

e-FILING REPORT COVER SHEET

REPORT NAME: ANNUAL REPORT C

COMPANY NAME: PETE'S MOUNTAIN WATER COMPANY, INC.

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation: RE (Electric) RG (Gas) RW (Water)
 RO (Other)

Report is required by: OAR
 Statute ORS 757.125 and 757.135
 Order
 Other

Is this report associated with a specific docket/case? No Yes
If Yes, enter docket number:

Key words:

If known, please select the PUC Section to which the report should be directed:

- Corporate Analysis and Water Regulation
- Economic and Policy Analysis
- Electric and Natural Gas Revenue Requirements
- Electric Rates and Planning
- Natural Gas Rates and Planning
- Utility Safety, Reliability & Security
- Administrative Hearings Division
- Consumer Services Section

PLEASE NOTE: Do NOT use this form or e-filing with the PUC Filing Center for:

- **Annual Fee Statement form and payment remittance or**
- **OUS or RSPF Surcharge form or surcharge remittance or**
- **Any other Telecommunications Reporting or**
- **Any daily safety or safety incident reports or**
- **Accident reports required by ORS 654.715.**

**OREGON PUBLIC UTILITY COMMISSION
PO BOX 2148
SALEM OR 97308-2148**

ANNUAL REPORT C

FOR WATER UTILITIES

REPORTING GROSS REVENUES

UP TO \$199,999

PETE'S MOUNTAIN WATER CO., INC.

(NAME OF COMPANY)

FOR THE YEAR ENDING DECEMBER 31, 2011

WATER UTILITY ANNUAL REPORT C **PUBLIC UTILITY COMMISSION OF OREGON**

MAILING ADDRESS

PO BOX 2148
SALEM OR 97308-2148

LOCATION ADDRESS

550 CAPITOL ST. NE STE 215
SALEM OR 97301-2551

GENERAL INSTRUCTIONS

The Annual Report, required by the Public Utility Commission (PUC) under the authority of the Oregon Revised Statutes (ORS) 757.125 and 757.135, is based on the utility's operations for a calendar or fiscal year and is a convenient method for the Commission's staff to monitor the utility's results of operations. It must be filed with the PUC on or before April 1st of the year following that for which the report is made. The report must be filled out in ink or typewritten. Mail the original annual report and one copy to the Commission (flat, not folded or rolled) and keep one copy for your own reference. Mail the annual report to the PUC at the address listed above.

- You may round off reported figures to the nearest dollar, if desired.
- Entries indicating deficits of a "minus amount" should be enclosed in parentheses ().
- Where statistical information asked for is not reported, state a reason for the omission.
- If the words "none or "not applicable" truly state the facts, they should be given as the answer. The answer "same as last year" is not acceptable.
- Special or unusual entries and all discrepancies should be fully explained. If necessary, attach 8 ½" X 11" supplementary sheets to provide space required for making answers full and complete.
- If the utility has filed, or intends to file, a separate rate schedule in its tariff for non-contiguous portions of its water system, separate accounting for Operating Revenues, Operating Expense, Plant Investments and related Reserve for Depreciation must be maintained by the utility for each portion of the water system relating to each separate rate schedule. This annual report, however, should include the combined financial data for the utility.
- Each incorporated utility is requested to file with this report a copy of its most recent annual report to stockholders, if one is prepared.
- All schedules that call for the previous year's figures or the balance at the beginning of the year should reflect as a beginning balance the same end of the year's figures **exactly** as shown in the prior year's annual report. Any adjustments to the ending balances shown in the report for the previous year should be reflected in the current year's activity and reported along with an explanation in the annual report.
- Please use the checklist to verify the completeness of the report before submitting your final annual report to the PUC. This will facilitate our review of your report and reduce the need for future correspondence.

FOR QUESTIONS ON ACCOUNTS OR REPORTING, CONTACT MARION ANDERSON AT 503-378-4362.

FOR QUESTIONS ON THE EXCEL PROGRAM, CONTACT DUSTIN BALL AT 503-373-7946.

CHECKLIST

| | |
|----------|---|
| 1 | Organization – Pg 1 |
| | Ensure that all items have been completed and that the names of owners, stockholders, directors and |
| | Balance Sheet – Pg 12 |
| | a. Balance Sheet, Total Assets and Other Debits (pg 12, line 14) must agree with Balance Sheet, Total Liabilities and Other Credits (pg 12, line 29) . |
| | b. Balance Sheet, Utility Plant (pg 12, line 1, columns 1 and 2) must agree with totals in Schedule 6, Total Utility Plant, Balance Beginning of Year (pg 6, line 28, column 1) and Schedule 6, Balance End of Year (pg 6, line 28, column 4) respectively. |
| | c. Balance Sheet, Accumulated Depreciation and Amortization of Utility Plant (pg 12, line 2, columns 1 and 2) must agree with Schedule 7, Accumulated Balance in Reserve Beginning of Year (pg 7, line 1) and Schedule 7, Accumulated Balance in Reserve End of Year (pg 7, line 9) . |
| 2 | d. Balance Sheet, Capital Stock (pg 12, line 16) should not change from last year unless the Commission authorized a new issue. |
| | e. Balance Sheet, Proprietary Capital (pg 12, line 20) shall reflect the investment of the unincorporated (individual) proprietors. |
| | f. Balance Sheet, Long-Term Debt (pg 12, line 21) . The Commission's approval is necessary for issuance of this type of security. |
| | g. Balance Sheet, Other Current and Accrued Liabilities (pg 12, line 24) . If this includes a demand note or the period covered by a note that extends over 12 months, the Commission's approval is necessary. |
| | h. Balance Sheet, Advances for Construction (pg 12, line 26) . The total of all advances by customers and others for construction, which are to be refunded either wholly or in part. |
| | i. Balance Sheet , Accumulated Contributions in Aid of Construction (pg 12, line 27) shall include non-refundable donations from customers or others for construction purposes. |
| | Schedule 1 - Utility Plant and Depreciation Details – Pg 6 |
| | DO NOT INCLUDE CIAC |
| 3 | a. Schedule 6, (pg 6) be sure that the additions (column 2) and retirements (column 3) have been properly reflected in changes to plant in on page 12. |
| | b. Schedule 6, Total Plant in Service, Annual Depreciation Expense (pg 6, line 24, column 6) must agree with Income Statement, Depreciation Expense (pg 10, line 24, column 2) . |
| | Schedule 7 - Depreciation Reserve or Accumulated Depreciation – Pg 7 |
| 4 | Schedule 7, Depreciation Expense Accrual (pg 7, line 2) for the current year's report should equal the amount shown in Schedule 6, Utility Plant and Depreciation, Total Plant in Service, Annual Depreciation Expense (pg 6, line 24, column 6) AND Income Statement, Depreciation Expense (pg 10, line 24, column 2) . Schedule 7, Amortization Expense Accrual (page 7, line 3) should agree with the amount shown in Income Statement, Amortization Expense (page 10, line 25, column 2) . |
| | Note: Please attach a schedule of amortization claimed, if any. |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
Pg. 1

| | | | |
|--|---|---|---------------------------------------|
| ACCOUNTING METHOD: CASH | | | |
| ORGANIZATION | | | |
| NAME OF COMPANY: PETE'S MOUNTAIN WATER CO., INC. | | STREET ADDRESS: 1277 SW SCHAEFFER ROAD | |
| CITY: WEST LINN | STATE: OR | ZIP CODE: 97068 | TELEPHONE NUMBER: 503-263-6574 |
| TYPE OF ORGANIZATION CORPORATION | | | |
| INSTRUCTIONS: IF THE COMPANY IS A SOLE PROPRIETORSHIP OR PARTNERSHIP, COMPLETE PART A AND GIVE THE NAMES AND ADDRESSES OF ALL PERSONS HAVING ANY INTEREST OR EQUITY IN THE BUSINESS AND THE AMOUNT OF SUCH EQUITY. IF THE COMPANY IS A CORPORATION, COMPLETE PART B AND GIVE THE NAMES AND ADDRESSES OF THE THREE LARGEST STOCKHOLDERS AND ALL OFFICERS AND DIRECTORS. STATE THE NUMBER OF SHARES HELD BY EACH. | | | |
| PART A: SOLE PROPRIETORSHIP OR PARTNERSHIP | | | |
| 1 | NAME OF OWNER OR PARTNER | ADDRESS, CITY, STATE, ZIP CODE | |
| | PERCENT INTEREST OR EQUITY | PRINCIPAL DUTY IF EMPLOYED BY COMPANY | |
| 2 | NAME OF OWNER OR PARTNER | ADDRESS, CITY, STATE, ZIP CODE | |
| | PERCENT INTEREST OR EQUITY | PRINCIPAL DUTY IF EMPLOYED BY COMPANY | |
| 3 | NAME OF OWNER OR PARTNER | ADDRESS, CITY, STATE, ZIP CODE | |
| | PERCENT INTEREST OR EQUITY | PRINCIPAL DUTY IF EMPLOYED BY COMPANY | |
| 4 | NAME OF OWNER OR PARTNER | ADDRESS, CITY, STATE, ZIP CODE | |
| | PERCENT INTEREST OR EQUITY | PRINCIPAL DUTY IF EMPLOYED BY COMPANY | |
| PART B: CORPORATION | | | |
| 1 | NAME OF STOCKHOLDER, DIRECTOR, OFFICER: Suzanne C. Webber | ADDRESS, CITY, STATE, ZIP CODE: 24464 S. Mulino Road | |
| | NUMBER OF SHARES OWNED: 66 | TITLE: President | Canby, OR 97013 |
| 2 | NAME OF STOCKHOLDER, DIRECTOR, OFFICER: Mrs. Becky Jones | ADDRESS, CITY, STATE, ZIP CODE: 1919 SE Paulina Hwy | |
| | NUMBER OF SHARES OWNED: 34 | TITLE: Stockholder | Prineville, OR 97754 |
| 3 | NAME OF STOCKHOLDER, DIRECTOR, OFFICER | ADDRESS, CITY, STATE, ZIP CODE | |
| | NUMBER OF SHARES OWNED: | TITLE | |
| 4 | NAME OF STOCKHOLDER, DIRECTOR, OFFICER | ADDRESS, CITY, STATE, ZIP CODE | |
| | NUMBER OF SHARES OWNED: | TITLE | |
| NUMBER OF SHARES OUTSTANDING AT THE END OF YEAR | | <u>COMMON STOCK</u> | <u>PREFERRED STOCK</u> |
| PAR OR STATED VALUE PER SHARE | | \$ 100.00 | \$ - |
| DIVIDENDS PER SHARE DECLARED DURING THE YEAR | | \$ - | \$ - |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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| OFFICERS AND EMPLOYEES | | | |
|-------------------------------|---|--------------------------------|--|
| NAME OF PERSON | NUMBER OF HOURS WORKED PER MONTH | WAGE PER HOUR OR SALARY | TOTAL OFFICER AND EMPLOYEE SALARY AND WAGES |
| Officer: | | | |
| Officer: | | | |
| Officer: | | | |
| Officer: Suzanne C. Webber | 170 | \$854.01/week | \$ 44,929.83 |
| Operator: | | | |
| Manager: | | | |
| Employee: Michella L. Webber | 5 | \$20.81/hour | \$ 1,123.50 |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| Employee: | | | |
| TOTAL | 175 | | \$ 46,053.33 |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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| SCHEDULE 1 | | | | | | |
|---|---------|--|----------------|-------------|--|---------------|
| ANNUAL WATER OPERATING REVENUE (WATER SALES ONLY) | | | | | | |
| (include all revenue received from the sale of water, including base and usage rates revenue) | | | | | | |
| | Account | Account Name (Water Sales Only) | Customer Count | | Amount of Water Sold Indicate cubic feet (cf) or gallons (g) | Revenues |
| | | | Year Beginning | Year Ending | | |
| | | Flat Rate Customers | | | | |
| 1 | 460 | Flat Rate Residential Revenues (separated) | | | | |
| 2 | 460 | Flat Rate Other Revenues (separated) | | | | |
| 3 | | Metered Customers | | | | |
| 4 | 461.1 | Metered Sales - Residential Customers | 90 | 88 | 19,192,036 (g) | \$ 115,754.43 |
| 5 | 461.2 | Metered Sales - Commercial Customers | | | | |
| 6 | 461.3 | Metered Sales - Industrial Customers | | | | |
| 7 | 461.4 | Metered Sales - Public Authorities | | | | |
| 8 | 461.5 | Metered Sales - Multiple Family Units | | | | |
| 9 | 461.6 | Metered Sales - Multiple Commercial Units | | | | |
| 10 | 465.1 | Sales to Irrigation Customers | | | | |
| 11 | 465.2 | Sales to Golf Courses - Irrigation | | | | |
| 12 | | TOTAL (add lines 1,2,4,5,6,7,8,9,10,11) | 90 | 88 | 19,192,036 (g) | \$ 115,754.43 |
| 13 | | Fire Protection | | | | |
| 14 | 462.1 | Public Fire Protection | | | | |
| 15 | 462.2 | Private Fire Protection | | | | |
| 16 | | TOTAL FIRE PROTECTION (add lines 14, 15) | 0 | 0 | 0 | \$ - |
| 17 | | Other Customers | | | | |
| 18 | 464 | Special Contracts to Public Authorities | | | | |
| 19 | 466 | Sales for Resale | | | | |
| 20 | 467 | Sales to Recreational Use | | | | |
| 21 | 468 | Special Contracts - Other | | | | |
| 22 | | TOTAL OTHER CUSTOMERS (Add lines 18, 19, 20 & 21 above) | 0 | 0 | 0 | \$ - |
| 23 | | TOTALS (Add lines 12, 16 & 22 above) | 90 | 88 | 19,192,036 (g) | \$ 115,754.43 |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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| AVERAGE MONTHLY BILL AND CONSUMPTION PER CUSTOMER | | | |
|--|---|--|--|
| 1 | FLAT RATE CUSTOMERS | CUSTOMER AVERAGE MONTHLY CONSUMPTION (Annual consumption divided by number of customers divided by 12 months) | AVERAGE CUSTOMER MONTHLY BILL (Revenue/No. of customers/12) |
| 2 | Residential Flat - Master Meter | | Circle (or Bold) One: cf or gals |
| 3 | METERED CUSTOMERS | CUSTOMER AVERAGE MONTHLY CONSUMPTION (Annual consumption divided by number of customers divided by 12 months) | AVERAGE CUSTOMER MONTHLY BILL (Revenue/No. of customers/12) |
| 4 | Metered Sales - Residential Customers | 17,970 | Circle (or Bold) One: gals \$ 108.38 |
| 5 | Metered Sales - Commercial Customers | | Circle (or Bold) One: cf or gals |
| 6 | Metered Sales - Industrial Customers | | Circle (or Bold) One: cf or gals |
| 7 | Metered Sales - Public Authorities | | Circle (or Bold) One: cf or gals |
| 8 | Metered Sales - Multiple Family Units | | Circle (or Bold) One: cf or gals |
| 9 | Sales to Irrigation Customers | | Circle (or Bold) One: cf or gals |
| 10 | Sales to Golf Courses - Irrigation | | Circle (or Bold) One: cf or gals |
| 11 | Special Contracts to Public Authorities | | Circle (or Bold) One: cf or gals |
| 12 | Sales for Resale | | Circle (or Bold) One: cf or gals |
| 13 | Special Contracts - Recreational | | Circle (or Bold) One: cf or gals |
| 14 | Special Contracts - Other | | Circle (or Bold) One: cf or gals |

| SCHEDULE 2 - REVENUE OTHER THAN WATER SALES (IF ANY) | | | |
|---|-----|--|--------------------|
| 15 | 470 | Forfeited discounts | |
| 16 | 471 | Miscellaneous service revenues | \$ 35.00 |
| 17 | 472 | Rents from water property | |
| 18 | 473 | Interdepartmental rents | |
| 19 | 475 | Cross Connection sales & services revenues | \$ 3,835.00 |
| 20 | | Other | \$ 780.31 |
| 21 | | TOTAL OTHER REVENUE | \$ 4,650.31 |

| SCHEDULE 3 - TAXES - Federal, State & Utility Property | | | |
|---|---------------------|--------------------|--------------------|
| 22 | TO WHOM PAID | KIND OF TAX | AMOUNT |
| 23 | FEDERAL GOVERNMENT | INCOME TAX | |
| 24 | STATE GOVERNMENT | INCOME TAX | \$ 150.00 |
| 25 | CITY | FRANCHISE FEE | |
| 26 | COUNTY | PROPERTY TAX | \$ 4,753.56 |
| 27 | DEFERRED TAXES | DEFERRED TAX | |
| 28 | OTHER – SPECIFY | PAYROLL TAXES | \$ 4,132.57 |
| 29 | | TOTAL | \$ 9,036.13 |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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| SCHEDULE 4 – CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) OR DONATED | | | | | | | |
|---|---|----------------------------------|---------------------------|-------------------------|----------------------------|------------------|----------------------------------|
| # | CLASSES OF FIXED DONATED OR CIAC CAPITAL (Please specify) | BALANCE AT BEGINNING OF YEAR (1) | ADDITIONS DURING YEAR (2) | RETIRED DURING YEAR (3) | BALANCE AT END OF YEAR (4) | SERVICE LIFE (5) | ANNUAL DEPRECIATION EXPENSES (6) |
| 1 | WATER LINE | \$ 55,000.00 | \$ - | \$ - | \$ 55,000.00 | 15 | \$ - |
| 2 | | | | | \$ - | | |
| 3 | | | | | \$ - | | |
| 4 | | | | | \$ - | | |
| 5 | | | | | \$ - | | |
| 6 | | | | | \$ - | | |
| 7 | | | | | \$ - | | |
| 8 | | | | | \$ - | | |
| 9 | | | | | \$ - | | |
| 10 | TOTAL CIAC UTILITY PLANT (Total of Lines 1-9) | \$ 55,000.00 | \$ - | \$ - | \$ 55,000.00 | | \$ - |
| 11 | Less CIAC Accumulated Depreciation | \$ 55,000.00 | \$ - | \$ - | \$ 55,000.00 | | |
| 12 | NET CIAC UTILITY PLANT | \$ - | \$ - | \$ - | \$ - | | \$ - |

| SCHEDULE 5 - CIAC DEPRECIATION RESERVE OR ACCUMULATED | | |
|--|---|--------------|
| # | ITEMS | AMOUNT |
| 13 | ACCUMULATED CIAC DEPRECIATION BALANCE IN RESERVE AT BEGINNING OF YEAR (Schedule 4, line 11, Column 1) | \$ 55,000.00 |
| 14 | ADD: CIAC DEPRECIATION EXPENSE ACCRUAL (Schedule 4, line 10, Column 6) | \$ - |
| 15 | CIAC UTILITY PLANT SALVAGE | |
| 16 | CIAC OTHER (SPECIFY) | |
| 17 | MINUS BOOK COST OF CIAC UTILITY PLANT RETIRED | |
| 18 | COST OF REMOVING RETIRED CIAC PLANT | |
| 19 | OTHER (SPECIFY) | |
| 20 | ACCUMULATED DEPRECIATION CIAC BALANCE IN RESERVE AT END OF YEAR | \$ 55,000.00 |
| EXPLANATION OF UNUSUAL CHANGES IN CIAC DEPRECIATION RESERVE: | | |
| | | |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011

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SCHEDULE 6 - UTILITY PLANT AND DEPRECIATION DETAILS

| | CLASSES OF FIXED CAPITAL | BALANCE AT BEGINNING OF YEAR (1) | ADDED DURING YEAR (2) | RETIRED DURING YEAR (3) | END OF YEAR BALANCE (4) | SERVICE LIFE (5) |
|----|--|---|------------------------------|--------------------------------|--------------------------------|-------------------------|
| 1 | INTANGIBLE CAPITAL | \$ 634.00 | | | \$ 634.00 | |
| 2 | SOURCE OF SUPPLY LAND | | | | \$ - | |
| 3 | WATER RIGHTS, EASEMENTS | | | | \$ - | |
| 4 | OTHER LAND | | | | | |
| 5 | TOTAL NON-DEPRECIABLE PLANT | \$ 634.00 | \$ - | \$ - | \$ 634.00 | |
| 6 | WATER SUPPLY STRUCTURES (INC WELLS) | \$ 170,425.15 | \$ - | \$ - | \$ 170,425.15 | 25 YRS |
| 7 | OTHER STRUCTURES | \$ 12,818.00 | \$ - | \$ - | \$ 12,818.00 | 40 YRS |
| 8 | PUMPING EQUIP | \$ 97,094.74 | \$ - | \$ - | \$ 97,094.74 | 15 YRS |
| 9 | PURIFICATION SYSTEM | | | | \$ - | |
| 10 | RESERVOIRS & STANDPIPES | | | | \$ - | |
| 11 | WATER MAINS & CANALS | \$ 26,544.28 | \$ - | \$ - | \$ 26,544.28 | 25 YRS |
| 12 | SERVICES | | | | \$ - | |
| 13 | CONSUMERS' METERS | \$ 5,500.00 | \$ - | \$ - | \$ 5,500.00 | 50 YRS |
| 14 | HYDRANTS | | | | \$ - | |
| 15 | TRANSPORTATION EQUIP | \$ 29,939.55 | \$ - | \$ - | \$ 29,939.55 | 10 YRS |
| 16 | OFFICE FURNITURE | | | | | |
| 17 | TOOLS & SHOP EQUIP | | | | | |
| 18 | ELECTRONIC EQUIP | | | | | |
| 19 | COMMUNICATION EQUIP | | | | | |
| 20 | GENERAL EQUIP | \$ 17,166.17 | \$ 549.99 | \$ 5,087.33 | \$ 12,628.83 | 10 YRS |
| 21 | OTHER PLANT (SPECIFY) | \$ 23,704.29 | \$ - | \$ - | \$ 23,704.29 | 15/20 YRS |
| 22 | UNDISTRIBUTED FIXED CAPITAL | | | | \$ - | |
| 23 | PLANT ACQUISITION ADJUSTMENTS | | | | \$ - | |
| 24 | TOTAL PLANT IN SERVICE (Add Lines 1-23) | \$ 383,826.18 | \$ 549.99 | \$ 5,087.33 | \$ 379,288.84 | |
| 25 | UTILITY PLANT LEASED TO OTHERS | | | | | |
| 26 | ALL OTHER UTILITY PLANT ADJUSTMENTS | | | | | |
| 27 | TOTAL DEPRECIABLE PLANT (Add lines 24-26 minus line 5) | \$ 383,192.18 | \$ 549.99 | \$ 5,087.33 | \$ 378,654.84 | |
| 28 | TOTAL PLANT (Add lines 24-26 above) | \$ 383,826.18 | \$ 549.99 | \$ 5,087.33 | \$ 379,288.84 | |

EXPLANATION OF UNUSUAL CHANGES IN UTILITY PLANT DURING THE YEAR:

| ANNUAL DEPRECIATION EXPENSE (6) | |
|--|-----------|
| | |
| \$ | 4,816.97 |
| \$ | 175.28 |
| \$ | 3,844.66 |
| | |
| \$ | 194.33 |
| | |
| \$ | 110.00 |
| | |
| \$ | 2,993.96 |
| | |
| | |
| | |
| \$ | 584.75 |
| \$ | 359.40 |
| | |
| | |
| \$ | 13,079.35 |
| | |
| | |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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| SCHEDULE 7 - DEPRECIATION RESERVE OR ACCUMULATED DEPRECIATION | | |
|--|--|---------------|
| # | ITEMS | AMOUNT |
| 1 | ACCUMULATED BALANCE IN RESERVE AT BEGINNING OF YEAR | \$ 219,767.75 |
| 2 | ADD : DEPRECIATION EXPENSE | \$ 13,079.35 |
| 3 | AMORTIZATION EXPENSE | |
| 4 | UTILITY PLANT SALVAGE | |
| 5 | OTHER (SPECIFY) | |
| 6 | MINUS: BOOK COST OF UTILITY PLANT RETIRED | \$ 5,087.33 |
| 7 | COST OF REMOVING RETIRED PLANT | |
| 8 | OTHER (SPECIFY) | |
| 9 | ACCUMULATED BALANCE IN RESERVE AT END OF YEAR | \$ 227,759.77 |
| EXPLANATION OF UNUSUAL CHANGES IN DEPRECIATION RESERVE: | | |
| | | |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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| DETAILED CALCULATION OF ACHIEVED RATE OF RETURN WORKSHEET | | | | |
|--|--|---|--|--|
| Revenues | | | | |
| | REVENUES AND EXPENSES (whole \$'s only) | | | AMOUNT (List each expense separately) |
| # | ACCT | | SHOULD BE THE SAME AS OR EMBEDDED IN: | |
| | | TOTAL WATER SALES ONLY REVENUE | Pg 3, Line 23 | \$ 115,754.43 |
| WATER UTILITY EXPENSE DETAIL (separate costs by account) | | | | |
| 1 | 601 | Employee salaries and wages | Pg 10, Line 21 | \$ 1,123.50 |
| 2 | 603 | Officer salaries & wages | Pg 10, Line 21 | \$ 44,929.83 |
| 3 | 604 | Employee pension & benefit | Pg 10, Line 21 | \$ 3,402.00 |
| 4 | 610 | Purchased water | Pg 10, Line 12 | \$ - |
| 5 | 611 | Telephone & communications | Pg 10, Line 22 | \$ 3,075.22 |
| 6 | 615 | Power purchased | Pg 10, Line 13 | \$ 18,080.33 |
| 7 | 616 | Fuel for power production | Pg 10, Line 22 | \$ - |
| 8 | 617 | Other Utilities (garbage, natural gas) | Pg 10, Line 22 | \$ - |
| 9 | 618/ 635 | Chemicals/testing & contract test services | Pg 10, Line 14 | \$ 307.00 |
| 10 | 619 | Offices supplies (619.1 postage) | Pg 10, Line 15 | \$ 2,792.44 |
| 11 | 620 | Materials & supplies (operation & maint) | Pg 10, Line 16 | \$ 269.74 |
| 12 | 621 | Repairs of water plant | Pg 10, Line 17 | \$ 11,993.57 |
| 13 | 631 | Contract services – Engineering | Pg 10, Line 18 | \$ - |
| 14 | 632 | Contract services – Accounting | Pg 10, Line 18 | \$ 1,875.00 |
| 15 | 633 | Contract services – Legal | Pg 10, Line 18 | \$ 1,632.00 |
| 16 | 634 | Contract services – Management | Pg 10, Line 18 | \$ - |
| 17 | 636 | Contract services – Labor | Pg 10, Line 18 | \$ - |
| 18 | 637 | Contract services – Billing/Collection | Pg 10, Line 18 | \$ - |
| 19 | 638 | Contract services – Meter Reading | Pg 10, Line 18 | \$ - |
| 20 | 639 | Contract services – Other | Pg 10, Line 18 | \$ 585.00 |
| 21 | 641/ 642 | Rental-building (real property) & equipment | Pg 10, Line 19 | \$ 1,902.00 |
| 22 | 643 | Small tools | Pg 10, Line 22 | \$ - |
| 23 | 648 | Computer/electronic expense | Pg 10, Line 22 | \$ - |
| 24 | 650/ 656 | Transportation expenses & vehicle insurance | Pg 10, Line 20 | \$ 7,139.93 |
| 25 | 657 | Insurance - general liability | Pg 10, Line 22 | \$ 1,594.00 |
| 26 | 658 | Insurance – worker's compensation | Pg 10, Line 22 | \$ 488.52 |
| 27 | 659 | Insurance - other | Pg 10, Line 22 | \$ - |
| 28 | 660 | Public relations/advertising expense | Pg 10, Line 22 | \$ - |
| 29 | 666 | Amortization of rate case expense | Pg 10, Line 22 | \$ - |
| 30 | 667 | PUC Gross Revenue Fee | Pg 10, Line 22 | \$ 287.19 |
| 31 | 668 | Water resource conservation expense | Pg 10, Line 22 | \$ - |
| 32 | 670 | Bad debt expense | Pg 10, Line 29 | \$ - |
| 33 | 671.1 | Cross connection control program expense | Pg 10, Line 22 | \$ - |
| 34 | 671.2 | Cross connection testing & maint services | Pg 10, Line 22 | \$ - |
| 35 | 672 | Other Utilities (garbage, natural gas) | Pg 10, Line 22 | \$ - |
| 36 | 673 | Training & certification expense | Pg 10, Line 22 | \$ - |
| 37 | 674 | Consumer confidence report expense | Pg 10, Line 22 | \$ - |
| 38 | 675 | Miscellaneous expense | Pg 10, Line 22 | \$ 3,095.00 |
| 39 | 401 | TOTAL OPERATING EXPENSE | | \$ 104,572.27 |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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| CALCULATION OF ACHIEVED RATE OF RETURN WORKSHEET - CONTINUED | | | | |
|---|----------|--|--|----------------|
| OTHER DEDUCTIONS | | | | |
| 40 | 403 | Depreciation expense | Pg 10, Line 24 | \$ 13,079.35 |
| 41 | 407 | Amortization expense | Pg 10, Line 25 | \$ - |
| 42 | 408 | Taxes other than income expenses(1) | Pg 10, Line 26 | \$ 8,886.13 |
| 43 | 409 | Income Taxes (add state & federal taxes together)(1) | Pg 10, Line 27 | \$ 150.00 |
| 44 | 410 | Provision for Deferred Income Taxes (add state & federal taxes together)(1) | Pg 10, Line 28 | \$ - |
| 45 | 411 | Provision for Deferred Income Taxes - Credit (add state & federal taxes together)(1) | Pg 10, Line 28 | \$ - |
| 46 | | Total Deductions (pg 8, line 39 plus Lines 40 through 45) | Pg 10, Line 30 | \$ 126,687.75 |
| 47 | | UTILITY OPERATING INCOME (Revenue pg 3, line 23, minus Deductions line 46 above) | Pg 11, Line 31 | \$ (10,933.32) |
| UTILITY PLANT | | | | |
| 48 | 101 | Utility plant in service (NO CIAC) | Schedule 6, Line 24, Column 4 | \$ 379,288.84 |
| 49 | 108/ 110 | Minus accumulated depreciation and/or amortization | Schedule 7, Line 9 | \$ 227,759.77 |
| 50 | 252 | Minus advances for construction | Pg 12, Line 26, Column 2 | |
| 51 | | Subtotal | | \$ 151,529.07 |
| 52 | 105 | Add construction work in progress (CWIP)(2) | | |
| 53 | 103 | Add plant held for future use | | |
| 54 | 151 | Add inventory - materials & supplies | Pg 12, Line 11, Column 2 | |
| 55 | | Subtotal | | |
| 56 | 114 | Add acquisition adjustments (2) | Schedule 6, Line 23, Column 2 | \$ - |
| 57 | 115 | Minus accumulated amortization of acquisition adj. (2) | | |
| 58 | 190 | Minus accumulated deferred income tax | | |
| 59 | | | | |
| 60 | | TOTAL RATE BASE (Utility plant in service +/- adjustments) | | \$ 151,529.07 |
| 61 | 400 | UTILITY OPERATING INCOME | Line 47 Above (should match Income Statement, Pg 10, line 30, Column 2) | \$ (10,933.32) |
| 62 | | ACHIEVED RATE OF RETURN (percentage) (Line 47 divided by line 60) | | -7.22% |

(1) Estimated if not known. (2) Include only those acquisition adjustments that have been approved by the Commission

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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| INCOME STATEMENT | | | | |
|-------------------------|--|-------------------------|-------------------------|--|
| # | OPERATING REVENUES | PREVIOUS YEAR (1) | YEAR REPORTED (2) | |
| 1 | FLAT RATE (UNMETERED) RESIDENTIAL WATER REVENUE (ACCT 460, Pg 3, Line 1) | \$ - | \$ - | |
| 2 | FLAT RATE (UNMETERED) OTHER THAN RESIDENTIAL SALES (ACCT 460 Pg 3, Line 2) | \$ - | \$ - | |
| 3 | RESIDENTIAL (METERED) WATER SALES (ACCT 461.1, Pg 3, Line 4) | \$ 113,789.02 | \$ 115,754.43 | |
| 4 | COMMERCIAL/INDUSTRIAL (METERED) WATER SALES (ACCT 461.2 & 461.3, Pg 3, Lines 5 & 6) | \$ - | \$ - | |
| 5 | METERED SALES TO PUBLIC AUTHORITIES (ACCT 461.4, Pg 3, Line 7) | \$ - | \$ - | |
| 6 | MULTIPLE FAMILY & COMMERCIAL UNITS (METERED) WATER SALES (ACCT 461.5 & 461.6, Pg 3, Lines 8 & 9) | \$ - | \$ - | |
| 7 | FIRE PROTECTION (PUBLIC & PRIVATE) (ACCT 462.1 & 462.2, Pg 3, Line 16) | \$ - | \$ - | |
| 8 | IRRIGATION WATER SALES INC GOLF COURSES (ACCT 465.1 & 465.2, Pg 3, Lines 10 & 11) | \$ - | \$ - | |
| 9 | OTHER WATER SALES (ACCT's 464, 466, 467 & 468, Pg 3, Line 22, sales for resale, other public authorities, or other) | \$ - | \$ - | |
| 10 | TOTAL OPERATING REVENUES (Add lines 1 – 9) | \$ 113,789.02 | \$ 115,754.43 | |
| 11 | OPERATING EXPENSES AND DEDUCTIONS | | | |
| 12 | PURCHASED WATER (ACCT 610, Pg 8, Line 4) | \$ - | \$ - | |
| 13 | POWER EXPENSE (ACCT 615, Pg 8, Line 6) | \$ 15,759.11 | \$ 18,080.33 | |
| 14 | TREATMENT, PURIFICATION, TESTING EXPENSE (ACCTS 618 & 635, Pg 8, Line 9) | \$ 261.00 | \$ 307.00 | |
| 15 | OFFICE EXPENSE, Including POSTAGE) (ACCT 619, Pg 8, Line 10) | \$ 2,719.93 | \$ 2,792.44 | |
| 16 | O & M – MATERIAL & SUPPLIES EXPENSE (ACCT 620, Pg 8, Line 11) | \$ 131.19 | \$ 269.74 | |
| 17 | REPAIRS TO PLANT (ACCT 621, Pg 8, Line 12) | \$ 9,463.60 | \$ 11,993.57 | |
| 18 | CONTRACT SERVICES (Engineering, accounting, legal, management, labor, meter reading, billing/collection) (ACCTS 631- 634 & 636- 639, Pg 8, Lines 13 to 20) | \$ 4,460.50 | \$ 4,092.00 | |
| 19 | RENTAL OF BUILDING OR EQUIPMENT (ACCTS 641 & 642, Pg 8, Line 21) | \$ 1,902.00 | \$ 1,902.00 | |
| 20 | TRANSPORTATION EXPENSES (ACCTS 650 & 656, Pg 8, Line 24) | \$ 4,794.53 | \$ 7,139.93 | |
| 21 | SALARIES, WAGES, & BENEFITS – EMPLOYEES & OFFICERS (ACCT 601, 603 & 604, Pg 8, Lines 1, 2 & 3) | \$ 48,919.76 | \$ 49,455.33 | |
| 22 | TOTAL - REMAINING EXPENSES (found on Pg. 8) Line/Acct # : Line 5(611), 7(616), 8(617), 22(643), 23(648), 25(657), 26(658), 27(659), 28(660), 29(666), 30(667), 31(668), 33(671.1), 34(671.2), 35(672), 36(673), 37(674), 38(675) | \$ 8,393.35 | \$ 8,539.93 | |
| 23 | TOTAL OPERATING & MAINTENANCE EXPENSE (Add lines 12-22) | \$ 96,804.97 | \$ 104,572.27 | |
| 24 | DEPRECIATION EXPENSE (ACCT 403, Pg 9, Line 40) | \$ 13,083.30 | \$ 13,079.35 | |
| 25 | AMORTIZATION EXPENSE (ACCT 407, Pg 9, Line 41) | \$ - | \$ - | |
| 26 | NON-INCOME TAXES (ACCT 408, Pg 9, Line 42) | \$ 9,954.77 | \$ 8,886.13 | |
| 27 | INCOME TAXES (ACCT 409, Pg 9, Line 43) | \$ 150.00 | \$ 150.00 | |
| 28 | DEFERRED INCOME TAX (ACCT 410 & 411, Pg 9, Lines 44 & 45) | \$ - | \$ - | |
| 29 | UNCOLLECTIBLE OPERATING REVENUE (BAD DEBT EXP) (ACCT 670, pg 8, line 32) | \$ - | \$ - | |
| 30 | TOTAL REVENUE DEDUCTIONS (Should equal pg 9, line 46) Add lines 23-29 above | \$ 119,993.04 | \$ 126,687.75 | |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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| | | | |
|----|---|---------------|----------------|
| 31 | OPERATING INCOME (Should equal Pg 9, Line 47) Line 10 (Revenues) minus line 30 (Revenue Deductions) above | \$ (6,204.02) | \$ (10,933.32) |
| 32 | INCOME OTHER THAN WATER SALES (TOTAL OTHER REVENUE, Pg 4, Line 21) | \$ 1,086.81 | \$ 4,650.31 |
| 33 | INTEREST CHARGES PAID (ACCT 427) | | |
| 34 | ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION | | |
| 35 | OTHER INCOME DEDUCTIONS | | |
| 36 | NET INCOME Add Lines 31 & 32 minus Lines 33 – 35 above | \$ (5,117.21) | \$ (6,283.01) |

| STATEMENT OF RETAINED EARNINGS | | | |
|---|-----------|---|---------------|
| DIVIDENDS SHOULD BE SHOWN FOR EACH CLASS AND SERIES OF CAPITAL STOCK. SHOW AMOUNTS OF DIVIDENDS PER SHARE. SHOW SEPARATELY THE STATE AND FEDERAL INCOME TAX EFFECT OF ITEMS SHOWN IN ACCOUNT 439. | | | |
| 1 | ACCT. NO. | ACCOUNT NAME | AMOUNT |
| 2 | 215 | UNAPPROPRIATED RETAINED EARNINGS (Balance at the beginning of year) | \$ 130,509.77 |
| 3 | | CREDITS: | |
| 4 | | DEBITS: | |
| 5 | 435 | BALANCE TRANSFER FROM INCOME (Net Income) | \$ (6,283.01) |
| 6 | 436 | APPROPRIATIONS OF RETAINED EARNINGS | |
| 7 | | SUBTOTAL (Add lines 2, 3 & 5 Subtract lines 4 & 6) | \$ 124,226.76 |
| 8 | | DIVIDENDS DECLARED: | |
| 9 | 437 | PREFERRED STOCK DIVIDENDS DECLARED | |
| 10 | 438 | COMMON STOCK DIVIDENDS DECLARED | |
| 11 | 439 | CHANGES TO ACCOUNT: ADJUSTMENTS TO RETAINED EARNINGS | |
| 12 | | TOTAL DIVIDENDS DECLARED (Add lines 8-11) | \$ - |
| 13 | | BALANCE AT END OF YEAR (Line 7 minus Line 12) | \$ 124,226.76 |

| APPROPRIATED RETAINED EARNINGS | | | AMOUNT |
|---------------------------------------|-----|---|--------|
| 14 | 214 | STATE BALANCE & PURPOSE OF EACH APPROPRIATED AMOUNT AT YEAR END | |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 21 | | | |
| 22 | | TOTAL APPROPRIATED RETAINED EARNINGS | \$ - |

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FOR THE YEAR ENDING DECEMBER 31, 2011
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| BALANCE SHEET | | | |
|----------------------|--|---|--------------------------------------|
| # | ASSETS & OTHER DEBITS | BALANCE AT BEGINNING OF YEAR (Col 1) | BALANCE AT END OF YEAR (Col 2) |
| 1 | UTILITY PLANT (SCHEDULE 6, LINE 28, COLUMNS 1 & 4) | \$ 383,826.18 | \$ 379,288.84 |
| 2 | ACCUM DEPRECIATION & AMORTIZATION OF UTILITY PLANT (SCHEDULE 7, LINES 1 & 9) | \$ (219,767.75) | \$ (227,759.77) |
| 3 | DONATED/CONTRIBUTED (CIAC) UTILITY PLANT (SCHEDULE 4, LINE 10, COLUMNS 1 & 4) | \$ (55,000.00) | \$ (55,000.00) |
| 4 | ACCUMULATED DEPRECIATION AND AMORTIZATION OF DONATED OR CONTRIBUTED (CIAC) UTILITY PLANT (SCHEDULE 5, Lines 13 & 20) | \$ 55,000.00 | \$ 55,000.00 |
| 5 | NONUTILITY PROPERTY (ACCT 121) | | |
| 6 | INVESTMENT IN ASSOCIATED COMPANIES (ACCT 123) | | |
| 7 | UTILITY INVESTMENTS NONASSOCIATED COMPANIES USED IN WTR SERV (ACCT 124) | | |
| 8 | OTHER INVESTMENTS NONASSOCIATED COMPANIES (ACCT 125) | | |
| 9 | CASH (ACCT 131) | \$ 23,348.18 | \$ 26,492.21 |
| 10 | ACCOUNTS & NOTES RECEIVABLE (ACCTS 141 & 144) | \$ - | \$ - |
| 11 | MATERIALS & SUPPLIES INVENTORY (ACCT 151, Pg 5, Line 57) | | |
| 12 | CURRENT & ACCRUED ASSETS & PREPAYMENTS (ACCTS 131-135, 145-146, & 162-174) | | |
| 13 | DEFERRED DEBITS INC. ACCUMULATED DEFERRED INCOME TAXES (ACCTS 181 - 190) | | |
| 14 | TOTAL ASSETS AND OTHER DEBITS | \$ 187,406.61 | \$ 178,021.28 |
| 15 | LIABILITIES AND OTHER CREDITS | | |
| 16 | CAPITAL STOCK (ACCTS 201 & 204) | \$ 91,432.00 | \$ 91,432.00 |
| 17 | OTHER PAID-IN CAPITAL (ACCT 211) | \$ - | \$ - |
| 18 | DISCOUNT & EXPENSE ON CAPITAL STOCK (ACCTS 212 & 213) | \$ - | \$ - |
| 19 | RETAINED EARNINGS (ACCT 214) | \$ 130,509.77 | \$ 124,226.76 |
| 20 | PROPRIETARY CAPITAL (ACCT 218) | \$ (107,959.27) | \$ (107,959.27) |
| 21 | LONG-TERM DEBT (ACCT 224) | \$ 13,087.89 | \$ 7,200.87 |
| 22 | CUSTOMER DEPOSITS (ACCT 235) | \$ - | \$ - |
| 23 | ACCOUNTS & NOTES PAYABLE (ACCTS 231 & 232) | \$ - | \$ - |
| 24 | OTHER CURRENT & ACCRUED LIABILITIES (ACCTS 233-234, 236-238 & 241) | \$ 5,336.22 | \$ 8,120.92 |
| 25 | OTHER DEFERRED CREDITS INCLUDING DEFERRED TAXES (ACCT 253 & 410) | \$ - | \$ - |
| 26 | ADVANCES FOR CONSTRUCTION (ACCT 252 TO BE PAID BACK IN PART OR IN FULL) | \$ - | \$ - |
| 27 | ACCUMULATED CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) (ACCT 271) | \$ 55,000.00 | \$ 55,000.00 |
| 28 | ACCUMULATED DEFERRED INCOME TAXES (ACCT 280) | \$ - | \$ - |
| 29 | TOTAL LIABILITIES AND OTHER CREDITS | \$ 187,406.61 | \$ 178,021.28 |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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| SERVICE & PUMPING DATA | | | |
|-----------------------------------|---|---------------------------------|-----------------|
| # | SOURCE/PUMP | # IN SERVICE AT YEAR END | COMMENTS |
| 1 | NUMBER OF WELLS | 2 | |
| 2 | NUMBER OF SPRINGS | | |
| 3 | NUMBER OF SURFACE SOURCES | | |
| 4 | PURCHASES | | |
| 5 | OTHER SOURCES | | |
| 6 | EMERGENCY SOURCES | | |
| 7 | NUMBER OF PUMPS IN SERVICE | 2 | |
| 8 | TOTAL PUMPING CAPACITY (GPM) | 410 | |
| 9 | PURIFICATION? YES _____ NO <input checked="" type="checkbox"/> IF YES, WHAT TYPE? | | |

| SERVICE CONNECTIONS | | | | | | | |
|----------------------------|----------------------------|--|-------------|--|-------------|--|-------------|
| # | CLASSIFICATION | NO. OF CONNECTIONS AT BEGINNING OF REPORTING YEAR | | NO. OF NEW CONNECTIONS AT THE END OF REPORTING YEAR | | NUMBER OF INACTIVE CONNECTIONS AT THE END OF THE REPORTING YEAR | |
| | | Metered | Flat | Metered | Flat | Metered | Flat |
| 1 | RESIDENTIAL | 90 | | 1 | | 10 | |
| 2 | COMMERCIAL | | | | | | |
| 3 | INDUSTRIAL | | | | | | |
| 4 | IRRIGATION | | | | | | |
| 5 | MULTI-FAMILY | | | | | | |
| 6 | FIRE PROTECTION (HYDRANTS) | 1 | 14 | | | | |
| 7 | OTHER - SPECIFY | | | | | | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | TOTAL | 91 | 14 | 1 | 0 | 10 | 0 |

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| STORAGE FACILITIES | | | |
|---------------------------|----------------------------------|-----------------|-------------------------------------|
| # | TYPE & DESCRIPTION | HOW MANY | COMBINED CAPACITY IN GALLONS |
| 1 | RESERVOIRS/TANKS | | |
| 2 | CONCRETE | 1 | 141,000 |
| 3 | EARTH | | |
| 4 | STEEL | | |
| 5 | WOOD | | |
| 6 | PRESSURE TANKS | | |
| 7 | OTHER | | |
| 8 | TOTAL CAPACITY IN GALLONS | | 141,000 |

| TRANSMISSION AND DISTRIBUTION PIPE (do not include customer service pipes) | | | | | | | | |
|---|--|----------------------------------|--|--------------------------------------|--------------------------------------|-----------------------------|------------------------------|--------------------------|
| # | DESCRIPTION | 3/4 TO 1 INCH LINEAR FEET | 1 1/4 TO 1 1/2 INCH LINEAR FEET | 2 TO 2 1/2 INCHES LINEAR FEET | 3 TO 3 1/2 INCHES LINEAR FEET | 4 INCHES LINEAR FEET | OTHER SIZES (SPECIFY) | TOTAL LINEAR FEET |
| 1 | CAST IRON | | | | | | 8" - 4,860 | 4,860 |
| 2 | WELDED STEEL | | | | | | 6" - 220 | 220 |
| 3 | STANDARD SCREW | | | | | | | 0 |
| 4 | CEMENT - ASBESTOS | | | | | | | 0 |
| 5 | PLASTIC | | | | | | | 0 |
| 6 | OTHER (specify) | | | | | | | 0 |
| 7 | OTHER (specify) | | | | | | | 0 |
| 8 | OTHER (specify) | | | | | | | 0 |
| 9 | OTHER (specify) | | | | | | | 0 |
| 10 | PRESSURE RANGE: MAXIMUM: 120 PSI MINIMUM: 20 PSI | | | | | | | |
| EXPLANATION OF UNUSUAL CHANGES IN DEPRECIATION RESERVE: | | | | | | | | |

PETE'S MOUNTAIN WATER CO., INC.
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**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR
FEDERAL INCOME TAXES**

UTILITY OPERATIONS

The reconciliation should include the same detail as furnished on Schedule M-1 of the federal tax return for the year. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount and show the computation of all tax accruals. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating intercompany amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

| DESCRIPTION (1) | REFERENCE (2) | AMOUNT (3) |
|---|------------------|---------------|
| Net Income for the year | | \$ (6,283.01) |
| Reconciling items for the year | | |
| Taxable income not reported on books: | | |
| | | |
| Deductions recorded on books not deducted for return: | | |
| Charitable Contributions | | \$ 405.00 |
| 50% Meals | | \$ 162.50 |
| | | |
| Income recorded on books not included in return: | | |
| | | |
| Deduction on return not charged against book income: | | |
| Depreciation | | \$ (1,645.06) |
| | | |
| Federal tax net income: | | \$ (7,360.57) |
| Computation of tax: | | \$ - |
| | | |

VERIFICATION: I DECLARE UNDER PENALTIES OF FALSE SWEARING THAT THIS REPORT, INCLUDING ANY ACCOMPANYING SCHEDULES AND STATEMENTS, HAS BEEN EXAMINED BY ME AND, TO THE BEST OF MY KNOWLEDGE AND BELIEF, IT IS A TRUE, CORRECT AND COMPLETE REPORT OF OPERATIONS

| | |
|--|---|
| SIGNATURE: | TITLE: PRESIDENT |
| PRINT NAME: SUZANNE C. WEBBER | DATE |
| FULL NAME OF REPORTING UTILITY PETE'S MOUNTAIN WATER CO., INC. | TELEPHONE NUMBER (503) 263-6574 |

PETE'S MOUNTAIN WATER CO., INC.
FOR THE YEAR ENDING DECEMBER 31, 2011
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**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR
FEDERAL INCOME TAXES**

UTILITY OPERATIONS

The reconciliation should include the same detail as furnished on Schedule M-1 of the federal tax return for the year. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount and show the computation of all tax accruals. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating intercompany amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

| DESCRIPTION (1) | REFERENCE (2) | AMOUNT (3) |
|---|------------------|---------------|
| Net Income for the year | | \$ (6,283.01) |
| Reconciling items for the year | | |
| Taxable income not reported on books: | | |
| | | |
| Deductions recorded on books not deducted for return: | | |
| Charitable Contributions | | \$ 405.00 |
| 50% Meals | | \$ 162.50 |
| | | |
| Income recorded on books not included in return: | | |
| | | |
| Deduction on return not charged against book income: | | |
| Depreciation | | \$ (1,645.06) |
| | | |
| Federal tax net income: | | \$ (7,360.57) |
| Computation of tax: | | \$ - |
| | | |

VERIFICATION: I DECLARE UNDER PENALTIES OF FALSE SWEARING THAT THIS REPORT, INCLUDING ANY ACCOMPANYING SCHEDULES AND STATEMENTS, HAS BEEN EXAMINED BY ME AND, TO THE BEST OF MY KNOWLEDGE AND BELIEF, IT IS A TRUE, CORRECT AND COMPLETE REPORT OF OPERATIONS

| | |
|---|--|
| SIGNATURE: <i>Suzanne C Webber</i> | TITLE: PRESIDENT |
| PRINT NAME: SUZANNE C. WEBBER | DATE: 2/14/2012 |
| FULL NAME OF REPORTING UTILITY: PETE'S MOUNTAIN WATER CO., INC. | TELEPHONE NUMBER: (503) 263-6574 |