

DW 10-090  
Pittsfield Aqueduct Company, Inc.'s Responses to  
OCA Data Requests – Set 3

Date Request Received: 12/8/10  
Request No. OCA 3-1

Date of Response: 1/11/11  
Witness: Bonalyn J. Hartley

---

REQUEST: Please revise the original filing to reflect:

- a. Revisions contemplated by the Company's responses to the following data requests in this docket: OCA 2-2, 2-3, 2-4; Staff 1-5, 1-7, 1-10, 1-14, 1-20, 1-22; and Staff 2-1 and 2-11;
- b. Revisions contemplated by any other data request in this docket;
- c. Revisions contemplated by the Commission's audit in this docket; and
- d. Revisions necessitated by Pennichuck Water Works, Inc.'s responses to data requests and the Commission's Audit in DW 10-091. *See, e.g.*, PWW's Response to Staff 1-16 in DW 10-091.

RESPONSE: Please see attached schedules that reflect the impact of audit issues and data requests on the original filing for the permanent rate increase. Staff 3-5 reflects the impact of data requests on the original filing for the step and combined increase.

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

**Schedule A  
Proposed Adjustments**

	TEST YEAR	PRO FORMA ADJUSTMENTS	PRO FORMA TEST YEAR	PROPOSED DATA REQUESTS ADJUSTMENTS (2)	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09
Consolidated Rate Base (Sch 3)	\$ 1,747,989	\$ 214,049	\$ 1,962,038	(61,125)	\$ 1,900,913
RATE of Return (Sch 4)	8.07%		7.60%	0.00%	7.60%
Income Required	\$ 141,063	\$ -	\$ 149,023	\$	\$ 144,380
Adjusted Net Operating Income (Sch 1)	\$ 72,033	\$ 3,720	\$ 75,753	\$ 3,595	\$ 79,348
Deficiency	\$ 69,030	\$ -	\$ 73,270	\$	\$ 65,032
Tax Factor	60.39%		60.39%		60.39%
Revenue Deficiency	\$ 114,307	\$ -	\$ 121,328	\$	\$ 107,686
Water Revenues	\$ 600,603	\$ 6,531	\$ 607,133	\$ 126	\$ 607,259
Proposed Revenue Inc	19.03%		19.98%		17.73%
New Revenue Levels	\$ -	\$ -	\$ 728,461	\$	\$ 714,945

**Notes:**  
 (1) Test Year reflects last authorized rate of return from Order 25,051 (DW 08-052).  
 (2) Reflects proposed adjustments from data requests and audit issues.

15

**PITTSFIELD AQUEDUCT COMPANY**  
**OPERATING INCOME STATEMENT**  
For The Twelve Months Ended December 31, 2009

**Schedule 1**  
**Permanent**  
**Proposed Adjustments**  
**12 MONTHS**  
**WITH**  
**PROPOSED**  
**ADJUSTMENTS**  
**12/31/09**

	Account Number	TWELVE MONTHS 12/31/09	PRO FORMA ADJUSTMENTS	PRO FORMA 12 MONTHS 12/31/09	PROPOSED DATA REQUESTS ADJUSTMENTS	REF	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09
Water Sales	461 & 462	\$ 600,603	\$ 6,531	\$ 607,133	\$ 126	1	\$ 607,259
Other Operating Revenue	471	3,895	1,534	5,429	-		5,429
<b>Total Revenues</b>		<b>604,498</b>	<b>8,065</b>	<b>612,562</b>	<b>126</b>		<b>612,688</b>
Production Expenses	601 to 652	101,270	(14,877)	86,392	-		86,392
	660 to 678 &						
Transmission & Distribution Expenses	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	(1,364)	2-3	60,007
Inter Div Management Fee	930	158,353	1,673	160,026	(238)	4-8	159,788
<b>Total Operating Expense</b>		<b>382,267</b>	<b>(2,149)</b>	<b>380,118</b>	<b>(1,602)</b>		<b>378,516</b>
Dep Exp/Acq Adj Expense	403	78,727	7,359	86,086	-		86,086
Amortization Expense:CIAC	405	(24,146)	-	(24,146)	-		(24,146)
Amortization Expense	407	7,597	(3,140)	4,458	-		4,458
Property Taxes	408.1	81,603	(167)	81,437	(4,225)	9-10	77,212
Income Tax	409 to 410	6,416	2,441	8,857	2,358	11	11,215
<b>Total Operating Deductions</b>		<b>150,198</b>	<b>6,494</b>	<b>156,691</b>	<b>(1,867)</b>		<b>154,824</b>
		0.00	-	-	-		-
<b>Net Operating Income</b>		<b>\$ 72,033</b>	<b>\$ 3,720</b>	<b>\$ 75,753</b>	<b>\$ 3,595</b>		<b>\$ 79,348</b>

Pittsfield Aqueduct Company, Inc.  
 DW 10-090  
 Attachment OCA 3-1  
 Page 3 of 5

Reference	PITTSFIELD AQUEDUCT COMPANY Proposed Adjustments to Net Operating Income For The Twelve Months Ended December 31, 2009			Schedule 1 Attachment A Permanent Proposed Adjustments
<b>Water Sales</b>				
OCA 2-2	1 Recoupment Pro Forma Adjustment	Original Filing Revised	7,410 <u>7,536</u>	\$ 128
<b>Total Revenues</b>				<u>\$ 128</u>
<b>Administrative and General</b>				
Audit Issue 2	2 Eliminate disallowed rate case expenses			(460)
Audit Issue 3	3 Eliminate rate case legal expenses			(904)
<b>Total Administrative and General</b>				<u>\$ (1,364)</u>
<b>Management Fee</b>				
PWW Staff 1-14 PWW OCA 2-2	4 CSR III Position Eliminated	Original Filing Revised	32,500 <u>-</u>	
		Benefits % to PAC	52.30% 1.80%	<u>(18,998)</u> \$ (49,498) \$ (891)
Staff 1-18	Computer Maintenance Expense	Not Included in Total		272
OCA 2-3	5 Computer Maintenance Expense	Original Filing Revised % to PAC	15,128 <u>21,720</u> 1.80%	\$ 8,594 \$ 119
<b>Allocation to PWW</b>				
PWW Staff 2-11	6 Leasehold Improvement Pro Forma	Original Filing Revised % to PAC	\$ 16,665 <u>\$ 2,310</u> 1.80%	\$ (14,355) \$ (268)
<b>Allocation to Affiliates</b>				
PWW Staff 1-25 PWW OCA 2-3 PWW Audit Issue 3 PWW Staff 2-14	7 Union Contract Costs Rate of Return Union Contract Costs Amortization	% to PAC	1.80%	5,650 \$ 102 25,519 \$ 459
<b>Allocation from PCP</b>				
PWW Audit Issue 2	8 Professional Fees for Southwood		1.80%	(2,253) \$ (41)
<b>Total Management Fee</b>				<u>\$ (238)</u>
<b>Property Taxes</b>				
Staff 1-10	9 2009 Property Tax Bills Abatement			\$ (18,250)
Staff 3-4	10 2010 Property Tax Increase			\$ 14,026
<b>Total Property Taxes</b>				<u>\$ (4,226)</u>
<b>Total Expenses</b>				<u>\$ (5,827)</u>
<b>Total Proposed NOI Adjustments before Income Taxes</b>				<u>\$ 5,953</u>
<b>Income Taxes</b>				
	NHBP Tax	\$ 5,953	8.5%	<u>\$ 506</u> \$ 5,447
	FIT Tax	\$ 5,447	34.00%	\$ 1,852
<b>11 Total Income Taxes</b>				<u>\$ 2,358</u>
<b>Total Proposed NOI</b>				<u>\$ 3,595</u>

**PITTSFIELD AQUEDUCT COMPANY**  
**COMPUTATION OF RATE BASE**  
For The Thirteen Months Ended December 31, 2009

Schedule 3  
Permanent  
Proposed Adjustments

Description	Test Year Average (Sch 3B)	Pro Forma Adjustments Permanent Rates	Pro Forma Test Year	PROPOSED DATA REQUESTS ADJUSTMENTS	REF	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09
Plant in Service	\$ 3,851,286	\$ (4,461)	\$ 3,846,825	-		3,846,825
Accum Deprec	1,028,773	7,359	1,036,132			1,036,132
Accum Deprec: Loss	114,504	-	114,504			114,504
Accum Deprec: COR	406	-	406			406
CIAC	1,148,636	-	1,148,636			1,148,636
Amort of CIAC	256,418	-	256,418			256,418
	2,045,205	(11,820)	2,033,385	-		2,033,385
ADD:						
Working Cap	112,019	(265)	111,754	(61,125)	1	50,629
Materials & Supplies	588	-	588			588
Prepayments	7,797	-	7,797			7,797
Other & Deferred Charges	115,944	(112,439)	3,505	-		3,505
	236,348	(112,704)	123,644	(61,125)		62,519
DEDUCT:						
Customer Advances	-	-	-			-
Customer Deposits	-	-	-			-
Deferred Income Tax	533,564	(338,573)	194,991			194,991
	533,564	(338,573)	194,991	-		194,991
<b>TOTAL Rate Base</b>	<b>\$ 1,747,989</b>	<b>\$ 214,049</b>	<b>\$ 1,962,038</b>	<b>\$ (61,125)</b>		<b>\$ 1,900,913</b>

Reference	<b>PITTSFIELD AQUEDUCT COMPANY</b> <b>Proposed Adjustments to Rate Base</b> <b>For The Twelve Months Ended December 31, 2009</b>	<b>Schedule 3</b> <b>Attachment A</b> <b>Permanent</b> <b>Proposed Adjustments</b>
	<b>PLANT IN SERVICE</b>	
	Total Plant in Service	<u>\$ -</u>
	<b>ACCUMULATED DEPRECIATION</b>	
	<b>CASH WORKING CAPITAL</b>	
Staff 1-22	1 Correct O&M Expenses Pro Forma Adjustment	112,019
OCA 2-4	Original Filing	50,894
	Revised	<u>\$ (61,125)</u>
	<b>UNAMORTIZED DEFERRED DEBITS</b>	<u>\$ -</u>
	Total Proposed Rate Base Adjustments	<u>\$ (61,125)</u>

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
PERMANENT INCREASE  
REVENUE REQUIREMENT

Rate Base (Sch 2)	\$ 1,900,499
Rate of Return (Co Filing)	<u>7.60%</u>
Operating Income Requirement	144,348
Proforma Operating Income (Sch 3)	<u>80,345</u>
Revenue Deficiency Before Taxes	64,003
Divided by Tax Factor (Sch 1A)	<u>60.39%</u>
Revenue Deficiency	105,983
Test Year Adjusted Water Revenue (Sch 3)	<u>607,259</u>
Revenue Requirement	<u>\$ 713,242</u>
Percent Increase	<b>17.45%</b>

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
PERMANENT INCREASE  
EFFECTIVE TAX FACTOR

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>34.00%</u>
Effective Federal Income Tax Rate	31.11%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>39.61%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>39.61%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>60.39%</u></u>
Tax Multiplier	<u><u>0.65590</u></u>

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
PERMANENT INCREASE  
RATE BASE

	Company Filing			Response to OCA DR 3-1		Staff Testimony		
	(1) 13 Month Average (Co Filing - Tab 7; Sch 3)	(2) Pro-forma Adj's Per Company (Co Filing - Tab 7; Sch 3; Sch's A - E)	(3) Pro-forma Test Year (Co Filing - Tab 7; Sch 3)	(4) Additional Pro-forma Adj's (Per Co Response to OCA DR 3-1)	(5) Adjusted Pro-forma Test Year per Co (Per Co Response to OCA DR 3-1)	(6) Pro-forma Adj's Per Staff	(7) Sch 2A	(8) Adjusted Rate Base Per Staff
Plant in Service	\$ 3,851,286	\$ (4,461)	\$ 3,846,825		\$ 3,846,825			\$ 3,846,825
Accumulated Depreciation	(913,863)	(7,359)	(921,222)		(921,222)			(921,222)
Acquisition Adjustment	-		-		-			-
Accumulated Amortization Acq Adj	-		-		-			-
Contributions in Aid of Construction	(1,148,636)		(1,148,636)		(1,148,636)			(1,148,636)
Accumulated Amortization of CIAC	256,418		256,418		256,418			256,418
Net Plant in Service	2,045,205	(11,820)	2,033,385	-	2,033,385	-		2,033,385
Cash Working Capital	112,019	(265)	111,754	(61,125)	50,629	(414)	1	50,215
Materials and Supplies	588		588		588			588
Prepayments	7,797		7,797		7,797			7,797
Unamortized Deferred Debits	115,944	(112,439)	3,505		3,505			3,505
Customer Advances	-		-		-			-
Customer Deposits	-		-		-			-
Deferred Income Taxes	(533,564)	338,573	(194,991)		(194,991)			(194,991)
<b>TOTAL RATE BASE</b>	<b>\$ 1,747,989</b>	<b>\$ 214,049</b>	<b>\$ 1,962,038</b>	<b>\$ (61,125)</b>	<b>\$ 1,900,913</b>	<b>\$ (414)</b>		<b>\$ 1,900,499</b>

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
PERMANENT INCREASE  
PROFORMA ADJUSTMENTS TO RATE BASE

<u>Adj #</u>				
	<u>CASH WORKING CAPITAL</u>			
1	To adjust cash working capital for Co and Staff pro-forma adjustments to O&M Expenses:			
	Total O&M Expense Adj's by Co per response to OCA DR 3-1 (Sch 3; Col 4)	\$	(1,602)	
	Total O&M Expense Adj's by Staff (Sch 3; Col 6)		<u>(1,753)</u>	
	Total O&M Expense Adj's by Co and Staff		(3,355)	
	Working Capital Rate (45 days / 365 days)	X	<u>12.33%</u>	\$ <u>(414)</u>
	<b>TOTAL ADJUSTMENTS - RATE BASE</b>			<b>\$ <u>(414)</u></b>

**DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
PERMANENT INCREASE  
OPERATING INCOME STATEMENT**

	Company Filing			Response to OCA DR 3-1		Staff Testimony				
	(1) 12 Months Ended 12/31/09	(2) Pro-forma Adj's Per Company (Co Filing - Tab 7; Sch 1; Att's A - G)	(3) Pro-forma Per Company (Co Filing - Tab 7; Sch 1)	(4) Additional Pro-forma Adj's (Per Co Response to OCA DR 3-1)	(5) Adjusted Pro-forma Per Company (Per Co Response to OCA DR 3-1)	(6) Pro-forma Adjustments Per Staff	(7) Sch 3A	(8) Pro-forma Test Year Per Staff	(9) Revenue Deficiency Per Staff (Sch 1)	(10) Revenue Requirement Per Staff (Sch 1)
<b>OPERATING REVENUES</b>										
Water	\$ 600,603	\$ 6,530	\$ 607,133	\$ 126	\$ 607,259			\$ 607,259	\$ 105,983	\$ 713,242
Other	3,895	1,534	5,429		5,429			5,429	-	5,429
<b>Total Operating Revenues</b>	<b>604,498</b>	<b>8,064</b>	<b>612,562</b>	<b>126</b>	<b>612,688</b>	<b>-</b>		<b>612,688</b>	<b>105,983</b>	<b>718,671</b>
<b>OPERATING EXPENSES</b>										
O & M Expenses:										
Production	101,270	(14,878)	86,392		86,392	(660)	2	85,732	-	85,732
Transmission and Distribution	82,745	(30,369)	52,376		52,376	(1,148)	3	51,228	-	51,228
Customer Accounting	19,953		19,953		19,953			19,953	-	19,953
Administrative and General	19,947	41,424	61,371	(1,364)	60,007			60,007	-	60,007
Inter-Division Management Fee	158,353	1,673	160,026	(238)	159,788	55	4	159,843	-	159,843
<b>Total O &amp; M Expenses</b>	<b>382,268</b>	<b>(2,150)</b>	<b>380,118</b>	<b>(1,602)</b>	<b>378,516</b>	<b>(1,753)</b>		<b>376,763</b>	<b>-</b>	<b>376,763</b>
Depreciation Expense	78,727	7,359	86,086		86,086			86,086	-	86,086
Amortization - CIAC	(24,146)		(24,146)		(24,146)			(24,146)	-	(24,146)
Amortization Expense	7,597	(3,139)	4,458		4,458			4,458	-	4,458
Property Taxes	81,603	(166)	81,437	(4,225)	77,212	100	5	77,312	-	77,312
<b>Total Operating Expenses</b>	<b>526,049</b>	<b>1,904</b>	<b>527,953</b>	<b>(5,827)</b>	<b>522,126</b>	<b>(1,653)</b>		<b>520,473</b>	<b>-</b>	<b>520,473</b>
<b>Net Operating Income Before Income Tax</b>	<b>78,449</b>	<b>6,160</b>	<b>84,609</b>	<b>5,953</b>	<b>90,562</b>	<b>1,653</b>		<b>92,215</b>	<b>105,983</b>	<b>198,198</b>
Income Taxes:										
NH Business Profits Tax	1,684	524	2,208	506	2,714	140	Sch 3B	2,854	9,009	11,863
Federal Income Taxes	4,732	1,917	6,649	1,852	8,501	514	Sch 3B	9,015	32,971	41,987
<b>Total Income Taxes</b>	<b>6,416</b>	<b>2,441</b>	<b>8,857</b>	<b>2,358</b>	<b>11,215</b>	<b>655</b>		<b>11,870</b>	<b>41,980</b>	<b>53,850</b>
<b>NET OPERATING INCOME</b>	<b>\$ 72,033</b>	<b>\$ 3,719</b>	<b>\$ 75,752</b>	<b>\$ 3,595</b>	<b>\$ 79,347</b>	<b>\$ 998</b>		<b>\$ 80,345</b>	<b>\$ 64,003</b>	<b>\$ 144,348</b>

24

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
PERMANENT INCREASE  
PROFORMA ADJUSTMENTS TO REVENUE AND EXPENSES

Adj #

**PROFORMA ADJUSTMENTS TO OPERATING EXPENSES:**

PRODUCTION EXPENSES

2	To eliminate expense attributed to Co's former North Country Division per Staff Audit Report (Pg 12)		\$ (660)
---	--	--	----------

TRANSMISSION AND DISTRIBUTION EXPENSES

3	To adjust Co's pro-forma for union contract wage increases per response to Staff DR 2-11:		
	01/01/09 - 02/16/09 Wage Adj per Co response to Staff DR 2-11	\$ 611	
	02/17/10 - 12/31/10 Wage Adj per Co response to Staff DR 2-11	2,138	
	Total Wage Adj per Co response to Staff DR 2-11	<u>2,749</u>	
	Benefits @ 67.85%	1,865	
	Total Wage / Benefit Adjustment	<u>4,614</u>	
	Less: Pro-forma Adj per Co Filing (Sec 7; Sch 1; Att B; Pg 2; Adj I A)	<u>(5,762)</u>	\$ (1,148)

INTER-DIVISION MANAGEMENT FEE

4	To adjust management fee allocation in Co's response to OCA DR 3-1 relative to elimination of CSR III position:		
	CSR III Salary Eliminated	\$ (32,500)	
	Benefits % per Co Filing (Sec 7; Sch 1; Att C; Pg 2; Adj I A)	42.92%	
	Benefits Eliminated relative to CSR III position	<u>(13,949)</u>	
	Less: Benefits Eliminated per Co's response to OCA DR 3-1	16,998	
	Difference	<u>3,049</u>	
	PAC Management Fee Allocation %	X 1.80%	\$ 55

PROPERTY TAXES

5	To adjust property tax expense resulting from Co's response to OCA DR 3-1:		
	2010 Municipal Property Tax (Per Co response to Staff DR 3-4)	\$ 62,569	
	2010 State Utility Property Tax (Per Co response to Staff DR 3-4)	14,743	
	Total Pro-forma Property Tax Expense per Staff	<u>77,312</u>	
	Less: Adjusted Pro-forma Property Tax Expense (Sch 3; Col 5)	<u>(77,212)</u>	\$ 100

<b>NET ADJUSTMENTS - OPERATING EXPENSES (before Income Tax Effect)</b>		<u><u>\$ (1,653)</u></u>
--	--	--------------------------

**DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
PERMANENT INCREASE  
PROFORMA ADJUSTMENTS TO INCOME TAXES**

INCOME TAXES

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Total proforma adjustments to Water Revenue	\$ -
Total proforma adjustments to Other Revenue	-
Total proforma adjustments to Production Expenses	660
Total proforma adjustments to Transmission and Distribution Expenses	1,148
Total proforma adjustments to Customer Accounting Expenses	-
Total proforma adjustments to Administrative & General Expenses	-
Total proforma adjustments to Inter-Division Management Fee	(55)
Total proforma adjustments to Depreciation Expense	-
Total proforma adjustments to Amortization Expense CIAC	-
Total proforma adjustments to Amortization Expense	-
Total proforma adjustments to Property Taxes	<u>(100)</u>
Additional Revenue/(Expense) Subject to New Hampshire Business Profits Tax	1,653
New Hampshire Business Profits Tax @ 8.5%	<u>(140)</u>
Additional Revenue/(Expense) Subject to Federal Income Tax	1,512
Federal income Tax @ 34%	<u>(514)</u>
Staff Proforma Adjustments Net of Income Taxes	<u><u>\$ 998</u></u>

DW 10-090  
Pittsfield Aqueduct Company, Inc.'s Responses to  
Staff Data Requests – Set 4

Date Request Received: 1/28/11  
Request No. Staff 4-1

Date of Response: 2/11/11  
Witness: Donald L. Ware

---

REQUEST: Please provide final costs associated with the Berry Pond Dam project.

RESPONSE: Please see attached schedules that reflect the final cost of the Berry Pond Dam project.

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	OCA 3-1		STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCR #1 FORMA TEST YEAR
				PROPOSED DATA REQUESTS ADJUSTMENTS (2)	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09		
Consolidated Rate Base	\$ 1,747,989	\$ 214,049	\$ 1,962,038	\$ (61,125)	\$ 1,900,913	\$ 112,883	\$ 2,013,795
RATE of Return	8.07%		7.60%		7.60%		7.60%
Income Required	\$ 141,063		\$ 149,023		\$ 144,380		\$ 152,954
Adjusted NOI	\$ 72,033	\$ 3,720	\$ 75,753	\$ 3,595	\$ 79,348	\$ (3,644)	\$ 75,704
Deficiency	\$ 69,030		\$ 73,270		\$ 65,032		\$ 77,250
Tax Factor	60.39%		60.39%		60.39%		60.39%
Revenue Deficiency	\$ 114,307		\$ 121,328		\$ 107,686	\$ 20,233	\$ 127,919
Water Revenues	\$ 600,603	\$ 6,531	\$ 607,133	\$ 126	\$ 607,259	-	\$ 607,133
Proposed Revenue Inc	19.03%		19.98%		17.73%	3.33%	21.07%
New Revenue Levels			\$ 728,461		\$ 714,945		\$ 735,052

28

**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	2,057 (1)	88,144
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	3,978 (3)	85,415
Income Tax	409 to 410	6,416	2,441	8,857	(2,391) (2)	6,466
Total Operating Deductions		150,198	6,494	156,691	3,644	160,336
Net Operating Income		\$ 72,033	\$ 3,720	\$ 75,753	\$ (3,644)	\$ 72,109

**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:**

**\$ 2,057**

- 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:**

**\$ 2,057**

**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	114,940	\$ 28.01	\$ 3,219
State NH	114,940	\$ 6.60	\$ 759
<b>Total</b>			<b>\$ 3,978</b>

**Therefore****\$ 3,978**

- 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	-	\$ 28.01	\$ -
State NH	-	\$ 6.60	\$ -
<b>Total</b>			<b>\$ -</b>

**Therefore****\$ -****TOTAL PROPERTY AND OTHER TAXES PRO FORMA:****\$ 3,978**

**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			3,978	
(Sch1, Attach B)	Depreciation			2,057	
(Sch1, Attach B)	Amortization			-	
	Total Expenses		\$	<u>(6,035)</u>	
	Net Operating Income		\$	(6,035)	
	Pro Forma NHBPT Tax @ 8.5%.				
Therefore:	\$ (6,035)	8.5%		\$ (513)	\$ (513)
			Sub Total	<u>\$ (6,522)</u>	
	Pro Forma FIT Tax 34%				
Therefore:	\$ (5,522)	34%		\$ (1,878)	
			Sub Total	<u>\$ (1,878)</u>	\$ (1,878)
	<b>Total Step Increase 1 Taxes</b>				<u><b>\$ (2,391)</b></u>
<b>TOTAL PRO FORMA INCOME TAXES:</b>					
			NHBPT	\$ (513)	
			FIT	<u>\$ (1,878)</u>	
			<b>TOTAL</b>	<u><b>\$ (2,391)</b></u>	

**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	
						(1)	(2)
Plant in Service	\$ 3,851,286	\$ 3,881,548	\$ (4,461)	\$ 3,846,825	\$ 114,940	(1)	\$ 3,961,765
Accum Deprec	1,028,773	1,065,465	7,359	1,036,132	2,057	(2)	1,038,190
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
	<u>2,045,205</u>	<u>2,055,341</u>	<u>(11,820)</u>	<u>2,033,385</u>	<u>112,883</u>		<u>2,146,267</u>
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
	<u>236,348</u>	<u>218,431</u>	<u>(112,704)</u>	<u>123,644</u>			<u>123,644</u>
DEDUCT:							
Customer Advances	-	-	-	-			-
Customer Deposits	-	-	-	-			-
Deferred Income Tax	533,564	218,320	(338,573)	194,991			194,991
	<u>533,564</u>	<u>218,320</u>	<u>(338,573)</u>	<u>194,991</u>			<u>194,991</u>
<b>TOTAL Rate Base</b>	<b>\$ 1,747,989</b>	<b>\$ 2,055,452</b>	<b>\$ 214,049</b>	<b>\$ 1,962,038</b>	<b>\$ 112,883</b>		<b>\$ 2,074,920</b>

**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

34

**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:** **\$ 114,940**

**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** **\$ 114,940**

**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:**

**\$ 2,057**

**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:**

**\$ 2,057**

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

STEP INCREASE  
 Schedule 3  
 Attachment A  
 Exhibit 1

Additions									28.01	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	
305.00	Collecting & Impounding Reservoirs	\$ 114,940	\$ -	\$ 114,940	\$ 2,057	1.79%	\$ 2,057	\$ 3,219	\$ 759	
	Total Plant Additions	\$ 114,940	\$ -	\$ 114,940	\$ 2,057		\$ 2,057	\$ 3,219	\$ 759	
186.00	Deferred Debits	\$ -								
	Total Step Additions	\$ 114,940								

**Notes:**

\* The December Tax Rate for the Town of Pittsfield changed to \$28.01 from \$23.64

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

STEP INCREASE  
 Schedule 3  
 Attachment A  
 Exhibit 2

Retirements								28.01	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	
305.00	Collecting & Impounding Reservoirs	\$ -	\$ -	\$ -	1.79%	\$ -	\$ -	\$ -	\$ -	
Total		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	

**Notes:**

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

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
STEP INCREASE  
REVENUE REQUIREMENT

Rate Base (Sch 2)	\$ 112,883
Rate of Return (Co Filing)	<u>7.60%</u>
Operating Income Requirement	8,574
Proforma Operating Income (Sch 3)	<u>(3,105)</u>
Revenue Deficiency Before Taxes	11,679
Divided by Tax Factor (Sch 1A)	<u>60.39%</u>
Revenue Deficiency	<u>\$ 19,339</u>
Test Year Adjusted Water Revenue (Att JPL-1;Sch 3)	<u>\$ 607,259</u>
Percent Increase	<b>3.18%</b>

**Combined Permanent & Step Increase:**

Permanent Increase (Att JPL-1; Sch 1)	\$ 105,983
Step Increase	<u>19,339</u>
Combined Permanent & Step Increase	125,322
Test Year Adjusted Water Revenue	607,259
Total Revenue Requirement	<u>\$ 732,581</u>
Percent Increase	<b>20.64%</b>

Cost of construction has not yet been examined by the NHPUC Audit Staff.

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
STEP INCREASE  
EFFECTIVE TAX FACTOR

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>34.00%</u>
Effective Federal Income Tax Rate	31.11%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>39.61%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>39.61%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>60.39%</u></u>
Tax Multiplier	<u><u>0.65590</u></u>

Cost of construction has not yet been examined by the NHPUC Audit Staff.

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
STEP INCREASE  
RATE BASE

	Company Filing	Response to Staff DR 4-1		Staff Testimony		
	(1)	(2)	(3)	(4)	(5)	(6)
	Step Increase Rate Base (Co Filing - Tab 8; Sch 3)	Adj's to Step Increase Rate Base (Per Co Response to Staff DR 3-5)	Adj'ed Step Increase Rate Base (Per Co Response to Staff DR 3-5)	Pro-forma Adj's Per Staff	Sch 2A	Adjusted Step Increase Rate Base Per Staff
Plant in Service	\$ 183,000	\$ (68,060)	\$ 114,940			\$ 114,940
Accumulated Depreciation	(4,209)	2,152	(2,057)			(2,057)
Acquisition Adjustment						-
Accumulated Amortization Acq Adj						-
Contributions in Aid of Construction						-
Accumulated Amortization of CIAC						-
Net Plant in Service	178,791	(65,908)	112,883	-		112,883
Cash Working Capital						-
Materials and Supplies						-
Prepayments						-
Unamortized Deferred Debits						-
Customer Advances						-
Customer Deposits						-
Deferred Income Taxes						-
<b>TOTAL RATE BASE</b>	<b>\$ 178,791</b>	<b>\$ (65,908)</b>	<b>\$ 112,883</b>	<b>\$ -</b>		<b>\$ 112,883</b>

Cost of construction has not yet been examined by the NHPUC Audit Staff.

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
STEP INCREASE  
PROFORMA ADJUSTMENTS TO RATE BASE

Adj #

TOTAL ADJUSTMENTS - RATE BASE

\$ -

Cost of construction has not yet been examined by the NHPUC Audit Staff.

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
STEP INCREASE  
OPERATING INCOME STATEMENT

	Company Filing			Response to Staff DR 4-1		Staff Testimony		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Step Increase Operating Exp's (Co Filing - Tab 8; Sch 1)	Adj's to Step Increase Oper Exp's (Per Co Response to Staff DR 3-5)	Adj'ed Step Increase Operating Exp's (Per Co Response to Staff DR 3-5)	Pro-forma Adjustments Per Staff	Sch 3A	Pro-forma Test Year Per Staff	Revenue Deficiency Per Staff (Sch 1)	Additional Revenue Requirement Per Staff (Sch 1)
OPERATING REVENUES								
Water						\$ -	\$ 19,339	\$ 19,339
Other						-	-	-
Total Operating Revenues	-	-	-	-		-	19,339	19,339
OPERATING EXPENSES								
O & M Expenses:								
Production						-	-	-
Transmission and Distribution						-	-	-
Customer Accounting						-	-	-
Administrative and General						-	-	-
Inter-Division Management Fee						-	-	-
Total O & M Expenses	-	-	-	-		-	-	-
Depreciation Expense	4,209	(2,152)	2,057			2,057	-	2,057
Amortization - CIAC						-	-	-
Amortization Expense						-	-	-
Property Taxes	5,534	(1,556)	3,978	(893)	6	3,085	-	3,085
Total Operating Expenses	9,743	(3,708)	6,035	(893)		5,142	-	5,142
Net Operating Income Before Income Tax	(9,743)	3,708	(6,035)	893		(5,142)	19,339	14,196
Income Taxes:								
NH Business Profits Tax	(828)	315	(513)	76	Sch 3B	(437)	1,644	1,207
Federal Income Taxes	(3,031)	1,153	(1,878)	278	Sch 3B	(1,600)	6,016	4,416
Total Income Taxes	(3,859)	1,468	(2,391)	354		(2,037)	7,660	5,623
NET OPERATING INCOME	\$ (5,884)	\$ 2,240	\$ (3,644)	\$ 539		\$ (3,105)	\$ 11,679	\$ 8,574

Cost of construction has not yet been examined by the NHPUC Audit Staff.

43

DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
STEP INCREASE  
PROFORMA ADJUSTMENTS TO REVENUE AND EXPENSES

Adj #

**PROFORMA ADJUSTMENTS TO OPERATING EXPENSES:**

PROPERTY TAXES

6 To adjust pro-forma property tax expense on new plant:

	Cost	Accumulated Depreciation	Cost of Removal & Loss	Net Book Value	
Determination of Taxable Plant (from 2009 NHPUC Annual Report):					
Source of Supply & Pumping Plant	\$ 533,032	\$ (303,466)	\$ 34,009	\$ 263,575	
Water Treatment Plant	982,160	(5,880)	659	976,939	
Transmission & Distribution Plant	2,152,341	(679,839)	76,188	1,548,690	
General Plant	101,027	(49,838)	5,585	56,774	
Intangible Plant	75,551	(26,443)	2,963	52,071	
Construction Work in Progress	37,438	-	-	37,438	
Materials & Supplies	1,911	-	-	1,911	
Total Plant	3,883,460	(1,065,466)	119,404	2,937,398	
Less: General & Intangible Plant	(176,578)	76,281	(8,549)	(108,846)	
Taxable Plant	<u>\$ 3,706,882</u>	<u>\$ (989,185)</u>	<u>\$ 110,855</u>	<u>\$ 2,828,552</u>	
State / Municipal Property Tax Valuation - 2010 (Co's response to Staff 3-4)				<u>\$ 2,233,800</u>	
State / Municipal Valuation as a Percentage of Taxable Net Book Value				78.97%	
Net Book Value of New Plant				X \$ 112,883	
Estimated Property Tax Valuation				\$ 89,147	
Combined State / Municipal Tax Rate: \$6.60 + \$28.01 = \$34.61 / \$1,000				X 0.03461	
Estimated Property Taxes on New Plant				\$ 3,085	
Less: Property Taxes on New Plant per Co (Sch 3; Col 3)				(3,978)	\$ (893)

**NET ADJUSTMENTS - OPERATING EXPENSES (before Income Tax Effect)**

\$ (893)

Cost of construction has not yet been examined by the NHPUC Audit Staff.

**DW 10-090  
PITTSFIELD AQUEDUCT COMPANY, INC.  
STEP INCREASE  
PROFORMA ADJUSTMENTS TO INCOME TAXES**

INCOME TAXES

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Total proforma adjustments to Water Revenue	\$ -
Total proforma adjustments to Other Revenue	-
Total proforma adjustments to Production Expenses	-
Total proforma adjustments to Transmission and Distribution Expenses	-
Total proforma adjustments to Customer Accounting Expenses	-
Total proforma adjustments to Administrative & General Expenses	-
Total proforma adjustments to Inter-Division Management Fee	-
Total proforma adjustments to Depreciation Expense	-
Total proforma adjustments to Amortization Expense CIAC	-
Total proforma adjustments to Amortization Expense	-
Total proforma adjustments to Property Taxes	<u>893</u>
Additional Revenue/(Expense) Subject to New Hampshire Business Profits Tax	893
New Hampshire Business Profits Tax @ 8.5%	<u>(76)</u>
Additional Revenue/(Expense) Subject to Federal Income Tax	817
Federal income Tax @ 34%	<u>(278)</u>
Staff Proforma Adjustments Net of Income Taxes	<u><u>\$ 539</u></u>

Cost of construction has not yet been examined by the NHPUC Audit Staff.