

ORIGINAL
Case No. DW 10-159
Exhibit No. #2
Witness Panel 1
DO NOT REMOVE FROM FILE

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 10-159

West Swanzey Water Company, Inc.

Permanent Rate Filing

SETTLEMENT AGREEMENT

I. INTRODUCTION

This agreement is entered into this 29th day of December, 2010, between West Swanzey Water Company, Inc. (West Swanzey 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 June 7, 2010, West Swanzey Water Company, Inc., a water utility serving approximately 75 customers in the Town of Swanzey, 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(a).

On August 6, 2010, West Swanzey filed a request for an extension of time to file its rate case. An extension to September 6, 2010 was granted by secretarial letter dated August 13, 2010. The Company filed its case on September 8, 2010. In the filing, the Company indicated its intent to increase its revenues by \$10,126, or 17.13%, annually, and that it had experienced a net loss in 2009 in the amount of \$5,898. West Swanzey asserted that its currently authorized rates were approved by the Commission in 1988, and are now inadequate for it to have an opportunity to earn a reasonable rate of return on its plant in service.

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Settlement Agreement

On October 7, 2010 the Commission issued Order 25,152 suspending the proposed tariffs, granting West Swanzey's waiver request pursuant to Puc 201.05, scheduling a prehearing conference for November 19, 2010 and ordering the Company to provide a copy of the order to all its customers. The prehearing conference was held as scheduled, with appearances entered by West Swanzey and Staff. Subsequent to the prehearing conference, West Swanzey and Staff met in a technical session to devise a procedural schedule and discuss the rate filing. Staff filed a proposed procedural schedule with the Commission later that day. The schedule, which called for discovery, a technical session and filing of a settlement, if any, prior to a hearing on the merits on January 4, 2011, was approved by secretarial letter dated November 29, 2010. No requests for intervention were received. The Office of Consumer Advocate did not participate in the case.

West Swanzey responded to discovery requests of Staff, and on December 16 the company and Staff held a telephone conference to discuss a possible settlement of the case.

III. TERMS OF AGREEMENT

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

A. Revenue Requirement, Rate Base and Rate of Return

As illustrated on Attachment A to this agreement, West Swanzey and Staff agree that West Swanzey should be permitted to increase its rates, effective January 1, 2011, to have the opportunity to realize an annual revenue requirement of \$67,015. This revenue requirement represents a 13.57% increase over West Swanzey's current annual water revenues. West Swanzey and Staff agree that certain adjustments to the 2009 test year are appropriate and should be included in calculating the revenue requirement shown above. These adjustments are shown

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on Attachment A, Schedule 3a. West Swanzey and Staff agree that the rate base for the company should be \$197,490 as shown on Attachment A, Schedule 2, and that certain adjustments as illustrated on Attachment A, Schedule 2a are appropriate. West Swanzey and Staff agree that the rate of return to be applied to the Company's rate base should be 5.27%, and is calculated as shown on Attachment A, Schedule 1a. The Company and Staff recommend a return on equity of 9.75%, the same return approved by the Commission for other water utilities in recent rate proceedings.

B. Rate Design and Effect on Customer Rates

The recommendation of West Swanzey and Staff with respect to rate design is illustrated on Attachment A, Schedule 4. Because the Company's fixed charge for its metered customers has been inadequate to recover a reasonable share of the company's fixed costs, West Swanzey and Staff recommend the Commission approve an increase in the company's fixed metered charges. The settling parties recommend a fixed quarterly charge of \$18.00 for customers with 5/8 inch meters, \$25.20 for customers with 1 inch meters, and \$52.20 for customers with 2 inch meters. Since West Swanzey and Staff recommend that rates for private fire protection customers be increased by the overall recommended revenue increase of 13.57%, the consumption charge for metered customers is calculated at \$0.60 per one hundred gallons of water in order to balance the revenue proof to the recommended revenue requirement of \$67,015. Because of the recommended increase in the fixed metered charges, overall bill impacts of these changes in rate design are as follows: a low use customer taking 900 cubic feet per quarter (about 6,700 gallons) will see a quarterly bill of about \$59.41, an increase of 32.4% over current rates; a customer taking 1,500 cubic feet per quarter (about 11,220 gallons) will see a quarterly bill of about \$85.35, an increase of 21.5% over current rates; and a customer taking 3,000 cubic feet per

quarter (about 22,440 gallons) will see a quarterly bill of \$152.70, an increase of 14.2% over current rates.

C. Step Adjustment for 2011 Capital Improvements

West Swanzey and Staff agree that the Company will file a financing petition and should be granted authority to file for a step adjustment to its rates for capital improvements needed in 2011. Specifically, the Company needs to rehabilitate its well #2 and repair or replace the associated well pump. The Company's current estimate for this work is \$33,000. The estimated revenue impact of these capital additions and associated direct expenses is \$4,685 in new revenues, an increase of an additional 6.99% over the revenue increase anticipated in this agreement. West Swanzey and Staff agree that, due to the repair or replacement of the well pump and well rehabilitation work, it would be appropriate for this step adjustment to also account for a reduction in the current level of cost for electric power included in the recommended revenue requirement in this agreement. Attachment B to this agreement provides the current estimates of the settling parties as to the impact of this proposed step adjustment. West Swanzey and Staff agree that the new revenues resulting from this step adjustment should be applied equally on a percentage basis to its rate classes.

D. Affiliate Contracts

West Swanzey and Staff agree that the Company needs to formally file updated affiliate contracts pursuant to RSA 366. Staff has reviewed draft contracts provided by the Company and agrees that the terms and conditions of those contracts are reasonable. Costs associated with those contracts, including management and administrative fees and office rent, are included in the revenue requirement recommended in this agreement. West Swanzey agrees to file these contracts with the Commission within 30 days of the date of this agreement.

E. Bill Forms

West Swanzey and Staff agree that the Company's current bill forms are not presently in full compliance with Puc 1203.06 of the Commission's Rules and Regulations concerning Bill Forms. The changes necessary in the Company's present bill forms include adding an additional line indicating the approximate date of the next meter reading for customers (Puc 1203.06(c)(5)) and adding statements indicating that its customers should contact the Company with any billing questions (Puc 1203.06(c)(9)) as well as indicating that customers may contact the NHPUC for further assistance, if necessary (Puc 1203.06(c)(10)). West Swanzey and Staff agree to work together in order to resolve these and any other bill form deficiencies within 30 days of the date of this agreement.

F. Rate Case Expenses

West Swanzey and Staff agree that the Company ought to be entitled to recover its reasonable 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 West Swanzey and Staff to provide a joint recommendation to the Commission. If the settling parties are unable to provide a joint recommendation, West Swanzey 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

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condition, and if the Commission does not accept said provisions in their entirety, without change or condition the agreement shall at West Swanzey's or the Staff's, option, exercised within thirty 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.

WEST SWANZEY WATER COMPANY, INC.

Dated: 12/29/10

By: Sarah G. Brown
Sarah G. Brown

STAFF OF PUBLIC UTILITIES COMMISSION

Dated: 12/29/10

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

**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><u>\$ 8,009</u></u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>13.57%</u></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>80.28%</u></u>

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

<u>Plant in Service</u>	<u>Year End Average Per Company</u>	<u>Staff Adjustments (Sch 2a)</u>	<u>Adj #</u>	<u>5-Quarter Average Per Staff</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

<u>Adj#</u>		
Proforma Adjustments to Plant in Service:		
<u>Plant in Service</u>		
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/>
<u>Accumulated Depreciation</u>		
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/>
<u>Accumulated Amortization - CIAC</u>		
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:		
<u>Materials & Supplies</u>		
4	To adjust test year average (Sch 2b):	
	5-Quarter Average per Staff	\$ 479
	Less: Year-end average per Company	(718) \$ (239)
		<hr/>
<u>Prepaid Expenses</u>		
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/>
<u>Cash Working Capital</u>		
6	To adjust cash working capital (Sch 2b):	
	Amount per Staff	\$ 8,116
	Less: Amount per Company	(7,434) \$ 682
		<hr/>

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WEST SWANZEY WATER COMPANY, INC.
CALCULATION OF AVERAGE RATE BASE

	12/31/08	03/31/09	06/30/09	09/30/09	12/31/09	5-Quarter Average Per Staff	Year End Average Per Company	Staff Adjustments	Adjustment #
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						\$ 197,490	\$ 197,682	\$ (192)	

(a) Staff's Calculation of Prepaid Expenses:

	2009 Insurance		2010 Insurance	2008 Local Tax	2008 State Tax	2009 Local Tax	2009 State Tax	Total Prepays
	Payment #1	Payment #2						
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>

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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**

Adi #

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		7,111
	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		<u>601</u>

Marginal Revenue (Expense) Subject to Income Taxes		(2,599)
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Less: New Hampshire Business Profits Tax @ 8.5%		<u>221</u>
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Amount Subject to Federal Income Tax		(2,378)
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Less: Federal Income Tax @ 15.0%		<u>357</u>
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Proforma Adjustments net of Income Taxes	\$	<u><u>(2,021)</u></u>
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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)	<u>(5,902)</u>	\$ (902)
Annual Depreciation Expense (Sch 2)		2,195
Property Tax Expense (Sch 3)		<u>855</u>

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

<u>PUC Acct #</u>	<u>Description</u>	<u>Cost</u>	<u>Deprec Rate</u>	<u>Annual Expense</u>	<u>Accum Deprec</u>	<u>Net Book Value</u>
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	÷	\$	<u>265,278</u>
	x		<u>79.04%</u>
State Valuation		\$	25,216
State Utility Property Tax Rate (per \$1,000)		\$	<u>6.60</u>
State Utility Property Taxes		\$	<u>166</u>

Town of Swanzey Property Taxes:

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

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