

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DW 10-141
LRW # 7
R. Montrville

DOCKET NOS. DW 10-141, DW 07-105, DW 10-043, and DW 11-021

REPLY TESTIMONY OF ROBERT MONTVILLE
ON BEHALF OF
LAKES REGION WATER COMPANY, INC.

December 12, 2011

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address and position.**

3 A. My name is Robert Montville. I am the president and founder of Montville, a small
4 business consulting firm located at 178 Odiorne Point Road in Portsmouth, New
5 Hampshire 03801; (603) 498-7600.

6 **Q. Please state your professional qualifications.**

7 A. I am a small business advisor for clients with sales ranging from one to twenty million
8 dollars. For the past twenty-six years I have worked with owners of companies in the
9 United States helping them develop financial plans that keep their businesses on a course
10 of long-term profitable growth. A brief summary of my qualifications is attached as
11 Montville Exhibit A.

12 **Q. What is your involvement with Lakes Region Water Company?**

13 A. In June 2011, I was hired by Tom Mason, Jr., President of Lakes Region Water
14 Company to assist the company's management in the development of a long-term
15 business plan. The goal of the plan is to eliminate the company's cash flow deficit and
16 provide resources to fund future growth. I have been actively involved in updating and
17 working toward implementation of that plan as part of these proceedings.

18 **II. PURPOSE AND SUMMARY OF TESTIMONY**

19 **Q. What is the purpose of your testimony?**

20 A. I offer this testimony for the following purposes:

- 21 • To respond to questions raised by the Office of Consumer Advocate as to whether Lakes
22 Region Water Company expenditures related to the operation of its business were

1 imprudent. As described below, it is my conclusion that, with only limited exception, all
2 or nearly all of the Company's expenditures related to its business were prudently
3 incurred and necessary for the continued operation of its business.

- 4 • To respond to Staff's proposed revenue requirement and evaluate the impact of Staff's
5 proposal on the ability of the Company to operate its business and provide service to the
6 public. As described below, it is my opinion that the revenue requirement proposed by
7 Staff is insufficient for the Company to fund the operation of its water system in order to
8 provide service to the public.
- 9 • To respond to Staff's proposed rate of return and, specifically a return of equity of 9.75%
10 for certain investments and 6.0% for others. It is my opinion that this rate of return is
11 inadequate in light of the high level of risk associated Lakes Region Water Company's
12 business providing service to the public. I believe that a rate of return on equity of at
13 least 12% is required due to the inherent risk associated with operation of the Company's
14 business providing service to the public and the need for substantial non-revenue
15 generating capital improvements.
- 16 • To respond to Staff's recommendation that the Company should be sold. It is my
17 opinion that without an approved plan to provide for rates that will resolve the
18 Company's current financial needs, a sale of the Company would result in its investors
19 losing all or nearly all of the equity they have invested in the Company in order to
20 provide service to the public. Such a sale would provide little or no benefit to ratepayers
21 because any utility buyer would need to invest substantial capital into the water system
22 and would require recovery of a return on its investment.

23

1 **III. PRUDENCY OF THE COMPANY'S INVESTMENT IN PUBLIC SERVICE.**

2 **Q. In the Office of Consumer Advocate's Testimony, Stephen Eckberg asks that you**
3 **be appointed as a receiver "to address the myriad managerial and technical issues**
4 **that result in multiple violations of statutes, rules and prudent utility operations."**
5 **Eckberg Testimony, Page 19, Lines 1-3. Do you believe that its owners have**
6 **imprudently managed the company's finances?**

7 **A.** No. Due to concerns expressed by OCA and Staff regarding the prudence of the
8 management of Lakes Region Water Company, I reviewed the Company's financial
9 information to see if there was data to support a finding that the Company's funds had
10 been used inappropriately. I have also been involved in meetings with the Company,
11 PUC Staff, the OCA and others as part of my engagement to prepare a business plan for
12 the Company to improve its finances, which contributed to my assessment of the
13 Company's management.

14 **Q. What did your financial analysis show?**

15 **A.** I asked the Company's accountant, Norm Roberge to prepare an analysis of the
16 Company's balance sheet, liabilities and equity, operation revenues and expenses, cash
17 flows and debt. This analysis and a summary are set forth in Montville Exhibit B and
18 confirms my opinion that the Company's funds have not been mismanaged in any real
19 sense.

20 **Q. How then did the Company end up in its current financial condition?**

21 **A.** As shown in Montville Exhibit B:

- 1 • Net Income from water operations over the ten year period from 2001 to 2010 was
2 \$521,437 and other income was \$51,296. Adding back depreciation to convert to
3 spendable dollars gave the company operating cash of \$1,493,032.
- 4 • The company spent \$2,937,834 on capital improvement but \$620,797 were funded by
5 customers (CIAC).
- 6 • If the company spent all of its free cash flow on the net capital improvements, it would
7 have generated negative cash flow of (\$824,005).
- 8 • The Company borrowed \$1,377,272 which includes the \$110,000 fine, discussed below.
- 9 • During this time the Company made interest and principal payments totaling \$1,461,523.
10 Payments include the amount of the fine paid to date.
- 11 • Combining free cash flow from operations, debt financing, payments on that debt
12 financing, and expenditures on capital improvements the company incurred net negative
13 cash flow from operations of (\$908,256).

14 **Q. What does this data indicate is the cause of the Company's current financial**
15 **condition referenced in the testimony of the OCA and Staff?**

16 A. The analysis shows that the core reason the company is in financial trouble is that the
17 rates and the return on investment has historically been well below the threshold needed
18 to obtain break-even cash flow.

19

20 Any company can always improve its performance and the efficiency of its operations.
21 However, there is no reason to believe that the Company's operating funds have been
22 mismanaged. No employees or officers receive unreasonable compensation and it
23 appears that expenses are under control. The financial problems facing the company are

1 a direct result of the fact that its rates are inadequate to cover its operating expenses and
2 to provide a reasonable return on its investment.

3 **Q. What about the \$100,000 fine imposed by the State of New Hampshire?**

4 A. This appears to be the only significant example where a poor management decision by
5 the Company had an adverse impact on the Company's operations. This happened under
6 the Company's prior CEO, Thomas Mason, Sr., and it is my understanding that the
7 Company is not requesting recovery of the penalty in rates.

8 **Q. So how did the Company's management fund operations and capital re-investment
9 in light of its negative cash flow?**

10 A. The Company's investors, i.e. Thomas Mason Sr., continued to invest capital in the
11 Company so that it could continue to provide service to the public. Montville Exhibit B
12 shows the following during the period from 2001 to 2010:

- 13 • The owners put in \$802,591. They paid themselves back \$95,511 during this period and
14 absorbed \$110,000 court fine.
- 15 • In order to continue to provide service to the public, the Company has had to stop or
16 delay paying its vendors, who now take on the position of being its creditors for
17 approximately, \$457,027.
- 18 • The Company has converted/paid current assets and liabilities (erosion of the balance
19 sheet) in the amount of \$146,401.
- 20 • Without the Mason's investment and the vendors funding its operations, the Company
21 would have been out of business a few years ago.

22

1 **IV. SUFFICIENCY OF THE RATES RECOMMENDED BY STAFF**

2 **Q. Based on your review of the Company's business and financial performance, do you**
3 **believe that the rates recommended by Staff are sufficient to provide an opportunity**
4 **to earn a reasonable return on the Company's investment in service to the public?**

5 A. No.

6 **Q. Why?**

7 A. The problem the Company (and its customers) now face is the Masons cannot continue to
8 fund the losses without an opportunity to earn a reasonable return on their investment.
9 However, the Company's status as a public utility subject to traditional rate regulation
10 makes it difficult, if not impossible, to earn a return on its investment because of the need
11 to make substantial capital improvements such as pipe replacements, water treatment
12 facilities and supply improvements that do not produce any customer growth. This
13 means that while the Company's expenses increase in real time, its revenues can only
14 increase after a lengthy regulatory review process based on rates that are limited to the
15 Company's historical cost of service.

16

17 As discussed in the Testimony of Thomas Mason, Lakes Region Water Company is made
18 up of 17 small to very small water systems. In many cases these systems, prior to their
19 acquisition by the Company, these systems were not properly constructed to meet current
20 standards for service or provided insufficient revenues to operate on a stand-alone basis.
21 These 17 systems simply do not produce sufficient revenue to protect the Company from
22 increases in its operating expenses while it continues to fund capital improvements. As a
23 result, despite the Company's best efforts, it is my opinion that the rates proposed by

1 Staff will deny it the opportunity to recover its costs of operation and earn a reasonable
2 return on its investment.

3 **Q. What revenues are required to continue to provide recovery of and a reasonable**
4 **return on the Company's costs to provide service to the public?**

5 A. As part of my engagement for the Company, I prepared a financial analysis of the
6 revenues necessary to provide the Company with an opportunity to earn a return on its
7 investment and resolve its current financial difficulties. That analysis, based on my
8 review of the Company's financial records, is contained in Montville Exhibit C and
9 shows the revenues that are required to recover the Company's cost of service, repay its
10 debt and allow it to continue to make capital improvements that are necessary to provide
11 service to the public.

12 **Q. How would you address the need to implement capital projects?**

13 A. The Company needs to reduce the regulatory delay that occurs between its approved rates
14 and increases in its expenses for operations and capital. I understand that Thomas Mason
15 has proposed an alternative form of regulation to allow the Company. If approved, this
16 may help overcome the regulatory delays facing a small Company that needs to
17 implement substantial capital projects.

18 **III. RATE OF RETURN**

19 **Q. Do you believe that Staff's proposed return on equity is adequate in light of the**
20 **risks faced by its investors?**

21 A. No.

1 **Q. Why?**

2 A. As noted above, the Company's rates are low relative to the required capital investment
3 for continued operation of the Company's 17 water systems and the increases it faces
4 fixed costs for operations. Increases in these expenses effectively prevent the Company
5 from any opportunity to earn a reasonable return on its investment. Under the current
6 rate principles, any capital investment in the Company faces the risk (if not the certainty)
7 that these expense increases will result in no return on the investment.

8 **Q. How do you propose to address this problem?**

9 A. There are at least two potential solutions. One solution would be to allow the Company
10 to receive automatic rate increases based on an index that tracked increases in its
11 expenses. Another approach that I understand is closer to traditional rate setting
12 principles, is to set a rate of return on equity that is commensurate with returns on
13 investments in other enterprises having corresponding risks. Due to the immediate need
14 for rate relief, I recommend this approach.

15 **Q. What would you recommend for a return on equity for the calculation of the**
16 **Company's revenue requirement?**

17 A. I believe that a minimum of 12% for the Company's allowed return on equity is
18 appropriate based on the risks the Company faces to earn a reasonable return on its
19 investment. For the reasons stated herein, I see it as highly unlikely that the Company
20 would actually earn this rate on equity unless the procedure for approval of the
21 Company's rates is fundamentally changed.

22

1 **Q. How does this compare to other regulated water utilities?**

2 A. I examined data on the Percentage (%) Return on Equity for Privately Held Water
3 Companies provided by the National Association of Water Companies (NAWC). The
4 attached spreadsheet shows the rates of return based on their last rate case.

5

6 This data shows that the rates of return to the rates of return presented in my “pro active”
7 rate plan/cash flow to restore the company to profitability are reasonable compared to the
8 NAWC data. In addition, as explained in Thomas Mason’s testimony, it is also important
9 to take into account not only the revenues on a company basis, but also the size and the
10 dispersed nature of the 17 developer-built systems that the Company operates. This leads
11 me to conclude that use of a 12% return on equity is appropriate in consideration of the
12 very real financial risks that are inherent in the Company’s business providing water
13 service to the public.

Bob Montville

Bob Montville has been a financial advisor and coach to small business owners for the past twenty-six years. He started his small business career with a national consulting firm traveling the United States, Europe and Canada. He has worked with companies listed on Inc. Magazines fastest growing firms as well as businesses in the start-up stage. Most of Bob's current clients have come from client referrals or professionals familiar with his successful work in the small business arena.

His expertise focuses on the financial management of his client companies. He works with his clients to integrate financial data into the entities short and long-term profit strategies.

In addition to his financial consulting experience Bob has taught business courses at the University of New Hampshire, Bentley University and Southern New Hampshire University.

He is a graduate of Bentley University in Waltham, MA with a BA and MA in Finance and Accounting and was a former practicing CPA.

Bob lives in Portsmouth, New Hampshire with his wife Juli. They have two children, a daughter Morgan who works as a medical professional and Michael who is a student/athlete at the University of Maryland.

“My business philosophy is simple. I focus my clients on building a sound financial foundation for their business. This foundation can only be built with consistent profits that find their way to the company’s Balance Sheet. Having assets available to invest allows a company to take advantage of opportunities their competitors may not be able to. In addition, a solid Balance Sheet provides valuable insurance that a company can survive in bad times – this is extremely important in today’s business climate. You build consistent profits and a good Balance Sheet by paying attention to your core business. Deviation from core business segments can often lead to disappointing results and even disasters. I won’t allow my clients to be in the center of a storm they can’t survive.”



Montville Exhibit B Summary of Lakes Region Water Financial Data 2001-2010

Quick Summary: How Did This Company Get Into Its Current Financial Crisis

Analysis is from 2001 to 2010

Net Water Utility Income	\$	521,437	
Other Income Expense		51,296	
Depreciation		920,299	
Conversion of Income to "Spendable Cash"		<u>1,493,032</u>	
Gross additions to utility plant		(2,937,834)	
Less: CIAC contribution		<u>620,797</u>	
Net additions to utility plant		<u>(2,317,037)</u>	
Negative Cash Flow due to Capital Additions	\$		(824,005)
Monies Borrowed to Fund Net Capital Additions			1,377,272
What We Had to Pay back on the Borrowed Funds			
Principal		(906,551)	
Interest		<u>(554,972)</u>	
Total			<u>(1,461,523)</u>
Net Cash Flow from 2001 to 2010			<u>(908,256)</u>
Major "Other Sources" to Fund Negative Cash Flow			
Stockholder Investments (net of court fine)		692,591	
Less: Interest and Debt Repayment to Stockholders		<u>(95,511)</u>	
Net Equity Infusion			597,080
Accumulation of Accounts Payable (Vendor Funding)			457,027
Other Net Asset Erosion			<u>(146,401)</u>
Net Cash Increase (Decrease) for Period	\$		(550)
Cash Beginning of Period			<u>4511</u>
Cash End of Period	\$		<u><u>3,961</u></u>

Montville Exhibit B Detail of Lakes Region Water Co., Inc. Financial Data 2001-2010										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
BALANCE SHEET										
ASSETS:										
Utility plant										
Plant (net of depreciation)	1,071,355	1,472,791	1,464,375	1,848,713	2,094,059	2,206,592	2,607,751	3,004,675	3,055,363	3,022,644
Less: CIAC (net)	(114,922)	(376,665)	(366,189)	(355,732)	(435,494)	(425,055)	(606,094)	(701,480)	(684,569)	(667,658)
Net utility plant	956,433	1,096,126	1,098,186	1,492,981	1,658,565	1,781,537	2,001,657	2,303,195	2,370,794	2,354,986
Current assets	114,618	119,643	146,944	148,217	201,802	228,720	195,529	191,636	176,371	209,393
Deferred debits	7,120	20,839	22,608	15,931	38,711	85,352	50,989	45,969	16,121	86,430
Net Assets	1,078,171	1,236,608	1,267,738	1,657,129	1,899,078	2,095,609	2,248,175	2,540,800	2,563,286	2,650,809
LIABILITIES & EQUITY:										
Stockholder equity:										
Capital stock	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Paid in capital	217,650	217,650	217,650	217,650	217,650	217,650	356,390	1,064,829	1,048,043	1,063,879
Retained earnings	264,941	316,212	331,728	339,871	281,512	303,458	331,574	188,421	51,415	104,222
Mason note	62,596	103,903	137,467	20,104	72,468	118,307	-	-	-	-
Total stockholder equity	555,187	647,765	696,845	587,625	581,630	649,415	697,964	1,263,250	1,109,458	1,178,101
Long-term debt	393,732	456,236	397,625	868,005	1,051,587	1,057,701	1,188,460	920,126	969,063	882,784
Deferred income taxes	79,814	93,636	104,075	105,511	105,511	105,511	105,511	105,511	105,511	105,511
Current liabilities	49,438	38,971	69,193	95,988	160,350	282,982	256,240	251,913	379,254	484,413
Total liabilities & equity	1,078,171	1,236,608	1,267,738	1,657,129	1,899,078	2,095,609	2,248,175	2,540,800	2,563,286	2,650,809

Montville Exhibit B Detail of Lakes Region Water Co., Inc. Financial Data 2001-2010											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10 year Total
STATEMENT OF OPERATIONS:											
Operating revenues	453,708	485,173	536,250	623,850	601,586	703,426	789,831	814,357	990,964	977,637	6,976,782
Operating expenses	(278,464)	(309,112)	(379,086)	(465,380)	(484,267)	(524,878)	(593,254)	(732,416)	(749,958)	(660,971)	(5,177,786)
Depreciation / amortization	(49,016)	(55,978)	(71,821)	(78,354)	(87,321)	(85,845)	(97,931)	(126,900)	(144,004)	(123,129)	(920,299)
Gains on asset disposition	-	-	-	-	-	-	1,500	13,635	-	-	15,135
Taxes other than income	(22,968)	(25,548)	(30,133)	(22,751)	(31,388)	(26,842)	(27,721)	(36,447)	(44,834)	(51,135)	(319,767)
Income taxes	(14,233)	(14,662)	(4,389)	(3,218)	(2,016)	(1,559)	(2,030)	(2,017)	(2,370)	(6,134)	(52,628)
Net water utility income (loss)	89,027	79,873	50,821	54,147	(3,406)	64,302	70,395	(69,788)	49,798	136,268	521,437
Net other income (expense)	1,203	1,757	1,214	1,418	1,445	2,136	3,103	3,428	3,646	4,542	23,892
Court fine	-	-	-	-	-	-	-	-	(110,000)	-	(110,000)
Interest expense (non mason)	(37,409)	(29,105)	(24,533)	(43,917)	(52,437)	(63,784)	(58,576)	(76,793)	(80,450)	(87,968)	(554,972)
Interst expense - mason	(5,912)	(9,121)	(11,986)	(3,505)	(4,545)	(8,112)	-	-	-	-	(43,181)
Net income (loss)	46,909	43,404	15,516	8,143	(58,943)	(5,458)	14,922	(143,153)	(137,006)	52,842	(162,824)

Montville Exhibit B Detail of Lakes Region Water Co., Inc. Financial Data 2001-2010											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
STATEMENT OF CASH FLOW											
Net water utility income (loss)	89,027	79,873	50,821	54,147	(3,406)	64,302	70,395	(69,788)	49,798	136,268	521,437
Net other income (expense)	1,203	1,757	1,214	1,418	1,445	29,540	3,103	3,428	3,646	4,542	51,296
Depreciation / amortization	49,016	55,978	71,821	78,354	87,321	85,845	97,931	126,900	144,004	123,129	920,299
(Increase)/decrease in current assets	(6,349)	(7,199)	(27,301)	5,415	(10,769)	(77,470)	34,452	2,406	19,636	(34,095)	(101,274)
(Increase)/decrease in deferred debits	(528)	(13,719)	(1,769)	6,677	(22,780)	(46,641)	34,363	5,020	29,848	(70,309)	(79,838)
Increase / (decrease) in current liabilities	14,064	(2,490)	30,222	26,795	64,373	122,632	(26,742)	(4,327)	127,341	105,159	457,027
Increase / (decrease) in deferred income taxes	9,024	13,812	10,439	1,436	-	-	-	-	-	-	34,711
Total from utility operations	155,457	128,012	135,447	174,242	116,184	178,208	213,502	63,639	374,273	264,694	1,803,658
Investing activities:											
Gross additions to utility plant	(105,532)	(465,060)	(72,921)	(473,149)	(342,622)	(208,817)	(457,002)	(493,824)	(211,603)	(107,304)	(2,937,834)
Less: CIAC contribution		269,389	-		90,290	-	152,144	108,974	-		620,797
Net additions to utility plant	(105,532)	(195,671)	(72,921)	(473,149)	(252,332)	(208,817)	(304,858)	(384,850)	(211,603)	(107,304)	(2,317,037)
Financing activities:											
Proceeds from new debt	37,500	141,549	25,000	503,161	266,595	90,668	102,718	23,715	155,065	31,301	1,377,272
Principal payments	(55,730)	(79,145)	(83,611)	(32,781)	(83,013)	(84,554)	(176,230)	(87,778)	(106,128)	(117,581)	(906,551)
Interest payments	(37,409)	(29,105)	(24,533)	(43,917)	(52,437)	(63,784)	(58,576)	(76,793)	(80,450)	(87,968)	(554,972)
Total financing activities	(55,639)	33,299	(83,144)	426,463	131,145	(57,670)	(132,088)	(140,856)	(31,513)	(174,248)	(84,251)
Stockholder activities:											
Paid in capital	-	-	-	-	-	-	343,011	460,581	(16,786)	15,785	802,591
Court fine	-	-	-	-	-	-	-	-	(110,000)	-	(110,000)
Net debt increase / (decrease)	10,263	41,307	33,567	(117,363)	52,364	45,839	(118,307)	-	-	-	(52,330)
Interest payments	(5,912)	(9,121)	(11,986)	(3,505)	(4,545)	(8,112)	-	-	-	-	(43,181)
Total stockholder activities	4,351	32,186	21,581	(120,868)	47,819	37,727	224,704	460,581	(126,786)	15,785	597,080
Net cash increase/(Decrease) for period	(1,363)	(2,174)	963	6,688	42,816	(50,552)	1,260	(1,486)	4,371	(1,073)	(550)
Cash - beginning of period	4,511	3,148	974	1,937	8,625	51,441	889	2,149	663	5,034	4,511
Cash - end of period	3,148	974	1,937	8,625	51,441	889	2,149	663	5,034	3,961	3,961
Simple Percentage Analysis											

Montville Exhibit B Detail of Lakes Region Water Co., Inc. Financial Data 2001-2010											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
DEBT											
Net Utility Plant	\$ 956,433	\$ 1,096,126	\$ 1,098,186	\$ 1,492,981	\$ 1,658,565	\$ 1,781,537	\$ 2,001,657	\$ 2,303,195	\$ 2,370,794	\$ 2,354,986	
Long-Term Debt	\$ 393,732	\$ 456,236	\$ 397,625	\$ 868,005	\$ 1,051,587	\$ 1,057,701	\$ 1,188,460	\$ 920,126	\$ 969,063	\$ 882,784	
Percentage of Net Utility Plant	41.17%	41.62%	36.21%	58.14%	63.40%	59.37%	59.37%	39.95%	40.88%	37.49%	
Equity	\$ 555,187	\$ 647,765	\$ 696,845	\$ 587,625	\$ 581,630	\$ 649,415	\$ 697,964	\$ 1,263,250	\$ 1,109,458	\$ 1,178,101	
Percentage of Net Utility Plant	58.05%	59.10%	63.45%	39.36%	35.07%	36.45%	34.87%	54.85%	46.80%	50.03%	
Rate of Return											
Rate Base Beginning of Period:											
Net Utility Plant	\$ 899,917	956,433	1,096,126	1,098,186	1,492,981	1,658,565	1,781,537	2,001,657	2,303,195	2,370,794	
Deferred income tax	\$ (70,790)	(79,814)	(93,636)	(104,075)	(105,511)	(105,511)	(105,511)	(105,511)	(105,511)	(105,511)	
Total	\$ 829,127	\$ 876,619	\$ 1,002,490	\$ 994,111	\$ 1,387,470	\$ 1,553,054	\$ 1,676,026	\$ 1,896,146	\$ 2,197,684	\$ 2,265,283	
Rate Base End of Period:											
Net Utility Plant	\$ 956,433	\$ 1,096,126	\$ 1,098,186	\$ 1,492,981	\$ 1,658,565	\$ 1,781,537	\$ 2,001,657	\$ 2,303,195	\$ 2,370,794	\$ 2,354,986	
Deferred income tax	\$ (79,814)	\$ (93,636)	\$ (104,075)	\$ (105,511)	\$ (105,511)	\$ (105,511)	\$ (105,511)	\$ (105,511)	\$ (105,511)	\$ (105,511)	
Total	\$ 876,619	\$ 1,002,490	\$ 994,111	\$ 1,387,470	\$ 1,553,054	\$ 1,676,026	\$ 1,896,146	\$ 2,197,684	\$ 2,265,283	\$ 2,249,475	
Simple Rate Base Average ([Beginning + Ending] / 2)	\$ 852,873	\$ 939,555	\$ 998,301	\$ 1,190,791	\$ 1,470,262	\$ 1,614,540	\$ 1,786,086	\$ 2,046,915	\$ 2,231,484	\$ 2,257,379	
Net water utility income (loss)	\$ 89,027	\$ 79,873	\$ 50,821	\$ 54,147	\$ (3,406)	\$ 64,302	\$ 70,395	\$ (69,788)	\$ 49,798	\$ 136,268	
Rate of Return: income (loss) divided by rate base average	10.44%	8.50%	5.09%	4.55%	-0.23%	3.98%	3.94%	-3.41%	2.23%	6.04%	

Data Source

National Association of Water Companies
Washington, DC

2008

Financial & Operating Data
for Investor-Owned Water Companies
Economic Research Program

	Rate Case Data		
	Authorized		
	% Equity Return	Operating	# of
	Last Rate Case	Revenue	Employees
Aqua Ohio	21.9%	\$ 40,128,910	94
Aqua Penn	11.0%	321,563,717	539
Aquarion Connecticut	10.0%	132,635,624	270
Aquarion Massachusetts	10.5%	12,247,102	24
Aquarion New Hampshire	9.5%	4,876,269	12
Arizona American	6.5%	74,277,613	193
Baton Rouge	12.5%	41,605,623	228
California American	10.2%	129,041,952	273
Chaparral City	11.0%	7,471,697	17
College Utility Corp	10.7%	2,338,169	6
Golden Heart Utilities	10.7%	6,828,068	16
Golden State	10.2%	238,134,354	569
Illinois American	10.4%	183,457,342	482
Indiana American	10.0%	156,401,128	336
Iowa American	10.4%	26,778,691	68
Kentucky American	10.0%	60,085,606	140
Maryland American	10.5%	3,802,565	10
Missouri American	10.0%	181,050,984	731
New Jersey American	10.3%	513,276,549	888
New Mexico American	9.7%	9,780,973	24
Newtown Artesian	0.0%	4,601,216	12
Ohio American	10.9%	32,895,824	113
San Jose Water Company	10.1%	207,118,813	342
Suburban Water Systems	10.0%	52,346,819	112
Texas American	12.0%	3,142,439	13
United Arkansas	6.1%	8,842,850	41
United Connecticut	8.5%	4,009,291	12
United Delaware	10.8%	22,127,816	53
United Idaho	10.3%	37,871,949	94
United New Jersey	10.3%	149,454,183	362
United New York	9.6%	56,918,029	104
United Owego	10.0%	1,188,779	5
United Pennsylvania	9.0%	30,405,508	93
United Rhode Island	10.4%	2,873,558	10
United Toms River	10.0%	16,983,198	50
United West Chester	9.6%	11,390,205	0
York Water Company	10.0%	32,837,478	110