



January 31, 2011

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Gas Transmission Northwest Corporation**  
717 Texas Street, Suite 2400  
Houston, TX 77002

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Director, Rates & Tariffs

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Re: Gas Transmission Northwest Corporation  
Medford Lateral Annual Report  
Docket No. CP93-618-\_\_\_\_\_

Dear Ms. Bose:

Pursuant to Section 154.502 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, Gas Transmission Northwest Corporation ("GTN") hereby submits for filing and acceptance its "Annual Report on Deferred Revenue Recovery Mechanism and Revenue Reconciliation for the Year Ending October 31, 2010."

#### Correspondence

The names, titles and mailing address of the persons to whom correspondence and communications concerning this filing should be directed are as follows:

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\* Persons designated for official service pursuant to Rule 2010.

### Statement of the Nature, Reasons, and Basis for Filing

In orders issued January 12, 1995, and June 1, 1995, in Docket Nos. CP93-618-000, *et al.*,<sup>1</sup> the Commission authorized GTN to construct two laterals from its mainline facilities and provide service to new customers. For service on the Medford Lateral, the Commission authorized GTN to charge Avista Corporation (“Avista”) (formerly Washington Water Power Company) a negotiated rate under Rate Schedule FTS-1(E-2)(WWP). Avista’s negotiated rate, which in year one reflected a discount below the maximum cost-based rate under Rate Schedule FTS-1(E-1), is adjusted annually based upon changes in competing residential electric rates. Under the negotiated rate approved by the Commission, to the extent the rate charged Avista is less than the maximum cost-based rate, the deficiency (plus carrying charges) is added to a deferred account that may be recovered from Avista in later years when the negotiated rate exceeds the maximum Rate Schedule FTS-1(E-1) cost-based rate.

The January 12 Order required GTN to file an annual report concerning the deferred revenue recovery mechanism.<sup>2</sup> The instant report is being submitted to comply with the requirement. Accordingly, submitted herewith is information that will allow the Commission to assess the operation of the deferred revenue recovery mechanism. Specifically, included are: (1) a schedule showing what Avista’s revenue responsibility would be at the maximum cost-based rate under Rate Schedule FTS-1(E-1) (Appendix A); (2) a schedule showing the actual revenues collected from Avista under the negotiated rate under Rate Schedule FTS-1(E-2)(WWP) (Appendix B, Page 1 of 4); (3) schedules showing additional transportation revenue collected on the Medford Lateral which are used to offset Avista’s deferred account balance (Appendix B, Pages 2, 3 and 4 of 4); (4) a schedule showing the monthly deficiency in revenues and the calculation of carrying charges (Appendix C); and (5) a schedule showing the deferred account balance at both the beginning and the end of the annual period (Appendix D). Appendix E provides a calculation of the Medford Lateral cost of service and workpapers as required by the January 12 Order.

Ordering Paragraph (D) of the June 1 Order directed GTN to include in this annual filing a revenue reconciliation to assure that there are no over-collections. This reconciliation is

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<sup>1</sup> 70 FERC ¶ 61,016 (1995) (“January 12 Order”), *reh’g*, 71 FERC ¶ 61,268 (1995) (“June 1 Order”).

<sup>2</sup> January 12 Order at p. 61,046.

provided in Appendix D, which shows the cumulative deferred account balance. This account is negative, and thus there have been no over-collections.

In accordance with Section 154.502(c) of the Commission's regulations, this filing includes this transmittal letter (including all information required by the Commission's regulations), and workpapers showing the calculations in Appendices A-E.

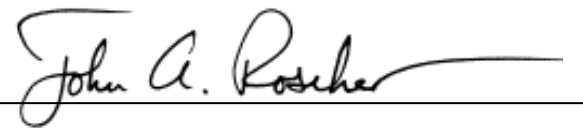
Certificate of Service

In accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. Section 385.2010, a copy of this filing, together with all enclosures is being served upon all jurisdictional customers and interested state regulatory agencies.

Pursuant to Sections 385.2005 and 385.2011, the undersigned has read this filing and knows its contents, and the contents are true as stated, to the best of his knowledge and belief. Additionally, the undersigned possesses full power and authority to sign such filing.

Any questions regarding this filing may be directed to Joan Collins at (832) 320-5651.

Respectfully submitted,

A handwritten signature in black ink that reads "John A. Roscher". The signature is written in a cursive style and is positioned above a solid horizontal line.

John A. Roscher  
Director, Rates and Tariffs

Enclosures

# Appendix A

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
ILLUSTRATIVE REVENUE BASED UPON MAXIMUM COST-BASED FTS-1(E-1) RATE  
TWELVE MONTHS ENDED OCTOBER 31, 2010**

Line No.	Month	Reservation	Primary Path	Secondary Path	Secondary Path	Reservation	Reservation	Delivery Rate Dth-Mile	Reservation Mileage Revenue	Reservation Non-Mileage Revenue	Delivery Rate Dth-Mile	Reservation Mileage Revenue	Reservation Non-Mileage Revenue	Delivery Revenue	Total Revenue
		Volume Dth/d	Delivery Volume Dth	Primary Path Distance	Delivery Volume Dth	Secondary Path Distance	Delivery Volume Dth								
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
<b><u>FTS-1(E-2) Volumes At Maximum FTS-1(E-1) Rate</u></b>															
1	Nov-09	30,000	362,900	88.10	80,459	22.85	18,780	20.12	0.003290	0.005498	0.000026	\$ 260,864	\$ 4,948	\$ 889	\$ 266,701
2	Dec-09	30,000	534,790	88.10	76,080	22.85	26,800	20.12	0.003290	0.005498	0.000026	269,560	5,113	1,284	275,957
3	Jan-10	30,000	524,678	88.10	73,100	22.85	21,200	20.12	0.003290	0.005498	0.000026	269,560	5,113	1,256	275,929
4	Feb-10	30,000	459,900	88.10	79,400	22.85	23,850	20.12	0.003290	0.005498	0.000026	243,473	4,618	1,113	249,204
5	Mar-10	30,000	471,124	88.10	130,500	22.85	22,020	20.12	0.003290	0.005498	0.000026	269,560	5,113	1,168	275,841
6	Apr-10	30,000	424,984	88.10	116,600	22.85	15,200	20.12	0.003290	0.005498	0.000026	260,864	4,948	1,051	266,863
7	May-10	15,000	325,900	88.10	89,106	22.85	16,010	20.12	0.003290	0.005498	0.000026	134,780	2,557	808	138,145
8	Jun-10	15,000	38,290	88.10	66,456	22.85	5,870	20.12	0.003290	0.005498	0.000026	130,432	2,474	130	133,036
9	Jul-10	15,000	0	88.10	53,988	22.85	6,580	20.12	0.003290	0.005498	0.000026	134,780	2,557	36	137,373
10	Aug-10	15,000	0	88.10	60,695	22.85	3,030	20.12	0.003290	0.005498	0.000026	134,780	2,557	38	137,375
11	Sep-10	15,000	0	88.10	59,774	22.85	710	20.12	0.003290	0.005498	0.000026	130,432	2,474	36	132,942
12	Oct-10	15,000	86,600	88.10	14,100	22.85	8,855	20.12	0.003290	0.005498	0.000026	134,780	2,557	211	137,548
13	Total											<u>\$ 2,373,865</u>	<u>\$ 45,029</u>	<u>\$ 8,020</u>	<u>\$2,426,914</u>

# Appendix B

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
ACTUAL REVENUE BASED UPON NEGOTIATED FTS-1(E-2)(WWP) RATE  
TWELVE MONTHS ENDED OCTOBER 31, 2010**

Line No.	Month	Reservation Volume Dth/d	Primary Path Delivery Volume Dth	Primary Path Distance	Secondary Path Delivery Volume Dth	Secondary Path Distance	Secondary Path Delivery Volume Dth	Secondary Path Distance	Reservation Rate Dth-Mile	Delivery Rate Dth-Mile	Reservation Revenue	Delivery Revenue	Total Revenue
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
<b>FTS-1(E-2)(WWP) As Billed</b>													
1	Nov-09	30,000	362,900	88.10	80,459	22.85	18,780	20.12	0.008346	0.000000	\$ 661,754	\$ 0	\$ 661,754
2	Dec-09	30,000	534,790	88.10	76,080	22.85	26,800	20.12	0.008346	0.000000	683,813	0	683,813
3	Jan-10	30,000	524,678	88.10	73,100	22.85	21,200	20.12	0.008346	0.000000	683,813	0	683,813
4	Feb-10	30,000	459,900	88.10	79,400	22.85	23,850	20.12	0.008346	0.000000	617,637	0	617,637
5	Mar-10	30,000	471,124	88.10	130,500	22.85	22,020	20.12	0.008346	0.000000	683,813	0	683,813
6	Apr-10	30,000	424,984	88.10	116,600	22.85	15,200	20.12	0.008346	0.000000	661,754	0	661,754
7	May-10	15,000	325,900	88.10	89,106	22.85	16,010	20.12	0.008346	0.000000	341,906	0	341,906
8	Jun-10	15,000	38,290	88.10	66,456	22.85	5,870	20.12	0.008346	0.000000	330,877	0	330,877
9	Jul-10	15,000	0	88.10	53,988	22.85	6,580	20.12	0.008346	0.000000	341,906	0	341,906
10	Aug-10	15,000	0	88.10	60,695	22.85	3,030	20.12	0.008346	0.000000	341,906	0	341,906
11	Sep-10	15,000	0	88.10	59,774	22.85	710	20.12	0.008346	0.000000	330,877	0	330,877
12	Oct-10	15,000	86,600	88.10	14,100	22.85	8,855	20.12	0.008346	0.000000	341,906	0	341,906
13	Total										<u>\$6,021,962</u>	<u>\$ 0</u>	<u>\$ 6,021,962</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
OTHER MEDFORD LATERAL REVENUE FROM PPM ENERGY CONTRACT  
TWELVE MONTHS ENDED OCTOBER 31, 2010**

Line No.	Month	Block 1 Reservation Volume Dth/d	Block 1 Path Distance	Block 1 Reservation Rate Dth-Mile	Block 2 Reservation Volume Dth	Block 2 Path Distance	Block 2 Reservation Rate Dth-Mile	Delivery Volume	Delivery Rate Dth-Mile	Block 1 Reservation Revenue	Block 2 Reservation Revenue	Delivery Revenue	Total Revenue
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j) 1/	(k) 1/	(l)	(m)
<b><u>FTS-1(E-2)(Diamond 1 and 2) As Billed</u></b>													
1	Nov-09	45,000	22.80	0.002972	35,000	22.80	0.001166	2,195,652	0.000000	\$ 91,478	\$ 27,914	0	\$ 119,392
2	Dec-09	45,000	22.80	0.002972	35,000	22.80	0.001166	2,446,697	0.000000	94,527	28,845	0	123,372
3	Jan-10	45,000	22.80	0.002972	35,000	22.80	0.001166	2,305,213	0.000000	94,527	28,845	0	123,372
4	Feb-10	45,000	22.80	0.002972	35,000	22.80	0.001166	2,013,744	0.000000	85,380	\$ 26,053	0	111,433
5	Mar-10	45,000	22.80	0.002972	35,000	22.80	0.001166	2,225,220	0.000000	94,527	28,845	0	123,372
6	Apr-10	45,000	22.80	0.002972	35,000	22.80	0.001166	1,483,667	0.000000	91,478	\$ 27,914	0	119,392
7	May-10	45,000	22.80	0.002972	35,000	22.80	0.001166	23,707	0.000000	94,527	28,845	0	123,372
8	Jun-10	45,000	22.80	0.002972	35,000	22.80	0.001166	185,203	0.000000	91,478	\$ 27,914	0	119,392
9	Jul-10	45,000	22.80	0.002972	35,000	22.80	0.001166	1,318,070	0.000000	94,527	28,845	0	123,372
10	Aug-10	45,000	22.80	0.002972	35,000	22.80	0.001166	2,242,889	0.000000	94,527	28,845	0	123,372
11	Sep-10	45,000	22.80	0.002972	35,000	22.80	0.001166	2,219,131	0.000000	91,478	\$ 27,914	0	119,392
12	Oct-10	45,000	22.80	0.002972	35,000	22.80	0.001166	2,272,422	0.000000	94,527	28,845	0	123,372
13	Total									<u>\$ 1,112,981</u>	<u>\$ 339,624</u>	<u>\$ 0</u>	<u>\$1,452,605</u>

1/ This contract was incorrectly billed due to a system error which was corrected. For purposes of this filing the correct rate has been reflected.

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
OTHER MEDFORD LATERAL REVENUE FROM AVISTA CORPORATION CONTRACT  
TWELVE MONTHS ENDED OCTOBER 31, 2010**

Line No.	Month	Reservation Volume Dth/d	Delivery Volume Dth/d	Path Distance	Reservation Rate Dth-Mile	Delivery Rate Dth-Mile	Primary Reservation Revenue	Delivery Revenue	Total Revenue
	(a)	(b)	(c)	(d)	(e)	(f)	(g) 1\	(h)	(i)
<b><u>FTS-1(E-2)(WWP Negotiated) As Billed</u></b>									
1	Nov-09	20,000	90,184	88.10	0.008346	0.000000	\$ 441,170	0	\$ 441,170
2	Dec-09	20,000	253,151	88.10	0.008346	0.000000	455,875	0	455,875
3	Jan-10	20,000	0	88.10	0.008346	0.000000	455,875	0	455,875
4	Feb-10	20,000	0	88.10	0.008346	0.000000	411,758	0	411,758
5	Mar-10	20,000	0	88.10	0.008346	0.000000	455,875	0	455,875
6	Apr-10	20,000	0	88.10	0.008346	0.000000	441,170	0	441,170
7	May-10	0	0	88.10	0.008346	0.000000	0	0	0
8	Jun-10	0	0	88.10	0.008346	0.000000	0	0	0
9	Jul-10	0	0	88.10	0.008346	0.000000	0	0	0
10	Aug-10	0	0	88.10	0.008346	0.000000	0	0	0
11	Sep-10	0	0	88.10	0.008346	0.000000	0	0	0
12	Oct-10	0	0	88.10	0.008346	0.000000	0	0	0
13	Total						<u>\$ 2,661,723</u>	<u>\$ 0</u>	<u>\$ 2,661,723</u>

1/ This contract was under-billed due to a system error which was corrected. For purposes of this filing the correct rate has been reflected.

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
OTHER MEDFORD LATERAL REVENUE FROM PPM ENERGY CORPORATION CONTRACT  
TWELVE MONTHS ENDED OCTOBER 31, 2010**

Line No.	Month	Reservation	Delivery Pt. 1	Delivery Pt. 2		Mileage	Non-Mileage	Mileage Revenue	Non-Mileage Revenue	Total Revenue	Interruptible	
		Volume Dth/d	Volume Dth/d	Path 1 Distance	Volume Dth/d	Path 2 Distance	Rate Dth-Mile				Rate Dth	Transportation Revenue Credit 90% of Revenue 1/
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
<b><u>ITS-1(E-1) As Billed</u></b>												
1	Nov-09	0	91,810	22.77	0	22.80	0.003316	0.005498	\$ 6,932	\$ 505	7,437	\$ 6,693
2	Dec-09	0	308,349	22.77	0	22.80	0.003316	0.005498	23,282	1,695	24,977	22,479
3	Jan-10	0	133,330	22.77	0	22.80	0.003316	0.005498	10,067	733	10,800	9,720
4	Feb-10	0	162,414	22.77	0	22.80	0.003316	0.005498	12,263	893	13,156	11,840
5	Mar-10	0	156,230	22.77	0	22.80	0.003316	0.005498	11,796	859	12,655	11,390
6	Apr-10	0	54,262	22.77	0	22.80	0.003316	0.005498	4,097	298	4,395	3,956
7	May-10	0	0	22.77	0	22.80	0.003316	0.005498	-	-	-	-
8	Jun-10	0	0	22.77	0	22.80	0.003316	0.005498	-	-	0	-
9	Jul-10	0	53,901	22.77	7,500	22.80	0.003316	0.005498	4,637	338	4,975	4,478
10	Aug-10	0	116,195	22.77	0	22.80	0.003316	0.005498	8,773	639	9,412	8,471
11	Sep-10	0	78,424	22.77	0	22.80	0.003316	0.005498	5,921	431	6,352	5,717
12	Oct-10	0	98,561	22.77	0	22.80	0.003316	0.005498	7,442	542	7,984	7,186
13	Total								<u>\$95,210</u>	<u>\$ 6,933</u>	<u>\$102,143</u>	<u>\$ 91,930</u>

1/ Per GTN's Tariff -Section 6.36(2) - GTN shall credit to the deferred account ninety percent (90%) of interruptible transportation revenues.

# Appendix C

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
DEFERRED REVENUE ACCOUNT BALANCE  
TWELVE MONTHS ENDED OCTOBER 31, 2010  
(Dollars in Thousands)**

Line No.	Month (a)	Revenue As Billed 1/ (b)	Revenue at Max Rate 2/ (c)	Other Revenue Offset 3/ 4/ 5/ (d)	Monthly (Deficiency)/Gain (e) = (b)-(c)+(d)	Carrying Cost Rate 6/ (f)	Carrying Cost (g) = (f) x (i)	Total Monthly (Deficiency)/Gain (h) = (e) + (g)	Cumulative Deferred Account Balance (i)
1	Oct-09								\$ (23,492)
2	Nov-09	\$ 662	\$ 267	\$ 567	\$ 962	0.8050%	\$ (189)	\$ 773	(22,719)
3	Dec-09	684	276	602	1,010	0.8050%	(183)	827	(21,892)
4	Jan-10	684	276	589	997	0.8050%	(176)	821	(21,071)
5	Feb-10	618	249	535	903	0.8050%	(170)	734	(20,338)
6	Mar-10	684	276	591	999	0.8050%	(164)	835	(19,503)
7	Apr-10	662	267	565	959	0.8050%	(157)	802	(18,700)
8	May-10	342	138	123	327	0.8050%	(151)	177	(18,524)
9	Jun-10	331	133	119	317	0.8050%	(149)	168	(18,356)
10	Jul-10	342	137	128	332	0.8050%	(148)	185	(18,171)
11	Aug-10	342	137	132	336	0.8050%	(146)	190	(17,981)
12	Sep-10	331	133	125	323	0.8050%	(145)	178	(17,803)
13	Oct-10	342	138	131	335	0.8050%	(143)	192	\$ (17,611)
14	Total	<u>\$ 6,022</u>	<u>\$ 2,427</u>	<u>\$ 4,206</u>	<u>\$ 7,801</u>	<u>9.66%</u>	<u>\$ (1,920)</u>	<u>\$ 5,881</u>	

1/ See Appendix B, Page 1, Column m  
2/ See Appendix A, Page 1, Column o  
3/ See Appendix B, Page 2, Column m  
4/ See Appendix B, Page 3, Column i  
5/ See Appendix B, Page 4, Column l  
6/ See Appendix E, Page 2, Line 13

# Appendix D

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
CHANGE IN DEFERRED ACCOUNT BALANCE  
TWELVE MONTHS ENDED OCTOBER 31, 2010  
(Dollars in Thousands)**

<u>Line No.</u>	<u>Description (a)</u>	<u>Reference (b)</u>	<u>Total (c)</u>
	<b><u>Change in Deferred Account Balance</u></b>		
1	Deferred Account Beginning Balance		\$ (23,492)
2	Deferred Account Ending Balance	App. C, Pg. 1, Col. i	<u>(17,611)</u>
3	Change in Deferred Account Balance (Ln. 2 - Ln. 1)		<u>\$ 5,881</u>

# Appendix E

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
COST OF SERVICE  
TWELVE MONTHS ENDED OCTOBER 31, 2010  
(Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<b><u>Cost of Service</u></b>			
1	Operations and Maintenance	Pg. 6	\$ 1,149
2	Depreciation	Pg. 3	905
3	Income Taxes	Pg. 4	622
4	Other Taxes	Pg. 4	230
5	Equity Return	Pg. 2	972
6	Debt Return	Pg. 2	<u>1,233</u>
7	Total Cost of Service		<u><u>\$ 5,111</u></u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
RATE BASE AND RETURN  
TWELVE MONTHS ENDED OCTOBER 31, 2010  
(Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<b><u>Calculation of Return</u></b>			
Rate Base			
1	Average Plant in Service	Pg. 3	\$ 44,181
2	Less: Average Accumulated Depreciation	Pg. 3	(18,978)
3	Average Net Plant		<u>25,203</u>
4	Add: Total Working Capital Allowance	Pg. 7	174
5	Less: Average Accum. Deferred Income Taxes	Pg. 5	(2,552)
6	Average Rate Base		<u>\$ 22,825</u>
Debt Return:			
7	Debt Capitalization		65.08%
8	Debt Rate		8.29%
9	Total (Ln. 7 x Ln. 8)		<u>5.40%</u>
Equity Return:			
10	Equity Capitalization		34.92%
11	Return on Equity		12.20%
12	Total (Ln. 10 x Ln. 11)		<u>4.26%</u>
13	Overall Return (Ln. 9 + Ln. 12)		<u>9.66%</u>
14	Debt Return (Ln. 6 x Ln. 9)		\$ 1,233
15	Equity Return (Ln. 6 x Ln. 12)		972
16	Total Return (Ln. 14 + Ln. 15)		<u>\$ 2,205</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
PLANT AND DEPRECIATION  
TWELVE MONTHS ENDED OCTOBER 31, 2010  
(Dollars in Thousands)**

Line No.	Month	Gross Plant	Rate	Depreciation Expense	Accumulated Depreciation
	(a)	(b)	(c)	(d)	(e)
1	Oct-08	\$ 44,161			\$ 18,488
2	Nov-08	44,161	0.17083%	75	18,563
3	Dec-08	44,161	0.17083%	75	18,639
4	Jan-09	44,161	0.17083%	75	18,714
5	Feb-09	44,161	0.17083%	75	18,789
6	Mar-09	44,161	0.17083%	75	18,865
7	Apr-09	44,161	0.17083%	75	18,940
8	May-09	44,161	0.17083%	75	19,016
9	Jun-09	44,161	0.17083%	75	19,091
10	Jul-09	44,161	0.17083%	75	19,167
11	Aug-09	44,161	0.17083%	75	19,242
12	Sep-09	44,161	0.17083%	75	19,318
13	Oct-09	<u>44,406</u>	<u>0.17083%</u>	<u>75</u>	<u>19,393</u>
14	Average	<u>\$ 44,181</u>	<u>0.17083%</u>	<u>\$ 905</u>	<u>\$ 18,978</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
INCOME AND OTHER TAXES  
TWELVE MONTHS ENDED OCTOBER 31, 2010  
(Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<b><u>Calculation of Income Taxes</u></b>			
1	Return on rate base	Pg. 2	\$ 2,205
2	Less: Debt return	Pg. 2	(1,233)
3	Equity return	Pg. 2	972
4	AFUDC Equity Amortization	Pg. 5	21
5	Adjusted Taxable Equity return		993
6	Federal Tax Rate/(1-Fed. Tax Rate)		53.85%
7	Federal Income Tax		\$ 535
8	State Tax. Inc.(Eq.Ret.+Fed. Inc.Tax)		\$ 1,528
9	State Tax Rate/(1-State Tax Rate)		5.71%
10	State Income Tax		\$ 87
11	Total Federal and State Income Taxes		\$ 622
<b><u>Other Taxes</u></b>			
12	Ad Valorem Taxes		\$ 220
13	Payroll Taxes		10
14	Total		\$ 230

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
DEFERRED INCOME TAXES  
TWELVE MONTHS ENDED OCTOBER 31, 2010  
(Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<b><u>Calculation of Deferred Income Taxes</u></b>			
1	Tax Depreciation		\$ 1,938
2	Less: Book Depreciation	Pg. 3	(905)
3	Add: AFUDC Equity Amortization		21
4	Total Timing Difference		<u>1,054</u>
5	Effective Tax Rate		<u>38.51%</u>
6	Deferred Income Taxes (Ln 4 x Ln 5)		<u>\$ 406</u>
<b><u>Accumulated Deferred Income Taxes</u></b>			
7	Beginning Balance		\$ 2,349
8	Ending Balance (Ln 6 + Ln 7)		<u>2,755</u>
9	Average Balance ((Ln 7 + Ln 8) / 2)		<u>\$ 2,552</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
OPERATIONS AND MAINTENANCE EXPENSE  
TWELVE MONTHS ENDED OCTOBER 31, 2010  
(Dollars in Thousands)**

<u>Line No.</u>	<u>Description (a)</u>	<u>Total (b)</u>
	<b><u>Operations and Maintenance Expense</u></b>	
1	Operations and Maintenance	\$ 1,138
2	General and Administrative	<u>11</u>
3	Total Operations and Maintenance Expense	<u><u>\$ 1,149</u></u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
WORKING CAPITAL  
TWELVE MONTHS ENDED OCTOBER 31, 2010  
(Dollars in Thousands)**

Line No.	Description (a)	Total (b)
	<b><u>Working Capital</u></b>	
	<u>Beginning Balance</u>	
1	Line Pack	64
	<u>Ending Balance</u>	
2	Line Pack	71
3	Average Working Capital (Ln. 1 + Ln 2) / 2	<u>\$ 68</u>
4	Cash Working Capital	<u>106</u>
5	Total Working Capital Allowance	<u>\$ 174</u>