

EXHIBIT 1

THE STATE OF NEW HAMPSHIRE

CHAIRMAN
Thomas B. Getz

COMMISSIONERS
Clifton C. Below
Amy L. Ignatius

EXECUTIVE DIRECTOR
AND SECRETARY
Debra A. Howland



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

ORIGINAL		Tel. (603) 271-2431
N.H.P.U.C. Case No. <i>DW 10-217</i>		FAX (603) 271-3878
Exhibit No. <i>#1</i>	TDD Access: Relay NH 1-800-735-2964	
Witness <i>Parli</i>	Website: www.puc.nh.gov	
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September 22, 2011

Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

Re: Docket No. DW 10-217, Tioga River Water Company, Inc. (Company)
Petition for an Increase in Rates/Filing of Settlement Agreement

Dear Ms. Howland:

Staff has reached a settlement, dated today, with the Company regarding its rate filing on this docket. The Settlement Agreement and related Supporting Schedules are enclosed for the Commission's consideration. Staff notes that a hearing regarding this case is scheduled for Thursday, October 6 at 10:00 am, two weeks hence; if the Commission would require more time for pre-hearing review of this matter, please contact me for rescheduling of the hearing (in consultation with parties).

Thank you; please let me know if you have any questions.

Sincerely,

Alexander F. Speidel
Staff Attorney

Cc: Service List (Electronically)

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 10-217

Tioga River Water Company, Inc.

Permanent Rate Filing

SETTLEMENT AGREEMENT

I. INTRODUCTION

This agreement is entered into this twenty-second day of September, 2011, between Tioga River Water Company, Inc. (Tioga or Company) and the Staff of the New Hampshire Public Utilities Commission (Staff) (collectively the settling parties) with the intent of resolving certain issues, more fully described below, in the above captioned proceeding.

II. PROCEDURAL BACKGROUND

On August 16, 2010, Tioga River Water Company, Inc., a water utility serving approximately 22 customers in its Tioga Division in the Town of Belmont and approximately 38 customers in its Gilford Village Water District (GVWD) Division in the Town of Gilford, filed a notice of intent to file rate schedules along with a request for waiver from certain filing requirements contained in N.H. Code Admin. R. Puc 1604.01. On October 15, 2011, Tioga filed revised tariff pages along with supporting testimony and exhibits for an increase in revenues for its Tioga Division of \$13,335, or 127.12%, annually, and an increase in revenues in its GVWD Division of \$19,295, or 147.05%, annually. The Company used a test year ending October 31, 2009 in making its determinations. The Company proposed that the new permanent rates should be made effective on January 1, 2011.

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On November 15, 2010 the Commission issued Order No. 25,169 suspending the revised tariff pages as well as granting the Company's waiver request pursuant to Puc 201.05. The order also scheduled a prehearing conference and technical session for December 14, 2010 and ordered the Company to provide a copy of the order to all its customers. The prehearing conference was held as scheduled, with appearances entered by Tioga, Staff and the Tioga Drive Homeowners which made a motion to intervene in this proceeding. That motion was granted by the Commission during the prehearing conference. The Office of Consumer Advocate did not participate in the case. Subsequent to the prehearing conference, the parties met in a technical session to devise a procedural schedule and discuss the rate filing. On behalf of the Staff and the parties, Staff filed a proposed procedural schedule with the Commission on December 21, 2010 which was approved by secretarial letter dated December 28, 2010.

On April 19, 2011, Staff filed correspondence with the Commission requesting a temporary suspension in the procedural schedule until June 10, 2011. Staff cited as the reason for its request the Company's continued non-compliance with Commission requirements relative to its record keeping for fixed plant. This issue came to light during the discovery phase of the proceeding and Staff indicated that a suspension of the procedural schedule was necessary in order to allow Tioga sufficient time to rectify its recordkeeping deficiencies. Staff stated that the Company and all interveners were in agreement with Staff's request. On April 25, 2011, the Commission granted Staff's request by secretarial letter. On June 15, 2011, Staff requested an extension of the suspension of the procedural schedule until July 15, 2011 citing that more time was necessary for Tioga to improve its plant records. On June 21, 2011, a secretarial letter was issued granting Staff's request for further extension of the procedural schedule suspension.

On July 7, 2011, Staff submitted correspondence to the Commission stating that Tioga's plant recordkeeping compliance issues had been rectified to Staff's satisfaction. Staff also submitted a revised procedural schedule for the purpose of resuming the case. The Commission approved the revised procedural schedule in a secretarial letter issued on July 11, 2011. On August 18, 2011, the Company, Staff and the Tioga Drive Homeowners met in a technical session which also included discussions towards a possible settlement of the case.

III. TERMS OF AGREEMENT

Tioga and Staff have reached agreement on all issues and submit the following terms of settlement for the Commission's consideration.

A. Revenue Requirement

1. Tioga Division

Tioga and Staff agree that the Tioga Division should be permitted an overall increase in its rates in order to have the opportunity to earn an annual revenue requirement of \$20,769 which represents a 97.98% increase over the Tioga Division's test year operating revenues. This overall increase in the Tioga Division's operating revenues are illustrated on Attachment A to this Settlement Agreement and consists of a permanent increase based upon the test year as well as a step increase based on certain 2010 plant additions.

a. Permanent Increase

Attachment A, Schedule 1 illustrates the calculation of the permanent increase portion of the Tioga Division's revenue requirement. The permanent increase portion of the Tioga Division's revenue requirement is \$12,822 which represents a \$2,332, or 22.23%, increase over adjusted test year water revenues of \$10,490. Tioga and Staff agree that certain rate base and test year adjustments are appropriate and should be

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included in calculating the revenue requirement shown above. These adjustments are shown on Attachment A, Schedules 2a and 3a. Tioga and Staff agree that the test year rate base for the Tioga Division should be \$27,058 as shown on Attachment A, Schedule 2. Tioga and Staff agree that the rate of return to be applied to the Tioga Division's rate base should be 6.00% which is based on the Company's debt directly attributable to the Tioga Division as indicated on Attachment A, Schedule 1a. The Company and Staff agree that for purposes of computing its capital structure as of 10/31/09, the Company's equity component is a negative \$15,131 and does not factor into the determination of a rate of return for the Tioga Division.

b. Step Increase

Attachment A, Schedule 4 illustrates the step increase portion of the Tioga Division's revenue requirement. The step increase portion of the Tioga Division's revenue requirement is \$7,947, representing an additional 75.75% increase over the Tioga Division's adjusted test year water revenues. The basis for this step increase is a new pump station completed in 2010 which serves the Tioga Division. The cost of the new pump station is \$134,084 and was mostly financed by a state revolving fund (SRF) loan administered by the New Hampshire Department of Environmental Services (NHDES). Tioga was also approved for a grant which will result in the forgiveness of 50% of the principal balance of the SRF borrowing. The SRF loan was previously considered by the Commission in docket DW 09-117 and was approved in Order No. 24,988 issued on July 23, 2009. Tioga also borrowed \$3,580 in 2010 from its affiliate, Gilford Well Company, in order to finance engineering work associated with the Tioga Division project.

Tioga and Staff agree that the new construction and the associated financing arrangement will increase the Tioga Division's rate base by \$70,166 as illustrated on Attachment A, Schedule 4. The rate of return, calculated on Attachment A, Schedule 4c, that is applied to the additional rate base is 3.221% which is based on the total annual cost of debt related to the Tioga Division's borrowings towards this project. Tioga and Staff agree that the application of this rate of return will increase the Tioga Division's net operating income requirement by \$2,260 (See Attachment A, Schedule 4). In addition, Tioga and Staff agree that the new plant in service will increase the Tioga Division's annual operating expenses by \$5,687 through increased depreciation expense and property taxes (See Attachment A, Schedules 4a and 4b).

As of the date of this agreement, an audit of the new plant placed in service during 2010 has not been completed by the Commission Audit Staff. It is anticipated that this examination will be completed in the near future and a report will be issued by the Audit Staff. In addition, the final documentation for the SRF loan has not yet been completed. The Company, however, has been informed of the anticipated terms associated with this loan including repayment term and interest rate. If the Audit Staff's report or the final documentation for the SRF loan reveal any material discrepancies in the amounts presented in the schedules to this Settlement Agreement, Staff will notify the Commission of these as well as the resulting impact on proposed customer rates.

2. GVWD Division

Tioga and Staff agree that the GVWD Division should be permitted an overall increase in its rates in order to have the opportunity to earn an annual revenue requirement of \$26,786 which represents a 110.55% increase over the GVWD Division's test year operating revenues. This

overall increase in the GVWD Division's operating revenues are illustrated on Attachment B to this Settlement Agreement and consists of a permanent increase based upon the test year as well as a step increase based on certain 2010 plant additions.

a. Permanent Increase

Attachment B, Schedule 1 illustrates the calculation of the permanent increase portion of the GVWD Division's revenue requirement. The permanent increase portion of the GVWD Division's revenue requirement is \$21,034 which represents an \$8,312, or 65.34%, increase over adjusted test year water revenues of \$12,722. Tioga and Staff agree that certain rate base and test year adjustments are appropriate and should be included in calculating the revenue requirement shown above. These adjustments are shown on Attachment B, Schedules 2a and 3a. Tioga and Staff agree that the test year rate base for the GVWD Division should be \$38,759 as shown on Attachment B, Schedule 2. Tioga and Staff agree that the rate of return to be applied to the GVWD Division's rate base should be 7.77% which is based on the Company's debt directly attributable to the GVWD Division as indicated on Attachment B, Schedule 1a. The Company and Staff agree that for purposes of computing its capital structure as of 10/31/09, the Company's equity component is a negative \$15,131 and does not factor into the determination of a rate of return for the GVWD Division.

b. Step Increase

Attachment B, Schedule 4 illustrates the step increase portion of the GVWD Division's revenue requirement. The step increase portion of the GVWD Division's revenue requirement is \$5,751, representing an additional 45.21% increase over the GVWD Division's adjusted test year water revenues. The basis for this step increase is

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new booster pumps and a treatment system completed in 2010 which serves the GVWD Division. The cost of the new plant is \$106,758 and was mainly financed by a state revolving fund (SRF) loan administered by the New Hampshire Department of Environmental Services (NHDES). Tioga was also approved for a grant which will result in the forgiveness of 50% of the principal balance of the SRF borrowing. The SRF loan was previously considered by the Commission in docket DW 09-117 and was approved in Order No. 24,988 issued on July 23, 2009.

Tioga and Staff agree that the new construction and the associated financing arrangement will increase the GVWD Division's rate base by \$52,255 as illustrated on Attachment B, Schedule 4. The rate of return, calculated on Attachment B, Schedule 4c, that is applied to the additional rate base is 3.188% which is based on the total annual cost of debt related to the GVWD Division's portion of the SRF loan. Tioga and Staff agree that the application of this rate of return will increase the GVWD Division's net operating income requirement by \$1,666 (See Attachment B, Schedule 4). In addition, Tioga and Staff agree that the new plant in service will increase the GVWD Division's annual operating expenses by \$4,086 in the form of increased depreciation expense and property taxes (See Attachment B, Schedules 4a and 4b).

As of the date of this agreement, an audit of the new plant placed in service during 2010 has not been completed by the Commission Audit Staff. It is anticipated that this examination will be completed in the near future and a report will be issued by the Audit Staff. In addition, the final documentation for the SRF loan has not yet been completed. The Company, however, has been informed of the anticipated terms associated with this loan including repayment term and interest rate. If the Audit Staff's

report or the final documentation for the SRF loan reveal any material discrepancies in the amounts presented in the schedules to this Settlement Agreement, Staff will notify the Commission of these as well as the resulting impact on proposed customer rates.

B. Rate Design and Effect on Customer Rates

1. Tioga Division

The recommendation of Tioga and Staff with respect to the Tioga Division's rate design is illustrated on Attachment A, Schedule 5 and includes the effects of both the permanent increase and the step increase discussed in Section A.1, above. The settling parties recommend a fixed quarterly charge of \$60.00 per billable unit (\$240.00 annually) and a consumption charge of \$0.1181 per cubic foot of water used. The parties agree that an average single-unit residential customer in the Tioga Division who uses approximately 5,963 cubic feet of water annually will pay \$944 per year under these proposed rates. This is compared to a present annual charge of \$473 under current rates, or an approximate 100% increase.

2. GVWD Division

The recommendation of Tioga and Staff with respect to the GVWD Division's rate design is illustrated on Attachment B, Schedule 5 and includes the effects of both the permanent increase and the step increase discussed in Section A.2, above. The settling parties recommend a fixed quarterly charge of \$36.07 per billable unit (\$144.29 annually) and a consumption charge of \$0.0410 per cubic foot of water used. The parties agree that an average single-unit residential customer in the GVWD Division who uses approximately 3,907 cubic feet of water annually will pay \$304 per year under these proposed rates. This is compared to a present annual charge of \$143 under current rates, or an approximate 113% increase.

C. Effective Date

Tioga and Staff agree that the stipulated revenue requirements for both the Tioga Division and the GVWD Division should become effective on a service rendered basis on or after October 1, 2011 so as to coincide with the Company's current quarterly billing cycle.

D. Loans from Affiliate and Shareholder

1. Tioga Division

During 2010, Tioga borrowed \$3,580 from its affiliate, Gilford Well Company, in order to finance engineering work associated with the construction of the Tioga Division's new pump station completed in 2010. Tioga and Staff agree that this loan should be repaid in monthly installments of principal and interest over a term of twenty (20) years. Tioga and Staff also agree that the interest rate of the loan should be based on the historical average annual majority prime rate charged by banks on short-term business loans plus 1.33% and adjusted every five years. Therefore, the initial interest rate of this loan will be 4.58% (3.25% + 1.33%). The revenue impact of this financing is reflected in the Tioga Division's step increase discussed in Section A.1.b, above. Tioga and Staff also agree that Tioga will file an executed copy of this note with the Commission within 30 days of the Commission's order approving this Settlement Agreement.

2. GVWD Division

Tioga's filing included a request for approval of three loans to its GVWD Division. Each such financing occurred in a prior year, however, and the Company did not file for Commission approval of these pursuant to RSA 369. In 2006, the Company borrowed \$12,810 from its affiliate, Gilford Well Company. The funds were used for the replacement of pumping equipment and meters as well as to meet operating expenses. In 2007, Tioga borrowed \$11,928

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Tioga River Water Company, Inc.
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from its shareholder, Norman Harris, Jr. The proceeds from this borrowing were used for the replacement of pumping equipment and to meet operating expenses. In 2008, the Company borrowed an additional \$8,429 from Norman Harris, Jr. for the replacement of tanks and pumping equipment as well as to meet operating expenses. Tioga and Staff agree that each loan should be repaid in monthly installments of principal and interest over a term of twenty (20) years. With regard to the interest rates associated with each loan, Tioga and Staff agree that each should be based on the historical average annual majority prime rate charged by banks on short-term business loans plus 1.33% and adjusted every five years. Therefore, the initial interest rates on these loans are as follows: for the 2006 loan the interest rate is 9.29% (7.96% + 1.33%); for the 2007 loan the interest rate is 9.38% (8.05% + 1.33%); for the 2008 loan the interest rate is 6.42% (5.09% + 1.33%). Tioga and Staff agree that it is just and reasonable for Tioga to undertake these loans and recommend that the three prior year financings be approved. The revenue impact of these financings is reflected in the GVWD Division's permanent increase discussed in Section A.2.a, above. Tioga and Staff also agree that Tioga will file executed copies of each note with the Commission within 30 days of the Commission's order approving this Settlement Agreement.

E. Plant Records

Tioga and Staff agree that the Company will maintain and continually update its system of Continuing Property Records as well as its Work Order System in accordance with the Commission's Uniform System of Accounts. Tioga and Staff also agree that the following schedule attachments to this Settlement Agreement will be the basis for Tioga's future recordkeeping requirements for fixed plant, accumulated depreciation and depreciation expense beginning with the fiscal year ended October 31, 2010 and following: for the Tioga Division,

Attachment A, Schedules 2c and 4a; and, for the GVWD Division, Attachment B, Schedules 2c and 4a. Any prior period adjustments that may be necessary in order to bring the Company's fixed plant and accumulated depreciation balances into conformity with these schedules should be reflected in the Company's annual report to the Commission for the fiscal year ended October 31, 2011.

F. Plant Improvements – Tioga Division

Tioga and Staff agree that Tioga will install and have operational by October 6, 2011 an auto-dialer in the Belmont pump station to notify the Company directly of any system alarms.

G. Rate Case Expenses

Tioga and Staff agree that the Company ought to be entitled to recover its reasonable and prudently incurred rate case expenses in this proceeding. Following the final hearing in this docket, the Company will submit to Staff its request as well as supporting documentation for recovery of rate case expenses for Staff's review. It is the intention of Tioga and Staff to provide a joint recommendation to the Commission. If the settling parties are unable to provide a joint recommendation, Tioga and Staff will each provide a recommendation to the Commission for its review.

IV. CONDITIONS

This agreement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in these proceedings is true or valid. This agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition, and if the Commission does not accept said provisions in their entirety, without change or condition, the agreement shall at Tioga's or the Staff's, option, exercised within thirty

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Tioga River Water Company, Inc.
Settlement Agreement

days of such Commission order, be deemed to be null and void and without effect and shall not constitute any part of the record in this proceeding nor be used for any other purpose.

The Commission's acceptance of this agreement does not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding, but such acceptance does constitute a determination that (as the settling parties believe) the adjustments and provisions set forth herein in their totality are just and reasonable and that the revenues contemplated will be just and reasonable under the circumstances.

IN WITNESS WHEREOF, the settling parties have caused this agreement to be duly executed in their respective names by their fully authorized agents.

TIOGA WATER COMPANY, INC.

Dated: 9/22/11

By: *N. A. Harris III*
Norman Harris III

STAFF OF PUBLIC UTILITIES COMMISSION

Dated: 9/22/11

By: *Alexander F. Speidel*
Alexander F. Speidel
Staff Attorney

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
PERMANENT RATE REVENUE REQUIREMENT**

Average Rate Base per Staff (Att A; Sch 2; Col 6)	\$ 27,058
Rate of Return (Att A; Sch 1a)	<u>6.00%</u>
Operating Income Requirement	1,622
Adjusted Net Operating Income per Staff (Att A; Sch 3; Col 6)	<u>12,625</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(11,003)
Divided by Tax Factor (Att A; Sch 1b)	<u>100.00%</u>
Revenue Deficiency / (Surplus)	(11,003)
Pro-forma Test Year Water Sales per Company (Att A; Sch 3; Col 6)	<u>23,825</u>
Revenue Requirement from Water Sales per Staff	12,822
Less: Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	<u>(10,490)</u>
Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>\$ 2,332</u></u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>22.23%</u></u>

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TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
WEIGHTED AVERAGE COST OF CAPITAL

	Actual @ 10/31/09	Adjustments Per Co Filing	Capital Structure Adjustments Per Staff	Adjusted @ 10/31/09	Percent	Actual @ 10/31/09	Adjustments Per Co Filing	Interest Expense Adjustments Per Staff	Adjusted @ 10/31/09	Interest Rate	Actual @ 10/31/09	Adjustments Per Co Filing	Amortization Expense Adjustments Per Staff	Adjusted @ 10/31/09	Total Annual Cost of Debt	Cost Rate	Weighted Average Cost
Long-term Debt - Tioga Division:																	
2002 Note - Tioga to Norm Harris, Jr.	\$ 6,391	\$ 75,500	\$ (75,500)	\$ 6,391	100.00%	\$ 383	\$ 2,827	\$ (2,827)	\$ 383	6.00%	\$ -	\$ -	\$ -	\$ -	\$ 383	6.00%	6.00%
2010 SRC Loan - Tioga	-	-	-	-	0.00%	-	-	-	-	0.00%	-	-	-	-	-	0.00%	0.00%
Total Long-term Debt - Tioga Division	\$ 6,391	\$ 75,500	\$ (75,500)	\$ 6,391	100.00%	\$ 383	\$ 2,827	\$ (2,827)	\$ 383	6.00%	\$ -	\$ -	\$ -	\$ -	\$ 383	6.00%	6.00%
Long-term Debt - GWNW Division:																	
2002 Note - GWNW to Norm Harris, Jr.	\$ 15,350	-	-	\$ 15,350	31.64%	\$ 921	\$ -	\$ -	\$ 921	6.00%	\$ -	\$ -	\$ -	\$ -	\$ 921	6.00%	1.80%
2006 Note - GWNW to Gillford Well	12,810	-	-	12,810	28.40%	1,153	-	37	1,150	9.29%	-	-	-	-	1,190	9.28%	2.45%
2007 Note - GWNW to Norm Harris, Jr.	11,928	-	-	11,928	24.59%	1,074	-	45	1,119	9.38%	-	-	-	-	1,119	9.38%	2.31%
2008 Note - GWNW to Norm Harris, Jr.	8,429	-	-	8,429	17.97%	316	-	(218)	541	6.42%	-	-	-	-	541	6.42%	1.12%
2010 SRC Loan - GWNW	-	57,500	(57,500)	-	0.00%	-	2,153	(2,153)	-	0.00%	-	-	43	(43)	-	0.00%	0.00%
Total Long-term Debt - GWNW Division	\$ 48,517	\$ 57,500	\$ (57,500)	\$ 48,517	100.00%	\$ 3,464	\$ 2,598	\$ (2,289)	\$ 3,771	7.77%	\$ -	\$ 43	\$ (43)	\$ -	\$ 3,771	7.77%	7.77%
Total Long-term Debt	\$ 54,908	\$ 133,000	\$ (133,000)	\$ 54,908	100.00%	\$ 3,847	\$ 5,423	\$ (5,116)	\$ 4,154	7.57%	\$ -	\$ 100	\$ (100)	\$ -	\$ 4,154	7.57%	7.57%
Common Equity:																	
Common Stock	200	-	-	200	0.00%	-	-	-	-	0.00%	-	-	-	-	-	-	-
Additional Paid-in Capital	50,522	-	-	50,522	0.00%	-	-	-	-	0.00%	-	-	-	-	-	-	-
Retained Earnings	(65,853)	-	-	(65,853)	0.00%	-	-	-	-	0.00%	-	-	-	-	-	-	-
Total Common Equity	(15,131)	-	-	(15,131)	0.00%	-	-	-	-	0.00%	-	-	-	-	-	9.75%	0.00%
Total Capitalization	\$ 39,777	\$ 133,000	\$ (133,000)	\$ 39,777	100.00%	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	7.57%	7.57%

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TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
EFFECTIVE TAX FACTOR

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>0.00%</u>
Federal Taxable Income	100.00%
Federal Income Tax Rate	<u>0.00%</u>
Effective Federal Income Tax Rate	0.00%
Add: NH Business Profits Tax	<u>0.00%</u>
Effective Tax Rate	<u><u>0.00%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>0.00%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>100.00%</u></u>

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TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
PERMANENT RATE AVERAGE RATE BASE

	(1) Year End Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att A, Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
<u>Plant in Service</u>						
Plant in Service	\$ 45,634	\$ 151,000	\$ 196,634	\$ (155,648)	1 - 2	\$ 40,986
Less: Accumulated Depreciation	(18,831)	(3,709)	(22,540)	6,679	3 - 4	(15,861)
Net Plant in Service	26,803	147,291	174,094	(148,968)		25,126
Contributions in Aid of Construction (CIAC)	-	(75,500)	(75,500)	75,500	5	-
Accumulated Amortization of CIAC	-	1,855	1,855	(1,855)	6	-
Net Contributions in Aid of Construction	-	(73,645)	(73,645)	73,645		-
Net Plant in Rate Base	26,803	73,646	100,449	(75,323)		25,126
<u>Working Capital</u>						
Cash Working Capital	1,944	-	1,944	(45)	7	1,899
Prepaid Expenses	83	83	166	(133)	8 - 9	33
Unamortized Deferred Expenses	-	-	-	-		-
Accrued Utility Revenue	-	-	-	-		-
Total Working Capital in Rate Base	2,027	83	2,110	(177)		1,933
Total Average Rate Base	\$ 28,830	\$ 73,729	\$ 102,559	\$ (75,501)		\$ 27,058

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TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE

Adj#

Proforma Adjustments to Plant in Service:

Plant in Service

1	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 2; Col 2).	\$ (151,000)
2	To adjust test year average plant in service to amount computed by Staff (Att A; Sch 2b; Col 8)	<u>(4,648)</u>
Total Adjustments - Plant in Service		<u>\$ (155,648)</u>

Accumulated Depreciation

3	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 2; Col 2).	\$ 3,709
4	To adjust test year average accumulated depreciation to amount computed by Staff (Att A; Sch 2b; Col 8).	<u>2,970</u>
Total Adjustments - Accumulated Depreciation		<u>\$ 6,679</u>

Contributions in Aid of Construction (CIAC)

5	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 2; Col 2).	<u>\$ 75,500</u>
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Accumulated Amortization - CIAC

6	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 2; Col 2).	<u>\$ (1,855)</u>
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Proforma Adjustments to Working Capital:

Cash Working Capital

7	To adjust Co's cash working capital component to amount calculated per Staff (Att A; Sch 2b; Col 8).	<u>\$ (45)</u>
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Prepaid Expenses

8	To eliminate Co's pro-forma adj to reflect year-end balance in rate base (Att A; Sch 2; Col 2).	\$ (83)
9	To adjust test year average prepaid expense to amount computed by Staff (Att A; Sch 2b; Col 8).	<u>(50)</u>
Total Adjustments - Prepaid Expenses		<u>\$ (133)</u>

Net Rate Base Adjustments per Staff	<u><u>\$ (75,501)</u></u>
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TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION

CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	10/31/08	01/31/09	04/30/09	07/31/09	10/31/09	5-Quarter Average Per Staff	Year End Average Per Company	To Adjust Rate Base to 5-Quarter Avg	
Plant in Service (Att A, Sch 2c)	\$ 40,899	\$ 40,899	\$ 40,899	\$ 41,117	\$ 41,117	\$ 40,986	45,634	\$ (4,648)	2
Accumulated Depreciation (Att A, Sch 2c)	(15,219)	(15,539)	(15,859)	(16,182)	(16,504)	(15,861)	(18,831)	2,970	4
Contributions in Aid of Construction (CIAC)	-	-	-	-	-	-	-	-	-
Accumulated Amortization - CIAC	-	-	-	-	-	-	-	-	-
Cash Working Capital	-	-	-	-	(a)	1,899	1,944	(45)	7
Prepaid Expenses	-	-	-	-	166	33	83	(50)	9
Unamortized Deferred Expenses	-	-	-	-	-	-	-	-	-
Accrued Utility Revenue	-	-	-	-	-	-	-	-	-
Total Average Rate Base						\$ 27,058	\$ 28,830	\$ (1,772)	

(a) Adjustment of Co's Cash Working Capital Component:

Test Year O & M Expenses per Staff (Att A, Sch 3; Col 6) \$ 9,244

Cash Working Capital % (75 days / 365 days) 20.55%

Adjusted Cash Working Capital Component per Staff \$ 1,899

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
ANALYSIS OF FIXED PLANT AND DEPRECIATION

PLANT ACCOUNTS & ASSET DESCRIPTIONS	ACTUAL @ 10/31/09			ADJUSTMENTS @ 10/31/09			ADJUSTED @ 10/31/09		
	Fixed Plant Acq Cost Life %	Accumulated Depreciation 10/31/09 Additions Disposals 10/31/09	Fixed Plant Acq Cost Life %	Accumulated Depreciation 10/31/09 Additions Disposals 10/31/09	Fixed Plant Acq Cost Life %	Accumulated Depreciation 10/31/09 Additions Disposals 10/31/09			
303 Land & Land Rights									
Land Improvements	1889 1,005 N/A N/A	0 0 0 0	1889 0 N/A N/A	0 0 0 0	1889 1,005 N/A N/A	0 0 0 0			
304 Structures & Improvements									
Power & Pumping Station (Power Board - Meg Starter)	1882 2,110 40 2.50% 1897 (230) 40 2.50%	1,341 47 0 1,388 (230) 0 0 (230)	1882 2,110 40 2.50% 1897 0 40 2.50%	(9) 0 0 (9)	1,332 47 0 1,379 (230) 0 0 (230)	0 0 0 0			
Power Board - Meg Starter	1987 465 40 2.50% 1997 1,555 40 2.50% 2008 (1,555) 40 2.50%	1,131 11 0 1,142 448 0 0 448 (1,555) 0 0 (1,555)	1987 465 40 2.50% 1997 0 40 2.50% 2008 0 40 2.50%	(8) 0 0 (8) 0 0 0 0 (1) 0 0 (1)	1,022 47 0 1,069 432 11 0 443 (1,555) 0 0 (1,555)	0 0 0 0			
Sump Pump	1987 758 40 2.50% 2007 1,217	219 19 0 238 (761) 30 0 (731)	1887 0 40 2.50% 2007 0 0 0	(1) 0 0 (1) (16) 0 0 (16)	218 19 0 237 (771) 30 0 (741)	0 0 0 0			
307 Wells & Springs									
Well # 1	1882 2,371 40 2.50%	1,966 59 0 1,655	1882 2,371 40 2.50%	(25) 0 0 (25)	1,571 59 0 1,630	0 0 0 0			
Well # 2 (asset not in service)	1889 7,106	2,312 19 0 2,431 3,866 176 0 4,086	1889 (4,735) 40 2.50%	(2,431) 0 0 (2,431) (2,337) (119) 0 (2,456)	0 0 0 0 1,571 59 0 1,630	0 0 0 0			
311 Pumping Equipment									
Electric Pumping Equipment	1882 5,324 10 10.00% 2004 (950) 10 10.00%	5,324 0 0 5,324 (950) 0 0 (950)	1882 5,324 10 10.00% 2004 0 10 10.00%	0 0 0 0	5,324 0 0 5,324 (950) 0 0 (950)	0 0 0 0			
Well Pump	1885 1,178 10 10.00% 1997 (378) 10 10.00% 2002 (801) 10 10.00%	1,178 0 0 1,178 (378) 0 0 (378) (801) 0 0 (801)	1885 1,178 10 10.00% 1997 0 10 10.00% 2002 0 10 10.00%	0 0 0 0	1,178 0 0 1,178 (378) 0 0 (378) (801) 0 0 (801)	0 0 0 0			
Well Pump/Motor	1889 1,355 10 10.00% 2002 1,873 10 10.00% 2007 (1,873) 10 10.00%	1,355 0 0 1,355 1,873 0 0 1,873 (1,873) 0 0 (1,873)	1889 1,355 10 10.00% 2002 0 10 10.00% 2007 0 10 10.00%	(381) 0 0 (381) 0 0 0 0 (1) 0 0 (1)	1,355 0 0 1,355 837 0 0 837 (1,873) 0 0 (1,873)	0 0 0 0			
Pumping Equipment	2004 1,567 10 10.00% 2006 (548) 10 10.00%	570 104 0 674 (548) 0 0 (548)	2004 0 10 10.00% 2006 0 10 10.00%	(2) 0 0 (2)	568 102 0 670 (548) 0 0 (548)	0 0 0 0			
Pumping Equipment	2006 500 10 10.00% 2007 3,536 10 10.00%	22 194 0 216 528 353 0 881 5,960 507 0 6,367	2006 0 10 10.00% 2007 0 10 10.00%	(2) 0 0 (2) 1 1 0 2 (392) (1) 0 (393)	20 102 0 122 125 50 0 175 530 354 0 884 5,468 506 0 5,974	0 0 0 0			
330 Distribution Reservoirs & Standpipes									
Storage Tanks	1882 4,184 50 2.00% 1997 (777) 50 2.00%	2,083 68 0 2,151 (777) 0 0 (777)	1882 4,184 50 2.00% 1997 0 50 2.00%	(38) 0 0 (38)	2,044 68 0 2,112 (777) 0 0 (777)	0 0 0 0			
2 Tanks	2006 3,091 40 2.50%	1,345 146 0 1,491	2006 0 40 2.50%	(0) (1) 0 (1)	1,306 146 0 1,452 1,306 146 0 1,452	0 0 0 0			
331 Transportation & Distribution Mains									
Mains - Blow off valve (3)	1882 7,502 50 2.00% 1889 2,485 50 2.00%	4,050 150 0 4,200 478 50 0 528 4,528 200 0 4,728	1882 0 50 2.00% 1889 0 50 2.00%	(74) 0 0 (74) (3) (0) 0 (3) (77) (0) 0 (77)	3,878 150 0 4,028 472 50 0 522 4,448 200 0 4,648	0 0 0 0			
333 Services									
3/4" Shut-offs	1882 807 40 2.50% 2003 (217) 40 2.50%	519 16 0 535 (217) 0 0 (217)	1882 807 40 2.50% 2003 0 40 2.50%	(14) (1) 0 (15)	505 15 0 520 (217) 0 0 (217)	0 0 0 0			
Meters & Meter Installations	2000 5,767 22 4.50% 2006 (524) 22 4.50%	2,100 260 0 2,360 (524) 0 0 (524)	2000 5,767 22 4.50% 2006 0 22 4.50%	(43) (24) 0 (67)	2,147 236 0 2,383 (524) 0 0 (524)	0 0 0 0			
Meters	2006 445 22 4.50% 2009 0 0 0.00%	1,666 260 0 1,926 41 0 0 41	2006 445 22 4.50% 2009 0 0 0.00%	(6) (2) 0 (8) (5) 0 0 (5)	1,661 258 0 1,919 0 0 0 0	0 0 0 0			
Meters (Audit Issue # 4)	2007 5,688	1,107 262 0 1,369	2007 5,688 40 2.50%	(24) (21) 0 (45)	1,673 261 0 1,934	0 0 0 0			
	45,934	19,118 1,426 0 19,544		(4,517)	15,218 1,265 0 16,504				

Asset placed in service during the last year.

Disposed in 2010
b Per Co, Act 306 = \$1,155 Difference of \$1,155 Equals two 1997 disposals
Act 311 Sump Pump - \$378 and Act 330 Tank - \$777 that are no longer
being accounted for by Co

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT

	(1) Per Test Year	(2) Pro-forma Adjustments Per Company	(3) Adjusted Test Year Per Company	(4) Staff Adjustments (Att A; Sch 3a)	(5) Adj #	(6) Adjusted Test Year Per Staff	(7) Revenue Deficiency / (Surplus)	(8) Revenue Requirement
Operating Revenues								
Water Sales	\$ 10,490	\$ 13,335	\$ 23,825			\$ 23,825	\$ (11,003)	\$ 12,822
Other Operating Revenues	-	-	-			-	-	-
Total Operating Revenues	<u>10,490</u>	<u>13,335</u>	<u>23,825</u>	<u>-</u>		<u>23,825</u>	<u>(11,003)</u>	<u>12,822</u>
Operating Expenses								
Operation & Maintenance Expenses:								
Source of Supply Expenses	-	-	-			-	-	-
Pumping Expenses	3,817	-	3,817	(218)	10	3,599	3,599	3,599
Water Treatment Expenses	1,812	-	1,812			1,812	1,812	1,812
Transmission & Distribution Expenses	-	-	-			-	-	-
Customer Accounts Expenses	495	-	495			495	495	495
Administrative & General Expenses	3,338	-	3,338			3,338	3,338	3,338
Total Operation & Maintenance Expenses	<u>9,462</u>	<u>-</u>	<u>9,462</u>	<u>(218)</u>		<u>9,244</u>	<u>-</u>	<u>9,244</u>
Depreciation Expense	1,426	7,418	8,844	(7,554)	11 - 13	1,290	1,290	1,290
Amortization Expense - CIAC	-	(3,709)	(3,709)	3,709	14	-	-	-
Amortization Expense - Other	-	-	-			-	-	-
Taxes other than Income	588	3,526	4,114	(3,448)	15 - 16	666	666	666
Total Operating Expenses	<u>11,476</u>	<u>7,235</u>	<u>18,711</u>	<u>(7,511)</u>		<u>11,200</u>	<u>-</u>	<u>11,200</u>
Net Operating Income / (Loss)	<u>(986)</u>	<u>6,100</u>	<u>5,114</u>	<u>7,511</u>		<u>12,625</u>	<u>(11,003)</u>	<u>1,622</u>
Before Income Taxes	-	-	-			-	-	-
Income Taxes					Att A; Sch 3b			
Net Operating Income (Loss)	<u>\$ (986)</u>	<u>\$ 6,100</u>	<u>\$ 5,114</u>	<u>\$ 7,511</u>		<u>\$ 12,625</u>	<u>\$ (11,003)</u>	<u>\$ 1,622</u>

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES

Adj #

Proforma Adjustments to Operating Expenses:

Pumping Expenses

10 To reclassify cost of meter replacement from expense to fixed plant per Audit Issue # 4. \$ (218)

Depreciation Expense

11 To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 3; Col 2). \$ (7,418)

12 To adjust test year depreciation expense to amount computed by Staff (Att A; Sch 2c). (141)

13 To increase annual depreciation expense for asset placed in service during the test year (See Att A; Sch 2c). 5

Total Adjustments - Depreciation Expense \$ (7,554)

Amortization Expense - CIAC

14 To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 3; Col 2). \$ 3,709

Taxes Other than Income

15 To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 3; Col 2). \$ (3,526)

16 To reflect 2010 property tax assessment for test year pro-forma expense:

2010 Town of Belmont Property Taxes (Staff DR 1-11)	\$	498		
2010 State Utility Property Tax - Tioga Division:				
2010 Total Company State Utility Property Tax (Staff DR 1-11)	\$	426		
Tioga Division Net Plant per 2009 Annual Report	\$	41,997		
Total Company Net Plant per 2009 Annual Report	+	\$ 106,463	39.45%	168
2010 Total Property Tax Expense - Tioga Division	\$	666		
Less: 2009 Total Property Tax Expense - Tioga Division		<u>(588)</u>		<u>78</u>

Total Adjustments - Taxes Other than Income \$ (3,448)

Net Operating Expense Adjustments per Staff \$ (7,511)

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE INCOME TAXES**

INCOME TAXES

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

Operating Revenues:

Total Proforma Adjustments to Water Revenues	\$	-
--	----	---

Operating Expenses:

Total Proforma Adjustments to Source of Supply Expenses		-
Total Proforma Adjustments to Pumping Expenses		218
Total Proforma Adjustments to Water Treatment Expenses		-
Total Proforma Adjustments to Transmission & Distribution Expenses		-
Total Proforma Adjustments to Customer Accounts Expenses		-
Total Proforma Adjustments to Administrative & General Expenses		-
Total Proforma Adjustments to Depreciation Expense		7,554
Total Proforma Adjustments to Amortization Expense - CIAC		(3,709)
Total Proforma Adjustments to Amortization Expense - Other		-
Total Proforma Adjustments to Taxes other than Income		<u>3,448</u>
Marginal Revenue (Expense) Subject to Income Taxes		7,511
Less: New Hampshire Business Profits Tax @ 0.0%		<u>-</u>
Amount Subject to Federal Income Tax		7,511
Less: Federal Income Tax @ 0.0%		<u>-</u>
Proforma Adjustments net of Income Taxes	\$	<u><u>7,511</u></u>

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STEP INCREASE**

Increase in Net Income Requirement:

2010 Plant Additions (Att A; Sch 4a)	\$	134,084
Less: Accumulated Depreciation (Att A; Sch 4a)		<u>(3,760)</u>
Net 2010 Plant in Service		<u>130,325</u>
2010 Contributions in Aid of Construction (CIAC) (Att A; Sch 4a)		(61,894)
Less: Accumulated Amortization of CIAC (Att A; Sch 4a)		<u>1,735</u>
Net 2010 CIAC		<u>(60,159)</u>
Net 2010 Plant in Rate Base	\$	70,166
Annual Cost of Debt (Att A; Sch 4c)		<u>3.221%</u>
Increase in Operating Income Requirement	\$	<u>2,260</u>

Net Increase in Operating Expenses:

Net Increase in Depreciation Expense:		
Annual Depreciation Expense - 2010 Plant Additions (Att A; Sch 4a)	\$	7,519
Less: Annual Depreciation Expense - 2010 Plant Retirements (Att A; Sch 4a)		<u>(306)</u>
Annual Amortization of CIAC on 2010 CIAC Additions (Att A; Sch 4a)		(3,471)
Net Increase in Property Tax Expense (Att A; Sch 4b)		<u>1,945</u>
Net Increase in Operating Expenses	\$	<u>5,687</u>
Step Increase in Revenue Requirement	\$	7,947
Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	\$	<u>10,490</u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales		<u><u>75.75%</u></u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
 TIOGA RIVER WATER COMPANY, INC.
 TIOGA DIVISION
 STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS

2010 Plant Additions (a):

Account	Amount	Depreciation Rate	Annual Depreciation	Accumulated Depreciation @ 10/31/10	Net Plant in Service @ 10/31/10
304: Structures & Improvements	\$ 67,382	2.50%	\$ 1,685	\$ (842)	\$ 66,539
309: Supply Mains	245	2.00%	5	(2)	242
311: Pumping Equipment	53,708	10.00%	5,371	(2,685)	51,023
320: Treatment Equipment	12,750	3.60%	459	(229)	12,520
	<u>\$ 134,084</u>		<u>\$ 7,519</u>	<u>\$ (3,760)</u>	<u>\$ 130,325</u>

2010 Plant Retirements (Att A; Sch 2c):

Account	Amount	Depreciation Rate	Annual Depreciation	Accumulated Depreciation @ Retirement	Net Plant @ Retirement
304: Structures & Improvements	\$ (3,097)	2.50%	\$ (77)	\$ 441	\$ (2,656)
311: Pumping Equipment	(7,248)	10.00%	(152)	5,166	(2,082)
330: Distribution Reservoirs & Standpipes	(3,091)	2.50%	(77)	155	(2,936)
	<u>\$ (13,436)</u>		<u>\$ (306)</u>	<u>\$ 5,762</u>	<u>\$ (7,674)</u>

2010 CIAC Additions (b):

Account	Amount	Amortization Rate	Annual Amortization	Accumulated Amortization @ 10/31/10	Net CIAC @ 10/31/10
304: Structures & Improvements	\$ (31,104)	2.50%	\$ (778)	\$ 389	\$ (30,715)
309: Supply Mains	(113)	2.00%	(2)	1	(112)
311: Pumping Equipment	(24,792)	10.00%	(2,479)	1,240	(23,552)
320: Treatment Equipment	(5,885)	3.60%	(212)	106	(5,780)
	<u>\$ (61,894)</u>		<u>\$ (3,471)</u>	<u>\$ 1,735</u>	<u>\$ (60,159)</u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS

(a) Includes allocation of Construction Interest as follows:

	Cost of Construction	%	Allocation of Construction Interest	Total Cost
# 304: Structures & Improvements	\$ 65,812	27.98%	\$ 1,570	\$ 67,382
# 309: Supply Mains	239	0.10%	6	245
# 311: Pumping Equipment	52,457	22.30%	1,251	53,708
# 320: Treatment Equipment	12,453	5.29%	297	12,750
Total Tioga Division	<u>130,961</u>	<u>55.67%</u>	<u>3,123</u>	<u>134,084</u>
Total GVWD Division	<u>104,271</u>	<u>44.33%</u>	<u>2,487</u>	<u>106,758</u>
Total Company	<u>\$ 235,232</u>	<u>100.00%</u>	<u>\$ 5,610</u>	<u>\$ 240,842</u>

(b) Allocation of CIAC:

	Cost of Construction	%	Allocation of Principal Forgiveness
# 304: Structures & Improvements	\$ 65,812	50.25%	\$ (31,104)
# 309: Supply Mains	239	0.18%	(113)
# 311: Pumping Equipment	52,457	40.06%	(24,792)
# 320: Treatment Equipment	12,453	9.51%	(5,885)
Total Tioga Division	<u>130,961</u>	<u>100.00%</u>	<u>\$ (61,894)</u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STEP INCREASE PROPERTY TAX CALCULATION**

Municipal Taxes - Town of Belmont:

Net Additions to Plant in 2010:			
2010 Net Plant Additions (Att A; Sch 4a)	\$ 130,325		
2010 Net Plant Retirements (Att A; Sch 4a)	<u>(7,674)</u>	\$	122,651
Municipal Valuation Factor:			
2010 Municipal Valuation - Tioga Division (Staff DR 1-11)	\$ 26,600		
Net Utility Plant per 2009 Annual Report - Tioga Division	<u>+ \$ 41,997</u>	x	<u>63.34%</u>
Estimated Municipal Valuation of Net Additions to Plant in 2010		\$	77,684
2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-11)		x	<u>\$ 18.71</u>
Estimated Municipal Taxes on Net Additions to Plant in 2010			<u>\$ 1,453</u>

State Utility Property Taxes:

Net Additions to Plant in 2010:			
2010 Net Plant Additions (Att A; Sch 4a)	\$ 130,325		
2010 Net Plant Retirements (Att A; Sch 4a)	<u>(7,674)</u>	\$	122,651
State Valuation Factor:			
2010 State Valuation - Total Company (Staff DR 1-11)	\$ 64,584		
Net Utility Plant per 2009 Annual Report - Total Company	<u>+ \$ 106,463</u>	x	<u>60.66%</u>
Estimated State Valuation of Net Additions to Plant in 2010		\$	74,404
2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-11)		x	<u>\$ 6.60</u>
Estimated State Taxes on Net Additions to Plant in 2010			<u>\$ 491</u>
Net Increase in Property Tax Expense for Net Additions to Plant in 2010			<u><u>\$ 1,945</u></u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STEP INCREASE COST OF DEBT CALCULATION

	Total Amount Borrowed	Anticipated Principal Forgiveness	Net Principal Amount Due	Percentage of Total	Anticipated Interest Rate	Annual Interest	Annual Amortization of Loan Cost	Total Annual Debt Expense	Annual Cost of Debt	Weighted Average Cost
2010 SRF Loan - Tioga (Per Company)	\$ 123,788	\$ (61,894)	\$ 61,894	94.53%	2.864%	\$ 1,773	\$ 172	\$ 1,945	3.142%	2.97%
2010 Gifford Well Co. Loan (Per Company)	3,580	-	3,580	5.47%	4.580%	164	-	164	4.580%	0.25%
Totals	\$ 127,368	\$ (61,894)	\$ 65,474	100.00%		\$ 1,937	\$ 172	\$ 2,109		3.22%

Total Loan Cost (Per Company) \$ 6,880
 Allocated to Tioga Division 50.00%
 Tioga Division's Loan Cost \$ 3,440
 Amortization Period (Yrs) + 20
 Annual Amortization \$ 172

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
CALCULATION OF CUSTOMER RATES**

Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	\$	10,490	
Proposed Increase in Revenue Requirement from Permanent Rates (Att A; Sch 1)		2,332	
Proposed Step Increase in Revenue Requirement (Att A; Sch 4)		7,947	
Total Proposed Revenue Requirement		<u>\$ 20,769</u>	
Current Fixed Charge per Quarter (per Tariff)	\$	39.93	per Customer per Quarter
Increase in Fixed Charge per Quarter		<u>20.07</u>	
Proposed Fixed Charge per Quarter	\$	60.00	per Customer per Quarter
Billing Periods per Year	x	4	Billing Quarters
Proposed Fixed Charge per Year		<u>\$ 240.00</u>	per Customer per Year
Number of Customers	x	22	
Total Annual Revenue Derived from Fixed Charge		<u>\$ 5,280</u>	
Total Annual Revenue Derived from Consumption Charge (\$ 20,769 - \$ 5,280)	=	\$ 15,489	
CF Consumption for the fiscal year ended 10/31/09	+	<u>131,178</u>	CF
Proposed Consumption Charge (per CF)		<u>\$ 0.1181</u>	per CF

Analysis of Proposed Rate Impact:

	<u>Current Rates</u>	<u>Proposed Rates</u>
Consumption Charge per CF	\$ 0.0525	\$ 0.1181
Average Annual Usage Per Customer (CF)	<u>5,962.64</u>	<u>5,962.64</u>
Average Annual Consumption Charge	\$ 313.04	\$ 704.04
Annual Fixed Charge per Customer	<u>\$ 159.72</u>	<u>\$ 240.00</u>
Total Annual Charge per Customer	<u>\$ 472.76</u>	<u>\$ 944.04</u>
Percentage Increase in Customer Rates		<u><u>99.69%</u></u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
PERMANENT RATE REVENUE REQUIREMENT**

Average Rate Base per Staff (Att B; Sch 2; Col 6)	\$ 38,759
Rate of Return (Att B; Sch 1a)	<u>7.77%</u>
Operating Income Requirement	3,013
Adjusted Net Operating Income per Staff (Att B; Sch 3; Col 6)	<u>13,995</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(10,983)
Divided by Tax Factor (Att B; Sch 1b)	<u>100.00%</u>
Revenue Deficiency / (Surplus)	(10,983)
Pro-forma Test Year Water Sales per Company (Att B; Sch 3; Col 6)	<u>32,017</u>
Revenue Requirement from Water Sales per Staff	21,034
Less: Adjusted Test Year Water Sales (Att B; Sch 3; Col's 1 & 4)	<u>(12,722)</u>
Increase / (Decrease) in Revenue Requirement from Water Sales	<u>\$ 8,312</u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u>65.34%</u>

DIW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure			Interest Expense			Amortization Expense			Cost	Weighted
	Actual	Adjusted	Percent	Actual	Adjusted	Interest	Actual	Adjusted	Adjusted	Rate	Average
	@ 10/31/09	@ 10/31/09		@ 10/31/09	@ 10/31/09	Rate	@ 10/31/09	@ 10/31/09	@ 10/31/09		Cost
	Adjustments	Adjustments		Adjustments	Adjustments		Adjustments	Adjustments	Adjustments		
	Per Co Filing	Per Co Filing		Per Co Filing	Per Co Filing		Per Co Filing	Per Staff	Per Staff		
	Per Staff	Per Staff		Per Staff	Per Staff		Per Staff	Per Staff	Per Staff		
Long-term Debt - Tioga Division:											
2002 Note - Tioga to Norm Harris, Jr.	\$ 6,391	\$ 6,391	100.00%	\$ 383	\$ 383	6.00%	\$ -	\$ -	\$ -	6.00%	6.00%
2010 BRF Loan - Tioga	-	-	0.00%	-	-	0.00%	-	-	-	0.00%	0.00%
Total Long-term Debt - Tioga Division	\$ 6,391	\$ 6,391	100.00%	\$ 383	\$ 383	6.00%	\$ -	\$ -	\$ -	6.00%	6.00%
Long-term Debt - GVWD Division:											
2002 Note - GVWD to Norm Harris, Jr.	\$ 15,350	\$ 15,350	31.64%	\$ 921	\$ 921	6.00%	\$ -	\$ -	\$ -	6.00%	1.90%
2006 Note - GVWD to Gilford Well	12,810	12,810	26.40%	1,153	1,190	9.29%	-	-	-	9.29%	2.45%
2007 Note - GVWD to Norm Harris, Jr.	11,928	11,928	24.59%	1,074	1,119	9.38%	-	-	-	9.38%	2.31%
2008 Note - GVWD to Norm Harris, Jr.	8,429	8,429	17.37%	316	541	6.42%	-	-	-	6.42%	1.12%
2010 BRF Loan - GVWD	-	-	0.00%	-	-	0.00%	-	-	-	0.00%	0.00%
Total Long-term Debt - GVWD Division	\$ 48,517	\$ 48,517	100.00%	\$ 3,464	\$ 3,771	7.77%	\$ 43	\$ (43)	\$ -	7.77%	7.77%
Total Long-term Debt	\$ 54,908	\$ 54,908	100.00%	\$ 3,847	\$ 4,154	7.57%	\$ 100	\$ (100)	\$ -	7.57%	7.57%
Common Equity:											
Common Stock	200	200	0.00%	-	-	-	-	-	-	-	-
Additional Paid-in Capital	50,522	50,522	0.00%	-	-	-	-	-	-	-	-
Retained Earnings	(65,653)	(65,653)	0.00%	-	-	-	-	-	-	-	-
Total Common Equity	(15,131)	(15,131)	0.00%	-	-	-	-	-	-	-	-
Total Capitalization	\$ 39,777	\$ 39,777	100.00%	\$ 3,847	\$ 4,154	7.57%	\$ 100	\$ (100)	\$ -	9.75%	7.57%

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
EFFECTIVE TAX FACTOR

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>0.00%</u>
Federal Taxable Income	100.00%
Federal Income Tax Rate	<u>0.00%</u>
Effective Federal Income Tax Rate	0.00%
Add: NH Business Profits Tax	<u>0.00%</u>
Effective Tax Rate	<u><u>0.00%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>0.00%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>100.00%</u></u>

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
PERMANENT RATE AVERAGE RATE BASE

	(1) Year End Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att B; Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
Plant in Service						
Plant in Service	\$ 81,826	\$ 115,000	\$ 196,826	\$ (122,029)	17 - 18	\$ 74,797
Less: Accumulated Depreciation	(22,367)	(4,288)	(26,655)	4,228	19 - 20	(22,427)
Net Plant in Service	59,459	110,712	170,171	(117,800)		52,371
Contributions in Aid of Construction (CIAC)	(26,099)	(57,500)	(83,599)	57,500	21	(26,099)
Accumulated Amortization of CIAC	5,699	2,144	7,843	(1,575)	22 - 23	6,268
Net Contributions in Aid of Construction	(20,400)	(55,356)	(75,756)	55,925		(19,831)
Net Plant in Rate Base	39,059	55,356	94,415	(61,875)		32,540
Working Capital						
Cash Working Capital	3,536	-	3,536	(518)	24	3,018
Prepaid Expenses	136	136	272	(218)	25 - 26	54
Unamortized Deferred Expenses	-	-	-	3,147	27	3,147
Accrued Utility Revenue	503	504	1,007	(1,007)	28 - 29	-
Total Working Capital in Rate Base	4,175	640	4,815	1,404		6,219
Total Average Rate Base	\$ 43,234	\$ 55,996	\$ 99,230	\$ (60,471)		\$ 38,759

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE**

Adj#

Proforma Adjustments to Plant in Service:

Plant in Service

17	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 2; Col 2).	\$ (115,000)
18	To adjust test year average plant in service to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>(7,029)</u>
Total Adjustments - Plant in Service		<u>\$ (122,029)</u>

Accumulated Depreciation

19	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 2; Col 2).	\$ 4,288
20	To adjust test year average accumulated depreciation to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>(60)</u>
Total Adjustments - Accumulated Depreciation		<u>\$ 4,228</u>

Contributions in Aid of Construction (CIAC)

21	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 2; Col 2).	<u>\$ 57,500</u>
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Accumulated Amortization - CIAC

22	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 2; Col 2).	\$ (2,144)
23	To Adjust Accumulated Amortization - CIAC to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>569</u>
Total Adjustments - Accumulated Amortization - CIAC		<u>\$ (1,575)</u>

Proforma Adjustments to Working Capital:

Cash Working Capital

24	To adjust Co's cash working capital component to amount calculated per Staff (Att B; Sch 2b; Col 8).	<u>\$ (518)</u>
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**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE**

Adj#

Prepaid Expenses

25	To eliminate Co's pro-forma adj to reflect year-end balance in rate base (Att B; Sch 2; Col 2).	\$ (136)
26	To adjust test year average prepaid expense to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>(82)</u>
	Total Adjustments - Prepaid Expenses	<u>\$ (218)</u>

Unamortized Deferred Debits

27	To record unamortized portion of expenses deemed by the Audit Report as non-recurring (Att B; Sch 2b; Col 8).	<u>\$ 3,147</u>
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Accrued Utility Revenue

28	To eliminate Co's pro-forma adj to reflect year-end balance in rate base (Att B; Sch 2; Col 2).	\$ (504)
29	To adjust test year average accrued utility revenue to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>(503)</u>
	Total Adjustments - Accrued Utility Revenue	<u>\$ (1,007)</u>

	Net Rate Base Adjustments per Staff	<u><u>\$ (60,471)</u></u>
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DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	10/31/08	01/31/09	04/30/09	07/31/09	10/31/09	5-Quarter Average Per Staff	Year-End Average Per Company	To Adjust Rate Base to 5-Quarter Avg	Adjustment # (Att B; Sch 2a)
Plant in Service (Att B; Sch 2c)	\$ 74,306	\$ 74,306	\$ 75,125	\$ 75,125	\$ 75,125	\$ 74,797	81,826	\$ (7,029)	18
Accumulated Depreciation (Att B; Sch 2c)	(20,534)	(21,472)	(22,424)	(23,376)	(24,328)	(22,427)	(22,367)	(60)	20
Contributions in Aid of Construction (CIAC) (Att B; Sch 2c)	(26,099)	(26,099)	(26,099)	(26,099)	(26,099)	(26,099)	(26,099)	-	-
Accumulated Amortization - CIAC (Att B; Sch 2c)	5,559	5,914	6,268	6,623	6,977	6,268	5,699	569	23
Cash Working Capital						(a)	3,018	(518)	24
Prepaid Expenses	-	-	-	-	272	54	136	(82)	26
Unamortized Deferred Debits	3,776	3,461	3,147	2,832	2,518	3,147	-	3,147	27
Accrued Utility Revenue	-	-	-	-	-	-	503	(503)	29
Total Average Rate Base						\$ 38,759	\$ 43,234	\$ (4,475)	

(a) Adjustment of Co's Cash Working Capital Component:

Test Year O & M Expenses per Staff (Att B; Sch 3; Col 6)	\$ 14,688
Cash Working Capital % (75 days / 365 days)	<u>20.55%</u>
Adjusted Cash Working Capital Component per Staff	<u>\$ 3,018</u>

DW 10-217
TOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
ANALYSIS OF FIXED PLANT AND DEPRECIATION

PLANT ACCOUNTS & ASSET DESCRIPTIONS	ACTUAL @ 10/31/09			ADJUSTMENTS @ 10/31/09			ADJUSTED @ 10/31/09		
	Acq	Fixed Plant Cost	% Life	10/31/09 Accumulated Depreciation	10/31/09 Additions	Disposals	10/31/09 Accumulated Depreciation	10/31/09 Additions	Disposals
304 Structures and Improvements	106	54	0	162	13	26	0	39	121
Structures									
307 Wells & Springs	1,140	0	0	1,140	0	0	0	0	1,140
Well	580	80	0	640	(418)	(58)	0	0	0
Well	2,528	414	0	1,242	195	270	0	467	142
Well					(2,211)	212	0	(9)	1,028
309 Supply Mains	263	19	0	282	(85)	(0)	0	(87)	177
Supply Main	196	131	0	327	(56)	(37)	0	(83)	140
Supply Main	459	150	0	609	(142)	(38)	0	(180)	317
311 Pumping Equipment	1,642	0	0	1,642	38	0	0	38	1,680
Pumping Equipment	(1,050)	0	0	(1,050)	0	0	0	0	(1,050)
Pumping Equipment	2,367	11	0	2,372	38	0	0	38	630
Pump & Motor	(350)	0	0	2,372	1	(1)	0	0	2,372
Pumping Equipment	2,011	11	0	2,022	11	(1)	0	0	2,022
Pumping Equipment	2,814	402	0	3,216	595	123	0	718	3,409
Pumping Equipment	285	225	0	520	360	(79)	0	281	655
Pumping Equipment	1,172	760	0	1,952	(2)	0	0	(2)	1,170
Pumping Equipment	205	410	0	615	(0)	(1)	0	(1)	265
Pumping Equipment	7,089	819	0	8,958	1,002	32	0	1,034	8,081
330 Distribution Reservoirs & Standpipes	196	28	0	224	(17)	(1)	0	(18)	179
Tanks									
331 Transportation & Distribution Mains	8,546	711	0	9,257	(340)	0	0	(340)	8,206
T&D Mains	(217)	0	0	(217)	0	0	0	0	(217)
T&D Mains	8,329	711	0	9,040	(340)	0	0	(340)	7,999
T&D Mains	266	38	0	304	(182)	(27)	0	(210)	74
T&D Mains	8,595	748	0	9,344	(531)	(27)	0	(558)	8,064
333 Services	1,276	166	0	1,462	(61)	0	0	(61)	1,215
Services	(181)	0	0	(181)	0	0	0	0	(181)
Services	1,085	166	0	1,271	(61)	0	0	(61)	1,024
Services	1,189	205	0	1,394	(59)	0	0	(59)	1,130
334 Meters & Meter Installations	223	19	0	242	(76)	(6)	0	(82)	147
Meters	182	28	0	210	(4)	(3)	0	(7)	178
Meters	405	47	0	452	(79)	(7)	0	(86)	328
Meters	20,565	3,596	0	24,165	(35)	198	0	163	20,534
307 Wells & Springs	140	20	0	160	(11)	(0)	0	(12)	128
Well	517	345	0	662	(14)	(3)	0	(7)	513
Well	657	365	0	1,022	(16)	(3)	0	(19)	641
311 Pumping Equipment	2,737	391	0	3,128	604	123	0	727	3,341
Pumping Equipment	565	360	0	975	0	0	0	0	565
Pumping Equipment	3,322	781	0	4,103	604	123	0	727	3,828
330 Distribution Reservoirs & Standpipes	196	28	0	224	(17)	(1)	0	(18)	179
Tanks									
333 Services	875	125	0	1,000	(63)	0	0	(63)	813
Services	5,050	1,299	0	6,349	509	118	0	628	5,559

*** Asset placed in service during the test year.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT

	(1) Per Test Year	(2) Pro-forma Adjustments Per Company	(3) Adjusted Test Year Per Company	(4) Staff Adjustments (Att B, Sch 3a)	(5) Adj #	(6) Adjusted Test Year Per Staff	(7) Revenue Deficiency / (Surplus)	(8) Revenue Requirement
Operating Revenues								
Water Sales	\$ 13,121	\$ 19,295	\$ 32,416	\$ (399)	30	\$ 32,017	\$ (10,983)	\$ 21,034
Other Operating Revenues	-	-	-	(399)		-	-	-
Total Operating Revenues	13,121	19,295	32,416	(399)		32,017	(10,983)	21,034
Operating Expenses								
Operation & Maintenance Expenses:								
Source of Supply Expenses	-	-	-	(1,495)	31	4,357	-	4,357
Pumping Expenses	5,852	-	5,852	-		4,985	-	4,985
Water Treatment Expenses	4,985	-	4,985	(1,023)	32	1,562	-	1,562
Transmission & Distribution Expenses	2,585	-	2,585	-		-	-	-
Customer Accounts Expenses	-	-	-	-		-	-	-
Administrative & General Expenses	3,783	-	3,783	-		3,783	-	3,783
Total Operation & Maintenance Expenses	17,205	-	17,205	(2,517)		14,688	-	14,688
Depreciation Expense	3,595	8,576	12,171	(8,337)	33 - 35	3,834	-	3,834
Amortization Expense - CIAC	(1,299)	(4,288)	(5,587)	4,169	36 - 37	(1,418)	-	(1,418)
Amortization Expense - Other	-	-	-	(2,761)	38 - 39	-	-	-
Taxes other than Income	1,303	2,376	3,679	(9,446)		918	-	918
Total Operating Expenses	20,804	6,664	27,468	(9,446)		18,022	-	18,022
Net Operating Income / (Loss)	(7,683)	12,631	4,948	9,047		13,995	(10,983)	3,013
Before Income Taxes	-	-	-	-	Att B; Sch 3b	-	-	-
Income Taxes	-	-	-	-		-	-	-
Net Operating Income (Loss)	\$ (7,683)	\$ 12,631	\$ 4,948	\$ 9,047		\$ 13,995	\$ (10,983)	\$ 3,013

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES**

Adj #

Pro-forma Adjustments to Operating Revenues:

30	To adjust test year operating revenues per Audit Issue # 3.		\$ (399)
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Proforma Adjustments to Operating Expenses:

Pumping Expenses

31	To amortize over a 3-year period a repair cost deemed to be non-recurring per the Staff Audit:		
	Repair Expense recorded during test year	\$ 2,242	
	Amortization Period	+ 3	
	Annual Amortized Expense	\$ 747	
	Less: Repair Expense recorded during test year	(2,242)	\$ (1,495)

Transmission & Distribution Expenses

32	To amortize over a 3-year period generator rental/labor costs deemed to be non-recurring per the Staff Audit:		
	Generator Rental/Labor Expense recorded during test year	\$ 1,534	
	Amortization Period	+ 3	
	Annual Amortized Expense	\$ 511	
	Less: Generator Rental/Labor Expense recorded during test year	(1,534)	\$ (1,023)

Depreciation Expense

33	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 3; Col 2).		\$ (8,576)
34	To adjust test year depreciation expense to amount computed by Staff (Att B; Sch 2c).		198
35	To increase annual depreciation expense for asset placed in service during the test year (See Att B; Sch 2c).		<u>41</u>
	Total Adjustments - Depreciation Expense		\$ (8,337)

Amortization Expense - CIAC

36	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 3; Col 2).		\$ 4,288
37	To adjust test year amortization of CIAC to amount computed by Staff (Att B; Sch 2c).		<u>(119)</u>
	Total Adjustments - Amortization Expense - CIAC		\$ 4,169

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES**

Adj #

Taxes Other than Income

38	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 3; Col 2).		\$	(2,376)
39	To reflect 2010 property tax assessment:			
	2010 Town of Gilford Property Taxes (Staff DR 1-11)		\$	660
	2010 State Utility Property Tax - GVWD Division:			
	2010 Total Company State Utility Property Tax (Staff DR 1-11)	\$		426
	GVWD Division Net Plant per 2009 Annual Report	\$	64,466	
	Total Company Net Plant per 2009 Annual Report	÷ \$	106,463	60.55%
	2010 Total Property Tax Expense - GVWD Division		\$	918
	Less: 2009 Total Property Tax Expense - GVWD Division			(1,303)
				<u>(385)</u>
	 Total Adjustments - Taxes Other than Income		 \$	 <u>(2,761)</u>
	 Net Operating Expense Adjustments per Staff		 \$	 <u><u>(9,446)</u></u>

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE INCOME TAXES**

INCOME TAXES

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

Operating Revenues:

Total Proforma Adjustments to Water Revenues	\$	(399)
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Operating Expenses:

Total Proforma Adjustments to Source of Supply Expenses		-
Total Proforma Adjustments to Pumping Expenses		1,495
Total Proforma Adjustments to Water Treatment Expenses		-
Total Proforma Adjustments to Transmission & Distribution Expenses		1,023
Total Proforma Adjustments to Customer Accounts Expenses		-
Total Proforma Adjustments to Administrative & General Expenses		-
Total Proforma Adjustments to Depreciation Expense		8,337
Total Proforma Adjustments to Amortization Expense - CIAC		(4,169)
Total Proforma Adjustments to Amortization Expense - Other		-
Total Proforma Adjustments to Taxes other than Income		<u>2,761</u>

Marginal Revenue (Expense) Subject to Income Taxes		9,047
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Less: New Hampshire Business Profits Tax @ 0.0%		<u>-</u>
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Amount Subject to Federal Income Tax		9,047
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Less: Federal Income Tax @ 0.0%		<u>-</u>
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Proforma Adjustments net of Income Taxes	\$	<u><u>9,047</u></u>
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**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STEP INCREASE**

Increase in Net Income Requirement:

2010 Plant Additions (Att B; Sch 4a)	\$	106,758
Less: Accumulated Depreciation (Att B; Sch 4a)		<u>(2,779)</u>
Net 2010 Plant in Service		<u>103,979</u>
2010 Contributions in Aid of Construction (CIAC) (Att B; Sch 4a)		(53,106)
Less: Accumulated Amortization of CIAC (Att B; Sch 4a)		<u>1,382</u>
Net 2010 CIAC		<u>(51,723)</u>
Net 2010 Plant in Rate Base	\$	52,255
Annual Cost of Debt (Att B; Sch 4c)		<u>3.188%</u>
Increase in Operating Income Requirement	\$	<u>1,666</u>

Net Increase in Operating Expenses:

Net Increase in Depreciation Expense:		
Annual Depreciation Expense - 2010 Plant Additions (Att B; Sch 4a)	\$	5,558
Less: Annual Depreciation Expense - 2010 Plant Retirements (Att B; Sch 4a)		<u>(679)</u>
		\$ 4,879
Net Increase in Amortization of CIAC:		
Annual Amortization of CIAC on 2010 CIAC Additions (Att B; Sch 4a)		(2,765)
Annual Amortization of CIAC on 2010 CIAC Retirements (Att B; Sch 4a)		<u>522</u>
		(2,243)
Net Increase in Property Tax Expense (Att B; Sch 4b)		<u>1,449</u>
Net Increase in Operating Expenses	\$	<u>4,086</u>
Step Increase in Revenue Requirement	\$	5,751
Adjusted Test Year Water Sales (Att B; Sch 3; Col's 1 & 4)	\$	<u>12,722</u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales		<u><u>45.21%</u></u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS

2010 Plant Additions (a):

Account	Amount	Depreciation Rate	Annual Depreciation	Accumulated Depreciation @ 10/31/10	Net Plant in Service @ 10/31/10
304: Structures & Improvements	\$ 51,078	2.50%	\$ 1,277	\$ (638)	\$ 50,439
311: Pumping Equipment	35,577	10.00%	3,558	(1,779)	33,798
320: Treatment Equipment	20,103	3.60%	724	(362)	19,741
	<u>\$ 106,758</u>		<u>\$ 5,558</u>	<u>\$ (2,779)</u>	<u>\$ 103,979</u>

2010 Plant Retirements (Att B; Sch 2c):

Account	Amount	Depreciation Rate	Annual Depreciation	Accumulated Depreciation @ Retirement	Net Plant @ Retirement
311: Pumping Equipment	\$ (9,668)	10.00%	\$ (671)	\$ 7,723	\$ (1,945)
330: Distribution Reservoirs & Standpipes	(325)	2.50%	(8)	65	(260)
	<u>\$ (9,993)</u>		<u>\$ (679)</u>	<u>\$ 7,788</u>	<u>\$ (2,205)</u>

2010 CIAC Additions (b):

Account	Amount	Amortization Rate	Annual Amortization	Accumulated Amortization @ 10/31/10	Net CIAC @ 10/31/10
304: Structures & Improvements	\$ (25,408)	2.50%	\$ (635)	\$ 318	\$ (25,091)
311: Pumping Equipment	(17,697)	10.00%	(1,770)	885	(16,813)
320: Treatment Equipment	(10,000)	3.60%	(360)	180	(9,820)
	<u>\$ (53,106)</u>		<u>\$ (2,765)</u>	<u>\$ 1,382</u>	<u>\$ (51,723)</u>

2010 CIAC Retirements (Staff G2c):

Account	Amount	Amortization Rate	Annual Amortization	Accumulated Amortization @ Retirement	Net CIAC @ Retirement
311: Pumping Equipment	\$ 5,140	10.00%	\$ 514	\$ (4,112)	\$ 1,028
330: Distribution Reservoirs & Standpipes	325	2.50%	8	(65)	260
	<u>\$ 5,465</u>		<u>\$ 522</u>	<u>\$ (4,177)</u>	<u>\$ 1,288</u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS**

(a) Includes allocation of Construction Interest as follows:

	Cost of Construction	%	Allocation of Construction Interest	Total Cost
# 304: Structures & Improvements	\$ 49,888	21.21%	\$ 1,190	\$ 51,078
# 311: Pumping Equipment	34,748	14.77%	829	35,577
# 320: Treatment Equipment	19,635	8.35%	468	20,103
Total Tioga Division	104,271	44.33%	2,487	106,758
Total GVWD Division	130,961	55.67%	3,123	134,084
Total Company	<u>\$ 235,232</u>	<u>100.00%</u>	<u>\$ 5,610</u>	<u>\$ 240,842</u>

(b) Allocation of CIAC:

	Cost of Construction	%	Allocation of Principal Forgiveness
# 304: Structures & Improvements	\$ 49,888	47.84%	\$ (25,408)
# 311: Pumping Equipment	34,748	33.32%	(17,697)
# 320: Treatment Equipment	19,635	18.83%	(10,000)
Total Tioga Division	<u>104,271</u>	<u>100.00%</u>	<u>\$ (53,106)</u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STEP INCREASE PROPERTY TAX CALCULATION**

Municipal Taxes - Town of Gilford:

Net Additions to Plant in 2010:

2010 Net Plant Additions (Att B; Sch 4a)	\$ 103,979		
2010 Net Plant Retirements (Att B; Sch 4a)	<u>(2,205)</u>	\$	101,774

Municipal Valuation Factor:

2010 Municipal Valuation - GVWD Division (Staff DR 1-11)	\$ 43,900		
Net Utility Plant per 2009 Annual Report - GVWD Division	<u>÷ \$ 64,466</u>	x	<u>68.10%</u>

Estimated Municipal Valuation of Net Additions to Plant in 2010		\$	69,306
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2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-11)		x \$	<u>15.03</u>
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Estimated Municipal Taxes on Net Additions to Plant in 2010		\$	<u>1,042</u>
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State Utility Property Taxes:

Net Additions to Plant in 2010:

2010 Net Plant Additions (Att B; Sch 4a)	\$ 103,979		
2010 Net Plant Retirements (Att B; Sch 4a)	<u>(2,205)</u>	\$	101,774

State Valuation Factor:

2010 State Valuation - Total Company (Staff DR 1-11)	\$ 64,584		
Net Utility Plant per 2009 Annual Report - Total Company	<u>÷ \$ 106,463</u>	x	<u>60.66%</u>

Estimated State Valuation of Net Additions to Plant in 2010		\$	61,739
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2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-11)		x \$	<u>6.60</u>
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Estimated State Taxes on Net Additions to Plant in 2010		\$	<u>407</u>
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Net Increase in Property Tax Expense for Net Additions to Plant in 2010		\$	<u><u>1,449</u></u>
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DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STEP INCREASE COST OF DEBT CALCULATION

	Total Amount Borrowed	Anticipated Principal Forgiveness	Net Principal Amount Due	Anticipated Interest Rate	Annual Interest	Annual Amortization of Loan Cost	Total Annual Debt Expense	Annual Cost of Debt
2010 SRF Loan - GWWD (Per Company)	\$ 106,212	\$ (53,106)	\$ 53,106	2.864%	\$ 1,521	\$ 172	\$ 1,693	3,188%

Total Loan Cost	\$ 6,880
Allocated to GVWD Division	50.00%
GVWD Division's Loan Cost	\$ 3,440
Amortization Period (Yrs)	20
Annual Amortization	\$ 172

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**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
CALCULATION OF CUSTOMER RATES**

Adjusted Test Year Water Sales (Att B; Sch 3; Col's 1 & 4)	\$	12,722	
Proposed Increase in revenue Requirement from Permanent Rates (Att B; Sch 1)		8,312	
Proposed Step Increase in Revenue Requirement (Att B; Sch 4)		5,751	
Total Proposed Revenue Requirement		<u>\$ 26,786</u>	
Current Fixed Charge per Quarter (per Tariff)	\$	14.87	per Customer per Quarter
Increase in Fixed Charge per Quarter		<u>21.20</u>	
Proposed Fixed Charge per Quarter	\$	36.07	per Customer per Quarter
Billing Periods per Year		<u>4</u>	Billing Quarters
Proposed Fixed Charge per Year	x	\$ 144.29	per Customer per Year
Number of Customers		<u>88</u>	
Total Annual Revenue Derived from Fixed Charge	x	<u>\$ 12,697</u>	
Total Annual Revenue Derived from Consumption Charge (\$ 26,786 - \$ 12,697)	=	\$ 14,088	
CF Consumption for the fiscal year ended 10/31/09	+	<u>343,856</u>	CF
Proposed Consumption Charge (per CF)		<u>\$ 0.0410</u>	per CF

Analysis of Proposed Rate Impact:

	<u>Current Rates</u>	<u>Proposed Rates</u>
Consumption Charge per CF	\$ 0.0213	\$ 0.0410
Average Annual Usage Per Customer (CF)	<u>3,907.45</u>	<u>3,907.45</u>
Average Annual Consumption Charge	\$ 83.35	\$ 160.09
Annual Fixed Charge per Customer	<u>\$ 59.48</u>	<u>\$ 144.29</u>
Total Annual Charge per Customer	<u>\$ 142.83</u>	<u>\$ 304.38</u>
Percentage Increase in Customer Rates		<u><u>113.11%</u></u>

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