

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

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 2)	\$206,973	\$329,546
Rate of Return (Schedule 3)	<u>9.36%</u>	<u>8.65%</u>
Operating Income Required	\$19,376	\$28,494
Net Operating Income (Schedule 4)	<u>(18,213)</u>	<u>28,494</u>
Operating Income Surplus (Deficiency)	(\$37,589)	\$0
Tax Effect		<u>0</u>
Revenue Surplus (Deficiency)	<u>(\$37,589)</u>	<u>\$0</u>

Lakeland Management Company

Schedule 2

Rate Base - Water

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	\$427,957	\$284,659	\$356,308	\$169,879	\$526,187
2	Less: Accumulated Depreciation	<u>161,649</u>	<u>151,416</u>	<u>156,533</u>	<u>6,618</u>	<u>163,150</u>
3	Net Utility Plant	266,308	133,243	199,776	163,261	363,037
4	Cash Working Capital (1)	17,529	10,199	17,529	(583)	16,946
5	Material and Supplies	615	879	747		747
6	Prepayments	1,490	1,519	1,505		1,505
7	Contribution in Aid of Construction - Net	0	0	0	(40,105)	(40,105)
8	Accumulated Deferred Income Taxes	<u>(12,094)</u>	<u>(13,072)</u>	<u>(12,583)</u>		<u>(12,583)</u>
9	Total Rate Base	<u>\$273,848</u>	<u>\$132,768</u>	<u>\$206,973</u>	<u>\$122,573</u>	<u>\$329,546</u>
	(1) Cash Working Capital Average Year End Balance is the same as the December 2009 Balance.					

Lakeland Management Company
Rate Base - Water Proforma Adjustments

Schedule 2A

Page 1 of 2

Plant in Service

December 2009 Balance	\$427,957
Average Year End Balance	<u>356,308</u>
Proforma Adjustment	<u>\$71,649</u>
To adjust test year average plant in service to fully reflect 2009 well	
Proforma Year End Balance	\$526,187
December 2009 Balance	<u>427,957</u>
Proforma Adjustment	<u>\$98,230</u>
To adjust test year year end balance of plant in service for tanks and VFDs For additional support, please see schedule 2B	
Total Proforma Adjustments to Plant in Service	<u>\$169,879</u>

Accumulated Depreciation

December 2009 Balance	\$161,649
Average Year End Balance	<u>156,533</u>
Proforma Adjustment	<u>\$5,117</u>
To adjust test year average accumulated depreciation to fully reflect 2009 well	
Proforma Year End Balance	\$163,150
December 2009 Balance	<u>161,649</u>
Proforma Adjustment	<u>\$1,501</u>
To adjust test year year end balance of plant in service for tanks and VFDs For additional support, please see schedule 2B	
Total Proforma Adjustments to Accumulated Depreciation	<u>\$6,618</u>

Contribution in Aid of Construction

Proforma Year End Balance	(\$40,752)
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Average Year End Balance	<u>0</u>
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Proforma Adjustment	<u>(\$40,752)</u>
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To adjust test year year end balance of plant in service for tanks and VFDs
For additional support, please see schedule 2C

Total Proforma Adjustments to Contribution in Aid of Construction	<u>(\$40,752)</u>
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Accumulated Amortization of CIAC

Proforma Year End Balance	\$646
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Average Year End Balance	<u>0</u>
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Proforma Adjustment	<u>\$646</u>
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To adjust test year year end balance of plant in service for tanks and VFDs
For additional support, please see schedule 2C

Total Proforma Adjustments to Accumulated Amortization of CIAC	<u>\$646</u>
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Contribution in Aid of Construction - Net	<u>(\$40,105)</u>
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Cash Working Capital

Year End Proforma Balance	\$16,946
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Average Year End Balance	<u>17,529</u>
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Proforma Adjustment	<u>(\$583)</u>
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To adjust test year cash working capital balance

Total Proforma Adjustments to Cash Working Capital	<u>(\$583)</u>
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For additional support, please see schedule 2D

Lakeland Management Company

Schedule 2B

Plant / Accumulated Depreciation / Depreciation Expense

PUC Acct. No.	Description	<u>Cost</u>	Depr. Rate	Annual <u>Cost</u>	Accum <u>Depr.</u>
304	Structure - 30,000 gallon atmospheric tank	\$90,943	2.50%	\$2,274	\$1,137
311	Pumping Equipment - Variable Frequency Drives	<u>7,287</u>	10.00%	<u>729</u>	<u>364</u>
	TOTAL	<u>\$98,230</u>		<u>\$3,002</u>	<u>\$1,501</u>

Lakeland Management Company

Schedule 2C

CIAC / Accumulated Amortization of CIAC / Amortization of CIAC

PUC Acct. No.	Description	<u>Cost</u>	Depr. Rate	Annual <u>Cost</u>	Accum <u>Amort</u>
304	Structures - 30,000 gallon atmospheric tank	\$37,108	2.50%	\$928	\$464
311	Pumping Equipment - Variable Frequency Drives	<u>3,644</u>	10.00%	<u>364</u>	<u>182</u>
	TOTAL	<u>\$40,752</u>		<u>\$1,292</u>	<u>\$646</u>

Lakeland Management Company

Schedule 2D

Working Capital - Water

	2009 Proforma <u>Amount</u>	2009 Actual <u>Amount</u>	2008 Actual <u>Amount</u>
Operating and Maintenance Expenses	\$82,464	\$85,299	\$49,628
75/365	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Working Capital	<u>\$16,946</u>	<u>\$17,529</u>	<u>\$10,199</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

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 Owner 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 - Water

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)	\$81,259	\$59,452	\$140,711	\$76,096	\$75,451
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	85,299	(2,835)	82,464	49,628	47,779
4	Depreciation Expense (403)	10,604	\$5,374	15,978	8,227	8,285
5	Amortization of Contribution in Aid of Construction (405)		(\$1,292)	(1,292)		
6	Amortization of Utility Plant Acquisition Adjustment (406)					
7	Amortization Expense-Other (407)					
8	Taxes Other Than Income (408.1-408.13)	3,940	4,890	8,830	2,874	2,361
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	(371)	\$6,608	6,237	2,270	2,354
10	Total Operating Expenses	\$99,472	\$12,745	\$112,217	\$62,999	\$60,779
11	Net Operating Income (Loss)	(18,213)	46,707	28,494	13,097	14,672
12	Other Income and Deductions					
13	Interest and Dividend Income (419)				124	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	\$-		\$-		
21	NET INCOME (LOSS)	\$ (18,213)	\$46,707	\$28,494	\$12,637	\$14,867

Lakeland Management Company
Statement of Income - Water Proforma Adjustments

Schedule 4A

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Operating Revenues

Proforma 2009 Year End Balance	\$140,711
Actual 2009 Year End Balance	<u>81,259</u>
Proforma Adjustment	<u>\$59,452</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	\$59,452
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Operation and Maintenance Expenses

Customer Accounts Expenses - Uncollectible Accounts

Proforma 2009 Year End Balance	\$0
Actual 2009 Year End Balance	<u>2,835</u>
Proforma Adjustment	<u>(\$2,835)</u>

To adjust test year expenses for the write off of the Fair Point balance subject to bankruptcy

Total Proforma Adjustment to Operation and Maintenance Expenses	(\$2,835)
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Depreciation Expenses

Actual 2009 Year End Balance adjusted for additional half year depreciation	\$12,976
Actual 2009 Year End Balance	<u>10,604</u>
Proforma Adjustment	<u>\$2,372</u>

To adjust test year depreciation expenses for an additional half year depreciation on 2009 well

Proforma 2009 Year End Balance	\$15,978
Actual 2009 Year End Balance adjusted for additional half year depreciation	<u>12,976</u>
Proforma Adjustment	<u>\$3,002</u>

To adjust test year depreciation expenses for additional full year depreciation on 2010 tanks and VFDs

Total Proforma Adjustment to Depreciation Expenses	\$5,374
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Amortization of Contribution in Aid of Construction

Proforma 2009 Year End Balance	(\$1,292)
Actual 2009 Year End Balance	<u>0</u>
Proforma Adjustment	<u>(\$1,292)</u>

To adjust test year amortization of CIAC for full year amortization of 2010 contributed tanks and VFDs

Taxes other than Income

State of New Hampshire

Actual 2009 Year End Balance adjusted for state utility property taxes	\$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

Actual 2009 Year End Balance adjusted for state utility property taxes on 2009 well	\$1,804
Actual 2009 Year End Balance adjusted for state utility property taxes	<u>873</u>
Proforma Adjustment ($\$143,405 - \$2,366 / 1,000 \times \$6.60$)	<u>\$931</u>

To adjust test year expenses for additional State Utility Property Taxes on 2009 well

Actual 2009 Year End Balance adjusted for state utility property taxes on 2010 projects	\$2,442
Actual 2009 Year End Balance adjusted for state utility property taxes on 2009 well	<u>1,804</u>
Proforma Adjustment ($\$98,234 - \$1,501 / 1,000 \times \$6.60$)	<u>\$638</u>

To adjust test year expenses for additional State Utility Property Taxes on 2010 tanks and VFDs

Town of Belmont

Actual 2009 Year End Balance adjusted for Town of Belmont Prop. Taxes on 2009 well	\$4,711
Actual 2009 Year End Balance	<u>2,265</u>

Proforma Adjustment ($\$143,405 - \$2,366 / 1,000 \times \$17.34$) \$2,446

To adjust test year expenses for additional State Utility Property Taxes on 2009 well

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Actual 2009 Year End Balance adjusted for Town of Belmont Prop. Tax on 2010 projects \$6,388

Actual 2009 Year End Balance adjusted for Town of Belmont Prop. Taxes on 2009 well 4,711

Proforma Adjustment ($\$98,234 - \$1,501 / 1,000 \times \$17.34$) \$1,677

To adjust test year expenses for additional State Utility Property Taxes on 2010 tanks and VFDs

Total Proforma Adjustments to Taxes other than Income \$4,890

Income Taxes

Federal Income Taxes

Proforma 2009 Year End Balance \$4,154

Actual 2009 Year End Balance (22)

Proforma Adjustment \$4,176

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 \$2,573

Actual 2009 Year End Balance 141

Proforma Adjustment \$2,432

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 Taxes other than Income \$6,608

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

	<u>Actual</u>	<u>Proforma</u>
Total Rate Base	\$206,973	\$329,546
Equity Component of Cost of Capital	<u>7.14%</u>	<u>7.14%</u>
Operating Net Income Required	\$14,785	\$23,541
Tax Effect (.2858)	<u>4,225</u>	<u>6,727</u>
Income Required before Income Taxes	\$19,010	\$30,269
Less: NH Business Profits Tax @ 8.5%	<u>1,616</u>	<u>2,573</u>
Income subject to Federal Taxes	\$17,394	\$27,696
Less: Federal Income Tax @ 15%	<u>2,609</u>	<u>4,154</u>
Income after Income Taxes	<u>\$14,785</u>	<u>\$23,541</u>

Lakeland Management Company

Schedule 5A

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%

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