

Letters to the Editors

Don't trust numbers water company gives

Let no one be deceived by the figures in the (Tennessee-American) Water Co. letter to customers, so easily accepted by the Times Free Press for publication. It's a beautiful example of "creative accounting." What would be more relevant is the company's income, profits and dividend distributions to stockholders.

There's a clue to the company's income in the amount of income taxes listed as a cost. If income taxes are almost 10 percent of costs, what percent are they of income? Play around with these figures for a while! Compare them to your personal income, your cost-of-living, and your taxes, or your business income, taxes and your business costs!

The decision for or against a rate increase should be based primarily upon profits and dividends. (Increases in costs might be considered, but aren't we all suffering from similar inflation today?) Does the company really want us to look at their profits, or are they merely trying to distract us and our civic decision-makers? Will the price of this letter and their full-page newspaper ads be charged up as costs when they try to justify another rate increase next year?

B. CARTER PATE

Water numbers suggest high profit

Any halfway close examination of the chart dividing up the water bill, on the front page of the Sunday paper provided by Tennessee-American Water Co., would reveal a huge error.

The last item before the total line is income taxes. Note that the income tax rate is 9.69 percent. For there to be income taxes, there must be net taxable income. This would be income after all deductible expenses. The chart has no net income (profit) on it. How can there be income taxes if there is no profit? Answer: There cannot be.

The lowest corporate tax rate is 15 percent and the highest is 35 percent. Assuming TAWC has an effective tax rate of 25 percent, that means that \$1.60 is 25 percent of the taxable profit.

Which means the taxable profit is \$6.40. So, let's do the math: $6.40/16.54$ equals 38.7 percent taxable profit.

A very handsome rate of return indeed! A rate that should make any investor proud. Yet, they want an additional 20.58 percent increase on 39 percent? Perhaps we should all go into the for-profit water business.

RON KOPLAN,
CPA