

## Forest Edge Water Company

### Computation of Revenue Deficiency

For the Test Year Ended December 31, 2011

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 3)	\$37,676	\$37,369
Rate of Return (Schedule 4)	<u>7.57%</u>	<u>7.57%</u>
Operating Income Required	\$2,852	\$2,829
Net Operating Income (Schedule 1)	<u>(2,349)</u>	<u>2,829</u>
Operating Income Surplus (Deficiency)	(\$5,201)	\$0
Tax Effect		<u>0</u>
Revenue Surplus (Deficiency)	<u>(\$5,201)</u>	<u>\$0</u>

## Statement of Income

Line No.	Account Title (Number) (a)	Actual 2011 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2011 Year End Balance (d)	Actual 2010 Year End Balance (e)	Actual 2009 Year End Balance (f)
	<b>UTILITY OPERATING INCOME</b>					
1	Operating Revenues(400)	\$ 23,836	\$3,681	\$ 27,517	\$ 22,651	\$ 14,896
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	22,768	(1,497)	21,271	23,952	15,198
4	Depreciation Expense (403)	2,729		2,729	2,689	2,648
5	Amortization of Contribution in Aid of Construction (405)					
6	Amortization of Utility Plant Acquisition Adjustment (406)					
7	Amortization Expense-Other (407)					
8	Taxes Other Than Income (408.1-408.13)	688		688	679	837
9	Income Taxes (409.1, 410.1, 411.1, 412.1)					
10	<b>Total Operating Expenses</b>	\$ 26,185	(1,497)	\$ 24,688	\$ 27,320	\$ 18,683
11	Net Operating Income (Loss)	(2,349)	5,178	2,829	(4,669)	(3,787)
12	<b>Other Income and Deductions</b>					
13	Interest and Dividend Income (419)					
14	Allow. for funds Used During Construction (420)					
15	Nonutility Income (421)					
16	Gains (Losses) From Disposition of Nonutility Property (421)					
17	Miscellaneous Nonutility Expenses (426)					
18	Interest Expense (427)	(2,694)		(2,694)	(2,758)	(65)
19	Taxes Applicable to Other Than Income (409.2, 410.2, etc.)					
20	<b>Total Other Income and Deductions</b>	\$ (2,694)		\$ (2,694)	\$ (2,758)	\$ (65)
21	<b>NET INCOME (LOSS)</b>	\$ (5,043)	\$ 5,178	\$ 135	\$ (7,427)	\$ (3,852)

**Forest Edge Water Company**  
**Statement of Income - Proforma Adjustments**

Schedule 1A

**Operating Revenues**

1	2011 Test Year Proforma	\$19,461
	2011 Test Year Actual	<u>23,836</u>
	Proforma Adjustment	<u>(\$4,375)</u>
	To adjust test year revenues for portion of revenue related to temporary / permanent and rate case recovery	
2	2011 Test Year Proforma	\$27,517
	2011 Test Year Actual	<u>19,461</u>
	Proforma Adjustment	<u>\$8,056</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	<b><u>\$3,681</u></b>

**Operating Expenses:**

3	<u>Purchased Power</u>	
	2011 Test Year Proforma	\$3,318
	2011 Test Year Actual	<u>3,570</u>
	Proforma Adjustment	<u>(\$252)</u>
	To adjust test year expense for an additional month of purchased power expense	
4	<u>Pumping Expenses - Maintenance of Structure</u>	
	2011 Test Year Proforma	\$1,007
	2011 Test Year Actual	<u>3,020</u>
	Proforma Adjustment	<u>(\$2,013)</u>
	To adjust test year expenses to an estimate annual maintenance for the pump station structures (\$3,020 / 3 years)	
5	<u>Outside Services - Management, Bookkeeping &amp; Accounting</u>	
	2011 Test Year Proforma	\$6,917
	2011 Test Year Actual	<u>8,100</u>
	Proforma Adjustment	<u>(\$1,183)</u>
	To adjust test year expenses for St. Cyr expenses related to step increase / mgmt exp / rate case	

6 Outside Services - Legal

2011 Test Year Proforma	\$1,654
2011 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$1,654</u>

To adjust test year expenses for legal costs incurred in 2012 for customer compliant (\$4,962 /3 years)

7 Outside Services - Engineering

2011 Test Year Proforma	\$1,842
2011 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$1,842</u>

To adjust test year expenses for engineering costs incurred in 2012 for mapping of the water system.  
(\$5,525 / 3 years)

8 Outside Services - Audit

2011 Test Year Proforma	\$500
2011 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$500</u>

To adjust test year expenses for anticipated costs as a result of PUC audit (\$1,500 / 3 years)

9 Franchise Requirements

2011 Test Year Proforma	\$402
2011 Test Year Actual	<u>452</u>
Proforma Adjustment	<u>(\$50)</u>

To adjust test year expenses for the elimination of late fee associated with corporate annual report

10 Regulatory Commission Expenses

2011 Test Year Proforma	\$100
2011 Test Year Actual	<u>2,095</u>
Proforma Adjustment	<u>(\$1,995)</u>

To adjust test year expenses for the elimination of rate case expenditure

Total Proforma Adjustments to Operation and Maintenance Expenses **(\$1,497)**

## Balance Sheet - Assets and Other Debits

Line No.	Account Title (Number) (a)	Actual 2011 Year End Balance (b)	Actual 2010 Year End Balance (c)	Actual 2009 Year End Balance (d)
	<b>UTILITY PLANT</b>			
1	Utility Plant (101-106)	\$ 63,015	\$ 63,015	\$ 59,476
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 32,971	\$ 30,242	27,553
3	Net Plant	\$ 30,044	\$ 32,773	\$ 31,923
4	Utility Plant Acquisition Adj. (Net) (114-115)			
5	Total Net Utility Plant	\$ 30,044	\$ 32,773	\$ 31,923
	<b>OTHER PROPERTY AND INVESTMENTS</b>			
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Utility Investments (124)			
10	Depreciation Funds (127)			
11	Total Other Property & Investments			
	<b>CURRENT AND ACCRUED ASSETS</b>			
12	Cash (131)	3,725	5,584	1,553
13	Special Deposits (132)			
14	Accounts and Notes Receivable-Net (141-143)	7,882	9,009	6,541
15	Materials and Supplies (151)			
16	Prepayments (162-163)	772	770	1,181
17	Misc. Current and Accrued Assets (174)			
18	Total Current and Accrued Assets	\$ 12,379	\$ 15,363	\$ 9,275
	<b>DEFERRED DEBITS</b>			
19	Miscellaneous Deferred Debits (186)	2,970	5,130	7,955
20	Accumulated Deferred Income Taxes (190)			
21	Total Deferred Debits	\$ 2,970	\$ 5,130	\$ 7,955
	<b>TOTAL ASSETS AND OTHER DEBITS</b>	\$ 45,393	\$ 53,266	\$ 49,153

## Balance Sheet - Equity Capital and Liabilities

Line No.	Account Title (Number) (a)	Actual 2011 Year End Balance (b)	Actual 2010 Year End Balance (c)	Actual 2009 Year End Balance (d)
	<b>EQUITY CAPITAL</b>			
1	Common Stock Issued (201)	\$ -	\$ -	\$ -
2	Preferred Stock Issued (204)			
3	Other Paid-In Capital (211)	107,677	107,677	92,677
4	Retained Earnings (217)	(109,400)	(104,357)	(96,929)
5	Proprietary Capital (proprietorships & partnerships) (218)			
6	Total Capital	\$ (1,723)	\$ 3,320	\$ (4,252)
	<b>LONG TERM DEBT</b>			
7	Other Long-Term Debt (224)	35,608	36,563	52,454
	<b>CURRENT AND ACCRUED LIABILITIES</b>			
8	Accounts Payable (231)	942	2,098	156
9	Notes Payable (232)			
10	Customer Deposits (235)			
11	Accrued Taxes (236)	-	-	201
12	Accrued Interest (237)			
13	Misc. Current and Accrued Liabilities (241)	10,566	11,285	594
14	Total Current and Accrued Liabilities	\$ 11,508	\$ 13,383	\$ 951
	<b>Other Liabilities</b>			
15	Advances for Construction (252)			
16	Other Deferred Credits (253)			
17	Accumulated Deferred Investment Tax Credit (255)			
18	Miscellaneous Operating Reserves (265)			
19	Contributions In Aid of Construction - Net (271-272)			
20	Accumulated Deferred Income Taxes (281-283)			
21	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 45,393	\$ 53,266	\$ 49,153

### Schedule 3

[illegible]

**Forest Edge Water Company  
Rate Base - Proforma Adjustments**

**Schedule 3A**

**Plant**

**Accumulated Depreciation**



**Forest Edge Water Company**

Schedule 3B

**Working Capital**

	2011 Proforma <u>Amount</u>	2011 Actual <u>Amount</u>	2010 Actual <u>Amount</u>
Operating and Maintenance Expenses	\$21,271	\$22,768	\$23,952
75/365	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Working Capital	<u>\$4,371</u>	<u>\$4,679</u>	<u>\$4,922</u>

## Rate of Return Information

<b>Proforma Overall Rate of Return</b>		<b>Component Ratio</b>		<b>Component Cost Rate</b>		<b>Weighted Average Cost Rate</b>
Equity Capital		-5.08%		9.75%		0.00%
Long Term Debt		105.08%		7.57%		7.57%
Total Capital		100.00%				7.57%

<b>Actual Overall Rate of Return</b>		<b>Component Ratio</b>		<b>Component Cost Rate</b>		<b>Weighted Average Cost Rate</b>
Equity Capital		-5.08%		9.75%		0.00%
Long Term Debt		105.08%		7.57%		7.57%
Total Capital		100.00%				7.57%

<b>Capital Structure for 2011 - 2009</b>	2011 Proforma		2011 Amounts		2010 Amounts		2009 Amounts
Common Stock	\$ -		\$ -		\$ -		\$ -
Other Paid in Capital	107,677		107,677		107,677		92,677
Retained Earnings	(109,400)		(109,400)		(104,357)		(96,929)
Total Equity	\$ (1,723)		\$ (1,723)		\$ 3,320		\$ (4,252)
Long Term Debt	\$35,608		\$35,608		\$ 36,563		\$ 52,454
Total Capital	\$ 33,885		\$ 33,885		\$ 39,883		\$ 48,202

<b>Capital Structure Ratios for 2011 - 2009</b>	2011 Ratios		2011 Ratios		2010 Ratios		2009 Ratios
Common Stock	0.00%		0.00%		0.00%		0.00%
Other Paid in Capital	317.77%		317.77%		269.98%		192.27%
Retained Earnings	-322.86%		-322.86%		-261.66%		-201.09%
Total Equity	-5.08%		-5.08%		8.32%		-8.82%
Long Term Debt	105.08%		105.08%		91.68%		108.82%
Total Capital	100.00%		100.00%		100.00%		100.00%

<b>Long Term Debt</b>	2011 Prof Amount		2011 Actual Amount		2010 Actual Amount		2009 Actual Amount
Kearsarge Building Co.	\$35,608		\$35,608		\$36,563		\$52,454
Total Long Term Debt	\$35,608		\$35,608		\$36,563		\$52,454

<b>Proforma Cost of Debt</b>	2011 Prof Amount		Interest Rate	Interest Expense	Amortization of Fin Costs	Total Interest	Cost Rate
Kearsarge Building Co.	\$35,608		7.00%	\$2,529	\$165	\$2,694	7.57%
Total Cost of Debt	\$35,608			\$2,529	\$165	\$2,694	7.57%

<b>Actual Cost of Debt</b>	2011 Act Amount		Interest Rate	Interest Expense	Amortization of Fin Costs	Total Interest	Cost Rate
Kearsarge Building Co.	\$35,608		7.00%	\$2,529	\$165	\$2,694	7.57%
Total Cost of Debt	\$35,608			\$2,529	\$165	\$2,694	7.57%

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