



January 31, 2014

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

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Re: Gas Transmission Northwest LLC
Medford Lateral Annual Report
Docket No. RP14-_____-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 final "Annual Report on Deferred Revenue Recovery Mechanism and Revenue Reconciliation."

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 No. CP93-618-000, *et al.*,¹ 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), was 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 was less than the maximum cost-based rate, the deficiency (plus carrying charges) was added to a deferred account that was to be recovered from Avista in later years when the negotiated rate exceeded the maximum Rate Schedule FTS-1(E-1) cost-based rate. The negotiated rate agreement provided that when the deferred account was fully recovered, Avista would pay the then-applicable recourse tariff rate for firm transportation service on the Medford Extension.

The January 12 Order required GTN to file an annual report concerning the deferred revenue recovery mechanism.² The instant final report, which reflects transportation activity from November 1, 2012, through January 9, 2013, is being submitted to comply with the reporting requirement. Accordingly, submitted herewith is information showing that the deferred account has been fully recovered. Specifically, included are: (1) a schedule showing what Avista’s revenue responsibility would have been at the maximum cost-based rate under Rate Schedule FTS-1(E-1) (Appendix A); (2) a schedule showing the actual negotiated rate revenues collected from Avista 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 was 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.

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

² 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 at Appendix D, and shows that the cumulative deferred account balance has been fully recovered with no over collections.

In further explanation of the Appendices submitted herein, GTN provides the following. GTN projected that the deferred account balance would be fully recovered on or about January 9, 2013. Therefore, GTN assessed the FTS-1(E-2)(WWP) negotiated rate through January 9 and then reverted the shipper's contractual rate to the FTS-1(E-1) maximum recourse rate on January 10, 2013 (see Appendix B, Page 1 of 4).³ The additional transportation revenues collected on the Medford lateral used to offset the Avista deferred account balance were similarly included (see Appendix B, Pages 2-4).⁴ In its reconciliation of the deferred account balance, it was determined that the deferred account balance was, in fact, fully recovered on January 9, 2013, although with a slight over-collection of revenues in the amount of \$17,644. Therefore, on January 24, 2014, GTN submitted a refund totaling \$19,389, inclusive of interest, to the shipper. As such, the revenue reconciliation included at Appendix D reflects an ending balance of zero. In addition, consistent with the billing period of the negotiated rate, the cost-of-service included at Appendix E is reported for the three-month period ended January 31, 2013.

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.

³ The Commission approved removal of the negotiated rate from GTN's FERC gas tariff in Docket No. RP14-180-000 (December 12, 2013) (unpublished letter order).

⁴ Revenues associated with the FTS1-(E-2)(Diamond 1 and 2) and ITS-1(E-1) agreements were only required through January 8, 2013 (Appendix B, Page 2 and Page 4, respectively).

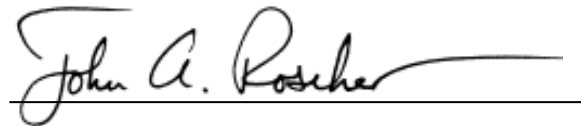
Certificate of Service

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 cursive script that reads "John A. Roscher". The signature is written in black ink 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
 PERIOD ENDED JANUARY 31, 2014**

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)
FTS-1(E-2) Volumes At Maximum FTS-1(E-1) Rate															
1	Nov-12	30,000	429,800	88.10	13,800	22.85	18,400	20.12	0.003290	0.005498	0.000026	\$ 260,864	\$ 4,948	\$ 1,002	\$ 266,814
2	Dec-12	30,000	668,600	88.10	40,500	22.85	22,900	20.12	0.003290	0.005498	0.000026	269,560	5,113	1,568	276,241
3	Jan-13	1/ 30,000	206,000	88.10	16,700	22.85	13,500	20.12	0.003290	0.005498	0.000026	78,259	1,484	489	80,232
4	Feb-13	30,000		88.10		22.85		20.12				0	-	-	0
5	Mar-13	30,000		88.10		22.85		20.12				-	-	-	-
6	Apr-13	30,000		88.10		22.85		20.12				-	-	-	-
7	May-13	15,000		88.10		22.85		20.12				-	-	-	-
8	Jun-13	15,000		88.10		22.85		20.12				-	-	-	-
9	Jul-13	15,000		88.10		22.85		20.12				-	-	-	-
10	Aug-13	15,000		88.10		22.85		20.12				-	-	-	-
11	Sep-13	15,000		88.10		22.85		20.12				-	-	-	-
12	Oct-13	15,000		88.10		22.85		20.12				-	-	-	-
13	Nov-13	15,000		88.10		22.85		20.12				-	-	-	-
14	Dec-13	15,000		88.10		22.85		20.12				-	-	-	-
15	Jan-14	15,000		88.10		22.85		20.12				-	-	-	-
16	Total											<u>\$ 608,683</u>	<u>\$ 11,545</u>	<u>\$ 3,059</u>	<u>\$ 623,287</u>

1/ Reflects revenues calculated through January 9, 2013.

Appendix B

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 ACTUAL REVENUE BASED UPON NEGOTIATED FTS-1(E-2)(WWP) RATE
 PERIOD ENDED JANUARY 31, 2014**

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)
<u>FTS-1(E-2)(WWP) As Billed</u>													
1	Nov-12	30,000	429,800	88.10	13,800	22.85	18,400	20.12	0.009857	0.000000	\$ 781,562	\$ -	\$ 781,562
2	Dec-12	30,000	668,600	88.10	40,500	22.85	22,900	20.12	0.009857	0.000000	\$ 807,614	-	807,614
3	Jan-13	1/ 30,000	206,000	88.10	16,700	22.85	13,500	20.12	0.009884	0.000000	\$ 235,111	-	235,111
4	Feb-13	30,000		88.10		22.85		20.12			-	-	-
5	Mar-13	30,000		88.10		22.85		20.12			-	-	-
6	Apr-13	30,000		88.10		22.85		20.12			-	-	-
7	May-13	15,000		88.10		22.85		20.12			-	-	-
8	Jun-13	15,000		88.10		22.85		20.12			-	-	-
9	Jul-13	15,000		88.10		22.85		20.12			-	-	-
10	Aug-13	15,000		88.10		22.85		20.12			-	-	-
11	Sep-13	15,000		88.10		22.85		20.12			-	-	-
12	Oct-13	15,000		88.10		22.85		20.12			-	-	-
13	Nov-13	15,000		88.10		22.85		20.12			-	-	-
14	Dec-13	15,000		88.10		22.85		20.12			-	-	-
15	Jan-14	15,000		88.10		22.85		20.12			(19,389) 2/		(19,389)
16	Total										<u>\$ 1,804,898</u>	<u>\$ 0</u>	<u>\$ 1,804,898</u>

1/ The Medford FTS-1(E-2)(WWP) negotiated rate was billed through January 9, 2013. On January 10, 2013, the contractual rate reverted to the currently effective Medford FTS-1(E-1) recourse rate.

2/ Based upon a reconciliation of the deferred account, this amount was refunded January 24, 2014, inclusive of applicable interest, to bring the account to a zero balance (see Appendix C for the calculation of interest and Appendix D for the deferred account balance).

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 OTHER MEDFORD LATERAL REVENUE FROM PPM ENERGY CONTRACT
 PERIOD ENDED JANUARY 31, 2014**

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)
<u>FTS-1(E-2)(Diamond 1 and 2) As Billed</u>													
1	Nov-12	45,000	22.80	0.002964	35,000	22.80	0.001163	1,214,725	0.000000	\$ 91,232	\$ 27,842	\$ -	\$ 119,074
2	Dec-12	45,000	22.80	0.002964	35,000	22.80	0.001163	960,465	0.000000	94,273	28,770	-	123,043
3	Jan-13	1/ 45,000	22.80	0.002972	35,000	22.80	0.001166	481,887	0.000000	24,394	7,444	-	31,838
4	Feb-13	45,000	22.80		35,000	22.80		2,076,325	0.000000	-	-	-	-
5	Mar-13	45,000	22.80		35,000	22.80		1,831,954	0.000000	-	-	-	-
6	Apr-13	45,000	22.80		35,000	22.80		1,045,972	0.000000	-	-	-	-
7	May-13	45,000	22.80		35,000	22.80		653,239	0.000000	-	-	-	-
8	Jun-13	45,000	22.80		35,000	22.80		152,836	0.000000	-	-	-	-
9	Jul-13	45,000	22.80		35,000	22.80		884,483	0.000000	-	-	-	-
10	Aug-13	45,000	22.80		35,000	22.80		1,153,948	0.000000	-	-	-	-
11	Sep-13	45,000	22.80		35,000	22.80		1,153,948	0.000000	-	-	-	-
12	Oct-13	45,000	22.80		35,000	22.80		1,153,948	0.000000	-	-	-	-
13	Nov-13	45,000	22.80		35,000	22.80		1,153,948	0.000000	-	-	-	-
14	Dec-13	45,000	22.80		35,000	22.80		1,153,948	0.000000	-	-	-	-
15	Jan-14	45,000	22.80		35,000	22.80		2,012,523	0.000000	-	-	-	-
16	Total									<u>\$ 209,899</u>	<u>\$ 64,056</u>	<u>\$ 0</u>	<u>\$ 273,955</u>

1/ Revenues associated with this agreement were only required through January 8, 2013.

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 OTHER MEDFORD LATERAL REVENUE FROM AVISTA CORPORATION CONTRACT
 PERIOD ENDED JANUARY 31, 2014**

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)
FTS-1(E-2)(WWP Negotiated) As Billed									
1	Nov-12	20,000	0	88.10	0.009857	0.000000	\$ 521,041	\$ 0	\$ 521,041
2	Dec-12	20,000	0	88.10	0.009857	0.000000	538,409	-	538,409
3	Jan-13 1/	20,000	0	88.10	0.009884	0.000000	156,740	-	156,740
4	Feb-13	20,000		88.10		0.000000	-	-	-
5	Mar-13	20,000		88.10		0.000000	-	-	-
6	Apr-13	20,000		88.10		0.000000	-	-	-
7	May-13	0		88.10		0.000000	-	-	-
8	Jun-13	0		88.10		0.000000	-	-	-
9	Jul-13	0		88.10		0.000000	-	-	-
10	Aug-13	0		88.10		0.000000	-	-	-
11	Sep-13	0		88.10		0.000000	-	-	-
12	Oct-13	0		88.10		0.000000	-	-	-
13	Nov-13	0		88.10		0.000000	-	-	-
14	Dec-13	0		88.10		0.000000	-	-	-
15	Jan-14	0		88.10		0.000000	-	-	-
16	Total						<u>\$ 1,216,190</u>	<u>\$ 0</u>	<u>\$ 1,216,190</u>

1/ The Medford FTS-1(E-2)(WWP) negotiated rate was billed through January 9, 2013. On January 10, 2013, the contractual rate reverted to the currently effective Medford FTS-1(E-1) recourse rate.

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 OTHER MEDFORD LATERAL REVENUE FROM PPM ENERGY CORPORATION CONTRACT
 PERIOD ENDED JANUARY 31, 2014**

Line No.	Month	Reservation Volume	Delivery Pt. 1 Volume	Path 1	Delivery Pt. 2 Volume	Path 2	Delivery Pt. 3 Volume	Path 3	Mileage Rate	Non-Mileage Rate	Mileage	Non-Mileage	Total	Interruptible Transportation Revenue Credit
		Dth/d	Dth/d	Distance	Dth/d	Distance	Dth/d	Distance	Dth-Mile	Dth	Revenue	Revenue	Revenue	90% of Revenue 1/
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
<u>ITS-1(E-1) As Billed</u>														
1	Nov-12	0	6,076	22.77	0	22.80	0	22.85	0.003316	0.005498	\$ 459	\$ 33	492	\$ 443
2	Dec-12	0	0	22.77	0	22.80	0	22.85	0.003316	0.005498	-	-	-	-
3	Jan-13 2/	0	0	22.77	0	22.80	0	22.85	0.003316	0.005498	-	-	-	-
4	Feb-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
5	Mar-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
6	Apr-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
7	May-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
8	Jun-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
9	Jul-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
10	Aug-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
11	Sep-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
12	Oct-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
13	Nov-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
14	Dec-13	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
15	Jan-14	0		22.77		22.80		22.85	0.003316	0.005498	-	-	-	-
16	Total										\$ 459	\$ 33	\$ 492	\$ 443

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

2/ Revenues associated with this agreement were only required through January 8, 2013.

Appendix C

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 DEFERRED REVENUE ACCOUNT BALANCE
 PERIOD ENDED JANUARY 31, 2014**

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-12								\$ (2,638,000)
2	Nov-12	\$ 781,562	\$ 266,814	\$ 640,558	\$ 1,155,306	0.8050%	\$ (21,236)	\$ 1,134,070	\$ (1,503,930)
3	Dec-12	807,614	276,241	661,452	1,192,825	0.8050%	(12,107)	1,180,718	(323,211)
4	Jan-13	235,111	80,232	188,578	343,457	0.8050%	(2,602)	340,855	17,644
5	Feb-13	-	-	-	-	0.8050%	142	142	17,786
6	Mar-13	-	-	-	-	0.8050%	143	143	17,929
7	Apr-13	-	-	-	-	0.8050%	144	144	18,073
8	May-13	-	-	-	-	0.8050%	145	145	18,219
9	Jun-13	-	-	-	-	0.8050%	147	147	18,365
10	Jul-13	-	-	-	-	0.8050%	148	148	18,513
11	Aug-13	-	-	-	-	0.8050%	149	149	18,662
12	Sep-13	-	-	-	-	0.8050%	150	150	18,812
13	Oct-13	-	-	-	-	0.8050%	151	151	18,964
14	Nov-13	-	-	-	-	0.8050%	153	153	19,117
15	Dec-13	-	-	-	-	0.8050%	154	154	19,270
16	Jan-14	-	-	-	-	0.8050%	118 7/	118	19,389
17	Jan Refund 8/	(19,389)	-	-	(19,389)		-	(19,389)	0
18	Total	<u>\$ 1,804,898</u>	<u>\$ 623,287</u>	<u>\$ 1,490,588</u>	<u>\$ 2,672,199</u>		<u>\$ (34,199)</u>	<u>\$ 2,638,000</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, Footnote 1.

7/ Interest calculated through date of refund which occurred on January 24, 2014.

8/ See Appendix B, Page 1, Column m (Line 15).

Appendix D

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 CHANGE IN DEFERRED ACCOUNT BALANCE
 PERIOD ENDED JANUARY 31, 2014
 (Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<u>Change in Deferred Account Balance 1/</u>			
1	Deferred Account Beginning Balance		\$ (2,638)
2	Deferred Account Ending Balance	App. C, Pg. 1, Col. i	<u>0</u>
3	Change in Deferred Account Balance (Ln. 2 - Ln. 1)		<u><u>\$ 2,638</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
 THREE MONTHS ENDED JANUARY 31, 2013
 (Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
	<u>Cost of Service</u>		
1	Operations and Maintenance	Pg. 6	\$ 17
2	Depreciation	Pg. 3	229
3	Income Taxes	Pg. 4	142
4	Other Taxes	Pg. 4	47
5	Equity Return	Pg. 2	221
6	Debt Return	Pg. 2	<u>278</u>
7	Total Cost of Service		<u>\$ 934</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 RATE BASE AND RETURN
 THREE MONTHS ENDED JANUARY 31, 2013
 (Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<u>Calculation of Return</u>			
Rate Base			
1	Average Plant in Service	Pg. 3	\$ 44,714
2	Less: Average Accumulated Depreciation	Pg. 3	<u>(21,449)</u>
3	Average Net Plant		23,265
4	Add: Total Working Capital Allowance	Pg. 7	85
5	Less: Average Accum. Deferred Income Taxes	Pg. 5	<u>(2,731)</u>
6	Average Rate Base		<u>\$ 20,619</u>
Debt Return:			
7	Debt Capitalization		65.08%
8	Debt Rate (For three month period)		<u>2.07%</u>
9	Total (Ln. 7 x Ln. 8)		<u>1.35%</u>
Equity Return:			
10	Equity Capitalization		34.92%
11	Return on Equity (For three month period)		<u>3.05%</u>
12	Total (Ln. 10 x Ln. 11)		<u>1.07%</u>
13	Overall Return (Ln. 9 + Ln. 12)		<u>2.42% 1/</u>
14	Debt Return (Ln. 6 x Ln. 9)		\$ 278
15	Equity Return (Ln. 6 x Ln. 12)		<u>221</u>
16	Total Return (Ln. 14 + Ln. 15)		<u>\$ 499</u>

1/ Overall return for the three-month period results in a monthly rate of 0.8050%.

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 PLANT AND DEPRECIATION
 THREE MONTHS ENDED JANUARY 31, 2013
 (Dollars in Thousands)**

<u>Line No.</u>	<u>Month</u>	<u>Gross Plant</u>	<u>Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
	(a)	(b)	(c)	(d)	(e)
1	Oct-12	\$ 44,689			\$ 21,297
2	Nov-12	44,689	0.17083%	76	21,373
3	Dec-12	44,689	0.17083%	76	21,449
4	Jan-13	<u>44,764</u>	<u>0.17083%</u>	<u>76</u>	<u>21,526</u>
5	Average	<u>\$ 44,714</u>	<u>0.17083%</u>	<u>\$ 229</u>	<u>\$ 21,449</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 INCOME AND OTHER TAXES
 THREE MONTHS ENDED JANUARY 31, 2013
 (Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<u>Calculation of Income Taxes</u>			
1	Return on rate base	Pg. 2	\$ 499
2	Less: Debt return	Pg. 2	(278)
3	Equity return	Pg. 2	221
4	AFUDC Equity Amortization	Pg. 5	5
5	Adjusted Taxable Equity return		226
6	Federal Tax Rate/(1-Fed. Tax Rate)		53.85%
7	Federal Income Tax		\$ 122
8	State Tax. Inc.(Eq.Ret.+Fed. Inc.Tax)		\$ 348
9	State Tax Rate/(1-State Tax Rate)		5.71%
10	State Income Tax		\$ 20
11	Total Federal and State Income Taxes		\$ 142
<u>Other Taxes</u>			
12	Ad Valorem Taxes		\$ 46
13	Payroll Taxes		1
14	Total		\$ 47

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 DEFERRED INCOME TAXES
 THREE MONTHS ENDED JANUARY 31, 2013
 (Dollars in Thousands)**

Line No.	Description (a)	Reference (b)	Total (c)
<u>Calculation of Deferred Income Taxes</u>			
1	Tax Depreciation		\$ 564
2	Less: Book Depreciation	Pg. 3	(229)
3	Add: AFUDC Equity Amortization		5
4	Total Timing Difference		<u>340</u>
5	Effective Tax Rate		<u>38.51%</u>
6	Deferred Income Taxes (Ln 4 x Ln 5)		<u><u>\$ 131</u></u>
<u>Accumulated Deferred Income Taxes</u>			
7	Beginning Balance		\$ 2,666
8	Prior Year True up Adjustment		-
9	Ending Balance (Ln 6 + Ln 7 + Ln 8)		<u>2,797</u>
10	Average Balance ((Ln 7 + Ln 9) / 2)		<u><u>\$ 2,731</u></u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
OPERATIONS AND MAINTENANCE EXPENSE
THREE MONTHS ENDED JANUARY 31, 2013
(Dollars in Thousands)**

<u>Line No.</u>	<u>Description (a)</u>	<u>Total (b)</u>
	<u>Operations and Maintenance Expense</u>	
1	Operations and Maintenance	\$ 14
2	General and Administrative	<u>3</u>
3	Total Operations and Maintenance Expense	<u>\$ 17</u>

**ANNUAL REPORT OF DEFERRED REVENUE RECOVERY MECHANISM
 WORKING CAPITAL
 THREE MONTHS ENDED JANUARY 31, 2013
 (Dollars in Thousands)**

Line No.	Description (a)	Total (b)
<u>Working Capital</u>		
<u>Beginning Balance</u>		
1	Line Pack	68
<u>Ending Balance</u>		
2	Line Pack	65
3	Average Working Capital (Ln. 1 + Ln 2) / 2	<u>\$ 67</u>
4	Cash Working Capital	<u>18</u>
5	Total Working Capital Allowance	<u>\$ 85</u>