

**DW 12-254
FOREST EDGE WATER COMPANY
REVENUE REQUIREMENT**

Rate Base (Sch 2)	\$ 36,122
Rate of Return (Sch 1a)	<u>7.50%</u>
Operating Income Requirement	2,708
Less: Proforma Operating Income (Sch 3)	<u>(5,584)</u>
Revenue Deficiency Before Taxes	(2,875)
Divided by Tax Factor (Sch 1b)	<u>100.00%</u>
Revenue Deficiency	(2,875)
Proposed Annual Water Revenues per Company Filing (Sch 3)	<u>27,517</u>
Annual Water Revenues Proposed per Settlement	24,642
Less: Annual Water Revenues - Present Tariff*	<u>(19,461)</u>
Increase in Annual Water Revenues per Settlement	<u>\$ 5,181</u>
Percentage Increase in Annual Water Revenues per Settlement	<u>26.62%</u>

*Calculation of Annual Water Revenues-Present Tariff:

Current Quarterly Billing Rate	\$ 115.84
Current # of Customers x	42
# of Billing Quarters x	4
Pro-forma Annual Water Revenues - Present Tariff	<u><u>\$ 19,461</u></u>

DW 12-254
FOREST EDGE WATER COMPANY
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure				Cost Rate	Weighted Average Cost
	Balance 12/31/11	Adjustments	Adjusted Balance	Percent		
Debt						
Long-Term Debt	\$ 35,608		\$ 35,608	100.00%	7.50%	7.50%
Short-Term Debt	-		-	0.00%	0.00%	0.00%
Total Debt	<u>35,608</u>	<u>-</u>	<u>35,608</u>	<u>100.00%</u>	<u>7.50%</u>	<u>7.50%</u>
Shareholder Equity						
Other Paid-in Capital	107,677		107,677	0.00%		
Retained Earnings	(109,400)		(109,400)	0.00%		
Total Shareholder Equity	<u>(1,723)</u>	<u>-</u>	<u>(1,723)</u>	<u>0.00%</u>	<u>9.75%</u>	<u>0.00%</u>
Total Capitalization	<u>\$ 33,885</u>	<u>\$ -</u>	<u>\$ 33,885</u>	<u>100.00%</u>		<u>7.50%</u>

	Balance	Interest Rate	Interest Expense	Annual Financing Cost	Total Financing Expense	Cost Rate
Calculation of Debt Cost Rate:						
Long-Term Debt	\$ 35,608	7.00%	\$ 2,493	\$ 177	\$ 2,670	7.50%

Annual Financing Cost:

Original Financing Cost	\$ 3,547
Amortization Period (Years)	20
Annual Financing Cost	<u>\$ 177</u>

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FOREST EDGE WATER COMPANY
EFFECTIVE TAX FACTOR

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>0.00%</u>
Federal Taxable Income	100.00%
Federal Income Tax Rate	<u>0.00%</u>
Effective Federal Income Tax Rate	0.00%
Add: NH Business Profits Tax	<u>0.00%</u>
Effective Tax Rate	<u><u>0.00%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>0.00%</u>
Percent Used as a Divisor in Determining	<u><u>100.00%</u></u>
Tax Multiplier	<u><u>0.00000</u></u>

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FOREST EDGE WATER COMPANY
RATE BASE

	Balance 12/31/10	Balance 03/31/11	Balance 06/30/11	Balance 09/30/11	Balance 12/31/11	Test Year Avg Per Settlement	Test Year Avg Per Co Filing	Pro-forma Adj's Per Co Filing	Adj Rate Base Per Co Filing	Pro-forma Adj's Per Settlement	Adj #	Adj Rate Base Per Settlement
Utility Plant in Service	\$ 63,015	\$ 63,015	\$ 63,015	\$ 63,015	\$ 63,015	\$ 63,015	\$ 63,015	\$ -	\$ 63,015			\$ 63,015
Less: Accumulated Depreciation	(30,242)	(30,924)	(31,607)	(32,289)	(32,971)	(31,607)	(30,788)	-	(30,788)	(819)	1	(31,607)
Net Utility Plant in Service	32,773	32,091	31,408	30,726	30,044	31,408	32,227	-	32,227	(819)		31,408
Cash Working Capital (a)	4,678	4,739	4,800	4,861	4,922	4,800	4,679	(307)	4,372	(567)	2, 3	3,805
Prepayments (b)	770	347	1,544	1,063	819	909	770	-	770	139	4	909
Miscellaneous Deferred Debits	-	-	-	-	-	-	-	-	-	-		-
Total Rate Base	<u>\$ 38,221</u>	<u>\$ 37,177</u>	<u>\$ 37,752</u>	<u>\$ 36,650</u>	<u>\$ 35,785</u>	<u>\$ 37,117</u>	<u>\$ 37,676</u>	<u>\$ (307)</u>	<u>\$ 37,369</u>	<u>\$ (1,247)</u>		<u>\$ 36,122</u>
(a) Cash Working Capital:												
Total O & M Expenses	\$ 22,768	\$ 23,064	\$ 23,360	\$ 23,656	\$ 23,952							
Cash Working Capital % (Quarterly)	20.55%	20.55%	20.55%	20.55%	20.55%							
Cash Working Capital*	<u>\$ 4,678</u>	<u>\$ 4,739</u>	<u>\$ 4,800</u>	<u>\$ 4,861</u>	<u>\$ 4,922</u>							
(b) Prepayments:												
Insurance	\$ 651	\$ 296	\$ 1,369	\$ 1,012	\$ 655							
Municipal Property Tax	119	-	124	-	113							
State Property Tax	-	51	51	51	51							
Total Prepayments	<u>\$ 770</u>	<u>\$ 347</u>	<u>\$ 1,544</u>	<u>\$ 1,063</u>	<u>\$ 819</u>							

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FOREST EDGE WATER COMPANY
PRO-FORMA ADJUSTMENTS TO RATE BASE PER SETTLEMENT

Adj #

Pro-forma Adjustments to Net Utility Plant in Service:

Accumulated Depreciation

1	To adjust Accumulated Depreciation to 5-quarter Avg per Settlement:			
	5-quarter Avg per Settlement	\$	(31,607)	
	Less: 5-quarter Average per Co Filing		30,788	\$ (819)

Proforma Adjustments to Working Capital:

Cash Working Capital

2	To adjust Cash Working Capital to 5-quarter Avg per Settlement:			
	5-quarter Avg per Settlement		4,800	
	Less: 5-quarter Average per Co Filing		(4,372)	\$ 428
3	To adjust Cash Working Capital component:			
	O & M Expense Adjusted Balance per Settlement (Schedule 3)		18,516	
	Cash Working Capital % (Quarterly Billing)		20.55%	
	Cash Working Capital per Settlement		3,805	
	Less: 5-quarter Average per Settlement		(4,800)	(995)

Net Adjustments - Cash Working Capital \$ (567)

Prepayments

4	To adjust Prepayments to 5-quarter Avg per Settlement:			
	5-quarter Avg per Settlement		909	
	Less: 5-quarter Average per Co Filing		(770)	\$ 139

Net Rate Base Adjustments per Settlement \$ (1,247)

**DW 12-254
FOREST EDGE WATER COMPANY
OPERATING INCOME STATEMENT**

	<u>Actual FYE 12/31/11</u>	<u>Pro-forma Adj's Per Co Filing</u>	<u>Adjusted Bal's Per Co Filing</u>	<u>Pro-forma Adj's Per Settlement</u>	<u>Adj #</u>	<u>Adjusted Bal's Per Settlement</u>	<u>Revenue (Surplus) Deficiency</u>	<u>Revenue Required Per Settlement</u>
Utility Operating Income:								
Unmetered Water Sales	\$ 23,836	\$ 3,681	\$ 27,517			\$ 27,517	\$ (2,875)	\$ 24,642
Operating Expenses:								
Pumping Expenses	8,898	(2,265)	6,633	(59)	5	6,574		6,574
Water Treatment Expenses	1,012		1,012			1,012		1,012
Transmission and Distribution Expenses	385		385			385		385
Administrative and General Expenses	12,473	768	13,241	(2,696)	6 , 7	10,545		10,545
Total Operation and Maintenance Expenses	22,768	(1,497)	21,271	(2,755)		18,516	-	18,516
Depreciation Expense	2,729		2,729			2,729		2,729
Taxes other than Income	688		688			688		688
Income Taxes	-		-	-		-	-	-
Total Operating Expenses	26,185	(1,497)	24,688	(2,755)		21,933	-	21,933
Net Operating Income (Loss)	\$ (2,349)	\$ 5,178	\$ 2,829	\$ 2,755		\$ 5,584	\$ (2,875)	\$ 2,708

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FOREST EDGE WATER COMPANY
PRO-FORMA ADJUSTMENTS TO REVENUES AND EXPENSES PER SETTLEMENT

Adj #

Pro-forma Adjustments to Operating Expenses:

Pumping Expenses

5	To reflect 5-year average of Maintenance of Structures and Improvements:		
	Maint of Structures & Improvements Expense: 2007	\$	-
	2008		1,722
	2009		-
	2010		-
	2011		3,020
			<hr/>
	5-Year Average:		948
	Less: Proposed Annual Expense per Co Filing	(1,007) \$	(59)
			<hr/>

Administrative and General Expenses

6	To adjust pro-forma for Outside Services - Legal Expense:		
	Annual Legal Expense per Settlement:		800
	Less: Annual Legal Expense per Co Filing	(1,654)	(854)
			<hr/>
7	To reverse Co pro-forma for Outside Services - Engineering Expense.		(1,842)
			<hr/>
	Total Adjustments - Administrative and General Expenses	\$	(2,696)
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	Net Increase (Decrease) in Operating Expenses per Settlement	\$	(2,755)
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FOREST EDGE WATER COMPANY
PRO-FORMA ADJUSTMENTS TO INCOME TAXES PER SETTLEMENT

INCOME TAXES

To reflect the income tax effect of pro-forma adjustments to revenue and expenses:

Operating Revenues:

Unmetered Sales	\$ -
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Operating Expenses:

Total Pro-forma Adjustments to O & M Expenses	(2,755)
Total Pro-forma Adjustments to Depreciation Expense	-
Total Pro-forma Adjustments to Taxes Other Than Income	<u>-</u>
Marginal Revenue (Expense) Subject to Income Taxes	2,755
Less: New Hampshire Business Profits Tax @ 0.00%	<u>-</u>
Amount Subject to Federal Income Tax	2,755
Less: Federal Income Tax @ 0.00%	<u>-</u>
Proforma Adjustments to Operating Revenue/Expenses net of Income Taxes	<u><u>\$ 2,755</u></u>

**DW 12-254
FOREST EDGE WATER COMPANY
REPORT OF PROPOSED RATE CHANGES PER SETTLEMENT**

<u>Service Class</u>	<u>Proposed Revenue Increase</u>	<u>Number of Customers</u>	<u>Present Revenue Requirement</u>	<u>Proposed Revenue Requirement</u>	<u>Proposed Change in Revenue</u>	<u>Proposed Percentage Change</u>
Residential	\$ 5,181	42	\$ 19,461	\$ 24,642	\$ 5,181	26.62%
Other	-	-	-	-	-	N/A
Total	<u>\$ 5,181</u>	<u>42</u>	<u>\$ 19,461</u>	<u>\$ 24,642</u>	<u>\$ 5,181</u>	<u>26.62%</u>
Quarterly Customer Rate:			<u>\$ 115.84</u>	<u>\$ 146.68</u>	<u>\$ 30.84</u>	<u>26.62%</u>

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ESTIMATED IMPACT OF PROPOSED FUTURE STEP ADJUSTMENT

Net Estimated Additions to Rate Base:

2012 System Mapping Costs	\$ 5,525	
Less: NHDES Grant	(1,500)	
Net 2012 System Mapping Costs	4,025	
Estimated Additional System Mapping Costs	3,500	
Total Estimated System Mapping Costs	7,525	
Less: 1/2-year Accumulated Amortization @ 10.00%	(376)	
Net Addition to Rate Base for System Mapping		\$ 7,149

Estimated Cost of Service Installation for Additional Customers	2,000	
Less: 1/2-year Accumulated Depreciation @ 2.50%	(25)	
Net Estimated Cost of Service Installations	1,975	
Add: Increase in Cash Working Capital for Additional Customers @ 20.55%	45	
Net Addition to Rate Base for Additional Customers		2,020

Net Estimated Additions to Rate Base 9,169

Rate of Return (Att A; Sch 1a) 7.50%

Increase to Operating Income Requirement before Tax Effect 688

Divided by Tax Factor (Att A; Sch 1b) 100.00%

Increase to Operating Income Requirement after Tax Effect \$ 688

Net Estimated Increase in Operating Expenses:

Estimated Increase in O&M Expenses for Additional Customers*	\$ 220	
Annual Amortization Expense of System Mapping @ 10.00%	753	
Annual Depreciation Expense of Service Installation @ 2.50%	49	
Total Estimated Increase in Operating Expenses	1,022	
Less: Annual Revenue from Additional Customer @ \$ 146.68 per Quarter	(587)	
Net Estimated Increase in Operating Expenses		436

Estimated Increase in Annual Revenue Requirement from Step Adjustment \$ 1,123

Proposed Annual Water Revenues from Permanent Rates Per Settlement (Att A; Sch 1)	\$ 24,642	
Add: Annual Revenue from Additional Customers @ \$ 146.68 per Quarter	587	
Total Revenue from Permanent Rates (43 Customers)		25,229

Estimated Annual Revenue Requirement after Step Adjustment \$ 26,352

Estimated % Increase in Annual Water Revenues from Step Adjustment 4.45%

Proposed Quarterly Customer Rate (Permanent Rates) - Per Settlement (Att A; Sch 4) \$ 146.68

Estimated Quarterly Customer Rate after Step Adjustment \$ 153.21

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ESTIMATED IMPACT OF PROPOSED FUTURE STEP ADJUSTMENT

* Estimated Increase in O&M Expenses for Additional Customers:

Total Pro-forma Test Year Operation & Maintenance Expenses (Att A; Sch 3)	\$ 18,516
Less: Estimated Fixed O&M Expenses @ 50.00%	<u>(9,258)</u>
Estimated Pro-forma Test Year Variable O&M Expenses	\$ 9,258
Number of Customers during the Pro-forma Test Year	÷ <u>42</u>
Estimated Pro-forma Variable O&M Cost per Customer	\$ 220
Estimated Increase in Number of Customers	x <u>1</u>
Estimated Increase in O&M Expenses for Additional Customers	<u><u>\$ 220</u></u>