

Tioga River Water Company

DW 10-217

Testimony, Exhibits and

Other Rate Case Filing Requirements

# Tioga River Water Company

## Index

1. Cover letter
2. Introductory letter
3. Reports of Proposed Rate Changes
4. Proposed Tariff Pages and Calculation of Rates
5. Direct Testimony of Stephen P. St. Cyr and Exhibits for Tioga Division
6. Direct Testimony of Stephen P. St. Cyr and Exhibits for GVWD Division
7. Proposed Statements to Customers
8. Responses of NHPUC 1604.01 requirements
9. Attestation of Stephen P. St. Cyr

**NHPUC Docket DW 10-217**

**Tioga River Water Company**

**Tioga Division**

**Report of Proposed Rate Changes**

Utility: Tioga River Water Company

Tioga Division

Date Filed:

10/15/2010

Tariff No.:

Pages 5

Effective Date:

1/1/2011

Rate of Class of Service	<u>Effect of Change</u>	<u>Number of Customers</u>	<u>Authorized Present Revenue</u>	<u>Proposed Revenue</u>	<u>Proposed Change Amount</u>	<u>Proposed Change Percentage</u>
Metered Customers	\$13,335	22	\$10,490	\$23,825	\$13,335	127.12%

SPSt. Cyr  
10/13/2010

1. Tampering with Company Property.
  2. Vacancy of the premises.
  3. Cross-connecting the Company's service with any other supply source.
  4. Violation of restricted use rules properly made by the water company.
12. Restricted Use: When necessary to conserve supply, the Company may restrict or prohibit the use of a hand hose and lawn sprinkler. Under no circumstances can pools be filled from the source without prior permission from the Company. For any violation of the restricted use clause, the Company reserves the right to disconnect service. The Company may charge a reconnection fee of \$25.00. Such restricted use notice will be filed with the Public Utilities Commission.
13. Meters: Meters will be maintained in accordance with PUC 1203.04 and PUC 600.

**GENERAL SERVICE – METERED**

**RATE SCHEDULE - "GM"**

**AVAILABILITY:**

This schedule is available to all metered water service in the franchise area.

**CHARACTER OF SERVICE:**

Water will be furnished and maintained at the normal operating pressure of not less than twenty (20) psi nor more than than seventy (70) psi at the service connection.

**RATES**

<u>Fixed Quarterly Charge:</u>	\$90.69
<u>Consumption Charge:</u>	\$0.1208 per cubic foot

ISSUED: January 1, 2011

ISSUED BY:

EFFECTIVE: January 1, 2011

TITLE:

Norman H. Harris, Jr  
President

Issued in compliance with NHPUC Order No. ... in Docket DW 10-217 dated

**NHPUC Docket DW 10-217**

**Tioga River Water Company**

**Tioga Division**

**Calculation of Rates**

Total Proposed Revenue		\$23,825.00
Authorized Fixed Quarterly Charge	\$39.93	
Percent Increase applied to Authorized Fixed Quarterly Charge	<u>2.2712</u>	
Proposed Fixed Quarterly Charge	\$90.69	
Number of Quarters	<u>4</u>	
Proposed Fixed Annual Charge	\$362.76	
Number of Customers	<u>22</u>	
Proposed Revenue from Fixed Quarterly Charge		<u>\$7,980.63</u>
Proposed Revenue from Consumption Charge		<u>\$15,844.37</u>
Fiscal Year Ended October 31, 2009 Cubic Foot Consumption		<u>131,178</u>
Proposed Consumption Charge per Cubic Foot		<u>\$0.1208</u>

SPSt. Cyr  
10/13/2010

NHPUC Docket DW 10-217

Tioga River Water Company

GVWD Division

Report of Proposed Rate Changes

Utility: Tioga River Water Company

GVWD Division

Date Filed:

10/15/2010

Tariff No.:

Pages 7

Effective Date:

1/1/2011

Rate of Class of Service	Effect of <u>Change</u>	Number of <u>Units</u>	Authorized Present <u>Revenue</u>	Proposed <u>Revenue</u>	Proposed Change <u>Amount</u>	Proposed Change <u>Percentage</u>
Metered Customers	\$19,295	88	\$13,121	\$32,416	\$19,295	147.05%

SPSt. Cyr  
10/13/2010

**TERMS AND CONDITIONS (Continued)**

(G) In the event that the meter so tested is found to have an error in registration in excess of three percent (3%) at any rate of flow within normal test flow limits to prejudice of the customer, the fee advanced for testing will be refunded and the correct bill rendered, based on the last meter reading of such meter. This correction shall apply to both over and under registration.

(H) The customer shall permit no one, not an agent of the Company, to remove, inspect, or tamper with the meter or other property of the Company on his/her premises. The customer shall notify the Company, as soon as it comes to his/her knowledge, of any injury to, or cessation in registration of the meter.

**GENERAL SERVICE – METERED  
RATE SCHEDULE - "GM"****AVAILABILITY:**

This schedule is available to all metered water service in the franchise area.

**CHARACTER OF SERVICE:**

Water will be furnished and maintained at the normal operating pressure of not less than 20 psi nor more than 125 psi at the service connection.

**RATES:**

<u>Fixed Quarterly Charge:</u>	\$36.74 Per Unit
<u>Consumption Charge:</u>	\$0.0567 per cubic foot

**TERMS OF PAYMENT:**

Bills under this rate schedule are net and will be rendered quarterly. The bills are due and payable upon presentation. If payment is not made within 30 days from the postmarked date, disconnect action may be taken in accordance with regulations of PUC 1203.11. If a check is returned to the Company, the charge shall be no less than \$5.00 or the Company's cost of recovery.

ISSUED: January 1, 2011

ISSUED BY:

Norman H. Harris, Jr.

EFFECTIVE: January 1, 2011

TITLE:

President

Issued in compliance with NHPUC Order No. ... in Docket DW 10-217 dated

**NHPUC Docket DW 10-217**

**Tioga River Water Company**

**GVWD Division**

**Calculation of Rates**

Total Proposed Revenue		\$32,416.00
Authorized Fixed Quarterly Charge Per Unit	\$14.87	
Percent Increase applied to Authorized Fixed Quarterly Charge	<u>2.4705</u>	
Proposed Fixed Quarterly Charge	\$36.74	
Number of Quarters	<u>4</u>	
Proposed Fixed Annual Charge Per Unit	\$146.95	
Number of Units	<u>88</u>	
Proposed Revenue from Fixed Quarterly Charge		<u>\$12,931.19</u>
Proposed Revenue from Consumption Charge		<u>\$19,484.81</u>
Fiscal Year Ended October 31, 2009 Cubic Foot Consumption		<u>343,856</u>
Proposed Consumption Charge per Cubic Foot		<u>\$0.0567</u>

SPSt. Cyr  
10/13/2010



# **STEPHEN P. ST. CYR & ASSOC.**

117 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

## Direct Testimony of Stephen P. St. Cyr for the Tioga Division of Tioga River Water Company in DW 10-217

Q. Please state your name and address.

A. Stephen P. St. Cyr of Stephen P. St. Cyr & Associates, 17 Sky Oaks Drive,  
Biddeford, Me. 04005.

Q. Please state your present employment position and summarize your professional  
and educational background.

A. I am presently employed by St. Cyr & Associates, which provides accounting,  
tax, management and regulatory services. The Company devotes a significant  
portion of the practice to serving utilities. The Company has a number of  
regulated water utilities among its cliental. I have prepared and presented a  
number of rate case filings before the New Hampshire Public Utilities  
Commission. Prior to establishing St. Cyr & Associates, I worked in the utility  
industry for 16 years, holding various managerial accounting and regulatory  
positions. I have a Business Administration degree with a concentration in  
accounting from Northeastern University in Boston, Ma. I obtained my CPA  
certificate in Maryland.

Q. Is St. Cyr & Associates presently providing services to the Tioga Division  
("Tioga") of Tioga River Water Company?

A. Yes. St. Cyr & Associates prepared the various exhibits, the written testimony  
and other rate case filing requirements. In addition, St. Cyr & Associates prepares  
the Company's PUC Annual Report.

Q. Are you familiar with the pending rate application of the Company and with the  
various exhibits submitted as Schedules 1 through 5 inclusive, with related pages  
and attachments?

A. Yes, I am. The exhibits were prepared by me, utilizing the financial records of  
the Company.

Q. What is the test year that Tioga is using in this filing?

A. Tioga is utilizing the twelve months ended October 31, 2009.

# STEPHEN P. ST. CYR & ASSOC.

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Q. Would you please summarize the schedules?

A. Yes. The schedule entitled "Computation of Revenue Deficiency for the Test Year ended October 31, 2009," summarizes the supporting schedules. The actual revenue deficiency for Tioga for the test year amounts to \$3,006. It is based upon an actual test year with a beginning and ending average rate base of \$28,831, as summarized in Schedule 2. Tioga's actual rate of return is 7.01% for the actual test year. The rate of return of 7.01%, when multiplied by the rate base of \$28,831, results in an operating income requirement of \$2,020. As shown on Schedule 5, the actual net operating income (loss) for Tioga for the test year was (\$986). The operating income required, less the net operating income (loss), results in a operating income deficiency before taxes of \$3,006. Tioga did not calculate the tax effect of the revenue deficiency, resulting in a revenue deficiency for Tioga of \$3,006. It should be noted that Tioga has had a net loss for a number of years.

The proforma revenue deficiency for Tioga for the test year amounts to zero. It is based upon a proformed test year rate base of \$102,559, as summarized in Schedule 2. Tioga is utilizing a proformed rate of return of 4.99% for the proformed test year. The proformed rate of return of 4.99% when multiplied by the rate base of \$102,559, results in an operating net income requirement of \$5,114. As shown on Schedule 5, the proformed net operating income for Tioga for the test year was \$5,114. The operating income required less the net operating income results in a deficiency of zero. The tax effect of the deficiency is zero, resulting in a revenue deficiency for Tioga of zero.

Q. Would you please explain Schedule 2, Rate Base and the supporting Schedule 2 Attachment?

A. Schedule 2 reflects Tioga's Rate Base for both the actual test year and the proforma test year. Column b shows the actual 10/31/09 balances. Column c shows the actual 10/31/08 balances. Column d shows the actual beginning and ending balances. Column e shows the proforma adjustments. Column f shows the proformed balances. The balances are further supported by Schedules 2A - 2D.

The rate base consists of Plant in Service less Accumulated Depreciation plus Cash Working Capital and Prepayments less Contributions in Aid of Construction plus Accumulated Amortization of CIAC.

# STEPHEN P. ST. CYR & ASSOC.

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

The Total Proformed Rate Base amounts to \$102,559.

Q. Would you please explain Schedule 2A, Rate Base Adjustments?

A. Schedule 2A shows the various adjustments to rate base as follows:

Plant in Service – New Pump Station - \$151,000.

In DW 09-117 Tioga sought and received approval to borrow state revolving funds (“SRF”) in order to replace its pump station. The new station would greatly improve access, eliminate moisture problems, include alarms and upgraded equipment, and incorporate treatment to address taste and odor and other water quality concerns. The project cost is estimated at \$151,000.

Accumulated Depreciation – Additional half year depreciation on New Pump Station – (\$3,709)

Tioga is utilizing the PUC determined lives for the various items of plant. It is taking a half year depreciation in the first year that the plant is in service and used and useful.

Contribution in Aid of Construction (“CIAC”) – New Pump Station – (\$75,500).

The SRF were available from the American Recovery and Reinvestment Act of 2009. 50% of the loan principal will be forgiven and will not accrue interest. The 50% forgiveness of \$75,500 is being treated as CIAC.

Accumulated Amortization – Additional half year amortization on the CIAC related to the New Pump Station – \$1,855

Tioga is utilizing the same PUC determined lives for the amortization of the CIAC on the various items of plant. It is taking a half year amortization in the first year.

Q. Would you please explain Schedule 2B, Plant in Service?

Schedule 2B shows the actual plant in service by plant accounts for the 10/31/09 and 10/31/08 periods. These amounts are used in the calculation of the average rate base shown on Schedule 2.

# **STEPHEN P. ST. CYR & ASSOC.**

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

1 17 Sky Oaks Drive, Biddeford, ME 04005

2 PHONE: (207) 282-5222

FAX: (207) 282-5225

3

4

5

6 Q. Please explain Schedule 2C.

7

8 A. Schedule 2C shows the computation of cash working capital for both the actual  
9 and proforma test years. The proforma cash working capital is based on the  
10 proforma test year operation and maintenance expenses.

11

12 Q. Please explain Schedule 2D.

13

14 A. Schedule 2C shows the actual CIAC and related amortization for 10/31/09 and  
15 10/31/08 periods. Tioga has no CIAC during the test year.

16

17 Q. Would you please explain Schedule 3, Rate of Return Information?

18

19 A. Schedule 3 reflects the overall rate of return for both the actual test year and the  
20 proforma test year. The weighted average rate of return for the actual test year is  
21 7.01%. It was developed by taking the actual component ratios times the actual  
22 component cost rates to determine the actual weighted average cost rate. The sum  
23 of the actual cost rates for equity and debt equals actual weighted average rate of  
24 return. The weighted average rate of return for the proforma test year is 4.99%.  
25 It was developed by taking the proforma component ratios times the proforma  
26 component cost rates to determine the proforma weighted average cost rate. The  
27 sum of the proforma cost rates for equity and debt equals the proforma weighted  
28 average rate of return.

29

30 Schedule 3 also reflects both the capital structure and the capital ratios. Tioga  
31 has provided the capital structure for the actual test year and the proforma test  
32 year. It has also provided the actual capital structure for 10/31/08 and 10/31/07.  
33 Tioga is utilizing the PUC determined cost of equity of 9.75%.

34

35 Q. Would you please explain the Long Term Debt schedules 4A & 4B?

36

37 Schedule 4A reflects the actual 10/31/09 long term debt, interest expense debt  
38 costs. At 10/31/09 Tioga has \$54,908 of outstanding long term debt. Its fiscal  
39 year end 10/31/09 interest expense was \$3,847. The fiscal year ended 10/31/09  
40 actual cost of debt was 7.01%.

41

42 Schedule 4B reflects the long term debt, interest expense, financing costs, total  
43 interest and costs rates for the proforma test year. The proforma outstanding  
44 balance is \$187,908 of outstanding long term debt. The increase in the  
45 outstanding balance is due to the SRF loan. The proforma interest expense is  
46 \$9,370. The 2009 proforma cost of debt is 4.99%.

# STEPHEN P. ST. CYR & ASSOC.

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Please note that Tioga is using the same capital structure and cost rates as GVWD.

Q. Is there anything else that you would like to address about long term debt?

A. Yes.

In 2006 the Company borrowed \$12,810 from Gilford Well Co, an affiliated company. Gilford Well Co. performs various services to Tioga. The funds were used for the replacement of pumping equipment and meters and for operating expenses. The term of the loan was not determined. The interest rate was 9%. Tioga has been unable to pay any principal or interest on the loan.

In 2007 the Company borrowed \$11,928 from Norman Harris, Jr., the owner of the Company. The funds were used for the replacement of pumping equipment and for operating expenses. The term of the loan was not determined. The interest rate was 9%. Tioga has been unable to pay any principal or interest on the loan.

In 2008 the Company borrowed \$8,429 from Norman Harris, Jr., the owner of the Company. The funds were used for the replacement of tanks and pumping equipment and for operating expenses. The term of the loan was not determined. The interest rate was 9%. Tioga has been unable to pay any principal or interest on the loan.

The Company respectfully requests that the three loans not previously approved by the Commission be approved as part of this rate filing.

Q. Please explain Schedule 5, Income Statement.

A. Schedule 5 reflects Tioga's Operating Income Statement. Column b shows the actual test year results for the Company (as reported to the PUC in its 10/31/09 PUC Annual Report). Column c shows the proforma adjustments for known and measurable changes to test year revenues and expenses. The proforma adjustments are further supported by schedule 5A. Column d shows the proforma test year results.

# STEPHEN P. ST. CYR & ASSOC.

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

During the twelve months ended October 31, 2009, the actual operating revenues amounted to \$10,490. At October 31, 2009 Tioga had 22 customers. Tioga's actual operating expenses amounted to \$11,476. The 10/31/09 Net Operating Income (Loss) amounted to (\$986). Net Income (Loss) for 10/31/09 was (\$1,369).

Tioga has made 1 proforma adjustment to operating revenues totaling \$13,335.

## Proforma Adjustment to Revenues

Sales of Water – Amount Necessary to Earn Return and Cover Operating Costs - \$13,335

Tioga has increased test revenues for the proposed amount of revenues necessary to cover its expenses and allow it to earn its proposed rate of return.

## Proforma Adjustments to Expense

Depreciation Expense - \$7,418

Tioga is utilizing the PUC determined lives for the various items of plant. It is taking a full year depreciation in the first year that the plant is in service and used and useful.

Amortization of CIAC – (\$3,709)

Tioga is utilizing the same PUC determined lives for the amortization of the CIAC on the various items of plant. It is taking a full year amortization in the first year.

Taxes other than Income – State Utility and Town of Belmont Property Taxes - \$3,526.

In 10/31/09 Tioga incurred \$179 in state utility property taxes. With the addition of the new pump station, Tioga anticipates that the 2010 state utility property taxes will amount to \$1,151. As such, Tioga has prepared a proforma adjustment for \$972.

# STEPHEN P. ST. CYR & ASSOC.

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

In 10/31/09 Tioga incurred \$409 in Town of Belmont property taxes. With the addition of the new pump station, Tioga anticipates that the 2010 Town of Belmont will amount to \$2,963. As such, Tioga has prepared a proforma adjustment for \$2,554.

The total proforma adjustments to Operating Expenses amounts to \$18,711.

The net of the proforma adjustments to operating revenue of \$13,335 and the proforma adjustments to operating expenses of \$7,235 results in net proforma adjustment of \$6,100. When the net operating income associated with the proforma adjustments is added to net operating income from the test year, the proforma test year net operating income totals \$5,114. The proforma test year net operating income of \$5,114 allows Tioga to cover its expenses and earn a 4.99% return on its investments.

Q. Does that complete your description of the proforma adjustments to revenues and expenses?

A. Yes, please note that the supporting calculations are shown of Schedule 5A

Q. Please explain the Report of Proposed Rate Changes.

A. If the Tioga filing is approved as submitted, its Total Revenues will amount to \$23,825, resulting in an increase in annual revenues of \$13,335. On a per customer basis, the annual increase amounts to \$606.14. The annual water rate will be \$1,082.95.

Q. Is Tioga proposing any changes to the methodology used in calculating the rates?

A. No. Tioga is using the same methodology.

Q. When is Tioga proposing that the new rates be effective?

A. The proposed effective date is January 1, 2011.

# **STEPHEN P. ST. CYR & ASSOC.**

---

117 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

3

4

5

6 Q. Is there anything else that Tioga would like to address?

7

8 A. Yes. Tioga has engaged the services of Stephen P. St. Cyr & Associates to  
9 prepare the rate filing and pursue the rate increase throughout the rate case  
10 proceeding. St. Cyr & Associates and Tioga have agreed on a per hour fee of  
11 \$105.00 for each hour of work performed. Tioga and I believe that the fees are  
12 fair and reasonable. At this point, Tioga does not anticipate utilizing outside legal  
13 council.

14

15 Q. Would you please summarize what Tioga is requesting in its rate filing?

16

17 A. Tioga respectfully requests that the Commissioners approve (1) the 2006 loan  
18 from Gilford Well Co. and the 2007 and 2008 loans from Norman Harris, Jr, and  
19 (2) an increase in annual revenues of \$9,626 for permanent rates.

20

21 Q. Is there anything further that you would like to discuss?

22

23 A. No, there is nothing further.

24

25 Q. Does this conclude your testimony?

26

27 A. Yes.

28

29

30

31 SPSt. Cyr

32 10/07/10

33



## Tioga River Water Company

## Calculation of Revenue Deficiency

For the Test Year Ended October 31, 2009

<b>Tioga</b>	<u>Actual</u>	<u>Proforma</u>
Rate Base	\$28,831	\$102,559
Rate of Return	<u>7.01%</u>	<u>4.99%</u>
Operating Income Required	\$2,020	\$5,114
Net Operating Income	<u>(986)</u>	<u>5,114</u>
Operating Income Deficiency	\$3,006	\$0
Tax Effect	<u>0</u>	<u>0</u>
Revenue Deficiency	<u>\$3,006</u>	<u>\$0</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Rate Base

For the Test Year Ended October 31, 2009

	<u>Actual</u> <u>10/31/2009</u>	<u>Actual</u> <u>10/31/2008</u>	<u>Actual</u> <u>Average</u>	<u>Proforma</u> <u>Adjustments</u>	<u>Proforma</u> <u>10/31/2009</u>
Tioga					
Plant in Service	\$45,634	\$45,634	\$45,634	\$151,000	\$196,634
Accumulated Depreciation	<u>(19,544)</u>	<u>(18,118)</u>	<u>(18,831)</u>	<u>(3,709)</u>	<u>(22,540)</u>
Net plant	\$26,090	\$27,516	\$26,803	\$147,291	\$174,094
Cash Working Capital	1,944	2,023	1,944	0	1,944
Prepayments	166	0	83	83	166
CIAC	0	0	0	(75,500)	(75,500)
Accum Amort of CIAC	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,855</u>	<u>1,855</u>
Total Rate Base	<u>\$28,201</u>	<u>\$29,540</u>	<u>\$28,831</u>	<u>\$73,728</u>	<u>\$102,559</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

Page 1 of 1

## Rate Base Adjustments

## Plant in Service / Depreciation Expenses / Accumulated Depreciation

PUC Acct. No.	Description	Cost	Depr. Rate	Annual Cost	Accum Depr.
	<u>Tioga</u>				
304	Structures	\$35,952	2.50%	\$899	\$449
311	Pumping Equipment	47,937	10.00%	4,794	2,397
320	Water Treatment Equipment	23,968	3.60%	863	431
331	Mains	<u>43,143</u>	2.00%	<u>863</u>	<u>431</u>
	TOTAL	<u>\$151,000</u>		<u>\$7,418</u>	<u>\$3,709</u>

## Contribution in Aid of Construction / Amortization Expenses / Accumulated Amortization of CIAC

PUC Acct. No.	Description	Cost	Depr. Rate	Annual Cost	Accum Amort
	<u>Tioga</u>				
304	Structures	\$17,976	2.50%	\$449	\$225
311	Pumping Equipment	23,969	10.00%	2,397	1,198
320	Water Treatment Equipment	11,984	3.60%	431	216
331	Mains	<u>21,572</u>	2.00%	<u>431</u>	<u>216</u>
	TOTAL	<u>\$75,500</u>		<u>\$3,709</u>	<u>\$1,855</u>

## Prepayments

Tioga

10/31/09 Test Year Proforma	\$166
10/31/09 Test Year Actual Average	<u>83</u>
10/31/09 Proforma Adjustment	<u>\$83</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Plant in Service

For the Test Year Ended October 31, 2009

<u>Tioga</u>	<u>10/31/2009</u>	<u>10/31/2008</u>
Land & Land Rights	\$1,005	\$1,005
Structures & Improvements	5,033	5,033
Wells & Springs	7,106	7,106
Pumping Equipment	11,162	11,162
Distribution Reservoirs & Standpipes	4,194	4,194
Transportation & Distribution Mains	9,987	9,987
Services	1,459	1,459
Meters & Meter Installations	<u>5,688</u>	<u>5,688</u>
Total Plant in Service	\$45,634	\$45,634
Accumulated Depreciation	<u>(19,544)</u>	<u>(18,118)</u>
Net Plant	<u>\$26,090</u>	<u>\$27,516</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Cash Working Capital

For the Test Year Ended October 31, 2009

<u>Tioga</u>	<u>Proforma</u> <u>10/31/2009</u>	<u>Actual</u> <u>10/31/2009</u>	<u>Actual</u> <u>10/31/2008</u>
Operating Expenses	\$9,462	\$9,462	\$9,846
Cash Working Capital Percentage	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Cash Working Capital	<u>\$1,944</u>	<u>\$1,944</u>	<u>\$2,023</u>

SPSt. Cyr  
10/5/2010

NHPUC Docket DW 10-217

Schedule 2D

Tioga River Water Company

Contribution in Aid of Construction

For the Test Year Ended October 31, 2009

<u>Tioga</u>	<u>10/31/2009</u>	<u>10/31/2008</u>
Contribution in Aid of Construction	\$0	\$0
Accumulated Amortization of CIAC	<u>0</u>	<u>0</u>
Net CIAC	<u>\$0</u>	<u>\$0</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Rate of Return Information

For the Test Year Ended October 31, 2009

	Component Ratio	Actual Component Cost Rate	Wght Avg Cost Rate	Component Ratio	Proforma Component Cost Rate	Wght Avg Cost Rate
Overall Rate of Return						
Equity Capital	-38.04%	9.75%	0.00%	-8.76%	9.75%	0.00%
Long Term Debt	138.04%	7.01%	7.01%	108.76%	4.99%	4.99%
Total Capital	100.00%		7.01%	100.00%		4.99%

	2009 Actual Amounts	2009 Actual Ratios	2009 Proforma Amounts	2009 Proforma Ratios
Capital Structure				
Common Stock	\$200	0.50%	\$200	0.12%
Additional Paid in Capital	50,522	127.01%	50,522	29.24%
Retained Earnings	(65,853)	-165.56%	(65,853)	-38.11%
Total Equity	(\$15,131)	-38.04%	(15,131)	-8.76%
Long Term Debt	\$54,908	138.04%	\$187,908	108.76%
Total Capital	\$39,777	100.00%	\$172,777	100.00%

	2009 Amounts	2008 Amounts	2007 Amounts
Capital Structure for 2009 - 2007			
Common Stock	\$200	\$200	\$200
Additional Paid in Capital	50,522	50,522	50,522
Retained Earnings	(65,853)	(53,337)	(43,968)
Total Equity	(\$15,131)	(\$2,615)	\$6,754
Long Term Debt	\$54,908	\$54,908	\$51,514
Total Capital	\$39,777	\$52,293	\$58,268

**Schedule 3**  
**Page 2 of 2**

Capital Structure Ratios for 2009 - 2007	2009 Ratios	2008 Ratios	2007 Ratios
Common Stock	0.50%	0.38%	0.34%
Other Paid in Capital	127.01%	96.61%	86.71%
Retained Earnings	-165.56%	-102.00%	-75.46%
Total Equity	-38.04%	-5.00%	11.59%
Long Term Debt	138.04%	105.00%	88.41%
Total Capital	100.00%	100.00%	100.00%

**Cost of Common Equity Capital**

The Company is utilizing the Commission determined cost of common equity of 9.75%.

SPSt. Cyr  
10/5/2010



## Tioga River Water Company

## Long Term Debt - Actual

For the Test Year Ended October 31, 2009

	<u>10/31/2009</u>	<u>10/31/2009</u> <u>Interest</u>	<u>Cost</u> <u>Rate</u>
2002 Prom Note Pay - Tioga to NHJr	\$6,391	\$383	6.00%
2002 Prom Note Pay - GVWD to NHJr.	15,350	921	6.00%
2006 Prom Note Pay - GVWD to Gilford Well	12,810	1,153	9.00%
2007 Prom Note Pay - GVWD to NHJr	11,928	1,074	9.00%
2008 Prom Note pay - GVWD to NHJr	<u>8,429</u>	<u>316</u>	<u>3.75%</u>
Total Long Term Debt	<u>\$54,908</u>	<u>\$3,847</u>	<u>7.01%</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Long Term Debt - Proforma

For the Test Year Ended October 31, 2009

	<u>10/31/2009 Balance</u>	<u>10/31/2009 Interest</u>	<u>Amort of Fin Costs</u>	<u>Total Interest</u>	<u>Cost Rate</u>
2002 Prom Note Pay - Tioga to NHJr	\$6,391	\$383		\$383	6.00%
2002 Prom Note Pay - GVWD to NHJr	15,350	921		921	6.00%
2006 Prom Note Pay - GVWD to Gilford Well	12,810	1,153		1,153	9.00%
2007 Prom Note Pay - GVWD to NHJr	11,928	1,074		1,074	9.00%
2008 Prom Note pay - GVWD to NHJr	<u>8,429</u>	<u>759</u>		759	<u>9.00%</u>
Long Term Debt	<u>\$54,908</u>	<u>\$4,290</u>	<u>\$0</u>	<u>\$4,290</u>	<u>7.81%</u>
2010 State Revolving Loan - Tioga	\$75,500	\$2,827	\$57	\$2,884	3.82%
2010 State Revolving Loan - GVWD	<u>57,500</u>	<u>2,153</u>	<u>43</u>	<u>2,196</u>	<u>3.82%</u>
2010 State Revolving Loan - Total	<u>\$133,000</u>	<u>\$4,980</u>	<u>\$100</u>	<u>\$5,080</u>	<u>3.82%</u>
Total Long Term Debt	<u>\$187,908</u>	<u>\$9,270</u>	<u>\$100</u>	<u>\$9,370</u>	<u>4.99%</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Tioga Income Statement

For the Test Year Ended October 31, 2009

	Actual <u>Tioga</u>	Proforma <u>Adjustments</u>	Proforma <u>Tioga</u>
Revenues			
Metered Water Income - Tioga	\$10,490	\$13,335	\$23,825
Metered Water Income - GVWD			<u>0</u>
Total Revenues	<u>\$10,490</u>	<u>\$13,335</u>	<u>\$23,825</u>
Expenses			
Maintenance on Structures - Tioga	\$0		\$0
Maintenance on Structures - GVWD			0
Elec Power for Pumping - Tioga	1,987		1,987
Elec Power for Pumping - GVWD			0
Maintenance on pump equipment - Tioga	1,830		1,830
Maintenance on pump equipment - GVWD			0
Water Treatment Exp - Tioga	1,812		1,812
Water Treatment Exp - GVWD			0
Maintenance of Mains - Tioga	0		0
Maintenance of Mains - GVWD			0
Maintenance of Services - Tioga	0		0
Maintenance of Services - GVWD			0
Customer records & collection	495		495
Uncollectible Accts - Tioga	0		0
Uncollectible Accts - GVWD			0
Office Expenses - Tioga	1,248		1,248
Office Expenses - GVWD			0
Outside Services - Tioga	1,785		1,785
Outside Services - GVWD			0
Franchise Requirements - Tioga	271		271
Franchise Requirements - GVWD			0
Regulatory Comm Exp - Tioga	34		34
Regulatory Comm Exp - GVWD			0
Miscellaneous Expense - Tioga	0		0
Miscellaneous Expense - GVWD			<u>0</u>
Total Operation and Maintenance Expense	\$9,462	\$0	\$9,462
Depreciation - Tioga	1,426	7,418	8,844
Depreciation - GVWD			0
Amortization of CIAC - Tioga		(3,709)	(3,709)
Amortization of CIAC - GVWD			0
RE Taxes - Tioga	409	2,554	2,963
RE Taxes - GVWD			0
Utility Property Taxes - Tioga	179	972	1,151
Utility Property Taxes - GVWD			<u>0</u>
Total Operating Expenses	<u>\$11,476</u>	<u>\$7,235</u>	<u>\$18,711</u>
Net Operating Income (Loss)	(986)	6,100	5,114
Interest Expense - Tioga	383		383
Interest Expense - GVWD			<u>0</u>
Net Income	<u>(\$1,369)</u>	<u>\$6,100</u>	<u>\$4,730</u>

## Tioga River Water Company

## Tioga Proforma Adjustments

For the Test Year Ended October 31, 2009

## Operating Revenues

10/31/09 Test Year Proforma	\$23,825
10/31/09 Test Year Actual	<u>10,490</u>
10/3109 Proforma Adjustment	<u>\$13,335</u>
To adjust revenues in order to cover the operating expenses and earn rate of return	
Total Proforma Adjustment To Revenue	<u>\$13,335</u>

## Depreciation

10/31/09 Test Year Proforma	\$8,844
10/31/09 Test Year Actual	<u>1,426</u>
10/31/09 Proforma Adjustment	<u>\$7,418</u>
To adjust test year depreciation expense for full year depreciation on new pump station	

## Amortization of CIAC

10/31/09 Test Year Proforma	(\$3,709)
10/31/09 Test Year Actual	<u>0</u>
10/31/09 Proforma Adjustment	<u>(\$3,709)</u>
To adjust test year amortization of CIAC for full year amortization on booster pumps, treatment and genera	

## Taxes other than Income

## State Utility Property Taxes

10/31/09 Test Year Proforma	\$1,151
10/31/09 Test Year Actual	<u>179</u>
10/3109 Proforma Adjustment	<u>\$972</u>
To adjust state utility property taxes for the increase due to the new pump house, new pumps and filtration system	

## Town of Belmont Property Taxes

10/31/09 Test Year Proforma	\$2,963
10/31/09 Test Year Actual	<u>409</u>
10/3109 Proforma Adjustment	<u>\$2,554</u>
To adjust state utility property taxes for the increase due to the new pump house, new pumps and filtration system	

Total Proforma Adjustment to Taxes other than Income	<u>\$7,235</u>
--	----------------

# **STEPHEN P. ST. CYR & ASSOC.**

117 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

## Direct Testimony of Stephen P. St. Cyr for the GVWD Division of Tioga River Water Company in DW 10-217

Q. Please state your name and address.

A. Stephen P. St. Cyr of Stephen P. St. Cyr & Associates, 17 Sky Oaks Drive,  
Biddeford, Me. 04005.

Q. Please state your present employment position and summarize your professional  
and educational background.

A. I am presently employed by St. Cyr & Associates, which provides accounting,  
tax, management and regulatory services. The Company devotes a significant  
portion of the practice to serving utilities. The Company has a number of  
regulated water utilities among its cliental. I have prepared and presented a  
number of rate case filings before the New Hampshire Public Utilities  
Commission. Prior to establishing St. Cyr & Associates, I worked in the utility  
industry for 16 years, holding various managerial accounting and regulatory  
positions. I have a Business Administration degree with a concentration in  
accounting from Northeastern University in Boston, Ma. I obtained my CPA  
certificate in Maryland.

Q. Is St. Cyr & Associates presently providing services to the Gilford Village Water  
District Division ("GVWD") of Tioga River Water Company?

A. Yes. St. Cyr & Associates prepared the various exhibits, the written testimony  
and other rate case filing requirements. In addition, St. Cyr & Associates prepares  
the Company's PUC Annual Report.

Q. Are you familiar with the pending rate application of the Company and with the  
various exhibits submitted as Schedules 1 through 5 inclusive, with related pages  
and attachments?

A. Yes, I am. The exhibits were prepared by me, utilizing the financial records of  
the Company.

Q. What is the test year that GVWD is using in this filing?

A. GVWD is utilizing the twelve months ended October 31, 2009.

# STEPHEN P. ST. CYR & ASSOC.

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

117 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Q. Would you please summarize the schedules?

A. Yes. The schedule entitled "Computation of Revenue Deficiency for the Test Year ended October 31, 2009," summarizes the supporting schedules. The actual revenue deficiency for GVWD for the test year amounts to \$10,712. It is based upon an actual test year with a beginning and ending average rate base of \$43,234, as summarized in Schedule 2. GVWD's actual rate of return is 7.01% for the actual test year. The rate of return of 7.01%, when multiplied by the rate base of \$43,234, results in an operating income requirement of \$3,029. As shown on Schedule 5, the actual net operating income (loss) for GVWD for the test year was (\$7,683). The operating income required, less the net operating income (loss), results in a operating income deficiency before taxes of \$10,712. GVWD did not calculate the tax effect of the revenue deficiency, resulting in a revenue deficiency for GVWD of \$10,712. It should be noted that GVWD has had a net loss for a number of years.

The proforma revenue deficiency for GVWD for the test year amounts to zero. It is based upon a proformed test year rate base of \$99,230, as summarized in Schedule 2. GVWD is utilizing a proformed rate of return of 4.99% for the proformed test year. The proformed rate of return of 4.99% when multiplied by the rate base of \$99,230, results in an operating net income requirement of \$4,948. As shown on Schedule 5, the proformed net operating income for GVWD for the test year was \$4,948. The operating income required less the net operating income results in a deficiency of zero. The tax effect of the deficiency is zero, resulting in a revenue deficiency for GVWD of zero.

Q. Would you please explain Schedule 2, Rate Base and the supporting Schedule 2 Attachment?

A. Schedule 2 reflects GVWD's Rate Base for both the actual test year and the proforma test year. Column b shows the actual 10/31/09 balances. Column c shows the actual 10/31/08 balances. Column d shows the actual beginning and ending balances. Column e shows the proforma adjustments. Column f shows the proformed balances. The balances are further supported by Schedules 2A - 2D.

The rate base consists of Plant in Service less Accumulated Depreciation plus Cash Working Capital, Prepayments and Accrued Utility Revenue less Contributions in Aid of Construction plus Accumulated Amortization of CIAC.

The Total Proformed Rate Base amounts to \$99,230.

# STEPHEN P. ST. CYR & ASSOC.

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

3

4

5

6 Q. Would you please explain Schedule 2A, Rate Base Adjustments?

7

8 A. Schedule 2A shows the various adjustments to rate base as follows:

9

10 Plant in Service – New Booster Pumps, Treatment and Generator - \$115,000.

11

12 In DW 09-117 the Company sought and received approval to borrow state  
13 revolving funds (“SRF”) in order to install new booster pumps and treatment  
14 system and, if funds are available, a generator. The new booster pumps will allow  
15 the system to meet peak demand. The treatment system will address continuing  
16 problems with discolored water, along with taste and odor issues. The generator  
17 will address periodic water outages that have occurred due to loss of external  
18 power. The project cost is estimated at \$115,000.

19

20 Accumulated Depreciation – Additional half year depreciation on New Pump  
21 Station – (\$4,288)

22

23 GVWD is utilizing the PUC determined lives for the various items of  
24 plant. It is taking a half year depreciation in the first year that the plant is in  
25 service and used and useful.

26

27 Contribution in Aid of Construction (“CIAC”) – New Booster Pumps, Treatment  
28 and Generator – (\$57,500).

29

30 The SRF were available from the American Recovery and Reinvestment  
31 Act of 2009. 50% of the loan principal will be forgiven and will not accrue  
32 interest. The 50% forgiveness of \$57,500 is being treated as CIAC.

33

34 Accumulated Amortization – Additional half year amortization on the CIAC  
35 related to the New Pump Station – \$2,144

36

37 GVWD is utilizing the same PUC determined lives for the amortization of  
38 the CIAC on the various items of plant. It is taking a half year amortization in the  
39 first year.

40

41 Q. Would you please explain Schedule 2B, Plant in Service?

42

43 Schedule 2B shows the actual plant in service by plant accounts for the 10/31/09  
44 and 10/31/08 periods. These amounts are used in the calculation of the average  
45 rate base shown on Schedule 2.

46

# **STEPHEN P. ST. CYR & ASSOC.**

117 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

3

4

5

6 Q. Please explain Schedule 2C.

7

8 A. Schedule 2C shows the computation of cash working capital for both the actual  
9 and proforma test years. The proforma cash working capital is based on the  
10 proforma test year operation and maintenance expenses.

11

12 Q. Please explain Schedule 2D.

13

14 A. Schedule 2C shows the actual CIAC and related amortization for 10/31/09 and  
15 10/31/08 periods.

16

17 Q. Would you please explain Schedule 3, Rate of Return Information?

18

19 A. Schedule 3 reflects the overall rate of return for both the actual test year and the  
20 proforma test year. The weighted average rate of return for the actual test year is  
21 7.01%. It was developed by taking the actual component ratios times the actual  
22 component cost rates to determine the actual weighted average cost rate. The sum  
23 of the actual cost rates for equity and debt equals actual weighted average rate of  
24 return. The weighted average rate of return for the proforma test year is 4.99%.  
25 It was developed by taking the proforma component ratios times the proforma  
26 component cost rates to determine the proforma weighted average cost rate. The  
27 sum of the proforma cost rates for equity and debt equals the proforma weighted  
28 average rate of return.

29

30 Schedule 3 also reflects both the capital structure and the capital ratios. The  
31 Company has provided the capital structure for the actual test year and the  
32 proforma test year. It has also provided the actual capital structure for 10/31/08  
33 and 10/31/07. The Company is utilizing the PUC determined cost of equity of  
34 9.75%.

35

36 Q. Would you please explain the Long Term Debt schedules 4A & 4B?

37

38 Schedule 4A reflects the actual 10/31/09 long term debt, interest expense debt  
39 costs. At 10/31/09 the Company has \$54,908 of outstanding long term debt. Its  
40 fiscal year end 10/31/09 interest expense was \$3,847. The fiscal year ended  
41 10/31/09 actual cost of debt was 7.01%.

42

43

44

45

46



# STEPHEN P. ST. CYR & ASSOC.

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Schedule 4B reflects the long term debt, interest expense, financing costs, total interest and costs rates for the proforma test year. The proforma outstanding balance is \$187,908 of outstanding long term debt. The increase in the outstanding balance is due to the SRF loan. The proforma interest expense is \$9,370. The 2009 proforma cost of debt is 4.99%.

Please note that GVWD is using the same capital structure and costs rates as Tioga.

Q. Is there anything else that you would like to address about long term debt?

A. Yes, please see the Tioga testimony as it pertains to the 2006, 2007 and 2008 loans. Again, the Company respectfully requests that the three loans not previously approved by the Commission be approved as part of this rate filing.

Q. Please explain Schedule 5, Income Statement.

A. Schedule 5 reflects GVWD's Operating Income Statement. Column b shows the actual test year results for GVWD (as reported to the PUC in its 10/31/09 PUC Annual Report). Column c shows the proforma adjustments for known and measurable changes to test year revenues and expenses. The proforma adjustments are further supported by schedule 5A. Column d shows the proforma test year results.

During the twelve months ended October 31, 2009, the actual operating revenues amounted to \$13,121. At October 31, 2009 the Company had 37 customers (including 2 customers with 22 and 24 units). GVWD's actual operating expenses amounted to \$20,804. The 10/31/09 Net Operating Income (Loss) amounted to (\$7,683). Net Income (Loss) for 10/31/09 was (\$11,147).

GVWD has made 1 proforma adjustment to operating revenues totaling \$19,295.

## Proforma Adjustment to Revenues

<u>Sales of Water – Amount Necessary to Earn Return and Cover Operating</u>
<u>Costs - \$19,295</u>

GVWD has increased test revenues for the proposed amount of revenues necessary to cover its expenses and allow it to earn its proposed rate of return.

# STEPHEN P. ST. CYR & ASSOC.

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

## Proforma Adjustments to Expense

### Depreciation Expense - \$8,576.

GVWD is utilizing the PUC determined lives for the various items of plant. It is taking a full year depreciation in the first year that the plant is in service and used and useful.

### Amortization of CIAC – (\$4,288).

GVWD is utilizing the same PUC determined lives for the amortization of the CIAC on the various items of plant. It is taking a full year amortization in the first year.

### Taxes other than Income – State Utility and Town of Gilford Property Taxes - \$2,376.

In 10/31/09 GVWD incurred \$416 in state utility property taxes. With the addition of the new booster pumps, treatment and generator, GVWD anticipates that the 2010 state utility property taxes will amount to \$1,147. As such, the Company has prepared a proforma adjustment for \$731.

In 10/31/09 GVWD incurred \$887 in Town of Gilford property taxes. With the addition of the new booster pumps, treatment and generator, GVWD anticipates that the 2010 Town of Gilford will amount to \$2,532. As such, GVWD has prepared a proforma adjustment for \$1,645.

The total proforma adjustments to Operating Expenses amounts to \$6,664.

The net of the proforma adjustments to operating revenue of \$19,295 and the proforma adjustments to operating expenses of \$6,664 results in net proforma adjustment of \$12,631. When the net operating income associated with the proforma adjustments is added to net operating income from the test year, the proforma test year net operating income totals \$4,948. The proforma test year net operating income of \$4,948 allows the Company to cover its expenses and earn a 4.99% return on its investments.

Q. Does that complete your description of the proforma adjustments to revenues and expenses?

A. Yes, please note that the supporting calculations are shown of Schedule 5A

# **STEPHEN P. ST. CYR & ASSOC.**

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

117 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

3

4

5

6 Q. Please explain the Report of Proposed Rate Changes.

7

8 A. If the GVWD filing is approved as submitted, its Total Revenues will amount to  
9 \$32,416, resulting in an increase in annual revenues of \$19,295. On a per unit  
10 basis, the annual increase amounts to \$219.26. The proposed average annual  
11 water rate per unit is \$368.36.

12

13 Q. Is GVWD proposing any changes to the methodology used in calculating the  
14 rates?

15

16 A. No. GVWD is using the same methodology.

17

18 Q. When is GVWD proposing that the new rates be effective?

19

20 A. The proposed effective date is January 1, 2011.

21

22 Q. Is there anything else that GVWD would like to address?

23

24 A. Yes. GVWD has engaged the services of Stephen P. St. Cyr & Associates to  
25 prepare the rate filing and pursue the rate increase throughout the rate case  
26 proceeding. St. Cyr & Associates and the GVWD have agreed on a per hour fee  
27 of \$105.00 for each hour of work performed. GVWD and I believe that the fees  
28 are fair and reasonable. At this point, GVWD does not anticipate utilizing outside  
29 legal council.

30

31 Q. Would you please summarize what GVWD is requesting in its rate filing?

32

33 A. The Company respectfully requests that the Commissioners approve (1) the 2006,  
34 2007 and 2008 loans as described in Tioga's testimony and (2) an increase in  
35 annual revenues of \$19,295 for permanent rates.

36

37 Q. Is there anything further that you would like to discuss?

38

39 A. No, there is nothing further.

40

41 Q. Does this conclude your testimony?

42

43 A. Yes.

44

45 SPSt. Cyr

46 10/07/10

## Tioga River Water Company

## Calculation of Revenue Deficiency

For the Test Year Ended October 31, 2009

GVWD	<u>Actual</u>	<u>Proforma</u>
Rate Base	\$43,234	\$99,230
Rate of Return	<u>7.01%</u>	<u>4.99%</u>
Operating Income Required	\$3,029	\$4,948
Net Operating Income	<u>(7,683)</u>	<u>4,948</u>
Operating Income Deficiency	\$10,712	\$0
Tax Effect	<u>0</u>	<u>0</u>
Revenue Deficiency	<u>\$10,712</u>	<u>\$0</u>
Total Revenue Deficiency		

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Rate Base

For the Test Year Ended October 31, 2009

	<u>Actual</u> <u>10/31/2009</u>	<u>Actual</u> <u>10/31/2008</u>	<u>Actual</u> <u>Average</u>	<u>Proforma</u> <u>Adjustments</u>	<u>Proforma</u> <u>10/31/2009</u>
GVWD					
Plant in Service	\$82,235	\$81,416	\$81,826	\$115,000	\$196,826
Accumulated Depreciation	<u>(24,165)</u>	<u>(20,569)</u>	<u>(22,367)</u>	<u>(4,288)</u>	<u>(26,655)</u>
Net plant	\$58,070	\$60,847	\$59,459	\$110,712	\$170,171
Cash Working Capital	3,536	3,095	3,536	0	3,536
Prepayments	272	0	136	136	272
Accrued Utility Revenue	1,007		504	504	1,007
CIAC	(26,099)	(26,099)	(26,099)	(57,500)	(83,599)
Accum Amort of CIAC	<u>6,349</u>	<u>5,050</u>	<u>5,700</u>	<u>2,144</u>	<u>7,843</u>
Total Rate Base	<u>\$43,135</u>	<u>\$42,894</u>	<u>\$43,234</u>	<u>\$55,996</u>	<u>\$99,230</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

Page 1 of 1

## Rate Base Adjustments

## Plant in Service / Depreciation Expenses / Accumulated Depreciation

PUC Acct. No.	Description	Cost	Depr. Rate	Annual Cost	Accum Depr.
	<u>Gilford Village Water District</u>				
304	Structures	\$10,953	2.50%	\$274	\$137
311	Pumping Equipment	65,714	10.00%	6,571	3,286
320	Water Treatment Equipment	32,857	3.60%	1,183	591
339	Other Plant and Equipment	<u>5,476</u>	10.00%	<u>548</u>	<u>274</u>
	TOTAL	<u>\$115,000</u>		<u>\$8,576</u>	<u>\$4,288</u>

## Contribution in Aid of Construction / Amortization Expenses / Accumulated Amortization of CIAC

PUC Acct. No.	Description	Cost	Depr. Rate	Annual Cost	Accum Amort
	<u>Gilford Village Water District</u>				
304	Structures	\$5,477	2.50%	\$137	\$68
311	Pumping Equipment	32,857	10.00%	3,286	1,643
320	Water Treatment Equipment	16,429	3.60%	591	296
339	Other Plant and Equipment	<u>2,738</u>	10.00%	<u>274</u>	<u>137</u>
	TOTAL	<u>\$57,500</u>		<u>\$4,288</u>	<u>\$2,144</u>

## Prepayments

## GVWD

10/31/09 Test Year Proforma	\$272
10/31/09 Test Year Actual Average	<u>136</u>
10/31/09 Proforma Adjustment	<u>\$136</u>

## Accrued Utility Revenue

## GVWD

10/31/09 Test Year Proforma	\$1,007
10/31/09 Test Year Actual Average	<u>504</u>
10/31/09 Proforma Adjustment	<u>\$504</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Plant in Service

For the Test Year Ended October 31, 2009

GVWD

Structures & Improvements	\$4,318	\$4,318
Wells & Springs	26,664	26,664
Supply Mains	7,478	7,478
Pumping Equipment	22,382	21,563
Distribution Reservoirs & Standpipes	1,100	1,100
Transportation & Distribution Mains	11,184	11,184
Services	8,214	8,214
Meters & Meter Installations	<u>895</u>	<u>895</u>
Total Plant in Service	\$82,235	\$81,416
Accumulated Depreciation	<u>(24,165)</u>	<u>(20,569)</u>
Net Plant	<u>\$58,070</u>	<u>\$60,847</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Cash Working Capital

For the Test Year Ended October 31, 2009

<u>GVWD</u>	Proforma <u>10/31/2009</u>	Actual <u>10/31/2009</u>	Actual <u>10/31/2008</u>
Operating Expenses	\$17,205	\$17,205	\$15,063
Cash Working Capital Percentage	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Cash Working Capital	<u>\$3,536</u>	<u>\$3,536</u>	<u>\$3,095</u>

SPSt. Cyr  
10/5/2010



NHPUC Docket DW 10-217

Schedule 2D

Tioga River Water Company

Contribution in Aid of Construction

For the Test Year Ended October 31, 2009

<u>GVWD</u>	<u>10/31/2009</u>	<u>10/31/2008</u>
Contribution in Aid of Construction	(\$26,099)	(\$26,099)
Accumulated Amortization of CIAC	<u>6,349</u>	<u>5,050</u>
Net CIAC	<u>(\$19,750)</u>	<u>(\$21,049)</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Rate of Return Information

For the Test Year Ended October 31, 2009

	Component Ratio	Actual Component Cost Rate	Wght Avg Cost Rate	Component Ratio	Proforma Component Cost Rate	Wght Avg Cost Rate
Overall Rate of Return						
Equity Capital	-38.04%	9.75%	0.00%	-8.76%	9.75%	0.00%
Long Term Debt	138.04%	7.01%	7.01%	108.76%	4.99%	4.99%
Total Capital	100.00%		7.01%	100.00%		4.99%

	2009 Actual Amounts	2009 Actual Ratios	2009 Proforma Amounts	2009 Proforma Ratios
Capital Structure				
Common Stock	\$200	0.50%	\$200	0.12%
Additional Paid in Capital	50,522	127.01%	50,522	29.24%
Retained Earnings	(65,853)	-165.56%	-65,853	-38.11%
Total Equity	(\$15,131)	-38.04%	(\$15,131)	-8.76%
Long Term Debt	\$54,908	138.04%	\$187,908	108.76%
Total Capital	\$39,777	100.00%	\$172,777	100.00%

	2009 Amounts	2008 Amounts	2007 Amounts
Capital Structure for 2009 - 2007			
Common Stock	\$200	\$200	\$200
Additional Paid in Capital	50,522	50,522	50,522
Retained Earnings	(65,853)	(53,337)	(43,968)
Total Equity	(\$15,131)	(\$2,615)	\$6,754
Long Term Debt	\$54,908	\$54,908	\$51,514
Total Capital	\$39,777	\$52,293	\$58,268

Capital Structure Ratios for 2009 - 2007	2009 Ratios	2008 Ratios	2007 Ratios
Common Stock	0.50%	0.38%	0.34%
Other Paid in Capital	127.01%	96.61%	86.71%
Retained Earnings	-165.56%	-102.00%	-75.46%
Total Equity	-38.04%	-5.00%	11.59%
Long Term Debt	138.04%	105.00%	88.41%
Total Capital	100.00%	100.00%	100.00%

#### Cost of Common Equity Capital

The Company is utilizing the Commission determined cost of common equity of 9.75%.

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Long Term Debt - Actual

For the Test Year Ended October 31, 2009

	<u>10/31/2009</u>	<u>10/31/2009</u> <u>Interest</u>	<u>Cost</u> <u>Rate</u>
2002 Prom Note Pay - Tioga to NHJr	\$6,391	\$383	6.00%
2002 Prom Note Pay - GVWD to NHJr.	15,350	921	6.00%
2006 Prom Note Pay - GVWD to Gilford Well	12,810	1,153	9.00%
2007 Prom Note Pay - GVWD to NHJr	11,928	1,074	9.00%
2008 Prom Note pay - GVWD to NHJr	<u>8,429</u>	<u>316</u>	<u>3.75%</u>
Total Long Term Debt	<u>\$54,908</u>	<u>\$3,847</u>	<u>7.01%</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## Long Term Debt - Proforma

For the Test Year Ended October 31, 2009

	10/31/2009 <u>Balance</u>	10/31/2009 <u>Interest</u>	Amort of <u>Fin Costs</u>	Total <u>Interest</u>	Cost <u>Rate</u>
2002 Prom Note Pay - Tioga to NHJr	\$6,391	\$383		\$383	6.00%
2002 Prom Note Pay - GVWD to NHJr.	15,350	921		921	6.00%
2006 Prom Note Pay - GVWD to Gilford Well	12,810	1,153		1,153	9.00%
2007 Prom Note Pay - GVWD to NHJr	11,928	1,074		1,074	9.00%
2008 Prom Note pay - GVWD to NHJr	<u>8,429</u>	<u>759</u>		759	<u>9.00%</u>
Long Term Debt	<u>\$54,908</u>	<u>\$4,290</u>	<u>\$0</u>	<u>\$4,290</u>	<u>7.81%</u>
2010 State Revolving Loan - Tioga	\$75,500	\$2,827	\$57	\$2,884	3.82%
2010 State Revolving Loan - GVWD	<u>57,500</u>	<u>2,153</u>	<u>43</u>	<u>2,196</u>	<u>3.82%</u>
2010 State Revolving Loan - Total	<u>\$133,000</u>	<u>\$4,980</u>	<u>\$100</u>	<u>\$5,080</u>	<u>3.82%</u>
Total Long Term Debt	<u>\$187,908</u>	<u>\$9,270</u>	<u>\$100</u>	<u>\$9,370</u>	<u>4.99%</u>

SPSt. Cyr  
10/5/2010

## Tioga River Water Company

## GVWD Income Statement

For the Test Year Ended October 31, 2009

	<u>GVWD</u>	<u>Proforma Adjustments</u>	<u>Proforma GVWD</u>
Revenues			
Metered Water Income - Tioga			
Metered Water Income - GVWD	<u>13,121</u>	<u>19,295</u>	<u>32,416</u>
Total Revenues	<u>\$13,121</u>	<u>\$19,295</u>	<u>\$32,416</u>
Expenses			
Maintenance on Structures - Tioga			
Maintenance on Structures - GVWD	2,242		2,242
Elec Power for Pumping - Tioga			
Elec Power for Pumping - GVWD	2,751		2,751
Maintenance on pump equipment - Tioga			
Maintenance on pump equipment - GVWD	859		859
Water Treatment Exp - Tioga			
Water Treatment Exp - GVWD	4,985		4,985
Maintenance of Mains - Tioga			
Maintenance of Mains - GVWD	2,186		2,186
Maintenance of Services - Tioga			
Maintenance of Services - GVWD	399		399
Customer records & collection			
Uncollectible Accts - Tioga			
Uncollectible Accts - GVWD	0		0
Office Expenses - Tioga			
Office Expenses - GVWD	1,590		1,590
Outside Services - Tioga			
Outside Services - GVWD	1,785		1,785
Franchise Requirements - Tioga			
Franchise Requirements - GVWD	351		351
Regulatory Comm Exp - Tioga			
Regulatory Comm Exp - GVWD	57		57
Miscellaneous Expense - Tioga			
Miscellaneous Expense - GVWD	0		0
Total Operation and Maintenance Expense	\$17,205	\$0	\$17,205
Depreciation - Tioga			
Depreciation - GVWD	3,595	8,576	12,171
Amortization of CIAC - GVWD	(1,299)	(4,288)	(5,587)
RE Taxes - Tioga			
RE Taxes - GVWD	887	1,645	2,532
Utility Property Taxes - Tioga			
Utility Property Taxes - GVWD	416	731	1,147
Total Operating Expenses	<u>\$20,804</u>	<u>\$6,664</u>	<u>\$27,468</u>
Net Operating Income (Loss)	<u>(\$7,683)</u>	<u>\$12,631</u>	<u>\$4,948</u>
Interest Expense - Tioga			
Interest Expense - GVWD	<u>3,464</u>		<u>3,464</u>
Net Income	<u>(\$11,147)</u>	<u>\$12,631</u>	<u>\$1,485</u>

## Tioga River Water Company

## GVWD Proforma Adjustments

For the Test Year Ended October 31, 2009

## Operating Revenues

10/31/09 Test Year Proforma	\$32,416
10/31/09 Test Year Actual	<u>13,121</u>
10/31/09 Proforma Adjustment	<u>\$19,295</u>
Total Proforma Adjustment to Operating Revenues	<u>\$19,295</u>

## Depreciation

10/31/09 Test Year Proforma	\$12,171
10/31/09 Test Year Actual	<u>3,595</u>
10/31/09 Proforma Adjustment	<u>\$8,576</u>
To adjust test year depreciation expense for full year depreciation on booster pumps, treatment and generator.	

## Amortization of CIAC

10/31/09 Test Year Proforma	(\$5,587)
10/31/09 Test Year Actual	<u>(1,299)</u>
10/31/09 Proforma Adjustment	<u>(\$4,288)</u>
To adjust test year amortization of CIAC for full year amortization on booster pumps, treatment and generator.	

## Taxes other than Income

## State Utility Property Taxes

10/31/09 Test Year Proforma	\$1,147
10/31/09 Test Year Actual	<u>416</u>
10/31/09 Proforma Adjustment	<u>\$731</u>
To adjust state utility property taxes for the increase due to the new booster pumps, filtration system and generator	

## Town of Gilford Property Taxes

10/31/09 Test Year Proforma	\$2,532
10/31/09 Test Year Actual	<u>887</u>
10/31/09 Proforma Adjustment	<u>\$1,645</u>
To adjust state utility property taxes for the increase due to the new pump house, new pumps and filtration system	

Total Proforma Adjustment to Taxes other than Income	<u>\$6,664</u>
--	----------------

SPSt. Cyr

10/5/2010

Tioga River Water Company  
Proposed Statement to be transmitted to customers of the Tioga Division

Dear Tioga Customer,

On October 15, 2010 Tioga River Water Company ("TRWC" or "Company") filed for a rate increase with the New Hampshire Public Utilities Commission ("NHPUC") for its 22 Tioga Division ("Tioga") customers. If approved, as filed, Tioga's annual revenues from general customers would increase \$13,335 or 127% to \$23,625. On a per customer average basis, the revenue increase would be \$606.14 per year (\$151.53 per quarter) to \$1,082.95. The Company is proposing that the new rate tariff be effective January 1, 2011.

The increase is due to replacement of the pump station, to replacement of other plant and to cover operating expenses. The Company borrowed funds from the State Revolving Fund ("SRF") in order to pay for the new pump station. The Company borrowed funds from the owner and an affiliate in order to make other system improvements and to pay for various operating expenses.

During the fiscal year ended October 31, 2009 (the test year) Tioga's actual net income (loss) amounted to (\$1,369). Its operating revenues and expenses have been relatively stable.

The rate increase will be subject to review and ultimate approval by the NHPUC. The Company will keep you apprised of the proceeding before the NHPUC and its ultimate conclusion.

Sincerely,

Norman H. Harris, Jr.



Tioga River Water Company  
Proposed Statement to be transmitted to customers of the GVWD Division

Dear GVWD Customer,

On October 15, 2010 Tioga River Water Company ("TRWC" or "Company") filed for a rate increase with the New Hampshire Public Utilities Commission ("NHPUC") for its 38 GVWD Division ("GVWD") customers or 88 units. If approved, as filed, GVWD's annual revenues from general customers would increase \$19,295 or 147% to \$32,416. On a per unit average basis, the revenue increase would be \$219.26 per year (\$54.82 per quarter) to \$368.36. The Company is proposing that the new rate tariff be effective January 1, 2011.

The increase is due to new booster pumps, treatment and generator, to replacement of other plant and to cover operating expenses. The Company borrowed funds from the State Revolving Fund ("SRF") in order to pay for the new booster pumps, treatment and generator. The Company borrowed funds from the owner and an affiliate in order to make other system improvements and to pay for various operating expenses.

During the fiscal year ended October 31, 2009 (the test year) GVWD's actual net income (loss) amounted to (\$11,147). Its operating revenues and expenses have been relatively stable.

The rate increase will be subject to review and ultimate approval by the NHPUC. The Company will keep you apprised of the proceeding before the NHPUC and its ultimate conclusion.

Sincerely,

Norman H. Harris, Jr.

PUC 1604.01

- (4) The calculation of federal income tax and state business tax is provided with the rate case schedules.
- (14) The list of Officers and Directors and their compensation are shown on Schedule A-4 in the 2009 PUC Annual Report.
- (15) The list of the amount of voting stock ... is shown on Schedule A-5 in the 2009 PUC Annual Report.
- (16) The list of all payments to individuals and corporations for contractual services is shown on Schedule A-7 of the 2009 PUC Annual Report.
- (18) The balance sheets and income statements for the fiscal years ended 10/31/09 – 10/31/07 are incorporated in the rate case schedules.

SPSt. Cyr  
10/15/10

# **STEPHEN P. ST. CYR & ASSOC.**

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

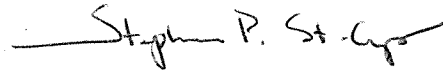
October 15, 2010

Debra A. Howland  
Executive Director & Secretary  
NH Public Utilities Commission  
21 S. Fruit St., Suite 10  
Concord, N. H. 03301-2429

Dear Ms. Howland:

Tioga River Water Company's ("Company") filing for the proposed rate change in DW 10-217 was prepared utilizing the Company's books and records. To the best of my knowledge and belief, the filing including its revenue and expenses and assets and liabilities accurately reflects the Company's books.

Sincerely,



Stephen P. St. Cyr