

West Swanzey Water Company

Computation of Revenue Deficiency

For the Test Year Ended December 31, 2009

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 3)	\$197,682	\$197,682
Rate of Return (Schedule 4)	<u>7.21%</u>	<u>7.21%</u>
Operating Income Required	\$14,246	\$14,246
Net Operating Income (Schedule 1)	<u>5,807</u>	<u>14,246</u>
Operating Income Surplus (Deficiency)	(\$8,439)	\$0
Tax Effect		<u>0</u>
Revenue Surplus (Deficiency)	<u>(\$8,439)</u>	<u>\$0</u>

Statement of Income

Line No.	Account Title (Number) (a)	Actual 2009 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2009 Year End Balance (d)	Actual 2008 Year End Balance (e)	Actual 2007 Year End Balance (f)
	UTILITY OPERATING INCOME					
1	Operating Revenues(400)	\$ 59,116	\$ 10,126	\$ 69,242	\$ 61,542	\$ 61,269
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	36,175		36,175	35,674	35,415
4	Depreciation Expense (403)	12,767		12,767	12,670	12,426
5	Amortization of Contribution in Aid of Construction (405)	(2,991)		(2,991)	(2,991)	(2,991)
6	Amortization of Utility Plant Acquisition Adjustment (406)					
7	Amortization Expense-Other (407)	369		369	802	802
8	Taxes Other Than Income (408.1-408.13)	6,989	723	7,712	4,129	3,718
9	Income Taxes (409.1, 410.1, 411.1, 412.1)		964	964		
10	Total Operating Expenses	\$ 53,309	1,687	\$ 54,996	\$ 50,284	\$ 49,370
11	Net Operating Income (Loss)	5,807	8,439	14,246	11,258	11,899
12	Other Income and Deductions					
13	Interest and Dividend Income (419)					
14	Allow. for funds Used During Construction (420)					
15	Nonutility Income (421)					
16	Gains (Losses) From Disposition of Nonutility Property (421)					
17	Miscellaneous Nonutility Expenses (426)					
18	Interest Expense (427)	(11,705)		(11,705)	(11,463)	(13,342)
19	Taxes Applicable to Other Than Income (409.2, 410.2, etc.)					
20	Total Other Income and Deductions	\$ (11,705)		\$ (11,705)	\$ (11,463)	\$ (13,342)
21	NET INCOME (LOSS)	\$ (5,898)	\$ 8,439	\$ 2,541	\$ (205)	\$ (1,443)

West Swanzey Water Company
Statement of Income - Proforma Adjustments

Schedule 1A

Operating Revenues

2009 Test Year Proforma	\$69,242
2009 Test Year Actual	<u>59,116</u>
Proforma Adjustment	<u>\$10,126</u>

To adjust test year revenues for the additional revenue needed in order for the Company to earn its rate of return and to recover its expenses.

Total Proforma Adjustment to Operating Revenues **\$10,126**

Operating Expenses:

Taxes other than Income

Town of Swanzey

2009 Test Year Proforma	\$6,216
2009 Test Year Actual	<u>5,493</u>
Proforma Adjustment	<u>\$723</u>

To adjust test year expenses for additional State Utility Property Taxes on 2009 well

Total Proforma Adjustments to Taxes other than Income **\$723**

Income Taxes

Federal Income Taxes

2009 Test Year Proforma	\$595
2009 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$595</u>

To adjust test year expenses for the increase in federal income taxes due to the increase in revenue

State Business Taxes

2009 Test Year Proforma	\$369
2009 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$369</u>

To adjust test year expenses for the increase in state business taxes due to the increase in revenue

Total Proforma Adjustments to Taxes other than Income **\$964**

Total Proforma Adjustment to Operating Expenses **\$1,687**

West Swanzey Water Company**Schedule 1B****Income Tax Computation**

	<u>Actual</u>	<u>Proforma</u>
Total Rate Base	\$197,682	\$197,682
Equity Component of Cost of Capital	<u>1.71%</u>	<u>1.71%</u>
Operating Net Income Required	\$3,374	\$3,374
Tax Effect (.2858)	<u>964</u>	<u>964</u>
Income Required before Income Taxes	\$4,338	\$4,338
Less: NH Business Profits Tax @ 8.5%	<u>369</u>	<u>369</u>
Income subject to Federal Taxes	\$3,969	\$3,969
Less: Federal Income Tax @ 15%	<u>595</u>	<u>595</u>
Income after Income Taxes	<u>\$3,374</u>	<u>\$3,374</u>

West Swanzey Water Company**Schedule 1C****Effective Tax Factor**

Taxable Income	100.00%
Less: NH Business Profits Tax	8.50%
Federal Taxable Income	91.50%
Federal Income Tax Rate	15.00%
Effective Federal Income Tax Rate	13.73%
Add: NH Business Profit Tax	8.50%
Effective Tax Rate	22.23%
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	22.23%
Percent Used as a Divisor in Determining the Revenue Requirement	77.78%
Tax Multiplier	28.58%

Balance Sheet - Assets and Other Debits

Line No.	Account Title (Number) (a)	Actual 2009 Year End Balance (b)	Actual 2008 Year End Balance (c)	Actual 2007 Year End Balance (d)
	UTILITY PLANT			
1	Utility Plant (101-106)	\$ 410,648	\$ 410,391	\$ 409,079
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 145,370	\$ 132,935	119,727
3	Net Plant	\$ 265,278	\$ 277,456	\$ 289,352
4	Utility Plant Acquisition Adj. (Net) (114-115)			
5	Total Net Utility Plant	\$ 265,278	\$ 277,456	\$ 289,352
	OTHER PROPERTY AND INVESTMENTS			
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Utility Investments (124)			
10	Depreciation Funds (127)			
11	Total Other Property & Investments			
	CURRENT AND ACCRUED ASSETS			
12	Cash (131)	13,456	17,985	11,954
13	Special Deposits (132)			
14	Accounts and Notes Receivable-Net (141-143)	15,537	14,939	14,579
15	Materials and Supplies (151)	477	959	249
16	Prepayments (162-163)	2,838	2,038	2,087
17	Misc. Current and Accrued Assets (174)			
18	Total Current and Accrued Assets	\$ 32,308	\$ 35,921	\$ 28,869
	DEFERRED DEBITS			
19	Miscellaneous Deferred Debits (186)	4,113	4,389	4,666
20	Accumulated Deferred Income Taxes (190)			
21	Total Deferred Debits	\$ 4,113	\$ 4,389	\$ 4,666
	TOTAL ASSETS AND OTHER DEBITS	\$ 301,699	\$ 317,766	\$ 322,887

Balance Sheet - Equity Capital and Liabilities

Line No.	Account Title (Number) (a)	Actual 2009 Year End Balance (b)	Actual 2008 Year End Balance (c)	Actual 2007 Year End Balance (d)
	EQUITY CAPITAL			
1	Common Stock Issued (201)	\$ 30,471	\$ 30,471	\$ 30,471
2	Preferred Stock Issued (204)			
3	Other Paid-In Capital (211)			
4	Retained Earnings (217)	6,774	12,672	12,884
5	Proprietary Capital (proprietorships & partnerships) (218)			
6	Total Capital	\$ 37,245	\$ 43,143	\$ 43,355
	LONG TERM DEBT			
7	Other Long-Term Debt (224)	175,535	183,629	192,175
	CURRENT AND ACCRUED LIABILITIES			
8	Accounts Payable (231)	7,496	7,374	746
9	Notes Payable (232)			
10	Customer Deposits (235)			
11	Accrued Taxes (236)	186		
12	Accrued Interest (237)			
13	Misc. Current and Accrued Liabilities (241)	608		
14	Total Current and Accrued Liabilities	\$ 8,290	\$ 7,374	\$ 746
	Other Liabilities			
15	Advances for Construction (252)			
16	Other Deferred Credits (253)			
17	Accumulated Deferred Investment Tax Credit (255)			
18	Miscellaneous Operating Reserves (265)			
19	Contributions In Aid of Construction - Net (271-272)	80,629	83,620	86,611
20	Accumulated Deferred Income Taxes (281-283)			
21	TOTAL LIABILITIES AND CAPITAL	\$ 301,699	\$ 317,766	\$ 322,887

Schedule 3

Line No.	Account Title (a)	Actual 2009 Year End Balance (b)	Actual 2008 Year End Balance (c)	Average Year End Balance (d)	Proforma Adjustments (e)	Proforma Year End Balance (f)
1	Plant in Service	\$408,498	\$408,241	\$408,370		\$408,370
2	Less: Accumulated Depreciation	<u>145,370</u>	<u>132,935</u>	<u>139,153</u>		<u>139,153</u>
3	Net Utility Plant	263,128	275,306	269,217	0	269,217
4	Cash Working Capital (1)	7,434	7,331	7,434	0	7,434
5	Material and Supplies	477	959	718		718
6	Prepayments	2,838	2,038	2,438		2,438
7	Contribution in Aid of Construction - Net	(80,629)	(83,620)	(82,125)		(82,125)
8	Total Rate Base	<u>\$193,248</u>	<u>\$202,014</u>	<u>\$197,682</u>	<u>\$0</u>	<u>\$197,682</u>
	(1) Cash Working Capital Average Year End Balance is the same as the December 2009 Balance.					

West Swanzey Water Company
Rate Base - Proforma Adjustments

Schedule 3A

Cash Working Capital

2009 Test Year Proforma Balance adjusted for changes in O&M expenses	\$7,434
2009 Test Year Average Balance	<u>7,434</u>
Proforma Adjustment	<u>\$0</u>
To adjust test year cash working capital balance	
Total Proforma Adjustments to Cash Working Capital	<u>\$0</u>

West Swanzey Water Company

Schedule 3B

Working Capital

	2009 Proforma <u>Amount</u>	2009 Actual <u>Amount</u>	2008 Actual <u>Amount</u>
Operating and Maintenance Expenses	\$36,175	\$36,175	\$35,674
75/365	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Working Capital	<u>\$7,434</u>	<u>\$7,434</u>	<u>\$7,331</u>

Rate of Return Information

Proforma Overall Rate of Return		Component Ratio		Component Cost Rate		Weighted Average Cost Rate
Equity Capital		17.50%		9.75%		1.71%
Long Term Debt		82.50%		6.67%		5.50%
Total Capital		100.00%				7.21%

Actual Overall Rate of Return		Component Ratio		Component Cost Rate		Weighted Average Cost Rate
Equity Capital		17.50%		9.75%		1.71%
Long Term Debt		82.50%		6.67%		5.50%
Total Capital		100.00%				7.21%

Capital Structure for Ratemaking Purposes	2009 Prof Amounts		2009 Prof Ratios		2009 Actual Amounts		2009 Actual Ratios
Common Stock	\$ 30,471		14.32%		\$ 30,471		14.32%
Other Paid in Capital							
Retained Earnings	6,774		3.18%		6,774		3.18%
Total Equity	\$ 37,245		17.50%		\$ 37,245		17.50%
Long Term Debt	\$175,535		82.50%		\$175,535		82.50%
Total Capital	\$212,780		100.00%		\$ 212,780		100.00%

Capital Structure for 2009 - 2007	2009 Proforma		2009 Amounts		2008 Amounts		2007 Amounts
Common Stock	\$ 30,471		\$ 30,471		\$ 30,471		\$ 30,471
Other Paid in Capital							
Retained Earnings	6,774		6,774		12,672		12,884
Total Equity	\$ 37,245		\$ 37,245		\$ 43,143		\$ 43,355
Long Term Debt	\$175,535		\$175,535		\$ 183,629		\$ 192,175
Total Capital	\$212,780		\$ 212,780		\$ 226,772		\$ 235,530

Capital Structure Ratios for 2009 - 2007	2009 Prof Ratios		2009 Actual Ratios		2008 Ratios		2007 Ratios
Common Stock	14.32%		14.32%		13.44%		12.94%
Other Paid in Capital	0.00%		0.00%		0.00%		0.00%
Retained Earnings	3.18%		3.18%		5.59%		5.47%
Total Equity	17.50%		17.50%		19.02%		18.41%
Long Term Debt	82.50%		82.50%		80.98%		81.59%
Total Capital	100.00%		100.00%		100.00%		100.00%

Long Term Debt	2009 Prof Amount		2009 Actual Amount		2008 Actual Amount		2007 Actual Amount
1999 Granite Bank Loan	\$26,201		\$26,201		\$28,309		\$30,243
2003 Granite Bank Loan	149,334		149,334		155,320		161,932
Total Long Term Debt	\$175,535		\$175,535		\$183,629		\$192,175

Proforma Cost of Debt	2009 Prof Amount		Interest Rate	Interest Expense	Amortization of Fin Costs	Total Interest	Cost Rate
1999 Granite Bank Loan	\$26,201		7.75%	\$1,457		\$1,457	5.56%
2003 Granite Bank Loan	149,334		6.00%-6.50%	9,971	275	10,246	6.86%
Total Cost of Debt	\$175,535			\$11,428	\$275	\$11,703	6.67%

Actual Cost of Debt	2009 Act Amount		Interest Rate	Interest Expense	Amortization of Fin Costs	Total Interest	Cost Rate
1999 Granite Bank Loan	\$26,201		7.75%	\$1,457	\$35	\$1,492	5.69%
2003 Granite Bank Loan	149,334		6.00%-6.50%	9,971	240	10,211	6.84%
Total Cost of Debt	\$175,535			\$11,428	\$275	\$11,703	6.67%

Cost of Common Equity Capital

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