

STATE OF NEW HAMPSHIRE

COMMISSIONERS
Amy L. Ignatius

EXECUTIVE DIRECTOR
Debra A. Howland



TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX No. 271-3878

Website:
www.puc.nh.gov

PUBLIC UTILITIES COMMISSION
21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

February 8, 2012



Ms. Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: DW 10-306: Lakeland Management Company, Inc. (Lakeland or Company)
Staff Report on Step Increase Audit

Dear Ms. Howland:

The purpose of this correspondence is to report on Staff's Audit of certain plant additions placed in service by Lakeland during 2010. These plant additions are the basis for step adjustments described in the Settlement Agreement that was presented in this docket at hearing on December 20, 2011. Staff will also provide a recommendation to the Commission based upon the findings from this audit.

The Commission's Audit Staff completed its review of the 2010 plant additions for both Lakeland's water and sewer divisions and issued a Final Audit Report on February 3, 2011. A copy of that Final Audit Report is attached to this correspondence. As a result of the Audit Staff's investigation, two issues have come to light for which Staff is recommending an adjustment in the proposed step adjustment for the Company's water division presented in the Settlement Agreement. However, the Audit Staff's investigation uncovered no errors or exceptions relative to the sewer division's plant additions, thus Staff is not proposing any adjustments to the proposed step adjustment or overall revenue requirement for the sewer division from that contained in the Settlement Agreement.

Regarding the two issues highlighted by the Audit Staff relative to the water division plant additions; the first pertains to an account misclassification for two concrete water storage tanks costing \$90,943. On Attachment A, Schedule 4a (Page 22) of the Settlement Agreement, these assets were classified in Account # 304, Structures and Improvements. Instead, these assets should have been classified in Account # 330, Distribution Reservoirs and Standpipes.

PUBLIC UTILITIES COMMISSION

This change in account classification results in a change in the depreciation rates for the two tanks. According to the NHPUC's Small Water Company Information Booklet issued in 1991, assets classified in Account # 304, Structures and Improvements, have a typical service life and depreciation rate of 40 years and 2.5%. However, assets classified in Account # 330, Distribution Reservoirs and Standpipes, have a typical service life and depreciation rate of 45 years and 2.2%. Staff has reflected this rate change for both depreciation expense and amortization of CIAC in amended schedules which are attached to this correspondence.

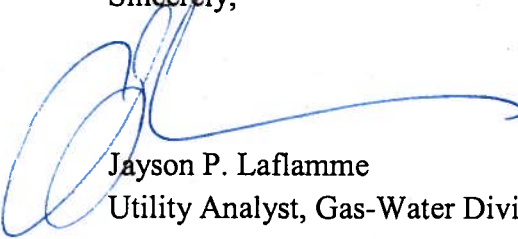
The second issue reported on by the Audit Staff pertains to additional CIAC of \$2,300 which should be recognized relative to variable frequency drives (VFD's) which were installed by Lakeland. The additional CIAC represents a rebate received by Lakeland from PSNH relative to its VFD installations which the Company had mistakenly failed to reflect in its plant records. Staff has increased the amount of CIAC associated with Account # 311, Pumping Equipment, from \$3,644 reflected on Attachment A, Schedule 4a (Page 22) of the Settlement Agreement to \$5,944 as contained in the amended schedules attached to this correspondence.

As a result of these two adjustments, Staff is proposing that the step adjustment for the water division should be reduced from \$6,176 as contained in the Settlement Agreement to \$5,692 as reflected on Attachment A, Schedule 4 of the attached amended schedules; a decrease of \$484. Likewise, the overall revenue requirement for the water division should be reduced from \$133,391 proposed in the Settlement Agreement to \$132,908 as shown on Attachment A, Schedule 5 of the attached amended schedules. The impact on proposed customer water rates as determined on Attachment A, Schedule 5a is as follows:

<u>Customer Class</u>	<u>Adjusted</u>	<u>Settlement Agreement</u>
Commercial Class A (MCA):		
Quarterly Base Charge	\$1,308.00	\$1,313.00
Consumption Charge (per CCF)	\$15.0495	\$15.1015
Commercial Class B (MCB):		
Quarterly Base Charge	\$437.00	\$438.00
Consumption Charge (per CCF)	\$6.7967	\$6.8282
Residential Multi-Family (MRM):		
Quarterly Base Charge	\$3,104.00	\$3,136.00
Consumption Charge (per CCF)	\$5.3388	\$5.2867
Residential Single-Family (MRS):		
Quarterly Base Charge	\$97.00	\$98.00
Consumption Charge (per CCF)	\$5.3388	\$5.286

Staff has communicated its proposed adjustments to Lakeland and the Company has indicated that it concurs with Staff's recommendations. Therefore, Staff recommends that the Commission approve the revised revenue requirement and adjusted customer rates indicated above for Lakeland's water division. Staff also recommends that the Commission approve the revenue requirement and customer rates for Lakeland's sewer division as contained in the Settlement Agreement. If you have any questions concerning this matter, please do not hesitate to contact me.

Sincerely,



Jayson P. Laflamme
Utility Analyst, Gas-Water Division

Attachments: Final Audit Report dated 2/3/12
Amended Revenue Requirement Schedules

cc: Service List

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: February 3, 2012
AT (OFFICE): NHPUC

FROM: James Schuler, Examiner

SUBJECT: Lakeland Management Company, Inc.
DW 10-306
2010 Water & Sewer Division Step Increase Final Audit Report

TO: Mark Naylor, Director of Water and Gas Division
Jayson Laflamme, Utility Analyst

Introduction

In accordance with a Settlement Agreement on Permanent Rates in docket DW 10-306 the Commission authorized a single step adjustment to reflect plant additions placed in service in 2010 for the Lakeland Management Company, (the Company). The Audit Staff was tasked to review these additions which are composed of two concrete water storage tanks and variable frequency drives for two existing booster pumps. The following is a result of that review.

Water Plant Additions, \$98,230

Structures & Improvements, \$90,943

The Company received \$81,503 in ARRA/State Revolving Loan funds from the NH Department of Environmental Services for the construction of two concrete water storage tanks. The Company provided three Construction Loan Disbursement Affidavits dated February, June and September, 2010 respectively. The February disbursement was in the amount of \$22,829.63, the June disbursement was in the amount of \$51,139.04 and the September disbursement was for \$7,534.67. Audit reviewed all the supporting invoices which consisted of administration, pre-construction, construction, and equipment costs. Administration includes legal costs for preparing to borrow, attend closing for loans and time on various correspondence concerning loans. Administration also includes pay and overhead for the Company's officer. The disbursement affidavits were complete, signed and dated by the Company's owner.

In September 2010, the Company issued a promissory note to C&C Water Services in the amount of \$16,727 plus simple interest on the declining balance at the rate of 7%. The note is to be paid in 20 equal installments of \$994.16 starting 60 days after the end of the calendar quarter in which falls the effective date of the general increase in the water rates and continuing the same day each month. The Company provided a C&C Water Services listing of costs for the tank project by date, the number of hours worked, name of crew member and a description of the

work performed totaling \$13,680 (228 hours x \$60/hour). Also provided was a vendor listing for the tank project totaling \$3,047 which included 6% overhead added.

NHDES Disbursements #1	\$22,829.63
NHDES Disbursements #2	51,139.04
NHDES Disbursements #3	7,534.67
Promissory Note	<u>16,727.00</u>
Total 2010 Water Division Additions	\$98,230.34

Audit notes that the step increase filing shows the above plant incorrectly listed as account #304, Structures & Improvements. The Company's year 2010 Annual Report shows additions of \$72,924 pertaining to the above posted correctly to **account #330, Distribution Reservoirs and Standpipes.**

Associated Depreciation

Attachment A, Schedule 4a of the Company's step adjustment filing shows the depreciation rate for the water storage tanks to be 2.50%.

Audit noted that the Company's 2010 Annual Report, Schedule F-12 shows additions of \$72,924 for this project with the half-year convention rate of 1.11%. Per Audit's questioning about the inconsistency of the rates the Company stated that in 2011 they will adjust the depreciation rate to 2.50% on Schedule F-12 which will correspond to what was agreed upon by the parties in the settlement agreement.

Pumping Equipment, \$7,287

Attachment A, Schedule 4a of the filing shows the amount of \$7,287 booked to the Water Division account #311 – Pumping Equipment. The pumping equipment is supported by 2 invoices as follows:

Brown Electric	\$4,200
Kamen	<u>3,087</u>
Total	\$7,287

Both invoices are part of the February disbursement.

Contributions In Aid of Construction (CIAC), \$40,752

Structures & Improvements, \$37,108

Attachment A, Schedule 4a of the filing shows contributions of \$37,108 representing 50% of the SRF loan grant from the State of New Hampshire that was booked to CIAC.

Pumping Equipment, \$3,664

Attachment A, Schedule 4a of the filing shows contributions of \$3,664 representing 50% of the SRF loan grant from the State of New Hampshire that was booked to CIAC.

Audit Correction to filing for additional CIAC of \$2,300

The Company's 2010 Annual Report, Schedule F-46.3 – Additions to CIAC lists an additional amount of \$2,300 not included in the filing. This amount represents a rebate from Public Service of New Hampshire for the Company's participation in the PSNH 2009 VFD Rebate Program for energy savings by installing Variable Frequency Drives. The Company responded that it was an oversight and that it should be added to the 2010 CIAC additions, account 311- Pumping Equipment. This results in a contributed amount for account #311- Pumping Equipment of \$5,944. Thus the total CIAC shown on Attachment A, Schedule 4a should be \$43,052 as shown on the 2010 Annual Report.

NHDES Disbursements #1	\$22,829.63
NHDES Disbursements #2	51,139.04
NHDES Disbursements #3	<u>7,534.67</u>
Filing Amount – NHDES Loans	\$81,503.34
Loan Forgiveness @ 50%	<u>x.50</u>
Filing Amount – CIAC	\$40,752
Additional CIAC	<u>2,300</u>
Total Revised CIAC	\$43,052

Sewer Plant Additions, \$11,171

Electrical Work, \$3,855

Attachment B, Schedule 4a shows 2010 Plant Additions of \$3,855 booked to the Sewer Division account 304 – Structures and Improvements. The Company provided the invoice from C & C Water Services dated September, 2010 for replacing approximately 350 feet of wire from the building A to the controller and starter.

Materials & Supplies, \$7,316

Attachment B, Schedule 4 shows 2010 Sewer Additions consisting of Materials and Supplies in the amount of \$7,316. The Company provided invoices from C & C Water Services dated September, 2010 for rebuilding and replacing a pump motor, pump and associated wiring. Also, for the installation of a grinder pump for P2 and installation of pump 1 and travel time to obtain a loaner pump and to return loaner pump. No exceptions were noted by Audit.

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
PERMANENT RATE REVENUE REQUIREMENT**

Average Rate Base per Staff (Att A; Sch 2; Col 6)	\$ 273,178
Rate of Return (Att A; Sch 1a)	<u>9.07%</u>
Operating Income Requirement	24,774
Adjusted Net Operating Income per Staff (Att A; Sch 3; Col 6)	<u>37,905</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(13,130)
Divided by Tax Factor (Att A; Sch 1b)	<u>77.78%</u>
Revenue Deficiency / (Surplus)	(16,882)
Pro-forma Test Year Water Sales (Att A; Sch 3; Col 6)	<u>144,097</u>
Revenue Requirement from Water Sales per Staff	127,215
Less: Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	<u>(84,645)</u>
Increase / (Decrease) in Revenue Requirement from Water Sales	<u>\$ 42,570</u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u>50.29%</u>

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
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>15.00%</u>
Effective Federal Income Tax Rate	13.73%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>22.23%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>22.23%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>77.78%</u></u>
Tax Multiplier	<u><u>0.28576</u></u>

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
PERMANENT RATE AVERAGE RATE BASE

	(1) Year End Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att A, Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
Plant in Service						
Plant in Service	\$ 356,308	\$ 169,879	\$ 526,187	\$ (98,498)	1 - 3	\$ 427,689
Less: Accumulated Depreciation	(156,533)	(6,618)	(163,151)	4,171	4 - 6	(158,980)
Net Plant in Service	199,775	163,261	363,036	(94,328)		268,708
Contributions in Aid of Construction (CIAC)	-	(40,752)	(40,752)	40,752	7	-
Accumulated Amortization of CIAC	-	646	646	(646)	8	-
Net Contributions in Aid of Construction	-	(40,106)	(40,106)	40,106		-
Net Plant in Rate Base	199,775	123,155	322,930	(54,222)		268,708
Working Capital						
Cash Working Capital	17,529	(583)	16,946	(1,310)	9 - 10	15,636
Materials and Supplies	747	-	747			747
Prepaid Expenses	1,505	-	1,505	(753)	11	752
Accumulated Deferred Income Taxes	(12,583)	-	(12,583)	(83)	12	(12,666)
Total Working Capital in Rate Base	7,198	(583)	6,615	(2,146)		4,469
Total Average Rate Base	\$ 206,973	\$ 122,572	\$ 329,545	\$ (56,367)		\$ 273,178

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE

Adj#

Proforma Adjustments to Plant in Service:

Plant in Service

1	To eliminate Co's pro-forma adj to reflect 2010 tanks and VFD's in test year rate base.	\$	(98,230)
2	To adjust test year average plant in service to amount computed by Staff (Att A; Sch 2b; Col 8)		14,330
3	To adjust cost of 2009 Plant Additions reflected in test year rate base:		
	Cost of 2009 Well / Pumping Equipment per Company	\$	143,405
	Less: Accounting error (Per Staff Audit Issue # 2)		(311)
	Adjusted Cost of 2009 Well / Pumping Equipment		<u>143,094</u>
	Less: Test Year Average of 2009 Well / Pumping Equipment per Staff (\$143,405 x 60%)		(86,043)
	Adjustment to reflect full cost of 2009 Well / Pumping Equipment in rate base per Staff		<u>57,051</u>
	Less: Company Adjustment to reflect full cost of 2009 Plant Additions in rate base		<u>(71,649) \$ (14,598)</u>
	 Total Adjustments - Plant in Service		 <u>\$ (98,498)</u>

Accumulated Depreciation

4	To eliminate Co's pro-forma adj to reflect accumulated depreciation on 2010 tanks and VFD's in test year rate base.	\$	1,501
5	To adjust test year average accumulated depreciation to amount computed by Staff (Att A; Sch 2b; Col 8).		511
6	To adjust accumulated depreciation on 2009 Plant Additions reflected in test year rate base:		
	Accumulated Depreciation on 2009 Well / Pumping Equipment per Company	\$	(2,366)
	Add: Adjustment in Accumulated Depreciation (Per Staff Audit Issue # 3)		(1,302)
	Adjusted Accumulated Depreciation on 2009 Well / Pumping Equipment		<u>(3,668)</u>
	Less: Test Year Average of Accumulated Depreciation on 2009 Well / Pumping Equipment per Staff		710
	Adj to reflect full Accumulated Depreciation on 2009 Well / Pumping Equipment in rate base per Staff		<u>(2,958)</u>
	Less: Company Adj to reflect full Accumulated Depreciation on 2009 Plant Additions in rate base		<u>5,117 \$ 2,159</u>
	 Total Adjustments - Accumulated Depreciation		 <u>\$ 4,171</u>

Contributions in Aid of Construction (CIAC)

7	To eliminate Co's pro-forma adj to reflect CIAC on 2010 tanks and VFD's in test year rate base.	\$	40,752
---	---	----	--------

Accumulated Amortization - CIAC

8	To eliminate Co's pro-forma adj to reflect accumulated amortization - CIAC on 2010 tanks and VFD's in test year rate base.	\$	(646)
---	--	----	-------

Proforma Adjustments to Working Capital:

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE

Adj#

Cash Working Capital

9	To adjust Co's test year cash working capital component to amount calculated per Staff (Att A; Sch 2b; Col 8).	\$	(2)
10	To adjust Co's pro-forma cash working capital component to reflect Staff O&M Expense Adj's:		
	Total pro-forma O & M Expenses after Staff Adj's (Att A; Sch 3; Col 6)	\$	76,093
	Cash Working Capital % (75 days / 365 days)		20.55%
	Pro-forma Cash Working Capital Component per Staff	\$	15,636
	Less: Pro-forma cash working capital component proposed by Co. and adjusted by Staff		<u>(16,944)</u>
			<u>(1,309)</u>
	Total Adjustments - Cash Working Capital	\$	<u>(1,310)</u>

Prepaid Expenses

11	To adjust test year average prepaid expenses to amount computed by Staff (Att A; Sch 2b; Col 8).	\$	<u>(753)</u>
----	--	----	--------------

Accumulated Deferred Income Taxes

12	To adjust test year average accumulated deferred income taxes to amount computed by Staff (Att A; Sch 2b; Col 8).	\$	<u>(83)</u>
----	---	----	-------------

Net Rate Base Adjustments per Staff

\$ (56,367)

DW 10-305
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION

CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
12/31/08	03/31/09	06/30/09	09/30/09	12/31/09	5-Quarter Average Per Staff	Year End Average Per Company	To Adjust Rate Base to 5-Quarter Avg	Adjustment #
\$ 284,659	\$ 284,659	\$ 427,957	\$ 427,957	\$ 427,957	\$ 370,638	356,308	\$ 14,330	2
(151,416)	(153,476)	(155,164)	(158,407)	(161,649)	(156,022)	(156,533)	511	5
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
				(a)	17,527	17,529	(2)	9
879	813	747	681	615	747	747	-	-
1,282	115	482	545	1,338	752	1,505	(753)	11
(13,071)	(12,868)	(12,666)	(12,463)	(12,260)	(12,666)	(12,583)	(83)	12
					\$ 220,976	\$ 206,973	\$ 14,003	

(a) Adjustment of Test Year Cash Working Capital:

Test Year O & M Expenses (Att A; Sch 3; Col 1)	\$ 85,299
Cash Working Capital % (75 days / 365 days)	20.55%
Adjusted Test Year Cash Working Capital per Staff	\$ 17,527

(b) Calculation of Prepaid Expenses:

	12/31/08	03/31/09	06/30/09	09/30/09	12/31/09
Property Insurance - Total Company	\$ 436	\$ 137	\$ 29	\$ 649	\$ 448
Local Property Taxes - Total Company (Staff DR 2-15)	1,091	-	545	-	1,146
Total Company Prepaid Expenses	1,527	137	574	649	1,594
Percentage Net Plant - Water Division	83.94%	83.94%	83.94%	83.94%	83.94%
Total Prepaid Expenses - Water Division	\$ 1,282	\$ 115	\$ 482	\$ 545	\$ 1,338

Calculation of Water Division Allocation Percentage:

Average Net Plant in Service - Water Division	\$ 214,615	(above, Column 6)
Average CWIP - Water Division	78,013	(2009 Annual Report)
Average Net Plant - Water Division	292,628	
Average Net Plant in Service - Sewer Division	56,000	(Att B; Sch 2b; Col 6)
Total Company Average Net Plant in Service	\$ 348,628	
Percentage Net Plant - Water Division	83.94%	

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT

	(1) Per Test Year	(2) Pro-forma Adjustments Per Company	(3) Adjusted Test Year Per Company	(4) Staff Adjustments (Att A; Sch 3a)	(5) Adj #	(6) Adjusted Test Year Per Staff	(7) Revenue Deficiency / (Surplus)	(8) Revenue Requirement
Operating Revenues								
Water Sales	\$ 81,259	\$ 59,452	\$ 140,711	\$ 3,386	13	\$ 144,097	\$ (16,882)	\$ 127,215
Other Operating Revenues	-	-	-	-		-	-	-
Total Water Revenues	<u>81,259</u>	<u>59,452</u>	<u>140,711</u>	<u>3,386</u>		<u>144,097</u>	<u>(16,882)</u>	<u>127,215</u>
Operating Expenses								
Operation & Maintenance Expenses:								
Source of Supply Expenses	1,604	-	1,604	-		1,604	-	1,604
Pumping Expenses	10,922	-	10,922	(1,241)	14 - 15	9,681	-	9,681
Water Treatment Expenses	12,004	-	12,004	-		12,004	-	12,004
Transmission & Distribution Expenses	1,611	-	1,611	-		1,611	-	1,611
Customer Accounts Expenses	7,795	(2,835)	4,960	-		4,960	-	4,960
Administrative & General Expenses	51,363	-	51,363	(5,130)	16 - 18	46,233	-	46,233
Total Operation & Maintenance Expenses	<u>85,299</u>	<u>(2,835)</u>	<u>82,464</u>	<u>(6,371)</u>		<u>76,093</u>	<u>-</u>	<u>76,093</u>
Depreciation Expense	10,604	5,374	15,978	(398)	19 - 20	15,580	-	15,580
Amortization Expense - CIAC	-	(1,292)	(1,292)	1,292	21	-	-	-
Amortization Expense - Other	-	-	-	-		-	-	-
Taxes other than Income	3,940	4,890	8,830	(3,155)	22 - 23	5,675	-	5,675
Total Operating Expenses	<u>99,843</u>	<u>6,137</u>	<u>105,980</u>	<u>(8,632)</u>		<u>97,348</u>	<u>-</u>	<u>97,348</u>
Net Operating Income / (Loss)	<u>(18,584)</u>	<u>53,315</u>	<u>34,731</u>	<u>12,019</u>		<u>46,750</u>	<u>(16,882)</u>	<u>29,867</u>
Before Income Taxes								
Income Taxes	<u>(371)</u>	<u>6,608</u>	<u>6,237</u>	<u>2,608</u>	Att A; Sch 3b	<u>8,845</u>	<u>(3,752)</u>	<u>5,093</u>
Net Operating Income (Loss)	<u>\$ (18,213)</u>	<u>\$ 46,707</u>	<u>\$ 28,494</u>	<u>\$ 9,411</u>		<u>\$ 37,905</u>	<u>\$ (13,130)</u>	<u>\$ 24,774</u>

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES

Adi #**Pro-forma Adjustments to Operating Revenue:**

13	To adjust test year water sales in order to reflect 2010 sales to Maple Hill Acres (Per Staff DR 1-16):		
	2010 Water Sales to Maple Hill Acres	\$	10,201
	Less: 2009 Water Sales to Maple Hill Acres		<u>(6,815) \$ 3,386</u>

Pro-forma Adjustments to Operating Expenses:**Pumping Expenses**

14	To eliminate one-half of Jan-'09 billing from purchased power expense (Per Staff Audit Issue # 8)		\$ (214)
15	To allocate portion of adjusted purchased power expense to sewer division (Based on Staff DR 2-23):		
	Adjusted test year purchased power expense (See Adj # 16)	\$	5,133
	Estimated Sewer Division allocation percentage		<u>20.00% (1,027)</u>
	Total Adjustments - Pumping Expenses		<u>\$ (1,241)</u>

Administrative & General Expenses

16	To adjust test year insurance expense using an average net plant allocation methodology (Based on Staff DR 2-21):		
	Test Year Insurance Expense - Total Company	\$	786
	Calculation of Insurance Expense allocated to Water Division:		
	Average Net Plant in Service - Water Division (Att A; Sch 2b; Col 6)	\$	214,615
	Average CWIP - Water Division (Based on 2009 Annual Report)		<u>78,013</u>
	Average Total Net Plant - Water Division		292,628
	Average Net Plant in Service - Sewer Division (Att B; Sch 2b; Col 6)		<u>56,000</u>
	Total Company Average Net Plant in Service	\$	<u>348,628</u>
	Allocation Percentage - Water Division		<u>83.94%</u>
	Test Year Insurance Expense allocated to Water Division		660
	Less: Insurance Expense allocated to Water Division per the Test Year		<u>(393) \$ 268</u>
17	To adjust test year Officer Compensation (see Staff Audit Report - Pg 14; Staff DR 2-20):		
	Revised annual Officer Compensation per Management Contract	\$	3,450
	Portion of Officer Compensation attributable to the Water Division		<u>50.00%</u>
	Officer Compensation Expense - Water Division		1,725
	Less: Officer Compensation (Water Division) incurred during the test year		<u>(4,032) (2,307)</u>
18	To allocate one-half of total accounting and legal expenditures to the Sewer Division (Based on Staff DR's 1-36 & 2-25):		
	Test year accounting expenditures (Staff DR 1-36)	\$	4,819
	Test year legal expenditures (Staff DR 1-36)		<u>1,363</u>
	Total test year accounting and legal expenditures		6,182
	Percentage of expenditures allocated to Sewer Division		<u>50.00% (3,091)</u>
	Total Adjustments - Administrative & General Expenses		<u>\$ (5,130)</u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES**

Adj #

Depreciation Expense

19	To eliminate Co's pro-forma adj relative to tanks and VFD's placed in service during 2010.	\$	(3,002)
20	To adjust test year depreciation expense on 2009 well relative to elimination of \$311 accounting error and reclassification of \$39,015 to pumping equipment (Per Staff Audit Issue # 3):		
	Net Adjustment to test year Depreciation Expense per Staff Audit Issue # 3	\$	1,302
	To reflect subsequent year effect on annual depreciation expense	x	<u>2</u>
			<u>2,604</u>
	Total Adjustments - Depreciation Expense	\$	<u>(398)</u>

Amortization Expense - CIAC

21	To eliminate Co's pro-forma adj relative to tanks and VFD's placed in service during 2010.	\$	<u>1,292</u>
----	--	----	--------------

Taxes Other than Income

22	To eliminate Co's pro-forma adj's relative to tanks and VFD's placed in service during 2010.	\$	(2,315)
23	To reflect 2010 property tax assessment for test year pro-forma expense (Staff DR's 1-28 & 2-21):		
	2010 Town of Belmont Property Taxes (Staff DR 1-28)	\$	4,997
	2010 State Utility Property Taxes (Staff DR 1-28)		<u>1,763</u>
	Total 2010 Property Taxes	\$	<u>6,760</u>
	Calculation of Total Property Taxes allocated to Water Division:		
	Average Net Plant in Service - Water Division (Att A; Sch 2b; Col 6)	\$	214,615
	Average CWIP - Water Division (Based on 2009 Annual Report)		<u>78,013</u>
	Average Total Net Plant - Water Division		292,628
	Average Net Plant in Service - Sewer Division (Att B; Sch 2b; Col 6)		<u>56,000</u>
	Total Company Average Net Plant in Service	\$	<u>348,628</u>
	Allocation Percentage - Water Division		83.94%
	2010 Property Tax Expense allocated to Water Division	\$	<u>5,674</u>
	Less: Adjusted Test Year Property Tax Expense allocated to Water Division		<u>(6,515)</u> (840)
	Total Adjustments - Taxes Other than Income	\$	<u>(3,155)</u>

Net Operating Expense Adjustments per Staff before Income Taxes	\$	<u>(8,632)</u>
--	-----------	-----------------------

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE INCOME TAXES**

INCOME TAXES

Pro-forma Net Operating Income / (Loss) before Staff Adjustments and Income Taxes (Att A; Sch 3; Col 3)	\$	34,731	
Summary of Staff Pro-forma Adjustments to Operating Revenues and Expenses (Att A; Sch 3; Col 4):			
Total Pro-forma Adjustments to Water Revenues	\$	3,386	
Total Pro-forma Adjustments to Source of Supply Expenses		-	
Total Pro-forma Adjustments to Pumping Expenses		1,241	
Total Pro-forma Adjustments to Water Treatment Expenses		-	
Total Pro-forma Adjustments to Transmission & Distribution Expenses		-	
Total Pro-forma Adjustments to Customer Accounts Expenses		-	
Total Pro-forma Adjustments to Administrative & General Expenses		5,130	
Total Pro-forma Adjustments to Depreciation Expense		398	
Total Pro-forma Adjustments to Amortization Expense - CIAC		(1,292)	
Total Pro-forma Adjustments to Amortization Expense - Other		-	
Total Pro-forma Adjustments to Taxes other than Income		3,155	12,019
Pro-forma Net Operating Income / (Loss) after Staff Adjustments and before Income Taxes			46,750
Less: Pro-forma Interest Expense (Att A; Sch 1a)			<u>(3,303)</u>
Pro-forma Net Income / (Loss) before Income Taxes	\$	43,447	
New Hampshire Business Profits Tax @ 8.5%			\$ 3,693
Pro-forma Income / (Loss) Subject to Federal Income Tax	\$	39,754	
Federal Income Tax @ 15.0%			5,963
Less: Adjusted Deferred Income Tax Expense (Per Staff Audit Issue # 7)			<u>(811)</u>
Total Pro-forma Income Tax Expense			8,845
Less: Income Tax Expense before Staff Pro-forma Adjustments (Att A; Sch 3; Col 3)			<u>(6,237)</u>
Staff's Pro-forma Adjustment to Income Tax Expense	\$		<u>2,608</u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STEP INCREASE**

Increase in Net Income Requirement:

2010 Plant Additions (Att A; Sch 4a)	\$ 98,230
Less: Accumulated Depreciation (Att A; Sch 4a)	(1,365)
Net 2010 Plant in Service	<u>96,865</u>
2010 Contributions in Aid of Construction (CIAC) (Att A; Sch 4a)	(43,052)
Less: Accumulated Amortization of CIAC (Att A; Sch 4a)	705
Net 2010 CIAC Additions	<u>(42,347)</u>
Net 2010 Plant in Rate Base	\$ 54,519
Annual Cost of Debt (Sch 4c)	<u>4.491%</u>
Increase in Operating Income Requirement	<u>\$ 2,448</u>
Net Increase in Operating Expenses:	
Annual Depreciation Expense - 2010 Plant Additions (Att A; Sch 4a)	\$ 2,729
Annual Amortization of CIAC - 2010 CIAC Additions (Att A; Sch 4a)	(1,411)
Increase in Property Tax Expense for 2010 Net Additions to Plant (Att A; Sch 4b)	<u>1,925</u>
Increase in Operating Expenses	<u>\$ 3,244</u>
Step Increase in Revenue Requirement	\$ 5,692
Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	\$ 84,645
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u>6.73%</u>

The cost of construction of the new plant has been audited by Staff.

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS

2010 Plant Additions:

<u>Account</u>	<u>Amount</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 12/31/10</u>	<u>Net Plant in Service @ 12/31/10</u>
330: Distribution Reservoirs and Standpipes	\$ 90,943	2.20%	\$ 2,001	\$ (1,000)	\$ 89,943
311: Pumping Equipment	7,287	10.00%	729	(364)	6,923
	<u>\$ 98,230</u>		<u>\$ 2,729</u>	<u>\$ (1,365)</u>	<u>\$ 96,865</u>

2010 CIAC Additions:

<u>Account</u>	<u>Amount</u>	<u>Amortization Rate</u>	<u>Annual Amortization</u>	<u>Accumulated Amortization @ 12/31/10</u>	<u>Net CIAC @ 12/31/10</u>
330: Distribution Reservoirs and Standpipes	\$ (37,108)	2.20%	\$ (816)	\$ 408	\$ (36,700)
311: Pumping Equipment	(5,944)	10.00%	(594)	297	(5,647)
	<u>\$ (43,052)</u>		<u>\$ (1,411)</u>	<u>\$ 705</u>	<u>\$ (42,347)</u>

The cost of construction of the new plant has been audited by Staff.

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STEP INCREASE PROPERTY TAX CALCULATION**

Municipal Taxes - Town of Belmont:

2010 Net Plant Additions - Water Division (Att A; Sch 4a)	\$	96,865
Municipal Valuation Factor:		
2010 Municipal Valuation - Total Company (Staff DR 1-28)	\$	267,100
Net Utility Plant per 2009 Annual Report - Total Company	÷ \$	<u>340,083</u> x <u>78.54%</u>
Estimated Municipal Valuation of 2010 Net Additions to Plant	\$	76,078
2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-28)	x \$	<u>18.71</u>
Estimated Municipal Taxes on 2010 Net Additions to Plant		<u>\$ 1,423</u>

State Utility Property Taxes:

2010 Net Plant Additions - Water Division (Att A; Sch 4a)	\$	96,865
State Valuation Factor:		
2010 State Valuation - Total Company (Staff DR 1-28)	\$	267,053
Net Utility Plant per 2009 Annual Report - Total Company	÷ \$	<u>340,083</u> x <u>78.53%</u>
Estimated State Valuation of 2010 Net Additions to Plant	\$	76,064
2010 State Tax Rate (per \$1,000 of Valuation) (Staff DR 1-28)	x \$	<u>6.60</u>
Estimated State Taxes on 2010 Net Additions to Plant		<u>\$ 502</u>
Net Increase in Property Tax Expense for 2010 Net Additions to Plant		<u><u>\$ 1,925</u></u>

The cost of construction of the new plant has been audited by Staff.

DW 10-306
 LAKELAND MANAGEMENT COMPANY, INC.
 WATER DIVISION
 STEP INCREASE COST OF DEBT CALCULATION

	Total Amount Borrowed	Anticipated Principal Forgiveness	Net Principal Amount Due	Percentage of Total	Anticipated Interest Rate	Annual Interest	Annual Amortization of Loan Cost	Total Annual Debt Expense	Annual Cost of Debt	Weighted Average Cost
2009 ARRA / SRF Loan	\$ 81,503	\$ (40,752)	\$ 40,752	70.90%	2.340%	\$ 954	\$ 457	\$ 1,410	3.461%	2.45%
2010 C & C Water Services Loan	16,727	-	16,727	29.10%	7.000%	1,171	-	1,171	7.000%	2.04%
Totals	\$ 98,230	\$ (40,752)	\$ 57,479	100.00%		\$ 2,124	\$ 457	\$ 2,581		4.49%

Total Loan Cost (Per Company) \$ 4,568
 Amortization Period (Yrs) + 10
 Annual Amortization \$ 457

DW 10-306
 LAKELAND MANAGEMENT COMPANY, INC.
 WATER DIVISION
 REPORT OF PROPOSED RATE CHANGES

<u>Rate Class of Service:</u>	<u>Effect of Change</u>	<u>Number of Customers</u>	<u>Authorized Present Revenue</u>	<u>Proposed Revenue</u>	<u>Proposed Change Amount</u>	<u>Proposed Percentage Change</u>
Commercial Class A (MCA)	Increase	1	\$ 6,772	\$ 10,633	\$ 3,861	57.02%
Commercial Class B (MCB)	Increase	4	10,511	16,504	5,993	57.02%
Residential Multi-Family (MRM)	Increase	1	10,201	19,605	9,404	92.18%
Residential Single Family (MRS)	Increase	150	57,161	86,166	29,005	50.74%
Total - Water Division		156	\$ 84,645	\$ 132,908	\$ 48,263	57.02%

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
CALCULATION OF CUSTOMER RATES

Summary of Proposed Revenue Requirement:

Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	\$ 84,645
Proposed Increase in Revenue Requirement from Permanent Rates (Att A; Sch 1)	42,570
Proposed Step Increase in Revenue Requirement (Att A; Sch 4)	5,692
Total Proposed Revenue Requirement	\$ 132,908
Total Proposed Increase in the Revenue Requirement	57.02%

Percent of Pro-forma Test Year Revenues per Customer Class:

Customer Class	Number of Customers	Pro-forma Test Year Revenues	Percentage of Revenues
Commercial Class A (MCA)	1	\$ 6,772	8.00%
Commercial Class B (MCB)	4	10,511	12.42%
Residential Multi-Family (MRM)	1	10,201	12.05%
Residential Single Family (MRS)	150	57,161	67.53%
	156	\$ 84,645	100.00%

Calculation of Rates	Annual Revenue per Rate	Annual Revenue per Rate Class
----------------------	-------------------------	-------------------------------

Commercial Class A:

Calculation of Base Charge:

Quarterly Base Charge - Present Tariff	\$ 833.00	
1 + Percent Increase	x 1.5702	
Proposed Commercial Class A Quarterly Base Charge (Rounded)	\$ 1,308.00	
Number of Customers	x 1	
Annual Billing Quarters	x 4	\$ 5,232.00

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 132,908	
Commercial Class A Percentage of Pro-forma Test Year Revenues	8.00%	
Commercial Class A Proposed Revenues	\$ 10,633	
Less: Commercial Class A Proposed Revenues from Base Charge	(5,232)	
Commercial Class A Proposed Revenues from Consumption Charge	\$ 5,401	
Commercial Class A Test Year Consumption (CCF)	+ 358.90	
Proposed Commercial Class A Consumption Charge	\$ 15,049.5	
Commercial Class A Annual Consumption (CCF)	x 358.90	\$ 5,401.25
		\$ 10,633.25

Commercial Class B:

Calculation of Base Charge:

Quarterly Base Charge - Present Tariff	\$ 278.00	
1 + Percent Increase	x 1.5702	
Proposed Commercial Class B Quarterly Base Charge (Rounded)	\$ 437.00	
Number of Customers	x 4	
Annual Billing Quarters	x 4	\$ 6,992.00

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 132,908	
Commercial Class B Percentage of Pro-forma Test Year Revenues	12.42%	
Commercial Class B Proposed Revenues	\$ 16,504	
Less: Commercial Class B Proposed Revenues from Base Charge	(6,992)	
Commercial Class B Proposed Revenues from Consumption Charge	\$ 9,512	
Commercial Class B Test Year Consumption (CCF)	+ 1,399.52	
Proposed Commercial Class B Consumption Charge	\$ 6,796.7	
Commercial Class B Annual Consumption (CCF)	x 1,399.52	\$ 9,512.15
		\$ 16,504.15

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
CALCULATION OF CUSTOMER RATES

Summary of Proposed Revenue Requirement:

Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	\$ 84,645
Proposed Increase in Revenue Requirement from Permanent Rates (Att A; Sch 1)	42,570
Proposed Step Increase in Revenue Requirement (Att A; Sch 4)	5,692
Total Proposed Revenue Requirement	<u>\$ 132,908</u>
Total Proposed Increase in the Revenue Requirement	<u>57.02%</u>

Percent of Pro-forma Test Year Revenues per Customer Class:

	Number of Customers	Pro-forma Test Year Revenues	Percentage of Revenues
Commercial Class A (MCA)	1	\$ 6,772	8.00%
Commercial Class B (MCB)	4	10,511	12.42%
Residential Multi-Family (MRM)	1	10,201	12.05%
Residential Single Family (MRS)	150	57,161	67.53%
	<u>156</u>	<u>\$ 84,645</u>	<u>100.00%</u>

Calculation of Rates	Annual Revenue per Rate	Annual Revenue per Rate Class
-------------------------	-------------------------------	-------------------------------------

Residential Multi-Family:

Calculation of Base Charge:

Quarterly Base Charge for Residential Single-Family - Present Tariff	\$ 62.00	
1 + Percent Increase	x 1.5702	
Proposed Quarterly Base Charge per Unit (Rounded)	\$ 97.00	
Number of Units	x 32	
Proposed Residential Multi-Family Quarterly Base Charge (Rounded)	\$ 3,104.00	
Number of Customers	x 1	
Annual Billing Quarters	x 4	\$ 12,416.00

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 132,908	
Less: Combined Proposed Commercial Class A & B Revenue	(27,137)	
Less: Combined Proposed Residential Multi- & Single- Family Revenues from Base Charge	(70,616)	
Combined Proposed Residential Multi- & Single- Family Revenues from Consumption Charge	\$ 35,154	
Combined Residential Multi- & Single- Family Annual Consumption (CCF)	+ 6,584.65	
Proposed Residential Multi- & Single- Family Consumption Charge	\$ 5,338.8	
Residential Multi-Family Annual Consumption (CCF)	x 1,346.50	\$ 7,188.75 \$ 19,604.75

Residential Single-Family:

Calculation of Base Charge:

Quarterly Base Charge - Present Tariff	\$ 62.00	
1 + Percent Increase	x 1.5702	
Proposed Residential Single-Family Quarterly Base Charge (Rounded)	\$ 97.00	
Number of Customers	x 150	
Annual Billing Quarters	x 4	\$ 58,200.00

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 132,908	
Less: Combined Proposed Commercial Class A & B Revenue	(27,137)	
Less: Combined Proposed Residential Multi- & Single- Family Revenues from Base Charge	(70,616)	
Combined Proposed Residential Multi- & Single- Family Revenues from Consumption Charge	\$ 35,154	
Combined Residential Multi- & Single- Family Annual Consumption (CCF)	+ 6,584.65	
Proposed Residential Multi- & Single- Family Consumption Charge	\$ 5,338.8	
Residential Single-Family Annual Consumption (CCF)	x 5,238.15	\$ 27,965.66 \$ 86,165.66

Total Proposed Revenue Requirement - Water Division

\$132,907.81

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
PERMANENT RATE REVENUE REQUIREMENT**

Average Rate Base per Staff (Att B; Sch 2; Col 6)	\$ 70,451
Rate of Return (Att B; Sch 1a)	<u>9.75%</u>
Operating Income Requirement	6,869
Adjusted Net Operating Income per Staff (Att B; Sch 3; Col 6)	<u>7,240</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(371)
Divided by Tax Factor (Att B; Sch 1b)	<u>77.78%</u>
Revenue Deficiency / (Surplus)	(477)
Pro-forma Test Year Sewer Revenues (Att B; Sch 3; Col 6)	<u>80,541</u>
Revenue Requirement from Sewer Revenues per Staff	80,064
Less: Adjusted Test Year Sewer Revenues (Att B; Sch 3; Col's 1 & 4)	<u>(72,280)</u>
Increase / (Decrease) in Revenue Requirement from Sewer Revenues	<u><u>\$ 7,784</u></u>
Percent Increase / (Decrease) in Revenue Requirement from Sewer Revenues	<u><u>10.77%</u></u>

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure		Interest Expense		Amortization Expense		Cost	Weighted
	Actual	Adjusted	Actual	Adjusted	Actual	Adjusted	Rate	Average
	@ 12/31/09	@ 12/31/09	@ 12/31/09	@ 12/31/09	@ 12/31/09	@ 12/31/09		Cost
		Per Staff	Per Co Filing	Per Staff	Per Co Filing	Per Staff		
Long-term Debt:								
2005 Owner Loan	\$ -	\$ -	-	\$ -	-	\$ -	0.00%	0.00%
2010 ARRA/SRF Loan	-	-	-	-	-	-	0.00%	0.00%
2010 Owner Loan	-	-	-	-	-	-	0.00%	0.00%
Total Long-term Debt	-	-	-	-	-	-	0.00%	0.00%

	Actual	Adjusted	Percent	Interest	Amortization	Cost	Weighted
	@ 12/31/09	@ 12/31/09		Rate	Per Co Filing	Rate	Average
		Per Staff			Per Co Filing		Cost
Common Equity:							
Common Stock	108,494	-	0.00%	0.00%	-	0.00%	0.00%
Additional Paid-in Capital	38,946	108,494	74.24%	-	-	-	0.00%
Retained Earnings	-	38,946	25.76%	-	-	-	0.00%
Total Common Equity	147,440	147,440	100.00%	-	-	-	0.00%

Total Capitalization \$ 143,440 \$ 143,440 100.00%
 9.75%
 9.75%

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
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>15.00%</u>
Effective Federal Income Tax Rate	13.73%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>22.23%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>22.23%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>77.78%</u></u>
Tax Multiplier	<u><u>0.28576</u></u>

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
PERMANENT RATE AVERAGE RATE BASE

	(1) Year End Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att B; Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
<u>Plant in Service</u>						
Plant in Service	\$ 100,000	\$ 12,771	\$ 112,771	\$ (12,771)	24 - 25	\$ 100,000
Less: Accumulated Depreciation	(44,000)	(494)	(44,494)	494	26 - 27	(44,000)
Net Plant in Service	56,000	12,277	68,277	(12,277)		56,000
Contributions in Aid of Construction (CIAC)	-	-	-			-
Accumulated Amortization of CIAC	-	-	-			-
Net Contributions in Aid of Construction	-	-	-			-
Net Plant in Rate Base	56,000	12,277	68,277	(12,277)		56,000
<u>Working Capital</u>						
Cash Working Capital	11,090	1,832	12,922	1,081	28 - 29	14,003
Materials and Supplies	-	-	-	304	30	304
Prepaid Expenses	1,504	-	1,504	(1,360)	31	144
Accumulated Deferred Income Taxes	-	-	-			-
Total Working Capital in Rate Base	12,594	1,832	14,426	25		14,451
Total Average Rate Base	\$ 68,594	\$ 14,109	\$ 82,703	\$ (12,252)		\$ 70,451

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE

Adj#**Proforma Adjustments to Plant in Service:**Plant in Service

24	To reclassify purchase cost of 2 SS Grinders to Materials and Supplies (See Att B; Sch 2b; Col 5).	\$ (1,600)
25	To eliminate Co's pro-forma adj to reflect 2010 rebuilt motor, wiring and grinder pump in test year rate base.	<u>(11,171)</u>
	Total Adjustments - Plant in Service	<u>\$ (12,771)</u>

Accumulated Depreciation

26	To reclassify accum deprec on 2 SS Grinders to Materials and Supplies (See Att B; Sch 2b; Col 5).	\$ 80
27	To eliminate Co's pro-forma adj to reflect accumulated depreciation on 2010 additions in test year rate base.	<u>414</u>
	Total Adjustments - Accumulated Depreciation	<u>\$ 494</u>

Proforma Adjustments to Working Capital:Cash Working Capital

28	To adjust Co's test year cash working capital component to amount calculated per Staff (Att B; Sch 2b; Col 8).	\$ (2)
29	To adjust Co's pro-forma cash working capital component to reflect Staff O&M Expense Adj's:	
	Total pro-forma O & M Expenses after Staff Adj's (Att B; Sch 3; Col 6)	\$ 68,146
	Cash Working Capital % (75 days / 365 days)	<u>20.55%</u>
	Pro-forma Cash Working Capital Component per Staff	\$ 14,003
	Less: Pro-forma cash working capital component proposed by Co. and adjusted by Staff	<u>(12,920) 1,082</u>
	Total Adjustments - Cash Working Capital	<u>\$ 1,081</u>

Materials and Supplies

30	To record test year average materials and supplies as computed by Staff (Att B; Sch 2b; Col 8).	<u>\$ 304</u>
----	---	---------------

Prepaid Expenses

31	To adjust test year average prepaid expense to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>\$ (1,360)</u>
----	---	-------------------

Net Rate Base Adjustments per Staff\$ (12,252)

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION

CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	12/31/08	03/31/09	06/30/09	09/30/09	12/31/09	5-Quarter Average Per Staff	Year-End Average Per Company	To Adjust Rate Base to 5-Quarter Avg	Staff Pro-forma Adjustment #
Plant in Service	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	100,000	\$ -	-
Accumulated Depreciation	(43,000)	(43,500)	(44,000)	(44,500)	(45,000)	(44,000)	(44,000)	-	-
Contributions in Aid of Construction (CIAC)	-	-	-	-	-	-	-	-	-
Accumulated Amortization - CIAC	-	-	-	-	-	-	-	-	-
Cash Working Capital	-	-	-	-	(a)	11,088	11,090	(2)	28
Materials and Supplies	-	-	-	-	1,520	304	-	304	30
Prepaid Expenses (b)	245	22	92	104	256	144	1,504	(1,360)	31
Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-	-
Total Average Rate Base	\$ 53,964	\$ 53,964	20.55%	\$ 11,088	\$ 67,536	\$ 68,594	\$ (1,058)		

(a) Adjustment of Test Year Cash Working Capital:

Test Year O & M Expenses (Att B; Sch 3; Col 1)	\$ 53,964
Cash Working Capital % (75 days / 365 days)	20.55%
Adjusted Test Year Cash Working Capital per Staff	\$ 11,088

(b) Calculation of Prepaid Expenses:

	12/31/08	03/31/09	06/30/09	09/30/09	12/31/09
Property Insurance - Total Company	\$ 436	\$ 137	\$ 29	\$ 649	\$ 448
Local Property Taxes - Total Company	1,091	-	545	-	1,146
Total Company Prepaid Expenses	1,527	137	574	649	1,594
Percentage Net Plant - Sewer Division	16.06%	16.06%	16.06%	16.06%	16.06%
Total Prepaid Expenses - Sewer Division	\$ 245	\$ 22	\$ 92	\$ 104	\$ 256

Calculation of Water Division Allocation Percentage:

Average Net Plant in Service - Water Division	\$ 214,615
Average CWIP - Water Division	78,013
Average Net Plant - Water Division	292,628
Average Net Plant in Service - Sewer Division	56,000
Total Company Average Net Plant in Service	\$ 348,628
Percentage Net Plant - Sewer Division	16.06%

(Att A; Sch 2b; Col 6)
(2009 Annual Report)

(above, Column 6)

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT

	(1) Per Test Year	(2) Pro-forma Adjustments Per Company	(3) Adjusted Test Year Per Company	(4) Staff Adjustments (Att B; Sch 3a)	(5) Adj #	(6) Adjusted Test Year Per Staff	(7) Revenue Deficiency / (Surplus)	(8) Revenue Requirement
Operating Revenues								
Sewer Sales	\$ 69,388	\$ 8,261	\$ 77,649	\$ 2,892	32	\$ 80,541	\$ (477)	\$ 80,064
Other Operating Revenues	-	-	-	-		-	-	-
Total Sewer Revenues	<u>69,388</u>	<u>8,261</u>	<u>77,649</u>	<u>2,892</u>		<u>80,541</u>	<u>(477)</u>	<u>80,064</u>
Operating Expenses								
Operation & Maintenance Expenses:								
Purchased Power Expense	-	-	-	1,027	33	1,027	-	1,027
Purchased Sewage Treatment Expense	37,042	-	37,042	(309)	34	36,733	-	36,733
Contracted Services Expense	16,313	8,915	25,228	4,816	35 - 36	30,044	-	30,044
Regulatory Commission Expense	183	-	183	-		183	-	183
Insurance Expense	393	-	393	(267)	37	126	-	126
Miscellaneous Expense	33	-	33	-		33	-	33
Total Operation & Maintenance Expenses	<u>53,964</u>	<u>8,915</u>	<u>62,879</u>	<u>5,267</u>		<u>68,146</u>	<u>-</u>	<u>68,146</u>
Depreciation Expense	2,000	988	2,988	(988)	38 - 39	2,000	-	2,000
Amortization Expense - CIAC	-	-	-	-		-	-	-
Amortization Expense - Other	-	-	-	-		-	-	-
Taxes other than Income	3,940	(508)	3,432	(2,346)	40 - 42	1,086	-	1,086
Total Operating Expenses	<u>59,904</u>	<u>9,395</u>	<u>69,299</u>	<u>1,933</u>		<u>71,232</u>	<u>-</u>	<u>71,232</u>
Net Operating Income / (Loss)								
Before Income Taxes	9,484	(1,134)	8,350	959		9,309	(477)	8,832
Income Taxes	<u>(370)</u>	<u>1,569</u>	<u>1,199</u>	<u>870</u>	Att B; Sch 3b	<u>2,069</u>	<u>(106)</u>	<u>1,963</u>
Net Operating Income (Loss)	<u>\$ 9,854</u>	<u>\$ (2,703)</u>	<u>\$ 7,151</u>	<u>\$ 89</u>		<u>\$ 7,240</u>	<u>\$ (371)</u>	<u>\$ 6,869</u>

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES

Adj #

Pro-forma Adjustments to Operating Revenue:

32	To adjust test year sewer revenues in order to reflect 2010 sales to Maple Hill Acres (Per Staff DR 1-17): 2010 Sewer Sales to Maple Hill Acres Less: 2009 Sewer Sales to Maple Hill Acres	\$ 8,712 <u>(5,820)</u> \$ 2,892
----	--	-------------------------------------

Proforma Adjustments to Operating Expenses:

Purchased Power Expense

33	To allocate portion of adjusted purchased power expense from water division (Based on Staff DR 2-23): Adjusted test year purchased power expense (See Adj # 16) Estimated Sewer Division allocation percentage	\$ 5,133 20.00% \$ 1,027
----	--	-----------------------------

Purchased Sewage Treatment Expense

34	To reduce test year expense for billing error (Per Staff Audit Issue # 11)	<u>\$ (309)</u>
----	--	-----------------

Contracted Services Expense

35	To record test year Officer Compensation: Revised annual Officer Compensation per Management Contract Portion of Officer Compensation attributable to the Sewer Division	\$ 3,450 <u>50.00%</u> \$ 1,725
36	To allocate one-half of total accounting and legal expenditures from the Water Division (Based on Staff DR's 1-36 & 2-25): Test year accounting expenditures (Staff DR 1-36) Test year legal expenditures (Staff DR 1-36) Total test year accounting and legal expenditures Percentate of expenditures allocated from Water Division	\$ 4,819 1,363 <u>6,182</u> 50.00% 3,091

Total Adjustments - Contracted Services Expense	<u>\$ 4,816</u>
---	-----------------

Insurance Expense

37	To adjust test year insurance expense using an average net plant allocation methodology (Based on Staff DR 2-21): Test Year Insurance Expense - Total Company Calculation of Insurance Expense allocated to Sewer Division: Average Net Plant in Service - Water Division (Att A; Sch 2b; Col 6) Average CWIP - Water Division (Based on 2009 Annual Report) Average Total Net Plant - Water Division Average Net Plant in Service - Sewer Division (Att B; Sch 2b; Col 6) Total Company Average Net Plant in Service Allocation Percentage - Sewer Division Test Year Insurance Expense allocated to Sewer Division Less: Insurance Expense allocated to Sewer Division per the Test Year	\$ 786 \$ 214,615 78,013 <u>292,628</u> 56,000 <u>\$ 348,628</u> 16.06% \$ 126 <u>(393)</u> \$ (267)
----	--	--

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES

Adj #**Depreciation Expense**

38	To eliminate Co's pro-forma adj relative to rebuilt motor, wiring and pump placed into service during 2010.	\$	(828)
39	To eliminate Co's pro-forma adj relative to 2009 SS Grinders that are currently not in service.		<u>(160)</u>
	Total Adjustments - Depreciation Expense	\$	<u>(988)</u>

Taxes Other than Income

40	To eliminate Co's pro-forma adj's relative to rebuilt motor, wiring and pump placed in service during 2010.	\$	(258)
41	To eliminate Co's pro-forma adj's relative to 2009 SS Grinders that are currently not in service.		(36)
42	To reflect 2010 property tax assessment for test year pro-forma expense (Staff DR's 1-28 & 2-21):		
	2010 Town of Belmont Property Taxes (Staff DR 1-28)	\$	4,997
	2010 State Utility Property Taxes (Staff DR 1-28)		1,763
	Total 2010 Property Taxes	\$	<u>6,760</u>
	Calculation of Total Property Taxes allocated to Sewer Division:		
	Average Net Plant in Service - Water Division (Att A; Sch 2b; Col 6)	\$	214,615
	Average CWIP - Water Division (Based on 2009 Annual Report)		<u>78,013</u>
	Average Total Net Plant - Water Division		292,628
	Average Net Plant in Service - Sewer Division (Att B; Sch 2b; Col 6)		<u>56,000</u>
	Total Company Average Net Plant in Service	\$	<u>348,628</u>
	Allocation Percentage - Sewer Division		<u>16.06%</u>
	2010 Property Tax Expense allocated to Sewer Division	\$	1,086
	Less: Adjusted Test Year Property Tax Expense allocated to Sewer Division		<u>(3,138)</u> (2,052)

Total Adjustments - Taxes Other than Income	\$	<u>(2,346)</u>
---	----	----------------

Net Operating Expense Adjustments per Staff	\$	<u>1,933</u>
--	-----------	---------------------

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE INCOME TAXES**

INCOME TAXES

Pro-forma Net Operating Income / (Loss) before Staff Adjustments and Income Taxes (Att B; Sch 3; Col 3)	\$	8,350	
Summary of Staff Pro-forma Adjustments to Operating Revenues and Expenses:			
Total Pro-forma Adjustments to Sewer Revenues	\$	2,892	
Total Pro-forma Adjustments to Purchased Power Expense		(1,027)	
Total Pro-forma Adjustments to Purchased Sewage Treatment Expense		309	
Total Pro-forma Adjustments to Contracted Services Expense		(4,816)	
Total Pro-forma Adjustments to Regulatory Commission Expense		-	
Total Pro-forma Adjustments to Insurance Expense		267	
Total Pro-forma Adjustments to Miscellaneous Expense		-	
Total Pro-forma Adjustments to Depreciation Expense		988	
Total Pro-forma Adjustments to Amortization Expense - CIAC		-	
Total Pro-forma Adjustments to Amortization Expense - Other		-	
Total Pro-forma Adjustments to Taxes other than Income		2,346	959
Pro-forma Net Operating Income / (Loss) after Staff Adjustments and before Income Taxes		9,309	
Less Pro-forma Interest Expense (Att B; Sch 1a)		-	
Pro-forma Net Income / (Loss) before Income Taxes	\$	9,309	
New Hampshire Business Profits Tax @ 8.5%			\$ 791
Pro-forma Net Income / (Loss) subject to Federal Income Tax	\$	8,518	
Federal Income Tax @ 15.0%			1,278
Less: Adjusted Deferred Income Tax Expense (Per Staff Audit Issue # 7)			-
Total Pro-forma Income Tax Expense			2,069
Less: Income Tax Expense before Staff Pro-forma Adjustments (Att B; Sch 3; Col 3)			(1,199)
Staff's Pro-forma Adjustment to Income Tax Expense	\$		870

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STEP INCREASE**

Increase in Net Income Requirement:

2010 Plant Additions (Att B; Sch 4a)	\$ 3,855
Less: Accumulated Depreciation (Att B; Sch 4a)	(48)
Net 2010 Plant in Service	<u>3,807</u>
2010 Addition to Materials and Supplies	<u>7,316</u>
2010 Additions to Rate Base	\$ 11,123
Rate of Return (Att B; Sch 1a)	<u>9.750%</u>
Increase in Operating Income Requirement net of Income Tax Provision	\$ 1,084
Divided by Tax Factor (Att B; Sch 1b)	<u>77.78%</u>
Increase in Operating Income Requirement including Income Tax Provision	<u>\$ 1,394</u>
Net Increase in Operating Expenses:	
Annual Depreciation Expense - 2010 Plant Additions (Att B; Sch 4a)	\$ 96
Increase in Property Tax Expense for 2010 Net Additions to Plant (Att B; Sch 4b)	<u>76</u>
Net Increase in Operating Expenses	<u>\$ 172</u>
Step Increase in Revenue Requirement	\$ 1,566
Adjusted Test Year Water Sales (Att B; Sch 3; Col's 1 & 4)	<u>\$ 72,280</u>
Percent Increase / (Decrease) in Revenue Requirement from Sewer Sales	<u><u>2.17%</u></u>

The cost of construction of the new plant has been audited by Staff.

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS**

2010 Plant Additions:

<u>Account</u>	<u>Amount</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 12/31/10</u>	<u>Net Plant in Service @ 12/31/10</u>
304: Structures & Improvements	\$ 3,855	2.50%	\$ 96	\$ (48)	\$ 3,807
	<u>\$ 3,855</u>		<u>\$ 96</u>	<u>\$ (48)</u>	<u>\$ 3,807</u>

The cost of construction of the new plant has been audited by Staff.

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STEP INCREASE PROPERTY TAX CALCULATION**

Municipal Taxes - Town of Belmont:

2010 Net Plant Additions - Sewer Division (Att B; Sch 4a)	\$	3,807
 Municipal Valuation Factor:		
2010 Municipal Valuation - Total Company (Staff DR 1-28)	\$	267,100
Net Utility Plant per 2009 Annual Report - Total Company	÷ \$	340,083
	x	<u>78.54%</u>
 Estimated Municipal Valuation of Net Additions to Plant in 2010	 \$	 2,990
 2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-28)	 x \$	 <u>18.71</u>
 Estimated Municipal Taxes on 2010 Net Additions to Plant		 <u>\$ 56</u>

State Utility Property Taxes:

2010 Net Plant Additions - Sewer Division (Att B; Sch 4a)	\$	3,807
 State Valuation Factor:		
2010 State Valuation - Total Company (Staff DR 1-28)	\$	267,053
Net Utility Plant per 2009 Annual Report - Total Company	÷ \$	340,083
	x	<u>78.53%</u>
 Estimated State Valuation of 2010 Net Additions to Plant	 \$	 2,989
 2010 State Tax Rate (per \$1,000 of Valuation) (Staff DR 1-28)	 x \$	 <u>6.60</u>
 Estimated State Taxes on 2010 Net Additions to Plant		 <u>\$ 20</u>
 Net Increase in Property Tax Expense for 2010 Net Additions to Plant		 <u><u>\$ 76</u></u>

The cost of construction of the new plant has been audited by Staff.

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
REPORT OF PROPOSED RATE CHANGES

<u>Rate Class of Service:</u>	<u>Effect of Change</u>	<u>Number of Customers</u>	<u>Authorized Present Revenue</u>	<u>Proposed Revenue</u>	<u>Proposed Change Amount</u>	<u>Proposed Percentage Change</u>
Commercial Class A (CA)	Increase	1	\$ 5,783	\$ 6,130	\$ 347	6.00%
Commercial Class B (CB)	Increase	3	6,344	6,725	381	6.00%
Residential Multi-Family (RM)	Increase	1	8,712	14,246	5,534	63.53%
Residential Single Family (RS)	Increase	148	51,441	54,529	3,088	6.00%
Total - Sewer Division		153	\$ 72,280	\$ 81,630	\$ 9,350	12.94%

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
CALCULATION OF CUSTOMER RATES

Summary of Proposed Revenue Requirement

Adjusted Test Year Sewer Sales (Att B; Sch 3; Col's 1 & 4)	\$ 72,280
Proposed Increase in Revenue Requirement from Permanent Rates (Att B; Sch 1)	7,784
Proposed Step Increase in Revenue Requirement (Att B; Sch 4)	1,566
Total Proposed Revenue Requirement	\$ 81,630
Total Proposed Increase in the Revenue Requirement	12.94%

Percent of Pro-forma Test Year Revenues per Customer Class:

	Number of Customers	Pro-forma Test Year Revenues
Commercial Class A (CA)	1	\$ 5,783
Commercial Class B (CB)	3	6,344
Residential Multi-Family (RM)	1	8,712
Residential Single Family (RS)	148	51,441
Total - Pro-forma Test Year	153	\$ 72,280

Calculation of Rates	Annual Revenue per Rate	Annual Revenue per Rate Class
-------------------------	-------------------------------	-------------------------------------

Commercial Class A:

Calculation of Base Charge:

Quarterly Base Charge (Water) - Present Tariff	\$ 833.00		
Applied Factor to Derive Sewer Rates	x 0.854		
Quarterly Base Charge (Sewer) - Present (Rounded)	\$ 711.00		
1 + Percent Increase	x 1.1294		
Proposed Commercial Class A Quarterly Base Charge (Rounded)	\$ 803.00		
Number of Customers	x 1		
Annual Billing Quarters	x 4	\$ 3,212.00	

Calculation of Consumption Charge:

Proposed Commercial Class A Revenues	\$ 6,130		
Less: Proposed Commercial Class A Revenues from Base Charge	(3,212)		
Proposed Commercial Class A Revenues from Consumption Charge	\$ 2,918		
Commercial Class A Test Year Consumption (CCF)	+ 358.90		
Proposed Commercial Class A Consumption Charge	\$ 8,130.3		
Commercial Class A Annual Consumption (CCF)	x 358.90	\$ 2,917.98	\$ 6,129.98

Commercial Class B:

Calculation of Base Charge:

Quarterly Base Charge (Water) - Present Tariff	\$ 278.00		
Applied Factor to Derive Sewer Rates	x 0.854		
Quarterly Base Charge (Sewer) - Present (Rounded)	\$ 237.00		
1 + Percent Increase	x 1.1294		
Proposed Commercial Class B Quarterly Base Charge (Rounded)	\$ 268.00		
Number of Customers	x 3		
Annual Billing Quarters	x 4	\$ 3,216.00	

Calculation of Consumption Charge:

Proposed Commercial Class B Revenues	\$ 6,725		
Less: Proposed Commercial Class B Revenues from Base Charge	(3,216)		
Proposed Commercial Class B Revenues from Consumption Charge	\$ 3,509		
Commercial Class B Test Year Consumption (CCF)	+ 1,399.52		
Proposed Commercial Class B Consumption Charge	\$ 2,507.0		
Commercial Class B Annual Consumption (CCF)	x 1,399.52	\$ 3,508.64	\$ 6,724.64

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
CALCULATION OF CUSTOMER RATES

Summary of Proposed Revenue Requirement

Adjusted Test Year Sewer Sales (Att B; Sch 3; Col's 1 & 4)	\$ 72,280
Proposed Increase in Revenue Requirement from Permanent Rates (Att B; Sch 1)	7,784
Proposed Step Increase in Revenue Requirement (Att B; Sch 4)	1,566
Total Proposed Revenue Requirement	\$ 81,630
Total Proposed Increase in the Revenue Requirement	12.94%

<u>Percent of Pro-forma Test Year Revenues per Customer Class:</u>	Number of Customers	Pro-forma Test Year Revenues
Commercial Class A (CA)	1	\$ 5,783
Commercial Class B (CB)	3	6,344
Residential Multi-Family (RM)	1	8,712
Residential Single Family (RS)	148	51,441
Total - Pro-forma Test Year	153	\$ 72,280

<u>Calculation of Rates</u>	<u>Annual Revenue per Rate</u>	<u>Annual Revenue per Rate Class</u>
-----------------------------	--------------------------------	--------------------------------------

Residential Multi-Family:

Calculation of Base Charge:

Proposed Residential Multi-Family Quarterly Base Charge per Unit	\$ 73.13		
Number of Units	x 32		
Proposed Residential Multi-Family Quarterly Base Charge (Rounded)	\$ 2,340.00		
Number of Customers	x 1		
Annual Billing Quarters	x 4	\$ 9,360.00	

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 81,630		
Less: Combined Proposed Commercial Class A & B Revenue	(12,855)		
Less: Combined Proposed Residential Multi- & Single- Family Revenues from Base Charge	(44,880)		
Proposed Residential Multi- & Single- Family Revenues from Consumption Charge	\$ 23,896		
Combined Residential Multi- & Single- Family Test Year Consumption (CCF)	+ 6,584.65		
Proposed Residential Multi- & Single- Family Consumption Charge	\$ 3,6290		
Residential Multi-Family Annual Consumption (CCF)	x 1,346.50	\$ 4,886.43	\$ 14,246.43

Residential Single-Family:

Calculation of Base Charge:

Quarterly Base Charge (Water) - Present Tariff	\$ 62.00		
Applied Factor to Derive Sewer Rates	x 0.854		
Quarterly Base Charge (Sewer) - Present (Rounded)	\$ 53.00		
1 + Percent Increase	x 1.1294		
Proposed Residential Single-Family Quarterly Base Charge (Rounded)	\$ 60.00		
Number of Customers	x 148		
Annual Billing Quarters	x 4	\$ 35,520.00	

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 81,630		
Less: Combined Proposed Commercial Class A & B Revenue	(12,855)		
Less: Combined Proposed Residential Multi- & Single- Family Revenues from Base Charge	(44,880)		
Proposed Residential Multi- & Single- Family Revenues from Consumption Charge	\$ 23,896		
Combined Residential Multi- & Single- Family Test Year Consumption (CCF)	+ 6,584.65		
Proposed Residential Multi- & Single- Family Consumption Charge	\$ 3,6290		
Residential Single-Family Annual Consumption (CCF)	x 5,238.15	\$ 19,009.19	\$ 54,529.19

Total Proposed Revenue Requirement - Sewer Division

\$ 81,630.25