

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 DATED APRIL 19, 2004

1 Pursuant to the bench request issued on April 19, 2004, Commission Staff
provides the following response.

2 **BENCH REQUEST NO. 1: To the extent that [Exhibit No. 64 does] not provide
presentations that foot and cross-foot (i.e., include columns and rows that add down
and across), please provide the exhibits in that format.**

3 Staff submits Attachment A in response to this item. Attachment A contains a
revised Exhibit No. 64. The numbers contained in Attachment A are the same as they
appear in Exhibit No. 64 as filed on April 1, 2004, with one exception. Restating
Adjustment R-3 is correctly reflected in Attachment A. A full explanation of the

change made to Restating Adjustment R-3 is found below in answer to Bench Request No. 3. The other difference between Attachment A and Exhibit No. 64 is the "Source" column, which shows the lines used to calculate the figures shown in the exhibit.

4 **BENCH REQUEST NO. 2: If [Exhibit No. 64 does] not reflect the party's final positions regarding revenue requirements, then provide such exhibits.**

5 Exhibit No. 64 reflects Staff's final position with regard to revenue requirements, with two caveats. The first caveat is Staff reserves the right to alter its position based on information that may be revealed during cross-examination. In addition, the pro forma debt adjustment is dependent on the final rate base number. Exhibit No. 64 reflects Staff's final position given the information currently available.

6 The second caveat is Staff presented two alternative treatments in testimony that are not reflected in Exhibit No. 64. The first alternative relates to Pro Forma Adjustment P-3, which addresses AWR's employee expenses. Exhibit No. 41T at 4:18 to 10:6. The alternative recommendation is explained fully in Exhibit No. 41T at 5:8-12, 6:6-16, and 9:15 to 10:2.

7 The second alternative relates to rate base adjustment RB-3, which addresses gain resulting from the sale of the View Royal water system. Exhibit No. 41T at 24:16 to 30:11; Exhibit No. 64 at column M, rows 50-52. Staff's alternative recommendation is described in full at Exhibit No. 41T at 29:7 to 30:11.

8 **BENCH REQUEST NO. 3: To the extent that [Exhibit No. 64 does] not show, or [is] not supported by tables that show each proposed adjustment separately, provide tables that show the revenue, expense, taxes, net operating income and rate base effect of each adjustment in a separate column format. That is, show each adjustment in a separate column on a stand-alone basis. At the bottom of the column for each adjustment indicate the page and line number where the amount appears in testimony. If the amounts referenced in testimony do not agree with the amounts appearing in the results of operations statement, please explain why.**

9 Staff submits Attachment B in response to this item. Attachment B contains a schedule with each adjustment made by Staff shown in a separate column with testimony references. It should be noted that Adjustment RB-2 and Restating Adjustment R-10 are the same adjustment. Attachment B, page 1, column N; Attachment B, page 3, column H. Staff named the adjustment RB-2, while AWR named the adjustment R-10.

10 Separate schedules were previously filed with regard to the following adjustments:

Exhibit No. 65, Adjustment P-3, Employee Cost

Exhibit No. 51, Adjustment RB-1, BEOY Rate Base Adjustment

Exhibit No. 71, Adjustment RB-3, Gain on Sale – View Royal

Exhibit No. 78, Adjustment RB-4, Gain on Sale – Birchfield

11 The amounts referenced in testimony agree with the amounts appearing in
Attachment B with the following exceptions:

12 (1) Adjustment S-1 was not explicitly discussed in testimony, so there is no
testimony citation related to that adjustment. Adjustment S-1 is the cumulative result
of the adjustments Staff proposes. In other words, Adjustment S-1 is not a separate
adjustment in addition to the other Staff adjustments, but rather is the effect of those
adjustments on AWR's revenue.

13 (2) Staff uncovered a mistake with regard to Restating Adjustment R-3.
The number shown for Restating Adjustment R-3 in Exhibit No. 64 is \$3,604.
Column E, row 2. In testimony, Staff describes the components of Restating
Adjustment R-3 as being \$2,500 (Exhibit No. 40T at 13:15) and \$4,700 (Exhibit No.
40T at 14:4). The components used to calculate the number found in Exhibit No. 64
were \$2,402 and \$4,798. The \$2,402 number was erroneous, and should have been
\$2,624. This is reflected in Attachment B, page 1, column E, row 21. The \$4,798
number is correct. Thus, using \$2,624 and \$4,798 to calculate Restating Adjustment
R-3, the number reflected in Exhibit No. 64 should be \$3,826. That number is
reflected in Attachment A at column E, row 22. The individual components of
Restating Adjustment R-3 are shown in Attachment B, page 1, columns D, E, and F.

- 14 (3) The testimony citation to Pro Forma Adjustment P-3 reveals a table. Exhibit No. 41T at 10:1; Attachment B, page 2, column E. The table shows the results of Staff's proposed adjustment, not the amount of the adjustment. The adjustment amounts for each component of Pro Forma Adjustment P-3 are shown in Exhibit No. 64 at column H, rows 15, 16, 17, and 39. *See also* Attachment A, column H, rows 15, 16, 17, and 39.
- 15 (4) The testimony citation to Rate Base Adjustment RB-1 shows the result of the adjustment in its entirety. Exhibit No. 40T at 17:5; Attachment B, page 3, column C. Exhibit No. 64 shows the individual components that make up Adjustment RB-1. Column H, rows 52, 53, 55, 56, and 57; *See also* Attachment A, column H, rows 52, 53, 55, 56, and 57.
- 16 (5) The testimony citation to Rate Base Adjustment RB-5 reflects the total funds associated with the Docket 010961 Account. Exhibit No. 41T at 49:14; Attachment B, page 3, column G. The total amount of funds associated with the Docket 010961 Account is \$125,113. Staff's proposed adjustment is one-half of that value, which is reflected in Exhibit No. 64 at column H, row 54. *See also* Attachment A, column H, row 54.
- 17 (6) Attachment B does not reflect Pro Forma Adjustments P-6, P-8, or P-9 because those adjustments were proposed by AWR and not accepted by Staff.

Attachment B, page 2, line 59. Pro Forma Adjustment P-6 is discussed in Exhibit No. 41T at 11:4 to 12:17. Pro Forma Adjustment P-8 is discussed in Exhibit No. 41T at 13:10 to 15:13. Pro Forma Adjustment P-9 is discussed in Exhibit No. 41T at 15:15 to 17:2.

18 **BENCH REQUEST NO. 4: Provide all details of federal income tax calculations for each adjustment, showing the derivation of taxable income and the tax rate assumed. For purposes of this bench request, use the tax rate considered by the party to be valid for each separate adjustment that would apply to AWR after all proposed adjustments and proposed rate changes, or indicate why some other rate is used.**

19 In response to this item, Staff submits information regarding federal income tax calculations in Attachment B. Attachment B contains three schedules showing each adjustment proposed by Staff in a separate column. Row 45 of each of the schedules contains the information on the federal income tax calculations for each adjustment.

20 **BENCH REQUEST NO. 5: Provide a calculation of the net-to-gross conversion factor, reflecting the impact of all revenue sensitive items and federal income taxes.**

21 Staff submits Attachment C in response to this item. Attachment C contains a schedule showing the net-to-gross conversion factor. Staff did not originally include a net-to-gross conversion factor as an exhibit because tax expenses are

already included in AWR's expenses and are shown in Exhibit No. 64 at lines 29, 37, and 46. *See also* Attachment A, lines 29, 37, and 46.

22 **BENCH REQUEST NO. 6: Provide, on a separate schedule, the calculation of any revenue deficiency or excess proposed by the party.**

23 Staff submits Attachment D in response to this item. The revenue excess is (\$71,219).

24 **BENCH REQUEST NO. 7: Provide or update, on a separate supporting schedule, the proposed *pro forma* debt adjustment (i.e., interest synchronization adjustment).**

25 Staff submits Attachment E in response to this item. Attachment E contains a revised Exhibit No. 63. Exhibit No. 63 was originally titled "Rate Base Interest Calculation" and was discussed in Exhibit No. 40T at 12:4-10 as Adjustment P-4. Staff also discussed Adjustment P-4 in rebuttal at Exhibit No. 41T at 10:8 to 11:2. Attachment E renames Exhibit No. 63 as "Pro Forma Debt Adjustment" and reflects the adjustments made in Staff's rebuttal testimony.

26 **BENCH REQUEST NO. 8: If not already included in the prefiled exhibits, provide a separate schedule showing the proposed capital structure, cost rates, weighted cost rates and overall rate of return; if already provided, indicate where.**

27 Staff provided the requested information in Exhibit No. 84 filed on April 1, 2004. A revised Exhibit No. 84 is provided in Attachment F. The numbers in

Attachment F are identical to those found in Exhibit No. 84 as filed on April 1, 2004.

The revised exhibit has columns and rows for ease of reference.

DATED this 23rd day of April 2004.

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