

Lakes Region Water Company

2007 Actual Rate of Return Calculation

	<u>12/31/2007</u>	<u>Restated 12/31/2006</u>	<u>Average</u>
Plant in Service	\$3,202,375	\$2,874,927	\$3,038,651
Accumulated Depreciation	<u>(982,514)</u>	<u>(959,515)</u>	<u>(971,015)</u>
Net Plant	\$2,219,861	\$1,915,412	\$2,067,637
Utility Plant Acquisition Adjustment	<u>(\$120,959)</u>	<u>(\$127,059)</u>	<u>(124,009)</u>
Total Net Utility Plant	\$2,098,902	\$1,788,353	\$1,943,628
Material & Supplies	45,175	51,649	48,412
Prepayments - Other	35,113	38,242	36,678
Prepaid Taxes	3,235	2,753	2,994
Accrued Taxes	1,575	(5,663)	(2,044)
Accumulated DIT - Depreciation	(105,511)	(105,511)	(105,511)
Net Contribution in Aid of Construction*	<u>(406,094)</u>	<u>(338,260)</u>	<u>(372,177)</u>
Subtotal	\$1,672,395	\$1,431,563	\$1,551,979
Cash Working Capital (\$593,254 x .2055)			<u>121,914</u>
Total Average Rate Base			<u>\$1,673,893</u>
Net Operating Income			<u>\$68,895</u>
Actual Rate of Return			<u>4.12%</u>
Authorized Rate of Return			<u>8.23%</u>
Required Net Operating Income			<u>\$137,761</u>
Additional Net Operating Income Required			<u>\$68,866</u>

* Net Contribution in Aid of Construction has been reduced by \$200,000 and \$86,795 in 12/31/2007 and 12/31/2006, respectively, due to the related plant being under construction.

Source: 2007 PUC Annual Report