

DW 10-141
LRW # 7
S. St. Cyr / T. Mason

March 2, 2012

Mark Naylor, Director
Gas and Water Division
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, N. H. 03301-2429

Re: Lakes Region Water Company – Amended 2010 PUC Annual Report

Dear Mr. Naylor:

Attached are amended pages to Lakes Region Water Company's 2010 PUC Annual Report. The amended pages are the result of the reclassification of the Mason Note to additional paid in capital, and the reduction of employee pension and benefits for the conversion of Tom & Barbara Mason's "pension" to return of capital (a decrease in additional paid in capital). The specific years and amounts are identified on Amended Schedule F-4, Analysis of Retained Earning. Please note that the 2010 interest and "pension" are reflected in the amended Balance Sheet and Income Statement rather than making adjustments to retained earnings.

Also, please note that the Company has amended its 2007, 2008 and 2009 federal tax returns to reflect such adjustments on the amended tax returns. The result of such adjustments significantly reduces the net operating loss carryforward available for future years.

If you have any questions or comments, please call me at 207-282-5222 or email me at stephenpstcyr@yahoo.com.

Sincerely,

Stephen P. St. Cyr

Cc: Norm Roberge
Tom Mason
Justin Richardson
Merideth Hatfield

Annual Report of Lakes Region Water Co., Inc.

Year Ended December 31, 2010

Ameded 03/01/12

F-1 BALANCE SHEET
Equity Capital and Liabilities

Line No.	Account Title (Number) (a)	Ref. Sch. (b)	Current Year End Balance (c)	Previous Year End Balance (d)	Increase or Decrease (e)
EQUITY CAPITAL					
1	Common Stock Issued (201)	F-31	\$ 10,000	\$ 10,000	\$ -
2	Preferred Stock Issued (204)	F-31			
3	Capital Stock Subscribed (202,205)	F-32			
4	Stock Liability for Conversion (203, 206)	F-32			
5	Premium on Capital Stock (207)	F-31			
6	Installments Received On Capital Stock (208)	F-32			
7	Other Paid-In Capital (209,211)	F-33	1,077,052	942,080	134,972
8	Discount on Capital Stock (212)	F-34			
9	Capital Stock Expense(213)	F-34	(14,724)	(16,565)	1,841
10	Retained Earnings (214-215)	F-3	108,444	(93,370)	201,814
11	Reacquired Capital Stock (216)	F-31			
12	Total Equity Capital		\$ 1,180,772	\$ 842,145	\$ 338,627
LONG TERM DEBT					
13	Bonds (221)	F-35	720,596	777,322	(56,726)
14	Reacquired Bonds (222)	F-35			
15	Advances from Associated Companies (223)	F-35			
16	Other Long-Term Debt (224)	F-35	162,188	382,596	(220,408)
17	Total Long-Term Debt		\$ 882,784	\$ 1,159,918	\$ (277,134)
CURRENT AND ACCRUED LIABILITIES					
18	Accounts Payable (231)		471,278	374,804	96,474
19	Notes Payable (232)	F-36			
20	Accounts Payable to Associated Co. (233)	F-37			
21	Notes Payable to Associated Co. (234)	F-37			
22	Customer Deposits (235)				
23	Accrued Taxes (236)	F-38	2,695	1,106	1,589
24	Accrued Interest (237)		(2,632)	(3,305)	673
25	Accrued Dividends (238)		10,402	83,107	(72,705)
26	Matured Long-Term Debt (239)	F-39			
27	Matured Interest (240)	F-39			
28	Misc. Current and Accrued Liabilities (241)	F-39			
29	Total Current and Accrued Liabilities		\$ 481,743	\$ 455,712	\$ 26,031
DEFERRED CREDITS					
30	Unamortized Premium on Debt (251)	F-25			
31	Advances for Construction (252)	F-40			
32	Other Deferred Credits (253)	F-41			
33	Accumulated Deferred Investment Tax Credits (255)	F-42			
34	Accumulated Deferred Income Taxes:				
35	Accelerated Amortization (281)	F-45			
36	Liberalized Depreciation (282)	F-45	105,511	105,511	-
37	Other (283)	F-45			
38	Total Deferred Credits		\$ 105,511	\$ 105,511	\$ -
OPERATING RESERVES					
39	Property Insurance Reserve (261)	F-44			
40	Injuries and Damages Reserve (262)	F-44			
41	Pensions and Benefits Reserves (263)	F-44			
42	Miscellaneous Operating Reserves (265)	F-44			
43	Total Operating Reserves				
CONTRIBUTIONS IN AID OF CONSTRUCTION					
44	Contributions In Aid of Construction (271)	F-46	849,099	849,099	-
45	Accumulated Amortization of C.I.A.C. (272)	F-46	181,441	164,530	16,911
46	Total Net C.I.A.C.		\$ 667,658	\$ 684,569	\$ (16,911)
46	TOTAL EQUITY CAPITAL AND LIABILITIES		\$ 3,318,468	\$ 3,247,855	\$ 70,613

Annual Report of Lakes Region Water Co., Inc.

Year Ended December 31, 2010

Amended 03/01/12

F-2 STATEMENT OF INCOME

Line No.	Account Title (Number) (a)	Ref. Sch. (b)	Current Year End Balance (c)	Previous Year End Balance (d)	Increase or Decrease (e)
UTILITY OPERATING INCOME					
1	Operating Revenues(400)	F-47	\$ 977,637	\$ 990,964	\$ (13,327)
2	Operating Expenses:				
3	Operating and Maintenance Expense (401)	F-48	660,969	802,295	(141,326)
4	Depreciation Expense (403)	F-12	145,748	165,259	(19,511)
5	Amortization of Contribution in Aid of Construction (405)	F-46.4	(16,911)	(16,911)	-
6	Amortization of Utility Plant Acquisition Adjustment (406)	F-49	(5,708)	(4,344)	(1,364)
7	Amortization Expense-Other (407)	F-49			
8	Taxes Other Than Income (408.1-408.13)	F-50	51,135	44,834	6,301
9	Income Taxes (409.1, 410.1, 411.1, 412.1)		6,134	2,370	3,764
10	Total Operating Expenses		\$ 841,367	\$ 993,503	\$ (152,136)
11	Net Operating Income (Loss)		136,270	(2,539)	138,809
12	Income From Utility Plant Leased to Others (413)	F-51			
13	Gains(Losses) From Disposition of Utility Property (414)	F-52			-
14	Net Water Utility Operating Income		\$ 136,270	\$ (2,539)	\$ 138,809
OTHER INCOME AND DEDUCTIONS					
15	Revenues From Merchandising, Jobbing and Contract Work (415)	F-53			
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)	F-53			
17	Equity in Earnings of Subsidiary Companies (418)				
18	Interest and Dividend Income (419)	F-54	4,542	4,594	(52)
19	Allow. for funds Used During Construction (420)				
20	Nonutility Income (421)	F-54			
21	Gains (Losses) Form Disposition Nonutility Property (422)				
22	Miscellaneous Nonutility Expenses (426)	F-54	(1,841)	(112,787)	110,946
23	Total Other Income and Deductions		\$ 2,701	\$ (108,193)	\$ 110,894
TAXES APPLICABLE TO OTHER INCOME					
24	Taxes Other Than Income (408.2)	F-50			
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)				
26	Total Taxes Applicable To Other Income				
INTEREST EXPENSE					
27	Interest Expense (427)	F-35	81,670	95,154	(13,484)
28	Amortization of Debt Discount & Expense (428)	F-25	1,788	1,788	-
29	Amortization of Premium on Debt (429)	F-25			
30	Total Interest Expense		\$ 83,458	\$ 96,942	\$ (13,484)
31	Income Before Extraordinary Items		55,513	(207,674)	263,187
EXTRAORDINARY ITEMS					
32	Extraordinary Income (433)	F-55			
33	Extraordinary Deductions (434)	F-55			
34	Income Taxes, Extraordinary Items (409.3)	F-50			
35	Net Extraordinary Items				
NET INCOME (LOSS)			\$ 55,513	\$ (207,674)	\$ 263,187

Annual Report of Lakes Region Water Co., Inc.

Year Ended December 31, 2010

Amended 03/01/12

F-3 STATEMENT OF RETAINED EARNINGS

Line No.	Account Title (Number) (a)	Current Year End Balance (b)	Previous Year End Balance (c)	Increase or Decrease (e)
1	Unappropriated Retained Earnings (Beg of Period) (215)	\$ (93,370)	\$ 114,304	\$ (207,674)
2	Balance Transferred from Income (435)	55,513	(207,674)	263,187
3	Appropriations of Retained Earnings (436)			
4	Dividends Declared-Preferred Stock (437)			
5	Dividends Declared-Common Stock (438)			
6	Adjustments to Retained Earnings (439)	146,301		
7	Net Change to Unappropriated Retained Earnings	\$ 201,814	\$ (207,674)	\$ 409,488
8	Unappropriated Retained Earnings (end of period) (215)	\$ 108,444	\$ (93,370)	\$ 201,814
9	Appropriated Retained Earnings (214)			
10	Total Retained Earnings (214,215)	\$ 108,444	\$ (93,370)	\$ 201,814

F-4 ANALYSIS OF RETAINED EARNINGS (ACCOUNTS 214, 215)

Line No.	Item (a)	Current Year End Balance	Previous Year End Balance
	UNAPPROPRIATED RETAINED EARNINGS (ACCOUNT 215)		
	1. Report in detail the items included in the following accounts during the year: 436, Appropriations of Retained Earnings; 439, Adjustments to Retained Earnings.		
	2. Show separately the income tax effect of items shown in account 439, Adjustments to Retained Earnings.		
1	Line 6 above - Adjustments to Retained Earning (439)		
2	12/31/07 Interest on Mason Note	18,019	
3	12/31/08 Interest on Mason Note	40,108	
4	12/31/09 Interest on Mason Note	18,331	
5	12/31/08 Pension Expense converted to		
6	Additional Paid in Capital	15,990	
7	12/31/09 Pension Expense converted to		
8	Additional Paid in Capital	53,889	
9	12/31/10 Miscellaneous Adjustment	(36)	
10	Total Adjustments to Retained Earnings	<u>146,301</u>	
11			
12			
13			
14			
15			
	APPROPRIATED RETAINED EARNINGS (Account 214)		
	State Balance and purpose of each appropriated Retained Earnings amount at end of year and give accounting entries for any applications of Appropriated Retained Earnings during the year.		
16			
17			
18			
19			
20	Balance-end of year		

F-35 LONG TERM DEBT (Accounts 221, 222, 223, and 224)

1. Report by balance sheet accounts particulars concerning long-term debt included in Accounts 221, Bonds; 222, Reacquired Bonds; 223, Advances from Associated Companies; and 224, Other Long-Term Debt.
2. For bonds assumed by the respondent, column (a) should include name of the issuing company as well as the description of the bonds.
3. Advances from Associated Companies should be reported separately for advances on notes, and advances on open accounts. Demand notes shall be designated as such. Names of associated companies from which advances were received shall be shown in col. (a).
4. In an insert schedule give explanatory particulars for accounts 223, and 224 of net changes during the year. With respect to long-term advances show for each company (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization case numbers and dates.
5. If the respondent has pledged any of its long-term debt securities, give particulars in a footnote, including name of the pledge and purpose of the pledge.
6. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
7. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (f). Explain any difference between the total of column (f) and the total of Account 427, Interest on Long-term Debt, and Account 430, Interest on Debt to Associated Companies.
8. Give particulars concerning any long-term debt authorized by the commission but not yet issued.

Line No.	Class and Series of Obligation (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding (d)	INTEREST FOR YEAR		HELD BY RESPONDENT		
					Rate (e)	Amount (f)	Reacquired Bonds (Acct. 222) (g)	Sinking and Other Funds (h)	Redemption Price per \$100 End of Year (i)
1	Bonds (Account 221)								
2									
3	See Supplemental Schedule.								
4									
5									
6									
7									
8									
9									
10									
11									
12	TOTALS			\$ 720,596		\$ 49,272			
13	Advances from Associated Companies (Account 223)								
14									
15									
16	TOTALS								
17	Other Long Term Debt (Account 224)								
18									
19	See Supplemental Schedule.								
20									
21									
22									
23									
24									
25									
26									
27	TOTALS			162,188		\$ 4,269			

Annual Report of Lakes Region Water Co., Inc.

Year Ended December 31, 2010

Amended 03/01/12

F-48 OPERATION AND MAINTENANCE EXPENSE (Accounts 401) - Continued

Line No.	Account	Total Amount for 2010 (a)	Restated Total Amount for 2009 (b)	Increase or Decrease From Preceding Year (c)	(d)	(e)	(f)
93	7. ADMINISTRATIVE AND GENERAL EXPENSES						
94	Operations						
95	920 Administrative and General Salaries (8)	\$ 175,699	\$ 154,945	\$ 20,754			
96	921 Office Supplies and Other Expenses						
97	922 Administrative Expenses Transferred-Cr.						
98	923 Outside Services Employed (9)	87,037	87,945	(908)			
99	924 Property Insurance	45,897	48,317	(2,420)			
100	925 Injuries and Damages						
101	926 Employee Pension and Benefits (10)	33,165	78,692	(45,527)			
102	927 Franchise Requirements						
103	928 Regulatory Commission Expenses	2,946	20,522	(17,576)			
104	929 Duplicate Charges Cr.						
105	930 Miscellaneous General Expenses (11)	50,119	43,384	6,735			
106	931 General Rents						
107	Total Operation	\$ 394,863	\$ 433,805	\$ (38,942)			
108	Maintenance						
109	950 Maintenance of General Plant						
110	Total Administrative and General Expenses	\$ 394,863	\$ 433,805	\$ (38,942)			
111	Total Operation and Maintenance Expenses	\$ 660,969	\$ 802,295	\$ (141,326)			
SUMMARY OF OPERATION AND MAINTENANCE EXPENSES							
	Functional Classification				Operation (a)	Maintenance (b)	Total (c)
112	Source of Supply Expenses				\$ 27,704		\$ 27,704
113	Pumping Expenses				71,713		71,713
114	Water Treatment Expense				37,064		37,064
115	Transmission and Distribution Expenses				112,721		112,721
116	Customer Accounts Expenses				16,904		16,904
117	Sales Expenses						
118	Administrative and General Expenses				394,863		394,863
119	Total				\$ 660,969		\$ 660,969

Annual Report of Lakes Region Water Co., Inc.

Year Ended December 31, 2010

Amended 03/01/12

F-56 RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report hereunder a reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computations of such tax accruals. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount.
2. If the utility is a member of group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating however, intercompany amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among group members.

Line No.	Particulars (a)	Amount (b)
1	Net income for the year per Income Statement, schedule F-2	\$ 55,513
2	Income taxes per Income Statement, schedule F-2 and account 439, Adjustments to Retained Earnings.	
3	Other Reconciling amounts (list first additional income and unallowable deductions, followed by additional deductions and nontaxable income):	
4	Federal Income Tax	-
5	Expenses recorded on books this year not deducted:	
6	Regulatory Expenses - Rate Case Expenditures	
7	Depreciation	
8	Additional Income Taxes - Deferred	
9	Membership - Political	
10	Deductions on return not charged against book income:	
11	Depreciation	
12		
13	State Income Taxes (NHBET)	
14	Donations	
15		
16		
17		
18	The Company has yet not filed its 2010 federal tax return.	
19		
20		
21		
22		
23		
24		
25	Federal taxable net	
26	Computation of tax:	
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		