

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

LAKES REGION WATER COMPANY, INC.

ORIGINAL
N.H.P.U.C. Case No. DW 10-141
Exhibit No. #2
Witness Panel #1
DO NOT REMOVE FROM FILE

DW 10-141

PERMANENT AND TEMPORARY RATE INCREASE PROCEEDING

SETTLEMENT AGREEMENT – TEMPORARY RATES

I. INTRODUCTION

This Agreement is entered into this 10th day of December, 2010, by and between Lakes Region Water Company, Inc. (LRWC) and the staff (Staff) of the New Hampshire Public Utilities Commission (Commission).

II. PROCEDURAL BACKGROUND

On May 19, 2010, LRWC filed a notice of intent to file rate schedules. The Office of the Consumer Advocate (OCA) filed a notice of participation on June 1, 2010. On July 19, 2010, LRWC filed its permanent rate schedules and revised tariff pages, along with a petition for temporary rates. LRWC proposed temporary rates to generate an additional \$192,907 in revenues, an increase of 25.18% on an annual basis to its metered and unmetered customers. LRWC proposed its temporary rates to have an effective date of July 1, 2010.

On August 17, 2010, the Commission issued Order No. 25,140, suspending the Company's proposed permanent rate tariffs and scheduling a procedural conference for September 24, 2010. On September 17, 2010, Property Owners Association at Suissevale, Inc. (POASI) requested intervention. The procedural conference was held as scheduled, at which time the Commission granted intervenor status to Hidden Valley Property Owners Association

(Hidden Valley). By secretarial letter dated October 4, 2010, the Commission approved the procedural schedule submitted by the Staff and parties. Following the procedural conference, LRWC, OCA, Hidden Valley, POASI and Staff participated in a technical session at which, among other things, they discussed LRWC's request for temporary rates. The Staff, OCA, and POASI issued discovery to LRWC, to which it responded.

LRWC and Staff reached agreement on the issue of temporary rates, and the terms of that agreement are set forth below.

III. TERMS OF AGREEMENT

A. REVENUE REQUIREMENT

LRWC and Staff agree that LRWC should be authorized to implement temporary rates, in accordance with RSA 378:27, sufficient to yield an increase of \$143,964 in annual revenues, or 18.51% above the revenues yielded by the rates currently in effect. This increase in revenues would result in a total revenue requirement of \$921,829. See attached schedules.

B. RATE DESIGN

LRWC and Staff recommend that the increase in rates provided for by this agreement should be implemented by maintaining the current rate design in effect and approved by the Commission. The calculation of the recommended customer rates is shown on the attached Schedule 6.

C. EFFECTIVE DATE AND RECOUPMENT

LRWC and Staff agree and recommend that the temporary rates contemplated by this agreement shall be effective for service rendered on and after September 17, 2010<sup>1</sup>. This is the date all customers were notified of the proposed rate increases. Any difference between the temporary rates agreed to herein and the permanent rates ultimately approved by the Commission in this docket is subject to reconciliation upon implementation of new permanent rates.

D. TEMPORARY RATE INCREASE TO BE COMBINED WITH STEP  
ADJUSTMENT FROM DW 08-070

LRWC has recently filed a petition for a third step increase in rates, two previous step increases have been authorized by the Commission in Docket No. DW 08-070 for assets placed in service by LRWC. Staff and LRWC have reached an agreement to recommend an increase in revenues in that proceeding at a level 1.54% over LRWC's currently effective rates. Staff and LRWC agree and recommend that, in order to avoid potential customer confusion from changing customer rates twice, the new rates resulting from the increase in revenues from temporary rates in the instant docket be combined with the recommended increase in new revenues from Docket No. DW 08-070 and be implemented simultaneously.

While Staff and LRWC recommend that this change in rates be implemented on a service rendered basis effective on the date of the Commission's order, Staff and LRWC agree that only

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<sup>1</sup> The settlement agreement between Staff and LRWC in Docket No. DW 08-070, as described in paragraph D of this agreement, recommends that customers of LRWC's Gunstock Glen franchise be moved to LRWC's consolidated tariff effective on the date of the Commission's order approving that settlement agreement. Staff and LRWC therefore recommend that the effective date for temporary rates for Gunstock Glen customers be that same date.

the portion representing temporary rates should be subject to recoupment, pursuant to RSA 378:29, back to the recommended effective date of September 17, 2010. Staff and LRWC agree that there should be no recoupment associated with the new revenues resulting from implementation of the third step in Docket No. DW 08-070.

IV. CONDITIONS

This agreement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in these proceedings is true or valid. This agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept this agreement in its entirety, without change or condition, the agreement shall at LRWC's or the Staff's option, exercised within ten days of such Commission order, be deemed to be null and void and without effect and shall not constitute any part of the record in this proceeding nor be used for any other purpose.

The Commission's acceptance of this agreement shall not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding, but such acceptance does constitute a determination that the provisions set forth herein in their totality are consistent with the public interest under the circumstances. LRWC and Staff agree that all pre-filed testimony should be admitted as full exhibits for the purpose of consideration of this agreement. Agreement to admit all pre-filed testimony without challenge, however, does not constitute agreement by any party that the content of the pre-filed testimony filed by another party is accurate or what weight, if any, should be given to the views of any witness. In addition,

the identification of the resolution of any specific issue in this agreement does not indicate LRWC's or Staff's agreement to such resolution for purposes of permanent rates, nor does the reference to any other document bind LRWC or Staff to the contents of, or recommendations in, such document for purposes of any future proceeding.

The Commission's approval of the recommendations in this agreement shall not constitute a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the revenue requirement and rates resulting from this agreement are consistent with the public interest for purposes of temporary rates in this proceeding.

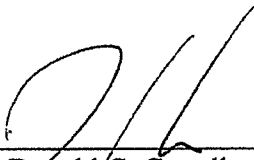
The discussions that produced this agreement have been conducted on the explicit understanding that all offers of settlement relating thereto are and shall be confidential, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

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Settlement Agreement – Temporary Rates  
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IN WITNESS WHEREOF, the parties to this agreement have caused the agreement to be  
duly executed in their respective names by their fully authorized agents.

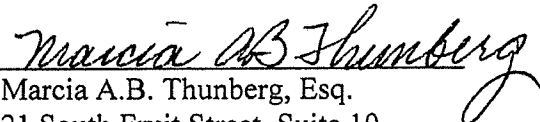
LAKES REGION WATER COMPANY,  
INC.

Dated: 12/10/10

By:   
Donald C. Crandlemire, Esq.  
Shaheen & Gordon, P.A.  
P.O. Box 2703  
Concord, NH 03302

STAFF OF THE NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

Dated: 12/10/10

By:   
Marcia A.B. Thunberg, Esq.  
21 South Fruit Street, Suite 10  
Concord, NH 03301  
(603) 271-2431

**DW 10-141  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
REVENUE REQUIREMENT**

Rate Base (Schedule 2)	\$ 2,324,509
Rate of Return (From DW 05-137)	X <u>8.23%</u>
Operating Income Requirement	191,307
Less: Proforma Test Year Operating Income (Schedule 3)	<u>(236,981)</u>
Revenue Deficiency / (Surplus) Before Taxes	(45,674)
Tax Factor (Schedule 4)	+ <u>100.00%</u>
Revenue Deficiency / (Surplus)	(45,674)
Add: Annual Water Revenues from General Customers Proposed by Company (Schedule 3)	955,670
Add: Staff Adjustment to Company's Proposed Revenue Requirement for DW 08-070 - Step 3	<u>11,833</u>
Annual Water Revenues from General Customers Proposed by Staff	921,829
Less: Adjusted Test Year Water Revenues from General Customers after DW 08-070 - Step 3	<u>(777,865)</u>
Proposed Increase in Annual Water Revenues from General Customers	<u>\$ 143,964</u>
Percent Increase in Annual Water Revenues from General Customers	<u>18.51%</u>

DW 10-141  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
RATE BASE

	Test Year Average Per Company Filing	Company Adjustments	Per Company Filing	Staff Proforma Adjustments (Sch 2a)	Staff Adjustment # (Sch 2a)	Proforma Rate Base
<b><u>Plant in Service</u></b>						
Utility Plant in Service	\$ 4,197,106	\$ -	\$ 4,197,106	\$ (27,735)	1 - 2	\$ 4,169,371
Less: Accumulated Depreciation	<u>(1,123,042)</u>	<u>6,293</u>	<u>(1,116,749)</u>	<u>(23,248)</u>	3 - 5	<u>(1,139,997)</u>
Net Plant in Service	3,074,064	6,293	3,080,357	(50,983)		3,029,374
Less: Acquisition Adjustment	(254,025)	-	(254,025)	-	6	(254,025)
Add: Accumulated Amortization of Acquisition Adjustment	141,338	-	141,338	(316)	7	141,022
Less: Contributions in Aid of Construction (CIAC)	(849,099)	-	(849,099)	(3,000)	8	(852,099)
Add: Accumulated Amortization of CIAC	<u>156,075</u>	<u>-</u>	<u>156,075</u>	<u>(230)</u>	9	<u>155,845</u>
Net Plant in Rate Base	<u>2,268,353</u>	<u>6,293</u>	<u>2,274,646</u>	<u>(54,529)</u>		<u>2,220,117</u>
<b><u>Working Capital</u></b>						
Cash Working Capital	164,872	(13,104)	151,768	(18,984)	10	132,784
Materials and Supplies	59,350	(14,217)	45,133	-	11 - 12	45,133
Prepaid Expenses	31,791	(2,287)	29,504	2,482	13 - 14	31,986
Customer Deposits	-	-	-	(1,321)	15	
Deferred Taxes	<u>(105,511)</u>	<u>-</u>	<u>(105,511)</u>	<u>-</u>	16	<u>(105,511)</u>
Total Working Capital	<u>150,502</u>	<u>(29,608)</u>	<u>120,894</u>	<u>(17,823)</u>		<u>104,392</u>
<b>Rate Base</b>	<u>\$ 2,418,855</u>	<u>\$ (23,315)</u>	<u>\$ 2,395,540</u>	<u>\$ (72,352)</u>		<u>\$ 2,324,509</u>



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LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
PROFORMA ADJUSTMENTS TO RATE BASE

Adj#

**Proforma Adjustments to Plant in Service:**

Plant in Service

1	To adjust Plant in Service to 5-quarter average computed by Staff: Amount computed by Staff (Sch 2b)	\$ 4,188,793		
	Less: Amount per Company Filing (Sch 2)	<u>(4,197,106)</u>	\$	(8,313)
2	To adjust DW 08-070 - Step 3 Plant in Service (Sch 2c):			
	2008 Plant Additions per Staff:	\$ 137,176		
	Less: 2008 Plant Additions per Company:	<u>(145,217)</u>	(8,041)	
	2009 Plant Additions per Staff:	77,214		
	Less: 2009 Plant Additions per Company	<u>(99,976)</u>		
	Total Adjustment - 2009	(22,762)		
	To adjust to test year average	+ 2	(11,381)	<u>(19,422)</u>
	Total Adjustments - Plant in Service			<u>\$ (27,735)</u>

Accumulated Depreciation

3	To adjust Accumulated Depreciation to 5-quarter average computed by Staff: Amount computed by Staff (Sch 2b)	\$ (1,136,087)		
	Less: Amount per Company Filing (Sch 2)	<u>1,116,749</u>	\$	(19,338)
4	To adjust Accumulated Depreciation to reflect Co's pro-forma adjustment: Co's proposed pro-forma adj to Depreciation Expense		(6,293)	
	To adjust to test year average	+ 2		<u>(3,147)</u>
5	To adjust DW 08-070 - Step 3 Accumulated Depreciation (Sch 2c):			
	2008 Accumulated Depreciation per Staff:	\$ (1,923)		
	Less: 2008 Accumulated Depreciation per Company:	<u>1,664</u>	(258)	
	2009 Accumulated Depreciation per Staff:	(5,458)		
	Less: 2009 Accumulated Depreciation per Company	<u>4,447</u>		
	Total Adjustment - 2009	(1,011)		
	To adjust to test year average	+ 2	(505)	<u>(764)</u>
	Total Adjustments - Accumulated Depreciation			<u>\$ (23,248)</u>

Acquisition Adjustment

6	To adjust Acquisition Adjustment to 5-quarter average computed by Staff: Amount computed by Staff (Sch 2b)	\$ (254,025)		
	Less: Amount per Company Filing (Sch 2)	<u>254,025</u>	\$	-

Accumulated Amortization - Acquisition Adjustment

7	To adjust Accumulated Amortization - Acquisition Adj to 5-quarter average computed by Staff: Amount computed by Staff (Sch 2b)	\$ 141,022		
	Less: Amount per Company Filing (Sch 2)	<u>(141,338)</u>	\$	(316)

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TEMPORARY RATES  
PROFORMA ADJUSTMENTS TO RATE BASE

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Contributions in Aid of Construction

8	To adjust Contributions in Aid of Construction to 5-quarter average computed by Staff: Amount computed by Staff (Sch 2b)	\$ (852,099)	
	Less: Amount per Company Filing (Sch 2)	849,099	\$ (3,000)

Accumulated Amortization - Contributions in Aid of Construction

9	To adjust Accumulated Amortization - CIAC to 5-quarter average computed by Staff: Amount computed by Staff (Sch 2b)	\$ 155,845	
	Less: Amount per Company Filing (Sch 2)	(156,075)	\$ (230)

Proforma Adjustments to Working Capital:

Cash Working Capital

10	To adjust Cash Working Capital to amount computed by Staff: Amount computed by Staff (Sch 2b)	\$ 132,784	
	Less: Amount per Company Filing (Sch 2)	(151,768)	\$ (18,984)

Materials and Supplies

11	To adjust Materials & Supplies to 5-quarter average computed by Staff: Amount computed by Staff (Sch 2b)	\$ 68,828	
	Less: Amount per Company Filing (Sch 2)	(45,133)	\$ 23,695

12	To adjust Materials & Supplies to reflect Co's pro-forma adjustment: Co's proposed pro-forma Materials & Supplies balance (Sch 2)	45,133	
	Staff's computed 5-quarter average for Materials & Supplies (Sch 2b)	(68,828)	(23,695)

Total Adjustments - Materials & Supplies \$ -

Prepaid Expenses

13	To adjust Prepaid Expenses to 5-quarter average computed by Staff: Amount computed by Staff (Sch 2b)	\$ 33,129	
	Less: Amount per Company Filing (Sch 2)	(29,504)	\$ 3,625

14	To adjust Prepaid Expenses to reflect Co's pro-forma adjustment: Co's proposed pro-forma adj to Prepaid Expenses (Sch 2)	(2,287)	
	To adjust to test year average	2	(1,144)

Total Adjustments - Prepaid Expenses \$ 2,482

Customer Deposits

15	To adjust Customer Deposits to 5-quarter average computed by Staff: Amount computed by Staff (Sch 2b)	\$ (1,321)	
	Less: Amount per Company Filing (Sch 2)	-	\$ (1,321)

Deferred Taxes

16	To adjust Deferred Taxes to 5-quarter average computed by Staff: Amount computed by Staff (Sch 2b)	\$ (105,511)	
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TEMPORARY RATES  
PROFORMA ADJUSTMENTS TO RATE BASE

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Less: Amount per Company Filing (Sch 2)

105,511 \$ -

DW 10-141  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
RATE BASE COMPONENTS - 5 QUARTER AVERAGE

5-Quarter Average Components

	<u>Net Plant in Service</u>			<u>Net Acquisition Adjustment</u>			<u>Net Contributions in Aid of Construction</u>			<u>Materials &amp; Supplies</u>	<u>Prepaid Expenses</u>	<u>Customer Deposits</u>	<u>Deferred Taxes</u>
	<u>Plant in Service</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Acquisition Adjustment</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>CIAC</u>	<u>Accumulated Amortization</u>	<u>Net</u>				
12/31/08	\$ 4,125,217	\$ (1,065,873)	\$ 3,059,344	\$ (254,025)	\$ 139,166	\$ (114,859)	\$ (849,099)	\$ 147,619	\$ (701,480)	\$ 73,567	\$ 33,363	\$ (362)	\$ (105,511)
03/31/09	4,158,944	(1,105,087)	3,053,857	(254,025)	139,824	(114,201)	(854,099)	151,378	(702,721)	64,400	28,221	(1,012)	(105,511)
06/30/09	4,192,174	(1,144,783)	3,047,391	(254,025)	140,811	(113,214)	(854,099)	155,692	(698,407)	84,792	33,271	(2,062)	(105,511)
09/30/09	4,198,635	(1,184,479)	3,014,156	(254,025)	141,798	(112,227)	(854,099)	160,006	(694,093)	76,249	40,575	(2,062)	(105,511)
12/31/09	<u>4,268,994</u>	<u>(1,180,211)</u>	<u>3,088,783</u>	<u>(254,025)</u>	<u>143,510</u>	<u>(110,515)</u>	<u>(849,098)</u>	<u>164,530</u>	<u>(684,568)</u>	<u>45,132</u>	<u>30,216</u>	<u>(1,106)</u>	<u>(105,511)</u>
5-Quarter Total	<u>\$20,943,964</u>	<u>\$ (5,680,433)</u>	<u>\$15,263,531</u>	<u>\$ (1,270,125)</u>	<u>\$ 705,109</u>	<u>\$ (565,016)</u>	<u>\$ (4,260,494)</u>	<u>\$ 779,225</u>	<u>\$ (3,481,269)</u>	<u>\$ 344,140</u>	<u>\$ 165,646</u>	<u>\$ (6,604)</u>	<u>\$ (527,555)</u>
5-Quarter Average	<u>\$ 4,188,793</u>	<u>\$ (1,136,087)</u>	<u>\$ 3,052,706</u>	<u>\$ (254,025)</u>	<u>\$ 141,022</u>	<u>\$ (113,003)</u>	<u>\$ (852,099)</u>	<u>\$ 155,845</u>	<u>\$ (696,254)</u>	<u>\$ 68,828</u>	<u>\$ 33,129</u>	<u>\$ (1,321)</u>	<u>\$ (105,511)</u>

Cash Working Capital

Proforma Test Year O & M Expenses (Sch 3)	\$ 738,532
Less: O & M Expense for Tamworth	\$ (738,532) X 101 + 1,616 = (46,158)
O & M Exp's for Systems that Bill in Arrears	692,374
75 Days / 365 Days	X 20.55%
Cash Working Capital for Systems that Bill in Arrears	\$ 142,269
O & M Expense for Tamworth	(46,158)
75 Days / 365 Days	X 20.55%
Cash Working Capital for System that Bills in Advance	(9,485)
<b>Net Cash Working Capital</b>	<b>\$ 132,784</b>

DW 10-141  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
ANALYSIS OF STEP 3 PLANT ADDITIONS and DEPRECIATION

	PER COMPANY				PER STAFF			
	Cost	Rate	Annual Deprec	Total Accum Deprec	Cost	Rate	Annual Deprec	Total Accum Deprec
<b>Hidden Valley:</b>								
Structures - 2008	\$ 13,547	2.00%	\$ 271	\$ 406	\$ 18,258	2.50%	\$ 456	\$ 685
Structures - 2009	9,088	2.00%	182	91	9,088	2.50%	227	114
	22,635		453	497	27,346		684	798
Wells - 2008	40,517	2.00%	810	810	40,517	3.33%	1,349	2,024
Pumps - 2008	3,472	10.00%	347	521	3,224	10.00%	322	484
Pumps - 2009	10,000	10.00%	1,000	500	10,000	10.00%	1,000	500
	13,472		1,347	1,021	13,224		1,322	984
Distribution Reservoirs - 2008	791	2.50%	20	30	791	2.22%	18	26
Mains - 2008	47,733	2.00%	955	1,432	46,666	2.00%	933	1,400
Meters - 2009	2,575	5.00%	129	64	2,575	5.00%	64	64
Other - 2009	1,085	5.00%	54	27	1,085	5.00%	27	27
<b>Total - Hidden Valley</b>	<b>128,808</b>		<b>3,768</b>	<b>3,882</b>	<b>132,204</b>		<b>4,489</b>	<b>5,324</b>
<b>Gunstock Glen:</b>								
Structures - 2008	36,868	2.00%	737	1,106	26,218	2.50%	655	983
Structures - 2009	4,049	2.00%	81	40	4,049	2.50%	101	51
	40,917		818	1,147	30,267		757	1,034
Pumps - 2008	1,784	10.00%	178	178	997	10.00%	100	150
Pumps - 2009	4,086	10.00%	409	204	7,939	10.00%	794	397
	5,870		587	383	8,936		894	547
Distribution Reservoirs - 2008	505	2.00%	10	10	505	2.22%	11	17
Distribution Reservoirs - 2009	293	2.00%	6	3	293	2.22%	3	3
	798		16	13	798		14	20
Mains - 2009	37,189	2.00%	744	372	28,079	2.00%	562	281
<b>Total - Gunstock Glen</b>	<b>84,774</b>		<b>2,165</b>	<b>1,914</b>	<b>68,080</b>		<b>2,230</b>	<b>1,881</b>
<b>Brake Hill:</b>								
Structures - 2009	31,611	2.00%	632	316	14,106	2.50%	353	176
<b>Grand Total</b>	<b>\$ 245,193</b>		<b>\$ 6,565</b>	<b>\$ 6,112</b>	<b>\$ 214,390</b>		<b>\$ 7,071</b>	<b>\$ 7,381</b>
<b>Summary By Year:</b>								
2008 Plant Additions	\$ 145,217		\$ 3,229	\$ 1,664	\$ 4,494		\$ 3,845	\$ 5,768
2009 Plant Additions	99,976		3,336	2,829	1,618		3,226	1,613
<b>Totals</b>	<b>\$ 245,193</b>		<b>\$ 6,565</b>	<b>\$ 4,447</b>	<b>\$ 6,112</b>		<b>\$ 7,071</b>	<b>\$ 7,381</b>

a Retired plant netted against cost of additions were added back to cost of asset. (Based on Company's response to OCA DR 4.5 in DW 08-070)  
 b Unsubstantiated costs per the 09/22/10 NHPUC Staff Audit Report in DW 08-070 were eliminated.  
 c Unsubstantiated cost per the Company's response to Staff DR 3-5 in DW 08-070 was eliminated.  
 d Asset not included in Step 3 in DW 08-070. However, included in rate base for purposes of temporary rates less unsubstantiated costs per the 09/22/10 NHPUC Staff Audit Report.

DW 10-141  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
OPERATING INCOME STATEMENT

	Per Actual Test Year	Company Adjustments	Per Company Filing	Staff Proforma Adjustments (Sch 3a)	Staff Adjustment # (Sch 3a)	Proforma Test Year	Revenue Deficiency / (Surplus) (Sch 1)	Test Year Proforma
<b>Operating Revenues</b>								
Sales of Water to General Customers	\$ 766,032	\$ 189,638	\$ 955,670	\$ 11,833	17	\$ 967,503	\$ (45,674)	\$ 921,829
Sales of Water - Special Contract	131,831	-	131,831			131,831		131,831
Other Operating Revenues	93,101	(18,001)	75,100			75,100		75,100
<b>Total Operating Revenues</b>	<b>990,964</b>	<b>171,637</b>	<b>1,162,601</b>	<b>11,833</b>		<b>1,174,434</b>	<b>(45,674)</b>	<b>1,128,760</b>
<b>Operating Expenses</b>								
Operation & Maintenance Expense:								
Source of Supply Expenses	45,195	(2,287)	42,908			42,908		42,908
Pumping Expenses	77,405	-	77,405			77,405		77,405
Water Treatment Expenses	45,434	-	45,434			45,434		45,434
Transmission & Distribution Expenses	168,581	(11,375)	157,206			157,206		157,206
Customer Accounts Expenses	31,875	-	31,875			31,875		31,875
Administrative & General Expenses	433,805	(50,101)	383,704			383,704		383,704
<b>Total Operation &amp; Maintenance Expense</b>	<b>802,295</b>	<b>(63,763)</b>	<b>738,532</b>	<b>-</b>		<b>738,532</b>	<b>-</b>	<b>738,532</b>
Depreciation Expense	165,259	6,293	171,552	506	18	172,058		172,058
Amortization of CIAC	(16,911)	-	(16,911)			(16,911)		(16,911)
Amortization of Acquisition Adjustment	(4,344)	-	(4,344)			(4,344)		(4,344)
Amortization Expense - Other	-	-	-			-		-
Taxes Other Than Income	44,834	-	44,834	914	19 - 20	45,748		45,748
<b>Total Operating Expenses</b>	<b>991,133</b>	<b>(57,470)</b>	<b>933,663</b>	<b>1,420</b>		<b>935,083</b>	<b>-</b>	<b>935,083</b>
<b>Net Operating Income (Loss) before Income Taxes</b>	<b>(169)</b>	<b>229,107</b>	<b>228,938</b>	<b>10,413</b>		<b>239,351</b>	<b>(45,674)</b>	<b>193,677</b>
Income Taxes	2,370	25,490	27,860	(25,490)	Sch 3b	2,370	-	2,370
<b>Net Operating Income (Loss)</b>	<b>\$ (2,539)</b>	<b>\$ 203,617</b>	<b>\$ 201,078</b>	<b>\$ 35,903</b>		<b>\$ 236,981</b>	<b>\$ (45,674)</b>	<b>\$ 191,307</b>

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DW 10-141  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
PROFORMA ADJUSTMENTS TO OPERATING REVENUE AND EXPENSES

Adj #

**Proforma Adjustments to Operating Revenues:**

17 To increase operating revenues by proposed DW 08-070 - Step 3. \$ 11,833

**Proforma Adjustments to Operating Expenses:**

Depreciation Expense

18 To adjust depreciation expense for DW 08-070 - Step 3 Plant in Service (Sch 2c):  
     Annual Depreciation Expense computed by Staff: \$ 7,071  
     Less: Annual Depreciation Expense computed by Co: (6,565) \$ 506

Taxes Other Than Income

19 To adjust property tax expense for 2009 DW 08-070 - Step 3 Plant in Service (Sch 2c):

	<u>Tuftenboro</u>	<u>Gilford</u>		
2009 Plant Additions	\$ 22,748	\$ 54,466		
Less: Accumulated Depreciation	(705)	(908)		
2009 Net Plant Additions	22,043	53,558		
Assessment Adjustment (65%)	\$ 14,328	\$ 34,813		
2010 Combined State & Municipal Tax Rate (per \$1,000)	X \$ 12.84	\$ 21.63		
Combined State & Municipal Property Taxes	\$ 184	\$ 753	\$	937

20 To adjust property tax expense for 2008 DW 08-070 - Step 3 Plant in Service (Sch 2c):

	<u>Tuftenboro</u>	<u>Gilford</u>		
2008 Plant Additions	\$ 109,456	\$ 27,720		
Less: Accumulated Depreciation	(4,618)	(1,150)		
2009 Net Plant Additions	104,838	26,570		
Assessment Adjustment (65%)	68,144	17,271		
2010 Combined State & Municipal Tax Rate (per \$1,000)	\$ 12.84	\$ 21.63		
Less: 2009 Combined State & Municipal Tax Rate (per \$1,000)	\$ (13.22)	\$ (21.46)		
Marginal Change in Tax Rates from 2009 to 2010	X \$ (0.38)	\$ 0.17		
Combined State & Municipal Property Taxes	\$ (26)	\$ 3	\$	(23)

Total Adjustments - Taxes Other Than Income \$ 914

**DW 10-141  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
PROFORMA ADJUSTMENTS TO INCOME TAXES**

**INCOME TAXES**

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

Total proforma adjustments to Water Revenues - General Customers	\$ 11,833
Total proforma adjustments to Water Revenues - Special Contract	-
Total proforma adjustments to Other Operating Revenues	-
Total proforma adjustments to Source of Supply Expense	-
Total proforma adjustments to Pumping Expense	-
Total proforma adjustments to Water Treatment Expense	-
Total proforma adjustments to Transmission & Distribution Expense	-
Total proforma adjustments to Customer Accounts Expense	-
Total proforma adjustments to Administrative & General Expense	-
Total proforma adjustments to Depreciation Expense	(506)
Total proforma adjustments to Amortization of CIAC	-
Total proforma adjustments to Amortization of Acquisition Adjustment	-
Total proforma adjustments to Taxes Other than Income	<u>(914)</u>
Net Increase (Decrease) in Net Operating Income subject to State Income Tax	10,413
Less: New Hampshire Business Profits Tax @ 0.0%	<u>-</u>
Net Increase (Decrease) in Net Operating Income subject to Federal Income Tax	10,413
Federal Income Tax @ 0.0%	<u>-</u>
To eliminate Co's proforma adjustment relative to Income Tax provision	<u>25,490</u>
Net Proforma Adjustments	<u><u>\$ 35,903</u></u>



**DW 10-141  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
EFFECTIVE TAX FACTOR**

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

DW 10-141  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
COMPUTATION OF RATES

Proposed Annual Water Revenue from General Customers	\$ 921,829
Less: DW 08-070 - Step 3	<u>(11,833)</u>
Proposed Annual Revenue relative to Temporary Rates only	\$ 909,996
Less: Annual Operating Revenue - WVG Community Pool	
Current Authorized Rate Per Tariff	\$ 1,140.73
1 + Percentage Increase in Revenue Requirement	X <u>1.1851</u> <span style="border: 1px solid black; padding: 2px;">(1,361.85)</span>
Less: Annual Operating Revenue - Non-metered Customers	
Annual Water Revenue from General Customers less Annual Revenue - WVG Pool	\$ 908,645
Total Consolidated Rate Customers (including Gunstock Glen)	+ <u>1,614</u>
Annual Revenue Requirement per Customer	<span style="border: 1px solid black; padding: 2px;">\$ 562.98</span>
Total Non-metered Customers (Including Gunstock Glen)	X <u>574</u> \$ (323,149)
Annual Revenue Requirement Collected through Minimum Charge and Consumption Charge	\$ 585,496
Calculation of Metered Rate: X + Y*(28,368 ccf (a) + 1,040 metered customers) = (X = Minimum Charge; Y = Consumption Charge)	\$ 562.98 charge per customer
<u>Calculation of Proportion of Present Minimum Charge to Present Consumption Charge:</u>	
Present Annual Minimum Charge Per Tariff: (X)	\$ 365.01
Present Annual Consumption Charge Per Tariff (per 100 cu ft): (Y)	+ \$ 3.83
Proportion of Present Minimum Charge to Present Consumption Charge: (X + Y)	<u>95.3</u>
<u>Calculation of Consumption Charge:</u>	
X + Y * 28,368 + 1,040 = \$ 562.98	
Y * 95.3 + Y * 27.3 = \$ 562.98	
Y * 122.6 = \$ 562.98	
Y = <span style="border: 1px solid black; padding: 2px;">\$ 4.59</span> * 28,368 = \$ (130,287)	
Annual Revenue Requirement Collected through Minimum Charge	\$ 455,209
<u>Calculation of Annual Minimum Charge:</u>	
X + Y * 28,368 + 1,040 = \$ 562.98	
X + \$ 4.59 * 27.3 = \$ 562.98	
X + \$ 125.28 = \$ 562.98	
X = <span style="border: 1px solid black; padding: 2px;">\$ 437.70</span> * 1,040 = \$ (455,209)	
Remainder of Annual Water Revenue from General Customers	<u>\$ -</u>

**a Conversion of Metered Consumption from Gallons to CCF:**

2009 Total Consumption by Metered Customers (Gallons)	32,887,000 Gallons
Less: 2009 Suissevale Metered Consumption (Gallons)	<u>(11,666,000) Gallons</u>
2009 Consumption by Metered Customers subject to Step 3 (Gallons)	21,221,000 Gallons
Conversion Factor from Gallons to CCF (1 CCF = 748.051948 Gallons)	+ <u>748.05 Gallons</u>
2009 Consumption by Metered Customers subject to Step 3 (CCF)	<u>28,368 CCF</u>

**DW 08-070 and DW 10-141  
LAKES REGION WATER COMPANY, INC.  
COMBINED STEP ADJUSTMENT AND TEMPORARY RATE INCREASE  
COMPUTATION OF RATES**

Proposed Combined Annual Water Revenue from General Customers \$ 921,829

Less: Annual Operating Revenue - WVG Community Pool

Current Authorized Rate per Tariff \$ 1,140.73

1 + (\$155,797 Combined Revenue Increase + \$766,032 Present Revenue from General Customers) X 1.2034 (1,372.73)

Less: Annual Operating Revenue - Non-metered Customers

Annual Water Revenue from General Customers less Annual Revenue - WVG Pool \$ 920,457

Total Consolidated Rate Customers (including Gunstock Glen) + 1,614

Annual Revenue Requirement per Customer \$ 570.30

Total Non-metered Customers (including Gunstock Glen) X 574 \$ (327,350)

Annual Revenue Requirement Collected through Minimum Charge and Consumption Charge \$ 593,107

Calculation of Metered Rate:  $X + Y \times (28,368 \text{ ccf (a)} + 1,040 \text{ metered customers}) =$  \$ 570.30 charge per customer  
(X = Minimum Charge; Y = Consumption Charge)

Calculation of Proportion of Present Minimum Charge to Present Consumption Charge:

Present Annual Minimum Charge Per Tariff: (X) \$ 365.01

Present Annual Consumption Charge Per Tariff (per 100 cu ft): (Y) + \$ 3.83

Proportion of Present Minimum Charge to Present Consumption Charge: (X + Y) 95.3

Calculation of Consumption Charge:

X + Y \* 28,368 + 1,040 = \$ 570.30

Y \* 95.3 + Y \* 27.3 = \$ 570.30

Y \* 122.6 = \$ 570.30

Y = \$ 4.65 \* 28,368 = \$ (131,980)

Annual Revenue Requirement Collected through Minimum Charge \$ 461,127

Calculation of Annual Minimum Charge:

X + Y \* 28,368 + 1,040 = \$ 570.30

X + \$ 4.65 \* 27.3 = \$ 570.30

X + \$ 126.90 = \$ 570.30

X = \$ 443.39 \* 1,040 = \$ (461,127)

Remainder of Annual Water Revenue from General Customers \$ -

**a Conversion of Metered Consumption from Gallons to CCF:**

2009 Total Consumption by Metered Customers (Gallons)	32,887,000	Gallons
Less: 2009 Suissevale Metered Consumption (Gallons)	(11,666,000)	Gallons
2009 Consumption by Metered Customers subject to Step 3 (Gallons)	21,221,000	Gallons
Conversion Factor from Gallons to CCF (1 CCF = 748.051948 Gallons)	+ 748.05	Gallons
2009 Consumption by Metered Customers subject to Step 3 (CCF)	28,368	CCF