

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AMERICAN WATER RESOURCES,
INC.,

Respondent.

DOCKET NO. UW-031284
DOCKET NO. UW-010961
DOCKET NO. UW-031596
(consolidated)

STAFF'S RESPONSE TO BENCH
REQUEST NOS. 9 – 11

1 Commission Staff provides the following response to Bench Request Nos. 9 and
10.

2 **BENCH REQUEST NO. 9: Provide a one-page summary in the format of the
attachment to this bench request, showing the after federal income tax net operating
income and net rate base of each of the individual items listed. Each individual
adjustment, which has an effect on net operating income, should include the effect
of federal income tax. For purposes of this bench request, use the effective federal
income tax rate after all adjustments and proposed rate/revenue increases or
decreases.**

3 Staff produces two summaries in response to Bench Request No. 9. After
reviewing all of the inputs and calculations, all of the numbers produced the correct

result except one. The one exception is found in column B, row 33. Attachment A contains the version of the summary that results from adding lines 31 and 32 to reach the result in line 33, which is \$47,954. Attachment B contains the version of the summary that shows Staff's result, which is \$33,115. The difference between the two summaries is \$14,839.

4 Staff believes that the difference between the two summaries is due to taxes and is related to AWR's reported tax for the test period. AWR reported test period taxes of \$16,652.

5 **BENCH REQUEST NO. 10: Provide a schedule showing the per books tax calculation resulting in the per books tax amount of \$16,652. Show the net operating income and all adds and deducts to net operating income required to achieve taxable income. Indicate for each add or deduct, whether the amounts relate to operating or non-operating income or expenses. Indicate the tax rate or tax schedule used to derive the per books federal income taxes.**

6 Staff did not calculate the historical tax expense. Staff transferred the historical tax expense of \$16,652 from AWR's test period income sheet to Staff's results of operations exhibit (Exhibit No. 64). As such, AWR calculated the historical tax expense amount. Staff used the historical tax expense solely as a reference point for revenue sensitive tax expenses identified on Staff's results of operations sheet as S1.

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DATED this 28th day of April 2004.

CHRISTINE O. GREGOIRE
Attorney General

LISA WATSON
Assistant Attorney General
Washington Utilities and
Transportation Commission
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