

PITTSFIELD AQUEDUCT COMPANY, INC.
COMPUTATION OF REVENUE DEFICIENCY
For The Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule A

	TEST YEAR	PRO FORMA ADJUSTMENTS	PRO FORMA TEST YEAR	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCR #1 FORMA TEST YEAR
Consolidated Rate Base	\$ 1,747,989	\$ 214,049	\$ 1,962,038	\$ 178,791	\$ 2,140,829
RATE of Return	8.07%		7.60%		7.60%
Income Required	\$ 141,063		\$ 149,023		\$ 162,603
Adjusted NOI	\$ 72,033	\$ 3,720	\$ 75,753	\$ (5,884)	\$ 69,869
Deficiency	\$ 69,030		\$ 73,270		\$ 92,734
Tax Factor	60.39%		60.39%		60.39%
Revenue Deficiency	\$ 114,307		\$ 121,328	\$ 32,230	\$ 153,558
Water Revenues	\$ 600,603	\$ 6,531	\$ 607,133	\$ -	\$ 607,133
Proposed Revenue Inc	19.03%		19.98%	5.31%	25.29%
New Revenue Levels			\$ 728,461		\$ 760,691

PITTSFIELD AQUEDUCT COMPANY, INC.
COMPUTATION OF REVENUE DEFICIENCY
For The Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule 1

	Account Number	TEST YEAR	PRO FORMA ADJUSTMENTS	PRO FORMA TEST YEAR	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED TEST YEAR & STEP PRO FORMA TEST YEAR
Water Sales	461 & 462	\$ 600,603	\$ 6,531	\$ 607,133	\$ -	\$ 607,133
Other Operating Revenue	471	3,895	1,534	5,429	-	5,429
Total Revenues		604,498	8,065	612,562	-	612,562
Production Expenses	601 to 652	101,270	(14,877)	86,392	-	86,392
Transmission & Distribution Expense	660 to 678 & 926.1	82,745	(30,369)	52,376	-	52,376
Customer Acct & Collection Exp	902 to 904	19,953	-	19,953	-	19,953
Administrative & General Expense	920 to 950	19,947	41,424	61,371	-	61,371
Inter Div Management Fee	930	158,353	1,673	160,026	-	160,026
Total Operating Expense		382,267	(2,149)	380,118	-	380,118
Depreciation Exp/Acq Adj (Credit)	403	78,727	7,359	86,086	4,209 (1)	90,295
Amortization Expense: CLAC	405	(24,146)	-	(24,146)	-	(24,146)
Amortization Expense	407	7,597	(3,140)	4,458	-	4,458
Taxes Other Than Income Tax	408.1	81,603	(167)	81,437	5,534 (3)	86,971
Income Tax	409 to 410	6,416	2,441	8,857	(3,859) (2)	4,998
Total Operating Deductions		150,198	6,494	156,691	5,884	162,575
Net Operating Income		\$ 72,033	\$ 3,720	\$ 75,753	\$ (5,884)	\$ 69,869

Notes:

- (1) increase depreciation for addition to plant assets per Schedule 1, Attachment B
- (2) reflect income tax effect on proforma adjustments calculated on effective tax rate of 39.61% per Schedule 1, Attachment D
- (3) increase in 2010 property taxes from step addition per Schedule 1, Attachment C

Pittsfield Aqueduct Company, Inc
Pro Forma Adjustment Income or Expense
Operating Revenues
For the Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule 1
Attachment A

NOT USED

PITTSFIELD AQUEDUCT COMPANY, INC.
Pro Forma Adjustment Income or Expense
DEPRECIATION
For The Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule 1
Attachment B

I DEPRECIATION

- A.** In 2010, the Company expects to add depreciable assets and full year depreciation expense is reflected in the proforma step increase.

(See Schedule 3, Attachment A, Exhibit 1)

Therefore:

\$ 4,209

- B.** In 2010, the Company expects to retire depreciable assets. The total depreciation expense reduction is reflected in the proforma step increase.

(Schedule 3, Attachment A, Exhibit 2)

Therefore:

\$ -

TOTAL DEPRECIATION EXPENSE PRO FORMA:

\$ 4,209

PITTSFIELD AQUEDUCT COMPANY, INC.
Pro Forma Adjustment Income or Expense
PROPERTY TAXES
For The Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule 1
Attachment C

II PROPERTY TAXES

- A. In 2010, the Company increased its taxable utility property per Schedule 3, Attachment A, Exhibit 1. The expected property tax for these items is listed below and detailed in Schedule 3, Attachment A, Exhibit 1.

City/Town	Taxable Property	Tax Rate per \$1,000	Total Prop Tax
Pittsfield	183,000	\$ 23.64	\$ 4,326
State NH	183,000	\$ 6.60	\$ 1,208
Total			\$ 5,534

Therefore

\$ 5,534

- B. In 2010, the Company retired its taxable utility property per Schedule 3, Attachment A, Exhibit 2. The property taxes for those items are listed below:

City/Town	Taxable Property	Tax Rate per \$1,000	Total Prop Tax
Pittsfield	-	\$ 23.64	\$ -
State NH	-	\$ 6.60	\$ -
Total			\$ -

Therefore

\$ -

TOTAL PROPERTY AND OTHER TAXES PRO FORMA:

\$ 5,534

PITTSFIELD AQUEDUCT COMPANY, INC.
Pro Forma Adjustment Income or Expense
INCOME TAXES
For The Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule 1
Attachment D

I INCOME TAXES

- A.** To reflect the pro forma adjustment to record the income tax effect of the pro forma adjustments for the test year.

Therefore:

	Operating Revenues	\$	-	
Less:	Expenses			
(Sch1, Attach C)	Total Prop & Other Taxes		5,534	
(Sch1, Attach B)	Depreciation		4,209	
(Sch1, Attach B)	Amortization		-	
	Total Expenses	\$	(9,743)	
	Net Operating Income	\$	(9,743)	

Pro Forma NHBP Tax @ 8.5%.

Therefore:

\$	(9,743)	8.5%	\$	(828)	\$	(828)
			Sub Total	\$	(8,915)	

Pro Forma FIT Tax 34%

Therefore:

\$	(8,915)	34%		\$	(3,031)
			Sub Total	<u>\$</u>	<u>(3,031)</u>
				\$	(3,031)

Total Step Increase 1 Taxes

\$ (3,859)

TOTAL PRO FORMA INCOME TAXES:

NHBPT	\$ (828)
FIT	\$ (3,031)
TOTAL	\$ (3,859)

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PITTSFIELD AQUEDUCT COMPANY, INC.
COMPUTATION OF REVENUE DEFICIENCY
For The Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule 3

Description	Test Year Average (Sch 3B)	Year End Rate Base	Pro Forma Adjustments Permanent Rates	Pro Forma Test Year	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR
Plant in Service	3,851,286	3,881,548	(4,461)	3,846,825	183,000 (1)	4,029,825
Accum Deprec	1,028,773	1,065,465	7,359	1,036,132	4,209 (2)	1,040,341
Accum Deprec: Loss	114,504	118,993	-	114,504	-	114,504
Accum Deprec: COR	406	411	-	406	-	406
CIAC	1,148,636	1,148,636	-	1,148,636		1,148,636
Amort of CIAC	256,418	268,491	-	256,418		256,418
	2,045,205	2,055,341	(11,820)	2,033,385	178,791	2,212,176
ADD:						
Working Cap	112,019	57,269	(265)	111,754		111,754
Materials & Supplies	588	1,911	-	588		588
Prepayments	7,797	29,881	-	7,797	-	7,797
Other & Deferred Charges	115,944	129,370	(112,439)	3,505	-	3,505
	236,348	218,431	(112,704)	123,644		123,644
DEDUCT:						
Customer Advances	-	-	-	-		-
Customer Deposits	-	-	-	-		-
Deferred Income Tax	533,564	218,320	(338,573)	194,991		194,991
	533,564	218,320	(338,573)	194,991	-	194,991
	-	-	-			-
TOTAL Rate Base	1,747,989	2,055,452	214,049	1,962,038	178,791	2,140,829

Notes:

(1) adjust for step plant additions/retirements per Schedule 3, Attachment A

(2) adjust for accumulated depreciation related to step plant additions/retirements per Schedule 3, Attachment B

PITTSFIELD AQUEDUCT COMPANY, INC.
PRO FORMA ADJUSTMENTS TO RATE BASE
Plant in Service
For The Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule 3
Attachment A

I PLANT IN SERVICE

A Schedule 3, Attachment A, Exhibit 1, details an addition to plant in service for the expected step increase. The addition is a capital improvement that is necessitated by SWDA requirements and/or by the need to improve aging infrastructure. The plant addition is considered non-revenue producing in nature. The asset is expected to be placed in service by December 2010.

Therefore: **\$ 183,000**

B Schedule 3, Attachment A, Exhibit 2, details retirements of plant in service that occurred as a result of the step additions.

Therefore: **\$ -**

TOTAL PRO FORMA PLANT IN SERVICE	<u>\$ 183,000</u>
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PITTSFIELD AQUEDUCT COMPANY, INC.
PRO FORMA ADJUSTMENTS TO RATE BASE
Accumulated Depreciation
For The Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule 3
Attachment B

I ACCUMULATED DEPRECIATION

A To reflect the accumulated depreciation associated with step plant addition.

(See Schedule 3, Attachment A, Exhibit 1)

Therefore:

\$ 4,209

B To reflect the accumulated depreciation reduction related to the retirements of plant in service.

(See Schedule 3, Attachment A, Exhibit 2)

Therefore:

\$ -

TOTAL ACCUMULATED DEPRECIATION PRO FORMA:

\$ 4,209

PITTSFIELD AQUEDUCT COMPANY, INC.
ASSET ACQUISITIONS
For The Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule 3
Attachment A
Exhibit 1

Additions										23.64	6.60
Acct No.	Account Description	Total Cost	Cost of Removal (2)	Adjusted Cost	Accumulated Depreciation	Depreciation Rate	Full Year Depreciation	Property Taxes	State Property Taxes		
304.10	Structures & Improvements - Berry Pond Dam	\$ 183,000	\$ -	\$ 183,000	\$ 4,209	2.30%	\$ 4,209	\$ 4,326	\$ 1,208		
	Total Plant Additions	<u>\$ 183,000</u>	<u>\$ -</u>	<u>\$ 183,000</u>	<u>\$ 4,209</u>		<u>\$ 4,209</u>	<u>\$ 4,326</u>	<u>\$ 1,208</u>		
186.00	Deferred Debits	\$ -									
	Total Step Additions	<u>\$ 183,000</u>									

Notes:

PITTSFIELD AQUEDUCT COMPANY, INC.
ASSET DISPOSITIONS
For The Twelve Months Ended December 31, 2009

STEP INCREASE
Schedule 3
Attachment A
Exhibit 2

Retirements							23.64	6.60		
Acct No.	Account Description	Original Cost	Accumulated Depreciation	Accumulated Depreciation Loss	Depreciation Rate	1 year Depreciation	Property Taxes	State Property Taxes	Total Taxes	
304.10	Structures (1)	\$ -	\$ -	\$ -	2.30%	\$ -	\$ -	\$ -	\$ -	
Total		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	

Notes:

(1) The Berry Pond Dam is being added to and enhanced. There are no related retirements.