



January 31, 2012

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

**Gas Transmission Northwest LLC**  
717 Texas Street, Suite 2400  
Houston, TX 77002-2761

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Director, Rates & Tariffs

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Re: Gas Transmission Northwest LLC  
Medford Lateral Annual Report  
Docket No. RP12-\_\_\_\_-000

Dear Ms. Bose:

Pursuant to Section 154.502 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations, Gas Transmission Northwest LLC ("GTN") hereby submits for filing and acceptance its "Annual Report on Deferred Revenue Recovery Mechanism and Revenue Reconciliation for the Year Ending October 31, 2011."

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.

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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.

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 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.

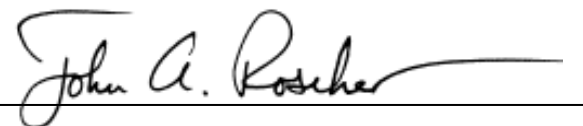
Certificate of Service

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, 2011**

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 Mileage Rate Dth-Mile	Reservation Non-Mileage Rate Dth	Delivery Rate Dth-Mile	Reservation Mileage Revenue	Reservation Non-Mileage Revenue	Delivery Revenue	Total Revenue
	(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-10	30,000	334,800	88.10	3,500	22.85	17,620	20.12	0.003290	0.005498	0.000026	\$ 260,864	\$ 4,948	\$ 778	\$ 266,590
2	Dec-10	30,000	579,302	88.10	4,400	22.85	22,394	20.12	0.003290	0.005498	0.000026	269,560	5,113	1,341	276,014
3	Jan-11	30,000	645,249	88.10	56,400	22.85	28,800	20.12	0.003290	0.005498	0.000026	269,560	5,113	1,527	276,200
4	Feb-11	30,000	366,768	88.10	58,900	22.85	18,900	20.12	0.003290	0.005498	0.000026	243,473	4,618	885	248,976
5	Mar-11	30,000	310,102	88.10	28,950	22.85	18,500	20.12	0.003290	0.005498	0.000026	269,560	5,113	737	275,410
6	Apr-11	30,000	273,000	88.10	12,900	22.85	13,500	20.12	0.003290	0.005498	0.000026	260,864	4,948	640	266,452
7	May-11	15,000	64,950	88.10	4,000	22.85	7,500	20.12	0.003290	0.005498	0.000026	134,780	2,557	155	137,492
8	Jun-11	15,000	500	88.10	68,963	22.85	4,000	20.12	0.003290	0.005498	0.000026	130,432	2,474	44	132,950
9	Jul-11	15,000	0	88.10	44,405	22.85	12,298	20.12	0.003290	0.005498	0.000026	134,780	2,557	33	137,370
10	Aug-11	15,000	0	88.10	51,450	22.85	10,700	20.12	0.003290	0.005498	0.000026	134,780	2,557	36	137,373
11	Sep-11	15,000	4,000	88.10	53,090	22.85	8,200	20.12	0.003290	0.005498	0.000026	130,432	2,474	45	132,951
12	Oct-11	15,000	96,998	88.10	77,434	22.85	13,896	20.12	0.003290	0.005498	0.000026	134,780	2,557	275	137,612
13	Total											<u>\$ 2,373,865</u>	<u>\$ 45,029</u>	<u>\$ 6,496</u>	<u>\$2,425,390</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, 2011**

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-10	30,000	334,800	88.10	3,500	22.85	17,620	20.12	0.008620	0.000000	\$ 683,480	\$ 0	\$ 683,480
2	Dec-10	30,000	579,302	88.10	4,400	22.85	22,394	20.12	0.008620	0.000000	706,262	0	706,262
3	Jan-11	30,000	645,249	88.10	56,400	22.85	28,800	20.12	0.008620	0.000000	706,262	0	706,262
4	Feb-11	30,000	366,768	88.10	58,900	22.85	18,900	20.12	0.008620	0.000000	637,914	0	637,914
5	Mar-11	30,000	310,102	88.10	28,950	22.85	18,500	20.12	0.008620	0.000000	706,262	0	706,262
6	Apr-11	30,000	273,000	88.10	12,900	22.85	13,500	20.12	0.008620	0.000000	683,480	0	683,480
7	May-11	15,000	64,950	88.10	4,000	22.85	7,500	20.12	0.008620	0.000000	353,131	0	353,131
8	Jun-11	15,000	500	88.10	68,963	22.85	4,000	20.12	0.008620	0.000000	341,740	0	341,740
9	Jul-11	15,000	0	88.10	44,405	22.85	12,298	20.12	0.008620	0.000000	353,131	0	353,131
10	Aug-11	15,000	0	88.10	51,450	22.85	10,700	20.12	0.008620	0.000000	353,131	0	353,131
11	Sep-11	15,000	4,000	88.10	53,090	22.85	8,200	20.12	0.008620	0.000000	341,740	0	341,740
12	Oct-11	15,000	96,998	88.10	77,434	22.85	13,896	20.12	0.008620	0.000000	353,131	0	353,131
13	Total										<u>\$ 6,219,664</u>	<u>\$ 0</u>	<u>\$ 6,219,664</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 OTHER MEDFORD LATERAL REVENUE FROM PPM ENERGY CONTRACT  
 TWELVE MONTHS ENDED OCTOBER 31, 2011**

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)	(k)	(l)	(m)
<b><u>FTS-1(E-2)(Diamond 1 and 2) As Billed</u></b>													
1	Nov-10	45,000	22.80	0.002972	35,000	22.80	0.001166	1,799,629	0.000000	\$ 91,478	\$ 27,914	0	\$ 119,392
2	Dec-10	45,000	22.80	0.002972	35,000	22.80	0.001166	2,171,796	0.000000	94,527	28,845	0	123,372
3	Jan-11	45,000	22.80	0.002972	35,000	22.80	0.001166	1,307,719	0.000000	94,527	28,845	0	123,372
4	Feb-11	45,000	22.80	0.002972	35,000	22.80	0.001166	962,425	0.000000	85,380	\$ 26,053	0	111,433
5	Mar-11	45,000	22.80	0.002972	35,000	22.80	0.001166	794,636	0.000000	94,527	28,845	0	123,372
6	Apr-11	45,000	22.80	0.002972	35,000	22.80	0.001166	816,261	0.000000	91,478	\$ 27,914	0	119,392
7	May-11	45,000	22.80	0.002972	35,000	22.80	0.001166	337,364	0.000000	94,527	28,845	0	123,372
8	Jun-11	45,000	22.80	0.002972	35,000	22.80	0.001166	323,942	0.000000	91,478	\$ 27,914	0	119,392
9	Jul-11	45,000	22.80	0.002972	35,000	22.80	0.001166	864,790	0.000000	94,527	28,845	0	123,372
10	Aug-11	45,000	22.80	0.002972	35,000	22.80	0.001166	1,097,678	0.000000	94,527	28,845	0	123,372
11	Sep-11	45,000	22.80	0.002972	35,000	22.80	0.001166	1,936,732	0.000000	91,478	\$ 27,914	0	119,392
12	Oct-11	45,000	22.80	0.002972	35,000	22.80	0.001166	2,118,926	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>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 OTHER MEDFORD LATERAL REVENUE FROM AVISTA CORPORATION CONTRACT  
 TWELVE MONTHS ENDED OCTOBER 31, 2011**

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)	(h)	(i)
<b>FTS-1(E-2)(WWP Negotiated) As Billed</b>									
1	Nov-10	20,000	59,500	88.10	0.008620	0.000000	\$ 455,653	0	\$ 455,653
2	Dec-10	20,000	0	88.10	0.008620	0.000000	470,842	0	470,842
3	Jan-11	20,000	18,700	88.10	0.008620	0.000000	470,842	0	470,842
4	Feb-11	20,000	0	88.10	0.008620	0.000000	425,276	0	425,276
5	Mar-11	20,000	0	88.10	0.008620	0.000000	470,842	0	470,842
6	Apr-11	20,000	0	88.10	0.008620	0.000000	455,653	0	455,653
7	May-11	0	0	88.10	0.008620	0.000000	0	0	0
8	Jun-11	0	0	88.10	0.008620	0.000000	0	0	0
9	Jul-11	0	0	88.10	0.008620	0.000000	0	0	0
10	Aug-11	0	0	88.10	0.008620	0.000000	0	0	0
11	Sep-11	0	0	88.10	0.008620	0.000000	0	0	0
12	Oct-11	0	0	88.10	0.008620	0.000000	0	0	0
13	Total						\$ 2,749,108	\$ 0	\$ 2,749,108

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 OTHER MEDFORD LATERAL REVENUE FROM PPM ENERGY CORPORATION CONTRACT  
 TWELVE MONTHS ENDED OCTOBER 31, 2011**

Line No.	Month	Reservation	Delivery Pt. 1	Delivery Pt. 2		Delivery Pt. 3		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	Volume Dth/d	Path 2 Distance	Rate Dth-Mile				Rate Dth	Transportation Revenue Credit 90% of Revenue 1/
	(a)	(b)	(c)	(d)	(e)	(f)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
<b>ITS-1(E-1) As Billed</b>														
1	Nov-10	0	46,377	22.77	0	22.80	0	22.85	0.003316	0.005498	\$ 3,502	\$ 255	3,757	\$ 3,381
2	Dec-10	0	138,183	22.77	0	22.80	0	22.85	0.003316	0.005498	10,434	760	11,194	10,075
3	Jan-11	0	109,947	22.77	0	22.80	0	22.85	0.003316	0.005498	8,302	604	8,906	8,015
4	Feb-11	0	27	22.77	0	22.80	0	22.85	0.003316	0.005498	2	-	2	2
5	Mar-11	0	0	22.77	0	22.80	0	22.85	0.003316	0.005498	-	-	-	-
6	Apr-11	0	0	22.77	0	22.80	0	22.85	0.003316	0.005498	-	-	-	-
7	May-11	0	0	22.77	0	22.80	0	22.85	0.003316	0.005498	-	-	-	-
8	Jun-11	0	0	22.77	0	22.80	0	22.85	0.003316	0.005498	-	-	0	-
9	Jul-11	0	8,193	22.77	0	22.80	15,405	22.85	0.003316	0.005498	1,786	130	1,916	1,724
10	Aug-11	0	0	22.77	0	22.80	28,350	22.85	0.003316	0.005498	2,148	156	2,304	2,074
11	Sep-11	0	49,572	22.77	2,538	22.80	29,090	22.85	0.003316	0.005498	6,139	446	6,585	5,927
12	Oct-11	0	51,464	22.77	0	22.80	38,240	22.85	0.003316	0.005498	6,783	493	7,276	6,548
13	Total										<u>\$ 39,096</u>	<u>\$ 2,844</u>	<u>\$ 41,940</u>	<u>\$ 37,746</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, 2011  
 (Dollars in Thousands)**

Line No.	Month	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-10								\$ (17,611)
2	Nov-10	\$ 683	\$ 267	\$ 578	\$ 995	0.8050%	\$ (142)	\$ 854	(16,757)
3	Dec-10	706	276	604	1,035	0.8050%	(135)	900	(15,858)
4	Jan-11	706	276	602	1,032	0.8050%	(128)	905	(14,953)
5	Feb-11	638	249	537	926	0.8050%	(120)	805	(14,148)
6	Mar-11	706	275	594	1,025	0.8050%	(114)	911	(13,237)
7	Apr-11	683	266	575	992	0.8050%	(107)	886	(12,351)
8	May-11	353	137	123	339	0.8050%	(99)	240	(12,112)
9	Jun-11	342	133	119	328	0.8050%	(97)	231	(11,881)
10	Jul-11	353	137	125	341	0.8050%	(96)	245	(11,636)
11	Aug-11	353	137	125	341	0.8050%	(94)	248	(11,388)
12	Sep-11	342	133	125	334	0.8050%	(92)	242	(11,146)
13	Oct-11	353	138	130	345	0.8050%	(90)	256	\$ (10,890)
14	Total	<u>\$ 6,220</u>	<u>\$ 2,425</u>	<u>\$ 4,239</u>	<u>\$ 8,034</u>	<u>9.66%</u>	<u>\$ (1,313)</u>	<u>\$ 6,721</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, 2011  
 (Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<b><u>Change in Deferred Account Balance 1/</u></b>			
1	Deferred Account Beginning Balance		\$ (17,611)
2	Deferred Account Ending Balance	App. C, Pg. 1, Col. i	<u>(10,890)</u>
3	Change in Deferred Account Balance (Ln. 2 - Ln. 1)		<u>\$ 6,721</u>

1/ As required in orders issued January 12, 1995 in Docket Nos. CP93-618-000, et al.

# Appendix E

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 COST OF SERVICE  
 TWELVE MONTHS ENDED OCTOBER 31, 2011  
 (Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
	<b><u>Cost of Service</u></b>		
1	Operations and Maintenance	Pg. 6	\$ 202
2	Depreciation	Pg. 3	911
3	Income Taxes	Pg. 4	606
4	Other Taxes	Pg. 4	214
5	Equity Return	Pg. 2	946
6	Debt Return	Pg. 2	<u>1,199</u>
7	Total Cost of Service		<u><u>\$ 4,078</u></u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 RATE BASE AND RETURN  
 TWELVE MONTHS ENDED OCTOBER 31, 2011  
 (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	\$ 44,474
2	Less: Average Accumulated Depreciation	Pg. 3	(19,887)
3	Average Net Plant		<u>24,587</u>
4	Add: Total Working Capital Allowance	Pg. 7	125
5	Less: Average Accum. Deferred Income Taxes	Pg. 5	(2,502)
6	Average Rate Base		<u>\$ 22,210</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)		\$ 1,199
15	Equity Return (Ln. 6 x Ln. 12)		946
16	Total Return (Ln. 14 + Ln. 15)		<u>\$ 2,145</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 PLANT AND DEPRECIATION  
 TWELVE MONTHS ENDED OCTOBER 31, 2011  
 (Dollars in Thousands)**

Line No.	Month	Gross Plant	Rate	Depreciation Expense	Accumulated Depreciation
	(a)	(b)	(c)	(d)	(e)
1	Oct-10	\$ 44,406			\$ 19,393
2	Nov-10	44,459	0.17083%	76	19,469
3	Dec-10	44,459	0.17083%	76	19,545
4	Jan-11	44,459	0.17083%	76	19,621
5	Feb-11	44,459	0.17083%	76	19,697
6	Mar-11	44,459	0.17083%	76	19,773
7	Apr-11	44,459	0.17083%	76	19,849
8	May-11	44,459	0.17083%	76	19,925
9	Jun-11	44,459	0.17083%	76	20,000
10	Jul-11	44,459	0.17083%	76	20,076
11	Aug-11	44,459	0.17083%	76	20,152
12	Sep-11	44,459	0.17083%	76	20,228
13	Oct-11	<u>44,641</u>	<u>0.17083%</u>	<u>76</u>	<u>20,304</u>
14	Average	<u>\$ 44,474</u>	<u>0.17083%</u>	<u>\$ 911</u>	<u>\$ 19,887</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 INCOME AND OTHER TAXES  
 TWELVE MONTHS ENDED OCTOBER 31, 2011  
 (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	\$ 2,145
2	Less: Debt return	Pg. 2	(1,199)
3	Equity return	Pg. 2	<u>946</u>
4	AFUDC Equity Amortization	Pg. 5	21
5	Adjusted Taxable Equity return		<u>967</u>
6	Federal Tax Rate/(1-Fed. Tax Rate)		53.85%
7	Federal Income Tax		<u>\$ 521</u>
8	State Tax. Inc.(Eq.Ret.+Fed. Inc.Tax)		\$ 1,488
9	State Tax Rate/(1-State Tax Rate)		5.71%
10	State Income Tax		<u>\$ 85</u>
11	Total Federal and State Income Taxes		<u>\$ 606</u>
<b><u>Other Taxes</u></b>			
12	Ad Valorem Taxes		\$ 210
13	Payroll Taxes		<u>4</u>
14	Total		<u>\$ 214</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 DEFERRED INCOME TAXES  
 TWELVE MONTHS ENDED OCTOBER 31, 2011  
 (Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<b><u>Calculation of Deferred Income Taxes</u></b>			
1	Tax Depreciation		\$ 1,884
2	Less: Book Depreciation	Pg. 3	(911)
3	Add: AFUDC Equity Amortization		21
4	Total Timing Difference		<u>994</u>
5	Effective Tax Rate		<u>38.51%</u>
6	Deferred Income Taxes (Ln 4 x Ln 5)		<u>\$ 383</u>
<b><u>Accumulated Deferred Income Taxes</u></b>			
7	Beginning Balance		\$ 2,755
8	25% Writeoff of Deferred Tax for Sale of assets		(693)
9	Prior Year True up Adjustment		(197)
10	Ending Balance (Ln 6 + Ln 7 + Ln 8 + Ln 9)		<u>2,248</u>
11	Average Balance ((Ln 7 + Ln 10) / 2)		<u>\$ 2,502</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
COST OF SERVICE  
TWELVE MONTHS ENDED OCTOBER 31, 2011  
(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	\$ 191
2	General and Administrative	11
3	Total Operations and Maintenance Expense	<u>\$ 202</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 COST OF SERVICE  
 TWELVE MONTHS ENDED OCTOBER 31, 2011  
 (Dollars in Thousands)**

Line No.	Description (a)	Total (b)
	<b><u>Working Capital</u></b>	
	<u>Beginning Balance</u>	
1	Line Pack	71
	<u>Ending Balance</u>	
2	Line Pack	67
3	Average Working Capital (Ln. 1 + Ln 2) / 2	<u>\$ 69</u>
4	Cash Working Capital	<u>56</u>