

ORIGINAL

N.H.P.U.C. Case No. DW 12-170

Exhibit No. 5

Witness Panel

DO NOT REMOVE FROM FILE

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

HAMPSTEAD AREA WATER COMPANY, INC.

DW 12-170

Permanent Rate Proceeding

SETTLEMENT AGREEMENT

This settlement agreement concerning permanent rates (Settlement Agreement) is entered this twelfth day of April, 2013, by and among the Staff of the Public Utilities Commission (Staff) and Hampstead Area Water Company, Inc. (HAWC) (collectively, the Settling Parties), and is intended to resolve all outstanding issues in the above-captioned docket. The Settling Parties agree to this joint submission to the Commission as resolution of the issues specified herein only. This Settlement Agreement shall not be deemed an admission by the Settling Parties that any allegation or contention in this proceeding, other than those specifically agreed to herein, is true and valid. This Settlement Agreement shall not be deemed to foreclose the Staff or HAWC from taking any position in any future proceedings. The Settling Parties agree that this settlement and attachments should be admitted as a full exhibit and be given whatever weight the Commission deems appropriate.

I. INTRODUCTION AND PROCEDURAL HISTORY

Hampstead Area Water Company, Inc. (HAWC) is a regulated public utility as defined by RSA 362:2 and 362:4 and provides water service to approximately 3,054 customers in the communities of Atkinson, Chester, Danville, East Kingston, Fremont, Hampstead, Kingston, Newton, Nottingham, Plaistow, Salem, and Sandown. On June 14, 2012, HAWC filed a notice of intent to file rate schedules and on July 27, 2012, HAWC filed those schedules. HAWC

proposed to increase its annual revenues on a permanent basis by a total of \$101,774, or 6.99%, to a total revenue requirement of \$1,663,055. This total includes an increase of \$59,021 based on a 2011 test year and an increase of \$42,723 based on a proposed step adjustment for plant additions anticipated to be completed by December 31, 2012.

On August 21, 2012, the Commission suspended the taking effect of the schedules by way of Order No. 25,401 and scheduled a prehearing conference and technical session for September 18, 2012. The Commission approved a procedural schedule proposed by Staff and HAWC; there are no intervenors in this docket.

On October 12, 2012, HAWC filed with the Commission a Management / Service / Rental Agreement dated July 1, 2012 between itself and its affiliate, Lewis Builders Development, Inc. (Lewis). In its cover letter, HAWC stated that its purpose for filing this affiliate agreement was "for inclusion and consideration by the Commission and Staff in the Company's current rate case." HAWC also noted that the agreement reflected a \$10,000 increase in costs that were not reflected in the Company's original rate filing.

On October 17, 2012, Staff and HAWC filed a settlement agreement with the Commission regarding temporary rates. Staff and HAWC proposed that existing rates be approved as temporary rates effective September 1, 2012 and remaining so throughout the duration of the proceeding. The Settlement Agreement was formally presented to the Commission at hearing on October 19, 2012. In Order No. 25,437, dated November 8, 2012, the Commission approved existing rates as temporary rates, effective September 1, 2012.

Staff conducted discovery during the course of the proceeding which included an audit of HAWC's books and records.

On December 28, 2012, HAWC filed a motion to amend its filing to add additional information pertaining to its rate request. HAWC sought to include consideration of additional expenses relating to a new employee as well as additions to its rate base. As a result of this filing, the overall revenue requirement sought by HAWC increased to \$1,704,376, representing a 9.83% increase in water revenues received from general customers. On January 7, 2013, Staff filed an objection to HAWC's motion stating that HAWC's motion was filed at a point in the proceeding where it felt that there was insufficient opportunity, under the approved procedural schedule, to allow for adequate discovery of the Company's proposed additions to its rate filing. On January 11, 2013, HAWC filed a reply to Staff's objection by stating that a portion of the information regarding its proposed additions to rate base had already been supplied to the Commission Audit Staff and that the additional expenses regarding the new employee represented merely incremental increases to expenses already included in the test year and continuing through 2012. On February 8, 2013, the Commission issued Order No. 25,463 granting HAWC's motion to amend its permanent rate filing. The Commission also ordered an additional round of discovery to be submitted by Staff by no later than February 7, 2013 with responses due from HAWC by no later than February 19, 2013.

On February 21, 2013, Staff filed an assented-to request for various changes in the approved procedural schedule in order to accommodate an emergency rate filing made by another water utility. On February 22, 2013, the proposed revisions in the procedural schedule were approved by Secretarial Letter.

On March 21, 2013, discussions were held between Staff and HAWC which led to agreement on the below terms.

II. TERMS OF AGREEMENT

A. REVENUES AND RATES

1. Permanent Rate Revenue Requirement — The Settling Parties agree to an overall revenue requirement of \$1,595,961 based on HAWC's 2011 test year which consists of \$1,528,082 in annual water sales and \$67,879 in Other Operating Revenues. (See Settlement Attachment A, Schedule 4, Column 10.) The revenue requirement is based on a total test year rate base of \$4,997,601 which the Settling Parties agree is prudent, used, and useful. The Settling Parties have agreed to an overall rate of return of 4.89% which when applied to the agreed upon rate base results in an operating income requirement of \$244,252. The overall rate of return is based on a cost of equity of 9.75%, a cost of long-term debt of 4.00%, and a capital structure of 84.53% debt and 15.47% equity. The revenue requirement also includes total operating expenses, including income taxes, of \$1,351,708. The revenue requirement agreed to by the Settling Parties results in an increase of \$29,895, or 2.00%, over pro forma test year water revenues of \$1,498,187.

The Settling Parties agree that the foregoing revenue requirement represents a reasonable compromise of all issues relating to the revenue requirement pending before the Commission for purposes of permanent rates, including allowed overall rate of return, return on equity, capital structure, *pro forma* adjustments, capital additions to rate base, and operating expenses. As the sums expressed above are the result of compromise and settlement, they are liquidations of all adjusted net operating income requirement and revenue requirement issues. The Settling Parties agree that the revenue requirement recommended to the Commission in this Settlement Agreement results in permanent rates for HAWC's customers that are just and reasonable. The

permanent rate increase is eligible for reconciliation with the first effective date of temporary rates previously approved in this proceeding.

2. Affiliate Agreement

The Settling Parties have included in the proposed revenue requirement, pro forma adjustments relating to costs from an affiliate agreement between HAWC and Lewis Builders Development, Inc. (Lewis). The affiliate agreement is attached to this Settlement Agreement as Settlement Attachment D and is dated July 1, 2012 and was filed with the Commission on October 12, 2012. The Settling Parties agree that the costs contained in the management agreement are just and reasonable pursuant to RSA 366 and recommend the Commission accept this agreement.

3. Step Increase

The Settling Parties agree and recommend that the Commission approve two step adjustments as follows:

a) The first step adjustment to rates (See Settlement Attachment B), which is proposed for effect as of the date of the Commission's order on permanent rates in this proceeding, is intended to recover certain capital improvements made during 2012. By way of background, HAWC has undertaken efforts to replace service lines as part of a comprehensive leak detection program required by the Department of Environmental Services.¹ Total capital of \$142,445 was expended in 2012 for service line replacements. In addition, the first step adjustment enables recovery of improvements to HAWC's water storage facility in Atkinson totaling \$15,242, new meter installations totaling \$39,900, filter replacements of \$46,818, other service and main improvements of \$9,531 as well as the replacement of a service vehicle in the

¹ The Commission approved HAWC's financing request for its leak detection program in Docket No. DW 11-193 in Order No. 25,316, dated January 10, 2012.

amount of \$34,479. In total, these capital additions amount to \$288,415. The proposed step adjustment also permits HAWC to recover the costs of well exploration at West Side Drive in Atkinson. While this well did not prove to be a reliable source of additional water, the Settling Parties agree that HAWC's investment in exploration was prudent and amortization of the costs related to such in the amount of \$20,473 is appropriate over a period of 20 years. This step adjustment recognizes one year of expense in the amount of \$1,024. The balance of the unamortized deferred debit, or \$19,961, will be recorded as an addition to HAWC's rate base. Net of accumulated depreciation and amortization, the total amount of 2012 capital improvements proposed to be added to HAWC's rate base is \$299,817. The Settling Parties agree that a rate of return of 3.78% should be applied to this amount, yielding an addition to the Company's operating income requirement of \$11,334. The proposed rate of return was derived based upon \$142,445 in SRF financing at a cost rate of 3.06% related to the service replacements, \$33,979 in dealership financing at an interest rate of 2.49% related to the purchase of the service vehicle and \$132,464 of internal cash used in order to fund the remainder of the 2012 capital improvements. The cost rate used relative to the internal cash financing is the rate of return derived for permanent rates in this proceeding of 4.89% (See Settlement Attachment A). The proposed step increase also includes increases in HAWC's annual operating expenses related to the 2012 capital improvements totaling \$15,716 including depreciation expense, amortization expense, property tax expense and income tax expense. As of the date of this Settlement Agreement the proposed first step adjustment as contained in Settlement Attachment B is pending the conclusion of an audit being performed by the NHPUC Audit Staff for the purpose of verifying that the proposed additions are prudent, used and useful and therefore qualify for inclusion in permanent rates consistent with RSA 378:28. It is anticipated that this

audit will conclude and a report will be submitted prior to the Commission's issuance of an order in this proceeding. If the Staff audit results in a material change to the amounts proposed for the first step increase in this Settlement Agreement, Staff will inform the Commission of such prior to the issuance of an order in this proceeding. The Settling Parties agree that the first step increase is not eligible for reconciliation with the first effective date of temporary rates previously approved in this proceeding and shall not be included in the calculation of the revenue reconciliation between temporary and permanent rates.

b) The Settling Parties recommend the Commission approve a second step adjustment for further additions to HAWC's service line replacement program and for a new well in HAWC's Eastwood Place system anticipated to be placed in service during 2013. Total additions to HAWC's rate base are anticipated to be approximately \$142,555. This step adjustment permits HAWC to seek Commission approval on or after November 1, 2013, of up to approximately \$112,555 in additional service line replacements, and up to approximately \$30,000 in well costs as more fully defined in Settlement Attachment C. This step adjustment will be subject to an analysis of HAWC's actual rate of return for the 12 months ended September 30, 2013 (the actual rate of return). If HAWC's actual rate of return is equal to or higher than the weighted actual cost of capital finally approved in this rate proceeding, Docket No. DW 12-170, no step adjustment will be sought. If the actual rate of return is less than the finally approved ROR in this case, HAWC may seek recovery of step adjustment revenues that are the lesser of: 1) HAWC's revenue deficiency as calculated at September 30, 2013; or 2) the total revenues produced by applying the applicable rate of return to the service line replacements and well costs, less a half year depreciation, and adding depreciation expense, property taxes, and income taxes thereon. Assuming that the revenues for this second step adjustment are less

than HAWC's revenue deficiency as calculated at September 30, 2013, the rate impact of this step adjustment is estimated to be as shown on Settlement Attachment C, Schedule 6. It is anticipated that HAWC will make a subsequent filing with the Commission after November 1, 2013 which contain the actual finalized costs relative to the service replacements and well project. It is also anticipated that the finalized costs will be reviewed by the NHPUC Audit Staff for the purpose of determining whether plant assets placed into service during 2013 are prudent, used and useful and therefore qualify for inclusion in permanent rates consistent with RSA 378:28. The Settling Parties agree that the second step increase is not eligible for reconciliation with the first effective date of temporary rates previously approved in this proceeding and shall not be included in the calculation of the revenue reconciliation between temporary and permanent rates.

4. Customer Rate Impact

The rate impact of the Settling Parties' recommended revenue requirement resulting from the proposed permanent rates (Settlement Attachment A) and First Step Increase (Settlement Attachment B), both proposed to go into effect as of the date of the Commission's order in this proceeding, is illustrated on Settlement Attachment B, Schedule 6. The Settling Parties recommend the Commission find the following fixed and volumetric rates to be just and reasonable.

The new consumption rate per customer per 100 cubic feet would be \$5.02 which is an increase from the present \$4.74 volumetric rate. The number of general metered customers served by HAWC as of the end of 2011 was 3,039 which has been pro-formed by the Settling Parties to reflect 15 additional customers from HAWC's Fairfield System (acquired in 2012) for a total of 3,054 customers.

The Settling Parties propose no change to the per customer fixed charges:

5/8" meter	\$120 annual charge
3/4" meter	\$240 annual charge
1" meter	\$360 annual charge
1 1/2" meter	\$720 annual charge
2" meter	\$1,200 annual charge

For an average residential customer using 74.08 ccf of water annually, the average annual bill will increase from \$471.14 to \$491.88, or \$20.74 (\$1.73 per month).

5. Rate Case Expenses

HAWC agrees to file with the Commission, no later than fifteen days from the date of a final order in this proceeding, its request for and documentation of its rate case expenses as well as a surcharge for collection of the rate case expenses.

6. Temporary Rate Recoupment

HAWC agrees to file with the Commission, no later than fifteen days from the date of the final order in this proceeding, its calculation of the reconciliation of temporary and permanent rates pursuant to RSA 378:29 and a proposed recoupment surcharge.

7. Financings

The proposed revenue requirement and two step adjustments includes previously-approved financings that have changed and, on April 2, 2013, HAWC advised the Commission of those changes. In Docket No. DW 06-104, the Commission issued Order No. 24,728 on February 7, 2007 approving a financing in the amount of \$267,299 from HAWC's affiliate, Lewis Builders Development, Inc. (Lewis) for various projects including the purchase of three new vehicles. The terms of the proposed financing from Lewis included a 5-year term and a variable interest rate starting at 10.50%. Subsequently, HAWC was offered more favorable financing terms from Ally Financial for the purchase of a pick-up truck which included a 5-year

term at a fixed interest rate of 5.99%. Therefore, HAWC financed the purchase of the pick-up truck with Ally Financial instead of HAWC.

In Docket No. DW 07-133, the Commission issued Order No. 24,831 on March 14, 2008 approving a financing in the amount of \$18,000 from Shribco Realty Two, LLC for the purchase of the Coopers Grove water system. The terms of the approved financing included a 20-year term at a variable interest commencing at 5.50%. Subsequent to receiving Commission approval for this financing, HAWC renegotiated the terms of the loan, thereby reducing the loan amount from \$18,000 to \$12,000 and the interest rate from 5.50% to 0.00%.

In Docket No. DW 10-111, the Commission issued Order No. 25,113 on June 16, 2010 approving a financing in the amount of \$451,465 from Lewis for various capital improvements in 2009 and 2010 including the purchase of a pick-up truck. The terms of the approved financing included a 20-year term at a variable interest rate commencing at 5.50%. Subsequently, HAWC was offered more favorable financing terms from Huntington National Bank for the purchase of the pick-up truck which included a 5-year term at a fixed interest rate of 2.49%. Therefore, HAWC financed the purchase of the pick-up truck with Huntington National Bank.

In Docket No. DW 11-193, the Commission issued Order No. 25, 316 on January 10, 2012 approving a financing in the amount of \$339,400 from Lewis for various capital improvements in 2011 and 2012. The terms of the approved financing included a 20-year term with a variable interest rate commencing at 5.50%. HAWC, however, was able to fund the majority of its capital additions for 2011 and 2012 with its current cash flow. Therefore, HAWC does not anticipate utilizing any of the approved financing in Docket No. DW 11-193.

To the extent the Commission deems re-approval to be necessary, the Settling Parties recommend that the Commission approve the changes to these prior financings.

III. MISCELLANEOUS

A. This settlement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept the settlement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this settlement, and Staff and HAWC are unable to agree with these changes, conditions or findings, the settlement shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

B. Staff and HAWC agree that the Commission's acceptance of the settlement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding other than those specified herein.

C. This settlement may be executed in multiple counterparts, which together shall constitute one settlement.

IN WITNESS WHEREOF, the signatories below have executed this settlement, each being fully authorized to do so, as of the day indicated below.


HAMPSTEAD AREA WATER COMPANY, INC.
By its Attorney,

Date: April 12, 2013

By: 
Robert C. Levine, Esq.

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
By its Attorney,

Date: April 12, 2013

By: 
Marcia A. Brown, Esq.

**DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
REVENUE REQUIREMENT**

Pro-forma Rate Base (Sch 2; Col 8)	\$ 4,997,601	
Rate of Return (Sch 3)	x <u>4.89%</u>	
Operating Income Requirement	244,252	
Less: Pro-forma Operating Income (Sch 4; Col 8)	<u>302,601</u>	
Revenue Deficiency / (Surplus) Before Taxes	(58,349)	
Divided by Tax Factor (Sch 5)	÷ <u>91.50%</u>	
Revenue Deficiency / (Surplus)	(63,769)	
Add: Pro-forma Annual Water Revenues (Sch 4; Col 8)	<u>1,591,851</u>	
Annual Water Revenues after Permanent Rates	\$ 1,528,082	
Less: Pro-forma Test Year Annual Water Revenues*	<u>(1,498,187)</u>	
Proposed Increase in Annual Water Revenues after Permanent Rates	<u>\$ 29,895</u>	
Percentage Increase/Decrease in Annual Water Revenues after Permanent Rates	<table border="1" style="display: inline-table;"><tr><td style="text-align: center;">2.00%</td></tr></table>	2.00%
2.00%		

***Calculation of Pro-forma Test Year Annual Water Revenues:**

Operating Water Revenues - 2011 (Sch 4; Col 1)	\$ 1,492,174
Annualized Water Revenues - Fairfield System (2012) (Sch 4a; Adj 35)	6,013
Pro-forma Test Year Annual Water Revenues	<u>\$ 1,498,187</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Original Rate Filing		Motion to Amend Petition		Permanent Rates			
	5-Quarter Average	Pro-forma Adjust's	Pro-forma Rate Base	Amendments to Original Filing	Amended Pro-forma Rate Base	Pro-forma Adjust's (Sch 2a)	Adj # (Sch 2a)	Pro-forma Rate Base
<u>Net Utility Plant in Rate Base</u>								
Utility Plant in Service	\$ 12,851,665	\$ 493,755	\$ 13,345,420	\$ 150,654	\$ 13,496,074	\$ (562,388)	1 - 4	\$ 12,933,686
Less: Accumulated Depreciation	(3,693,818)	(215,268)	(3,909,086)	(5,564)	(3,914,650)	255,853	5 - 14	(3,658,797)
Net Utility Plant in Service	9,157,847	278,487	9,436,334	145,090	9,581,424	(306,535)		9,274,889
Less: Contributions in Aid of Construction (CIAC)	(6,971,090)	(10,030)	(6,981,120)	(17,190)	(6,998,310)	264,381	15 - 17	(6,733,929)
Add: Accumulated Amortization - CIAC	2,275,931	85,438	2,361,369	643	2,362,012	(126,865)	18 - 24	2,235,147
Net Utility Plant in Rate Base	4,462,688	353,895	4,816,583	128,543	4,945,126	(169,020)		4,776,106
<u>Net Working Capital in Rate Base</u>								
Cash Working Capital	106,426	6,225	112,651	3,525	116,176	(2,550)	25 - 26	113,626
Materials and Supplies	-	23,455	23,455	-	23,455	834	27	24,289
Prepayments - Other	20,672	-	20,672	-	20,672	(6,545)	28	14,127
Prepayments - Taxes	18,882	-	18,882	-	18,882	(5,040)	29 - 30	13,842
Accumulated Deferred Income Taxes - Assets	21,702	-	21,702	-	21,702	-		21,702
Miscellaneous Deferred Debits	-	-	-	-	-	38,546	31 - 32	38,546
Accumulated Deferred Income Taxes - Liabilities	(5,156)	-	(5,156)	-	(5,156)	517	33	(4,639)
Rounding	(2)		(2)	(1)	(3)	3	34	-
Net Working Capital in Rate Base	162,524	29,680	192,204	3,524	195,728	25,767		221,495
TOTAL RATE BASE	\$ 4,625,212	\$ 383,575	\$ 5,008,787	\$ 132,067	\$ 5,140,854	\$ (143,253)		\$ 4,997,601

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO RATE BASE

Adj #

Pro-forma Adjustments to Net Plant:

Plant in Service

1	To modify test year average for Plant in Service from 5-quarter avg to 13-month avg (Per Sch 2b).		\$	(67,154)
2	To accurately reflect Non-Revenue Producing Net Plant in Service in Test-year Rate Base (Per Sch 2c).			(108,094)
3	To record roof installation costs reclassified from operating expenses per Staff Audit Issue # 12: Roof Installation Costs reclassified from Acct # 631, Maint of Structures & Improvements To reflect test year average	\$	2,263	
		+	<u>2</u>	1,132
4	To record excess capacity adjustment for Plant in Service (Per Sch 2d).			<u>(388,272)</u>
	Total Adjustments - Plant in Service		\$	<u>(562,388)</u>

Accumulated Depreciation

5	To modify test year average for Accumulated Depreciation from 5-quarter avg to 13-month avg (Per Sch 2b).		\$	1,214
6	To reflect Co's Accum Depr Adj in rate base at test year average (See Co Adj 23): Additional Accum Depr on test year plant additions To reflect test year average	\$	16,932	
		+	<u>2</u>	8,466
7	To accurately reflect Non-Revenue Producing Net Plant in Service in Test-Year Rate Base (Per Sch 2c).			183,440
8	To reflect Accumulated Depreciation associated with Fairfield System at test year average (See Co Adj A5): Accumulated Depreciation: Fairfield System To reflect test year average		124	
		+	<u>2</u>	62
9	To reflect Accumulated Depreciation associated with Black Rocks System at test year average (See Co Adj A5): Accumulated Depreciation: Black Rocks Water System To reflect test year average		5,440	
		+	<u>2</u>	2,720
10	To adjust Accum Deprec - T & D Mains for the Black Rocks system from 2.20% rate to 2.00% rate: Cost of T & D Mains: Black Rocks System Depreciation Rate - T & D Mains Accumulated Depreciation - T & D Mains: Black Rocks System @ 2.00% Less: Accumulated Depreciation - T & D Mains: Black Rocks System @ 2.20% Adjustment to Accumulated Depreciation - T & D Mains: Black Rocks System To reflect test year average	\$	61,842	
			<u>2.00%</u>	(1,237)
				<u>1,360</u>
				123
		+	<u>2</u>	62
11	To adjust Accum Depr - T & D Mains per Staff Audit Issue # 3 (Per Sch 2e): Adjustment to Reduce Accumulated Depreciation - T & D Mains To reflect test year average		20,802	
		+	<u>2</u>	10,401
12	To reclassify proceeds from sale of fully depreciated vehicle per Staff Audit Issue # 4: Proceeds from sale of fully depreciated vehicle To reflect test year average		(750)	
		+	<u>2</u>	(375)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO RATE BASE

Adi #

13	To record accumulated depreciation on roof installation costs reclassified from operating expenses per Staff Audit Issue # 12: Roof Installation Costs reclassified from Acct # 631, Maint of Structures & Improvements	2,263	
	Depreciation Rate for Acct # 304, Struct's & Improve's of 2.50% @ 1/2 yr convention	x 1.25%	
	Accumulated Depreciation on roof installation costs	(28)	
	To reflect test year average	+ 2	(14)
14	To record excess capacity adjustment for Accumulated Depreciation (Per Sch 2d).		49,878
	Total Adjustments - Accumulated Depreciation		\$ 255,853
<u>Contributions in Aid of Construction (CIAC)</u>			
15	To modify test year average for CIAC from 5-quarter avg to 13-month avg (Per Sch 2b).		\$ 1,543
16	To reverse Co pro-forma to reflect CIAC at 12/31/11 value rather than at test-year average (See Co Adj 25).		10,030
17	To record excess capacity adjustment for CIAC (Per Sch 2d).		252,808
	Total Adjustments - CIAC		\$ 264,381
<u>Accumulated Amortization - CIAC</u>			
18	To modify test year average for Accumulated Amortization - CIAC from 5-quarter avg to 13-month avg (Per Sch 2b).		\$ 753
19	To reverse Co pro-forma to reflect Accum Amort - CIAC at 12/31/11 value rather than test-year average (See Co Adj 26).		(85,108)
20	To reflect Co's Accum Amort - CIAC Adj in rate base at test year average (See Co Adj 27): Additional Accum Amort - CIAC on test year plant additions	\$ (330)	
	To reflect test year average	+ 2	(165)
21	To reflect Accum Amort - CIAC associated with Black Rocks System at test year average (See Co Adj A7): Accum Amort - CIAC: Black Rocks Water System	(643)	
	To reflect test year average	+ 2	(322)
22	To adj Accumulated Amortization-CIAC - T & D Mains for the Black Rocks system from 2.20% rate to 2.00% rate: CIAC on T & D Mains: Black Rocks System	\$ (8,165)	
	Amortization Rate-CIAC - T & D Mains	2.00%	
	Accumulated Amortization-CIAC - T & D Mains: Black Rocks System @ 2.00%	163	
	Less: Accumulated Amortization-CIAC - T & D Mains: Black Rocks System @ 2.20%	(181)	
	Adjustment to Accumulated Amortization-CIAC - T & D Mains: Black Rocks System	(18)	
	To reflect test year average	+ 2	(9)
23	To adjust Accum Amort-CIAC - T & D Mains per Staff Audit Issue # 3 (Per Sch 2f): Adjustment to Reduce Accum Amort-CIAC - T & D Mains	(13,379)	
	To reflect Average Rate Base	+ 2	(6,690)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO RATE BASE

Adj #

24	To record excess capacity adjustment for Accumulated Amortization - CIAC (Per Sch 2d).		<u>(35,325)</u>
	Total Adjustments - Accumulated Amortization - CIAC		<u>\$ (126,865)</u>

Working Capital:

Cash Working Capital

25	To modify test year Cash Working Capital to 13-month avg (Per Sch 2b).		\$ 2,808
26	To adjust Cash Working Capital for pro-forma adj's to O&M Expenses: Net pro-forma adj's to O&M Expenses (Sch 4; Col 6) Cash Working Capital Percentage (Monthly Billing)	\$ (43,453) 12.33%	<u>(5,357)</u>
	Total Adjustments - Cash Working Capital		<u>\$ (2,550)</u>

Materials and Supplies

27	To adjust test year average for Materials and Supplies from 5-quarter avg to 13-month average: 13-Month Average for Materials and Supplies (Per Sch 2b) Less: 5-Quarter Average for Materials and Supplies (Per Co Adj 24)	\$ 24,289 <u>(23,455)</u>	\$ 834
	Total Adjustments - Materials and Supplies		<u>\$ 834</u>

Prepayments - Other

28	To modify test year average for Prepayments - Other from 5-quarter avg to 13-month avg (Per Sch 2b).		<u>\$ (6,545)</u>
	Total Adjustments - Prepayments - Other		<u>\$ (6,545)</u>

Prepayments - Taxes

29	To modify test year average for Prepayments - Taxes from 5-quarter avg to 13-month avg (Per Sch 2b).		\$ (4,396)
30	To reduce Prepaid Taxes by refunded amount per Staff Audit Issue # 18: Prepaid taxes refunded to Company To reflect Test Year Average	\$ (1,288) 2	<u>(644)</u>
	Total Adjustments - Prepayments - Taxes		<u>\$ (5,040)</u>

Miscellaneous Deferred Debits

31	To record 13-month test year average for Miscellaneous Deferred Debits (Per Sch 2b).		\$ 44,119
32	To adjust test-year avg of Miscellaneous Deferred Debits (Per Sch 2g).		<u>(5,573)</u>
	Total Adjustments - Miscellaneous Deferred Debits		<u>\$ 38,546</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO RATE BASE

Adj #

Accumulated Deferred Income Taxes - Liabilities

33	To modify test year average for Accum Deferred Income Taxes - Liabilities from 5-quarter avg to 13-month avg (Per Sch 2b).	\$	517
	Total Adjustments - Accumulated Deferred Income Taxes - Liabilities	\$	517

Rounding

34	To eliminate rounding (Sch 2; Col 5).	\$	3
	Total Adjustments - Rounding	\$	3
	Total Pro-forma Adjustments to Rate Base	\$	(143,253)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF 13-MONTH AVERAGE RATE BASE

	For the Month Ended												13-Month Average	Test Year Average (Per Co Filing)	Adjustment	
	12/31/10	01/31/11	02/28/11	03/31/11	04/30/11	05/31/11	06/30/11	07/31/11	08/31/11	09/30/11	10/31/11	11/30/11				12/31/11
Net Utility Plant in Rate Base																
Total Utility Plant	\$ 12,587,647	\$ 12,550,411	\$ 12,591,528	\$ 12,581,653	\$ 12,591,322	\$ 12,603,342	\$ 12,613,779	\$ 12,624,201	\$ 12,631,227	\$ 13,129,827	\$ 13,150,438	\$ 13,157,851	\$ 13,345,420	\$ 12,784,511	\$ 12,851,665	\$ (67,154)
Less: Accumulated Depreciation	(3,508,268)	(3,541,268)	(3,574,268)	(3,595,593)	(3,621,038)	(3,654,038)	(3,687,038)	(3,720,038)	(3,753,038)	(3,786,038)	(3,819,038)	(3,852,038)	(3,892,154)	(3,692,604)	(3,693,818)	1,214
Net Utility Plant in Service	9,079,379	9,049,143	9,017,260	8,986,060	8,970,284	8,949,304	8,926,741	8,904,163	8,878,189	9,343,789	9,331,400	9,305,813	9,453,266	9,091,907	9,157,847	(65,940)
Less: Contributions in Aid of Construction	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,974,958)	(6,974,958)	(6,974,958)	(6,981,120)	(6,969,547)	(6,971,090)	1,543
Add: Accumulated Amortization - CIAC	2,187,154	2,202,154	2,217,154	2,232,154	2,247,154	2,262,154	2,277,154	2,292,154	2,307,154	2,322,154	2,337,154	2,352,154	2,361,039	2,276,684	2,275,931	753
Net Utility Plant in Rate Base	\$ 4,300,075	\$ 4,284,839	\$ 4,267,956	\$ 4,251,756	\$ 4,250,980	\$ 4,245,000	\$ 4,237,437	\$ 4,229,859	\$ 4,218,885	\$ 4,690,985	\$ 4,693,596	\$ 4,683,009	\$ 4,833,185	\$ 4,399,043	\$ 4,462,688	\$ (63,645)
Net Working Capital in Rate Base																
Cash Working Capital:																
12-Month O&M Expenses	\$ 917,115	\$ 917,806	\$ 913,490	\$ 882,880	\$ 869,361	\$ 868,518	\$ 860,686	\$ 860,814	\$ 880,713	\$ 897,838	\$ 893,929	\$ 891,975	\$ 863,145	\$ 886,005	\$ 863,144	\$ 22,861
Cash Working Capital % (45 days / 365 days)	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%	x 12.33%
Cash Working Capital	113,069	113,154	112,622	108,824	107,181	107,078	106,112	106,128	108,581	110,692	110,210	109,970	106,415	109,234	106,426	2,808
Materials and Supplies	16,273	16,273	15,663	19,347	35,020	36,061	36,061	34,667	27,642	23,156	16,582	16,582	22,436	24,289	-	24,289
Prepayments - Other	11,440	11,326	10,351	13,183	13,948	13,622	13,999	13,590	17,788	16,566	17,381	14,580	15,881	14,127	20,672	(6,545)
Prepayments - Taxes	32,621	17,674	2,727	-	-	-	32,289	17,453	2,617	-	-	41,223	41,718	14,486	18,802	(4,396)
Accumulated Deferred Income Taxes - Assets	22,348	22,240	22,133	22,025	21,917	21,809	21,702	21,594	21,486	21,378	21,271	21,163	21,055	21,702	21,702	(0)
Miscellaneous Deferred Debits	45,710	44,948	44,396	43,724	42,962	43,201	42,712	42,769	43,496	42,969	42,323	43,743	50,596	44,119	-	44,119
Accumulated Deferred Income Taxes - Liabilities	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(8,522)	(4,639)	(5,156)	517
Net Working Capital in Rate Base	\$ 237,146	\$ 221,300	\$ 203,577	\$ 202,788	\$ 216,713	\$ 217,456	\$ 248,560	\$ 231,866	\$ 217,295	\$ 210,446	\$ 203,452	\$ 242,946	\$ 249,579	\$ 223,319	\$ 162,526	\$ 60,793
TOTAL RATE BASE	<u>\$ 4,537,221</u>	<u>\$ 4,506,139</u>	<u>\$ 4,471,533</u>	<u>\$ 4,454,544</u>	<u>\$ 4,467,693</u>	<u>\$ 4,462,456</u>	<u>\$ 4,465,997</u>	<u>\$ 4,461,745</u>	<u>\$ 4,436,180</u>	<u>\$ 4,901,431</u>	<u>\$ 4,897,048</u>	<u>\$ 4,925,955</u>	<u>\$ 5,082,764</u>	<u>\$ 4,622,362</u>	<u>\$ 4,625,214</u>	<u>\$ (2,852)</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF PRO-FORMA ADJUSTMENTS FOR NON-REVENUE PRODUCING ASSETS

	In-Service Date	Cost	Svc Per	Depr Rate	Accumulated Depreciation @ 12/31/11	Adjustment to Reflect Full Yr Depr	Pro-forma Accumulated Depreciation	Plant in Service Adjustment Test Year Average	Pro-forma Adjustment	Accum Deprec Test Year Average	Adjustment Pro-forma Adjustment
Lancaster Farm: Well Failure - New Well and Pump House Addition											
304 Structures and Improvements:											
1554 Well House Addition	12/31/11	\$ 20,830	40	2.50%	\$ (260) +	\$ (260) =	\$ (521)	\$ 1,602	\$ 19,227	\$ (150)	\$ (371)
307 Wells and Springs:											
1556 Well (2010) - 510 feet deep	12/31/11	27,703	30	3.33%	(462) +	(462) =	(923)	2,131	25,572	(266)	(657)
309 Supply Mains:											
1557 Supply Mains	12/31/11	435	50	2.00%	(4) +	(4) =	(9)	33	402	(3)	(6)
311 Pumping Equipment:											
1564 Well Pump (RAD Well)	12/31/11	3,619	10	10.00%	(181) +	(181) =	(362)	278	3,341	(104)	(258)
1565 Control Panel	12/31/11	3,793	10	10.00%	(190) +	(190) =	(379)	292	3,501	(109)	(270)
1566 Labor to Install Pumping Equipment	12/31/11	716	10	10.00%	(36) +	(36) =	(72)	55	661	(21)	(51)
1567 4 - Silent Check Valves	12/31/11	2,158	10	10.00%	(108) +	(108) =	(216)	166	1,992	(62)	(154)
1568 Labor and Miscellaneous Materials for Pumping Equipment	12/31/11	1,347	10	10.00%	(67) +	(67) =	(135)	104	1,243	(39)	(96)
1569 Labor and Miscellaneous Material to Wire Pumping Equipment	12/31/11	6,652	10	10.00%	(333) +	(333) =	(665)	512	6,140	(192)	(473)
Sub-total: Pumping Equipment		18,285					(1,829)	1,407	16,878	(527)	(1,301)
320 Water Treatment:											
1559 USA Blue Book - various invoices	12/31/11	65	28	3.57%	(1) +	(1) =	(2)	5	60	(1)	(2)
Total: Lancaster Farm: Well Failure - New Well and Pump House Addition		67,319					(3,284)	5,178	62,140	(947)	(2,336)
Pope Road Project - New Wells and Pumphouse (DW 10-241)											
304 Structures and Improvements:											
1520 Pope Road Pump Station (WR 45)	09/30/11	88,391	40	2.50%	(1,105) +	(1,105) =	(2,210)	27,197	61,194	(637)	(1,572)
1526 Pope Road Pump House (WR 45)	09/30/11	55,051	40	2.50%	(688) +	(688) =	(1,376)	16,939	38,112	(397)	(979)
1528 Utility Refund - 2011 Pope Road Station	11/02/11	(5,222)	40	2.50%	65 +	65 =	131	(803)	(4,418)	38	93
Sub-total: Structures and Improvements		138,220					(3,456)	43,333	94,888	(997)	(2,459)
307 Wells and Springs:											
1521 Pope Road Wells (WR 45)	09/30/11	5,690	30	3.33%	(95) +	(95) =	(190)	1,751	3,939	(55)	(135)
1527 Pope Road Wells (WR 45)	09/30/11	118,786	30	3.33%	(1,980) +	(1,980) =	(3,960)	36,550	82,236	(1,142)	(2,817)
Sub-total: Wells and Springs		124,476					(4,149)	38,300	86,176	(1,197)	(2,952)
309 Supply Mains:											
1522 Pope Road Supply Mains (WR 45)	09/30/11	15,978	50	2.00%	(160) +	(160) =	(320)	4,916	11,062	(92)	(227)
311 Pumping Equipment:											
1531 Pope Rd - 5001VA Transformer	06/01/11	526	10	10.00%	(26) +	(26) =	(53)	283	243	(15)	(37)
1532 Pope Rd - Electrical Equipment and Labor for Pump Station	06/01/11	6,920	10	10.00%	(346) +	(346) =	(692)	3,726	3,194	(200)	(492)
1533 Pope Rd - Misc Fittings	06/02/11	7	10	10.00%	(0) +	(0) =	(1)	4	3	(0)	(1)
1534 Pope Rd - Misc Fittings	06/06/11	246	10	10.00%	(12) +	(12) =	(25)	132	113	(7)	(17)
1535 Pope Rd - 3x2 Brass	06/07/11	47	10	10.00%	(2) +	(2) =	(5)	25	22	(1)	(3)
1536 Pope Rd - Esteem Resources Software	06/10/11	2,008	10	10.00%	(100) +	(100) =	(201)	1,081	927	(58)	(143)
1537 Pope Rd - Balance of Electrical Equip & Labor for Pump Station	06/22/11	2,454	10	10.00%	(123) +	(123) =	(245)	1,322	1,133	(71)	(175)
1538 Pope Rd - SCADA Ethermeter	09/30/11	831	10	10.00%	(42) +	(42) =	(83)	256	575	(24)	(59)
1539 Pope Rd - Inj. 2" MNPT Inlet/Outlet	09/30/11	597	10	10.00%	(30) +	(30) =	(60)	184	414	(17)	(43)
1540 Pope Rd - CR32-3-2 3 Phase GRUNDFOS	09/30/11	10,066	10	10.00%	(503) +	(503) =	(1,007)	3,098	6,970	(290)	(716)
1541 Pope Rd - 14" Neptune Turbine Meter & 2 3" Neptune Meters	09/30/11	5,388	10	10.00%	(269) +	(269) =	(539)	1,658	3,730	(155)	(383)
1542 Pope Rd - SCADA Control Panel	09/30/11	22,358	10	10.00%	(1,118) +	(1,118) =	(2,236)	6,879	15,479	(645)	(1,591)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF PRO-FORMA ADJUSTMENTS FOR NON-REVENUE PRODUCING ASSETS

	In-Service Date	Cost	Svc Per	Depr Rate	Accumulated Depreciation @ 12/31/11	Adjustment to Reflect Full Yr Depr	Pro-forma Accumulated Depreciation	Plant in Service Adjustment		Accum Deprec Adjustment	
								Test Year Average	Pro-forma Adjustment	Test Year Average	Pro-forma Adjustment
1543 Pope Rd - 2 FL-40 Flexlite Well Tanks & 1 50-gal Solution Tank	09/30/11	1,239	10	10.00%	(62) +	(62) =	(124)	381	858	(36)	(88)
1544 Pope Rd - USA Bluebook - various items	09/30/11	4,125	10	10.00%	(206) +	(206) =	(413)	1,269	2,856	(119)	(294)
1545 Pope Rd - USA Bluebook - various items	09/30/11	2,306	10	10.00%	(115) +	(115) =	(231)	710	1,597	(67)	(164)
1546 Pope Rd - Asahi Butterfly Valve 6"	09/30/11	335	10	10.00%	(17) +	(17) =	(33)	103	232	(10)	(24)
1547 Pope Rd - 3" Hymax Flange Adapter	09/30/11	200	10	10.00%	(10) +	(10) =	(20)	62	138	(6)	(14)
1548 Pope Rd - GSG Supply - various items	09/30/11	2,318	10	10.00%	(116) +	(116) =	(232)	713	1,605	(67)	(165)
1549 Pope Rd - GSG Supply - various items	09/30/11	56	10	10.00%	(3) +	(3) =	(6)	17	39	(2)	(4)
1550 Pope Rd - Silent Check Valve 3"	09/30/11	173	10	10.00%	(9) +	(9) =	(17)	53	120	(5)	(12)
1552 Pope Rd - Samson Fasiener - various items	09/30/11	88	10	10.00%	(4) +	(4) =	(9)	27	61	(3)	(6)
1553 Pope Rd - HAWC Labor for Pump Station	09/30/11	900	10	10.00%	(45) +	(45) =	(90)	277	623	(26)	(64)
Sub-total: Pumping Equipment		63,190					(6,319)	22,260	40,929	(1,823)	(4,496)
320 Water Treatment:											
1523 Pope Road - (2) Marlo MGA-72-3 SGL Filters (WR 45)	09/30/11	41,226	28	3.57%	(736) +	(736) =	(1,472)	12,685	28,541	(425)	(1,048)
330 Distribution Reservoirs and Standpipes:											
1524 Pope Road - 20,000 gal Wildco Storage Tank (WR 45)	09/30/11	65,762	45	2.22%	(731) +	(731) =	(1,461)	20,235	45,528	(422)	(1,040)
331 Transmission and Distribution Mains:											
1525 Pope Road - Mains	09/30/11	23,685	50	2.00%	(237) +	(237) =	(474)	7,288	16,397	(137)	(337)
Total: Pope Road Project - New Wells and Pumpouse (DW 10-241)		472,538					(17,651)	149,017	323,521	(5,092)	(12,559)
Grand Total: All Non-Revenue Producing Assets		\$ 539,856					\$ (20,934)	\$ 154,195	\$ 385,661	\$ (6,039)	\$ (14,896)
Less: Co's Pro-forma Adj's # 21 & # 22 to reflect Plant in Service and Accumulated Depreciation in Rate Base as of 12/31/11 rather than at Test-Year Average									(493,755)		198,336
Pro-forma Adj's to Accurately reflect Non-Revenue Producing Assets in Test-Year Rate Base								\$ (108,094)			\$ 183,440

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF EXCESS CAPACITY ADJUSTMENTS

	Mill Woods			Waterford Village			Autumn Hills			Total Adjustments
	Unadjusted	Adjustment	Adjusted	Unadjusted	Adjustment	Adjusted	Unadjusted	Adjustment	Adjusted	
Average Plant in Service	\$ 179,650	\$ (8,510)	\$ 171,140	\$ 210,199	\$ (37,836)	\$ 172,363	\$ 163,702	\$ (81,851)	\$ 81,851	
Average Accumulated Depreciation	(37,160)	1,760	(35,400)	(52,875)	9,518	(43,358)	(38,702)	19,351	(19,351)	
Net Average Plant in Service	<u>142,490</u>	<u>(6,750)</u>	<u>135,740</u>	<u>157,324</u>	<u>(28,318)</u>	<u>129,006</u>	<u>125,000</u>	<u>(62,500)</u>	<u>62,500</u>	
Average CIAC	(126,083)	5,972	(120,111)	(146,666)	26,400	(120,266)	(129,139)	64,570	(64,570)	
Average Accum Amort - CIAC	25,590	(1,212)	24,378	36,961	(6,653)	30,308	28,145	(14,073)	14,073	
Net Average CIAC	<u>(100,493)</u>	<u>4,760</u>	<u>(95,733)</u>	<u>(109,705)</u>	<u>19,747</u>	<u>(89,958)</u>	<u>(100,994)</u>	<u>50,497</u>	<u>(50,497)</u>	
Net Average Plant in Rate Base	<u>\$ 41,997</u>	<u>\$ (1,989)</u>	<u>\$ 40,008</u>	<u>\$ 47,619</u>	<u>\$ (8,571)</u>	<u>\$ 39,048</u>	<u>\$ 24,006</u>	<u>\$ (12,003)</u>	<u>\$ 12,003</u>	
Depreciation Expense	\$ 6,219	\$ (295)	\$ 5,924	\$ 9,566	\$ (1,722)	\$ 7,844	\$ 7,767	\$ (3,884)	\$ 3,884	
Amortization Expense - CIAC	(4,277)	203	(4,074)	(6,170)	1,111	(5,059)	(5,639)	2,820	(2,820)	
Net Depreciation Expense	<u>\$ 1,942</u>	<u>\$ (92)</u>	<u>\$ 1,850</u>	<u>\$ 3,396</u>	<u>\$ (611)</u>	<u>\$ 2,785</u>	<u>\$ 2,128</u>	<u>\$ (1,064)</u>	<u>\$ 1,064</u>	
	Coopers Grove			Sargent Woods			Black Rocks			Total Adjustments
	Unadjusted	Adjustment	Adjusted	Unadjusted	Adjustment	Adjusted	Unadjusted	Adjustment	Adjusted	
Average Plant in Service	\$ 162,821	\$ (92,265)	\$ 70,556	\$ 181,124	\$ (78,789)	\$ 102,335	\$ 164,527	\$ (89,021)	\$ 75,506	\$ (388,272)
Average Accumulated Depreciation	(16,241)	9,203	(7,038)	(14,533)	6,322	(8,211)	(6,883)	3,724	(3,159)	49,878
Net Average Plant in Service	<u>146,580</u>	<u>(83,062)</u>	<u>63,518</u>	<u>166,591</u>	<u>(72,467)</u>	<u>94,124</u>	<u>157,644</u>	<u>(85,297)</u>	<u>72,347</u>	<u>(338,394)</u>
Average CIAC	(139,591)	79,102	(60,489)	(145,759)	63,405	(82,354)	(24,690)	13,359	(11,331)	252,808
Average Accum Amort - CIAC	13,968	(7,915)	6,053	11,879	(5,167)	6,712	563	(305)	258	(35,325)
Net Average CIAC	<u>(125,623)</u>	<u>71,186</u>	<u>(54,437)</u>	<u>(133,880)</u>	<u>58,238</u>	<u>(75,642)</u>	<u>(24,127)</u>	<u>13,054</u>	<u>(11,073)</u>	<u>217,483</u>
Net Average Plant in Rate Base	<u>\$ 20,957</u>	<u>\$ (11,876)</u>	<u>\$ 9,081</u>	<u>\$ 32,711</u>	<u>\$ (14,229)</u>	<u>\$ 18,482</u>	<u>\$ 133,517</u>	<u>\$ (72,242)</u>	<u>\$ 61,275</u>	<u>\$ (120,911)</u>
Depreciation Expense	\$ 7,227	\$ (4,095)	\$ 3,132	\$ 7,614	\$ (3,312)	\$ 4,302	\$ 6,142	\$ (3,323)	\$ 2,819	\$ (16,631)
Amortization Expense - CIAC	(6,202)	3,514	(2,688)	(5,950)	2,588	(3,362)	(1,125)	609	(516)	10,844
Net Depreciation Expense	<u>\$ 1,025</u>	<u>\$ (581)</u>	<u>\$ 444</u>	<u>\$ 1,664</u>	<u>\$ (724)</u>	<u>\$ 940</u>	<u>\$ 5,017</u>	<u>\$ (2,715)</u>	<u>\$ 2,302</u>	<u>\$ (5,786)</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF EXCESS CAPACITY ADJUSTMENTS

Calculation of Excess Capacity Percentage:

	Full Build-out in DW 08-065	Current Full Build-out	Customers 12/31/11	Customers 12/31/12	Increase in Customers From 12/31/11 To 12/31/12	Excess Capacity Customers @ 12/31/11	Excess Capacity Percentage	Settlement Factor	Applied Excess Capacity Percentage
1	Bricketts Mill	29	35	35	-	-	0.00%		
002	Dearborn Ridge	11	11	10	(1)	-	0.00%		
2	Bryant Woods	326	305	305	-	-	0.00%		
3	Camelot Court	19	19	19	-	-	0.00%		
4	Colby Pond	173	160	158	(2)	-	0.00%		
5	Cornerstone	81	77	77	1	1	1.30%		
6	Cricket Hill / Maplevale	128	122	122	1	1	0.82%		
7	Hampstead Core	778	797	797	20	20	2.51%		
8	Kent Farm	261	252	252	2	2	0.79%		
9	Lamplighter	56	56	56	-	-	0.00%		
10	Oak Hill	50	60	60	-	-	0.00%		
11	Rainbow Ridge	15	15	15	-	-	0.00%		
12	Stoneford	75	74	74	-	-	0.00%		
13	Walnut Ridge	738	762	762	2	2	0.26%		
14	Lancaster Farm	85	84	83	(1)	-	0.00%		
15	Woodland Pond	137	104	104	-	-	0.00%		
0015	Bartlett Brook	-	38	31	38	7	7	18.42%	
16	Mill Woods	38	38	35	38	3	7.89% x	60.00% =	4.74%
17	Waterford Village	40	40	28	28	12	30.00% x	60.00% =	18.00%
18	Autumn Hills	24	24	4	4	20	83.33% x	60.00% =	50.00%
19	Coopers Grove	-	18	1	4	3	94.44% x	60.00% =	56.67%
20	Sargent Woods	-	80	22	33	11	72.50% x	60.00% =	43.50%
21	Black Rocks	-	112	11	31	20	90.18% x	60.00% =	54.11%
22	Fairfield	-	15	-	15	15	100.00%		
	Totals	3,064	3,298	3,039	3,120	81	259	7.85%	

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES

ACCOUNT # 331, TRANSMISSION AND DISTRIBUTION MAINS: CALCULATION OF ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE ADJUSTMENTS
PER STAFF AUDIT ISSUE # 3

Asset #	Description	In Service Date	Cost Basis	Depreciation @ 2.22% (45 Years)			Depreciation @ 2.00% (50 Years)		
				Accumulated Depreciation @ 12/31/10	2011 Depreciation Expense	Accumulated Depreciation @ 12/31/11	Accumulated Depreciation @ 12/31/10	2011 Depreciation Expense	Accumulated Depreciation @ 12/31/11
53	LBD # 9288 - Repair Leak	06/22/10	\$ 2,651.20	\$ (29.00)	\$ (58.92)	\$ (87.92)	\$ (26.10)	\$ (53.02)	\$ (79.12)
210	Mains	06/30/01	85,000.00	(12,155.00)	(1,888.89)	(14,043.89)	(10,939.50)	(1,700.00)	(12,639.50)
235	Sheet # 24 - LBD # 9223 - Remove Check Valves	04/30/10	1,769.26	(19.00)	(39.32)	(58.32)	(17.10)	(35.39)	(52.49)
240	Sheet # 27 - Rebuilt Pipe at Pit Hatch	11/30/10	2,163.05	(48.00)	(48.07)	(96.07)	(43.20)	(43.26)	(86.46)
358	LBD # 9485 - Patched Hot Top	09/22/10	2,525.70	(28.00)	(56.13)	(84.13)	(25.20)	(50.51)	(75.71)
377	5,190' - 8" Main	06/30/01	126,000.00	(18,018.00)	(2,800.00)	(20,818.00)	(16,216.20)	(2,520.00)	(18,736.20)
378	4,040' - 6" Main	06/30/01	67,500.00	(9,652.50)	(1,500.00)	(11,152.50)	(8,687.25)	(1,350.00)	(10,037.25)
379	4,120' - 4" Main	06/30/01	110,000.00	(15,730.00)	(2,444.44)	(18,174.44)	(14,157.00)	(2,200.00)	(16,357.00)
468	Labor - 32 Hours	06/30/04	1,200.93	(117.00)	(26.69)	(143.69)	(105.30)	(24.02)	(129.32)
469	Labor - 1.5 Hours	06/30/05	87.48	(9.00)	(1.94)	(10.94)	(8.10)	(1.75)	(9.85)
470	Equipment - 23.5 Hours (11/04 - 12/05)	11/15/04	1,930.00	(189.00)	(42.89)	(231.89)	(170.10)	(38.60)	(208.70)
471	Haverhill Steel - Various Used Pipe	09/17/04	565.00	(54.00)	(12.56)	(66.56)	(48.60)	(11.30)	(59.90)
472	Ferguson Waterworks - Red Hed	10/12/04	2,419.14	(238.50)	(53.76)	(292.26)	(214.65)	(48.38)	(263.03)
473	EJ Prescott	10/14/04	30.17	(4.50)	(0.67)	(5.17)	(4.05)	(0.60)	(4.65)
474	EJ Prescott	10/14/04	19.39	-	(0.43)	(0.43)	-	(0.39)	(0.39)
475	Ferguson Waterworks - 100' SDR21 CL200 PVC GJ Pipe	10/27/04	362.60	(36.00)	(8.06)	(44.06)	(32.40)	(7.25)	(39.65)
476	EJ Prescott - 280' SDR21 CL 200 Pipe	11/08/04	1,330.00	(130.50)	(29.56)	(160.06)	(117.45)	(26.60)	(144.05)
477	EJ Prescott - 20' SDR21 CL 200 Pipe	11/22/04	95.00	(9.00)	(2.11)	(11.11)	(8.10)	(1.90)	(10.00)
478	EJ Prescott - Misc Items	11/22/04	2,446.04	(243.00)	(54.36)	(297.36)	(218.70)	(48.92)	(267.62)
479	Redstone Inc - Asphalt	10/07/05	35.04	(4.50)	(0.78)	(5.28)	(4.05)	(0.70)	(4.75)
480	Lewis Equipment Co - Fabricate Pipe	10/22/04	230.00	(22.50)	(5.11)	(27.61)	(20.25)	(4.60)	(24.85)
481	Lewis Equipment Co - Fabricate Pipe	12/31/04	820.00	(81.00)	(18.22)	(99.22)	(72.90)	(16.40)	(89.30)
482	Town of Atkinson - Police Duty	11/10/04	864.00	(85.50)	(19.20)	(104.70)	(76.95)	(17.28)	(94.23)
483	Trenchless Technologies of NE Inc. - Drill Under Road	10/26/04	3,040.00	(301.50)	(67.56)	(369.06)	(271.35)	(60.80)	(332.15)
484	Hampstead Area Water Co - Misc Invoices - Labor (11/04 - 9/05)	11/15/04	991.40	(99.00)	(22.03)	(121.03)	(89.10)	(19.83)	(108.93)
485	Hampstead Area Water Co - Inv # 1074 - Labor	08/31/05	171.33	(18.00)	(3.81)	(21.81)	(16.20)	(3.43)	(19.63)
486	Equipment - 29 Hours Extend Watermain (5/06 - 6/06)	05/16/06	1,945.00	(193.50)	(43.22)	(236.72)	(174.15)	(38.90)	(213.05)
487	Inventory Transfers - Extend Watermain (5/06 - 6/06)	05/16/06	3,856.88	(382.50)	(85.71)	(468.21)	(344.25)	(77.14)	(421.39)
488	Labor - 74 Hrs Extend Watermain (5/06 - 6/06)	05/16/06	2,617.68	(261.00)	(58.17)	(319.17)	(234.90)	(52.35)	(287.25)
496	Sheet # 47 - 1770 lf	11/10/09	106,494.00	(3,514.00)	(2,366.53)	(5,880.53)	(3,162.60)	(2,129.88)	(5,292.48)
497	Sheet # 48 - 2600 lf	11/10/09	156,432.00	(5,163.00)	(3,476.27)	(8,639.27)	(4,646.70)	(3,128.64)	(7,775.34)
498	Sheet # 49 - 2087 lf	11/10/09	125,567.00	(4,143.00)	(2,790.38)	(6,933.38)	(3,728.70)	(2,511.34)	(6,240.04)
499	Sheet # 50 - 2590 lf	11/10/09	155,831.00	(5,142.00)	(3,462.91)	(8,604.91)	(4,627.80)	(3,116.62)	(7,744.42)
500	Sheet # 51 - 2474 lf	11/10/09	148,851.00	(4,912.00)	(3,307.80)	(8,219.80)	(4,420.80)	(2,977.02)	(7,397.82)
669	Mains	06/30/05	18,185.00	(2,200.00)	(404.11)	(2,604.11)	(1,980.00)	(363.70)	(2,343.70)
683	5,035' 8" Water Mains	06/30/01	144,000.00	(20,592.00)	(3,200.00)	(23,792.00)	(18,532.80)	(2,880.00)	(21,412.80)
684	700' 4" Water Mains	06/30/01	16,500.00	(2,359.50)	(366.67)	(2,726.17)	(2,123.55)	(330.00)	(2,453.55)
733	Sheet 37 - LBD # 9300 - Hog Hill Culvert	06/30/10	10,266.76	(113.00)	(228.15)	(341.15)	(101.70)	(205.34)	(307.04)
772	Mains	06/30/05	50,184.00	(6,072.00)	(1,115.20)	(7,187.20)	(5,464.80)	(1,003.68)	(6,468.48)
905	LBD Equipment - 275 Hours	10/16/04	21,712.50	(2,151.00)	(482.50)	(2,633.50)	(1,935.90)	(434.25)	(2,370.15)
906	LBD Equipment - 25.5 Hours	11/15/05	2,900.00	(288.00)	(64.44)	(352.44)	(259.20)	(58.00)	(317.20)
907	LBD Labor - 116.5 Hours	06/30/04	3,633.34	(360.00)	(80.74)	(440.74)	(324.00)	(72.67)	(396.67)
908	LBD Labor - 484.5 Hours	06/30/05	17,917.92	(1,773.00)	(398.18)	(2,171.18)	(1,595.70)	(358.36)	(1,954.06)
909	LBD Labor - 13 Hours	12/23/04	434.85	(45.00)	(9.66)	(54.66)	(40.50)	(8.70)	(49.20)
910	LBD Labor - 73.5 Hours	06/30/05	2,632.32	(261.00)	(58.50)	(319.50)	(234.90)	(52.65)	(287.55)
911	LBD Inventory - Materials	11/15/04	24,033.38	(2,380.50)	(534.08)	(2,914.58)	(2,142.45)	(480.67)	(2,623.12)
912	HAWC Labor	12/31/04	51.41	(4.50)	(1.14)	(5.64)	(4.05)	(1.03)	(5.08)
913	HAWC Labor	04/30/05	416.08	(40.50)	(9.25)	(49.75)	(36.45)	(8.32)	(44.77)
924	Water Main - Kent Farm Road up to Tank	09/15/06	286,789.71	(28,390.50)	(6,373.10)	(34,763.60)	(25,551.45)	(5,735.79)	(31,287.24)
1103	1,810' Mains	06/30/05	61,837.34	(7,480.00)	(1,374.16)	(8,854.16)	(6,732.00)	(1,236.75)	(7,968.75)
1104	Sampling Station	11/21/08	986.38	(82.00)	(21.92)	(103.92)	(73.80)	(19.73)	(93.53)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
ACCOUNT # 331, TRANSMISSION AND DISTRIBUTION MAINS: CALCULATION OF ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE ADJUSTMENTS
PER STAFF AUDIT ISSUE # 3

Asset #	Description	In Service Date	Cost Basis	Depreciation @ 2.22% (45 Years)			Depreciation @ 2.00% (50 Years)		
				Accumulated Depreciation @ 12/31/10	2011 Depreciation Expense	Accumulated Depreciation @ 12/31/11	Accumulated Depreciation @ 12/31/10	2011 Depreciation Expense	Accumulated Depreciation @ 12/31/11
1179	LBD Sand and Gravel	07/16/05	1,200.00	(143.00)	(26.67)	(169.67)	(128.70)	(24.00)	(152.70)
1180	LBD Inventory Transfer - Pipe & Acces.	08/10/05	67.98	(5.50)	(1.51)	(7.01)	(4.95)	(1.36)	(6.31)
1181	LBD Inventory Transfer - Pipe & Acces.	08/12/05	26.48	(5.50)	(0.59)	(6.09)	(4.95)	(0.53)	(5.48)
1182	LBD Inventory Transfer - Pipe & Acces.	09/09/05	133.94	(16.50)	(2.98)	(19.48)	(14.85)	(2.68)	(17.53)
1183	LBD Labor & Burden	06/30/05	15,264.23	(1,848.00)	(339.21)	(2,187.21)	(1,663.20)	(305.28)	(1,968.48)
1184	HAWC Labor - 2 Invoices	06/30/05	501.76	(60.50)	(11.15)	(71.65)	(54.45)	(10.04)	(64.49)
1243	LBD Labor - 129 Hours	06/30/06	4,792.18	(472.50)	(106.49)	(578.99)	(425.25)	(95.84)	(521.09)
1244	Equipment - 47.5 Hours	06/15/06	4,955.00	(490.50)	(110.11)	(600.61)	(441.45)	(99.10)	(540.55)
1245	Ferguson Waterworks	06/20/06	88.83	(9.00)	(1.97)	(10.97)	(8.10)	(1.78)	(9.88)
1246	HAWC Labor	09/30/06	115.32	(13.50)	(2.56)	(16.06)	(12.15)	(2.31)	(14.46)
1247	Inventory Transfer	12/31/06	6,457.35	(639.00)	(143.50)	(782.50)	(575.10)	(129.15)	(704.25)
1311	LBD Labor - 308.5 Hours	06/30/08	13,367.05	(441.00)	(297.05)	(738.05)	(396.90)	(267.34)	(664.24)
1312	LBD Equipment - 3.5 Hours	06/30/08	109.38	(3.00)	(2.43)	(5.43)	(2.70)	(2.19)	(4.89)
1313	LBD Equipment - 127.5 Hours	06/30/08	10,655.00	(351.00)	(236.78)	(587.78)	(315.90)	(213.10)	(529.00)
1314	LBD Inventory Transfers	06/30/08	13,135.43	(433.00)	(291.90)	(724.90)	(389.70)	(262.71)	(652.41)
1315	East Coast Lumber - 4' x 10' Pipe	06/30/08	107.36	(3.00)	(2.39)	(5.39)	(2.70)	(2.15)	(4.85)
1616	East Coast Lumber - 4" SDR21 Pipe 200# (200ft)	01/24/08	3,920.00	(129.00)	(87.11)	(216.11)	(116.10)	(78.40)	(194.50)
1317	Ti-Sales - Sampling Station	01/21/08	750.00	(25.00)	(16.67)	(41.67)	(22.50)	(15.00)	(37.50)
1318	Chase Card Services - Water line Markers	06/01/08	100.57	(3.00)	(2.23)	(5.23)	(2.70)	(2.01)	(4.71)
1361	Al Hoyt & Sons - Install Water Mains	07/18/07	20,000.00	(660.00)	(444.44)	(1,104.44)	(594.00)	(400.00)	(994.00)
1362	Al Hoyt & Sons - Install Water Mains	08/14/07	20,000.00	(660.00)	(444.44)	(1,104.44)	(594.00)	(400.00)	(994.00)
1422	Allocate 20% of the cost of the mains to Services based on the original estimate	06/30/05	(6,790.00)	819.50	150.89	970.39	737.55	135.80	873.35
1501	Oakhill Dr - Water main leak repair	06/30/11	6,757.26	-	(150.16)	(150.16)	-	(135.15)	(135.15)
1502	Remove Pressure Reducer & Install 3" Gate Valve (WR-11)	07/31/11	1,725.27	-	(38.34)	(38.34)	-	(34.51)	(34.51)
1503	Installed Shut-Offs on Summit (WR-16) and 4" Gate Valve on Sunset (WR-17)	11/30/11	7,524.35	-	(167.21)	(167.21)	-	(150.49)	(150.49)
1504	Water Leak Repair - 27 Parklane Rd	11/30/11	2,486.23	-	(55.25)	(55.25)	-	(49.72)	(49.72)
1505	Leak Repair across from 57 Scott Dr	12/31/11	1,876.46	-	(41.70)	(41.70)	-	(37.53)	(37.53)
1512	Water Main Repair	12/31/11	1,950.49	-	(43.34)	(43.34)	-	(39.01)	(39.01)
1525	Pope Road - Mains	09/30/11	23,684.92	-	(526.33)	(526.33)	-	(473.70)	(473.70)
1560	Valves\Mains Repairs (Sheet 45)	12/31/11	11,045.98	-	(245.47)	(245.47)	-	(220.92)	(220.92)
1561	Valves\Mains Repairs (Sheet 45)	12/31/11	11,045.98	-	(245.47)	(245.47)	-	(220.92)	(220.92)
1562	Valves\Mains Repairs (Sheet 10)	12/31/11	21,356.55	-	(474.59)	(474.59)	-	(427.13)	(427.13)
1563	Valves\Mains Repairs (Sheet 11)	12/31/11	21,356.55	-	(474.59)	(474.59)	-	(427.13)	(427.13)
Totals			\$ 2,014,845.18	\$ (163,247.00)	\$ (44,774.34)	\$ (208,021.34)	\$ (146,922.30)	\$ (40,296.90)	\$ (187,219.20)
Less: Depreciation Expense and Accumulated Depreciation @ 2.22% (45 Years)								44,774.34	208,021.34
Adjustments to Reduce Depreciation Expense and Accumulated Depreciation							\$ 4,477.43	\$ 20,802.13	

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
ACCOUNT # 331, TRANSMISSION AND DISTRIBUTION MAINS: CALCULATION OF ACCUMULATED AMORTIZATION - CIAC AND AMORTIZATION OF CIAC ADJUSTMENTS
PER STAFF AUDIT ISSUE # 3

Asset #	Description	In Service Date	CIAC	Amortization of CIAC @ 2.22% (45 Years)			Amortization of CIAC @ 2.00% (50 Years)		
				Accumulated Amortization @ 12/31/10	2011 Amortization of CIAC	Accumulated Amortization @ 12/31/11	Accumulated Amortization @ 12/31/10	2011 Amortization of CIAC	Accumulated Amortization @ 12/31/11
53	LBD # 9288 - Repair Leak	06/22/10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
210	Mains	06/30/01	(85,000.00)	12,155.00	1,888.89	14,043.89	10,939.50	1,700.00	12,639.50
235	Sheet # 24 - LBD # 9223 - Remove Check Valves	04/30/10	-	-	-	-	-	-	-
240	Sheet # 27 - Rebuilt Pipe at Pit Hatch	11/30/10	-	-	-	-	-	-	-
358	LBD # 9485 - Patched Hot Top	09/22/10	-	-	-	-	-	-	-
377	5,190' - 8" Main	06/30/01	(126,000.00)	18,018.00	2,800.00	20,818.00	16,216.20	2,520.00	18,736.20
378	4,040' - 6" Main	06/30/01	(67,500.00)	9,652.50	1,500.00	11,152.50	8,687.25	1,350.00	10,037.25
379	4,120' - 4" Main	06/30/01	(110,000.00)	15,730.00	2,444.44	18,174.44	14,157.00	2,200.00	16,357.00
468	Labor - 32 Hours	06/30/04	(1,026.95)	103.50	22.82	126.32	93.15	20.54	113.69
469	Labor - 1.5 Hours	06/30/05	(74.81)	9.00	1.66	10.66	8.10	1.50	9.60
470	Equipment - 23.5 Hours (11/04 - 12/05)	11/15/04	(1,650.40)	162.00	36.68	198.68	145.80	33.01	178.81
471	Haverhill Steel - Various Used Pipe	09/17/04	(483.15)	49.50	10.74	60.24	44.55	9.66	54.21
472	Ferguson Waterworks - Red Hed	10/12/04	(2,068.67)	207.00	45.97	252.97	186.30	41.37	227.67
473	EJ Prescott	10/14/04	(25.80)	4.50	0.57	5.07	4.05	0.52	4.57
474	EJ Prescott	10/14/04	(16.58)	-	0.37	0.37	-	0.33	0.33
475	Ferguson Waterworks - 100' SDR21 CL200 PVC GJ Pipe	10/27/04	(310.07)	31.50	6.89	38.39	28.35	6.20	34.55
476	EJ Prescott - 280' SDR21 CL 200 Pipe	11/08/04	(1,137.32)	112.50	25.27	137.77	101.25	22.75	124.00
477	EJ Prescott - 20' SDR21 CL 200 Pipe	11/22/04	(81.24)	9.00	1.81	10.81	8.10	1.62	9.72
478	EJ Prescott - Misc Items	11/22/04	(2,091.68)	207.00	46.48	253.48	186.30	41.83	228.13
479	Redstone Inc - Asphalt	10/07/05	(29.96)	4.50	0.67	5.17	4.05	0.60	4.65
480	Lewis Equipment Co - Fabricate Pipe	10/22/04	(196.68)	18.00	4.37	22.37	16.20	3.93	20.13
481	Lewis Equipment Co - Fabricate Pipe	12/31/04	(701.20)	67.50	15.58	83.08	60.75	14.02	74.77
482	Town of Atkinson - Police Duty	11/10/04	(738.83)	72.00	16.42	88.42	64.80	14.78	79.58
483	Trenchless Technologies of NE Inc. - Drill Under Road	10/26/04	-	-	-	-	-	-	-
484	Hampstead Area Water Co - Misc Invoices - Labor (11/04 - 9/05)	11/15/04	(847.77)	85.50	18.84	104.34	76.95	16.96	93.91
485	Hampstead Area Water Co - Inv # 1074 - Labor	08/31/05	(146.51)	13.50	3.26	16.76	12.15	2.93	15.08
486	Equipment - 29 Hours Extend Watermain (5/06 - 6/06)	05/16/06	(1,663.22)	166.50	36.96	203.46	149.85	33.26	183.11
487	Inventory Transfers - Extend Watermain (5/06 - 6/06)	05/16/06	(3,298.12)	328.50	73.29	401.79	295.65	65.96	361.61
488	Labor - 74 Hrs Extend Watermain (5/06 - 6/06)	05/16/06	(2,238.45)	220.50	49.74	270.24	198.45	44.77	243.22
496	Sheet # 47 - 1770 If	11/10/09	(27,420.00)	905.00	609.33	1,514.33	814.50	548.40	1,362.90
497	Sheet # 48 - 2600 If	11/10/09	(40,278.00)	1,329.00	895.07	2,224.07	1,196.10	805.56	2,001.66
498	Sheet # 49 - 2087 If	11/10/09	(32,330.00)	1,067.00	718.44	1,785.44	960.30	646.60	1,606.90
499	Sheet # 50 - 2590 If	11/10/09	(40,123.00)	1,324.00	891.62	2,215.62	1,191.60	802.46	1,994.06
500	Sheet # 51 - 2474 If	11/10/09	(38,325.00)	1,265.00	851.67	2,116.67	1,138.50	766.50	1,905.00
669	Mains	06/30/05	(15,381.00)	1,859.00	341.80	2,200.80	1,673.10	307.62	1,980.72
683	5,035' 8" Water Mains	06/30/01	(144,000.00)	20,592.00	3,200.00	23,792.00	18,532.80	2,880.00	21,412.80
684	700' 4" Water Mains	06/30/01	(16,500.00)	2,359.50	366.67	2,726.17	2,123.55	330.00	2,453.55
733	Sheet 37 - LBD # 9300 - Hog Hill Culvert	06/30/10	-	-	-	-	-	-	-
772	Mains	06/30/05	(43,161.00)	5,225.00	959.13	6,184.13	4,702.50	863.22	5,565.72
905	LBD Equipment - 275 Hours	10/16/04	(10,583.00)	1,048.50	235.18	1,283.68	943.65	211.66	1,155.31
906	LBD Equipment - 25.5 Hours	11/15/05	(1,414.00)	139.50	31.42	170.92	125.55	28.28	153.83
907	LBD Labor - 116.5 Hours	06/30/04	(1,771.00)	175.50	39.36	214.86	157.95	35.42	193.37
908	LBD Labor - 484.5 Hours	06/30/05	(8,733.00)	864.00	194.07	1,058.07	777.60	174.66	952.26
909	LBD Labor - 13 Hours	12/23/04	(212.00)	22.50	4.71	27.21	20.25	4.24	24.49
910	LBD Labor - 73.5 Hours	06/30/05	(1,283.00)	126.00	28.51	154.51	113.40	25.66	139.06
911	LBD Inventory - Materials	11/15/04	(11,714.00)	1,161.00	260.31	1,421.31	1,044.90	234.28	1,279.18
912	HAWC Labor	12/31/04	(25.00)	4.50	0.56	5.06	4.05	0.50	4.55
913	HAWC Labor	04/30/05	(203.00)	18.00	4.51	22.51	16.20	4.06	20.26
924	Water Main - Kent Farm Road up to Tank	09/15/06	(90,885.25)	3,998.00	2,019.67	6,017.67	3,598.20	1,817.75	5,415.91
1103	1,810' Mains	06/30/05	(47,516.00)	5,747.50	1,055.91	6,803.41	5,172.75	950.32	6,123.07
1104	Sampling Station	11/21/08	-	-	-	-	-	-	-

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
ACCOUNT # 331, TRANSMISSION AND DISTRIBUTION MAINS: CALCULATION OF ACCUMULATED AMORTIZATION - CIAC AND AMORTIZATION OF CIAC ADJUSTMENTS
PER STAFF AUDIT ISSUE # 3

Asset #	Description	In Service Date	CIAC	Amortization of CIAC @ 2.22% (45 Years)			Amortization of CIAC @ 2.00% (50 Years)		
				Accumulated Amortization @ 12/31/10	2011 Amortization of CIAC	Accumulated Amortization @ 12/31/11	Accumulated Amortization @ 12/31/10	2011 Amortization of CIAC	Accumulated Amortization @ 12/31/11
1179	LBD Sand and Gravel	07/16/05	(943.00)	-	20.96	20.96	-	18.86	18.86
1180	LBD Inventory Transfer - Pipe & Acces.	08/10/05	(53.00)	-	1.18	1.18	-	1.06	1.06
1181	LBD Inventory Transfer - Pipe & Acces.	08/12/05	(21.00)	-	0.47	0.47	-	0.42	0.42
1182	LBD Inventory Transfer - Pipe & Acces.	09/09/05	(105.00)	-	2.33	2.33	-	2.10	2.10
1183	LBD Labor & Burden	06/30/05	(11,993.00)	-	266.51	266.51	-	239.86	239.86
1184	HAWC Labor - 2 Invoices	06/30/05	(394.00)	-	8.76	8.76	-	7.88	7.88
1243	LBD Labor - 129 Hours	06/30/06	(3,932.73)	391.50	87.39	478.89	352.35	78.65	431.00
1244	Equipment - 47.5 Hours	06/15/06	(4,066.35)	400.50	90.36	490.86	360.45	81.33	441.78
1245	Ferguson Waterworks	06/20/06	(72.90)	9.00	1.62	10.62	8.10	1.46	9.56
1246	HAWC Labor	09/30/06	(94.64)	9.00	2.10	11.10	8.10	1.89	9.99
1247	Inventory Transfer	12/31/06	(5,299.27)	526.50	117.76	644.26	473.85	105.99	579.84
1311	LBD Labor - 308.5 Hours	06/30/08	(11,496.54)	379.00	255.48	634.48	341.10	229.93	571.03
1312	LBD Equipment - 3.5 Hours	06/30/08	(94.07)	3.00	2.09	5.09	2.70	1.88	4.58
1313	LBD Equipment - 127.5 Hours	06/30/08	(9,164.00)	303.00	203.64	506.64	272.70	183.28	455.98
1314	LBD Inventory Transfers	06/30/08	(11,297.33)	373.00	251.05	624.05	335.70	225.95	561.65
1315	East Coast Lumber - 4' x 10' Pipe	06/30/08	(92.34)	3.00	2.05	5.05	2.70	1.85	4.55
1616	East Coast Lumber - 4" SDR21 Pipe 200# (200ft)	01/24/08	(3,371.46)	111.00	74.92	185.92	99.90	67.43	167.33
1317	Ti-Sales - Sampling Station	01/21/08	(645.05)	21.00	14.33	35.33	18.90	12.90	31.80
1318	Chase Card Services - Water line Markers	06/01/08	(85.60)	3.00	1.90	4.90	2.70	1.71	4.41
1361	Al Hoyt & Sons - Install Water Mains	07/18/07	(17,274.22)	570.00	383.87	953.87	513.00	345.48	858.48
1362	Al Hoyt & Sons - Install Water Mains	08/14/07	(17,274.22)	570.00	383.87	953.87	513.00	345.48	858.48
1422	Allocate 20% of the cost of the mains to Services based on the original estimate	06/30/05	5,335.00	(643.50)	(118.56)	(762.06)	(579.15)	(106.70)	(685.85)
1501	Oakhill Dr - Water main leak repair	06/30/11	-	-	-	-	-	-	-
1502	Remove Pressure Reducer & Install 3" Gate Valve (WR-11)	07/31/11	-	-	-	-	-	-	-
1503	Installed Shut-Offs on Summit (WR-16) and 4" Gate Valve on Sunset (WR-17)	11/30/11	-	-	-	-	-	-	-
1504	Water Leak Repair - 27 Parklane Rd	11/30/11	-	-	-	-	-	-	-
1505	Leak Repair across from 57 Scott Dr	12/31/11	-	-	-	-	-	-	-
1512	Water Main Repair	12/31/11	-	-	-	-	-	-	-
1525	Pope Road - Mains	09/30/11	-	-	-	-	-	-	-
1560	Valves\Mains Repairs (Sheet 45)	12/31/11	-	-	-	-	-	-	-
1561	Valves\Mains Repairs (Sheet 45)	12/31/11	-	-	-	-	-	-	-
1562	Valves\Mains Repairs (Sheet 10)	12/31/11	-	-	-	-	-	-	-
1563	Valves\Mains Repairs (Sheet 11)	12/31/11	-	-	-	-	-	-	-
Totals			<u>\$(1,084,784.38)</u>	<u>\$ 109,687.00</u>	<u>\$ 24,106.32</u>	<u>\$ 133,793.32</u>	<u>\$ 98,718.30</u>	<u>\$ 21,695.69</u>	<u>\$ 120,413.99</u>
Less: Amortization of CIAC and Accumulated Amortization @ 2.22% (45 Years)								<u>(24,106.32)</u>	<u>(133,793.32)</u>
Adjustments to Reduce Amortization of CIAC and Accumulated Amortization								<u>\$ (2,410.63)</u>	<u>\$ (13,379.33)</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF PRO-FORMA DEFERRED ASSETS

Deferred Asset	12/31/10	01/31/11	02/28/11	03/31/11	04/30/11	05/31/11	06/30/11	07/31/11	08/31/11	09/30/11	10/31/11	11/30/11	12/31/11	Test Year Average	Pro-forma Adjust's	Adjusted Average	
DW 07-134: 2006 Black Rock	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	(a)	\$ (3,859)	\$ -
DW 08-065: 2008 Rate Case - Dearborn Well	20,374	20,283	20,191	20,100	20,009	19,917	19,826	19,735	19,643	19,552	19,461	19,369	19,278	19,826			19,826
DW 08-065: 2008 Rate Case - Ice Storm	12,073	11,438	10,802	10,167	9,531	8,896	8,261	7,625	6,990	6,354	5,719	5,083	4,448	8,261			8,261
DW 08-065: 2008 Rate Case - Bryant Woods Well	7,912	7,877	7,841	7,806	7,770	7,735	7,699	7,664	7,628	7,593	7,557	7,522	7,486	7,699			7,699
DW 10-241: 2010 Settlers Ridge Pumphouse	1,492	1,492	1,702	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793	-	1,602	(b)	(1,602)	-
DW 11-218: Fairfield	-	-	-	-	-	-	-	-	377	377	493	1,476	1,791	347	(c)	(347)	-
DW 12-170: 2012 Rate Case	-	-	-	-	-	-	-	-	-	-	-	-	341	26	(d)	(26)	-
DW 12-170: Rainbow Ridge Extension	-	-	-	-	-	1,001	1,274	2,094	3,206	3,441	3,441	4,641	13,393	2,499	(e)	261	2,760
Totals	\$ 45,710	\$ 44,948	\$ 44,396	\$ 43,724	\$ 42,962	\$ 43,201	\$ 42,712	\$ 42,769	\$ 43,496	\$ 42,969	\$ 42,323	\$ 43,743	\$ 50,596	\$ 44,119		\$ (5,573)	\$ 38,546

Explanation of Adjustments

- (a) To transfer avg franchise / financing costs from deferred debits to plant in service and unamortized financing costs.
- (b) To transfer avg financing costs from deferred debits to unamortized financing costs.
- (c) To transfer avg franchise / financing costs from deferred debits to plant in service and unamortized financing costs.
- (d) To remove avg rate case expenses from deferred debits.
- (e) To include January '13 expenses in test year deferred debits at 1/13 the cost (\$3,393 ÷ 13 = \$261)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure			Percent	Cost Rate	Weighted Average Cost
	Unadjusted @ 12/31/11	Pro-forma Adjustments	Adjusted @ 12/31/11			
Debt						
Long-Term Debt (Sch 3a)	\$ 4,838,649	\$ 13,944 (a)	\$ 4,852,593	84.53%	4.00%	3.38%
Total Debt	<u>4,838,649</u>	<u>13,944</u>	<u>4,852,593</u>	<u>84.53%</u>	<u>4.00%</u>	<u>3.38%</u>
Common Equity						
Common Stock	16,767	-	16,767	0.29%		
Additional Paid in Capital	2,104,354	-	2,104,354	36.65%		
Retained Earnings	(1,232,715)	-	(1,232,715)	-21.47%		
Total Common Equity	<u>888,406</u>	<u>-</u>	<u>888,406</u>	<u>15.47%</u>	<u>9.75%</u>	<u>1.51%</u>
Total Capitalization	<u>\$ 5,727,055</u>	<u>\$ 13,944</u>	<u>\$ 5,740,999</u>	<u>100.00%</u>		<u>4.89%</u>

(a) See Schedule 3a

GL Acct. #	Date of Note	Lender	Original Amount	NHPUC Docket #	NHPUC Order #	Date of Order	Pro-forma Finance Costs					Pro-forma Total Cost of Debt			
							2011 Amortized Finance Costs	Company Finance Cost Adjustment	Finance Cost Adj per Settlement	Excess Capacity Adjustment*	Adjusted Amortized Finance Costs	Total Annual Debt Cost	2011 Cost Rate		
Notes to Affiliated Companies:															
232.04	11/16/04	LBDI	\$ 40,000	DW 05-070	24,545	11/18/05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	0.00%	
232.07	10/01/04	LBDI	27,000	DW 05-092	24,592	02/24/06	-	-	-	-	-	-	-	0.00%	
232.12	12/05/07	LBDI	23,000	DW 07-130	24,884	02/08/08	-	-	-	-	-	-	-	0.00%	
234.18	11/01/10	LBDI	303,311	DW 06-104	24,728	02/02/07	330	(330)	-	-	-	-	-	0.00%	
234.20	10/01/09	LBDI	94,232	DW 09-112	24,999	08/04/09	-	-	-	-	-	-	-	0.00%	
234.21	07/01/10	LBDI	114,065	DW 10-111	25,113	06/16/10	828	-	(828)	-	-	-	-	0.00%	
234.22	07/01/10	LBDI	337,400	DW 10-111	25,113	06/16/10	58	(58)	-	-	-	-	-	0.00%	
234.01	12/31/11	LBDI	113,000	DW 07-134	24,856	05/19/08	170	(170)	-	-	-	-	-	0.00%	
		Previously Refinanced Debt	-				-	96	-	(52)	44	2,896	5.58%		
Totals - Affiliated Companies			1,052,008				895	(895)	-	-	44	2,896	5.58%		
Rounding			-				-	-	-	-	-	-	-		
Total Notes to Affiliated Companies			1,052,008				1	-	(1)	-	-	2,896	5.52%		
Notes to Non-affiliated Companies:															
232.01	07/20/92	Ruma, Inc	73,679	DR 86-198	18,560	03/09/90	-	-	-	-	-	3,419	9.50%		
232.02	10/25/04	Picadilly Dev'p	23,000	DW 05-051	24,560	12/09/05	199	-	-	-	199	579	8.39%		
232.03	10/25/04	Edgeworth Dev'p	22,000	DW 05-053	24,575	01/06/06	91	-	-	-	91	454	6.88%		
232.05	10/25/04	Skipper Land Dev'p	38,000	DW 05-063	24,544	11/18/05	-	-	-	-	-	579	5.50%		
232.06	09/06/05	NH DES	1,315,291	DW 04-132	24,437	02/25/05	-	-	-	-	-	37,885	3.35%		
232.08	03/31/06	Aquarius Properties	24,000	DW 06-016	24,608	03/24/06	-	-	-	-	-	575	5.50%		
232.09	02/09/07	Ford Motor Credit	50,401	DW 06-104	24,728	02/02/07	-	-	-	-	-	-	0.00%		
232.10	09/12/11	TD Bank	1,369,153	DW 11-143	25,254	07/22/11	3,217	-	6,435	-	9,652	65,736	4.85%		
232.11	06/24/09	NH DES	1,058,347	DW 08-088	24,937	02/06/09	1,074	-	-	-	1,074	30,942	2.97%		
232.13		Shnboo Realty Two, LLC	18,000	DW 07-133	24,831	03/14/08	137	-	(137)	-	-	-	0.00%		
232.14	11/16/10	GMAC	29,808				-	-	-	-	-	1,444	5.99%		
232.15	09/12/11	TD Bank	1,200,000	DW 11-162	25,272	09/28/11	299	-	598	(11)	886	49,456	4.22%		
		2011 SRF Loan	-	DW 11-226			476	-	(476)	-	-	-	0.00%		
Totals - Non-affiliated Companies			5,221,679				184	-	(184)	-	-	191,069	3.98%		
Rounding			-				-	-	-	-	-	-	-		
Total Notes to Non-affiliated Companies			5,221,679				5,677	-	6,236	(11)	11,903	191,069	3.98%		
TOTAL NOTES PAYABLE			\$ 6,273,687				\$ 7,959	\$ (1,357)	\$ 5,407	\$ (63)	\$ 11,947	\$ 193,966	4.00%		

*Excess Capacity Adjustment (See Sch 2d):

GL Acct. #	System	Applied Excess Capacity Percentage	Percentage of Total Loan	Excess Capacity % Applied to Loans	
234.01	Black Rocks	54.11%	100.00%	54.11%	
232.05	Mill Woods	4.74%	100.00%	4.74%	
232.08	Autumn Hills	50.00%	100.00%	50.00%	
232.13	Coopers Grove	56.67%	100.00%	56.67%	
232.15	Waterford Village	18.00%	2.15%	0.39%	(Per Loan Ref)
232.15	Sargent Woods	43.50%	1.85%	0.80%	(Per Loan Ref)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA OPERATING INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Original Rate Filing			Motion to Amend Petition		Permanent Rates				
	Actual Test Year	Pro-forma Adjust's	Pro-forma Test Year	Amendments to Original Filing	Amended Pro-forma Test Year	Pro-forma Adjust's (Sch 4a)	Adj # (Sch 4a)	Pro-forma Operating Income	Revenue Deficiency (Surplus) (Sch 1)	Operating Income Requirement (Sch 1)
Operating Revenue:										
Sales of Water	\$ 1,492,174	\$ 59,529	\$ 1,551,703	\$ 41,321	\$ 1,593,024	\$ (1,173)	35	\$ 1,591,851	\$ (63,769)	\$ 1,528,082
Other Operating Revenue	69,137	(508)	68,629	-	68,629	(750)	36	67,879		67,879
Total Operating Revenues	1,561,311	59,021	1,620,332	41,321	1,661,653	(1,923)		1,659,730	(63,769)	1,595,961
Operating Expenses:										
Operation & Maintenance Expenses:										
Source of Supply	9,106		9,106		9,106			9,106		9,106
Pumping Expenses	210,573	13,000	223,573		223,573	(15,263)	37 - 38	208,310		208,310
Water Treatment Expenses	90,530	4,000	94,530		94,530	(4,000)	39	90,530		90,530
Transmission & Distribution Expenses	60,122	22,500	82,622		82,622	(23,690)	40 - 41	58,932		58,932
Customer Accounts Expenses	66,410		66,410		66,410			66,410		66,410
Administrative & General Expenses	426,403	10,992	437,395	28,583	465,978	(500)	42 - 44	465,478		465,478
Total Operation & Maintenance Expenses	863,144	50,492	913,636	28,583	942,219	(43,453)		898,766	-	898,766
Depreciation Expense	419,029	16,932	435,961	5,564	441,525	(21,426)	45 - 49	420,099		420,099
Amortization Expense - CIAC	(182,723)	(330)	(183,053)		(183,053)	12,658	50 - 54	(170,395)		(170,395)
Amortization Expense - Other	9,827	(2,030)	7,797		7,797	3,177	55	10,974		10,974
Taxes Other Than Income	188,691		188,691		188,691	(3,862)	56	184,829		184,829
Total Operating Expenses	1,297,968	65,064	1,363,032	34,147	1,397,179	(52,906)		1,344,273	-	1,344,273
Net Operating Income before Income Taxes	263,343	(6,043)	257,300	7,174	264,474	50,983		315,457	(63,769)	251,687
Income Taxes:										
NHBET	3,049		3,049		3,049	(27)	Sch 4c	3,022		3,022
NHBPT	5,500		5,500		5,500	4,334	Sch 4c	9,834	(5,420)	4,413
Total Income Taxes	8,549	-	8,549	-	8,549	4,306		12,855	(5,420)	7,435
NET OPERATING INCOME	\$ 254,794	\$ (6,043)	\$ 248,751	\$ 7,174	\$ 255,925	\$ 46,676		\$ 302,601	\$ (58,349)	\$ 244,252

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

Adj #

Pro-forma Adjustments to Operating Revenue:

Sales of Water

35	To adjust annual revenues anticipated from the Fairfield System (Per Co Responses to Staff DR's 1-4 & 2-2). Usage of Fairfield System: 4/1/12 - 12/31/12 (ccf)		666.59
	To annualize 2012 usage (12 months / 9 months) (ccf)	x	1.333
	Annualized Usage of Fairfield System (ccf)		888.79
	Current Usage rate (per ccf)		\$ 4.74
	Annualized Usage Revenues		\$ 4,213
	Annualized Fixed Revenues: $\frac{\text{Customers}}{15} \times \frac{\text{Months}}{12} \times \frac{\text{Monthly Charge}}{\$ 10.00} =$		1,800
	Total Annualized Revenues		\$ 6,013
	Less: Co's pro-forma revenue adjustment for the Fairfield System (See Co Adj 2)		(7,186) \$ (1,173)

Total Adjustments - Sales of Water \$ (1,173)

Other Operating Revenue

36	To reclassify proceeds from sale of fully depreciated vehicle per Staff Audit Issue # 4.		\$ (750)
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Total Adjustments - Other Water Revenue \$ (750)

Pro-forma Adjustments to Operating Expenses:

Pumping Expenses

37	To reverse Co's pro-forma adjustments to Pumping Expenses (Per Sch 4b).		\$ (13,000)
38	To reclassify roof installation costs to Structures & Improvements per Staff Audit Issue # 12.		(2,263)

Total Adjustments - Pumping Expenses \$ (15,263)

Water Treatment Expenses

39	To reverse Co's pro-forma adjustments to Water Treatment Expenses (Per Sch 4b).		\$ (4,000)
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Total Adjustments - Water Treatment Expenses \$ (4,000)

Transmission and Distribution Expenses

40	To reverse Co's pro-forma adjustments to Transmission and Distribution Expenses (Per Sch 4b).		\$ (22,500)
41	To eliminate duplicate posted expense entry per Staff Audit Issue # 15.		(1,190)

Total Adjustments - Transmission and Distribution Expenses \$ (23,690)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

Adj #

Administrative & General Expenses

42	To reflect increase in annual amount of management agreement filed with the Commission on 10/12/12.	\$	10,000
43	To reverse Co's pro-forma adjustment to Outside Services - Engineering (Per Sch 4b).		(10,000)
44	To reduce annual NHPUC Audit Expense to \$500, or \$1,500 over 3 years (Based on Co's response to Staff 2-14).		<u>(500)</u>
	Total Adjustments - Administrative & General Expenses	\$	<u>(500)</u>

Depreciation Expense

45	To reduce pro-forma depreciation expense recorded on plant retired during the test year (Per Co's response to Staff 2-5).	\$	(251)
46	To reduce Depreciation Expense - T & D Mains: Black Rocks System from 2.20% rate to 2.00% rate:		
	Cost of T & D Mains: Black Rocks System	\$	61,842
	Depreciation Rate - T & D Mains		<u>2.00%</u>
	Annual Depreciation Expense - T & D Mains: Black Rocks System @ 2.00%		1,237
	Less: Annual Depreciation Expense - T & D Mains: Black Rocks System @ 2.20%		<u>(1,360)</u>
			(123)
47	To reduce Depreciation Expense - T & D Mains per Staff Audit Issue # 3 (Per Sch 2e).		(4,477)
48	To record depreciation expense on roof installation costs reclassified to Structures & Improvements per Staff Audit Issue # 12:		
	Roof Installation Costs		2,263
	Depreciation Rate for Acct # 304, Structures & Improvements	x	<u>2.50%</u>
			57
49	To record excess capacity adjustment for Depreciation Expense (Per Sch 2d).		<u>(16,631)</u>
	Total Adjustments - Depreciation Expense	\$	<u>(21,426)</u>

Amortization - CIAC

50	To record Co pro-forma adjustment A3 which was not reflected in Co's revised rate schedules (See Co response to Staff 3-4).	\$	(643)
51	To reduce pro-forma CIAC amortization recorded on CIAC retired during the test year (Per Co's response to Staff 2-6).		28
52	To reduce Amortization-CIAC - T & D Mains: Black Rocks System from 2.20% rate to 2.00% rate:		
	CIAC on T & D Mains: Black Rocks System	\$	(8,165)
	Amortization-CIAC Rate - T & D Mains		<u>2.00%</u>
	Annual Amortization-CIAC - T & D Mains: Black Rocks System @ 2.00%		(163)
	Less: Annual Amortization-CIAC - T & D Mains: Black Rocks System @ 2.20%		<u>181</u>
			18
53	To reduce Amortization-CIAC - T & D Mains per Staff Audit Issue # 3 (Per Sch 2f).		2,411
54	To record excess capacity adjustment for Amortization - CIAC (Per Sch 2d)		<u>10,844</u>
	Total Adjustments - Amortization Expense - CIAC	\$	<u>12,658</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

Adi #

Amortization Expense - Other

55	To adjust pro-forma amortization expense on 2008 Ice Storm Costs to balance of deferred debit @ 12/31/11: Adjusted amortization expense based on unamortized balance of 2008 Ice Storm Costs @ 12/31/11	\$	(4,448)	
	Less: Co's pro-forma Adj 18 to eliminate the test year amort expense for the 2008 Ice Storm Costs		7,625	\$ 3,177
				<u>3,177</u>

Total Adjustments - Amortization Expense - Other	\$	<u>3,177</u>
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Taxes other than Income

56	To reduce Property Tax Expense by refunded amount per Staff Audit Issue # 18.	\$	<u>(3,862)</u>
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Total Adjustments - Taxes other than Income	\$	<u>(3,862)</u>
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Total Pro-forma Adjustments to Net Operating Income before Income Taxes	\$	<u><u>50,983</u></u>
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DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO OPERATION and MAINTENANCE EXPENSES

Co Adj #	Account #	Account Description	COMPANY FILING				SETTLEMENT	
			2012 Actual Expense	2011 Actual Expense	Company Pro-forma Adjustment	Company Proposed O & M Exp	Pro-forma Adjustment	Pro-forma O & M Exp
Pumping Expenses:								
4	623	Power Purchased for Pumping	\$ 155,328	\$ 159,273	\$ 10,000	\$ 169,273	\$ (10,000)	\$ 159,273
5	624	Pumping Labor and Expenses	20,836	20,512	1,000	21,512	(1,000)	20,512
6	633	Maintenance of Pumping Equipment	11,120	14,159	2,000	16,159	(2,000)	14,159
		Totals - Pumping Expenses	187,284	193,944	13,000	206,944	(13,000)	193,944
Water Treatment Expenses:								
7	641	Chemicals	10,953	9,193	1,000	10,193	(1,000)	9,193
8	642	Treatment Operation Labor and Expenses	78,351	77,123	3,000	80,123	(3,000)	77,123
		Totals - Water Treatment Expenses	89,304	86,316	4,000	90,316	(4,000)	86,316
Transmission and Distribution Expenses:								
9	663	Meter Expenses	11,779	25,198	3,000	28,198	(3,000)	25,198
10	673	Maintenance of Transmission and Distribution Mains	22,232	12,967	10,000	22,967	(10,000)	12,967
11	675	Maintenance of Services	12,101	11,602	7,500	19,102	(7,500)	11,602
12	676	Maintenance of Meters	1,297	2,955	2,000	4,955	(2,000)	2,955
		Totals - Transmission and Distribution Expenses	47,409	52,722	22,500	75,222	(22,500)	52,722
Administrative and General Expenses:								
13	923.1	Outside Services - Engineering	47,103	64,612	10,000	74,612	(10,000)	64,612
		Totals	\$ 371,100	\$ 397,594	\$ 49,500	\$ 447,094	\$ (49,500)	\$ 397,594

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PROFORMA ADJUSTMENTS TO INCOME TAXES

NHBET

Increase / (Decrease) in Interest Expense (Per Sch 3a)	\$ (34,807)
Increase / (Decrease) in Wages (See Co Adj A1)	31,200
Increase / (Decrease) in Taxable Enterprise Value Tax Base	\$ (3,607)
NHBET rate	0.75%
Increase / (Decrease) in NHBET	<u>\$ (27)</u>

NHBPT

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Operating Revenues:

Net Pro-forma Adjustments to Water Sales to Customers	\$ (1,173)
Net Pro-forma Adjustments to Other Operating Revenue	(750)

Operating Expenses:

Net Pro-forma Adjustments to Source of Supply Expenses	-
Net Pro-forma Adjustments to Pumping Expenses	15,263
Net Pro-forma Adjustments to Water Treatment Expenses	4,000
Net Pro-forma Adjustments to Transmission & Distribution Expenses	23,690
Net Pro-forma Adjustments to Customer Accounts Expenses	-
Net Pro-forma Adjustments to Administrative & General Expenses	500
Net Pro-forma Adjustments to Depreciation Expense	21,426
Net Pro-forma Adjustments to Amortization Expense - CIAC	(12,658)
Net Pro-forma Adjustments to Amortization Expense - Other	(3,177)
Net Pro-forma Adjustments to Taxes Other Than Income	<u>3,862</u>
Net Revenue / (Expense) Subject to NHBPT	50,983
Less: New Hampshire Business Profits Tax @ 8.50%	<u>(4,334)</u>
Add: (Increase) / Decrease in NHBET	<u>27</u>
Net Pro-forma Adjustments to Operating Revenue / Expenses	<u>\$ 46,676</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
EFFECTIVE TAX FACTOR

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>0.00%</u>
Effective Federal Income Tax Rate	0.00%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>8.50%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>8.50%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>91.50%</u></u>
Tax Multiplier	<u><u>0.09290</u></u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF RATES

Total Annual Water Revenues Proposed per Settlement (Sch 1)		\$ 1,528,082
Less: Fire Protection Revenues		
Municipal	\$ 21,800	
Private	14,423	(36,223)
Revenues from General Metered Customers		\$ 1,491,859

Customer Charge Revenues:

Meter Size	Present Rate	Percent Increase	Proposed Rate	Pro-forma # of Customers	Annual Revenues	
5/8" Meter	\$ 120	0.00%	\$ 120	2,992	\$ 359,040	
3/4" Meter	240	0.00%	\$ 240	-	-	
1" Meter	360	0.00%	\$ 360	58	20,880	
1 1/2" Meter	720	0.00%	\$ 720	1	720	
2" Meter	1,200	0.00%	\$ 1,200	3	3,600	
			(a)	<u>3,054</u>	<u>\$ 384,240</u>	<u>(384,240)</u>

Consumption Charge Revenues: \$ 1,107,619

Consumption Charge Revenues		\$ 1,107,619
Total Pro-forma Annual Consumption (ccf)	(b)	+ 226,231
Consumption Rate per Customer (per ccf)		\$ 4.90
Total Pro-forma Annual Consumption (ccf)	x	<u>226,231</u>
		<u>(1,107,619)</u>

Unallocated Water Revenues \$ -

(a) Pro-forma # of Customers: 3,039 actual customers @ 12/31/11 + 15 customers from Fairfield System acquired in 2012 = 3,054

(b) Pro-forma Consumption:	2011 Actual Water Sales:		
	Gallons	168,567,571	
	Conversion to Cubic Feet	+ 7.48	
	Cubic Feet	<u>22,534,207</u>	
	Conversion to CCF	+ 100	225,342
	2012 Fairfield System Sales:		
	Usage of Fairfield System: 4/1/12 - 12/31/12 (ccf)	666.59	
	To annualize 2012 usage (12 months / 9 months) (ccf)	x 1.333	<u>889</u>
	Total Pro-forma Consumption (ccf)		<u>226,231</u>

**DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
REVENUE REQUIREMENT**

Additions to Rate Base:

Plant Additions (Sch 2):

2012 Plant Additions	\$ 288,415	
Less: Accumulated Depreciation	<u>(8,559)</u>	\$ 279,856

Additions to Deferred Debits (Sch 3):

2012 Additions to Deferred Debits	20,473	
Less: Accumulated Amortization	<u>(512)</u>	<u>19,961</u>

Net Additions to Rate Base \$ 299,817

Rate of Return (Sch 4) x 3.78%

Operating Income Requirement \$ 11,334

Increases in Annual Operating Expenses:

NHBET:

Increase in Interest Expense (Sch 4)	\$ 4,721	
NHBET Rate	x <u>0.75%</u>	35

Income Tax Expense:

Net Additions to Rate Base	\$ 299,817	
Income Tax Gross-up Factor (Sch 4)	x <u>0.06%</u>	
Income Tax Expense:	180	
Less: NHBET	<u>(35)</u>	145

Net Depreciation Expense (Sch 2):

Annual Depreciation Expense - 2012 Plant Additions	\$ 17,119	
Less: Annual Depreciation Expense - 2012 Retirements	<u>(7,134)</u>	9,984

Net Amortization of CIAC (Sch 2):

Annual Amortization - 2012 CIAC Retirements 146

Amortization Expense (Sch 3):

Annual Amortization Expense - 2012 Deferred Debit 1,024

Property Tax Expense (Sch 5):

4,382

Total Increase in Revenue Requirement from Step Adjustment # 1 \$ 27,050

Pro-forma Test Year Annual Water Revenue (Settlement Att A; Sch 1) \$ 1,498,187

Percentage Increase in Annual Water Revenues from Step Adjustment # 1

1.81%

Final Amounts Subject to NHPUC Audit

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
2012 PLANT ADDITIONS / RETIREMENTS / CIAC

2012 Plant Additions:

Acct. #	Account	Description	Cost	Depreciation Rate	Annual Depreciation Expense	Accumulated Depreciation
320	Water Treatment Equipment	Filter	\$ 46,818	3.60%	\$ 1,685	\$ 843
330	Distribution Reservoirs and Standpipes	Sandblasting and Painting of Water Tank	15,242	5.00%	762	381
331	Transmission and Distribution Mains	Gate Valve and Blowoff	2,842	2.00%	57	26
333	Services	SRF - Service Line Replacements	142,445	2.50%	3,561	1,781
		New Service - 145 Main Street, Atkinson, NH	6,689	2.50%	167	84
334	Meters	144 Changeouts	39,900	10.00%	3,990	1,995
341	Transportation Equipment	Replace Pickup Truck	34,479	20.00%	6,896	3,448
		Total Plant Additions	<u>\$ 288,415</u>		<u>\$ 17,119</u>	<u>\$ 8,559</u>

2012 Plant Retirements:

Acct. #	Account	Description	Cost	Depreciation Rate	Annual Depreciation Expense	Accumulated Depreciation
320	Water Treatment Equipment	Bryant Woods - Filters	\$ 13,253	3.60%	\$ 477	\$ 8,581
334	Meters	Changeouts	6,987	5.00%	349	6,359
341	Transportation Equipment	Replace Pickup Truck	31,538	20.00%	6,308	30,063
		Total Plant Retirements	<u>\$ 51,778</u>		<u>\$ 7,134</u>	<u>\$ 45,003</u>

2012 CIAC Retirements:

Acct. #	Account	Description	Amount	Amortization Rate	Annual Amortization of CIAC	Accumulated Amortization
334	Meters	Changeouts	\$ 2,917	5.00%	\$ 146	\$ 2,831
		Total CIAC Retirements	<u>\$ 2,917</u>		<u>\$ 146</u>	<u>\$ 2,831</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
MISCELLANEOUS DEFERRED DEBIT ADDITIONS

<u>Description</u>	<u>Acct. #</u>	<u>Cost</u>	<u>Amortization Rate</u>	<u>Amorization Expense</u>	<u>Accumulated Amortization</u>
Abandoned Well - West Side Drive, Atkinson, NH	186	\$ 20,473	5.00%	\$ 1,024	\$ 512
Total Additions to Miscellaneous Deferred Debits		<u>\$ 20,473</u>		<u>\$ 1,024</u>	<u>\$ 512</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
WEIGHTED AVERAGE COST OF CAPITAL

Project	Financing Source	Term	Interest Rate	Amount Financed	Weighted Average	Annual Interest Expense	Annual Amortization of Finance Cost	Total Annual Debt Cost	Cost Rate	Weighted Average Cost Rate
SRF - Service Line Replacements	SRF Loan (DW 11-226)	20	2.72%	\$ 142,445	46.12%	\$ 3,875	\$ 482 (a)	\$ 4,357	3.06%	1.41%
Replace Pickup Truck	Dealership Financing	5	2.49%	33,979	11.00%	846	-	846	2.49%	0.27%
Remaining Projects	Internal Financing			132,464	42.88%				4.89%	2.10%
Total Financing				\$ 308,888	100.00%	\$ 4,721	\$ 482	\$ 5,203		3.78%

(a) Annual Finance Cost Amortization: $\$142,445 \div \$180,000 = 79.14\% \times \$609 = \$482$

Income Tax on Equity Component:

	(a) Weighted Cost	(b) Tax Multiplier	(c) Pre-Tax Cost	(d) Tax Gross-up ((c) - (a))
SRF Loan (DW 11-226)	1.41%	1.00	1.41%	0.00%
Dealership Financing	0.27%	1.00	0.27%	0.00%
Internal Financing: Debt	1.45%	1.00	1.45%	0.00%
Internal Financing: Equity	0.65%	1.09	0.71%	0.06%
	<u>3.78%</u>		<u>3.84%</u>	<u>0.06%</u>

**DW 12-170
 HAMPSTEAD AREA WATER COMPANY, INC.
 STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
 CALCULATION OF PROPERTY TAX EXPENSE**

Net 2012 Additions to Plant		\$ 279,856	
Less: Net Vehicle Addition		<u>(31,031)</u>	
Net Taxable Additions to Plant		\$ 248,825	
Valuation Factor:			
2011 Assessed Valuation		\$ 6,695,024	
2010 Net Utility Plant	\$ 9,418,138		
Less: Net General Plant	<u>(94,739)</u>		
Net Utility Plant Subject to Tax		÷ <u>\$ 9,323,399</u>	
Valuation Percentage		x <u>71.81%</u>	
Net 2012 Taxable Plant		\$ 178,678	
2012 Total Tax Rate (per \$1,000):			
Atkinson (Less State School Rate)		\$ 16.34	
Hampstead (Less State School Rate)		<u>19.51</u>	
Average Municipal Tax Rate		17.93	
Add: State Tax Rate		<u>6.60</u> x <u>24.53</u>	
Property Tax Expense		<u><u>\$ 4,382</u></u>	

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
CALCULATION OF RATES
(INCLUDING PERMANENT RATE INCREASE FROM SETTLEMENT ATTACHMENT A)

	Amount	% Increase
Pro-forma Test Year Annual Water Revenues (Settlement Att A; Sch 1)	\$ 1,498,187	
Proposed Increase in Annual Water Revenues from Permanent Rates (Settlement Att A; Sch 1)	29,895	2.00%
Proposed Increase in Annual Water Revenues from Step Adjustment # 1 (Sch 1)	27,050	1.81%
Total Increase in Annual Water Revenues	56,945	3.80%
Total Annual Water Revenues after Permanent Rate Increase and Step Adjustment # 1	\$ 1,555,132	

Less: Fire Protection Revenues

Municipal	\$ 21,800	
Private	14,423	(36,223)

Revenues from General Metered Customers \$ 1,518,909

Customer Charge Revenues:

Meter Size	Present Rate	Percent Increase	Proposed Rate	Pro-forma # of Customers	Annual Revenues
5/8" Meter	\$ 120	0.00%	\$ 120.00	2,992	\$ 359,040
3/4" Meter	240	0.00%	240.00	-	-
1" Meter	360	0.00%	360.00	58	20,880
1 1/2" Meter	720	0.00%	720.00	1	720
2" Meter	1,200	0.00%	1,200.00	3	3,600
			(a) 3,054	3,054	\$ 384,240
					(384,240)

Consumption Charge Revenues: \$ 1,134,669

Consumption Charge Revenues		\$ 1,134,669
Total Pro-forma Annual Consumption (ccf)	(b) +	226,231
Consumption Rate per Customer (per ccf)		\$ 5.02
Total Pro-forma Annual Consumption (ccf)	x	226,231
		(1,134,669)

Unallocated Water Revenues \$ -

(a) Pro-forma # of Customers: 3,039 actual customers @ 12/31/11 + 15 customers from Fairfield System acquired in 2012 = 3,054

(b) Pro-forma Consumption:			
2011 Actual Water Sales:			
Gallons		168,567,571	
Conversion to Cubic Feet	+	7.48	
Cubic Feet		22,534,207	
Conversion to CCF	+	100	225,342
2012 Fairfield System Sales:			
Usage of Fairfield System: 4/1/12 - 12/31/12 (ccf)		666.59	
To annualize 2012 usage (12 months / 9 months) (ccf)	x	1.333	889
Total Pro-forma Consumption (ccf)			226,231

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
REVENUE REQUIREMENT

Additions to Rate Base:

Plant Additions (Sch 2):

2013 Plant Additions	\$ 142,555	
Less: Accumulated Depreciation	(1,906)	\$ 140,649

Additions to Deferred Debits (Sch 3):

2013 Additions to Deferred Debits	-	
Less: Accumulated Amortization	-	-

Net Additions to Rate Base \$ 140,649

Rate of Return (Sch 4) x 3.32%

Operating Income Requirement \$ 4,666

Increases in Annual Operating Expenses:

NHBET:

Increase in Interest Expense (Sch 4)	\$ 3,061	
NHBET Rate	x 0.75%	23

Income Tax Expense:

Net Additions to Rate Base	\$ 140,649	
Income Tax Gross-up Factor (Sch 4)	x 0.03%	
Income Tax Expense:	42	
Less: NHBET	(23)	19

Net Depreciation Expense (Sch 2):

Annual Depreciation Expense - 2013 Plant Additions	\$ 3,813	
Less: Annual Depreciation Expense - 2013 Retirements	-	3,813

Amortization Expense (Sch 3):

Annual Amortization Expense - 2013 Deferred Debit -

Property Tax Expense (Sch 5): 2,477

Total Increase in Revenue Requirement from Step Adjustment # 2 \$ 10,998

Pro-forma Test Year Annual Water Revenue (Settlement Att A; Sch 1) \$ 1,498,187

Percentage Increase in Annual Water Revenues from Step Adjustment # 2 0.73%

Final Amounts Subject to Subsequent Company Filing and NHPUC Audit

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
2013 PLANT ADDITIONS / RETIREMENTS

2013 Plant Additions:

<u>Acct. #</u>	<u>Account</u>	<u>Description</u>	<u>Cost</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation Expense</u>	<u>Accumulated Depreciation</u>
307	Wells and Springs	Well at Eastwood Place	\$ 30,000	3.33%	\$ 999	\$ 500
333	Services	Completion of Initial SRF - Service Line Replacements	37,555	2.50%	939	469
		Additional SRF - Service Line Replacements	75,000	2.50%	1,875	938
		Total Plant Additions	<u>\$ 142,555</u>		<u>\$ 3,813</u>	<u>\$ 1,906</u>

2013 Plant Retirements:

<u>Acct. #</u>	<u>Account</u>	<u>Description</u>	<u>Cost</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation Expense</u>	<u>Accumulated Depreciation</u>
307	Wells and Springs		\$ -	3.33%	\$ -	\$ -
334	Services		-	2.50%	-	-
		Total Plant Retirements	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>

DW 12-170
 HAMPSTEAD AREA WATER COMPANY, INC.
 STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
 MISCELLANEOUS DEFERRED DEBIT ADDITIONS

<u>Description</u>	<u>Acct. #</u>	<u>Cost</u>	<u>Amortization Rate</u>	<u>Amorization Expense</u>	<u>Accumulated Amortization</u>
		\$ -	0.00%	\$ -	\$ -
Total Additions to Miscellaneous Deferred Debits		<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
WEIGHTED AVERAGE COST OF CAPITAL

Project	Financing Source	Term	Interest Rate	Amount Financed	Weighted Average	Annual Interest Expense	Annual Amortization of Finance Cost	Total Annual Debt Cost	Cost Rate	Weighted Average Cost Rate
SRF - Service Line Replacements	SRF Loan (DW 11-226)	20	2.72%	\$ 37,555	26.34%	\$ 1,021	\$ 127 (a)	\$ 1,148	3.06%	0.81%
SRF - Additional Service Line Replacements	SRF Loan (DW 13-???)	20	2.72%	75,000	52.61%	2,040	75 (b)	2,115	2.82%	1.48%
Well at Eastwood Place	Internal Financing			30,000	21.04%				4.89%	1.03%
Total Financing				\$ 142,555	100.00%	\$ 3,061	\$ 202	\$ 3,263		3.32%

(a) Annual Finance Cost Amortization: $\$37,555 \div \$180,000 = 20.86\% \times \$609 = \$127$
 (b) Estimated Finance Cost Amortization: $\$1,500 \div 20 \text{ years} = \75

Income Tax on Equity Component:

	(a) Weighted Cost	(b) Tax Multiplier	(c) Pre-Tax Cost	(d) Tax Gross-up { (c) - (a) }
SRF Loan (DW 11-226)	0.81%	1.00	0.81%	0.00%
SRF Loan (DW 13-???)	1.48%	1.00	1.48%	0.00%
Internal Financing: Debt	0.71%	1.00	0.71%	0.00%
Internal Financing: Equity	0.32%	1.09	0.35%	0.03%
	<u>3.32%</u>		<u>3.35%</u>	<u>0.03%</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
CALCULATION OF PROPERTY TAX EXPENSE

Net 2013 Additions to Plant			\$ 140,649
Valuation Factor:			
2011 Assessed Valuation		\$ 6,695,024	
2010 Net Utility Plant	\$ 9,418,138		
Less: Net General Plant	<u>(94,739)</u>		
Net Utility Plant Subject to Tax		<u>\$ 9,323,399</u>	
Valuation Percentage			x <u>71.81%</u>
Net 2013 Taxable Plant			\$ 100,998
2012 Total Tax Rate (per \$1,000):			
Atkinson (Less State School Rate)		\$ 16.34	
Hampstead (Less State School Rate)		<u>19.51</u>	
Average Municipal Tax Rate		17.93	
Add: State Tax Rate		<u>6.60</u>	x <u>24.53</u>
Property Tax Expense			<u>\$ 2,477</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
CALCULATION OF RATES

(INCLUDING PERMANENT RATE INCREASE FROM SETTLEMENT ATTACHMENT A & STEP ADJUSTMENT # 1 FROM SETTLEMENT ATTACHMENT B)

	<u>Amount</u>	<u>% Increase</u>
Pro-forma Test Year Annual Water Revenues (Settlement Att A; Sch 1)	\$ 1,498,187	
Proposed Increase in Annual Water Revenues from Permanent Rates (Settlement Att A; Sch 1)	29,895	2.00%
Proposed Increase in Annual Water Revenues from Step Adjustment # 1 (Settlement Att B; Sch 1)	27,050	1.81%
Proposed Increase in Annual Water Revenues from Step Adjustment # 2 (Sch 1)	10,998	0.73%
Total Increase in Annual Water Revenues	<u>67,943</u>	<u>4.54%</u>
Total Annual Water Revenues after Permanent Rate Increase, Step Adjustment # 1 and Step Adjustment # 2	\$ 1,566,130	

Less: Fire Protection Revenues

Municipal	\$ 21,800	
Private	<u>14,423</u>	<u>(36,223)</u>

Revenues from General Metered Customers

\$ 1,529,907

Customer Charge Revenues:

Meter Size	Present Rate	Percent Increase	Proposed Rate	Pro-forma # of Customers	Annual Revenues	
5/8" Meter	\$ 120	0.00%	\$ 120.00	2,992	\$ 359,040	
3/4" Meter	240	0.00%	240.00	-	-	
1" Meter	360	0.00%	360.00	58	20,880	
1 1/2" Meter	720	0.00%	720.00	1	720	
2" Meter	1,200	0.00%	1,200.00	3	3,600	
			(a)	<u>3,054</u>	<u>\$ 384,240</u>	<u>(384,240)</u>

Consumption Charge Revenues:

\$ 1,145,667

Consumption Charge Revenues	\$ 1,145,667	
Total Pro-forma Annual Consumption (ccf)	(b) + <u>226,231</u>	
Consumption Rate per Customer (per ccf)	\$ <u>5.06</u>	
Total Pro-forma Annual Consumption (ccf)	x <u>226,231</u>	<u>(1,145,667)</u>

Unallocated Water Revenues

\$ -

(a) Pro-forma # of Customers: 3,039 actual customers @ 12/31/11 + 15 customers from Fairfield System acquired in 2012 = 3,054

(b) Pro-forma Consumption:

2011 Actual Water Sales:			
Gallons	168,567,571		
Conversion to Cubic Feet	÷ <u>7.48</u>		
Cubic Feet	22,534,207		
Conversion to CCF	÷ <u>100</u>	225,342	

2012 Fairfield System Sales:

Usage of Fairfield System: 4/1/12 - 12/31/12 (ccf)	666.59		
To annualize 2012 usage (12 months / 9 months) (ccf)	x <u>1.333</u>	<u>889</u>	

Total Pro-forma Consumption (ccf) 226,231

**MANAGEMENT / SERVICE / RENTAL
AGREEMENT**

Agreement made as of July 1, 2012 by and between Hampstead Area Water Company, Inc. ("HAWC") and Lewis Builders Development, Inc. ("Lewis"), both New Hampshire corporations, both of 54 Sawyer Avenue, Atkinson, New Hampshire.

WHEREAS, HAWC, a New Hampshire public utility water company, operates systems in various Towns in New Hampshire and has need of certain management and other services and has need to rent certain office, storage and warehouse space in order for it to conduct its daily operations and whereas Lewis has the management, service and real estate facilities necessary to HAWC's daily operations, now therefore the parties agree as follows:

1. **Services**

Lewis will provide, on an as needed basis, those services as set forth on Schedule A at the hourly or other rate as set forth on Schedule A.

2. **Rental**

Lewis will provide on an annual basis the square footage of rental space for HAWC's office, storage and warehousing needs as set forth on Schedule B at the per square foot per year rental basis. All real estate taxes, utilities, telephone usage, use of copying and related office equipment (excluding copying costs for mass mailings which may be billed at 10 cents per copy) and maintenance costs are included in such per square foot per annum charge.

3. **Office Supplies**

a. Lewis will provide HAWC with office supplies at Lewis' cost, plus overhead.

4. **Labor Burden**

For all labor costs set forth on Schedule A, which rates constitute the gross pay hourly/salary payments to the individual concerned, Lewis will add a "Labor Burden" cost which represents the indirect cost of such labor, such as workers compensation

insurance, employee benefits, employer paid payroll taxes, etc. Such "Labor Burden" shall be calculated in accordance with Exhibit 1 to Schedule A and shall be calculated on or before April 1st of the following year as of December 31st of the previous year and shall apply to the following calendar year. The Labor Burden for 2012 is Seventy Four percent (74%) of the direct labor rate paid to each employee of Lewis.

5. **Overhead Expense**

For all costs (labor, materials & services) set forth on Schedule A, Lewis will add "Overhead" expense factor (G&A) multiplier calculated on or before April 1st of the following year as of December 31st each year to be applied to the following year, in accordance with the formula set forth on Exhibit II to Schedule A. For 2012, this factor is Thirty Four percent (34%).

6. **Billing Procedure and Content**

A. Lewis will Bill HAWC monthly, in arrears, for the actual cost of all of the items set forth in "3" above, and on Schedule A and B incurred and consumed in the previous month. Item Schedule A.II will be billed in arrears on a monthly basis.

B. No supply material cost, rental rate, labor charge, overhead or labor burden shall include any profit or "mark up" to Lewis or to any related person or entity to either Lewis or HAWC.

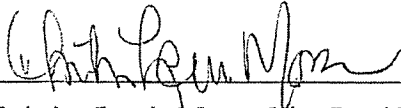
C. In the event any employee of HAWC or any equipment belonging to HAWC is used by Lewis in any or for any work or project other than HAWC's operations, Lewis shall pay to HAWC the cost of such, including the then "Labor Burden" and overhead rates.

D. The Agreement may be cancelled at any time by either party upon thirty (30) days notice to the other, without penalty, and will be automatically renewed from year to year until and unless such notice is given.

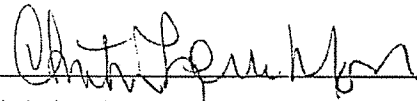
E. This Agreement and any amendment or changes thereto are subject to the prior approval of the New Hampshire Public Utilities Commission.

F. This Agreement supersedes and replaces any and all previous "Management Agreements" between the parties, which previous agreement shall be deemed to have been terminated as of December 31, 2011.

HAMPSTEAD AREA WATER COMPANY, INC.

By: 
Christine Lewis Morse, Vice President

LEWIS BUILDERS DEVELOPMENT COMPANY, INC.

By: 
Christine Lewis Morse, President

SCHEDULE A

I. Services (to be billed out as used)

<u>Services</u>	<u>Present Employee / Entity</u>	<u>To be Billed at Actual Rate paid to Employee</u>	
1. Accounting	John Sullivan	+ Burden + G&A	Hourly Basis
2. Legal Advice	Robert Levine, Esquire	+ Burden + G&A	Hourly Basis
3. Legal Secretary	Judy Armstrong	+ Burden + G&A	Hourly Basis
4. Payroll & Misc. Office Work	Various employees	+ Burden + G&A	Hourly Basis
5. Mailing Costs (actual)			

II. Management

Harold J. Morse, President,	\$110,000 per year
Christine Lewis Morse, Vice President	Plus 5% recurring annual increase
Scott Tosti, IT	\$10,000 per year Plus 5% recurring annual increase

SCHEDULE B

<u>Type of Rental</u>	<u>Per Square Foot Rental Per Year</u>	<u>Square Foot Used by HAWC</u>	<u>Total Rental Per Year</u>
Office	\$ 12.00 *	575 sf	\$ 6,900.00
Storage	\$ 5.00 *	1,238 sf	\$ 6,190.00
Warehouse	\$ 5.00 *	762 sf	\$ 3,810.00
Other (description) _____	\$ *		\$
Grand Total:			\$ 16,900.00

* Gross Rent includes real estate taxes, utilities, maintenance.