

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 10-090

PITTSFIELD AQUEDUCT COMPANY, INC.

Petition for Rate Increase

SETTLEMENT AGREEMENT – PERMANENT RATES

I. INTRODUCTION

This Agreement is entered into this 21st day of April, 2011, between Pittsfield Aqueduct Company, Inc. (Pittsfield or Company) and the Staff (Staff) of the New Hampshire Public Utilities Commission (Commission) with the intent of resolving issues in this proceeding. Pittsfield and the Staff are referred to collectively in this Agreement as the Settling Parties.

II. TERMS OF AGREEMENT

The Settling Parties have reached agreement on all issues as specified below.

A. Revenue Requirement; Rate Base; Rate of Return; Capital Structure

The Settling Parties agree that the Commission should authorize a revenue requirement of \$713,242 for Pittsfield based on a pro forma test year rate base of \$1,900,499, operating expenses of \$376,763 and an overall rate of return of 7.60%. The overall rate of return is based on a cost of equity of 9.75%, a cost of long-term debt of 7.0% and a capital structure of 49.5% debt and 50.5% equity. The revenue requirement agreed to by the Settling Parties results in an increase of \$105,983, or 17.45%, over pro forma test year operating revenues of \$607,259. (See schedules included as Attachment A.)

The Settling Parties agree that the foregoing revenue requirement represents a reasonable compromise of all issues relating to the revenue requirement pending before the Commission for

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Settlement Agreement

purpose of permanent rates, including allowed overall rate of return, return on equity, capital structure, *pro forma* adjustments, capital additions to rate base, and operating expenses. As the sums expressed above are the result of compromise and settlement, they are liquidations of all adjusted net operating income requirement and revenue requirement issues. The Settling Parties agree that the revenue requirement recommended to the Commission in this Agreement results in permanent rates for Pittsfield's customers that are just and reasonable. The permanent rate increase described in this Section II.A. shall be reconcilable to the first effective date of temporary rates in this case, in accordance with Section II.E below.

B. Step Adjustment for Capital Additions

The Settling Parties agree that, in addition to the rate increase set forth in Section II.A., Pittsfield should be authorized to implement a further increase in permanent rates of \$19,339 in annual revenues, which amount is subject to final audit by Staff, effective as of the date of the Commission order approving this Agreement, which increase shall not be reconcilable for the period during which temporary rates were in effect and shall be recovered from all customer classes on an equiproportional basis. This step increase is to recover the costs associated with the \$112,883 addition to rate base as a result of Pittsfield's upgrades to the Berry Pond Dam which were mandated by the New Hampshire Department of Environmental Services. See schedules included as Attachment B.

C. Rate Design

The Settling Parties agree to adopt the Company's proposed cost of service study in this docket subject to the following exceptions: (1) the proposed shift of revenues from the volumetric rate to the fixed charge for metered customers shall not be adopted, and the proposed increase in revenues and rate design for the metered class shall be in accordance with a revision to the Company's cost of service study which does not reflect the proposed shift of certain costs to the customer charges; and (2) the number of customers taking service via 5/8" meters shall be reduced by five (5) in recognition of the number of customers whose property is the subject of foreclosure actions and the Company's reasonable expectation that it will not recover any revenues from those accounts in the near future.

D. Rate Impact

The settling parties recommend an overall increase for general metered customers of 15.32%. For the average residential customer with a 5/8 meter and based on average monthly usage of 5.93 one hundred cu. ft., the annual bill is approximately \$674.76, an increase of approximately \$103.61 per year, or \$8.63 per month. With the step adjustment, there will be an additional increase of approximately \$18.22 per year or \$1.52 per month for the average residential customer. The increase for private fire protection services is 8.95% and the increase for public fire protection services is 27.31%. Including the step adjustment, the increases for private fire protection service is 11.90% and for public fire protection services is 30.76%. The

results of the revenue increases by customer class are reflected in the Report of Proposed Rate Changes attached hereto as Attachment C.

E. Effective Date for Permanent Rates and Step Increase and Recoupment

The permanent rate increase agreed to in Section II.A. shall be effective for all service rendered on and after June 16, 2010, the first effective date of temporary rates, in accordance with Order No. 25,154. In order to reconcile the difference between temporary rates and permanent rates, the Settling Parties agree that the Company should be authorized to implement a surcharge designed to collect, over a twelve month period, an amount equal to the difference between the revenues the Company would have collected had the agreed upon level of permanent rates been in effect for service rendered on and after June 16, 2010 and the actual revenues collected at the temporary rate levels actually in effect. Upon the issuance of a final order in this proceeding, Pittsfield agrees to submit its calculation of the temporary – permanent rate recoupment and its surcharge recommendation for Commission review. This equal percentage surcharge shall be calculated and reflected as a separate item on all customer bills. The step adjustment set forth in Section II.B. shall not be reconciled for the period when temporary rates were in effect.

F. Rate Case Expense Surcharge

The Settling Parties agree that Pittsfield should be allowed to recoup its reasonable and prudent rate case expenses for this docket through a surcharge, which shall be included with the temporary rate reconciliation surcharge described in Section II.E. Rate case expense are estimated to be approximately \$85 per customer and may include, but shall not be limited to,

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Pittsfield's legal expenses and consultant expenses, and incremental administrative expenses such as copying and delivery charges. Pittsfield agrees to submit its final rate case expense request to Staff for review and recommendation to the Commission.

Upon receipt of the Commission's final order, the Company agrees to file a compliance tariff supplement including the approved surcharge relating to recoupment of the difference between the level of temporary rates and permanent rates and the recovery of rate case expenses.

G. Water Infrastructure and Conservation Adjustment Charge (WICA) Pilot Program

The Settling Parties agree that the Company's proposal to implement a WICA has merit and should be adopted on a pilot basis as modified herein. The Settling Parties have agreed to implementation of the WICA on the understanding that it will be re-evaluated at the time of the Company's next rate case and that because the WICA is to be implemented on a pilot basis only, it is not intended to constitute precedent for a future proceeding involving the Company or any other utility.

Specifically, the Company agrees to file a compliance tariff provision adopting a WICA consistent with the following:

1. WICA eligible projects are restricted to the replacement of mains, valves, services, and hydrants and that any surcharge associated with any approved projects shall be limited to a 5% increase in rates in any one year with a maximum increase in rates of 7.5% between full rate cases. The Company shall coordinate with the Town of Pittsfield on any projects in the event the Town is planning street paving or rehabilitation.

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2. The Company agrees to file a three period projected budget of proposed WICA eligible projects no later than December 31 of each year for the biennial WICA replacement program. Each such budget shall show projects broken down into three periods. Period 1 projects are those proposed to be constructed in the succeeding twelve month period. Period 2 projects are those proposed to be constructed in the next twenty-four month period. Period 3 projects are those proposed to be constructed in the twenty-four months following Period 2. Period 3 projects shall be provided for advisory purposes and discussion. Period 2 projects shall be provided for review and approval by the Commission. Period 1 projects shall be provided for final review and informational purposes.

3. Staff or any party may request a hearing prior to the Commission's granting approval for a project to become eligible for cost recovery through the WICA. The determination as to whether to hold a hearing on the eligibility of any project for WICA cost recovery shall be at the discretion of the Commission.

4. The Company agrees to file the final project costs, supporting documentation and proposed WICA adjustment for completed projects previously determined to be WICA eligible. The WICA rate shall become effective on a service rendered basis on April 1 following the Company's filing with the Commission seeking implementation of a WICA rate change; provided, however, that if the Commission determines that further investigation or consideration of any proposed WICA is needed, it may order that the proposed WICA rate become effective on a temporary basis, in which case the rate shall be subject to reconciliation pending final determination by the Commission. (In such case, reconciliation shall be only for final

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determination of the costs to be included in the WICA, not for any positive or negative variances in actual revenues collected versus projected revenues.) No project shall be included for recovery in the WICA unless the project is used and useful in providing service to customers or will be used and useful by the effective date of the WICA.

5. In the first year in which a WICA is implemented for any given project or projects, the property taxes included for recovery shall be prorated to reflect the portion of the year that the Company will actually be assessed for such increased taxes. The amount of such taxes, if not known based on a tax bill issued by the relevant taxing authority, shall be estimated using the most recently effective tax rate applicable to the property in question. In the second year in which the WICA is in effect for such project(s), the WICA shall be adjusted to reflect a full twelve months of property taxes, based on the most recent actual tax bill for the relevant property. There shall be no reconciliation for the difference between such tax bill and the estimated tax used for the prior year. After the second year that a WICA for a particular project has been in place, there shall be no further adjustment to the charge.

6. The budget showing proposed WICA eligible projects and the proposed WICA rate adjustment filings shall be filed with the Commission, along with all documentation necessary for Staff and the parties to verify the costs of the completed projects, proposed tariff pages, and testimony that summarizes the WICA budgets and the calculation of the surcharge requested.

7. The Company shall provide notice to its customers and the Town of Pittsfield at least thirty (30) days in advance of its WICA filings.

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8. The WICA would be reflected on the customers' bills as a WICA Surcharge Amount. The charge would be expressed as a percentage and applied to the effective portion of the total amount billed to each customer under the Company's approved tariff rate and charges with the exception of miscellaneous charges. Any WICA rate adjustment shall be applied equiportionally to all classes of customers on a service rendered basis.

9. Notwithstanding, the Settling Parties' agreement that implementation of the WICA is on a pilot basis and may be modified or discontinued by the Commission, the inclusion of any project in the WICA shall constitute authorization for the Company to continue to collect such amount through its rates on a continuing basis without regard to any subsequent decision by the Commission to discontinue or modify the WICA process. The WICA process shall automatically terminate at the time of a final order in the Company's next general rate case, unless it is extended by the Commission in such order or prior to such order.

III. CONDITIONS

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, any party hereto, at its sole option exercised within thirty days of such Commission order, may withdraw from this Agreement, in which event it shall be deemed to be null and void and without effect and shall not be relied upon by Staff or any party to this proceeding or by the Commission for any 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

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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.

The Commission's approval of the recommendations in this Agreement shall not constitute a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the income requirement, rates, rate base and rate of return, as specified in Section II.A., and the other provisions of this Agreement, when considered as a whole, are just and reasonable.

The discussions that produced this Agreement have been conducted on the explicit understanding that all offers of settlement relating thereto are and shall be confidential, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

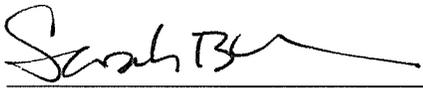
IN WITNESS WHEREOF, the Settling Parties have caused this Agreement to be duly executed in their respective names by their fully authorized agents.

Pittsfield Aqueduct Company, Inc.

By its attorneys

McLane, Graf, Raulerson & Middleton,
Professional Association

Dated: April 21, 2011

By: 

Sarah B. Knowlton

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Settlement Agreement

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Dated: April 21, 2011

By: *Marcia A. B. Thunberg*
Marcia A. B. Thunberg
Staff Attorney

**Attachment JPL-2
Schedule 1**

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

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

**Attachment JPL-2
Schedule 1A**

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

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

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

	Company Filing			Response to OCA DR 3-1		Staff Testimony		
	(1) 13 Month Average (Co Filing - Tab 7, Sch 3)	(2) Pro-forma Adj's Per Company (Co Filing - Tab 7; Sch 3; Sch's A - E)	(3) Pro-forma Test Year (Co Filing - Tab 7; Sch 3)	(4) Additional Pro-forma Adj's (Per Co Response to OCA DR 3-1)	(5) Adjusted Pro-forma Test Year per Co (Per Co Response to OCA DR 3-1)	(6) Pro-forma Adj's Per Staff	(7) Sch 2A	(8) Adjusted Rate Base Per Staff
Plant in Service	\$ 3,851,286	\$ (4,461)	\$ 3,846,825		\$ 3,846,825			\$ 3,846,825
Accumulated Depreciation	(913,863)	(7,359)	(921,222)		(921,222)			(921,222)
Acquisition Adjustment	-	-	-		-			-
Accumulated Amortization Acq Adj	-	-	-		-			-
Contributions in Aid of Construction	(1,148,636)		(1,148,636)		(1,148,636)			(1,148,636)
Accumulated Amortization of CIAC	256,418		256,418		256,418			256,418
Net Plant in Service	2,045,205	(11,820)	2,033,385	-	2,033,385	-		2,033,385
Cash Working Capital	112,019	(265)	111,754	(61,125)	50,629	(414)	1	50,215
Materials and Supplies	588		588		588			588
Prepayments	7,797		7,797		7,797			7,797
Unamortized Deferred Debits	115,944	(112,439)	3,505		3,505			3,505
Customer Advances	-		-		-			-
Customer Deposits	-		-		-			-
Deferred Income Taxes	(533,584)	338,573	(194,991)		(194,991)			(194,991)
TOTAL RATE BASE	\$ 1,747,989	\$ 214,049	\$ 1,962,038	\$ (61,125)	\$ 1,900,913	\$ (414)		\$ 1,900,499

**Attachment JPL-2
 Schedule 2A**

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

Adj #

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

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

	Company Filing		Response to OCA DR 3-1		(6)	(7)	Staff Testimony			
	(1) 12 Months Ended 12/31/09	(2) Pro-forma Adj's Per Company (Co Filing - Tab 7; Sch 1; Alt's A - G)	(3) Pro-forma Per Company (Co Filing - Tab 7, Sch 1)	(4) Additional Pro-forma Adj's (Per Co Response to OCA DR 3-1)			(5) Adjusted Pro-forma Per Company (Per Co Response to OCA DR 3-1)	(8) Pro-forma Test Year Per Staff	(9) Revenue Deficiency Per Staff (Sch 1)	(10) Revenue Requirement Per Staff (Sch 1)
OPERATING REVENUES										
Water	\$ 600,603	\$ 6,530	\$ 607,133	\$ 126	\$ 607,259		\$ 607,259	\$ 105,983	\$ 713,242	
Other	3,895	1,534	5,429		5,429		5,429	-	5,429	
Total Operating Revenues	604,498	8,064	612,562	126	612,688	-	612,688	105,983	718,671	
OPERATING EXPENSES										
O & M Expenses:										
Production	101,270	(14,878)	86,392		88,392	(660)	2	85,732	-	85,732
Transmission and Distribution	82,745	(30,369)	52,376		52,376	(1,148)	3	51,228	-	51,228
Customer Accounting	19,953		19,953		19,953			19,953	-	19,953
Administrative and General	19,947	41,424	61,371	(1,364)	60,007			60,007	-	60,007
Inter-Division Management Fee	158,353	1,673	160,026	(238)	159,788	55	4	159,843	-	159,843
Total O & M Expenses	382,268	(2,150)	380,118	(1,602)	378,516	(1,753)		376,763	-	376,763
Depreciation Expense	78,727	7,359	86,086		86,086			86,086	-	86,086
Amortization - CIAC	(24,146)		(24,146)		(24,146)			(24,146)	-	(24,146)
Amortization Expense	7,597	(3,139)	4,458		4,458			4,458	-	4,458
Property Taxes	81,603	(166)	81,437	(4,225)	77,212	100	5	77,312	-	77,312
Total Operating Expenses	526,049	1,904	527,953	(5,827)	522,126	(1,653)		520,473	-	520,473
Net Operating Income Before Income Tax	78,449	6,160	84,609	5,953	90,562	1,653		92,215	105,983	198,198
Income Taxes:										
NH Business Profits Tax	1,684	524	2,208	506	2,714	140	Sch 3B	2,854	9,009	11,863
Federal Income Taxes	4,732	1,917	6,649	1,852	8,501	514	Sch 3B	9,015	32,971	41,987
Total Income Taxes	6,416	2,441	8,857	2,358	11,215	655		11,870	41,980	53,850
NET OPERATING INCOME	\$ 72,033	\$ 3,719	\$ 75,752	\$ 3,595	\$ 79,347	\$ 998		\$ 80,345	\$ 64,003	\$ 144,348

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

Adj #

PROFORMA ADJUSTMENTS TO OPERATING EXPENSES:

PRODUCTION EXPENSES

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

3	To adjust Co's pro-forma for union contract wage increases per response to Staff DR 2-11:		
	01/01/09 - 02/16/09 Wage Adj per Co response to Staff DR 2-11	\$	611
	02/17/10 - 12/31/10 Wage Adj per Co response to Staff DR 2-11		2,138
	Total Wage Adj per Co response to Staff DR 2-11	<u></u>	2,749
	Benefits @ 67.85%		1,865
	Total Wage / Benefit Adjustment	<u></u>	4,614
	Less: Pro-forma Adj per Co Filing (Sec 7; Sch 1; Att B; Pg 2; Adj I A)	<u></u>	(5,782) \$ (1,148)

INTER-DIVISION MANAGEMENT FEE

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

PROPERTY TAXES

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

NET ADJUSTMENTS - OPERATING EXPENSES (before Income Tax Effect)	\$	(1,853)
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**Attachment JPL-2
 Schedule 3B**

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

INCOME TAXES

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

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

**Attachment JPL-4
 Schedule 1**

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

Rate Base (Sch 2)	\$ 112,883	
Rate of Return (Co Filing)	<u>7.60%</u>	
Operating Income Requirement	8,574	
Proforma Operating Income (Sch 3)	<u>(3,105)</u>	
Revenue Deficiency Before Taxes	11,679	
Divided by Tax Factor (Sch 1A)	<u>60.39%</u>	
Revenue Deficiency	<u>\$ 19,339</u>	
Test Year Adjusted Water Revenue (Att JPL-1;Sch 3)	<u>\$ 607,259</u>	
Percent Increase	<table border="1" style="display: inline-table;"><tr><td style="text-align: center;">3.18%</td></tr></table>	3.18%
3.18%		
 Combined Permanent & Step Increase:		
Permanent Increase (Att JPL-1; Sch 1)	\$ 105,983	
Step Increase	19,339	
Combined Permanent & Step Increase	<u>125,322</u>	
Test Year Adjusted Water Revenue	607,259	
Total Revenue Requirement	<u>\$ 732,581</u>	
Percent Increase	<table border="1" style="display: inline-table;"><tr><td style="text-align: center;">20.64%</td></tr></table>	20.64%
20.64%		

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

**Attachment JPL-4
Schedule 1A**

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

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

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

**Attachment JPL-4
 Schedule 2**

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

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

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

Attachment JPL-4
Schedule 2A

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

Adj #

TOTAL ADJUSTMENTS - RATE BASE

\$ -

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

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

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

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

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

Adj #

PROFORMA ADJUSTMENTS TO OPERATING EXPENSES:

PROPERTY TAXES

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

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

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

**Attachment JPL-4
 Schedule 3B**

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

INCOME TAXES

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

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

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

Pittsfield Aqueduct Company, Inc.
 Report of Proposed Rate Changes
 For the Twelve Months Ended December 31, 2009

Pro Forma
 Schedule 9
 Permanent

DOCKET NO: DW 10-090 DATE FILED: 5/6/2010
 TARIFF NO.: 5 or PAGE NOS. 38-40 and 44 EFF. DATE:

<u>Rate or Class of Service</u>	<u>Effect of Proposed Change</u>	<u>Average Number of Customers</u>	<u>Proposed Change</u>			
			<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Amount</u>	<u>%</u>
G-M	Increase	631	\$ 463,908	\$ 534,960	\$ 71,052	15.32%
Private FP	Increase	11	\$ 21,930	\$ 23,893	\$ 1,963	8.95%
FP - Hydrants	Increase	1	\$ 121,295	\$ 154,421	\$ 33,126	27.31%
TOTALS		643	\$ 607,133	\$ 713,275	\$106,142	17.48%

Note:

The Proposed rates and the amount of the increase is based on the Cost of Service Study. In the Study, a slight difference is noted in the allocation of the proposed revenue vs. the revenue requirement reflected in the rate filing schedules.

Signed by:

Bonalyn J. Hartley

Title:

Vice President - Administration

**Pittsfield Aqueduct Company, Inc.
 Report of Proposed Rate Changes
 For the Twelve Months Ended December 31, 2009**

**Pro Forma
 Schedule 9
 Step**

DOCKET NO.: DW 10-090 **DATE FILED:** 5/6/2010
TARIFF NO.: 5 or **PAGE NOS.** 38-40 and 44 **EFF. DATE:** 6/6/2010

<u>Rate or Class of Service</u>	<u>Effect of Proposed Change</u>	<u>Average Number of Customers</u>	<u>Proposed Change</u>			
			<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Amount</u>	<u>%</u>
G-M	Increase	631	\$ 463,908	\$ 478,405	\$14,497	3.13%
Private FP	Increase	11	\$ 21,930	\$ 22,577	\$647	2.95%
FP - Hydrants	Increase	1	\$ 121,295	\$ 125,479	\$4,184	3.45%
TOTALS		643	\$ 607,133	\$ 626,461	\$19,328	3.18%

Note:

The Proposed rates and the amount of the increase is based on the Cost of Service Study. In the Study, a slight difference is noted in the allocation of the proposed revenue vs. the revenue requirement reflected in the rate filing schedules.

Signed by:

Bonalyn J. Hartley

Title:

Vice President - Administration

**Pittsfield Aqueduct Company, Inc.
 Report of Proposed Rate Changes
 For the Twelve Months Ended December 31, 2009**

**Pro Forma
 Schedule 9
 Combined**

DOCKET NO: DW 10-090 **DATE FILED:** 5/6/2010
TARIFF NO.: 5 or PAGE NOS. 38-40 and 44 **EFF. DATE:** 6/6/2010

<u>Rate or Class of Service</u>	<u>Effect of Proposed Change</u>	<u>Average Number of Customers</u>	<u>Proposed Change</u>			
			<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Amount</u>	<u>%</u>
G-M	Increase	631	\$ 463,908	\$ 549,458	\$ 85,550	18.44%
Private FP	Increase	11	\$ 21,930	\$ 24,541	\$ 2,611	11.90%
FP - Hydrants	Increase	1	\$ 121,295	\$ 158,605	\$ 37,310	30.76%
TOTALS		643	\$ 607,133	\$ 732,603	\$125,470	20.67%

Note:

The Proposed rates and the amount of the increase is based on the Cost of Service Study. In the Study, a slight difference is noted in the allocation of the proposed revenue vs. the revenue requirement reflected in the rate filing schedules.

Signed by:

Bonalyn J. Hartley

Title:

Vice President - Administration