

**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
REVENUE REQUIREMENT**

Rate Base (Schedule 2; Column 8)	\$ 2,721,807
Rate of Return (Schedule 1a)	x <u>7.81%</u>
Operating Income Requirement (See Schedule 3; Column 10)	212,513
Less: Proforma Test Year Operating Income (Schedule 3; Column 8)	<u>(426,863)</u>
Revenue Deficiency / (Surplus) Before Tax Effect (See Schedule 3; Column 9)	(214,351)
Tax Factor (Schedule 1b)	÷ <u>60.39%</u>
Revenue Deficiency / (Surplus) After Tax Effect (See Schedule 3; Column 9)	(354,944)
Add: Water Revenues from General Customers Proposed by Company (Schedule 3; Column 5)	<u>1,459,817</u>
Water Revenues from General Customers Proposed by Staff (See Schedule 3; Column 10)	1,104,873
Less: Actual Water Revenues from General Customers (Schedule 3; Column 1)	<u>(1,043,143)</u>
Proposed Increase in Annual Water Revenues from General Customers	<u><b>\$ 61,730</b></u>
Percent Increase in Annual Water Revenues from General Customers	<u><b>5.92%</b></u>

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
WEIGHTED AVERAGE COST OF CAPITAL

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	CAPITAL STRUCTURE						COST OF DEBT							
	Balance 12/31/14	Original Proforma Adj's Per Company	Amending Proforma Adj's Per Co (Att JPL-5/Sch 4)	Proforma Adj's Per Staff	Adjusted Balance	Percent	Annual Interest	Annual Debt Expense	Original Proforma Adj's Per Company	Amending Proforma Adj's Per Co (Att JPL-5; Sch 4B)	Proforma Adj's Per Staff	Adjusted Cost of Debt	TOTAL COST RATE	WEIGHTED AVERAGE COST OF CAPITAL
<b>Long-Term Debt:</b>														
Total Long-Term Debt (See Schedule1ai)	\$ 919,678	\$ 513,906	\$ (415,906)	\$ (129,000)	\$ 888,678	33.70%	\$ 38,913	\$ 1,837	\$ 30,090	\$ (22,875)	\$ (9,915)	\$ 38,050	4.28%	1.44%
<b>Common Equity:</b>														
Common Equity	10,000	-	-	-	10,000	0.38%								
Additional Paid-in Capital	1,227,180	-	225,962	(365,774) (a)	1,087,368	41.23%								
Capital Stock Expense	(7,360)	-	-	-	(7,360)	-0.28%								
Retained Earnings	610,827	-	-	47,620 (b)	658,447	24.97%								
<b>Total Common Equity</b>	<b>1,840,647</b>	<b>-</b>	<b>225,962</b>	<b>(318,154)</b>	<b>1,748,455</b>	<b>66.30%</b>							<b>9.60% (c)</b>	<b>6.36%</b>
<b>Total Capitalization</b>	<b>\$ 2,760,325</b>	<b>\$ 513,906</b>	<b>\$ (189,944)</b>	<b>\$ (447,154)</b>	<b>\$ 2,637,133</b>	<b>100.00%</b>								<b>7.81%</b>

(a) To reduce Additional Paid-in Capital relative to certain Staff adjustments to the Mt. Roberts plant addition contributed by the Co's shareholder:

Staff Adj # 2: To remove post-test year Mt Roberts land contribution for purposes of setting permanent rates	\$ 281,783
Staff Adj # 4: To adjust cost of Wells contributed by shareholder per Staff Audit Issue # 12	7,134
Staff Adj # 4: To adjust cost of Mains contributed by shareholder per Staff Audit Issue # 12	2,389
Staff Adj # 5: To adjust cost of Mains contributed by shareholder per Staff 2-19	300
To reduce APIC by LRW Water Services Invoices not paid by shareholder per Staff 3-6	74,168
Total Staff Adj's to Plant Contributed by Shareholder	<u>\$ 365,774</u>

(b) To increase Retained Earnings based on certain Co & Staff adjustments to correct test year Operating Income & Expense accounts:

Co Exp Adj # 10A: Depr Exp on AFUDC	\$ 782	Staff Adj # 61: Audit Issue # 16	(7)
Staff Adj # 41: Audit Issue # 31	200	Staff Adj # 62: Audit Issue # 18	403
Staff Adj # 42: Audit Issue # 17	15,000	Staff Adj # 63: Depr Exp on Hydrofracking	(86)
Staff Adj # 43: Audit Issue # 18	(4,030)	Staff Adj # 64: Audit Issue # 15	(1,250)
Staff Adj # 44: Reclass of Hydrofracking Exp	2,592	Staff Adj # 65: Audit Issue # 15	7,643
Staff Adj # 45: Audit Issue # 25	844	Staff Adj # 66: Audit Issue # 25	(169)
Staff Adj # 46: Audit Issue # 25	12,959	Staff Adj # 67: Audit Issue # 25	(4,320)
Staff Adj # 47: Audit Issue # 33	1,470	Staff Adj # 68: Amort of Well evaluate costs	(3,601)
Staff Adj # 50: Reclass of Accounting Exp's	31,184	Staff Adj # 69: Amort of deferred Acct'ing costs	(9,733)
Staff Adj # 51: Reclass of Legal Exp's	19,040	Staff Adj # 70: Audit Issue # 33	112
Staff Adj # 54: Audit Issue # 27	285	Based on Staff Adj # 74: State Income Tax	(2,925)
Staff Adj # 59: Audit Issue # 12	(20)	Based on Staff Adj # 75: Federal Income Tax	(18,759)
Staff Adj # 60: Depr Exp on reduced Mains	6	Total Staff Adj's to Retained Earnings	<u>\$ 47,620</u>

(c) To reduce Cost of Equity from 11.60% proposed by the Company to 9.60% which is the last approved Cost of Equity by the Commission for a NH water utility.  
(See Commission Order No. 25,539 (06/28/13) in DW 12-085, Re Aquarion Water Company of New Hampshire, Inc.)

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF COST OF DEBT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)			
	LONG-TERM DEBT										COST OF DEBT									
	Date of Issue	Date of Maturity	Interest Rate	Balance 12/31/14	Original Proforma Adj's Per Company	Original Proforma Balance Per Co	Amending Proforma Adj's Per Company	Amended Proforma Balance Per Co (Att JPL-5/Sch 4B)	Proforma Adj's Per Staff	Proforma Balance Per Staff	Interest Expense	Annual Debt Expense	Total Debt Cost	Original Proforma Adj's Per Company	Proforma Balance Per Co	Amending Proforma Adj's Per Co (Att JPL-5: Sch 4B)	Amended Filing Per Co	Proforma Adj's Per Staff	Adjusted Cost of Debt	TOTAL COST RATE
Operating Loans:																				
TD Bank - 5 (refinance)	01/13/04	01/13/14	6.09%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,491	\$ 227	\$ 6,718	\$ (6,718)	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
TD Bank - 6 (construction)	01/13/04	01/13/14	7.47%	-	-	-	-	-	-	-	4,761	502	5,263	(5,263)	-	-	-	-	-	0.00%
TD Bank - 7 (system purchase)	12/29/04	12/29/14	6.29%	-	-	-	-	-	-	-	2,252	908	3,160	(3,160)	-	-	-	-	-	0.00%
CoBank (5 Year)	06/24/14	06/30/19	2.70% (d)	288,483	-	288,483	-	288,483	-	288,483	5,571	-	5,571	4,382	9,953	-	9,953	(290) (d,e)	9,663	3.35%
CoBank (15 Year - refinance)	06/24/14	06/30/29	4.50% (d)	461,341	-	461,341	-	461,341	-	461,341	13,007	200	13,207	11,413	24,620	-	24,620	(2,530) (d,e)	22,090	4.79%
CoBank (line of credit)	06/24/14	06/30/15	2.17%	31,000	(31,000)	-	-	-	-	-	325	-	325	(325)	-	-	-	-	-	0.00%
CoBank (Indian Mound project)			5.50%	-	129,000	129,000	-	129,000	(129,000) (f)	-	-	-	-	7,095	7,095	-	7,095	(7,095) (f)	-	0.00%
CoBank (Mt Roberts purchase)			5.50%	-	415,906	415,906	(415,906)	-	-	-	-	-	-	22,875	22,875	(22,875)	-	-	-	0.00%
Total Operating Loans				780,824	513,906	1,294,730	(415,906)	878,824	(129,000)	749,824	32,407	1,837	34,244	30,299	64,543	(22,875)	41,668	(9,915)	31,753	4.23%
Equipment Loans:																				
GEHL Finance (Mustang Excavator)	11/13/09	11/13/14	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Ford Motor Credit - 2011 Ford F350XL	09/13/10	09/13/15	7.89%	5,430	-	5,430	-	5,430	-	5,430	740	-	740	(419)	321	-	321	-	321	5.91%
Ford Motor Credit - 2011 Ford F150XL	07/21/11	07/21/16	7.89%	11,707	-	11,707	-	11,707	-	11,707	1,239	-	1,239	(315)	924	-	924	-	924	7.89%
Ford Motor Credit - 2013 Ford F250 Super	08/16/13	08/15/18	5.95%	28,120	-	28,120	-	28,120	-	28,120	1,963	-	1,963	(290)	1,673	-	1,673	-	1,673	5.95%
Ford Motor Credit - 2013 Ford F250 Super	08/26/13	08/26/18	5.95%	20,210	-	20,210	-	20,210	-	20,210	1,442	-	1,442	(240)	1,202	-	1,202	-	1,202	5.95%
Ford Motor Credit - 2014 Ford F150	08/06/14	08/06/19	6.24%	29,947	-	29,947	-	29,947	-	29,947	778	-	778	1,091	1,869	-	1,869	-	1,869	6.24%
Cat Financial - 2014 Excavator	03/27/14	04/05/19	0.71%	43,440	-	43,440	-	43,440	-	43,440	344	-	344	(36)	308	-	308	-	308	0.71%
Total Equipment Loans				138,854	-	138,854	-	138,854	-	138,854	6,506	-	6,506	(209)	6,297	-	6,297	-	6,297	4.53%
Total Long-Term Debt				\$ 919,678	\$ 513,906	\$ 1,433,584	\$ (415,906)	\$ 1,017,678	\$ (129,000)	\$ 888,678	\$ 38,913	\$ 1,837	\$ 40,750	\$ 30,090	\$ 70,840	\$ (22,875)	\$ 47,965	\$ (9,915)	\$ 38,050	4.28%

(d) To reduce the effective interest rates of the CoBank loans by 75 basis points per annum relative to Co's participation in CoBank's Patronage Program.  
CoBank (5 Year) interest rate is reduced from 3.45% to 2.70%. CoBank (15 Year - refinance) interest rate is reduced from 5.25% to 4.50%.

	CoBank (5 Year)	CoBank (15 Year)
Proforma Loan Balance @ 12/31/14	\$ 288,483	\$ 461,341
Effective Interest Rate after Patronage Dividends	x 2.70% x	4.50%
Annual Interest per Staff	\$ 7,789	\$ 20,760
Less: Proforma Annual Interest per Co	(9,953)	(24,220)
Adj relative to change to Effective Interest Rate	\$ (2,164)	\$ (3,460)

(e) To reflect amortizaton of DW 13-335 financing costs in cost of debt (See Schedule 11d):

	Total Financed	%	Total Costs	Loan Term	Ann'l Amort
CoBank (5 Year)	\$ 318,810	40.18%	\$ 9,368 ÷	5	= \$ 1,874
CoBank (15 Year - refinance)	474,567	59.82%	13,945 ÷	15	= 930
Total	<u>\$ 793,377</u>	<u>100.00%</u>	<u>\$ 23,314</u>		<u>\$ 2,803</u>

(f) To remove debt and associated cost from the proforma test year relative to plant improvements at the Co's Indian Mound division which were placed in service subsequent to the test year.

**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
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	x <u>34.00%</u>
Effective Federal Income Tax Rate	31.11%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>39.61%</u></u>
Percent of Income Available if No Tax	100.00%
Less: Effective Tax Rate	<u>-39.61%</u>
Percent Used as a Divisor in Determining Revenue Requirement	<u><u>60.39%</u></u>
Tax Multiplier (Effective Tax Rate ÷ Percent Used as a Divisor)	<u><u>0.65590</u></u>

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	<b>13-Mo Avg Rate Base Per Co</b>	<b>Original Proforma Adj's Per Company</b>	<b>Original Proforma Rate Base Per Co</b>	<b>Amending Proforma Adj's Per Company</b>	<b>Amended Proforma Rate Base Per Co</b> (Att JPL-5/Sch 3)	<b>Proforma Adj's Per Staff</b> (Sch 2a)	<b>Staff Adj #</b> (Sch 2a)	<b>Proforma Rate Base Per Staff</b>
<b><u>Plant in Rate Base:</u></b>								
Utility Plant in Service	\$ 4,797,651	\$ 869,111	\$ 5,666,762	\$ (189,944)	\$ 5,476,818	\$ (616,220)	<b>1 - 10</b>	\$ 4,860,598
Less: Accumulated Depreciation	<u>(1,515,498)</u>	<u>(99,854)</u>	<u>(1,615,352)</u>	<u>1,564</u>	<u>(1,613,788)</u>	<u>95,423</u>	<b>11 - 23</b>	<u>(1,518,365)</u>
Net Plant in Service	<u>3,282,153</u>	<u>769,257</u>	<u>4,051,410</u>	<u>(188,380)</u>	<u>3,863,030</u>	<u>(520,797)</u>		<u>3,342,233</u>
Acquisition Adjustment (AA)	(254,025)	-	(254,025)	-	(254,025)	-		(254,025)
Less: Accumulated Amortization - AA	<u>167,828</u>	<u>4,228</u>	<u>172,056</u>	<u>-</u>	<u>172,056</u>	<u>(4,228)</u>	<b>24</b>	<u>167,828</u>
Net Acquisition Adjustment	<u>(86,197)</u>	<u>4,228</u>	<u>(81,969)</u>	<u>-</u>	<u>(81,969)</u>	<u>(4,228)</u>		<u>(86,197)</u>
Contributions in Aid of Construction (CIAC)	(862,501)	(8,377)	(870,878)	-	(870,878)	8,377	<b>25</b>	(862,501)
Less: Accumulated Amortization - CIAC	<u>240,635</u>	<u>8,886</u>	<u>249,521</u>	<u>-</u>	<u>249,521</u>	<u>(8,777)</u>	<b>26 - 27</b>	<u>240,744</u>
Net Contributions in Aid of Construction	<u>(621,866)</u>	<u>509</u>	<u>(621,357)</u>	<u>-</u>	<u>(621,357)</u>	<u>(400)</u>		<u>(621,757)</u>
<b>Net Plant in Rate Base</b>	<u>2,574,090</u>	<u>773,994</u>	<u>3,348,084</u>	<u>(188,380)</u>	<u>3,159,704</u>	<u>(525,425)</u>		<u>2,634,279</u>
<b><u>Working Capital:</u></b>								
Cash Working Capital	176,047	223	176,270	-	176,270	(26,923)	<b>28</b>	149,347
Materials and Supplies	14,397	(9,680)	4,717	-	4,717	9,680	<b>29</b>	14,397
Prepaid Expenses	33,751	3,494	37,245	-	37,245	(4,246)	<b>30 - 31</b>	32,999
Prepaid Property Taxes	11,779	(52)	11,727	-	11,727	(7,895)	<b>32 - 33</b>	3,832
Miscellaneous Deferred Assets	-	-	-	-	-	69,338	<b>34 - 36</b>	69,338
Customer Deposits	-	-	-	-	-	(1,706)	<b>37</b>	(1,706)
Accumulated Deferred Income Taxes	<u>(172,734)</u>	<u>(17,336)</u>	<u>(190,070)</u>	<u>-</u>	<u>(190,070)</u>	<u>9,390</u>	<b>38 - 39</b>	<u>(180,680)</u>
<b>Net Working Capital in Rate Base</b>	<u>63,240</u>	<u>(23,351)</u>	<u>39,889</u>	<u>-</u>	<u>39,889</u>	<u>47,638</u>		<u>87,527</u>
<b>NET RATE BASE</b>	<u><u>\$ 2,637,330</u></u>	<u><u>\$ 750,643</u></u>	<u><u>\$ 3,387,973</u></u>	<u><u>\$ (188,380)</u></u>	<u><u>\$ 3,199,593</u></u>	<u><u>\$ (477,786)</u></u>		<u><u>\$ 2,721,807</u></u>

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
PROFORMA ADJUSTMENTS TO RATE BASE PER STAFF

Adj #					
PROFORMA ADJUSTMENTS TO PLANT IN SERVICE:					
<u>Utility Plant in Service:</u>					
1	To reverse Co's amended Rate Base Adj # 1 in order to reflect Plant in Service at test year average.				\$ (219,883)
2	To reverse Co's amended Rate Base Adj # 2 in order to remove post-test year specific plant additions from Plant in Service:				(446,557)
3	To reverse Co's Rate Base Adj # 3 in order to remove post-test year general plant additions from Plant in Service.				(51,372)
4	To adjust costs of certain 2014 fixed asset additions recorded by the Co as of 04/01/14 at the Co's Paradise Shores division per Staff Audit Issue # 12 (See Staff Adj #'s 15 and 59):				
	Structures			\$ 9,834	
	Wells (Mt Roberts)			(7,134)	
	Mains (Mt Roberts)			(2,389)	
	Net Adjustments			311	
	13-month average of assets reflected in test year Rate Base (9 months ÷ 13 months)		x	69.23%	215
5	To reduce cost of Mains recorded by the Company as of 04/01/14 at the Paradise Shores division (Mt Roberts) per the Co's response to Staff 2-19 (See Staff Adj #'s 16 and 60):				
	Mains (Mt Roberts)			\$ (300)	
	13-month average of assets reflected in test year Rate Base (9 months ÷ 13 months)		x	69.23%	(208)
6	To adjust costs of 2013 and 2014 Meter additions at the Co's Paradise Shores division per Staff Audit Issue # 16 (See Staff Adj #'s 17 and 61):				
	2013 Meter Adjustment			\$ (95)	
	2014 Meter Adjustment:	Understatement of Meter addition	\$ 234		
		To reflect test year average	x	50.00%	117
					22
7	To reduce test year average of duplicated Pump cost recorded by the Company as of 04/01/14 at the Paradise Shores division per Staff Audit Issue # 18 (See Staff Adj #'s 18, 43, and 62):				
	Duplicated Pump cost recorded by the Co			\$ (4,030)	
	13-month average of asset reflected in test year Rate Base (9 months ÷ 13 months)		x	69.23%	(2,790)
8	To reclassify cost of well hydrofracking at the Co's West Point division from O & M Expense to Plant Assets based on Pg 43 of the Staff Audit Report and the Co's response to Staff 2-20 (See Staff Adj #'s 19, 44, and 63):				
	Cost of well hydrofracking at the Co's West Point division			\$ 2,592	
	To reflect the test year average of the proposed adjustment		x	50.00%	1,296
9	To reclassify cost of truck tire rims from O & M Expense to Plant in Service based on Staff Audit Issue # 25 (See Staff Adj #'s 22, 45, and 66):				
	Cost of truck tire rims reclassified from O & M Expense			\$ 844	
	To reflect the test year average of the proposed adjustment		x	50.00%	422
10	To record Non-revenue Producing Plant in Service adjustment relative to Paradise Shores test year additions. (Schedule 4) (See Staff Adj # 23)				102,635
Total Adjustments - Utility Plant in Service					\$ (616,220)
<u>Accumulated Depreciation:</u>					
11	To reverse Co's amended Rate Base Adj # 4 in order to reflect Accumulated Depreciation at test year average.				\$ 66,279
12	To modify Co's amended Rate Base Adj # 5 in order to reflect a test year average for Accumulated Depreciation:				
	Co's adj to reflect an additional half-year of depreciation on 2014 plant additions			\$ (17,498)	
	To reflect the test year average of Co's proposed adjustment		x	50.00%	8,749
13	To reverse Co's Rate Base Adj # 6 in order to remove accumulated depreciation on post-test year specific plant additions.				12,341

**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
PROFORMA ADJUSTMENTS TO RATE BASE PER STAFF**

**Adj #**

14	To reverse Co's Rate Base Adj # 7 in order to remove accumulated depreciation on post-test year general plant additions.										2,714	
15	To adjust the test year average of Accumulated Depreciation relative to adjustments made to certain fixed asset additions at the Co's Paradise Shores division per Staff Audit Issue # 12 (See Staff Adj #'s 4 and 59):											
	Structures:	<u>Cost Adj</u>		<u>Depr %</u>	=	<u>Accum Depr</u>		<u>(9 mos ÷ 13 mos)</u>				
		\$ 9,834	x	2.50%	=	\$ (246)	x	69.23%	=	\$ (170)		
	Wells (MR):	(7,134)	x	2.50%	=	178	x	69.23%	=	123		
	Mains (MR):	(2,389)	x	2.00%	=	48	x	69.23%	=	33		
	Totals:	<u>\$ 311</u>				<u>\$ (20)</u>				(14)		
16	To adjust the test year average of Accumulated Depreciation relative to reduction in Main asset additions at the Co's Paradise Shores division (Mt Roberts) per the Co's response to Staff 2-19 (See Staff Adj #'s 5 and 60):											
	Mains (MR):	<u>Cost Adj</u>		<u>Depr %</u>	=	<u>Accum Depr</u>		<u>(9 mos ÷ 13 mos)</u>				
		\$ (300)	x	2.00%	=	\$ 6	x	69.23%	=	4		
17	To adjust test year average of Accumulated Depreciation relative to adjustments made to Paradise Shores division meter additions for 2013 and 2014 per Staff Audit Issue # 16 (See Staff Adj #'s 6 and 61):											
	2013 Meters:	<u>@ Year-end</u>		<u>Cost Adj</u>		<u>Depr %</u>	=	<u>Ann'l Depr</u>		<u>Yrs in Svc</u>	<u>Accum Depr</u>	
		12/31/13 :		\$ (95)	x	5.00%	=	\$ 5	x	0.50	=	\$ 2
		12/31/14 :		(95)	x	5.00%	=	5	x	1.50	=	7
		Test Year Average									=	\$ 5
	2014 Meters:	<u>Cost Adj</u>		<u>Depr %</u>	=	<u>Accum Depr</u>		<u>Test Yr Avg</u>				
		234	x	5.00%	=	(12)	x	50.00%	=	(6)		(1)
18	To adjust test year average of Accumulated Depreciation relative to adjustment made to Paradise Shores division pump addition during the test year per Staff Audit Issue # 18 (See Staff Adj #'s 7, 43, and 62):											
	Pumps:	<u>Cost Adj</u>		<u>Depr %</u>	=	<u>Accum Depr</u>		<u>(9 mos ÷ 13 mos)</u>				
		\$ (4,030)	x	10.00%	=	\$ 403	x	69.23%	=			279
19	To record test year average of Accumulated Depreciation for adjustment made to reclassify hydrofracking cost at the Co's West Point division from O & M Exp to Plant Assets based on Pg 43 of the Staff Audit Report and the Co's response to Staff 2-20 (See Staff Adj #'s 8, 44, and 63):											
	Wells:	<u>Cost Adj</u>		<u>Depr %</u>	=	<u>Accum Depr</u>		<u>Test Yr Avg</u>				
		\$ 2,592	x	3.33%	=	\$ (86)	x	50.00%	=			(43)
20	To adjust the test year average of Accumulated Depreciation relative to corrections made to the depreciation lives of certain well assets per Pg's 19-20 & 30 of the Staff Audit Report and Staff Audit Issue # 15. (Schedule 5) (See Staff Adj # 64)										(1,251)	
21	To adjust the test year average of Accumulated Depreciation relative to corrections made to the depreciation lives of certain vehicle assets per Pgs 26-27 & 33 of the Staff Audit Report and Staff Audit Issue # 15. (Schedule 6) (See Staff Adj # 65)										10,180	
22	To adjust test year average of Accumulated Depreciation relative to adjustment to reclassify cost of truck tire rims from O & M Expense to Plant in Service based on Staff Audit Issue # 25 (See Staff Adj #'s 9, 45, and 66):											
	Vehicles:	<u>Cost Adj</u>		<u>Depr %</u>	=	<u>Accum Depr</u>		<u>Test Yr Avg</u>				
		\$ 844	x	20.00%	=	\$ (169)	x	50.00%	=			(84)
23	To record Non-revenue Producing Accumulated Depreciation adjustment relative to Paradise Shores test year additions. (Schedule 4) (See Staff Adj # 10)										(3,729)	
Total Adjustments - Accumulated Depreciation										\$ 95,423		
Accumulated Amortization - Acquisition Adjustment (AA):												
24	To reverse Co's Rate Base Adj # 8 in order to reflect Accumulated Amortization - AA at test year average.										\$ (4,228)	
Total Adjustments - Accumulated Amortization of Acquisition Adjustments										\$ (4,228)		

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
PROFORMA ADJUSTMENTS TO RATE BASE PER STAFF

Adj #	
<b><u>Contributions in Aid of Construction (CIAC):</u></b>	
25	To reverse Co's Rate Base Adj # 13 in order to reflect CIAC at test year average. <div>\$8,377</div>
<b>Total Adjustments - Contributions in Aid of Construction (CIAC)</b>	
<div>\$8,377</div>	
<b><u>Accumulated Amortization - CIAC:</u></b>	
26	To reverse Co's Rate Base Adj # 14 in order to reflect Accumulated Amortization - CIAC at test year average. <div>\$(8,668)</div>
27	To modify Co's Rate Base Adj # 15 in order to reflect test year average for Accumulated Amortization - CIAC: <div>Co adj to reflect an additional half-year of amortization on 2014 CIAC additions<div>\$218</div></div> <div>To reflect the test year average of the Co's proposed adjustment<div>x50.00% (109)</div></div>
<b>Total Adjustments - Accumulated Amortization - CIAC</b>	
<div>\$(8,777)</div>	
<b>PROFORMA ADJUSTMENTS TO WORKING CAPITAL:</b>	
<b><u>Cash Working Capital:</u></b>	
28	To adjust Cash Working Capital component of rate base for Staff proforma adj's to Co's test year O & M Expense: <div>Net O &amp; M Expense adj's proposed by Staff (Schedule 3; Column 6):<div>\$(149,092)</div></div> <div>% of O &amp; M Exp's attributable to billings in arrears (1,566 / 1,667):<div>x93.94% = \$(140,059)</div></div> <div>% of O &amp; M Exp's attributable to billings in advance (101 / 1667):<div>x-6.06% = 9,033</div></div> <div>Net O &amp; M Exp adj's subject to Cash Working Capital Adjustment:<div>(131,026)</div></div> <div>Cash Working Capital Adjustment (75 days / 365 days)<div>20.55% (26,923)</div></div>
<b>Total Adjustments - Cash Working Capital</b>	
<div>\$(26,923)</div>	
<b><u>Materials and Supplies:</u></b>	
29	To reverse Co's Rate Base Adj # 9 in order to reflect Materials and Supplies at test year average. <div>\$9,680</div>
<b>Total Adjustments - Materials and Supplies</b>	
<div>\$9,680</div>	
<b><u>Prepaid Expenses:</u></b>	
30	To reverse Co's Rate Base Adj # 10 in order to reflect Prepaid Expenses at test year average. <div>\$(3,494)</div>
31	To remove test year average of propane payments included in Prepaid Expenses per Staff Audit Issue # 3. (Schedule 7) <div>(752)</div>
<b>Total Adjustments - Prepaid Expenses</b>	
<div>\$(4,246)</div>	
<b><u>Prepaid Property Taxes:</u></b>	
32	To reverse Co's Rate Base Adj # 11 in order to reflect Prepaid Property Taxes at test year average. <div>\$52</div>
33	To adjust 13-month average of Prepaid Property Taxes rate base item. (Schedule 7) <div>(7,947)</div>
<b>Total Adjustments - Prepaid Property Taxes</b>	
<div>\$(7,895)</div>	
<b><u>Miscellaneous Deferred Assets:</u></b>	
34	To record 13-month average of 'No Lead Rule' inventory write-off reclassified from O & M Expense to Miscellaneous Deferred Assets per Staff Audit Issue # 25 and to be amortized over 3 years based on the Co's response to Staff 2-31. (Schedule 8) <div>(See Staff Adj #'s 46 and 67)</div> <div>\$10,799</div>



**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
PROFORMA ADJUSTMENTS TO RATE BASE PER STAFF**

<b><u>Adj #</u></b>		
35	To record 13-month average of Paradise Shores well field evaluation costs reclassified from CWIP to Miscellaneous Deferred Assets and to be amortized over 10 years based on Pg's 13-14 of Staff Audit Report. (Schedule 8) (See Staff Adj # 68)	34,206
36	To record 13-month average of certain General Accounting Expenses reclassified from O & M Expense to Miscellaneous Deferred Assets and to be amortized over 3 years. (Schedule 8) (See Staff Adj #'s 50 and 69)	<u>\$ 24,333</u>
<b>Total Adjustments - Miscellaneous Deferred Assets</b>		<u><b>\$ 69,338</b></u>
<b><u>Customer Deposits:</u></b>		
37	To record 13-month average of Customer Deposits rate base item. (Schedule 7)	<u>\$ (1,706)</u>
<b>Total Adjustments - Customer Deposits</b>		<u><b>\$ (1,706)</b></u>
<b><u>Accumulated Deferred Income Taxes:</u></b>		
38	To reverse Co's Rate Base Adj # 12 in order to reflect Accumulated Deferred Income Taxes at test year average.	\$ 17,336
39	To normalize 13-month average of Accumulated Deferred Income Taxes rate base item. (Schedule 7)	<u>(7,946)</u>
<b>Total Adjustments - Accumulated Deferred Income Taxes</b>		<u><b>\$ 9,390</b></u>
<b>NET RATE BASE ADJUSTMENTS PER STAFF (See Schedule 2; Column 6)</b>		<u><u><b>\$ (477,786)</b></u></u>

**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
OPERATING INCOME STATEMENT**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	<b>Actual Test Year</b>	<b>Original Proforma Adj's Per Company</b>	<b>Original Proforma Test Year Per Co</b>	<b>Amending Proforma Adj's Per Company</b>	<b>Amended Proforma Test Year Per Co (Att JPL-5/Sch 1)</b>	<b>Proforma Adj's Per Staff (Sch 3a)</b>	<b>Staff Adj # (Sch 3a)</b>	<b>Proforma Test Year Per Staff</b>	<b>Revenue Deficiency (Surplus) (Sch 1)</b>	<b>Operating Income Req'mnt (Sch 1)</b>
<b><u>Operating Revenues:</u></b>										
Water Revenues from General Customers	<b>\$ 1,043,143</b>	\$ 398,274	<b>\$ 1,441,417</b>	\$ 18,400	<b>\$ 1,459,817</b>	\$ -		\$ 1,459,817	\$ (354,944)	<b>\$ 1,104,873</b>
Water Revenues from POASI Special Contract	136,526	65,754	202,280	-	202,280	2,105	<b>40</b>	204,385	-	204,385
Other Operating Revenues	136,341	(77,283)	59,058	-	59,058	200	<b>41</b>	59,258	-	59,258
<b>Total Operating Revenues</b>	<u>1,316,010</u>	<u>386,745</u>	<u>1,702,755</u>	<u>18,400</u>	<u>1,721,155</u>	<u>2,305</u>		<u>1,723,460</u>	<u>(354,944)</u>	<u>1,368,516</u>
<b><u>Operating Expenses:</u></b>										
Operation & Maintenance Expenses	974,896	1,236	976,132	-	976,132	<b>(149,092)</b>	<b>42 - 57</b>	827,040	-	827,040
Depreciation Expense	164,383	33,334	197,717	(1,564)	196,153	(21,576)	<b>58 - 66</b>	174,577	-	174,577
Amortization of CIAC	(17,129)	(218)	(17,347)	-	(17,347)	-		(17,347)	-	(17,347)
Amortization of Acquisition Adjustment	(5,708)	-	(5,708)	-	(5,708)	-		(5,708)	-	(5,708)
Amortization Expense - Other	-	-	-	-	-	17,654	<b>67 - 69</b>	17,654	-	17,654
Other Tax Expense	74,833	19,204	94,037	(2,455)	91,582	(7,321)	<b>70 - 73</b>	84,261	-	84,261
<b>Total Operating Expenses</b>	<u>1,191,275</u>	<u>53,556</u>	<u>1,244,831</u>	<u>(4,019)</u>	<u>1,240,812</u>	<u>(160,335)</u>		<u>1,080,477</u>	<u>-</u>	<u>1,080,477</u>
Gain (Loss) from Disposition of Utility Property	<u>30,795</u>	<u>(30,795)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Income (Loss) before Income Taxes	155,530	302,394	457,924	22,419	480,343	162,640		642,983	(354,944)	288,039
Income Tax Expense	<u>28,807</u>	<u>134,884</u>	<u>163,691</u>	<u>18,205</u>	<u>181,896</u>	<u>34,224</u>	<b>74 - 77</b>	<u>216,120</u>	<u>(140,593)</u>	<u>75,526</u>
<b>Net Operating Income (Loss)</b>	<u><u>\$ 126,723</u></u>	<u><u>\$ 167,510</u></u>	<u><u>\$ 294,233</u></u>	<u><u>\$ 4,214</u></u>	<u><u>\$ 298,447</u></u>	<u><u>\$ 128,416</u></u>		<u><u>\$ 426,863</u></u>	<u><u>\$ (214,351)</u></u>	<u><u>\$ 212,513</u></u>

**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
PROFORMA ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES PER STAFF**

**Adj #**

**Water Revenues from POASI Special Contract**

40	To adjust revenues from POASI Special contract relative to Staff's proforma rate case adjustments. (Schedule 9a)	\$	2,105
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	<b>Total Adjustments - Water Revenues from POASI Special Contract</b>	\$	2,105
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**Other Operating Revenues:**

41	To record unbilled test year service revenues from LRW Water Services per Staff Audit Issue #31.	\$	200
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	<b>Total Adjustments - Other Operating Revenues</b>	\$	200
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**Operation & Maintenance Expenses:**

42	To reclassify test year O & M Exp's to Utility Plant relative to a 'Structure' asset constructed at the Co's Paradise Shores division per Staff Audit Issue # 17. (See also Staff Audit Issue # 12 and Staff Adj #'s 4,15, and 59)	\$	(15,000)
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43	To adjust O & M Exp's relative to reduction of fixed plant for duplicate Pump cost recorded at the Co's Paradise Shores division per Staff Audit Issue # 18. (See Staff Adj #'s 7, 18, and 62)		4,030
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44	To reclassify O & M Exp's to Utility Plant relative to the cost of hydrofracking a well at the Co's West Point division based on Pg 43 of the Staff Audit Report and the Co's response to Staff 2-20. (See Staff Adj #'s 8, 19, and 63)		(2,592)
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45	To reclassify O & M Exp's to Utility Plant relative to the cost of truck tire rims per Staff Audit Issue # 25 per Staff Audit Issue # 25. (See Staff Adj #'s 9, 22, and 66):		(844)
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46	To reclassify O & M Exp's to Miscellaneous Deferred Assets relative to the 'No Lead Rule' materials written off during the test year per Staff Audit Issue # 25. (See Staff Adj #'s 34 and 67)		(12,959)
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47	To reduce O & M Exp's by post-test year wages included in test year expense per Staff Audit Issue # 33. (Also see Staff Adj # 70)		
	Post-test year wages included in test year O & M Expense	\$	(1,470)
	To adjust wage reduction to reflect 4.00% wage increase per Co's O & M Expense Adj # 2	x	104.00%
			(1,529)

48	To reduce Co's O & M Exp Adj # 6 to reflect the Co's actual General Accounting Expense write-off recorded during the test year per the Co's responses to Tech 1-6(c),(d),&(e) and Staff 2-10(c):		
	Actual General Accounting Expense Write-off per Tech 1-6(c),(d),&(e) and Staff 2-10(c)	\$	36,586
	Less: General Accounting Expense write-off per Co's O & M Exp Adj # 6	<u></u>	(39,178)
			(2,592)

49	To reverse Co's O & M Exp Adj # 9 in order to comport with Commission Order No. 25,454 (01/17/13).		(9,980)
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50	To reclassify test year General Accounting Expenses per Staff Audit Issue # 26 and based on the Co's responses to Staff 1-17(a) and Tech 1-5(a). (Schedules 10a and 10b) (See Staff Adj #'s 36 and 69):		
	Reclassified to Miscellaneous Deferred Debits	\$	(29,200)
	Reclassified to DW 15-209 Deferred Rate Case Expense		(949)
	Reclassified to DW 14-285 Debt Expense	<u></u>	(1,035)
			(31,184)

51	To adjust Co's O & M Exp Adj # 7 to reflect test year general legal expenses. (Schedules 11(a), (b), & (c)):		
	2014 General Legal Exp's as originally recorded by Co (Schedule 11(a))	\$	29,017
	Reclassified to DW 15-209 Deferred Rate Case Expense		(2,495)
	Reclassified to DW 13-335 Debt Expense		(16,545)
	Reclassified as Non-Recurring	<u></u>	(1,662)
	Adjusted 2014 General Legal Exp's per Staff (Schedule 11(a)):		8,316
	Less: Co's proposed proforma General Legal Exp's per Co's O & M Exp Adj # 7	<u></u>	(15,700)
			(7,384)

52	To reduce Computer Support Exp by amounts incurred during the test year relative to software that was not fully installed and operational based on the Co's response to Tech 1-1(b).		(1,776)
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DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
PROFORMA ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES PER STAFF

Adj #							
53	To record anticipated decrease in annual health and business insurance premiums per Co's response to Staff DR 1-40.						
	Anticipated decrease in Business Insurance				\$	(21,000)	
	Anticipated decrease in Group Medical Insurance					(7,600)	(28,600)
54	To reduce O & M Exp's by 2013 medical reimbursement paid during the test year per Staff Audit Issue # 27.						(285)
55	To reverse Co's O & M Exp Adj # 3 due to the anticipated implementation of the Co's pension plan being beyond 12 months after the test year per the Co's response to Staff 1-15.						(16,000)
56	To reduce test year Regulatory Commission Expense by amount of expense write-offs of prior Commission cases based on Pg 47 of Staff Audit Report as well as the Co's response to Tech 1-8(g).						(16,943)
57	To reduce O & M Exp's by non-recurring expenses incurred during the test year per Staff Audit Issue # 25:						
	Cost of removing tub and shower from office space				\$	(1,546)	
	Cost of loan prepayment fee					(3,908)	(5,454)
Total Adjustments - Operation & Maintenance Expenses							\$ (149,092)
Depreciation Expense:							
58	To reverse Co's Depr Exp Adj # 12 in order to remove Depreciation Expense on post-test year plant additions from test year expense.						\$ (15,055)
59	To adjust test year Depreciation Exp relative to adjustments made to certain fixed asset additions at the Co's Paradise Shores division per Staff Audit Issue # 12 (See Staff Adj #'s 4 and 15):						
		Cost Adj		Depr %			
	Structures:	\$ 9,834	x	2.50%	=	\$ 246	
	Wells (Mt Roberts):	(7,134)	x	2.50%	=	(178)	
	Mains (Mt Roberts):	(2,389)	x	2.00%	=	(48)	
	Totals:	\$ 311					20
60	To adjust test year Depreciation Exp relative to adjustment made to Main asset additions at the Co's Paradise Shores division (Mt Roberts) per the Co's response to Staff 2-19 (See Staff Adj #'s 5 and 16):						
		Cost Adj		Depr %			
	Mains (Mt Roberts):	\$ (300)	x	2.00%	=		(6)
61	To adjust test year Depreciation Exp relative to adjustments made to Paradise Shores Meter additions for 2013 and 2014 per Staff Audit Issue # 16 (See Staff Adj #'s 6 and 17):						
		Cost Adj		Depr %			
	2013 Meters:	\$ (95)	x	5.00%	=	\$ (5)	
	2014 Meters:	234	x	5.00%	=	12	
	Totals:	\$ 139					7
62	To adjust test year Depreciation Exp relative to duplicate Pump cost adjustment made to Paradise Shores division per Staff Audit Issue # 18 (See Staff Adj #'s 7, 18, and 43):						
		Cost Adj		Depr %			
	Pumps:	\$ (4,030)	x	10.00%	=		(403)
63	To record test year Depreciation Exp relative to cost of hydrofracking a well at the Co's West Point division reclassified from O & M Exp to Plant Assets based on Pg 43 of the Staff Audit Report as well as the Co's response to Staff 2-20 (See Staff Adj #'s 8, 19, and 44):						
		Cost Adj		Depr %			
	Wells:	\$ 2,592	x	3.33%	=		86
64	To adjust annual Depreciation Expense relative to corrections made to the depreciation lives of certain well assets per Pg's 19-20 & 30 of the Staff Audit Report and Staff Audit Issue # 15. (Schedule 5) (See Staff Adj # 20)						1,250
65	To adjust annual Depreciation Expense relative to corrections made to the depreciation lives of certain vehicle assets per						

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
PROFORMA ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES PER STAFF

<b><u>Adj #</u></b>			
	Pg's 26-27 & 33 of the Staff Audit Report and Staff Audit Issue # 15. (Schedule 6) (See Staff Adj # 21)		(7,643)
66	To record test year Depreciation Exp relative to cost of truck tire rims reclassified to Plant in Service based on Staff Audit Issue # 25 (See Staff Adj #'s 9, 22, and 45):		
	Vehicles:	$\frac{\text{Cost Adj}}{\$ 844} \times \frac{\text{Depr \%}}{20.00\%} =$	<u>169</u>
<b>Total Adjustments - Depreciation Expense</b>			<u>\$ (21,576)</u>
<b><u>Amortization Expense - Other:</u></b>			
67	To record annual amortization of 'No Lead Rule' costs reclassified from O & M Exp to Miscellaneous Deferred Assets per Staff Audit Issue # 25 and to be amortized over 3 years based on the Co's response to Staff 2-31. (Schedule 8) (See Staff Adj #'s 34 and 46)		\$ 4,320
68	To record annual amortization of Paradise Shores well evaluation costs reclassified from CWIP to Miscellaneous Deferred Assets and to be amortized over 10 years based on Pg's 13-14 of Staff Audit Report. (Schedule 8) (See Staff Adj # 35):		3,601
69	To record annual amortization of General Accounting Expenses reclassified from O & M Exp to Miscellaneous Deferred Assets and to be amortized over 3 years. (Schedule 8) (See Staff Adj #'s 36 and 50)		<u>9,733</u>
<b>Total Adjustments - Amortization Expense - Other</b>			<u>\$ 17,654</u>
<b><u>Other Tax Expense:</u></b>			
70	To reduce Other Tax Expense for payroll taxes on post-test year wages recorded during the test year per Staff Audit Issue # 33: Issue # 33 (See Staff Adj # 47):		
	Staff adj for post-test year wages recorded during the test year (Staff Adj # 47)	\$ (1,529)	
	Payroll Tax Percentage	x <u>7.65%</u>	\$ (117)
71	To reverse Co's amended Tax Expense Adj # 15 in order to remove from test year expense State Property Tax expense on post-test year plant additions.		(3,055)
72	To reverse Co's amended Tax Exp Adj # 17 in order to remove from test year expense municipal property tax expense on post-test year plant additions.		(4,451)
73	To adjust Co's proforma test year Property Tax Expense to proforma 2015 level. (Schedule 12)		<u>302</u>
<b>Total Adjustments - Other Tax Expense</b>			<u>\$ (7,321)</u>
<b><u>Income Tax Expense:</u></b>			
74	To record the State Income Tax Effect of Staff's net adj's to Proforma Net Operating Income (Loss). (Schedule 3b)		\$ 10,858
75	To record the Federal Income Tax Effect of Staff's net adj's to Proforma Net Operating Income (Loss). (Schedule 3b)		47,796
76	To adjust Co's amended Income Tax Exp Adj # 21 relative to the State Income Tax effect of the Co's Net Operating Income Adjustments:		
	Amended net increase in net operating income resulting from Co's operating revenue and expense adj's	\$ 171,724	
	Add: Co's amended Income Tax Exp Adj's # 20 & # 21 relative to Federal & State income tax provisions	<u>153,089</u>	
	Amended net increase in net operating income before Co's Federal & State income tax adjustments	<u>324,813</u>	
	State income tax provision @ marginal rate of 8.50%	<u>27,609</u>	
	Less: Co's amended Income Tax Exp Adj # 21 relative to State business tax	<u>(28,787)</u>	(1,178)
77	To adjust Co's amended Income Tax Exp Adj # 20 relative to the Federal Income Tax effect of the Co's Net Operating Income Adjustments:		
	Amended Net increase in net operating income resulting from Co's operating revenue and expense adj's	\$ 171,724	

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
PROFORMA ADJUSTMENTS TO OPERATING REVENUES AND EXPENSES PER STAFF

<u>Adj #</u>		
	Add: Co's amended Income Tax Exp Adj's # 20 & # 21 relative to Federal & State income tax provisions	153,089
	Amended net increase in net operating income before Co's Federal & State income tax provisions	324,813
	Less: State income tax provision per Staff Adj # 76	(27,609)
	Amended net increase in net operating income resulting from Co's adj's subject to Federal income tax	297,204
	Federal income tax provision @ marginal rate of 34.00%	101,049
	Less: Co's amended Income Tax Exp Adj # 20 relative to Federal income tax	(124,302)
		(23,253)
Total Adjustments - Income Tax Expense		\$ 34,224
NET OPERATING INCOME ADJUSTMENTS PER STAFF (See Schedule 3; Column 6)		\$ 128,416

**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
PROFORMA ADJUSTMENTS TO FEDERAL AND STATE INCOME TAX EXPENSE PER STAFF**

**Summary of Operating Income Statement Adj's before Income Taxes per Staff (Schedule 3a):**

**Operating Revenues:**

Water Revenues from General Customers	\$ -
Water Revenues from POASI Special Contract	2,105
Other Operating Revenues	<u>200</u>

<b>Net Increase / (Decrease) in Operating Revenues</b>	<u>2,305</u>
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**Operating Expenses:**

Operation & Maintenance Expenses	(149,092)
Depreciation Expense	(21,576)
Amortization of CIAC	-
Amortization of Acquisition Adjustment	-
Amortization Expense - Other	17,654
Other Tax Expense	<u>(7,321)</u>
<b>Total Operating Expenses</b>	<u>(160,335)</u>

Gain (Loss) from Disposition of Utility Property	<u>-</u>
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Net Increase / (Decrease) in Net Operating Income (Loss) before State Income Tax Expense	162,640
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**State Income Tax Expense:**

New Hampshire Business Profits Tax @ 8.50 %	\$ (13,824)
Reduction in test year State Income Tax Expense per Staff Audit Issue # 34	<u>2,966</u> <u>(10,858)</u>

Net Increase / (Decrease) in Net Operating Income (Loss) before Federal Income Tax Expense	151,782
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**Federal Income Tax Expense:**

Federal Income Tax @ 34.00%	\$ (51,606)
Reduction in test year Federal Income Tax Expense per Staff Audit Issue # 34	<u>3,810</u> <u>(47,796)</u>

<b>Net Proforma Adjustments to Net Operating Income (Loss) before Staff Adj #'s 76 and 77 to amend Co's proforma Income Tax Provisions</b>	103,986
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Staff Adj # 76 to correct Co's State Income Tax Provision as amended	1,178
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Staff Adj # 77 to correct Co's Federal Income Tax Provision as amended	<u>23,253</u>
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<b>Net Proforma Adjustments to Net Operating Income (Loss) per Staff (See Schedule 3; Column 6)</b>	<u><u>\$ 128,416</u></u>
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**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF NON-REVENUE PRODUCING PLANT ADDITION ADJUSTMENTS - PARADISE SHORES  
IN SUPPORT OF STAFF ADJUSTMENTS # 10 and # 23**

	Source of Supply and Pumping Plant				Transmission and Distribution Plant			
	# 304 Structures	# 307 Wells	#311 Pumps	# 339 Misc	# 331 Mains	# 333 Services	# 334 Meters	TOTAL
<b>Plant in Service:</b>								
Revised Test Year Plant Additions per Co (Att JPL-5 / Sch 7)	\$ 69,896	\$ 143,607	\$ 44,431	\$ 365	\$ 79,283	\$ 1,810	\$ 11,764	\$ 351,156
Plant in Service Adjustments:								
Staff Adj # 4: Staff Audit Issue # 12	9,834	(7,134)	-	-	(2,389)	-	-	311
Staff Adj # 5: Co response to Staff 2-19	-	-	-	-	(300)	-	-	(300)
Staff Adj # 6: Staff Audit Issue # 16	-	-	-	-	-	-	234	234
Staff Adj # 7: Staff Audit Issue # 18	-	-	(4,030)	-	-	-	-	(4,030)
Total Adjustments	9,834	(7,134)	(4,030)	-	(2,689)	-	234	(3,785)
Test Year Plant Additions after Adjustments	79,730	136,473	40,401	365	76,594	1,810	11,998	347,371
Test Year Average %	x 69.23% x	x 69.23% x	x 69.23% x	x 69.23% x	x 69.23% x	x 50.00% x	x 50.00% x	x 69.23%
Test Year Average of Adjusted Plant in Service	55,198	94,481	27,970	253	53,027	905	5,999	240,488
Difference between Year-end Value and Test Year Average of Paradise Shores Test Year Plant Additions	\$ 24,532	\$ 41,992	\$ 12,431	\$ 112	\$ 23,567	\$ 905	\$ 5,999	\$ 106,883
<b>Non-Revenue Producing Plant in Service Adjustment</b>	<b>\$ 24,532</b>	<b>\$ 41,992</b>	<b>\$ 12,431</b>	<b>\$ 112</b>	<b>\$ 23,567</b>			<b>\$ 102,635</b>
<b>Accumulated Depreciation:</b>								
Revised Accum Deprec on Test Yr Add's per Co (Att JPL-5 / Sch 7)	\$ (873)	\$ (1,766)	\$ (2,220)	\$ (37)	\$ (792)	\$ (29)	\$ (294)	\$ (6,011)
Accumulated Depreciation Adjustments:								
Co's amended Rate Base Adj # 5: To add 1/2-yr of Accum Depr	(873)	(1,766)	(2,220)	(37)	(792)	(29)	(294)	(6,011)
Staff Adj # 15: Staff Audit Issue # 12	(246)	178	-	-	48	-	-	(20)
Staff Adj # 16: Co response to Staff 2-19	-	-	-	-	6	-	-	6
Staff Adj # 17: Staff Audit Issue # 16	-	-	-	-	-	-	(12)	(12)
Staff Adj # 18: Staff Audit Issue # 18	-	-	403	-	-	-	-	403
Staff Adj # 20: Staff Audit Issue # 15 (See Schedule 5)	-	(1,133)	-	-	-	-	-	(1,133)
Total Accumulated Depreciation Adjustments	(1,119)	(2,721)	(1,817)	(37)	(738)	(29)	(306)	(6,767)
Accumulated Depreciation on Test Year Plant Additions after Adjustments	(1,992)	(4,487)	(4,037)	(74)	(1,530)	(58)	(600)	(12,778)
Test Year Average %	x 69.23% x	x 69.23% x	x 69.23% x	x 69.23% x	x 69.23% x	x 50.00% x	x 50.00% x	x 69.23%
Test Year Average of Adjusted Accumulated Depreciation	(1,379)	(3,106)	(2,795)	(51)	(1,059)	(29)	(300)	(8,846)
Difference between Year-end Value and Test Year Average of Paradise Shores Accumulated Depreciation on Test Year Plant Additions	\$ (613)	\$ (1,381)	\$ (1,242)	\$ (23)	\$ (471)	\$ (29)	\$ (300)	\$ (3,932)
<b>Non-Revenue Producing Accumulated Depreciation Adjustment</b>	<b>\$ (613)</b>	<b>\$ (1,381)</b>	<b>\$ (1,242)</b>	<b>\$ (23)</b>	<b>\$ (471)</b>			<b>\$ (3,729)</b>



DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF WELL ASSET DEPRECIATION RATE ADJUSTMENT PER STAFF  
IN SUPPORT OF STAFF ADJUSTMENTS # 20 and # 64

**Staff Adjustment to Accumulated Depreciation:**

**2010 West Point Well (Per Pg's 19-20 of Staff Audit Report):**

Recorded Cost of Asset:	\$	8,781		
Test Year Average of Accumulated Depreciation per Staff:				
Depreciation Rate per Staff (30-year / 3.33%)		3.33%		
Annual Depreciation	\$	292		
Accumulated Depreciation: Beginning of Test Year (end of service year 4)	x	3.5	= \$	(1,023)
Accumulated Depreciation: End of Test Year (end of service year 5)	x	4.5	=	(1,316) \$ (1,170)
Less: Test Year Average of Accumulated Depreciation per Company:				
Depreciation Rate per Company (50-year / 2.00%)		2.00%		
Annual Depreciation	\$	176		
Accumulated Depreciation: Beginning of Test Year (end of service year 4)	x	3.5	= \$	(615)
Accumulated Depreciation: End of Test Year (end of service year 5)	x	4.5	=	(790) (702) \$ (467)

**2014 Paradise Shores Well (Per Pg 30 of Staff Audit Report & Audit Issue # 15):**

Revised Cost per Co (Att JPL-5 / Sch 7)	\$	143,607		
Less: Staff Adj # 4: Staff Audit Issue # 12		(7,134)		
Adjusted Cost of Well Assets	\$	136,473		
Test Year Average of Accumulated Depreciation per Staff:				
Depreciation Rate per Staff (30-year / 3.33%)		3.33%		
Annual Depreciation	\$	4,545		
13-month average reflected in test year Rate Base (9 months ÷ 13 months)	x	69.23%	=	\$ (3,146)
Less: Test Year Average of Accumulated Depreciation per Company:				
Depreciation Rate per Company (40-year / 2.50%)		2.50%		
Annual Depreciation	\$	3,412		
13-month average reflected in test year Rate Base (9 months ÷ 13 months)	x	69.23%	=	(2,362) (784)
<b>Total Adjustment to Test Year Average Accumulated Depreciation</b>				<b>\$ (1,251)</b>

**Staff Adjustment to Depreciation Expense:**

Increase in Annual Depreciation Expense - 2010 West Point Well	\$	117	
Increase in Annual Depreciation Expense - 2014 Paradise Shores Well		1,133	
<b>Total Adjustment to Annual Depreciation Expense</b>	<b>\$</b>	<b>1,250</b>	

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF VEHICLE ASSET DEPRECIATION RATE ADJUSTMENT PER STAFF  
IN SUPPORT OF STAFF ADJUSTMENTS # 21 and # 65

Staff Adjustment to Accumulated Depreciation:

2011 Vehicle Purchase (Based on Co's Vehicle Schedules included in response to Tech 1-3):

Cost of Assets:				
2011 Ford Pickup		\$	34,068	
Test Year Average of Accumulated Depreciation per Staff:				
Depreciation Rate per Staff (5-year / 20.00%)			20.00%	
Annual Depreciation		\$	6,814	
Accumulated Depreciation: Beginning of Test Year (end of service year 3)	x	2.5	= \$ (17,034)	
Accumulated Depreciation: End of Test Year (end of service year 4)	x	3.5	= (23,848)	\$ (20,441)

Less: Test Year Average of Accumulated Depreciation per Company:				
Depreciation Rate per Company (4-year / 25.00%)			25.00%	
Annual Depreciation		\$	8,517	
Accumulated Depreciation: Beginning of Test Year (end of service year 3)	x	2.5	= \$ (21,293)	
Accumulated Depreciation: End of Test Year (end of service year 4)	x	3.5	= (29,810)	(25,551) \$ 5,110

2013 Vehicle Purchases (Per Pg's 26-27 of Staff Audit Report & Audit Issue # 15):

Cost of Assets:				
2013 Ford F-250 Pickup	\$	46,918		
Cap and Accessories		5,533	\$	52,451
2013 Ford F-250 Pickup			31,536	
Total			\$	83,987
Test Year Average of Accumulated Depreciation per Staff:				
Depreciation Rate per Staff (5-year / 20.00%)			20.00%	
Annual Depreciation		\$	16,797	
Accumulated Depreciation: Beginning of Test Year (end of service year 1)	x	0.5	= \$ (8,399)	
Accumulated Depreciation: End of Test Year (end of service year 2)	x	1.5	= (25,196)	\$ (16,797)

Less: Test Year Average of Accumulated Depreciation per Company:				
Depreciation Rate per Company (4-year / 25.00%)			25.00%	
Annual Depreciation		\$	20,997	
Accumulated Depreciation: Beginning of Test Year (end of service year 1)	x	0.5	= \$ (10,498)	
Accumulated Depreciation: End of Test Year (end of service year 2)	x	1.5	= (31,495)	(20,997) 4,199

2014 Vehicle Purchase (Per Pg 33 of Staff Audit Report & Audit Issue # 15):

Cost of Assets:				
2014 Ford F-150 Pickup		\$	32,271	
Accessories			2,532	
Total			\$	34,803
Test Year Average of Accumulated Depreciation per Staff:				
Depreciation Rate per Staff (5-year / 20.00%)			20.00%	
Annual Depreciation		\$	6,961	
Test Year Average (service year 1)	x	50.00%	=	\$ (3,480)

Less: Test Year Average of Accumulated Depreciation per Company:				
Depreciation Rate per Company (4-year / 25.00%)			25.00%	
Annual Depreciation		\$	8,701	
Test Year Average (service year 1)	x	50.00%	=	(4,350) 870

Total Adjustment to Test Year Average Accumulated Depreciation - Vehicles \$ 10,180

Staff Adjustment to Depreciation Expense:

Decrease in Annual Depreciation Expense - 2011 Vehicle	\$	(1,703)
Decrease in Annual Depreciation Expense - 2013 Vehicles		(4,199)
Decrease in Annual Depreciation Expense - 2014 Vehicle		(1,740)
Total Adjustment to Annual Depreciation Expense	\$	(7,643)

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF OTHER TEST YEAR RATE BASE ITEM ADJUSTMENTS PER STAFF  
IN SUPPORT OF STAFF ADJUSTMENTS # 31, # 33, # 37, and # 39

	12/31/13	01/31/14	02/28/14	03/31/14	04/30/14	05/31/14	06/30/14	07/31/14	08/31/14	09/30/14	10/31/14	11/30/14	12/31/14	AVERAGE
<b>Prepaid Expenses:</b>														
Prepaid Expenses per Co Filing (See Att JPL-5; Sch 3)	\$ 34,859	\$ 31,465	\$ 27,699	\$ 24,213	\$ 20,447	\$ 17,091	\$ 35,814	\$ 42,138	\$ 38,372	\$ 45,249	\$ 41,833	\$ 42,339	\$ 37,245	\$ 33,751
Less: 'Prepaid Propane' per Co response to Staff 2-33	(780)	(780)	(780)	(780)	(780)	(780)	(780)	(780)	(780)	(780)	(780)	(780)	(418)	(752)
Adjusted Prepaid Expenses per Staff	34,079	30,685	26,919	23,433	19,667	16,311	35,034	41,358	37,592	44,469	41,053	41,559	36,827	32,999
Less: Prepaid Expenses per Co Filing (See Att JPL-5; Sch 3)	(34,859)	(31,465)	(27,699)	(24,213)	(20,447)	(17,091)	(35,814)	(42,138)	(38,372)	(45,249)	(41,833)	(42,339)	(37,245)	(33,751)
<b>Staff Adjustment to Prepaid Expenses</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (780)</b>	<b>\$ (418)</b>	<b>\$ (752)</b>
<b>Prepaid Property Tax Expense:</b>														
Staff Analysis of Prepaid Property Tax Expense:														
(Based on Co's Prepaid Property Tax Workpaper included in the Company's response to Staff 1-25(d))														
Prepaid Property Taxes @ 12/31/13	\$ 11,783	\$ 7,855	\$ 3,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,813
Hidden Valley Sale ( \$263 Expensed in February)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balmoral Improvement Association (\$500 Paid in April)	-	-	-	-	333	292	250	208	167	125	83	42	-	115
First Issue Billings (\$13,783 - \$263 - \$500 = \$13,020)	-	-	-	-	-	-	6,510	4,340	2,170	-	-	-	-	1,002
Prepaid Property Taxes @ 12/31/14	-	-	-	-	-	-	-	-	-	-	-	-	11,727	902
Prepaid Property Tax Expense per Staff	11,783	7,855	3,928	-	333	292	6,760	4,548	2,337	125	83	42	11,727	3,832
Less: Prepaid Property Tax Exp per Co Filing (See Att JPL-5; Sch 3)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,783)	(11,727)	(11,779)
<b>Staff Adjustment to Prepaid Property Tax Expense</b>	<b>\$ -</b>	<b>\$ (3,928)</b>	<b>\$ (7,855)</b>	<b>\$ (11,783)</b>	<b>\$ (11,450)</b>	<b>\$ (11,491)</b>	<b>\$ (5,023)</b>	<b>\$ (7,235)</b>	<b>\$ (9,446)</b>	<b>\$ (11,658)</b>	<b>\$ (11,700)</b>	<b>\$ (11,741)</b>	<b>\$ -</b>	<b>\$ (7,947)</b>
<b>Customer Deposits:</b>														
Staff Analysis of Customer Deposit Activity:														
(Based on Co's General Ledger activity in its Account # 50-220-235-0 obtained from the Commission Audit Staff)														
Less: Customer Deposits per Company Filing	\$ (1,456)	\$ (1,456)	\$ (1,456)	\$ (1,456)	\$ (1,456)	\$ (1,456)	\$ (1,706)	\$ (1,956)	\$ (1,956)	\$ (1,956)	\$ (1,956)	\$ (1,956)	\$ (1,956)	\$ (1,706)
<b>Staff Adjustment to Customer Deposits</b>	<b>\$ (1,456)</b>	<b>\$ (1,456)</b>	<b>\$ (1,456)</b>	<b>\$ (1,456)</b>	<b>\$ (1,456)</b>	<b>\$ (1,456)</b>	<b>\$ (1,706)</b>	<b>\$ (1,956)</b>	<b>\$ (1,956)</b>	<b>\$ (1,956)</b>	<b>\$ (1,956)</b>	<b>\$ (1,956)</b>	<b>\$ (1,956)</b>	<b>\$ (1,706)</b>
<b>Accumulated Deferred Income Taxes:</b>														
Staff Normalization of Accumulated Deferred Income Taxes	\$ (171,289)	\$ (172,854)	\$ (174,419)	\$ (175,984)	\$ (177,549)	\$ (179,114)	\$ (180,680)	\$ (182,245)	\$ (183,810)	\$ (185,375)	\$ (186,940)	\$ (188,505)	\$ (190,070)	\$ (180,680)
Less: Accum Deferred Income Taxes per Co Filing (See Att JPL-5; Sch 3)	171,289	171,289	171,289	171,289	171,289	171,289	171,289	171,289	171,289	171,289	171,289	171,289	190,070	172,734
<b>Staff Adjustment to Accumulated Deferred Income Taxes</b>	<b>\$ -</b>	<b>\$ (1,565)</b>	<b>\$ (3,130)</b>	<b>\$ (4,695)</b>	<b>\$ (6,260)</b>	<b>\$ (7,825)</b>	<b>\$ (9,391)</b>	<b>\$ (10,956)</b>	<b>\$ (12,521)</b>	<b>\$ (14,086)</b>	<b>\$ (15,651)</b>	<b>\$ (17,216)</b>	<b>\$ -</b>	<b>\$ (7,946)</b>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**CALCULATION OF MISCELLANEOUS DEFERRED ASSET ADJUSTMENTS PER STAFF**  
**IN SUPPORT OF STAFF ADJUSTMENTS # 34, # 35, # 36, # 67, #68, and # 69**

	<u>Initial Balance</u>	<u>Years Amortized</u>	<u>Annual Expense</u>	<u>Test Year Average</u>
<b>'No Lead Rule' Write-off</b> (See Staff Adjustment # 46):	\$ 12,959	3	\$ 4,320	\$ 10,799
<b>Paradise Shores Well Field Evaluation</b> (See Att JPL-6 / Pg's 13-14):	36,006	10	3,601	34,206
<b>General Accounting Expenses</b> (See Staff Adjustment # 50):	<u>29,200</u>	3	<u>9,733</u>	<u>24,333</u>
<b>Total Miscellaneous Deferred Assets</b>	<u><u>\$ 78,165</u></u>		<u><u>\$ 17,654</u></u>	<u><u>\$ 69,338</u></u>

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
SUMMARY

	Volume Basis			Customer Allocation Basis			POASI			Non - POASI			TOTAL		
	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance
Revenue Requirement after Tax Effect (Schedule 9b)	\$ 176,184	\$ 5,895	\$ 182,079	\$ 4,067	\$ 685	\$ 4,752	\$ (30,813)	\$ (1,782)	\$ (32,596)	\$ 2,345	\$ (452)	\$ 1,893	\$ 151,783	\$ 4,345	\$ 156,128
Total Operating Expenses (Schedule 9e)	189,173	108	189,281	94,339	(13,916)	80,423	(6,391)	(9)	(6,400)	39,641	(20,844)	18,797	316,761	(34,660)	282,101
Less: Other Operating Revenues	-		-	(10,095)		(10,095)	-		-	(9,834)		(9,834)	(19,929)	-	(19,929)
Total Revenues to be Collected via All Water Rates	<u>\$ 365,357</u>	<u>\$ 6,003</u>	<u>\$ 371,360</u>	<u>\$ 88,311</u>	<u>\$ (13,231)</u>	<u>\$ 75,080</u>	<u>\$ (37,205)</u>	<u>\$ (1,791)</u>	<u>\$ (38,996)</u>	<u>\$ 32,152</u>	<u>\$ (21,296)</u>	<u>\$ 10,856</u>	<u>\$ 448,616</u>	<u>\$ (30,315)</u>	<u>\$ 418,300</u>
Revenues Specific to POASI Special Contract	<u>\$ 365,357</u>	<u>\$ 6,003</u>	<u>\$ 371,360</u>	<u>\$ 88,311</u>	<u>\$ (13,231)</u>	<u>\$ 75,080</u>	<u>\$ (37,205)</u>	<u>\$ (1,791)</u>	<u>\$ (38,996)</u>				<u>\$ 416,464</u>	<u>\$ (9,019)</u>	<u>\$ 407,444</u>
	<u>CCF Usage</u>			<u>CCF Usage</u>			<u>Customers</u>			<u>Customers</u>					
POASI	16,090		16,090	1		1	1		1						
Paradise Shores	8,480		8,480	392		392	-		-						
Total	<u>24,570</u>		<u>24,570</u>	<u>393</u>		<u>393</u>	<u>1</u>		<u>1</u>						
Rates	<u>\$ 14.87 /ccf</u>		<u>\$ 15.11 /ccf</u>	<u>\$ 224.71 /cust</u>		<u>\$ 191.04 /cust</u>	<u>\$ (37,205) POASI only</u>		<u>\$ (38,996) POASI only</u>						
Revenues:															
POASI	\$ 239,259	\$ 3,931	\$ 243,190	\$ 225	\$ (34)	\$ 191	\$ (37,205)	\$ (1,791)	\$ (38,996)	\$ -	\$ -	\$ -	\$ 202,280	\$ 2,105	\$ 204,385
Paradise Shores	<u>126,098</u>	<u>2,072</u>	<u>128,170</u>	<u>88,086</u>	<u>(13,197)</u>	<u>74,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,152</u>	<u>(21,296)</u>	<u>10,856</u>	<u>246,336</u>	<u>(32,421)</u>	<u>213,914</u>
Total	<u>\$ 365,357</u>	<u>\$ 6,003</u>	<u>\$ 371,360</u>	<u>\$ 88,311</u>	<u>\$ (13,231)</u>	<u>\$ 75,080</u>	<u>\$ (37,205)</u>	<u>\$ (1,791)</u>	<u>\$ (38,996)</u>	<u>\$ 32,152</u>	<u>\$ (21,296)</u>	<u>\$ 10,856</u>	<u>\$ 448,616</u>	<u>\$ (30,316)</u>	<u>\$ 418,300</u>

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
REVENUE REQUIREMENT

	Volume Basis			Customer Allocation Basis			POASI			Non - POASI			TOTAL		
	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance
<b>NET PLANT IN RATE BASE:</b>															
Total Utility Plant in Service (Schedule 9c)	1,728,362	(59,839)	1,668,523	114,927	200	115,127	4,525	-	4,525	129,468	139	129,607	1,977,282	(59,500)	1,917,782
Less: Accumulated Depreciation (Schedule 9c)	<u>(297,650)</u>	<u>(5,650)</u>	<u>(303,300)</u>	<u>(79,030)</u>	<u>3,278</u>	<u>(75,752)</u>	<u>3,350</u>	<u>-</u>	<u>3,350</u>	<u>(63,462)</u>	<u>(328)</u>	<u>(63,790)</u>	<u>(436,792)</u>	<u>(2,700)</u>	<u>(439,492)</u>
Net Utility Plant in Service	1,430,712	(65,489)	1,365,223	35,897	3,478	39,375	7,875	-	7,875	66,006	(189)	65,817	1,540,490	(62,200)	1,478,290
Contributions in Aid of Construction (CIAC) (Schedule 9d)	(8,974)	-	(8,974)	-	-	-	(303,495)	-	(303,495)	(176,603)	-	(176,603)	(489,072)	-	(489,072)
Less: Accumulated Amortization - CIAC (Schedule 9d)	<u>1,164</u>	<u>-</u>	<u>1,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,610</u>	<u>-</u>	<u>43,610</u>	<u>124,779</u>	<u>-</u>	<u>124,779</u>	<u>169,553</u>	<u>-</u>	<u>169,553</u>
Net Contributions in Aid of Construction	<u>(7,810)</u>	<u>-</u>	<u>(7,810)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(259,885)</u>	<u>-</u>	<u>(259,885)</u>	<u>(51,824)</u>	<u>-</u>	<u>(51,824)</u>	<u>(319,519)</u>	<u>-</u>	<u>(319,519)</u>
<b>Net Utility Plant in Rate Base</b>	<u>1,422,902</u>	<u>(65,489)</u>	<u>1,357,413</u>	<u>35,897</u>	<u>3,478</u>	<u>39,375</u>	<u>(252,010)</u>	<u>-</u>	<u>(252,010)</u>	<u>14,182</u>	<u>(189)</u>	<u>13,993</u>	<u>1,220,971</u>	<u>(62,200)</u>	<u>1,158,771</u>
<b>WORKING CAPITAL IN RATE BASE</b> (See Schedule 9g):															
Materials and Supplies	1,118		-	-		-	-		-	-		-	1,118	-	1,118
Prepayments - Other	8,828	(99)	8,729	-		-	-		-	-		-	8,828	(99)	8,729
Prepaid Taxes	2,779		2,779	-		-	-		-	-		-	2,779	-	2,779
Miscellaneous Deferred Debits	-	39,066	39,066	-		-	-		-	-		-	-	39,066	39,066
Customer Deposits	-	(464)	(464)	-		-	-		-	-		-	-	(464)	(464)
Accumulated Deferred Income Taxes - Depreciation	<u>(39,381)</u>		<u>(39,381)</u>	<u>(2,619)</u>		<u>(2,619)</u>	<u>(103)</u>		<u>(103)</u>	<u>(2,950)</u>		<u>(2,950)</u>	<u>(45,053)</u>		<u>(45,053)</u>
Subtotal	<u>(26,656)</u>	<u>38,503</u>	<u>11,847</u>	<u>(2,619)</u>	<u>-</u>	<u>(2,619)</u>	<u>(103)</u>	<u>-</u>	<u>(103)</u>	<u>(2,950)</u>	<u>-</u>	<u>(2,950)</u>	<u>(32,328)</u>	<u>38,503</u>	<u>6,175</u>
Calculation of Cash Working Capital (See Schedule 9h):															
Operation & Maintenance Expenses	220,392	(30,377)	190,015	-	-	-	-	-	-	38,700	(21,196)	17,504	259,092	(51,573)	207,519
Cash Working Capital % (75 days ÷ 365 days)	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%
Cash Working Capital	<u>45,286</u>	<u>(6,242)</u>	<u>39,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,952</u>	<u>(4,355)</u>	<u>3,597</u>	<u>53,238</u>	<u>(10,597)</u>	<u>42,641</u>
Total Working Capital in Rate Base	<u>18,630</u>	<u>32,261</u>	<u>50,891</u>	<u>(2,619)</u>	<u>-</u>	<u>(2,619)</u>	<u>(103)</u>	<u>-</u>	<u>(103)</u>	<u>5,002</u>	<u>(4,355)</u>	<u>647</u>	<u>20,910</u>	<u>27,906</u>	<u>48,816</u>
<b>Total Rate Base</b>	<u><b>1,441,532</b></u>	<u><b>(33,228)</b></u>	<u><b>1,408,304</b></u>	<u><b>33,278</b></u>	<u><b>3,478</b></u>	<u><b>36,756</b></u>	<u><b>(252,113)</b></u>	<u><b>-</b></u>	<u><b>(252,113)</b></u>	<u><b>19,184</b></u>	<u><b>(4,544)</b></u>	<u><b>14,640</b></u>	<u><b>1,241,881</b></u>	<u><b>(34,294)</b></u>	<u><b>1,207,587</b></u>
Rate of Return (See Schedule 1)	x 10.00%	x 7.81%		x 10.00%	x 7.81%		x 10.00%	x 7.81%		x 10.00%	x 7.81%		x 10.00%	x 7.81%	
Revenue Requirement before Tax Effect	144,153	(34,196)	109,957	3,328	(458)	2,870	(25,211)	5,527	(19,684)	1,918	(775)	1,143	124,188	(29,902)	94,286
Income Tax Factor (See Schedule 1)	÷ 81.82%	÷ 60.39%		÷ 81.82%	÷ 60.39%		÷ 81.82%	÷ 60.39%		÷ 81.82%	÷ 60.39%		÷ 81.82%	÷ 60.39%	
<b>Revenue Requirement after Tax Effect</b>	<u><b>\$ 176,184</b></u>	<u><b>\$ 5,895</b></u>	<u><b>\$ 182,079</b></u>	<u><b>\$ 4,067</b></u>	<u><b>\$ 685</b></u>	<u><b>\$ 4,752</b></u>	<u><b>\$ (30,813)</b></u>	<u><b>\$ (1,782)</b></u>	<u><b>\$ (32,596)</b></u>	<u><b>\$ 2,345</b></u>	<u><b>\$ (452)</b></u>	<u><b>\$ 1,893</b></u>	<u><b>\$ 151,783</b></u>	<u><b>\$ 4,345</b></u>	<u><b>\$ 156,128</b></u>

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
UTILITY PLANT IN SERVICE

		Volume Basis			Customer Allocation Basis			POASI			Non - POASI			TOTAL		
		Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance
UTILITY PLANT IN SERVICE (See Schedule 9f):																
303.20	Land and Land Rights	109,256		109,256	-		-	-		-	-		-	109,256	-	109,256
304.20	Structures and Improvements	112,035	9,834	121,869	-		-	-		-	-		-	112,035	9,834	121,869
307.20	Wells and Springs	338,833	(51,364)	287,469	-		-	-		-	-		-	338,833	(51,364)	287,469
311.20	Pumping Equipment	99,907	(6,848)	93,059	-		-	-		-	-		-	99,907	(6,848)	93,059
339.21	Other Miscellaneous Equipment (Division)	805		805	-		-	-		-	-		-	805	-	805
339.22	Other Miscellaneous Equipment (Common)	370		370	-		-	-		-	-		-	370	-	370
339.30	Other Miscellaneous Equipment (Treatment)	465		465	-		-	-		-	-		-	465	-	465
330.40	Distribution Reservoirs and Standpipes	413,194		413,194	-		-	-		-	-		-	413,194	-	413,194
331.40	Transmission and Distribution Mains	609,090	(11,461)	597,629	-		-	-		-	-		-	609,090	(11,461)	597,629
333.40	Services	-		-	-		-	-		-	-		-	40,590		40,590
334.40	Meters and Meter Installation	-		-	-		-	4,525		4,525	-	139	40,590	88,878		93,403
335.40	Hydrants	9,235		9,235	-		-	-		-	-		-	9,235	-	9,235
339.41	Other Miscellaneous Equipment (Division)	896		896	-		-	-		-	-		-	896	-	896
339.42	Other Miscellaneous Equipment (Common)	4,227		4,227	-		-	-		-	-		-	4,227	-	4,227
303.50	Land and Land Rights	-		-	4,741		4,741	-		-	-		-	4,741	-	4,741
304.50	Structures and Improvements	-		-	27,292		27,292	-		-	-		-	27,292	-	27,292
340.50	Office Furniture and Equipment	-		-	2,389		2,389	-		-	-		-	2,389	-	2,389
341.51	Transportation Equipment - Construction	30,049		30,049	-		-	-		-	-		-	30,049	-	30,049
341.52	Transportation Equipment - Pickups	-		-	39,978	200	40,178	-		-	-		-	39,978	200	40,178
343.50	Tools, Shop, and Garage Equipment	-		-	21,605		21,605	-		-	-		-	21,605	-	21,605
344.50	Laboratory Equipment	-		-	553		553	-		-	-		-	553	-	553
346.00	Communication Equipment	-		-	-		-	-		-	-		-	-	-	-
347.50	Miscellaneous Equipment	-		-	18,365		18,365	-		-	-		-	18,365	-	18,365
348.50	Other Tangible Plant (Rounding)	-		-	4		4	-		-	-		-	4	-	4
	Total Utility Plant in Service	\$ 1,728,362	\$ (59,839)	\$ 1,668,523	\$ 114,927	\$ 200	\$ 115,127	\$ 4,525	\$ -	\$ 4,525	\$ 129,468	\$ 139	\$ 129,607	\$ 1,977,282	\$ (59,500)	\$ 1,917,782
ACCUMULATED DEPRECIATION (See Schedule 9f):																
303.20	Land and Land Rights	-		-	-		-	-		-	-		-	-	-	-
304.20	Structures and Improvements	(16,838)	(1,119)	(17,957)	-		-	-		-	-		-	(16,838)	(1,119)	(17,957)
307.20	Wells and Springs	(43,092)	(2,168)	(45,260)	-		-	-		-	-		-	(43,092)	(2,168)	(45,260)
311.20	Pumping Equipment	(39,380)	(1,676)	(41,056)	-		-	-		-	-		-	(39,380)	(1,676)	(41,056)
339.21	Other Miscellaneous Equipment (Division)	(244)	(37)	(281)	-		-	-		-	-		-	(244)	(37)	(281)
339.22	Other Miscellaneous Equipment (Common)	(344)		(344)	-		-	-		-	-		-	(344)	-	(344)
339.30	Other Miscellaneous Equipment (Treatment)	2,053		2,053	-		-	-		-	-		-	2,053	-	2,053
330.40	Distribution Reservoirs and Standpipes	(38,348)		(38,348)	-		-	-		-	-		-	(38,348)	-	(38,348)
331.40	Transmission and Distribution Mains	(145,187)	(650)	(145,837)	-		-	-		-	-		-	(145,187)	(650)	(145,837)
333.40	Services	-		-	-		-	-		-	(20,101)	(29)	(20,130)	(20,101)	(29)	(20,130)
334.40	Meters and Meter Installation	-		-	-		-	3,350		3,350	(43,361)	(299)	(43,660)	(40,011)	(299)	(40,310)
335.40	Hydrants	(1,054)		(1,054)	-		-	-		-	-		-	(1,054)	-	(1,054)
339.41	Other Miscellaneous Equipment (Division)	(415)		(415)	-		-	-		-	-		-	(415)	-	(415)
339.42	Other Miscellaneous Equipment (Common)	(2,739)		(2,739)	-		-	-		-	-		-	(2,739)	-	(2,739)
303.50	Land and Land Rights	-		-	-		-	-		-	-		-	-	-	-
304.50	Structures and Improvements	-		-	(9,593)		(9,593)	-		-	-		-	(9,593)	-	(9,593)
340.50	Office Furniture and Equipment	-		-	(1,817)		(1,817)	-		-	-		-	(1,817)	-	(1,817)
341.51	Transportation Equipment - Construction	(12,062)		(12,062)	-		-	-		-	-		-	(12,062)	-	(12,062)
341.52	Transportation Equipment - Pickups	-		-	(34,549)		(34,549)	-		-	-		-	(34,549)	-	(34,549)
343.50	Tools, Shop, and Garage Equipment	-		-	(20,680)	3,278	(17,402)	-		-	-		-	(20,680)	3,278	(17,402)
344.50	Laboratory Equipment	-		-	(553)		(553)	-		-	-		-	(553)	-	(553)
346.00	Communication Equipment	-		-	9		9	-		-	-		-	9	-	9
347.50	Miscellaneous Equipment	-		-	(11,849)		(11,849)	-		-	-		-	(11,849)	-	(11,849)
348.50	Other Tangible Plant (Rounding)	-		-	2		2	-		-	-		-	2	-	2
	Total Accumulated Depreciation	\$ (297,650)	\$ (5,650)	\$ (303,300)	\$ (79,030)	\$ 3,278	\$ (75,752)	\$ 3,350	\$ -	\$ 3,350	\$ (63,462)	\$ (328)	\$ (63,790)	\$ (436,792)	\$ (2,700)	\$ (439,492)
DEPRECIATION EXPENSE (See Schedule 9f):																
303.20	Land and Land Rights	-		-	-		-	-		-	-		-	-	-	-
304.20	Structures and Improvements	1,733	1,119	2,852	-		-	-		-	-		-	1,733	1,119	2,852
307.20	Wells and Springs	5,338	2,168	7,506	-		-	-		-	-		-	5,338	2,168	7,506
311.20	Pumping Equipment	4,537	1,676	6,213	-		-	-		-	-		-	4,537	1,676	6,213
339.21	Other Miscellaneous Equipment (Division)	45	37	82	-		-	-		-	-		-	45	37	82
339.22	Other Miscellaneous Equipment (Common)	-		-	-		-	-		-	-		-	-	-	-
339.30	Other Miscellaneous Equipment (Treatment)	23		23	-		-	-		-	-		-	23	-	23
330.40	Distribution Reservoirs and Standpipes	9,157		9,157	-		-	-		-	-		-	9,157	-	9,157
331.40	Transmission and Distribution Mains	11,301	650	11,951	-		-	-		-	-		-	11,301	650	11,951
333.40	Services	-		-	-		-	-		-	836	29	865	836	29	865
334.40	Meters and Meter Installation	-		-	-		-	226		226	3,198	301	3,499	3,424	301	3,725
335.40	Hydrants	185		185	-		-	-		-	-		-	185	-	185
339.41	Other Miscellaneous Equipment (Division)	10		10	-		-	-		-	-		-	10	-	10
339.42	Other Miscellaneous Equipment (Common)	221		221	-		-	-		-	-		-	221	-	221
303.50	Land and Land Rights	-		-	-		-	-		-	-		-	-	-	-
304.50	Structures and Improvements	-		-	546		546	-		-	-		-	546	-	546
340.50	Office Furniture and Equipment	-		-	5		5	-		-	-		-	5	-	5
341.51	Transportation Equipment - Construction	2,865		2,865	-		-	-		-	-		-	2,865	-	2,865
341.52	Transportation Equipment - Pickups	-		-	8,037	(1,771)	6,266	-		-	-		-	8,037	(1,771)	6,266
343.50	Tools, Shop, and Garage Equipment	-		-	617		617	-		-	-		-	617	-	617

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
UTILITY PLANT IN SERVICE

		Volume Basis			Customer Allocation Basis			POASI			Non - POASI			TOTAL		
		Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance
344.50	Laboratory Equipment	-		-	-		-	-		-	-		-	-		-
346.00	Communication Equipment	-		-	-		-	-		-	-		-	-		-
347.50	Miscellaneous Equipment	-		-	2,170		2,170	-		-	-		-	2,170		2,170
348.50	Other Tangible Plant (Rounding)	-		-	-		-	-		-	-		-	-		-
Total Depreciation Expense		<u>\$ 35,415</u>	<u>\$ 5,650</u>	<u>\$ 41,065</u>	<u>\$ 11,375</u>	<u>\$ (1,771)</u>	<u>\$ 9,604</u>	<u>\$ 226</u>	<u>\$ -</u>	<u>\$ 226</u>	<u>\$ 4,034</u>	<u>\$ 330</u>	<u>\$ 4,364</u>	<u>\$ 51,050</u>	<u>\$ 4,209</u>	<u>\$ 55,259</u>



DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

		Volume Basis			Customer Allocation Basis			POASI			Non - POASI			TOTAL		
		Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION:</b>																
303.20	Land and Land Rights	-		-	-		-	-		-	-		-	-		-
304.20	Structures and Improvements	-		-	-		-	-		-	-		-	-		-
307.20	Wells and Springs	-		-	-		-	-		-	-		-	-		-
311.20	Pumping Equipment	-		-	-		-	-		-	-		-	-		-
339.21	Other Miscellaneous Equipment (Division)	-		-	-		-	-		-	-		-	-		-
339.22	Other Miscellaneous Equipment (Common)	-		-	-		-	-		-	-		-	-		-
339.30	Other Miscellaneous Equipment (Treatment)	-		-	-		-	-		-	-		-	-		-
330.40	Distribution Reservoirs and Standpipes	-		-	-		-	(210,000)		(210,000)	-		-	(210,000)		(210,000)
331.40	Transmission and Distribution Mains	-		-	-		-	(90,000)		(90,000)	(158,566)		(158,566)	(248,566)		(248,566)
333.40	Services	-		-	-		-	-		-	(18,037)		(18,037)	(18,037)		(18,037)
334.40	Meters and Meter Installation	-		-	-		-	(3,495)		(3,495)	-		-	(3,495)		(3,495)
335.40	Hydrants	(8,974)		(8,974)	-		-	-		-	-		-	(8,974)		(8,974)
339.41	Other Miscellaneous Equipment (Division)	-		-	-		-	-		-	-		-	-		-
339.42	Other Miscellaneous Equipment (Common)	-		-	-		-	-		-	-		-	-		-
303.50	Land and Land Rights	-		-	-		-	-		-	-		-	-		-
304.50	Structures and Improvements	-		-	-		-	-		-	-		-	-		-
340.50	Office Furniture and Equipment	-		-	-		-	-		-	-		-	-		-
341.51	Transportation Equipment - Construction	-		-	-		-	-		-	-		-	-		-
341.52	Transportation Equipment - Pickups	-		-	-		-	-		-	-		-	-		-
343.50	Tools, Shop, and Garage Equipment	-		-	-		-	-		-	-		-	-		-
344.50	Laboratory Equipment	-		-	-		-	-		-	-		-	-		-
346.00	Communication Equipment	-		-	-		-	-		-	-		-	-		-
347.50	Miscellaneous Equipment	-		-	-		-	-		-	-		-	-		-
348.50	Other Tangible Plant (Rounding)	-		-	-		-	-		-	-		-	-		-
Total Contributions in Aid of Construction		<u>\$ (8,974)</u>	<u>\$ -</u>	<u>\$ (8,974)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (303,495)</u>	<u>\$ -</u>	<u>\$ (303,495)</u>	<u>\$ (176,603)</u>	<u>\$ -</u>	<u>\$ (176,603)</u>	<u>\$ (489,072)</u>	<u>\$ -</u>	<u>\$ (489,072)</u>
<b>ACCUMULATED AMORTIZATION - CIAC:</b>																
303.20	Land and Land Rights	-		-	-		-	-		-	-		-	-		-
304.20	Structures and Improvements	-		-	-		-	-		-	-		-	-		-
307.20	Wells and Springs	-		-	-		-	-		-	-		-	-		-
311.20	Pumping Equipment	-		-	-		-	-		-	-		-	-		-
339.21	Other Miscellaneous Equipment (Division)	-		-	-		-	-		-	-		-	-		-
339.22	Other Miscellaneous Equipment (Common)	-		-	-		-	-		-	-		-	-		-
339.30	Other Miscellaneous Equipment (Treatment)	-		-	-		-	-		-	-		-	-		-
330.40	Distribution Reservoirs and Standpipes	-		-	-		-	30,335		30,335	-		-	30,335		30,335
331.40	Transmission and Distribution Mains	-		-	-		-	11,700		11,700	108,306		108,306	120,006		120,006
333.40	Services	-		-	-		-	-		-	16,473		16,473	16,473		16,473
334.40	Meters and Meter Installation	-		-	-		-	1,575		1,575	-		-	1,575		1,575
335.40	Hydrants	1,164		1,164	-		-	-		-	-		-	1,164		1,164
339.41	Other Miscellaneous Equipment (Division)	-		-	-		-	-		-	-		-	-		-
339.42	Other Miscellaneous Equipment (Common)	-		-	-		-	-		-	-		-	-		-
303.50	Land and Land Rights	-		-	-		-	-		-	-		-	-		-
304.50	Structures and Improvements	-		-	-		-	-		-	-		-	-		-
340.50	Office Furniture and Equipment	-		-	-		-	-		-	-		-	-		-
341.51	Transportation Equipment - Construction	-		-	-		-	-		-	-		-	-		-
341.52	Transportation Equipment - Pickups	-		-	-		-	-		-	-		-	-		-
343.50	Tools, Shop, and Garage Equipment	-		-	-		-	-		-	-		-	-		-
344.50	Laboratory Equipment	-		-	-		-	-		-	-		-	-		-
346.00	Communication Equipment	-		-	-		-	-		-	-		-	-		-
347.50	Miscellaneous Equipment	-		-	-		-	-		-	-		-	-		-
348.50	Other Tangible Plant (Rounding)	-		-	-		-	-		-	-		-	-		-
Total Accumulated Amortization - CIAC		<u>\$ 1,164</u>	<u>\$ -</u>	<u>\$ 1,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,610</u>	<u>\$ -</u>	<u>\$ 43,610</u>	<u>\$ 124,779</u>	<u>\$ -</u>	<u>\$ 124,779</u>	<u>\$ 169,553</u>	<u>\$ -</u>	<u>\$ 169,553</u>
<b>AMORTIZATION OF CIAC:</b>																
303.20	Land and Land Rights	-		-	-		-	-		-	-		-	-		-
304.20	Structures and Improvements	-		-	-		-	-		-	-		-	-		-
307.20	Wells and Springs	-		-	-		-	-		-	-		-	-		-
311.20	Pumping Equipment	-		-	-		-	-		-	-		-	-		-
339.21	Other Miscellaneous Equipment (Division)	-		-	-		-	-		-	-		-	-		-
339.22	Other Miscellaneous Equipment (Common)	-		-	-		-	-		-	-		-	-		-
339.30	Other Miscellaneous Equipment (Treatment)	-		-	-		-	-		-	-		-	-		-
330.40	Distribution Reservoirs and Standpipes	-		-	-		-	(4,667)		(4,667)	-		-	(4,667)		(4,667)
331.40	Transmission and Distribution Mains	-		-	-		-	(1,800)		(1,800)	(3,183)		(3,183)	(4,983)		(4,983)
333.40	Services	-		-	-		-	-		-	(601)		(601)	(601)		(601)
334.40	Meters and Meter Installation	-		-	-		-	(175)		(175)	-		-	(175)		(175)
335.40	Hydrants	(179)		(179)	-		-	-		-	-		-	(179)		(179)
339.41	Other Miscellaneous Equipment (Division)	-		-	-		-	-		-	-		-	-		-
339.42	Other Miscellaneous Equipment (Common)	-		-	-		-	-		-	-		-	-		-
303.50	Land and Land Rights	-		-	-		-	-		-	-		-	-		-
304.50	Structures and Improvements	-		-	-		-	-		-	-		-	-		-
340.50	Office Furniture and Equipment	-		-	-		-	-		-	-		-	-		-
341.51	Transportation Equipment - Construction	-		-	-		-	-		-	-		-	-		-
341.52	Transportation Equipment - Pickups	-		-	-		-	-		-	-		-	-		-
343.50	Tools, Shop, and Garage Equipment	-		-	-		-	-		-	-		-	-		-

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

		Volume Basis			Customer Allocation Basis			POASI			Non - POASI			TOTAL		
		Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance	Balance @ 12/31/14	Adjustments	Adjusted Balance
344.50	Laboratory Equipment	-		-	-		-	-		-	-		-	-		-
346.00	Communication Equipment	-		-	-		-	-		-	-		-	-		-
347.50	Miscellaneous Equipment	-		-	-		-	-		-	-		-	-		-
348.50	Other Tangible Plant (Rounding)	-		-	-		-	-		-	-		-	-		-
Total Amortization of CIAC		<u>\$ (179)</u>	<u>\$ -</u>	<u>\$ (179)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,642)</u>	<u>\$ -</u>	<u>\$ (6,642)</u>	<u>\$ (3,784)</u>	<u>\$ -</u>	<u>\$ (3,784)</u>	<u>\$ (10,605)</u>	<u>\$ -</u>	<u>\$ (10,605)</u>



**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
UTILITY PLANT ADJUSTMENTS**

	<u>304.20 Structures</u>	<u>307.20 Wells</u>	<u>311.20 Pumps</u>	<u>331.4 Mains</u>	<u>333.4 Services</u>	<u>334.4 Meters</u>	<u>339.2 Misc Equip</u>	<u>341.52 Vehicle - PU</u>	<u>Total</u>
<b>Utility Plant in Service:</b>									
Co's revisions to remove AFUDC from 2014 Mt. Roberts equipment additions (See Att JPL-5 / Sch 7)		\$ (44,230)	\$ (2,818)	\$ (8,772)					\$ (55,820)
Staff Adj # 4: To adjust 2014 Paradise Shores additions per Audit Issue # 12	9,834	(7,134)		(2,389)					311
Staff Adj # 5: To reduce 2014 Paradise Shores mains per Co response to Staff 2-19				(300)					(300)
Staff Adj # 6: To adjust 2013 & 2014 Paradise Shores meter additions per Audit Issue # 16						139			139
Staff Adj # 7: To remove cost of duplicate pump entry per Audit Issue # 18			(4,030)						(4,030)
Staff Adj # 9: To record cost of truck tire rims per Audit Issue # 25 (\$844 x 23.70%)								200	200
<b>Total Adjustments - Utility Plant in Service</b>	<u>\$ 9,834</u>	<u>\$ (51,364)</u>	<u>\$ (6,848)</u>	<u>\$ (11,461)</u>	<u>\$ -</u>	<u>\$ 139</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ (59,500)</u>

**Accumulated Depreciation:**

Co's revisions to remove Accumulated Depreciation on 2014 Mt Roberts AFUDC (See Att JPL-5 / Sch 7)		\$ 553	\$ 141	\$ 88					\$ 782
Co's amended Rate Base Adj # 5: To record additional 1/2 year of depr on '14 additions (Att JPL-5 / Sch 3A)	(873)	(1,766)	(2,220)	(792)	(29)	(294)	(37)		(6,011)
Staff Adj # 15: Adjustment relative to 2014 Paradise Shores additions per Audit Issue # 12	(246)	178		48					(20)
Staff Adj # 16: Adjustment relative to 2014 Paradise Shores mains per response to Staff 2-19				6					6
Staff Adj # 17: Adjustment relative to 2013-14 Paradise Shores meters per Audit Issue # 16						(5)			(5)
Staff Adj # 18: Adjustment relative to duplicate Paradise Shores pump entry per Audit Issue # 18			403						403
Staff Adj # 20: Adjustment relative to change in service life of 2014 Paradise Shores well addition		(1,133)							(1,133)
Staff Adj # 21: Adjustment relative to change in service life of Pickup Trucks (\$14,001 x 23.70%)								3,318	3,318
Staff Adj # 22: Adjustment relative to reclass of truck tire rims per Audit Issue # 25 (\$169 x 23.70%)								(40)	(40)
<b>Total Adjustments - Accumulated Depreciation</b>	<u>\$ (1,119)</u>	<u>\$ (2,168)</u>	<u>\$ (1,676)</u>	<u>\$ (650)</u>	<u>\$ (29)</u>	<u>\$ (299)</u>	<u>\$ (37)</u>	<u>\$ 3,278</u>	<u>\$ (2,700)</u>

**Depreciation Expense:**

Co's Depr Exp Adj # 10A: To remove depr exp on AFUDC recorded during the test year (Att JPL-5 / Sch 1B)		\$ (553)	\$ (141)	\$ (88)					\$ (782)
Co's amended Depr Exp Adj # 11: To record additional 1/2 year of depr on '14 additions (Att JPL-5 / Sch 1B)	873	1,766	2,220	792	29	294	37		6,011
Staff Adj # 59: Adjustment relative to 2014 Paradise Shores additions per Audit Issue # 12	246	(178)		(48)					20
Staff Adj # 60: Adjustment relative to 2014 Paradise Shores mains per response to Staff 2-19				(6)					(6)
Staff Adj # 61: Adjustment relative to 2013-14 Paradise Shores meter additions per Audit Issue # 16						7			7
Staff Adj # 62: Adjustment relative to duplicate Paradise Shores pump entry per Audit Issue # 18			(403)						(403)
Staff Adj # 64: Adjustment relative to change in service life of 2014 Paradise Shores well additions		1,133							1,133

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
UTILITY PLANT ADJUSTMENTS

	304.20 Structures	307.20 Wells	311.20 Pumps	331.4 Mains	333.4 Services	334.4 Meters	339.2 Misc Equip	341.52 Vehicle - PU	Total
Staff Adj # 65: Adjustment relative to change in service life of Pickup Trucks $(\$7,643 \times 23.70\%)$								(1,811)	(1,811)
Staff Adj # 66: Adjustment relative to reclass of truck tire rims per Audit Issue # 25 $(\$169 \times 23.70\%)$								40	40
<b>Total Adjustments - Depreciation Expense</b>	<u>\$ 1,119</u>	<u>\$ 2,168</u>	<u>\$ 1,676</u>	<u>\$ 650</u>	<u>\$ 29</u>	<u>\$ 301</u>	<u>\$ 37</u>	<u>\$ (1,771)</u>	<u>\$ 4,209</u>

**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
WORKING CAPITAL RATE BASE ADJUSTMENTS**

	<b>162.00 Prepays</b>	<b>186.00 Deferred</b>	<b>235.00 Deposits</b>	<b>Total</b>
<b>Working Capital Rate Base Adjustments:</b>				
Staff Adj # 31: To reduce ppd exp's by ppd propane per Audit Issue # 3 (-\$418 x 23.70%)	\$ (99)			\$ (99)
Staff Adj # 34: To record 'no-lead rule' deferred asset per Audit Issue # 25 (\$8,639 x 23.70%)		2,047		2,047
Staff Adj # 35: Paradise Shores well field evaluation reclassified from CWIP		32,405		32,405
Staff Adj # 36: Gen'l accounting exp's reclassified as a deferred asset (\$19,467 x 23.70%)		4,614		4,614
Staff Adj # 37: To record customer deposits (-\$1,956 x 23.70%)			(464)	(464)
<b>Total Adjustments - Working Capital Rate Base</b>	<b>\$ (99)</b>	<b>\$ 39,066</b>	<b>\$ (464)</b>	<b>\$ 38,503</b>

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
OPERATION & MAINTENANCE EXPENSE ADJUSTMENTS

Operation & Maintenance Expenses:	Administrative & General																	
	Supply	Pumping	Treatment	T&D	Accounts	Sal - Supt	Sal - Field	Sal - Off (0.5)	Sal - Off (2.5)	Prof Svc's	Svc's - Disc	Insurance	Group Ins	Pension	Rate Case	Reg Comm	Office	Total
Co's O&M Adj # 1: To adj test year hours to reflect full year (\$22,274 x (\$34,953 ÷ \$147,230))	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,288								\$ 5,288
Co's O&M Adj # 2: To reflect 4% wage increase <b>(h)</b>	133	-	25	637	323	623	397	195	1,415									3,747
Co's O&M Adj # 3: To record pension plan for Co employees (\$16,000 x 23.70%)														3,792				3,792
Co's O&M Adj # 4: To adjust water test expense to 3 year average (\$3,272 x (\$897 ÷ \$11,908))			246															246
Co's O&M Adj # 5: To adjust bad debts expense to 3 year average (-\$9,076 x (\$5,378 ÷ \$18,076))					(2,700)													(2,700)
Co's O&M Adj # 6: To eliminate accounting vendor discount <b>(i)</b>											9,286							9,286
Co's O&M Adj # 7: To adjust general law expense to 3 year average (-\$13,317 x (\$6,889 ÷ \$29,017))										(3,162)								(3,162)
Co's O&M Adj # 8: To eliminate rate case expenses recovered during the test year <b>(j)</b>															(18,308)			(18,308)
Co's O&M Adj # 9: To record amortization of DW 07-105 costs (\$9,980 x 23.70%)																2,365		2,365
Co's O&M Adj # 10: To eliminate non-recurring office expenses (-\$4,956 x (\$10,915 ÷ \$44,828))																	(1,207)	(1,207)
Staff Adj # 42: Source of supply exp's reclassified from O&M Exp to fixed plant per Audit Issue # 17	(15,000)																	(15,000)
Staff Adj # 43: Adjustment for duplicate Pump cost per Audit Issue # 18		4,030																4,030
Staff Adj # 45: To reclass tire rim exp's to rate base per Audit Issue # 25 (-\$844 x (\$4,519 ÷ \$19,034))				(200)														(200)
Staff Adj # 46: To reclass 'no lead rule' exp's to rate base per Audit Issue # 25 (-\$12,959 x (\$10,092 ÷ \$37,343))				(3,502)														(3,502)
Staff Adj # 47: Removal of post-test year wages per Audit Issue # 33 <b>(k)</b>	(14)	-	(3)	(68)	(34)	(66)	(42)	(21)	(128)									(376)
Staff Adj # 48: To reduce Co's O&M Adj # 6 to reflect actual discount (-\$2,592 x (\$9,286 ÷ \$39,178))											(614)							(614)
Staff Adj # 49: To reverse Co's O&M Adj # 9																(2,365)		(2,365)
Staff Adj # 50: To reclassify test year general accounting expenses (-\$31,184 x (\$10,257 ÷ \$43,206))										(7,403)								(7,403)
Staff Adj # 51: To adj Co's O&M Adj # 7 relative to general legal exp's (-\$7,384 x (\$6,889 ÷ \$29,017))										(1,753)								(1,753)
Staff Adj # 52: To reduce computer support expense (-\$1,776 x (\$3,052 ÷ \$12,855))										(422)								(422)
Staff Adj # 53: To reduce ins exp (-\$21,000 x (\$10,729 ÷ \$55,594)) / (-\$7,600 x (\$13,511 ÷ \$56,852))												(4,053)	(1,806)					(5,859)
Staff Adj # 54: Prior year medical reimbursement per Audit Issue # 27 (-\$285 x (\$13,511 ÷ \$56,852))													(68)					(68)
Staff Adj # 55: To reverse Co's O&M Adj # 3 relative to pension plan														(3,792)				(3,792)
Staff Adj # 56: To reduce comm exp by prior rate case exp write-off (-\$16,943 x (\$15,195 ÷ \$20,985))																(12,268)		(12,268)
Staff Adj # 57: Non-recurring office exp's per Audit Issue # 25 (-\$5,454 x (\$10,915 ÷ \$44,828))																	(1,328)	(1,328)
<b>Total Adjustments - Operation &amp; Maintenance Expenses</b>	<b>\$ (14,882)</b>	<b>\$ 4,030</b>	<b>\$ 268</b>	<b>\$ (3,133)</b>	<b>\$ (2,411)</b>	<b>\$ 557</b>	<b>\$ 355</b>	<b>\$ 174</b>	<b>\$ 6,575</b>	<b>\$ (12,740)</b>	<b>\$ 8,672</b>	<b>\$ (4,053)</b>	<b>\$ (1,874)</b>	<b>\$ -</b>	<b>\$ (18,308)</b>	<b>\$ (12,268)</b>	<b>\$ (2,535)</b>	<b>\$ (51,573)</b>

Total Adjustments - Operation & Maintenance Expenses

\$ (14,882)	\$ 4,030	\$ 268	\$ (3,133)	\$ (2,411)	\$ 557	\$ 355	\$ 174	\$ 6,575	\$ (12,740)	\$ 8,672	\$ (4,053)	\$ (1,874)	\$ -	\$ (18,308)	\$ (12,268)	\$ (2,535)	\$ (51,573)
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(h) Calculation of 4% Wage Increase:

Paradise Shores Test Year Salaries  
Adjustment for Test Year Hours  
Total Proforma Salaries  
Proforma Wage Increase %  
Proforma Salary Increase

Supply	Pumping	Treatment	T&D	Accounts	Sal - Supt	Sal - Field	Sal - Off (0.5)	Sal - Off (2.5)	Total
\$ 3,315	\$ -	\$ 625	\$ 15,919	\$ 8,086	\$ 15,569	\$ 9,923	\$ 4,872	\$ 30,082	\$ 88,391
-	-	-	-	-	-	-	-	5,288	5,288
3,315	-	625	15,919	8,086	15,569	9,923	4,872	35,370	93,679
x 4.00% x	4.00% x	4.00% x	4.00% x	4.00% x	4.00% x	4.00% x	4.00% x	4.00% x	4.00%
\$ 133	\$ -	\$ 25	\$ 637	\$ 323	\$ 623	\$ 397	\$ 195	\$ 1,415	\$ 3,747

(i) 2015 Appendix A; Pg 2 / 4; Line 114.5; Items Includable Cust # Basis

(j) 2015 Appendix A; Pg 2 / 4; Line 103; Items Non-POASI Only

(k) Calculation of Reduction of Post-test Year Wages per Audit Issue # 33:

LRWC Test Year Salaries  
% of LRWC Total Salaries  
Total Test Year Wage Adjustment per Staff Adj # 47

Supply	Pumping	Treatment	T&D	Accounts	Sal - Supt	Sal - Field	Sal - Off (0.5)	Sal - Off (2.5)	Total
\$ 22,646	\$ -	\$ 6,214	\$ 50,489	\$ 25,919	\$ 65,583	\$ 41,379	\$ 20,522	\$ 126,708	\$ 359,460
6.30%	0.00%	1.73%	14.05%	7.21%	18.24%	11.51%	5.71%	35.25%	100.00%
\$ (96)	\$ -	\$ (26)	\$ (215)	\$ (110)	\$ (279)	\$ (176)	\$ (87)	\$ (539)	\$ (1,529)

Paradise Shores Test Year Salaries  
Paradise Shores Test Year Salaries as % of LRWC Test Year Salaries  
Paradise Shores Portion of Test Year Wage Adjustment per Staff Adj # 47

\$ 3,315	\$ -	\$ 625	\$ 15,919	\$ 8,086	\$ 15,569	\$ 9,923	\$ 4,872	\$ 30,082	\$ 88,391
14.64%	N/A	10.06%	31.53%	31.20%	23.74%	23.98%	23.74%	23.74%	24.59%
\$ (14)	\$ -	\$ (3)	\$ (68)	\$ (34)	\$ (66)	\$ (42)	\$ (21)	\$ (128)	\$ (376)

**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
AMORTIZATION EXPENSE ADJUSTMENTS**

	<b><u>Annual Amortization</u></b>
<b>Amortization Expense:</b>	
Staff Adj # 67: Annual amortization of 'No Lead Rule' costs (\$4,320 x 23.70%)	\$ 1,024
Staff Adj # 68: Annual amortization of Paradise Shores well evaluation costs	3,601
Staff Adj # 69: Annual amortization of deferred asset related to accounting costs (\$9,733 x 23.70%)	<u>2,307</u>
<b>Total Adjustments - Amortization Expense</b>	<b><u><u>\$ 6,932</u></u></b>



**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 40  
OTHER TAX ADJUSTMENTS**

	<u>Property Tax</u>	<u>Payroll Tax</u>	<u>Total</u>
<b>Other Tax Expense:</b>			
Co's amended Tax Adj # 14: To adj State RE Tx for '14 Additions (Att JPL-5 / Sch 1B) (\$2,900 x 23.70%)	\$ 687		\$ 687
Co's amended Tax Adj # 16: To adj Municipal RE Tax for '14 Additions (Att JPL-5 / Sch 1B) (\$351,156 x \$0.00633)	2,223		2,223
Co's Tax Adj # 18: To adj PR tax relative to Co Adj # 1 (\$5,288 x 7.65%)		405	405
Co's Tax Adj # 19: To adj PR tax relative to Co Adj # 2 (\$3,747 x 7.65%)		287	287
Staff Adj # 70: To adjust PR Tax relative to Staff Adj # 48 (-\$376 x 7.65%)		(29)	(29)
Staff Adj # 73: To adjust test year RE Tax expense (I)	<u>2,198</u>		<u>2,198</u>
<b>Total Adjustments - Other Tax Expense</b>	<u><u>\$ 5,108</u></u>	<u><u>\$ 663</u></u>	<u><u>\$ 5,771</u></u>
<b>(I) Calculation of Paradise Shores portion of Staff Adj # 73 (See Schedule 12):</b>			
2015 Direct RE Taxes - Paradise Shores	\$ 10,600		
Less: Co's revision to remove AFUDC from rate base - Paradise Shores (-\$55,038 x 87.40% x \$0.00647)	(311)		
Less: Staff Rate Base Adj's - Paradise Shores (-\$40,635 x 87.40% x \$0.00647)	<u>(230)</u>		
Adjusted Direct RE Taxes - Paradise Shores	10,059		
Less: 2014 Direct RE Taxes - Paradise Shores (Co Response to Staff 1-25)	<u>(4,874)</u>	\$ 5,185	
2015 State RE Tax - All Divisions	19,693		
Less: Co's amendment to remove AFUDC from rate base - Paradise Shores (-\$55,038 x 87.40% x \$0.0066)	(317)		
Less: Staff Rate Base Adj's (-\$38,655 x 87.40% x \$0.0066)	<u>(223)</u>		
Adjusted State RE Tax - All Divisions	19,153		
Add: 2015 Municipal RE Tax - Administrative	<u>781</u>		
Total 2015 Indirect RE Taxes - All Divisions	19,934		
Paradise Shores Allocation %	x 23.70%		
Total 2015 Indirect RE Taxes - Paradise Shores	4,724		
Less: 2014 Indirect RE Taxes - Paradise Shores (Co Response to Staff 1-25)	<u>(4,801)</u>	<u>(77)</u>	
Net 2015 Incremental RE Taxes - Paradise Shores		5,108	
Less: Co's amended Tax Adj's # 14 & 16 - Paradise Shores		<u>(2,910)</u>	<u><u>\$ 2,198</u></u>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF GENERAL ACCOUNTING EXPENSE ADJUSTMENT**  
**IN SUPPORT OF STAFF ADJUSTMENT # 50**

(Based on Analysis of Co's Responses to Staff 1-17(a) and Tech 1-5(a) re: Accounting Services - Norman E. Roberge)

<b>Invoice #</b>	<b>Invoice Date</b>	<b>Dates of Service</b>	<b>Description</b>	<b>General</b>	<b>Deferred Asset</b>	<b>Total</b>
2014-01	03/14/14	01/01/14 - 01/31/14	Provide training to the new manager; Provide assistance in developing rate case exhibits; Provided oversight and assistance in the preparation of the NHPUC Annual Report;	\$ 6,920.00		\$ 6,920.00
2014-02	03/15/14	02/01/14 - 02/28/14	Assisted in annual closing of the books (NDS); Orchestrated and assisted in the completion of the annual POASI calculation; Assisted in reconciliation of the POASI Y/E	3,680.00		3,680.00
2014-03	04/07/14	03/01/14 - 03/31/14	Accounts Receivable; Assisted in the preparation of Department of Revenue Administration Form PA-20; Assisted staff in evaluation new financial software; Assist in work order process and updating Property, Plant and Equipment records (additions and retirements); and Prepare Journal Entries (adjusting, correcting entries etc.)	9,240.00		9,240.00
2014-04	05/17/14	04/28/14		600.00		600.00
2014-05	05/18/14	05/01/14 - 05/08/14		2,080.00		2,080.00
13342	08/13/14	08/13/14	Meet with Tim and Steve Review monthly financials for 2013 & 2012 Discuss cash flow statements for 2014 and needed adjustments	480.00		480.00
13388	09/01/14	08/16/14	POASI projections 10, 15 & 25 years 1) Current Asset Structure 2) With Mt Roberts 3) With Mt Roberts and CIAC contribution	320.00		320.00
		08/21/14	POASI projections	80.00		80.00

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF GENERAL ACCOUNTING EXPENSE ADJUSTMENT**  
**IN SUPPORT OF STAFF ADJUSTMENT # 50**

(Based on Analysis of Co's Responses to Staff 1-17(a) and Tech 1-5(a) re: Accounting Services - Norman E. Roberge)

<u>Invoice #</u>	<u>Invoice Date</u>	<u>Dates of Service</u>	<u>Description</u>	<u>General</u>	<u>Deferred Asset</u>	<u>Total</u>
		08/26/14	Assist with questions from NH DRA concerning PA-20 filing	200.00		200.00
13612	10/19/14	09/24/14	at Lakes Region Add new accounts to excel financials Discuss workorders Discuss new accounting software Update monthly comparisons for 2013 and 2014	640.00		640.00
13872	11/26/14	10/12/14	at Lakes Region Try to resolve balance sheet problems (not successful) Work on workorders Discuss fixed assets	520.00		520.00
		10/20/14	at Lakes Region Relink balance sheet to other excel files Review work order recording progress Assign and review work required to be completed or in progress for next visit in 1st wk of Dec	680.00		680.00
13828	12/04/14	12/03/14	at Lakes Region Review work order recording progress Prepare Jake time allocation entries - Jan-Oct Review work required to be completed			

**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
PERMANENT RATES  
ANALYSIS OF GENERAL ACCOUNTING EXPENSE ADJUSTMENT  
IN SUPPORT OF STAFF ADJUSTMENT # 50**

(Based on Analysis of Co's Responses to Staff 1-17(a) and Tech 1-5(a) re: Accounting Services - Norman E. Roberge)

<u>Invoice #</u>	<u>Invoice Date</u>	<u>Dates of Service</u>	<u>Description</u>	<u>General</u>	<u>Deferred Asset</u>	<u>Total</u>
			Property & Equipment analysis	640.00		640.00
13830	12/12/14	12/11/14	at Lakes Region Review work order recording progress Review work required to be completed Discussions with TJ and Jake Property & Equipment analysis	640.00		640.00
13892	12/18/14	12/17/14	at Lakes Region Property & Equipment analysis	600.00		600.00
139893	12/24/14	12/22/14	at Lakes Region Property & Equipment analysis	640.00		640.00
13905	12/31/14	12/29/14	Property & Equipment analysis	560.00		560.00
		12/30/14	Property & Equipment analysis	680.00		680.00
		<b>01/01/14 - 12/30/14</b>	<b>Staff Adjustment</b>	<b>(29,200.00)</b>	<b>29,200.00</b>	<b>-</b>
<b>TOTALS</b>				<b>\$ -</b>	<b>\$ 29,200.00</b>	<b>\$ 29,200.00</b>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF GENERAL ACCOUNTING EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 50**

(Based on Analysis of Co's Response to Staff 1-17(a) re: Accounting Services - Stephen P. St. Cyr & Associates)

<b>Invoice #</b>	<b>Invoice Date</b>	<b>Dates of Service</b>	<b>Description</b>	<b>General</b>	<b>DW 14-285 Financing</b>	<b>DW 15-209 Rate Case</b>	<b>Total</b>
12958	04/12/14	03/12/14 - 03/31/14	2013 Year End / Other	\$ 1,509.38			\$ 1,509.38
12958	04/12/14	03/31/14	<b>Staff Adjustment:</b> <b>Talk w/Tom re: Mt. Roberts rate case (DW 15-209)</b>	<b>(28.75)</b>		<b>28.75</b>	<b>-</b>
12970	05/15/14	04/07/14 - 04/29/14	2013 Year End / Other	402.50			402.50
12970	05/15/14	04/07/14	<b>Staff Adjustments:</b> <b>Talk w/Tom re: financing (DW 14-285)</b>	<b>(28.75)</b>	<b>28.75</b>		<b>-</b>
		04/08/14	<b>Talk w/Tom re: financing (DW 14-285)</b>	<b>(28.75)</b>	<b>28.75</b>		<b>-</b>
		04/16/14	<b>Talk w/Tim re: rate case (DW 15-209)</b>	<b>(28.75)</b>		<b>28.75</b>	<b>-</b>
		04/17/14	<b>Meet w/Tim re: . . . Financing, Mt. Roberts, Swissvale, rate case (DW 14-285 / DW 15-209)</b>	<b>(115.00)</b>	<b>57.50</b>	<b>57.50</b>	<b>-</b>
		04/29/14	<b>Review PUC order (DW 14-285)</b>	<b>(57.50)</b>	<b>57.50</b>		<b>-</b>
13405	08/08/14	07/11/14 - 07/25/14	2013 Year End / Other 2014 Financing 2014 Rate Case	603.75 172.50 431.25			603.75 172.50 431.25
13405	08/08/14	07/11/14 - 07/25/14	<b>Audit Staff Adjustments:</b> <b>Audit Issue # 26 (DW 14-285 / DW 15-209)</b>	<b>(603.75)</b>	<b>172.50</b>	<b>431.25</b>	<b>-</b>
13436	09/05/14	08/06/14 - 08/28/14	2013 Year End / Other 2014 Financing 2014 Rate Case	71.88 661.25 258.75			71.88 661.25 258.75
13436	09/05/14	08/06/14 - 08/28/14	<b>Audit Staff Adjustments:</b> <b>Audit Issue # 26 (DW 14-285 / DW 15-209)</b>	<b>(920.00)</b>	<b>661.25</b>	<b>258.75</b>	<b>-</b>
13544	10/10/14	09/05/14 - 09/16/14	2013 Year End / Other 2014 Rate Case	143.75 28.75			143.75 28.75

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF GENERAL ACCOUNTING EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 50**

(Based on Analysis of Co's Response to Staff 1-17(a) re: Accounting Services - Stephen P. St. Cyr & Associates)

<b>Invoice #</b>	<b>Invoice Date</b>	<b>Dates of Service</b>	<b>Description</b>	<b>General</b>	<b>DW 14-285 Financing</b>	<b>DW 15-209 Rate Case</b>	<b>Total</b>
13544	10/10/14	09/11/14	<b>Audit Staff Adjustments:</b> <b>Audit Issue # 26</b> (DW 15-209)	(28.75)		28.75	-
13732	11/07/14	10/28/14	2014 Year End / Other	28.75			28.75
13846	12/09/14	11/04/14 - 11/19/14	2014 Year End / Other	373.75			373.75
13919	01/03/15	12/01/14 - 12/29/14	2014 Year End / Other	172.50			172.50
13919	01/03/15	12/24/14	<b>Staff Adjustments:</b> <b>Talk w/Tim re: financing, Mt. Roberts sch / sup docs</b> (DW 14-285 / DW 15-209)	(86.25)	28.75	57.50	-
		12/29/14	<b>Talk w/Tom re: P&amp;S, petition, filing, etc.</b> (DW 15-209)	(57.50)		57.50	-
<b>TOTALS</b>				<b><u>\$ 2,875.01</u></b>	<b><u>\$ 1,035.00</u></b>	<b><u>\$ 948.75</u></b>	<b><u>\$ 4,858.76</u></b>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF 2014 GENERAL LEGAL EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 51**  
(Based on Analysis of Co's Response to Tech 1-6(a))

Invoice #	Invoice Date	Dates of Service	Description	General	DW 13-335 Financing	DW 15-209 Rate Case	Non-Recurring	Total
114079	01/31/14	01/02/14 - 01/16/14	General Advice	\$ 483.00				\$ 483.00
114080	01/31/14	01/07/14 - 01/10/14	Sale of Land to Raymond Graham Revocable Trust	105.00				105.00
114081	01/31/14	11/07/13 - 12/23/13	CoBank Loan	3,929.23				3,929.23
		01/08/14 - 01/31/14	CoBank Loan	3,247.44				3,247.44
114081	01/31/14	<b>11/07/13 - 01/31/14</b>	<b>Staff Adjustment:</b> <b>CoBank Loan (DW 13-335)</b>	<b>(7,176.67)</b>	<b>7,176.67</b>			-
	02/14/14	02/14/14	Settlement Costs - Sale of Tuftonboro Property	1,536.00				1,536.00
	02/14/14	<b>12/14/14</b>	<b>Staff Adjustment:</b> <b>Non-recurring Expense</b>	<b>(1,536.00)</b>			<b>1,536.00</b>	-
114416	02/28/14	02/20/14 - 02/22/14	General Advice	782.00				782.00
114417	02/28/14	02/06/14	Sale of Land to Raymond Graham Revocable Trust	35.00				35.00
114418	02/28/14	02/03/14 - 02/28/14	CoBank Loan	2,438.00				2,438.00
114418	02/28/14	<b>02/03/14 - 02/28/14</b>	<b>Staff Adjustment:</b> <b>CoBank Loan (DW 13-335)</b>	<b>(2,438.00)</b>	<b>2,438.00</b>			-

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF 2014 GENERAL LEGAL EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 51**  
(Based on Analysis of Co's Response to Tech 1-6(a))

<b>Invoice #</b>	<b>Invoice Date</b>	<b>Dates of Service</b>	<b>Description</b>	<b>General</b>	<b>DW 13-335 Financing</b>	<b>DW 15-209 Rate Case</b>	<b>Non-Recurring</b>	<b>Total</b>
114603	03/31/14	03/03/14 - 03/27/14	General Advice	506.00				506.00
114604	03/31/14	03/04/14 - 03/31/14	CoBank Loan	207.00				207.00
114604	03/31/14	<b>03/04/14 - 03/31/14</b>	<b>Staff Adjustment:</b> <b>CoBank Loan (DW 13-335)</b>	<b>(207.00)</b>	<b>207.00</b>			-
115033	04/30/14	04/01/14 - 04/30/14	General Advice	1,564.00				1,564.00
115405	04/30/14	04/07/14 - 04/30/14	CoBank Loan	529.00				529.00
115405	04/30/14	<b>04/07/14 - 04/30/14</b>	<b>Staff Adjustment:</b> <b>CoBank Loan (DW 13-335)</b>	<b>(529.00)</b>	<b>529.00</b>			-
115713	05/31/14	05/05/14 - 05/30/14	General Advice	736.00				736.00
115714	05/31/14	05/30/14	Sale of Land to Raymond Graham Revocable Trust	52.50				52.50
115715	05/31/14	05/02/14 - 05/30/14	CoBank Loan	2,330.00				2,330.00
115715	05/31/14	<b>05/02/14 - 05/30/14</b>	<b>Staff Adjustment:</b> <b>CoBank Loan (DW 13-335)</b>	<b>(2,330.00)</b>	<b>2,330.00</b>			-
116131	06/30/14	06/03/14 - 06/19/14	General Advice	2,277.00				2,277.00



**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF 2014 GENERAL LEGAL EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 51**  
(Based on Analysis of Co's Response to Tech 1-6(a))

Invoice #	Invoice Date	Dates of Service	Description	General	DW 13-335 Financing	DW 15-209 Rate Case	Non-Recurring	Total
		06/03/14 - 06/19/14	Courtesy Discount	(684.25)				(684.25)
		06/03/14 - 06/16/14	Reclassification to Mt. Roberts Costs	(621.00)				(621.00)
116132	06/30/14	06/05/14 - 06/24/14	CoBank Loan	3,590.86				3,590.86
116132	06/30/14	<b>06/05/14 - 06/24/14</b>	<b>Staff Adjustment: CoBank Loan (DW 13-335)</b>	<b>(3,590.86)</b>	<b>3,590.86</b>			-
116318	07/31/14	07/08/14 - 07/31/14	General Advice	460.00				460.00
		07/09/14 - 07/24/14	Reclassification to Mt Roberts Costs	(184.40)				(184.40)
116318	07/31/14	<b>07/24/14</b>	<b>Staff Adjustment: Rate Case - Mt Roberts (DW 15-209)</b>	<b>(69.00)</b>		<b>69.00</b>		-
116319	07/31/14	07/29/14 - 07/30/14	CoBank Loan	46.00				46.00
		07/29/14 - 07/30/14	Courtesy Discount	(902.75)				(902.75)
116319	07/31/14	<b>07/29/14 - 07/30/14</b>	<b>Staff Adjustment: CoBank Loan (DW 13-335)</b>	<b>(46.00)</b>	<b>46.00</b>			-
	08/01/14		Upton & Hatfield Discount Adjustment	(470.25)				(470.25)

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF 2014 GENERAL LEGAL EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 51**  
(Based on Analysis of Co's Response to Tech 1-6(a))

Invoice #	Invoice Date	Dates of Service	Description	General	DW 13-335 Financing	DW 15-209 Rate Case	Non-Recurring	Total
117001	08/31/14	08/22/14 08/31/14	General Advice Courtesy Discount	345.00 (86.25)				345.00 (86.25)
117002	08/31/14	08/04/14 08/31/14	CoBank Loan Courtesy Discount	256.00 (28.75)				256.00 (28.75)
117002	08/31/14	<b>08/04/14</b>	<b>Staff Adjustment: CoBank Loan (DW 13-335)</b>	<b>(227.25)</b>	<b>227.25</b>			-
117081	09/30/14	09/03/14 - 09/22/14	General Advice	1,155.00				1,155.00
117082	09/30/14	09/05/14 - 09/10/14	Mt Roberts Project	402.50				402.50
117082	09/30/14	<b>09/05/14 - 09/10/14</b>	<b>Staff Adjustment: Rate Case - Mt Roberts (DW 15-209)</b>	<b>(402.50)</b>		<b>402.50</b>		-
117711	10/31/14	10/03/14 - 10/06/14	General Advice	52.50				52.50
117711	10/31/14	<b>10/03/14</b>	<b>Staff Adjustment: Rate Case - Mt Roberts (DW 15-209)</b>	<b>(23.00)</b>		<b>23.00</b>		-
117712	10/31/14	10/01/14 - 10/28/14 10/31/14	Mt Roberts Project Courtesy Discount	2,417.50 (417.50)				2,417.50 (417.50)
117712	10/31/14	<b>09/05/14 - 09/10/14</b>	<b>Staff Adjustment: Rate Case - Mt Roberts (DW 15-209)</b>	<b>(2,000.00)</b>		<b>2,000.00</b>		-
118109	11/30/14	11/21/14 - 11/28/14	General Advice	910.00				910.00

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF 2014 GENERAL LEGAL EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 51**  
(Based on Analysis of Co's Response to Tech 1-6(a))

<u>Invoice #</u>	<u>Invoice Date</u>	<u>Dates of Service</u>	<u>Description</u>	<u>General</u>	<u>DW 13-335 Financing</u>	<u>DW 15-209 Rate Case</u>	<u>Non-Recurring</u>	<u>Total</u>
118110	11/30/14	11/06/14 - 11/19/14	advs Bruce W. and Nancy B. Lewis, Olga L. Gordon, Trustee	126.00				126.00
	11/30/14	11/06/14 - 11/19/14	advs Bruce W. and Nancy B. Lewis, Olga L. Gordon, Trustee	126.00				126.00
118110	11/30/14	<b>11/06/14 - 11/19/14</b>	<b>Staff Adjustment: Invoice Recorded Twice</b>	<b>(126.00)</b>			<b>126.00</b>	<b>-</b>
		12/23/14	General Advice	1,767.50				1,767.50
118583	12/31/14	12/05/14	advs Bruce W. and Nancy B. Lewis, Olga L. Gordon, Trustee	-				-
<b>TOTALS</b>				<b><u><u>\$ 8,315.60</u></u></b>	<b><u><u>\$ 16,544.78</u></u></b>	<b><u><u>\$ 2,494.50</u></u></b>	<b><u><u>\$ 1,662.00</u></u></b>	<b><u><u>\$ 29,016.88</u></u></b>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF 2013 GENERAL LEGAL EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 51**  
(Based on Analysis of Co's Response to Staff 2-10(a))

<b>Invoice #</b>	<b>Invoice Date</b>	<b>Dates of Service</b>	<b>Description</b>	<b>General</b>	<b>DW 13-335 Financing</b>	<b>Non-Recurring</b>	<b>Total</b>
108566	01/31/13	01/02/13 - 01/31/13	advs Bruce W. and Nancy B. Lewis, and Olga L. Gordon, Trustee	\$ 1,476.00			\$ 1,476.00
109143	02/28/13	12/06/12 - 02/27/13	General Advice	945.00			945.00
		12/06/12 - 02/27/13	Courtesy Discount	(415.00)			(415.00)
109144	02/28/13	02/06/13	advs Bruce W. and Nancy B. Lewis, and Olga L. Gordon, Trustee	48.94			48.94
110036	04/30/13	04/17/13	advs Bruce W. and Nancy B. Lewis, and Olga L. Gordon, Trustee	40.00			40.00
11620			Ransmeier & Spellman	(2,897.31)			(2,897.31)
			Ransmeier & Spellman Reclass	(9,386.79)			(9,386.79)
11620			<b>Staff Adjustment: Non-recurring</b>	<b>12,284.10</b>		<b>(12,284.10)</b>	<b>-</b>
110241	05/31/13	05/09/13	General Advice	67.50			67.50
111030	07/31/13	07/29/13 - 07/30/13	General Advice	990.00			990.00
111356	08/31/13	08/28/13 - 08/29/13	Sale of Land to Raymond Graham Revocable Trust	391.00			391.00
112042	09/30/13	09/03/13 - 09/26/13	CoBank Loan	2,123.50			2,123.50

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF 2013 GENERAL LEGAL EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 51**  
(Based on Analysis of Co's Response to Staff 2-10(a))

<u>Invoice #</u>	<u>Invoice Date</u>	<u>Dates of Service</u>	<u>Description</u>	<u>General</u>	<u>DW 13-335 Financing</u>	<u>Non-Recurring</u>	<u>Total</u>
112042	09/30/13	09/03/13 - 09/26/13	Staff Adjustment: CoBank Loan (DW 13-335)	(2,123.50)	2,123.50		-
112493	10/31/13	09/06/13 - 10/28/13	Sale of Land to Raymond Graham Revocable Trust	1,170.50			1,170.50
112494	10/31/13	10/01/13 - 10/30/13	CoBank Loan	5,330.50			5,330.50
		10/01/13 - 10/30/13	Courtesy Discount	(1,000.00)			(1,000.00)
112494	10/31/13	09/03/13 - 09/26/13	Staff Adjustment: CoBank Loan (DW 13-335)	(4,330.50)	4,330.50		-
112987	11/30/13	11/01/13 - 11/24/13	Sale of Land to Raymond Graham Revocable Trust	561.00			561.00
113077	12/31/13	12/31/13	General Advice	225.00			225.00
113078	12/31/13	12/13/13 - 12/30/13	Sale of Land to Raymond Graham Revocable Trust	1,139.00			1,139.00
<b>TOTALS</b>				<b>\$ 6,638.94</b>	<b>\$ 6,454.00</b>	<b>\$ (12,284.10)</b>	<b>\$ 808.84</b>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF 2012 GENERAL LEGAL EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 51**  
(Based on Analysis of Co's Response to Staff 2-10(a))

<b>Invoice #</b>	<b>Invoice Date</b>	<b>Dates of Service</b>	<b>Description</b>	<b>General</b>	<b>Non-Recurring</b>	<b>Total</b>
103162		12/01/11 - 12/31/11		\$ 247.50		\$ 247.50
103162		12/01/11 - <b>12/31/11</b>	<b>Staff Adjustment:</b> <b>December 2011</b>	<b>(247.50)</b>	<b>247.50</b>	<b>-</b>
103643	01/31/12	01/13/12 - 01/20/12	General Advice	1,180.00		1,180.00
9976			Stephen P. St. Cyr	52.50		52.50
9976			<b>Staff Adjustment:</b> <b>Stephen P. St. Cyr (Accounting Fees)</b>	<b>(52.50)</b>	<b>52.50</b>	<b>-</b>
104873	04/30/12	04/02/12 - 04/30/12	General Advice	720.00		720.00
105236	05/31/12	05/01/12 - 05/30/12	General Advice	1,060.00		1,060.00
105691	06/30/12	06/07/12 - 06/28/12	General Advice	1,280.00		1,280.00
106116	07/31/12	07/02/12 - 07/30/12	General Advice	980.00		980.00
106505	08/31/12	08/09/12 - 08/10/12	Hidden Valley Property Owners' Association	280.50		280.50
106506	08/31/12	08/02/12 -				

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**ANALYSIS OF 2012 GENERAL LEGAL EXPENSES**  
**IN SUPPORT OF STAFF ADJUSTMENT # 51**  
(Based on Analysis of Co's Response to Staff 2-10(a))

<u>Invoice #</u>	<u>Invoice Date</u>	<u>Dates of Service</u>	<u>Description</u>	<u>General</u>	<u>Non-Recurring</u>	<u>Total</u>
		08/31/12	General Advice	3,083.00		3,083.00
106968	09/30/12	09/20/12	Hidden Valley Property Owners' Association	66.00		66.00
106969	09/30/12	09/04/12 - 09/26/12	General Advice	2,239.00		2,239.00
107556	10/31/12	10/03/12 - 10/31/12	General Advice	740.00		740.00
107556	10/31/12	<b>10/31/12</b>	<b>Staff Adjustment: Research law re: emergency rates . . .</b>	<b>(200.00)</b>	<b>200.00</b>	<b>-</b>
107557	10/31/12	10/01/12 - 10/31/12	advs Bruce W. and Nancy B. Lewis, and Olga L. Gordon, Trustee	2,026.10		2,026.10
		10/01/12 - 10/31/12	Courtesy Discount	(840.00)		(840.00)
107770	11/30/12	11/01/12	Hidden Valley Property Owners' Association	33.00		33.00
107771	11/30/12	11/30/12	General Advice	80.00		80.00
107772	11/30/12	11/01/12 - 11/28/12	advs Bruce W. and Nancy B. Lewis, and Olga L. Gordon, Trustee	2,890.18		2,890.18
108187	12/31/12	12/12/12 - 12/28/12	advs Bruce W. and Nancy B. Lewis, and Olga L. Gordon, Trustee	476.00		476.00
<b>TOTALS</b>				<b><u>\$ 16,093.78</u></b>	<b><u>\$ 500.00</u></b>	<b><u>\$ 16,593.78</u></b>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**DW 13-335 FINANCING COSTS**

**IN SUPPORT OF FOOTNOTE (e) on SCHEDULE 1ai**

(Based on Company Responses to Tech 1-6 and Staff Data Request 2-10, 2-18, and 2-32)

<b>Invoice #</b>	<b>Invoice Date</b>	<b>Service Dates</b>	<b>Description</b>	<b>Amount</b>
112042	09/30/13	09/03/13 - 09/26/13	CoBank Loan (Staff Adjustment - Sch 11b)	\$ 2,123.50
112494	10/31/13	10/01/13 - 10/30/13	CoBank Loan (Staff Adjustment - Sch 11b)	4,330.50
114081	01/31/14	11/07/13 - 01/31/14	CoBank Loan (Staff Adjustment - Sch 11a)	7,176.67
114418	02/28/14	02/03/14 - 02/28/14	CoBank Loan (Staff Adjustment - Sch 11a)	2,438.00
114604	03/31/14	03/04/14 - 03/31/14	CoBank Loan (Staff Adjustment - Sch 11a)	207.00
115405	04/30/14	04/07/14 - 04/30/14	CoBank Loan (Staff Adjustment - Sch 11a)	529.00
115715	05/31/14	05/02/14 - 05/30/14	CoBank Loan (Staff Adjustment - Sch 11a)	2,330.00
116132	06/30/14	06/05/14 - 06/24/14	CoBank Loan (Staff Adjustment - Sch 11a)	3,590.86
116319	07/31/14	07/29/14 - 07/30/14	CoBank Loan (Staff Adjustment - Sch 11a)	46.00
117002	08/31/14	08/14/14	CoBank Loan (Staff Adjustment - Sch 11a)	227.25



**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**DW 13-335 FINANCING COSTS**  
**IN SUPPORT OF FOOTNOTE (e) on SCHEDULE 1ai**

(Based on Company Responses to Tech 1-6 and Staff Data Request 2-10, 2-18, and 2-32)

<u>Invoice #</u>	<u>Invoice Date</u>	<u>Service Dates</u>	<u>Description</u>	<u>Amount</u>
118111	11/30/14	11/10/14 - 11/18/14	CoBank Loan	227.50
118584	12/31/14	12/22/14 - 12/23/14	CoBank Loan	<u>87.50</u>
<b>Total Debt Costs</b>				<b><u><u>\$ 23,313.78</u></u></b>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**PERMANENT RATES**  
**MUNICIPAL AND STATE REAL ESTATE TAX ADJUSTMENT TO 2015 LEVEL**  
**IN SUPPORT OF STAFF ADJUSTMENT # 73**  
(Based on Staff's Analysis of Co's Responses to Staff Data Requests 1-24, 1-25, 2-13, and 2-14)

Water System	Taxing Entity	Identification #	2015 Municipal Property Taxes						Total Taxes
			1'st Issue			2'nd Issue			
			Valuation	Rate	Billing	Valuation	Rate	Billing	
Far Echo	Moultonborough	000888 - 888000 - 000003	99,000	3.17	314	No 2'nd Issue Billing			314
Paradise Shores	Balmoral	072-092 083-100			100				100
		072-093 083-122			100				100
		072-094 082-123			100				100
		072-095 083-124			100				100
		093-030 082-015			100				100
		Moultonborough	000071 - 001000 - 000000	248,600	3.17	788	No 2'nd Issue Billing		
		000072 - 092000 - 000000	8,300	3.17	26	7,900	6.47	25	51
		000072 - 093000 - 000000	8,300	3.17	26	8,000	6.47	25	52
		000072 - 094000 - 000000	8,300	3.17	26	7,900	6.47	25	51
		000072 - 095000 - 000000	317,189	3.17	1,005	317,189	6.47	1,047	2,052
		000093 - 030000 - 000000	8,600	3.17	27	8,300	6.47	26	54
		000888 - 888000 - 000002	99,000	3.17	314	1,090,000	6.47	6,738	7,052
West Point	Moultonborough	000272 - 030000 - 000000	50,600	3.17	160	49,800	6.47	162	322
		000888 - 888000 - 000004	99,000	3.17	314	No 2'nd Issue Billing			314
Waterville Valley Gateway	Thornton	000011 - 000005 - 00000W	196,900	8.20	1,615	196,900	16.50	1,634	3,249
Hidden Valley	Tuftonboro	000070 - 000002 - 000048	249,600	4.13	1,031	226,100	8.75	948	1,978
		000070 - 000002 - 000049	36,200	4.13	150	36,200	8.75	167	317
	Hidden Valley POA	000070 - 000002 - 000048-4						250	250
		000070 - 000002 - 000048-9						250	250
Wentworth Cove	Laconia	166 / 358 / 20	107,300	9.91	1,063	83,500	19.83	592	1,656
Deer Run	Campton	02 / 01 / 500 / 0 / 0	32,600	11.28	343	32,600	20.45	324	667
Woodland Grove	Conway	000266 - 000074 - 000000	116,300	8.59	999	116,300	17.53	1,040	2,039
Echo Lake Woods	Conway	000216 - 000027 - 000000	74,300	8.59	638	74,300	17.53	664	1,302
Brake Hill	Gilford	227-192.000	26,080	15.77	206	26,280	15.52	202	408
Tamworth	Tamworth	201-039-300	297,400	19.16	2,849	269,974	20.37	2,650	5,499
Deer Cove	Ossipee	000044 - 999000 - 000UTL	3,400	9.03	31	3,400	18.43	32	63

Dockets DW 15-209 / DW 15-422 Lakes Region Water Company, Inc. Testimony of Jayson P. Laflamme August 3, 2016	DW 15-209 / DW 15-422 LAKES REGION WATER COMPANY, INC. PERMANENT RATES MUNICIPAL AND STATE REAL ESTATE TAX ADJUSTMENT TO 2015 LEVEL IN SUPPORT OF STAFF ADJUSTMENT # 73 (Based on Staff's Analysis of Co's Responses to Staff Data Requests 1-24, 1-25, 2-13, and 2-14)						Attachment JPL-1 Schedule 1		
Water System	Taxing Entity	Identification #	2015 Municipal Property Taxes						
			1'st Issue			2'nd Issue			Total Taxes
			Valuation	Rate	Billing	Valuation	Rate	Billing	
Lake Ossipee Village	Freedom	000034 - 000034 - 000000	211,500	4.97	1,051	212,700	9.94	1,063	2,114
Indian Mound	Ossipee	000073 - 999000 - 000UTL	70,600	8.53	602	70,600	17.35	623	1,225
Gunstock Glen	Gilford	227-142.000	142,700	15.77	1,125	142,900	15.52	1,093	2,218
Administrative	Moultonborough	000071 - 015000 - 000000	246,400	3.17	781	No 2'nd Issue Billing			781
	2015 Municipal Property Tax Assessment		\$ 2,758,169		\$ 15,985	\$ 2,980,843		\$ 19,581	\$ 35,566
	Add: 2015 NH State Utility Property Tax								
	State Valuation							\$ 2,983,722	
	State Tax Rate per \$1,000							x \$ 6.60	
	2015 State Utility Tax Assessment						÷ \$ 1,000	19,693	
	Total 2015 Property Tax Assessment								\$ 55,258
Adjustment for Property Taxes relative to Staff Plant Adjustments:						Plant in Service	Accum Depr	Net Plant	
Company amendment to remove AFUDC from test year Rate Base - Paradise Shores (Att JPL-5 / Sch 7)						\$ (55,820)	\$ 782	\$ (55,038)	
Staff Adj #'s 4 and 15: Staff Audit Issue # 12 - Paradise Shores						311	(20)	291	
Staff Adj #'s 5 and 16: Co response to Staff 2-19 - Paradise Shores						(300)	6	(294)	
Staff Adj #'s 6 and 17: Staff Audit Issue # 16 - Paradise Shores						139	(5)	134	
Staff Adj #'s 7 and 18: Staff Audit Issue # 18 - Paradise Shores						(4,030)	403	(3,627)	
Staff Adj #'s 8 and 19 Reclassification of Hydrofracking Exp - West Point						2,592	(86)	2,506	
Staff Adj # 20: Staff Audit Issue # 15 - Paradise Shores						-	(1,133)	(1,133)	
Staff Adj # 20: Staff Audit Issue # 15 - West Point						-	(526)	(526)	
Staff Adj # 35: Reclass well evaluation costs from CWIP to Deferred Assets - Paradise Shores						(36,006)	-	(36,006)	
Total Plant Adjustments						\$ (93,114)	\$ (579)	\$ (93,693)	
Tax Assessment Value as a % of Taxable Utility Plant per Book (m)							x	87.40%	
Tax Assessment of Staff's Plant Adjustments								\$ (81,886)	
Combined Tax Rate (\$6.47(Moultonborough) + \$6.60 (State))							x	13.07	(1,070)
Pro-forma Property Tax Expense per Staff									\$ 54,188
Less: Pro-forma Property Tax Expense per Company:									
Actual Property Tax Expense - 2014								\$ (47,515)	
Co's Amended Property Tax Adj # 14 relative to state property tax expense (Att JPL-5 / Sch 1B)								(2,900)	
Co's Amended Property Tax Adj # 16 relative to municipal property tax expense (Att JPL-5 / Sch 1B)								(3,471)	(53,886)
Staff Pro-forma Adjustment to Property Tax Expense									\$ 302

## Total

130

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**CALCULATION OF STEP ADJUSTMENT**

**Net Increase in Rate Base:**

Plant in Service:	<b>Mt Roberts Property</b> (Schedule 2):			
	Proposed amended cost per Company	\$	281,783	
	Less: Costs Proposed to be Disallowed per Staff		<u>(19,688)</u>	
	Proposed Acquisition Cost per Staff		262,095	
	Less: Proposed Non-utility Property (Building) per Staff		<u>(51,063)</u>	\$ 211,032

**Indian Mound Project** (Schedule 3):

Proposed asset additions	198,807	
Less: 1/2 Year Accumulated Depreciation	<u>(3,166)</u>	195,641

**Logics Accounting Software** (Schedule 4):

Proposed Asset Additions	33,562	
Less: 1/2 Year Accumulated Depreciation	<u>(1,678)</u>	31,884

Cash Working Capital:

<b>Annual Pension Expense</b> (Schedule 6)	\$	8,779	
<b>Computer Support Expense - net</b> (Schedule 4)		<u>(2,666)</u>	
Net Increase in O & M Expense		6,113	
% of O & M Exp's attributable to billings in arrears (1,566 / 1,667):	x	93.94% =	5,743
% of O & M Exp's attributable to billings in advance (101 / 1667):	x	-6.06% =	<u>(370)</u>
Net O & M Exp adj's subject to Cash Working Capital Adjustment:		5,372	
Cash Working Capital % (75 days ÷ 365 days)	x	<u>20.55%</u>	1,256

Deferred Assets:

**DW 07-105 Deferred Asset** (Schedule 5):

Proposed Cost	49,902	
Less: 1/2 Year Amortization	<u>(4,990)</u>	44,912

**Net Increase in Rate Base**

**\$ 484,724**

**Rate of Return** (Schedule 1a)

x **7.33%**

**Increase in Net Operating  
Income Requirement**

**\$ 35,511**

O & M Expense:

Annual Pension Expense (Schedule 5)	\$	8,779	
Computer Support Expense - net (Schedule 4)		<u>(2,666)</u>	6,113

Depreciation Exp (net of retirements):

Indian Mound Project (Schedule 3)	\$	6,198	
Logics Accounting Software System (Schedule 4)		<u>(305)</u>	5,893

Amortization Expense:

DW 07-105 Deferred Asset (Schedule 5)			9,980
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Property Tax Expense:

Mt Roberts Property (Schedule 2)	\$	2,411	
Indian Mound Project (Schedule 3)		<u>4,095</u>	6,506

Income Tax Expense:

Net Increase in Rate Base	\$	484,724	
Income Tax Gross-up Factor (Sch 1a / Footnote (e))	x	<u>3.70%</u>	17,932

**Increase in Revenue Requirement**

**\$ 81,936**

Less: Increase in POASI Special Contract (Schedule 7a)

(19,450)

**Step Increase**

**\$ 62,486**

**Actual Water Revenues from General Customers** (Attachment JPL-1 / Schedule 3)

**\$ 1,043,143**

**% Increase in Annual Water Revenues from General Customers**

**5.99%**

**DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS  
WEIGHTED AVERAGE COST OF CAPITAL**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<b>CAPITAL STRUCTURE</b>						
	<b>Proforma Balance Per Att JPL-1 / Sch 1a</b>	<b>Financing for 2015 Projects</b>	<b>Proforma Financing for 2016 Projects</b>	<b>Proforma Capitalization For Step Adjustment</b>	<b>Percent</b>	<b>COST RATE</b>	<b>WEIGHTED AVERAGE COST OF CAPITAL FOR STEP ADJUSTMENT</b>
<b><u>Long-Term Debt:</u></b>							
Total Long-Term Debt	\$ 888,678	\$ 130,000	\$ 357,000	(b) \$ 1,375,678	41.25%	4.09% (c)	1.69%
<b><u>Common Equity:</u></b>							
Common Equity	10,000	-	-	10,000	0.30%		
Additional Paid-in Capital	1,087,368	211,032 (a)	-	1,298,400	38.93%		
Capital Stock Expense	(7,360)	-	-	(7,360)	-0.22%		
Retained Earnings	658,447	-	-	658,447	19.74%		
<b>Total Common Equity</b>	<b>1,748,455</b>	<b>211,032</b>	<b>-</b>	<b>1,959,487</b>	<b>58.75%</b>	<b>9.60% (d)</b>	<b>5.64%</b>
<b>Total Capitalization</b>	<b>\$2,637,133</b>	<b>\$ 341,032</b>	<b>\$ 357,000</b>	<b>\$3,335,165</b>	<b>100.00%</b>		<b>7.33%</b>

(a) Capital Contribution of Mt Roberts Property per Schedule 2

(b) Proposed CoBank Financing for 2016 Projects per Att JPL-7 / Sch 2:

2016 Dockham Shores Purchase / Upgrades (DW 16-619)	\$ 120,000
2016 White Mountain Gateway Project	50,000
2016 Wentworth Cove Project	47,000
2016 Main Office Renovation Project	140,000
Total	<u>\$ 357,000</u>

(c) Schedule 1ai

(d) See Att JPL-1 / Sch 1a / Footnote (c)

(e) Income Tax on Equity Component:

	(1) Weighted Cost	(2) Tax Multiplier	(3) Pre-Tax Cost	(4) Tax Gross-up ( (3) - (1) )
Debt	1.69% x	1.00	= 1.69%	0.00%
Equity	5.64% x	1.66	= 9.34%	3.70%
Total	<u>7.33%</u>		<u>11.03%</u>	<u>3.70%</u>

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS  
CALCULATION OF COST OF DEBT

				(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				LONG-TERM DEBT			COST OF DEBT				
Description	Date of Issue	Date of Maturity	Interest Rate	Proforma Balance Per Att JPL-1 / Sch 1ai	CoBank Loan for 2015 Projects	Proforma Balance For Step Adjustments	Proforma Debt Cost Per Att JPL-1 / Sch 1ai	Annual Interest on Additional Debt	Ann'l Amort of Finance Cost on Additional Debt	Proforma Balance For Step Adjustments	TOTAL COST RATE
<b>Operating Loans:</b>											
CoBank (5 Year)	06/24/14	06/30/19	2.70% (g)	288,483	-	288,483	9,663	-	-	9,663	3.35%
CoBank (15 Year - refinance)	06/24/14	06/30/29	4.50% (g)	461,341	-	461,341	22,090	-	-	22,090	4.79%
CoBank (DW 14-285: 2015 Indian Mound)	(f) 07/20/15	06/20/29	2.43% (g)	-	130,000	130,000	-	3,159	425 (h)	3,584	2.76%
<b>Total Operating Loans</b>				<u>749,824</u>	<u>130,000</u>	<u>879,824</u>	<u>31,753</u>	<u>3,159</u>	<u>425</u>	<u>35,337</u>	<u>4.02%</u>
<b>Equipment Loans:</b>											
Ford Motor Credit - 2011 Ford F350XL	09/13/10	09/13/15	7.89%	5,430	-	5,430	321	-	-	321	5.91%
Ford Motor Credit - 2011 Ford F150XL	07/21/11	07/21/16	7.89%	11,707	-	11,707	924	-	-	924	7.89%
Ford Motor Credit - 2013 Ford F250 Super	08/16/13	08/15/18	5.95%	28,120	-	28,120	1,673	-	-	1,673	5.95%
Ford Motor Credit - 2013 Ford F250 Super	08/26/13	08/26/18	5.95%	20,210	-	20,210	1,202	-	-	1,202	5.95%
Ford Motor Credit - 2014 Ford F150	08/06/14	08/06/19	6.24%	29,947	-	29,947	1,869	-	-	1,869	6.24%
Cat Financial - 2014 Excavator	03/27/14	04/05/19	0.71%	43,440	-	43,440	308	-	-	308	0.71%
<b>Total Equipment Loans</b>				<u>138,854</u>	<u>-</u>	<u>138,854</u>	<u>6,297</u>	<u>-</u>	<u>-</u>	<u>6,297</u>	<u>4.53%</u>
<b>Total Long-Term Debt</b>				<u>\$ 888,678</u>	<u>\$ 130,000</u>	<u>\$ 1,018,678</u>	<u>\$ 38,050</u>	<u>\$ 3,159</u>	<u>\$ 425</u>	<u>\$ 41,634</u>	<u>4.09%</u>

(f) Loan information based on Co's response to Tech 4-5.

(g) Interest rates on CoBank loans reflect a 75 basis point per annum reduction relative to the Co's participation in CoBank's Patronage Program. (See Att JPL-1 / Sch1ai; Re: CoBank DW 14-285, 3.18% - 0.75% = 2.43%)

(h) Total Finance Costs per Att JPL-2/Sch 1aii  
Loan Term (Years)  
Annual Amortization of Finance Costs

\$6,371

÷15

\$425

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**DW 14-285 FINANCING COSTS (STEPHEN P. ST. CYR & ASSOCIATES)**  
(Based on Company Responses to Staff Data Request 1-17, 2-18, and 3-5)

<b>Invoice Date</b>	<b>Service Dates</b>	<b>Description</b>	<b>Amount</b>
05/15/14	04/07/14 - 04/29/14	2013 Year End / Other (Staff Adjustment - Sch 10b)	\$ 172.50
08/08/14	07/11/14 - 07/25/14	2013 Year End / Other (Staff Adjustment - Sch 10b)	172.50
09/05/14	08/06/14 - 08/28/14	2013 Year End / Other (Staff Adjustment - Sch 10b)	661.25
10/10/14	09/02/14 - 09/29/14	2014 Financing	1,466.25
11/07/14	10/01/14 - 10/30/14	2014 Financing	2,213.75
12/09/14	11/04/14 - 11/28/14	2014 Financing	862.50
01/03/15	12/01/14 - 12/29/14	2014 Financing	603.75
01/03/15	12/01/14 - 12/29/14	2014 Year End / Other (Staff Adjustment - Sch 10b)	28.75
02/08/15	01/15/15	2014 Financing	57.50
03/05/15	02/11/15 - 02/19/15	2014 Financing	100.63
Not Provided	05/04/15	2014 Financing	<u>31.25</u>
<b>Total Debt Costs</b>			<b><u>\$ 6,370.63</u></b>



**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**ANALYSIS OF MT ROBERTS PROPERTY ACQUISITION**

Date	Payee	Description	Original Costs Proposed by Co	Amending Reduction of AFUDC Per Co	Amended Costs Proposed Per Co	Costs Disallowed Per Staff	Land & Build Costs Per Staff	Allocation	
								Land	Building
07/30/06	Nancy Montague	Purchase of Land and Buildings	\$ 307,805	\$ (107,805)	\$ 200,000		\$ 200,000	(i) \$ 159,450	\$ 40,550
07/31/06	Cleveland, Waters & Bass	Legal Expense relative to purchase	1,051	(368)	683		683	(i) 545	138
10/31/06	Cleveland, Waters & Bass	Legal Expense relative to purchase	1,621	(548)	1,073		1,073	(i) 855	218
12/31/06	Town of Moultonborough	2006 Property Tax Bill	2,698	(891)	1,807	1,807			
01/15/07	Wright Survey	01/15/07 Invoice - Survey Expense	4,197	(1,377)	2,820		2,820	2,820	
03/01/07	Wright Survey	02/16/07 Invoice - Survey Expense	3,260	(1,050)	2,210		2,210	2,210	
03/22/07	Wright Survey	03/15/07 Invoice - Survey Expense	2,949	(941)	2,008		2,008	2,008	
04/26/07	Wright Survey	04/21/07 Invoice - Survey Expense	3,751	(1,180)	2,571		2,571	2,571	
05/01/07	Keith R Nelson	Legal Expense relative to purchase	146	(46)	100		100	(i) 80	20
12/31/07	Town of Moultonborough	2007 Property Tax Bill	3,141	(879)	2,262	2,262			
07/01/08	Nancy Montague	Consideration: Release of Lease-Conveyance Agreement	66,959	(16,959)	50,000		50,000	(i) 39,863	10,137
10/10/08	Hambrook Land Surveying	Special Exception - Moultonborough ZBA	827	(197)	630		630	630	
12/31/08	Town of Moultonborough	2008 Property Tax Bill	3,176	(717)	2,459	2,459			
12/31/09	Town of Moultonborough	2009 Property Tax Bill	2,926	(491)	2,435	2,435			
01/05/10	Cleveland, Waters & Bass	Legal on land purchase - Swansea, MA	1,786	(298)	1,488	1,488			
12/31/10	Town of Moultonborough	2010 Property Tax Bill	2,674	(281)	2,393	2,393			
12/31/11	Town of Moultonborough	2011 Property Tax Bill	2,530	(96)	2,434	2,434			
12/31/12	Town of Moultonborough	2012 Property Tax Bill	2,501	-	2,501	2,501			
12/31/13	Town of Moultonborough	2013 Property Tax Bill	1,909	-	1,909	1,909			
Subtotal of Cost Distribution before Land / Building Allocation Adjustment			<u>\$ 415,907</u>	<u>\$ (134,124)</u>	<u>\$ 281,783</u>	<u>\$ 19,688</u>	<u>\$ 262,095</u>	<u>\$ 211,032</u>	<u>\$ 51,063</u>

**Calculation of Property Tax Expense:**

Allocated Cost of Land	\$ 211,032
Tax Assessment Value as a % of Taxable Utility Plant per Book (See Att JPL-1; Sch 12)	x 87.40%
Tax Assessment Value of Land Purchase	184,442
Combined Tax Rate (\$6.47(Moultonborough) + \$6.60(State) / \$1,000)	x \$0.01307
Annual Property Tax Expense	<u><u>\$ 2,411</u></u>

**(i) Determination of Cost Allocation between Land & Building:**

Analysis of Town of Moultonborough 2006 Municipal Property Tax Assessment:

	Municipal Assessment	Allocation Percentage
Building :	\$ 54,600	20.27%
Land :	214,700	79.73%
Total :	<u><u>\$ 269,300</u></u>	<u><u>100.00%</u></u>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**ANALYSIS OF INDIAN MOUND PROJECT (2015)**

	<u>Cost</u>	<u>Year Acquired</u>	<u>Year Retired</u>	<u>Deprec Rate</u>	<u>Annual Deprec</u>	<u>Accum Deprec</u>	<u>Net Book Value</u>
<b>Asset Additions</b> (Per Staff 3-4(a)):							
Structures and Improvements	\$ 172,551	2015	N/A	2.50%	\$ 4,314	\$ (2,157)	\$ 170,394
Pumping Equipment	13,615	2015	N/A	10.00%	1,362	(681)	12,934
Water Treatment Equipment	7,284	2015	N/A	3.60%	262	(131)	7,153
Distribution Reservoirs and Standpipes	1,801	2015	N/A	2.20%	40	(20)	1,781
Miscellaneous Equipment	<u>3,556</u>	2015	N/A	10.00%	<u>356</u>	<u>(178)</u>	<u>3,378</u>
Total	<u>\$ 198,807</u>				<u>\$ 6,333</u>	<u>\$ (3,166)</u>	<u>\$ 195,641</u>

**Asset Retirements**

(as of test-year end based on Staff 3-4(b)):

Structures and Improvements	\$ 6,738	1998	2016	2.00%	\$ 135	\$ (2,571)	\$ 4,167
Pumping Equipment	3,340	1991	2016	10.00%	-	(3,340)	-
Pumping Equipment	5,749	2002	2016	10.00%	-	(5,749)	-
Water Treatment Equipment	<u>828</u>	1997	2016	10.00%	<u>-</u>	<u>(828)</u>	<u>-</u>
Total	<u>\$ 16,655</u>				<u>\$ 135</u>	<u>\$ (12,488)</u>	<u>\$ 4,167</u>

**Net Change in Annual Depreciation Expense:**

\$ 6,198

**Calculation of Annual Property Tax Expense:**

Net Book Value of Asset Additions  
Tax Assessment Value as a % of Taxable Utility Plant per Book (See Att JPL-1; Sch 12)  
Tax Assessment Value of Asset Additions  
Combined Tax Rate (\$17.35(Ossipee) + \$6.60(State) / \$1,000)

	\$ 195,641
x	87.40%
	<u>170,990</u>
x	\$0.02395
	<u><u>\$ 4,095</u></u>

**Annual Property Tax Expense**

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**ANALYSIS OF ACCOUNTING SOFTWARE SYSTEM ACQUISITION**

	<u>Cost</u>	<u>Year Acquired</u>	<u>Year Retired</u>	<u>Deprec Rate</u>	<u>Annual Deprec</u>	<u>Accum Deprec</u>	<u>Net Book Value</u>	<u>Annual Maint Fee (Tech 1-1(e))</u>
<b>Asset Addition:</b>								
New Accounting System (Per Staff 3-2)	<u>\$ 33,562</u>	<b>2015</b>	<b>N/A</b>	10.00%	<u>\$ 3,356</u>	<u>\$ (1,678)</u>	<u>\$ 31,884</u>	<u>\$ 8,124</u>
<b>Asset Retirement:</b>								
Previous Accounting System (as of test year-end per Staff 3-2)	<u>\$ 36,610</u>	<b>2005</b>	<b>2016</b>	10.00%	<u>\$ 3,661</u>	<u>\$ (34,780)</u>	<u>\$ 1,830</u>	<u>\$ 10,790</u>
<b>Net Change in Annual Expense:</b>					<u>\$ (305)</u>			<u>\$ (2,666)</u>

DW 15-209 / DW 15-422  
LAKES REGION WATER COMPANY, INC.  
STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS  
ANALYSIS OF DW 07-105 DEFERRED ASSET

	Deferred Costs	Amort Rate	Annual Amort	Accum Amort	Net Deferred Asset
<b>Deferred Asset:</b>					
DW 07-105 Deferred Costs	<u>\$ 49,902</u>	20.00%	<u>\$ 9,980</u>	<u>\$ (4,990)</u>	<u>\$ 44,912</u>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**ANALYSIS OF ANNUAL PENSION EXPENSE**

Test Year Wage & Salary Expense	\$ 378,949
Co O & M Adj # 1: To adj employee salary to reflect full year	22,274
Co O & M Adj # 2: To reflect 4.00% salary increase	15,270
Staff Adj # 48: To eliminate post-test year wages	<u>(1,529)</u>
Total Proforma Test Year Wage & Salary Expense	414,964
Annual Projected Pension Contribution %	x <u>2.00%</u>
Annual Projected Contribution	8,299
Annual Projected Pension Fee	<u>480</u>
Annual Projected Pension Cost	<u><b>\$ 8,779</b></u>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**SUMMARY**

	<u>Volume Basis</u>	<u>Customer Allocation Basis</u>	<u>POASI</u>	<u>Non - POASI</u>	<u>TOTAL</u>
Revenue Requirement after Tax Effect (Schedule 7b)	\$ 24,469	\$ 921	\$ -	\$ 4	\$ 25,394
Total Operating Expenses (Schedule 7d)	5,224	954	-	181	6,359
Less: Other Operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues to be Collected via All Water Rates	<u>\$ 29,694</u>	<u>\$ 1,875</u>	<u>\$ -</u>	<u>\$ 185</u>	<u>\$ 31,753</u>
Revenues Specific to POASI Special Contract	<u>\$ 29,694</u>	<u>\$ 1,875</u>	<u>\$ -</u>		<u>\$ 31,569</u>
	<u>CCF Usage</u>	<u>Customers</u>	<u>Customers</u>		
POASI	16,090	1	1		
Paradise Shores	8,480	392	-		
Total	<u>24,570</u>	<u>393</u>	<u>1</u>		
Rates	<u>\$ 1.21 /ccf</u>	<u>\$ 4.77 /cust</u>	<u>\$ -</u>	POASI only	
Revenues:					
POASI	\$ 19,445	\$ 5	\$ -	\$ -	<b>\$ 19,450</b>
Paradise Shores	10,248	1,870	-	185	12,303
Total	<u>\$ 29,694</u>	<u>\$ 1,875</u>	<u>\$ -</u>	<u>\$ 185</u>	<u>\$ 31,753</u>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**REVENUE REQUIREMENT**

	<b>Volume Basis</b>	<b>Customer Allocation Basis</b>	<b>POASI</b>	<b>Non - POASI</b>	<b>TOTAL</b>
<b>NET PLANT IN RATE BASE:</b>					
Total Utility Plant in Service (Schedule 7c)	211,032	7,954	-	-	218,986
Less: Accumulated Depreciation (Schedule 7c)	-	398	-	-	398
Net Utility Plant in Service	211,032	8,352	-	-	219,384
Contributions in Aid of Construction (CIAC)	-	-	-	-	-
Less: Accumulated Amortization - CIAC	-	-	-	-	-
Net Contributions in Aid of Construction	-	-	-	-	-
<b>Net Utility Plant in Rate Base</b>	<b>211,032</b>	<b>8,352</b>	<b>-</b>	<b>-</b>	<b>219,384</b>
<b>WORKING CAPITAL IN RATE BASE:</b>					
Materials and Supplies	-	-	-	-	-
Prepayments - Other	-	-	-	-	-
Prepaid Taxes	-	-	-	-	-
Deferred Assets ((\$49,902 - \$4,990) x 23.70%) (Schedule 5)	10,644	-	-	-	10,644
Customer Deposits	-	-	-	-	-
Accumulated Deferred Income Taxes - Depreciation	-	-	-	-	-
Subtotal	10,644	-	-	-	10,644
Calculation of Cash Working Capital:					
Operation & Maintenance Expenses (Schedule 7d)	1,268	-	-	181	1,449
Cash Working Capital % (75 days ÷ 365 days)	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%
Cash Working Capital	261	-	-	37	298
Total Working Capital in Rate Base	10,905	-	-	37	10,942
<b>Total Rate Base</b>	<b>221,936</b>	<b>8,352</b>	<b>-</b>	<b>37</b>	<b>230,325</b>
Rate of Return (Sch 1a)	x 7.33%	x 7.33%	x 7.33%	x 7.33%	x 7.33%
Revenue Requirement before Tax Effect	16,259	612	-	3	16,874
Income Tax Gross-up Factor @ Sch 1a / Footnote (d)	8,210	309	-	1	8,521
<b>Revenue Requirement after Tax Effect</b>	<b>\$ 24,469</b>	<b>\$ 921</b>	<b>\$ -</b>	<b>\$ 4</b>	<b>\$ 25,394</b>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**UTILITY PLANT IN SERVICE**

	<b>Volume Basis</b>	<b>Customer Allocation Basis</b>	<b>POASI</b>	<b>Non - POASI</b>	<b>TOTAL</b>
<b>UTILITY PLANT IN SERVICE:</b>					
303.20 Land and Land Rights (Schedule 2)	211,032	-	-	-	211,032
304.20 Structures and Improvements	-	-	-	-	-
307.20 Wells and Springs	-	-	-	-	-
311.20 Pumping Equipment	-	-	-	-	-
339.21 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.22 Other Miscellaneous Equipment (Common)	-	-	-	-	-
339.30 Other Miscellaneous Equipment (Treatment)	-	-	-	-	-
330.40 Distribution Reservoirs and Standpipes	-	-	-	-	-
331.40 Transmission and Distribution Mains	-	-	-	-	-
333.40 Services	-	-	-	-	-
334.40 Meters and Meter Installation	-	-	-	-	-
335.40 Hydrants	-	-	-	-	-
339.41 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.42 Other Miscellaneous Equipment (Common)	-	-	-	-	-
303.50 Land and Land Rights	-	-	-	-	-
304.50 Structures and Improvements	-	-	-	-	-
340.50 Office Furniture and Equipment	-	-	-	-	-
341.51 Transportation Equipment - Construction	-	-	-	-	-
341.52 Transportation Equipment - Pickups	-	-	-	-	-
343.50 Tools, Shop, and Garage Equipment	-	-	-	-	-
344.50 Laboratory Equipment	-	-	-	-	-
346.00 Communication Equipment	-	-	-	-	-
347.50 Miscellaneous Equipment (\$33,562 x 23.70%) (Schedule 4)	-	7,954	-	-	7,954
348.50 Other Tangible Plant (Rounding)	-	-	-	-	-
Total Utility Plant in Service	<u>\$ 211,032</u>	<u>\$ 7,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,986</u>
<b>ACCUMULATED DEPRECIATION:</b>					
303.20 Land and Land Rights	-	-	-	-	-
304.20 Structures and Improvements	-	-	-	-	-
307.20 Wells and Springs	-	-	-	-	-
311.20 Pumping Equipment	-	-	-	-	-
339.21 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.22 Other Miscellaneous Equipment (Common)	-	-	-	-	-
339.30 Other Miscellaneous Equipment (Treatment)	-	-	-	-	-
330.40 Distribution Reservoirs and Standpipes	-	-	-	-	-
331.40 Transmission and Distribution Mains	-	-	-	-	-
333.40 Services	-	-	-	-	-
334.40 Meters and Meter Installation	-	-	-	-	-
335.40 Hydrants	-	-	-	-	-
339.41 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.42 Other Miscellaneous Equipment (Common)	-	-	-	-	-
303.50 Land and Land Rights	-	-	-	-	-
304.50 Structures and Improvements	-	-	-	-	-
340.50 Office Furniture and Equipment	-	-	-	-	-
341.51 Transportation Equipment - Construction	-	-	-	-	-
341.52 Transportation Equipment - Pickups	-	-	-	-	-
343.50 Tools, Shop, and Garage Equipment	-	-	-	-	-
344.50 Laboratory Equipment	-	-	-	-	-
346.00 Communication Equipment	-	-	-	-	-
347.50 Miscellaneous Equipment (-\$1,678 x 23.70%) (Schedule 4)	-	398	-	-	398
348.50 Other Tangible Plant (Rounding)	-	-	-	-	-
Total Accumulated Depreciation	<u>\$ -</u>	<u>\$ 398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 398</u>
<b>DEPRECIATION EXPENSE:</b>					
303.20 Land and Land Rights	-	-	-	-	-
304.20 Structures and Improvements	-	-	-	-	-
307.20 Wells and Springs	-	-	-	-	-
311.20 Pumping Equipment	-	-	-	-	-
339.21 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.22 Other Miscellaneous Equipment (Common)	-	-	-	-	-
339.30 Other Miscellaneous Equipment (Treatment)	-	-	-	-	-



**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**UTILITY PLANT IN SERVICE**

	<b>Volume Basis</b>	<b>Customer Allocation Basis</b>	<b>POASI</b>	<b>Non - POASI</b>	<b>TOTAL</b>
330.40 Distribution Reservoirs and Standpipes	-	-	-	-	-
331.40 Transmission and Distribution Mains	-	-	-	-	-
333.40 Services	-	-	-	-	-
334.40 Meters and Meter Installation	-	-	-	-	-
335.40 Hydrants	-	-	-	-	-
339.41 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.42 Other Miscellaneous Equipment (Common)	-	-	-	-	-
303.50 Land and Land Rights	-	-	-	-	-
304.50 Structures and Improvements	-	-	-	-	-
340.50 Office Furniture and Equipment	-	-	-	-	-
341.51 Transportation Equipment - Construction	-	-	-	-	-
341.52 Transportation Equipment - Pickups	-	-	-	-	-
343.50 Tools, Shop, and Garage Equipment	-	-	-	-	-
344.50 Laboratory Equipment	-	-	-	-	-
346.00 Communication Equipment	-	-	-	-	-
347.50 Miscellaneous Equipment (\$3,356 x 23.70%) (Schedule 4)	-	795	-	-	795
348.50 Other Tangible Plant (Rounding)	-	-	-	-	-
Total Depreciation Expense	<u>\$ -</u>	<u>\$ 795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 795</u>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**OPERATING EXPENSES**

	Volume Basis	Customer Allocation Basis	POASI	Non - POASI	TOTAL
<b>OPERATING EXPENSES:</b>					
Operation & Maintenance Expenses:					
Source of Supply Expenses	-	-	-	-	-
Pumping Expenses	-	-	-	-	-
Water Treatment Expenses	-	-	-	-	-
Transmission and Distribution Expenses	-	-	-	-	-
Customer Account Expense	-	-	-	-	-
Subtotal	-	-	-	-	-
Administrative and General Expenses:					
Salary and Wages Expense:					
Superintendent (1.0)	-	-	-	-	-
Field Personnel (3.0)	-	-	-	-	-
Office (0.5)	-	-	-	-	-
Office (2.5)	-	-	-	-	-
Total Salary and Wages Expense	-	-	-	-	-
Outside Professional Services (-\$2,666 x 23.70%) (Schedule 4)	-	(632)	-	-	(632)
Outside Professional Services - Discount	-	-	-	-	-
Property Insurance Expense (Allocated by Utility Plant)	-	-	-	-	-
Group Insurance (Allocated by Wages)	-	-	-	-	-
Pension Plan (\$8,779 x 23.70%) (Schedule 6) (Allocation per (j))	1,110	791	-	181	2,081
Rate Case Expenses	-	-	-	-	-
Regulatory Commission Expense	-	-	-	-	-
Materials	-	-	-	-	-
Contracted Services	-	-	-	-	-
Heat / Electric Expense - Office	-	-	-	-	-
Telephone Expense	-	-	-	-	-
Office Expense	-	-	-	-	-
Dig Safe Expense	-	-	-	-	-
Bank Charges Expense	-	-	-	-	-
Operating Permits Expense	-	-	-	-	-
Total Administrative and General Expenses	1,110	159	-	181	1,449
Total Operation & Maintenance Expenses	1,110	159	-	181	1,449
Depreciation Expense	-	795	-	-	795
Amortization of Contributions in Aid of Construction	-	-	-	-	-
Amortization Expense - Other (\$9,980 x 23.70%) (Schedule 5)	2,365	-	-	-	2,365
Payroll Tax Expense (Allocated by Wages)	-	-	-	-	-
Property Tax Expense (k)	1,749	-	-	-	1,749
Total Operating Expenses	\$ 5,224	\$ 954	\$ -	\$ 181	\$ 6,359

**(j) Payroll Allocation:**

	Balance @ 12/31/2014	Adjustments	Adjusted Balance		
Volume Basis Wages -					
Source of Supply Wages	\$ 3,315	\$ 118	\$ 3,433		
Water Treatment Wages	625	-	625		
Transmission and Distribution Wages	15,919	22	15,941		
Admin & Gen'l: Superintendent	15,569	557	16,126		
Admin & Gen'l: Field	9,923	355	10,278		
Admin & Gen'l: Office (0.5)	4,872	174	5,046		
Total Volume Basis Wages	50,223	1,226	51,449	56.82%	53.33%
Customer Basis Wages - Admin & Gen'l: Office (2.5)	30,082	6,575	36,657	34.03%	37.99%
Non-POASI Wages - Customer Account Wages	8,086	289	8,375	9.15%	8.68%

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**OPERATING EXPENSES**

	<u>Volume Basis</u>	<u>Customer Allocation Basis</u>	<u>POASI</u>	<u>Non - POASI</u>	<u>TOTAL</u>
Total Wages	\$ 88,391	\$ 8,090	\$ 96,481	100.00%	100.00%

**(k) Property Tax Expense (See Att JPL-1 / Sch 12):**

Direct RE Taxes - Paradise Shores:

Allocated Cost of Mt. Roberts Land (Schedule 2)		\$ 211,032		
Tax Assessment Value as a % of Taxable Utility Plant per Book	x	87.40%		
Tax Assessment Value of Land Purchase		184,442		
Municipal Tax Rate (Moultonborough)	x	\$0.00647	\$	1,193

Indirect RE Taxes - Paradise Shores:

Allocated Cost of Mt. Roberts Land (Schedule 2)	\$ 211,032			
Net Book Value of Indian Mound Additions (Schedule 3)	195,641	406,672		
Tax Assessment Value as a % of Taxable Utility Plant per Book	x	87.40%		
Tax Assessment Value of Land Purchase		355,432		
State Tax Rate (Moultonborough)	x	\$0.00660		
Total State Property Taxes		\$ 2,346		
Paradise Shores Allocation %	x	23.70%		556
Property Tax Expense - Paradise Shores			\$	1,749

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**COMPUTATION OF CUSTOMER RATES**  
**PERMANENT RATES**

Proposed Annual Water Revenue from General Customers (Attachment JPL-1 / Schedule 1) \$ 1,104,873

Less: Annual Operating Revenue - WVG Community Pool

Current Authorized Rate Per Tariff	\$	1,452.76	
1 + Percentage Increase in Revenue Requirement	x	1.0592	(1,538.73)

Less: Annual Operating Revenue - Non-metered Customers

Annual Water Revenue from General Customers less Annual Revenue - WVG Pool	\$	1,103,334	
Total Consolidated Rate Customers	÷	1,665	
Annual Revenue Requirement per Customer		\$ 662.66	
Total Non-metered Customers	x	591	\$ (391,634)

Annual Revenue Requirement Collected through Minimum Charge and Consumption Charge \$ 711,700

Calculation of Average Metered Rate per Customer:

\$ 521.22 (Minimum Charge) + \$ 5.07 (Metered Charge) x ( 29,952 ccf ÷ 1,074 metered customers)  
= **\$ 662.66** average charge per metered customer

(X = Minimum Charge; Y = Consumption Charge)

Calculation of Proportion of Present Minimum Charge to Present Consumption Charge:

Present Annual Minimum Charge Per Tariff: (X) \$ 494.32

Present Annual Consumption Charge Per Tariff (per 100 cu ft): (Y) ÷ \$ 4.81

Proportion of Present Minimum Charge to Present Consumption Charge: (X ÷ Y) 102.8

Calculation of Consumption Charge:

X	+	Y	*	29,952	÷	1,074	=	\$ 662.66
Y	*	102.8	+	Y	*	27.9	=	\$ 662.66
				Y	*	130.7	=	\$ 662.66
				Y	=	\$ 5.07	*	29,952 = <span style="text-align: right; border-bottom: 3px double black;">\$ (151,911)</span>

Annual Revenue Requirement Collected through Minimum Charge \$ 559,789

Calculation of Annual Minimum Charge:

X	+	Y	*	29,952	÷	1,074	=	\$ 662.66
		X	+	\$ 5.07	*	27.9	=	\$ 662.66
				X	+	\$ 141.44	=	\$ 662.66
				X	=	\$ 521.22	*	1,074 = <span style="text-align: right; border-bottom: 3px double black;">\$ (559,789)</span>

**Remainder of Annual Water Revenue from General Customers** **\$ -**

Conversion of Metered Consumption from Gallons to CCF:

2014 Total Consumption by Metered Customers (Gallons)	34,474,000
Less: 2014 Suissevale Metered Consumption (Gallons)	(12,068,000)
2014 Consumption by Metered Customers (Gallons)	22,406,000
Conversion Factor from Gallons to CCF (1 CCF = 748.051948 Gallons)	÷ 748.05
2014 Consumption by Metered Customers (CCF)	29,952

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**REPORT OF PROPOSED RATE CHANGES**  
**PERMANENT RATES**

<b>Revenues:</b>	<b>Number of Customers</b>	<b>Prior Revenues</b>	<b>Proposed Revenues</b>	<b>Proposed \$ Change</b>	<b>Proposed % Change</b>
WVG Pool	1	\$ 1,448	\$ 1,539	\$ 91	6.27%
Unmetered General Customers	591	367,707	391,634	23,927	6.51%
Metered General Customers	1,074	673,988	711,700	37,712	5.60%
Total Unmetered and Metered General Customers	1,666	1,043,143	1,104,873	61,730	5.92%
Suissevale Special Contract	1	136,526	204,385	67,859	49.70%
Total Water Sales	1,667	1,179,669	1,309,258	129,589	10.99%
Other Operating Revenues	N/A	136,341	59,058	(77,283)	-56.68%
Total Operating Revenues	1,667	\$ 1,316,010	\$ 1,368,316	\$ 52,306	3.97%

<b>Rates:</b>	<b>Number of Customers</b>	<b>Prior Rates</b>	<b>Proposed Rates</b>	<b>Proposed \$ Change</b>	<b>Proposed % Change</b>
WVG Pool - Annual	1	\$ 1,452.76	\$ 1,538.73	\$ 85.97	5.92%
Unmetered General Customers - Annual	591	\$ 625.56	\$ 662.66	\$ 37.10	5.93%
Metered General Customers:					
Customer Charge - Annual	1,074	\$ 494.32	\$ 521.22	\$ 26.90	5.44%
Meter Charge - per ccf	1,074	\$ 4.81	\$ 5.07	\$ 0.26	5.44%

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**COMPUTATION OF CUSTOMER RATES**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**

Proposed Annual Water Revenue from General Customers (Attachment JPL-1 / Schedule 1 and Attachment JPL-2 / Schedule 1) \$ 1,167,359

Less: Annual Operating Revenue - WVG Community Pool

Current Authorized Rate Per Tariff	\$	1,452.76	
1 + Percentage Increase in Revenue Requirement	x	1.1191	(1,625.75)

Less: Annual Operating Revenue - Non-metered Customers

Annual Water Revenue from General Customers less Annual Revenue - WVG Pool	\$	1,165,733	
Total Consolidated Rate Customers	÷	1,665	
Annual Revenue Requirement per Customer		\$ 700.14	
Total Non-metered Customers	x	591	\$ (413,783)

Annual Revenue Requirement Collected through Minimum Charge and Consumption Charge \$ 751,950

Calculation of Average Metered Rate per Customer:

\$ 550.70 (Minimum Charge) + \$ 5.36 (Metered Charge) x ( 29,952 ccf ÷ 1,074 metered customers)  
= **\$ 700.14** average charge per metered customer

(X = Minimum Charge; Y = Consumption Charge)

Calculation of Proportion of Present Minimum Charge to Present Consumption Charge:

Present Annual Minimum Charge Per Tariff: (X) \$ 494.32

Present Annual Consumption Charge Per Tariff (per 100 cu ft): (Y) ÷ \$ 4.81

Proportion of Present Minimum Charge to Present Consumption Charge: (X ÷ Y) 102.8

Calculation of Consumption Charge:

X	+	Y	*	29,952	÷	1,074	=	\$ 700.14
Y	*	102.8	+	Y	*	27.9	=	\$ 700.14
				Y	*	130.7	=	\$ 700.14
				Y	=	\$ 5.36	*	29,952 = <span style="float: right; border-bottom: 3px double black;">\$ (160,502)</span>

Annual Revenue Requirement Collected through Minimum Charge \$ 591,448

Calculation of Annual Minimum Charge:

X	+	Y	*	29,952	÷	1,074	=	\$ 700.14
		X	+	\$ 5.36	*	27.9	=	\$ 700.14
			+	\$ 149.44	=			\$ 700.14
				X	=	\$ 550.70	*	1,074 = <span style="float: right; border-bottom: 3px double black;">\$ (591,448)</span>

**Remainder of Annual Water Revenue from General Customers** **\$ -**

Conversion of Metered Consumption from Gallons to CCF:

2014 Total Consumption by Metered Customers (Gallons)	34,474,000
Less: 2014 Suissevale Metered Consumption (Gallons)	(12,068,000)
2014 Consumption by Metered Customers (Gallons)	22,406,000
Conversion Factor from Gallons to CCF (1 CCF = 748.051948 Gallons)	÷ 748.05
2014 Consumption by Metered Customers (CCF)	29,952

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**REPORT OF PROPOSED RATE CHANGES**  
**STEP ADJUSTMENT # 1: 2015 - 2016 PROJECTS**

<b>Revenues:</b>	<b>Number of Customers</b>	<b>Prior Revenues</b>	<b>Proposed Revenues</b>	<b>Proposed \$ Change</b>	<b>Proposed % Change</b>
WVG Pool	1	\$ 1,448	\$ 1,626	\$ 178	12.28%
Unmetered General Customers	591	367,707	413,783	46,076	12.53%
Metered General Customers	1,074	673,988	751,950	77,962	11.57%
Total Unmetered and Metered General Customers	1,666	1,043,143	1,167,359	124,216	11.91%
Suissevale Special Contract	1	136,526	223,835	87,309	63.95%
Total Water Sales	1,667	1,179,669	1,391,194	211,525	17.93%
Other Operating Revenues	N/A	136,341	59,058	(77,283)	-56.68%
Total Operating Revenues	1,667	\$ 1,316,010	\$ 1,450,252	\$ 134,242	10.20%

<b>Rates:</b>	<b>Number of Customers</b>	<b>Prior Rates</b>	<b>Proposed Rates</b>	<b>Proposed \$ Change</b>	<b>Proposed % Change</b>
WVG Pool - Annual	1	\$ 1,452.76	\$ 1,625.75	\$ 172.99	11.91%
Unmetered General Customers - Annual	591	\$ 625.56	\$ 700.14	\$ 74.58	11.92%
Metered General Customers:					
Customer Charge - Annual	1,074	\$ 494.32	\$ 550.70	\$ 56.38	11.40%
Meter Charge - per ccf	1,074	\$ 4.81	\$ 5.36	\$ 0.55	11.40%

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**COMPUTATION OF CUSTOMER RATES**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**

Proposed Annual Water Revenue from General Customers (Att JPL-1 / Sch 1, Att JPL-2 / Sch 1, and Att JPL-3 / Sch 1) \$ 1,189,105

Less: Annual Operating Revenue - WVG Community Pool

Current Authorized Rate Per Tariff	\$	1,452.76	
1 + Percentage Increase in Revenue Requirement	x	1.1399	(1,656.04)

Less: Annual Operating Revenue - Non-metered Customers

Annual Water Revenue from General Customers less Annual Revenue - WVG Pool	\$	1,187,449	
Total Consolidated Rate Customers	÷	1,665	
Annual Revenue Requirement per Customer			\$ 713.18
Total Non-metered Customers	x	591	\$ (421,491)

Annual Revenue Requirement Collected through Minimum Charge and Consumption Charge \$ 765,958

Calculation of Average Metered Rate per Customer:

\$ 560.96 (Minimum Charge) + \$ 5.46 (Metered Charge) x ( 29,952 ccf ÷ 1,074 metered customers)  
= **\$ 713.18** average charge per metered customer

(X = Minimum Charge; Y = Consumption Charge)

Calculation of Proportion of Present Minimum Charge to Present Consumption Charge:

Present Annual Minimum Charge Per Tariff: (X) \$ 494.32

Present Annual Consumption Charge Per Tariff (per 100 cu ft): (Y) ÷ \$ 4.81

Proportion of Present Minimum Charge to Present Consumption Charge: (X ÷ Y) 102.8

Calculation of Consumption Charge:

X	+	Y	*	29,952	÷	1,074	=	\$ 713.18
Y	*	102.8	+	Y	*	27.9	=	\$ 713.18
				Y	*	130.7	=	\$ 713.18
				Y	=	\$ 5.46	*	29,952 = <span style="float: right; border-bottom: 3px double black;">\$ (163,492)</span>

Annual Revenue Requirement Collected through Minimum Charge \$ 602,466

Calculation of Annual Minimum Charge:

X	+	Y	*	29,952	÷	1,074	=	\$ 713.18
		X	+	\$ 5.46	*	27.9	=	\$ 713.18
				X	+	\$ 152.23	=	\$ 713.18
				X	=	\$ 560.96	*	1,074 = <span style="float: right; border-bottom: 3px double black;">\$ (602,466)</span>

**Remainder of Annual Water Revenue from General Customers** **\$ -**

Conversion of Metered Consumption from Gallons to CCF:

2014 Total Consumption by Metered Customers (Gallons)	34,474,000
Less: 2014 Suissevale Metered Consumption (Gallons)	(12,068,000)
2014 Consumption by Metered Customers (Gallons)	22,406,000
Conversion Factor from Gallons to CCF (1 CCF = 748.051948 Gallons)	÷ 748.05
2014 Consumption by Metered Customers (CCF)	29,952



**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**REPORT OF PROPOSED RATE CHANGES**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**

<b>Revenues:</b>	<b>Number of Customers</b>	<b>Prior Revenues</b>	<b>Proposed Revenues</b>	<b>Proposed \$ Change</b>	<b>Proposed % Change</b>
WVG Pool	1	\$ 1,448	\$ 1,656	\$ 208	14.37%
Unmetered General Customers	591	367,707	421,491	53,784	14.63%
Metered General Customers	1,074	673,988	765,958	91,970	13.65%
Total Unmetered and Metered General Customers	1,666	1,043,143	1,189,105	145,962	13.99%
Suissevale Special Contract	1	136,526	224,165	87,639	64.19%
Total Water Sales	1,667	1,179,669	1,413,270	233,601	19.80%
Other Operating Revenues	N/A	136,341	59,058	(77,283)	-56.68%
Total Operating Revenues	1,667	\$ 1,316,010	\$ 1,472,328	\$ 156,318	11.88%

<b>Rates:</b>	<b>Number of Customers</b>	<b>Prior Rates</b>	<b>Proposed Rates</b>	<b>Proposed \$ Change</b>	<b>Proposed % Change</b>
WVG Pool - Annual	1	\$ 1,452.76	\$ 1,656.04	\$ 203.28	13.99%
Unmetered General Customers - Annual	591	\$ 625.56	\$ 713.18	\$ 87.62	14.01%
Metered General Customers:					
Customer Charge - Annual	1,074	\$ 494.32	\$ 560.96	\$ 66.64	13.48%
Meter Charge - per ccf	1,074	\$ 4.81	\$ 5.46	\$ 0.65	13.48%

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**CALCULATION OF STEP ADJUSTMENT**

<b>Account</b>	<b>Wentworth Cove Project (Sch 2)</b>	<b>Waterville Valley Gateway Project (Sch 3)</b>	<b>Main Office Renovation Project (Sch 4)</b>	<b>Total Projects</b>
304 Structures and Improvements	\$ 33,300	\$ 41,250	\$ 136,000	\$ 210,550
311 Pumping Equipment	3,700	8,200		11,900
320 Treatment Equipment	10,000			10,000
331 Mains		550		550
340 Office Furniture and Equipment			4,000	4,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Plant Additions	47,000	50,000	140,000	237,000
Less: 1/2 Year Depreciation	<u>(781)</u>	<u>(931)</u>	<u>(1,786)</u>	<u>(3,498)</u>
Net Plant Additions	46,219	49,069	138,214	233,502
Rate of Return (Schedule 1a)	x 4.92% x	x 4.92% x	x 4.92% x	x 4.92%
<b>Increase in Net Operating Income Requirement</b>	<b>2,274</b>	<b>2,414</b>	<b>6,799</b>	<b>11,486</b>
Add: Annual Depreciation Expense	1,563	1,862	3,572	6,997
Annual Property Tax Expense	<u>1,068</u>	<u>991</u>	<u>1,534</u>	<u>3,592</u>
<b>Increase in Revenue Requirement</b>	<b><u>\$ 4,904</u></b>	<b><u>\$ 5,267</u></b>	<b><u>\$ 11,905</u></b>	<b><u>\$ 22,076</u></b>
Less: Increase in POASI Special Contract (Schedule 5a)				<u>(330)</u>
<b>Step Increase</b>				<b><u>\$ 21,746</u></b>
<b>Actual Water Revenues from General Customers</b>				<b><u>\$ 1,043,143</u></b>
<b>% Increase in Annual Water Revenues from General Customers</b>				<b><u>2.08%</u></b>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**RATE OF RETURN**

	<u>Amount</u>	<u>Interest Rate</u>	<u>Annual Interest</u>	<u>Annual Amortization of Finance Cost</u>	<u>Total Annual Cost of Debt</u>	<u>Annual Cost Rate</u>
CoBank Loan (2016 White Mountain Gateway Project)	\$ 50,000	4.52% (a)	\$ 2,260	\$ 200 (b)	\$ 2,460	4.92%
CoBank Loan (2016 Wentworth Cove Project)	47,000	4.52% (a)	2,124	188 (b)	2,312	4.92%
CoBank Loan (2016 Main Office Renovation Project)	140,000	4.52% (a)	6,328	559 (b)	6,887	4.92%
<b>Total</b>	<b>\$ 237,000</b>		<b>\$ 10,712</b>	<b>\$ 946</b>	<b>\$ 11,658</b>	<b>4.92%</b>

(a) Interest rates on CoBank loan reflects a 75 basis point per annum reduction relative to the Co's participation in CoBank's Patronage Program.  
(5.27% - 0.75% = 4.52%)

(b) Calculation of projected amortization of finance costs based on Co's response to Tech 5-4:

Estimated 2016 CoBank Financing Costs:

CoBank Origination Fee	\$ 6,000
Legal Fees	15,000
Consultant Fees	7,500
Total	<u>28,500</u>

Loan Term (Years)

20

Annual Amortization of Finance Costs

\$ 1,425

↓

Allocation of Annual Amortization Cost amongst 2016 Projects:

	<u>Project Cost</u>	<u>% of Total</u>	<u>Allocation of Ann'l Amort</u>	<u>Ann'l Amort Step Adj</u>
2016 Dockham Shores Purchase / Upgrades	\$ 120,000	33.61%	\$ 479	
2016 White Mountain Gateway Project	50,000	14.01%	<b>200</b> →	<b>\$ 200</b>
2016 Wentworth Cove Project	47,000	13.17%	<b>188</b> →	<b>188</b>
2016 Main Office Renovation Project	140,000	39.22%	<b>559</b> →	<b>559</b>
Total	<u>\$ 357,000</u>	<u>100.00%</u>	<u>\$ 1,425</u>	<u>\$ 946</u>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**ANALYSIS OF PROJECTED WENTWORTH COVE PROJECT**

<b>Account</b>	<b>Description</b>	<b>Estimated Cost</b>	<b>Depreciation Rate</b>	<b>Annual Depreciation Expense</b>	<b>One-Half Year Depreciation</b>	<b>Combined Property Tax Rate (c)</b>	<b>Tax Value as % of Net Book (Att JPL-1; Sch 12)</b>	<b>Annual Property Tax Expense</b>
304	Structures and Improvements:							
	Bulkhead / Structure	\$ 13,200	2.50%	\$ 330	\$ 165	\$ 26.43	87.40%	\$ 301
	Exhaust Fan / Transducer	1,100	2.50%	28	14	26.43	87.40%	25
	GS400	3,800	2.50%	95	48	26.43	87.40%	87
	Electrical / Labor	12,200	2.50%	305	153	26.43	87.40%	278
	Plumbing	3,000	2.50%	75	38	26.43	87.40%	68
	<b>Total</b>	<b>33,300</b>		<b>833</b>	<b>416</b>			<b>760</b>
311	Pumping Equipment:							
	1 - 2" Badger Meter	2,200	10.00%	220	110	26.43	87.40%	48
	1 - 1" Badger Meter	1,500	10.00%	150	75	26.43	87.40%	33
	<b>Total</b>	<b>3,700</b>		<b>370</b>	<b>185</b>			<b>81</b>
320	Water Treatment Equipment:							
	Manganese Filtration	10,000	3.60%	360	180	26.43	87.40%	227
<b>Total</b>		<b>\$ 47,000</b>		<b>\$ 1,563</b>	<b>\$ 781</b>			<b>\$ 1,068</b>
<b>(c)</b>	2015 Tax Rate - Laconia, NH	\$ 19.83						
	State Utility Tax Rate	6.60						
	<b>Combined Property Tax Rate</b>	<b>\$ 26.43</b>						

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**ANALYSIS OF PROJECTED WATERVILLE VALLEY GATEWAY PROJECT**

<b>Account</b>	<b>Description</b>	<b>Estimated Cost</b>	<b>Depreciation Rate</b>	<b>Annual Depreciation Expense</b>	<b>One-Half Year Depreciation</b>	<b>Combined Property Tax Rate (d)</b>	<b>Tax Value as % of Net Book (Att JPL-1; Sch 12)</b>	<b>Annual Property Tax Expense</b>
304	Structures and Improvements:							
	Bulkhead / Structure	\$ 9,300	2.50%	\$ 233	\$ 116	\$ 23.10	87.40%	\$ 185
	Exhaust Fan / Transducer	1,100	2.50%	28	14	23.10	87.40%	22
	REPCO Panel	10,000	2.50%	250	125	23.10	87.40%	199
	RTV w/ Power Supply	2,500	2.50%	63	31	23.10	87.40%	50
	Electrical / Labor	16,850	2.50%	421	211	23.10	87.40%	336
	Plumbing	1,500	2.50%	38	19	23.10	87.40%	30
	<b>Total</b>	<b>41,250</b>		<b>1,031</b>	<b>516</b>			<b>822</b>
311	Pumping Equipment:							
	Booster Pumps	4,500	10.00%	450	225	23.10	87.40%	86
	1 - 2" Badger Meter	2,200	10.00%	220	110	23.10	87.40%	42
	1 - 1" Badger Meter	1,500	10.00%	150	75	23.10	87.40%	29
	<b>Total</b>	<b>8,200</b>		<b>820</b>	<b>410</b>			<b>157</b>
331	Mains:							
	2" Pressure Reducing Valve	550	2.00%	11	6	23.10	87.40%	11
	<b>Total</b>	<b>\$ 50,000</b>		<b>\$ 1,862</b>	<b>\$ 931</b>			<b>\$ 991</b>
<b>(d)</b>	2015 Tax Rate - Thornton, NH	\$ 16.50						
	State Utility Tax Rate	6.60						
	<b>Combined Property Tax Rate</b>	<b>\$ 23.10</b>						

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**ANALYSIS OF PROJECTED MAIN OFFICE RENOVATION PROJECT**

	<b>Account</b>	<b>Description</b>	<b>Estimated Cost</b>	<b>Depreciation Rate</b>	<b>Annual Depreciation Expense</b>	<b>One-Half Year Depreciation</b>	<b>Combined Property Tax Rate (e)</b>	<b>Tax Value as % of Net Book (Att JPL-1; Sch 12)</b>	<b>Annual Property Tax Expense</b>
304	Structures and Improvements:	Building Addition	\$ 130,000	2.50%	\$ 3,250	\$ 1,625	\$ 13.07	87.40%	\$ 1,466
		Miscellaneous	6,000	2.50%	150	75	13.07	87.40%	68
		Total	<u>136,000</u>		<u>3,400</u>	<u>1,700</u>			<u>1,534</u>
340	Office Furniture and Equipment	Office Furniture	<u>4,000</u>	4.30%	<u>172</u>	<u>86</u>	N/A		<u>-</u>
	<b>Total</b>		<b><u>\$ 140,000</u></b>		<b><u>\$ 3,572</u></b>	<b><u>\$ 1,786</u></b>			<b><u>\$ 1,534</u></b>
(e)	2015 Tax Rate - Moultonborough, NH		\$ 6.47						
	State Utility Tax Rate		6.60						
	Combined Property Tax Rate		<u>\$ 13.07</u>						

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**SUMMARY**

	<b>Volume Basis</b>	<b>Customer Allocation Basis</b>	<b>POASI</b>	<b>Non - POASI</b>	<b>TOTAL</b>
	<u>Balance @ 12/31/14</u>	<u>Balance @ 12/31/14</u>	<u>Balance @ 12/31/14</u>	<u>Balance @ 12/31/14</u>	<u>Balance @ 12/31/14</u>
Revenue Requirement after Tax Effect (Schedule 5b)	\$ -	\$ 1,612	\$ -	\$ -	\$ 1,612
Total Operating Expenses (Schedule 5d)	494	806	-	-	1,300
Less: Other Operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues to be Collected via All Water Rates	<u>\$ 494</u>	<u>\$ 2,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,912</u>
Revenues Specific to POASI Special Contract	<u>\$ 494</u>	<u>\$ 2,418</u>	<u>\$ -</u>		<u>\$ 2,912</u>
	<u>CCF Usage</u>	<u>Customers</u>	<u>Customers</u>		
POASI	16,090	1	1		
Paradise Shores	8,480	392	-		
Total	<u>24,570</u>	<u>393</u>	<u>1</u>		
Rates	<u>\$ 0.02 /ccf</u>	<u>\$ 6.15 /cust</u>	<u>\$ -</u> POASI only		
Revenues:					
POASI	\$ 323	\$ 6	\$ -	\$ -	\$ 330
Paradise Shores	170	2,412	-	-	2,583
Total	<u>\$ 494</u>	<u>\$ 2,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,912</u>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**REVENUE REQUIREMENT**

	<b>Volume Basis</b>	<b>Customer Allocation Basis</b>	<b>POASI</b>	<b>Non - POASI</b>	<b>TOTAL</b>
	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>
<b>NET PLANT IN RATE BASE:</b>					
Total Utility Plant in Service (Schedule 5c)	-	33,180	-	-	33,180
Less: Accumulated Depreciation (Schedule 5c)	-	(403)	-	-	(403)
Net Utility Plant in Service	-	32,777	-	-	32,777
Contributions in Aid of Construction (CIAC)	-	-	-	-	-
Less: Accumulated Amortization - CIAC	-	-	-	-	-
Net Contributions in Aid of Construction	-	-	-	-	-
<b>Net Utility Plant in Rate Base</b>	-	32,777	-	-	32,777
<b>WORKING CAPITAL IN RATE BASE:</b>					
Materials and Supplies	-	-	-	-	-
Prepayments - Other	-	-	-	-	-
Prepaid Taxes	-	-	-	-	-
Deferred Assets	-	-	-	-	-
Customer Deposits	-	-	-	-	-
Accumulated Deferred Income Taxes - Depreciation	-	-	-	-	-
Subtotal	-	-	-	-	-
Calculation of Cash Working Capital:					
Operation & Maintenance Expenses	-	-	-	-	-
Cash Working Capital % (75 days ÷ 365 days)	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%
Cash Working Capital	-	-	-	-	-
Total Working Capital in Rate Base	-	-	-	-	-
<b>Total Rate Base</b>	-	32,777	-	-	32,777
Rate of Return @ Schedule 1a	x 4.92%	x 4.92%	x 4.92%	x 4.92%	x 4.92%
Revenue Requirement before Tax Effect	-	1,612	-	-	1,612
Income Tax Gross-up Factor @ 0.00%	-	-	-	-	-
<b>Revenue Requirement after Tax Effect</b>	<b>\$ -</b>	<b>\$ 1,612</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,612</b>



**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**UTILITY PLANT IN SERVICE**

	<b>Volume Basis</b>	<b>Customer Allocation Basis</b>	<b>POASI</b>	<b>Non - POASI</b>	<b>TOTAL</b>
	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>
<b>UTILITY PLANT IN SERVICE:</b>					
303.20 Land and Land Rights	-	-	-	-	-
304.20 Structures and Improvements	-	-	-	-	-
307.20 Wells and Springs	-	-	-	-	-
311.20 Pumping Equipment	-	-	-	-	-
339.21 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.22 Other Miscellaneous Equipment (Common)	-	-	-	-	-
339.30 Other Miscellaneous Equipment (Treatment)	-	-	-	-	-
330.40 Distribution Reservoirs and Standpipes	-	-	-	-	-
331.40 Transmission and Distribution Mains	-	-	-	-	-
333.40 Services	-	-	-	-	-
334.40 Meters and Meter Installation	-	-	-	-	-
335.40 Hydrants	-	-	-	-	-
339.41 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.42 Other Miscellaneous Equipment (Common)	-	-	-	-	-
303.50 Land and Land Rights	-	-	-	-	-
304.50 Structures and Improvements (\$136,000 x 23.70%) (Schedule 4)	-	32,232	-	-	32,232
340.50 Office Furniture and Equipment (\$4,000 x 23.70%) (Schedule 4)	-	948	-	-	948
341.51 Transportation Equipment - Construction	-	-	-	-	-
341.52 Transportation Equipment - Pickups	-	-	-	-	-
343.50 Tools, Shop, and Garage Equipment	-	-	-	-	-
344.50 Laboratory Equipment	-	-	-	-	-
346.00 Communication Equipment	-	-	-	-	-
347.50 Miscellaneous Equipment	-	-	-	-	-
348.50 Other Tangible Plant (Rounding)	-	-	-	-	-
Total Utility Plant in Service	<u>\$ -</u>	<u>\$ 33,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,180</u>
<b>ACCUMULATED DEPRECIATION:</b>					
303.20 Land and Land Rights	-	-	-	-	-
304.20 Structures and Improvements	-	-	-	-	-
307.20 Wells and Springs	-	-	-	-	-
311.20 Pumping Equipment	-	-	-	-	-
339.21 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.22 Other Miscellaneous Equipment (Common)	-	-	-	-	-
339.30 Other Miscellaneous Equipment (Treatment)	-	-	-	-	-
330.40 Distribution Reservoirs and Standpipes	-	-	-	-	-
331.40 Transmission and Distribution Mains	-	-	-	-	-
333.40 Services	-	-	-	-	-
334.40 Meters and Meter Installation	-	-	-	-	-
335.40 Hydrants	-	-	-	-	-
339.41 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.42 Other Miscellaneous Equipment (Common)	-	-	-	-	-
303.50 Land and Land Rights	-	-	-	-	-
304.50 Structures and Improvements (-\$1,625 x 23.70%) (Schedule 4)	-	(385)	-	-	(385)
340.50 Office Furniture and Equipment (-\$75 x 23.70%) (Schedule 4)	-	(18)	-	-	(18)
341.51 Transportation Equipment - Construction	-	-	-	-	-
341.52 Transportation Equipment - Pickups	-	-	-	-	-
343.50 Tools, Shop, and Garage Equipment	-	-	-	-	-
344.50 Laboratory Equipment	-	-	-	-	-
346.00 Communication Equipment	-	-	-	-	-
347.50 Miscellaneous Equipment	-	-	-	-	-
348.50 Other Tangible Plant (Rounding)	-	-	-	-	-
Total Accumulated Depreciation	<u>\$ -</u>	<u>\$ (403)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (403)</u>
<b>DEPRECIATION EXPENSE:</b>					
303.20 Land and Land Rights	-	-	-	-	-
304.20 Structures and Improvements	-	-	-	-	-
307.20 Wells and Springs	-	-	-	-	-
311.20 Pumping Equipment	-	-	-	-	-
339.21 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.22 Other Miscellaneous Equipment (Common)	-	-	-	-	-
339.30 Other Miscellaneous Equipment (Treatment)	-	-	-	-	-

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**UTILITY PLANT IN SERVICE**

	<b>Volume Basis</b>	<b>Customer Allocation Basis</b>	<b>POASI</b>	<b>Non - POASI</b>	<b>TOTAL</b>
	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>
330.40 Distribution Reservoirs and Standpipes	-	-	-	-	-
331.40 Transmission and Distribution Mains	-	-	-	-	-
333.40 Services	-	-	-	-	-
334.40 Meters and Meter Installation	-	-	-	-	-
335.40 Hydrants	-	-	-	-	-
339.41 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.42 Other Miscellaneous Equipment (Common)	-	-	-	-	-
303.50 Land and Land Rights	-	-	-	-	-
304.50 Structures and Improvements (\$3,250 x 23.70%) (Schedule 4)	-	770	-	-	770
340.50 Office Furniture and Equipment (\$150 x 23.70%) (Schedule 4)	-	36	-	-	36
341.51 Transportation Equipment - Construction	-	-	-	-	-
341.52 Transportation Equipment - Pickups	-	-	-	-	-
343.50 Tools, Shop, and Garage Equipment	-	-	-	-	-
344.50 Laboratory Equipment	-	-	-	-	-
346.00 Communication Equipment	-	-	-	-	-
347.50 Miscellaneous Equipment	-	-	-	-	-
348.50 Other Tangible Plant (Rounding)	-	-	-	-	-
Total Depreciation Expense	<u>\$ -</u>	<u>\$ 806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 806</u>

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**OPERATING EXPENSES**

	<b>Volume Basis</b>	<b>Customer Allocation Basis</b>	<b>POASI</b>	<b>Non - POASI</b>	<b>TOTAL</b>
	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>	<b>Balance @ 12/31/14</b>
<b>OPERATING EXPENSES:</b>					
Operation & Maintenance Expenses:					
Source of Supply Expenses	-	-	-	-	-
Pumping Expenses	-	-	-	-	-
Water Treatment Expenses	-	-	-	-	-
Transmission and Distribution Expenses	-	-	-	-	-
Customer Account Expense	-	-	-	-	-
Subtotal	-	-	-	-	-
Administrative and General Expenses:					
Salary and Wages Expense:					
Superintendent (1.0)	-	-	-	-	-
Field Personnel (3.0)	-	-	-	-	-
Office (0.5)	-	-	-	-	-
Office (2.5)	-	-	-	-	-
Total Salary and Wages Expense	-	-	-	-	-
Outside Professional Services	-	-	-	-	-
Outside Professional Services - Discount	-	-	-	-	-
Property Insurance Expense (Allocated by Utility Plant)	-	-	-	-	-
Group Insurance (Allocated by Wages)	-	-	-	-	-
Pension Plan	-	-	-	-	-
Rate Case Expenses	-	-	-	-	-
Regulatory Commission Expense	-	-	-	-	-
Materials	-	-	-	-	-
Contracted Services	-	-	-	-	-
Heat / Electric Expense - Office	-	-	-	-	-
Telephone Expense	-	-	-	-	-
Office Expense	-	-	-	-	-
Dig Safe Expense	-	-	-	-	-
Bank Charges Expense	-	-	-	-	-
Operating Permits Expense	-	-	-	-	-
Total Administrative and General Expenses	-	-	-	-	-
Total Operation & Maintenance Expenses	-	-	-	-	-
Depreciation Expense (Schedule 5c)	-	806	-	-	806
Amortization of Contributions in Aid of Construction	-	-	-	-	-
Amortization Expense - Other	-	-	-	-	-
Payroll Tax Expense (Allocated by Wages)	-	-	-	-	-
Property Tax Expense (f)	494	-	-	-	494
Total Operating Expenses	<u>\$ 494</u>	<u>\$ 806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,300</u>

**(f) Property Tax Expense:**

Indirect Municipal RE Taxes:

Main Office Renovation Project (net)	\$ 134,300	
Tax Assessment Value as a % of Taxable Utility Plant per Book	x 87.40%	
Tax Assessment Value of Land Purchase	117,378	
Municipal Tax Rate (Moultonborough)	x \$0.00647	\$ 759

**DW 15-209 / DW 15-422**  
**LAKES REGION WATER COMPANY, INC.**  
**STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS**  
**CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT**  
**OPERATING EXPENSES**

	<u>Volume Basis</u>	<u>Customer Allocation Basis</u>	<u>POASI</u>	<u>Non - POASI</u>	<u>TOTAL</u>
	<u>Balance @ 12/31/14</u>	<u>Balance @ 12/31/14</u>	<u>Balance @ 12/31/14</u>	<u>Balance @ 12/31/14</u>	<u>Balance @ 12/31/14</u>
<u>Indirect State RE Taxes:</u>					
White Mountain Gateway Project (net)		\$ 49,069			
Wentworth Cove Project (net)		46,219			
Main Office Renovation Project (net)		134,300	229,588		
Tax Assessment Value as a % of Taxable Utility Plant per Book			x 87.40%		
Tax Assessment Value of Land Purchase			200,660		
State Tax Rate (Moultonborough)			x \$0.00660	1,324	
Total Indirect RE Taxes				2,084	
Paradise Shores Allocation %				x 23.70%	
Property Tax Expense - Paradise Shores				\$ 494	

## **NHPUC Docket DW 15-209**

### **Lakes Region Water Company**

#### **Computation of Revenue Deficiency**

#### **For the Test Year Ended December 31, 2014**

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 3)	\$2,599,227	\$3,199,593
Rate of Return (Schedule 4)	<u>8.19%</u>	<u>9.33%</u>
Operating Income Required	\$212,785	\$298,447
Net Operating Income (Schedule 1)	<u>95,928</u>	<u>298,447</u>
Operating Income Deficiency	\$116,857	\$0
Tax Effect	<u>0</u>	<u>0</u>
Revenue Deficiency	<u>\$116,857</u>	<u>\$0</u>

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Lakes Region Water Company

Schedule 1

Statement of Income

Line No.	Account Title (Number) (a)	2014 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2014 Year End Balance (d)	2013 Year End Balance (e)	2012 Year End Balance (f)
	<b>UTILITY OPERATING INCOME</b>					
	Water Sales	\$ 1,043,143	\$ 416,674	\$ 1,459,817	\$ 1,020,775	\$ 1,007,168
	Water Sales - Special Contract	136,526	65,754	202,280	146,679	146,672
	Forfeited Discounts	6,438		6,438	5,865	4,759
	Miscellaneous Service Revenues	52,620		52,620	22,024	44,209
	Rate Case Surcharge	77,283	(77,283)	-	75,574	-
1	Total Operating Revenues(400)	\$ 1,316,010	\$ 405,145	\$ 1,721,155	\$ 1,270,917	\$ 1,202,808
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	974,896	1,236	976,132	807,778	744,086
4	Depreciation Expense (403)	164,383	31,770	196,153	142,206	120,854
5	Amortization of Contribution in Aid of Construction (405)	(17,129)	(\$218)	(17,347)	(16,911)	(16,911)
6	Amortization of Utility Plant Acquisition Adjustment (406)	(5,708)		(5,708)	(5,708)	(5,708)
7	Amortization Expense-Other (407)					
8	Taxes Other Than Income (408.1-408.13)	74,833	16,749	91,582	75,811	65,630
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	28,807	153,089	181,896	77,644	69,293
10	<b>Total Operating Expenses</b>	\$ 1,220,082	\$ 202,626	\$ 1,422,708	\$ 1,080,820	\$ 977,244
11	Net Operating Income (Loss)	95,928	202,519	298,447	190,097	225,564
12	Income From Utility Plant Leased to Others (413)					
13	Gains(Losses) From Disposition of Utility Property (414)	30,795	(30,795)	-	-	-
14	<b>Net Water Utility Operating Income</b>	\$ 126,723	\$ 171,724	\$ 298,447	\$ 190,097	\$ 225,564
	<b>OTHER INCOME AND DEDUCTIONS</b>					
15	Revenues From Merchandising, Jobbing and Contract Work (415)					
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)					
17	Equity in Earnings of Subsidiary Companies (418)					
18	Interest and Dividend Income (419)					
19	Allow. for funds Used During Construction (420)					
20	Nonutility Income (421)					
21	Gains (Losses) From Disposition Nonutility Property (422)					
22	Miscellaneous Nonutility Expenses (426)	(2,216)		(2,216)	(2,141)	(2,341)
23	<b>Total Other Income and Deductions</b>	\$ (2,216)		\$ (2,216)	\$ (2,141)	\$ (2,341)
	<b>TAXES APPLICABLE TO OTHER INCOME</b>					
24	Taxes Other Than Income (408.2)					
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)					
26	<b>Total Taxes Applicable To Other Income</b>					
	<b>INTEREST EXPENSE</b>					
27	Interest Expense (427)	63,513	(\$17,385)	46,128	50,396	72,323
28	Amortization of Debt Discount & Expense (428)	1,837		1,837	1,788	1,788
29	Amortization of Premium on Debt (429)					
30	<b>Total Interest Expense</b>	\$ 65,350		\$ 47,965	\$ 52,184	\$ 74,111
31	<b>Income Before Extraordinary Items</b>	59,157	171,724	248,266	135,772	149,112
	<b>EXTRAORDINARY ITEMS</b>					
32	Extraordinary Income (433)					
33	Extraordinary Deductions (434)					
34	Income Taxes, Extraordinary Items (409.3)					
35	<b>Net Extraordinary Items</b>					
	<b>NET INCOME (LOSS)</b>	\$ 59,157	\$ 171,724	\$ 248,266	\$ 135,772	\$ 149,112

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## NHPUC Docket DW 15-209

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

Schedule 1A

#### Operating Revenues

#1	2014 Test Year Proforma Water Sales - Special Contract	\$ 202,280
	2014 Test Year Actual Water Sales - Special Contract	<u>136,526</u>
	Proforma Adjustment	<u>\$ 65,754</u>
	To adjust test year revenues for the 2014 proforma increase of \$65,754 (\$202,280 - \$136,526) In POASI Special Contract.	
#2	2014 Test Year Proforma - Rate Case Surcharge	\$ -
	2014 Test Year Actual - Rate Case Surcharge	<u>77,283</u>
	Proforma Adjustment	<u>\$ (77,283)</u>
	To remove from 2014 proforma rate case surcharge that has been completed as of 12/31/2014. A like adjustment is made to regulatory commission expense (see expense adjustment #8).	
#3	2014 Test Year Proforma	1,459,817
	2014 Test Year Actual	<u>1,043,143</u>
	Proforma Adjustment	<u>416,674</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.	
	<b>Total Proforma Adjustment to Operating Revenues</b>	<b><u>\$ 405,145</u></b>

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## NHPUC Docket DW 15-209

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

Schedule 1B

#### Operating and Maintenance Expenses

#1	<u>Wages</u>	
	2014 Test Year Proforma	\$381,731
	2014 Test Year Actual	<u>359,457</u>
	Proforma Adjustment (see Sch 1C)	<u>\$22,274</u>
	To adjust test year hours to reflect full year	
	Entire adjustment is for office personnel	
#2	<u>Wages</u>	
	2014 Test Year Proforma adjusted for wage increases	\$397,001
	2014 Test Year Proforma adjusted for hours (see # 1 above)	<u>381,731</u>
	Proforma Adjustment (see Sch 1C)	<u>\$15,270</u>
	To adjust test year wages for wage increase effective 08/15/15 net of capitalized	
	Adjustment affects categories as follows:	
	Officer 2,653	
	Field 5,690	
	Office 6,927	
	Total <u>15,270</u>	
#3	<u>Pension</u>	
	2014 Test Year Proforma	\$16,000
	2014 Test Year Actual	<u>0</u>
	Proforma Adjustment	<u>\$16,000</u>
	To add pension expense for Company employees	
#4	<u>Water Treatment Expenses - Water Tests</u>	
	2014 Test Year Proforma	\$15,180
	2014 Test Year Actual	<u>11,908</u>
	Proforma Adjustment	<u>\$3,272</u>
	To adjust test year water tests for the 3 year average of such expenses	
	[(2012) - \$20,180 --- (2013) - \$13,452 --- (2014) \$11,908= \$45,540 / 3 = \$15,180]	
#5	<u>Bad Debts</u>	
	2014 Test Year Proforma	\$9,000
	2014 Test Year Actual	<u>18,076</u>
	Proforma Adjustment	<u>(\$9,076)</u>
	To adjust bad debts to 3yr average	
	[(2012) - \$7,477 --- (2013) - \$1,448 --- (2014) \$18,076 = \$27,001 / 3 = \$9,000]	
#6	<u>Accounting</u>	
	2014 Test Year Proforma	\$43,206
	2014 Test Year Actual	<u>4,028</u>
	Proforma Adjustment	<u>\$39,178</u>
	Remove from 2014 the reduction to Accounting Cost from the Vendors	
	discount received at time of closing of CoBank loan to fully pay vendors	



#7 General Law

2014 Test Year Proforma	\$15,700
2014 Test Year Actual	29,017
Proforma Adjustment	<u>(\$13,317)</u>
To adjust general law expense to the 3 year average of such expenses [(2012) - \$17,274 --- (2013) - \$809 --- (2014) \$29,017 = \$47,100 / 3 = \$15,700]	

#8 Regulatory Commission Expenses - Rate Case Expenses

2014 Test Year Proforma	\$0
2014 Test Year Actual	77,389
Proforma Adjustment	<u>(\$77,389)</u>
To remove from 2014 actual test year rate case expenses that has been recovered as of 12/31/2014. A like adjustment is made to rate case surcharge income (see revenue adjustment #2)	

#9 Regulatory Commission Expenses - DW 07-105

2014 Test Year Proforma	\$9,980
2014 Test Year Actual	0
Proforma Adjustment	<u>\$9,980</u>
Amount to be amortized \$49,902 x (12 / 60 ) = \$9,980 This is to amortize rate case expenses in DW 07-105, which were approved as part of DW 10-141 rate case expense review, over a period of 60 months. The total approved by the Commission for expenses related to 07-105 was \$81,921, however subsequent to Commission approval, vendors agreed to a reduction of (\$32,019) of their expenses related to 07-105 in exchange for immediate payment of remaining balance of \$49,902 of rate case expenses related to 07-105. Payment was approved by the Commission in order 25,655 dated 04/29/14.	

#10 Office Expenses

2014 Test Year Proforma	\$29,324
2014 Test Year Actual	34,280
Proforma Adjustment	<u>(\$4,956)</u>
To adjust 2014 actual test year office expenses for certain one time expenses associated with painting office and purchasing small office equipment and a new office pressure tank.	

**Total Proforma Adjustments to O & M Expenses** **\$ 1,236**

**Depreciation Expenses**

#10A 2014 Additions to Plant

<b>2014 Test Year Proforma</b>	<b>\$ 163,601</b>
2014 Test Year Actual	164,383
<b>Proforma Adjustment</b>	<b>\$ <u>(782)</u></b>
<b>To adjust test year expenses for the half year depreciation expenses recorded on AFUDC on Mt. Roberts equipment</b>	

#11 2014 Additions to Plant

<b>2014 Test Year Proforma</b>	<b>\$181,099</b>
2014 Test Year Actual	163,601
<b>Proforma Adjustment</b>	<b><u>\$17,498</u></b>

To adjust test year expenses for annual depreciation expenses associated with the 2014 additions  
(See schedule 7 column (g))

2015 Additions to Plant

#12	<b>2014 Test Year Proforma</b>	<b>\$196,153</b>
	<b>2014 Test Year Proforma (from entry 11 above)</b>	<b><u>181,099</u></b>
	Proforma Adjustment	<b><u>\$15,055</u></b>
	To adjust test year expenses for annual depreciation expenses associated with the 2015 additions (See Sch 9 column (g) \$12,341 plus Sch 10 column (f) \$2,714 = \$15,055)	

**Total Proforma Adjustments to Depreciation Expenses** **\$31,770**

**Amortization of CIAC**

#13	<u>2014 Additions to CIAC</u>	
	2014 Test Year Proforma	\$ (17,347)
	2014 Test Year Actual	<u>(17,129)</u>
	Proforma Adjustment	<u>\$ (218)</u>
	To adjust test year expenses for annual amortization of CIAC associated with the 2014 additions	

**Total Proforma Adjustments to Amortization of CIAC** **\$ (218)**

**Taxes other than Income**

#14	<u>State Utility Property Taxes</u>	
	<b>2014 Test Year Proforma</b>	<b>\$21,458</b>
	2014 Test Year Actual	<u>18,558</u>
	<b>Proforma Adjustment (see Sch 7, col J)</b>	<b><u>\$2,900</u></b>
	To adjust test year expenses for the increase in State Utility Property Taxes associated with the 2014 additions to plant	

#15	<u>State Utility Property Taxes</u>	
	<b>2014 Test Year Proforma</b>	<b>\$24,513</b>
	<b>2014 Test Year Actual</b>	<b><u>21,458</u></b>
	<b>Proforma Adjustment (see Sch 9, col J - \$3,601 &amp; Sch 10, col G - \$339)</b>	<b><u>\$3,055</u></b>
	To adjust test year expenses for the increase in State Utility Property Taxes associated with the 2015 specific and general additions to plant	

#16	<u>Municipal Property Taxes</u>	
	<b>2014 Test Year Proforma</b>	<b>\$37,344</b>
	2014 Test Year Actual	<u>33,873</u>
	<b>Proforma Adjustment (see Sch 7, col J)</b>	<b><u>\$3,471</u></b>
	To adjust test year expenses for the increase in Municipal Property Taxes associated with the 2014 additions to plant	

#17	<u>Municipal Property Taxes</u>	
	<b>2014 Test Year Proforma</b>	<b>\$41,795</b>
	<b>2014 Test Year Actual</b>	<b><u>37,344</u></b>
	<b>Proforma Adjustment (see Sch 9, col J - \$4,975 &amp; Sch 10, G - \$325)</b>	<b><u>\$4,451</u></b>
	To adjust test year expenses for the increase in Municipal Property Taxes associated with the 2015 specific and general additions to plant	

#18	<u>Payroll Taxes</u>	
	2014 Test Year Proforma	\$29,022
	2014 Test Year Actual	<u>27,318</u>
	Proforma Adjustment (see Sch 1C, col H)	<u>\$1,704</u>
	To adjust test year payroll taxes for the change in wages above	

#19	<u>Payroll Taxes</u>	
	2014 Test Year Proforma	\$30,190
	2014 Test Year Actual	<u>29,022</u>
	Proforma Adjustment (see Sch 1C, col I)	<u>\$1,168</u>
	To adjust test year payroll taxes for the change in wages above	

**Total Proforma Adjustments to Taxes other than Income** **\$16,749**

### **Income Taxes**

#20	<u>Federal Income Taxes</u>	
	2014 Test Year Proforma (see Sch 5, Col I)	\$128,112
	2014 Test Year Actual	<u>3,810</u>
	Proforma Adjustment	<u>\$124,302</u>
	To adjust test year expenses for the increase in federal taxable income and related federal tax	

	<u>State Business Taxes</u>	
#21	2014 Test Year Proforma (see Sch 5, Col I)	\$35,003
	2014 Test Year Actual	<u>6,216</u>
	Proforma Adjustment	<u>\$28,787</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** **\$153,089**

**Total Proforma Adjustment to Operating Expenses** **\$202,626**

### **Interest Expense**

#22	Interest Expense	
	2014 Test Year Proforma (see Sch 5, Col I)	\$46,128
	2014 Test Year Actual	<u>63,513</u>
	Proforma Adjustment	<u>(\$17,385)</u>
	To adjust test year expenses for the elimination of the TDBank interest, the increase in the CoBank interest, the new interest on the 2015 CoBank and Mt. Roberts loans	

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**Lakes Region Water Company**

**Schedule 1C**

**Wage Adjustments**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Employee #	2014 Actual Wages	Adj #1	2014 Adjusted for Full Yr	4% incr Adj # 2	2014 Proforma Wages	( c + e ) Total Wage Adjustment	Employer Payroll Tax (c x 7.65%) (e x 7.65%) Adj Full Yr 4% incr	
1	66,317		66,317	2,653	68,970	2,653	-	203
2	45,961		45,961	1,838	47,799	1,838	-	141
3	50,239		50,239	2,010	52,249	2,010	-	154
4	60,672		60,672	2,427	63,099	2,427	-	186
5	4,872		4,872	195	5,067	195	-	15
6	54,705		54,705	2,188	56,893	2,188	-	167
7	47,506		47,506	1,900	49,406	1,900	-	145
8	34,045		34,045	1,362	35,407	1,362	-	104
9	10,816	22,274	33,090	1,324	34,414	23,598	1,704	101
10	3,816		3,816	153	3,969	153	-	12
Total Wages	378,949	22,274	401,223	16,050	417,273	38,324	1,704	1,228
Capitalized Wages	(19,492)	-	(19,492)	(780)	(20,272)	(780)	-	(60)
Net Wage Expense	<u>359,457</u>	<u>22,274</u>	<u>381,731</u>	<u>15,270</u>	<u>397,001</u>	<u>37,544</u>	<u>1,704</u>	<u>1,168</u>

Capitalized Wages %  
Employees Capitalized

2	45,961	1,838	47,799
3	50,239	2,010	52,249
4	60,672	2,427	63,099
5	4,872	195	5,067
Total Gross Wages	161,744	6,470	168,214
Capitalized Wages	19,492	780	20,272
Capitalized Wages %	12.05%	12.05%	12.05%

Adjustments:

#1

Gross up employee 9 from 17 weeks to 52 weeks [ 2014 wages \$10,818 / 17 wks X 52 wks= \$33,090 minus \$10,816 = \$22,274

#2

Adjustments for 4% wage increase to be implemented after 07/01/15 and prior to 10/31/15

Officer	2,653
Field (net of capitalized)	5,690
Office	6,927
	15,270

#3

Adjust payroll taxes for employer tax on increased wages Increased wages X .0765= tax increase  
the adjustment is net of the capitalized wages

**NHPUC Docket DW 15-209**

**Lakes Region Water Company**

**Schedule 1D**

**Operating Expenses - Detail**

Line No.	Account Title (Number) (a)	2014 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2014 Year End Balance (d)	2013 Year End Balance (e)	2012 Year End Balance (f)
1	<b>UTILITY OPERATING EXPENSES</b>					
2	Salary - Officer	\$ 65,583	\$ 2,653	\$ 68,236	\$ 63,807	\$ 60,337
3	Wages - Field Personnel	146,646	5,690	152,336	124,161	139,163
4	Wages - Office Personnel	147,229	29,201	176,430	122,133	58,136
5	Total Wages	359,458	37,544	397,002	310,101	257,636
6	Health Insurance	56,852		56,852	40,348	35,966
7	Purchased Water	1,250		1,250	-	1,200
8	Purchased Power	76,431		76,431	66,770	63,723
9	Chemicals	-		-	-	533
10	Materials	55,632		55,632	25,502	42,348
11	Water Tests	11,908	\$3,272	15,180	13,452	20,180
12	Contracted Services - Field	51,913		51,913	29,939	19,296
13	Accounting	4,028	\$39,178	43,206	60,672	71,030
14	Computer Support	12,855		12,855	11,454	10,156
15	General Law	29,017	(\$13,317)	15,700	809	17,274
16	Rents	1,250		1,250	1,000	1,000
17	Equipment Lease	-		-	5,100	5,912
18	Heat & Electric - Office	2,652		2,652	3,491	4,049
19	Vehicle Operating Costs	71,176		71,176	62,004	56,152
20	Insurance	55,594		55,594	45,202	50,346
21	Regulatory Commission Expense	20,985		20,985	3,214	38,317
22	Other Regulatory Expenses			-	-	-
23	Rate Case Expenses (offset by surcharge income)	77,389	(\$77,389)	-	75,577	-
24	Amortization of DW 07-105 Rate Case Expenses	-	\$9,980	9,980	-	-
25	Bad Debts	18,076	(\$9,076)	9,000	1,448	7,477
26	Telephone	13,423		13,423	10,014	9,448
27	Office Expense	45,006	(\$4,956)	40,050	34,280	24,086
28	Dig Safe	197		197	160	174
29	Bank Fees	4,704		4,704	1,631	2,302
30	Memberships	-		-	510	381
31	Operating Permits	5,100		5,100	5,100	5,100
32	Pension	-	16,000	16,000	-	-
33						
34	Total	\$ 974,896	\$ 1,236	\$ 976,132	\$ 807,778	\$ 744,086
35						
36		974,896	1,236		807,778	744,086
37	proof	-	-		-	-

**NHPUC Docket DW 15-209**

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

**Schedule 1E**

**Other Income**

#1	2014 Test Year Proforma - Land Sale	\$ -
	2014 Test Year Actual - Land Sale	<u>30,795</u>
	Proforma Adjustment	<u>\$ (30,795)</u>
	To remove from 2014 proforma Hidden Valley land sale	

**NHPUC Docket DW 15-209**

**Lakes Region Water Company**

**Schedule 2**  
**Page 1 of 2**

**Balance Sheet - Assets and Other Debits**

Line No.	Account Title (Number) (a)	Actual 2014 Year End Balance (b)	Actual 2013 Year End Balance (c)	Actual 2012 Year End Balance (d)
<b>UTILITY PLANT</b>				
1	Utility Plant (101-106)	\$ 5,136,724	\$ 4,610,096	\$ 4,520,123
2	Less: Accumulated Depr. and Amort. (108-110)	1,582,018	1,476,347	1,418,562
3	Net Plant	\$ 3,554,706	\$ 3,133,749	\$ 3,101,561
4	Utility Plant Acquisition Adj. (Net) (114-115)	(81,969)	(87,677)	(93,385)
5	Total Net Utility Plant	\$ 3,472,737	\$ 3,046,072	\$ 3,008,176
<b>OTHER PROPERTY AND INVESTMENTS</b>				
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Investment in Associated Companies (123)			
11	Utility Investments (124)			
12	Other Investments			
13	Special Funds(126-128)			
14	Total Other Property & Investments			
<b>CURRENT AND ACCRUED ASSETS</b>				
16	Cash (131)	10,152	15,109	12,007
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)	137,762	134,529	165,706
22	Accounts Receivable from Assoc. Co. (145)	26,110	3,290	(1,617)
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)	4,717	9,579	7,706
25	Stores Expense (161)			
26	Prepayments-Other (162)	37,245	34,859	29,524
27	Prepaid Taxes (163)	11,727	11,783	11,060
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	\$ 227,713	\$ 209,149	\$ 224,386
<b>DEFERRED DEBITS</b>				
32	Unamortized Debt Discount & Expense (181)	11,261	1,637	3,425
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	55,371	228,245	251,999
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)			
40	Total Deferred Debits	\$ 66,632	\$ 229,882	\$ 255,424
<b>TOTAL ASSETS AND OTHER DEBITS</b>		\$ 3,767,082	\$ 3,485,103	\$ 3,487,986

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**NHPUC Docket DW 15-209**

**Lakes Region Water Company**

**Schedule 2  
Page 2 of 2**

**Balance Sheet - Equity Capital and Liabilities**

Line No.	Account Title (Number) (a)	Actual 2014 Year End Balance (b)	Actual 2013 Year End Balance (c)	Actual 2012 Year End Balance (d)
<b>EQUITY CAPITAL</b>				
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)	1,227,180	955,248	955,248
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	(7,360)	(9,201)	(11,042)
10	Retained Earnings (214-215)	610,827	551,670	415,897
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 1,840,647	\$ 1,507,717	\$ 1,370,103
<b>LONG TERM DEBT</b>				
13	Bonds (221)	780,824	506,309	585,648
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	138,854	95,271	56,059
17	Total Long-Term Debt	\$ 919,678	\$ 601,580	\$ 641,707
<b>CURRENT AND ACCRUED LIABILITIES</b>				
18	Accounts Payable (231)	196,553	573,682	663,944
19	Notes Payable (232)			
20	Accounts Payable to Associated Co. (233)			
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)	1,956	1,456	956
23	Accrued Taxes (236)	(6,768)	11,681	59,178
24	Accrued Interest (237)	3,371	773	2,258
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	\$ 195,112	\$ 587,592	\$ 726,336
<b>DEFERRED CREDITS</b>				
30	Unamortized Premium on Debt (251)			
31	Advances for Construction (252)			
32	Other Deferred Credits (253)			
33	Accumulated Deferred Investment Tax Credits (255)			
34	<b>Accumulated Deferred Income Taxes:</b>			
35	Accelerated Amortization (281)			
36	Liberalized Depreciation (282)	190,070	171,289	116,004
37	Other (283)			
38	Total Deferred Credits	\$ 190,070	\$ 171,289	\$ 116,004
<b>OPERATING RESERVES</b>				
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			
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>				
44	Contributions In Aid of Construction (271)	870,878	849,099	849,099
45	Accumulated Amortization of C.I.A.C. (272)	249,303	232,174	215,263
46	Total Net C.I.A.C.	\$ 621,575	\$ 616,925	\$ 633,836
46	<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>	\$ 3,767,082	\$ 3,485,103	\$ 3,487,986



**NHPUC Docket DW 15-209**

**Lakes Region Water Company**

**Schedule 2.1**

**Balance Sheet - Utility Plant and Accumulated Depreciation**

Line No.	Account Title (Number) (a)	2014 Year End Balance (b)	2013 Year End Balance (c)	2012 Year End Balance (d)
1	<b>Utility Plant (Cost)</b>			
2	301.1 Organization Cost	\$ 24,064	\$ 24,064	\$ 24,064
3	302.0 Franchise	3,630	3,630	3,630
4	303.2 Land	159,682	160,887	160,887
5	304.2 Structures	479,658	402,969	400,491
6	307.2 Wells	706,907	518,267	515,796
7	311.2 Pumps	342,010	294,123	295,936
8	339.2 Miscellaneous Equip (Source)	21,764	12,138	7,091
9	339.3 Treatment Equipment	43,704	43,704	41,990
10	330.4 Tanks	478,373	477,498	477,499
11	331.4 Mains	1,746,679	1,600,968	1,579,706
12	333.4 Services	135,908	132,308	132,071
13	334.4 Meters	244,389	232,243	212,773
14	335.4 Hydrants	11,190	11,190	11,190
15	339.4 Miscellaneous Equip (Transmission)	26,021	26,021	26,022
16	303.5 Land - Office	19,959	19,959	19,959
17	304.5 Structures - Office	114,876	114,876	114,876
18	340.5 Office Equipment	10,055	10,055	10,058
19	341.5 Transportation Equipment	295,258	253,382	215,944
20	343.5 Shop Equipment	90,937	90,937	90,937
21	344.5 Laboratory Equipment	2,329	2,339	2,330
22	346.5 Communications Equipment	-	-	-
23	347.5 Computer Equipment	77,302	69,587	66,335
24	Roundings]	14	4	9
25	<b>Total Plant in Service</b>	<b>5,034,709</b>	<b>4,501,149</b>	<b>4,409,594</b>
26	105.0 Unfinished Construction	102,015	108,947	110,529
27	<b>Total Plant</b>	<b>\$ 5,136,724</b>	<b>\$ 4,610,096</b>	<b>\$ 4,520,123</b>
28	<b>Utility Plant (Accumulated Depreciation)</b>			
29	301.1 Organization Cost	\$ (19,417)	\$ (19,116)	\$ (18,833)
30	302.0 Franchise	(1,643)	(1,632)	(1,605)
31	303.2 Land	-	-	-
32	304.2 Structures	(105,118)	(95,942)	(87,737)
33	307.2 Wells	(152,695)	(140,012)	(129,682)
34	311.2 Pumps	(145,594)	(129,208)	(136,340)
35	339.2 Miscellaneous Equip (Source)	(6,134)	(4,754)	(4,058)
36	339.3 Treatment Equipment	(29,356)	(26,935)	(24,268)
37	330.4 Tanks	(82,672)	(72,224)	(61,891)
38	331.4 Mains	(455,110)	(421,659)	(402,539)
39	333.4 Services	(69,269)	(65,792)	(62,316)
40	334.4 Meters	(121,761)	(118,458)	(118,251)
41	335.4 Hydrants	(1,880)	(1,655)	(1,432)
42	339.4 Miscellaneous Equip (Transmission)	(18,256)	(17,134)	(16,009)
43	303.5 Land - Office	-	-	-
44	304.5 Structures - Office	(44,347)	(42,050)	(39,753)
45	340.5 Office Equipment	(7,626)	(7,603)	(6,964)
46	341.5 Transportation Equipment	(181,421)	(184,196)	(190,504)
47	343.5 Shop Equipment	(87,301)	(84,703)	(81,174)
48	344.5 Laboratory Equipment	(2,332)	(2,332)	(2,332)
49	346.5 Communications Equipment	58	58	58
50	347.5 Computer Equipment	(50,138)	(41,007)	(32,943)
51	Roundings	(6)	7	11
52	<b>Total Utility Plant (Accumulated Depreciation)</b>	<b>\$ (1,582,018)</b>	<b>\$ (1,476,347)</b>	<b>\$ (1,418,562)</b>

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**Lakes Region Water Company**

**Schedule 2.2**

**Balance Sheet - Plant Acquisition Adjustments and Accumulated Amortization**

Line No.	Description (a)	2014 Year End Balance (b)	2013 Year End Balance (c)	2012 Year End Balance (d)
1	<b>Acquisition Adjustments</b>			
2	Hidden Valley	\$ (172)	\$ (172)	\$ (172)
3	Pendelton Cove	(36,693)	(36,693)	(36,693)
4	Deer Run	1,786	1,786	1,786
5	Woodland Grove	(65,232)	(65,232)	(65,232)
6	Echo Lake Woods	(56,866)	(56,866)	(56,866)
7	Tamworth Water Works	(38,156)	(38,156)	(38,156)
8	175 Estates	(1,427)	(1,427)	(1,427)
9	Deer Cove	85	85	85
10	Lake Ossipee Village	(39,492)	(39,492)	(39,492)
11	Indian Mound	3,913	3,913	3,913
12	Gunstock Glen	(21,771)	(21,771)	(21,771)
13	<b>Total Acquisition Adjustments</b>	<b>\$ (254,025)</b>	<b>\$ (254,025)</b>	<b>\$ (254,025)</b>
14	<b>Acquisition Adjustments- Accumulated Amortization</b>			
15	Hidden Valley	\$ 120	\$ 111	\$ 102
16	Pendelton Cove	28,981	28,258	27,535
17	Deer Run	(833)	(797)	(761)
18	Woodland Grove	47,508	46,203	44,898
19	Echo Lake Woods	44,712	43,575	42,438
20	Tamworth Water Works	13,728	12,965	12,202
21	175 Estates	908	837	766
22	Deer Cove	(28)	(24)	(20)
23	Lake Ossipee Village	28,787	27,940	27,093
24	Indian Mound	(1,862)	(1,666)	(1,470)
25	Gunstock Glen	10,035	8,946	7,857
26	<b>Total Acquisition Adj- Accumulated Amortization</b>	<b>\$ 172,056</b>	<b>\$ 166,348</b>	<b>\$ 160,640</b>
27	<b>Acquisition Adjustments- Net</b>			
28	Hidden Valley	\$ (52)	\$ (61)	\$ (70)
29	Pendelton Cove	(7,712)	(8,435)	(9,158)
30	Deer Run	953	989	1,025
31	Woodland Grove	(17,724)	(19,029)	(20,334)
32	Echo Lake Woods	(12,154)	(13,291)	(14,428)
33	Tamworth Water Works	(24,428)	(25,191)	(25,954)
34	175 Estates	(519)	(590)	(661)
35	Deer Cove	57	61	65
36	Lake Ossipee Village	(10,705)	(11,552)	(12,399)
37	Indian Mound	2,051	2,247	2,443
38	Gunstock Glen	(11,736)	(12,825)	(13,914)
39	<b>Total Acquisition Adjustments- Net</b>	<b>\$ (81,969)</b>	<b>\$ (87,677)</b>	<b>\$ (93,385)</b>

**NHPUC Docket DW 15-209**

**Lakes Region Water Company**

**Schedule 2.3**

**Balance Sheet - Debt Outstanding**

Line No.	Obligation (a)	Date of Issue	Original Amount	Date of Maturity	Interest Rate	2014 Year End Balance (b)	2013 Year End Balance (c)	2012 Year End Balance (d)
1	<b>Bonds</b>							
2	TD Banknorth - 5 (Refinance)	1/13/2004	\$ 500,000	1/13/2014	6.09%	\$ -	\$ 225,975	\$ 265,613
3	TD Banknorth - 6 (construction)	1/13/2004	385,000	1/13/2015	5.58%	-	207,434	237,336
4	TD Banknorth - 7 (system purchases)	12/29/2004	142,000	12/29/2014	6.29%	-	72,900	82,699
5	CoBank (5 year note)	6/24/2014	318,810	6/20/2029	3.45%	288,483		
6	CoBank (15 year note)	6/24/2014	474,567	6/20/2019	5.25%	461,341		
7	CoBank (line of credit)	6/24/2014	50,000	6/30/2015 variable		31,000		
8	<b>Total Bonds</b>					<u>780,824</u>	<u>506,309</u>	<u>585,648</u>
9	<b>Other Long-Term Debt</b>							
10	St Mary's Bank - 2008 Chev Colorada	5/31/2009	18,865	8/14/2013	5.90%	-	-	3,247
11	GEHL Finance - Mustang Excavator	11/13/2009	26,200	11/13/2014	0.00%	-	4,803	9,607
12	Ford Motor Credit - 2011 Ford F350 XL	9/13/2010	31,301	9/13/2015	7.89%	5,430	12,300	18,650
13	Ford Motor Credit - 2011 Ford F150 XL	7/21/2011	32,509	7/21/2016	7.89%	11,707	18,384	24,555
14	Ford Motor Credit - 2013 Ford F250 Super	8/16/2013	36,918	8/15/2018	5.95%	28,120	34,783	-
15	Ford Motor Credit - 2013 Ford F250 Super	8/16/2013	26,536	8/15/2018	5.95%	20,210	25,001	-
16	Ford Motor Credit - 2014 Ford F150	8/6/2014	31,771	8/6/2019	6.24%	29,947	-	-
17	Caterpillar Financial - 2014 Excavator	3/27/2014	65,250	4/5/2019	0.71%	43,440	-	-
18	<b>Total Other Long-Term Debt</b>					<u>138,854</u>	<u>95,271</u>	<u>56,059</u>
19	<b>Total Debt</b>					<u>\$ 919,678</u>	<u>\$ 601,580</u>	<u>\$ 641,707</u>

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Lakes Region Water Company

Schedule 2.4

Balance Sheet - Contribution in Aid of Construction and Accumulated Amortization

Line No.	Division (a)	Class of Property (b)	Amortization Rate (c)	CIAC 2014 Year End Balance (d)	CIAC 2013 Year End Balance (e)	CIAC 2012 Year End Balance (f)	Accum Amortization 2014 Year End Balance (g)	Accum Amortization 2013 Year End Balance (h)	Accum Amortization 2012 Year End Balance (i)
1	Far Echo Harbor	Mains	2%	\$ 600	\$ 600	\$ 600	\$ 283	\$ 271	\$ 259
2	Paradise Shores	Mains	2%	158,566	158,566	158,566	108,306	105,123	101,940
3	Paradise Shores	Services	3.33%	17,437	17,437	17,437	15,983	15,402	14,821
4	Paradise Shores	Services	2%	600	600	600	490	470	450
5	Paradise Shores	Hydrant	2%	8,974	8,974	8,974	1,164	985	806
6	Paradise Shores (poasi)	Meter	5%	3,495	3,495	3,495	1,575	1,400	1,225
7	Paradise Shores (poasi)	Tank	2.22%	210,000	210,000	210,000	30,335	25,668	21,001
8	Paradise Shores (poasi)	Mains	2%	90,000	90,000	90,000	11,700	9,900	8,100
9	West Point	Mains	2%	600	600	600	242	230	218
10	Waterville Valley Gatewa	Mains	2%	900	900	900	387	369	351
11	Hidden Valley	Mains	2%	5,081	5,081	5,081	3,319	3,204	3,089
12	Hidden Valley	Services	2%	1,716	1,716	1,716	1,486	1,429	1,372
13	Wentworth Cove	Mains	2%	12,881	12,881	12,881	7,111	6,893	6,675
14	Brake Hill	Mains	2%	79,089	68,200	68,200	5565	4774	4092
15	Brake Hill	Services	3.33%	9,900	9,900	9,900	792	693	594
16	Tamworth Water Works	Mains	2%	249,206	249,206	249,206	62,276	57,292	52,308
17	175 Estate	Mains	2.50%	-	-	-	(10,648)	(10,648)	(10,648)
18	175 Estate	Mains	2.50%	10,943	10,943	10,943	8,828	8,719	8,610
19	Gunstock Glen	Mains	2.00%	10,890	-	-	109	-	-
20	Totals			<u>\$ 870,878</u>	<u>\$ 849,099</u>	<u>\$ 849,099</u>	<u>\$ 249,303</u>	<u>\$ 232,174</u>	<u>\$ 215,263</u>

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Lakes Region Water Company

Schedule 3

Rate Base

Line No.	Account Title (a)	December 2013 Balance (b)	January 2014 Balance (c)	February 2014 Balance (d)	March 2014 Balance (e)	April 2014 Balance (f)	May 2014 Balance (g)	June 2014 Balance (h)	July 2014 Balance (i)	August 2014 Balance (j)	September 2014 Balance (k)	October 2014 Balance (l)	November 2014 Balance (m)	December 2014 Balance (n)	Actual 13 Month Avg Bal (o)	2014 Proforma Adjustments (p)	2014 Proforma Balance (q)
1	Utility Plant	4,501,148	4,515,098	4,516,700	4,522,991	4,867,587	4,894,114	4,895,012	4,901,273	4,915,826	4,925,826	4,934,275	4,944,901	5,034,709	4,797,651		
	Adjustment for AFUDC on Mt. R plant					(55,820)	(55,820)	(55,820)	(55,820)	(55,820)	(55,820)	(55,820)	(55,820)	(55,820)	(38,645)		
	Total Adjusted Utility Plant	4,501,148	4,515,098	4,516,700	4,522,991	4,811,767	4,838,294	4,839,192	4,845,453	4,860,006	4,870,006	4,878,455	4,889,081	4,978,889	4,759,006	717,812	5,476,818
2	Less: Accumulated Depreciation	(1,476,345)	(1,483,830)	(1,495,306)	(1,506,872)	(1,517,822)	(1,487,628)	(1,498,203)	(1,523,357)	(1,515,829)	(1,527,637)	(1,537,398)	(1,549,229)	(1,582,018)	(1,515,498)		
	Adjustment for Depr on AFUDC on Mt. R. plant					782	782	782	782	782	782	782	782	782	541		
	Total Adjusted Accumulated Depreciation	(1,476,345)	(1,483,830)	(1,495,306)	(1,506,872)	(1,517,040)	(1,486,846)	(1,497,421)	(1,522,575)	(1,515,047)	(1,526,855)	(1,536,616)	(1,548,447)	(1,581,236)	(1,514,957)	(\$98,831)	(1,613,788)
3	Net Utility Plant	3,024,803	3,031,268	3,021,394	3,016,119	3,294,727	3,351,448	3,341,771	3,322,878	3,344,959	3,343,151	3,341,839	3,340,634	3,397,653	3,244,050	618,980	3,863,030
4	Plant Acquisition Adjustment	(254,025)	(254,025)	(254,025)	(254,025)	(254,025)	(254,025)	(254,025)	(254,025)	(254,025)	(254,025)	(254,025)	(254,025)	(254,025)	(254,025)		(254,025)
5	Less: Accum Amort of Util Plant Acq Adj	166,348	166,821	167,294	167,335	167,376	167,417	167,458	167,499	167,540	168,013	168,070	168,543	172,056	167,828	4,228	172,056
6	Total Net Utility Plant	2,937,126	2,944,064	2,934,663	2,929,429	3,208,078	3,264,840	3,255,204	3,236,352	3,258,474	3,257,139	3,255,884	3,255,152	3,315,684	3,157,853	623,208	3,781,061
7	Material and Supplies	9,579	9,063	12,497	14,424	12,994	13,983	16,278	15,694	18,095	20,376	19,746	19,716	4,717	14,397	(9,680)	4,717
8	Prepaid Insurance	34,859	31,465	27,699	24,213	20,447	17,091	35,814	42,138	38,372	45,249	41,833	42,339	37,245	33,751	\$3,494	37,245
9	Prepaid Property Taxes	11,783	11,783	11,783	11,783	11,783	11,783	11,783	11,783	11,783	11,783	11,783	11,783	11,727	11,779	(\$52)	11,727
10	ADIT - Liberalized Depreciation	(171,289)	(171,289)	(171,289)	(171,289)	(171,289)	(171,289)	(171,289)	(171,289)	(171,289)	(171,289)	(171,289)	(171,289)	(190,070)	(172,734)	(\$17,336)	(190,070)
11	Contribution in Aid of Construction	(849,099)	(849,099)	(849,099)	(849,099)	(849,099)	(870,878)	(870,878)	(870,878)	(870,878)	(870,878)	(870,878)	(870,878)	(870,878)	(862,501)	(\$8,377)	(870,878)
12	Accumulated Amortization of CIAC	232,174	233,581	234,988	236,395	237,802	239,209	240,616	242,023	243,430	244,837	246,244	247,651	249,303	240,635	\$8,886	249,521
13	Subtotal Rate Base	2,205,133	2,209,568	2,201,242	2,195,856	2,470,716	2,504,739	2,517,528	2,505,823	2,527,987	2,537,217	2,533,323	2,534,474	2,557,728	2,423,180	600,143	3,023,323
14	Cash Working Capital *														176,047	223	176,270
15	Total Rate Base	2,205,133	2,209,568	2,201,242	2,195,856	2,470,716	2,504,739	2,517,528	2,505,823	2,527,987	2,537,217	2,533,323	2,534,474	2,557,728	2,599,227	600,367	3,199,593

\* The "Actual 13 Month Avg Bal" for Cash Working Capital is the 12/31/14 balance.

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## **NHPUC Docket DW 15-209**

### **Lakes Region Water Company**

### **Schedule 3A**

#### **Rate Base Adjustments**

##### **Plant in Service**

#1	Plant in Service at 12/31/14	\$4,978,889
	Plant in Service 13 Month Average	<u>4,759,006</u>
	Total Proforma Adjustment	<u>\$219,883</u>
	To adjust Plant in Service to year end balance	

#2	Plant in Service at 12/31/14	\$5,425,446
	Plant in Service at 12/31/14	<u>4,978,889</u>
	Total Proforma Adjustment	<u>\$446,557</u>
	To adjust 12/31/14 Plant in Service for 2015 specific additions	

#3	Plant in Service at 12/31/14	\$5,476,818
	Plant in Service at 12/31/14	<u>5,425,446</u>
	Total Proforma Adjustment	<u>\$51,372</u>
	To adjust 12/31/14 Plant in Service for 2015 general additions	

	<b>Total Proforma Adjustments to Plant in Service</b>	<b><u>\$717,812</u></b>
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##### **Accumulated Depreciation**

#4	Accumulated Depreciation at 12/31/14	(1,581,236)
	Accumulated Depreciation 13 Month Average	<u>(1,514,957)</u>
	Total Proforma Adjustment	<u>(\$66,279)</u>
	To adjust Accumulated Depreciation to year end balance	

#5	Accumulated Depreciation at 12/31/14	(\$1,563,738)
	Accumulated Depreciation at 12/31/14	<u>(1,581,236)</u>
	Total Proforma Adjustment	<u>(\$17,498)</u>
	To adjust 12/31/14 Accumulated Depreciation for additional half year depreciation on 2014 additions	

#6	Accumulated Depreciation at 12/31/14	(\$1,551,398)
	Accumulated Depreciation at 12/31/14	<u>(1,563,738)</u>
	Total Proforma Adjustment	<u>(\$12,341)</u>
	To adjust 12/31/14 Accumulated Depreciation for annual depreciation on 2015 specific additions	

#7	Accumulated Depreciation at 12/31/14	(\$1,548,684)
	Accumulated Depreciation at 12/31/14	<u>(1,551,398)</u>
	Total Proforma Adjustment	<u>(\$2,714)</u>
	To adjust 12/31/14 Accumulated Depreciation for annual depreciation on 2015 general additions	

	<b>Total Proforma Adjustments to Accumulated Depreciation</b>	<b><u>(\$98,831)</u></b>
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##### **Accumulated Amortization of Utility Plant Acquisition Adjustment**

#8	Accumulated Amortization at 12/31/14	172,056
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Accumulated Amortization 13 Month Average	<u>167,828</u>
Total Proforma Adjustment	<u>\$4,228</u>
To adjust Accumulated Amortization to year end balance	

**Total Proforma Adjustment to Accumulated Amortization** **\$4,228**

### Material & Supplies

#9 Material & Supplies 12/31/14	4,717
Material & Supplies 13 Month Average	<u>14,397</u>
Total Proforma Adjustments	<u>(\$9,680)</u>
To adjust Material & Supplies to year end balance	

**Total Proforma Adjustment to Material & Supplies** **(\$9,680)**

### Prepaid Other

#10 Prepaid Other at 12/31/14	37,245
Prepaid Other 13 Month Average	<u>33,751</u>
Total Proforma Adjustments	<u>\$3,494</u>
To adjust Prepaid Other to year end balance	

**Total Proforma Adjustment to Prepaid Insurance** **\$3,494**

### Prepaid Property Taxes

#11 Prepaid Property Taxes at 12/31/14	11,727
Prepaid Property Taxes 13 Month Average	<u>11,779</u>
Total Proforma Adjustments	<u>(\$52)</u>
To adjust Prepaid Property Taxes to year end balance	

**Total Proforma Adjustment to Prepaid Property Taxes** **(\$52)**

### ADIT - Liberized Depreciation

#12 ADIT - Liberalized Depreciation at 12/31/14	(190,070)
ADIT - Liberalized Depreciation 13 Month Average	<u>(172,734)</u>
Total Proforma Adjustments	<u>(\$17,336)</u>
To adjust ADIT - Liberalized Depreciation to year end balance	

**Total Proforma Adjustment to ADIT - Liberalized Depreciation** **(\$17,336)**

### Contribution in Aid of Construction

#13 CIAC at 12/31/14	(870,878)
CIAC 13 Month Average	<u>(862,501)</u>
Total Proforma Adjustments	<u>(\$8,377)</u>
To adjust CIAC to year end balance	

**Total Proforma Adjustment to CIAC** **(\$8,377)**

### Accumulated Amortization of CIAC

#14	AA of CIAC at 12/31/14	249,303
	AA of CIAC 13 Month Average	<u>240,635</u>
	Total Proforma Adjustment	<u>\$8,668</u>
	To adjust Accumulated Amortization of CIAC to year end balance	

#15	AA of CIAC at 12/31/14	\$249,521
	AA of CIAC at 12/31/14	<u>249,303</u>
	Total Proforma Adjustment	<u>\$218</u>
	To adjust 12/31/14 AA of CIAC for additional half year on 2014 additions	

#16	AA of CIAC at 12/31/14	\$249,521
	AA of CIAC at 12/31/14	<u>249,521</u>
	Total Proforma Adjustment	<u>\$0</u>
	To adjust 12/31/14 AA of CIAC for annual AA of CIAC on 2015 additions	

<b>Total Proforma Adjustments to AA of CIAC</b>	<b><u>\$8,886</u></b>
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### **Cash Working Capital**

#17	Cash Working Capital adjusted for increase in O&M Expenses	\$176,270
	Cash Working Capital at 12/31/14	<u>176,047</u>
	Total Proforma Adjustment	<u>\$223</u>
	To adjust cash working capital for additonal working related to increase in O&M Expenses	

<b>Total Proforma Adjustment to Cash Working Capital</b>	<b><u>\$223</u></b>
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## NHPUC Docket DW 15-209

### Lakes Region Water Company

### Schedule 3B

#### Working Capital

	2014 Proforma Amount	2014 Actual Amount	2013 Actual Amount	2012 Actual Amount
Operating and Maintenance Expenses	<u>\$976,132</u>	<u>\$974,896</u>	<u>\$807,778</u>	<u>\$744,086</u>
Customers paying in arrears				
Year 2012= (75/365) X (1554/1645)				19.41%
Year 2013= (75/365) X (1554/1645)			19.41%	
Year 2014= (75/365) X (1566/1667)	19.30%	19.30%		
Minus Customers paying in advance				
Year 2012= (75/365) X (101/1645)				-1.26%
Year 2013= (75/365) X (101/1645)			-1.26%	
Year 2014= (75/365) X (101/1667)	<u>-1.24%</u>	<u>-1.24%</u>	<u>-1.26%</u>	<u>-1.26%</u>
Total	<u>18.06%</u>	<u>18.06%</u>	<u>18.15%</u>	<u>18.15%</u>
Working Capital	<u>\$176,270</u>	<u>\$176,047</u>	<u>\$146,609</u>	<u>\$135,049</u>

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## NHPUC Docket DW 15-209

### 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	66.68%	9.60%	6.40%		67.00%	11.60%	7.77%
Long Term Debt	33.32%	5.36%	1.78%		33.00%	4.71%	1.56%
Total Capital	100.00%		8.19%		100.00%		9.33%

Capital Structure		2014 Actual Amounts	2014 Actual Ratios		2014 Proforma Amounts	2014 Proforma Ratios
Common Stock		\$ 10,000	0.36%		\$ 10,000	0.32%
Additional Paid in Capital		1,227,180	44.46%		1,453,142	47.11%
Capital Stock Expense		(7,360)	-0.27%		(7,360)	-0.24%
Retained Earnings		610,827	22.13%		610,827	19.80%
Total Equity		\$ 1,840,647	66.68%		\$ 2,066,609	67.00%
Long Term Debt		\$919,678	33.32%		\$1,017,678	33.00%
Total Capital		\$ 2,760,325	100.00%		\$ 3,084,287	100.00%

Capital Structure for 2014 - 2012		2014 Amounts		2013 Amounts		2012 Amounts
Common Stock		\$ 10,000		\$ 10,000		\$ 10,000
Premium on Capital Stock		1,227,180		955,248		955,248
Capital Stock Expense		(7,360)		-9,201		-11,042
Retained Earnings		610,827		551,670		415,897
Total Equity		\$ 1,840,647		\$ 1,507,717		\$ 1,370,103
Long Term Debt		\$919,678		\$ 601,580		\$ 641,707
Total Capital		\$ 2,760,325		\$2,109,297		\$ 2,011,810

**Schedule 4**  
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<b>Capital Structure Ratios for 2014 - 2012</b>		<b>2014 Ratios</b>		<b>2013 Ratios</b>		<b>2012 Ratios</b>
Common Stock		0.36%		0.47%		0.50%
Other Paid in Capital		44.46%		45.29%		47.48%
Capital Stock Expense		-0.27%		-0.44%		
Retained Earnings		22.13%		26.15%		20.67%
Total Equity		66.68%		71.48%		68.10%
Long Term Debt		33.32%		28.52%		31.90%
Total Capital		100.00%		100.00%		100.00%

<b>Cost of Common Equity Capital</b>
The Company is utilizing the Commission determined cost of common equity of 9.60% plus 2%, totalling 11.60%

**Adjustments to Capital Structure for Mt. Roberts' AFUDC and related LTD and APIC**

**Additional Paid in Capital:**

Original Permanent Rate Filing	1,227,180
Reduction of 2014 APIC for AFUDC on pumps, wells and mains	(55,820)
Addition of 2015 APIC for Mt. Roberts land w/o AFUDC (\$415,906 - \$134,124)	<u>281,782</u>
Adjusted Paid in Capital	<u>1,453,142</u>

**Long Term Debt:**

Original Permanent Rate Filing	1,433,584
Reduction of 2015 LTD for Mt. Roberts land	<u>(415,906)</u>
Adjusted Paid in Capital	<u>1,017,678</u>

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## NHPUC Docket DW 15-209

Lakes Region Water Co., Inc  
Year Ended December 31, 2014

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</u> 12/31/2013 (d)	<u>Additions</u> (e)	<u>Reductions</u> (f)	<u>Balance</u> 12/31/2014 (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 (refinance)	1/13/2004	1/13/2014	\$ 225,975	\$ -	\$ (225,975)	\$ -	6.09%	\$ 6,491	\$ 227	\$ 6,718	5.95%
TD Banknorth - 6 (construction)	1/13/2004	1/13/2015	207,434	-	(207,434)	-	5.58%	4,761	502	5,263	5.07%
TD Banknorth - 7(syst purch)	12/29/2004	12/29/2014	72,900	-	(72,900)	-	6.29%	2,252	908	3,160	8.67%
CoBank (5 Year)	6/24/2014	6/30/2019	-	318,810	(30,327)	288,483	3.45%	5,571	-	5,571	3.86%
CoBank (15 Year - refinance)	6/24/2014	6/30/2029	-	474,567	(13,226)	461,341	5.25%	13,007	200	13,207	5.73%
CoBank (line of credit)	6/24/2014	6/30/2015	-	31,000	-	31,000	2.17%	325	-	325	2.10%
Sub - Total (Sch F-35) (BS Line 13)			506,309	824,377	(549,862)	780,824		32,407	1,837	34,244	5.32%
N/P Gehl Finance - Mustang Excavator	11/13/2009	11/13/2014	4,803	-	(4,803)	-	0.00%	-	-	-	0.00%
N/P Ford Motor Credit -2011 Ford F350XL	9/13/2010	9/13/2015	12,300	-	(6,870)	5,430	7.89%	740	-	740	8.35%
N/P Ford Motor Credit -2011 Ford F150XL	7/21/2011	7/21/2016	18,384	-	(6,677)	11,707	7.89%	1,239	-	1,239	8.24%
N/P Ford Motor Credit -2013 Ford F250 Super	8/16/2013	8/15/2018	34,783	-	(6,663)	28,120	5.95%	1,963	-	1,963	6.24%
N/P Ford Motor Credit -2013 Ford F250 Super	8/26/2013	8/26/2018	25,001	-	(4,791)	20,210	5.95%	1,442	-	1,442	6.38%
N/P Ford Motor Credit -2014 Ford F150	8/6/2014	8/6/2019	-	31,771	(1,824)	29,947	6.24%	778	-	778	5.20%
N/P Cat Financial - 2014 Excavator	3/27/2014	4/5/2019	-	65,250	(21,810)	43,440	0.71%	344	-	344	1.58%
Sub-Total (Sch F-35) (BS Line 16)			95,271	97,021	(53,438)	138,854		6,506	-	6,506	5.56%
Total Long Term Debt (BS Line 17)			601,580	921,398	(603,300)	919,678		38,913	1,837	40,750	5.36%
Vendors			-	-	-	-		24,600	-	24,600	
Total This Schedule			\$ 601,580	\$ 921,398	\$ (603,300)	\$ 919,678		\$ 63,513	\$ 1,837	\$ 65,350	
Total Interest Expense ( IS Line 27)							Cap Int	-	-		
							Net Expense	\$ 63,513	\$ 1,837	\$ 65,350	

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**NHPUC Docket DW 15-209**

**Lakes Region Water Co., Inc**  
Year Ended December 31, 2014

**Schedule 4B**

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

Obligation	Date of Issue	Date of Maturity	Principal Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Proforma Adjustments	Proforma Adj Bal 12/31/2014	Interest Rate	Interest Expense	Amort of Debt Exp	Total Int Exp	Proforma Adjustments	Pro Adj Int Exp	Total Int Rate
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
TD Banknorth - 5 (refinance)	1/13/2004	1/13/2014	\$ 225,975	\$ -	\$ (225,975)	\$ -	\$ -	\$ -	6.09%	\$ 6,491	\$ 227	\$ 6,718	\$ (6,718)	\$ -	0.00%
TD Banknorth - 6 (construction)	1/13/2004	1/13/2015	207,434	-	(207,434)	-	-	-	5.58%	4,761	502	5,263	(5,263)	-	0.00%
TD Banknorth - 7(syst purch)	12/29/2004	12/29/2014	72,900	-	(72,900)	-	-	-	6.29%	2,252	908	3,160	(3,160)	-	0.00%
CoBank (5 Year)	6/24/2014	6/30/2019	-	318,810	(30,327)	288,483	-	288,483	3.45%	5,571	-	5,571	4,382	9,953	3.45%
CoBank (15 Year - refinance)	6/24/2014	6/30/2029	-	474,567	(13,226)	461,341	-	461,341	5.25%	13,007	200	13,207	11,413	24,620	5.25%
CoBank (line of credit)	6/24/2014	6/30/2015	-	31,000	-	31,000	(31,000)	-	2.17%	325	-	325	(325)	-	0.00%
CoBank (IM Project)							129,000	129,000	5.50%				7,095	7,095	5.50%
Mt. Roberts							415,906	415,906	5.50%				22,875	22,875	5.50%
<b>Mt. Roberts adjustment for LTD</b>							<b>(415,906)</b>	<b>(415,906)</b>	<b>5.50%</b>				<b>(22,875)</b>	<b>(22,875)</b>	
Sub - Total (Sch F-35) (BS Line 13)			506,309	824,377	(549,862)	780,824	98,000	878,824		32,407	1,837	34,244	7,424	41,668	4.74%
N/P Gehl Finance - Mustang Excavator	11/13/2009	11/13/2014	4,803	-	(4,803)	-	-	-	0.00%	-	-	-	-	-	0.00%
N/P Ford Motor Credit -2011 Ford F350XL	9/13/2010	9/13/2015	12,300	-	(6,870)	5,430	-	5,430	7.89%	740	-	740	(419)	321	7.89%
N/P Ford Motor Credit -2011 Ford F150XL	7/21/2011	7/21/2016	18,384	-	(6,677)	11,707	-	11,707	7.89%	1,239	-	1,239	(315)	924	7.89%
N/P Ford Motor Credit -2013 Ford F250 Super	8/16/2013	8/15/2018	34,783	-	(6,663)	28,120	-	28,120	5.95%	1,963	-	1,963	(290)	1,673	5.95%
N/P Ford Motor Credit -2013 Ford F250 Super	8/26/2013	8/26/2018	25,001	-	(4,791)	20,210	-	20,210	5.95%	1,442	-	1,442	(240)	1,202	5.95%
N/P Ford Motor Credit -2014 Ford F150	8/6/2014	8/6/2019	-	31,771	(1,824)	29,947	-	29,947	6.24%	778	-	778	1,091	1,869	6.24%
N/P Cat Financial - 2014 Excavator	3/27/2014	4/5/2019	-	65,250	(21,810)	43,440	-	43,440	0.71%	344	-	344	(36)	308	0.71%
Sub-Total (Sch F-35) (BS Line 16)			95,271	97,021	(53,438)	138,854	-	138,854		6,506	-	6,506	(209)	6,297	4.53%
Total Long Term Debt (BS Line 17)			601,580	921,398	(603,300)	919,678	98,000	1,017,678		38,913	1,837	40,750	7,215	47,965	4.71%
Vendors			-	-	-	-	-	-		24,600	-	24,600	(24,600)	-	
Total This Schedule			\$ 601,580	\$ 921,398	\$ (603,300)	\$ 919,678	\$ 98,000	\$ 1,017,678		\$63,513	\$1,837	\$65,350	(\$17,385)	\$47,965	
Total Interest Expense ( IS Line 27)										Cap Int	-	-			
										Net Expense	\$63,513	\$ 1,837	\$65,350	\$ (17,385)	\$47,965

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## NHPUC Docket DW 15-209

### Lakes Region Water Company

### Schedule 5

#### Income Tax Computation

	<u>Actual</u>	<u>Proforma</u>
Total Rate Base	\$ 2,599,227	\$ 3,199,593
Equity Component of Cost of Capital (Schedule 4)	<u>6.40%</u>	<u>7.77%</u>
Operating Net Income Required	\$ 166,389	\$ 248,689
Tax Effect (.6559)	<u>109,135</u>	<u>163,115</u>
Income Required before Income Taxes	\$ 275,524	\$ 411,804
Less: NH Business Profits Tax @ 8.5%	<u>23,420</u>	<u>35,003</u>
Income subject to Federal Taxes	\$ 252,105	\$ 376,801
Less: Federal Income Tax @ 34%	<u>85,716</u>	<u>128,112</u>
Income after Income Taxes	<u>\$ 166,389</u>	<u>\$ 248,688</u>

SPSt. Cyr  
6/6/2016

## **NHPUC Docket DW 15-209**

### **Lakes Region Water Company**

#### **Effective Tax Factor**

#### **Schedule 5.1**

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>34.00%</u>
Effective Federal Income Tax Rate	31.11%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u>39.61%</u>
Percent Of Income Available if No Tax	100.00%
Effective Tax Rate	<u>39.61%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u>60.39%</u>
Tax Multiplier	<u>65.59%</u>

SPSt. Cyr  
6/6/2016

## Lakes Region Water Company

## Schedule 6

### Report of Proposed Rate Changes

Utility Lakes Region Water Co. Date Filed:  
Tariff No.: 6 Pages 10 & 12 Effective Date:

Rate of Class of Service	Effect of Change	Number of Customers	Authorized Present Revenue	Proposed Revenue	Proposed Change Amount	Proposed Change Percentage
Unmetered Customers	\$ 146,877	591	\$ 367,707	\$ 514,584	\$ 146,877	39.94%
WVG Pool	578	1	1,448	\$ 2,026	578	39.94%
Metered Customers excluding Suissevale	<u>269,218</u>	<u>1,074</u>	<u>673,988</u>	<u>\$ 943,206</u>	<u>269,218</u>	39.94%
Total Unmetered and Metered Customers excluding Suissevale Contract	\$ 416,674	1,666	\$ 1,043,143	\$ 1,459,817	\$ 416,674	39.94%
Suissevale Contract	65,754	<u>1</u>	<u>136,526</u>	<u>202,280</u>	<u>65,754</u>	48.16%
Total Sales of Water	<u>\$ 482,428</u>	<u>1,667</u>	<u>\$ 1,179,669</u>	<u>\$ 1,662,097</u>	<u>\$ 482,428</u>	40.90%
Forfeited Discount			\$ 6,438	\$ 6,438		
Miscellaneous Services Revenues	-		52,620	52,620	-	
Other Water Revenue - Rate Case Surchar	<u>(77,283)</u>		<u>77,283</u>	<u>-</u>	<u>(77,283)</u>	
Total Other Operating Revenues	<u>\$ (77,283)</u>		<u>\$ 136,341</u>	<u>\$ 59,058</u>	<u>\$ (77,283)</u>	
Total Water Operating Revenues	<u>\$ 405,145</u>	<u>1,667</u>	<u>\$ 1,316,010</u>	<u>\$ 1,721,155</u>	<u>\$ 405,145</u>	30.79%
Avg. Res. Cust.		<u>1,666</u>	<u>\$ 626.14</u>	<u>\$ 876.24</u>	<u>\$ 250.10</u>	<u>39.94%</u>

SPSt. Cyr  
6/6/2016



NHPUC Docket DW 15-209

Lakes Region Water Company

Schedule 7

Additional Half Year Depreciation and State and Local Property Taxes on 2014 Additions to Plant

	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)		
						Additional 2014 Proforma Depreciation 2014 Additions		For the Calculation of additional property tax - additions in col F were assigned to appropriate towns in col J - S Vehicles and Computer Equip not subject to prop tax - Added total by town * applicable rate - State total all towns * State Rate														
Div #	Name	Acct #	Non- Revenue Producing	Revenue Producing	Total Division			State of NH	Moultonboro	Thornton	Tuftonboro	Laconia	Campton	Conway	Gilford	Tamworth	Ossipee	Freedom	NHDES Requiq.	Description		
1	Far Echo Harbor Meters Pumps	334.4 311.2	\$ \$	367 2,342		\$ \$	9 118		\$ \$	367 2,342									DES Water Conservation Req. See. e.g. Env-Wq 2100. DES Distribution Main Req. See e.g. Env-Ws 372.31.	House meter replacement Replacement of well pump		
					\$ 2,709																	
2	Paradise Shores Structures Meters Misc. Equipmt Services Pumps Pumps adjustment for AFUDC Wells Wells Wells adjustment for AFUDC Mains Mains adjustment for AFUDC	3042 334.4 339.2 333.4 311.2 311.2 307.2 307.2 307.2 331.4 331.4	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	69,896 11,764 365 1,810 47,249 (2,818) 12,123 175,714 (44,230) 88,055 (8,772)		\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	873 294 37 29 2,361 (141) 118 2,201 (553) 880 (88)		\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	69,896 11,764 365 1,810 47,249 (2,818) 12,123 175,714 (44,230) 88,055 (8,772)									372.18-22. DES Water Conservation Req. See. e.g. Env-Wq 2100. DES Water Conservation Req. See. e.g. Env-Wq 2100. DES Distribution Service Req. See e.g. Env-Ws 372.32 DES Distribution Main Req. See e.g. Env-Ws 372.31. 372.18-22. 372.18-22. 372.18-22. DES Distribution Main Req. See e.g. Env-Ws 372.31.	improvement to pumphouse Replace ouse and 2 mag me WiFi Reciever New Servie connections Replacement of well pump Well improvements New Wells Mains to tie wells to system		
3	West Point Pump Services Meters Structures	311.2 333.4 334.4 304.2	\$ \$ \$ \$	1,302 685 532 1,679		\$ \$ \$ \$	65 12 14 17		\$ \$ \$ \$	1,302 685 532 1,679									DES Distribution Main Req. See e.g. Env-Ws 372.31. DES Distribution Service Req. See e.g. Env-Ws 372.32 DES Water Conservation Req. See. e.g. Env-Wq 2100. DES Pump and Flow Requirements. See e.g. Env-Ws 372.18-22.	Replacement of well pump New Servie connections House meter replacement improvement to pumphouse		
4	Waterville Valley Gateway Structures Meter	304.2 334.4	\$ \$	744 205		\$ \$	7 5			\$ 744 \$ 205									DES Pump and Flow Requirements. See e.g. Env-Ws 372.18-22. DES Water Conservation Req. See. e.g. Env-Wq 2100.	improvement to pumphouse House meter replacement		
5	Hidden Valley Structure Misc. Equip Meters	304.2 339.2 334.4	\$ \$ \$	4,220 6,239 2,088		\$ \$ \$	42 134 53			\$ 4,220 \$ 6,239 \$ 2,088									DES Pump and Flow Requirements. See e.g. Env-Ws 372.18-22. DES Water Conservation Req. See. e.g. Env-Wq 2100. DES Water Conservation Req. See. e.g. Env-Wq 2100.	improvement to pumphouse Telemetry House meter		
6	Wentworth Cove Meters Structures Misc. Equip	334.4 304.2 339.2	\$ \$ \$	169 150 1,523		\$ \$ \$	4 1 63			\$ 169 \$ 150 \$ 1,523									DES Water Conservation Req. See. e.g. Env-Wq 2100. DES Pump and Flow Requirements. See e.g. Env-Ws 372.18-22. DES Water Conservation Req. See. e.g. Env-Wq 2100.	House meter improvement to pumphouse Telemetry		
7	Pendelton Cove Misc. Equip Meters	339.2 334.4	\$ \$	1,073 432		\$ \$	52 11			\$ 1,073 \$ 432									DES Water Conservation Req. See. e.g. Env-Wq 2100. DES Water Conservation Req. See. e.g. Env-Wq 2100.	Telemetry house meters		
8	Deer Run Meters	334.4	\$	833		\$	21			\$ 833									DES Water Conservation Req. See. e.g. Env-Wq 2100.	house meters		
9	Woodland Grove Pump	311.2	\$	832		\$	42							\$ 832					DES Distribution Main Req. See e.g. Env-Ws 372.31.	sump pump replacement		
10	Echo Lake Woods Meters	334.4	\$	208		\$	5							\$ 208					DES Water Conservation Req. See. e.g. Env-Wq 2100.	House meter		
11	Brake Hill Meters	334.4	\$	198		\$	5							\$ 198					DES Water Conservation Req. See. e.g. Env-Wq 2100.	House meter		
12	Tamworth Water Works Meters	334.4	\$	560		\$	14									\$ 560			DES Distribution Main Req. See e.g. Env-Ws 372.31.	Pumphouse meters		
13	175 Estates No Additions	n/a	\$	-		\$	-	\$ -														
14	Deer Cove No Additions	n/a	\$	-		\$	-										\$ -					
15	Lake Ossipee Village Mains Services Wells	331.4 331.4 307.2	\$ \$ \$	15,139 714 803		\$ \$ \$	151 12 8											\$ 15,139 \$ 714 \$ 803	DES Distribution Service Req. See e.g. Env-Ws 372.32 DES Pump and Flow Requirements. See e.g. Env-Ws 372.18-22. -	New Servie connections Well improvements		
16	Indian Mound Mains Meter	331.4 331.4	\$ \$	42,517 272		\$ \$	425 7										\$ 42,517 \$ 272		DES Distribution Main Req. See e.g. Env-Ws 372.31. DES Distribution Main Req. See e.g. Env-Ws 372.31.	Peplaced Mains Pumphouse meters		

Lakes Region Water Company

Schedule 7

Additional Half Year Depreciation and State and Local Property Taxes on 2014 Additions to Plant																				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)
						Additional 2014 Proforma Depreciation 2014 Additions	For the Calculation of additional property tax - additions in col F were assigned to appropriate towns in col J - S Vehicles and Computer Equip not subject to prop tax - Added total by town * applicable rate - State total all towns * State Rate													
Div #	Name	Acct #	Non- Revenue Producing	Revenue Producing	Total Division		State of NH	Moultonboro	Thornton	Tuftonboro	Laconia	Campton	Conway	Gilford	Tamworth	Ossipee	Freedom	NHDES Requiq. Description		
	Tanks	330.4		875		\$ 9										\$ 875		DES Pump and Flow Requirements. See e.g. Env-Ws 372.18-22.	New Tank	
	Misc. Equipit	339.2	\$	254		\$ 12										\$ 254		DES Water Conservation Req. See. e.g. Env-Wq 2100.	Telemetry	
	Pump	311.2	\$	661		\$ 33										\$ 661		DES Pump and Flow Requirements. See e.g. Env-Ws 372.18-22.	Replacement pump	
					\$ 44,579															
17	Gunstock Glen																			
	Misc. Equipit.	339.2	\$	172		\$ 9								\$ 172				DES Distribution Main Req. See e.g. Env-Ws 372.31.	Pumphouse meters	
	Services	331.4	\$	392		\$ 7								\$ 392				DES Distribution Main Req. See e.g. Env-Ws 372.31.	New Service connections	
					\$ 564													DES Water Conservation Req. See. e.g. Env-Wq 2100.	Telemetry	
50	Administrative																			
	Vehicles	341.5	\$	105,603		\$ 9,347		\$ -											Replacement Vehicles&Equip	
	Computer Equip	347.5	\$	7,716		\$ 772		\$ -											4 Ipad's & maping software	
					\$ 113,319															
Total Plant Placed in Service			\$ 552,655	\$ -	\$ 552,655	\$ 17,498	\$ 439,336	\$ 358,063	\$ 949	\$ 12,547	\$ 3,347	\$ 833	\$ 1,040	\$ 762	\$ 560	\$ 44,579	\$ 16,656	\$ -		
Taxable at rate per thousand							Taxable in (000)	\$ 439	\$ 358	\$ 1	\$ 13	\$ 3	\$ 1	\$ 1	\$ 1	\$ 1	\$ 45	\$ 17		
Tax Rate							Rates	6.6000	6.3300	16.4300	8.2500	19.8200	9.2400	17.1700	15.7700	19.1600	18.0500	9.9500		
Additional Tax due to additions							Addl Tax	2,899.62	2,266.54	15.59	103.51	66.34	7.70	17.86	12.02	10.73	804.65	165.73		
Total municipal tax increase							Addl town Tax	\$ 3,471												
s/b							Addl State Tax	\$ 2,900												
							Total Addl Tax	\$ 6,370												
			\$ -		\$ -															

Lakes Region Water Company

Schedule 8

2014 Retirements

Div #	Name	Acct #	Amount	Division Total	Depreciation adj on Proforma
1	Far Echo Harbor				
	Meters	334.4	\$ (151)		0
	Pumps	311.2	\$ (2,070)		0
			\$	(2,221)	
2	Paradise Shores				
	Pumps	331.2	\$ (478)		0
	Meters	334.4	\$ (2,814)		0
			\$	(3,292)	
3	West Point				
	pumps	311.2	\$ (958)		0
	Meters	334.4	\$ (178)		0
			\$	(1,136)	
4	Waterville Valley Gateway				
	Meters	334.4	\$ (160)		0
			\$	(160)	
5	Hidden Valley				
	Land	303	\$ (1,205)		
	Meters	334.4	\$ (1,173)		0
			\$	(2,378)	
6	Wentworth Cove				
	Meters	334.4	\$ (97)		0
			\$	(97)	
7	Pendelton Cove				
	Meters	334.4	\$ (225)		0
			\$	(225)	
8	Deer Run				
	Meters	334.4	\$ (482)		0
			\$	(482)	
9	Woodland Grove				
	Pumps	311.2	\$ (334)		0
			\$	(334)	
10	Echo Lake Woods				
	Meters	334.4	\$ (106)		0
			\$	(106)	
11	Brake Hill				
	Meters	334.4	\$ (96)		0
			\$	(96)	
12	Tamworth Water Works				
	No Retirements	n/a	\$ -	\$ -	0
13	175 Estates				
	No Retirements	n/a	\$ -	\$ -	0
			\$	-	
14	Deer Cove				
	No Retirements	n/a	\$ -	\$ -	0
			\$	-	
15	Lake Ossipee Village				
	No Retirements	n/a	\$ -	\$ -	0
			\$	-	
16	Indian Mound				
	Pump	311.2	\$ (659)		0
			\$	(659)	
17	Gunstock Glen				
	No Retirements	n/a	\$ -	\$ -	0
			\$	-	
50	Administrative				
	Vehicle	341.5	\$ (63,727)		0
			\$	(63,727)	
Total Plant Retired from Service				<u>\$ (74,913)</u>	<u>\$ -</u>

NHPUC Docket DW 15-209

Lakes Region Water Company

Schedule 9

2015 Specific Additions to Plant and related Depreciation

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)
						Additional 2014 Proforma Depreciation 2015 Additions		For the Calculation of additional property tax - additions in col F were assigned to appropriate towns in col J - S Vehicles and Computer Equip not subject to prop tax - Added total by town * applicable rate - State total all towns * State Rate	State of NH	Thornton	Tuftsboro	Laconia	Campton	Conway	Gilford	Tamworth	Ossipee	Freedom
Div #	Name	Acct #	Non- Revenue Producing	Revenue Producing	Total Division				Moultonboro									
1	Far Echo Harbor																	
	Meters	334.4							\$ -									
	Pumps	311.2							\$ -									
					\$ -													
2	Paradise Shores																	
	Land	303	\$ 415,906		\$ 415,906	\$ -			\$ 415,906									
	Land Adjustment for AFUDC		\$ (134,124)		\$ (134,124)				\$ (134,124)									
	Structures	3042							\$ -									
	Meters	334.4							\$ -									
	Misc. Equip	339.2							\$ -									
	Services	333.4							\$ -									
	Pumps	311.2							\$ -									
	Wells	307.2							\$ -									
	Wells	307.2							\$ -									
	Mains	331.4							\$ -									
					\$ -													
3	West Point																	
	Pump	311.2							\$ -									
	Services	333.4							\$ -									
	Meters	334.4							\$ -									
	Structures	304.2							\$ -									
					\$ -													
4	Waterville Valley Gateway																	
	Structures	304.2							\$ -									
	Meter	334.4							\$ -									
					\$ -													
5	Hidden Valley																	
	Structures	304.2																
	Pump	311.2																
	Mains	331.4																
	Services	333.4																
	Meter	334.4																
6	Wentworth Cove																	
	Meters	334.4										\$ -						
	Structures	304.2										\$ -						
	Misc. Equip	339.2										\$ -						
					\$ -													
7	Pendelton Cove																	
	Misc. Equip	339.2										\$ -						
	Meters	334.4										\$ -						
					\$ -													
8	Deer Run																	
	Meters	334.4											\$ -					
					\$ -													
9	Woodland Grove																	
	Pump	311.2												\$ -				
					\$ -													
10	Echo Lake Woods																	
	Meters	334.4												\$ -				
					\$ -													
11	Brake Hill																	
	Meters	334.4													\$ -			
					\$ -													
12	Tamworth Water Works																	
	Meters	334.4														\$ -		
					\$ -													
13	175 Estates																	
	No Additions	n/a							\$ -									

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**NHPUC Docket DW 15-209**

**Lakes Region Water Company**

**Schedule 10**

**2015 General Additions to Plant and related Depreciation**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Non- Revenue	Revenue	Total	Additional 2014 Proforma Depreciation 2015 Additions		State of NH	Moultonboro
<u>Account</u>	<u>Account Description</u>	<u>Producing</u>	<u>Producing</u>	<u>Division</u>				
311	Pumping Equipment	\$ 14,399		\$ 14,399	\$ 1,440			
331	Mains	17,310		17,310	346			
333	Services	1,973		1,973	43			
334	Meters	<u>17,690</u>		<u>17,690</u>	<u>885</u>			
	Total	<u>\$ 51,372</u>	<u>\$ -</u>	<u>\$ 51,372</u>	<u>\$ 2,714</u>		<u>\$ 51,372</u>	<u>\$ 51,372</u>
						Taxable Prop in \$000	\$ 51	\$ 51
						Rates	6.6000	6.3300
						Addl Tax	339.06	325.18
						Addl town Tax	\$ 325	
						Addl State Tax	\$ 339	
						Total Addl Tax	\$ 664	

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** November 13, 2015

**AT (OFFICE):** NHPUC

**FROM:** Karen Moran, Chief Auditor  
Bridget Nelson, Examiner  
Michael Brown, Examiner

**SUBJECT:** Lakes Region Water Company, Inc.  
DW 15-209  
**FINAL Audit Report**

**TO:** Mark Naylor, Director of Water and Gas Division  
Jayson Laflamme, Utility Analyst III

### Introduction

Lakes Region Water Company, Inc., (LRWC, Company) is a regulated public utility that provides water service to approximately 1,615 customers. On June 1, 2015, LRWC filed a notice of intent to increase its rates. The Company filed its rate schedules as well as materials supporting its proposed permanent rate increase, by letter to the Commission dated July 31, 2015, and received by the Commission on August 5, 2015.

The PUC Audit Staff has reviewed the books and records of the Lakes Region Water Company, Inc. for the test year 2014.

Audit appreciates the assistance provided to us by Tom Mason, President; Tim Fontaine, Utility Finance Manager; Ashley Manning, Assistant Finance Manager, and Norm Roberge, external accountant.

### Allocations

In response to an audit questionnaire regarding the allocation factors, the Company provided the following: *“Non direct revenues and expenditures are allocated to each of the LRWC 17 operating divisions on a percentage basis of customers in each of the 17 divisions.”* The 12/31/2013, the allocation factors to be used in 2014, and the 12/31/2014 factors to be used in 2015 were:

Lakes Region Water Co., Inc.				Lakes Region Water Co., Inc.			
Average Customer Count - Percent Distribution				Average Customer Count - Percent Distribution			
December 31, 2013				December 31, 2014			
System	#	Customer Count	Distribution Percent	System	#	Customer Count	Distribution Percent
FEH	1	85	5.15%	FEH	1	85	5.13%
<b>PS</b>	<b>2</b>	<b>392</b>	<b>23.74%</b>	<b>PS</b>	<b>2</b>	<b>393</b>	<b>23.70%</b>
WP	3	41	2.48%	WP	3	41	2.47%
<b>WVG</b>	<b>4</b>	<b>85</b>	<b>5.15%</b>	<b>WVG</b>	<b>4</b>	<b>84</b>	<b>5.07%</b>
HV	5	119	7.21%	HV	5	119	7.18%
WC	6	55	3.33%	WC	6	55	3.32%
PC	7	71	4.30%	PC	7	71	4.28%
DR	8	59	3.57%	DR	8	59	3.56%
WG	9	74	4.48%	WG	9	74	4.46%
ELW	10	44	2.67%	ELW	10	44	2.65%
BH	11	47	2.85%	BH	11	47	2.83%
TWW	12	101	6.12%	TWW	12	101	6.09%
175E	13	44	2.67%	175E	13	44	2.65%
DC	14	51	3.09%	DC	14	51	3.08%
<b>LOV</b>	<b>15</b>	<b>229</b>	<b>13.87%</b>	<b>LOV</b>	<b>15</b>	<b>230</b>	<b>13.87%</b>
<b>IM</b>	<b>16</b>	<b>100</b>	<b>6.06%</b>	<b>IM</b>	<b>16</b>	<b>106</b>	<b>6.39%</b>
GG	17	54	3.27%	GG	17	54	3.26%
ADM	50	0	0.00%	ADM	50	0	0.00%
Total Company		1651	100.00%	Total Company		1658	100.00%

The Company considers the Property Owners Association of Suissevale (POASI) as one customer within the Paradise Shore division. POASI is a residential community of approximately 350 homeowners.

The Company also noted that the “*distribution is used to allocate Administrative common assets and for allocation of common income and expense items*”. **REPEAT Audit Issue #1**

### **Board of Directors**

As detailed in the Company’s PUC annual report, the board is comprised of Thomas (Albert) Mason, Barbara Mason, Susan Mason, Amy Mason, Fred Malatesta, and Gary Odoraro. The sole shareholder is Barbara Mason. The Company indicated that minutes are not documented. In Commission Order #25,391 issued on 7/13/2012 in dockets DW07-105, DW10-043, DW10-141, and DW11-021, the Commission required the Company to appoint two non-family members to the board and to apprise the Commission Staff of the names and qualifications of those appointees. Mr. Malatesta and Mr. Odoraro are those board members.



## **BALANCE SHEET ASSETS**

### **Cash**

For the test year ending 12/31/2014, Schedule F-1 of the PUC annual report and the filing Schedule 2 reflect a balance of \$10,152. Audit verified the reported 12/31/2014 balance to the following NDS general ledger accounts and related activity:

50-110-131-2	TD Bank - Savings Account	\$ 630
50-110-131-3	BNH- Checking	\$ 470
50-110-131-4	TD Bank – Checking	\$ 2,157
50-110-131-5	BNH – Medical Savings	\$ 6,895
50-110-131-9	Deposit Clearing	\$ -0-
	Total Cash	\$10,152

Lakes Region uses two bank accounts; Bank of New Hampshire and TD Bank. The Bank of NH account is used for physical transactions such as writing a check for payroll and accounts payables. Also, any customer payments that come through the post office are deposited into this account.

The TD Bank account is used for electronic transactions. All payments made online, customer payments received electronically and all POASI payments go through this bank account.

Audit reviewed the December bank statements, reconciliations, check registers and general ledger activity for both bank accounts. Adjustment were made at the end of the year to the general ledger and check registers to correct entries made to the wrong bank account. No exceptions were noted.

### **Accounts Receivable**

For the test year ending 12/31/2014, the annual report and filing Schedule 2 reflect Accounts Receivable from Associated Companies \$26,110 and Accounts and Notes Receivable \$137,762. Audit verified the figures to the following general ledger accounts:

50-121-145-0	Accounts Receivable Affiliate T/J	\$26,110
--------------	-----------------------------------	----------

The total Accounts and Notes Receivable figure \$137,762 was verified to the Accounts Receivable XX-120-141-0 account in each of the seventeen systems. Refer to Audit Issue #1.

An Accounts Receivable Aging report was received from Lakes Region for all customers of all divisions. 73% of receivables are current and 14% are 31-60 days outstanding. Only .5% of receivables are 181 days or over.

Bad debts are written off at the end of the year. Bad debts are only written off after the Company had tried and failed to collect from the customer.

Prior to writing off bad debt, an aged trial balance report is run and LRWC manually reviews all accounts over 150 days. Accounts are reviewed for notes of any existing payment plans, bankruptcy or foreclosure, final billings and valid contact information. Only after determining the account is inactive, will the outstanding amount be written off. See Account 904 Uncollectible below for additional information and refer to the Revenue portion of this report for additional details.

### **Inventory – Materials and Supplies**

For the test year ending 12/31/2014, Schedule F-22 of the PUC annual report, shows a balance of \$4,717, a decrease from the 2013 balance of \$9,579. The 2014 amount agrees with the filing, Schedule 2, submitted by the Company. Audit verified the total \$4,717, to the NDS general ledger account XX-130-151-0 in each of the seventeen divisions and the Administrative division. Refer to Audit Issue #1.

The Company indicated that it does not conduct physical inventories, as materials are charged directly to the work order. **REPEAT Audit Issue #2.**

### **Prepayments**

For the test year ending 12/31/2014, Schedule F-23 of the PUC annual report, shows a Prepayments balance of \$37,245. The amount agrees with the filing, Schedule 2, submitted by the Company. Audit also verified the total to the NDS general ledger account 50-140-162-1 without exception. For detail regarding the expenses associated with the prepayments, refer to the Operations and Maintenance section of this report.

The prepaid-other account is used for system monitoring services, and insurance. At the end of the year, adjustments were made to the prepaid account.

- A \$10,401 insurance adjustment credit was made because the monthly step-downs were less than the actual insurance payment. The adjustment was made to true-up the expenses.
- There was a credit adjustment for monitoring services for \$1,260.
- There were also two adjustments for propane (credit) and for the outgoing call service (debit). Audit questioned these adjustments as they did not appear to be prepaid. LRWC noted that propane is paid by the delivery **Audit Issue #3**

The Company noted that *“the outgoing call service is not an answering service but is an automated outgoing message service used mostly to notify customers of water system shut downs during repairs. The Company purchases one call services in 10,000 call blocks. The prepaid amount represents the number of unused calls.”*

### **Pre-paid Taxes**

The PUC annual report and filing Schedule 2 reflect a prepaid tax total of \$11,727. The total was verified to the NDS general ledger account 50-140-163-1. Refer to the Property Tax portion of this report for additional information.

### **Unamortized Debt Discount and Expense**

The annual report and filing Schedule 2 reflect Unamortized Debt Discount and Expense of \$11,261. Audit verified the year end figure to two general ledger accounts:

50-155-181-1 Unamortized Debt Expense-Bank of NH	\$ -0-
50-155-181-2 Unamortized Debt Expense-Bank of NH	\$11,261

The annual report income statement reflects Amortization of the Debt Expense, for 2014 of \$1,837. The total agrees with the filing Schedule 2. Audit verified that the sum of the seventeen divisions, and the Administrative division general ledger accounts xx-730-428-0 agree with the reported \$1,837.

### **Miscellaneous Deferred Debits**

The PUC annual report F-28 reflects a beginning balance of \$228,245, with reductions to each of the four line items summing to \$172,874. The reduction is the sum of the NDS debits and credits below. The ending balance of \$55,371 was verified to the NDS general ledger accounts within the Administrative division. This account is not spread among the divisions.

Account Number and Description	Beg. Balance	Debits	Credits	End Balance
50-153-186-1 Deferred Rate Case Expenses	\$ -	\$ 104,774	\$ (104,774)	\$ -
50-153-186-2 Def Rate Exp DW10-141	\$ 77,389	\$ 6,242	\$ (83,631)	\$ -
50-153-186-3 Def Rate Exp DW07-105	\$ 81,921	\$ 37,509	\$ (69,528)	\$ 49,902
50-153-186-4 Def Rate Exp Mt Roberts	\$ 9,434	\$ 5,469	\$ (9,434)	\$ 5,469
50-153-186-5 Def Rate Exp DW13-041	\$ 59,501	\$ 518	\$ (60,019)	\$ -
50-153-186-6 Def Rate Exp DW Open	\$ -	\$ -	\$ -	\$ -
	\$ 228,245	\$ 154,512	\$ (327,386)	\$ 55,371

Audit reviewed the activity in the 186-1 account and sent a list of questions to the Company on 10/1/2015. **Audit Issue #4**

The net activity in the 186-2 account brought the balance to zero. The offset was noted in the "Other Revenue" accounts XX-450-474-1 by division. Refer to the Revenue portion of this report.

Regarding the balance and net activity in account 186-3, the Company indicated in proforma #9 (of Mr. St. Cyr's testimony) that the Commission approved the deferral of \$81,921 related to docket DW07-105 in DW10-141. The \$81,921 was authorized to be amortized over five years beginning after the final Order in the next rate case, which is the instant docket. However, the proforma indicated a negotiated reduction to the deferred amount, and thus the related amortization would be reduced. The reduction of \$32,019 identified in the proforma is the net of the debit total and net credit total identified in the line for 50-153-186-3. The testimony of Mr. St. Cyr indicates that the \$32,019 represents a further reduction of accounting and legal service providers' expenses.

The debit total of \$37,509 was traced to a year-end entry LRWYE14-389:

	<u>Debit</u>	<u>Credit</u>
50-153-186-3	\$37,509.18	
50-153-186-4	\$ 5,468.75	
50-665-928-8		\$42,977.93 <b>Audit Issue #4</b>

Audit reviewed year-end entry LRWYE14-357 which identified the credit totals for both 186-3 and most of 186-4:

	<u>Credit 50-153-186-3</u>	<u>Credit 50-153-186-4</u>	<u>Debit 50-490-421-0</u>
Shaheen	\$27,689.23	\$3,605.00	\$31,294.23
St. Cyr	\$ 6,916.56	\$ 288.75	\$ 7,205.31
Roberge	\$ 7,210.00	\$ 360.00	\$ 7,570.00
Upton	<u>\$27,712.62</u>	<u>\$4,760.00</u>	<u>\$32,472.62</u>
Total	\$69,528.41	\$9,013.75	\$78,542.16 <b>Audit Issue #4</b>

The activity in the 186-4 account was reviewed. Credit entries in the amount of \$9,014 were offset to 50-490421-0, Non-utility Income. One credit entry in the amount of \$420 was offset to 50-665-928-8. The one debit entry of \$5,469 was identified as a final adjustment to vendor credits. See the journal entry above.

The activity in the 186-5 account was reviewed. The beginning balance of \$59,501.11 was increased in February 2014 by an Upton & Hatfield entry of \$517.50. That entry was reversed on March 3, 2015, with a notation that it reversed a 2013 manual accounts payable entry. A final credit in the amount of \$59,501.11, LRWYE14-358 offset the initial balance to 50-665-928-8. The debit is non-recurring. See **Audit Issue #4**

Audit reviewed the detailed general ledger and there was no activity in the 186-6 account.

### **BALANCE SHEET EQUITY CAPITAL and LIABILITIES** **Common Stock**

The balance in account #50-310-201-0, Common Stock, at 12/31/2014 was \$10,000. There was no activity during the test year. Barbara Mason is the sole shareholder and is a director of the Company. The figure agrees with the PUC annual report and with the filing Schedule 2.

### **Other Paid in Capital**

The balance in the Other Paid in Capital account noted on the annual report increased by \$271,932 from the prior year-end balance to the 12/31/2014 balance of \$1,227,180. The increase is the result of posting costs associated with the Mt. Roberts land and wells, as well as calculation of an allowance for funds used during construction. Audit verified the reported balance to the NDS general ledger account 50-320-207-0, Additional Paid in Capital.

Refer to the Unfinished Construction and AFUDC portions of this report for additional information.

### **Capital Stock Expense**

Capital Stock Expense noted on the annual report and filing Schedule 2 reflects a debit balance of \$(7,360) as of 12/31/2014. The figure was verified to the NDS general ledger account 50-330-213-0.

In 2009, the Company reclassified \$18,405 from Regulatory Expense, account 665-928 to Capital Stock Expense, account 330-213. These costs represent the remaining half of costs related to expenses incurred during PUC Docket DW 08-070 that were financed by an equity infusion by Thomas A. Mason and Barbara G. Mason (DW 08-070, Order #24,954).

The balance in Capital Stock Expense is being amortized over a ten year period (beginning in 2009) using account 50-675-426-9, Amortization Expense-Capital Stock. The total amount booked to amortization expense for 2014 was \$1,841. The amortization was verified to the filing Schedule 1.

### **Retained Earnings**

For the year ended 12/31/2014, the retained earnings figure shown on the annual report and the filing Schedule 2 is \$610,827, which incorporates net income for the year of \$59,157.

Audit reviewed the balances in the accounts used for retained earnings, with the following result:

Division Number	Division Identifier	inter-div profit distribution xx-380-217-1	Interdivision offset xx-395-999-0	NET
1	FEH	\$ (31,128)	\$ 60,894	\$ 29,766
2	PS	\$ 902,126	\$ 551,250	\$ 1,453,375
3	WP	\$ (78,885)	\$ 44,578	\$ (34,307)
4	WV	\$ 32,349	\$ 65,621	\$ 97,970
5	HV	\$ (293,492)	\$ 180,353	\$ (113,139)
6	WC	\$ 10,537	\$ 57,301	\$ 67,837
7	PC	\$ 37,808	\$ 47,407	\$ 85,215
8	DR	\$ (21,547)	\$ 42,623	\$ 21,075
9	WG	\$ 35,763	\$ 77,607	\$ 113,370
10	ELW	\$ (5,292)	\$ 32,173	\$ 26,881
11	BH	\$ 20,509	\$ 33,084	\$ 53,593
12	TWW	\$ (24,563)	\$ 220,673	\$ 196,110
13	175 Estates	\$ (46,280)	\$ 30,726	\$ (15,554)
14	DC	\$ (11,678)	\$ 11,636	\$ (42)
15	LOV	\$ 1,004	\$ 144,106	\$ 145,110
16	IM	\$ (112,356)	\$ 36,436	\$ (75,920)
17	GG	\$ (74,536)	\$ -	\$ (74,536)
50	Admin	\$ (309,099)	\$ (1,208,708)	\$ (1,517,808)
	Sub-total	\$ 31,239	\$ 427,757	\$ 458,997
50-380-217-0 Ret Earn				\$ 91,485
	TOTAL			\$ 550,481
	plus 2014 earnings per annual report			\$ 59,157
				\$ 609,638
	Retained Earnings per Annual Report			\$ 610,827
	Variance gl vs. annual report			\$ (1,189)

In response to an inquiry regarding the variance of \$1,188.94, the Company phoned the Audit division indicating that the NDS should basically agree with the annual report. The Company then noted that the difference *“is the second of two uncorrected database entries. This has been an error correction from NDS balances since 2011. This was caused by some computer glitch at the time...”* The other account which does not agree between the Excel sheets and the NDS is account # 17-180-105-0, Gunstock Glen, Unfinished Construction. Refer to that portion of this report for further information. **Audit Issue #5**

Audit requested clarification of the Inter-division Profit Distribution and the Inter-division Offset accounts, as well as how the earnings are allocated. **Audit Issue #5**

## **Debt**

### **Long-Term Debt**

The Company trial balance reports the remaining balance on CoBank long-term debt of \$780,824 on 12/31/2014. This amount ties with the rate filing schedule 4A. The total is split

among three loans with CoBank. All three loans with CoBank were approved by the Commission in DW 13-335, Order No. 25,655 dated April 29, 2014. A CoBank statement for period ending 01/30/2015 was provided by the Company confirming the terms set by the Commission in DW 13-335. While the statement is outside of the test year, the Company indicated that the terms had not changed.

The first CoBank loan is a 5.25% 15 year note for \$474,567 and is due to mature in June 2029. The loan was approved for refinancing three TD Banknorth loans. The 2014 year-end balance of the 15 year loan is \$461,341.

The second CoBank loan is a 3.45% 5 year note for \$318,810 and is due to mature in June 2019. The loan was approved for payments to reduce the accounts payable outstanding balance. The 2014 year-end balance of the 5 year note is \$288,483.

The third loan of \$50,000 is a 1 year revolving line of credit with a current accruing rate of 2.17%. The loan was approved for "as-needed basis". The line of credit balance at the end of the year is \$31,000.

The long-term balances tied to the Company NDS general ledger account 50-260-226 and 50-260-266. The above loans are incorrectly recorded and should be recorded in account #224, Other Long-term Debt. Account 226 and 266 are not found in the PUC chart of accounts. **Audit Issue #6**

#### Other Long Term Debt Note Payable

A review of the test year shows that there were seven other long term notes payable. One of the loans matured during the year. The remaining six loans were reported on schedule 4A of the filing with a reported balance at the end of the year of \$138,854. The other long-term balances tied to the Company NDS general ledger account 50-260-225 and 50-260-226. The above loans are incorrectly recorded and should be recorded in account #224, other long-term debt. Account 225 and 226 are not found in the PUC chart of accounts. **Audit Issue #6**

During the review of the long term notes payable Audit noted that two vehicle loans did not have PUC approval prior to purchase. The first is a \$31,301 loan for a 2011 Ford F350XL pickup. The loan was issued in September 2010 and will mature in September 2015. The second is a \$32,509 loan for a 2011 Ford F150 XL pickup and will mature in July 2016. See DW 14-285, Order No. 25,753 granting LRWC after-the-fact approval to purchase four 2013-2014 vehicles. **Audit Issue #7**

#### Interest/Long-Term Debt and Notes Payable

The overall total interest reflected on the annual report schedule F-35, \$63,513 was verified to the seventeen divisions' interest expense NDS general ledger accounts xx-730-427-0.

Long-term Debt	\$32,407
Notes Payable	\$ 6,506
Vendor Interest	<u>\$24,600</u>
	\$63,513

Audit reviewed the terms of each of the loans and recalculated and tied interest for the Long Term Bank loans, \$32,407 to accounts xx-730-427 as follows:

	<u>Reported Interest</u>
TD Banknorth- 5 (Refin)	\$ 6,491
TD Banknorth- 6 (Construction)	\$ 4,761
TD Banknorth- 7 (syst purch)	\$ 2,252
CoBank- (5 year note)	\$ 5,571
CoBank- (15 year note)	\$13,007
CoBank- (line of credit)	<u>\$ 325</u>
Total Long-Term Debt Interest	\$32,407

The interest expense for the test year for Other Long Term Notes Payable totals \$6,506. This agrees with the Company NDS general ledger accounts XX-730-427-0 and the 2014 PUC Annual Report. Audit reviewed the purchase and sales documents for the Notes payable listed below. The excavator and the 2013/2014 trucks listed below were part of Docket DW 14-285, Order No. 25,753 which granted post purchase approval to LRWC and listed the terms of the purchases in the docket.

	<u>Reported Interest</u>
Cat Financial – Cat Excavator	\$ 344
Ford Motor Credit- 2011 Ford F350XL	\$ 740
Ford Motor Credit- 2011 Ford F150XL	\$1,239
Ford Motor Credit- 2013 Ford F250 Super	\$1,963
Ford Motor Credit- 2013 Ford F250 Super	\$1,442
Ford Motor Credit- 2014 Ford F150	<u>\$ 778</u>
Total Other Long-Term Debt Interest	\$6,506

#### Interest Expense /Other

Audit verified the total \$24,600 to general ledger accounts #XX-730-427-0. There were a total of 31 vendors, municipalities, insurance companies, credit card companies, finance companies, utilities, as well as the State of New Hampshire \$14,795 and payroll taxes \$4,608 included in the listing. **Audit Issue #8**

Audit requested backup of the State of NH interest amount of \$14,795. The response received from LRWC was that the figure represented interest for the State Utility Property tax for 2011, 2012 and 2013. When Audit reviewed the Utility Property Tax for the test year it was confirmed that the tax and interest for all years was paid in full in September 2015. On 10/1/2015, Audit requested clarification from the company regarding where the credit was booked for those interest expenses identified as paid, but not actually paid until September 2015. **Audit Issue #8**

Audit also requested clarification regarding the Payroll Tax interest. **Audit Issue #8**

#### Accrued Interest

Accrued Interest, account 50-238-237-0 reflected \$3,371 on the general ledger at year-end 2014. This amount agrees with annual report and filing Schedule 2. Audit chose a random



sampling of the Company's accrued interest and requested backup of the calculations. Audit verified the accrued interest calculations on three CoBank loans totaling \$3,016 or 90% of the total accrued interest reported on Schedule F-35.

CoBank 15 year loan	\$2,091
CoBank 5 year loan	\$ 868
CoBank line of credit loan	<u>\$ 57</u>
Accrued interest verified	\$3,016

### **Accounts Payable**

For the test year ending 12/31/2014, Schedule F-1 of the PUC annual report, reflects a year-end balance of \$196,553, a reduction from the prior year of \$377,129. These amounts agreed with the rate filing, Schedule 2, submitted by the Company. The balance was carried on the LRWC ledger in four separate accounts:

Accounts Payable	50-210-231-1	\$202,025
Accounts Payable – Manual	50-210-231-5	\$ (5,472)
Accounts Payable – Restruct. Pmt.	50-210-231-7	\$ -0-
Accounts Payable – LRW Water Service	50-210-231-9	<u>\$ -0-</u>
		\$196,553

Lakes Region has two Accounts payable aging reports. One report is electronic in Excel and contains the majority of the transactions. The transactions associated with this report are booked in account 50-210-231-1. This report was tied back to the general ledger and annual report without exceptions.

The second accounts payable aging report is booked to account 50-210-231-5 and is for manual transactions. This report was also tied back to the general ledger and annual report without exceptions.

Audit reviewed both aging reports in detail. Two vendors, LRW Water Services (\$73,309) and State of New Hampshire's (\$31,750) accounts payable represent 53% of the total payables due. LRW Services total due ranges from current to 366-730 days past due. The State of NH total is current to 91-120 days past due.

Of the \$196,533 Accounts Payable due 45% of that total is current. 23% is 31-60 days outstanding and 6% of the total is 366-730 days outstanding. The remaining 26% is in the 61-365 days outstanding categories.

Account 50-210-231-7 had a zero balance at the end of the year. Debits and credits throughout the year both equal \$96,142. This account is used when LRWC makes a partial payment on an invoice. They credit the initial balance of the account and then debit the invoice total into individual payments. This helps keep the regular AP account clean as it does not allow for partial payments.

Account 50-210-231-9 did not have any activity during 2014.

## **Customer Deposits**

The Customer Deposit balance in account 50-220-235-0 was \$1,956 at the end of 2014.

Audit requested a listing of all customer deposits including, the date the deposit was taken, the original deposit amount, and interest earned.

Lakes Region provided a history transaction, bank deposit ticket, and signed deposit agreement for one customer. Audit reviewed the transaction history and discovered there was no interest being applied to the account for the deposit received. Audit then requested additional information including how interest is calculated on customer accounts and all deposits collected totaling the account balance of \$1,956.

Lakes Region provided history transactions for all customers who have paid a deposit and a copy of the miscellaneous charge list that LRWC keeps. Also included was the following note:

*“From the lack of clarity on the regulation, customers were not reimbursed deposits. The error has now been recognized and corrections to reimburse customers have been made. Moving forward, strict adherence to the regulation will be followed.”*

PUC rule 1203.3 (1) (2) notes:

“All deposits shall accrue simple interest from the date of the deposit to the date of termination”

Audit reviewed all of the history transaction reports for all customers who have paid a deposit back to 2009. At no time was interest paid on any of the deposits received. **Audit Issue #9**

The history transaction reports showed that in 2010 and 2011, when a customer was final billed for service, the deposit amount was used to offset the final billing. The general ledger shows that any remaining deposit, after the final bill was paid, was refunded back to the customer.

From 2011 to present, deposits were billed on the customer’s account and once paid reduced their balance to zero. Several of the customers were final billed and a balance due was left on their account. After approximately one year from the final billing, the balances due were written off as bad debt. The deposit amount, plus interest, was never given back to the customer or used to offset the bad debt. **Audit Issue #9**

The history transaction report also showed that LRWC was applying a finance charge to the outstanding deposit amount. Audit verified with the PUC’s Consumer Affairs department, who stated that deposit should not accrue finance charges as customers are allowed to pay them in installments (usually 3 months). **Audit Issue #9**

Puc rule 1203.03 (1) (5) notes that “The entire deposit plus interest accrued shall be refunded when all bills have been paid without arrearage for 12 consecutive months for a residential customer and 24 consecutive months for non-residential customer”. When LRWC did return deposits back to the customer, it was not until after a final billing was completed.

Lakes Region, as noted above, is in the process of correcting their error. They have submitted supporting documentation to Audit showing the customer's original deposit amount, deposit total including accumulated interest, less any bad debt. LRWC is attempting to return all remaining deposit amounts back to the appropriate customers. Approximately \$1,200 is to be returned to customers.

The customer deposits general ledger account shows two deposits for the year. A third deposit was received in 2014, however it was billed in 2013 and booked to the GL then.

### **Unfinished Construction (Construction Work in Progress – CWIP)**

Audit reviewed the activity in each of the eighteen divisions' detailed general ledgers. (17 divisions plus Administrative) Eight were identified as having a balance and/or activity within the 2014 test year. All of the other divisions' detailed general ledgers reflected a zero balance and no activity, and are thus not included in the table below.

<b>Unfinished Construction Account</b>					
		Beginning Balance	Debits	Credits	Ending Balance
Far Echo Harbor	01-180-	\$ 2,500.02	\$ -	\$ -	\$ 2,500.02
Paradise Shores	02-180-	\$ 72,463.48	\$ 304,432.92	\$ (340,890.71)	\$ 36,005.69
West Point	03-180-	\$ 16,580.86	\$ -	\$ -	\$ 16,580.86
Tamworth	12-180-	\$ 5,629.36	\$ -	\$ -	\$ 5,629.36
175 Estates	13-180-	\$ 1,072.50	\$ -	\$ (1,072.50)	\$ -
Indian Mound	16-180-	\$ -	\$ 32,984.85	\$ (18,192.80)	\$ 14,792.05
Gunstock Glen	17-180-	\$ 14,192.00	\$ -	\$ -	\$ 14,192.00
Administrative	50-180-	\$ -	\$ 15,805.40	\$ -	\$ 15,805.40
		\$ 112,438.22	\$ 353,223.17	\$ (360,156.01)	\$ 105,505.38

The balance of \$105,505 does not agree with the filing schedule 2.1, which reflects an ending balance of \$102,015, or \$3,490 less than the general ledger. The variance was noted in the Gunstock Glen division. A trial balance in Excel reflects a total of \$10,701, and an overall total of \$102,015. Audit requested clarification of the variance and per the Company's outside accountant, the *"difference goes back a number of years and has never been corrected in the NDS data base. The correction will finally be made as we convert to Logics."* **Audit issue #10**

<b>Paradise Shores GL #02-180-105-0</b>					
		Beginning Balance	Debits	Credits	Ending Balance
2010	\$	36,005.69	\$ -	\$ -	\$ 36,005.69
2011	\$	36,005.69	\$ -	\$ -	\$ 36,005.69
2012	\$	36,005.69	\$ 35,221.72	\$ (4,781.00)	\$ 66,446.41
2013	\$	66,446.41	\$ 9,037.07	\$ (3,020.00)	\$ 72,463.48
2014	\$	72,463.48	\$ 304,432.92	\$ (340,890.71)	\$ 36,005.69

Audit also requested clarification of the \$36,006 ending balance of the Paradise Shores division. The balance has been in the account since (at least) 2010. The Company indicated that

it represents expenses associated with a well field evaluation adjacent to Skelley's Market on Governor Wentworth Highway. Because the test results were negative, the Company is planning to write off some or all of the balance in 2015.

### **Allowance for Funds Used during Construction (AFUDC)**

The PUC Uniform System of Accounts, General Instructions section 610.01(e)(2)17 reflects: "Allowance for funds used during construction"(AFUDC) includes the net cost for the period of construction of borrowed funds used for construction purposes and an reasonable rate upon the utility's own funds when so used. No allowance for funds used during construction shall be included in these (utility plant) accounts upon expenditures for construction projects which have been abandoned.

- Note:-a. AFUDC, if charged, shall be charged each month upon the balance at the beginning of the month in Unfinished Construction. The period for which interest charges may be capitalized shall be limited to the duration of the construction work and shall not extend beyond the time when the property becomes ready for service. In case construction work is suspended, interest charges may not be capitalized for more than six months thereafter, except under order of the Commission.
- b.-When only part of a plant or project is placed in operation or is completed and ready for service but the construction as a whole is incomplete, that part of the cost of the property placed in operation, or ready for service, shall be treated as "Utility Plant in Service" and the allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in item 17 above."

Debits for monthly calculations should be booked to the Unfinished Construction account, and credits should be reflected in account 420, Allowance for Funds Used during Construction. As described in the USoA, account 420: "This account shall include concurrent credits for allowance for funds used during construction based upon the net cost of funds used for construction purposes and a reasonable rate upon other funds when so used. Appropriate regulatory approval shall be obtained for a "reasonable rate". (See General Instructions 610.01(e)(2)."

AFUDC calculations included in the additions relative to Paradise Shores/Mount Roberts purchase and improvements, do not have Commission approval. The rates used, 8% and 7.5%, were selected by the Company's external accountant as a balance between the allowed rate of return, which he thought would be too high, and the actual cost of debt, which he thought would be too low. There was not an explanation provided for the use of the 8% on one sheet and 7.5% on the other. **Audit Issue #11**

Account #420 was not used to reflect the calculated AFUDC credit entries, rather, the funds were posted to Additional Paid in Capital, account 50-320-207-0. **Audit Issue #11**

Audit reviewed the Unfinished Construction (CWIP) account for Paradise Shores, general ledger account number 02-180-105-0 for the years 2010 through 2014, the period since the prior audit. For this division, the years since the prior audit are summarized as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Debits</u>	<u>Credits</u>	<u>Ending Balance</u>
2010	\$36,006	\$ -0-	\$ -0-	\$36,006
2011	\$36,006	\$ -0-	\$ -0-	\$36,006
2012	\$36,006	\$ 35,222	\$ (4,781)	\$66,446
2013	\$66,446	\$ 9,037	\$ (3,020)	\$72,463
2014	\$72,463	\$304,433	\$(340,891)	\$36,006

The Exhibit #6 of Tom Mason's testimony indicates that the Paradise Shores Mt. Roberts assets were added to Unfinished Construction over the course of the years 2006 through July 2012, during which time, AFUDC was applied to each individual asset. However, the Exhibit #6 does not agree with the general ledger Unfinished Construction balances, either with or without the AFUDC added to the invoiced costs. Audit summed the Exhibit #6 by year for the noted Mt. Roberts detail as follows:

<u>Year</u>	<u>Account</u>	<u>Cost</u>	<u>AFUDC</u>	<u>Total</u>
2006	Wells	\$ 27,338	\$12,254	\$ 39,592
2007	Wells	\$ 44,393	\$17,460	\$ 61,852
2007	Pumps	\$ 6,604	\$ 2,615	\$ 9,220
2007	Mains	\$ 350	\$ 131	\$ 481
2008	Wells	\$ 29,744	\$ 9,085	\$ 38,828
2008	Mains	\$ 4,800	\$ 1,557	\$ 6,357
2009	Wells	\$ 11,064	\$ 2,943	\$ 14,007
2009	Pumps	\$ 764	\$ 202	\$ 966
2009	Mains	\$ 2,076	\$ 503	\$ 2,579
2010	Wells	\$ 19,312	\$ 2,489	\$ 21,801
2011	Mains	<u>\$ 69,668</u>	<u>\$ 6,581</u>	<u>\$ 76,249</u>
TOTAL		\$216,113	\$55,820	\$271,933

Based on the total reported costs, the Company calculated AFUDC on costs not incurred by the Company and not reflected in the Unfinished Construction account 02-180-105-0. The costs were paid by the shareholders. The spreadsheet reflecting the calculated AFUDC reflects when the individual invoice cost was incurred, and continued through July 5, 2012. **Audit Issue #11**

Of the costs for assets (associated with the AFUDC calculations) which were reported to be in service 7/6/2012, \$216,113, none was posted to plant in service in 2012. Rather, the reported costs were booked in January and February 2015 for closing 2014. Audit verified the following Plant in Service debits with offsets to the Unfinished Construction account, each referencing "reclassification of Mt. Roberts":

The entries below allocate the total noted "Mt. Roberts" costs of \$271,933, which reflects the cost and AFUDC calculations.

02-160-307-2 Wells	\$134,421.01	
02-160-311-2 Pumps	\$ 8,637.65	
02-160-331-4 Mains	\$ 71,744.00	
50-320-207-0 Additional Paid in Capital		\$214,802.66

02-160-307-2 Wells	\$44,230.48	
02-160-311-2 Pumps	\$ 2,817.55	
02-160-331-4 Mains	\$ 8,771.71	
50-320-207-0 Additional Paid in Capital		\$55,819.74
02-160-331-4 Mains	\$ 5,150.00	
02-160-307-2 Wells		\$2,570.51
02-160-311-2 Pumps		\$1,269.59
50-320-207-0 Additional Paid in Capital		\$1,309.90

Overall “Mt. Roberts” plant booked to the asset accounts (in 2014), including AFUDC, sums to \$396,205. Of that figure, \$124,273 was incurred after the July 5, 2012 date, and thus not included in the AFUDC calculation detailed above. The entry below is not included in the total reported in Tom Mason’s testimony, because it was not financed by the shareholder. Rather, these Mt. Roberts related costs were incurred during 2014 and funded through the normal course of business, which is why the offset was noted in Unfinished Construction.

02-160-304-2 Structures	\$69,796.32	
02-160-307-2 Wells	\$15,691.96	
02-160-311-2 Pumps	\$32,302.12	
02-160-331-4 Mains	\$ 2,389.05	
02-160-334-4 Meters	\$ 4,093.53	
02-180-105-0 Unfinished Construction		\$124,272.98

Of the reported AFUDC on Exhibit #6, \$55,819.74, none was noted within the Unfinished Construction account. The Excel calculation in total was verified to one entry booked on 2/18/2015 for closing 2014.

An additional entry includes an additional \$1,309.54 in Additional Paid in Capital. See the entry above. Audit requested clarification of the Additional Paid in Capital, and was provided with a journal entry which stated that an adjustment was made after “additional information” was obtained. The Finance Manager could not provide further information. **Audit Issue #11**

Refer to the Additions to Plant 2014 portion of this report for audit results of Mt. Roberts asset review.

Audit reviewed the testimony of Tom Mason which discusses the DES approval of the Mt. Roberts well as a small production well on July 7, 2012. Certain conditions, such as permanent ownership of the land, were included with the DES approval. As of the date of this audit report, the ownership has not been conveyed to Lakes Region Water, rather, remains the property of the Thomas A. & Barbara C. Mason 1994 Trusts. According to the Carroll County Registry of Deeds, in September 2006, Mr. and Mrs. Mason purchased the property from N. Montague for \$200,000. In October 2006, the Masons transferred ownership into the Thomas A. Mason 1994 Trust (at no sale price), and in April 2011, again transferred the ownership into the Thomas A. and Barbara C. Mason 1994 Trust (at no sale price). Audit did not see the \$50,000 additional payment to Ms Montague, listed on Exhibit 6 of Tom Mason’s testimony.

Audit reviewed the property records for the Moultonborough parcel, tax map 71, lot 6 known as 451 Governor Wentworth Highway. The parcel is 41.7 acres, with one house on it. The tax valuation details according to the town's records are:

(Estimated)					
<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Total Valuation</u>	<u>Tax Rate</u>	<u>Tax</u>
2012	\$255,900	\$36,300	\$292,200	\$8.56	\$2,501
2013	\$180,400	\$39,300	\$219,700	\$8.69	\$1,909
2014	\$180,400	\$39,300	\$219,700	\$8.86	\$1,946
2015	\$180,400	\$39,300	\$219,700	not set at time of report	

The taxes on the Mt. Roberts parcel were properly not paid by the Company. The data is included herein to reflect the lack of change to the improvements valuation over the course of the municipal property tax years. The detail is also included to reflect the ownership status has not changed.

Included in the plant in service figure related to Mt. Roberts is a capital cost of \$2,500 in 2013 for Applied Economic Research. \$3,000 had been expensed (in 2013). The total \$5,500 related to a report prepared by Applied Economic Research, Inc. which was hired to update an appraisal of the Mt. Roberts lot in Moultonborough. The draft confidential report, dated 10/2013, was reviewed on site by Audit. Refer to the \$69,896 2014 addition to Plant portion of this report for additional information.

### **Utility Plant in Service**

Audit reviewed the PUC annual report details from the prior audit period (test year 2009), which are summarized as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
2010	\$4,268,994	\$110,056	\$(68,029)	\$(126)	\$4,310,895
2011	\$4,310,895	\$113,629	\$(47,380)	\$ (12)	4,377,132
2012	\$4,377,132	\$ 97,786	\$(65,326)	\$ 2	\$4,409,594
2013	\$4,409,594	\$190,969	\$(99,421)	\$ 7	\$4,501,149
2014	\$4,501,149	\$608,475	\$(74,913)	\$ (2)	\$5,034,709

A selection of additions and retirements was made for each year.

### **Transportation Equipment and Common Assets**

Audit was provided with clarification of the accounting treatment relating to Transportation equipment:

*"The Company maintains all Administrative Division #50 plant in accounts numbered 50-160-plant asset number (these are mainly plant numbered 303.5 through 347.5). The Company allocates the total of the individual Administrative plant assets to its 17 operating divisions by utilizing account numbers XX(division identifier) – 162 – plant asset number. By using accounts with 162 in the number we are able to maintain a Company-wide total for assets costs in accounts with 160 in its number and any add all accounts from all divisions with 162 in its number to verify that full allocation of Division 50 has accrued.*

*As has been the practice for close to 20 years the Company retires partial assets (individual CPR record) such as mains by reducing the asset cost by the retirement amount, such as the \$5,000 and reducing the Accumulated Depreciation Account by a similar amount. Since the original asset record continues to depreciate the Company depreciates a negative amount for the partial retirement which when added together have the effect of depreciating the net amount of the asset after retirement.*

*The retirement in 2013 of the \$52,696 transportation equipment was properly retired by a credit to the asset account and a debit to the accumulated depreciation account. The asset was traded for new asset and had a trade in value of \$15,000. The \$15,000 was properly credited to the accumulated depreciation account with the offsetting debit being recorded as part of the cost of the new vehicle. The Company's F-8 supplemental schedules for 2013 show the activity for total Company as well as each of the divisions. For transportation equipment see line 38 of the F-8 with column (i) showing the total current year depreciation, column (j) showing the total retirement cost \$53,696, column (m) showing the trade in value of the vehicle, columns (k),(l),(o) have entries in the individual divisions but total to the total page as zero since these are the columns that indicate the allocation activity for the year.*

*In a similar fashion the 2014 retired asset amount of \$63,727 is recorded as a reduction of accumulated depreciation and shown in Schedule F-8 for 2014 on line 38 column (j) and the sale/trade \$15,000 of the vehicles was recorded as an increase to accumulated depreciation and is reported in F-8 in column (m)... "*

## 2010 Additions

Of the \$110,056 identified in the 2010 PUC annual report, Audit selected \$71,083 or 65% for detailed review.

Paradise Shores	02-160-331.4, Mains	\$ 8,891
Paradise Shores	02-160-331.4, Mains	\$12,520
West Point	03-160-307.2, Wells	\$ 8,781
Wentworth Cove	06-160-311.2, Pumps	\$ 3,590
Administrative	50-160-341.5, Transportation Equip.	<u>\$37,301</u>
		\$71,083

The Paradise Shore entries to 02-160-331.4, Mains were traced to continuing property records compiled by the Company.

LRW Water Service, Inc.	\$7,741
LRW Water Service, Inc.	<u>\$1,420</u>
	\$8,891

\$8,891 is the total cost to replace 400 feet of 2" PVC pipe on Bluebird Lane. An invoice from LRW Water Service, Inc. for work done on 8/5 and 8/6/2010 was provided to the Company on 3/30/2011, seven months after the work was performed. That \$7,741 invoice outlined the equipment used, labor, and materials. A second invoice, also dated 3/30/2011 for clean-up of the site using an excavator, bulldozer, road grader, 10 wheel dump truck, and 2 loads of gravel on 8/9/2010 was provided, for a total of \$1,420. Per hour costs noted for the equipment complies with the affiliate agreement dated 2/15/2010, and later approved by Order #25,578.



The second entry for Paradise Shores Mains, \$12,520, was traced to continuing property records compiled by the Company

LRW Water Service, Inc.	\$ 3,454
LRW Water Service, Inc.	\$ 1,563
LRW Water Service, Inc. and Workorders	<u>\$ 7,505</u>
	\$12,520

The \$3,454 was verified to two invoices from LRW Water Service, Inc. Both invoices were dated 3/30/2011. One invoice was for the digging of test pits, labor, and the use of an excavator on 4/26/2010 in the amount of \$495. The second invoice, in the amount of \$2,959 was for work done 6/21/2010 to install service lines under Paradise Drive and the corner of Meadow Lane and Glenn Ave. The invoice included costs for labor, use of a front-end loader, curb stop assemblies, and saddles.

\$1,563 was verified to one invoice dated 3/30/2011 for work done 8/23/2010. The CPR indicated that a main was lowered at the junction of Paradise and Fawn. The invoice consisted only of the use of an excavator for 12.5 hours (at a cost of \$125 per hour). There were no LRW Water Service labor costs included.

\$7,505 CPR indicated the work was done to replace a 6" main at the junction of Paradise and Leisure and to replace the 6" tee and ball-valve at Paradise and Hideaway. The total \$7,505 consisted of three individual LRW Water Service and seven workorders. The LRW Water invoices were for work done 9/22/2010, 9/23/2010, and 9/29/2010. Again, each was dated 3/30/2011. One invoice for \$575 was for the use of an excavator to dig test pits. Another in the amount of \$1,210 was for the use of two excavators used to change the ball-valve and tee at the corner of Hideaway Lane. The third LRW Water invoice, in the amount of \$1,125, was for changing the 6" line across Paradise Drive to Leisure Drive. The workorders represented time incurred by three Company employees' payroll plus 29.2% calculated benefits, plus any materials. The Company employees worked on the identified project 9/21/2010 9/22/2010, 9/23/2010, and 9/29/2010. One additional workorder entry in the amount of \$219 was for installation of a new 2" pvc on Blackbird Lane on 8/5/2010. While this workorder does not support the specified CPR, the asset appears to accurately be noted in account 02-160-311-2, Mains.

Audit verified the mains to the "2014 LRW detail depr workbook", which is an Excel based compilation of every asset, by division, by utility plant account. The sheet details the book cost, depreciation rate, expenses by year, and rolling accumulated depreciation. The mains were noted at the book cost summarized above, and were property depreciated, using the ½ year convention in 2010, over the 50 year life recommended in the Small Water Booklet.

The West Point 03-160-307.2, Wells \$8,781 was verified to a continuing property record identifying the costs as the clean out of blue well #3 to 500 feet. There were no retirements associated with this capital cost. The CPR identified the costs from 6/18/2010 through 8/9/2010. An invoice from Skillings, in the amount of \$4,550 was for the transport and use of a drilling rig. Workorders from three Company employees specified work related to the well improvements, installation of valves and blow-offs, controls, paperwork related to the inactive well. Each

employee workorder indicated the hours, job, division, labor and benefit total. Three invoices from LRW Water Service, all dated 3/30/2011 were also reviewed. One, dated 6/28/2010 in the amount of \$300 was for assisting with setting the pump in the drilled out well. One, dated 6/29/2010 in the amount of \$400 was for assisting with the start-up of the new well. One, dated 8/9/2010 in the amount of \$300 was for the installation of a new well pump and motor at the pump station.

The well figures for West Point were verified to the “2014 LRW detail depr workbook”, to be depreciated over 50 years. In the year 2010, the rate was noted to be 1%, and 2% thereafter.

The Wentworth Cove addition of a well pump in the amount of \$3,590 was verified to the Company’s continuing property record. The work began in May 2010 and was completed in August 2010. The addition of the well pump equipment was verified to the NDS general ledger account 06-160-311-2. The total is comprised of:

Water Industries Invoice	\$1,715
East Coast Crane Service Invoice	\$ 600
LRW Water Services Inc.	\$ 300
East Coast Crane Service Invoice	<u>\$ 975</u>
Total Additions to Pumps	\$3,590

The pump figure for Wentworth Cove was verified to the “2014 LRW detail depr workbook”, to be depreciated over 10 years. In the year 2010, the rate was noted to be 5%, and 10% thereafter.

The Administrative addition of a Ford F-350 dump truck in the amount of \$37,301 was verified to the Company’s continuing property record. The truck was purchased in September 2010. Audit reviewed the dealer invoice without exception. The Company traded a 2003 GMC dump truck and received \$6,000 trade in allowance for this purchase. The addition of the transportation equipment was verified to the NDS general ledger account 50-160-341-5. The total is comprised of:

Granite Ford Invoice	\$37,301
2003 GMC trade in value	<u>\$ 6,000</u> (see retirement below)
Net paid for Ford F-350	\$31,301

The transportation figure of \$37,301 was verified to the “2014 LRW detail depr workbook”, to be depreciated over 7 years. In the year 2010, the rate was noted to be 7.14%, and 14.29% thereafter.

## 2010 Retirements

Of the \$68,029 identified in the 2010 PUC annual report, Audit selected \$41,890 or 62% for detailed review.

Paradise Shores	02-160-331.4, Mains	\$ 5,000
Wentworth Cove	06-160-311.2, Pumps	\$ 3,271
Administrative	50-160-341.5, Transportation Equip.	<u>\$33,619</u>
		\$41,890

The CPR for the Paradise Shores pipe main retirement indicated that the \$5,000 was the original cost for 1000 feet of 4" pipe purchased in 1973. The retirement posted to the following accounts, according to the CPR summary sheet:

02-165-108-0, Accum Dep.	\$5000
02-160-331-4, Mains	\$5,000

Audit reviewed the "2014 LRW detail depr workbook" Excel spreadsheet and noted that a retirement of \$5,000 was booked in 2010, but because the overall cost of the main was \$130,618. In 1990 \$11,600 was retired. The specific line on which the accumulated depreciation is listed for this 2010 retirement reflects a credit balance of \$(4,835). The worksheet did not reflect the ½ year expense that should have been related to this asset. However, Audit cannot conclude what depreciation expense was booked for the remaining 1973 plant, as the accumulated depreciation for both the 1990 retirement and the 2010 retirement are reflected as credit balances of \$(7,770) and \$(4,835). Refer to the section above entitled Transportation Equipment and Common Assets

The Wentworth Cove \$3,271 represents the sum of three specific pumps. The CPR indicated that one centrifugal pump was purchased in 1987 at a cost of \$858. Another indicated that a 5HP pump was purchased in 1979 for \$2,250. The final CPR indicated that \$163 was for the original cost for a pump purchased in 1988. The sum of the three retirements posted to the following accounts:

06-165-108-0, Accum Dep.	\$3,271
06-160-311.2, Pumps	\$ 858 - 1987 pump
06-160-311.2, Pumps	\$2,250 - 1997 pump
06-160-311.2, Pumps	\$ 163 - 1988 pump

Audit reviewed the "2014 LRW detail depr workbook" Excel spreadsheet, and noted the original cost of the 1979 pump to be \$2,550. At the time the pump was retired, \$2,250 was keyed into the spreadsheet, rather than using the formula within the sheet. The \$300 error has not been addressed. **Audit Issue #13**

The CPR for the Administrative transportation equipment retirement indicated that the \$33,619 was for the original cost for the GMC dump truck purchased in 2003. That book cost was verified to the "2014 LRW detail depr workbook", to be depreciated over 7 years. In the year 2010, the rate was noted to be 7.14%, and 14.29% thereafter. The ½ year convention for the expense was noted in the 2010 column. The spreadsheet reflected the the retirement figure of \$27,619, rather than the full book cost. The journal entries reflected the credit of the full

\$33,619 to plant and debit to accumulated depreciation. The \$6,000 trade-in was booked as a credit to Accumulated Depreciation and debit to plant.

### 2011 Plant Additions

Of the \$113,629 identified in the 2011 PUC annual report, Audit selected \$67,799 or 60% for detailed review.

Far Echo Harbor	01-160-331.4, Mains	\$27,981
Administrative	50-160-341.5, Transportation Equip.	\$ 5,750
Administrative	50-160-341.5, Transportation Equip.	<u>\$34,068</u>
		\$67,799

The Far Echo Harbor addition to mains in the amount of \$27,981 was verified to a continuing property record related to Crest Lane. The work began in April 2011 and was completed in June 2011. The total is comprised of:

Workorders three Company employees April	\$ 1,636
Workorders three Company employees May	\$ 3,663
Workorders three Company employees June	\$ 373
Buckey Blasting May	\$10,350
LRW Water Service May	<u>\$11,959</u>
Total addition to mains	\$27,981

Audit reviewed the workorder documentation for April and noted one expense of \$97 was incurred for moving screened sand which had been hauled and dropped to the wrong street. This cost should have been expensed rather than capitalized, but due to the immateriality of it, Audit does not recommend moving the \$97.

Audit also noted that the invoice from LRW Water Service was issued 5/17/2011 for work done between 5/18/2011 and 5/24/2011. The details on the invoice for excavating, moving blast mats, installing the main, cleaning of the area, costs for screened sand, and gravel were reviewed for reasonableness with no issues, although the timing of this invoice appears to have been prior to the specific work being done.

Audit verified the mains to the "2014 LRW detail depr workbook", which reflected the \$27,981 book cost, being depreciated using the ½ year convention in 2010, over the 50 year life recommended in the Small Water Booklet.

The Administrative addition to transportation equipment in the amount of \$5,750 was verified to a continuing property record and the Rochester Truck invoice. The trailer was purchased in October 2011. The addition of the transportation equipment was verified to NDS general ledger account 50-160-341-5.

The Administrative addition to transportation equipment in the amount of \$34,068 was verified to a continuing property record. The 2011 Ford F-150 was purchased in July 2011. The addition of the transportation equipment was verified to NDS general ledger account 50-160-341-5. The total is comprised of:

Granite Ford Invoice	\$33,469
Truck Trends Invoice- Bed liner	\$ 559
Total additions to transportation equipment	\$34,068

Audit verified that both the trailer and truck were identified on the “2014 LRW detail depr workbook”, with a 7 year asset life. The ½ year convention was noted in 2010.

### 2011 Plant Retirements

Of the \$47,380 identified in the 2011 PUC annual report, Audit selected \$3,463 or 7% for detailed review.

Far Echo Harbor	01-160-331.4, Mains	\$2,263
Administrative	50-160-341.5, Transportation Equip.	\$1,200
		\$3,463

The CPR for the Far Echo Harbor main retirement indicated that the \$2,263 was the original cost for 900 feet of 4” pipe purchased in 1973. The retirement posted to the following accounts, according to the CPR summary sheet:

01-165-108-0, Accum Dep.	\$2,263
01-160-331-4, Mains	\$2,263

Audit verified that the mains were identified on the “2014 LRW detail depr workbook”, with a 50 year asset life. The ½ year convention was not noted in 2011. **Audit Issue #14**

The CPR for the Administrative transportation equipment retirement indicated that the \$1,200 was the original cost for a 2000 excavator trailer. The retirement posted to the following accounts, according to the CPR summary sheet:

50-165-108-0, Accum Dep.	\$1,200
50-160-341-5, transp. equip	\$1,200

Audit verified that the trailer was identified on the “2014 LRW detail depr workbook”, with a 7 year asset life. The ½ year convention was not noted in 2007, when the trailer would have been fully depreciated. **Audit Issue #14**

### 2012 Plant Additions

Of the \$97,786 identified in the 2012 PUC annual report, Audit selected \$67,815 or 69% for detailed review.

The Woodland Grove pump house structure addition in the amount of \$67,815 was verified to a continuing property record. The project was started in February 2012 and was completed in December 2012. The addition of the structure was verified to NDS general ledger account 09-160-304-2. The total is comprised of:

February invoices	\$ 4,584
February work orders	\$ 1,303
LRW Water Service March	\$ 6,481
March invoices	\$18,147
March work orders	\$ 5,231
April invoices	\$ 23,820
April work orders	\$ 3,994
May invoices	\$( 17)
May work order	\$ 121
June invoices	\$ 892
June work orders	\$ 1,546
July invoice	\$ 508
August invoice	\$ 149
September invoice	\$ 254
LRW Water Service December	\$ 800
Rounding	<u>\$ 2</u>
Total additions to pump structure:	\$ 67,815

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with a 40 year asset life. The ½ year convention was noted in 2012, at 1.25%, and 2.50% thereafter.

#### Additional Information 2012 Addition

There were a total of \$6,105 assets posted to Paradise Shore in 2012. None was selected for testwork. The support provided in the current filing, Tom Mason, Exhibit #6, indicates that the Mt. Roberts assets with \$216,113 costs and \$55,820 AFUDC were placed in service on 7/5/2012. The filing and the 2012 annual report do not agree. Refer above to the Unfinished Construction and AFUDC sections for further information. Those reported Mt. Roberts additions (in the Paradise Shore division) were added to Plant in 2014 through manual entries in 2015.

#### 2012 Plant Retirements

Of the \$65,326 identified in the 2012 PUC annual report, Audit selected \$40,932 or 63% for detailed review.

Woodland Grove	09-160-304.2, Structures	\$17,944
Administrative	50-160-341.5, Transportation	<u>\$22,988</u>
		\$40,932

The CPR for the Woodland Grove structure retirement indicated that the \$17,944 was the original cost of the Woodland Grove pump house constructed in 1991 and additional work in 1992 and 2004. The retirement posted to 09-165-108-0, Accum Dep (Debit) and 09-160-304-2, Mains (Credit).

The total is comprised of the following:

Original CPR	1991	\$15,463
WO #92026	1992	\$ 929
WO #92034	1992	\$ 75
WO #92061	1992	<u>\$ 68 = \$1,093</u>
WO #92190	2004	\$ 21
WO #40674	2004	\$ 354
WO #40734	2004	<u>\$ 1,034 = \$1,388</u>

Audit verified that the each of the three individual plant figures was identified on the “2014 LRW detail depr workbook”, with a 50 year asset life. The total represents \$17,944.

Structures should be depreciated over 40 years. In addition, in 2012, when the plant was retired, there was no depreciation expense taken. **Audit Issue #14 and Audit Issue #15**

The Administrative transportation retirement of \$22,988 was verified to the continuing property records for a 2007 GMC Sierra, purchased in July 2007, and a cap for the truck purchased in 2008. The total book value of the two assets, \$22,988, was credited to the Transportation account 50-160-341.5 and debited to Accumulated Depreciation 50-165-108.0. Each entry was then allocated across the seventeen systems. The truck was sold (private sale) for \$4,800 with the proper accounting of a debit to Cash and credit to Accumulated Depreciation identified.

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with a 3 year asset life, rather than the Small Water Booklet recommendation of 7 years. The ½ year convention was not noted in the year of retirement. **Audit Issue #14 and Audit Issue #15**

### 2013 Plant Additions

Of the \$190,969 identified in the 2011 PUC annual report, Audit selected \$147,567 or 77% for detailed review.

Paradise Shores	02-160-331.4, Mains	\$ 39,692
Paradise Shores	02-160-334.4, Meters	\$ 9,631
Pendleton Cove	07-160-311.2, Pumps	\$ 7,837
Administrative	50-160-341.5, Transportation	<u>\$ 90,137</u>
		\$147,297

The Paradise Shores addition to Mains in the amount of \$39,692 was verified to a continuing property record related to Paradise Drive. The work began and was completed in October 2013. The addition of the mains was verified to NDS general ledger account 02-160-331-4. The total is comprised of:

Water Industries Invoice- 111087	\$ 1,328
Water Industries Invoice- 111118	\$ 58
Water Industries Invoice- 111159	\$ 298
Water Industries Invoice- 111194	\$ 353
LRW Water Service Invoice #100439	\$26,272
Workorders two Company employees October	<u>\$11,383</u>
Total addition to Mains	\$39,692

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with a 50 year asset life. The ½ year convention was noted in 2013, at 1.00%, and 2.00% thereafter.

The Paradise Shore Meters addition of \$9,631 was verified to thirty-one individual continuing property records and supporting documentation. Nine of the continuing property records did not agree specifically with the supporting documentation, although eight of the variances were less than \$1. One CPR, for meter number 758, was overstated by \$95. Specifically, the CPR summary reflected:

Misc. Inventory	\$ 853
EJ Prescott	\$ 825
EJ Prescott	<u>\$ 729</u>
Subtotal Materials	\$2,407
Labor	<u>\$ 66</u>
Total CPR support	\$2,473
Total on CPR sheet	\$2,569 overstated by \$95 <b>Audit Issue #16</b>

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with a 20 year asset life. The ½ year convention was noted in 2013, at 2.50%, and 5.00% thereafter.

The Pendleton Cove Pumps addition of \$7,837 was verified to the sum of four continuing property records. Three of the four reflected the accurate total of the invoices from Water Industries, and the fourth reflected the accurate total of an invoice from EJ Prescott. The invoices were for assets such as a 5 hp 3 phase pump, heavy duty pressure switch, 2 hp 20 gpm pump, control box, check valve, adapter, and torque arrestor. Three of the four also included Company employee labor and benefit costs, which were traced to work order support without exception.

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with a 10 year asset life. The ½ year convention was noted in 2013, at 5.00%, and 10.00% thereafter.

The Administrative additions to transportation equipment in the amount of \$90,137 were verified to the continuing property records. The \$90,137 consisted of the purchase of two Ford F-250 pickups and a small work trailer. The additions of the transportation equipment were verified to NDS general ledger account 50-160-341-5. The total is comprised of:



2013 Ford Pickup purchased August 2013	\$31,536	depreciate over 4 years
2012 Work Trailer purchased May 2013	\$ 6,150	depreciate over 7 years
2013 Ford Pickup purchased August 2013	\$46,918	depreciate over 4 years
Cap and accessories for F-250 pickup above	<u>\$ 5,533</u>	<u>depreciate over 4 years</u>
Total addition to transportation equipment	\$90,137	

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with the asset life indicated. The ½ year convention was noted in 2013. **Audit Issue #15**

### 2013 Plant Retirements

Of the \$99,421 identified in the 2013 PUC annual report, Audit selected \$73,355 or 74% for detailed review.

Paradise Shores	02-160-331.4, Mains	\$12,599
Paradise Shores	02-160-334.4, Meters	\$ 1,933
Pendleton Cove	07-160-311.2, Pumps	\$ 6,127
Administrative	50-160-341.5, Transportation	<u>\$52,696</u>
		\$73,355

The CPR for the Paradise Shores, Mains retirement indicated that the \$12,599 was the original cost of the main on Paradise Drive installed in 1988, and was listed on the “2014 LRW detail depr workbook” on two separate line items: a 1987 entry \$10,823 and a 1988 entry \$2,076 which sum to \$12,899. A \$300 adjusting line was also noted, thus reflecting the \$12,599. The retirement posted to the following accounts:

02-165-108-0, Accum Dep.	\$12,599
02-160-331-4, Mains	\$12,599

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with a 50 year asset life. The ½ year convention was not noted in the year of retirement. **Audit Issue #14**

The CPR for the Paradise Shores, Meter retirements indicated that the \$1,933 was the original cost of the meters (27) in Paradise Shores from 1983 to 1986. The retirements posted to the following accounts:

02-165-108-0, Accum Dep.	\$1,933
02-160-334-4, Meters	\$1,933

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with a 20 year asset life, in compliance with the Small Water Booklet. The meters were fully depreciated by the time the assets were retired.

The CPR for the Pendleton Cove pump equipment retirement indicated that the \$6,127 was the original cost of the pump equipment. Audit verified that the total was identified on the “2014 LRW detail depr workbook”, one three individual lines, each with a 10 year asset life.

CPR #21102-07, 1988 pump equip	<u>\$2,336</u>	1988 addition
WO #93218, 1993 pump	\$ 311	
WO #93226, 1993 pump	\$ 665	
WO #93233, 1993 pump	\$ 162	total \$2,227 1993 additions
Invoice Allard Elec, 1993 pump	\$ 349	
WO #93448, 1993 pump	\$ 65	
Invoice Northeast Sec, 1993 pump	<u>\$ 675</u>	
WO #2538, 2009 pump	\$1,564	2009 addition

The retirements posted to the following accounts:

07-165-108-0, Accum Dep.	\$6,127
07-160-311-2, Pumps	\$6,127

The CPR for the Administrative transportation equipment retirements indicate that the \$52,696 was the original cost of the transportation equipment. The retirements posted to the following accounts:

02-165-108-0, Accum Dep.	\$52,696
50-160-341-5, Trans Equip CPR #31	\$18,026 2008 Chev Colorado
50-160-341-5, Trans Equip CPR #30	<u>\$34,670</u> 2007 Chev Silverado
Total retirement	\$52,696

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with a 3 year asset life, rather than the Small Water Booklet recommendation of 7 years. The ½ year convention was not noted in the year of retirement. **Audit Issue #14 and Audit Issue #15**

Audit was unable to determine the accuracy of the calculated Accumulated Depreciation on the “2014 LRW detail depr workbook”, as lines for each vehicle were identified, but the total retirement summed to \$(37,686). Audit noted two manual adjustments of \$52,696 and \$(15,000). As a result, for account 50-162-341 the total 2013 retirements sum to zero. Refer to the section of this report entitled Transportation Equipment and Common Assets.

## 2014 Plant Additions

Of the \$608,475 identified in the 2014 PUC annual report, Audit selected \$574,299 or 94% for detailed review.

Paradise Shores	02-160-304.2, Structures	\$ 69,896
Paradise Shores	02-160-307.2, Wells	\$187,837
Paradise Shores	02-160-311.2, Pumps	\$ 47,249
Paradise Shores	02-160-331.4, Mains	\$ 88,055
Paradise Shores	02-160-334.4, Meters	\$ 11,764
Hidden Valley	05-160-339.2, Misc. Equip.	\$ 6,239
Lake Ossipee Village	15-160-331.4, Mains	\$ 15,139
Indian Mound	16-160-331.4, Mains	\$ 42,517
Administrative	50-160-341.5, Transportation	\$105,603

Paradise Shores, 02-160-304-2, Structures addition of \$69,896 was verified to 14 manual adjusting entries which were posted on January 10, 2015. Each had been included in the Unfinished Construction account 02-180-105-0. The total represents placing assets related to the Mt. Roberts project in the respective plant in service account. These assets are not included in the adjustments to plant which include AFUDC.

Audit reviewed the continuing property records for the \$69,896. The lead sheet, prepared for the on-site audit, indicates the unit description as “PS Structures put in service 4/1/14 All from dates ranging 2012 – 2014”. 44 invoices from a variety of vendors and work orders were reviewed.

- 16 work orders, summing to \$2,666, “cannot be located at time of analysis”  
**Audit Issue #12**
- \$2,500 of a \$5,500 appraisal invoice paid to Applied Economic Research was included in the Structures account. \$3,000 was expensed in 2013. The appraisal was an update from a prior report and should not be included in the capital cost. The utility did not own the property at the time of the report, and does not own the property as of the date of this audit report. **Audit Issue #12**
- A “progress payment” paid to Michael Quinn Builder in the amount of \$5,000 in January 2014 was booked to expense account 02-630-603-1 but should have been included as a capital cost to the structure account 02-160-304-2. Therefore the expense account is overstated and the plant account understated by \$5,000. **Audit Issue #12 and Audit Issue #17**
- Audit reviewed an estimated (dated 5/17/2014) from Tim Christian Electric which reflected \$26,000 for the installation of 730’ of underground 480 volt secondary power from the last electrical pole to the pump station, and for all necessary electrical connections to accommodate two 20 HP pumps (includes all labor and materials. \$10,000 was accurately booked to 02-180-105-0, CWIP in October 2014, but the other \$10,000 was booked when the negotiation was made, and posted to expense account 02-630-603-1 in May 2014. Therefore the expense account is overstated and the plant account understated by \$10,000. **Audit Issue #12 and Audit Issue #17**

Therefore, Audit recommends that the reported 2014 Structures addition total of \$69,896 be adjusted as follows:

Total Structures addition per LRWC	\$69,896
Reduce by unsupported work orders	\$ (2,666)
Reduce by AES capitalized report	\$ (2,500)
Increase by Michael Quinn	\$10,000
Increase by Tim Christian Electric	<u>\$ 5,000</u>
<b>Total Adjusted Structure addition</b>	<b>\$79,730</b>

Audit verified that the total \$69,896 was identified on the “2014 LRW detail depr workbook”, with a 40 year asset life. ½ year convention was noted for 2014.

The Paradise Shores, 02-160-307-2, Wells addition of \$187,837

Audit reviewed the summarized continuing property records for this Mt Roberts related addition. One record reflects \$131,850, one reflects \$44,230 AFUDC. Both were supported with a spreadsheet listing 42 individual lines with the vendor name, cost, calculated AFUDC, etc. Of the total costs reported, \$131,850 (and thus related AFUDC), the following was noted:

- Invoices were reviewed for all cost line items listed. However, there was no supporting invoice for A&L Labs \$310, LRW Water invoice 98098 for \$885 listed twice, LRW Water invoice 98287 \$592, Tamworth Sand & Gravel \$600, and one Hydrosource invoice 2298 lists a payment of \$2,000 as an additional invoice rather than simply the invoice total of \$2,171, and one Hydrosource invoice 2378 \$1,964 could not be located. One work order in the amount of \$343 could not be supported. Therefore, a total of \$6,351 is on the summary which could not be supported. The related calculated AFUDC sums to \$2,236. **Audit Issue #12**
- Audit reviewed an invoice for \$440 for crane truck rent, labor to pull pump on 2" galvanized pipe which was "delivered to" Well #1 Solar Village Ladd Hill, Belmont. NH. Paradise Shores is in Moultonborough. **Audit Issue #12**

Therefore, Audit recommends that the reported 2014 Wells addition total of \$187,837 be adjusted as follows:

Reported by LRWC	\$187,837
Lack of Support A&L Labs	\$ (310)
LRW Water Service #98098	\$ (885)
LRW Water Service #98287	\$ (592)
Tamworth Sand & Gravel	\$ (600)
Hydrosource #2298	\$ (2,000)
Hydrosource #2378	\$ (1,964)
Workorder	\$ (343)
Well #1 Belmont	\$ (440)
AFUDC related to above	<u>\$ (2,236)</u>
<b>Adjusted Wells total</b>	<b>\$178,467</b>

Refer to the AFUDC portion of this report for detailed description and related Audit Issues.

Audit verified that the \$131,850 and \$44,230 totals were identified on the "2014 LRW detail depr workbook", with a 40 year asset life. Audit noted that the ½ year convention was applied in 2014. Wells should be depreciated over 30 years per the Small Water Booklet. **Audit Issue #15**

The Paradise Shores, 02-160-311-2, Pumps addition of \$47,249

Audit verified the total addition to the sum of seven continuing property records, two of which identified as Mt. Roberts. Six reflect costs relating to stainless steel pumps and related parts, and the work orders for time spent on installation. One CPR simply reflects the calculated AFUDC of \$2,817. Audit noted that a pump cost and related supplies in the amount of \$4,030

was included twice on CPR #39. The CPR #39 is not part of the Mt. Roberts project, thus there is no related AFUDC calculation. Therefore, the total 2014 should reflect:

Original LRW addition	\$47,249
Duplicated pump cost	<u>\$ (4,030)</u>
<b>Adjusted Pump cost</b>	<b>\$43,219</b>

Refer to the AFUDC portion of this report for detailed description and related Audit Issues.

Audit verified that each CPR was identified on the “2014 LRW detail depr workbook”, with a ten year asset life, with ½ year convention noted. There should have been a pump replaced, although the spreadsheet did not reflect a retirement. **Audit Issue #18**

The Paradise Shores, 02-160-331-4, Mains addition of \$88,055

The figure of \$88,055 was noted on the 2014 annual report listing of asset additions for the year. However, Audit was unable to verify the complete amount, as one invoice from RE Prescott in the amount of \$2,389 could not be located. **Audit Issue #12**

The remainder of the asset addition, \$85,666 was verified to continuing property sheets compiled for the audit.

One CPR in the amount of \$76,894 was tied to four LRW Water Service invoices. The CPR relates to the Mt. Roberts project and related AFUDC calculations. Audit cannot determine what invoices were paid, or by whom. The dates on each do not coincide with the work. For example:

- the largest, which outlines specific tasks for the Mt. Roberts project such as installing 1,102 feet of 6” HDPE pipe, sand, gravel for access road, labor, and equipment rentals, indicates that the work was done (or started) on 5/1/2011. The invoice, #100519 is dated 4/9/2014 in the amount of \$69,368. There is no evidence that the invoice was paid.
- One invoice in the amount of \$2,076 for 300 feet of DR11 HDPE pipe was dated 6/26/2009, and date stamped “paid” on 5/14/2010 (although unsure paid by whom)
- One invoice, for work done 6/16/2008 installing 800 feet of temporary HDPE, in the amount of \$4,800 was dated 4/9/2014. There is no evidence the invoice was paid.
- The final invoice dated 11/6/2007 in the amount of \$2,220 included one line item on 9/13/2007 in the amount of \$350 for installation of a new sleeve under the brook for Paradise Shores. The invoice is date stamped “paid 9/23/2008”.

Included in the supported total was the calculation spreadsheet for AFUDC, in the amount of \$8,771. Refer to the AFUDC portion of this report for detailed description and related Audit Issues.

Overall, the **total reported in the annual report, \$88,055 should be reduced by \$2,389**. Further, Audit cannot determine that each of the above LRW Water invoices was paid.  
**Audit Issue #12**

Audit verified that the total \$88,055 was identified on the “2014 LRW detail depr workbook”, with a 50 year asset life, and ½ year convention was noted.

The Paradise Shores, 02-160-334-4, Meters addition of \$11,764

Audit reviewed thirty eight CPR summaries and supporting documentation. Eighteen of the thirty eight summaries did not agree with the underlying supporting invoice and/or work orders. The overall error is an understatement of the additions of \$234, which would bring the total plant addition to \$11,998. **Audit Issue #16**

The individual meters were booked at an estimated \$130 per instruction of John Dawson. There were two commercial sized meters, invoiced and booked at \$2,046 each.

Audit verified that the total \$11,764 was identified on the “2014 LRW detail depr workbook”, each with a 20 year asset life, and ½ year depreciation in 2014.

The Hidden Valley, 05-160-339.2, Misc. Equip. addition of \$6,239 was verified to the general ledger net debits and credits during 2014. The additions were also verified to the “2014 LRWC-detail depr workbook”. The depreciation sheet identified the assets and reflected use of the ½ year convention. The controls, panels, control boxes, etc. are being depreciated over a 10 year period, conforming to the Small Water Company Information Booklet. Audit reviewed four individual CPR and related invoices without exception.

The Lake Ossipee addition to Mains in the amount of \$15,139 was verified to a continuing property record related to Bennett Road. The work began and was completed in September 2014. The additions of the mains were verified to NDS general ledger account 15-160-331-4. The total is comprised of:

Water Industries invoice 114137	\$ 998
EJP invoices September invoices	\$ 7,754
FW Webb September invoice	\$ 150
Workorders two Company employees September	\$ 963
LRW Water Service September	<u>\$ 5,274</u>
Total addition to mains	\$15,139

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with a 50 year asset life. Use of the ½ year convention was documented for 2014.

The Indian Mound addition to Mains in the amount of \$42,517 was verified to a continuing property record related to 1600 feet on Ossipee Lake Drive. The work began in September 2014 and was completed in December 2014. The additions of the mains were verified to NDS general ledger account 02-160-331-4. The total is comprised of:

Workorders three company employees September	\$ 1,818
Workorders three company employees October	\$ 2,100
Workorders three company employees November	\$ 3,697
Workorders one company employee	\$ 933
Water Industries invoices	\$ 2,965
Evans invoices	\$ 200
Prescott invoice	\$ 96
FW Webb invoices	\$ 379
LRW Water Service September	\$ 7,343
LRW Water Service October	\$ 7,607
LRW Water Service November	\$14,838
Green Oak invoice	<u>\$ 541</u>
Total addition to mains	\$42,517

Audit verified that the total was identified on the “2014 LRW detail depr workbook”, with a 50 year asset life. The ½ year convention was noted.

The Administrative Transportation Equipment additions in the amount of \$105,603 were verified to the continuing property records as well as the invoices listed below. The additions of transportation equipment were verified to NDS general ledger account 50-160-341-5. CPR #40 was a purchase of a Ford F150 pickup and the retirement of CPR #33, a 2008 Chevrolet Colorado pickup (see below). CPR #43 was the purchase of a Caterpillar excavator and the retirement of CPR #32 a Mustang excavator (see below). The total is comprised of:

CPR #40 Granite Ford invoice for 2014 F150	\$ 32,271	4 year depreciation
CPR #41 Truck Trends invoice truck tools	\$ 2,532	4 year depreciation
CPR #42 Alton Motorsports invoice, Fisher plow	\$ 5,550	7 year depreciation
CPR #43 Milton Cat invoice, Excavator	<u>\$ 65,250</u>	7 year depreciation
Total additions to transportation equipment	\$105,603	

Audit verified that the total was identified on the “2014 LRW detail depr workbook”,. Two of the four additions were set to depreciate over seven years, in compliance with the Small Water Booklet. Two other additions, the pickup truck and tools, were set to depreciate over four year. **Audit Issue #15**

The ½ year convention was noted for all Transportation additions, whether or not the proper depreciation life was in place.

#### 2014 Plant Retirements

Of the \$74,913 identified in the 2014 PUC annual report, Audit selected \$67,081 or 90% for detailed review.

Paradise Shores	02-160-311.2, Pumps	\$ 478
Paradise Shores	02-160-334.4, Meters	\$ 2,876
Administrative	50-160-341.5, Transportation	<u>\$63,727</u>
		\$67,081

The CPR for the Paradise Shore pump equipment retirement indicated that the \$478 was the original cost of the pump equipment installed in May 1998. The asset had been depreciated over a 10 year life, and was thus fully depreciated at the time of the retirement. Audit verified that the total addition and related retirement were accurately identified on the “2014 LRW detail depr workbook”. The retirements posted to the following accounts:

02-165-108-0, Accum Dep.	\$478
02-160-311-2, Pumps	\$478

The CPR for the Paradise Shores meter retirements indicated that the \$2,876 was the original cost of the meters. However, Audit reviewed the “2014 LRW detail depr workbook” to determine the meter book costs and to ensure the accurate figure was retired. Identified as retired in 2014 was the total of \$2,812. The total was comprised of 37 meters added originally from the years 1980 through 1999. The variance of \$64 is considered immaterial. Audit verified that each meter was identified on the “2014 LRW detail depr workbook”, with a 20 year asset life, in compliance with the Small Water Booklet. However, there was no depreciation expense noted in the year of retirement for those which had not been fully depreciated. **Audit Issue #14**

The CPR for the Administrative Transportation equipment retirements indicated that the \$63,727 was the original cost of the transportation equipment. The total is comprised of:

CPR #26, snow plow retired by CPR #42- see additions above	\$ 3,662 7 year depreciation
CPR #32,excavator retired by CPR #43- see additions above	\$41,200 7 year depreciation
CPR #33, '08 Chevy Colorado retired by CPR #40- see additions	<u>\$18,865</u> 3 year depreciation
Total of Administrative retirements:	\$63,727

Audit verified that each plant retirement had been identified on the “2014 LRW detail depr workbook”. Two of the three transportation assets were properly identified as having a 7 year depreciation life. The Chevy pickup truck was identified with a 3 year depreciation life. **Audit Issue #15**

As with prior year retirements of Transportation equipment, Audit noted the following in the “2014 LRW detail depr workbook”:



Acct Number	CPR Number	Purchase Date	Book Cost	Retired Date	Retired Amount	Deprec. Method	2014 Dep. Expense	2014 Retire to Acc Dep	2014 End Accum Dep
50-160-341-5	26	3/8/2005	\$ 3,662	2014	\$ (3,662)	SL/7	\$ -	\$ (3,662)	\$ -
50-160-341-5	32	11/13/2009	\$ 41,200	2014	\$ 41,200	SL/7	\$ -	\$ (26,200)	\$ (1,676)
50-160-341-5	33	5/1/2009	\$ 18,865	2014	\$ (18,865)	SL/3	\$ -	\$ (18,865)	\$ -
			\$ 63,727					\$ (48,727)	
50-160-341-5	U			7/1/2013		manual		\$ (15,000)	
50-160-341-5	OX			7/1/2014		manual		\$ 63,727	
								\$ 48,727	

CPR#26, for a snow plow, was properly depreciated over seven years. There was no expense to be incurred in 2014.

CPR#32 for an excavator, was properly depreciated over seven years. There should have been 1/2 year convention booked in 2014. Also, the retired amount does not agree with the book cost. Finally, the reflected ending Accumulated Depreciation figure of \$(1,676) does not sum. The variance between the book and the Accumulated Depreciation retirement cost of \$26,200 is \$15,000.

CPR #33 for a Chevy Colorado, was improperly depreciated over three years. As a result, there was no expense to be incurred in 2014.

Because of the manner in which Transportation equipment is booked, that is, originally to the Administrative division #50, then allocated across all other divisions, Audit reviewed the division #50 "2014 LRW detail depr workbook" to ensure that the total book cost was properly debited to Accumulated Depreciation. With the manual adjustment U \$(15,000), identified above, it appears that the total book cost was spread among the other divisions. Refer to the Transportation Equipment and Common Assets portion of this report.

### **Contributions in Aid of Construction, and Amortization of Contributions in Aid of Construction**

For the test year ending 12/31/2014, Schedule F-46 of the PUC Annual Report, reflected a CIAC balance at the beginning of the year of \$849,099 and a year-end balance of \$870,878. The reported Accumulated Amortization of CIAC balance at the beginning of the year was \$232,174 and the year-end balance was \$249,303. These amounts agree with the rate filing, Schedule 2, submitted by the Company. The annual report and filing amounts were also verified to the trial balance. The following is a summary of the CIAC property by class and rate with corresponding amortization:

<u>Property Class</u>	<u>Rate</u>	<u>CIAC Amount</u>	<u>Accumulated Amortization Amount</u>
Tanks	2.22%	\$210,000	\$ 30,335
Mains	2.00%	\$607,813	\$199,298
Mains	2.50%	\$10,943	\$(1,820)
Services	3.33%	\$27,337	\$16,775
Services	2.00%	\$2,316	\$1,976
Hydrants	2.00%	\$8,974	\$1,164
Meters	5.00%	\$3,495	\$1,575
		\$870,878	\$249,303

Audit traced the test year monthly amortization entries between Accumulated Amortization of CIAC, account XX-350-272-0 and Amortization of CIAC, account XX-701-405-0. The monthly amortization entries were traced without exception. Total amortization expense for the test year, account XX-701-405-0, was \$17,129 per the filing, the PUC Annual Report and the Company's trial balance report.

While reviewing Schedule F-46 in the test year Audit noted a grant received from NH Department of Environmental Services in the amount of \$21,779. Audit requested and received a copy of the application submitted by LRWC on March 15, 2014. The application was for the construction assistance of the Gunstock Glen and Brake Hill interconnection project. The total cost of the project was \$87,118.33. Audit verified the receipt of the grant money in the Company NDS general ledger accounts, 11-350-271-0 and 17-350-271-0.

### **Accumulated Depreciation and Depreciation Expense**

For the test year ending 12/31/2014, Schedule F-11 of the PUC annual report summarized Accumulated Depreciation of Utility Plant in Service:

Beginning of the year	\$1,476,345
2014 Expense	\$ 164,383
Book cost of plant retired	\$ (73,708)
Salvage credit of	\$ 15,000
rounding adjustment	<u>\$ (2)</u>
Year-end balance	\$1,582,018.

The beginning and year-end balances agree with the amounts submitted by LRWC on Schedules 2 and 3 of the filing.

Audit also verified the Accumulated Depreciation totals and activity to the "2014 LRWC-detail depr workbookSummary2014" spreadsheet. The activity was then verified to the NDS general ledger accounts, for the 17 divisions, xx-165-108-0 Accumulated Depreciation and xx-166-108-x, Accumulated Depreciation (Allocated) and Depreciation Expense account xx-700-403-x within each division. The book cost of retired plant was noted within each applicable plant general ledger account, without exception.

The Company depreciates its assets using the straight-line depreciation method. Audit verified that most, but not all, of the depreciation calculations reflect accurate rates, in accordance with the PUC Small Water booklet. Refer to the Plant Additions and Retirements sections of this report for additional detailed testing.

Audit compared the PUC depreciation expense of \$164,383 with the liberalized depreciation expenses noted on the federal tax return and the NH Business Enterprise tax return. The depreciation expense on the federal return was \$241,985. The depreciation expense on the NH tax return was \$10,559.

**Acquisition Adjustment and Accumulated Amortization net \$(81,969)**

Audit verified the reported Utility Plant Acquisition Adjustment, noted on the annual report schedule F-7 to the following general ledger accounts without exception:

<b>Utility Plant Acquisition Adjustment</b>		
Division	GL #	12/31/2014
Hidden Valley	05-160-114	\$ (172)
Pendleton Cove	07-160-114	\$ (36,693)
Deer Run	08-160-114	\$ 1,786
Woodland Grove	09-160-114	\$ (65,232)
Echo Lake Woods	10-160-114	\$ (56,866)
Tamworth	12-160-114	\$ (38,156)
175 Estates	13-160-114	\$ (1,427)
Deer Cove	14-160-114	\$ 85
LOV Water	15-160-114	\$ (39,492)
Indian Mound	16-160-114	\$ 3,913
Gunstock Glen	17-160-114	\$ (21,771)
		<u>\$ (254,025)</u>

No adjustments were made during the test-year to Asset Adjustment – Intangible, account xx-160-114. The beginning and year-end balances agree with the amounts submitted by LRWC on Schedule 2.2 of the Permanent Rates Filing.

The Accumulated Amortization of the Utility Plant Acquisition Adjustments, \$172,056, was verified to the following general ledger accounts. Each was offset to the respective divisional expense account XX-702-406, without exception.

<b>Accumulated Amortization</b>			
12/31/2013	Amortization	12/31/2014	GL #
\$ 111	\$ 9	\$ 120	05-165-115
\$ 28,258	\$ 723	\$ 28,981	07-165-115
\$ (797)	\$ (36)	\$ (833)	08-165-115
\$ 46,203	\$ 1,305	\$ 47,508	09-165-115
\$ 43,575	\$ 1,137	\$ 44,712	10-165-115
\$ 12,965	\$ 763	\$ 13,728	12-165-115
\$ 837	\$ 71	\$ 908	13-165-115
\$ (24)	\$ (4)	\$ (28)	14-165-115
\$ 27,940	\$ 847	\$ 28,787	15-165-115
\$ (1,666)	\$ (196)	\$ (1,862)	16-165-115
\$ 8,946	\$ 1,089	\$ 10,035	17-165-115
<u>\$ 166,348</u>	<u>\$ 5,708</u>	<u>\$ 172,056</u>	

## **REVENUE**

Total operating revenues of \$1,316,010 consist of metered sales, unmetered sales, miscellaneous services revenues and other water revenues. Audit verified the total to the divisions' general ledger accounts as follows:

xx-410-460-0 Unmetered	\$ 369,154
xx-410-461-0 Metered	\$ 810,514
xx-470-419-0 Forfeited Discount	\$ 6,438
xx-450-474-1 Rate Case Surcharge	\$ 77,283
xx-460-415-0 Sales to Contractors	\$ 26,729
xx-470-419-2 Bad Check Charge	\$ 100
xx-430-471-1 Disconnect/Reconnect	\$ 10,998
xx-430-471-2 House Transfer	\$ 3,613
xx-430-471-3 Payment Pickup	\$ 138
xx-430-471-5 Meter Maintenance	\$ 2,159
xx-430-471-7 Maint. on Cust. Property	<u>\$ 8,885</u>
Total Reported Revenue	\$1,316,010 Agrees with the PUC annual report.
xx-490-421-0 Non-utility Income	\$ 39,178
Non-utility understated by \$78,542	<u>\$ 78,542</u>
Total GL income	\$1,433,731 Refer to Non-utility discussion below

Unmetered \$369,154 and Metered \$810,514

The LRWC metered systems are Far Echo Harbor (FEH), Paradise Shores (PS), West Point (WP), Waterville Valley Gateway (WVG), Hidden Valley (HV), Wentworth Cove (WG), Pendleton Cove (PC), Deer Run (DR), Woodland Grove (WG), Echo Lake Woods (EHW) and Brake Hill (BH). These customer meters are read with the use of STARS (Sensus Technologies Auto-read System). The hand held computer is then downloaded to the in-house computer system.

The non-metered systems of Tamworth Water Works (TWW), 175 Estates (175), Deer Cove (DC), Lake Ossipee Village (LOV), Indian Mound (IM) and Gunstock Glen (GG) are billed the quarterly non-metered fixed tariff rate.

Audit noted that LRWC billings to customers are for services rendered quarterly and that the Company staggers the billings so that cash comes in each month of the year. As an example, Paradise Shore customers are billed in March, June, September and December (cycle 1) while Waterville Valley Gateway customers are billed February, May, August, November (cycle 3) and Hidden Valley customers are billed January, April, July and October (cycle 2).

Audit tied each system's monthly revenue reported on the LRWC trial balance, to the LRWC GL Activity Report, and then to the LRWC Billing Analysis report. The LRWC Billing Analysis report was created by Norman Roberge. The report shows each system's billing date, customer charge, volume charge, usage, amount billed and rate case expense surcharges. Audit also tied each system's reported customer charge and volume charge listed on the Accountant's LRWC Billing Analysis report to tariffs on file at the Commission.

Audit noted that the Paradise Shores sales included income from a special contract with Property Owners Association at Suissevale, Inc. (POASI) in the amount of \$136,527 for the year. The special contract has two major elements; (1) a volume charge which accounted for \$174,348 of income and offset by item (2) a fixed component dealing with the CIAC contribution and other miscellaneous administrative expenses, this portion of the contract provided a net credit to POASI in the amount of (\$37,821) for the test year. POASI is an association of home owners located in Moultonborough, NH which owns and operates its own water distribution system. The NH Department of Environmental Services determined that POASI is not a public water system. On 9/22/2006, a water supply agreement was entered between LRWC and POASI. This agreement lists as recital #6, a separate agreement under which POASI shares financial contributions to help defray the cost to LRWC of constructing a water storage facility which will be used to serve POASI and other customers of LRWC's Paradise Shores System.

Division 4, Waterville Valley Gateway, is a metered system. Their total revenues for the year were \$55,835. \$54,387 was booked to the metered sales account and \$1,448 was booked to unmetered. The unmetered fee of \$362.11 per quarter is for the Pool which has a separate rate. Per the tariff 5<sup>th</sup> Revised Page 11, the minimum charge per quarter is \$363.19. **Audit Issue #19**

#### Forfeited Discounts - \$6,438

Lakes Region's annual report F-47 shows \$6,438 in forfeited discounts for the year. When Audit reconciled F-47 to the company's general ledger and trial balance, the amount tied to account 419, Interest Income. All seventeen operating divisions show water billing interest income in account XX-470-419-0.

#### Other Water Revenues - \$77,283

The total Other Water Revenues of \$77,283 were for rate case expense surcharges. The PUC annual report reflects the total in account 474. Audit verified that the NDS does reflect account XX-450-474-1, Rate Case Expense Surcharge. Refer to the Operations and Maintenance discussion below regarding account xx-632-928-8, which reflects the offset to this revenue account. The revenue and related expense were proformed out of the current rate case filing.

#### Miscellaneous Service Revenues \$52,622

The total miscellaneous service revenue for 2014 was \$52,620. Activity in account 471 was for disconnect/reconnect fees, house transfers, maintenance on customer's property, meter maintenance and payment pickup fees. Also included in this total is account 415, Revenues from Merchandising, Jobbing and Contract Work and account 419, Interest and Dividend Income.

LRWC's revenue from account 415 of \$26,729, was for services provided to LRW Water Services. The \$100 revenue in account 419 was for customer bad check charges. Both were listed in the summary for account 471. **Audit Issue #20**

xx-460-415-0 Sales to Contractors	\$26,729	<b>Audit Issue #20</b>
xx-470-419-2 Bad Check Charge	\$ 100	<b>Audit Issue #20</b>
xx-430-471-1 Disconnect/Reconnect	\$10,998	
xx-430-471-2 House Transfer	\$ 3,613	
xx-430-471-3 Payment Pickup	\$ 138	
xx-430-471-5 Meter Maintenance	\$ 2,159	
xx-430-471-7 Maint. on Cust. Property	<u>\$ 8,885</u>	
	\$52,622	

Audit requested clarification of the tariff page in which charges such as House Transfers, Payment Pickups, Meter Maintenance and Maintenance on Customer Property are authorized. In response to the Draft Audit report, the Company referred to the tariff Original Page 8 for House Transfer, Original Page 7 for Meter Maintenance. Maintenance on Customer Property represents non-tariffed charges for work done by the Company which could be contracted to a different vendor if the customer chose to do that. The Company noted that by including the expenses related to Maintenance on Customer Property above in the Operations and Maintenance, the related revenue should also be included above the line.

The Payment Pickup account is used to record revenue collected at a customer's premise at the time the Company was at the premise to disconnect service for lack of payment.

### Billing Test

Audit selected ten customers, each from different operating divisions, to perform a billing test on. Fourth quarter, 2014 invoices were requested by Audit and provided by LRWC.

All ten customers were billed per the quarterly schedule provided from LRWC. The base rate fee and metered rate fee were all billed according to the tariffed rates for each division. Also included in all division bills was a rate case surcharge of \$11.64. This was approved by the PUC on Order 25,454 date January 17, 2013. The Order allowed recoupment over eight consecutive quarters, which would make the fourth quarter of 2014 the final recoupment period.

All invoices reviewed noted that an 18% annual finance charge would be issued on all accounts over 30 days, which is approved in the tariff. The invoice reviewed for Division One, Far Echo, contained a balance forward of \$101.72. The invoice did not show a finance charge so Audit requested additional information.

LRWC noted that the 18% annual rate is calculated at 1.5% per month. LRWC provided a history transaction report for the account in question which showed all quarterly invoice charges, payment made by the customer, and any finance charges accrued.

Audit reviewed the history transactions and noted the following:

- The finance charge applied on 9/4/2014 was calculated based on the 60 day past due balance instead of the 30 day past due balance. The customer was charged \$.85 when it should have been \$2.95. **Audit Issue #21**

- Finance charges applied to the account do not accrue finance charges until a bill is issued to the customer or a payment is received from the customer. At that point the next finance charge is calculated based on the account balance at the specific date.

Section 1203.06 Bill Forms, of the Administrative Rules states specific requirements for water utility bills. The LRWC bills comply with most of the requirements except the following:

(c) Bills shall indicate at a minimum:

- (4) Any applicable penalty date
- (5) The approximate date of the next meter reading
- (6) All factors necessary to compute the charges

The applicable penalty date needs to be stated on the invoice. The language on the bill states "*Finance charges of 18% annually charged on all accounts due over 30 days*". The exact date that bills need to be paid by without incurring finance charges should be noted rather than "over 30 days". Another issue is that the invoice does not show an actual due date; it simply said, "*Due On Receipt*" which adds in the confusion on as to when finance charges are actually incurred. **Audit Issue #22**

The approximate date of the next meter reading should also be stated on the invoice. Even though meters are read on a quarterly basis, the date of the next reading should be present for the customers. **Audit Issue#22**

All factors necessary to compute the quarterly charges need to be noted on the bill. The current bill notes the metered rate charge, the base rate charge, and the rate case surcharge. It also notes a balance forward amount. This amount includes any unpaid portion of prior bills and finance charges. Per the above noted rule, the finance charges should be broken out into their own line item on the bill. **Audit Issue #242**

#### Account 421 Non-utility Income \$39,178

Audit reviewed the PUC annual report which did not reflect any income in this account. The NDS general ledger account 50-490-421-0 reflects an ending balance of \$39,178. This year-end balance, for reporting purposes, was included as a reduction to expense account 923. Refer to the discussion related to the Deferred accounts 186, expense account 923, and expense account 928. **Audit Issue #4 and Audit Issue #20**

Activity within the 421 account included:

Total Debits for the year	\$(78,542)
Total Credits for the year	<u>\$117,513</u>
Net Credit balance	\$ 39,178

The activity in 421 included the following manual entries:

9/5/2014	LRW14-060	credit	\$ 60,019	Offset to Deferred 50-153-186-1
9/5/2014	LRW14-060	credit	\$ 6,209	Offset to Deferred 50-153-186-1
9/5/2014	LRW14-061	credit	<u>\$ 48,900</u>	Offset to 50-631-923-8 and 50-634-923-8
			\$115,128	

Audit obtained the journal entries and notes that LRW14-060 debited Deferred Rate Case Expense account 50-153-186-1. The four items that comprise the debits represent discounts on balances owed to Norm Roberge, Steve St. Cyr, Upton & Hatfield, and Shaheen Gordon. The handwritten journal entry indicated that the \$60,019 should have been credited to 50-153-186-5. Audit reviewed that account and noted that \$60,019 was the total credits posted for the year.

The journal entry LRW14-061 \$48,900 credit was offset to debits to Accounting expense account 50-631-923-8 in the amount of \$38,843, and to General Law 50-634-923-8 in the amount of \$10,057. These are non-recurring expenses in the Operations and Maintenance discussion that follows.

As discussed in the Deferred Debits section of this report, a total of \$78,542 was debited to the Non-utility account. Refer to **Audit Issue #4, 20, and 23.**

### **OPERATIONS AND MAINTENANCE EXPENSES**

Total reported Operations and Maintenance expenses on the PUC annual report for the test year were \$974,896 which represents an increase over the same period in 2013 of 21%. Audit verified that the information on the F-2 Income Statement, as well as schedule F-48 agreed with the filing and the general ledger.

601	Operation Labor and Expense	\$ 22,646
602	Purchased Water	1,250
603	Miscellaneous Expenses	34,373
604	Rents	1,250
623	Fuel or Power Purchased for Pumping	75,546
642	Operation Labor and Expenses	6,214
643	Miscellaneous Expenses	23,544
662	Transmission and Distribution Lines Expenses	164,664
902	Meter Reading Expenses	25,919
904	Uncollectible Accounts	18,076
905	Miscellaneous Customer Accounts Expenses	5,062
920	Administrative and General Salaries	254,192
923	Outside Services Employed	45,900
924	Property Insurance	55,594
926	Employee Pensions and Benefits	56,852
928	Regulatory Commission Expenses	98,374
930	Miscellaneous General Expenses	85,441
		<hr/>
		\$ 974,896

Audit reviewed all of the O&M expense accounts in detail. During Audit's review it was noted that the account number on the NDS Trial Balance was not necessarily the same as the account number used on the Annual Report . For example, the \$1,250 Rent expense was placed in account 604, Source of Supply-Operations-Rents on the Annual Report; however, on the trial



balance account 931 (General Rents) was used. Another example would be Purchased Power; on the trial balance the \$75,546 expenses is booked to account 662. **Audit Issue #20**

Accounts 662, 923, 924, 926, 930 had all of their expenses booked to the Administrative division, 50. All of the monthly expenses were allocated to the seventeen divisions based on customer count. Audit randomly selected step-down entries to review and no exceptions were noted.

Account 603 Miscellaneous Expenses - \$34,373

Audit reviewed four invoices. Two of the invoices were hydrofracking and removal of trees. The other two invoices were for capital expenses. One invoice for \$5,000 for Mt. Roberts was removed from the expense account and capitalized. The second invoice was a \$10,000 payment on a \$26,000 electrical job, and was not capitalized. **Audit Issue #17**

Account 604 Rents - \$1,250

There were two invoices that sum to the amount reflected on account 604 on the annual report. Audit requested to review both. The first invoice was for \$250 for the rental of an excavator. The second invoice was for \$1,000 payable to David Sands. LRWC could not provide the second invoice, until issuance of the Draft report and the Company's response. Both of these invoices were booked to the general ledger as account 931. **Audit Issue #20 and Audit Issue #23**

Account 643 Miscellaneous Expenses - \$23,544

The majority of the transactions in Account 643 were for Eastern Analytical. Audit review on invoice for water testing and no exceptions were noted.

Account 662 Transmission and Distribution Lines Expenses - \$164,664

Audit reviewed the NDS general ledger and verified the total reported on the annual report to the following:

8 accounts xx-630-662-5 Contracted Services	\$ 5,104
18 accounts xx-620-662-5 Materials	\$ 37,343
17 accounts xx-685-662-5 Miscellaneous	\$ 176
1 account 03-680-662-5 Tel-Step	\$ 377
18 accounts xx-651-662-5 Vehicle Fuel	\$ 49,196
16 accounts xx-652-662-5 Vehicle Maintenance	\$ 19,034
17 accounts xx-653-662-5 Vehicle Registrations	\$ 2,946
18 accounts xx-601-662-5 Wages Employees	<u>\$ 50,489</u>
Total of 113 accounts xx-xxx-662-x	\$164,664

Audit selected twelve journal entries to review documentation for. Documentation was provided for reclassifying inventory and work in process to materials, registration fees, gas charge account, paving project, plowing contract and a bill from LRW Water Services.

Audit also reviewed an \$844 invoice from Truck Trends for truck rims. Audit researched the “Ultra Wheel Phantom” and noted them to be extravagant. This expense should be considered non-recurring. **Audit Issue #25**

Two transactions reviewed should be classified as non-recurring. LRWC paid \$1,400 to have the 2011 Ford F350 dump body and chassis descaled. **Audit Issue #25**

The second non-recurring item is a \$12,959 expense of inventory due to no lead rules. The Reduction of Lead in Drinking Water Act was enacted on January 4, 2011. The effective date of the Act was January 4, 2014, providing a three year timeframe for the transition to the new requirement. On January 8, 2015 LRWC reduced their inventory from account 151 (Plant Material and Supplies) and expensed it. The account total before the reduction was \$19,846. Balance at the beginning of 2014 was only \$6,031. **Audit Issue #2 and #25**

Audit also requested three electrical invoices. One from PSNH and two from NHEC were not provided by LRWC, until issuance of the Draft audit report, and the Company’s response. **Audit Issue #23**

Account 904 Uncollectible Accounts - \$18,076

Audit review the transactions in Uncollectible Accounts and requested the support and journal entries for the bad debt entries. LRWC did not provide these for review until issuance of the Draft audit report and the resulting response. **Audit Issue #23**

Account 923 Outside Services - \$45,900

Account 923 Outside Services is comprised of three sub accounts, spread among all divisions:

Accounting XX-631-923-8	\$ 43,206
Computer Support XX-633-923-8	\$ 12,855
General Law XX-634-923-8	<u>\$ 29,017</u>
	\$ 85,077
Nonutility Income 50-490-421-0	<u>\$(39,177)</u>
Net Reported Outside Services	\$ 45,900

The \$39,177 represents the balance in the nonutility income account at year end. **Audit Issue #20**

In 2013 LRWC petitioned the Commission for approval to refinance existing debt. In Docket DW 13-335, Order 25,655 it was noted: “*Lakes Region stated that it negotiated substantial reductions with its vendors ranging from 20 to 50%*”. A portion of those negotiated reductions were with Accounting and General Law services for a total of \$48,900. The following reductions were credited on 9/5/2014 to Non-Utility Income 50-490-421-0, offset as debits to the 923 expense accounts identified:

	<u>Discount</u>
Norman Roberge	\$34,886 Accounting 50-631-923-8
Stephen St. Cyr	\$ 3,957 Accounting 50-631-923-8
Shaheen & Gordon, P.A.	\$ 1,102 Legal 50-634-923-8
Upton & Hatfield LLP	<u>\$ 8,955</u> Legal 50-634-923-8
	\$48,900

However, credits in the same amounts were noted in the 923 accounts on 7/31/2014, coded as "Disc". Audit requested where the offsets posted and was not received a response.

#### **Audit Issue #25**

Of the total \$43,206, in the Accounting account, \$42,686 was noted as debits to 50-631-923-8. Those entries were spread among the 17 divisions.

Leone McDonnell & Roberts	\$ 9,828 expenses incurred
Norm Roberge	\$28,000 expenses incurred, less prior owed \$(34,886)
Steve St. Cyr	<u>\$ 4,858</u> expenses incurred, less prior owed \$ (3,957)
	\$42,686 <span style="float: right;">\$(38,843)</span>

Leone McDonnell & Roberts prepared the Financial Statements for the years ended December 31 2014 and 2013 and provided the Independent Accountant's Review Report. The Independent Accountants' Review Report summarized that the firm reviewed the balance sheets and related statements of income, retained earnings, and cash flows. The AICPA standards require that the firm "perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. The firm concluded that they were not aware of any material modifications that should be made, based on their review. The Report states that the review is substantially less in scope than an audit. The firm also prepared the federal and state tax returns.

Order 25,655 also stated: *"Staff stated that in Lakes Region's last rate case, the Commission authorized Lakes Region to recover certain rate case expenses from customers. Some of those expenses were for vendors with whom Lakes Region has now negotiated write-offs. Staff opined that the write-offs should, in some manner, be reflected as a reduction in the amounts recovered from customers. Staff stated that this issue cannot be resolved until Lakes Region's next general rate case..."*

Audit requested all invoices received from Norman Roberge and Stephen St.Cyr during 2014 and Lakes Region provided a total of 24 invoices.

The seven invoices were received from Steve St.Cyr. Each invoice broke down the charges to the appropriate account (i.e. Account 923, 181 or 186). The July and August invoices, had charges for all three accounts; however, the entire invoice was charged to 923. **Audit Issue #26**

The July invoice total was \$1,207.50 in which the whole amount was charged to Account 923, Outside Services. The invoice breaks down the expenses as follows:

- \$603.75 Account 923,Outside Services
- \$172.50 for the CoBank Financing charged to Account 181, Unamortized Debt Expense **Audit Issue #26**

- \$431.25 for the 2014 Rate Case charged to Account 186, Miscellaneous Deferred Debits **Audit Issue #26**

The August invoice total was \$991.88 and the full amount was charged to Outside Services. The invoice total should have been broken down as follows:

- \$ 71.88 to Account 923
- \$661.25 to Account 181 **Audit Issue #26**
- \$258.75 to Account 186 **Audit Issue #26**

The September invoice was not charged wholly to Outside Services; however, the Rate Case expense of \$28.75 was erroneously charged to Account 923. **Audit Issue #26**

Norman Roberge submitted seventeen invoices to be paid during 2014. The invoices for January through May were submitted on a monthly basis and just note the hours worked for each day. Beginning with the August invoice (there were no invoices for June and July) detail for all work completed was noted. Invoices were no longer submitted on a monthly basis; they were submitted more frequently.

Audit reviewed five invoices from Outside Services for legal fees, computer service, and for the new computer system that will be coming online.

One of the legal invoices reviewed was in the amount of \$1,767.50 for services associated with the current rate case. These expenses should be deferred. **Audit Issue #26**

One invoice reviewed was for Logics, the new computer system that LRWC will be using. This invoice was for the November monthly hosting fee of \$592. Audit questioned the charges as the computer system was not up and running in November. LRWC response was the hosting fees paid were credited to their account by Logics. A statement provided by Logics does show the \$592 payment as a credit on their account. On September 17, 2015, LRWC reversed the monthly charges in their invoice transaction journal for invoices received. **Audit Issue #26**

#### Account 926 Employee Pensions and Benefits - \$56,852

Audit reviewed the December 2014 invoices from Anthem Blue Cross and Blue Shield, Delta Dental and United Health Care. No exceptions were noted.

Audit also requested information regarding medical reimbursements made to LRWC employees on March 2, 2015. LRWC noted that employees can receive a reimbursement of up to \$600 for out of pocket medical expenses. Employees must provide receipts to the company and a reimbursement is paid at the end of the calendar year. None of the reimbursements made were for more than \$600; however, one reimbursement for \$285 was noted as being for 2013. **Audit Issue #27**

#### Account 928 Regulatory Commission Expenses - \$98,374

Audit verified the reported total \$98,374 to 36 individual general ledger accounts. Refer to Audit Issue #1. Specifically, each division reflected two accounts:

XX-632-928-8 Rate Case Expense	\$77,389
XX-665-928-8 Regulatory Commission Expense	<u>\$20,985</u>
Total Account 928	\$98,374

Audit verified that the \$77,389 was pro-formed out of the expense summary of the current rate case, and concurs with the removal of these costs. See proforma #8.

Within the XX-665-928-8 Regulatory Commission Expense, Audit verified that the PUC assessment total of \$4,042 was reflected (across all divisions) without exception.

Also noted within the XX-665-928-8 account were three year end entries, reflected below, which increased the Regulatory Commission expense by a net \$16,943. **Audit Issue #4**

The first entry, a year end adjustment, reflected a reduction to the Deferred accounts, and a debit to the Administrative division Regulatory Commission account:

50-665-928-8 Irwye14-358	\$	420.00
50-665-928-8 Irwye14-358	\$	59,501.11
50-153-186-4 Irwye14-358	\$	(420.00)
50-153-186-5 Irwye14-358		<u>\$(59,501.11)</u>
	\$	59,921.11
	\$	(59,921.11)

The second entry then reclassified the \$59,921 out of the Administrative account and spread it among the seventeen divisions:

XX-665-928-8 Irwye14-371	\$	59,921.00
50-665-928-8 Irwye14-371		<u>\$(59,921.00)</u>
	\$	59,921.00
	\$	(59,921.00)

The final year end entry reduced the Administrative Regulatory Commission Expense account and increased the Deferred Accounts:

50-153-186-3 Irwye14-389	\$	37,509.18
50-153-186-4 Irwye14-389	\$	5,468.75
50-665-928-8 Irwye14-389		<u>\$(42,977.93)</u>
	\$	42,977.93
	\$	(42,977.93)

#### Account 930 Miscellaneous General Expenses - \$85,441

Audit reviewed seven invoices from the Miscellaneous General Expenses. Invoices reviewed were for credit card payments, landscaping services at the office, call answering service, and permit to operate fee.

Audit also requested supporting documentation for a bank service charge. The transaction was for a non-sufficient fund charge received for a bounced check from a Paradise Shores customer. This \$20 fee was the only entry for the month and a step-down was performed to allocate the cost to all 17 divisions. Audit questioned why it is allocated to all operating divisions and not just expensed to Paradise Shores. LRWC stated that step downs are performed

on certain expense accounts no matter what the monthly activity in the account was. **Audit Issue #1.**

One invoice reviewed by Audit was from Canoe Restaurant. The \$220 invoice was for the staff Christmas party. This expense should be below the line. **Audit Issue #24**

A \$1,546 invoice from XJL Property Services was reviewed. This expense was for the removal of the tub and shower from the bathroom in the office. This is a non-recurring expense. **Audit Issue #25**

During 2014, Lakes Region paid off three TD Bank loans (See section Long Term Debt above). Part of the payoff amount was a \$3,908 pre-payment fee. This fee was charged to account 930 as a bank service charge. This expense is non-recurring. **Audit Issue #25**

#### Travel & Expense Reimbursement

Travel & Expense reimbursements are made to employees who purchase fuel for the company vehicles, purchase materials and supplies while out on the road, and office supplies.

The employee must submit proof of purchase in order to be reimbursed for the expense. The President and Manager are aware of this practice and will periodically review the purchases.

Audit reviewed five travel and expense reimbursements. The reimbursements were for materials and supplies, trailer registration, thermostat, computer monitor and for Wolfeboro Oil Company. All receipts were detailed and noted the items purchased except the receipt for the Oil Company. This was just a credit card receipt that noted the amount paid. No exceptions were noted.

#### Account 924 Insurance - \$55,594

Lakes Region has five insurance policies that run from May 15, 2014 through May 15, 2015.

- The first policy covers commercial property, crime, contractor equipment, and electronic data processing equipment. The cost for the year was \$13,549.
- The second policy is for auto coverage and cost \$6,199 for the year. Audit reviewed an insurance audit that was performed and it noted that “spouses or children are allowed access to corporate owned vehicles”.
- The third policy is for worker’s comp and was \$7,908 for the year. After the insurance audit was performed, the insurance company issued another invoice in the amount of \$1,111 for the workers comp policy. The policy total for the year was \$9,019.
- A fourth policy cost \$9,584 and was for the commercial umbrella policy.
- The fifth is the commercial general liability policy and the cost for the year was \$17,581.

Lakes Region’s health insurance is paid on a monthly basis. See Account 926 above.

During conversation with LRWC, it was noted that their premiums in 2015 went down approximately \$10,000 for insurance and \$8,000 for health insurance.

## **PAYROLL**

There are three Excel spreadsheets that are used during the payroll process. The first spreadsheet titled “(1) *payroll entries 2014*” is manually entered from a QuickBooks payroll printout. There are tabs for each of the 53 weekly payrolls that shows the hours worked, type of pay (regular, Overtime, Christmas Bonus, Benefit Substitute, etc.), deductions (insurance, taxes, etc.) and the net pay. The spreadsheet also shows the employer taxes and contributions. The spreadsheet breaks down the payroll expenses into the division 50 accounts.

The second spreadsheet used, is titled “(2) *2014-work order payroll worksheet*”. This spreadsheet contains a tab for each week and breaks down the weekly hours worked of two employees by work order (work orders or divisions are not listed. Hours for one day may be noted as 1.0, 1.0, 2.0, 5.0 as the employee worked on four different divisions on that particular day). The spreadsheet notes if the hours worked were for Lakes Region Water Company or LRW Water Services. Hours worked for LRW Water Services are billed on a monthly basis. See LRW Water Service Billing below. The hours entered in this spreadsheet are verified to QuickBooks. Columns A-I (date, week, hours, company, etc.) are copied from this spreadsheet and pasted into the third spreadsheet used.

The third spreadsheet titled, “(3) *2014A workorder wrksheet for JE entry*”, is used to run formulas to prepare journal entries. The copied information from spreadsheet 2 is pasted into the tab titled “*work orders*”. The inventory amount, division number and work activities code are manually entered into the work order tab. Columns A-BR (information copied from spreadsheet 2, plus the breakdown of the hours work for each division) are copied and pasted into a tab titled “*New Journal Entries*”. Columns A-CP (the full spreadsheet) from the journal entries tab are copied and pasted into another spreadsheet titled “*2014 (year) Jan (month) WO INV*”. The data from the new journal entries’ spreadsheet is pasted four times into the WO INV spreadsheet. The first paste brings the information over from the JE tab. The second is used for payroll/benefit allocation to the divisions, the third allocates the materials to the division and the fourth paste is used to allocate property and equipment to each division. Once all the data is in the WO INV tab and the numbers zero out at the bottom of the Excel spreadsheet, the information is printed and used to post the journal entry in NDS.

The Field Supervisor’s hours are allocated based on the hours the two field workers worked for each division. Rows BX1037-BX1528 are copied from the WO INV spreadsheet and pasted into a tab titled “*Jake Alloc – Jan (month) 2014 (year)*”. This amount is posted to the GL for the field technicians.

All payroll is charged to division 50 accounts 601-920-8, 602-920-8 and 603-920-8 and allocated (step-down) to the 17 operating divisions. Audit was unable to tie the 17 division general ledger accounts to the division 50 accounts without the assistance of LRWC.

All payroll is booked to the division 50 accounts on a weekly basis. After the payroll is booked, the work order amounts need to be removed and expensed to the appropriate divisions, and the remaining balance is allocated to the 17 divisions based on customer count. The allocation to the divisions for the work orders and the payroll expense is not performed on a timely basis. **Audit Issue #28**

Audit reviewed account 50-601-920-8 in detail. The payroll for the months of January through July was allocated to the 17 divisions on August 5. The allocation was performed prior to the work orders being removed. In November and December, the work orders for the field employees and for the field supervisor were removed, resulting in a negative balance in the division 50 GL accounts. The administrative expenses associated with the work orders are transferred back into the division 50 accounts and another allocation to the 17 divisions was performed reducing the original allocation amount.

In the month of August, the payroll was allocated to the divisions on the 17<sup>th</sup> of September. In December the work order expenses were removed, the administrative expenses were put back in, and then another allocation to the 17 divisions was performed.

For the months of September through December the work orders were removed prior to any allocation resulting on one less journal entry. The payroll for the months was entered, the field employees and field supervisors work order expenses were removed, and the administrative expenses were put back into division 50. The remaining balance in the account at the time was then allocated to the 17 divisions.

Audit reconciled the work order expenses from the third payroll spreadsheet to the general ledger for the field employees and field supervisor. A few exceptions were noted.

- 02-160-334-4, January GL total was \$101.34 and the payroll spreadsheet noted \$97.00. As the supervisor's hours are a percentage, \$4.34 was added to the account to balance the entry.
- 50-601-920-8, December GL was \$1,044.67 and the payroll spreadsheet noted \$1,050. The difference is also due to the hours being a percentage and needing to balance the entry.
- 01-601-601-1, February GL shows \$81.07 but the spreadsheet did not. The division should have been 11 but was entered incorrectly. No adjusting entry was made. **Audit Issue #29**
- 12-601-902-7, December GL does not show any dollar amount but the payroll spreadsheet shows \$96.72. This was erroneously entered into account 12-601-642-3. No correcting entry was done. **Audit Issue #29**
- In October, a computer glitch happened while entering the field employee's work order journal entry. Work orders were entered into the appropriate accounts and while LRWC was trying to reverse some entries they accidentally entered them again into the account. A reversing entry for both amounts (they correctly entered amount and the erroneously entered amount) were removed and put back into the division 50 account. A step down entry was created which allocated the expenses to the 17 divisions based on customer count. **Audit Issue #29**



Audit selected the step down allocation entry for September and reviewed it in detail. The total step down amount (payroll amount less the field employees and field supervisor's work order amount) was allocated to the 17 operating divisions based on the allocation distribution percentages from December 31, 2013. No exceptions were noted.

Audit verified payroll spreadsheet 1 to the W-3, and the NDS general ledger entries for weekly payroll. However, Audit was unable to tie the W-3 to the Excel trial balance. The W-3 wage total was \$379,136. This matched the payroll spreadsheet 1 total and the NDS total. The Excel trial balance salary total, for the 17 divisions, is \$254,191.56. Audit added back in the work order total from the payroll work order journal entry spreadsheet, as those numbers were removed before the step down to the 17 divisions, and the total came to \$405,669. Audit requested several times a reconciliation between the Excel trial balance and the W-3 and did not receive one. **Audit Issue #30**

#### Payroll Timesheets

Lakes Region Water Company employed a total of ten people during the 2014 year. Seven of the employees are on hourly wages and two employees are paid a salary. One employee (Field Supervisor) was paid hourly until the fourth quarter and then moved to salary. The hourly employees are required to submit timesheets on a weekly basis, except the Field supervisor.

There were two full time field employees and one summer time field employee during 2014. Hours worked by these employees are allocated to the divisions based on actual work performed. There was one field supervisor employed during 2014. The supervisor's hours are allocated to the divisions based on the percentage of time the field employees worked at each division. Payroll for the other seven employees is allocated based on the customer count percentage.

Pay periods run Friday through Thursday and employees are paid the Friday following the close to the period. Audit selected five pay weeks ending, 1/2/2014, 3/27/2014, 6/26/14, 9/25/14, and 12/25/14 to review time sheets for. All hourly employees' time sheets for the periods selected were received and reviewed.

Audit selected the pay period ending 1/2/14 to review in detail. All hours presented on the time sheets were reconciled to the "(1) payroll entries 2014" spreadsheet. The two field employees time sheets were reconciled to the "(2) 2014-work order payroll worksheet" spreadsheet. All employees' pay stubs for hours, taxes, and other deductions, were reconciled to the payroll entries spreadsheet.

The following exceptions regarding the charging of work orders to the appropriate divisions were noted. **Audit Issue #29 and Audit Issue #1**

- 12/31/2013, 4.0 hours of Holiday Time was charged to Indian Mound per the work order spreadsheet.
- 1/2/2014, 6.0 hours was charged to Pendleton Cove on the work order spreadsheet but the employee's timesheet notes Brake Hill.

- 1/2/2014, 3.0 hours was charged to Brake Hill on the work order spreadsheet but the employee's timesheet notes Pendleton Cove.

### Affiliate Agreement

On November 5, 2013 the PUC received a letter from Lakes Region's attorney, Upton & Hatfield, dated November 4, 2013. This letter was regarding Docket DW 13,041 and states;

*"Please note that Order No. 25,578 required that the Agreement be revised to provide that LRW Water Services pay Lakes Region Water Company (\$50 per hour) for services it purchases, which is the same rate that LRW Water Services charged its customers in 2009. However, the \$50 per hour rate is a retail rate which would require LRW Water Services to re-sell the services it purchases at no gain or a marginal loss. As a result, LRW Water Services has discontinued purchasing services from Lakes Region Water Company under the Affiliate Agreement and has no plans to do so going forward. This decision was made by LRW Water Services solely for financial reasons."*

During Audit's review of the payroll activity, some of the work orders noted that the work performed was for water services. Audit questioned the work being completed for the service company as the attorney's letter states that LRWC was no longer going to be hired.

LRWC's response was that they did not follow through with the Attorney's letter and have continued performing work for water services.

### LRW Water Service Billing

Audit requested the December billing for worked performed by LRWC for LRW Water Services. LRWC provided the December and November invoices and journal entries.

The December invoice was verified to the (2) 2014-work order payroll worksheet and all hours worked for Services were billed. The hourly rate billed to Services was per the Affiliate Agreement.

The journal entry for the December bill was entered on January 6, 2015, the same day as the November bill was journalized for the incorrect amounts. The journal entries were based on a spreadsheet titled "LRWS 2014 workorder worksheet for invoice creation work orders" and erroneously listed 6 hours worked in December under the month of November.

LRWC provided the November billing to show that the total of the December and November invoices combined, equals the November and December journal entries.

Audit began to reconcile the November invoice to the (2) 2014-work order payroll worksheet and found what appeared to be 13.5 unbilled hours. Audit questioned why the hours did not appear on the invoices. LRWC researched the supporting detail and found that four hours from November 14 and 15 should have been billed. The remaining 9.5 hours were erroneously marked as Service work performed on the spreadsheet. LRWC provided the work orders for the 9.5 hours to Audit, which showed the work was actually performed for LRWC.

Lakes Region will invoice Services for the 4 November hours not billed. The additional revenue from the billing will be \$200. **Audit Issue #31**

### Employee Benefits

LRWC offers health and dental insurance to their employees. Health insurance for the employee is covered 100% by the company. If the employee wishes to carry their spouse on the insurance, the employee is responsible for the cost.

One employee receives health insurance through their spouse's employer and receives a "benefit substitute" on their weekly paycheck. The benefit substitute is the amount (approximately \$400 a month or \$100 a week) the company would pay the insurance company to cover the employee. Even though the employee is not covered by LRWC insurance they are still eligible for the fully covered health care costs. A total of \$298 was paid to the employee during 2014 for the benefit substitute, as they didn't begin employment with Lakes Region until August.

### Fringe Benefits

During Audit's review of the insurance policies, it was noted on an insurance audit that was performed that spouses and children have access to company vehicles. Per the IRS fringe benefit rule [Publication 15-B (2014)], employees use of company vehicles shall be taxed and noted on the employee's W-2. Audit could not verify that LRWC employees were taxed for the benefit. **Audit Issue #32**

### Christmas Bonus

The payroll for week 51, with the ending date of 12/18/2014, included \$3,736 in Christmas bonuses. **Audit Issue #24**

### Payroll Accrual

Lakes Region did not accrue any payroll or vacation time in 2014. Payroll accruals were not needed due to December 31 landing on Wednesday and the final pay period of the year ending on Thursday, January 1. Vacation time was also not accrued due to earned time not being carried forward into the next year. It needs to be used in the calendar year it was earned.

### 53 Pay Periods

Lakes Region's payroll had 53 weeks due to the pay periods closing at the very beginning of the calendar year and at the very end. Week 1 pay period was for 12/27/2013 through 1/2/2014. The payroll expense for week one was \$7,076. Week 53 pay period was for 12/26/2014 through 1/1/2015 and the payroll expense was \$7,351. **Audit Issue #33**

### General

Audit was informed that all employees (at the time of the audit fieldwork) have a minimum license to operate a water utility, including the office staff who are certified as basic water inspectors and meter readers. Three field personnel are licensed at a basic level and also

authorized for sampling, pump house inspection, and meter reading. Two field personnel are certified at all levels and are authorized to cross train. One field person has moved from seasonal to full time and is currently taking a course to obtain his water operator's license.

## **TAXES**

### **Federal Income Taxes**

Audit verified that the Accumulated Deferred income tax figure noted on the annual report schedule F-45 of \$190,070 agrees with the NDS general ledger account 50-280-283-0, Deferred Income Tax-Other.

Audit verified that the deferred income tax expense figure on the annual report schedule F-45 of \$18,781 agrees with the NDS general ledger accounts:

50-850-410-1, Federal deferred	\$14,634
50-852-410-1, State deferred	<u>\$ 4,147</u>
Account total:	\$18,781

Audit reviewed the Federal income tax return and noted no tax due on the return. The Federal income tax return was signed and dated May 29, 2015. There were no late filing assessments noted, either on the forms or on the general ledger. The zero balance due agrees with the NDS general ledger account 50-235-236-1, Accrued Federal Income Taxes, as summarized on the annual report schedule F-38.

1/1/14 beginning balance:	\$(2,190)
Federal Taxes charged during the year	\$(3,810)
Federal Taxes paid during the year	<u>\$ 6,000</u>
Ending Balance of account 50-235-236-1	\$ -0-

The \$3,810 was expensed in account 50-850-409-1 (offset to the Accrued tax account above) with a notation that it cleared an under-accrual related to 2013. The entry was booked in March 2015. **Audit Issue #34**

### **State Income Taxes**

Audit reviewed the New Hampshire State Business Enterprise/Profits tax form for the test year. The Return combines the Business Enterprise Tax (BET) and Business Profits tax (BPT) and the following is a breakdown of the tax calculations:

Tax calculation- BET	\$ 7,699
Tax calculation- BPT	<u>\$ 3,186</u>
Total tax Due for 12/31/2014:	<b>\$10,885</b>
Less: Payment W/Ext	\$ (3,250)
Less: BET Credit	\$ (3,186)
Plus: Penalty, Interest	\$ 47
Plus: Penalty, Failure to Pay	\$ 445
Plus: Penalty, UPE	<u>\$ 208</u>
Balance of NH Tax (paid in 6/2015)	<b>\$ 5,149</b>

Audit verified the 2014 NH Business taxes to NDS general ledger account 50-235-236-2, Accrued NHBPT, as summarized on the annual report schedule F-38.

1/1/14 beginning balance:	\$ (9,167)
State taxes charged during the year:	\$ (6,216)
State taxes paid during the year:	<u>\$ 22,256</u>
Ending Balance of account 50-235-236-2	\$ 6,873

The \$6,216 was expensed in account 50-852-409-1 (offset to the Accrued tax account above) with a notation that it cleared an under-accrual related to 2013. The actual amount paid to the state during the test year, according to the return above, was \$3,250 plus \$700 in penalties. Therefore, the expense for the year, \$6,216 is overstated by \$2,966 (excluding the penalty). Of the \$2966, \$2,883 was related to tax year 2013. The entry was booked in March 2015. **Audit Issue #34**

The actual tax calculation on the NH tax return is different from the NDS general ledger because the GL accounts are compiled (estimated) before the NH tax is due (actual). The NH State Return was signed and dated May 31, 2015. The balance of tax including all penalties was paid June 1, 2015.

#### Municipal Property Taxes

The property tax expense for the test year noted in the filing included \$18,793 for the State Utility Property tax and \$28,722 for municipal property taxes for a total of \$47,515. This sum was noted on schedule F-38, Accrued and Prepaid Taxes in the annual report as the amount of taxes charged during 2014. The prepayment beginning balance \$11,783 on F-38 tied to the 2013 end of year balance in the prepaid tax account. All totals agree with F-38 and the filing actuals. All figures noted were verified to the general ledger accounts of all divisions, XX-683-408-8 without exception.

Audit verified that the expense total represented prepayments from the prior tax period, the full first issue 2014, and the second issue total tax year figure municipal invoices. In addition, it was noted that none of the municipal property tax invoices included the statewide portion of the municipal tax.

Audit noted during the test year review that two parcels in Tuftonboro NH were sold by Lakes Region Water. The Company petitioned the Commission on October 28, 2013 for permission to sell the properties. The Commission approved the sale by Order 25,619 in docket DW 13-308 on January 9, 2014.

The two properties were identified as Lot F-17 and Lot F-16 which contains an inactive well that was taken out of service due to low yield and high turbidity. The Company retained the easement on lot F-16 to use the well if it is needed in the future.

The request was approved by the Commission on January 9, 2014 and both properties were sold on 2/14/2014 for the approved sale price of \$32,000. Property taxes paid in 2014 for both properties totaled \$263. The sales information from the Settlement Statement (HUD) was

verified to the general ledger account 05-480-414-0. The \$263 is a non-recurring expense, and the income from the sale, \$32,000 is a non-recurring revenue source. **Audit Issue #25**

### Utility Property Tax Return

Audit verified that the expensed portion of the Utility Property tax for tax year 2014 represented 3 months of the 2013 assessment and nine months of the 2014 assessment, in accordance with RSA 83-F.

In accordance with RSA 83-F, the Company calculated the utility property tax for tax year 2014 to be \$18,793. The form outlined an additional \$250 Financial Statement Penalty which is owed to the State of New Hampshire for tax year 2013. Audit was informed that the tax return was completed and filed on January 15, 2015. The total amount due included the penalty, and amounted to \$19,043. The penalty portion of the return was not included in the calculation of the property tax expense for the test year. The Utility Property tax due, \$18,793 was verified to the general ledger XX-683-408-8. The 2013 Filing penalty of \$250 was included in general ledger account- XX-730-427-0.

Audit was informed that the \$19,043 was not paid by the due date of 1/15/2015 but was paid in September 2015. Two payments were made on 9/11/2015 totaling \$11,605.86 and another payment was paid on 9/15/2015 of \$12,135.46. The total payments \$23,741.32 include the \$19,043 and additional estimated payments for 2015. Audit asked LRWC why the payment was not sent by the due date of 1/15/2015 and the Company response was it was an oversight by the office manager.

### Prepaid Property Taxes

The PUC annual report and filing Schedule 2 reflect a prepaid tax total of \$11,727. The total was verified to the NDS general ledger account 50-140-163-1. As noted previously, the prepayment represents one half of the final 2014 property tax bills.

### Payroll Taxes

Audit reconciled the Federal Income Tax withheld, Social Security Tax withheld, and the Medicare Tax withheld on the W-3 to the "(1) payroll entries 2014" Excel spreadsheet. The total payroll taxes of \$69,356 also ties to the individual journal entries in general ledger account 50-230-236-0.

Audit noted that a payroll tax late interest payment was included in the Interest to vendors (discussed in the Debt portion of this report). A total of \$4,608 was identified as interest on payroll taxes due.



## **REPEAT AUDIT ISSUE #1**

### **Allocation Percentages**

#### **Background**

The books and records of LRWC have been set up by Norman Roberge to include one administrative division and seventeen operating divisions. Generally, costs that should not be direct charged are posted to Division 50 (Administrative), and then at a later time allocated. For the test year LRWC accounting allocated to 17 divisions. The allocations are based on average customer count.

#### **Issue**

As in the previous audit (for test year 2009), Audit questioned why the books and records consisted of 17 separate operating divisions.

It is understood that Paradise Shores must maintain books and records as a stand-alone system, due to the POASI special contract.

It is also understood that for continuing property record details of plant in service, specific site location details are required.

However, in docket DW 05-137 and then DW 08-070, consolidated tariff rates were approved, eliminating the need for maintaining every system as a separate division.

#### **Audit Recommendation**

The Company must comply with Commission Orders which required centralization of the accounting function through the consolidation of rates.

Audit suggests that during this rate case proceeding LRWC accounting and management discuss with Commission Staff and other parties the desire to simplify their record keeping. The time spent by the Company staff, to follow the spreadsheets created for the allocations, is not a prudent use of ratepayer funds.

In response to Audit Issue #1 in the 2009 rate case audit, the Company responded (in part):

*The Company has over the years conducted many internal management reviews of its accounting processes on the view of simplification and has found it very difficult to “simplify” in the face of the Company’s need for internal management data for individual systems and the need to provide the Commission with data when the Company applies for any rate relief.*



*The Company has found over the last 20 years that it is easier to maintain separate divisions as the Company moved from 7 divisions with 4 rates to 13 divisions with 7 rates then to 13 divisions with 2 rates then to 17 divisions with 5 rates then to the 17 divisions with 2 rates.*

*Currently the Company must maintain divisional information on Paradise Shores due to the special contract with POASI... The Company finds it easier to accumulate the operating divisions into a single total by expense than it is to separate a total into its various operating divisions as it would likely be required to do by some data request in some proceeding.*

### **Company Comment**

The Company maintains divisional accounting for management purposes. The separation of divisions allows management to compare division expenses year over year and also compare within the year to similar divisions. This is required for prudent management of the separate systems.

### **Audit Response**

Audit appreciates the Company's response, but reminds the Company that the consolidation of rates eliminated the need to maintain each system on an individual stand-alone basis. Consolidation should have resulted in a cost savings to the company.

## **Repeat Audit Issue #2**

### **Lack of Physical Inventory**

#### **Background**

For the test year ending 12/31/2014, Schedule F-22 of the PUC annual report, shows a balance of \$4,717, a decrease from the 2013 balance of \$9,579. The 2014 amount agrees with the filing, Schedule 2, submitted by the Company.

#### **Issue**

Despite the inventory balance noted on the balance sheet changing during the test year, the Company indicated that it does not conduct physical inventories.

#### **Recommendation**

As was noted in the DW 10-141 audit issue #7 of the prior audit, “[t]he Company accepts Audit Recommendation for Audit Issue #7. The Company is striving to have physical inventories on an annual basis.”

The Company must comply with the chart of accounts and ensure that the reported balance sheet account for inventory accurately reflects the value of the inventory on hand.

#### **Company Response**

The Company will complete a physical inventory for the year ending 12/31/15 and every year thereafter.

#### **Audit Response**

Audit again agrees with the Company’s response. However, the issue has been identified in each of the last four rate case audits, beginning with DW 02-156 for test year 2001. Audit requests that the Company conduct the inventory by the end of January 2016 and provide a copy of the inventory and results, along with any journal entries, to Audit within two weeks of completion of the inventory.

## **AUDIT ISSUE #3**

### **Prepaid Accounts**

#### **Background**

Lakes Region used the Prepaid-Other account for items such as system monitoring services, and insurance.

#### **Issue**

At the end of 2014 adjustments were made to the prepaid account for propane. Propane is paid by the delivery.

#### **Audit Recommendation**

The adjustments for propane should not appear in the prepaid account as they are not prepaid expenses.

#### **Company Comment**

The propane account had been set up due to previous suggestions by Audit. However, the Company is in agreement to fully expense propane at the time of purchase.

#### **Audit Response**

Audit reviewed the prior four rate case audit reports and was unable to locate references to propane, expenses or prepayments. Audit does concur with the Company that expensing the purchase of propane is appropriate if the purchase is based on the actual fuel delivery. If the decision is made to pre-buy the propane for any extended period of time, the pre-purchased portion should be booked as a prepaid expense.

## AUDIT ISSUE #4

### Deferrals and Related Offsetting Accounts

#### Background

Negotiated reductions to amounts owed to Legal and Accounting service providers were recorded in the Company's general ledger.

As discussed in the testimony of Mr. St. Cyr, \$32,019 represents the negotiated reduction to the \$81,921 deferral related to DW07-105. The balance and activity was noted in account 186-3. Total debits of \$37,509 and total credits of \$69,528 net to the stated reduction of \$32,019.

#### Issue

The debit total of \$37,509 was traced to a year-end entry LRWYE14-389, which increased the two deferred accounts and reduced the Regulatory Commission expense account. The one debit entry to account 186-4 of \$5,469 was identified as a final adjustment to vendor credits.

<u>Debit 50-153-186-3</u>	<u>Debit 50-153-186-4</u>	<u>Credit 50-665-928-8</u>
\$37,509.18	\$ 5,468.75	\$42,977.93

Audit also reviewed year-end entry LRWYE14-357 which identified the credit totals for both 186-3 and most of 186-4, which were offset to Non-utility Income, reducing that account by \$78,542:

	<u>Credit 50-153-186-3</u>	<u>Credit 50-153-186-4</u>	<u>Debit 50-490-421-0</u>
Shaheen	\$27,689.23	\$3,605.00	\$31,294.23
St. Cyr	\$ 6,916.56	\$ 288.75	\$ 7,205.31
Roberge	\$ 7,210.00	\$ 360.00	\$ 7,570.00
Upton	<u>\$27,712.62</u>	<u>\$4,760.00</u>	<u>\$32,472.62</u>
Total	\$69,528.41	\$9,013.75	\$78,542.16

The activity in the 186-5 account was reviewed. The beginning balance of \$59,501.11 was credited by year-end entry LRWYE14-358. The debit posted to Regulatory Commission Expense 50-665-928-8, but was not included in the proforma reduction to that account.

Finally, activity within account **186-1**, which reflected both debits and credits in the amount of \$104,774 reflected zero at year end. Audit requested clarification of offsetting entries. Subsequent requests for clarification were made as to why certain entries were booked and to what offsetting accounts, but were not adequately answered.

### **Audit Recommendation**

The Regulatory Commission Expense account 50-665-928-8 should have reflected a proforma reduction of \$16,523, which is the net of the \$59,501 debit and \$42,977 credit.

The \$78,542 negotiated reductions should not have reduced the Non-utility Income, rather should have reduced the Accounts Payable balance. A request for the reasoning behind the credit to Non-utility Income has not been answered as of the date of this report.

Finally, the \$104,774 activity noted in the Deferred account 186-1 could not be traced to offsetting accounts. On November 9, 2015 the Company provided the response below.

The Company must be able to support and explain the entries made to the books and records. Further, the activity within all accounts must comply with applicable USoA standards.

### **Company Comment**

Since the last rate case DW 10-141 the Company has had several deferred rate items on its books. In previous years the Company maintained all of its deferred rate expenses in one general ledger account 50-153-186-1, at the beginning of 2014 the Company reclassified the deferred rate expenses from 50-153-186-1 to accounts 50-153-186-2, -3, -4, and -5.

50-153-186-2 was for DW 10-141 and ended the year with a zero balance after the final transfer to rate case expenses that matched the authorized revenue from the rate case surcharge for DW 10-141.

50-153-186-3 held the NHPUC reviewed rate case expenses for case DW 07-105 and had a balance at 01/01/14 of \$81,921.

50-153-186-4 held rate case expenses that were associated with Mt. Roberts and were expected to be reviewed for potential surcharge at some time during the purchase process of Mt. Roberts.

50-153-186-5 held rate case expenses associated with DW 13-041 Petition for Emergency Rates with a balance of \$59,501 at 01/01/14

During the year the Company was successful in acquiring a loan from CoBank with NHPUC approval that would fully pay 4 professionals that had combined outstanding balances of \$433,938. The 4 vendors agreed as part of the full payment to discount their outstanding balances by a combined \$115,128. As such the Company made the net payments to the 4 professionals in the amount of \$318,810 and distributed the discount received to the following accounts:

Shaheen-Gordon \$31,294 total discount which accounted for reductions of \$27,689 in deferred rate case expense DW 07-105 (acct 50-153-186-3) and \$3,605 deferred expenses -Mt Roberts (acct 50-153-186-4)

St Cyr \$14,875 total discount which accounted for reductions of \$7,205 in deferred rate case expense DW 13-041 (acct 50-153-186-5) and \$7,670 reduction in operating expense account number 50-631-623-8 accounting.

Roberge \$36,486 total discount which accounted for reductions of \$4,330 in deferred rate case expense DW 07-105 (acct 50-153-186-3), \$2,880 in deferred rate case expense DW 13-041 (acct 50-153-186-5), \$360 in deferred expense Mt Roberts (acct 50-153-186-4) and the balance of \$28,916 to operating expense account 50-631-623-8 accounting.

Upton Hatfield \$32,473 total discount which was fully applied as a reduction of DW 13-041 (acct 50-153-186-5)

Prior to finalizing its 2014 annual report the Company determined that a portion of its deferred rate case expenses would not be approved by NHPUC. This caused the Company to reduce its deferred rate case expenses for DW 13-041 (acct 50-153-186-5) to zero by a transfer to operating expense – regulatory expense (acct 50-665-928-8) in the amount of \$16,943

### **Audit Response**

Audit appreciates the Company summarizing each of the deferred accounts. However, the indication that “*in previous years the Company maintained all of its deferred rate expenses in one general ledger account 50-153-186-1, at the beginning of 2014 the Company reclassified the deferred rate expenses from 50-153-186-1 to accounts 50-153-186-2, -3, -4, and -5*” is incorrect. Audit requested and was provided with the NDS activity for the six deferred rate case expense accounts. The following summarizes each year-end balance since 2010:

		12/2010	12/2011	12/2012	12/2013	12/2014
50-153-186-1	Deferred Rate Case Expenses	\$ 79,114	\$ 188,587	\$ 420	\$ -	\$ -
50-153-186-2	Def Rate Exp DW10-141	\$ -	\$ -	\$ 152,966	\$ 77,389	\$ -
50-153-186-3	Def Rate Exp DW07-105	\$ -	\$ -	\$ 81,921	\$ 81,921	\$ 49,902
50-153-186-4	Def Rate Exp Mt Roberts	\$ -	\$ -	\$ 9,014	\$ 9,434	\$ 5,469
50-153-186-5	Def Rate Exp DW13-041	\$ -	\$ -	\$ 7,678	\$ 59,501	\$ -
50-153-186-6	Def Rate Exp DW Open	\$ -	\$ -	\$ -	\$ -	\$ -
	Year-end Totals	\$ 79,114	\$ 188,587	\$ 251,998	\$ 228,245	\$ 55,371

Audit also reviewed seventeen divisions plus the administrative division detailed general ledger accounts relating to all deferred accounts, accounting expense accounts, and general law expense accounts.

### **Regarding the vendor discounts:**

Shaheen	\$ 31,294.23
Upton & Hatfield	\$ 32,472.62
Roberge	\$ 36,486.00
St. Cyr	\$ 14,874.67
Total Discount	\$115,127.52

Original entries (summarized) booked in July 2014:

Debit Accounts Payable total #50-210-231-1	\$115,127.52	
Credit Deferred Rate Expense #50-153-186-1		\$(66,227.15)
Credit 923 Accounting #50-631-923-8		\$(38,842.98)
Credit 923 General Law #50-634-923-8		\$(10,057.39)

Entries (summarized) booked in September 2014:

Debit Deferred Rate Expense #50-153-186-1	\$66,227.15	
Debit 923 Accounting #50-631-923-8	\$38,842.98	
Debit 923 General Law #50-634-923-8	\$10,057.39	
Credit Non-utility Income #50-490-421-0		\$(115,127.52)

Entries (summarized) booked in March 3, 2015:

Debit Non-utility Income #50-490-421-0	\$78,542.16	
Credit Deferred DW07-105 #50-153-186-3		\$(69,528.41)
Credit Deferred Mt Roberts #50-153-186-4		\$ (9,013.75)

Entries (summarized) booked in March 9, 2015:

Debit Deferred DW07-105 #50-153-186-3	\$37,509.18	
Debit Deferred Mt Roberts #50-153-186-4	\$ 5,468.75	
Credit Reg. Commission Expense #50-665-928-8		\$(42,977.93)
Debit Reg. Commission Expense #50-665-928-8	\$59,921.11	
Debit Deferred Mt Roberts #50-153-186-4		\$ (420.00)
Debit Deferred DW 13- #50-153-186-5		\$( 59,501.11)

The request for clarification of the reason for the various entries has not been addressed.

Regarding account 50-153-186-2, Audit reviewed all activity within seventeen divisional xx-632-928-8, Rate Case Expense accounts and verified that the total \$77,389.25 was offset to 50-153-186-2, Deferred Rate Expense DW10-141. There were a total of twenty six entries, the majority of which were manual adjusting entries at year-end. The expense account impact was pro-formed out of the rate case.

## **AUDIT ISSUE #5**

### **Annual Report, Filing, and Excel Sheets**

#### **Background**

Lakes Region relies on Microsoft Excel spreadsheets for support of the seventeen divisions and the Administrative division. The Company also relies on the NDS computer system to provide the general ledger detail and trial balances for all divisions.

#### **Issue**

Audit was unable to verify the Unfinished Construction account, which within the annual report showed \$102,015 but the NDS summed to \$105,505, a variance of \$3,490.

Audit was also unable to verify the reported Retained Earnings total per the annual report, filing, and Excel sheets to the NDS. The unreconciled difference was \$1,189 more on the annual report than the NDS.

In addition, the Company allocated account XX-380-217-1, Inter-division Profit Distribution, and XX-395-999-0, Inter-division Offset, among all seventeen divisions. Audit requested clarification of the two accounts and how the earnings are allocated.

#### **Audit Recommendation**

As noted in Audit Issue #1, the ongoing recordkeeping of seventeen different divisions, in addition to the Administrative division, as well as the Excel worksheets and the NDS general ledger system has resulted in variances between the books which have not been reconciled.,

The number of entries booked relating to the Retained Earnings accounts, at least 36, is symptomatic of the complexity of maintaining individual systems.

#### **Company Comment**

Issues (a) and (b) – The variances noted by Audit in (a) Unfinished Construction is a variance in Gunstock Glen account #17-180-105-0 of \$3,490. This variance was due to an error in NDS software in year 2009. The Company has accounted for this variance in every year since in its excel financial workbooks which is the source for the Annual Reports, financials and tax returns. This variance was present during audit for the DW 10-141 rate proceeding.

Variance (b) \$1,189 in Administrative division-account #50-395-999-0 Interdivision Offset is a similar NDS software error in 2009 which was present at the time of the audit for DW 10-141 and is being accounted for in a similar manner as issue (a).

Issue (c) Earnings are closed annually into the retained earnings account for each division. The Inter-division account should when added together (divisions 1-18) balance out to



zero. Each division has an inter-division account to indicate its share (positive or negative) of the common assets and liabilities such as cash and accounts payable.

The new accounting system will require the Company to balance its inter-division accounts.

### **Audit Response**

Audit appreciates that the Company recognized the out of balance CWIP and the Inter-division Offset. The Company informed Audit on 11/2/2015 at the exit conference, that the NDS system representative initially had said that the master file of the NDS could not be updated, but the NDS journals were accurate. Audit understood the discussion to be that the Company contacted NDS about adjusting the master file and was initially told that one-side corrections could not be made, but at a later date was informed that the file could be corrected, but the correction was not done.

Audit understands that the earnings should post in the manner outlined, but the out of balance between the 36 divisional accounts and the Excel file was not addressed.

Audit encourages the Company to use the Logics computer system to the fullest and ensure that any issues encountered are addressed in a timely manner.

## **Audit Issue #6**

### **Improper Long Term Debt Accounts**

#### **Background**

For the test year ending 12/31/2014, Schedule F-35 of the PUC annual report shows an outstanding balance of \$780,824. The 2014 amount agrees with the NDS general ledger accounts 50-260-225, 50-260-226 and 50-260-266.

#### **Issue**

The long term debt accounts are not listed in the PUC uniform system of accounts for water utilities.

#### **Recommendation**

The Company should use account XX-260-224 when accounting for Long Term Debt, as found in the PUC uniform system of accounts for water utilities.

#### **Company Comment**

The company will transfer balances to the 224 account in January 2016 when the new accounting system is fully implemented.

#### **Audit Response**

Audit concurs with the Company comment.

## **Audit Issue #7**

### **Commission Approval for Long Term Debt**

#### **Background**

For the test year ending 12/31/2014, Schedule F-35 (other long term debt) of the PUC annual report, shows an outstanding balance of \$138,854. The 2014 amount agrees with the NDS general ledger account.

#### **Issue**

While verifying the reported balance for the Other Long term accounts (Schedule F-35) to the Company NDS general ledger Audit noted two vehicles that were purchased in 2011 without Commission approval. The vehicles are both 2011 Ford pickups and are assigned to Administrative division (50). Docket DW 14-285, Order No. 25,753 dated January 13, 2015 states that the Company must seek prior approval for long-term debt.

#### **Recommendation**

The Company must seek approval from the Commission prior to incurring Long-term debt, as noted in Order #25,753.

#### **Company Comment**

The Company concurs with this recommendation as noted in Order No 25,753.

#### **Audit Response**

The Company did not provide Audit with a reason that the 2011 vehicles had not been part of the retroactive Commission docket noted above which, among other items, addressed and ultimately approved, the purchase of 2013 and 2014 vehicles which had been purchased with long-term debt prior to Commission approval.

## **AUDIT ISSUE #8**

### **Vendor Interest**

#### **Background**

Audit verified the total \$24,600 to general ledger accounts #XX-730-427-0. There were a total of 31 vendors, municipalities, insurance companies, credit card companies, finance companies, utilities, as well as the State of New Hampshire \$14,795 and payroll taxes \$4,608 included in the listing.

#### **Issue**

The \$14,795 State of NH interest relates to past due State Utility Property taxes for 2011, 2012 and 2013. Audit understands that the State Utility Property Taxes were paid in full in September 2015. On 10/1/2015, Audit requested clarification from the company regarding where the credit was booked for those interest expenses identified as paid, but not actually paid until September 2015. On October 30, 2015 the Company indicated that the offset posted to account 50-210-231-5, Accounts Payable-Manual.

Audit requested clarification on 10/1/2015 regarding the Payroll Tax interest incurred of \$4,608. The Company provided the response in the Comment section below, on 10/30/2015.

29 other vendors of all types were included in the listing of "Other Interest".

#### **Audit Recommendation**

The Company must focus more effort on timely and accurate cash management.

#### **Company Comment**

Issue (a) Interest Expense was Debited to Account 50-730-4270 and Accounts Payable was credited 50-210-231-5.

Issue (b) Company has submitted to Audit documentation requested in audit request #41. The following is a listing of the items included in documentation:

Notice Date	Tax Period	Amount	Date Paid
04/07/14	12/31/13	\$1,031	04/04/15
06/30/14	03/31/14	\$ 865	06/25/15
10/06/15	06/30/14	\$ 945	12/04/15
12/29/15	09/30/14	<u>\$1,767</u>	01/26/15
	Total	\$4,608	

The Company concurs that cash management is important. The Company has considerably improved its Cash Management capabilities as a result of its last rate case and refinancing. The Company expects that further improvements will be realized going forward as a result of operational, management and other improvements that have been completed.

**Audit Response**

Audit reviewed account 50-210-231-5 and was unable to verify that the \$14,795 owed to the State was included in the balance. At year-end 12/31/2014, the balance was a debit of \$5,472.

Audit asked if the employees' payroll tax payments to the IRS are current as of the date of the exit conference 11/2/2015, and was told yes, all payroll taxes are current.

## **AUDIT ISSUE #9**

### **Customer Deposits and Interest Accrual**

#### **Background**

Per the PUC 1200 rules, companies may collect deposits from customers for new residential service.

#### **Issue**

Lakes Region collected deposits but failed to accrue simple interest on the deposit per PUC rule 1203.3.

Deposits were not returned to the customer or applied to any bad debt written off.

The Company assessed finance charges on outstanding deposit amounts.

#### **Audit Recommendation**

Audit notes that Lakes Region is in the process of reviewing the deposits and applying interest, returning deposits to customers and using deposits to reduce bad debt, as authorized by the 1200 rules.

Audit recommends that Lakes Region continue the process they just began and continue to follow the PUC 1200 rules regarding deposits.

#### **Company Comment**

The Company concurs with this recommendation.

#### **Audit Response**

Audit agrees with the Company comment.

## **AUDIT ISSUE #10**

### **Construction Work in Progress (Unfinished Construction)**

#### **Background**

The filing Schedule 2.1 reflects a total Unfinished Construction balance of \$102,015.

#### **Issue**

The NDS general ledger system reflects a total (of the seventeen divisions' individual Unfinished Construction accounts) of \$105,505. The NDS and the reported Unfinished Construction total vary by \$3,490. Audit traced the variance to the Gunstock Glen division which on the Excel spreadsheets shows \$14,192 but NDS shows \$10,701.

The Company indicated that the variance has existed for several years and has not been adjusted. They hope to correct the NDS with the introduction of Logics, the new computer system.

#### **Audit Recommendation**

Audit recommends that if the Company continues to maintain records in both Excel and NDS (or Logics) a reconciliation be accomplished on a regular basis, and errors cleared as identified.

#### **Company Comment**

The Company concurs with this recommendation.

The Company did find and maintained a reconciliation of the variance since its occurrence. The Company does periodically reconcile its Property, Plant, & Equipment accounts which include the aforementioned unfinished construction balance. See also the Company's comment in response to Audit Issue 5 (a).

#### **Audit Response**

Audit appreciates the Company comment, and agrees that the Company was aware of the variance. With the Logics system implementation, the Company is encouraged to clear any variances that they identify.

## **AUDIT ISSUE #11**

### **Mt. Roberts AFUDC**

#### **Background**

The Company calculated Allowance for Funds Used during Construction on costs associated with the Mt. Roberts plant additions to the Paradise Shores division 02.

The Company proposed, and booked to the NDS general ledger system, a total of \$55,820 on costs related to the plant additions for the Mt. Roberts well in the Paradise Shores division. As proposed, and booked to the Company's NDS general ledger system, the calculated AFUDC figures were booked to Additional Paid in Capital, account 50-320-207-0. One entry in the amount of \$1,309, increased the Additional Paid in Capital (to the reported \$55,820).

#### **Issue**

The rates used in the spreadsheets were 8% on one sheet and 7.5% on another sheet. Neither rate represents the Company's allowed Rate of Return or the actual cost of debt. The Company's accountant determined the rates as a blend of the two, as he considered the rate of return to be too high and the cost of debt to be too low.

Audit requested clarification of the additional credit of \$1,309 to Additional Paid in Capital, and was told that the adjustment was made after additional information was obtained. A request for further explanation resulted in the Utility Manager indicating that further information was not available.

The Company has posted the AFUDC income to the incorrect account, Additional Paid in Capital, rather than to AFUDC Income account #420.

The reported book costs of \$216,113 were not booked to the Company's general ledger at the time the costs were incurred. All of the costs (reported incurred from 2006 through 2012) were booked to the plant accounts and offset to the Additional Paid in Capital account via adjusting entries in January and February 2015 for postings in 2014. None of the \$216,113 was posted to the Unfinished Construction account.

#### **Audit Recommendation**

If the Company finances construction projects, the allowed AFUDC rate must be approved by the Commission. The Company's Utility Manager must be able to provide support for costs posted to the Company's accounting system. AFUDC costs must be offset to the appropriate income account, not the equity account. AFUDC cannot be calculated on costs not booked to the Unfinished Construction account at the time the cost is incurred, nor on costs not incurred by the Company itself.



### **Company Comment**

Issue a) The interest rates for AFUDC are below the Company's authorized rate of return on equity of 9.75% as well as below the Company's authorized rate of return of 8.39%. *See Order No. 25,391, Page 16.*

Issue b) After the Company recorded assets listed in middle of page 15 of this report totaling \$214,802.66 the Company found 3 invoices that had been overlooked totaling \$1,309.90 (A&L Labs \$310, Tamworth Sand & Gravel \$600, Rick Taylor \$400 less a \$0.10 error), during the same review the Company corrected previous entries made to Wells and Pumps and reclassified the same to Mains. We have attached the Journal entry LRW14-324 that records this transaction.

Issue c) All of the funds noted above to develop the Mt. Roberts project for the benefit of the Company's customers were in fact equity because the Company's Stockholders funded the improvements and calculated AFUDC on these improvements from the date of purchase until July 05, 2012 the date that the Company received NHDES approval for Mt Roberts in a non-emergency basis. The Company had on-going communications with staff concerning its intention to include AFUDC as a component of construction cost and seek approval as part of this rate case.

Issue d) The costs were not booked by the Company as they occurred because the Stockholder incurred the cost and not the Company during the time period of 2006 – 2012.

Audit Recommendation - The Company did provide spreadsheets which detailed transactions supporting the costs proposed as Additional Paid in Capital. This was made available to Audit as was supporting documentation when requested. Because the Company Stockholders funded the improvements and calculated the AFUDC on these improvements from date of purchase until July 5, 2012 when the Company received NHDES to use the wells in a non-emergency manner. Since this was not a loan and no interest expense was recorded, then there is not AFUDC income in the transaction but is fully recognized as paid in capital.

### **Audit Response**

The Company is reminded that according to the PUC Chart of Accounts, AFUDC represents financing costs incurred by the Company, not the shareholder.

## **AUDIT ISSUE #12**

### **Accuracy of Reported Mt. Roberts Asset Costs**

#### **Background**

Audit reviewed the 2014 additions to the Mt. Roberts well site in division 02, Paradise Shores.

#### **Issue**

Structures \$69,896 should be increased by \$9,834 for a total of \$79,730. The assets were in addition to those included on Mr. Mason's testimony. These assets were booked to Unfinished Construction, and because of the 2014 timing of the addition, were not reflected on the AFUDC calculation worksheets.

Wells \$187,837 should be reduced by \$7,134 and the related AFUDC \$2,236 for a total of \$178,467.

Mains \$88,055 should be reduced by \$2,389 due to lack of supporting documentation. Review of the remaining \$85,666 documentation reflected poor recordkeeping, payment details, and inability to determine if the invoice was paid and by whom.

#### **Audit Recommendation**

Audit recommends that only the supported book cost of the asset additions be included in the plant in service. Calculation of AFUDC was discussed in Audit Issue #11.

Audit is also unsure of the actual "in-service" date of the Mt. Roberts plant, as assets were added after the reported July 2012 in service date.

#### **Company Comment**

Mt. Roberts assets (non-land items) are derived from 2 sources, 1) Stockholder expenditures from 10/29/2006 through 05/01/11 and 2) Company expenditures beginning in 2012 and continuing through 2014. The Stockholder expenditures of \$216,112 and the related AFUDC of \$55,819 were recorded on the Company's books as of 04/01/14 with offsetting entry to Additional Paid in Capital. The Company's expenditures from 2012 – 2013 were recorded and reported in Work-in-Process in those years and distributed to the appropriate plant accounts in 2014 with the 2014 expenditures by the Company. It is important to note that AFUDC is limited to expenditures by the Stockholders.

Mt. Roberts in service date was April 2014. The company believes its support is accurate and documented. There were two instances on spreadsheets used for analysis and recording purposes that transactions were entered twice (not paid twice). However the company is not aware of documentation not being made available to Audit at their request. The company will conduct further review based on this Audit Issue and Recommendation noted above.

### **Audit Response**

Audit concurs with the Company that a further review of the reported costs be conducted. Audit also suggests that the costs identified in this issue be excluded from plant in service unless and until the underlying support can be provided.

Lastly, Audit verified that the net activity of the Unfinished Construction account for Paradise Shores, 02-180-105-0 was \$24,441 in 2012 and \$6,017 in 2013.

## **AUDIT ISSUE #13**

### **Original Cost vs. Retirement Cost**

#### **Background**

In 2010, pumps were retired in the amount of \$2,250. Also retired was a piece of Transportation Equipment in the amount of \$33,619.

#### **Issue**

A 5HP pump was purchased in 1979 for \$2,550. The “2014 LRW detail depr workbook” Excel spreadsheet reflected the retirement in the amount of \$2,250, leaving a balance of \$300 in the Plant account as well as the Accumulated Depreciation account.

#### **Audit Recommendation**

The Company is reminded that plant retired must be offset to the Accumulated Depreciation at the book cost of the asset.

#### **Company Comment**

In researching the retirement of the 5HP pump in Division 6 – Wentworth Cove in year 2010, it was found that the original paperwork for the retirement which included the manual entry was recorded as \$2,250 and was then carried throughout the retirement process to include detail depreciation schedules, general ledger accounts both cost and accumulated depreciation and F-8 reports in the annual 2010 Annual Report.

#### **Audit Response**

As was discussed at the exit conference on 11/2/2015, Audit recommends that the Company credit the plant account for the \$300 and debit accumulated depreciation to clear the keying error.

## **AUDIT ISSUE #14**

### **Use of the ½ Year Convention**

#### **Background**

The detailed worksheets maintained by asset by division reflect additions, retirements, annual depreciation rates, expenses, and accumulated depreciation. The spreadsheet provided to Audit included all activity from 2006 through 2014.

#### **Issue**

2011, 2012, and 2013 retirements did not reflect the ½ year convention in the year of retirement.

#### **Audit Recommendation**

The Company should record the ½ year depreciation expense for those assets retired before they are fully depreciated.

#### **Company Comment**

The company concurs with Audit's recommendation.

#### **Audit Response**

Audit agrees with the Company comment. The value of the error was not calculated for purposes of this audit.

## **AUDIT ISSUE #15**

### **Incorrect Depreciation Rates**

#### **Background**

The detailed worksheets maintained by asset by division reflect additions, retirements, annual depreciation rates, expenses, and accumulated depreciation. The spreadsheet provided to Audit included all activity from 2006 through 2014.

#### **Issue**

Audit noted that the depreciation rates were incorrect for additions to structures in 2012 which are being depreciated over 50 years, rather than 40.

Transportation assets, pickup trucks, purchased in 2012 are being depreciated over 3 years, and pickup trucks purchased in 2013 are being depreciated over 4 years. The small water booklet requires transportation equipment to be depreciated over 7 years.

Wells added in 2014 are being depreciated over 40 years, rather than 30.

Transportation assets, pickup truck and related tools, added in 2014, are being depreciated over 4 years, rather than 7.

#### **Audit Recommendation**

The Company must comply with the depreciation schedule, or provide documentation regarding the different, accelerated depreciation for vehicles. The Company must also ensure that mileage and wear and tear is not increased due to personal (and family) use of Company vehicles.

#### **Company Comment**

Depreciation rates - The Company will make sure that beginning in 2015 that all its new assets are depreciated based on the rates listed in Appendix B of the Uniform System of Accounts unless it is able to document with CPR the reason for a different rate.

Transportation assets - The Company's use of a 4 year life for a pickup truck instead of the recommended 7 years is due to the company's expansive service area (approximate 25 mile radius) which subjects the vehicles to high mileage, including rugged road surfaces during winter and early spring months which in turn shortens the vehicles useful life.

The use of Company vehicles is exclusively for business purposes. To that end, the Company felt it an unnecessary expense to maintain a use/miles driver log. There are four vehicles are issued to employees that are on call 24/7 and are required to secure the vehicle while in their use. This improves response times. Under this arrangement the vehicle is more secure than being located

in the Company's unprotected parking lot which is not fenced or staffed after normal business hours.

### **Audit Response**

Audit requests that any variance from the 1991 Small Water Booklet suggested depreciation rates be discussed and documented in the context of this DW 15-209 rate case and any resulting agreement or Order.

In addition, if the Company determines that employees are using the vehicles for personal purposes, recording that mileage usage can be recorded in a notebook, at minimal expense.

## **AUDIT ISSUE # 16**

### **Incorrect Meter Addition Total**

#### **Background**

2013 additions to the Paradise Shores system, meters, were reported to be \$9,631. Thirty-one individual CPR were provided to support the addition.

2014 additions to the Paradise Shores system, meters, were reported to be \$11,764. Thirty-eight individual CPR were provided to support the addition.

#### **Issue**

For the 2013 addition, nine Continuing Property Records did not properly reflect the support provided. Eight of the variances were less than \$1. CPR #758 total of \$2,568 is overstated by \$95.

For the 2014 addition, 38 Continuing Property Records were reviewed. 18 of the CPR summary pages did not agree with the supporting documentation. The overall error was an understatement of \$234.

#### **Audit Recommendation**

2013 Meter addition to division 02, Paradise Shores, is overstated by \$95.

2014 Meter addition to division 02, Paradise Shores, is understated by \$234.

#### **Company Comment**

2013. The total posted to Paradise Shores Division #2 meters account General Ledger A/C # 02-160-334-4 for new meters \$9,630.55 which is supported by meter CPR's #753-783. The Company believes that it has not overstated its 2013 property records. In addressing the specific issue above about CPR #758 the company has attached supporting material that totals \$2,523.93 and with further research the Company would find the additional \$55 of support for this CPR valued at \$2,569.

2014 Company concurs.

#### **Audit Response**

Audit reviewed the CPR #758 information provided. The supporting documents reflect:

Inventory Value \$2,407.50 for Work Order total of \$2,473.93. The inventory was comprised of:

Miscellaneous Inventory	\$ 853.41
RE Prescott	\$ 729.09
RE Prescott	<u>\$ 825.00</u>
Inventory	\$2,407.50



The \$825 invoice was reflected on the CPR summary sheet as \$875.

Labor	\$ 30.46
Benefits	\$ 8.89
Supervisor Labor	<u>\$ 27.08</u>
Total Labor	<u>\$ 66.43</u>
TOTAL CPR #758	\$2,473.93
Handwritten total	\$2,568.93
Variance	\$ (95.00)

## **AUDIT ISSUE #17**

### **Expense vs. Capitalization**

#### **Background**

Audit reviewed a selection of additions to plant as well as randomly selected Operations & Maintenance expenses for accurate and complete documentation and proper accounting.

#### **Issue**

Paradise Shores addition to Structures in the amount of \$69,896 (part of the Mt. Roberts and related AFUDC) was understated by:

Progress Payment to Michael Quinn \$5,000 booked to 02-630-603-1 January 2014

Payment to Tim Christian Electric \$10,000 booked to 02-630-603-1 May 2014

Both costs were booked to expense account 02-630-603-1, Miscellaneous, rather than to the Plant Structures account 02-160-304-2.

#### **Audit Recommendation**

Structures account 02-160-304-2 should be increased by \$15,000 and the Expense account should be decreased by \$15,000.

#### **Company Comment**

The Company agrees with this recommendation. The Company has recently initiated a multi-level review process of transactions (invoices etc.) to eliminate or reduce errors of this nature in the future.

#### **Audit Response**

Audit concurs with the review process and requests that the adjusting entries relating to this issue be provided to Audit once they are booked. The filing should also be adjusted to reflect the increase in plant balances and the decrease in expenses.

## **AUDIT ISSUE #18**

### **Pumps**

#### **Background**

In 2014, a total of \$47,249 was added to account 02-160-311-2. Two continuing property records related to the Mt. Roberts property. Five others did not.

#### **Issue**

Audit noted that a pump cost and related supplies in the amount of \$4,030 was included twice on CPR #39. The CPR #39 is not part of the Mt. Roberts project, thus there is no related AFUDC calculation. Therefore, the total 2014 should reflect:

Original LRW addition	\$47,249
Duplicated pump cost	<u>\$ (4,030)</u>
Adjusted Pump cost	\$43,219

Audit verified that each CPR was identified on the “2014 LRW detail depr workbook”, with a ten year asset life, with ½ year convention noted. There should have been a pump replaced, although the spreadsheet did not reflect a retirement.

#### **Audit Recommendation**

The plant total for the 2014 pump additions is overstated by \$4,030. Also, The CPR indicates that the installed pump replaced a pump, but there was no retirement noted. The value of the pump which should have been retired is unknown.

The Company must adjust the plant values by both the double accounting of the pump and the book cost of the pump that should have been retired.

#### **Company Comment**

Recommendation a) The Company will reduce its pump assets in Paradise Shores by (\$4,030) and increase its material expense by the same amount. The Company will also make corrections to CPR#39 and depreciation schedules.

Recommendation b) The Company will retire a Division 2 Pump CPR # 12 with a cost of \$2,046 placed in service in 1991 and has been fully depreciated since 2012.

#### **Audit Response**

Audit concurs with the Company comments and requests that copies of the entries be provided. The filing should also be adjusted by the overstatement and lack of retirement.

## **AUDIT ISSUE #19**

### **Tariff Rates**

#### **Background**

A portion of revenues from operating division 4, Waterville Valley Gateway, were booked to unmetered sales for Division 4 which is a metered system. The pool is charged a flat rate quarterly.

#### **Issue**

Audit reviewed the Company's tariff and noted that the pool had a minimum rate of \$363.19 per quarter, or \$1,452.76 annual charge. The sales revenue booked on the quarterly basis was in the amount of \$362.11. Lakes Region is charging less than the tariffed rate.

#### **Audit Recommendation**

While the lost revenue of \$1.08 per quarter is immaterial, Audit recommends that the Company charge \$363.19 per quarter to be in compliance with the tariff.

#### **Company Comment**

The Company acknowledges the error. The Company recommends that it continue to use the rate indicated above until the Commission order in its rate case.

#### **Audit Response**

Audit understands that the figures are small, but the only customer on this tariffed rate is being assessed at the incorrect rate. Audit also understands that this rate is under review as part of this docket, and encourages the Company to ensure the accuracy of any rate adjustment once the rate case is concluded. The Company should discuss the quarterly charge with the PUC Water division prior to the conclusion of this rate case, regarding whether or not the rate in place should be adjusted to reflect the current tariff.

## **AUDIT ISSUE #20**

### **Incorrect Presentation of Account Numbers**

#### **Background**

Audit compared the PUC annual report to the NDS general ledger accounting system to ensure accounts and totals agree.

#### **Issue**

The total miscellaneous service revenue account #471 for 2014 was \$52,620 according to the PUC annual report. Included in that total was \$26,729 booked to account #415 Revenues from Merchandising, Jobbing and Contract Work and \$100 booked to account 419 Interest and Dividend Income

Account 604, \$1,250 Source of Supply-Operations-Rents on the Annual Report was verified to account 931, General Rents in the NDS general ledger.

Account 623, \$ 75,546 Fuel or Power Purchased for Pumping on the Annual Report was verified to account 662, Purchased Power.

The PUC Annual Report did not reflect a balance in account #421, Non-utility Income. The NDS general ledger account 421 Non-utility Income reflected \$39,178 (refer to Audit Issue #4). The \$39,178 reduced the reported amount on the Annual Report expense account 923.

Outside Services account 923 on the Annual Report reflects \$45,900, while the NDS reflects \$85,077. As noted above, the variance of \$39,178 is caused by the misrepresentation of the Non-utility Income within the 923 balance.

#### **Audit Recommendation**

The Company must present the financials of the Company, as they appear on the general ledger. Misrepresentation of accounts can lead to erroneous conclusions by regulators and others.

#### **Company Comment**

The company agrees with the recommendation made by Audit.

#### **Audit Response**

Audit encourages the clear presentation of all accounts at all times, as noted in the recommendation, to ensure that the user of the annual report has a clear understanding of what the account balances represent.

## **AUDIT ISSUE #21**

### **Finance Charges**

#### **Background**

Lakes Region is approved to charge 18% annually (1.5% monthly) on balances over 30 days past due.

#### **Issue**

The 9/4/2014 finance charge was calculated based on the 60 days past due balance and not the 30 day balance. The customer was charged \$.85 when it should have been \$2.95

#### **Audit Recommendation**

Lakes Region need to make sure they are calculating all finance charges on the 30 day past due balance.

#### **Company Comment**

The company accepts the audit recommendation

#### **Audit Response**

Audit concurs with the Company comment.

## **AUDIT ISSUE #22**

### **1200 Rules**

#### **Background**

Audit conducted a billing test to ensure that customer invoices comply with the PUC 1200 rules. Specifically, PUC rule 1203.06 notes the following:

- (c) Bills shall indicate at a minimum:
  - (4) Any applicable penalty date
  - (5) The approximate date of the next meter reading
  - (6) All factors necessary to compute the charges.

#### **Issue**

The applicable penalty date was not noted on the invoices and the due date is “on receipt”.

The approximate next reading date is not stated on the invoice.

The factors necessary to compute the charges are not shown. For example, the finance charge should be broken out into a separate line item and not included in the past due amount.

#### **Audit Recommendation**

Audit recommends the Company comply with the 1200 rules and add the missing information to their customer bills.

#### **Company Comment**

The company accepts the audit recommendation. The new billing system will allow the company to be in full compliance with the 1200 rules noted above. We anticipate that by the first quarter 2016 we will be fully implemented.

#### **Audit Response**

Audit concurs with the Company and acknowledges that a rolling review of the invoices being ordered is being conducted by the Company to ensure compliance.

## **AUDIT ISSUE #23**

### **Lack of Supporting Documentation**

#### **Background**

Audit reviewed a selection of additions to plant as well as randomly selected Operations & Maintenance expenses for accurate and complete documentation and proper accounting.

#### **Issue**

The Company was unable to provide supporting documentation for the following:

- 16 workorders included in the \$69,896 addition to Structures (Mt. Roberts) totaling \$2,666 were identified on the CPR summary as “unable to locate at time of analysis”.
- Eight specific invoices were not provided for the Mt. Roberts related wells addition of \$187,837. The unsupported invoice line items sum to \$7,134. There was also \$2,236 AFUDC calculated on the \$7,134.
- David Sands \$1,000.00 in LRW account #931, on annual report account 604
- PSNH \$ 298.78 account 662
- NHEC \$ 526.90 account 662
- NHEC \$ 231.63 account 662
- Supporting documentation for bad debt write offs \$18,076 in account 904
- Offsetting support for the 7/31/2014 credit entries to accounts 50-631-923-8 and 50-634-923-8 which sum to \$48,900

#### **Audit Recommendation**

Lakes Region needs to maintain all supporting documentation for transactions for which they seek ratepayer recovery.

#### **Company Comment**

The company concurs. The Company will make every effort to provide the supporting documentation noted.

Attached is support for the \$1,000 David Sands Expense. Also attached are PSNH invoice for the \$298.78. The 2 NHEC invoices listed above should have been identified as PSNH, both invoices are attached and the proper vendor, PSNH, was paid, the proper divisions charged for the expenditure.

#### **Audit Response**

The Company provided Audit with an invoice related to Deer Cove North Corporation, which represents the \$1,000 noted as paid to David Sands. Mr. Sands owns the land on which the well is situated. LRW pays an annual rental fee of \$1,000 for water pumped from the Deer Cove well.

The \$298.78 PSNH invoice related to an accident at Bennett Rd in Freedom, NH. The invoice indicates that it should be presented to the insurance company for prompt settlement.



The Company stated on 11/2/2015 that it had not sought recovery from the insurance company for the \$298.78

Both of the NHEC invoices, so identified on the general ledger, were actually PSNH invoices, both of which were provided.

The items relating to Mt Roberts, and the bad debt remain unsupported. Refer to Audit Issue #4 for information relating to the \$48,900.

## **AUDIT ISSUE #24**

### **Below the Line**

#### **Background**

Audit randomly selected Operations & Maintenance expenses to review supporting documentation for compliance with the Chart of Accounts.

#### **Issue**

The following expenses should have been booked below the line

- Canoe Restaurant                      \$ 220 Miscellaneous Expense account 930
- Christmas Bonuses                      \$3,736 Payroll expensed

#### **Audit Recommendation**

The total of \$3,956 should have been posted below the line.

#### **Company Comment**

The Company does not agree that items listed in the Issue section above should not be recognized as “Below the line”.

We believe the modest amount spent for the Holiday lunch that brings the entire office and field personnel together is good for the morale and inter communication between departments and is to the benefit of the customer.

Company strongly disagrees with the reclassification of the Holiday Bonus as management considers this as part of employee compensation, a terrific morale booster and compensation that has never been questioned in any previous audits.

#### **Audit Response**

Audit understands that employee morale is a consideration. However, the ratepayers should not be asked to pay for these expenses.

## **AUDIT ISSUE #25**

### **Non-Recurring**

#### **Background**

Audit reviewed the expense activity for the year, to ensure the expenses are regular recurring.

#### **Issue**

The following items were deemed non-recurring:

#### **O&M Expenses**

Account 662 Transmission & Distribution Lines Expenses

- \$ 1,400 Chassis descaled
- \$ 844 Truck Trends for winter rims
- \$12,959 No lead rule

Account 930 Miscellaneous General Expenses

- \$ 1,546 Office renovation
- \$ 3,908 Loan prepayment fee

#### **Municipal Property Tax**

- \$32,000 property sale income
- \$263 Property taxes paid on sold property

#### **Audit Recommendation**

Audit recommends that the Company reflect proformas in the current rate case filing.

#### **Company Comment**

#### **O&M Expenses**

- (A) \$1,400 chassis descaler, this is periodic sand blasting of the dump truck to remove hardened debris, caused by wet sand & rocks. Company considers this expense recurring.
- (B) Purchase of truck rims from an aftermarket vendor "Truck Trends" is less expensive than purchasing a set from a Ford dealer. The additional set of rims are used to mount and set winter tires for the vehicle in order to eliminate the need to go to the tire shop to have tires changed. This is a normal expenditure. A quote from a Ford dealer for 1 rim assembly cost \$651 while Motor Trends invoice of \$844 was for 4 rims (cost of one \$211)
- (C) \$12,959 no lead rule - Company agrees that this is non-recurring, but would be open to amortization of the amount in Rate Case over a 3-5 year period.
- (D) \$1,546 Company concurs
- (E) \$3,908 Company concurs

- (F) \$32,000 Property Sale – Company concurs – this has been removed from Rate Filing, see Sch. 1E and Sch. 1 line 13 Col (E)
- (G) \$263 Company concurs

**Audit Response**

Audit reiterates the non-recurring nature of the expenses identified. A question of how frequently the descaling takes place was not answered. The swapping of winter and summer truck rims is a prudent action to take. However, as discussed at the exit conference on 11/2/2015, with each new truck purchase, a new set of second rims should not be necessary.

Audit concurs that the sale proceeds of \$32,000 were removed from the rate filing.

Lastly, amortization of the \$12,959 should be discussed and documented in the context of this rate case.

## **AUDIT ISSUE #26**

### **Expense Account Overstated**

#### **Background**

Rate Case related expenses should be deferred and then amortized over a certain period, as approved by the Commission.

#### **Issue**

Upton & Hatfield for \$1,767.50 posted to xx-631-923-8, should have posted to 186.1, Deferred Rate Case Expenses

An invoice from Mr. St. Cyr in the amount off the \$1,207.50 posted to xx-631x-923-8. \$431.25 should have been booked to account 186, Miscellaneous Deferred Debit. \$172.50 should have been booked to account 181, Unamortized Debt Expense.

An invoice from Mr. St. Cyr in the amount of \$991.88 posted to xx-631-923-8. \$258.75 should have been booked to account 186, Miscellaneous Deferred Debit. \$661.25 should have been booked to account 181, Unamortized Debt Expense.

A September invoice from Mr. St. Cyr was erroneously posted to xx-623-923-8 in the amount of \$28.75. The amount should have been booked to account 186, Miscellaneous Deferred Debit.

An invoice from Logics, in the amount of \$592 for the monthly hosting fee in November 2014 was reversed in September 2015, as the Company had not yet begun to use Logics (as of 8/15).

#### **Audit Recommendation**

Audit recommends that LRWC transfer the expense to the appropriate account, and reduce the test year expenses by a total of \$3,912.

#### **Company Comment**

Issue a) The Company has reviewed the invoice for \$1,767.50 and believes that the posting to legal expense account xx-631-923-8 was proper based both on the described services and the designation by the vendor that the services were General Advise. This vendor is very specific as to identifying services that are rate case related.

The Company concurs with issues b), c), d), and e), thereby agreeing to a reduction in test year expenses of \$3912.00 less (\$1,767.50) for a net of \$2,144.50.

#### **Audit Response**

Audit reviewed the legal invoice in question and believes that it should be deferred. Audit concurs with the remainder of the Company comment.

## **AUDIT ISSUE #27**

### **Prior Year Expense**

#### **Background**

Employees receive a medical reimbursement, of up to \$600, at the end of the calendar year for any out of pocket health expenses they incurred.

#### **Issue**

A medical reimbursement for \$285, paid in 2014, was noted as being for 2013

#### **Audit Recommendation**

Although it is a small amount, Audit recommends removing the expense from the test year.

#### **Company Comment**

The Company concurs with this recommendation

#### **Audit Response**

Audit agrees with the Company comment and understands that \$285 medical expense will be removed from the filing.

## **AUDIT ISSUE #28**

### **Timeliness**

#### **Background**

Audit reviewed all general ledger payroll transactions in detail.

#### **Issue**

The payroll journal entries are not being performed in a timely manner. The weekly payroll is journalized on a weekly basis; however, work order allocation and step downs are not.

In payroll account 50-601-920-8, the January through July payroll was entered weekly. The first step down was performed on August 5. In November and December the work orders for these months were allocated to the specific division and the administrative costs were put back into this account. In January of 2015, the final step down was performed. For the January 2014 payroll, the final step down was performed one year later.

#### **Audit Recommendation**

Audit recommends journalizing the payroll on a weekly basis and allocating the work orders and step downs on a monthly basis. The work orders should be allocated prior to the step down to prevent any excess journal entries.

#### **Company Comment**

The Company concurs.

#### **Audit Response**

Audit appreciates the Company's efforts to streamline the payroll process, and encourages those efforts. Such clarity should result in more efficient payroll processing and posting of work orders.

## **AUDIT ISSUE #29**

### **Payroll Allocation**

#### **Background**

All payroll entries are recorded to the administrative account and then a step-down is performed to allocate the costs to the seventeen operating divisions.

#### **Issue**

While allocating expenses to the corresponding divisions, they were allocated to the incorrect ones.

Also, due to a computer glitch in October work order entries were taken out of the operating divisions and placed back into the administrative account. They were then stepped down to the seventeen divisions based on customer count, even though work orders are allocated based on the work performed.

Work Orders were also being charged to different divisions than what the work order stated.

#### **Audit Recommendation**

Audit recommends eliminating the need for maintaining every system as a separate division. See Audit Issue #1.

If LRWC continues to keep records for all seventeen divisions, they must be accurate, and all allocations must be made to the appropriate divisions.

#### **Company Comment**

Management fully agrees with the Audit Recommendation for the need of maintaining accurate record keeping. See also Response to Audit Issue #1.

#### **Audit Response**

Audit reminds the Company that Audit Issue #1 relates to the excessive accounting work resulting from the continual maintenance of 17 systems as individual, non-consolidated entities.



## **AUDIT ISSUE #30**

### **Trial Balance to W-3 Reconciliation**

#### **Background**

Audit was able to reconcile the payroll spreadsheet 1 to the W-3 and to the NDS general ledger.

#### **Issue**

Audit was not able to tie the W-3 back to the Excel trial balance of the seventeen divisions. Audit requested for a reconciliation of the W-3 to the trial balance, several times, and did not receive one.

#### **Audit Recommendation**

Audit recommends keeping simplified records that will help with the reconciliation of these two reports.

#### **Company Comment**

The Company agrees that by simplifying its record keeping procedures will facilitate the reconciliation noted in the recommendation.

#### **Audit Response**

Audit was not provided with specifics regarding how the process will be simplified.

## **AUDIT ISSUE #31**

### **Service Billing**

#### **Background**

Lakes Region Water Company and LRW Water Services have an affiliate agreement. In this agreement, services can be performed by either company for the other and would be charged a set rate.

#### **Issue**

The November billing from LRWC to Water Services excluded 4.0 hours of work (\$200) performed.

#### **Audit Recommendation**

Audit recommends, and LRWC has already noted they will, invoice Water Services for the 4 hours.

#### **Company Comment**

Company concurs with Audit's Recommendation and will invoice Water Services the 4.0 hours.

#### **Audit Response**

Audit appreciates the Company's comment and suggests that the filing be adjusted by the \$200. Audit also requests a copy of the invoice and general ledger entries of the bill, as well as the payment when received.

## **AUDIT ISSUE #32**

### **Fringe Benefits**

#### **Background**

LRWC field employee's assigned vehicles are required to maintain the vehicle for emergency calls and minimal personal travel.

During Audit's review of the insurance policy, an insurance company audit noted that spouses and children had access to company vehicles.

#### **Issue**

Per the IRS Fringe Benefit rule, employee's use of company vehicles shall be taxed and noted on the employee's W-2.

Audit could not verify that employees were taxed for this fringe benefit.

Audit is also concerned with the accelerated depreciation (3 years) used for pickup trucks owned by the Company. High mileage was also noted during the Plant review portion of the audit.

#### **Audit Recommendation**

The Company should not allow family members of employees to use Company vehicles. Further, those employees who are authorized to use Company vehicles must maintain a record of the mileage used for personal rather than business purposes, so that the IRS regulations can be followed.

#### **Company Comment**

The Company does not permit family members to use Company vehicles.

#### **Audit Response**

As discussed at the exit conference on 11/2/2015, Audit understands that the access to which the insurance audit referred indicates that the vehicle would be in the employee's yard, and thus vicinity, of the employee's family, not that those family members were authorized to drive the vehicle. As indicated earlier, any use of the Company vehicle for personal purposes must be recorded for compliance with IRS regulations.

## **AUDIT ISSUE #33**

### **53 Pay Periods**

#### **Background**

LRWC pay periods run from Friday to Thursday. Employees are paid on the Friday following the close of the pay week.

#### **Issue**

The test year payroll is overstated as it includes five days from 2013 and one day from 2015.

#### **Audit Recommendation**

Audit recommends removing \$7,351 for the 53<sup>rd</sup> pay week in 2014, as this was actually paid in 2015.

#### **Company Comment**

60% of week ending 1/2/2014 (Friday 12/27, Monday 12/30, Tuesday 12/31) was accrued in 2013 and reversed in period 1 of 2014 reversing entry lrw-14-119 total \$4,244 and posted as a credit expense as follows

50-601-920-8 \$(1,703)

50-603-920-8 \$ (734)

50-602-920-8 \$(1,807)

Total \$(4,244)

Company agrees that one day, January 1, 2015, a Thursday was recorded in 2014. Total dollars \$1,470. There was \$2,038 of accrued 2013 vacation that was reversed in January of 2014 (Entry # 14-118)

#### **Audit Response**

Audit concurs with the accrual and reversal identified, and suggests that the filing be reduced by \$1,470.

## **AUDIT ISSUE #34**

### **Tax Payments Outside of the Test Year**

#### **Background**

Audit reviewed the Federal and State tax forms for 2014.

#### **Issue**

\$3,810 was expensed to account 50-850-409-1, Federal Income Tax, in March 2015 as a year-end adjusting entry for 2014. The notation on the entry was to clear an under-accrual related to 2013.

State Income tax expense of \$6,216 is overstated by \$2,966.

#### **Audit Recommendation**

Audit recommends reducing the tax expenses for the test year by \$6,776.

#### **Company Comment**

The Company concurs with this recommendation.

#### **Audit Response**

Audit and the Company agree that the test year expense should be reduced by \$6,776.

**DW 15-209  
LAKES REGION WATER COMPANY, INC.  
REVENUE REQUIREMENT FOR STEP ADJUSTMENT**

	<b>Dockham Shores Purchase</b>	<b>Dockham Shores Improvements</b>	<b>White Mountain Gateway</b>	<b>Wentworth Cove</b>	<b>Office Renovations</b>	<b>TOTAL</b>
<b>NET PLANT ADDITIONS TO RATE BASE (Schedule 2):</b>						
302 Franchise	\$ 7,581					\$ 7,581
303 Land and Land Rights	1,515					1,515
304 Structures and Improvements	7,831	53,400	41,250	33,300	136,000	271,781
307 Wells	10,894					10,894
310 Power Generation Equipment	7,830					7,830
311 Pumps and Well / Pump Meters	23,979	6,600	8,200	3,700		42,479
320 Treatment Equipment	6,350			10,000		16,350
330 Distribution Reservoirs	32,208					32,208
331 Mains	49,387		550			49,937
333 Services	3,854					3,854
334 Meters	4,124					4,124
335 Hydrants	875					875
340 Office Furniture					4,000	4,000
345	1,570					1,570
347	975					975
<b>TOTAL</b>	<b>158,973</b>	<b>60,000</b>	<b>50,000</b>	<b>47,000</b>	<b>140,000</b>	<b>455,973</b>
Less: Accumulated Depreciation	(70,030)	(998)	(931)	(781)	1,800	(70,940)
<b>NET PLANT</b>	<b>\$ 88,943</b>	<b>\$ 59,003</b>	<b>\$ 49,069</b>	<b>\$ 46,219</b>	<b>\$ 141,800</b>	<b>\$ 385,033</b>
Acquisition Adjustment	(28,943)					(28,943)
<b>TOTAL NET PLANT</b>	<b>\$ 60,000</b>	<b>\$ 59,003</b>	<b>\$ 49,069</b>	<b>\$ 46,219</b>	<b>\$ 141,800</b>	<b>\$ 356,090</b>
Return on Additions to Rate Base (Schedule 4) @ 5.63%		\$ 3,320	\$ 2,761	\$ 2,600	\$ 7,978	\$ 16,659
Depreciation Expense (Schedule 2)		\$ 1,995	\$ 1,862	\$ 1,563	\$ 3,600	\$ 9,020
State and Local Property Taxes (Schedule 3)		1,305	1,130	1,099	2,117	5,651
Total Operating Expenses	\$ -	\$ 3,300	\$ 2,992	\$ 2,661	\$ 5,717	\$ 11,370
Additional Revenue Requirement	\$ -	\$ 6,620	\$ 5,753	\$ 5,262	\$ 13,695	\$ 28,029
2015 Operating Water Revenues less Swissvale (\$1,240,494 - \$194,514)						1,045,980
<b>TOTAL REVENUE REQUIREMENT</b>						<b>\$ 1,074,009</b>
<b>PERCENTAGE INCREASE IN WATER REVENUES</b>						<b>2.68%</b>

Attachment A  
Schedule 2

DW 15-209  
LAKES REGION WATER COMPANY, INC.  
PLANT AND DEPRECIATION

**PLANT IN SERVICE**

PUC Acct No.	Description	Amount	Depreciation Rate	Annual Expense	Accum Depreciation
<b><u>Dockham Shores Purchase</u></b>					
302	Franchise	\$ 7,581			
303	Land and Land Rights	1,515			
304	Structures and Improvements	7,831			
307	Wells	10,894			
310	Power Generation Equipment	7,830			
311	Pumps	23,979			
320	Treatment Equipment	6,350			
330	Distribution Reservoirs	32,208			
331	Mains	49,387			
333	Services	3,854			
334	Meters	4,124			
335	Hydrants	875			
345	Power Operated Equipment	1,570			
347	Computer Equipment	975			
	TOTAL	\$ 158,973			
108	Accumulated Depreciation	70,030			
	Net Plant	\$ 88,943			
114	Acquisition Adjustment	(28,943)			
	TOTAL NET UTILITY PLANT	\$ 60,000			
<b><u>Dockham Shores Improvements</u></b>					
<b><u>Well Improvements</u></b>					
304	Panel, Devar & GS400	\$ 15,300	2.50%	\$ 383	\$ 191
311	2 - 2" Badger Meters	4,400	10.00%	440	220
304	Building	10,000	2.50%	250	125
304	Electrical and Plumbing	9,000	2.50%	225	113
<b><u>Pump Station Improvements</u></b>					
304	Bulkhead / Building	13,000	2.50%	325	163
311	1 - 2" Badger Meter	2,200	10.00%	220	110
304	Exhaust Fan & Transducer	1,600	2.50%	40	20
304	Plumbing	1,500	2.50%	38	19
304	Misc. Labor	3,000	2.50%	75	38
	TOTAL	\$ 60,000		\$ 1,995	\$ 998
<b><u>White Mountain Gateway</u></b>					
304	Bulkhead / Structure	\$ 9,300	2.50%	\$ 233	\$ 116
311	Booster Pumps	4,500	10.00%	450	225
304	Exhaust Fan / Transducer	1,100	2.50%	28	14
304	REPCO Panel	10,000	2.50%	250	125
311	1 - 2" Badger Meter	2,200	10.00%	220	110
311	1 - 1" Badger Meter	1,500	10.00%	150	75
331	2" Pressure reducing valve	550	2.00%	11	6
304	RTV w/Power Supply	2,500	2.50%	63	31
304	Plumbing	1,500	2.50%	38	19
304	Electrical / Labor	16,850	2.50%	421	211
	TOTAL	\$ 50,000		\$ 1,862	\$ 931
<b><u>Wentworth Cove</u></b>					
304	GS400	\$ 3,800	2.50%	\$ 95	\$ 48
311	1 - 2" Badger Meter	2,200	10.00%	220	110
311	1 - 1" Badger Meter	1,500	10.00%	150	75
304	Bulkhead / Structure	13,200	2.50%	330	165
304	Exhaust Fan / Transducer	1,100	2.50%	28	14
320	Manganese Filtration	10,000	3.60%	360	180
304	Misc. Plumbing	3,000	2.50%	75	38
304	Electrical / Labor	12,200	2.50%	305	153
	TOTAL	\$ 47,000		\$ 1,563	\$ 781
<b><u>Main Office Renovations</u></b>					
304	Building Addition	\$ 130,000	2.50%	\$ 3,250	\$ 1,625
340	Office Furniture	\$ 4,000	5.00%	200	100
304	Misc. items,wiring and equi	\$ 6,000	2.50%	150	75
	TOTAL	\$ 140,000		\$ 3,600	\$ 1,800
<b>COMBINED TOTAL</b>		<b>\$ 357,000</b>		<b>\$ 9,020</b>	<b>\$ 4,510</b>

SPSt. Cyr  
5/27/2016

**DW 15-209  
 LAKES REGION WATER COMPANY, INC.  
 TAXES**

	<u>Dockham Shores Purchase</u>	<u>Dockham Shores Improvements</u>	<u>White Mountain Gateway</u>	<u>Wentworth Cove</u>	<u>Office Renovations</u>	<u>TOTAL</u>
<b>Property Tax Expense:</b>						
Net Plant in Service (Schedule 2)		\$ 59,003	\$ 49,069	\$ 46,219	\$ 141,800	\$ 296,090
Local Property Tax Rate (per \$1,000)		\$ 15.52	\$ 16.43	\$ 17.17	\$ 8.33	
State Property Tax Rate (per \$1,000)		6.60	6.60	6.60	6.60	
Combined Tax Rate (per \$1,000)		<u>\$ 22.12</u>	<u>\$ 23.03</u>	<u>\$ 23.77</u>	<u>\$ 14.93</u>	
<b>Combined State/Local Property Taxes</b>		<u><u>\$ 1,305</u></u>	<u><u>\$ 1,130</u></u>	<u><u>\$ 1,099</u></u>	<u><u>\$ 2,117</u></u>	<u><u>\$ 5,651</u></u>

SPSt. Cyr  
 5/27/2016



**DW 08-070  
LAKES REGION WATER COMPANY, INC.  
RATE OF RETURN - STEP ADJUSTMENT**

	<u>Amount</u>	<u>Cost Rate</u>	<u>Annual Interest</u>	<u>Annual Debt Cost</u>	<u>Total Annual Cost</u>	<u>Cost Rate</u>
CoBank	<u>\$ 400,000</u>	5.27%	<u>\$ 21,080</u>	<u>\$ 1,425</u>	<u>\$ 22,505</u>	<u>5.63%</u>
Total Financing	<u><u>\$ 400,000</u></u>		<u><u>\$ 21,080</u></u>	<u><u>\$ 1,425</u></u>	<u><u>\$ 22,505</u></u>	<u><u>5.63%</u></u>

2016 CoBank Financing Costs:

CoBank origination fee	\$ 6,000			
Upton & Hatfield	15,000			
St. Cyr & Associates	<u>7,500</u>			
Total	<u>\$ 28,500</u>	20 yrs.		<u>1,425</u>

SPSt. Cyr  
5/27/2016



6450 South Fiddlers Green Circle  
Greenwood Village, CO 80111  
800-542-8072  
www.cobank.com

May 2, 2016

Mr. Thomas Mason, President and CEO  
Lakes Region Water Company, Inc.

Dear Mr. Mason:

The following information proposal is for informational purposes only and is not a commitment to lend.

---

**Borrower:** Lakes Region Water Company, Inc. ("Borrower")

**Type of Credit Facility:** A secured term loan of up to 20 years and a maximum \$400,000 (the "Loan").

**Purpose:** To finance various capital projects, acquisition of Dockham Shores Water system, term out of line of credit and miscellaneous closing and financing costs.

**Availability:** Up to 8 months after closing.

**Interest:** In accordance with one or more of the following interest rate options, as selected by the Borrower:

Weekly Quoted Variable Rate Option: Under this option, balances may be fixed at a rate established by CoBank on the first "Business Day" (to be defined) of each week. The rate established shall be effective until the first Business Day of the next week. The interest rate under this option as of 4-29-16 is 2.94%.

Quoted Fixed Rate Option: At one or more rates to be quoted by CoBank. Under this option, rates can be fixed: (1) on balances of \$100,000 or more; (2) for periods of, 6 months to the final maturity of the Loan; and (3) for each facility, on no more than 5 separate balances at any one time. The interest rate for a 20 year fully amortizing loan as of 4-29-16 is 5.27%.

Patronage: The above quoted interest rate is stated prior to the payment of patronage under CoBank's patronage program. Patronage will lower the effective interest rate by 75 basis points per annum based on the current program. The patronage program can be

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modified at any time by a vote of CoBank's board of directors, thus patronage payments are not guaranteed.

Interest will be calculated on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20<sup>th</sup> day of the following month.

Notwithstanding the foregoing, during the continuance of a default, interest shall accrue at 4% in excess of the rates that would otherwise be in effect.

**Origination Fees:**

Four thousand dollars payable at closing.

**Principal Repayment:**

In consecutive monthly installments, each due on the 20<sup>th</sup> of the month, with the first installment due on the 20<sup>th</sup> day of the second month following the month in which the availability period ends. The amount of each installment shall be the same principal amount that would be due and payable if the Loan was payable in level installments of principal and interest and such schedule was calculated using the "CoBank Base Rate" (to be defined) on the date of the loan agreement; provided, however, that if on the date the Loan is made, the Borrower fixes the rate of interest on the entire principal amount of the Loan to the final maturity date thereof, then the rate utilized in calculating the amortization schedule shall be the rate of interest accruing on the Loan.

**Prepayment:**

Balances bearing interest at the Weekly Quoted Variable Rate Option may be prepaid without premium. Balances bearing interest at the Quoted Fixed Rate Option may be prepaid upon payment of a premium equal to the present value of CoBank's "Funding Losses" as defined in the Master Loan Agreement (MLA) plus a yield of .50% on a per annum basis.

**Capitalization:**

The Loan will be capitalized in accordance with CoBank's bylaws and its capital plan. As such it will be eligible for patronage refunds.

**Collateral:**

The Loan will be secured by a perfected priority lien on and security interest in all real and personal, tangible and intangible, present and future assets of the Borrower including a deed of trust or mortgage with evidence of title (in a form to be determined by CoBank) subject only to those exceptions approved by CoBank.

**Documentation:**

The Loan would be subject to the negotiation, execution, delivery, and, where appropriate, recording of loan and loan related documentation (including exhibits, opinions, and security documentation) satisfactory to CoBank and its counsel in its or their sole discretion. In addition, all other matters whatsoever relating to the credit or the closing thereof must be approved by CoBank and its counsel in its or their sole discretion. Without limiting the foregoing,

Page 3

the loan documentation shall include conditions precedent, representations and warranties, covenants, events of default, remedies upon default, and various miscellaneous provisions.

**Representations  
and Warranties:**

Including, without limitation, representations and warranties as to organization; good standing and qualification; authorization of borrowing; compliance with law; financial condition; title to properties; liens; no material adverse change; litigation; payment of taxes; governmental regulations; disclosure; licenses; trademarks; and patents.

**Financial Covenants:**

As stated in the existing MLA

**Negative  
Covenants:**

As stated in the existing MLA.

**Reporting  
Requirements:**

The Borrower will be required to deliver:

- Annual reviewed financial statements within 120 days of each fiscal year end.
- If requested by CoBank - Quarterly, company prepared, interim financial statements within 60 days of close of the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> fiscal quarters.

**Expenses and  
Indemnification:**

The Borrower will indemnify CoBank against all losses, liabilities, claims, damages, or expenses relative to the Credit Facility or the use of loan proceeds. All reasonable costs and expenses incurred by CoBank in connection with this transaction including, without limitation, all legal fees and expenses for CoBank's legal counsel, shall be paid by the Borrowers.

**Defaults:**

As stated in the existing MLA.