

# TETON WATER & SEWER COMPANY

PO Box 786, Driggs Idaho 83422

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IDAHO PUBLIC  
UTILITIES COMMISSION

Date: January 26, 2018  
To: Idaho Public Utilities Commission  
Prepared By: Jon Pinardi, Teton Water & Sewer Company  
RE: Case No. GNR-U-18-01  
Notice of Investigation – Order No. 33965

In response to the Notice of Investigation Order, and after review of the Utilities Corporate and Tax situation:

**To Item (1)(a)** – Immediately account for the financial benefits from the January 1, 2018 tax rate reduction to 21% as a deferred regulatory liability;

- (a) Teton Water & Sewer Company, LLC is a Limited Liability Company organized in the State of Idaho on the 12<sup>th</sup> of April, 2012. As an LLC, it is not subject to the Corporate Tax Rate of either 35% or 21%. Net Income for the LLC flows into the Partner personal tax liability and is taxed at the personal rate.
- (b) It appears upon review of the 2008 Rate Case No. TTS-W-08-1 that a Federal Tax Rate of 15% was applied to the Revenue Requirement, not 35% (see enclosed document titled “Attachment C”).
- (c) Per Commission Staff recommendations, included is a Financial Statement showing Net Income for the Utility. Below Net Income are the Tax Expenses under 3 different scenarios: 1) The 25% “Pre-2017 Tax Act” personal Federal Tax rate for the Partner, 2) The 22% “Post-2017 Tax Act” personal Federal Tax rate for the Partner, and, 3) The 15% Federal Tax rate as used for the Revenue Requirement from 2008.

Based on these items, (1) that the utility is not subject to the “Corporate Tax Rate”, (2) that there is no tax rate reduction due to a 15% rate used in the calculation of the Revenue Requirement, and that, (3) if the personal tax rate were to be used for rate and charge adjustments, the incremental decrease in our current/future tax expense is not existent or material, therefore, there would be no material impact on the Utilities rates and charges.

**To Item (1)(b)** – By Friday, March 30, 2018, file a report with the Commission identifying and quantifying all tax changes individually. The report must disclose the federal income tax components for the year 2017, and the federal income tax components if the utility had been subject to 2017 Tax Act’s revisions to the tax code, including the 21% tax rate.

- (a) As stated, it appears that the 2017 Tax Act will have no material impact on the Utilities current or future tax expense, therefore rates and charges would not decrease under the revisions to the tax code.

Thank you,

Jon Pinardi

Teton Water & Sewer Company, LLC

<b>TETON SPRINGS WATER</b>			
Case No. TTS-W-08-01			
Rate Case			
Revenue Requirement Calculation			
Return on rate base	\$	7,103	Attachment B
Net to Gross Multiplier		127.3237%	See below
Return grossed up for taxes	\$	9,044	
Annual Expenses	\$	118,461	Attachment A
Annual Revenue Requirement	\$	127,505	
<b>Gross Up Multiplier:</b>			
Beginning		100.0000%	
State Tax @ 7.6%		7.6000%	
Federal Taxable		92.4000%	
Federal Tax @ 15%		13.8600%	
Net After Tax		78.5400%	
Net to Gross Multiplier		127.3237%	100% / 78.54%
<b>Attachment C</b>			

**Teton Water & Sewer Co.**  
**Profit & Loss**  
January through December 2017

<b>Ordinary Income/Expense</b>	
<b>Income</b>	
600.000 · Water Income	
600.461 · Water Metered Sales Residential	102,872.84
600.462 · Water Metered Sales Commercial	7,648.00
600.463 · Water Metered Sales Multi-Family	35,872.00
600.475 · Water On / Water Off Service Fe	1,180.00
600.476 · Water Connection Fees	11,203.56
<b>Total 600.000 · Water Income</b>	<b>158,776.40</b>
<b>Total Income</b>	<b>158,776.40</b>
<b>Gross Profit</b>	
	158,776.40
<b>Expense</b>	
700.000 · Water Expense	
700.615 · Water - Purchased Power	11,133.41
700.616 · Water - Fuel for Power Product	267.92
700.618 · Water - Chemicals	6,635.60
700.621 · Water- Material & Supplies-O&M	18,416.01
700.627 · Water- Materials & Supplies-G&A	492.45
700.631 · Water - Contrct Srvice-Profsnl	
001 · Regulatory Expense - IPUC	0.00
700.631 · Water - Contrct Srvice-Profsnl - Other	15,686.40
<b>Total 700.631 · Water - Contrct Srvice-Profsnl</b>	<b>15,686.40</b>
700.635 · Water - Contrct Srvice-Testing	693.00
700.636 · Water - Contract Service - Other	52,760.42
700.641 · Water - Rents	699.60
700.656 · Water - Insurance Expenses	3,476.00
<b>Total 700.000 · Water Expense</b>	<b>110,260.81</b>
720.000 · WS - Unallocated Expenses	
720.610 · Unallocated - Bank Fees	2,771.34
720.620 · Unallocated - Operating Expense	20.24
720.630 · Unallocated - Postage	259.07
720.640 · Unallocated - Telephone	2,641.45
<b>Total 720.000 · WS - Unallocated</b>	<b>5,692.10</b>
<b>Total Expense</b>	<b>115,952.91</b>
<b>Net Ordinary Income</b>	<b>42,823.49</b>
<b>Other Expense</b>	
800.403 · Water-Depreciation Expense	144.00
800.408 · Taxes & Fees	
800.010 · Water - Regulatory Fees (IPUC)	329.00
800.011 · Water - Property Taxes	5,294.20
800.013 · Water - Other Taxes - DEQ	1,168.00
<b>Total 800.408 · Taxes &amp; Fees</b>	<b>6,791.20</b>
900.000 · Interest Expense	
900.100 · Interest Exp on Long-Term Debt	17,691.13
<b>Total 900.000 · Interest Expense</b>	<b>17,691.13</b>
<b>Total Other Expense</b>	<b>24,626.33</b>
<b>Net Income</b>	<b>18,197.17</b>
Pre-Tax Act Personal Tax Rate (2016/2017) - 25%	\$ 4,549.29
Post-Tax Act Personal Tax Rate (2018) - 22%	\$ 4,003.38
Revenue Requirement Tax Rate - 15%	\$ 2,729.58