

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
REVENUE REQUIREMENT**

Rate Base (Schedule 2)	\$ 2,373,682
Rate of Return (Schedule 1a)	x <u>9.62%</u>
Operating Income Requirement	228,308
Less: Proforma Test Year Operating Income (Schedule 3)	<u>(249,333)</u>
Revenue Deficiency / (Surplus) Before Taxes	(21,025)
Tax Factor (Schedule 1b)	÷ <u>55.82%</u>
Revenue Deficiency / (Surplus)	(37,669)
Add: Annual Water Revenues from General Customers Proposed by Company (Schedule 3)	1,078,091
Add: Staff Adjustments to Test Year Water Revenues from General Customers	<u>(19,046)</u>
Annual Water Revenues from General Customers Proposed by Staff	1,021,376
Less: Adjusted Test Year Water Revenues from General Customers	(a) <u>(784,397)</u>
Proposed Increase in Annual Water Revenues from General Customers	<u>\$ 236,979</u>
Percent Increase in Annual Water Revenues from General Customers	<u>30.21%</u>

(a) Calculation of Adjusted Test Year Revenues from General Customers:

Co's Reported Test Year Revenues from General Customers	\$ 766,032
Additional Revenues from DW 08-070-Step 3 (See Sch 3a; Adj # 24)	25,224
Staff Adjustment for Unearned Revenues (Sch 3a; Adj # 25)	(7,714)
Staff Adjustment for Unbilled Usage by Officers (Sch 3a; Adj # 26)	855
Adjusted Test Year Water Revenues from General Customers	<u>\$ 784,397</u>

DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
WEIGHTED AVERAGE COST OF CAPITAL

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
	Capital Structure				Cost of Debt									Weighted Average Cost
	Balance 12/31/09	Co Pro-forma Adjustments	Staff Pro-forma Adjustments	Rebuttal Adjustments	Adjusted Balance	Rebuttal Percent	Annual Interest	Annual Debt Expense	Co Pro-forma Adjustments	Staff Pro-forma Adjustments	Total Annual Cost of Debt	Cost Rate		
Long-term Debt (Schedule 1a):														
Previously Approved Debt	\$ 777,323	\$ -	\$ -		\$ 777,323	40.95%	\$ 58,719	\$ 1,788	\$ (5,815)	\$ -	\$ 54,692	7.04%	2.88%	
Unapproved Debt	87,861	-	-		87,861	4.63%	5,183	-	(1,262)	-	3,921	4.46%	0.21%	
NH Department of Corrections	103,880	(103,880)	-		-	0.00%	-	-	-	-	-	0.00%	0.00%	
Shareholder Loans	190,855	-	(190,855) (a)		-	0.00%	18,331	-	277	(18,608) (a)	-	0.00%	0.00%	
Total Long-term Debt	1,159,919	(103,880)	(190,855)		865,184	45.58%	\$ 82,233	\$ 1,788	\$ (6,800)	\$ (18,608)	\$ 58,613		3.09%	
Common Equity @ 12.00%:														
Common Stock	10,000	-	-		10,000	0.53%								
Additional Paid-in Capital	942,080	192,000	(192,000) (b)		942,080	49.63%								
Capital Stock Expense	(16,565)	-	-		(16,565)	-0.87%								
Retained Earnings	(93,370)	-	-	56,829 (d)	(36,541)	-1.93%								
Total Common Equity @ 12.00%	842,145	192,000	(192,000)	56,829	898,974	47.36%						12.00%	5.68%	
Common Equity @ 12.00%:														
Additional Paid-in Capital	-	-	134,026 (c)		134,026	7.06%						12.00%	0.85%	
Total Capitalization	\$ 2,002,064	\$ 88,120	\$ (248,829)	\$ 56,829	\$ 1,898,184	100.00%							9.62%	

(a) To reflect proposed conversion of Shareholder Loan to Additional Paid-in Capital per Co's filing in DW 11-021.

(b) To reflect elimination of Additional Paid-in Capital relative to Co's proposed 2010 plant additions.

(c) Co's Shareholder Loan converted to Additional Paid-in Capital

Balance of Shareholder Loan @ 12/31/09 (Schedule 1a)

\$ 190,855

Less: Pension / Health Ins Payments to Shareholders during test year (Per Co's response to Staff 3-12)

(56,829)

(d) To reflect additional retained earnings due to elimination of Pension / Health Ins to Shareholders

\$ 134,026

DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF COST OF DEBT

Description	Date of Issue	Date of Maturity	Interest Rate	(1) Balance 01/01/09	(2) Additions	(3) Reductions	(4) Balance 12/31/09	(5) Co's Pro-forma Adj's	(6) Pro-forma Balance Per Co	(7) Staff Pro-forma Adj's	(8) Pro-forma Balance Per Staff	(9) Interest Expense	(10) Debt Expense	(11) Total Debt Cost	(12) Co's Pro-forma Adj's	(13) Pro-forma Balance Per Co	(14) Staff Pro-forma Adj's	(15) Pro-forma Balance Per Staff	(16) Total Cost Rate
Previously Approved Debt:																			
TD Bank - 5 (Refinance)	01/13/04	01/13/14	6.09%	\$ 388,656	\$ -	\$ (28,839)	\$ 359,817	\$ -	\$ 359,817	\$ -	\$ 359,817	\$ 23,919	\$ 732	\$ 24,651	\$ (2,006)	\$ 22,645	\$ -	\$ 22,645	6.29%
TD Bank - 6 (Construction)	01/13/04	01/13/14	7.47%	327,490	-	(19,799)	307,691	-	307,691	-	307,691	24,720	360	25,080	(1,735)	23,345	-	23,345	7.59%
TD Bank - 7 (System Purchase)	12/29/04	12/29/14	7.29%	118,517	-	(8,702)	109,815	-	109,815	-	109,815	10,080	696	10,776	(2,074)	8,702	-	8,702	7.92%
				<u>834,663</u>	<u>-</u>	<u>(57,340)</u>	<u>777,323</u>	<u>-</u>	<u>777,323</u>	<u>-</u>	<u>777,323</u>	<u>58,719</u>	<u>1,788</u>	<u>60,507</u>	<u>(5,815)</u>	<u>54,692</u>	<u>-</u>	<u>54,692</u>	<u>7.04%</u>
Unapproved Debt:																			
Citizens ('07 Sierra)	07/16/07	07/16/14	8.49%	10,260	-	(2,561)	7,699	-	7,699	-	7,699	802	-	802	(148)	654	-	654	8.49%
Laconia Savings Bank ('06 Sierra)	08/14/06	07/14/11	7.49%	22,957	-	(22,957)	-	-	-	-	-	665	-	665	(665)	-	-	-	0.00%
GEHL Finance (Mustang Excavator)	08/02/04	09/02/09	3.00%	2,930	-	(2,930)	-	-	-	-	-	(29)	-	(29)	29	-	-	-	0.00%
Key Equipment (Meter Reader)	01/02/07	03/02/09	13.00%	873	-	(873)	-	-	-	-	-	137	-	137	(137)	-	-	-	0.00%
Santander ('07 Silverado)	11/17/07	12/31/13	6.39%	26,921	-	(5,935)	20,986	-	20,986	-	20,986	1,880	-	1,880	(539)	1,341	-	1,341	6.39%
St. Mary's Bank ('08 Chevy Colorado)	05/28/08	07/12/13	5.75%	16,486	-	(3,305)	13,181	-	13,181	-	13,181	862	-	862	(104)	758	-	758	5.75%
Bank of America (Copier)	06/04/08	06/04/12	5.20%	5,037	-	(1,347)	3,690	-	3,690	-	3,690	230	-	230	(38)	192	-	192	5.20%
St. Mary's Bank ('08 Chevy Colorado)	05/31/09	08/14/13	5.90%	-	18,865	(2,323)	16,542	-	16,542	-	16,542	636	-	636	340	976	-	976	5.90%
GEHL Finance (Mustang Excavator)	11/13/09	11/13/14	0.00%	-	26,200	(437)	25,763	-	25,763	-	25,763	-	-	-	-	-	-	-	0.00%
				<u>85,464</u>	<u>45,065</u>	<u>(42,668)</u>	<u>87,861</u>	<u>-</u>	<u>87,861</u>	<u>-</u>	<u>87,861</u>	<u>5,183</u>	<u>-</u>	<u>5,183</u>	<u>(1,262)</u>	<u>3,921</u>	<u>-</u>	<u>3,921</u>	<u>4.46%</u>
NH Department of Corrections	10/07/09	10/31/12	0.00%	-	110,000	(6,120)	103,880	(103,880)	-	-	-	-	-	-	-	-	-	-	0.00%
Loan from Shareholders			9.75%	<u>138,739</u>	<u>52,116</u>	<u>-</u>	<u>190,855</u>	<u>-</u>	<u>190,855</u>	<u>(190,855)(a)</u>	<u>-</u>	<u>18,331</u>	<u>-</u>	<u>18,331</u>	<u>277</u>	<u>18,608</u>	<u>(18,608)(a)</u>	<u>-</u>	<u>0.00%</u>
				<u>\$ 1,058,866</u>	<u>\$ 207,181</u>	<u>\$ (106,128)</u>	<u>\$ 1,159,919</u>	<u>\$ (103,880)</u>	<u>\$ 1,056,039</u>	<u>\$ (190,855)</u>	<u>\$ 865,184</u>	<u>\$ 82,233</u>	<u>\$ 1,788</u>	<u>\$ 84,021</u>	<u>\$ (6,800)</u>	<u>\$ 77,221</u>	<u>\$ (18,608)</u>	<u>\$ 58,613</u>	<u>6.77%</u>

(a) To reflect proposed conversion of Shareholder Loan to Additional Paid-in Capital per Co's filing in DW 11-021

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
EFFECTIVE TAX FACTOR**

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>39.00%</u>
Effective Federal Income Tax Rate	35.69%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>44.19%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>44.19%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>55.82%</u></u>
Tax Multiplier	<u><u>0.79163</u></u>

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
RATE BASE**

	(1) Test Year Average Per Company Filing	(2) Company Adjustments	(3) Per Company Filing	(4) Staff Proforma Adjustments (Sch 2a)	(5) Staff Adjustment # (Sch 2a)	(6) Rebuttal Adjustments (Sch 2a)	(7) Proforma Rate Base
<u>Plant in Service</u>							
Utility Plant in Service	\$ 4,197,106	\$ 263,888	\$ 4,460,994	\$ (295,824)	1 - 4	\$ 84,402	\$ 4,249,572
Less: Accumulated Depreciation	<u>(1,123,042)</u>	<u>(67,096)</u>	<u>(1,190,138)</u>	<u>44,790</u>	5 - 9	<u>(38,773)</u>	<u>(1,184,121)</u>
Net Plant in Service	3,074,064	196,792	3,270,856	(251,034)		45,629	3,065,451
Less: Acquisition Adjustment	(254,025)	-	(254,025)				(254,025)
Add: Accumulated Amortization of Acquisition Adjustment	141,338	2,172	143,510	(1,254)	10 - 12	2,618	144,874
Less: Contributions in Aid of Construction (CIAC)	(849,099)	-	(849,099)	(3,846)	13	3,846	(849,099)
Add: Accumulated Amortization of CIAC	<u>156,075</u>	<u>8,455</u>	<u>164,530</u>	<u>(8,780)</u>	14 - 15	<u>8,780</u>	<u>164,530</u>
Net Plant in Rate Base	<u>2,268,353</u>	<u>207,419</u>	<u>2,475,772</u>	<u>(264,914)</u>		<u>60,873</u>	<u>2,271,731</u>
<u>Working Capital</u>							
Cash Working Capital	164,872	376	165,248	(29,742)	16		135,506
Materials and Supplies	59,350	(14,217)	45,133	16,523	17 - 19	(16,523)	45,133
Prepaid Expenses	31,791	(3,862)	27,929	4,655	20 - 21	(4,655)	27,929
Customer Deposits	-	-	-	(1,442)	23	336	(1,106)
Deferred Taxes	<u>(105,511)</u>	<u>-</u>	<u>(105,511)</u>				<u>(105,511)</u>
Total Working Capital	<u>150,502</u>	<u>(17,703)</u>	<u>132,799</u>	<u>(10,006)</u>		<u>(20,842)</u>	<u>101,951</u>
Rate Base	<u><u>\$ 2,418,855</u></u>	<u><u>\$ 189,716</u></u>	<u><u>\$ 2,608,571</u></u>	<u><u>\$ (274,921)</u></u>		<u><u>\$ 40,032</u></u>	<u><u>\$ 2,373,682</u></u>

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO RATE BASE**

<u>Adj#</u>		Staff Adjtsmts	Rebuttal Adjustments
Proforma Adjustments to Plant in Service:			
<u>Plant in Service</u>			
1	To adjust Plant in Service rate base component from year-end avg to 13-month avg (Sch 2b).	\$ (12,513)	\$ 12,513
2	To reverse Co's Rate Base Adj # 1 in order to reflect the test year average of Plant in Service in rate base.	(71,889)	71,889
3	To reverse Co's Rate Base Adj # 2 in order to remove proposed 2010 plant additions from test year rate base.	(192,000)	
4	To adjust DW 08-070 - Step 3 Plant in Service (Sch 2c):		
	2008 Plant Additions per Staff:	\$ 137,176	
	Less: 2008 Plant Additions per Company:	<u>(145,217)</u>	(8,041)
	2009 Plant Additions per Staff:	77,214	
	Less: 2009 Plant Additions per Company	<u>(99,976)</u>	
	Total Adjustment - 2009	(22,762)	
	To adjust to test year average	÷ <u>2</u>	(11,381) (19,422)
	Total Adjustments - Plant in Service	<u>\$ (295,824)</u>	<u>\$ 84,402</u>
<u>Accumulated Depreciation</u>			
5	To adjust Accumulated Depreciation rate base component from year-end avg to 13-month avg (Sch 2b).	\$ (18,396)	\$ 18,396
6	To reverse Co's Rate Base Adj # 3 in order to reflect the test year average of Accumulated Depreciation in rate base.	57,169	(57,169)
7	To modify Co's Rate Base Adj # 4 in order to reflect a test year average:		
	Co's Rate Base Adj # 3 for additional half-year of Depreciation Expense	\$ 6,293	
	To adjust to test year average	÷ <u>2</u>	3,147
8	To reverse Co's Rate Base Adj # 5 in order to remove accumulated depreciation on proposed 2010 plant additions from test year rate base.	3,634	
9	To adjust DW 08-070 - Step 3 Accumulated Depreciation (Sch 2c):		
	2008 Accumulated Depreciation per Staff:	\$ (1,923)	
	Less: 2008 Accumulated Depreciation per Company:	<u>1,664</u>	(258)
	2009 Accumulated Depreciation per Staff:	(5,458)	
	Less: 2009 Accumulated Depreciation per Company	<u>4,447</u>	
	Total Adjustment - 2009	(1,011)	
	To adjust to test year average	÷ <u>2</u>	(505) (764)
	Total Adjustments - Accumulated Depreciation	<u>\$ 44,790</u>	<u>\$ (38,773)</u>

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO RATE BASE**

<u>Adj#</u>	Staff Adjtsmts	Rebuttal Adjustments
<u>Accumulated Amortization of Acquisition Adjustment</u>		
10 To adjust Accumulated Amortization of Acquisition Adjustment rate base component from year-end avg to 13-month avg (Sch 2b).	\$ (446)	\$ 446
11 To reverse Co's Rate Base Adj # 6 in order to reflect the test year average of Accumulated Amortization of Acquisition Adjustment in rate base.	(2,172)	2,172
12 To correct Accumulated Amortization of Acquisition Adjustment per Staff Audit Issue # 5.	<u>1,364</u>	<u> </u>
Total Adjustments - Accumulated Amortization of Acquisition Adjustment	<u>\$ (1,254)</u>	<u>\$ 2,618</u>
<u>Contributions in Aid of Construction (CIAC)</u>		
13 To adjust Contributions in Aid of Construction rate base component from year-end avg to 13-month avg (Sch 2b).	<u>\$ (3,846)</u>	<u>\$ 3,846</u>
<u>Accumulated Amortization of CIAC</u>		
14 To adjust Accumulated Amortization of CIAC rate base component from year-end avg to 13-month avg (Sch 2b).	\$ (324)	\$ 324
15 To reverse Co's Rate Base Adj # 11 in order to reflect the test year average of Accumulated Amortization of CIAC in rate base.	<u>(8,456)</u>	<u>8,456</u>
Total Adjustments - Accumulated Amortization of CIAC	<u>\$ (8,780)</u>	<u>\$ 8,780</u>
Proforma Adjustments to Working Capital:		
<u>Cash Working Capital</u>		
16 To adjust Cash Working Capital to amount computed by Staff (Sch 2b):		
Adjusted Cash Working Capital computed by Staff (Sch 2b)	\$ 135,506	
Less: Amount per Company Filing (See Sch 2; Col 1)	<u>(165,248)</u>	<u>\$ (29,742)</u>
<u>Materials and Supplies</u>		
17 To adjust Materials and Supplies rate base component from year-end avg to 13-month avg (Sch 2b).	\$ 12,806	\$ (12,806)
18 To reflect prior year inventory adjustments in 13-month rate base average for Materials and Supplies:		
Inventory Adj per Co Filing (Sch 1B; Pg 2 of 3; Adj # 8)	\$ (11,375)	
Factor used to reflect Adj's in 13-month average rate base (12 mos ÷ 13 mos)	x <u>0.9231</u>	(10,500) 10,500
19 To reverse Co's Rate Base Adj # 8 in order to reflect the test year average of Materials and Supplies in rate base.	<u>14,217</u>	<u>(14,217)</u>
Total Adjustments - Materials & Supplies	<u>\$ 16,523</u>	<u>\$ (16,523)</u>

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO RATE BASE**

<u>Adj#</u>	Staff Adjstments	Rebuttal Adjustments
<u>Prepaid Expenses</u>		
20 To adjust Prepaid Expenses rate base component from year-end avg to 13-month avg (Sch 2b).	\$ 1,936	\$ (1,936)
21 To reverse Co's Rate Base Adj # 9 in order to reflect the test year average of Prepaid Expenses in rate base.	1,575	(1,575)
22 To modify Co's Rate Base Adj # 10 in order to reflect a test year average: Co's Rate Base Adj # 10 for completion of amortization expense To adjust to test year average	\$ 2,287 ÷ 2 1,144	_____ (1,144)
Total Adjustments - Prepaid Expenses	\$ 4,655	\$ (4,655)
<u>Customer Deposits</u>		
23 To record 13-month avg for Customer Deposits rate base component (Sch 2b).	\$ (1,442)	\$ 336
NET RATE BASE ADJUSTMENTS	\$ (274,921)	\$ 40,032

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
COMPUTATION OF RATE BASE COMPONENTS -- 13-MONTH AVERAGE**

Calculation of 13-Month Average Rate Base (Based on Co's response to Staff 2-12):

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Net Plant in Service			Net Acquisition Adjustment			Net Contributions in Aid of Construction						
	Plant in Service	Accumulated Depreciation	Net	Acquisition Adjustment	Accumulated Amortization	Net	CIAC	Accumulated Amortization	Net	Materials & Supplies	Prepaid Expenses	Customer Deposits	Deferred Taxes
12/31/08	\$ 4,125,217	\$ (1,065,873)	\$ 3,059,344	\$ (254,025)	\$ 139,166	\$ (114,859)	\$ (849,099)	\$ 147,619	\$ (701,480)	\$ 73,567	\$ 33,365	\$ (362)	\$ (105,511)
01/31/09	4,138,572	(1,078,623)	3,059,949	(254,025)	139,166	(114,859)	(849,099)	148,502	(700,597)	70,704	30,775	(362)	(105,511)
02/28/09	4,147,086	(1,091,855)	3,055,231	(254,025)	139,495	(114,530)	(854,099)	149,940	(704,159)	67,629	32,072	(362)	(105,511)
03/31/09	4,158,944	(1,105,087)	3,053,857	(254,025)	139,824	(114,201)	(854,099)	151,378	(702,721)	64,400	28,222	(1,012)	(105,511)
04/30/09	4,179,503	(1,118,319)	3,061,184	(254,025)	140,153	(113,872)	(854,099)	152,816	(701,283)	83,613	27,678	(1,712)	(105,511)
05/31/09	4,184,095	(1,131,551)	3,052,544	(254,025)	140,482	(113,543)	(854,099)	154,254	(699,845)	82,004	33,165	(1,712)	(105,511)
06/30/09	4,192,174	(1,144,783)	3,047,391	(254,025)	140,811	(113,214)	(854,099)	155,692	(698,407)	84,792	33,272	(2,062)	(105,511)
07/31/09	4,198,593	(1,158,015)	3,040,578	(254,025)	141,140	(112,885)	(854,099)	157,130	(696,969)	81,403	33,378	(2,062)	(105,511)
08/31/09	4,202,146	(1,171,247)	3,030,899	(254,025)	141,469	(112,556)	(854,099)	158,568	(695,531)	76,248	33,890	(2,062)	(105,511)
09/30/09	4,198,635	(1,184,479)	3,014,156	(254,025)	141,798	(112,227)	(854,099)	160,006	(694,093)	76,249	40,576	(2,062)	(105,511)
10/31/09	4,200,738	(1,197,711)	3,003,027	(254,025)	142,127	(111,898)	(854,099)	161,444	(692,655)	68,263	40,868	(2,062)	(105,511)
11/30/09	4,205,008	(1,210,943)	2,994,065	(254,025)	142,456	(111,569)	(854,099)	162,882	(691,217)	64,018	40,974	(1,812)	(105,511)
12/31/09	4,268,994	(1,180,211)	3,088,783	(254,025)	143,510	(110,515)	(849,098)	164,530	(684,568)	45,132	30,216	(1,106)	(105,511)
13-Month Total	<u>\$ 54,399,705</u>	<u>\$ (14,838,697)</u>	<u>\$ 39,561,008</u>	<u>\$ (3,302,325)</u>	<u>\$ 1,831,597</u>	<u>\$ (1,470,728)</u>	<u>\$ (11,088,286)</u>	<u>\$ 2,024,761</u>	<u>\$ (9,063,525)</u>	<u>\$ 938,022</u>	<u>\$ 438,451</u>	<u>\$ (18,750)</u>	<u>\$ (1,371,643)</u>
13-Month Average	\$ 4,184,593	\$ (1,141,438)	\$ 3,043,154	\$ (254,025)	\$ 140,892	\$ (113,133)	\$ (852,945)	\$ 155,751	\$ (697,194)	\$ 72,156	\$ 33,727	\$ (1,442)	\$ (105,511)
Less: Year-end Avg per Co (See Sch 2; Col 1)	<u>(4,197,106)</u>	<u>1,123,042</u>	<u>(3,074,064)</u>	<u>254,025</u>	<u>(141,338)</u>	<u>112,687</u>	<u>849,099</u>	<u>(156,075)</u>	<u>693,024</u>	<u>(59,350)</u>	<u>(31,791)</u>	<u>-</u>	<u>105,511</u>
Pro-forma Adjustments	<u>\$ (12,513)</u>	<u>\$ (18,396)</u>	<u>\$ (30,910)</u>	<u>\$ -</u>	<u>\$ (446)</u>	<u>\$ (446)</u>	<u>\$ (3,846)</u>	<u>\$ (324)</u>	<u>\$ (4,170)</u>	<u>\$ 12,806</u>	<u>\$ 1,936</u>	<u>\$ (1,442)</u>	<u>\$ -</u>
Staff Adjustment #	1	5			10		13	14		17	20	23	
Rebuttal Proof													
12/31/09	4,268,994	(1,180,211)	3,088,783	(254,025)	143,510	(110,515)	(849,098)	164,530	(684,568)	45,132	30,216	(1,106)	(105,511)
Adjustments	(19,422)	(3,910)	(23,332)	0	1,364	1,364	0	0	0	0	(2,287)	0	0
Rebuttal Proforma Rate Base	<u>4,249,572</u>	<u>(1,184,121)</u>	<u>3,065,451</u>	<u>(254,025)</u>	<u>144,874</u>	<u>(109,151)</u>	<u>(849,098)</u>	<u>164,530</u>	<u>(684,568)</u>	<u>45,132</u>	<u>27,929</u>	<u>(1,106)</u>	<u>(105,511)</u>

Calculation of Cash Working Capital:

Proforma Test Year O & M Expenses (Sch 3)	\$ 753,672
Less: O & M Expense for Tamworth	\$ (753,672) X 101 ÷ 1,616 = <u>(47,105)</u>
O & M Exp's for Systems that Bill in Arrears	706,568
75 Days / 365 Days	X <u>20.55%</u>
Cash Working Capital for Systems that Bill in Arrears	\$ 145,185
O & M Expense for Tamworth	(47,105)
75 Days / 365 Days	X <u>20.55%</u>
Cash Working Capital for System that Bills in Advance	<u>(9,679)</u>
Net Cash Working Capital	<u>\$ 135,506</u>

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
ANALYSIS OF DW 08-070 STEP 3 PLANT ADDITIONS and DEPRECIATION**

	PER COMPANY					PER STAFF						
	(1) Cost	(2) Rate	(3) Annual Deprec	(4) 2008 Deprec	(5) 2009 Deprec	(6) Total Accum Deprec	(7) Cost	(8) Rate	(9) Annual Deprec	(10) 2008 Deprec	(11) 2009 Deprec	(12) Total Accum Deprec
Hidden Valley:												
Structures - 2008	\$ 13,547	2.00%	\$ 271	\$ 135	\$ 271	\$ 406	\$ 18,258	(a) 2.50%	\$ 456	\$ 228	\$ 456	\$ 685
Structures - 2009	9,088	2.00%	182	-	91	91	9,088	2.50%	227	-	114	114
	<u>22,635</u>		<u>453</u>	<u>135</u>	<u>362</u>	<u>497</u>	<u>27,346</u>		<u>684</u>	<u>228</u>	<u>570</u>	<u>798</u>
Wells - 2008	40,517	2.00%	810	405	405	810	40,517	3.33%	1,349	675	1,349	2,024
Pumps - 2008	3,472	10.00%	347	174	347	521	3,224	(b) 10.00%	322	161	322	484
Pumps - 2009	10,000	10.00%	1,000	-	500	500	10,000	10.00%	1,000	-	500	500
	<u>13,472</u>		<u>1,347</u>	<u>174</u>	<u>847</u>	<u>1,021</u>	<u>13,224</u>		<u>1,322</u>	<u>161</u>	<u>822</u>	<u>984</u>
Distribution Reservoirs - 2008	791	2.50%	20	10	20	30	791	2.22%	18	9	18	26
Mains - 2008	47,733	2.00%	955	477	955	1,432	46,666	(b) 2.00%	933	467	933	1,400
Meters - 2009	2,575	5.00%	129	-	64	64	2,575	5.00%	129	-	64	64
Other - 2009	1,085	5.00%	54	-	27	27	1,085	5.00%	54	-	27	27
Total - Hidden Valley	<u>128,808</u>		<u>3,768</u>	<u>1,201</u>	<u>2,680</u>	<u>3,882</u>	<u>132,204</u>		<u>4,489</u>	<u>1,539</u>	<u>3,784</u>	<u>5,324</u>
Gunstock Glen:												
Structures - 2008	36,868	2.00%	737	369	737	1,106	26,218	(b) 2.50%	655	328	655	983
Structures - 2009	4,049	2.00%	81	-	40	40	4,049	2.50%	101	-	51	51
	<u>40,917</u>		<u>818</u>	<u>369</u>	<u>778</u>	<u>1,147</u>	<u>30,267</u>		<u>757</u>	<u>328</u>	<u>706</u>	<u>1,034</u>
Pumps - 2008	1,784	10.00%	178	89	89	178	997	(c) 10.00%	100	50	100	150
Pumps - 2009	4,086	10.00%	409	-	204	204	7,939	(a) 10.00%	794	-	397	397
	<u>5,870</u>		<u>587</u>	<u>89</u>	<u>294</u>	<u>383</u>	<u>8,936</u>		<u>894</u>	<u>50</u>	<u>497</u>	<u>547</u>
Distribution Reservoirs - 2008	505	2.00%	10	5	5	10	505	2.22%	11	6	11	17
Distribution Reservoirs - 2009	293	2.00%	6	-	3	3	293	2.22%	7	-	3	3
	<u>798</u>		<u>16</u>	<u>5</u>	<u>8</u>	<u>13</u>	<u>798</u>		<u>18</u>	<u>6</u>	<u>14</u>	<u>20</u>
Mains - 2009	37,189	2.00%	744	-	372	372	28,079	(b) 2.00%	562	-	281	281
Total - Gunstock Glen	<u>84,774</u>		<u>2,165</u>	<u>463</u>	<u>1,451</u>	<u>1,914</u>	<u>68,080</u>		<u>2,230</u>	<u>383</u>	<u>1,498</u>	<u>1,881</u>
Brake Hill:												
Structures - 2009	31,611	2.00%	632	-	316	316	14,106	(d) 2.50%	353	-	176	176
Grand Total	<u>\$ 245,193</u>		<u>\$ 6,565</u>	<u>\$ 1,664</u>	<u>\$ 4,447</u>	<u>\$ 6,112</u>	<u>\$ 214,390</u>		<u>\$ 7,071</u>	<u>\$ 1,923</u>	<u>\$ 5,458</u>	<u>\$ 7,381</u>
Summary By Year:												
2008 Plant Additions	\$ 145,217		\$ 3,329	\$ 1,664	\$ 2,829	\$ 4,494	\$ 137,176		\$ 3,845	\$ 1,923	\$ 3,845	\$ 5,768
2009 Plant Additions	99,976		3,236	-	1,618	1,618	77,214		3,226	-	1,613	1,613
Totals	<u>\$ 245,193</u>		<u>\$ 6,565</u>	<u>\$ 1,664</u>	<u>\$ 4,447</u>	<u>\$ 6,112</u>	<u>\$ 214,390</u>		<u>\$ 7,071</u>	<u>\$ 1,923</u>	<u>\$ 5,458</u>	<u>\$ 7,381</u>

(a) Retired plant netted against cost of additions were added back to cost of asset. (Based on Company's response to OCA DR 4-5 in DW 08-070)

(b) Unsubstantiated costs per the 09/22/10 NHPUC Staff Audit Report in DW 08-070 were eliminated.

(c) Unsubstantiated cost per the Company's response to Staff DR 3-5 in DW 08-070 was eliminated.

(d) Asset not included in Step 3 in DW 08-070. However, included in rate base for purposes of temporary rates less unsubstantiated costs per the 09/22/10 NHPUC Staff Audit Report.

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
OPERATING INCOME STATEMENT**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Per Actual Test Year	Company Adjustments	Per Company Filing	Staff Pro-forma Adjustments (Sch 3a)	Staff Adjustment # (Sch 3a)	Rebuttal Adjustments	Pro-forma Test Year	Revenue Deficiency / (Surplus) (Sch 1)	Net Operating Income Requirement
Operating Revenues									
Sales of Water to General Customers	\$ 766,032	\$ 312,059	\$ 1,078,091	\$ (19,046)	24 - 26		\$ 1,059,045	\$ (37,669)	\$ 1,021,376
Sales of Water - Special Contract	131,831	(3,270)	128,561	(2,583)	27		125,978		125,978
Other Operating Revenues	93,101	(18,001)	75,100				75,100		75,100
Total Operating Revenues	990,964	290,788	1,281,752	(21,629)			1,260,123	(37,669)	1,222,454
Operating Expenses									
Operation & Maintenance Expense:									
Source of Supply Expenses	45,195	1,029	46,224	300	28		46,524		46,524
Pumping Expenses	77,405	-	77,405				77,405		77,405
Water Treatment Expenses	45,434	3,954	49,388				49,388		49,388
Transmission & Distribution Expenses	168,581	(11,375)	157,206	(230)	29		156,976		156,976
Customer Accounts Expenses	31,875	-	31,875				31,875		31,875
Administrative & General Expenses	433,805	5,969	439,774	(48,270)	30 - 38		391,504		391,504
Total Operation & Maintenance Expense	802,295	(423)	801,872	(48,200)			753,672	-	753,672
Depreciation Expense	165,259	13,561	178,820	(24,718)	39 - 41		154,102		154,102
Amortization of CIAC	(16,911)	-	(16,911)				(16,911)		(16,911)
Amortization of Acquisition Adjustment	(4,344)	-	(4,344)	(1,364)	42		(5,708)		(5,708)
Amortization Expense - Other	-	1,841	1,841	(1,841)	43		-		-
Payroll Taxes	17,191	2,255	19,446	2,488	44		21,934		21,934
Property Taxes	27,643	1,649	29,292	3,179	45		32,471		32,471
Total Operating Expenses	991,133	18,883	1,010,016	(70,456)			939,560	-	939,560
Net Operating Income (Loss) before Income Taxes	(169)	271,905	271,736	48,827			320,563	(37,669)	282,894
Income Taxes	2,370	47,158	49,528	(47,030)	Sch 3b	68,732	71,230	(16,644)	54,586
Net Operating Income (Loss)	\$ (2,539)	\$ 224,747	\$ 222,208	\$ 95,857		\$ (68,732)	\$ 249,333	\$ (21,025)	\$ 228,308

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES**

Adj #

Proforma Adjustments to Operating Revenues:

Sales of Water to General Customers

24	To modify Co's Operating Revenues Adj # 1 to reflect actual amount realized from DW 08-070 - Step 3: Additional revenues realized by Co in DW 08-070 - Step 3 (Order # 25,197) Less: Co's Operating Revenues Adj # 1 per filing (Sch 1A; Pg 1 of 1; Adj # 1)	\$ 25,224 <u>(37,411)</u>	\$ (12,187)
25	To adjust Co's test year revenues in order to properly reflect an unearned revenues adj per Co's response to Staff 3-5 and Staff-Tech 1-1.		(7,714)
26	To reflect additional revenues from unbilled usage by officers during the test year per Staff Audit Issue # 6 and Co's response to Staff 3-4.		<u>855</u>
	Total Adjustments - Sales of Water to General Customers		<u>\$ (19,046)</u>

Sales of Water - Special Contract

27	To adjust revenues received by the Company under the Special Contract with POASI per Co's response to Staff 3-3: POASI rate calculation for 2010 per Co's response to Staff 3-3 Less: Co's pro-forma revenues from POASI per filing (see Sch 1A; Pg 1 of 1; Adj # 2)	\$ 125,978 <u>(128,561)</u>	\$ (2,583)
-----------	--	--------------------------------	------------

Proforma Adjustments to Operating Expenses:

Source of Supply Expenses

28	To increase purchased water expense for a prior period credit recorded during the test year per Staff Audit Issue # 7.		<u>\$ 300</u>
-----------	--	--	---------------

Transmission & Distribution Expenses

29	To reduce Equipment Lease expense for an unsubstantiated equipment rental cost per Staff Audit Report.		<u>\$ (230)</u>
-----------	--	--	-----------------

Administrative & General Expenses

30	To modify Co's O&M Expense Adj # 1 per Sch 3ci: Test year wage adj per Staff (Sch 3ci; Col 9) Less: Co's O&M Expense Adj # 1 per filing (Sch 1B; Pg 1 of 3; Adj # 1)	\$ 9,922 <u>(10,490)</u>	\$ (568)
31	To adjust Co's O&M Expense Adj # 2 per Sch 3ci: Test year wage adj per Staff (Sch 3ci; Col 14) Less: Co's O&M Expense Adj # 2 per filing (Sch 1B; Pg 1 of 3; Adj # 2)	\$ 42,550 <u>(20,597)</u>	21,953
32	To adjust Co's O&M Expense Adj # 4 per Sch 3ciii: Test year health care expense adj per Staff (Sch 3ciii; Col 12) Less: Co's O&M Expense Adj # 4 per filing (Sch 1B; Pg 1 of 3; Adj # 4)	\$ 17,919 <u>(24,983)</u>	(7,064)

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES**

<u>Adj #</u>			
33	To eliminate pension payments to shareholders from test year operating expense per Staff 3-12.		(52,645)
34	To reduce Office Expense for prior period invoice recorded during the test year per Staff Audit Report.		(2,853)
35	To adjust Co's Outside Services - Accounting expenses:		
	Docket DW 07-105 costs deemed as non-recurring	\$ (1,365)	
	Overcharged accounting fees per Staff Audit Issue # 9	(1,040)	
	Docket DW 08-098 costs per Staff Audit Issue # 10	(827)	
	Unsubstantiated accounting fees per Staff Audit Report	<u>(681)</u>	(3,913)
36	To adjust Co's Outside Services - Legal expenses:		
	Docket DW 07-105 costs deemed as non- recurring	\$ (340)	
	General law expenses deemed relative to the Co's criminal case per Sch 3d.	<u>(1,480)</u>	(1,820)
37	To reduce Insurance Expense by amount of financing costs incurred during the test year per Staff Audit Issue # 11.		(1,136)
38	To reduce Regulatory Commission Expense for publication of notice pertaining to financing that was not pursued per Staff Audit Report.		<u>(224)</u>
	Total Adjustments - Administrative & General Expenses		<u>\$ (48,270)</u>
	<u>Depreciation Expense</u>		
39	To adjust depreciation expense for DW 08-070 - Step 3 Plant in Service (Sch 2c):		
	Annual Depreciation Expense computed by Staff:	\$ 7,071	
	Less: Annual Depreciation Expense computed by Co:	<u>(6,565)</u>	\$ 506
40	To eliminate depreciation expense for assets retired during the test year per Staff 2-7.		(17,956)
41	To eliminate Co's Depreciation Expense Adj # 13 relative to depreciation expense on 2010 plant additions.		<u>(7,268)</u>
	Total Adjustments - Depreciation Expense		<u>\$ (24,718)</u>
	<u>Amortization of Acquisition Adjustment</u>		
42	To correct Amortization of Acquisition Adjustment expense per Staff Audit Issue # 5.		<u>\$ (1,364)</u>
	<u>Amortization Expense - Other</u>		
43	To eliminate Co's Amortization Expense Adj # 14 for expenses relative to the amortization of capital expenses.		<u>\$ (1,841)</u>
	<u>Payroll Taxes</u>		<u>21</u>

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES**

Adj #

44	To modify Co's O&M Expense Adj # 3 per Sch 3cii: Test year payroll tax adj per Staff (Sch 3cii; Col 13) Less: Co's O&M Expense Adj # 3 per filing (Sch 1B; Pg 1 of 3; Adj # 1)	\$	4,743		
			(2,255)	\$	2,488

Property Taxes

45	To adjust pro-forma property tax expense per Sch 3e.	\$	3,179		
					3,179

NET OPERATING INCOME ADJUSTMENTS BEFORE INCOME TAXES PER STAFF	\$		48,827
			48,827

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
PROFORMA ADJUSTMENTS TO INCOME TAXES**

INCOME TAXES

	<u>STAFF</u>	<u>REBUTTAL</u>
To reflect the income tax effect of proforma adjustments to revenue and expenses		
Total pro-forma adjustments to Water Revenues - General Customers	\$ (19,046)	
Total pro-forma adjustments to Water Revenues - Special Contract	(2,583)	
Total pro-forma adjustments to Other Operating Revenues	-	
Total pro-forma adjustments to Source of Supply Expense	(300)	
Total pro-forma adjustments to Pumping Expense	-	
Total pro-forma adjustments to Water Treatment Expense	-	
Total pro-forma adjustments to Transmission & Distribution Expense	230	
Total pro-forma adjustments to Customer Accounts Expense	-	
Total pro-forma adjustments to Administrative & General Expense	48,270	
Total pro-forma adjustments to Depreciation Expense	24,718	
Total pro-forma adjustments to Amortization of CIAC	-	
Total pro-forma adjustments to Amortization of Acquisition Adjustment	1,364	
Total pro-forma adjustments to Amortization Expense - Other	1,841	
Total pro-forma adjustments to Payroll Taxes	(2,488)	
Total pro-forma adjustments to Property Taxes	(3,179)	
	<hr/>	<hr/>
Net Increase (Decrease) in Net Operating Income subject to State Income Tax	48,827	
Less: New Hampshire Business Profits Tax @ 0.0%	-	
Less: New Hampshire Business Profits Tax @ 8.5%	-	(4,150)
	<hr/>	<hr/>
Net Increase (Decrease) in Net Operating Income subject to Federal Income Tax	48,827	44,676
Federal Income Tax @ 0.0%	-	
Federal Income Tax @39.0%	-	(17,424)
	<hr/>	<hr/>
State and Federal Tax Adjustment (Sch 3; Col 2)	-	(21,574)
	<hr/>	<hr/>
To eliminate Co's proforma adjustment relative to Income Taxes (Sch 3; Col 2)	47,158	(47,158)
	<hr/>	<hr/>
To adjust Co's Pro-forma NHBET Tax:		
Pro-forma Wages per Sch 3ci, Col 13	\$ 274,440	
Pro-forma Interest Expense per Sch 1ai; Col 15	58,613	
Total	<u>\$ 333,053</u>	
NHBET Rate	0.75%	
Pro-forma NHBET	<u>\$ (2,498)</u>	
Less: Test year NHBET (Sch 3; Col 1)	2,370	(128)
	<hr/>	<hr/>
PRO-FORMA ADJUSTMENTS NET OF INCOME TAXES	<u>\$ 95,857</u>	<u>\$ (68,732)</u>

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
PERMANENT RATES
COMPUTATION OF RATES**

Proposed Annual Water Revenue from General Customers \$ 1,021,376

Less: Annual Operating Revenue - WVG Community Pool

Current Authorized Rate Per Tariff \$ 1,166.40

1 + Percentage Increase in Revenue Requirement X 1.3021 **(1,518.79)**

Less: Annual Operating Revenue - Non-metered Customers

Annual Water Revenue from General Customers less Annual Revenue - WVG Pool \$ 1,019,857

Total Consolidated Rate Customers (including Gunstock Glen) ÷ 1,614

Annual Revenue Requirement per Customer **\$ 631.88**

Total Non-metered Customers (including Gunstock Glen) X 574 **\$ (362,700)**

Annual Revenue Requirement Collected through Minimum Charge and Consumption Charge \$ 657,157

Calculation of Metered Rate: $X + Y * (28,368 \text{ ccf (a)} \div 1,040 \text{ metered customers}) =$ \$ 631.88 charge per customer
(X = Minimum Charge; Y = Consumption Charge)

Calculation of Proportion of Present Minimum Charge to Present Consumption Charge:

Present Annual Minimum Charge Per Tariff: (X) \$ 373.23

Present Annual Consumption Charge Per Tariff (per 100 cu ft): (Y) ÷ \$ 3.92

Proportion of Present Minimum Charge to Present Consumption Charge: $(X \div Y)$ 95.2

Calculation of Consumption Charge:

X + Y * 28,368 ÷ 1,040 = \$ 631.88

Y * 95.2 + Y * 27.3 = \$ 631.88

Y * 122.5 = \$ 631.88

Y = **\$ 5.16** * 28,368 = \$ (146,342)

Annual Revenue Requirement Collected through Minimum Charge \$ 510,815

Calculation of Annual Minimum Charge:

X + Y * 28,368 ÷ 1,040 = \$ 631.88

X + \$ 5.16 * 27.3 = \$ 631.88

X + \$ 140.71 = \$ 631.88

X = **\$ 491.17** * 1,040 = \$ (510,815)

Remainder of Annual Water Revenue from General Customers \$ -

a Conversion of Metered Consumption from Gallons to CCF:

2009 Total Consumption by Metered Customers (Gallons)	32,887,000	Gallons
Less: 2009 Suissevale Metered Consumption (Gallons)	<u>(11,666,000)</u>	Gallons
2009 Consumption by Metered Customers subject to Step 3 (Gallons)	21,221,000	Gallons
Conversion Factor from Gallons to CCF (1 CCF = 748.051948 Gallons)	÷ 748.05	Gallons
2009 Consumption by Metered Customers subject to Step 3 (CCF)	<u>28,368</u>	CCF

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
STEP ADJUSTMENT
REVENUE REQUIREMENT**

	Calculation	Percentage Increase
2010 Additions to Rate Base	\$ 97,405	
Rate of Return (Schedule 5a)	x <u>10.73%</u>	
Additional Operating Income Requirement	10,454	
Add: Annual Depreciation Expense on 2010 Additions	8,132	
Add: Net Additional Property Tax Expense on 2010 Additions	520	
Less: Annual Depreciation Expense on Retired Plant	<u>(5,817)</u>	
Revenue Deficiency Before Taxes	13,289	
Tax Factor	÷ <u>55.82%</u>	
Step Adjustment in Revenues to General Customers	23,809	3.04%
Increase in Water Revenues from General Customers - Permanent Rates (Schedule 1)	236,979	30.21%
Less: Adjusted Test Year Water Revenues from General Customers	(a) <u>784,397</u>	
Combined Revenue Requirement from General Customers	<u>\$ 1,045,185</u>	<u>33.25%</u>

(a) Calculation of Adjusted Test Year Revenues from General Customers:

Co's Reported Test Year Revenues from General Customers	\$ 766,032
Additional Revenues from DW 08-070-Step 3 (See Sch 3a; Adj # 24)	25,224
Staff Adjustment for Unearned Revenues (Sch 3a; Adj # 25)	(7,714)
Staff Adjustment for Unbilled Usage by Officers (Sch 3a; Adj # 26)	855
Adjusted Test Year Water Revenues from General Customers	<u>\$ 784,397</u>

DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC
STEP ADJUSTMENT
RATE OF RETURN

	<u>Amount</u>	<u>Cost Rate</u>	<u>Annual Interest</u>	<u>Annual Debt Cost</u>	<u>Total Annual Cost</u>	<u>Real Cost Rate</u>	<u>Weighted Average</u>	<u>Weighted Average Cost</u>
Ford Motor Credit	\$31,301	7.89%	\$2,470		\$2,470	7.89%	30.85%	2.43%
Additional Paid in Capital (a)	<u>70,170</u>	12.00%				12.00%	69.15%	<u>8.30%</u>
Total Financing	<u>\$101,471</u>		<u>\$2,470</u>	<u>\$0</u>	<u>\$2,470</u>			<u>10.73%</u>

(a) Additional Paid in Capital:
 Total 2010 Plant Additions
 Less: Ford Motor Credit Financing
 Additional Paid in Capital

\$101,471
(31,301)
\$70,170

**DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC.
STEP ADJUSTMENT
REVENUE REQUIREMENT**

	Calculation	Percentage Increase
2010 Additions to Rate Base	\$ 97,405	
Rate of Return (Schedule 5a)	x <u>10.73%</u>	
Additional Operating Income Requirement	10,454	
Add: Annual Depreciation Expense on 2010 Additions	8,132	
Add: Net Additional Property Tax Expense on 2010 Additions	520	
Less: Annual Depreciation Expense on Retired Plant	<u>(5,817)</u>	
Revenue Deficiency Before Taxes	13,289	
Tax Factor	÷ <u>55.82%</u>	
Step Adjustment in Revenues to General Customers	23,809	3.04%
Increase in Water Revenues from General Customers - Permanent Rates (Schedule 1)	236,979	30.21%
Less: Adjusted Test Year Water Revenues from General Customers	(a) <u>784,397</u>	
Combined Revenue Requirement from General Customers	<u><u>\$ 1,045,185</u></u>	<u>33.25%</u>

(a) Calculation of Adjusted Test Year Revenues from General Customers:

Co's Reported Test Year Revenues from General Customers	\$ 766,032
Additional Revenues from DW 08-070-Step 3 (See Sch 3a; Adj # 24)	25,224
Staff Adjustment for Unearned Revenues (Sch 3a; Adj # 25)	(7,714)
Staff Adjustment for Unbilled Usage by Officers (Sch 3a; Adj # 26)	855
Adjusted Test Year Water Revenues from General Customers	<u><u>\$ 784,397</u></u>

DW 10-141 and DW 11-021
LAKES REGION WATER COMPANY, INC
STEP ADJUSTMENT
RATE OF RETURN

	<u>Amount</u>	<u>Cost Rate</u>	<u>Annual Interest</u>	<u>Annual Debt Cost</u>	<u>Total Annual Cost</u>	<u>Real Cost Rate</u>	<u>Weighted Average</u>	<u>Weighted Average Cost</u>
Ford Motor Credit	\$31,301	7.89%	\$2,470		\$2,470	7.89%	30.85%	2.43%
Additional Paid in Capital (a)	<u>70,170</u>	12.00%				12.00%	69.15%	<u>8.30%</u>
Total Financing	<u>\$101,471</u>		<u>\$2,470</u>	<u>\$0</u>	<u>\$2,470</u>			<u>10.73%</u>

(a) Additional Paid in Capital:
 Total 2010 Plant Additions
 Less: Ford Motor Credit Financing
 Additional Paid in Capital

\$101,471
(31,301)
\$70,170

**DW 10-141 and DW 11-021
Lakes Region Water Company
2012 Step Adjustment
Revenue Requirement**

Calculation of Revenue Requirement

Addition to Rate Base:		
2011 Additions		\$184,000
2012 Additions		<u>357,286</u>
Total Additions		\$541,286
Less: Accumulated Depreciation (See Note A)		<u>27,064</u>
Net Plant		\$514,222
Add: Cash Working Capital		
Total Additions to Rate Base		\$514,222
Rate of Return		<u>7.00%</u>
Additional Net Operating Income Required		\$35,996
Add:	Operating and Maintenance Expenses	
	Depreciation Expense	54,129
	Amortization of CIAC	
	Assessed Property Value	\$514,222
	60.00%	\$308,533
	State Property Taxes (\$6.60 / \$1,000)	2,036
	Local Property Taxes (\$15.00 / 1,000)	<u>4,628</u>
PreTax Income		\$96,788
	Federal Income Taxes (See Note B below)	0
	Business Profit Taxes (See Note B below)	<u>0</u>
Total Additional Revenue Required		<u>\$96,788</u>

Note:A		
Total Additions		\$541,286
Life of Loan		10
Half Year		<u>2</u>
Accumulated Depreciation		<u>\$27,064</u>

Note: The assets are being depreciated over the life of the loan.

Note B:		
PreTax Income		\$96,788
Operating Expenses		60,793
Interest Expenses		<u>36,662</u>
NH Gross Business Profits		<u>(\$666)</u>
NH Business Profits Taxes	8.50%	0
Federal Taxable Income		<u>(\$666)</u>
Federal Income Tax	39.00%	0
Total Federal Income Taxes and State Business Profit Taxes		<u>\$0</u>

SPSt. Cyr
12/9/2011