

Lakes Region Water Company
before the
New Hampshire Public Utilities Commission
DW 10-184
Introductory Letter

The Lakes Region Water Company ("Lakes Region" or "Company") respectfully requests that the Commissioners accept this filing in support of its request for an increase in the water rates. The Company proposes to increase its annual revenues from general customers by \$312,059 or 40.74%. On a per customer basis, the average revenue increase would be \$193.35 per year or \$48.34 per quarter. The increase in revenue does not affect the Property Owners Association at Suissevale, Inc. ("POASI"), whose rates are subject to a special contract.

During the twelve months ended December 31, 2009 (the test year) the Company's actual net income (loss) amounted to (\$207,674). Its operating revenues increased due to PUC approved rate increases in DW 08-070, increased revenue from the special contract with POASI and increased consumption. Its operating expenses increased due to increases in operating and maintenance expenses, depreciation expenses and taxes. The net operating income (loss) of (\$2,539) is significantly less than the net operating income required in order for the Company to pay its operating expenses and earn a fair and reasonable rate of return.

The Company has also proposed temporary rates in the event that the Commission suspends the proposed permanent rate. In addition, the Company has proposed a step increase for the purchase of land, wells and other improvements in 2011.

The Company proposes that the new permanent rates be effective July 1, 2010. In the event that the Commission suspends the proposed rates, the Company respectfully requests that the Commission address the matter of temporary rates in its order of notice and at the prehearing conference.

With respect to the specific rate filing and its exhibits and supporting schedules, the Company has engaged the services of Stephen P. St. Cyr of St. Cyr & Associates to prepare the exhibits and to draft and present testimony on the merits of the case. Enclosed are exhibits, testimony and the other rate filing requirements,

SPSt. Cyr
07/16/10

Lakes Region Water Company

Report of Proposed Rate Changes

Utility Lakes Region Water Co. Date Filed: 7/16/2010
 Tariff No.: 7 Pages 10-16 Effective Date 7/1/2010

Rate of Class of Service	Effect of Change	Number of Customers	Authorized Present Revenue	Proposed Revenue	Proposed Change Amount	Proposed Change Percentage
Unmetered Customers	\$111,172	574	\$272,901	\$384,073	\$111,172	40.74%
WVG Pool	465	1	1,141	1,606	465	40.75%
Metered Customers excluding Swissvale	<u>200,422</u>	<u>1,039</u>	<u>491,990</u>	<u>692,412</u>	<u>200,422</u>	40.74%
Total Unmetered and Metered Customers excluding Swissvale Contract	\$312,059	1,614	\$766,032	\$1,078,091	\$312,059	40.74%
Swissvale Contract (POASI)	<u>(3,270)</u>	<u>1</u>	<u>131,831</u>	<u>128,561</u>	<u>(3,270)</u>	-2.48%
Total Sales of Water	<u>\$308,789</u>	<u>1,615</u>	<u>\$897,863</u>	<u>\$1,206,652</u>	<u>\$308,789</u>	34.39%
Miscellaneous Services Revenues	0		\$75,100	\$75,100	0	
Other Water Revenue - Rate Case Surchar	<u>(18,001)</u>		<u>18,001</u>	<u>0</u>	<u>(18,001)</u>	
Total Other Operating Revenues	<u>(\$18,001)</u>		<u>\$93,101</u>	<u>\$75,100</u>	<u>(\$18,001)</u>	
Total Water Operating Revenues	<u>\$290,788</u>	<u>1,615</u>	<u>\$990,964</u>	<u>\$1,281,752</u>	<u>\$290,788</u>	29.34%

SPSt. Cyr
 7/16/2010

**GENERAL SERVICE - METERED
For
CONSOLIDATED TARIFF SYSTEM**

DIVISIONS

FAR ECHO HARBOR, PARADISE SHORES, WEST POINT,
WATERVILLE VALLEY GATEWAY, HIDDEN VALLEY, WENTWORTH
COVE, PENDLETON COVE, DEER RUN, WOODLAND GROVE, ECHO
LAKE WOODS, BRAKE HILL ACRES AND GUNSTOCK GLEN

AVAILABILITY

This schedule is available to all water service in the franchise area.

CHARACTER OF SERVICE

Water will be furnished at the minimum pressure of thirty (30) pounds per square inch and at a maximum pressure of sixty (60) pounds per square.

RATES

Minimum charge per customer per quarter	\$106.40
or annual flat rate per customer	\$425.60
Metered Rate Per 100 Cubic Feet	\$ 5.39

TERMS OF PAYMENT

Bills under these rates will be rendered quarterly and are due and payable upon presentation. Interest at the rate of eighteen percent (18%) per annum will be charged on all bills thirty days (30) past due.

Issued in compliance with NHPUC Order No. ... in Docket DW 10-141 dated ...

ISSUED: July 16, 2010

ISSUED BY: Thomas Mason, Jr.

EFFECTIVE: July 1, 2010

TITLE: Vice President

GENERAL SERVICE - UNMETERED
For
CONSOLIDATED TARIFF SYSTEM

DIVISION

WATERVILLE VALLEY GATEWAY - POOL

AVAILABILITY

This schedule is available to all water service in the franchise area.

CHARACTER OF SERVICE

Water will be furnished at the minimum pressure of thirty (30) pounds per square inch and at a maximum pressure of sixty (60) pounds per square.

RATES

Minimum charge per quarter	\$ 401.37
Or annual flat rate for community pool	\$1,605.48

TERMS OF PAYMENT

Bills under these rates will be rendered quarterly and are due and payable upon presentation. Interest at the rate of eighteen percent (18%) per annum will be charged on all bills thirty days (30) past due.

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GENERAL SERVICE - UNMETERED
For
CONSOLIDATED TARIFF SYSTEM

DIVISION

TAMWORTH WATER WORKS

AVAILABILITY

This schedule is available to all water service in the franchise area.

CHARACTER OF SERVICE

Water will be furnished at the minimum pressure of thirty (30) pounds per square inch and at a maximum pressure of sixty (60) pounds per square.

RATES

Minimum charge per quarter	\$174.35
Or annual flat rate per customer	\$697.40

TERMS OF PAYMENT

Bills under these rates will be rendered quarterly and in advance of services rendered and are due and payable upon presentation. Interest at the rate of eighteen percent (18%) per annum will be charged on all bills thirty days (30) past due.

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EFFECTIVE: July 1, 2010

TITLE: Vice President

GENERAL SERVICE - UNMETERED
For
CONSOLIDATED TARIFF SYSTEM

DIVISION

175 ESTATES

AVAILABILITY

This schedule is available to all water service in the franchise area.

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GENERAL SERVICE - UNMETERED
For
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DIVISION
DEER COVE

AVAILABILITY

This schedule is available to all water service in the franchise area.

CHARACTER OF SERVICE

Water will be furnished at the minimum pressure of thirty (30) pounds per square inch and at a maximum pressure of sixty (60) pounds per square.

RATES

Minimum charge per quarter	\$174.35
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GENERAL SERVICE - UNMETERED
For
CONSOLIDATED TARIFF SYSTEM

DIVISION

LAKE OSSIPPEE VILLAGE

AVAILABILITY

This schedule is available to all water service in the franchise area.

CHARACTER OF SERVICE

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EFFECTIVE: July 1, 2010

TITLE: Vice President

GENERAL SERVICE - UNMETERED
For
CONSOLIDATED TARIFF SYSTEM

DIVISION
INDIAN MOUND

AVAILABILITY

This schedule is available to all water service in the franchise area.

CHARACTER OF SERVICE

Water will be furnished at the minimum pressure of thirty (30) pounds per square inch and at a maximum pressure of sixty (60) pounds per square.

RATES

Minimum charge per quarter	\$174.35
Or annual flat rate per customer	\$697.40

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Bills under these rates will be rendered quarterly and are due and payable upon presentation. Interest at the rate of eighteen percent (18%) per annum will be charged on all bills thirty days (30) past due.

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STEPHEN P. ST. CYR & ASSOC.

Accounting & Finance
Budgeting & Forecasting
Financial Statement Preparation
Regulatory Affairs
Tax Preparation & Planning
Management Services

117 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Direct Testimony of Stephen P. St. Cyr in DW 10-141

Q. Please state your name and address.

A. Stephen P. St. Cyr of Stephen P. St. Cyr & Associates, 17 Sky Oaks Drive, Biddeford, Me. 04005.

Q. Please state your present employment position and summarize your professional and educational background.

A. I am presently employed by St. Cyr & Associates, which provides accounting, tax, management and regulatory services. The Company devotes a significant portion of the practice to serving utilities. The Company has a number of regulated water utilities among its cliental. I have prepared and presented a number of rate case filings before the New Hampshire Public Utilities Commission. Prior to establishing St. Cyr & Associates, I worked in the utility industry for 16 years, holding various managerial accounting and regulatory positions. I have a Business Administration degree with a concentration in accounting from Northeastern University in Boston, Ma. I obtained my CPA certificate in Maryland.

Q. Is St. Cyr & Associates presently providing services to Lakes Region Water Company?

A. Yes. St. Cyr & Associates prepared the various exhibits and oversaw the preparation of the supporting schedules and prepared the written testimony and other rate case filing requirements. In addition, St. Cyr & Associates prepares the Company's PUC Annual Report.

Q. Are you familiar with the pending rate application of the Company and with the various exhibits submitted as Schedules 1 through 5 inclusive, with related pages and attachments?

A. Yes, I am. The exhibits were prepared by me, utilizing the financial records of the Company.

Q. What is the test year that the Company is using in this filing?

A. The Company is utilizing the twelve months ended December 31, 2009.

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Q. Before you explain the schedules, please provide a brief overview of the Company and some recent developments pertaining to the Company.

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A. In 2007 the Commission established a proceeding, DW 07-105, to determine whether the Company should be placed in receivership in light of concerns over whether the Company continues to have the managerial and financial capacity to provide safe and adequate service to its customers, and the ability to acquire necessary capital to fund needed system improvements. On May 7, 2008 the Company and the Staff of the Public Utilities Commission entered into a Settlement Agreement. The Settlement Agreement addressed a number of concerns including a financing and step adjustment filing, the Tamworth well issue, management capabilities, technical capabilities and financial capabilities. The parties to the proceeding have been meeting quarterly and continue to do so. The Company believes that it has met much, if not all, of its requirements under the Settlement Agreement.

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In 2008 the Company filed for an increase in rates associated with various projects. The Commission established docket DW 08-070 to address the Company's filing. On September 25, 2008 the Company and the Staff of the Commission entered into a Stipulation Agreement. The Stipulation Agreement provided for three step adjustments. The settling parties agreed that the first two requested step adjustments should be implemented simultaneously since all of the assets were in service to customers and used and useful. The settling parties agreed that the third requested step adjustments should be implemented once the related assets are in service to customers and are used and useful. On December 30, 2008 the Commission issued order number 24,925 approving step increases to rates. The Company began billing the Step 1 and 2 rates in January 2009. The projects associated with Step 3 were recently completed. The Company made a Step 3 filing, in May 2010, which, if approved as submitted, would increase annual revenues by approximately \$37,000. The Step 3 filing is under review by the Commission.

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In 2009 the Company filed for approval to obtain ARRA SRF financing amounting to \$1,500,000. The financing was intended to fund the construction of seven projects. However, the New Hampshire Business Finance Authority recommended against the financing. Subsequently, after much discussion, the Company decided not to pursue the financing. Its decision was based primarily on more pressing needs, i.e., the development of a source of supply for Paradise Shores.

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Q. Is there anything else that you would like to include before addressing the schedules?

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A. Yes. First, the Company believes that all assets placed in service during the test year should be fully reflected in rate base and a full year's depreciation on such assets should be fully reflected in depreciation expense and accumulated depreciation. The Company's belief is based on the fact that the amount of the assets are known and measurable and all the 2009 assets are fully in use for the customers' benefit at December 31, 2009.

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Second, the Company believes that the assets placed in service in 2010 should be fully reflected in rate base and a full year's depreciation on such assets should be fully reflected in depreciation expense and accumulated depreciation. The Company's belief is based again on the fact that the amount of the assets are known and measurable and all the 2010 assets will included in rates will be fully in use for customers' benefit.

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Finally, if the Company is not allowed the 2009 and 2010 assets to be fully reflected, it loses the related revenue between now and the next rate case. Even in the next rate case, it will not recover the lost revenue between now and then. It will only earn a return on the reduced net asset value, not the full asset value.

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Q. Is there anything else prior to summarizing the schedules?

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A. No.

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Q. Then, would you please summarize the schedules?

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A. Yes. The schedule entitled "Computation of Revenue Deficiency for the Test Year ended December 31, 2009," summarizes the supporting schedules. The actual revenue deficiency for the LRW for the test year amounts to \$203,254. It is based upon an actual test year with a beginning and ending average rate base of \$2,418,853 as summarized in Schedule 3. LRW's actual rate of return is 8.30% for the actual test year. The rate of return of 8.30%, when multiplied by the rate base of \$2,418,853, results in an operating income requirement of \$200,715. As shown on Schedule 1, the actual net operating income (loss) for the Company for the test year was (\$2,539). The operating income required, less the net operating income (loss), results in a operating income deficiency before taxes of \$203,254.

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The Company did not calculate the tax effect of the revenue deficiency, resulting in a revenue deficiency for the Company of \$203,254. It should be noted that the 2009 actual financial data includes the increase of a full year of revenue associated with steps 1 and 2 approved by the Commission in DW 08-070, but does not include the proposed step 3 increase presently under review by the Commission.

The proforma revenue deficiency for the Company for the test year amounts to zero. It is based upon a proformed test year rate base of \$2,608,571, as summarized in Schedule 3. The Company is utilizing a proformed rate of return of 8.52% for the proformed test year. The proformed rate of return of 8.52% when multiplied by the rate base of \$2,608,571, results in an operating net income requirement of \$222,209. As shown on Schedule 1, the proformed net operating income for the Company for the test year was \$222,209. The operating income required less the net operating income results in a deficiency of zero. The tax effect of the deficiency is zero, resulting in a revenue deficiency for the Company of zero.

Q. Would you please explain Schedule 1 and supporting Schedule 1 Attachment?

A. Schedule 1 reflects the Company's Operating Income Statement. Column b shows the actual test year results for the Company (as reported to the PUC in its 2009 PUC Annual Report). Column c shows the proforma adjustments for known and measurable changes to test year revenues and expenses. The proforma adjustments are further supported by schedule 1A and 1B. Column d shows the proforma test year results. Column e and Column f are actual results for 2008 and 2007, respectively.

During the twelve months ended December 31, 2009, the actual operating revenues amounted to \$990,964, an increase of \$176,607 over 2008. The significant increase is due to an increase in rates approved by the Commission in DW 08-070, an increase in the revenue under the POASI agreement and an increase in water consumption. At December 31, 2009 the Company had 1,615 customers. The Company has minimal growth in the number of customers in 2009. The LRW's customers consumed 44,262 thousand gallons of water, an increase of 11,806 thousand gallons of water over 2008.

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The LRW's total operating expenses amounted to \$993,503, an increase of \$79,733 over 2008. The increase in total operating expenses was due to increases in operation and maintenance expenses, depreciation expenses and taxes other than income. The 2009 Net Operating Income (Loss) amounted to (\$2,539). Net Income (Loss) for 2008 was (\$99,413).

The Company has made 4 proforma adjustments to operating revenues totaling \$290,788. The specific proforma adjustments are identified on the operating revenues schedule (Schedule 1A). A brief explanation is as follows:

Proforma Adjustment to Revenues

1. Sales of Water – DW 08-070 Step 3 Increase - \$37,411

In DW 08-070 the Commission approved 3 step increases. Step 1 and 2 were approved and implemented in January 2009. The Step 1 and 2 increases are fully reflected in 2009 revenues. In May 2010 the Company made a filing requesting PUC approval of the Step 3 increase. The Step 3 filing is under review by the Commission. The proforma adjustment to Sales of Water amounts to \$37,411 as proposed by the Company in its Step 3 increase filing.

Also, with the completion of the interconnection between Gunstock Glen and Brake Hill, the Company's Gunstock Glen customers will now be subject to the Company's consolidated rates. In 2009 the Company's Gunstock Glen customers' annual rates were \$239.20. The Company's annual consolidated rates for unmetered customers were \$495.53 (including the Sep 1 & 2 rate increases). The difference between the two rates amounts to \$256.33. When the difference is applied the 55 customers, the annual increase in revenues from the Gunstock Glen customers amounts to \$14,098. While the Company will realize an increase in revenues from its Gunstock Glen customers, such revenues will be offset by a like amount of decreased revenues from other customers.

2. Sales of Water – Property Owners Association at Swissevale, Inc. ("POASI")- \$0

The Company has a water supply agreement with POASI. The Agreement allows the Company to adjust the amount charged to POASI based on its actual costs to provide service to them. In 2009, the Company recorded revenues of \$131,831. In 2010, after adjusting the amount for 2009 actual costs, the Company anticipates revenues of \$128,561, a decrease of \$3,270. While the Company

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anticipates a small decrease in revenues from the POASI agreement, such revenues will be offset by a like amount of increased revenues from other customers.

3. Sales of Water – Amount Necessary to Earn Return and Cover Operating Costs - \$271,378

The Company has increased test revenues for the proposed amount of revenues necessary to cover its expenses and allow it to earn its proposed rate of return.

4. Other Operating Revenues (Rate Case Expenditures Surcharge) – (\$18,001)

The Company is reducing test revenue by the amount of revenue associated with the recovery of approved rate case expenditures. Please note that there is also a reduction in test year expenses by the amount of regulatory expenses associated with the recovery of approved rate case expenditures.

Proforma Adjustments to Expense

1. Operating and Maintenance Expenses - Wages - \$10,490

During the test year, one of the Company's employees joined the Company on 3/23/09. In order to fully reflect this employee's total number of hours, the Company has added 650 hours at a pay rate of \$16.14 per hour, resulting in an increase in wages of \$10,490. As such, the Company prepared a proforma adjustment for the increase in wages of \$10,490.

2. Operating and Maintenance Expenses - Wages - \$20,597

During the test year the Company incurred \$214,629 of wages. With the adjustment to wages from proforma 1, the adjusted test year wages amounts to \$225,119 (\$214,629 + \$10,490). Effective July 1, 2010 the Company granted most of its employees a pay increase. The pay increase was generally granted due to the increased capability and knowledge of the staff, for the work being performed and to stabilize the work force. The significant increase was for an increase in management time devoted to the Company. The net change in wages amounts to \$20,597. As such, the Company prepared a proforma adjustment for the net increase in wages of \$20,597.

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3. Operating and Maintenance Expenses - Payroll Taxes - \$2,255

With the proposed increase in wages (in proforma adjustments 1 & 2), there is also a related increase in the payroll taxes. In 2009 the Company incurred \$18,805 of payroll taxes. With the proposed increase in net wages, the Company anticipates that its 2010 payroll taxes will amount to \$21,060. As such, the Company increased payroll taxes by the difference of \$2,255.

4. Operating and Maintenance Expenses – Medical Insurance - \$24,983

In 2009 the Company incurred \$19,728 in premiums for medical insurance. In 2010 the Company has experienced a dramatic increase (greater than 30%) in the cost of premiums for similar coverage. The insurance company attributes the increase to increased costs. In addition, the Company has decided to increase the portion that it pays on behalf of its employees from 50% to 90%. The Company believes that it is appropriate to increase the amount that it pays on behalf of its employees because, for a period, the Company paid 100% of the premium, the Company is interesting in maintaining its workforce and, unlike many companies in the industry, the Company does not offer a pension plan, life insurance, disability insurance and other benefits. With the increase in premiums and the increase in the percentage that the Company pays on behalf of its employees, the Company anticipates that its 2010 medical insurance costs will amount to \$44,711. As such, the Company increased medical insurance expenses by \$24,983.

5. Operating and Maintenance Expense – Purchased Water – (\$2,287)

In 2009 the Company incurred \$4,387 of purchased water costs. \$2,287 of the \$4,387 was for the amortization of purchased water incurred in 2004 and 2005. The amortization was authorized in DW 05-137. The Company incurred significant purchased water expenses at Hidden Valley in 2004 and 2005. Rather than build such significant purchased water expenses in the permanent rate, the Company was authorized to amortize such costs over a 3 year period. As such, the Company is eliminating the annual amortization of purchased water costs.

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6. Operating and Maintenance Expense – Purchased Water - \$3,316

After adjusting test year water purchased for the amortization of water costs, the Company believes that the remaining amount of purchased water expense of \$2,100 is inadequate in light of its historical experience. The Company believes that a 3 year average is an appropriate measure of likely purchased water costs. The average of purchased water for 2009 – 2007 is \$5,416 ($\$7,475 + \$6,675 + \$2,100 / 3$). Please note that the 3 year average excludes the amortization of the 2004 and 2005 water costs. As such, the Company prepared a proforma adjustment of \$3,316 to purchased water expense.

7. Operating and Maintenance Expense – Water Treatment Expenses – Water Tests - \$3,954

In 2009 the Company incurred \$20,043 of water tests. Certain water tests are not performed annually but rather once every two years or once every three years. As such, any one year does not fully reflect the costs of water tests. The Company believes that a 3 year average is an appropriate measure of likely water tests costs. The average of water tests costs for 2009 – 2007 is \$23,997 ($\$24,263 + \$27,687 + \$20,043 / 3$). The Company prepared a proforma adjustment of \$3,954 to water treatment expenses.

8. Operating and Maintenance Expenses – Inventory Adjustment – (\$11,375)

In 2007 and 2008 the Company inadvertently failed to charge out inventory to various accounts. The Company made a significant effort in 2009 to charge out previously uncharged items. The costs of such charges are reflected in various accounts. The proforma adjustments reduces the test year expense for the various inventory costs.

9. Operating and Maintenance Expense – Accounting – (\$9,703)

In 2009 the Company incurred \$56,048 for accounting related services including \$15,280 for St. Cyr & Associates. Upon further review, \$7,787 and \$1,916 were for costs incurred in DW 09-098 and the Tamworth criminal case, respectively. The costs incurred in DW 09-098 were primarily for PUC approval of financing and step increase associated with ARRA SRF funds for various projects. The Company decided not to pursue the financing. The costs incurred in the Tamworth criminal case were primarily for preparation and participation as a witness on behalf of the owner. The Company decided that both expenses are of

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a one time nature and are nonrecurring. As such, the Company prepared a proforma adjustment for (\$9,703).

10. Operating and Maintenance Expense – Legal – (\$22,397)

In 2009 the Company incurred legal services of \$7,147 and \$18,199 for Ransmeier & Spellman and Gordon & Shaheen, respectively. \$4,780 and \$1,280 of the Ransmeier & Spellman costs were for costs incurred in DW 09-098 and the Tamworth criminal case. The net reduction amounts to \$4,198

The entire \$18,198 incurred with Shaheen & Gordon was associated with criminal trial against Lakes Region in the Tamworth case. As such, the Company is reducing legal expenses by \$18,199.

The total reduction for legal expenses to test year expense amounts to (\$22,397).

11. Operating and Maintenance – Regulatory Commission – (\$18,001)

The Company is reducing test expenses by the amount of regulatory commission expenses associated with the recovery of approved rate case expenditures. Please note that there is also a reduction in test year revenues by the amount of rate case expenditure surcharge revenue.

12/13. Depreciation Expense - \$13,561.

The Company is proposing to include the additional half year depreciation on the 2009 additions to plant. The amount of the depreciation expense increase is \$6,293.

The Company is also proposing to include the full year depreciation on the 2010 additions to plant. The amount of the depreciation expense increase is \$7,268.

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14. Amortization Expenses – Other - \$1,841.

In 2008 the Company incurred financing and step increase expenditures. Initially, the financing was a debt financing and the Company anticipated amortizing the debt expense over the life of the loan. During the proceeding, the Company converted the financing from debt to additional paid in capital. After consultation with the PUC staff, the Company charged the amount to account 213, Capital Stock Expense. Also, beginning in 2009, the Company began amortizing the Capital Stock Expense by charging 426, Miscellaneous NonUtility Expense and crediting 213, Capital Stock Expense. While the Company is following the prescribed accounting, by charging 426, the amortization of the expense is not included in test year expenses. The proforma adjustment is to reflect the amortization in test year expenses.

15/16. Taxes other than Income – State Utility and Municipal Property Taxes - \$1,649.

In 2009 the Company incurred \$10,167 in state utility property taxes. With the 2009 addition to plant, the Company anticipates that the 2010 state utility property taxes will amount to \$11,392. As such, the Company has prepared a proforma adjustment for \$1,225.

In 2009 the Company incurred \$17,476 in municipal property taxes. After adjusting the 2009 municipal property taxes for changes in the local property tax rate, and other adjustments, the Company anticipates that the 2010 municipal property taxes will amount to \$17,900. As such, the Company has prepared a proforma adjustment for \$424.

17/18. Federal Income and State Business Taxes - \$47,158.

With the proposed increase in revenue offset by the proposed increase in expenses, there is also a related increase in the federal income and state business taxes. The increase in federal income taxes represents the additional tax liability due to the increase in taxable income. The increase in state business taxes represents the additional tax liability due to the increase in gross profits. The Company has provided the calculation of the federal income taxes (Schedule 5). A further explanation of the federal taxes will be provided as I describe Schedule 5 later in my testimony.

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The total proforma adjustments to Operating Expenses amounts to \$66,041.

The net of the proforma adjustments to operating revenue (\$290,788) and the proforma adjustments to operating expenses (\$66,041) results in net proforma adjustment of \$224,748. When the net operating income associated with the proforma adjustments is added to net operating income from the test year, the proforma test year net operating income totals \$222,209. The proforma test year net operating income of \$222,209 allows the Company to cover its expenses and earn a 8.52% return on its investments.

Q. Does that complete your description of the proforma adjustments to revenues and expenses?

A. Yes.

Q. Please describe Schedule 2, the Balance Sheet.

A. The Company has \$3,247,855 total assets at the end of 2009. \$3,055,363 of the \$3,247,855 total assets is net utility plant, most of which is completed and providing service to customers. The Company has \$842,145 of total equity capital. The Company incurred a significant loss in 2009, which reduced retained earning and total equity. The Company has \$1,159,918 of long term debt. The long term debt balance has increased from 2008 due to the amount owed the New Hampshire Department of Correction, an additional amount owed the shareholders for fund provided to the Company for various expenditures and a relatively small amount owed for the purchase of a replacement excavator. The owners continue to fund additions to plant and increases in expenses. The Company also has a substantial amount of accounts payable.

Q. Please continue with an explanation of Schedule 3, Rate Base and the supporting schedule.

A. Schedule 3 reflects the Company's Rate Base for both the actual test year and the proforma test year. Column b shows the actual 2009 balances. Column c shows the actual 2008 balances. Column d shows the actual beginning and ending balances. Column e shows the proforma adjustments. Column f shows the proformed balances. The balances are further supported by Schedules 3A and 3B.

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The rate base consists of Utility Plant in Service less Accumulated Depreciation, plus Plant Acquisition Adjustment less Accumulated Amortization of Utility Plant Acquisition Adjustment plus Cash Working Capital, Material and Supplies, Prepayments less deferred taxes and less Contributions in Aid of Construction plus Accumulated Amortization of CIAC.

The Total Proformed Rate Base amounts to \$2,608,571.

Q. Would you please explain Schedule 3A, Rate Base Adjustments?

A. Schedule 3A shows the various adjustments to rate base. As stated earlier in my testimony, the Company believes that all assets placed in service during the test year should be fully reflected in rate base and a full year's depreciation on such assets should be fully reflected in depreciation expense and accumulated depreciation. Likewise, the Company believes that other rate base items should be fully reflected in rates. As such, the Company has adjusted the Actual Beginning / Ending Average Balances to Year End Balances. The rate base items effected by the reflection of year end balances are plant in service (1), accumulated depreciation (3), accumulated amortization of utility plant in service (6), material and supplies (8), prepayments (9) and accumulated amortization of CIAC (11).

In addition to the proforma adjustments to rate base for the year end balances, the Company made a few other proforma adjustments as follows:

2. Plant in Service – 2010 additions - \$192,000.

The Company plans a number of construction projects for 2010. The most significant projects include a new gravel packed well, pump, SCADA and treatment equipment at Tamworth and a new pumphouse at Indian Mound. The total costs of the 2010 projects amount to \$192,000. A general description of each project and the project costs are shown on Schedule 3B

4. Accumulated Depreciation – Additional half year depreciation on 2009 additions – (\$6,293)

In 2009 the Company took a half year of depreciation on its 2009 additions to plant. The Company is adjusting its accumulated depreciation for the other half year depreciation on the 2009 additions to plant in order to fully reflect the annual depreciation in accumulated depreciation.

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5. Accumulated Depreciation – Annual Depreciation on 2010 additions – (\$3,634).

The Company plans to expend \$192,000 in capital improvements in 2010. The annual depreciation on the 2010 additions to plant amounts to \$7,268. The half year depreciation that would be charged to accumulated depreciation in 2010 amounts to \$3,634.

7. Cash Working Capital - \$376

The Company adjusted cash working capital for the proforma increase in operating and maintenance expenses.

10. Prepayments – Purchased Water – (\$2,287)

The Company is adjusting its prepayments for the expiration of the amortization of purchased water.

The total proforma adjustments to Rate Base amounts to \$189,718.

Q. Please explain Schedule 3B.

A. Schedule 3B reflects the planned 2010 additions to plant, the related annual depreciation and accumulated depreciation. It shows the water system, the PUC account number and account description, a general description of the infrastructure improvement, the amount for each project, the PUC recommended depreciation rates, the annual depreciation and the half year adjustment to accumulated depreciation. In total, the Company plans \$192,000 in capital expenditures (Rate Base proforma #2). The annual depreciation on the 2010 additions to plant amounts to \$7,268 (Expense proforma #13). The half year depreciation adjustment to accumulated depreciations amounts to \$3,634 (Rate Base proforma #5).

Q. Please explain Schedule 3C.

A. Schedule 3C shows the computation of cash working capital for both the actual and proforma test years. The proforma cash working capital is based on the proforma test year operation and maintenance expenses.

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Q. Would you please explain Schedule 4, Rate of Return Information?

A. Schedule 4 reflects the overall rate of return for both the actual test year and the proforma test year. The weighted average rate of return for the actual test year is 8.30%. It was developed by taking the actual component ratios times the actual component cost rates to determine the actual weighted average cost rate. The sum of the actual cost rates for equity and debt equals actual weighted average rate of return. The weighted average rate of return for the proforma test year is 8.52%. It was developed by taking the proforma component ratios times the proforma component cost rates to determine the proforma weighted average cost rate. The sum of the proforma cost rates for equity and debt equals the proforma weighted average rate of return.

Schedule 4 also reflects both the capital structure and the capital ratios. The Company has provided the capital structure for the actual test year and the proforma test year. It has also provided the actual capital structure for 2008 and 2007. Please note the significant improvement in the Company's debt to equity ratio from 2007 to 2008.

Schedule 4A reflects the long term debt, interest expense, financing costs, total debt costs and debt costs rates for the actual test year. At 12/31/09 the Company has \$1,159,918 of outstanding long term debt. Its 2009 total interest expense is \$96,942. Please note that the interest rate on the Mason's note was 9.75%. The 2009 actual cost of debt was 7.24%.

Schedule 4B reflects the long term debt, interest expense, financing costs, total debt costs and debt costs rates for the proforma test year. The proforma outstanding balance is \$1,056,039 of outstanding long term debt. The decrease in the outstanding balance is due to the elimination of the debt owed to the New Hampshire Department of Correction. The proforma interest expense is \$6,800. The decrease in the interest expense is due to adjusting the interest expense to the stated interest rate on the debt. The 2009 proforma cost of debt is 7.31%.

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Q. Please explain the calculation of federal income taxes and state business taxes as shown on Schedule 5.

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A. The Company is utilizing an estimated pretax income of \$150,000. In order to calculate the state business tax, it applies the state business tax rate of 8.5% to the estimated pretax income, resulting in a state business tax of \$12,750. In order to calculate the federal income taxes, it applies the federal tax rates to the estimated pretax income subject to federal income taxes, resulting in a federal income tax of \$36,778. For purposes of the proforma adjustments, the Company compares federal income taxes and state business taxes as calculated to the federal income taxes and state business taxes in the test year.

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Q. Please explain the Report of Proposed Rate Changes.

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A. If the Company filing is approved as submitted, its total water Operating Revenues will amount to \$1,281,752. The Total Sales of Water amounts to \$1,206,652, of which \$1,078,091 comes from the Company's 1,614 unmetered and metered customers.

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Q. Is the Company proposing any changes to the methodology used in calculating the rates?

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A. No. The Company is generally using the same methodology. It is applying the rate increase to the various components of rates.

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Q. When is the Company proposing that the new rates be effective?

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A. The proposed effective date is July 1, 2010.

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Q. Is there anything else that the Company would like to address?

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A. Yes. As part of the filing, the Company is submitting rate schedules for temporary rates. The rate schedules for temporary rates are essentially the same as the rate schedules for permanent rates except for certain proforma adjustments which are eliminated for purposes of temporary rates.

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The proforma rate base for temporary rates amounts to \$2,395,539. The proforma rate base is less than the actual rate base due primarily to a reduction cash working capital and inventory. The proforma rate of return for temporary rates is 8.39%. The proforma rate of return is higher than the actual rate of return due to higher debt costs and greater weighting of the equity component. The net operating income required equals the proforma net operating income due to a proforma adjustment to revenues and expenses. The proforma adjustment to revenues amounts to an increase of \$171,636, resulting in a proforma 2009 operating revenue of \$1,162,600.

If the Company's filing for temporary rates is approved as submitted, its total water Operating Revenues will amount to \$1,162,600. The Total Sales of Water amounts to \$1,087,500, of which \$958,939 comes from the Company's 1,614 unmetered and metered customers.

Q. Is there any other rate matter that you would like to discuss?

A. Yes. As part of the filing, the Company is submitting step increase schedules for the Company's proposed purchase of the Mount Robert's land. The property is currently owned by the Company shareholders, Tom and Barbara Mason. The land is approximately 40 acres that abuts the Paradise Shores water system's water storage tank on Emerson Path. If the location receives all the necessary permits, it will provide low cost transmission of well water to the Emerson Path tank. The shareholders have drilled 4 test wells. The shareholders have started the lengthy groundwater withdrawal permitting process. The shareholders are in the process of selecting a firm to complete the necessary permitting requirements for all 4 wells.

The shareholders in conjunction with the Company estimate that the capital costs of the land, wells, pump house, pumping equipment and mains will approximately \$1,480,000. It is anticipated that there will be a small contribution in aid of construction of \$30,000. The entire project will be funded by the shareholders with an additional paid in capital, resulting in a return of equity of 9.75%. When the 9.75% return on equity is applied to the net investment, the return on the additional plant amounts to \$140,033. When the related increase in depreciation expense, less the amortization of the CIAC, plus the increase in taxes are added to the return, the additional, annual revenue requirement amounts to \$243,146.

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Q. Is there any other matter that you would like to discuss?

A. Yes. The Company has engaged the services of Stephen P. St. Cyr & Associates to prepare the rate filing and pursue the rate increase throughout the rate case proceeding. St. Cyr & Associates and the Company have agreed on a per hour fee of \$105.00 for each hour of work performed. The Company and I believe that the fees are fair and reasonable. At this point, the Company does not anticipate utilizing outside legal council.

Q. Would you please summarize what the Company is requesting in its rate filing?

A. The Company respectfully requests that the Commissioners (1) approve an increase in annual revenues of \$171,636 for temporary rates, (2) approve an increase in annual revenues of \$290,788 for permanent rates and (3) approve a step increase of an estimated \$243,146 for the purchase of the Mount Robert's land and improvements.

Q. Is there anything further that you would like to discuss?

A. No, there is nothing further.

Q. Does this conclude your testimony?

A. Yes.

SPSt. Cyr

07/16/10

NHPUC Docket DW 10-141

Permanent Rates

Lakes Region Water Company

Computation of Revenue Deficiency

For the Test Year Ended December 31, 2009

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 3)	\$2,418,853	\$2,608,571
Rate of Return (Schedule 4)	<u>8.30%</u>	<u>8.52%</u>
Operating Income Required	\$200,715	\$222,209
Net Operating Income (Schedule 1)	<u>(2,539)</u>	<u>222,209</u>
Operating Income Deficiency	\$203,254	\$1
Tax Effect	<u>0</u>	<u>0</u>
Revenue Deficiency	<u>\$203,254</u>	<u>\$1</u>

SPSt. Cyr
7/16/2010

Lakes Region Water Company

Schedule 1

Statement of Income

Line No.	Account Title (Number) (a)	Actual 2009 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2009 Year End Balance (d)	Actual 2008 Year End Balance (e)	Actual 2007 Year End Balance (f)
	UTILITY OPERATING INCOME					
1	Operating Revenues(400)	\$ 990,964	\$290,788	\$ 1,281,752	\$ 814,357	\$ 789,831
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	802,295	1,832	804,127	748,406	593,254
4	Depreciation Expense (403)	165,259	13,561	178,820	146,588	114,296
5	Amortization of Contribution in Aid of Construction (405)	(16,911)		(16,911)	(13,588)	(10,265)
6	Amortization of Utility Plant Acquisition Adjustment (406)	(4,344)		(4,344)	(6,100)	(6,100)
7	Amortization Expense-Other (407)		1,841	1,841		
8	Taxes Other Than Income (408.1-408.13)	44,834	1,649	46,483	36,447	27,721
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	2,370	47,158	49,528	2,017	2,030
10	Total Operating Expenses	\$ 993,503	\$ 66,041	\$ 1,059,544	\$ 913,770	\$ 720,936
11	Net Operating Income (Loss)	(2,539)	224,748	222,209	(99,413)	68,895
12	Income From Utility Plant Leased to Others (413)					
13	Gains(Losses) From Disposition of Utility Property (414)			-	13,635	1,500
14	Net Water Utility Operating Income	\$ (2,539)	\$ 224,748	\$ 222,209	\$ (85,778)	\$ 70,395
	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)	4,594		4,594	3,453	3,158
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)	(112,787)		(112,787)	(25)	(55)
23	Total Other Income and Deductions	\$ (108,193)		\$ (108,193)	\$ 3,428	\$ 3,103
	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)	95,154		95,154	115,158	74,807
28	Amortization of Debt Discount & Expense (428)	1,788		1,788	1,743	1,788
29	Amortization of Premium on Debt (429)					
30	Total Interest Expense	\$ 96,942		\$ 96,942	\$ 116,901	\$ 76,595
31	Income Before Extraordinary Items	(207,674)	224,748	17,074	(199,251)	(3,097)
	EXTRAORDINARY ITEMS					
32	Extraordinary Income (433)					
33	Extraordinary Deductions (434)					
34	Income Taxes, Extraordinary Items (409.3)					
35	Net Extraordinary Items					
	NET INCOME (LOSS)	\$ (207,674)	\$ 224,748	\$ 17,074	\$ (199,251)	\$ (3,097)

Lakes Region Water Company
Statement of Income - Proforma Adjustments

Schedule 1A

Page 1 of 1

Operating Revenues**Sales of Water**

#1	2009 Test Year Proforma Sales of Water to General Customers	\$803,443
	2009 Test Year Actual Sales of Water to General Customers (\$897,863 - \$131,831)	<u>766,032</u>
	Proforma Adjustment	<u>\$37,411</u>
	To adjust test year revenues for the additional revenue anticipated from DW 08-070 Step 3 rate increase. Please note that the Company will also receive \$10,025 from Gunstock Glen customers due to applying the consolidated rate, however, such revenue will be offset by a like decrease in revenue from other customers.	
#2	2009 Test Year Proforma	\$803,443
	2009 Test Year Proforma Sales of Water to General Customers	<u>803,443</u>
	Proforma Adjustment	<u>\$0</u>
	To adjust test year revenues for the 2010 decrease of \$3,270 (\$131,831 - \$128,561) in POASI Special Contract. Please note that the decrease in the POASI Special Contract will result in a like increase in revenue from other customers.	
#3	2009 Test Year Proforma	\$1,074,821
	2009 Test Year Actual	<u>803,443</u>
	Proforma Adjustment	<u>\$271,378</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 Sales of Water **\$308,789**

Other Water Revenue

#4	2009 Test Year Proforma	\$0
	2009 Test Year Actual	<u>18,001</u>
	Proforma Adjustment	<u>(\$18,001)</u>
	To adjust test year other water revenues for the recovery of rate case expenditures. A like adjustment is made to regulatory commission expense (see expense adjustment #11).	

Total Proforma Other Water Revenues **(\$18,001)**

Total Proforma Adjustment to Operating Revenues **\$290,788**

Lakes Region Water Company
Statement of Income - Proforma Adjustments

Schedule 1B

Page 1 of 3

Operating and Maintenance Expenses

#1	<u>Wages</u>	
	2009 Test Year Proforma	\$225,119
	2009 Test Year Actual	<u>214,629</u>
	Proforma Adjustment	<u>\$10,490</u>
	To adjust test year hours to reflect full year	
#2	<u>Wages</u>	
	2009 Test Year Proforma adjusted for wage increases	\$245,716
	2009 Test Year Proforma adjusted for hours	<u>225,119</u>
	Proforma Adjustment	<u>\$20,597</u>
	To adjust test year wages for wage increase effective 7/1/10	
#3	<u>Payroll Taxes</u>	
	2009 Test Year Proforma	\$21,060
	2009 Test Year Actual	<u>18,805</u>
	Proforma Adjustment	<u>\$2,255</u>
	To adjust test year payroll taxes for the change in wages above	
#4	<u>Health Care</u>	
	2009 Test Year Proforma	\$44,711
	2009 Test Year Actual	<u>19,728</u>
	Proforma Adjustment	<u>\$24,983</u>
	To adjust test year health care expenses for the change in rates and coverage	
#5	<u>Purchased Water</u>	
	2009 Test Year Proforma	\$2,100
	2009 Test Year Actual	<u>4,387</u>
	Proforma Adjustment	<u>(\$2,287)</u>
	To adjust test year purchased water expenses for the completion of the amortization of purchased water costs	
#6	<u>Purchased Water</u>	
	2009 Test Year Proforma	\$5,416
	2009 Test Year Proforma	<u>2,100</u>
	Proforma Adjustment	<u>\$3,316</u>
	To adjust test year proforma purchased water expenses for the 3 year average of such expenses	
#7	<u>Water Treatment Expenses - Water Tests</u>	
	2009 Test Year Proforma	\$23,997
	2009 Test Year Actual	<u>20,043</u>
	Proforma Adjustment	<u>\$3,954</u>
	To adjust test year water tests for the 3 year average of such expenses	

#8 <u>Inventory Adjustment</u>	
2009 Test Year Proforma	\$0
2009 Test Year Actual	<u>11,375</u>
Proforma Adjustment	<u>(\$11,375)</u>
To adjust various expenses accounts (603, 642, 662 & 903) for adjustment to inventory	
#9 <u>Accounting</u>	
2009 Test Year Proforma	\$46,345
2009 Test Year Actual	<u>56,048</u>
Proforma Adjustment	<u>(\$9,703)</u>
To adjust test year accounting expenses for the cost incurred in abandoned ARRA / SRF financing and step increase and costs incurred in preparation and participation in criminal case.	
#10 <u>General Law</u>	
2009 Test Year Proforma	\$2,948
2009 Test Year Actual	<u>25,345</u>
Proforma Adjustment	<u>(\$22,397)</u>
To adjust test year legal expenses for the cost incurred in abandoned ARRA / SRF financing and step increase and costs incurred in preparation and participation in criminal case.	
#11 <u>Regulatory Commission Expenses</u>	
2009 Test Year Proforma	\$2,521
2009 Test Year Actual	<u>20,522</u>
Proforma Adjustment	<u>(\$18,001)</u>
To adjust test year insurance expenses for change in insurance provider and related costs A like adjustment is made to other water revenues (see revenue adjustment #4).	

Total Proforma Adjustments to O & M Expenses	<u>\$1,832</u>
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Depreciation Expenses

#12 <u>2009 Additions to Plant</u>	
2009 Test Year Proforma	\$171,552
2009 Test Year Actual	<u>165,259</u>
Proforma Adjustment	<u>\$6,293</u>
To adjust test year expenses for annual depreciation expenses associated with the 2009 additions	
#13 <u>2010 Additions to Plant</u>	
2009 Test Year Proforma	\$178,820
2009 Test Year Actual	<u>171,552</u>
Proforma Adjustment	<u>\$7,268</u>
To adjust test year expenses for annual depreciation expenses associated with the 2010 additions	

Total Proforma Adjustments to Depreciation Expenses	<u>\$13,561</u>
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Amortization Expenses - Other

#14	<u>2009 Additions to Plant</u>	
	2009 Test Year Proforma	\$1,841
	2009 Test Year Actual	<u>0</u>
	Proforma Adjustment	<u>\$1,841</u>
	To amortize additional paid in capital expenses incurred during DW 08-070	

Total Proforma Adjustments to Amortization Expenses - Other **\$1,841**

Taxes other than Income

#15	<u>State Utility Property Taxes</u>	
	2009 Test Year Proforma	\$11,392
	2009 Test Year Actual	<u>10,167</u>
	Proforma Adjustment	<u>\$1,225</u>
	To adjust test year expenses for the increase in State Utility Property Taxes associated with the 2009 additions to plant	

#16	<u>Municipal Property Taxes</u>	
	2009 Test Year Proforma	\$17,900
	2009 Test Year Actual	<u>17,476</u>
	Proforma Adjustment	<u>\$424</u>
	To adjust test year expenses for the increase in Municipal Property Taxes associated with the 2009 additions to plant	

Total Proforma Adjustments to Taxes other than Income **\$1,649**

Income Taxes

#17	<u>Federal Income Taxes</u>	
	2009 Test Year Proforma	\$36,778
	2009 Test Year Actual	<u>0</u>
	Proforma Adjustment	<u>\$36,778</u>
	To adjust test year expenses for the increase in federal taxable income and related federal tax	

#18	<u>State Business Taxes</u>	
	2009 Test Year Proforma	\$12,750
	2009 Test Year Actual	<u>2,370</u>
	Proforma Adjustment	<u>\$10,380</u>
	To adjust test year expenses for the increase in state gross business profits and the related business taxes	

Total Proforma Adjustments to Income Taxes **\$47,158**

Total Proforma Adjustment to Operating Expenses **\$66,041**

Balance Sheet - Assets and Other Debits

Line No.	Account Title (Number) (a)	Actual 2009 Year End Balance (b)	Actual 2008 Year End Balance (c)	Actual 2007 Year End Balance (d)
UTILITY PLANT				
1	Utility Plant (101-106)	\$ 4,346,089	\$ 4,185,407	\$ 3,717,161
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 1,180,211	\$ 1,065,873	988,451
3	Net Plant	\$ 3,165,878	\$ 3,119,534	\$ 2,728,710
4	Utility Plant Acquisition Adj. (Net) (114-115)	(110,515)	(114,859)	(120,959)
5	Total Net Utility Plant	\$ 3,055,363	\$ 3,004,675	\$ 2,607,751
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)	5,034	663	2,151
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)	95,988	84,041	83,268
22	Accounts Receivable from Assoc. Co. (145)			26,587
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)	45,133	73,567	45,175
25	Stores Expense (161)			
26	Prepayments-Other (162)	23,240	27,901	35,113
27	Prepaid Taxes (163)	6,976	5,464	3,235
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)			
31	Misc. Current and Accrued Assets (174)			
32	Total Current and Accrued Assets	\$ 176,371	\$ 191,636	\$ 195,529
DEFERRED DEBITS				
32	Unamortized Debt Discount & Expense (181)	8,789	28,273	12,365
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	7,332	17,696	38,624
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)			
40	Total Deferred Debits	\$ 16,121	\$ 45,969	\$ 50,989
TOTAL ASSETS AND OTHER DEBITS		\$ 3,247,855	\$ 3,242,280	\$ 2,854,269

Lakes Region Water Company

Schedule 2

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Balance Sheet - Equity Capital and Liabilities

Line No.	Account Title (Number) (a)	Actual 2009 Year End Balance (b)	Actual 2008 Year End Balance (c)	Actual 2007 Year End Balance (d)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 10,000	\$ 10,000	\$ 10,000
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)	942,080	942,080	217,650
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	(16,565)		
10	Retained Earnings (214-215)	(93,370)	114,304	313,555
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 842,145	\$ 1,066,384	\$ 541,205
LONG TERM DEBT				
13	Bonds (221)	777,322	834,663	885,099
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	382,596	224,202	442,100
17	Total Long-Term Debt	\$ 1,159,918	\$ 1,058,865	\$ 1,327,199
CURRENT AND ACCRUED LIABILITIES				
18	Accounts Payable (231)	374,804	249,881	249,890
19	Notes Payable (232)			
20	Accounts Payable to Associated Co. (233)			
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)	1,106	362	85
23	Accrued Taxes (236)	(3,305)	(4,522)	(1,575)
24	Accrued Interest (237)	83,107	64,319	25,860
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)			
27	Matured Interest (240)			
28	Misc. Current and Accrued Liabilities (241)			
29	Total Current and Accrued Liabilities	\$ 455,712	\$ 310,040	\$ 274,260
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)	105,511	105,511	105,511
37	Other (283)			
38	Total Deferred Credits	\$ 105,511	\$ 105,511	\$ 105,511
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)	849,099	849,099	740,125
45	Accumulated Amortization of C.I.A.C. (272)	164,530	147,619	134,031
46	Total Net C.I.A.C.	\$ 684,569	\$ 701,480	\$ 606,094
46	TOTAL EQUITY CAPITAL AND LIABILITIES	\$ 3,247,855	\$ 3,242,280	\$ 2,854,269

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Permanent Rates

Lakes Region Water Company

Schedule 3

Rate Base

Line No.	Account Title (a)	December 2009 Balance (b)	December 2008 Balance (c)	Actual Beg/End Avg Bal (d)	2009 Proforma Adjustments (e)	2009 Proforma Balance (f)
1	Utility Plant	\$4,346,089	\$4,185,407			
2	Construction Work in Progress	<u>77,095</u>	<u>60,190</u>			
3	Utility Plant in Service	\$4,268,994	\$4,125,217	\$4,197,106	\$263,889	\$4,460,994
4	Less: Accumulated Depreciation	<u>(1,180,211)</u>	<u>(1,065,873)</u>	<u>(1,123,042)</u>	<u>(67,096)</u>	<u>(1,190,138)</u>
5	Net Utility Plant in Service	\$3,088,783	\$3,059,344	\$3,074,064	\$196,793	\$3,270,856
6	Plant Acquisition Adjustment	(254,025)	(254,025)	(254,025)		(254,025)
7	Less: Accum Amort of Util Plant Acq Adj	<u>143,510</u>	<u>139,166</u>	<u>141,338</u>	<u>\$2,172</u>	<u>143,510</u>
8	Total Net Utility Plant in Service	\$2,978,268	\$2,944,485	\$2,961,377	\$198,965	\$3,160,341
9	Cash Working Capital *	164,872	153,797	164,872	376	165,248
10	Material and Supplies	45,133	73,567	59,350	(\$14,217)	45,133
11	Prepayments	30,216	33,365	31,791	(\$3,862)	27,929
12	ADIT - Liberalized Depreciation	(105,511)	(105,511)	(105,511)		(105,511)
13	Contribution in Aid of Construction	(849,099)	(849,099)	(849,099)		(849,099)
14	Accumulated Amortization of CIAC	<u>164,530</u>	<u>147,619</u>	<u>156,075</u>	<u>\$8,456</u>	<u>164,530</u>
15	Total Rate Base	<u>\$2,428,409</u>	<u>\$2,398,223</u>	<u>\$2,418,853</u>	<u>\$189,718</u>	<u>2,608,571</u>

* The "Actual Beg/End Avg Bal" for Cash Working Capital is the 12/31/08 balance.

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Rate Base Adjustments**Plant in Service**

#1	Plant in Service at 12/31/09	\$4,268,994
	Plant in Service Beg/End of Year Average	<u>4,197,106</u>
	Total Proforma Adjustment	<u>\$71,889</u>
	To adjust Plant in Service to year end balance	
#2	Plant in Service at 12/31/09	\$4,268,994
	Plant in Service at 12/31/10	<u>4,460,994</u>
	Total Proforma Adjustment	<u>\$192,000</u>
	To adjust 12/31/09 Plant in Service for 2010 additions	

Total Proforma Adjustments to Plant in Service **\$263,889**

Accumulated Depreciation

#3	Accumulated Depreciation at 12/31/09	(\$1,180,211)
	Accumulated Depreciation Beg/End of Year Average	<u>(1,123,042)</u>
	Total Proforma Adjustment	<u>(\$57,169)</u>
	To adjust Accumulated Depreciation to year end balance	
#4	Accumulated Depreciation at 12/31/09	(\$1,186,504)
	Accumulated Depreciation at 12/31/09	<u>(1,180,211)</u>
	Total Proforma Adjustment	<u>(\$6,293)</u>
	To adjust 12/31/09 Accumulated Depreciation for additional half depreciation on 2009 additions	
#5	Accumulated Depreciation at 12/31/10	(\$1,190,138)
	Accumulated Depreciation at 12/31/09	<u>(1,186,504)</u>
	Total Proforma Adjustment	<u>(\$3,634)</u>
	To adjust 12/31/08 Accumulated Depreciation for annual depreciation on 2010 additions	

Total Proforma Adjustments to Accumulated Depreciation **(\$67,096)**

Accumulated Amortization of Utility Plant Acquisition Adjustment

#6	Accumulated Amortization at 12/31/08	\$143,510
	Accumulated Amortization Beg/End of Year Average	<u>141,338</u>
	Total Proforma Adjustment	<u>\$2,172</u>
	To adjust Accumulated Amortization to year end balance	

Total Proforma Adjustment to Accumulated Amortization **\$2,172**

Cash Working Capital

#7	Cash Working Capital adjusted for increase in O&M Expenses	\$165,248
	Cash Working Capital at 12/31/09	<u>164,872</u>
	Total Proforma Adjustment	<u>\$376</u>
	To adjust cash working capital for additonal working related to increase in O&M Expenses	

Total Proforma Adjustment to Cash Working Capital **\$376**

Material & Supplies

#8	Material & Supplies 12/31/09	\$45,133
	Material & Supplies Beg/End Average	<u>59,350</u>
	Total Proforma Adjustments	<u>(\$14,217)</u>
	To adjust Material & Supplies to year end balance	

Total Proforma Adjustment to Material & Supplies **(\$14,217)**

Prepayments

#9	Prepayments at 12/31/09	\$30,216
	Prepayments Beg/End Average	<u>31,791</u>
	Total Proforma Adjustments	<u>(\$1,575)</u>
	To adjust Prepayments to year end balance	

#10	Proforma Prepaid Purchased Water	\$0
	Prepaid Purchased Water at 12/31/09	<u>2,287</u>
	Total Proforma Adjustments	<u>(\$2,287)</u>
	To adjust 12/31/08 Prepaid Purchased Water for the completion of the amortization of purchased water costs	

Total Proforma Adjustment to Prepayments **(\$3,862)**

Accumulated Amortization of CIAC

#11	Accumulated Amortization of CIAC at 12/31/09	\$164,530
	Accumulated Amortization of CIAC Beg/End of Year Average	<u>156,075</u>
	Total Proforma Adjustment	<u>\$8,456</u>
	To adjust Accumulated Amortization of CIAC to year end balance	

Total Proforma Adjustments to Accum Amort of CIAC **\$8,456**

Total Proforma Adjustments to Rate Base **\$189,718**

Lakes Region Water Company

Schedule 3B

2010 Plant / Depreciation / Accumulated Depreciation

<u>System</u>	<u>Account</u>	<u>Account Description</u>	<u>Infrastructure Description</u>	<u>Amount</u>	<u>Depr Rate</u>	<u>Annual Depr</u>	<u>A/D</u>
PS	331	Mains	Replace cross over mains (required due to road construction) Upgrade 1000' fr 6" to 12" Upgrade 4" to 6"	\$20,000	2.00%	\$400	\$200
WP	307	Wells	Well enhancement	10,000	3.30%	330	165
HV	331	Mains	Pressure reducing valves	4,000	2.00%	80	40
PC	304	Pumphouse	Plumbing upgrade	8,000	10.00%	800	400
DR	307	Wells	Well enhancement	10,000	3.30%	330	165
BH	331	Mains	Main replacement	20,000	2.00%	400	200
TWW	307	Wells	New gravel packed well	50,000	3.30%	1650	825
TWW	311	Pump Equip	Well pump	5,000	10.00%	500	250
TWW	311	Pump Equip	Skada	3,000	10.00%	300	150
TWW	320	Water Treatment Equip	Treatment equipment	10,000	3.60%	360	180
LOV	320	Water Treatment Equip	Treatment equipment	6,000	3.60%	216	108
IM	304	Pumphouse	Pumphouse replacement	30,000	2.50%	750	375
IM	311	Pump Equip	Pump replacement	6,000	10.00%	600	300
IM	311	Pump Equip	Skada	3,000	10.00%	300	150
IM	320	Water Treatment Equip	Treatment equipment	6,000	3.60%	216	108
IM	330	Storage Tanks	Tank	<u>1,000</u>	3.60%	<u>36</u>	<u>18</u>
Total				<u>\$192,000</u>		<u>\$7,268</u>	<u>\$3,634</u>

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	2009 Proforma <u>Amount</u>	2009 Actual <u>Amount</u>	2008 Actual <u>Amount</u>
Operating and Maintenance Expenses	\$804,127	\$802,295	\$748,406
75/365	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Working Capital	<u>\$165,248</u>	<u>\$164,872</u>	<u>\$153,797</u>

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Lakes Region Water Company

Schedule 4
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Rate of Return Information

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	42.06%	9.75%	4.10%		49.48%	9.75%	4.82%
Long Term Debt	57.94%	7.24%	4.20%		50.52%	7.31%	3.69%
Total Capital	100.00%		8.30%		100.00%		8.52%

Capital Structure		2009 Actual Amounts	2009 Actual Ratios		2009 Proforma Amounts	2009 Proforma Ratios
Common Stock		\$ 10,000	0.50%		\$ 10,000	0.48%
Additional Paid in Capital		942,080	47.06%		1,134,080	54.26%
Capital Stock Expense		(16,565)	-0.83%		(16,565)	-0.79%
Retained Earnings		(93,370)	-4.66%		(93,370)	-4.47%
Total Equity		\$ 842,145	42.06%		\$ 1,034,145	49.48%
Long Term Debt		\$1,159,918	57.94%		\$1,056,039	50.52%
Total Capital		\$ 2,002,063	100.00%		\$ 2,090,184	100.00%

Capital Structure for 2009 - 2007		2009 Amounts		2008 Amounts		2007 Amounts
Common Stock		\$ 10,000		\$ 10,000		\$ 10,000
Additional Paid in Capital		942,080		942,080		217,650
Capital Stock Expense		(16,565)				
Retained Earnings		(93,370)		114,304		313,555
Total Equity		\$ 842,145		\$ 1,066,384		\$ 541,205
Long Term Debt		\$1,159,918		\$ 1,058,865		\$ 1,327,199
Total Capital		\$ 2,002,063		\$2,125,249		\$ 1,868,404

Capital Structure Ratios for 2009 - 2007		2009 Ratios		2008 Ratios		2007 Ratios
Common Stock		0.50%		0.47%		0.54%
Other Paid in Capital		47.06%		44.33%		11.65%
Capital Stock Expense		-0.83%				
Retained Earnings		-4.66%		5.38%		16.78%
Total Equity		42.06%		50.18%		28.97%
Long Term Debt		57.94%		49.82%		71.03%
Total Capital		100.00%		100.00%		100.00%

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

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Permanent Rates

Lakes Region Water Co., Inc
Year Ended December 31, 2009

Schedule 4A

Schedule of Notes Payable, Interest Expense & Capitalized Interest - Actual

<u>Obligation</u> (a)	<u>Date of Issue</u> (b)	<u>Date of Maturity</u> (c)	<u>Principal Balance 12/31/2008</u> (d)	<u>Additions</u> (e)	<u>Reductions</u> (f)	<u>Balance 12/31/2009</u> (g)	<u>Interest Rate</u> (h)	<u>Interest Expense</u> (i)	<u>Amort of Debt Exp</u> (j)	<u>Total Int Exp</u> (k)	<u>Total Int Rate</u> (l)
TD Banknorth - 5 (Refin)	1/13/2004	1/13/2019	\$388,656	-	(\$28,839)	\$359,817	6.09%	\$23,919	\$732	\$24,651	6.85%
TD Banknorth - 6 (construction)	1/13/2004	42,017	327,490	-	(19,799)	307,691	7.47%	24,720	360	25,080	8.15%
TD Banknorth - 7(syst purch)	12/29/2004	42,002	118,517	-	(8,702)	109,815	7.29%	10,080	696	10,776	9.81%
Sub - Total (Sch F-35) (BS Line 13)			834,663	-	(\$57,340)	\$777,323		\$58,719	\$1,788	\$60,507	7.78%
N/P Citizens 2007 Sierra	7/16/2007	41,106	10,260		(2,561)	\$7,699	8.49%	\$802	0	\$802	10.42%
N/P LSB - 2006 Sierra	8/14/2006	40,738	22,957		(22,957)	0	7.49%	665	0	665	0.00%
N/P GEHL Finance - Mustang Excavator	8/2/2004	40,058	2,930		(2,930)	0	3.00%	(29)	0	(29)	0.00%
N/P Key Equipment - Meter Reader	1/2/2007	39,874	873		(873)	0	13.00%	137	0	137	0.00%
N/P Santander (formerly Sovereign Bank) - 2007 Silverado	11/17/2007	41,639	26,921		(5,935)	20,986	6.39%	1,880	0	1,880	8.96%
N/P St Mary's Bank - 2008 Chev Colorada	5/28/2008	41,467	16,486		(3,305)	13,181	5.75%	862	0	862	6.54%
N/P Bank of America - Copier (capital Lease)	6/4/2008	41,064	5,037		(1,347)	3,690	5.20%	230	0	230	6.23%
N/P St Mary's Bank - 2008 Chev Colorada	5/31/2009	41,500	-	18,865	(2,323)	16,542	5.90%	636	0	636	3.84%
N/P NHDOC	10/7/2009	10/3.1/2012		110,000	(6,120)	103,880			0	0	0.00%
N/P GEHL Finance - Mustang Excavator	11/13/2009	41,956		26,200	(437)	25,763			0	0	0.00%
N/P Tom & Barbara Mason (Stockholders)			138,739	52,116		190,855	9.75%	18,331	0	18,331	9.60%
Sub-Total (Sch F-35) (BS Line 16)			224,202	\$207,181	(\$48,788)	\$382,596		\$23,514	\$0	\$23,514	6.15%
Total Long Term Debt (BS Line 17)			1,058,865	\$207,181	(106,128)	1,159,918		82,233	1,788	84,021	7.24%
TD Banknorth - 4 (line of credit)			-			-			0		
Total Note Payable (BS Line 19)			-	-	-	-		0	0	0	
Vendors			-	-	-	-		12,921	0	12,921	
Total This Schedule			1,058,865	\$207,181	(\$106,128)	\$1,159,918		\$95,154	\$1,788	\$96,942	
Total Interest Expense (IS Line 27)							<u>Cap Int</u> <u>Net Expense</u>	<u>0</u> <u>95,154</u>	<u>0</u> <u>1,788</u>	<u>0</u> <u>96,942</u>	

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Lakes Region Water Co., Inc
Year Ended December 31, 2009

Schedule 4B

Schedule of Notes Payable, Interest Expense & Capitalized Interest - Proforma

Obligation (a)	Date of Issue (b)	Date of Maturity (c)	Principal Balance 12/31/2008 (d)	Additions (e)	Reductions (f)	Balance 12/31/2009 (g)	Proforma Adjustments (h)	Proforma Adj Bal 12/31/2009 (i)	Interest Rate (j)	Interest Expense (k)	Amort of Debt Exp (l)	Total Int Exp (m)	Proforma Adjustments (n)	Pro Adj Int Exp (o)	Total Int Rate (p)
TD Banknorth - 5 (Refin)	1/13/2004	1/13/2014	\$388,656	-	(\$28,839)	\$359,817		\$359,817	6.09%	\$23,919	\$732	\$24,651	(\$2,006)	\$22,645	6.29%
TD Banknorth - 6 (construction)	1/13/2004	1/13/2014	327,490	-	(19,799)	307,691		307,691	7.47%	24,720	360	25,080	(1,735)	23,345	7.59%
TD Banknorth - 7(syst purch)	12/29/2004	12/29/2014	118,517	-	(8,702)	109,815		109,815	7.29%	10,080	696	10,776	(2,074)	8,702	7.92%
Sub - Total (Sch F-35) (BS Line 13)			834,663	-	(\$57,340)	\$777,323		\$777,323		\$58,719	\$1,788	\$60,507	(\$5,815)	\$54,692	7.04%
N/P Citizens 2007 Sierra	7/16/2007	7/16/2014	10,260		(2,561)	\$7,699		\$7,699	8.49%	\$802	0	\$802	(148)	\$654	8.49%
N/P LSB - 2006 Sierra	8/14/2006	7/14/2011	22,957		(22,957)	0		0	7.49%	665	0	665	(665)	0	0.00%
N/P GEHL Finance - Mustang Excavator	8/2/2004	9/2/2009	2,930		(2,930)	0		0	3.00%	(29)	0	(29)	29	0	0.00%
N/P Key Equipment - Meter Reader	1/2/2007	3/2/2009	873		(873)	0		0	13.00%	137	0	137	(137)	0	0.00%
N/P Santander (formerly Sovereign Bank) - 2007 S	11/17/2007	12/31/2013	26,921		(5,935)	20,986		20,986	6.39%	1,880	0	1,880	(539)	1,341	6.39%
N/P St Mary's Bank - 2008 Chev Colorada	5/28/2008	7/12/2013	16,486		(3,305)	13,181		13,181	5.75%	862	0	862	(104)	758	5.75%
N/P Bank of America - Copier (capital Lease)	6/4/2008	6/4/2012	5,037		(1,347)	3,690		3,690	5.20%	230	0	230	(38)	192	5.20%
N/P St Mary's Bank - 2008 Chev Colorada	5/31/2009	8/14/2013	-	18,865	(2,323)	16,542		16,542	5.90%	636	0	636	340	976	5.90%
N/P NHDOC	10/7/2009	10/3.1/2012		110,000	(6,120)	103,880	(103,880)	0			0	0		0	0.00%
N/P GEHL Finance - Mustang Excavator	11/13/2009	11/13/2014		26,200	(437)	25,763		25,763			0	0		0	0.00%
N/P Tom & Barbara Mason (Stockholders)			138,739	52,116		190,855		190,855	9.75%	18,331	0	18,331	277	18,608	9.75%
Sub-Total (Sch F-35) (BS Line 16)			224,202	\$207,181	(\$48,788)	\$382,596	(\$103,880)	\$278,716		\$23,514	\$0	\$23,514	(\$985)	\$22,529	8.08%
Total Long Term Debt (BS Line 17)			1,058,865	\$207,181	(106,128)	1,159,918	(103,880)	1,056,039		82,233	1,788	84,021	(\$6,800)	77,221	7.31%
TD Banknorth - 4 (line of credit)			-			-	-	-							
Total Note Payable (BS Line 232)			-	-	-	-	-	-		-					
Vendors			-	-	-	-	-	-		12,921	0	12,921	0	12,921	
Total This Schedule			1,058,865	\$207,181	(\$106,128)	\$1,159,918	(\$103,880)	\$1,056,039		\$95,154	\$1,788	\$96,942	(\$6,800)	\$90,142	
Total Interest Expense (IS Line 27)									Cap Int Net Expen	0 \$95,154	0 \$1,788	0 \$96,942	(\$6,800)	\$90,142	

SPSt. Cyr
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NHPUC Docket DW 10-141**Permanent Rates****Lakes Region Water Company****Schedule 5**

Proforma Adjustments to Income Taxes

Estimated PreTax Income \$150,000

NH Business Profits Tax @ 8.5% 12,750

Estimated PreTax Income subject to Federal Income Tax \$137,250

				22,250	
Federal Income Tax	137,250	100,000	37,250	<u>14,528</u>	<u>36,778</u>

Total State Business Profits and Federal Income Taxes \$49,528SPSt. Cyr
7/16/2010

Lakes Region Water Company - Proposed Statement to be transmitted to Customers

Dear Customer,

On July 16, 2010 Lakes Region Water Company ("Lakes Region" or "Company") filed for a rate increase with the New Hampshire Public Utilities Commission ("NHPUC"). If approved, as filed, Lakes Region's annual revenues from general customers would increase \$312,059 or 40.74 %. On a per customer basis, the average revenue increase would be \$193.35 per year or \$48.34 per quarter. The Company is proposing that the new rate tariff be effective July 1, 2010. Alternatively, if the proposed new rate tariff is suspended, then the Company is proposing that temporary rates be set pending determination of the permanent rates.

During the twelve months ended December 31, 2009 the Company's actual net income (loss) was (\$207,674). The net loss was due to significantly higher operating and maintenance expenses, depreciation expenses and taxes. The Company was unable to cover its operating expenses and did not earn a return on its investment in the water system.

The rate increase will be subject to review and ultimate approval by the NHPUC. The Company will keep you apprised of the proceeding before the NHPUC and its ultimate conclusion.

Sincerely,

Thomas Mason, Jr.

PUC 1604.01

- (3) The federal tax reconciliation is shown on Schedule F-56 in the 2009 PUC Annual Report.
- (4) The calculation of federal income tax and state business tax is provided with the rate case schedules.
- (5) Donations and Gifts are shown on Schedule F-57 in the 2009 PUC Annual Report.
- (8) A copy of the Company's 2010 – 2012 Capital Improvement Budget will be provided with the workpapers.
- (11) A detailed list of all membership fees, dues, donations ... will be provided with the work papers.
- (14) The list of Officers and Directors and their compensation are shown on Schedule A-4 in the 2009 PUC Annual Report.
- (15) The list of the amount of voting stock ... is shown on Schedule A-5 in the 2009 PUC Annual Report.
- (16) The list of all payments to individuals and corporations for contractual services is shown on Schedule A-7 of the 2009 PUC Annual Report.
- (18) The balance sheets and income statements for the years 2009 – 2007 are incorporated in the rate case schedules.
- (20) The Company has not prepared quarterly sales volume for the previous 5 years, itemized for residential and other classifications of service.
- (21) The Company has not prepared its projected need for capital for the 2 year period immediately following the test year. The Company anticipates that the owners will fund much, if not all, of the capital needs. The Company may request state revolving funds for certain projects.
- (22) The Company has not prepared a capital budget with a statement of the source and uses of funds for the 2 year period subsequent to the test year (See response to 8 & 21).
- (28) One copy of the work papers will be provided to the Director of the Gas and Water Department and to the Consumer Advocate under a separate cover letter.

SPSt. Cyr
07/16/10

STEPHEN P. ST. CYR & ASSOC.

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Accounting & Finance
Budgeting & Forecasting
Financial Statement Preparation
Regulatory Affairs
Tax Preparation & Planning
Management Services

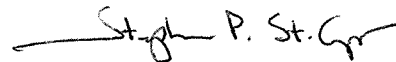
July 16, 2010

Debra A. Howland
Executive Director & Secretary
NH Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, N. H. 03301-2429

Dear Ms. Howland:

Lakes Region Water Company's ("Company") filing for the proposed rate change in DW 10-141 was prepared utilizing the Company's books and records. To the best of my knowledge and belief, the filing including its revenue and expenses and assets and liabilities accurately reflects the Company's books.

Sincerely,



Stephen P. St. Cyr

NHPUC Docket DW 10-141

Temporary Rates

Lakes Region Water Company

Computation of Revenue Deficiency

For the Test Year Ended December 31, 2009

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 3)	\$2,418,853	\$2,395,539
Rate of Return (Schedule 4)	<u>8.30%</u>	<u>8.39%</u>
Operating Income Required	\$200,715	\$201,077
Net Operating Income (Schedule 1)	<u>(2,539)</u>	<u>201,077</u>
Operating Income Deficiency	\$203,254	\$0
Tax Effect	<u>0</u>	<u>0</u>
Revenue Deficiency	<u>\$203,254</u>	<u>\$0</u>

SPSt. Cyr
7/16/2010

Lakes Region Water Company

Schedule 1

Statement of Income

Line No.	Account Title (Number) (a)	Actual 2009 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2009 Year End Balance (d)	Actual 2008 Year End Balance (e)	Actual 2007 Year End Balance (f)
UTILITY OPERATING INCOME						
1	Operating Revenues(400)	\$ 990,964	\$171,636	\$ 1,162,600	\$ 814,357	\$ 789,831
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	802,295	(63,763)	738,532	748,406	593,254
4	Depreciation Expense (403)	165,259	6,293	171,552	146,588	114,296
5	Amortization of Contribution in Aid of Construction (405)	(16,911)		(16,911)	(13,588)	(10,265)
6	Amortization of Utility Plant Acquisition Adjustment (406)	(4,344)		(4,344)	(6,100)	(6,100)
7	Amortization Expense-Other (407)			-		
8	Taxes Other Than Income (408.1-408.13)	44,834		44,834	36,447	27,721
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	2,370	25,490	27,860	2,017	2,030
10	Total Operating Expenses	\$ 993,503	\$ (31,980)	\$ 961,523	\$ 913,770	\$ 720,936
11	Net Operating Income (Loss)	(2,539)	203,616	201,077	(99,413)	68,895
12	Income From Utility Plant Leased to Others (413)					
13	Gains(Losses) From Disposition of Utility Property (414)			-	13,635	1,500
14	Net Water Utility Operating Income	\$ (2,539)	\$ 203,616	\$ 201,077	\$ (85,778)	\$ 70,395
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)	4,594		4,594	3,453	3,158
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)	(112,787)		(112,787)	(25)	(55)
23	Total Other Income and Deductions	\$ (108,193)		\$ (108,193)	\$ 3,428	\$ 3,103
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)	95,154		95,154	115,158	74,807
28	Amortization of Debt Discount & Expense (428)	1,788		1,788	1,743	1,788
29	Amortization of Premium on Debt (429)					
30	Total Interest Expense	\$ 96,942		\$ 96,942	\$ 116,901	\$ 76,595
31	Income Before Extraordinary Items	(207,674)	203,616	(4,058)	(199,251)	(3,097)
EXTRAORDINARY ITEMS						
32	Extraordinary Income (433)					
33	Extraordinary Deductions (434)					
34	Income Taxes, Extraordinary Items (409.3)					
35	Net Extraordinary Items					
	NET INCOME (LOSS)	\$ (207,674)	\$ 203,616	\$ (4,058)	\$ (199,251)	\$ (3,097)

**Lakes Region Water Company
Statement of Income - Proforma Adjustments**

Schedule 1A

Page 1 of 1

Operating Revenues**Sales of Water**

#1	2009 Test Year Proforma	\$1,180,601
	2009 Test Year Actual	<u>990,964</u>
	Proforma Adjustment	<u>\$189,637</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 Sales of Water	<u>\$189,637</u>
--------------------------------------	-------------------------

Other Water Revenue

#4	2009 Test Year Proforma	\$0
	2009 Test Year Actual	<u>18,001</u>
	Proforma Adjustment	<u>(\$18,001)</u>
	To adjust test year other water revenues for the recovery of rate case expenditures.	
	A like adjustment is made to regulatory commission expense (see expense adjustment #11).	

Total Proforma Other Water Revenues	<u>(\$18,001)</u>
--	--------------------------

Total Proforma Adjustment to Operating Revenues	<u>\$171,636</u>
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SPSt. Cyr
7/16/2010

**Lakes Region Water Company
Statement of Income - Proforma Adjustments**

Schedule 1B

Page 1 of 2

Operating and Maintenance Expenses

#1	<u>Purchased Water</u>	
	2009 Test Year Proforma	\$2,100
	2009 Test Year Actual	<u>4,387</u>
	Proforma Adjustment	<u>(\$2,287)</u>
	To adjust test year purchased water expenses for the completion of the amortization of purchased water costs	
#2	<u>Inventory Adjustment</u>	
	2009 Test Year Proforma	\$0
	2009 Test Year Actual	<u>11,375</u>
	Proforma Adjustment	<u>(\$11,375)</u>
	To adjust various expenses accounts (603, 642, 662 & 903) for adjustment to inventory	
#3	<u>Accounting</u>	
	2009 Test Year Proforma	\$46,345
	2009 Test Year Actual	<u>56,048</u>
	Proforma Adjustment	<u>(\$9,703)</u>
	To adjust test year accounting expenses for the cost incurred in abandoned ARRA / SRF financing and step increase and costs incurred in preparation and participation in criminal case.	
#4	<u>General Law</u>	
	2009 Test Year Proforma	\$2,948
	2009 Test Year Actual	<u>25,345</u>
	Proforma Adjustment	<u>(\$22,397)</u>
	To adjust test year legal expenses for the cost incurred in abandoned ARRA / SRF financing and step increase and costs incurred in preparation and participation in criminal case.	
#5	<u>Regulatory Commission Expenses</u>	
	2009 Test Year Proforma	\$2,521
	2009 Test Year Actual	<u>20,522</u>
	Proforma Adjustment	<u>(\$18,001)</u>
	To adjust test year insurance expenses for change in insurance provider and related costs A like adjustment is made to other water revenues (see revenue adjustment #4).	
	Total Proforma Adjustments to O & M Expenses	<u>(\$63,763)</u>

Depreciation Expenses

#6	<u>2009 Additions to Plant</u>	
	2009 Test Year Proforma	\$171,552
	2009 Test Year Actual	<u>165,259</u>
	Proforma Adjustment	<u>\$6,293</u>
	To adjust test year expenses for annual depreciation expenses associated with the 2009 additions	

Total Proforma Adjustments to Depreciation Expenses **\$6,293**

Income Taxes

#7	<u>Federal Income Taxes</u>	
	2009 Test Year Proforma	\$19,360
	2009 Test Year Actual	<u>0</u>
	Proforma Adjustment	<u>\$19,360</u>
	To adjust test year expenses for the increase in federal taxable income and related federal tax	

#8	<u>State Business Taxes</u>	
	2009 Test Year Proforma	\$8,500
	2009 Test Year Actual	<u>2,370</u>
	Proforma Adjustment	<u>\$6,130</u>
	To adjust test year expenses for the increase in state gross business profits and the related business taxes	

Total Proforma Adjustments to Income Taxes **\$25,490**

Total Proforma Adjustment to Operating Expenses **(\$31,980)**

SPSt. Cyr
7/16/2010

Lakes Region Water Company

Schedule 2

Page 1 of 2

Balance Sheet - Assets and Other Debits

Line No.	Account Title (Number) (a)	Actual 2009 Year End Balance (b)	Actual 2008 Year End Balance (c)	Actual 2007 Year End Balance (d)
UTILITY PLANT				
1	Utility Plant (101-106)	\$ 4,346,089	\$ 4,185,407	\$ 3,717,161
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 1,180,211	\$ 1,065,873	988,451
3	Net Plant	\$ 3,165,878	\$ 3,119,534	\$ 2,728,710
4	Utility Plant Acquisition Adj. (Net) (114-115)	(110,515)	(114,859)	(120,959)
5	Total Net Utility Plant	\$ 3,055,363	\$ 3,004,675	\$ 2,607,751
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)	5,034	663	2,151
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)	95,988	84,041	83,268
22	Accounts Receivable from Assoc. Co. (145)			26,587
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)	45,133	73,567	45,175
25	Stores Expense (161)			
26	Prepayments-Other (162)	23,240	27,901	35,113
27	Prepaid Taxes (163)	6,976	5,464	3,235
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)			
31	Misc. Current and Accrued Assets (174)			
32	Total Current and Accrued Assets	\$ 176,371	\$ 191,636	\$ 195,529
DEFERRED DEBITS				
32	Unamortized Debt Discount & Expense (181)	8,789	28,273	12,365
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	7,332	17,696	38,624
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)			
40	Total Deferred Debits	\$ 16,121	\$ 45,969	\$ 50,989
TOTAL ASSETS AND OTHER DEBITS		\$ 3,247,855	\$ 3,242,280	\$ 2,854,269

Lakes Region Water Company

Schedule 2

Page 2 of 2

Balance Sheet - Equity Capital and Liabilities

Line No.	Account Title (Number) (a)	Actual 2009 Year End Balance (b)	Actual 2008 Year End Balance (c)	Actual 2007 Year End Balance (d)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 10,000	\$ 10,000	\$ 10,000
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)	942,080	942,080	217,650
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	(16,565)		
10	Retained Earnings (214-215)	(93,370)	114,304	313,555
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 842,145	\$ 1,066,384	\$ 541,205
LONG TERM DEBT				
13	Bonds (221)	777,322	834,663	885,099
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	382,596	224,202	442,100
17	Total Long-Term Debt	\$ 1,159,918	\$ 1,058,865	\$ 1,327,199
CURRENT AND ACCRUED LIABILITIES				
18	Accounts Payable (231)	374,804	249,881	249,890
19	Notes Payable (232)			
20	Accounts Payable to Associated Co. (233)			
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)	1,106	362	85
23	Accrued Taxes (236)	(3,305)	(4,522)	(1,575)
24	Accrued Interest (237)	83,107	64,319	25,860
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)			
27	Matured Interest (240)			
28	Misc. Current and Accrued Liabilities (241)			
29	Total Current and Accrued Liabilities	\$ 455,712	\$ 310,040	\$ 274,260
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)	105,511	105,511	105,511
37	Other (283)			
38	Total Deferred Credits	\$ 105,511	\$ 105,511	\$ 105,511
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)	849,099	849,099	740,125
45	Accumulated Amortization of C.I.A.C. (272)	164,530	147,619	134,031
46	Total Net C.I.A.C.	\$ 684,569	\$ 701,480	\$ 606,094
46	TOTAL EQUITY CAPITAL AND LIABILITIES	\$ 3,247,855	\$ 3,242,280	\$ 2,854,269

NHPUC Docket DW 10-141

Temporary Rates

Lakes Region Water Company

Schedule 3

Rate Base

Line No.	Account Title (a)	December 2009 Balance (b)	December 2008 Balance (c)	Actual Beg/End Avg Bal (d)	2009 Proforma Adjustments (e)	2009 Proforma Balance (f)
1	Utility Plant	\$4,346,089	\$4,185,407			
2	Construction Work in Progress	<u>77,095</u>	<u>60,190</u>			
3	Utility Plant in Service	\$4,268,994	\$4,125,217	\$4,197,106		\$4,197,106
4	Less: Accumulated Depreciation	<u>(1,180,211)</u>	<u>(1,065,873)</u>	<u>(1,123,042)</u>	<u>6,293</u>	<u>(1,116,749)</u>
5	Net Utility Plant in Service	\$3,088,783	\$3,059,344	\$3,074,064	\$6,293	\$3,080,357
6	Plant Acquisition Adjustment	(254,025)	(254,025)	(254,025)		(254,025)
7	Less: Accum Amort of Util Plant Acq Adj	<u>143,510</u>	<u>139,166</u>	<u>141,338</u>		<u>141,338</u>
8	Total Net Utility Plant in Service	\$2,978,268	\$2,944,485	\$2,961,377	\$6,293	\$2,967,670
9	Cash Working Capital *	164,872	153,797	164,872	(13,103)	151,768
10	Material and Supplies	45,133	73,567	59,350	(\$14,217)	45,133
11	Prepayments	30,216	33,365	31,791	(\$2,287)	29,504
12	ADIT - Liberalized Depreciation	(105,511)	(105,511)	(105,511)		(105,511)
13	Contribution in Aid of Construction	(849,099)	(849,099)	(849,099)		(849,099)
14	Accumulated Amortization of CIAC	<u>164,530</u>	<u>147,619</u>	<u>156,075</u>		<u>156,075</u>
15	Total Rate Base	<u>\$2,428,409</u>	<u>\$2,398,223</u>	<u>\$2,418,853</u>	<u>(\$23,314)</u>	<u>2,395,539</u>

* The "Actual Beg/End Avg Bal" for Cash Working Capital is the 12/31/08 balance.

Lakes Region Water Company

Schedule 3A

Page 1 of 1

Rate Base Adjustments

Accumulated Depreciation

#1	Accumulated Depreciation at 12/31/09	\$1,129,335
	Accumulated Depreciation at 12/31/09	<u>1,123,042</u>
	Total Proforma Adjustment	<u>\$6,293</u>
	To adjust 12/31/09 Accumulated Depreciation for additional half depreciation on 2009 additions	

Total Proforma Adjustments to Accumulated Depreciation **\$6,293**

Accumulated Amortization of Utility Plant Acquisition Adjustment

Cash Working Capital

#2	Cash Working Capital adjusted for increase in O&M Expenses	\$151,768
	Cash Working Capital at 12/31/09	<u>164,872</u>
	Total Proforma Adjustment	<u>(\$13,103)</u>
	To adjust cash working capital for additional working related to increase in O&M Expenses	

Total Proforma Adjustment to Cash Working Capital **(\$13,103)**

Material & Supplies

#3	Material & Supplies 12/31/09	\$45,133
	Material & Supplies Beg/End Average	<u>59,350</u>
	Total Proforma Adjustments	<u>(\$14,217)</u>
	To adjust Material & Supplies to year end balance	

Total Proforma Adjustment to Material & Supplies **(\$14,217)**

Prepayments

#4	Proforma Prepaid Purchased Water	\$0
	Prepaid Purchased Water at 12/31/09	<u>2,287</u>
	Total Proforma Adjustments	<u>(\$2,287)</u>
	To adjust 12/31/08 Prepaid Purchased Water for the completion of the amortization of purchased water costs	

Total Proforma Adjustment to Prepayments **(\$2,287)**

Total Proforma Adjustments to Rate Base **(\$23,314)**

NHPUC Docket DW 10-141**Temporary Rates****Lakes Region Water Company****Schedule 3C****Working Capital**

	2009 Proforma <u>Amount</u>	2009 Actual <u>Amount</u>	2008 Actual <u>Amount</u>
Operating and Maintenance Expenses	\$738,532	\$802,295	\$748,406
75/365	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Working Capital	<u>\$151,768</u>	<u>\$164,872</u>	<u>\$153,797</u>

SPSt. Cyr
7/16/2010

Lakes Region Water Company

Rate of Return Information

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	42.06%	9.75%	4.10%		44.37%	9.75%	4.33%
Long Term Debt	57.94%	7.24%	4.20%		55.63%	7.31%	4.07%
Total Capital	100.00%		8.30%		100.00%		8.39%

Capital Structure		2009 Actual Amounts	2009 Actual Ratios		2009 Proforma Amounts	2009 Proforma Ratios
Common Stock		\$ 10,000	0.50%		\$ 10,000	0.53%
Additional Paid in Capital		942,080	47.06%		942,080	49.63%
Capital Stock Expense		(16,565)	-0.83%		(16,565)	-0.87%
Retained Earnings		(93,370)	-4.66%		(93,370)	-4.92%
Total Equity		\$ 842,145	42.06%		\$ 842,145	44.37%
Long Term Debt		\$1,159,918	57.94%		\$1,056,039	55.63%
Total Capital		\$ 2,002,063	100.00%		\$ 1,898,184	100.00%

Capital Structure for 2009 - 2007		2009 Amounts		2008 Amounts		2007 Amounts
Common Stock		\$ 10,000		\$ 10,000		\$ 10,000
Additional Paid in Capital		942,080		942,080		217,650
Capital Stock Expense		(16,565)				
Retained Earnings		(93,370)		114,304		313,555
Total Equity		\$ 842,145		\$1,066,384		\$ 541,205
Long Term Debt		\$1,159,918		\$1,058,865		\$ 1,327,199
Total Capital		\$ 2,002,063		\$2,125,249		\$ 1,868,404

Capital Structure Ratios for 2009 - 2007		2009 Ratios		2008 Ratios		2007 Ratios
Common Stock		0.50%		0.47%		0.54%
Other Paid in Capital		47.06%		44.33%		11.65%
Capital Stock Expense		-0.83%				
Retained Earnings		-4.66%		5.38%		16.78%
Total Equity		42.06%		50.18%		28.97%
Long Term Debt		57.94%		49.82%		71.03%
Total Capital		100.00%		100.00%		100.00%

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

NHPUC Docket DW 10-141
Temporary Rates

Lakes Region Water Co., Inc
Year Ended December 31, 2009

Schedule 4A
Schedule of Notes Payable, Interest Expense & Capitalized Interest - Actual

<u>Obligation</u> (a)	<u>Date of Issue</u> (b)	<u>Date of Maturity</u> (c)	<u>Principal Balance 12/31/2008</u> (d)	<u>Additions</u> (e)	<u>Reductions</u> (f)	<u>Balance 12/31/2009</u> (g)	<u>Interest Rate</u> (h)	<u>Interest Expense</u> (i)	<u>Amort of Debt Exp</u> (j)	<u>Total Int Exp</u> (k)	<u>Total Int Rate</u> (l)
TD Banknorth - 5 (Refin)	1/13/2004	1/13/2019	\$388,656	-	(\$28,839)	\$359,817	6.09%	\$23,919	\$732	\$24,651	6.85%
TD Banknorth - 6 (construction)	1/13/2004	42,017	327,490	-	(19,799)	307,691	7.47%	24,720	360	25,080	8.15%
TD Banknorth - 7(syst purch)	12/29/2004	42,002	118,517	-	(8,702)	109,815	7.29%	10,080	696	10,776	9.81%
Sub - Total (Sch F-35) (BS Line 13)			834,663	-	(\$57,340)	\$777,323		\$58,719	\$1,788	\$60,507	7.78%
N/P Citizens 2007 Sierra	7/16/2007	41,106	10,260		(2,561)	\$7,699	8.49%	\$802	0	\$802	10.42%
N/P LSB - 2006 Sierra	8/14/2006	40,738	22,957		(22,957)	0	7.49%	665	0	665	0.00%
N/P GEHL Finance - Mustang Excavator	8/2/2004	40,058	2,930		(2,930)	0	3.00%	(29)	0	(29)	0.00%
N/P Key Equipment - Meter Reader	1/2/2007	39,874	873		(873)	0	13.00%	137	0	137	0.00%
N/P Santander (formerly Sovereign Bank) - 2007 Silverado	11/17/2007	41,639	26,921		(5,935)	20,986	6.39%	1,880	0	1,880	8.96%
N/P St Mary's Bank - 2008 Chev Colorada	5/28/2008	41,467	16,486		(3,305)	13,181	5.75%	862	0	862	6.54%
N/P Bank of America - Copier (capital Lease)	6/4/2008	41,064	5,037		(1,347)	3,690	5.20%	230	0	230	6.23%
N/P St Mary's Bank - 2008 Chev Colorada	5/31/2009	41,500	-	18,865	(2,323)	16,542	5.90%	636	0	636	3.84%
N/P NHDOC	10/7/2009	10/3.1/2012		110,000	(6,120)	103,880			0	0	0.00%
N/P GEHL Finance - Mustang Excavator	11/13/2009	41,956		26,200	(437)	25,763			0	0	0.00%
N/P Tom & Barbara Mason (Stockholders)			138,739	52,116		190,855	9.75%	18,331	0	18,331	9.60%
Sub-Total (Sch F-35) (BS Line 16)			224,202	\$207,181	(\$48,788)	\$382,596		\$23,514	\$0	\$23,514	6.15%
Total Long Term Debt (BS Line 17)			1,058,865	\$207,181	(106,128)	1,159,918		82,233	1,788	84,021	7.24%
TD Banknorth - 4 (line of credit)			-			-			0		
Total Note Payable (BS Line 19)			-	-	-	-		0	0	0	
Vendors			-	-	-	-		12,921	0	12,921	
Total This Schedule			1,058,865	\$207,181	(\$106,128)	\$1,159,918		\$95,154	\$1,788	\$96,942	
Total Interest Expense (IS Line 27)							<u>Cap Int</u> <u>Net Expense</u>	<u>0</u> <u>95,154</u>	<u>0</u> <u>1,788</u>	<u>0</u> <u>96,942</u>	

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Temporary Rates

Lakes Region Water Co., Inc
Year Ended December 31, 2009

Schedule 4B

Schedule of Notes Payable, Interest Expense & Capitalized Interest - Proforma

Obligation (a)	Date of Issue (b)	Date of Maturity (c)	Principal Balance 12/31/2008 (d)	Additions (e)	Reductions (f)	Balance 12/31/2009 (g)	Proforma Adjustments (h)	Proforma Adj Bal 12/31/2009 (i)	Interest Rate (j)	Interest Expense (k)	Amort of Debt Exp (l)	Total Int Exp (m)	Proforma Adjustments (n)	Pro Adj Int Exp (o)	Total Int Rate (p)
TD Banknorth - 5 (Refin)	1/13/2004	1/13/2014	\$388,656	-	(\$28,839)	\$359,817		\$359,817	6.09%	\$23,919	\$732	\$24,651	(\$2,006)	\$22,645	6.29%
TD Banknorth - 6 (construction)	1/13/2004	1/13/2014	327,490	-	(19,799)	307,691		307,691	7.47%	24,720	360	25,080	(1,735)	23,345	7.59%
TD Banknorth - 7(syst purch)	12/29/2004	12/29/2014	118,517	-	(8,702)	109,815		109,815	7.29%	10,080	696	10,776	(2,074)	8,702	7.92%
Sub - Total (Sch F-35) (BS Line 13)			834,663	-	(\$57,340)	\$777,323		\$777,323		\$58,719	\$1,788	\$60,507	(\$5,815)	\$54,692	7.04%
N/P Citizens 2007 Sierra	7/16/2007	7/16/2014	10,260		(2,561)	\$7,699		\$7,699	8.49%	\$802	0	\$802	(148)	\$654	8.49%
N/P LSB - 2006 Sierra	8/14/2006	7/14/2011	22,957		(22,957)	0		0	7.49%	665	0	665	(665)	0	0.00%
N/P GEHL Finance - Mustang Excavator	8/2/2004	9/2/2009	2,930		(2,930)	0		0	3.00%	(29)	0	(29)	29	0	0.00%
N/P Key Equipment - Meter Reader	1/2/2007	3/2/2009	873		(873)	0		0	13.00%	137	0	137	(137)	0	0.00%
N/P Santander (formerly Sovereign Bank) - 2007	11/17/2007	12/31/2013	26,921		(5,935)	20,986		20,986	6.39%	1,880	0	1,880	(539)	1,341	6.39%
N/P St Mary's Bank - 2008 Chev Colorada	5/28/2008	7/12/2013	16,486		(3,305)	13,181		13,181	5.75%	862	0	862	(104)	758	5.75%
N/P Bank of America - Copier (capital Lease)	6/4/2008	6/4/2012	5,037		(1,347)	3,690		3,690	5.20%	230	0	230	(38)	192	5.20%
N/P St Mary's Bank - 2008 Chev Colorada	5/31/2009	8/14/2013	-	18,865	(2,323)	16,542		16,542	5.90%	636	0	636	340	976	5.90%
N/P NHDOC	10/7/2009	10/3.1/2012		110,000	(6,120)	103,880	(103,880)	0			0	0		0	0.00%
N/P GEHL Finance - Mustang Excavator	11/13/2009	11/13/2014		26,200	(437)	25,763		25,763			0	0		0	0.00%
N/P Tom & Barbara Mason (Stockholders)			138,739	52,116		190,855		190,855	9.75%	18,331	0	18,331	277	18,608	9.75%
Sub-Total (Sch F-35) (BS Line 16)			224,202	\$207,181	(\$48,788)	\$382,596	(\$103,880)	\$278,716		\$23,514	\$0	\$23,514	(\$985)	\$22,529	8.08%
Total Long Term Debt (BS Line 17)			1,058,865	\$207,181	(106,128)	1,159,918	(103,880)	1,056,039		82,233	1,788	84,021	(\$6,800)	77,221	7.31%
TD Banknorth - 4 (line of credit)			-			-	-	-							
Total Note Payable (BS Line 232)			-	-	-	-	-	-							
Vendors			-	-	-	-	-	-		12,921	0	12,921	0	12,921	
Total This Schedule			1,058,865	\$207,181	(\$106,128)	\$1,159,918	(\$103,880)	\$1,056,039		\$95,154	\$1,788	\$96,942	(\$6,800)	\$90,142	
Total Interest Expense (IS Line 27)									Cap Int Net Expen	0 \$95,154	0 \$1,788	0 \$96,942	(\$6,800)	\$90,142	

SPSt. Cyr
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NHPUC Docket DW 10-141**Temporary Rates****Lakes Region Water Company****Schedule 5**

Proforma Adjustments to Income Taxes

Estimated PreTax Income \$100,000

NH Business Profits Tax @ 8.5% 8,500

Estimated PreTax Income subject to Federal Income Tax \$91,500

				13,750	
Federal Income Tax	91,500	75,000	16,500	<u>5,610</u>	<u>19,360</u>

Total State Business Profits and Federal Income Taxes \$27,860SPSt. Cyr
7/16/2010

Lakes Region Water Company

Schedule 6

Report of Proposed Rate Changes

Utility	Lakes Region Water Co.	Date Filed:	7/16/2010
Tariff No.:	7 Pages 10-16	Effective Date	7/1/2010

Rate of Class of Service	Effect of Change	Number of Customers	Authorized Present Revenue	Proposed Revenue	Proposed Change Amount	Proposed Change Percentage
Unmetered Customers	\$68,724	574	\$272,901	\$341,625	\$68,724	25.18%
Metered Customers excluding Swissvale	123,896	1,039	491,990	615,886	123,896	25.18%
WVG Pool	<u>287</u>	<u>1</u>	<u>1,141</u>	<u>1,428</u>	<u>287</u>	25.15%
Total Unmetered and Metered Customers excluding Swissvale Contract	\$192,907	1,614	\$766,032	\$958,939	\$192,907	25.18%
Swissvale Contract (POASI)	(3,270)	<u>1</u>	<u>131,831</u>	<u>128,561</u>	<u>(3,270)</u>	-2.48%
Total Sales of Water	<u>\$189,637</u>	<u>1,615</u>	<u>\$897,863</u>	<u>\$1,087,500</u>	<u>\$189,637</u>	21.12%
Miscellaneous Services Revenues	0		\$75,100	\$75,100	0	
Other Water Revenue - Rate Case Surchar	<u>(18,001)</u>		<u>18,001</u>	<u>0</u>	<u>(18,001)</u>	
Total Other Operating Revenues	<u>(\$18,001)</u>		<u>\$93,101</u>	<u>\$75,100</u>	<u>(\$18,001)</u>	
Total Water Operating Revenues	<u>\$171,636</u>	<u>1,615</u>	<u>\$990,964</u>	<u>\$1,162,600</u>	<u>\$171,636</u>	17.32%

SPSt. Cyr
7/16/2010

Lakes Region Water Company

Revenue Requirement - Step Increase for Land, Wells, etc.

		Paradise Shores
	PLANT IN SERVICE	
303	Land	\$ 700,000
304	Structures and Improvements	25,000
307	Wells	585,000
311	Pumping Equipment	60,000
331	Mains	110,000
	TOTAL	<u>1,480,000</u>
	Less: Accumulated Depreciation	<u>14,065</u>
	NET PLANT IN SERVICE	1,465,935
	Contribution in Aid of Construction	(30,000)
	Plus: Accumulated Amortization of CIAC	<u>300</u>
	NET PLANT IN RATE BASE	\$ 1,436,235
	Cash Working Capital (75/365)	<u>-</u>
	TOTAL RATE BASE	<u>\$ 1,436,235</u>
	Return on Additional Plant @ 9.75%	<u>\$ 140,033</u>
	O&M Expenses	\$ -
	Depreciation Expense	28,130
	Amortization of CIAC	(600)
	State and Local Property Taxes	13,710
	Federal and State Income Taxes	<u>61,874</u>
	Operating Expenses	<u>\$ 103,113</u>
	Additional Revenue Requirement	<u>\$ 243,146</u>

Lakes Region Water Company

**2011 Plant / Depreciation / Accumulated Depreciation and 2011 CIAC / Amortization / Accumulated Amortization
associated with Mt. Robert's Land, Wells, Etc.**

PUC Acct No.	Description	Cost	Depreciation Rate	Annual Expense	Accum Depreciation	Net Book Value
<u>PLANT IN SERVICE</u>						
<u>Paradise Shores</u>						
303	Land	\$ 700,000	0.00%	\$ -	\$ -	\$ 700,000
304	Pumphouse	25,000	2.50%	625	313	24,688
307	Wells	585,000	3.30%	19,305	9,653	575,348
311	Pumping Equipment	60,000	10.00%	6,000	3,000	57,000
331	Mains	110,000	2.00%	2,200	1,100	108,900
	TOTAL	\$ 1,480,000		\$ 28,130	\$ 14,065	\$ 1,465,935

CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

<u>Paradise Shores</u>						
303	Land	\$ -	0.00%	\$ -	\$ -	\$ -
304	Pump House	-	2.50%	-	-	-
307	Wells	-	3.30%	-	-	-
311	Pumping Equipment	-	10.00%	-	-	-
331	Mains	30,000	2.00%	600	300	29,700
	TOTAL	\$ 30,000		\$ 600	\$ 300	\$ 29,700

Lakes Region Water Company

TAXES

	<u>Paradise Shores</u>
Property Tax Expense:	
Net Plant in Service	\$ 1,465,935
Assessment Adjustment Percentage	<u>78.00%</u>
Adjusted Assessment Level (65%)	<u>\$ 1,143,429</u>
Local Property Tax Rate (per \$1,000)	\$ 5.39
State Property Tax Rate (per \$1,000)	<u>6.60</u>
Combined Tax Rate (per \$1,000)	\$ 11.99
Combined State/Local Property Tax	<u>\$ 13,710</u>
 Income Tax Expense:	
Return on Additional Plant	\$ 140,033
Less: Annual Interest Expense	<u>-</u>
Net Income before Taxes	140,033
Effective Tax Rate	<u>44.19%</u>
Combined Federal/State Income Taxes	<u>\$ 61,874</u>

Lakes Region Water Company**EFFECTIVE TAX FACTOR**

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>39.00%</u>
Effective Federal Income Tax Rate	35.69%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>44.19%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>44.19%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>55.82%</u></u>
Tax Multiplier	<u><u>0.79163</u></u>