

ORIGINAL	
Case No.	DW 10-159
Exhibit No.	#1
Witness	Panel'
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West Swanzey Water Company

DW 10-159

Testimony, Exhibits and

Other Rate Case Filing Requirements

# West Swanzey Water Company

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9. Attestation of Stephen P. St. Cyr

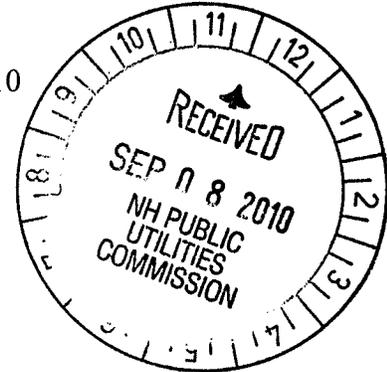
# STEPHEN P. ST. CYR & ASSOC.

17 Sky Oaks Drive, Biddeford, ME 04005  
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Accounting & Finance  
Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

September 3, 2010

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



Dear Ms. Howland:

On behalf of West Swanzey Water Co. ("West Swanzey" or "Company") enclosed is the original and eight copies of the Company's rate filing in DW 10-159. Additionally, a copy has been sent to Meredith Hatfield, the Consumer Advocate.

The rate filing includes the following:

- (1) Introductory letter
- (2) Report of proposed rate changes for West Swanzey
- (3) Proposed tariff pages for West Swanzey
- (4) Direct testimony of Stephen P. St. Cyr
- (5) Exhibits (including adjustments) for Company
- (6) Proposed statement to be transmitted to each customer
- (7) Responses to NHPUC 1604.01 requirements
- (8) An attestation regarding the rate filing being an accurate reflection of Company's books

The Company believes that it has met the tariff filing requirements. It is our understanding that the Commissioners will schedule a prehearing conference to consider motions for intervention and a procedural schedule. The Company also anticipates being able to discuss and resolve any issues that may arise during the proceedings. If the Commissioners and/or its Staff have any questions, please contact me at 207-282-5222.

Sincerely,

A handwritten signature in black ink that reads "Stephen P. St. Cyr".

Stephen P. St. Cyr

cc: Sarah G. Brown

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

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West Swanzezy Water Company  
before the  
New Hampshire Public Utilities Commission  
DW 10-159  
Introductory Letter

The West Swanzezy Water Company ("West Swanzezy" or "Company") respectfully requests that the Commissioners accept this filing in support of its request for an increase in the water rates. The Company proposes to increase its annual revenues from customers by \$10,126 or 17.13%.

During the twelve months ended December 31, 2009 (the test year) the Company's actual net income (loss) amounted to (\$5,898). Its operating revenues decreased due to less water being sold. Its operating expenses increased due to increases in Town of Swanzezy property taxes. The net operating income (loss) of (\$5,807) is significantly less than the net operating income required in order for the Company to pay its operating expenses and earn a fair and reasonable rate of return.

The Company proposes that the new permanent rates be effective October 1, 2010 so that it can began to bill the new rates the first week in January 2011 for the fourth quarter 2010. The Company has decided not to pursue temporary rates in hopes of a more expedited and less costly proceeding.

With respect to the specific rate filing and its exhibits and supporting schedules, the Company has engaged the services of Stephen P. St. Cyr of St. Cyr & Associates to prepare the exhibits and to draft and present testimony on the merits of the case. Enclosed are exhibits, testimony and the other rate filing requirements.

SPSt. Cyr  
09/03/10



RATE SCHEDULES

GENERAL SERVICE

Availability: This schedule is applicable to all metered water service in the franchise area.

Character of Service: Water is obtained from three wells at a present total pumping capacity of approximately 1,000,000 gallons / day and at between 85 – 120 pounds of pressure. Water service is available to customers whose premises abut any public street, road or way in which the Company has water mains, provided, that such service shall only be rendered pursuant to the rules and regulations prescribed in this tariff.

Rates (Quarterly):	Meter size	Service charge
	5/8"	\$ 7.99
	3/4"	\$ 8.79
	1"	\$ 11.19
	2"	\$ 23.17
	3"	\$ 87.89
	4"	\$111.86
	6"	\$167.80
	8"	\$231.72

Consumption Charge: \$0.663/100 gallons

Terms: Bills are due and payable upon presentation.

Issued: September 3, 2010

Issued By: Sarah G. Brown

Effective: October 1, 2010

Title: President

Authorized by NHPUC Order No. ... dated ... in Docket DW 10-159.

RATE SCHEDULES

Fire Protection - Private

Availability: Private Fire Protection is available within the franchise area.

Character of Service: Water is obtained from three wells at a present total pumping capacity of approximately 600,000 gallons/day and at approximately 100 pounds of pressure. Water service is available to customers whose premises abut any public street, road or way in which the Company has water mains, provided, however, that such service shall only be rendered pursuant to the rules and regulations prescribed in other sections of this tariff.

The Company will exercise due effort to maintain at all times the normal pressures in the distribution system, but the company shall not be liable for the failure to furnish its normal quantity of water at adequate pressure when such failure is due to the elements, natural causes, breaks, leaks, unusual events, or the excess or unlawful use of water.

Rates (Quarterly):	Size of Service	Rate
	1"	\$ 29.29
	2"	\$ 58.58
	4"	\$175.74
	6"	\$351.48
	8"	\$585.80

Terms: Bills for this service are quarterly and are net. They are due and payable upon presentation.

Issued: September 3, 2010

Issued By: Sarah G. Brown

Effective: October 1, 2010

Title: President

Authorized by NHPUC Order No. ... dated ... in Docket DW 10-159.

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Direct Testimony of Stephen P. St. Cyr in DW 10-159

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Q. Please state your name and address.

10

11

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

12

13

14

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

15

16

17

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

27

28

Q. Is St. Cyr & Associates presently providing services to West Swanzey Water  
29 Company ("Company")?

29

30

31

A. Yes. St. Cyr & Associates prepared the various exhibits and supporting schedules  
32 and prepared the written testimony and other rate case filing requirements. In  
33 addition, St. Cyr & Associates assists the Company in preparing its year end  
34 financial statements, prepares the tax returns and prepares the PUC Annual  
35 Report.

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Q. Are you familiar with the pending rate application of the Company and with the  
38 various exhibits submitted as Schedules 1 through 4 inclusive, with related pages  
39 and attachments?

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

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

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46

A. The Company is utilizing the twelve months ended December 31, 2009.

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7 Q. Before you explain the schedules, please provide a brief overview of the  
8 Company.

9

10 A. The Company was formed in 1986 and became a utility in 1988. It has three  
11 wells, 2 pump stations, 8,700 feet of mains, 75 non-fire services, 5 fire services  
12 and 75 meters. At December 31, 2009 the Company served 76 customers. In  
13 recent years its investment in plant has been minimal. The Company has no plans  
14 to replace and/or add plant. Its long term debt continues to decline. The  
15 Company's operating and maintenance expenses have been stable. The Company  
16 has had net losses for a number of years. In 2009 its net loss was \$5,898. The  
17 2009 net loss was due to a decline in revenues and an increase in property taxes.  
18 The continuation of the losses is not acceptable. With a relatively modest  
19 increase in rates, the Company should be able to eliminate the losses and continue  
20 to provide service to its customers at fair and reasonable rates.

21

22 Q. Is there anything else prior to summarizing the schedules?

23

24 A. No.

25

26 Q. Then, would you please summarize the schedules?

27

28 A. Yes. The schedule entitled "Computation of Revenue Deficiency for the Test  
29 Year ended December 31, 2009," summarizes the supporting schedules. The  
30 actual revenue deficiency for the Company for the test year amounts to \$8,439. It  
31 is based upon an actual test year with a beginning and ending average rate base of  
32 \$197,682 as summarized in Schedule 3. The Company's actual rate of return is  
33 7.21% for the actual test year. The rate of return of 7.21%, when multiplied by  
34 the rate base of \$197,682, results in an operating income requirement of \$14,246.  
35 As shown on Schedule 1, the actual net operating income (loss) for the Company  
36 for the test year was \$5,807. The operating income required, less the net  
37 operating income (loss), results in an operating income deficiency before taxes of  
38 \$8,439. The Company did not calculate the tax effect of the revenue deficiency,  
39 resulting in a revenue deficiency for the Company of \$8,439.

40

41 The proforma revenue deficiency for the Company for the test year amounts to  
42 zero. It is based upon a proformed test year rate base of \$197,682, as summarized  
43 in Schedule 3. The Company is utilizing a proformed rate of return of 7.21% for  
44 the proformed test year. The proformed rate of return of 7.21% when multiplied  
45 by the rate base of \$197,682, results in an operating net income requirement of  
46 \$14,246.

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As shown on Schedule 1, the proformed net operating income for the Company for the test year was \$14,246. The operating income required, less the net operating income, results in a deficiency of zero. The tax effect of the deficiency is zero, resulting in a revenue deficiency for the Company of zero. Please note that the Company has made no adjustments to rate base and rate of return.

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Q. Would you please explain Schedule 1 and supporting Schedule 1A?

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A. Schedule 1 reflects the Company's Statement of Income. Column b shows the actual 2009 year end balance for the Company (as reported to the PUC in its 2009 PUC Annual Report). Column c shows the proforma adjustments for known and measurable changes to test year revenues and expenses. The proforma adjustments are further supported by schedule 1A, 1B and 1C. Column d shows the proforma 2009 year end balance. Column e and Column f are actual results for 2008 and 2007, respectively.

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During the twelve months ended December 31, 2009, the actual operating revenues amounted to \$59,116, a decrease of \$2,426 over 2008. The decrease is due to less water being sold. At December 31, 2009 the Company had 76 customers. Its customers consumed 8,373 thousand gallons of water, a decrease of 578 thousand gallons of water compared to 2008.

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The Company's total operating expenses amounted to \$53,309, an increase of \$3,025 over 2008. The significant increase in total operating expenses was due to an increase in property taxes. The 2009 Net Operating Income (Loss) amounted to \$5,807. Net Income (Loss) for 2009 was (\$5,898).

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The Company made 1 proforma adjustments to operating revenues totaling \$10,126 and 3 proforma adjustments to operating expenses totaling \$1,687. The specific proforma adjustments are identified on the Statement of Income – Proforma Adjustments (Schedule 1A). A brief explanation is as follows:

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## Proforma Adjustment to Revenues

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Sales of Water – Amount Necessary to Earn Return and Cover Operating Costs - \$10,126

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

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## Proforma Adjustments to Expense

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Taxes other than Income –Town of Swanzezy Property Taxes - \$723.

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In 2009 the Company incurred \$5,493 in Town of Swanzezy property taxes. The amount expensed in 2009 was \$3,000 more than the 2008 expense. The December 4, 2009 real estate tax bill was \$6,216. The proforma adjustment adjusts the 2009 expense to the actual real estate tax bill. As such, the Company has prepared a proforma adjustment for \$723.

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Federal Income and State Business Taxes - \$964.

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With the proposed increase in revenue offset by the proposed increase in expenses, there is also a related increase in the federal income and state business taxes. The increase in federal income taxes represents the additional tax liability due to the increase in taxable income. The increase in state business taxes represents the additional tax liability due to the increase in gross profits. The Company has provided the calculation of the federal income taxes and the state business taxes (Schedule 1B). The Company has also provided the effective tax factor (Schedule 1C).

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The total proforma adjustments to Operating Expenses amounts to \$1,687.

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The net of the proforma adjustments to operating revenue (\$10,126) and the proforma adjustments to operating expenses (\$1,687) results in net proforma adjustment of \$8,439. When the net operating income associated with the proforma adjustments is added to net operating income from the test year, the proforma test year net operating income totals \$14,246. The proforma test year net operating income of \$14,246 allows the Company to cover its expenses and earn a 7.21% return on its investments.

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

A. Yes.

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7 Q. Please describe Schedule 2, the Balance Sheet.

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9 A. The Company has \$301,699 total assets at the end of 2009. \$265,278 of the  
10 \$301,699 total assets is net plant, most of which is completed and providing  
11 service to customers. The Company has \$37,245 of total equity capital. The  
12 Company incurred a significant loss in 2009, which reduced retained earning and  
13 total equity. The Company has \$175,535 of long term debt. The long term debt  
14 balance has decreased from 2008 due to payment of principal on the two  
15 outstanding loans. A portion of the plant has been contributed.

16

17 Q. Please continue with an explanation of Schedule 3, Rate Base and the supporting  
18 schedule.

19

20 A. Schedule 3 reflects the Company's Rate Base for both the average year end  
21 balance and the proforma year end balance. Column b shows the actual 2009 year  
22 end balance. Column c shows the actual 2008 year end balance. Column d shows  
23 the average year end balance. Column e shows the proforma adjustments.  
24 Column f shows the proforma year end balance. The cash working capital  
25 balances are further supported by Schedules 3A and 3B.

26

27 The rate base consists of Utility Plant in Service less Accumulated Depreciation,  
28 plus Cash Working Capital, Material and Supplies, Prepayments less net  
29 Contributions in Aid of Construction.

30

31 The Total Proforma Year End Balance amounts to \$197,682.

32

33 Q. Would you please explain Schedule 3A, Rate Base – Proforma Adjustments?

34

35 A. The Company made no adjustments to rate base including no adjustment to cash  
36 working capital.

37

38 Q. Please explain Schedule 3B.

39

40 A. Schedule 3B shows the computation of cash working capital for both the 2009  
41 Proforma Amount and the 2009 Actual Amount. The proforma cash working  
42 capital is based on the proforma test year operation and maintenance expenses.

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Q. Would you please explain Schedule 4, Rate of Return Information?

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A. Schedule 4 reflects the overall rate of return for both the proforma test year and the actual test year. The weighted average rate of return for the actual test year is 7.21%. It was developed by taking the actual component ratios times the actual component cost rates to determine the actual weighted average cost rate. The sum of the actual cost rates for equity and debt equals actual weighted average rate of return. The Company made no adjustments to the actual rate of return. As such, the weighted average rate of return for the proforma test year is 7.21%.

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Schedule 4 also reflects both the capital structure and the capital ratios. The Company has provided the capital structure for the actual test year and the proforma test year. It has also provided the actual capital structure for 2008 and 2007. Please note that the Company's debt to equity ratio has remained relatively constant.

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In addition, Schedule 4 reflects the long term debt, interest expense, financing costs, total debt costs and debt costs rates for the actual test year. At 12/31/09 the Company has \$175,535 of outstanding long term debt. Its 2009 total interest expense is \$11,703. The 2009 actual cost of debt was 6.67%. There was no change to the long term debt, interest expense and financing costs for the proforma test year.

30

31

Q. Please explain the Report of Proposed Rate Changes.

32

33

34

A. If the Company filing is approved as submitted, its total water Operating Revenues will amount to \$10,126.

35

36

37

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

38

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40

41

A. No. The Company is generally using the same methodology. It is applying the rate increase to the various components of rates. The Company is willing to review the rate design with the PUC Staff.

42

43

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

44

45

46

A. The proposed effective date is October 1, 2010 so that the Company can begin to bill the new rates the first week of January 2011 for the fourth quarter of 2010.

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

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Q. Is there anything else that the Company would like to address?

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A. Yes. The Company has decided not to pursue temporary rates due to the additional costs and additional time to pursue the rate change. The Company respectfully requests that the Commission take that into consideration when establishing the effective date of the new rates.

10

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Q. Is there any other rate matter that you would like to discuss?

15

16

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

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Q. Would you please summarize what the Company is requesting in its rate filing?

24

25

A. The Company respectfully requests that the Commissioners (1) approve an increase in annual revenues of \$10,126 for permanent rates.

26

27

28

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

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30

A. No, there is nothing further.

31

32

Q. Does this conclude your testimony?

33

34

A. Yes.

35

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SPSt. Cyr

39

09/03/10

40

**West Swanzey Water Company**

**Computation of Revenue Deficiency**

**For the Test Year Ended December 31, 2009**

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

West Swanzey Water Company

Schedule 1

Statement of Income

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

**West Swanzey Water Company**  
**Statement of Income - Proforma Adjustments**

Schedule 1A

**Operating Revenues**

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

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

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

**Operating Expenses:**

**Taxes other than Income**

**Town of Swanzey**

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

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

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

**Income Taxes**

**Federal Income Taxes**

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

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

**State Business Taxes**

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

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

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

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

**West Swanzey Water Company**

Schedule 1B

**Income Tax Computation**

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

**West Swanzey Water Company**

**Schedule 1C**

**Effective Tax Factor**

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

Balance Sheet - Assets and Other Debits

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

## Balance Sheet - Equity Capital and Liabilities

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

West Swanzey Water Company

Schedule 3

Rate Base

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

**West Swanzey Water Company  
Rate Base - Proforma Adjustments**

Schedule 3A

**Cash Working Capital**

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

**West Swanzey Water Company**

Schedule 3B

**Working Capital**

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

Rate of Return Information

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

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

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

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

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

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

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

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

#### Cost of Common Equity Capital

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

Dear Customer,

On August 27, 2010 West Swanzey Water Company (“West Swanzey” or “Company”) filed for a rate increase with the New Hampshire Public Utilities Commission (“NHPUC”). If approved, as filed, West Swanzey annual revenues would increase \$10,136 or 17.13 %. The Company is proposing that the new rate tariff be effective October 1, 2010 so that it can begin to bill the new rates the first week in January 2011 for the fourth quarter 2010.

During the twelve months ended December 31, 2009 the Company’s actual net income (loss) was (\$5,898). The net loss was due to less revenue and more property taxes. The Company was unable to earn its authorized return on its investment in the water system.

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

Sincerely,

Sarah G. Brown

PUC 1604.01

- (3) The federal tax reconciliation is shown on Schedule F-56 in the 2009 PUC Annual Report.
- (4) The calculation of federal income tax and state business tax is provided with the rate case schedules (Schedules 1B & 1C).
- (14) The list of Officers and Directors and their compensation are shown on Schedule A-4 in the 2009 PUC Annual Report.
- (15) The list of the amount of voting stock ... is shown on Schedule A-5 in the 2009 PUC Annual Report.
- (16) The list of all payments to individuals and corporations for contractual services is shown on Schedule A-7 of the 2009 PUC Annual Report.
- (18) The balance sheets and income statements for the years 2009 – 2007 are incorporated in the rate case schedules.
- (28) The Company has not made a determination on whether any workpapers are required.

SPSt. Cyr  
09/03/10

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

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17 Sky Oaks Drive, Biddeford, ME 04005  
PHONE: (207) 282-5222 FAX: (207) 282-5225

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

September 3, 2010

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

Dear Ms. Howland:

West Swanzey Water Company's ("Company") filing for the proposed rate change in DW 10-159 was prepared utilizing the Company's books and records. To the best of my knowledge and belief, the filing including its revenue and expenses and assets and liabilities accurately reflects the Company's books.

Sincerely,



Stephen P. St. Cyr