

**DW 10-159
WEST SWANZEY WATER COMPANY, INC.
REVENUE REQUIREMENT**

Average Rate Base (Sch 2)	\$ 197,490
Rate of Return (Sch 1a)	<u>5.27%</u>
Operating Income Requirement	10,398
Adjusted Net Operating Income (Sch 3)	<u>12,225</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(1,826)
Divided by Tax Factor (Sch 1b)	<u>86.28%</u>
Revenue Deficiency / (Surplus)	(2,117)
Pro-forma Test Year Water Revenue per Company (Sch 3)	<u>69,132</u>
Revenue Requirement from Water Sales per Staff	67,015
Less: Adjusted Test Year Water Sales	<u>(59,006)</u>
Increase / (Decrease) in Revenue Requirement from Water Sales	<u>\$ 8,009</u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u>13.57%</u>

**DW 10-159
WEST SWANZEY WATER COMPANY, INC.
WEIGHTED AVERAGE COST OF CAPITAL**

	Capital Structure				Cost of Debt				Cost Rate	Weighted Average Cost
	Per Test Year	Staff Adjustments (a)	Adjusted Per Staff	Percent	Interest Rate @ 12/31/09 (a)	Annual Interest	Annual Amortization	Total Annual Cost of Debt		
Long-term Debt:										
Ocean Bank: 04/28/99	\$ 26,201	\$ (550)	\$ 25,651	12.09%	6.50%	\$ 1,667	\$ -	\$ 1,667	6.50%	0.79%
Ocean Bank: 09/23/03	149,334	(115)	149,219	70.35%	3.75%	5,596	274	5,870	3.93%	2.77%
Total Long-term Debt	<u>175,535</u>	<u>(665)</u>	<u>174,870</u>	<u>82.44%</u>		<u>\$ 7,263</u>	<u>\$ 274</u>	<u>\$ 7,537</u>	<u>4.31%</u>	<u>3.55%</u>
Common Equity:										
Common Stock	30,471	-	30,471	14.37%						
Retained Earnings	6,774	-	6,774	3.19%						
Total Common Equity	<u>37,245</u>	<u>-</u>	<u>37,245</u>	<u>17.56%</u>					<u>9.75%</u>	<u>1.71%</u>
Total Capitalization	<u>\$ 212,780</u>	<u>\$ (665)</u>	<u>\$ 212,115</u>	<u>100.00%</u>						<u>5.27%</u>

(a) Per review of Ocean Bank Loan Statements from response to Staff 2-14

DW 10-159
WEST SWANZEY WATER COMPANY, INC.
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>15.00%</u>
Effective Federal Income Tax Rate	13.73%
Add: NH Business Profits Tax	<u>0.00%</u>
Effective Tax Rate	<u><u>13.73%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>13.73%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>86.28%</u></u>

**DW 10-159
WEST SWANZEY WATER COMPANY, INC.
AVERAGE RATE BASE**

	Year End Average Per Company	Staff Adjustments (Sch 2a)	Adj #	5-Quarter Average Per Staff
<u>Plant in Service</u>				
Plant in Service (Sch 2b)	\$ 408,370	\$ 25	1	\$ 408,395
Less: Accumulated Depreciation (Sch 2b)	<u>(139,153)</u>	<u>71</u>	2	<u>(139,082)</u>
Net Plant in Service	<u>269,217</u>	<u>96</u>		<u>269,313</u>
Contributions in Aid of Construction (CIAC) (Sch 2b)	(114,157)	-		(114,157)
Accumulated Amortization of CIAC (Sch 2b)	<u>32,032</u>	<u>1</u>	3	<u>32,033</u>
Net Contributions in Aid of Construction	<u>(82,125)</u>	<u>1</u>		<u>(82,124)</u>
Net Plant in Rate Base	<u>187,092</u>	<u>96</u>		<u>187,188</u>
<u>Working Capital</u>				
Materials & Supplies (Sch 2b)	718	(239)	4	479
Prepaid Expenses (Sch 2b)	2,438	(731)	5	1,707
Cash Working Capital (Sch 2b)	<u>7,434</u>	<u>682</u>	6	<u>8,116</u>
Total Working Capital in Rate Base	<u>10,590</u>	<u>(288)</u>		<u>10,302</u>
Total Average Rate Base	<u><u>\$ 197,682</u></u>	<u><u>\$ (192)</u></u>		<u><u>\$ 197,490</u></u>

**DW 10-159
WEST SWANZEY WATER COMPANY, INC.
STAFF PRO-FORMA ADJUSTMENTS TO RATE BASE**

Adj#

Proforma Adjustments to Plant in Service:

Plant in Service

1	To adjust test year average (Sch 2b):			
	5-Quarter Average per Staff	\$	408,395	
	Less: Year-end average per Company		(408,370)	\$ 25
				<hr/>

Accumulated Depreciation

2	To adjust test year average (Sch 2b):			
	5-Quarter Average per Staff	\$	(139,082)	
	Less: Year-end average per Company		139,153	\$ 71
				<hr/>

Accumulated Amortization - CIAC

3	To adjust test year average (Sch 2b):			
	5-Quarter Average per Staff	\$	32,033	
	Less: Year-end average per Company		(32,032)	\$ 1
				<hr/>

Proforma Adjustments to Working Capital:

Materials & Supplies

4	To adjust test year average (Sch 2b):			
	5-Quarter Average per Staff	\$	479	
	Less: Year-end average per Company		(718)	\$ (239)
				<hr/>

Prepaid Expenses

5	To adjust test year average (Sch 2b):			
	5-Quarter Average per Staff	\$	1,707	
	Less: Year-end average per Company		(2,438)	\$ (731)
				<hr/>

Cash Working Capital

6	To adjust cash working capital (Sch 2b):			
	Amount per Staff	\$	8,116	
	Less: Amount per Company		(7,434)	\$ 682
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**DW 10-159
WEST SWANZEY WATER COMPANY, INC.
CALCULATION OF AVERAGE RATE BASE**

	<u>12/31/08</u>	<u>03/31/09</u>	<u>06/30/09</u>	<u>09/30/09</u>	<u>12/31/09</u>	<u>5-Quarter Average Per Staff</u>	<u>Year End Average Per Company</u>	<u>Staff Adjustments</u>	<u>Adjustment #</u>
Plant in Service	\$ 408,241	\$ 408,241	\$ 408,498	\$ 408,498	\$ 408,498	\$ 408,395	408,370	\$ 25	1
Accumulated Depreciation	(132,935)	(136,219)	(138,802)	(142,086)	(145,370)	(139,082)	(139,153)	71	2
Contributions in Aid of Construction (CIAC)	(114,157)	(114,157)	(114,157)	(114,157)	(114,157)	(114,157)	(114,157)	-	
Accumulated Amortization - CIAC	30,537	31,285	32,033	32,780	33,528	32,033	32,032	1	3
Materials & Supplies	959	639	320	-	477	479	718	(239)	4
Prepaid Expenses (a)	2,312	1,205	1,584	301	3,134	1,707	2,438	(731)	5
Cash Working Capital	(b)					8,116	7,434	682	6
Total Average Rate Base						<u>\$ 197,490</u>	<u>\$ 197,682</u>	<u>\$ (192)</u>	

(a) Staff's Calculation of Prepaid Expenses:

	<u>2009 Insurance</u>		<u>2010</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>Total</u>
	<u>Payment #1</u>	<u>Payment #2</u>	<u>Insurance</u>	<u>Local Tax</u>	<u>State Tax</u>	<u>Local Tax</u>	<u>State Tax</u>	<u>Prepays</u>
12/31/08	\$ 1,216	\$ -	\$ -	\$ 831	\$ 264	\$ -	\$ -	\$ 2,312
01/31/09	1,106	-	-	554	176	-	-	1,836
02/28/09	995	-	-	277	99	-	-	1,371
03/31/09	885	320	-	-	-	-	-	1,205
04/30/09	774	280	-	-	-	-	197	1,251
05/31/09	664	240	-	-	-	-	99	1,002
06/30/09	553	200	-	-	-	831	-	1,584
07/31/09	442	160	-	-	-	554	197	1,353
08/31/09	332	120	-	-	-	277	98	827
09/30/09	221	80	-	-	-	-	-	301
10/31/09	111	40	-	-	-	-	197	348
11/30/09	-	-	-	-	-	-	99	99
12/31/09	-	-	1,284	-	-	1,554	296	3,134

(b) Staff's Calculation of Cash Working Capital:

Adjusted Total O & M Expenses (Sch 3)	\$ 39,498
Cash Working Capital % (75 days / 365 days)	<u>20.55%</u>
Cash Working Capital	<u>\$ 8,116</u>

**DW 10-159
WEST SWANZEY WATER COMPANY, INC.
OPERATING INCOME STATEMENT**

	Per Test Year	Pro-forma Adjustments Per Company	Adjusted Test Year Per Company	Staff Adjustments (Sch 3a)	Adj #	Adjusted Test Year Per Staff	Revenue Deficiency / (Surplus)	Revenue Requirement
Operating Revenues								
Water Sales	\$ 59,026	\$ 10,126	\$ 69,152	\$ (20)	7	\$ 69,132	\$ (2,117)	\$ 67,015
Other Operating Revenues	90	-	90			90		90
Total Operating Revenues	<u>59,116</u>	<u>10,126</u>	<u>69,242</u>	<u>(20)</u>		<u>69,222</u>	<u>(2,117)</u>	<u>67,105</u>
Operating Expenses								
Operation & Maintenance Expenses:								
Source of Supply Expenses	3,617	-	3,617	(99)	8	3,518		3,518
Pumping Expenses	6,410	-	6,410	(508)	9	5,902		5,902
Water Treatment Expenses	1,472	-	1,472	(65)	10	1,407		1,407
Transmission & Distribution Expenses	1,535	-	1,535	(157)	11	1,378		1,378
Customer Accounts Expenses	5,202	-	5,202			5,202		5,202
Administrative & General Expenses	17,939	-	17,939	4,152	12-14	22,091		22,091
Total Operation & Maintenance Expenses	<u>36,175</u>	<u>-</u>	<u>36,175</u>	<u>3,323</u>		<u>39,498</u>	<u>-</u>	<u>39,498</u>
Depreciation Expense	12,767	-	12,767	19	15	12,786		12,786
Amortization Expense - CIAC	(2,991)	-	(2,991)			(2,991)		(2,991)
Amortization Expense - Other	369	-	369	(162)	16	207		207
Taxes other than Income	6,989	723	7,712	(601)	17	7,111		7,111
Total Operating Expenses	<u>53,309</u>	<u>723</u>	<u>54,032</u>	<u>2,579</u>		<u>56,611</u>	<u>-</u>	<u>56,611</u>
Net Operating Income / (Loss) Before Income Taxes	5,807	9,403	15,210	(2,599)		12,611	(2,117)	10,494
Income Taxes	-	964	964	(578)	Sch 3b	386	(291)	96
Net Operating Income (Loss)	<u>\$ 5,807</u>	<u>\$ 8,439</u>	<u>\$ 14,246</u>	<u>\$ (2,021)</u>		<u>\$ 12,225</u>	<u>\$ (1,826)</u>	<u>\$ 10,398</u>

**DW 10-159
WEST SWANZEY WATER COMPANY, INC.
STAFF PRO-FORMA ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES**

Adj #

Pro-forma Adjustments to Operating Revenues:

7	To reduce test year metered water sales per Co's general ledger (Staff 1-1)	\$	(20)
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Proforma Adjustments to Operating Expenses:

Source of Supply Expenses

8	To eliminate expense for purchase of Christmas gift (Staff 2-3)	\$	(99)
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Pumping Expenses

9	To adjust test year purchased power expense to actual test year billings (Staff 2-17):		
	Actual test year billings for electricity costs	\$	5,902
	Less: Purchased power expense per Company filing	(6,410)	\$ (508)

Water Treatment Expenses

10	To properly reflect test year expenses (Staff 2-4):		
	2008 bacteria test recorded in the test year	\$	(15)
	2008 plowing expenses recorded in the test year	(200)	
	2009 plowing expenses not recorded in the test year	150	\$ (65)

Transmission & Distribution Expenses

11	To eliminate 2008 expense recorded in the test year (Staff 2-5)	\$	(157)
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Administrative & General Expenses

12	To adjust insurance expense to 2010 premium amount (Staff 2-9):		
	2010 commercial package premium	\$	1,401
	Less: Insurance expense recorded by Co during the test year	(1,684)	\$ (283)

13	To properly reflect test year expenses (Staff 1-1):		
	2008 corporate fee recorded in the test year	\$	(150)
	Change agent fee recorded in the test year (non-recurring)	(15)	(165)

14	To increase supervision / rental fees to coincide with revised affiliate agreements:		
	Total annual management / rental fees indicated per revised agreements	\$	19,000
	Less: Management / rental fees charged to Company during the test year	(14,400)	4,600

Total Adjustments - Administrative & General Expenses	\$	4,152
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DW 10-159
WEST SWANZEY WATER COMPANY, INC.
STAFF PRO-FORMA ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES

Adj #

Depreciation Expense

15	To reflect full year depreciation expense for meters installed during the test year (Staff 1-2):		
	Cost of meters placed in service during 2009	\$	958
	Depreciation Rate	x	4.50%
	Full year depreciation expense		<u>43</u>
	Depreciation expense recorded during the test year		<u>(24) \$ 19</u>

Amortization Expense - Other

16	To eliminate expense for items fully amortized during the test year (Staff 1-2):		
	Organization Costs	\$	(10)
	Franchise Costs		<u>(152) \$ (162)</u>

Taxes Other than Income

17	To adjust test year property tax expense (Staff 1-17; 2-18):		
	2010 Municipal Property Tax	\$	5,727
	2010 State Utility Property Tax		<u>1,384</u>
	Total pro-forma property taxes per Staff		<u>7,111</u>
	Less: Pro-forma property taxes per Company (Sch 3)		<u>(7,712) \$ (601)</u>

DW 10-159
WEST SWANZEY WATER COMPANY, INC.
STAFF PRO-FORMA ADJUSTMENTS TO 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	\$ (20)
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Operating Expenses:

Total Proforma Adjustments to Source of Supply Expenses	99
Total Proforma Adjustments to Pumping Expenses	508
Total Proforma Adjustments to Water Treatment Expenses	65
Total Proforma Adjustments to Transmission & Distribution Expenses	157
Total Proforma Adjustments to Customer Accounts Expenses	-
Total Proforma Adjustments to Administrative & General Expenses	(4,152)
Total Proforma Adjustments to Depreciation Expense	(19)
Total Proforma Adjustments to Amortization Expense - CIAC	-
Total Proforma Adjustments to Amortization Expense - Other	162
Total Proforma Adjustments to Taxes other than Income	601

Marginal Revenue (Expense) Subject to Income Taxes	(2,599)
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Less: New Hampshire Business Profits Tax @ 8.5%	221
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Amount Subject to Federal Income Tax	(2,378)
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Less: Federal Income Tax @ 15.0%	357
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Proforma Adjustments net of Income Taxes	\$ (2,021)
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**DW 10-159
WEST SWANZEY WATER COMPANY, INC.
CALCULATION OF CUSTOMER RATES**

	<u>Present Rates</u>	<u>% Increase</u>	<u>Proposed Rates</u>	<u>Quantity</u>	<u>Total Revenue</u>
Fixed Charge:					
5/8" Meter	\$ 6.82	163.93%	\$ 18.00	59 a	\$ 1,062
3/4" Meter	\$ 7.50	164.00%	\$ 19.80	-	-
1" Meter	\$ 9.55	163.87%	\$ 25.20	12 a	302
1 1/2" Meter	\$ 12.28	163.84%	\$ 32.40	-	-
2" Meter	\$ 19.78	163.90%	\$ 52.20	4 a	209
3" Meter	\$ 75.02	163.93%	\$ 198.00	-	-
4" Meter	\$ 95.48	163.93%	\$ 252.00	-	-
6" Meter	\$ 143.22	163.93%	\$ 378.00	-	-
8" Meter	\$ 197.78	163.93%	\$ 522.00	-	-
				<u>75</u> a	<u>\$ 1,573</u>
				x 4	Quarters
Total Annual Fixed Charge Revenue					<u>\$ 6,293</u>
 Consumption Charge (per 100 Gallons):	 \$ 0.566	 6.08%	 \$ 0.600	 83,732 b	 <u>\$ 50,274</u>
 Private Fire Protection:					
1" Service	\$ 25.00	13.57%	\$ 28.39	-	\$ -
2" Service	\$ 50.00	13.57%	\$ 56.79	-	-
4" Service	\$ 150.00	13.57%	\$ 170.36	-	-
6" Service	\$ 300.00	13.57%	\$ 340.72	1 a	341
8" Service	\$ 500.00	13.57%	\$ 567.87	4 a	2,271
				<u>5</u> a	<u>\$ 2,612</u>
				x 4	Quarters
Total Annual Private Fire Protection Revenue					<u>\$ 10,449</u>
 Total Proposed Annual Revenues (Sch 1)					 <u>\$ 67,015</u>

a = Number of Customers

b = 100 Gallons Sold

DW 10-159
WEST SWANZEY WATER COMPANY, INC.
STEP ADJUSTMENT: 2011 # 2 WELL and PUMP IMPROVEMENTS
REVENUE REQUIREMENT

Additions to Plant in Service:

# 307: Wells (Sch 2)	\$ 16,500
# 311: Pumping Equipment (Sch 2)	<u>16,500</u>
Total Additions to Plant in Service	33,000
Less: Accumulated Depreciation (Sch 2)	<u>(1,097)</u>
Net Additions to Plant in Service	\$ 31,903

Adjustments to Working Capital:

Cash Working Capital [75/365] (See "Reduction in Annual Purchased Power Costs" below) \$ (902) x 20.55% = (185)

Net Adjustments to Rate Base**\$ 31,717**

Rate of Return

x 8.00%**Addition to Operating Income Requirement****\$ 2,537****Adjustments to Operating Expenses:**

Reduction in Annual Purchased Power Costs:

Stipulated Purchased Power Expense Subsequent to 2011 Improvements

\$ 5,000

Less: Current Pro-forma Purchased Power Expense (Attach A; Sch 3)

(5,902) \$ (902)

Annual Depreciation Expense (Sch 2)

2,195

Property Tax Expense (Sch 3)

855**Total Adjustments to Operating Expenses****\$ 2,148****Total Addition to Revenue Requirement from Water Sales after Step Adjustment****\$ 4,685****Revenue Requirement from Water Sales after Permanent Rate Increase (Attach A; Sch 1)****67,015****Total Revenue Requirement from Water Sales after Step Adjustment****\$ 71,700****Additional Percent Increase / (Decrease) in Revenue Requirement from Water Sales****6.99%**

The amounts indicated on this schedule are estimates only. The Company and Staff anticipate that when an actual filing is submitted to the Commission by the Company, the amounts contained in such will differ from the above.

DW 10-159
WEST SWANZEY WATER COMPANY, INC.
STEP ADJUSTMENT: 2011 # 2 WELL and PUMP IMPROVEMENTS
PLANT ADDITIONS AND DEPRECIATION

PUC Acct #	Description	Cost	Deprec Rate	Annual Expense	Accum Deprec	Net Book Value
307	Wells	\$ 16,500	3.30%	\$ 545	\$ (272)	\$ 16,228
311	Pumping Equipment	16,500	10.00%	1,650	(825)	15,675
	TOTAL	<u>\$ 33,000</u>		<u>\$ 2,195</u>	<u>\$ (1,097)</u>	<u>\$ 31,903</u>

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DW 10-159
WEST SWANZEY WATER COMPANY, INC.
STEP ADJUSTMENT: 2011 # 2 WELL and PUMP IMPROVEMENTS
PROPERTY TAX EXPENSE

State Utility Property Taxes:

Net Book Value of Additions to Plant (Sch 2)			\$	31,903
State Valuation Adjustment Percentage:				
Assessed Valuation per State (2010)	\$	209,674		
Net Plant in Service: 12/31/09	÷	\$ 265,278	x	79.04%
State Valuation			\$	25,216
State Utility Property Tax Rate (per \$1,000)			\$	6.60
State Utility Property Taxes			\$	166

Town of Swanze Property Taxes:

Net Book Value of Additions to Plant (Sch 2)			\$	31,903
Municipal Valuation Adjustment Percentage:				
Assessed Valuation per Town of Swanze (2010)	\$	258,100		
Net Plant in Service: 12/31/09	÷	\$ 265,278	x	97.29%
Municipal Valuation			\$	31,040
2010 Municipal Property Tax Rate (per \$1,000)			x \$	22.19
Town of Swanze Property Taxes			\$	689
Combined Property Tax Expense			\$	855

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