

## Hampstead Area Water Company

### Computation of Revenue Deficiency for Temporary Rates

For the Test Year Ended December 31, 2007

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 3)	\$3,631,773	\$3,666,443
Rate of Return (Schedule 4)	<u>4.81%</u>	<u>6.22%</u>
Operating Income Required	\$174,688	\$227,914
Net Operating Income (Schedule 1)	<u>167,250</u>	<u>227,914</u>
Operating Income Deficiency	\$7,438	\$0
Tax Effect	<u>0</u>	<u>0</u>
Revenue Deficiency	<u>\$7,438</u>	<u>\$0</u>

## Statement of Income for Temporary Rates

Line No.	Account Title (Number) (a)	Actual 2007 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2007 Year End Balance (d)	Actual 2006 Year End Balance (e)	Actual 2005 Year End Balance (f)
	<b>UTILITY OPERATING INCOME</b>					
1	Operating Revenues(400)	\$ 1,268,877	\$ 85,356	\$ 1,354,233	\$ 1,076,777	\$ 699,064
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	828,524	23,038	851,562	742,733	713,030
4	Depreciation Expense (403)	332,650	1,014	333,664	285,500	235,254
5	Amortization of Contribution in Aid of Construction (405)	(168,604)		(168,604)	(160,329)	(140,667)
6	Amortization of Utility Plant Acquisition Adjustment (406)					
7	Amortization Expense-Other (407)					
8	Taxes Other Than Income (408.1-408.13)	105,123	620	105,743	102,942	38,099
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	3,934	20	3,954	3,691	4,234
10	<b>Total Operating Expenses</b>	<b>\$ 1,101,627</b>	<b>\$ 24,691</b>	<b>\$ 1,126,318</b>	<b>\$ 974,537</b>	<b>\$ 849,950</b>
11	Net Operating Income (Loss)	167,250	60,664	227,914	102,240	(150,886)
12	Income From Utility Plant Leased to Others (413)					
13	Gains(Losses) From Disposition of Utility Property (414)					
14	<b>Net Water Utility Operating Income</b>	<b>\$ 167,250</b>	<b>\$ 60,664</b>	<b>\$ 227,914</b>	<b>\$ 102,240</b>	<b>\$ (150,886)</b>
	<b>OTHER INCOME AND DEDUCTIONS</b>					
15	Revenues From Merchandising, Jobbing and Contract Work (415)					
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)					
17	Equity in Earnings of Subsidiary Companies (418)					
18	Interest and Dividend Income (419)			-		
19	Allow. for funds Used During Construction (420)					
20	Nonutility Income (421)					
21	Gains (Losses) Form Disposition Nonutility Property (422)					
22	Miscellaneous Nonutility Expenses (426)	-				
23	<b>Total Other Income and Deductions</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>TAXES APPLICABLE TO OTHER INCOME</b>					
24	Taxes Other Than Income (408.2)					
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)					
26	<b>Total Taxes Applicable To Other Income</b>					
	<b>INTEREST EXPENSE</b>					
27	Interest Expense (427)	154,183		154,183	128,329	77,127
28	Amortization of Debt Discount & Expense (428)			-		
29	Amortization of Premium on Debt (429)					
30	<b>Total Interest Expense</b>	<b>\$ 154,183</b>		<b>\$ 154,183</b>	<b>\$ 128,329</b>	<b>\$ 77,127</b>
31	<b>Income Before Extraordinary Items</b>	<b>13,067</b>	<b>60,664</b>	<b>73,731</b>	<b>(26,089)</b>	<b>(228,013)</b>
	<b>EXTRAORDINARY ITEMS</b>					
32	Extraordinary Income (433)					
33	Extraordinary Deductions (434)					
34	Income Taxes, Extraordinary Items (409.3)					
35	<b>Net Extraordinary Items</b>					
	<b>NET INCOME (LOSS)</b>	<b>\$ 13,067</b>	<b>\$ 60,664</b>	<b>\$ 73,731</b>	<b>\$ (26,089)</b>	<b>\$ (228,013)</b>

**Hampstead Area Water Company**  
**Statement of Income - Proforma Adjustments for Temporary Rates**

Schedule 1A

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**Operating Revenues**

2007 Test Year Proforma	\$1,354,233
2007 Test Year Actual	<u>1,268,877</u>
Proforma Adjustment	<u>\$85,356</u>

To adjust test year revenues for the additional revenue needed in order for the Company to earn its rate of return and to recover its expenses.

Total Proforma Adjustment to Operating Revenues **\$85,356**

**Operating and Maintenance Expenses**

Power Purchased

2007 Test Year Proforma	\$182,692
2007 Test Year Actual	<u>177,371</u>
Proforma Adjustment	<u>\$5,321</u>

To adjust test year expenses for 3% increase in energy costs

Chemicals

2007 Test Year Proforma	\$12,911
2007 Test Year Actual	<u>11,917</u>
Proforma Adjustment	<u>\$994</u>

To adjust test year expenses for the current price per gallon of chlorine

Customer Records & Collection Costs

2007 Test Year Proforma	
2007 Test Year Actual	
Proforma Adjustment	<u>\$0</u>

To adjust test year expenses for the increase associated with 1 new fulltime person

2007 Test Year Proforma	
2007 Test Year Actual	
Proforma Adjustment	<u>\$0</u>

To adjust test year expenses for the increase associated with additional supplies for monthly billings

Outside Services

2007 Test Year Proforma	\$110,000
2007 Test Year Actual	<u>104,167</u>
Proforma Adjustment	<u>\$5,833</u>

To adjust test year expenses for the increase in the management agreement associated with the additional of information technology service

Miscellaneous Expenses

2007 Test Year Proforma	\$1,000
2007 Test Year Actual	<u>-2,322</u>
Proforma Adjustment	<u>\$3,322</u>

To adjust test year expenses for the restoration of annual miscellaneous expenses (and the elimination of a one time adjustment in 2007)

Salaries and Wages

2007 Test Year Proforma	\$200,391
2007 Test Year Actual	<u>197,235</u>
Proforma Adjustment	<u>\$3,156</u>

To adjust test year expenses for various adjustments to salaries and wages

Vehicle Expenses

2007 Test Year Proforma	\$24,665
2007 Test Year Actual	<u>20,253</u>
Proforma Adjustment	<u>\$4,412</u>

To adjust test year expenses for \$4.00 per gallon of gas

**Total Proforma Adjustments to Operating and Maintenance Expenses** **\$23,038**

**Depreciation Expenses**2008 Additions to Plant

2007 Test Year Proforma	\$1,014
2007 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$1,014</u>

To adjust test year expenses for annual depreciation expenses associated with the 2008 additions

**Taxes other than Income**State Utility Property Taxes

2007 Test Year Proforma	\$198
2007 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$198</u>

To adjust test year expenses for the increase in State Utility Property Taxes associated with the 2008 additions to plant

Municipal Property Taxes

2007 Test Year Proforma	\$422
2007 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$422</u>

To adjust test year expenses for the increase in Municipal Property Taxes associated with the 2008 additions to plant

**Total Proforma Adjustments to Taxes other than Income** **\$620**

**Income Taxes**State Business Taxes

2007 Test Year Proforma

\$20

2007 Test Year Actual

0

Proforma Adjustment

**\$20**

To adjust test year expenses for the increase in state business taxes due to the increase in interest on the 2008 long term debt

**Total Proforma Adjustment to Operating Expenses****\$24,691**

## State and Local Property Taxes and State Business Enterprise Taxes for Temporary Rates

## State Property Taxes

307	Wells and Springs - Hydrolic Study & GIS	\$0
307	Wells and Springs - Bryant Woods & Dearborn Ridge	30,442
311	Pumping Equipment - SCADA	<u>0</u>
Total		\$30,442
108	Accumulated Depreciation	<u>507</u>
	Net Plant	<u>\$29,935</u>
	Thousand Dollars of Assessed Value	\$29.94
	Property Tax Rate	<u>6.60</u>
	State Property Taxes	<u>\$198</u>

## Local Property Taxes

## Hampstead

307	Wells and Springs - Hydrolic Study & GIS	\$0
108	Accumulated Depreciation	<u>0</u>
	Net Plant	<u>\$0</u>
	Thousand Dollars of Assessed Value	\$0.00
	Property Tax Rate	<u>\$18.54</u>
	Hampstead Property Taxes	<u>\$0.00</u>

## Atkinson

307	Wells and Springs - Bryant Woods & Dearborn Ridge	\$30,442
311	Pumping Equipment - SCADA	
Total		\$30,442
108	Accumulated Depreciation	<u>507</u>
	Net Plant	<u>\$29,935</u>
	Thousand Dollars of Assessed Value	\$29.94
	Property Tax Rate	<u>14.10</u>
	Atkinson Property Taxes	<u>\$422</u>

## Danville

311	Pumping Equipment - SCADA	
108	Accumulated Depreciation	
	Net Plant	<u>\$0</u>
	Thousand Dollars of Assessed Value	\$0.00
	Property Tax Rate	<u>17.57</u>
	Danville Property Taxes	<u>\$0</u>
	Total Local Property Taxes	<u>\$422</u>

## State Business Enterprise Taxes

Interest Expense	\$2,675
Business Enterprise Tax Rate	<u>0.75%</u>
Business Enterprise Taxes	<u>\$20</u>

Total Taxes	<u>\$640</u>
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## Balance Sheet - Assets and Other Debits

Line No.	Account Title (Number) (a)	Actual 2007 Year End Balance (b)	Actual 2006 Year End Balance (c)	Actual 2005 Year End Balance (d)
	<b>UTILITY PLANT</b>			
1	Utility Plant (101-106)	\$ 10,790,925	\$ 10,503,154	\$ 8,529,910
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 2,464,572	\$ 2,152,162	1,868,221
3	Net Plant	\$ 8,326,353	\$ 8,350,992	\$ 6,661,689
4	Utility Plant Acquisition Adj. (Net) (114-115)			
5	Total Net Utility Plant	\$ 8,326,353	\$ 8,350,992	\$ 6,661,689
	<b>OTHER PROPERTY AND INVESTMENTS</b>			
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Investment in Associated Companies (123)			
11	Utility Investments (124)			
12	Other Investments			
13	Special Funds(126-128)			
14	Total Other Property & Investments	\$ -	\$ -	\$ -
	<b>CURRENT AND ACCRUED ASSETS</b>			
16	Cash (131)	23,596	8,437	19,585
17	Special Deposits (132)			
18	Other Special Deposits (133)			
19	Working Funds (134)			
20	Temporary Cash Investments (135)			
21	Accounts and Notes Receivable-Net (141-144)	78,435	224,636	141,996
22	Accounts Receivable from Assoc. Co. (145)			
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)			
25	Stores Expense (161)			
26	Prepayments-Other (162)	10,043	11,310	4,722
27	Prepaid Taxes (163)	18,934	18,328	14,454
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)	167,373	77,324	54,939
31	Misc. Current and Accrued Assets (174)			1,500
32	Total Current and Accrued Assets	\$ 298,381	\$ 340,035	\$ 237,196
	<b>DEFERRED DEBITS</b>			
32	Unamortized Debt Discount & Expense (181)			
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	56,818	64,753	68,408
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)	26,227	27,520	28,813
40	Total Deferred Debits	\$ 83,045	\$ 92,273	\$ 97,221
	<b>TOTAL ASSETS AND OTHER DEBITS</b>	\$ 8,707,779	\$ 8,783,300	\$ 6,996,106

## Balance Sheet - Equity Capital and Liabilities

Line No.	Account Title (Number) (a)	Actual 2007 Year End Balance (b)	Actual 2006 Year End Balance (c)	Actual 2005 Year End Balance (d)
	<b>EQUITY CAPITAL</b>			
1	Common Stock Issued (201)	\$ 16,767	\$ 16,767	\$ 16,767
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	1,113,401	1,078,401	1,078,401
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)			
10	Retained Earnings (214-215)	(1,413,934)	(1,427,000)	(1,400,911)
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ (283,766)	\$ (331,832)	\$ (305,743)
	<b>LONG TERM DEBT</b>			
13	Bonds (221)			
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	3,205,855	2,984,186	1,552,370
17	Total Long-Term Debt	\$ 3,205,855	\$ 2,984,186	\$ 1,552,370
	<b>CURRENT AND ACCRUED LIABILITIES</b>			
18	Accounts Payable (231)	51,947	88,427	15,208
19	Notes Payable (232)			
20	Accounts Payable to Associated Co. (233)	990,353	1,102,647	1,033,358
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)			
23	Accrued Taxes (236)	(486)	543	842
24	Accrued Interest (237)	65,694	90,699	90,699
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)			
27	Matured Interest (240)			
28	Misc. Current and Accrued Liabilities (241)	(423)	216	13,763
29	Total Current and Accrued Liabilities	\$ 1,107,085	\$ 1,282,532	\$ 1,153,870
	<b>DEFERRED CREDITS</b>			
30	Unamortized Premium on Debt (251)			
31	Advances for Construction (252)			
32	Other Deferred Credits (253)			
33	Accumulated Deferred Investment Tax Credits (255)			
34	<b>Accumulated Deferred Income Taxes:</b>			
35	Accelerated Amortization (281)			
36	Liberalized Depreciation (282)			
37	Other (283)			
38	Total Deferred Credits	\$ -	\$ -	\$ -
	<b>OPERATING RESERVES</b>			
39	Property Insurance Reserve (261)			
40	Injuries and Damages Reserve (262)			
41	Pensions and Benefits Reserves (263)		1,205	1,443
42	Miscellaneous Operating Reserves (265)			
43	Total Operating Reserves	\$ -	\$ 1,205	\$ 1,443
	<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>			
44	Contributions In Aid of Construction (271)	6,337,208	6,337,208	5,924,525
45	Accumulated Amortization of C.I.A.C. (272)	1,658,603	1,489,999	1,330,359
46	Total Net C.I.A.C.	\$ 4,678,605	\$ 4,847,209	\$ 4,594,166
46	<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>	\$ 8,707,779	\$ 8,783,300	\$ 6,996,106



Hampstead Area Water Company

Schedule 3

Rate Base for Temporary Rates

Line No.	Account Title (a)	December 2007 Balance (b)	December 2006 Balance (c)	Actual Beg/End Avg Bal (d)	2008 Proforma Adjustments (e)	Proforma Beg/End Avg Bal (f)
1	Plant in Service	\$10,560,296	\$10,392,913	<u>\$10,476,605</u>	\$30,442	\$10,507,047
2	Less: Accumulated Depreciation	<u>(2,464,572)</u>	<u>(2,152,162)</u>	<u>(2,308,367)</u>	<u>(507)</u>	<u>(2,308,874)</u>
3	Net Utility Plant	8,095,724	\$8,240,751	\$8,168,238	\$29,935	\$8,198,173
4	Cash Working Capital	170,262	152,632	170,262	4,734	174,996
5	Material and Supplies	0	0	0		0
6	Prepayments	28,977	29,638	29,308		29,308
7	Accumulated Deferred Income Taxes - Assets	26,227	27,520	26,874		26,874
8	Net Contribution in Aid of Construction	<u>(4,678,605)</u>	<u>(4,847,209)</u>	<u>(4,762,907)</u>		<u>(4,762,907)</u>
11	Total Rate Base	<u>\$3,642,585</u>	<u>\$3,603,332</u>	<u>\$3,631,773</u>	<u>\$34,669</u>	<u>3,666,443</u>

## Hampstead Area Water Company

## Schedule 3A

### Rate Base Adjustments for Temporary Rates

	<u>Costs</u>	Depr <u>Percent</u>	Annual <u>Depr.</u>
Wells & Springs - Hydrolic Study & GIS		20.00%	0
Wells & Springs - Bryant Woods & Dearborn Ridge	30,442	3.33%	1,014
Pumping Equipment - SCADA		10.00%	<u>0</u>
Total Additions to Plant	\$30,442		<u>1,014</u>
Less: Accumulated Depreciation		<u>507</u>	
Net Plant	<u>\$29,935</u>		

**Hampstead Area Water Company****Schedule 3B****Working Capital for Temporary Rates**

	2007 Proforma <u>Amount</u>	2007 Actual <u>Amount</u>	2006 Actual <u>Amount</u>
Operating and Maintenance Expenses	\$851,562	\$828,524	\$742,733
75/365	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Working Capital	<u>\$174,996</u>	<u>\$170,262</u>	<u>\$152,632</u>

## Rate of Return Information for Temporary Rates

Overall Rate of Return	Actual				Proforma		
	Component Ratio	Component Cost Rate	Wght Avg Cost Rate		Component Ratio	Component Cost Rate	Wght Avg Cost Rate
Equity Capital	-9.71%	9.75%	0.00%		-10.10%	9.75%	0.00%
Long Term Debt	109.71%	4.81%	4.81%		110.10%	6.22%	6.22%
Total Capital	100.00%		4.81%		0.00%		6.22%

Capital Structure		2007 Actual Amounts	2007 Actual Ratios		2007 Proforma Amounts	2007 Proforma Ratios
Common Stock		\$ 16,767	0.57%		\$ 16,767	0.60%
Other Paid in Capital		1,113,401	38.10%		1,113,401	39.63%
Retained Earnings		(1,413,934)	-48.39%		(1,413,934)	-50.33%
Total Equity		\$ (283,766)	-9.71%		\$ (283,766)	-10.10%
Long Term Debt		\$3,205,855	109.71%		\$3,093,326	110.10%
Total Capital		\$ 2,922,089	100.00%		\$ 2,809,560	100.00%

Capital Structure for 2007 - 2005		2007 Amounts		2006 Amounts		2005 Amounts
Common Stock		\$ 16,767		\$ 16,767		\$ 16,767
Other Paid in Capital		1,113,401		1,078,401		1,078,401
Retained Earnings		(1,413,934)		(1,427,000)		(1,400,911)
Total Equity		\$ (283,766)		\$ (331,832)		\$ (305,743)
Long Term Debt		\$3,205,855		\$2,984,186		\$ 1,552,370
Total Capital		\$ 2,922,089		\$2,652,354		\$ 1,246,627

Capital Structure Ratios for 2007 - 2005		2007 Ratios		2006 Ratios		2005 Ratios
Common Stock		0.57%		0.63%		1.34%
Other Paid in Capital		38.10%		40.66%		86.51%
Retained Earnings		-48.39%		-53.80%		-112.38%
Total Equity		-9.71%		-12.51%		-24.53%
Long Term Debt		109.71%		112.51%		124.53%
Total Capital		100.00%		100.00%		100.00%

<b>Cost of Common Equity Capital</b>
The Company is utilizing the Commission determined cost of common equity of 9.75%.

**HAMPSTEAD AREA WATER COMPANY  
ACTUAL LONG-TERM DEBT  
12/31/2007**

**Schedule 5A**

<u>Date of Note</u>	<u>Borrower</u>	<u>GL Acct. #</u>	<u>Lender</u>	<u>Original Note Amount</u>	<u>Note Term</u>	<u>Interest Rate</u>	<u>Outstanding Balance 12/31/2007</u>	<u>Interest Expense 2007</u>	<u>Total Costs Rate</u>
12/1/1992	WRWC / HAWC	234.01	Lewis Builders Development Inc	270,531	15 yrs.	9.25%	10,926	2,577	23.59%
12/31/1999	WRWC / HAWC	234.02	Lewis Builders Development Inc	133,245	30 yrs.	8.50%	131,609	11,236	8.54%
12/1/1992	LFWC	234.03	Lewis Builders Inc	85,494	30 yrs.	9.50%	10,581	1,312	12.40%
10/2/1985	Bricketts Mill Water Co	234.04	Lewis Builders Inc	38,596	demand	10.00%	37,554	3,793	10.10%
12/1/1993	HAWC	234.05	Lewis Builders Development Inc	245,991	30 yrs.	8.50%	200,081	17,261	8.63%
3/1/1988	Kent Farm Water Co.	234.06	Lewis Builders Inc	19,000	demand	9.50%	18,455	1,772	9.60%
10/1/1997	HAWC	234.07	Lewis Builders Inc	87,270	15 yrs.	8.50%	44,099	4,041	9.16%
2/18/1998	HAWC	234.08	Lewis Builders Inc	222,371	30 yrs.	8.50%	201,764	17,300	8.57%
6/4/2000	HAWC	234.09	Lewis Builders Development Inc	20,286	15 yrs.	8.50%	19,149	1,662	8.68%
6/1/2005	HAWC	234.11	Lewis Builders Development Inc	128,000	20 yrs.	P+2.25%	120,810	9,798	8.11%
6/1/2005	HAWC	234.12	Lewis Builders Development Inc	190,895	20 yrs.	P+2.25%	177,909	11,305	6.35%
6/1/2005	HAWC	234.13	Lewis Builders Development Inc	124,714	20 yrs.	P+2.25%	116,230	7,386	6.35%
6/1/2005	HAWC	234.14	Lewis Builders Development Inc	157,730	20 yrs.	P+2.25%	147,000	9,341	6.35%
2/16/2006	HAWC	234.15	Lewis Builders Development Inc	153,700	20 yrs.	P+2.25%	149,292	14,332	9.60%
6/6/2006	HAWC	234.16	Lewis Builders Development Inc	71,968	20 yrs.	P+2.25%	70,135	7,082	10.10%
n/a	HAWC	234.17	Lewis Builders Development Inc	40,974	5 yrs	10.50%	40,974	0	0.00%
n/a	HAWC	234.18	Lewis Builders Development Inc	136,470			136,470	0	0.00%
n/a	HAWC	234.19	Lewis Builders Development Inc	<u>18,000</u>	20 yrs.	7.50%	<u>18,000</u>	<u>0</u>	0.00%
Total Associated Companies				<u>2,145,234</u>			<u>1,651,038</u>	120,198	7.28%
Amortize financing costs - associated companies								<u>730</u>	
Total Associated Companies							<u>1,651,038</u>	<u>120,928</u>	<u>7.32%</u>
7/20/1992	HAWC	232.01	Ruma Inc	73,679	26 yrs.	9.50%	50,037	4,902	9.80%
10/25/2004	HAWC	232.02	Picadilly Development	23,000	10 yrs.	P+2.25%	16,100	1,932	12.00%
10/25/2004	HAWC	232.03	Edgeworth Development	22,000	10 yrs.	P+2.25%	15,400	1,848	12.00%
11/16/2004	HAWC	232.04	Ten Powder Realty	40,000	10 yrs.	P+2.25%	40,000	0	0.00%
10/25/2004	HAWC	232.05	Skipper Land Development	38,000	10 yrs.	P+2.25%	26,250	3,155	12.02%
9/6/2005	HAWC	232.06	NH DES	1,315,291	20 yrs.	3.35%	1,315,291	18,370	1.40%
10/1/2004	HAWC	232.07	Winslow Drive Realty Group LLC	27,000	10 yrs.	P+2.25%	27,000	0	0.00%
3/31/2006	HAWC	232.08	Aquarius Properties LLC	24,000	20 yrs.	P+2.25%	23,577	2,262	9.59%
2/9/2007	HAWC	232.09	Ford Motor Credit	<u>50,401</u>	4 yrs.	0% & 1.9%	<u>41,162</u>	<u>495</u>	1.20%
Total Non-related				<u>1,613,371</u>			<u>1,554,817</u>	32,964	2.12%
Amortize financing costs - 3rd parties								<u>291</u>	
Total 3rd Parties							<u>1,554,817</u>	<u>33,255</u>	<u>2.14%</u>
Company Totals				<u>3,758,605</u>			<u>3,205,855</u>	<u>154,183</u>	<u>4.81%</u>

**HAMPSTEAD AREA WATER COMPANY**  
**PROFORMA LONG-TERM DEBT for Temporary Rates**  
**12/31/2007**

Schedule 5B

Date of Note	Borrower	GL Acct. #	Lender	Original Note Amount	Note Term	Interest Rate	Outstanding Balance 12/31/2007	Additional Long Term Debt	Adjusted Outstanding Balance	Interest Expense 2007	Additional Interest Expense	Total Interest Costs	Total Costs Rate
12/1/1992	WRWC / HAWC	234.01	Lewis Builders Development Inc	270,531	15 yrs.	9.25%	10,926		10,926	2,577		2,577	23.59%
12/31/1999	WRWC / HAWC	234.02	Lewis Builders Development Inc	133,245	30 yrs.	8.50%	131,609		131,609	11,236		11,236	8.54%
12/1/1992	LFWC	234.03	Lewis Builders Inc	85,494	30 yrs.	9.50%	10,581		10,581	1,312		1,312	12.40%
10/2/1985	Bricketts Mill Water Co	234.04	Lewis Builders Inc	38,596	demand	10.00%	37,554		37,554	3,793		3,793	10.10%
12/1/1993	HAWC	234.05	Lewis Builders Development Inc	245,991	30 yrs.	8.50%	200,081		200,081	17,261		17,261	8.63%
3/1/1988	Kent Farm Water Co.	234.06	Lewis Builders Inc	19,000	demand	9.50%	18,455		18,455	1,772		1,772	9.60%
10/1/1997	HAWC	234.07	Lewis Builders Inc	87,270	15 yrs.	8.50%	44,099		44,099	4,041		4,041	9.16%
2/18/1998	HAWC	234.08	Lewis Builders Inc	222,371	30 yrs.	8.50%	201,764		201,764	17,300		17,300	8.57%
6/4/2000	HAWC	234.09	Lewis Builders Development Inc	20,286	15 yrs.	8.50%	19,149		19,149	1,662		1,662	8.68%
6/1/2005	HAWC	234.11	Lewis Builders Development Inc	128,000	20 yrs.	P+2.25%	120,810		120,810	9,798		9,798	8.11%
6/1/2005	HAWC	234.12	Lewis Builders Development Inc	190,895	20 yrs.	P+2.25%	177,909		177,909	11,305		11,305	6.35%
6/1/2005	HAWC	234.13	Lewis Builders Development Inc	124,714	20 yrs.	P+2.25%	116,230		116,230	7,386		7,386	6.35%
6/1/2005	HAWC	234.14	Lewis Builders Development Inc	157,730	20 yrs.	P+2.25%	147,000		147,000	9,341		9,341	6.35%
2/16/2006	HAWC	234.15	Lewis Builders Development Inc	153,700	20 yrs.	P+2.25%	149,292		149,292	14,332		14,332	9.60%
6/6/2006	HAWC	234.16	Lewis Builders Development Inc	71,968	20 yrs.	P+2.25%	70,135		70,135	7,082		7,082	10.10%
2007	HAWC	234.17	Lewis Builders Development Inc	40,974	5 yrs	10.50%	40,974	11,499	52,473	0	5,112	5,112	9.74%
2007	HAWC	234.18	Lewis Builders Development Inc	136,470			136,470	(136,470)	0	0		0	0.00%
2007	HAWC	234.19	Lewis Builders Development Inc	18,000	20 yrs.	7.50%	18,000	12,442	30,442	0	2,090	2,090	6.87%
2008	HAWC		Lewis Builders Development Inc	48,597	10 yrs.	8.50%	0	0	0	0	0	0	0.00%
2008	HAWC		Lewis Builders Development Inc	<u>84,000</u>	5 yrs.	8.50%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0.00%
Total Associated Companies				<u>2,277,831</u>			<u>1,651,038</u>	<u>(112,529)</u>	<u>1,538,509</u>	120,198	7,202	127,400	8.28%
Amortize financing costs - associated companies										<u>730</u>		<u>730</u>	
Total Associated Companies							<u>1,651,038</u>	<u>(112,529)</u>	<u>1,538,509</u>	<u>120,928</u>	<u>7,202</u>	<u>128,130</u>	<u>8.33%</u>
7/20/1992	HAWC	232.01	Ruma Inc	73,679	26 yrs.	9.50%	50,037		50,037	4,902		4,902	9.80%
10/25/2004	HAWC	232.02	Picadilly Development	23,000	10 yrs.	P+2.25%	16,100		16,100	1,932		1,932	12.00%
10/25/2004	HAWC	232.03	Edgeworth Development	22,000	10 yrs.	P+2.25%	15,400		15,400	1,848		1,848	12.00%
11/16/2004	HAWC	232.04	Ten Powder Realty	40,000	10 yrs.	P+2.25%	40,000		40,000	0	3,000	3,000	7.50%
10/25/2004	HAWC	232.05	Skipper Land Development	38,000	10 yrs.	P+2.25%	26,250		26,250	3,155		3,155	12.02%
9/6/2005	HAWC	232.06	NH DES	1,315,291	20 yrs.	3.35%	1,315,291		1,315,291	18,370	25,001	43,371	3.30%
10/1/2004	HAWC	232.07	Winslow Drive Realty Group LLC	27,000	10 yrs.	P+2.25%	27,000		27,000	0	2,565	2,565	9.50%
3/31/2006	HAWC	232.08	Aquarius Properties LLC	24,000	20 yrs.	P+2.25%	23,577		23,577	2,262		2,262	9.59%
2/9/2007	HAWC	232.09	Ford Motor Credit	<u>50,401</u>	4 yrs.	0% & 1.9%	<u>41,162</u>		<u>41,162</u>	<u>495</u>	(63)	<u>432</u>	1.05%
Total Non-related				<u>1,613,371</u>			<u>1,554,817</u>		<u>1,554,817</u>	32,964	30,503	63,467	4.08%
Amortize financing costs - 3rd parties										<u>291</u>	<u>400</u>	<u>691</u>	
Total 3rd Parties							<u>1,554,817</u>		<u>1,554,817</u>	<u>33,255</u>	<u>30,903</u>	<u>64,158</u>	<u>4.13%</u>
Company Totals				<u>3,758,605</u>			<u>3,205,855</u>	<u>-112,529</u>	<u>3,093,326</u>	<u>154,183</u>	<u>38,105</u>	<u>192,288</u>	<u>6.22%</u>

## Report of Proposed Rate Changes for Temporary Rates

Tariff No.: Effective Date 7/1/2008

<u>Rate of Class of Service</u>	<u>Effect of Change</u>	<u>Number of Customers</u>	<u>Authorized Present Revenue</u>	<u>Proposed Revenue</u>	<u>Proposed Change Amount</u>	<u>Proposed Change Percentage</u>
Gen'l Cust.	\$85,356	2,858	\$1,214,412	\$1,299,768	\$85,356	7.03%
Fire Protect	0		19,325	19,325	0	0.00%
Other Water			<u>35,140</u>	<u>35,140</u>		
Total Water	\$85,356	2,858	\$1,268,877	\$1,354,233	\$85,356	6.73%
Avg. Res. Cust.	<u>\$29.87</u>		<u>\$424.92</u>	<u>\$454.78</u>	<u>\$29.87</u>	<u>7.03%</u>



## Hampstead Area Water Company

### Calculation of Rates for Temporary Rates

Total Revenue Requirement				\$1,354,233
Less: Fire Protection Revenue				19,325
Less: Other Water Revenues				<u>35,140</u>
Total Revenue Requirement for General Customers				\$1,299,768
Revenue Requirement from Base Rate:				
5/8	2,808	\$100	\$280,800	
3/4	0	200	0	
1	48	300	14,400	
1 1/2	1	600	600	
2	1	1,000	1,000	
Total Revenue Requirement from Base Rate				<u>296,800</u>
Revenue Requirement from Consumption				\$1,002,968
2007 Consumption per 100 cubic feet				<u>242,583</u>
Consumption rate per 100 cubic feet				\$4.13