

Lakeland Management Company**Schedule 1****Computation of Revenue Deficiency - Sewer****For the Test Year Ended December 31, 2009**

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 2)	\$68,594	\$82,703
Rate of Return (Schedule 3)	<u>9.36%</u>	<u>8.65%</u>
Operating Income Required	\$6,421	\$7,151
Net Operating Income (Schedule 4)	<u>9,854</u>	<u>7,151</u>
Operating Income Deficiency (Surplus)	(\$3,433)	\$0
Tax Effect		<u>0</u>
Revenue Deficiency (Surplus)	<u>(\$3,433)</u>	<u>\$0</u>

Lakeland Management Company

Schedule 2

Rate Base - Sewer

Line No.	Account Title (a)	December 2009 Balance (b)	December 2008 Balance (c)	Average Year End Balance (d)	Proforma Adjustments (e)	Proforma Year End Balance (f)
1	Plant in Service	\$100,000	\$100,000	\$100,000	\$12,771	\$112,771
2	Less: Accumulated Depreciation	<u>45,000</u>	<u>43,000</u>	<u>44,000</u>	<u>494</u>	<u>44,494</u>
3	Net Utility Plant	55,000	57,000	56,000	12,277	68,277
4	Cash Working Capital (1)	11,090	11,636	11,090	1,832	12,922
5	Material and Supplies	0	0	0	0	0
6	Prepayments	1,490	1,519	1,505		1,505
7	Accumulated Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>
8	Total Rate Base	<u>\$67,580</u>	<u>\$70,155</u>	<u>\$68,594</u>	<u>\$14,109</u>	<u>\$82,703</u>
	(1) Cash Working Capital Average Year End Balance is the same as December 2009 Balance.					

Lakeland Management Company
Rate Base – Sewer Proforma Adjustments

Schedule 2A
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Plant in Service

Proforma Year End Balance	\$101,600
Average Year End Balance	<u>100,000</u>
Proforma Adjustment	<u>\$1,600</u>
To adjust test year plant in service for 2009 purchase of 2 SS grinders for sewer pumps	
Proforma Year End Balance	\$112,771
Average Year End Balance	<u>101,600</u>
Proforma Adjustment	<u>\$11,171</u>
To adjust test year plant in service for 2010 purchase of rebuilt motor, wiring and grinder pump	
Total Proforma Adjustments to Plant in Service	<u>\$12,771</u>

Accumulated Depreciation

Proforma Year End Balance	\$44,080
Average Year End Balance	<u>44,000</u>
Proforma Adjustment	<u>\$80</u>
To adjust test year accumulated depreciation for 2009 purchase of 2 SS grinders for sewer pumps	
Proforma Year End Balance	\$44,494
Average Year End Balance	<u>44,080</u>
Proforma Adjustment	<u>\$414</u>
To adjust test year plant in service for 2010 purchase of rebuilt motor, wiring and grinder pump	
Total Proforma Adjustments to Accumulated Depreciation	<u>\$494</u>

Cash Working Capital

Proforma Year End Balance	\$12,922
Average Year End Balance	<u>11,090</u>
Proforma Adjustment	<u>\$1,832</u>
To adjust test year cash working capital balance	
Total Proforma Adjustments to Cash Working Capital	<u>\$1,832</u>
For additional support, please see schedule 2B	

Lakeland Management Company

Schedule 2B

Plant / Accumulated Depreciation / Depreciation Expense

		2009			
PUC Acct. No.	Description	<u>Cost</u>	Depr. Rate	Annual <u>Cost</u>	Accum <u>Depr.</u>
371.3	Pumping Equipment - 2 SS grinders for pumps	<u>\$1,600</u>	10.00%	<u>\$160</u>	<u>\$80</u>
	Total 2009 Additions	<u>\$1,600</u>		<u>\$160</u>	<u>\$80</u>
2010					
354.3	Pumping Plant - Wiring	\$3,855	2.50%	\$96	\$48
371.3	Pumping Equipment - Rebuilt motor for P2	2,777	10.00%	278	139
371.3	Pumping Equipment - Myers grinder pump for P2	<u>4,539</u>	10.00%	<u>454</u>	<u>227</u>
	Total 2010 Additions	<u>\$11,171</u>		<u>\$828</u>	<u>\$414</u>
	Total 2009 and 2010 Additions	<u>\$12,771</u>		<u>\$988</u>	<u>\$494</u>

Lakeland Management Company

Schedule 2C

Working Capital - Sewer

	2009 Proforma <u>Amount</u>	2009 Actual <u>Amount</u>	2008 Actual <u>Amount</u>
Operating and Maintenance Expenses	\$62,879	\$53,964	\$56,621
75/365	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Working Capital	<u>\$12,922</u>	<u>\$11,090</u>	<u>\$11,636</u>

Rate of Return Information

Proforma Overall Rate of Return		Component Ratio		Component Cost Rate		Weighted Average Cost Rate
Equity Capital		73.27%		9.75%		7.14%
Long Term Debt		26.73%		5.62%		1.50%
Total Capital		100.00%				8.65%

Actual Overall Rate of Return		Component Ratio		Component Cost Rate		Weighted Average Cost Rate
Equity Capital		85.87%		9.75%		8.37%
Long Term Debt		14.13%		7.00%		0.99%
Total Capital		100.00%				9.36%

Capital Structure for Ratemaking Purposes	2009 Prof Amounts		2009 Prof Ratios		2009 Actual Amounts		2009 Actual Ratios
Common Stock							
Other Paid in Capital	212,987		54.40%		212,987		63.76%
Retained Earnings	73,892		18.87%		73,892		22.12%
Total Equity	\$286,879		73.27%		\$286,879		85.87%
Long Term Debt	\$104,671		26.73%		\$47,192		14.13%
Total Capital	\$391,550		100.00%		\$334,071		100.00%

Capital Structure for 2009 - 2007	2009 Proforma		2009 Amounts		2008 Amounts		2007 Amounts
Common Stock	\$-		\$-		\$-		\$-
Other Paid in Capital	212,987		212,987		212,987		254,401
Retained Earnings	73,892		73,892		82,250		71,391
Total Equity	\$286,879		\$286,879		\$295,237		\$325,792
Long Term Debt	\$104,671		\$47,192		\$41,036		\$-

Total Capital	\$391,550	\$334,071	\$336,273	\$325,792
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Capital Structure Ratios for 2009 - 2007	2009 Prof Ratios	2009 Actual Ratios	2008 Ratios	2007 Ratios
Common Stock	0.00%	0.00%	0.00%	0.00%
Other Paid in Capital	54.40%	63.76%	63.34%	78.09%
Retained Earnings	18.87%	22.12%	24.46%	21.91%
Total Equity	73.27%	85.87%	87.80%	100.00%
Long Term Debt	26.73%	14.13%	12.20%	0.00%
Total Capital	100.00%	100.00%	100.00%	100.00%

Long Term Debt	2009 Prof Amount	2009 Actual Amount	2008 Actual Amount	2007 Actual Amount
2009 Owner Loan	\$47,192	\$47,192	\$41,036	
2010 ARRA/SRF Loan	40,752			
2010 Qwner Loan	16,727			
Total Long Term Debt	\$104,671	\$47,192	\$41,036	\$0

Proforma Cost of Debt	2009 Prof Amount	Interest Rate	Interest Expense	Amortization Of Fin Costs	Total Interest	Cost Rate
2009 Owner Loan	\$47,192	7.00%	\$3,303	\$0	\$3,303	7.00%
2010 ARRA/SRF Loan	40,752	2.34%	954	457	1,410	3.46%
2010 Owner Loan	16,727	7.00%	1,171		1,171	7.00%
Total Cost of Debt	\$104,671		\$5,428	\$457	\$5,885	5.62%

Actual Cost of Debt	2009 Act Amount	Interest Rate	Interest Expense	Amortization Of Fin Costs	Total Interest	Cost Rate
2009 Owner Loan	\$47,192	7.00%	\$3,303	\$0	\$3,303	7.00%
Total Cost of Debt	\$47,192		\$3,303	\$0	\$3,303	7.00%

Cost of Common Equity Capital
The Company is utilizing the Commission determined cost of common equity of 9.75%.

Statement of Income - Sewer

Line No.	Account Title (Number) (a)	Actual 2009 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2009 Year End Balance (d)	Actual 2008 Year End Balance (e)	Actual 2007 Year End Balance (f)
	UTILITY OPERATING INCOME					
1	Operating Revenues(400)	\$69,388	\$8,261	\$77,649	\$62,571	\$61,734
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	53,964	8,915	62,879	56,621	54,670
4	Depreciation Expense (403)	2,000	988	2,988	2,000	2,000
5	Amortization of Contribution in Aid of Construction (405)					
6	Amortization of Utility Plant Acquisition Adjustment (406)					
7	Amortization Expense-Other (407)					
8	Taxes Other Than Income (408.1-408.13)	3,940	(508)	3,432	2,874	2,361
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	(370)	\$1,569	1,199	2,270	2,353
10	Total Operating Expenses	\$59,534	\$10,964	\$70,498	\$63,765	\$61,384
11	Net Operating Income (Loss)	9,854	(2,703)	7,151	(1,194)	350
12	Other Income and Deductions					
13	Interest and Dividend Income (419)					195
14	Allow. for funds Used During Construction (420)					
15	Nonutility Income (421)					
16	Gains (Losses) From Disposition of Nonutility Property (421)					
17	Miscellaneous Nonutility Expenses (426)				(584)	
18	Interest Expense (427)					
19	Taxes Applicable to Other Than Income (409.2, 410.2, etc.)					
20	Total Other Income and Deductions	\$-		\$-	\$(584)	\$195
21	NET INCOME (LOSS)	\$9,854	\$(2,703)	\$7,151	\$(1,778)	\$545

Lakeland Management Company
Statement of Income - Sewer Proforma Adjustments

Operating Revenues

Proforma 2009 Year End Balance	\$77,649
Actual 2009 Year End Balance	<u>69,388</u>
Proforma Adjustment	<u>\$8,261</u>

To adjust test year revenues for the additional revenue needed in order for the Company to earn its rate of return and to recover its expenses.

Total Proforma Adjustment to Operating Revenues	<u>\$8,261</u>
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Contracted Services

Proforma 2009 Year End Balance	\$9,753
Actual 2009 Year End Balance	<u>11,353</u>
Proforma Adjustment	<u>(\$1,600)</u>

To adjust test year contracted services for capitalizing the purchase of 2 SS grinders for pumps

Proforma 2009 Year End Balance	\$20,268
Actual 2009 Year End Balance	<u>9,753</u>
Proforma Adjustment	<u>\$10,515</u>

To adjust test year contracted services for the annualization of YTD August 2010 contracted services

Total Proforma Adjustment to Operation and Maintenance Expense	<u>\$8,915</u>
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Depreciation Expenses

Proforma 2009 Year End Balance	\$2,988
Actual 2009 Year End Balance	<u>2,000</u>
Proforma Adjustment	<u>\$988</u>

To adjust test year depreciation expenses for full year depreciation on 2009 and 2010 additions

Taxes other than Income**State of New Hampshire**

Proforma 2009 Year End Balance	\$873
Actual 2009 Year End Balance	<u>1,675</u>
Proforma Adjustment	<u>(\$802)</u>
To adjust test year expenses for the two years of State Utility Property Taxes	
Proforma 2009 Year End Balance adjusted for state utility property taxes on 2009 project	\$883
Proforma 2009 Year End Balance	<u>873</u>
Proforma Adjustment (\$1,600 - \$80 / 1,000 x \$6.60)	<u>\$10</u>
To adjust test year expenses for additional State Utility Property Taxes on 2009 grinders	
Proforma 2009 Year End Balance adjusted for state utility property taxes on 2010 projects	\$954
Proforma 2009 Year End Balance	<u>883</u>
Proforma Adjustment (\$11,171 - \$414 / 1,000 x \$6.60)	<u>\$71</u>
To adjust test year expenses for additional State Utility Property Taxes on 2009 grinders	

Town of Belmont

Actual 2009 Year End Balance adjusted for Town of Belmont Prop. Taxes on 2009 project	\$2,291
Actual 2009 Year End Balance	<u>2,265</u>
Proforma Adjustment (\$1,600 - \$80 / 1,000 x \$17.34)	<u>\$26</u>
To adjust test year expenses for additional State Utility Property Taxes on 2009 grinders	
Actual 2009 Year End Balance adjusted for Town of Belmont Prop. Tax on 2010 projects	\$2,478
Actual 2009 Year End Balance adjusted for Town of Belmont Prop. Tax on 2009 project	<u>2,291</u>
Proforma Adjustment (\$11,171 - \$414 / 1,000 x \$17.34)	<u>\$187</u>
To adjust test year expenses for additional State Utility Property Taxes on 2010 tanks and VFDs	

Total Proforma Adjustments to Taxes other than Income **(\$508)**

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Income Taxes

Federal Income Taxes

Proforma 2009 Year End Balance	\$1,043
Actual 2009 Year End Balance	<u>(22)</u>
Proforma Adjustment	<u>\$1,065</u>

To adjust test year expenses for the increase in federal income taxes due to the increase in revenue. For additional support, please see schedule 5.

State Business Taxes

Proforma 2009 Year End Balance	\$646
Actual 2009 Year End Balance	<u>141</u>
Proforma Adjustment	<u>\$505</u>

To adjust test year expenses for the increase in state business taxes due to the increase in revenue. For additional support, please see schedule 5.

Total Proforma Adjustments to Income Taxes **\$1,569**

Lakeland Management Company**Schedule 5****Income Tax Computation**

	<u>Actual</u>	<u>Proforma</u>
Total Rate Base	\$68,594	\$82,703
Equity Component of Cost of Capital	<u>8.37%</u>	<u>7.14%</u>
Operating Net Income Required	\$5,743	\$5,908
Tax Effect (.2858)	<u>1,641</u>	<u>1,688</u>
Income Required before Income Taxes	\$7,384	\$7,596
Less: NH Business Profits Tax @ 8.5%	<u>628</u>	<u>646</u>
Income subject to Federal Taxes	\$6,757	\$6,951
Less: Federal Income Tax @ 15%	<u>1,013</u>	<u>1,043</u>
Income after Income Taxes	<u>\$5,743</u>	<u>\$5,908</u>

Effective Tax Factor

Taxable Income	100.00%
Less: NH Business Profits Tax	8.50%
Federal Taxable Income	91.50%
Federal Income Tax Rate	15.00%
Effective Federal Income Tax Rate	13.73%
Add: NH Business Profit Tax	8.50%
Effective Tax Rate	22.23%
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	22.23%
Percent Used as a Divisor in Determining the Revenue Requirement	77.78%
Tax Multiplier	28.58%