

**DW 08-070
LAKES REGION WATER COMPANY, INC.
REVENUE REQUIREMENT - STEP 3**

	Paradise Shores	Hidden Valley	GG/BH - Interconnection		TOTAL
			Gunstock Glen	Brake Hill	
303 Land	\$ -	\$ -	\$ -		\$ -
304 Structures and Improvements	-	22,635	40,917	31,611	95,163
307 Wells	-	40,517	-		40,517
311 Pumping Equipment	-	13,472	5,870		19,342
330 Distribution Reservoirs	-	791	798		1,589
331 Mains	-	47,733	37,189		84,922
333 Services	-	-	-		-
334 Meters	-	2,575	-		2,575
335 Hydrants	-	-	-		-
339 Other	-	1,085	-		1,085
341 Vehicles	-	-	-		-
343 Shop Equipment	-	-	-		-
347 Miscellaneous	-	-	-		-
TOTAL	\$ -	128,808	84,774	31,611	245,193
Less: Accumulated Depreciation	-	(2,209)	(1,186)	(395)	(3,790)
NET PLANT IN SERVICE	-	126,599	83,588	31,216	241,403
Less: NET CIAC	-	-	-	-	-
NET PLANT IN RATE BASE	\$ -	\$ 126,599	\$ 83,588	\$ 31,216	\$ 241,403
Cash Working Capital (75/365)	-	-	-	-	-
TOTAL RATE BASE	\$ -	\$ 126,599	\$ 83,588	\$ 31,216	\$ 241,403
Return on Additional Plant @ 9.27%	\$ -	\$ 11,736	\$ 7,749	\$ 2,894	\$ 22,378
Less: Marginal Revenue - Gunstock Glen (\$421.48/cust - \$239.20/cust) X 55 cust's	\$ -	\$ -	\$ -	\$ -	\$ -
O&M Expenses	-	\$ -	\$ -	\$ -	\$ -
Depreciation Expense	-	4,418	2,371	790	7,579
Amortization of CIAC	-	-	-	-	-
State and Local Property Taxes	-	981	1,092	408	2,481
Federal and State Income Taxes	-	2,608	1,722	643	4,973
Operating Expenses	\$ -	\$ 8,007	\$ 5,186	\$ 1,841	\$ 15,033
Additional Revenue Requirement	\$ -	\$ 19,742	\$ 12,934	\$ 4,735	\$ 37,411
2009 Operating Water Revenues less Swissvale and Other Operating Revenue (\$990,719 - \$131,831 - \$92,856)					766,032
TOTAL WATER REVENUE REQUIREMENT					\$ 803,443
PERCENTAGE INCREASE IN WATER REVENUES					4.88%

**DW 08-070
LAKES REGION WATER COMPANY, INC.
PLANT AND DEPRECIATION - STEP 3**

<u>PUC Acct No.</u>	<u>Description</u>	<u>Cost</u>	<u>Depreciation Rate</u>	<u>Annual Expense</u>	<u>Accum Depreciation</u>	<u>Net Book Value</u>
<u>PLANT IN SERVICE</u>						
<u>Paradise Shores</u>						
303	Land	\$ -	0.00%	\$ -	\$ -	\$ -
304	Water Tank	-	2.20%	-	-	-
304	Pump House	-	2.50%	-	-	-
331	Mains	-	2.00%	-	-	-
335	Hydrants	-	2.00%	-	-	-
	TOTAL	\$ -		\$ -	\$ -	\$ -
<u>Hidden Valley</u>						
304	Structures	\$22,635	2.50%	\$566	\$283	\$22,352
307	Wells	40,517	3.33%	1,349	675	39,842
311	Pumps	13,472	10.00%	1,347	674	12,798
330	Distribution Reservoirs	791	2.22%	18	9	782
331	Mains	47,733	2.00%	955	477	47,256
333	Services	-	2.50%	0	0	0
334	Meters	2,575	5.00%	129	64	2,511
339	Other	1,085	5.00%	54	27	1,058
	TOTAL	\$ 128,808		\$ 4,418	\$ 2,209	\$ 126,599
<u>Gunstock Glen</u>						
304	Structures and Improvements	\$ 40,917	2.50%	\$ 1,023	\$ 511	\$ 40,406
311	Pumps	5,870	10.00%	587	294	5,577
330	Distribution Reservoirs	798	2.22%	18	9	789
331	Mains	37,189	2.00%	744	372	36,817
333	Services	0	2.50%	0	0	0
	TOTAL	\$ 84,774		\$ 2,371	\$ 1,186	\$ 83,588
<u>Brake Hill</u>						
304	Structures and Improvements	\$ 31,611	2.50%	\$ 790	\$ 395	\$ 31,216
	TOTAL	\$ 31,611		\$ 790	\$ 395	\$ 31,216
	COMBINED TOTAL	\$ 245,193		\$ 7,579	\$ 3,790	\$ 241,403

CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

<u>Paradise Shores</u>						
304	Water Tank	\$ -	2.20%	\$ -	\$ -	\$ -
304	Pump House	-	2.50%	-	-	-
331	Mains	-	2.00%	-	-	-
335	Hydrants	-	2.00%	-	-	-
	TOTAL	\$ -		\$ -	\$ -	\$ -

DW 08-070
LAKES REGION WATER COMPANY, Inc.
REVENUE REQUIREMENT - STEP 3

<u>Hidden Valley</u>		<u>2008</u> <u>Additions</u>	<u>2009</u> <u>Additions</u>	<u>Total</u> <u>Additions</u>	<u>Additions</u> <u>subject to</u> <u>Step 1</u>	<u>Additions</u> <u>subject to</u> <u>Step 3</u>
304	Structures	13,547	9,088	22,635	0	22,635
307	Wells	40,517	0	40,517	0	40,517
311	Pumps	3,472	10,000	13,472	0	13,472
330	Distribution Reservoirs	791	0	791	0	791
331	Mains	47,733	0	47,733	0	47,733
333	Services	0	0	0	0	-
334	Meters	-	2,575	2,575	0	2,575
339	Other	0	1,085	1,085	0	1,085
TOTAL		<u>\$ 106,060</u>	<u>\$ 22,748</u>	<u>\$ 128,808</u>	<u>\$0</u>	<u>\$ 128,808</u>

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REVENUE REQUIREMENT - STEP 3

<u>Gunstock Glen</u>		<u>2008</u> <u>Additions</u>	<u>2009</u> <u>Additions</u>	<u>Total</u> <u>Additions</u>	<u>Additions</u> <u>subject to</u> <u>Step 1</u>	<u>Additions</u> <u>subject to</u> <u>Step 3</u>
304	Structures	\$36,868	\$4,049	\$40,917	\$0	\$40,917
307	Wells			0	0	0
311	Pumps	1,784	4,086	5,870	0	5,870
330	Distribution Reservoirs	505	293	798	0	798
331	Mains		37,189	37,189	0	37,189
333	Services			0	0	-
334	Meters			0	0	0
339	Other			0	0	0
	TOTAL	<u>\$ 39,157</u>	<u>\$ 45,617</u>	<u>\$ 84,774</u>	<u>\$0</u>	<u>\$ 84,774</u>

<u>Brake Hill</u>		<u>2008</u> <u>Additions</u>	<u>2009</u> <u>Additions</u>	<u>Total</u> <u>Additions</u>	<u>Additions</u> <u>subject to</u> <u>Step 1</u>	<u>Additions</u> <u>subject to</u> <u>Step 3</u>
304	Structures		\$31,611	\$31,611	\$0	\$31,611
307	Wells			0	0	0
311	Pumps			0	0	-
330	Distribution Reservoirs			0	0	-
331	Mains			0	0	-
333	Services			0	0	-
334	Meters			0	0	0
339	Other			0	0	0
	TOTAL	<u>\$ -</u>	<u>\$ 31,611</u>	<u>\$ 31,611</u>	<u>\$0</u>	<u>\$ 31,611</u>

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**DW 08-070
LAKES REGION WATER COMPANY, INC.
TAXES - STEP 3**

	<u>Paradise Shores</u>	<u>Hidden Valley</u>	<u>Gunstock Glen</u>	<u>Brake Hill</u>	<u>TOTAL</u>
Property Tax Expense:					
Net Plant in Service	\$ -	\$ 126,599	\$ 83,588	\$ 31,216	\$ 241,403
Assessment Adjustment Percentage	65.00%	65.00%	65.00%	65.00%	65.00%
Adjusted Assessment Level (65%)	\$ -	\$ 82,290	\$ 54,332	\$ 20,290	\$ 156,912
Local Property Tax Rate (per \$1,000)	\$ 4.87	\$ 5.32	\$ 13.50	\$ 13.50	
State Property Tax Rate (per \$1,000)	6.60	6.60	6.60	6.60	
Combined Tax Rate (per \$1,000)	\$ 11.47	\$ 11.92	\$ 20.10	\$ 20.10	
Combined State/Local Property Tax	\$ -	\$ 981	\$ 1,092	\$ 408	\$ 2,481
Income Tax Expense:					
Return on Additional Plant	\$ -	\$ 11,736	\$ 7,749	\$ 2,894	\$ 22,378
Less: Marginal Revenue - Gunstock Glen (\$421.48/cust - \$239.20/cust) X 55 cust's	-	-	-	-	-
Less: Annual Interest Expense	-	-	-	-	-
Net Income before Taxes	-	11,736	7,749	2,894	22,378
Effective Tax Rate	22.23%	22.23%	22.23%	22.23%	22.23%
Combined Federal/State Income Taxes	\$ -	\$ 2,608	\$ 1,722	\$ 643	\$ 4,973

**DW 08-070
LAKES REGION WATER COMPANY, INC.
RATE OF RETURN**

	<u>Amount</u>	<u>Cost Rate</u>	<u>Annual Interest</u>	<u>Annual Debt Cost*</u>	<u>Total Annual Cost</u>	<u>Real Cost Rate</u>	<u>Weighted Average</u>	<u>Weighted Average Cost</u>
Shareholder Loan	\$ -	7.25%	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%
TD Banknorth	193,244	7.47%	14,435	-	14,435	7.47%	21.06%	1.57%
Additional Paid-in Capital	<u>724,430</u>	9.75%	-	-	-	9.75%	<u>78.94%</u>	<u>7.70%</u>
Total Financing	<u>\$ 917,674</u>		<u>\$ 14,435</u>	<u>\$ -</u>	<u>\$ 14,435</u>		<u>100.00%</u>	<u>9.27%</u>

DW 08-070
LAKES REGION WATER COMPANY, INC.
EFFECTIVE TAX FACTOR

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>15.00%</u>
Effective Federal Income Tax Rate	13.73%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>22.23%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>22.23%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>77.78%</u></u>
Tax Multiplier	<u><u>0.28576</u></u>

LRWC
 DW 08-070 - Step 3
 Calculation of Rates
 Comparison of Present Rates to Proposed Rates

Consolidated Tariff Systems:

Unmetered Systems:	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Dollar Change</u>	<u>Percent Change</u>
WVG Community Pool	\$1,196.40	\$1,140.73	\$55.67	4.88%
Tamworth	519.71	495.53	24.18	4.88%
175 Estate	519.71	495.53	24.18	4.88%
Deer Cove	519.71	495.53	24.18	4.88%
Lake Ossippee Village	519.71	495.53	24.18	4.88%
Indian Mound	519.71	495.53	24.18	4.88%
Gunstock Glen	519.71	239.20	280.51	117.27%
Metered System:				
Minimum Charge	324.99	365.01	-40.02	-10.96%
Consumption Charge	3.83	3.83	0.00	0.00%

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Consolidated Tariff Systems:

WVG Community Pool \$1,196.40

Unmetered Systems:

Tamworth 519.71

175 Estate 519.71

Deer Cove 519.71

Lake Ossippee Village 519.71

Indian Mound 519.71

Gunstock Glen 519.71

Metered System:

Minimum Charge 324.99

Consumption Charge 3.83

LRWC
 DW 08-070 - Step 3
 Calculation of Rates
 Calculation of Minimum Charge and Consumption Rate for Metered Customers

DW 08-070 Revenue Requirement				<u>\$803,443</u>
Less: WVG Pool				\$1,196
Less: Gunstock Glen				28,584
Less: Nonmetered Customer Revenue except Gunstock Glen				<u>269,211</u>
Revenue Requirement subject to Metered Customers				<u>\$504,452</u>
2009 Gallons Sold (see S-1)		44,262,000		
Less: Swissvale Special Contract #2 (see S-1)		<u>11,666,000</u>		
2009 Gallons Sold subject to consumption charge		<u>32,596,000</u>		
2009 100 cu ft sold	32,596,000	7.5	100	<u>43,461</u>
Consumption Charge per 100 cu ft (1)				<u>\$3.83</u>
Revenue Requirement from Consumption Charge				\$166,457
Revenue Requirement from Minimum Charge				<u>\$337,995</u>
Total Revenue Requirement from Metered Customers				<u>\$504,452</u>
Metered Customers				
Minimum Charge	\$337,995		1,040	<u>\$324.99</u>

(1) The Company made no change to its present consumption charge.

LRWC
 DW 08-070 - Step 3
 Calculation of Rates
 Percent Increase applied to Nonmetered Customers

<u>Customers</u>	<u>Present Rate</u>	<u>Percent Increase</u>	<u>Proposed Rate</u>	<u>No. of Customers</u>	<u>Revenue</u>
WVG Pool	<u>\$1,140.73</u>	<u>1.0488</u>	<u>\$1,196.40</u>	<u>1</u>	<u>\$1,196</u>
NonMetered Customers					
Tamworth	495.53	1.0488	519.71	101	52,491
175 Estates	495.53	1.0488	519.71	44	22,867
Deer Cove	495.53	1.0488	519.71	51	26,505
Lake Ossipee Village	495.53	1.0488	519.71	226	117,455
Indian Mound	495.53	1.0488	519.71	96	49,892
Gunstock Glen (1)	495.53	1.0488	519.71	<u>55</u>	<u>28,584</u>
Total Nonmetered Customer Revenues				<u>573</u>	<u>\$297,795</u>

(1) With the interconnection of the Gunstock Glen system with the Brake Hill system, the present rate for Gunstock Glen has been increased from the nonconsolidated rate of \$239.20 to the consolidated rate of \$495.53.

LRWC
DW 08-070
Calculation of Rates
Calculation of Overall Percent Increase

2009 Total Water Operating Revenues (see F-2)	\$990,719
Less: Total Other Operating Revenues (see F-47)	<u>92,856</u>
2009 Sales of Water (see F-47 & S-1)	\$897,863
Less: Swissvale Special Contract #2 (see S-1)	<u>131,831</u>
2009 Sales of Water less Swissvale	\$766,032
Step 3 increases	<u>37,411</u>
Total Revenue Requirement associated with sales of water less Swissvale	<u>\$803,443</u>
Total Revenue Requirement Percent Increase	<u>4.88%</u>

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