79,739	153.60	119,808
4	239	0	162.71	38,888	286.50	68,474
6	18	0	313.15	5,637	478.40	8,611
8	5	0	472.39	2,362	625.80	3,129
Subtotal	51,109	0		1,710,876		2,310,173
Winter						
Up to 3 CCF	0	92,462	1.3521	125,017	1.5710	145,257
Over 3 CCF	0	2,288,393	1.3521	3,094,136	1.5710	3,595,066
Summer						
Up to 3 CCF	0	58,278	1.3521	78,798	1.5710	91,555
Over 3 CCF	0	3,635,413	1.6902	6,144,576	1.9639	7,139,588
Subtotal	0	6,074,546		9,442,527		10,971,466
Total Class	51,109	6,074,546		$11,153,403		$13,281,639

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Schedule 3
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UNITED WATER IDAHO INC.

APPLICATION OF PRESENT RATES AND PROPOSED RATES TO CONSUMPTION ANALYSIS
YEAR ENDED APRIL 30, 2011

Rate Block 100 Gallons	Number Of Bills	Total Consumption	Present Rate	Revenue	Proposed Rate	Proposed Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Other Public Authority - Bi-Monthly			
Customer Charge						
5/8	10	0	$18.10	$181	$23.20	$232
3/4	54	0	18.10	977	23.20	1,253
1	188	0	23.79	4,473	29.70	5,584
1 1/2	114	0	38.55	4,395	50.80	5,791
2	245	0	55.65	13,634	78.70	19,282
3	6	0	102.23	613	153.60	922
4	6	0	162.71	976	286.50	1,719
Subtotal	623	0		25,249		34,783
Winter						
Up to 3 CCF	0	884	1.3521	1,195	1.5710	1,388
Over 3 CCF	0	23,167	1.3521	31,325	1.5710	36,396
Summer						
Up to 3 CCF	0	619	1.3521	837	1.5710	973
Over 3 CCF	0	83,302	1.6902	140,797	1.9639	163,596
Subtotal	0	107,972		174,153		202,353
Total Class	623	107,972		$199,402		$237,136
			Private Fire Lines - Bi-Monthly			
Fire Line Size						
3" and smaller	2,457	0	$31.68	$77,838	$41.18	$101,179
4"	3,077	0	48.02	147,758	62.42	192,066
6"	3,053	0	119.26	364,101	155.04	473,337
8"	848	0	195.96	166,174	254.74	216,020
10"	60	0	305.60	18,336	397.28	23,837
12"	35	0	457.74	16,021	595.06	20,827
Hydrants	976	0	19.20	18,739	24.96	24,361
Sprinkler	6	0	479.96	2,880	623.94	3,744
Total Private Fire	10,512	0		$811,846		$1,055,371
Total	505,789	17,607,768		38,288,318		45,897,742

UNITED WATER IDAHO INC.

SUMMARY OF BILLING DETERMINANTS FOR REVENUE ADJUSTMENTS

R1 **ANNUALIZATION OF TEST YEAR GROWTH**

	Number of Customers				Number Of		
	4/30/2010	4/30/2011	Gain/Loss	1/2 of Growth	Bi-Monthly Bills	Average Usage Per bill	Usage Adjustment
Residential	73,702	74,168	466	233	1,398	25.67	35,882
Commercial	8,907	8,925	18	9	54	110.83	5,985
Public	130	129	(1)	-0.5	(3)	173.33	(520)
Private Fire	1,599	1,622	23	12	72	-	-

R2 **CUSTOMER GROWTH THROUGH 2/28/2012**

	Number of Customers			Number Of Bi- Monthly		
	4/30/2010	Proj. 2/28/2012	Gain/Loss	Bills	Average Usage Per bill	Usage Adjustment
Residential	74,168	74,503	335	2,010	25.67	51,590
Commercial	8,925	8,964	39	234	110.83	25,935
Public	129	132	3	18	173.33	3,120
Private Fire	1,622	1,623	1	6	-	-

R3 **WEATHER AND OTHER USAGE ADJUSTMENT**

	Test Year Customers	Pro Forma Annual Usage Per Customer	Total Pro Forma Usage	Test Year Usage	Pro Forma Usage Adjustment
Residential	73,937	153.80	11,371,472	11,425,250	(53,778)
Commercial	8,906	665.30	5,924,829	6,074,546	(149,717)

UNITED WATER IDAHO INC.

R1 - APPLICATION OF PRESENT RATES AND PROPOSED RATES TO NUMBER OF CUSTOMERS ADDED IN TEST YEAR
YEAR ENDED APRIL 30, 2011

Rate Block 100 Gallons	Number Of Bills	Total Consumption	Present Rate	Revenue	Proposed Rate	Proposed Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Residential - Bi-Monthly			
Customer Charge						
3/4	1,398	0	18.10	25,304	23.20	32,434
Subtotal	1,398	0		25,304		32,434
Winter						
Up to 3 CCF	0	2,394	1.3521	3,237	1.5710	3,761
Over 3 CCF	0	10,026	1.3521	13,557	1.5710	15,752
Summer						
Up to 3 CCF	0	1,710	1.3521	2,312	1.5710	2,686
Over 3 CCF	0	21,752	1.6902	36,765	1.9639	42,718
Subtotal	0	35,882		55,870		64,917
Total Class	1,398	35,882		$81,174		$97,350
			Commercial - Bi-Monthly			
Customer Charge						
1	54	0	23.79	1,285	29.70	1,604
Subtotal	54	0		1,285		1,604
Winter						
Up to 3 CCF	0	91	1.3521	123	1.5710	143
Over 3 CCF	0	2,255	1.3521	3,049	1.5710	3,542
Summer						
Up to 3 CCF	0	57	1.3521	78	1.5710	90
Over 3 CCF	0	3,582	1.6902	6,054	1.9639	7,034
Subtotal	0	5,985		9,303		10,810
Total Class	54	5,985		$10,588		$12,414

UNITED WATER IDAHO INC.

R1 - APPLICATION OF PRESENT RATES AND PROPOSED RATES TO NUMBER OF CUSTOMERS ADDED IN TEST YEAR
YEAR ENDED APRIL 30, 2011

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Rate (6)	Proposed Revenue (7)
			Other Public Authority - Bi-Monthly			
Customer Charge						
2	(3)	0	55.65	(167)	78.70	(236)
Subtotal	(3)	0		(167)		(236)
Winter						
Up to 3 CCF	0	(4)	1.3521	(5)	1.5710	(6)
Over 3 CCF	0	(112)	1.3521	(151)	1.5710	(176)
Summer						
Up to 3 CCF	0	(3)	1.3521	(4)	1.5710	(5)
Over 3 CCF	0	(401)	1.6902	(678)	1.9639	(788)
Subtotal	0	(520)		(839)		(974)
Total Class	(3)	(520)		-$1,006		-$1,210
			Private Fire Lines - Bi-Monthly			
Fire Line Size						
4"	72	0	48.02	3,457	48.02	3,457
Total Private Fire	72	0		$3,457		$3,457
Total	1,521	41,347		94,214		112,011

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UNITED WATER IDAHO INC.

R2 - APPLICATION OF PRESENT RATES AND PROPOSED RATES TO NUMBER OF CUSTOMERS ADDED IN FUTURE YEAR
YEAR ENDED FEBRUARY 28, 2012

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Rate (6)	Proposed Revenue (7)
			Residential - Bi-Monthly			
Customer Charge						
3/4	2,010	0	18.10	36,381	23.20	46,632
Subtotal	2,010	0		36,381		46,632
Winter						
Up to 3 CCF	0	3,442	1.3521	4,654	1.5710	5,407
Over 3 CCF	0	14,416	1.3521	19,492	1.5710	22,647
Summer						
Up to 3 CCF	0	2,458	1.3521	3,324	1.5710	3,862
Over 3 CCF	0	31,274	1.6902	52,859	1.9639	61,419
Subtotal	0	51,590		80,329		93,335
Total Class	2,010	51,590		$116,710		$139,967
			Commercial - Bi-Monthly			
Customer Charge						
1	234	0	23.79	5,567	29.70	6,950
Subtotal	234	0		5,567		6,950
Winter						
Up to 3 CCF	0	395	1.3521	534	1.5710	620
Over 3 CCF	0	9,770	1.3521	13,210	1.5710	15,349
Summer						
Up to 3 CCF	0	249	1.3521	336	1.5710	391
Over 3 CCF	0	15,521	1.6902	26,234	1.9639	30,482
Subtotal	0	25,935		40,314		46,842
Total Class	234	25,935		$45,881		$53,792

UNITED WATER IDAHO INC.

R2 - APPLICATION OF PRESENT RATES AND PROPOSED RATES TO NUMBER OF CUSTOMERS ADDED IN FUTURE YEAR
YEAR ENDED FEBRUARY 28, 2012

Rate Block 100 Gallons (1)	Number Of Bills (2)	Total Consumption (3)	Present Rate (4)	Revenue (5)	Proposed Rate (6)	Proposed Revenue (7)
		Other Public Authority - Bi-Monthly				
Customer Charge						
2	18	0	55.65	1,002	78.70	1,417
Subtotal	18	0		1,002		1,417
Winter						
Up to 3 CCF	0	26	1.3521	35	1.5710	41
Over 3 CCF	0	669	1.3521	905	1.5710	1,051
Summer						
Up to 3 CCF	0	18	1.3521	24	1.5710	28
Over 3 CCF	0	2,407	1.6902	4,068	1.9639	4,727
Subtotal	0	3,120		5,032		5,847
Total Class	18	3,120		$6,034		$7,264
		Private Fire Lines - Bi-Monthly				
Fire Line Size						
4"	6	0	48.02	288	48.02	288
Total Private Fire	6	0		$288		$288
Total	2,268	80,645		168,913		201,312

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UNITED WATER IDAHO INC.

R3 - APPLICATION OF PRESENT RATES AND PROPOSED RATES TO USAGE ADJUSTMENTS
YEAR ENDED APRIL 30, 2011

Rate Block 100 Gallons	Number Of Bills	Total Consumption	Present Rate	Revenue	Proposed Rate	Proposed Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Residential - Bi-Monthly			
Customer Charge		0		$0		$0
Winter						
Up to 3 CCF	0		1.3521	0	1.5710	0
Over 3 CCF	0	(16,968)	1.3521	(22,942)	1.5710	(26,656)
Summer						
Up to 3 CCF	0		1.3521	0	1.5710	0
Over 3 CCF	0	(36,810)	1.6902	(62,217)	1.9639	(72,291)
Subtotal	0	(53,778)		(85,159)		(98,948)
Total Class	0	(53,778)		(85,159)		(98,948)
			Commercial - Bi-Monthly			
Customer Charge	0	0		$0		$0
Winter						
Up to 3 CCF	0		1.3521	0	1.5710	0
Over 3 CCF	0	(57,836)	1.3521	(78,201)	1.5710	(90,861)
Summer						
Up to 3 CCF	0		1.3521	0	1.5710	0
Over 3 CCF	0	(91,881)	1.6902	(155,297)	1.9639	(180,445)
Subtotal	0	(149,717)		(233,497)		(271,305)
Total Class	0	(149,717)		(233,497)		(271,305)
Total	0	(203,495)	0	(318,656)	0	(370,253)

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UNITED WATER IDAHO INC.

APPLICATION OF TEST YEAR RATES AND PRESENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED APRIL 30, 2011

Rate Block 100 Gallons	Number Of Bills	Total Consumption	Test Year Rate	Test Year Revenue	Present Rate	Present Rate Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Residential - Bi-Monthly			
Customer Charge						
5/8	13,511	0	$18.10	$244,549	$18.10	$244,549
3/4	52,842	0	18.10	956,440	18.10	956,440
1	7,236	0	23.79	172,144	23.79	172,144
1 1/2	222	0	38.55	8,558	38.55	8,558
2	105	0	55.65	5,843	55.65	5,843
5/8	67,536	0	17.81	1,202,816	18.10	1,222,402
3/4	264,144	0	17.81	4,704,405	18.10	4,781,006
1	36,169	0	23.42	847,078	23.79	860,461
1 1/2	1,111	0	37.95	42,162	38.55	42,829
2	523	0	54.78	28,650	55.65	29,105
Subtotal	443,399	0		8,212,645		8,323,338
Winter						
Up to 3 CCF	0	26,213	1.2110	31,744	1.3521	35,442
Up to 3 CCF	0	624,663	1.3310	831,426	1.3521	844,607
Up to 3 CCF	0	111,360	1.3521	150,570	1.3521	150,570
Over 3 CCF	0	2,627,145	1.3310	3,496,730	1.3521	3,552,163
Over 3 CCF	0	565,407	1.3521	764,486	1.3521	764,486
Summer						
Up to 3 CCF	0	544,454	1.3310	724,668	1.3521	736,156
Over 3 CCF	0	14	1.5140	21	1.6902	24
Over 3 CCF	0	6,925,995	1.6640	11,524,856	1.6902	11,706,317
Subtotal	0	11,425,250		17,524,501		17,789,764
Flat Rate	139		71.24	9,902	72.36	10,058
Flat Rate	7		72.36	507	72.36	507
Total Class	443,399	11,425,250		$25,747,555		$26,123,666

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UNITED WATER IDAHO INC.

APPLICATION OF TEST YEAR RATES AND PRESENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED APRIL 30, 2011

Rate Block 100 Gallons	Number Of Bills	Total Consumption	Test Year Rate	Test Year Revenue	Present Rate	Present Rate Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Commercial - Bi-Monthly			
Customer Charge						
5/8	474	0	$18.10	$8,581	$18.10	$8,581
3/4	2,071	0	18.10	37,478	18.10	37,478
1	2,403	0	23.79	57,163	23.79	57,163
1 1/2	1,653	0	38.55	63,717	38.55	63,717
2	1,746	0	55.65	97,157	55.65	97,157
3	130	0	102.23	13,293	102.23	13,293
4	40	0	162.71	6,483	162.71	6,483
6	3	0	313.15	940	313.15	940
8	1	0	472.39	394	472.39	394
5/8	2,370	0	17.81	42,208	18.10	42,895
3/4	10,350	0	17.81	184,341	18.10	187,343
1	12,011	0	23.42	281,302	23.79	285,746
1 1/2	8,262	0	37.95	313,549	38.55	318,507
2	8,727	0	54.78	478,073	55.65	485,666
3	650	0	100.65	65,420	102.23	66,447
4	199	0	160.19	31,903	162.71	32,405
6	15	0	308.29	4,624	313.15	4,697
8	4	0	465.06	1,938	472.39	1,968
Subtotal	51,109	0		1,688,564		1,710,877
Winter						
Up to 3 CCF	0	10,772	1.2110	13,044	1.3521	14,564
Up to 3 CCF	0	57,607	1.3310	76,675	1.3521	77,890
Up to 3 CCF	0	24,083	1.3521	32,563	1.3521	32,563
Over 3 CCF	0	1,859,463	1.3310	2,474,945	1.3521	2,514,180
Over 3 CCF	0	428,930	1.3521	579,957	1.3521	579,957
Summer						
Up to 3 CCF	0	58,278	1.3310	77,568	1.3521	78,798
Over 3 CCF	0	3,635,413	1.6640	6,049,328	1.6902	6,144,576
Subtotal	0	6,074,546		9,304,080		9,442,527
Total Class	51,109	6,074,546		$10,992,644		$11,153,404

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UNITED WATER IDAHO INC.

APPLICATION OF TEST YEAR RATES AND PRESENT RATES TO CONSUMPTION ANALYSIS
YEAR ENDED APRIL 30, 2011

Rate Block 100 Gallons	Number Of Bills	Total Consumption	Test Year Rate	Test Year Revenue	Present Rate	Present Rate Revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Other Public Authority - Bi-Monthly			
Customer Charge						
5/8	2	0	$18.10	$30	$18.10	$30
3/4	9	0	18.10	163	18.10	163
1	31	0	23.79	746	23.79	746
1 1/2	19	0	38.55	733	38.55	733
2	41	0	55.65	2,273	55.65	2,273
3	1	0	102.23	102	102.23	102
4	1	0	162.71	163	162.71	163
5/8	8	0	17.81	148	18.10	151
3/4	45	0	17.81	801	18.10	814
1	157	0	23.42	3,669	23.79	3,727
1 1/2	95	0	37.95	3,605	38.55	3,662
2	204	0	54.78	11,184	55.65	11,361
3	5	0	100.65	503	102.23	511
4	5	0	160.19	801	162.71	814
Subtotal	623	0		24,921		25,250
Winter						
Up to 3 CCF	0	66	1.2110	80	1.3521	89
Up to 3 CCF	0	779	1.3310	1,037	1.3521	1,053
Up to 3 CCF	0	39	1.3521	52	1.3521	52
Over 3 CCF	0	22,538	1.3310	29,998	1.3521	30,473
Over 3 CCF	0	630	1.3521	851	1.3521	851
Summer						
Up to 3 CCF	0	619	1.3310	824	1.3521	837
Over 3 CCF	0	83,302	1.6640	138,614	1.6902	140,797
Subtotal	0	107,972		171,456		174,153
Total Class	623	107,972		$196,377		$199,403
	1,906					
			Private Fire Lines - Bi-Monthly			
Fire Line Size						
3" and smaller	2,457	0	$31.18	$76,609	31.68	$77,838
4"	3,077	0	47.28	145,481	48.02	147,758
6"	3,053	0	117.42	358,483	119.26	364,101
8"	848	0	192.92	163,596	195.96	166,174
10"	60	0	300.86	18,052	305.60	18,336
12"	35	0	450.64	15,772	457.74	16,021
Hydrants	976	0	18.90	18,446	19.20	18,739
Sprinkler	6	0	472.52	2,835	479.96	2,880
Total Private Fire	10,512	0		$799,275		$811,846
Total	505,643	17,607,768		37,735,851		38,288,320

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United Water Idaho
Residential Consumption Trends
(gallons per customer)

		Winter/"Indoor" Consumption			Irrigation		Total Consumption			
		Per Day	Annualized							
Year	Drought Index	Actual (a)	Actual	Indoor Trendline (b)	Irrigation	Irrigation Trendline(c)	Billed Consumption	Trendline	Change (Actual/ Projected) (d)	Percent Change
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
			=(3) x 365		=(8) - (4)			=(5) + (7)		
2001	-1.63	192	70,242	73,027	86,886	77,796	157,127	150,823		
2002	-2.07	196	71,537	71,347	85,653	76,224	157,190	147,571	63	0.0%
2003	-0.61	198	72,265	69,666	79,484	74,653	151,750	144,319	(5,440)	-3.5%
2004	-0.17	196	71,413	67,986	72,580	73,082	143,993	141,067	(7,756)	-5.1%
2005	-0.23	178	65,075	66,305	66,341	71,510	131,416	137,816	(12,578)	-8.7%
2006	0.01	174	63,445	64,625	72,148	69,939	135,593	134,564	4,177	3.2%
2007	-1.40	171	62,483	62,944	76,543	68,368	139,025	131,312	3,432	2.5%
2008	-0.91	166	60,458	61,264	69,475	66,796	129,933	128,060	(9,092)	-6.5%
2009	0.11	160	58,238	59,583	64,945	65,225	123,183	124,808	(6,750)	-5.2%
2010	0.95	163	59,494	57,903	57,208	63,653	116,702	121,556	(6,481)	-5.3%
2011	-0.16 *			56,222		62,082		118,304	1,602	1.4%
2012	-0.16			54,542		60,511		115,053	(3,252)	-2.7%
2013	-0.16			52,861		58,939		111,801	(3,252)	-2.8%
2014	-0.16			51,181		57,368		108,549	(3,252)	-2.9%
2015	-0.16			49,500		55,797		105,297	(3,252)	-3.0%
Average	-0.16 *	179	65,465		73,126		128,887 **			

	2010	2012	2010	2012	2010	2012	Future Annual Changes (e)
CCF per customer per year	80	73	76	81	156	154	-4.3
Gallons per customer per day	163	149	157	166	320	315	-8.9

Notes:

* 30-year average

** Five-year average

a) From total billed consumption per customer for January, February, March, April, and December. -2.35 -12974.35

b) From a trendline fit to annualized winter billed consumption shown in column 4, with slope -1,681and intercept 74,708.

c) From regression equation of actual estimated irrigation on year and drought index, with coefficient of -1,571 on year and -5,521 on drought index, and intercept of 78,484. Drought index value set to -0.16, which is the climate division's 30-year average.

d) For historical years, measured as year to year change in billed consumption. For 2011, measured as difference in projected 2011 from actual 2010. For future years, measured as change in projected consumption in future years.

e) Future annual changes (i.e., movement along trendline), which is different from comparison of 2010 to 2012.

Gannett Fleming, Inc.

7/14/2011

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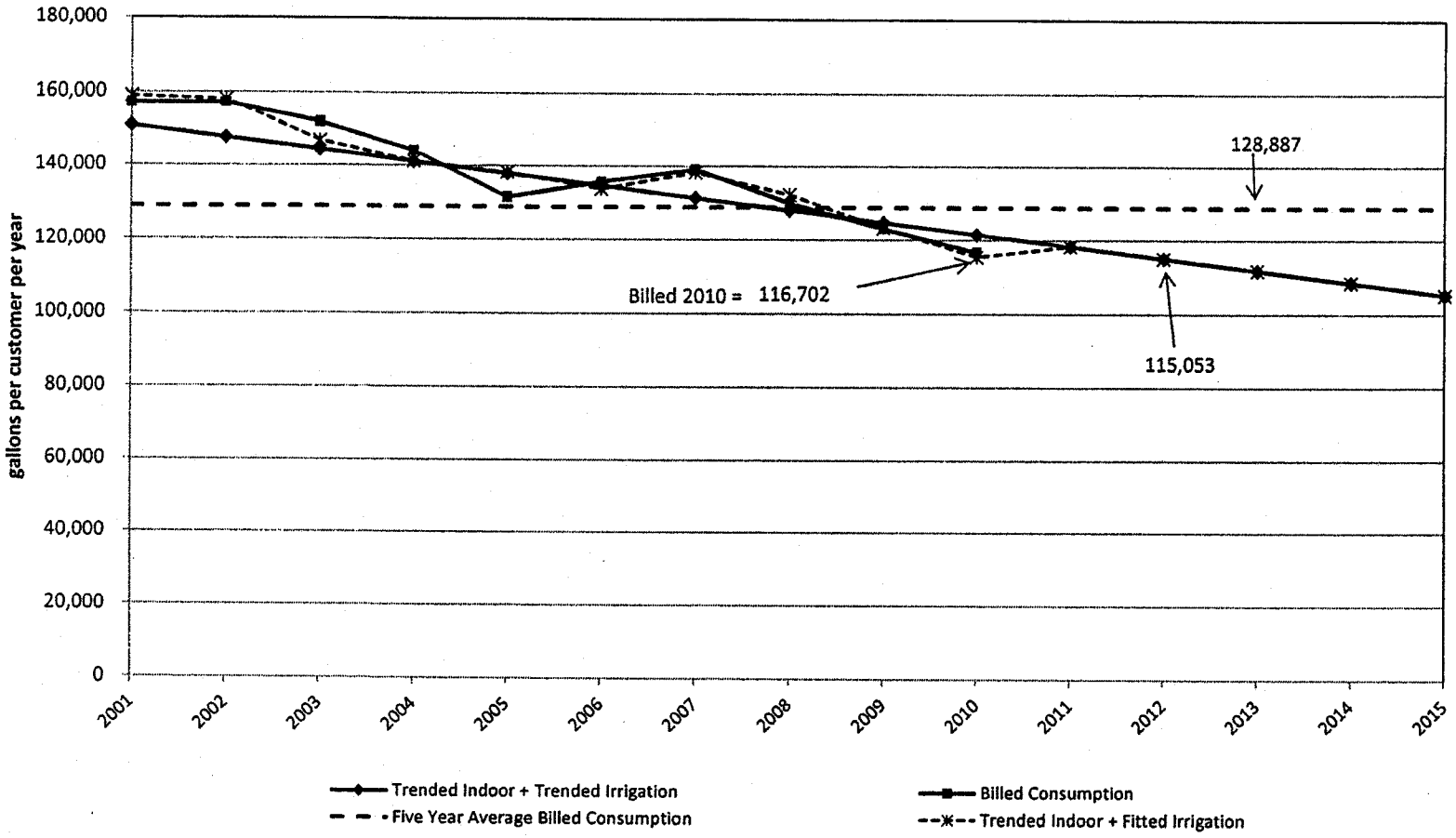
United Water Idaho Inc.
Residential Consumption per Customer Trends



Billed 2010 Consumption per Customer:
116,702 gallons per year
156 ccf per year
320 gallons per customer per day

Projected 2012 Consumption per Customer:
115,053 gallons per year
153.8 ccf per year
315 gallons per customer per day

Projected annual rate of decline in future years (i.e., along trendline): 3,252 gallons per year (8.9 gallons/customer/day, 4.3 ccf/customer/year)

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United Water Idaho
Commercial Consumption Trends
(gallons per customer)

Year	Billed Consumption	Trendline (a)	Change (Actual/ Projected) (b)	Percent Decline
(1)	(2)	(3)	(4)	(5)
2001	738,845	696,844		
2002	650,058	678,732	(88,787)	-12.0%
2003	634,278	660,620	(15,780)	-2.4%
2004	633,515	642,509	(763)	-0.1%
2005	596,555	624,397	(36,960)	-5.8%
2006	623,834	606,285	27,279	4.6%
2007	636,192	588,173	12,358	2.0%
2008	580,823	570,061	(55,369)	-8.7%
2009	545,139	551,950	(35,684)	-6.1%
2010	514,172	533,838	(30,967)	-5.7%
2011		515,726	1,554	0.3%
2012		497,614	(18,112)	-3.5%
2013		479,502	(18,112)	-3.6%
2014		461,391	(18,112)	-3.8%
2015		443,279	(18,112)	-3.9%
Average	580,032			

	2010	2012	Future Annual Changes (c)
CCF /customer / year	687	665	-24
Gallons / customer / day	1,409	1,363	-50

Notes:

* Five-year average.

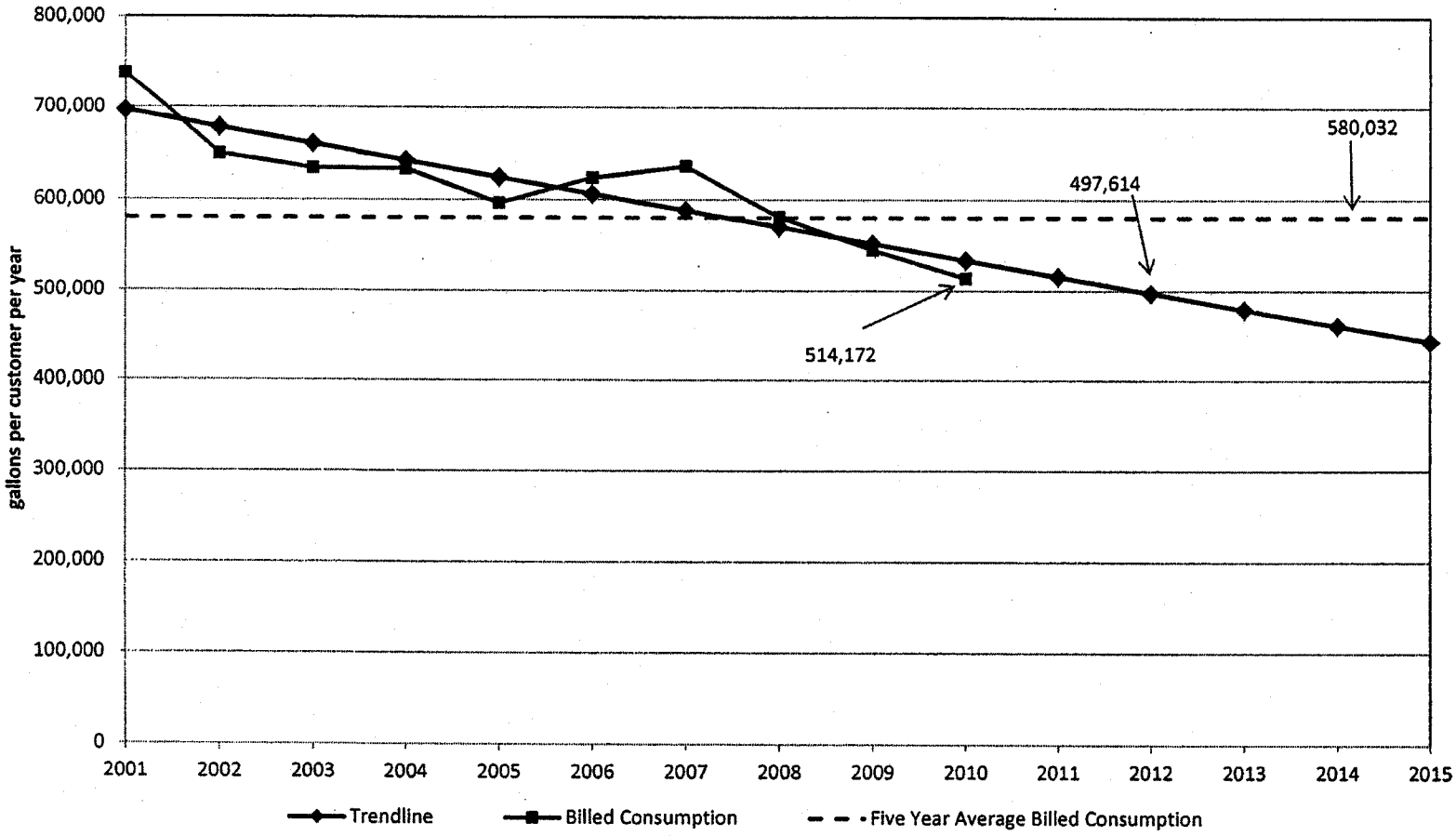
a) From a trendline fit to total billed consumption, with slope -18,112 and intercept 714,956.

b) Measured as year to year change in billed consumption for historical years and change in projected consumption in future years. 2011 is change in projected 2011 from 2010 actual.

c)Future annual changes (i.e., movement along trendline), which is different from comparison of 2010 to 2012.

Gannett Fleming, Inc.

United Water Idaho Inc.
Commercial Consumption per Customer Trends



Billed 2010 Consumption per Customer:
514,172 gallons per year
687 ccf per year
1,589 gallons per customer per day

Projected 2012 Consumption per Customer:
497,614 gallons per year
665.3 ccf per year
1,363 gallons per customer per day

Projected annual rate of decline in future years (i.e., along trendline): 18,112 gallons per year (50 gallons/customer/day, ccf/customer/year)

Exhibit No. 6
Case No. UWI-W-11-02
Witness: P. R. Herbert

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UNITED WATER IDAHO INC.

BOISE, IDAHO

COST OF SERVICE
ALLOCATION STUDY
FOR THE TEST YEAR ENDED
APRIL 30, 2011

GANNETT FLEMING, INC. - VALUATION AND RATE DIVISION

Harrisburg, Pennsylvania Calgary, Alberta Valley Forge, Pennsylvania

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PART I. INTRODUCTION

UNITED WATER IDAHO INC.

COST OF SERVICE ALLOCATION STUDY
FOR THE TEST YEAR ENDED APRIL 30, 2011

PART I. INTRODUCTION

PLAN OF REPORT

The report sets forth the results of the cost of service allocation studies based on district specific revenue requirements as of April 30, 2011, for United Water Idaho. Part I, Introduction, contains statements with respect to the basis of the study, the procedures employed, and a summary of the results of the study. Part II, Cost of Service by Customer Classification, presents detailed schedules of the allocation of costs to specific customer classifications, as well as the bases for the allocations. Schedule A in Part II summarizes the cost allocation and the revenues produced under present and proposed rates. Part III sets forth present and proposed rates with bill comparisons.

BASIS OF STUDY

The purpose of the cost allocation studies was to determine the relative cost of service responsibilities of the several customer classifications within each operating district, based on considerations of quantity of water consumed, variability of rate of consumption, and costs associated with customer metering, billing and accounting. The allocation studies incorporated generally-accepted principles and procedures for allocating the several categories of cost to customer classifications in proportion to each classification's use of facilities, commodities and services required in providing water service.

ALLOCATION PROCEDURES

The allocation studies were based on the Base-Extra Capacity Method for allocating costs to customer classifications. The method is described in the 2000 and prior editions of the Water Rates Manual published by the American Water Works Association. The four basic categories of cost responsibility are base, extra capacity, customer, and fire protection costs. The following discussion presents a brief description of these costs and the manner in which they were allocated.

Base Costs are costs that tend to vary with the quantity of water used, plus costs associated with supplying, treating, pumping, and distributing water to customers under average load conditions, without the elements necessary to meet peak demands. Base costs were allocated to customer classifications on the basis of average daily usage.

Extra Capacity Costs are costs associated with meeting usage requirements in excess of the average. They include operating and capital costs for additional plant and system capacity beyond that required for average use. The extra capacity costs in this study are subdivided into costs necessary to meet maximum day extra demand and costs to meet maximum hour extra demand. The extra capacity costs were allocated to customer classifications on the bases of each classification's maximum day and hour usage in excess of average usage.

Customer Costs are costs associated with serving customers regardless of their usage or demand characteristics. Customer costs include the operating and capital costs related to meters and services, meter reading costs, and billing and collecting costs. The customer costs were allocated on the bases of the capital cost of meters and services, and the number of customers.

Fire Protection Costs are costs associated with providing the facilities to meet the potential peak demand of fire protection service. Fire Protection costs are subdivided into costs to meet Public Fire Protection and Private Fire Protection demands. The extra capacity costs assigned to fire protection service were allocated to Public and Private Fire Protection on the basis of the total relative demands of the hydrants and fire service lines, sized to provide fire protection. Since there are no public fire hydrant rates, public fire protection costs were reallocated to the general service classifications based on meter equivalents.

RESULTS OF STUDY

The results of the cost of service allocation study are set forth in Part II. The data summarized for each district in Schedule A, Comparison of Pro Forma Cost of Service with Revenues Under Present and Proposed Rates for the Test Year Ended April 30, 2011, constitute the principal results of the cost allocation studies and subsequent rate designs.

The cost of service by customer classification shown in column 2 of Schedule A is developed in Schedule B, Cost of Service for the Twelve Months Ended April 30, 2011, Allocated to Customer Classifications. The allocation of the total cost of service to the several customer classifications was performed by applying the allocation factors referenced in column 2 of Schedule B to the cost of service set forth in column 3. The bases for the allocation factors are presented in Schedule C.

Schedule D sets forth the experienced average day and maximum day system sendout and the maximum day ratios from 2001 through 2010. Schedule E presents the basis for allocating demand related costs of fire service to private and public fire protection classifications.

Comparisons of present and proposed rates for each of the customer classifications are set forth in Schedule G.

PART II. COST OF SERVICE BY CUSTOMER CLASSIFICATION

UNITED WATER IDAHO INC.

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES
FOR THE TEST YEAR ENDED APRIL 30, 2011

Customer Classification	Cost of Service		Revenues, Present Rates		Revenues, Proposed Rates		Proposed Increase	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent Increase
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residential	$ 32,244,135	70.5%	$ 26,145,504	68.6%	$ 31,352,987	68.6%	$ 5,207,483	19.9%
Commercial	12,066,358	26.4%	10,971,179	28.8%	13,070,350	28.6%	2,099,171	19.1%
Public Authority	255,433	0.6%	203,316	0.5%	241,864	0.5%	38,548	19.0%
Private Fire Service	1,157,661	2.5%	815,298	2.1%	1,058,735	2.3%	243,437	29.9%
Total Sales	45,723,587	100.0%	38,135,297	100.0%	45,723,936	100.0%	7,588,639	19.9%
Other Revenues	$189,031		$ 161,306		189,031		27,726	17.2%
Total	$ 45,912,619		$ 38,296,603		$ 45,912,968		$ 7,616,365	19.9%

Case No. UWI-W-11-02
Exhibit No. 6
Schedule A
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UNITED WATER IDAHO INC.

COST OF SERVICE FOR THE TWELVE MONTHS ENDED APRIL 30, 2011, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Public Authorities	Fire Protection Private	Fire Protection Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
OPERATION AND MAINTENANCE EXPENSES							
SOURCE OF SUPPLY EXPENSES							
Operation Supervision and Engineering - Labor	2	(2,048)	(1,376)	(653)	(15)	(1)	(3)
Operation Supervision and Engineering - Other	2	686	461	219	5	0	1
Operation Supervision and Engineering - Fringe Benefits	2	3,449	2,316	1,099	26	2	6
Operation Labor	2	(63,150)	(42,412)	(20,126)	(467)	(44)	(101)
Operation Expense	2	6,932	4,656	2,209	51	5	11
Operation Fringe Benefits	2	23,423	15,731	7,465	173	16	37
Purchased Water	1	132,947	86,469	44,936	838	213	492
Miscellaneous	2	0	0	0	0	0	0
Rents	2	9,626	6,465	3,068	71	7	15
TOTAL SOURCE OF SUPPLY EXPENSE - OPERATION		111,866	72,310	38,217	682	198	458
Maintenance of Structures and Engineering - Labor	2	15,230	10,228	4,854	113	11	24
Maintenance of Structures and Engineering - Other	2	4,319	2,900	1,376	32	3	7
Maintenance of Structures and Engineering - Fringe Benefits	2	12,943	8,693	4,125	96	9	21
Maintenance of Structures and Engineering - Rivers and Intake	2	1,657	1,113	528	12	1	3
Maintenance of Wells and Springs - Chemicals	1	2,291	1,490	774	14	4	8
Maintenance of Wells and Springs	2	538	362	172	4	0	1
TOTAL SOURCE OF SUPPLY EXPENSE - MAINTENANCE		36,978	24,786	11,829	271	28	64
TOTAL SOURCE OF SUPPLY EXPENSE		148,844	97,096	50,047	953	226	522
PUMPING EXPENSES							
Operation Supervision and Engineering - Labor	3	(19,864)	(12,488)	(5,927)	(139)	(403)	(906)
Operation Supervision and Engineering - Other	3	9,446	5,939	2,819	66	192	431
Operation Supervision and Engineering - Fringe Benefits	3	72,944	45,860	21,766	511	1,481	3,326
Fuel for Power Production - Labor	3	51	32	15	0	1	2
Purchased Power	1	1,456	947	492	9	2	5
Fuel for Power Production - Other	3	13	8	4	0	0	1
Fuel for Power Production - Fringe Benefits	3	38	24	11	0	1	2
Power Production - Labor	3	1,058	665	316	7	21	48
Power Production - Other	3	252	158	75	2	5	11
Power Production - Fringe Benefits	3	909	571	271	6	18	41
Fuel or Power Purchase for Pumping - Labor	3	371	233	111	3	8	17
Fuel or Power Purchase for Pumping - Other	3	54	34	16	0	1	2
Fuel or Power Purchase for Pumping - Power Costs	1	1,594,804	1,037,261	539,044	10,047	2,552	5,901
Fuel or Power Purchase for Pumping - Amort Power Costs	1	306,804	199,545	103,700	1,933	491	1,135
Fuel or Power Purchase for Pumping - Fringe Benefits	3	245	154	73	2	5	11
Pumping Expense - Labor	3	311,202	195,653	92,863	2,178	6,317	14,191
Pumping Expense - Other	3	133,917	84,194	39,961	937	2,719	6,107
Pumping Expense - Fringe Benefits	3	229,818	144,487	68,578	1,609	4,665	10,480
Miscellaneous Expenditures	3	56,072	35,253	16,732	393	1,138	2,557
TOTAL PUMPING EXPENSE - OPERATION		2,699,588	1,738,528	880,918	17,565	19,214	43,363
Maintenace Supervision and Engineering - Labor	3	8,310	5,224	2,480	58	169	379
Maintenace Supervision and Engineering - Other	3	1,557	979	465	11	32	71
Maintenace Supervision and Engineering - Fringe Benefits	3	6,090	3,829	1,817	43	124	278

UNITED WATER IDAHO INC.

COST OF SERVICE FOR THE TWELVE MONTHS ENDED APRIL 30, 2011, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Public Authorities	Fire Protection Private	Fire Protection Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Maintenance of Structures and Improvements - Labor	3	25,047	15,747	7,474	175	508	1,142
Maintenance of Structures and Improvements - Other	3	121,764	76,553	36,334	852	2,472	5,552
Maintenance of Structures and Improvements - Fringe Benefits	3	20,203	12,701	6,028	141	410	921
Maintenance of Power Production Equipment - Labor	3	255	160	76	2	5	12
Maintenance of Power Production Equipment - Other	3	11,926	7,498	3,559	83	242	544
Maintenance of Power Production Equipment - Fringe Benefits	3	197	124	59	1	4	9
Maintenance of Pumping Equipment - Labor	3	214,474	134,840	63,999	1,501	4,354	9,780
Maintenance of Pumping Equipment - Other	3	120,061	75,482	35,826	840	2,437	5,475
Maintenance of Pumping Equipment - Fringe Benefits	3	162,339	102,062	48,442	1,136	3,295	7,403
TOTAL PUMPING EXPENSE - MAINTENANCE		692,220	435,199	206,559	4,846	14,052	31,565
TOTAL PUMPING EXPENSES		3,391,809	2,173,727	1,087,477	22,411	33,266	74,928
WATER TREATMENT							
Operation Supervision and Engineering - Labor	2	28,755	19,312	9,164	213	20	46
Operation Supervision and Engineering - Other	2	5,322	3,574	1,696	39	4	9
Operation Supervision and Engineering - Fringe Benefits	2	24,471	16,435	7,799	181	17	39
Chemicals	1	276,920	180,109	93,599	1,745	443	1,025
Operation Labor and Expense - Labor	2	298,508	200,478	95,135	2,209	209	478
Operation Labor and Expense - Other	2	99,957	67,131	31,856	740	70	160
Operation Labor and Expense - Lab Testing	2	88,578	59,489	28,230	655	62	142
Operation Labor and Expense - Fringe Benefits	2	243,448	163,499	77,587	1,802	170	390
Amortization Miscellaneous	2	600	403	191	4	0	1
Miscellaneous Expenses - Labor	2	313	210	100	2	0	1
Miscellaneous Expenses - Other	2	20,720	13,915	6,603	153	15	33
Miscellaneous Expenses - Fringe Benefits	2	538	361	171	4	0	1
TOTAL WATER TREATMENT EXPENSE - OPERATION		1,088,129	724,916	352,131	7,748	1,011	2,323
Maintenance of Supervision and Engineering	2	24	16	8	0	0	0
Maintenance of Structures and Improvements - Labor	2	62,791	42,171	20,012	465	44	100
Maintenance of Structures and Improvements - Other	2	68,926	46,291	21,967	510	48	110
Maintenance of Structures and Improvements - Lab Testing	2	22	14	7	0	0	0
Maintenance of Structures and Improvements - Fringe Benefits	2	45,259	30,396	14,424	335	32	72
Maintenance of Water Treatment Equipment - Labor	2	32,482	21,815	10,352	240	23	52
Maintenance of Water Treatment Equipment - Other	2	22,876	15,364	7,291	169	16	37
Maintenance of Water Treatment Equipment - Fringe Benefits	2	26,164	17,572	8,339	194	18	42
TOTAL WATER TREATMENT EXPENSE - MAINTENANCE		258,546	173,639	82,398	1,913	181	414
TOTAL WATER TREATMENT EXPENSE		1,346,674	898,556	434,530	9,661	1,192	2,736
TRANSMISSION AND DISTRIBUTION EXPENSES							
Operation Supervision and Engineering - Labor	10	16,676	10,634	4,934	105	309	694
Operation Supervision and Engineering - Other	10	12,933	8,248	3,827	81	239	538
Operation Supervision and Engineering - Fringe Benefits	10	55,388	35,321	16,389	349	1,025	2,304
Storage Facility Expense	5	29,969	16,881	7,903	189	1,540	3,455
Mains Expense - Labor	6	168,832	104,000	48,877	1,148	4,558	10,248
Mains Expense - Other	6	94,364	58,128	27,318	642	2,548	5,728
Mains Expense - Fringe Benefits	6	240,739	148,295	69,694	1,637	6,500	14,613
Meter Expense - Labor	8	138,198	94,541	42,924	732	0	0

UNITED WATER IDAHO INC.

COST OF SERVICE FOR THE TWELVE MONTHS ENDED APRIL 30, 2011, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Public Authorities	Fire Protection Private	Fire Protection Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Meter Expense - Other	8	38,517	26,349	11,963	204	0	0
Meter Expense - Fringe Benefits	8	108,642	74,322	33,744	576	0	0
Miscellaneous Expense - Labor	10	20,429	13,027	6,045	129	378	850
Miscellaneous Expense - Purchased Power	1	288,564	187,682	97,535	1,818	462	1,068
Miscellaneous Expense - Other	10	5,484	3,497	1,623	35	101	228
Miscellaneous Expense - Fringe Benefits	10	30,506	19,454	9,027	192	564	1,269
TOTAL T & D EXPENSE OPERATION		1,249,238	800,379	381,803	7,837	18,224	40,995
Maintenance of Supervision and Engineering	11		0	0	0	0	0
Maintenance of Structures and Improvements - Labor	11	16,330	10,306	3,739	78	851	1,355
Maintenance of Structures and Improvements - Other	11	5,440	3,433	1,246	26	283	452
Maintenance of Structures and Improvements - Fringe Benefits	11	20,193	12,744	4,624	97	1,052	1,676
Maintenance of Distribution Reservoirs and Standpipes	5	45,583	25,677	12,020	287	2,343	5,256
Maintenance of T&D Mains - Labor	6	106,720	65,739	30,895	726	2,881	6,478
Maintenance of T&D Mains - Other	6	129,648	79,863	37,533	882	3,500	7,870
Maintenance of T&D Mains - Fringe	6	161,019	99,188	46,615	1,095	4,348	9,774
Maintenance of Services - Labor	9	57,318	42,341	9,039	138	5,801	0
Maintenance of Services - Other	9	123,011	90,868	19,399	295	12,449	0
Maintenance of Services - Fringe Benefits and Other	9	102,646	75,825	16,187	246	10,388	0
Maintenance of Meters - Labor	8	11,842	8,101	3,678	63	0	0
Maintenance of Meters - Other	8	6,679	4,569	2,075	35	0	0
Maintenance of Meters - Fringe Benefits	8	18,936	12,954	5,882	100	0	0
Maintenance of Hydrants - Labor	7	10,690	0	0	0	0	10,690
Maintenance of Hydrants - Other	7	6,568	0	0	0	0	6,568
Maintenance of Hydrants - Fringe Benefits	7	19,842	0	0	0	0	19,842
Miscellaneous	11	18	12	4	0	1	2
TOTAL T & D EXPENSE - MAINTENANCE		842,483	531,620	192,937	4,069	43,897	69,961
TOTAL T & D EXPENSE		2,091,721	1,331,999	574,740	11,905	62,121	110,956
CUSTOMER ACCOUNTS							
Supervision - Labor	12	155,014	134,413	15,455	186	4,960	0
Transportation Costs - Other	12	11,435	9,915	1,140	14	366	0
Supervision - Fringe Benefits	12	95,502	82,810	9,522	115	3,056	0
Meter Reading - Labor	13	234,534	210,072	24,157	305	0	0
Meter Reading - Other	13	86,926	77,860	8,953	113	0	0
Meter Reading - Fringe Benefits	13	168,906	151,289	17,397	220	0	0
Customer Records and Collection - Labor	12	506,811	439,456	50,529	608	16,218	0
Customer Records and Collection - Other	12	922,938	800,279	92,017	1,108	29,534	0
Customer Records and Collection - Fringe Benefits	12	359,300	311,549	35,822	431	11,498	0
Uncollectible Accounts	12	243,081	210,776	24,235	292	7,779	0
Miscellaneous Other	12	2,002	1,736	200	2	64	0
TOTAL CUSTOMER ACCOUNTING EXPENSE		2,786,449	2,430,155	279,427	3,393	73,475	0
ADMINISTRATIVE AND GENERAL EXPENSES							
A&G Labor	14	1,935,773	1,412,727	422,386	8,711	44,136	47,814
Fringe Benefits Transferred	16	(3,182,640)	(2,324,919)	(698,908)	(14,322)	(67,790)	(76,702)

UNITED WATER IDAHO INC.

COST OF SERVICE FOR THE TWELVE MONTHS ENDED APRIL 30, 2011, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Public Authorities	Fire Protection Private	Fire Protection Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Employee pension cost	16	1,388,921	1,014,607	305,007	6,250	29,584	33,473
Post Retire Health Care Accrue	16	409,022	298,791	89,821	1,841	8,712	9,857
Employee group health & life	16	1,110,562	811,266	243,880	4,998	23,655	26,765
Employee 401K	16	124,094	90,651	27,251	558	2,643	2,991
Other employee benefits	16	59,831	43,706	13,139	269	1,274	1,442
Other Awards	16	2,038	1,489	447	9	43	49
Materials and Supplys - A&G and Customer Cares	14	113,826	83,070	24,837	512	2,595	2,812
Management Fees- Other	14	2,093,451	1,527,801	456,791	9,421	47,731	51,708
Management Fees- Customer Related	12	95,069	82,434	9,478	114	3,042	0
Management Fees- Employee related	16	270,250	197,418	59,347	1,216	5,756	6,513
Contract Services	14	486,045	354,716	106,055	2,187	11,082	12,005
Rental of Equipment	14	15,352	11,204	3,350	69	350	379
Transportation Expense	14	27,511	20,078	6,003	124	627	680
Insurance - General Liability	14	622,582	454,360	135,847	2,802	14,195	15,378
Insurance -Workman's Compensation	16	143,700	104,973	31,556	647	3,061	3,463
Advertising	14	138,078	100,769	30,129	621	3,148	3,411
Reg. Commission Exp (Amortization)	14	212,886	155,364	46,452	958	4,854	5,258
Bad Debt Write Off	16	(1,824)	(1,333)	(401)	(8)	(39)	(44)
Miscellaneous Expenses	14	350,311	255,657	76,438	1,576	7,987	8,653
TOTAL A & G EXPENSE		6,414,840	4,694,830	1,388,906	28,553	146,647	155,904
Total Operation & Maintenance Expenses		16,180,337	11,626,362	3,815,126	76,875	316,927	345,047
DEPRECIATION EXPENSE							
Water Source Structures	2	84,576	56,801	26,954	626	59	135
Collection and Impounding Reservoirs	1	917	598	310	6	1	3
Lakes, River and Other Intakes	2	23,447	15,747	7,473	174	16	38
Wells & Springs	2	206,752	138,855	65,892	1,530	145	331
Infiltration Galleries and Tunnels	2	1,207	811	385	9	1	2
Supply Mains	2	41,506	27,875	13,228	307	29	66
Purification Buildings	2	311,673	209,320	99,330	2,306	218	499
Power Generation Equip	3	129,407	81,358	38,615	906	2,627	5,901
Electric Pumping Equipment - Source of Suppy	2	785,852	527,778	250,451	5,815	550	1,257
Power Pumping Equipment - Water Treatment	2	6,413	4,307	2,044	47	4	10
Power Pumping Equipment - Trans. & Distrib.	3	192,674	121,134	57,494	1,349	3,911	8,786
Purification System - Treatment Structures	2	1,385,827	930,721	441,663	10,255	970	2,217
T&D Structures and Improvements	6	45,671	28,134	13,222	311	1,233	2,772
Distribution Reservoirs and Standpipes	5	163,483	92,090	43,110	1,030	8,403	18,850
Distribution Mains	4	858,525	524,645	245,710	5,838	25,326	57,006
Transmission Mains	3	630,419	396,344	188,117	4,413	12,797	28,747
Services	9	1,073,752	793,181	169,331	2,577	108,664	0
Meters	8	364,870	249,608	113,329	1,934	0	0
Hydrants	7	72,758	0	0	0	0	72,758
Structures and Improvements - General Plant	14	80,597	58,820	17,586	363	1,838	1,991
Office Furniture and Equipment	14	150,528	109,855	32,845	677	3,432	3,718
CIS System	12	796,129	690,323	79,374	955	25,476	0
Transportation Equipment	14	0	0	0	0	0	0

UNITED WATER IDAHO INC.

COST OF SERVICE FOR THE TWELVE MONTHS ENDED APRIL 30, 2011, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Public Authorities	Fire Protection Private	Fire Protection Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Stores Equipment	14	2,129	1,554	465	10	49	53
Tools and work Equipment	14	49,329	36,000	10,764	222	1,125	1,218
Laboratory Equipment	2	15,349	10,309	4,892	114	11	25
Power Operated Equipment	14	0	0	0	0	0	0
Communication Equipment	14	163,078	119,014	35,584	734	3,718	4,028
Miscellaneous Equipment	14	0	0	0	0	0	0
Other Tangible Property	14	47,490	34,658	10,362	214	1,083	1,173
Total Depreciation Expense		7,684,358	5,259,838	1,968,528	42,720	201,687	211,584
Amortization of Utility Plant Acquistion	17	9,366	6,131	2,522	55	278	379
Amortization of Relocation Exp	16	4,000	2,922	878	18	85	96
Amortization-Miscellaneous	14		0	0	0	0	0
Amortization of OPEB Costs	16	40,560	29,629	8,907	183	864	977
Amortization of Legal Costs	14	612	447	134	3	14	15
Amort of AFUDC Equity GU	18	19,157	12,575	5,140	113	563	766
Total Amortizations		73,696	51,704	17,581	372	1,804	2,235

UNITED WATER IDAHO INC.

COST OF SERVICE FOR THE TWELVE MONTHS ENDED APRIL 30, 2011, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Public Authorities	Fire Protection Private	Fire Protection Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Taxes Other Than Income							
Real Estate	18	1,838,000	1,206,463	493,135	10,844	54,037	73,520
Payroll Taxes	16	468,965	342,579	102,985	2,110	9,989	11,302
Franchise Tax	19		0	0	0	0	0
PUC Assessment	19	103,373	70,707	26,277	558	2,615	3,215
Total Taxes, Other Than Income		2,410,338	1,619,749	622,398	13,513	66,641	88,037
Income Taxes	18	5,828,727	3,825,976	1,563,847	34,389	171,365	233,149
Utility Income Available for Return	18	13,735,164	9,015,762	3,685,144	81,037	403,814	549,407
Total Cost of Service		45,912,619	31,399,391	11,672,624	248,907	1,162,239	1,429,458
Less: Other Water Revenues							
Miscellaneous Service Revenue	19	56,961	38,961	14,480	308	1,441	1,771
Fire Hydrant Meter Rental Revenue	19	123,970	84,796	31,513	669	3,136	3,855
Temporary Meter Charge	8	8,100	5,541	2,516	43	0	0
Total Other Water Revenues		189,031	129,298	48,509	1,020	4,578	5,627
Total Cost of Service Related to Sales of Water		45,723,587	31,270,092	11,624,116	247,887	1,157,661	1,423,831
Reallocation of Public Fire	20		974,043	442,242	7,546	0	(1,423,831)
Total		$ 45,723,587	$ 32,244,135	$ 12,066,358	$ 255,433	$ 1,157,661	$ -

Case No. UWI-W-11-02
Exhibit No. 6
Schedule B
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P. Herbert

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS

FACTOR 1. ALLOCATION OF COSTS WHICH VARY WITH THE AMOUNT OF WATER CONSUMED.

Factors are based on the pro forma test year average daily consumption for each customer classification.

Customer Classification	Average Daily Consumption, CCF	Allocation Factor
(1)	(2)	(3)
Residential	31,405	0.6504
Commercial	16,320	0.3380
Public Authority	303	0.0063
Private Fire Protection	79	0.0016
Public Fire Protection	177	0.0037
Total	48,284	1.0000

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM DAY EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the factors for average daily consumption (Factor 1) and the factors derived from maximum day extra capacity demand for each customer classification, as follows:

	Average Daily Consumption		Maximum Day Extra Capacity		
Customer Classification	Allocation Factor 1	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2)x 0.4348	(4)	(5)=(4)x 0.5652	(6)=(3)+(5)
Residential	0.6504	0.2828	0.6879	0.3888	0.6716
Commercial	0.3380	0.1470	0.3038	0.1717	0.3187
Public Authority	0.0063	0.0027	0.0083	0.0047	0.0074
Private Fire Protection	0.0016	0.0007			0.0007
Public Fire Protection	0.0037	0.0016			0.0016
Total	1.0000	0.4348	1.0000	0.5652	1.0000

The derivation of the maximum day extra capacity factors in column 4 and the basis for the column 3 and 5 weightings are presented on the following page.

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 2. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM DAY EXTRA CAPACITY FUNCTIONS, cont.

		Maximum Day Extra Capacity		
Customer Classification	Average Daily Consumption, CCF	Factor*	Rate of Flow, CCF Per Day	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	31,405	2.0	62,810	0.6879
Commercial	16,320	1.7	27,744	0.3038
Public Authority	303	2.5	758	0.0083
Total	48,028		91,312	1.0000

The weighting of the factors is based on the maximum day ratio of 2.30, based on a review of maximum day ratios experienced during the period 2000 through 2010 (see Schedule D).

	Maximum Day Ratio	Weight
Average Day	1.00	0.4348
Maximum Day Extra Capacity	1.30	0.5652
Total	2.30	1.0000

* Ratio of maximum day to average day minus 1.0.

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

	Average Daily Consumption		Maximum Day Extra Capacity		Fire Protection		
Customer Classification	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2) X 0.4071	(4)	(5)=(4) X 0.5292	(6)	(7)=(6) X 0.0637	(8)=(3)+(5)+(7)
Residential	0.6504	0.2647	0.6879	0.3640			0.6287
Commercial	0.3380	0.1376	0.3038	0.1608			0.2984
Public Authority	0.0063	0.0026	0.0083	0.0044			0.0070
Private Fire Protection	0.0016	0.0007			0.3081	0.0196	0.0203
Public Fire Protection	0.0037	0.0015			0.6919	0.0441	0.0456
Total	1.0000	0.4071	1.0000	0.5292	1.0000	0.0637	1.0000

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE, MAXIMUM DAY EXTRA CAPACITY AND FIRE PROTECTION FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum day ratio of 2.30 and the average daily system sendout for 2010 of 38.3 MGD. The system demand for fire protection is 10,000 Gallons per minute for 10 hours.

	Ratio	Rate of Flow, (GPD)	Weight
Average Day	1.00	38,339,726	0.4071
Maximum Day Extra Capacity	1.30	49,841,644	0.5292
Subtotal	2.30	88,181,370	0.9363
Fire Protection		6,000,000	0.0637
Total		94,181,370	1.0000

The public and private fire protection allocation factors in column 6 on the previous page are based on the relative potential demands (see Schedule E).

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS.

Factors are based on the weighting of the average daily consumption, the maximum day extra capacity demand, and the fire protection demand for each customer classification.

	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		
Customer Classification	CCF	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)	(4)=(3) X 0.2514	(5)	(6)=(5) X 0.6540	(7)	(8)=(7) X 0.0946	(9)=(4)+(6)+(8)
Residential	1,308.5	0.6504	0.1635	0.6844	0.4476			0.6111
Commercial	680.0	0.3380	0.0850	0.3076	0.2012			0.2862
Public Authority	12.6	0.0063	0.0016	0.0080	0.0052			0.0068
Private Fire Protection	3.3	0.0016	0.0004			0.3081	0.0291	0.0295
Public Fire Protection	7.4	0.0037	0.0009			0.6919	0.0655	0.0664
Total	2,011.8	1.0000	0.2514	1.0000	0.6540	1.0000	0.0946	1.0000

The maximum hour extra capacity factors in column 5 are determined on the following page.

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH FACILITIES SERVING BASE AND MAXIMUM HOUR EXTRA CAPACITY FUNCTIONS, cont.

The weighting of the factors is based on the potential demand of general and fire protection service. The bases for the potential demand of general service are the maximum hour ratio of 3.60 and the average daily system sendout for 2010 of 38.3 MGD. The system demand for fire protection is 10,000 gallons per minute

	Ratio	Prev study Rate of Flow, (GPM)	Weight
Average Hour	1.00	26,625	0.2514
Maximum Hour Extra Capacity	2.60	69,225	0.6540
Subtotal	3.60	95,850	0.9054
Fire Protection		10,000	0.0946
Total		105,850	1.0000

The maximum hour extra capacity factors in column 5 of the previous page are determined as follows:

Customer Classification	Average Hourly Consumption Thousand Gal.	Maximum Hour Extra Capacity Factor*	1,000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	1,308.5	3.7	4,841.5	0.6844
Commercial	680.0	3.2	2,176.0	0.3076
Public Authority	12.6	4.5	56.7	0.0080
Total	2,001.1		7,074.2	1.0000

* Ratio of Maximum Hour To Average Hour Minus 1.0.

The public and private fire protection allocation factors in column 7 on the previous page are based on the relative potential demands (see Schedule E).

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES.

Factors are based on the weighting of the average hourly consumption, the maximum hour extra capacity demand, and the fire protection demand for each customer classification.

	Average Hourly Consumption			Maximum Hour Extra Capacity		Fire Protection		
Customer Classification	Thousand Gallons	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor	Weighted Factor	Allocation Factor
(1)	(2)	(3)	(4)=(3) X 0.2318	(5)	(6)=(5) X 0.6028	(7)	(8)=(7) X 0.1654	(9)=(4)+(6)+(8)
Residential	1,308.5	0.6504	0.1507	0.6844	0.4126			0.5633
Commercial	680.0	0.3380	0.0783	0.3076	0.1854			0.2637
Public Authority	12.6	0.0063	0.0015	0.0080	0.0048			0.0063
Private Fire Protection	3.3	0.0016	0.0004			0.3081	0.0510	0.0514
Public Fire Protection	7.4	0.0037	0.0009			0.6919	0.1144	0.1153
Total	2,011.8	1.0000	0.2318	1.0000	0.6028	1.0000	0.1654	1.0000

The weighting of the factors is based on the ratio of the capacity required for a 4 hour demand of fire flow, as related to total storage capacity. The calculation is shown on the following page.

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH STORAGE FACILITIES, cont.

The weighting of the factors is based on the ratio of the capacity required for a 10 hour demand of fire flow, as related to total storage capacity.

Fire not updated.

Fire Protection Weight = $\frac{\text{10,000 GPM X 60 Min. X 10 Hrs}}{\text{36,282,000 Gallons}}$ = 0.1654

General Service Weight = 1.0000 - 0.1654 = 0.8346

The weighting of the average hourly consumption and maximum hour extra demand for general service is based on the maximum hour ratio, as follows:

	Maximum Hour Ratio	Percent	Weight
Average Hour	1.00	27.78	0.2318
Extra Capacity Maximum Hour	2.60	72.22	0.6028
Total	3.60	100.00	0.8346

Customer Classification	Average Hourly Consumption Thousand Gal.	Maximum Hour Extra Capacity		
		Factor*	1,000 Gallons Per Hour	Allocation Factor
(1)	(2)	(3)	(4)=(2)x(3)	(5)
Residential	1,308.5	3.7	4,841.5	0.6844
Commercial	680.0	3.2	2,176.0	0.3076
Public Authority	12.6	4.5	56.7	0.0080
Total	2001.1		7074.2	1.0000

* Ratio of Maximum Hour To Average Hour Minus 1.0.

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 6. ALLOCATION OF COSTS ASSOCIATED WITH TRANSMISSION AND DISTRIBUTION MAINS.

Factors are based on the weighting of the maximum daily consumption with fire, Factor 3, and the maximum hour

	Maximum Daily Consumption w/ Fire		Maximum Hourly Consumption		
Customer Classification	Allocation Factor 3	Weighted Factor	Allocation Factor 4	Weighted Factor	Allocation Factor
(1)	(2)	(3)=(2)X 0.2756	(4)	(5)=(4)X 0.7244	(6)=(3)+(5)
Residential	0.6287	0.1733	0.6111	0.4427	0.6160
Commercial	0.2984	0.0822	0.2862	0.2073	0.2895
Public Authority	0.0070	0.0019	0.0068	0.0049	0.0068
Private Fire Protection	0.0203	0.0056	0.0295	0.0214	0.0270
Public Fire Protection	0.0456	0.0126	0.0664	0.0481	0.0607
Total	1.0000	0.2756	1.0000	0.7244	1.0000

The weighting of the factors is based on the total footage of mains, designated as either transmission mains or distribution mains, as follows:

	Total Footage of Mains	Weight
Transmission Mains	1,734,195	0.2756
Distribution Mains	4,559,362	0.7244
Total	6,293,557	1.0000

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 7. ALLOCATION OF COSTS ASSOCIATED WITH FIRE HYDRANTS.

Costs are assigned directly to Public Fire Protection.

Customer Classification	Allocation Factor
(1)	(3)
Public Fire Protection	1.0000
Total	1.0000

FACTOR 8. ALLOCATION OF COSTS ASSOCIATED WITH METERS.

Factors are based on the relative cost of meters by size and customer classification, as developed on the following page and summarized below.

Customer Classification	5/8" Dollar Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	109,934	0.6841
Commercial	49,918	0.3106
Public Authority	858	0.0053
Private Fire	0	0.0000
Total	160,710	1.0000

UNITED WATER IDAHO INC.

BASIS FOR ALLOCATING METER COSTS TO CUSTOMER CLASSIFICATIONS

		Residential		Commercial		Public Authority		Total	
Meter Size	5/8" Equivalent	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting	Number of Meters	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(13)	(14)=(2)X(13)	(15)	(16)
5/8	1.0	13,508	13,508	474	474	2	2	13,984	13,984
3/4	1.5	53,399	80,099	2,070	3,105	9	14	55,478	83,218
1	1.9	7,234	13,745	2,450	4,655	31	59	9,715	18,459
1-1/2	6.0	222	1,332	1,653	9,918	19	114	1,894	11,364
2	11.9	105	1,250	1,746	20,777	44	524	1,895	22,551
3	51.1		0	130	6,643	1	51	131	6,694
4	94.1		0	40	3,764	1	94	41	3,858
6	134.0		0	3	402		0	3	402
8	180.0		0	1	180		0	1	180
Total		74,468	109,934	8,567	49,918	107	858	83,142	160,710

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 9. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES.

Factors are based on the relative cost of services by size and customer classification, as developed on the following page and summarized below.

Customer Classification	3/4" Dollar Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	81,522	0.7387
Commercial	17,399	0.1577
Public Authority	263	0.0024
Private Fire Protection	11,162	0.1012
Total	110,346	1.0000

UNITED WATER IDAHO, INC.

BASIS FOR ALLOCATING SERVICE COSTS TO CUSTOMER CLASSIFICATIONS

Service Size	3/4" Dollar Equivalent	Residential		Commercial		Public Authority		Private Fire Protection		Total	
		Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting	Number of Services	Weighting
(1)	(2)	(3)	(4)=(2)X(3)	(5)	(6)=(2)X(5)	(11)	(12)=(2)X(11)	(13)	(14)=(2)X(11)	(15)	(16)
3/4	1.00	66,907	66,907	2,544	2,544	11	11	0	0	69,462	69,462
1	1.90	7,234	13,745	2,450	4,655	31	59	0	0	9,715	18,459
1-1/2	2.50	222	555	1,653	4,133	19	48	0	0	1,894	4,736
2	3.00	105	315	1,746	5,238	44	132	0	0	1,895	5,685
3	3.50	0	0	130	455	1	4	379	1,327	510	1,786
4-12 Inch	8.50	0	0	44	374	1	9	1,157	9,835	1,202	10,218
Total		74,468	81,522	8,567	17,399	107	263	1,536	11,162	84,678	110,346

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 10. ALLOCATION OF TRANSMISSION AND DISTRIBUTION OPERATION SUPERVISION AND ENGINEERING AND MISCELLANEOUS EXPENSES.

Factors are based on transmission and distribution operation expenses other than those being allocated, as follows:

Customer Classification	Transmission & Distribution Operating Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$ 522,517	0.6377
Commercial	242,423	0.2959
Public Authority	5,128	0.0063
Private Fire Protection	15,147	0.0185
Public Fire Protection	34,044	0.0416
Total	819,259	1.0000

FACTOR 11. ALLOCATION OF TRANSMISSION AND DISTRIBUTION MAINTENANCE SUPERVISION AND ENGINEERING, STRUCTURES AND IMPROVEMENTS, AND OTHER EXPENSES.

Factors are based on transmission and distribution maintenance expenses other than those being allocated, as follows:

Customer Classification	Transmission & Distribution Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$ 505,126	0.6311
Commercial	183,323	0.2290
Public Authority	3,867	0.0048
Private Fire Protection	41,709	0.0521
Public Fire Protection	66,477	0.0830
Total	$800,503	1.0000

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 12. ALLOCATION OF BILLING AND COLLECTING COSTS.

Factors are based on the total number of customers.

Customer Classification	Total Customers	Allocation Factor
(1)	(2)	(3)
Residential	74,468	0.8671
Commercial	8,567	0.0997
Public Authority	107	0.0012
Private Fire Protection	2,748	0.0320
Public Fire Protection	0	0.0000
Total	85,890	1.0000

FACTOR 13. ALLOCATION OF METER READING COSTS.

Factors are based on the number of metered customers.

Customer Classification	Total Metered Customers	Allocation Factor
(1)	(2)	(3)
Residential	74,468	0.8957
Commercial	8,567	0.1030
Public Authority	107	0.0013
Total	83,142	1.0000

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 14. ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES

Factors are based on the allocation of all other operation and maintenance expenses excluding purchased water, power, and chemicals.

Customer Classification	Operation & Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$5,325,989	0.7298
Commercial	1,591,851	0.2182
Public Authority	32,770	0.0045
Private Fire Protection	166,330	0.0228
Public Fire Protection	180,009	0.0247
Total	$7,296,949	1.0000

FACTOR 15. ALLOCATION OF CASH WORKING CAPITAL

Factors are based on the allocation of all operation and maintenance expenses including purchased water, power, and chemicals.

Customer Classification	Operation & Maintenance Expenses	Allocation Factor
(1)	(2)	(3)
Residential	$11,626,362	0.7185
Commercial	3,815,126	0.2358
Public Authority	76,875	0.0048
Private Fire Protection	316,927	0.0196
Public Fire Protection	345,047	0.0213
Total	$16,180,337	1.0000

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 16. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS.

Factors are based on the allocation of direct labor expense.

Customer Classification	Direct Labor Expense	Allocation Factor
(1)	(2)	(3)
Residential	$3,135,850	0.7305
Commercial	942,901	0.2196
Public Authority	19,474	0.0045
Private Fire Protection	91,333	0.0213
Public Fire Protection	103,390	0.0241
Total	$4,292,949	1.0000

FACTOR 17. ALLOCATION OF ORGANIZATION, FRANCHISES AND CONSENTS, MISCELLANEOUS INTANGIBLE PLANT AND OTHER RATE BASE ELEMENTS.

Factors are based on the allocation of the original cost less depreciation other than those items being allocated, as follows:

Customer Classification	Original Cost Less Depreciation	Allocation Factor
(1)	(2)	(3)
Residential	$105,978,945	0.6546
Commercial	43,609,488	0.2693
Public Authority	958,860	0.0059
Private Fire Protection	4,812,760	0.0297
Public Fire Protection	6,561,433	0.0405
Total	$161,921,486	1.0000

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 18. ALLOCATION OF INCOME TAXES AND INCOME AVAILABLE FOR RETURN.

Factors are based on the allocation of the original cost measure of value rate base as shown on the following pages and summarized below.

Customer Classification	Original Cost Measure of Value	Allocation Factor
(1)	(2)	(3)
Residential	$106,948,207	0.6564
Commercial	43,720,237	0.2683
Public Authority	959,523	0.0059
Private Fire Protection	4,794,119	0.0294
Public Fire Protection	6,509,870	0.0400
Total	$162,931,957	1.0000

FACTOR 19. ALLOCATION OF REGULATORY COMMISSION EXPENSES, ASSESSMENTS AN OTHER WATER REVENUES.

The factors are based on the allocation of the total cost of service, excluding those items being allocated.

Customer Classification	Total Cost of Service	Allocation Factor
(1)	(2)	(3)
Residential	$31,328,684	0.6840
Commercial	11,646,347	0.2542
Public Authority	248,349	0.0054
Private Fire Protection	1,159,623	0.0253
Public Fire Protection	1,426,243	0.0311
Total	$45,809,246	1.0000

UNITED WATER IDAHO INC.

COST OF SERVICE FOR THE TWELVE MONTHS ENDED APRIL 30, 2011, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Public Authorities	Fire Protection Private	Fire Protection Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RATE BASE							
Organization	17	$ 91,059	$ 59,607	$ 24,522	$ 537	$ 2,704	$ 3,688
Franchises and Consents	17		-	-	-	-	-
Source of Supply - Land and Land Rights	2	7,186,940	4,826,749	2,290,478	53,183	5,031	11,499
Water Source Structures	2	3,120,464	2,095,704	994,492	23,091	2,184	4,993
Collection and Impounding Reservoirs	1	(237,199)	(154,274)	(80,173)	(1,494)	(380)	(878)
Lakes, River and Other Intakes	2	860,342	577,806	274,191	6,367	602	1,377
Wells & Springs	2	6,471,722	4,346,408	2,062,538	47,891	4,530	10,355
Infiltration Galleries and Tunnels	2	24,260	16,293	7,732	180	17	39
Source of Supply - Plant	2	1,842,961	1,237,733	587,352	13,638	1,290	2,949
Water Treatment - Land and Land Rights	2	831,823	558,652	265,102	6,155	582	1,331
Purification Buildings	2	12,308,649	8,266,489	3,922,766	91,084	8,616	19,694
Power Generation Equip	3	1,946,513	1,223,773	580,840	13,626	39,514	88,761
Electric Pumping Equipment - Source of Supply	2	6,312,648	4,239,574	2,011,841	46,714	4,419	10,100
Electric Pumping Equipment - Water Treatment	2	123,031	82,628	39,210	910	86	197
Electric Pumping Equipment - Transmission and Distirbution	3	3,118,678	1,960,713	930,613	21,831	63,309	142,212
Purification System - Treatment Structures	2	12,867,871	8,642,062	4,100,991	95,222	9,008	20,589
T&D - Land and Land Rights	6	583,060	359,165	168,796	3,965	15,743	35,392
T&D Structures and Improvements	6	2,005,693	1,235,507	580,648	13,639	54,154	121,746
Distribution Reservoirs and Standpipes	5	6,098,394	3,435,225	1,608,146	38,420	313,457	703,145
Distribution Mains	4	27,397,595	16,742,670	7,841,192	186,304	808,229	1,819,200
Transmission Mains	3	20,118,178	12,648,299	6,003,264	140,827	408,399	917,389
Services	9	28,967,098	21,397,995	4,568,111	69,521	2,931,470	-
Meters	8	11,150,571	7,628,105	3,463,367	59,098	-	-
Hydrants	7	2,496,907	0	0	0	0	2,496,907
General Land and Land Rights	14	213,383	155,727	46,560	960	4,865	5,271
Office Buildings	14	2,272,315	1,658,336	495,819	10,225	51,809	56,126
Office Furniture and Equipment	14	2,068,360	1,509,489	451,316	9,308	47,159	51,089
Transportation Equipment	14	(11,189)	(8,165)	(2,441)	(50)	(255)	(276)
Stores Equipment	14	2,027	1,479	442	9	46	50
Tools and work Equipment	14	284,044	207,295	61,978	1,278	6,476	7,016
Laboratory Equipment	2	77,746	52,214	24,778	575	54	124
Power Operated Equipment	14	(11,462)	(8,365)	(2,501)	(52)	(261)	(283)
Communication Equipment	14	1,456,994	1,063,314	317,916	6,556	33,219	35,988
Miscellaneous Equipment	14	(26,932)	(19,655)	(5,877)	(121)	(614)	(665)
Other Tangible Property	17	1,229,638	804,921	331,141	7,255	36,520	49,800
Total Utility Plant in Service		163,242,182	106,843,473	43,965,151	966,652	4,851,985	6,614,921

UNITED WATER IDAHO INC.

COST OF SERVICE FOR THE TWELVE MONTHS ENDED APRIL 30, 2011, ALLOCATED TO CUSTOMER CLASSIFICATIONS

Account	Factor Ref.	Cost of Service	Residential	Commercial	Public Authorities	Fire Protection Private	Fire Protection Public
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Other Rate Base Items							
Utility Plant Acquisition Adjustment	17	524,008	343,015	141,115	3,092	15,563	21,222
Pre-1971 Investment Tax Credits	17	(5,568)	(3,644)	(1,499)	(33)	(165)	(225)
Deferred Charges Included in Rate Base	17	2,540,930	1,663,293	684,273	14,991	75,466	102,908
Working Capital Allowance	15	4,817,018	3,461,028	1,135,853	23,122	94,414	102,602
Deferred Income Taxes	17	(8,186,615)	(5,358,958)	(2,204,655)	(48,301)	(243,142)	(331,558)
Total Other Rate Base Elements		(310,226)	104,734	(244,914)	(7,129)	(57,866)	(105,051)
Total Original Cost Measure of Value		$ 162,931,957	$ 106,948,207	$ 43,720,237	$ 959,523	$ 4,794,119	$ 6,509,870

UNITED WATER IDAHO INC.

FACTORS FOR ALLOCATING COST OF SERVICE TO CUSTOMER CLASSIFICATIONS, cont.

FACTOR 20. REALLOCATION OF PUBLIC FIRE

Factors are based on the relative cost of meters by size and customer classification.

Customer Classification	5/8" Dollar Equivalents	Allocation Factor
(1)	(2)	(3)
Residential	109,934	0.6841
Commercial	49,918	0.3106
Public Authority	858	0.0053
Private Fire	0	0.0000
Total	160,710	1.0000

UNITED WATER IDAHO INC.

SUMMARY OF AVERAGE DAILY SEND OUT AND MAXIMUM DAILY USAGE
FOR THE YEARS 2001-2010

Year	Average Daily Send out (MGD)	Maximum Daily Use		
		MGD	Ratio to Average	Highest Use Day
(1)	(2)	(3)	(4)	(5)
2001	43.72	84.661	1.94	8/15
2002	43.47	94.553	2.17	7/12
2003	43.04	94.061	2.19	7/23
2004	42.59	85.972	2.02	7/14
2005	40.49	93.758	2.32	7/22
2006	42.37	92.221	2.18	7/26
2007	44.64	91.075	2.04	7/6
2008	42.34	84.887	2.00	7/11
2009	40.08	84.285	2.10	7/27
2010	38.34	82.567	2.15	7/25

UNITED WATER IDAHO INC.

BASIS FOR ALLOCATING DEMAND RELATED COSTS OF FIRE SERVICE
TO PRIVATE AND PUBLIC FIRE PROTECTION CUSTOMER CLASSIFICATIONS

Description		Restrictive Diameters Squared	Quantity	Relative Demand*	Allocation Factor
(1)		(2)	(3)	(4)=(2)x(3)	(5)
PRIVATE FIRE PROTECTION					
Fire Lines					
3 -inch		9.00	379	3,411	
4 -inch		16.00	504	8,064	
6 -inch		36.00	500	18,000	
8 -inch		64.00	137	8,768	
10 -inch		100.00	10	1,000	
12 -inch		144.00	6	864	
Sprinkler		9.00	1	9	
Private Hydrants		20.70	1,211	25,071	
Total Private Fire Protection			2748	65,187	0.3081
PUBLIC FIRE PROTECTION					
Hydrant	Nozzle Sizes				
4.5" Valve	2- 2-1/2" & 1-4.5"	20.70	7,070	146,367	
Total Public Fire Prorection			7,070	146,367	0.6919
Total Fire Protection			9,818	211,554	1.0000

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UNITED WATER IDAHO INC.
CALCULATION OF BI-MONTHLY CUSTOMER COST FOR A 5/8-INCH METER

Cost Function	Cost of Service	Total Units	Cost Per 5/8-inch Meter	Cost Per 5/8-inch Meter Bi-Monthly Bill
(1)	(2)	(3)	(4)	(5)
Meters	2,610,749	160,710 5/8-inch Equivalents	$16.25	$2.71
Services	4,880,084	99,184 3/4-inch Equivalents	49.20	$8.20
Billing, Collecting and Meter Reading	6,787,338	83,142 Customers	81.64	$13.61
Subtotal Customer Costs	$14,278,171			24.52
Unrecovered Public Fire	1,423,831	160,710 5/8-inch Equivalents	8.86	1.48
Total Customer Costs and Public Fire	$15,702,002			$26.00

III. COMPARISON OF PRESENT AND PROPOSED RATES

UNITED WATER IDAHO INC.

COMPARISON OF PRESENT AND PROPOSED RATES

Bi-Monthly Customer Charge	Present Rates	Proposed Rates	Percentage Increase
5/8"	$ 18.10	$ 23.20	28.2%
3/4"	18.10	23.20	28.2%
1"	23.79	29.70	24.8%
1-1/2"	38.55	50.80	31.8%
2"	55.65	78.70	41.4%
3"	102.23	153.60	50.2%
4"	162.71	286.50	76.1%
6"	313.15	478.40	52.8%
8"	472.39	625.80	32.5%
10"	660.37	900.61	36.4%

Consumption Charge	Present Rates*	Proposed Rates*	Percentage Increase
Winter Rates			
Up to 3 CCF	$ 1.35210	$ 1.57100	16.2%
Over 3 CCF	1.35210	1.57100	16.2%
Summer Rates			
Up to 3 CCF	1.35210	1.57100	16.2%
Over 3 CCF	1.69020	1.96390	16.2%
* Per CCF			
Flat Rate	$ 72.36	$ 86.75	19.9%

	Private Fire		
Size	Monthly Present Rates	Monthly Proposed Rates	Percentage Increase
3" and Smaller	$ 15.84	$ 20.59	30.0%
4"	24.01	31.21	30.0%
6"	59.63	77.52	30.0%
8"	97.98	127.37	30.0%
10"	152.80	198.64	30.0%
12"	228.87	297.53	30.0%

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