

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
HAMPSTEAD AREA WATER COMPANY

DW 08-

PETITION FOR APPROVAL OF FINANCING

PREFILED DIRECT TESTIMONY OF STEPHEN P. ST. CYR

Q. What is your name and business address?

A. My name is Stephen P. St. Cyr and my business address is 17 Sky Oaks Drive, Biddeford, ME.

Q. Who is your employer?

A. My employer is Stephen P. St. Cyr & Associates.

Q. What are your responsibilities in this case?

A. My responsibilities are to supports Hampstead Area Water Company's (Company or HAWC) financing request and to prepare the financial exhibits and prefiled direct testimony which describes the financing and the financial schedules. In addition, I am prepared to testify in support of financing.

Q. Have you prepared testimony before this Commission?

A. Yes, I have prepared and presented testimony in numerous cases before the Public Utilities Commission, including requests for new and expanded franchises, requests for approval of State Revolving Fund ("SRF"), commercial bank and owner financings and requests for rate increases.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the Company's effort to borrow funds from Lewis Builders Development, Inc., an affiliated company (Lewis), which will allow it to purchase new software and equipment for well and water system monitoring, to study the interconnection of the Hampstead and Atkinson water systems, to purchase a water mapping system and to pay for new wells in Bryant Woods and Dearborn Ridge, both in Atkinson, New Hampshire.

Q. Please describe the SCADA system monitoring request.

A. Electrical Installations, Inc. has proposed to install SCADA system equipment to the well houses at Village Drive in Atkinson, New Hampshire and Colby Pond, in Danville, New Hampshire. These are full installations at a cost of \$22,310.00 per installation. The Shop Water Tank and the Pit Hatch installations are in Atkinson, New Hampshire and will be installed at a cost of \$1,988.35 for each installation. These installations will be significant upgrades to the SCADA system presently used to monitor the water system.

Q. Please describe the Hydrolic Study.

A. The Hydrolic Study will analyze the Hampstead/Atkinson systems interconnection. This is in furtherance of the mandate from the Department of Environmental Services and the Commission for the Company to ascertain its resources and future water needs.

Q. What are the costs of the Hydrolic Study?

A. The estimated project total is \$45,000.00.

Q. Please describe Water Mapping System (GIS) request.

A. This would provide system wide mapping capability for the Hampstead and Atkinson water systems utilizing geographic information and CAD software. This would provide a dynamic database for these systems, greatly enhancing the engineering capabilities of the Company.

Q. What are the costs of the GIS proposal?

A. The estimated costs are \$39,000

Q. Please describe the wells at Bryant Woods and Dearborn Ridge.

A. HAWC has had to drill and install additional wells in Atkinson at Bryant Woods development and the Dearborn Ridge development. Currently the costs to date for the Bryant Woods well is \$8,515.18 (See Attached Exhibit 2) and the cost for the Dearborn wells is \$24,217.59 (See Attached Exhibit 3), for a total cost of \$32,732.77.

Q. Please summarize the total costs to be financed.

A. A summary is as follows:

1. SCADA System upgrades to various facilities within the system located in

Atkinson and Danville:

a. Village Drive, Atkinson	\$22,310.00
b. Shop Water Tank, Atkinson	\$1,988.35
c. Pit Hatch, Atkinson	\$1,988.35
d. Colby Pond, Danville	<u>\$22,310.00</u>
Total	<u>\$48,596.70</u>

2. Hydrolic Study and Water System Model and Water System mapping related to the Hampstead/Atkinson interconnection:

a. Hydrolic System Model	\$45,000.00
b. GIS System	<u>\$39,000.00</u>
Total	<u>\$84,000.00</u>

3. Cost of well installations:

a. Bryant Woods	\$8,515.18
b. Dearborn Ridge	<u>\$24,217.59</u>
Total	<u>\$32,732.77</u>

Q. When does the Company expect that the projects will be completed?

A. The SCADA upgrades will be completed by the end of the year. The Company expects that the Hydrolic Study will be completed by the end of the year. The two wells are completed.

Q. How does the Company wish to structure the financing requested:

A. The Company proposes to have three Promissory Notes for each group of financing requested, one for the SCADA proposals in the principle amount of \$48,596.70, one for the Hydrolic Model and the Water System Mapping in the principle amount of \$84,000.00, and one for the costs of the Bryant Woods and Dearborn Ridge wells in the principle amount of \$32,732.77. The term of the Notes as proposed would be 10 years, 5 years and 20 years. The interest rate would be 8.25% (2.25 % above the prime rate of 6.00%). The Company is assuming that the loan begins July 1, 2008.

- Q. What is the amount of the financing from Lewis?
- A. The total costs of \$165,329.47 will be financed by Lewis.
- Q. What does the Company propose to do with the costs of the financing?
- A. The cost to pursue and obtain PUC approval of the financing will be deferred. The financing costs will be added to the annual cost of the debt and reflected in the weighted, average interest rate.
- Q. Has the Company determined the impact of the financing and the additions to plant on the Company's financial statements?
- A. Yes. I have prepared proforma financial statements identified as SPS 1-1 – SPS 7.
- Q. Would you please explain Schedule SPS 1-1, entitled Balance Sheet – Assets and Other Deferred Debits?
- A. Yes. Generally, column (a) identifies the line number on the schedule. Column (b) identifies the account title and PUC account number. Column (c) identifies the actual December 31, 2007 account balances. Column (d) identifies the 2008 Lewis financing adjustments to the December 31, 2007 account balances. Column (d) reflects the additions to plant and long term debt and related transactions as a result of the 2008 Lewis financing. Column (e) is the sum of columns (c) and (d).**

Q. Please explain the adjustments related to 2008 Lewis Financing.

A. Schedule SPS 1-1 contains 4 adjustments.

The first adjustment to Utility Plant for \$165,330 represents the total additions to plant in service for the costs of the SCADA upgrades, the hydrolic study, the water mapping system and the new wells. There are no retirements associated with the new plant.

The second adjustment to Accumulated Depreciation for \$11,375 represents a half-year depreciation on the \$165,330 of plant additions

The third adjustment to Cash for \$392 is the net of the cash received from the Lewis financing and the anticipated revenue when such plant is placed in rate base and reflected in rates less payment for the new plant, the repayment of the new loan and the payment of increased taxes.

The fourth adjustment to Miscellaneous Deferred Debits for \$3,533 is the net of the costs incurred in order to pursue PUC approval of the financing and the amortization of such costs.

Q. Please explain Schedule SPS 1-2, entitled Balance Sheet – Equity Capital and Liabilities.

A. The description of the columns is the same as SPS 1-1.

Q. Please explain the adjustments related to the 2008 Lewis Financing.

A. Schedule SPS 1-2 contains 2 adjustments.

The first adjustment to Retained Earnings for \$10,643 represents the net income impact of the various income statement transactions (i.e., revenue, depreciation expenses, taxes and interest expense).

The second adjustment to Other Long Term Debt for \$147,237 represents the net amount of the borrowings of \$165,330 and the first year repayment on the loan of \$18,093.

Q. Would you please explain Schedule SPS 2, entitled Statement of Income?

A. The description of the columns is the same as SPS1-1.

Q. Please explain the adjustments related to the 2008 Lewis Financing.

A. There are 4 adjustments to the Statement of Income.

The first adjustment to Operating Revenue of \$39,144 represents the anticipated revenue requirement associated with the additions to plant. The anticipated revenue requirement allows the Company to recover its investment and earn a return on the unrecovered investment.

The second adjustment to Depreciation Expense of \$11,375 represents the increase due to a half-year depreciation on the additions to plant.

The third adjustment to Taxes other than Income of \$3,596 and Income Taxes of \$97 represents the increase in state and local property taxes and the state business enterprise tax.

The fourth adjustment to Interest Expense of \$12,966 and Amortization of Debt Expense of \$467 represents the first year interest expense on the new debt and the first year amortization of the financing costs.

Q. Would you please explain Schedule SPS 3, entitled Balance Sheet, Equity Capital and Liabilities?

A. The actual 2007 Current Year End Balance is also reflected on the Balance Sheet (see SPS 1-2). The related capitalization ratios are shown on the bottom half of the Schedule. The Company's debt to equity position is heavily weighted towards debt due to its negative equity position. The Company's owner has made significant equity contribution in recent years. In 2007 the Company realized net income due to its recent rate increase, which reduces the negative equity position. The Company expects that the ratio will continue to improve.

Q. Should a debt to equity ratio that is heavily weighted toward debt be of concern to the Commission?

A. Yes. While a debt to equity ratio at this level would be unusual for many investor owned utilities, the nature of Hampstead Area Water Company is different from the typical investor owned utility. In this case, the owner of the Company is also the owner of the affiliated company which holds the existing debt. The owner has the resources to provide additional capital if the Company needs additional capital in order to meet its obligations. By financing the proposed projects with Lewis Builders rather than with higher cost bank debt or additional equity, the Company will be able to keep the ultimate cost of the projects down for itself and its customers.

Q. Please explain Schedule SPS-4, entitled Journal Entries.

A. Schedule SPS-4 identifies the specific journal entries used to develop the proforma financial statements. The significant journal entries are the recording of (1) the borrowing of funds, (2) the utilization of the funds for the additions to plant, (3) the repayment of the principal and interest on the loan, and (4) the anticipated revenue requirement when the plant is placed in rate base and reflected in rates.

Q. Would you like to explain SPS-5?

A. SPS-5 is a schedule of plant and depreciation. Please note that the Company's 2008 depreciation expense reflects a half-year depreciation.

Q. Would you please explain SPS-6?

A. SPS-6 is a schedule showing the calculation of the increase in property taxes as a result of the plant being reflected in the assessed value for state and local property taxes. Also, it shows the calculation of the increase in business enterprise taxes.

Q. Would you please explain Schedule SPS 7, entitled Calculation of Revenue Requirement?

A. The sum of the additions to plant less the related accumulated depreciation result in a rate base of \$153,955. The Company is applying the cost of the debt of 8.25% to determine the additional net operating income required. In addition, the Company adds a full year depreciation and taxes to the additional net operating income required in order to determine the total additional revenue requirement of \$39,144.

- Q. How does the Company propose to repay the new debt?
- A. The Company anticipates that the additions to plant will be added to rate base and reflected in rates as part of a future rate filing. The Company's ability to repay the new debt will be dependant on PUC approval of an increase in rates in a future rate proceeding.
- Q. Why should the Commission approve the financing?
- A. The Commission should approve the financing because it is in the best interest of the Company and its customers. The SCADA upgrades are necessary to monitor the water systems and equipment located as named above. The Hydrolic Study and GIS System Mapping are necessary in order to determine and maintain present and future water supply. The well installations are necessary in order to continue to provide adequate water supply to the Bryant Woods and Dearborn Ridge systems.
- Q. Is there anything else that the Company would like to bring to the Commission's attention?
- A. No.
- Q. Please summarize the approvals that the Company is requesting.
- A. The Company respectfully requests that the PUC approve the 2008 Lewis Financing of \$165,329.47, under the terms stated previously.
- Q. Does this conclude your testimony?
- A. Yes.

F-1 BALANCE SHEET
Assets and Other Debits

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	2008 Lewis Financing Adjustments (d)	Adjusted Year End Balance (e)
UTILITY PLANT				
1	Utility Plant (101-106)	\$ 10,790,925	\$ 165,330	\$ 10,956,255
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 2,464,572	11,375	2,475,947
3	Net Plant	\$ 8,326,353	\$ 153,955	\$ 8,480,308
4	Utility Plant Acquisition Adj. (Net) (114-115)			
5	Total Net Utility Plant	\$ 8,326,353	\$ 153,955	\$ 8,480,308
OTHER PROPERTY AND INVESTMENTS				
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			
CURRENT AND ACCRUED ASSETS				
16	Cash (131)	23,596	392	23,988
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		78,435
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		10,043
27	Prepaid Taxes (163)	18,934		18,934
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)	167,373		167,373
31	Misc. Current and Accrued Assets (174)			
32	Total Current and Accrued Assets	\$ 298,381	\$ 392	\$ 298,773
DEFERRED DEBITS				
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	3,533	60,351
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)	26,227		26,227
40	Total Deferred Debits	\$ 83,045	\$ 3,533	\$ 86,578
TOTAL ASSETS AND OTHER DEBITS		\$ 8,707,779	\$ 157,880	\$ 8,865,659

F-1 BALANCE SHEET
Equity Capital and Liabilities

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	2008LewisFin. Adjustments (d)	Adjusted Year End Balance (e)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 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		1,113,401
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)			
10	Retained Earnings (214-215)	(1,413,934)	10,643	(1,403,291)
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ (283,766)	\$ 10,643	\$ (273,123)
LONG TERM DEBT				
13	Bonds (221)			
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	3,205,855	147,237	3,353,092
17	Total Long-Term Debt	\$ 3,205,855	\$ 147,237	\$ 3,353,092
CURRENT AND ACCRUED LIABILITIES				
18	Accounts Payable (231)	51,947		51,947
19	Notes Payable (232)			
20	Accounts Payable to Associated Co. (233)	990,353		990,353
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)			
23	Accrued Taxes (236)	(486)		(486)
24	Accrued Interest (237)	65,694		65,694
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)			
27	Matured Interest (240)			
28	Misc. Current and Accrued Liabilities (241)	(423)		(423)
29	Total Current and Accrued Liabilities	\$ 1,107,085		\$ 1,107,085
DEFERRED CREDITS				
30	Unamortized Premium on Debt (251)			
31	Advances for Construction (252)			
32	Other Deferred Credits (253)			
33	Accumulated Deferred Investment Tax Credits (255)			
34	Accumulated Deferred Income Taxes:			
35	Accelerated Amortization (281)			
36	Liberalized Depreciation (282)			
37	Other (283)			
38	Total Deferred Credits			
OPERATING RESERVES				
39	Property Insurance Reserve (261)			
40	Injuries and Damages Reserve (262)			
41	Pensions and Benefits Reserves (263)			
42	Miscellaneous Operating Reserves (265)			
43	Total Operating Reserves	\$		\$
CONTRIBUTIONS IN AID OF CONSTRUCTION				
44	Contributions In Aid of Construction (271)	6,337,208		6,337,208
45	Accumulated Amortization of C.I.A.C. (272)	1,658,603		1,658,603
46	Total Net C.I.A.C.	\$ 4,678,605	\$ -	\$ 4,678,605
46	TOTAL EQUITY CAPITAL AND LIABILITIES	\$ 8,707,779	\$ 157,880	\$ 8,865,659

F-2 STATEMENT OF INCOME

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	2008 Lewis Fin. Adjustments (d)	Adjusted Year End Balance (e)
UTILITY OPERATING INCOME				
1	Operating Revenues(400)	\$ 1,268,877	\$ 39,144	\$ 1,308,021
2	Operating Expenses:			
3	Operating and Maintenance Expense (401)	828,524		828,524
4	Depreciation Expense (403)	332,650	11,375	344,025
5	Amortization of Contribution in Aid of Construction (405)	(168,604)		(168,604)
6	Amortization of Utility Plant Acquisition Adjustment (406)			
7	Amortization Expense-Other (407)			
8	Taxes Other Than Income (408.1-408.13)	105,123	3,596	108,719
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	3,934	97	4,031
10	Total Operating Expenses	\$ 1,101,627	\$ 15,068	\$ 1,116,695
11	Net Operating Income (Loss)	167,250	24,076	191,326
12	Income From Utility Plant Leased to Others (413)			
13	Gains(Losses) From Disposition of Utility Property (414)			
14	Net Water Utility Operating Income	\$ 167,250	\$ 24,076	\$ 191,326
OTHER INCOME AND DEDUCTIONS				
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	Total Other Income and Deductions			
TAXES APPLICABLE TO OTHER INCOME				
24	Taxes Other Than Income (408.2)			
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)	154,183	12,966	167,149
28	Amortization of Debt Discount & Expense (428)		467	467
29	Amortization of Premium on Debt (429)			
30	Total Interest Expense	\$ 154,183	\$ 13,433	\$ 167,616
31	Income Before Extraordinary Items	13,067	10,643	23,710
EXTRAORDINARY ITEMS				
32	Extraordinary Income (433)			
33	Extraordinary Deductions (434)			
34	Income Taxes, Extraordinary Items (409.3)			
35	Net Extraordinary Items			
NET INCOME (LOSS)		\$ 13,067	\$ 10,643	\$ 23,710

F-1 BALANCE SHEET
Equity Capital and Liabilities

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	2008 Lewis Fin. Adjustments (d)	Adjusted Year End Balance (e)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 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		1,113,401
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)			
10	Retained Earnings (214-215)	(1,413,934)	10,643	(1,403,291)
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ (283,766)	\$ 10,643	\$ (273,123)
LONG TERM DEBT				
13	Bonds (221)			
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	3,205,855	147,237	3,353,092
17	Total Long-Term Debt	\$ 3,205,855	\$ 147,237	\$ 3,353,092
18	TOTAL CAPITALIZATION	\$ 2,922,089	\$ 157,880	\$ 3,079,969

Line No.	Account Title (Number) (a)	Current Year End Balance (c)	Lewis Fin. Adjustments (g)	Adjusted Year End Balance (f)
EQUITY CAPITAL				
1	Common Stock Issued (201)	0.57%	0.00%	0.54%
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)	38.10%	0.00%	36.15%
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)			
10	Retained Earnings (214-215)	-48.39%	6.74%	-45.56%
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	-9.71%	6.74%	-8.87%
LONG TERM DEBT				
13	Bonds (221)			
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	109.71%	93.26%	108.87%
17	Total Long-Term Debt	109.71%	93.26%	108.87%
18	TOTAL CAPITALIZATION	100.00%	100.00%	100.00%

Hampstead Area Water Company

SPS-4

2008 Lewis Financing

Journal Entries

Dr.	131 Cash	165,330	
Cr.	224 Other Long Term Debt		165,330
To record receipt of cash and related debt obligations			
Dr.	101 Utility Plant in Service - Hydrology Study & GIS	84,000	
Dr.	101 Utility Plant in Service - Wells	32,733	
Dr.	101 Utility Plant in Service - SCADA upgrades	48,597	
Dr.	186 Miscellaneous Deferred Debits	4,000	
Cr.	131 Cash		169,330
To record the additions to plant and the expenditures of cash			
Dr.	403 Depreciation Expense	11,375	
Cr.	108 Accumulated Depreciation		11,375
To record annual depreciation on the additions to plant			
Dr.	408 Taxes other than Income - State Utility Prop. Tax	1,016	
Dr.	408 Taxes other than Income - Local Prop. Tax	2,580	
Dr.	409 State Business Enterprise Taxes	97	
Cr.	131 Cash		3,693
To record state utility property tax expense on additions to plant			
Dr.	224 Other Long Term Debt	18,093	
Dr.	427 Interest Expense	12,966	
Cr.	131 Cash		31,059
To record 1st year principal repayment and related interest expense			
Dr.	428 Amortization of Debt Expenses	467	
Cr.	186 Miscellaneous Deferred Debits		467
To record 1st year amortization of debt expenses			
Dr.	131 Cash	39,144	
Cr.	400 Revenue		39,144
To record 1st year revenue			

Hampstead Area Water Company

SPS-5

2008 Lewis Financing

<u>Plant / Depreciation</u>			<u>2008</u>
			<u>Depr. Exp.</u>
307	Wells and Springs - Hydrolic Study & GIS	\$ 84,000	20.00% \$ 8,400
307	Wells and Springs - Bryant Woods & Dearborn Ridge	32,733	3.33% 545
311	Pumping Equipment - SCADA	<u>48,597</u>	10.00% <u>2,430</u>
Total		<u>\$ 165,330</u>	<u>\$ 11,375</u>

Note: 2008 depreciation expenses reflects a half year depreciation.

Hampstead Area Water Company

SPS-6

2008 Lewis FinancingState Property Taxes

307	Wells and Springs - Hydrolic Study & GIS	\$ 84,000
307	Wells and Springs - Bryant Woods & Dearborn Ridge	32,733
311	Pumping Equipment - SCADA	<u>48,597</u>
Total		\$ 165,330
108	Accumulated Depreciation	<u>11,375</u>
	Net Plant	<u>\$153,955</u>
	Thousand Dollars of Assessed Value	\$153.96
	Property Tax Rate	<u>6.60</u>
	State Property Taxes	<u>\$1,016</u>

Local Property TaxesHampstead

307	Wells and Springs - Hydrolic Study & GIS	\$ 84,000
108	Accumulated Depreciation	<u>8,400</u>
	Net Plant	<u>\$75,600</u>
	Thousand Dollars of Assessed Value	\$75.60
	Property Tax Rate	<u>18.54</u>
	Hampstead Property Taxes	<u>\$1,402</u>

Atkinson

307	Wells and Springs - Bryant Woods & Dearborn Ridge	\$ 32,733
311	Pumping Equipment - SCADA	<u>26,287</u>
Total		59,020
108	Accumulated Depreciation	<u>1,859</u>
	Net Plant	<u>\$57,161</u>
	Thousand Dollars of Assessed Value	\$57.16
	Property Tax Rate	<u>14.10</u>
	Atkinson Property Taxes	<u>\$806</u>

Danville

311	Pumping Equipment - SCADA	22,310
108	Accumulated Depreciation	<u>1,116</u>
	Net Plant	<u>\$21,194</u>
	Thousand Dollars of Assessed Value	\$21.19
	Property Tax Rate	<u>17.57</u>
	Danville Property Taxes	<u>\$372</u>
	Total Local Property Taxes	<u>\$2,580</u>

State Business Enterprise Taxes

Interest Expense	\$12,966
Business Enterprise Tax Rate	<u>0.75%</u>
Business Enterprise Taxes	<u>\$97</u>

Total Taxes \$3,693

EXHIBIT 4
SPS-7

Hampstead Area Water Company

2008 Lewis Financing

Calculation of Revenue Requirement

	Estimated <u>2008</u>
Addition to Rate Base:	
Plant Additions	
Wells and Springs - Hydrolic Study & GIS	\$84,000
Wells and Springs - Bryant Woods & Dearborn Ridge	32,733
Pumping Equipment - SCADA	<u>48,597</u>
Total Addition to Plant	\$165,330
Less: Accumulated Depreciation	<u>11,375</u>
Net Plant	\$153,955
Add: Cash Working Capital	
Total Additions to Rate Base	\$153,955
Rate of Return	<u>8.25%</u>
Additional Net Operating Income Required	\$12,701
Add: Operating and Maintenance Expenses	
Depreciation Expense	22,750
State Property Taxes	1,016
Local Property Taxes	2,580
Business Enterprise Taxes	<u>97</u>
Total Additional Revenue Required	\$39,144
2007 Total Income	<u>\$1,268,877</u>
Total Revenue Requirement after Additions	<u>\$1,308,021</u>
Percentage Increase	<u>3.08%</u>

Note: Amounts in this schedule are estimates and may change upon completion of the study, the drilling of the wells and the purchase and installation of the SCADA upgrades. When the actual amounts are known, the Company will submit such amounts for review and approval.