



January 31, 2013

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

John A. Roscher  
Director, Rates & Tariffs

**tel** 832.320.5675  
**fax** 832.320.6675  
**email** John\_Roscher@TransCanada.com  
**web** www.gastransmissionnw.com

Re: Gas Transmission Northwest LLC  
Medford Lateral Annual Report  
Docket No. RP13-\_\_\_\_\_-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, 2012."

Correspondence

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

Eva N. Neufeld \*  
Associate General Counsel  
Gas Transmission Northwest LLC  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761  
Tel. (832) 320-5623  
Fax (832) 320-6623  
eva\_neufeld@transcanada.com

John A. Roscher  
Director, Rates and Tariffs  
Joan F. Collins \*  
Manager, Tariffs and Compliance  
Gas Transmission Northwest LLC  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761  
Tel. (832) 320-5651  
Fax (832) 320-6651  
joan\_collins@transcanada.com

\* 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.

---

<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.

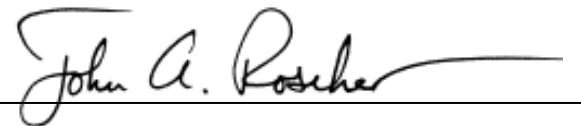
Certificate of Service

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, 2012**

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-11	30,000	379,335	88.10	46,700	22.85	21,500	20.12	0.003290	0.005498	0.000026	\$ 260,864	\$ 4,948	\$ 908	\$ 266,720
2	Dec-11	30,000	565,400	88.10	71,500	22.85	28,100	20.12	0.003290	0.005498	0.000026	269,560	5,113	1,352	276,025
3	Jan-12	30,000	747,248	88.10	71,200	22.85	29,400	20.12	0.003290	0.005498	0.000026	269,560	5,113	1,769	276,442
4	Feb-12	30,000	566,800	88.10	78,200	22.85	21,365	20.12	0.003290	0.005498	0.000026	252,169	4,783	1,356	258,308
5	Mar-12	30,000	636,900	88.10	86,700	22.85	16,100	20.12	0.003290	0.005498	0.000026	269,560	5,113	1,519	276,192
6	Apr-12	30,000	378,600	88.10	79,100	22.85	20,134	20.12	0.003290	0.005498	0.000026	260,864	4,948	925	266,737
7	May-12	15,000	211,063	88.10	77,770	22.85	8,874	20.12	0.003290	0.005498	0.000026	134,780	2,557	534	137,871
8	Jun-12	15,000	211,936	88.10	19,568	22.85	4,631	20.12	0.003290	0.005498	0.000026	130,432	2,474	500	133,406
9	Jul-12	15,000	116,080	88.10	536	22.85	1,100	20.12	0.003290	0.005498	0.000026	134,780	2,557	267	137,604
10	Aug-12	15,000	201,603	88.10	0	22.85	3,700	20.12	0.003290	0.005498	0.000026	134,780	2,557	464	137,801
11	Sep-12	15,000	166,700	88.10	0	22.85	6,100	20.12	0.003290	0.005498	0.000026	130,432	2,474	385	133,291
12	Oct-12	15,000	247,400	88.10	0	22.85	8,500	20.12	0.003290	0.005498	0.000026	134,780	2,557	571	137,908
13	Total											<u>\$ 2,382,561</u>	<u>\$ 45,194</u>	<u>\$ 10,550</u>	<u>\$ 2,438,305</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, 2012**

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-11	30,000	379,335	88.10	46,700	22.85	21,500	20.12	0.009389	0.000000	\$ 744,454	\$ 0	\$ 744,454
2	Dec-11	30,000	565,400	88.10	71,500	22.85	28,100	20.12	0.009389	0.000000	769,269	0	769,269
3	Jan-12	30,000	747,248	88.10	71,200	22.85	29,400	20.12	0.009363	0.000000	767,139	0	767,139
4	Feb-12	30,000	566,800	88.10	78,200	22.85	21,365	20.12	0.009363	0.000000	717,646	0	717,646
5	Mar-12	30,000	636,900	88.10	86,700	22.85	16,100	20.12	0.009363	0.000000	767,139	0	767,139
6	Apr-12	30,000	378,600	88.10	79,100	22.85	20,134	20.12	0.009363	0.000000	742,392	0	742,392
7	May-12	15,000	211,063	88.10	77,770	22.85	8,874	20.12	0.009363	0.000000	383,569	0	383,569
8	Jun-12	15,000	211,936	88.10	19,568	22.85	4,631	20.12	0.009363	0.000000	371,196	0	371,196
9	Jul-12	15,000	116,080	88.10	536	22.85	1,100	20.12	0.009363	0.000000	383,569	0	383,569
10	Aug-12	15,000	201,603	88.10	0	22.85	3,700	20.12	0.009363	0.000000	383,569	0	383,569
11	Sep-12	15,000	166,700	88.10	0	22.85	6,100	20.12	0.009363	0.000000	371,196	0	371,196
12	Oct-12	15,000	247,400	88.10	0	22.85	8,500	20.12	0.009363	0.000000	383,569	0	383,569
13	Total										<u>\$6,784,707</u>	<u>\$ 0</u>	<u>\$6,784,707</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 OTHER MEDFORD LATERAL REVENUE FROM PPM ENERGY CONTRACT  
 TWELVE MONTHS ENDED OCTOBER 31, 2012**

Line No.	Month	Block 1	Block 1	Block 1	Block 2	Block 2	Delivery Volume	Delivery	Block 1	Block 2	Delivery Revenue	Total Revenue	
		Reservation Volume	Path Distance	Reservation Rate	Reservation Volume	Path Distance		Reservation Rate	Rate	Reservation Revenue			Reservation 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-11	45,000	22.80	0.002972	35,000	22.80	0.001166	2,202,817	0.000000	\$ 91,478	\$ 27,914	0	119,392
2	Dec-11	45,000	22.80	0.002972	35,000	22.80	0.001166	2,292,245	0.000000	94,527	28,845	0	123,372
3	Jan-12	45,000	22.80	0.002964	35,000	22.80	0.001163	2,222,096	0.000000	94,273	28,770	0	123,043
4	Feb-12	45,000	22.80	0.002964	35,000	22.80	0.001163	2,076,325	0.000000	88,191	26,914	0	115,105
5	Mar-12	45,000	22.80	0.002964	35,000	22.80	0.001163	1,831,954	0.000000	94,273	28,770	0	123,043
6	Apr-12	45,000	22.80	0.002964	35,000	22.80	0.001163	1,045,972	0.000000	91,232	27,842	0	119,074
7	May-12	45,000	22.80	0.002964	35,000	22.80	0.001163	653,239	0.000000	94,273	28,770	0	123,043
8	Jun-12	45,000	22.80	0.002964	35,000	22.80	0.001163	152,836	0.000000	91,232	27,842	0	119,074
9	Jul-12	45,000	22.80	0.002964	35,000	22.80	0.001163	884,483	0.000000	94,273	28,770	0	123,043
10	Aug-12	45,000	22.80	0.002964	35,000	22.80	0.001163	1,153,948	0.000000	94,273	28,770	0	123,043
11	Sep-12	45,000	22.80	0.002964	35,000	22.80	0.001163	2,041,042	0.000000	91,232	27,842	0	119,074
12	Oct-12	45,000	22.80	0.002964	35,000	22.80	0.001163	1,951,923	0.000000	94,273	28,770	0	123,043
13	Total									<u>\$1,113,530</u>	<u>\$ 339,819</u>	<u>\$ 0</u>	<u>\$1,453,349</u>



**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 OTHER MEDFORD LATERAL REVENUE FROM AVISTA CORPORATION CONTRACT  
 TWELVE MONTHS ENDED OCTOBER 31, 2012**

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-11	20,000	0	88.10	0.009389	0.000000	\$ 496,303	0	\$ 496,303
2	Dec-11	20,000	0	88.10	0.009389	0.000000	512,846	0	512,846
3	Jan-12	20,000	31,000	88.10	0.009363	0.000000	511,426	0	511,426
4	Feb-12	20,000	14,500	88.10	0.009363	0.000000	478,431	0	478,431
5	Mar-12	20,000	400	88.10	0.009363	0.000000	511,426	0	511,426
6	Apr-12	20,000	0	88.10	0.009363	0.000000	494,928	0	494,928
7	May-12	0	0	88.10	0.009363	0.000000	0	0	0
8	Jun-12	0	0	88.10	0.009363	0.000000	0	0	0
9	Jul-12	0	0	88.10	0.009363	0.000000	0	0	0
10	Aug-12	0	0	88.10	0.009363	0.000000	0	0	0
11	Sep-12	0	0	88.10	0.009363	0.000000	0	0	0
12	Oct-12	0	0	88.10	0.009363	0.000000	0	0	0
13	Total						<u>\$ 3,005,360</u>	<u>\$ 0</u>	<u>\$ 3,005,360</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 OTHER MEDFORD LATERAL REVENUE FROM PPM ENERGY CORPORATION CONTRACT  
 TWELVE MONTHS ENDED OCTOBER 31, 2012**

Line No.	Month	Reservation	Delivery Pt. 1	Delivery Pt. 2		Delivery Pt. 3		Mileage	Non-Mileage	Mileage	Non-Mileage	Total	Interruptible	
		Volume	Volume	Path 1	Volume	Path 2	Volume	Path 3	Rate				Rate	Revenue
		Dth/d	Dth/d	Distance	Dth/d	Distance	Dth/d	Distance	Dth-Mile	Dth	Dth	Dth	Revenue	90% of Revenue 1/
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
<b><u>ITS-1(E-1) As Billed</u></b>														
1	Nov-11	0	52,910	22.77	4,000	22.80	0	22.85	0.003316	0.005498	\$ 4,297	\$ 313	\$ 4,610	\$ 4,149
2	Dec-11	0	57,197	22.77	13,432	22.80	0	22.85	0.003316	0.005498	5,334	388	5,722	5,150
3	Jan-12	0	57,440	22.77	8,000	22.80	0	22.85	0.003316	0.005498	4,942	360	5,302	4,772
4	Feb-12	0	4,608	22.77	6,417	22.80	0	22.85	0.003316	0.005498	833	61	894	805
5	Mar-12	0	38,253	22.77	9,532	22.80	0	22.85	0.003316	0.005498	3,609	263	3,872	3,485
6	Apr-12	0	0	22.77	0	22.80	0	22.85	0.003316	0.005498	0	0	0	0
7	May-12	0	7,317	22.77	0	22.80	0	22.85	0.003316	0.005498	552	40	592	533
8	Jun-12	0	0	22.77	0	22.80	39,780	22.85	0.003316	0.005498	3,014	219	3,233	2,910
9	Jul-12	0	0	22.77	0	22.80	31,851	22.85	0.003316	0.005498	2,413	175	2,588	2,329
10	Aug-12	0	13,007	22.77	0	22.80	38,350	22.85	0.003316	0.005498	3,888	282	4,170	3,753
11	Sep-12	0	4,581	22.77	0	22.80	0	22.85	0.003316	0.005498	346	25	371	334
12	Oct-12	0	60,600	22.77	0	22.80	0	22.85	0.003316	0.005498	4,576	333	4,909	4,418
13	Total										<u>\$ 33,804</u>	<u>\$ 2,459</u>	<u>\$ 36,263</u>	<u>\$ 32,638</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, 2012  
 (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-11								\$ (10,890)
2	Nov-11	\$ 744	\$ 267	\$ 620	\$ 1,098	0.8050%	\$ (88)	\$ 1,010	(9,880)
3	Dec-11	769	276	641	1,135	0.8050%	(80)	1,055	(8,825)
4	Jan-12	767	276	639	1,130	0.8050%	(71)	1,059	(7,766)
5	Feb-12	718	258	594	1,054	0.8050%	(63)	991	(6,775)
6	Mar-12	767	276	638	1,129	0.8050%	(55)	1,074	(5,701)
7	Apr-12	742	267	614	1,090	0.8050%	(46)	1,044	(4,657)
8	May-12	384	138	124	369	0.8050%	(37)	332	(4,325)
9	Jun-12	371	133	122	360	0.8050%	(35)	325	(4,000)
10	Jul-12	384	138	125	371	0.8050%	(32)	339	(3,661)
11	Aug-12	384	138	127	373	0.8050%	(29)	343	(3,318)
12	Sep-12	371	133	119	357	0.8050%	(27)	331	(2,987)
13	Oct-12	384	138	127	373	0.8050%	(24)	349	\$ (2,638)
14	Total	<u>\$ 6,785</u>	<u>\$ 2,438</u>	<u>\$ 4,491</u>	<u>\$ 8,838</u>	<u>9.66%</u>	<u>\$ (586)</u>	<u>\$ 8,252</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 n  
 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, 2012  
 (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		\$ (10,890)
2	Deferred Account Ending Balance	App. C, Pg. 1, Col. i	<u>(2,638)</u>
3	Change in Deferred Account Balance (Ln. 2 - Ln. 1)		<u><u>\$ 8,252</u></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, 2012  
(Dollars in Thousands)**

<u>Line No.</u>	<u>Description (a)</u>	<u>Reference (b)</u>	<u>Total (c)</u>
	<b><u>Cost of Service</u></b>		
1	Operations and Maintenance	Pg. 6	\$ 122
2	Depreciation	Pg. 3	916
3	Income Taxes	Pg. 4	589
4	Other Taxes	Pg. 4	204
5	Equity Return	Pg. 2	918
6	Debt Return	Pg. 2	<u>1,164</u>
7	Total Cost of Service		<u>\$ 3,913</u>



**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 RATE BASE AND RETURN  
 TWELVE MONTHS ENDED OCTOBER 31, 2012  
 (Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<b>Calculation of Return</b>			
Rate Base			
1	Average Plant in Service	Pg. 3	\$ 44,688
2	Less: Average Accumulated Depreciation	Pg. 3	(20,800)
3	Average Net Plant		<u>23,888</u>
4	Add: Total Working Capital Allowance	Pg. 7	122
5	Less: Average Accum. Deferred Income Taxes	Pg. 5	(2,457)
6	Average Rate Base		<u>\$ 21,553</u>
Debt Return:			
7	Debt Capitalization		65.08%
8	Debt Rate		<u>8.29%</u>
9	Total (Ln. 7 x Ln. 8)		<u>5.40%</u>
Equity Return:			
10	Equity Capitalization		34.92%
11	Return on Equity		<u>12.20%</u>
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)		\$ 1,164
15	Equity Return (Ln. 6 x Ln. 12)		918
16	Total Return (Ln. 14 + Ln. 15)		<u>\$ 2,082</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 PLANT AND DEPRECIATION  
 TWELVE MONTHS ENDED OCTOBER 31, 2012  
 (Dollars in Thousands)**

Line No.	Month	Gross Plant	Rate	Depreciation Expense	Accumulated Depreciation
	(a)	(b)	(c)	(d)	(e)
1	Oct-11	\$ 44,641			\$ 20,304
2	Nov-11	44,681	0.17083%	76	20,381
3	Dec-11	44,689	0.17083%	76	20,457
4	Jan-12	44,689	0.17083%	76	20,533
5	Feb-12	44,689	0.17083%	76	20,610
6	Mar-12	44,689	0.17083%	76	20,686
7	Apr-12	44,689	0.17083%	76	20,762
8	May-12	44,689	0.17083%	76	20,839
9	Jun-12	44,689	0.17083%	76	20,915
10	Aug-12	44,689	0.17083%	76	20,991
11	Sep-12	44,689	0.17083%	76	21,068
12	Oct-12	44,689	0.17083%	76	21,144
13	Nov-12	44,689	0.17083%	76	21,220
14	Average	<u>\$ 44,688</u>	<u>0.17083%</u>	<u>\$ 916</u>	<u>\$ 20,800</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 INCOME AND OTHER TAXES  
 TWELVE MONTHS ENDED OCTOBER 31, 2012  
 (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	\$ 2,082
2	Less: Debt return	Pg. 2	(1,164)
3	Equity return	Pg. 2	918
4	AFUDC Equity Amortization	Pg. 5	21
5	Adjusted Taxable Equity return		939
6	Federal Tax Rate/(1-Fed. Tax Rate)		53.85%
7	Federal Income Tax		\$ 506
8	State Tax. Inc.(Eq.Ret.+Fed. Inc.Tax)		\$ 1,445
9	State Tax Rate/(1-State Tax Rate)		5.71%
10	State Income Tax		\$ 83
11	Total Federal and State Income Taxes		\$ 589
<b><u>Other Taxes</u></b>			
12	Ad Valorem Taxes		\$ 199
13	Payroll Taxes		5
14	Total		\$ 204

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 DEFERRED INCOME TAXES  
 TWELVE MONTHS ENDED OCTOBER 31, 2012  
 (Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<b><u>Calculation of Deferred Income Taxes</u></b>			
1	Tax Depreciation		\$ 1,870
2	Less: Book Depreciation	Pg. 3	(916)
3	Add: AFUDC Equity Amortization		21
4	Total Timing Difference		<u>975</u>
5	Effective Tax Rate		<u>38.51%</u>
6	Deferred Income Taxes (Ln 4 x Ln 5)		<u><u>\$ 375</u></u>
<b><u>Accumulated Deferred Income Taxes</u></b>			
7	Beginning Balance		\$ 2,248
8	Prior Year True up Adjustment		42
9	Ending Balance (Ln 6 + Ln 7 + Ln 8)		<u>2,665</u>
10	Average Balance ((Ln 7 + Ln 9) / 2)		<u><u>\$ 2,457</u></u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
OPERATIONS AND MAINTENANCE EXPENSE  
TWELVE MONTHS ENDED OCTOBER 31, 2012  
(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	\$ 111
2	General and Administrative	11
3	Total Operations and Maintenance Expense	<u>\$ 122</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM  
 WORKING CAPITAL  
 TWELVE MONTHS ENDED OCTOBER 31, 2012  
 (Dollars in Thousands)**

Line No.	Description (a)	Total (b)
<b><u>Working Capital</u></b>		
	<u>Beginning Balance</u>	
1	Line Pack	67
	<u>Ending Balance</u>	
2	Line Pack	68
3	Average Working Capital (Ln. 1 + Ln 2) / 2	<u>\$ 68</u>
4	Cash Working Capital	<u>54</u>
5	Total Working Capital Allowance	<u>\$ 122</u>