Eastman Sewer Company

Balance Sheet - Assets and Other Debits

Line No.	Account Title (Number) (a)	Actual 2007 Year End Balance (b)	Financing/ CapRes Adjustments (c)	Proforma 2007 Year End Balance (d)	Actual 2006 Year End Balance (e)	Actual 2005 Year End Balance (f)
	UTILITY PLANT					
1	Utility Plant (101-105)	$ 2,486,095	$ 344,534	$ 2,830,629	$ 2,486,095	$ 2,475,208
2	Less: Accumulated Depr. and Amort. (108-110)	$ 1,975,695	$ 5,319	$ 1,981,014	$ 1,899,916	$ 1,835,748
3	Net Plant	$ 510,400	$ 339,215	$ 849,615	$ 586,179	$ 639,460
4	Utility Plant Acquisition Adj. (Net) (114-115)					
5	Total Net Utility Plant	$ 510,400	$ 339,215	$ 849,615	$ 586,179	$ 639,460
	OTHER PROPERTY AND INVESTMENTS					
6	Nonutility Property (121)					
7	Less: Accumulated Depr. and Amort. (122)					
8	Net Nonutility Property					
9	Investment in Associated Companies (123)					
10	Utility Investments (124)					
11	Total Other Property & Investments	$ -			$ -	$ -
	CURRENT AND ACCRUED ASSETS					
12	Cash (131)	32,427	(8,734)	23,693	51,385	44,669
13	Special Deposits (132)	78,345	-	78,345	64,927	75,259
14	Accounts and Notes Receivable-Net (141-144)	14,478		14,478	12,629	11,376
15	Plant Materials and Supplies (151)			-		
16	Prepayments (162-163)	11,084		11,084	4,925	9,385
17	Misc. Current and Accrued Assets (174)	3,000		3,000	6,000	7,500
18	Total Current and Accrued Assets	$ 139,334	$ (8,734)	$ 130,600	$ 139,866	$ 148,189
	DEFERRED DEBITS					
19	Miscellaneous Deferred Debits (186)	15,890	7,125	23,015	14,046	-
20	Accumulated Deferred Income Taxes (190)					
21	Total Deferred Debits	$ 15,890	$ 7,125	$ 23,015	$ 14,046	$ -
	TOTAL ASSETS AND OTHER DEBITS	$ 665,624	$ 337,606	$ 1,003,230	$ 740,091	$ 787,649

Eastman Sewer Company

Balance Sheet - Equity Capital and Liabilities

Line No.	Account Title (Number) (a)	Actual 2007 Year End Balance (b)	Financing/ CapRes Adjustments (c)	Proforma 2007 Year End Balance (d)	Actual 2006 Year End Balance (e)	Actual 2005 Year End Balance (f)
	EQUITY CAPITAL					
1	Common Stock Issued (201)	$ 8,000		$ 8,000	$ 8,000	$ 8,000
2	Preferred Stock Issued (204)					
3	Other Paid-In Capital (211)	66,262		66,262	66,262	66,262
4	Retained Earnings (217)	32,713	(6,547)	26,166	40,134	30,666
5	Proprietary Capital (proprietorships & partnerships) (218)					
6	Total Equity Capital	$ 106,975	$ (6,547)	$ 100,428	$ 114,396	$ 104,928
	LONG TERM DEBT					
7	Other Long-Term Debt (224)	-	319,866	319,866	-	-
	CURRENT AND ACCRUED LIABILITIES					
8	Accounts Payable (231)	1,798		1,798	3,451	1,823
9	Notes Payable (232)					
10	Customer Deposits (235)					
11	Accrued Taxes (236)					
12	Accrued Interest (237)					
13	Misc. Current and Accrued Liabilities (241)	3,020		3,020	7,640	7,852
14	Total Current and Accrued Liabilities	$ 4,818		$ 4,818	$ 11,091	$ 9,675
	DEFERRED CREDITS					
15	Advances for Construction (252)					
16	Other Deferred Credits (253)					
17	Accumulated Deferred Investment Tax Credits (255)					
18	Miscellaneous Operating Reserves (265)	78,345	-	78,345	65,789	75,259
19	Contributions In Aid of Construction - Net (271-272)	473,142	24,287	497,429	544,631	593,603
20	Accumulated Deferred Income Taxes (281-283)	2,344		2,344	4,184	4,184
21	**TOTAL EQUITY CAPITAL AND LIABILITIES**	$ 665,624	$ 337,606	$ 1,003,230	$ 740,091	$ 787,649

Eastman Sewer Company **Schedule 2**

Statement of Income

Line No.	Account Title (Number) (a)	Actual 2007 Year End Balance (b)	Financing/ CapResAdj (c)	Proforma 2007 Year End Balance (d)	Actual 2006 Year End Balance (e)	Actual 2005 Year End Balance (f)
	UTILITY OPERATING INCOME					
1	**Operating Revenues(400)**	$ 112,310	$ -	$ 112,310	$ 111,819	$ 110,112
2	**Operating Expenses:**					
3	Operating and Maintenance Expense (401)	114,657		114,657	93,432	95,370
4	Depreciation Expense (403)	75,779	5,319	81,098	74,917	73,919
5	Amortization of Contribution in Aid of Construction (405)	(71,490)	(381)	(71,871)	(70,609)	(69,684)
6	Amortization of Utility Plant Acquisition Adjustments (406)					
7	Amortization Expense-Other (407)					
8	Taxes Other Than Income (408)	4,953	1,234	6,187	4,600	6,417
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	(1,840)		(1,840)	2,850	1,600
10	**Total Operating Expenses**	$ 122,059	$ 6,172	$ 128,231	$ 105,190	$ 107,622
11	**Net Operating Income (Loss)**	(9,749)	(6,172)	(15,921)	6,629	2,490
12	OTHER INCOME AND DEDUCTIONS					
13	Interest and Dividend Income (419)	2,328		2,328	2,839	3,014
14	Allow. for funds Used During Construction (420)					
15	Nonutility Income (421)					
16	Gains (Losses) From Disposition of Nonutility Property (422)					
17	Miscellaneous Nonutility Expenses (426)					
18	Interest Expense (427)		(375)	(375)		
19	Taxes Applicable To Other Income (409.2, 410.2, 411.2, 412.2)					
20	**Total Other Income and Deductions**	$ 2,328	$ (375)	$ 1,953	$ 2,839	$ 3,014
21	**NET INCOME (LOSS)**	$ (7,421)	$ (6,547)	$ (13,968)	$ 9,468	$ 5,504

Eastman Sewer Company **Schedule 3**

Journal Entries for Financing and Capital Reserve

Dr.	Miscellaneous Deferred Debit	7,500	
Cr.	Cash		7,500
To record costs to pursue financing and rate adjustment to capital reserve			
Dr.	Cash	344,534	
Cr.	Long Term Debt		344,534
To record receipt of cash and related obligation			
Dr.	Plant	344,534	
Cr.	Cash		344,534
To record capital expenditures on plant replacements/improvements			
Dr.	Depreciation Expense	5,319	
Cr.	Accumulated Depreciation		5,319
To record one-half year depreciation on plant additions			
Dr.	State/Local Property Taxes	1,234	
Cr.	Cash		1,234
To record additional state and local property taxes and additional business taxes			
Dr.	Long Term Debt	24,668	
Dr.	Interest Expense	23,336	
Cr.	Special Deposit		48,004
To record payment of principal and interest on long term debt			
Dr.	Amortization of debt expense	375	
Cr.	Miscellaneous Deferred Debit		375
To record amortization of financing/capital reserve costs			
Dr.	Special Deposit	48,004	
Cr.	Revenue		48,004
Dr.	Revenue	48,004	
Cr.	Miscellaneous Operating Reserve		48,004
To record additional capital reserve			
Dr.	Miscellaneous Operating Reserve	48,004	
Cr.	Contribution in Aid of Construction		24,668
Cr.	Interest Expenses		23,336
To record reduction in miscellaneous operating reserve and addition to CIAC			
Dr.	Accumulated Amortization of CIAC	381	
Cr.	Amortization of CIAC		381
To record one-half year amortization on additions to CIAC			

Eastman Sewer Company **Schedule 4**

Plant / Depreciation Expense / Accumulated Depreciation

	Costs	Estimated Life	Annual Depr. Expense	Accum Depr
West Cove B Pump Installation	$7,209	10	$721	$360
Sitework	27,314	50	546	273
Manholes, mains, etc.	29,877	50	598	299
Grinder	51,784	25	2,071	1,036
Flowmeter and ph Meter	10,986	20	549	275
PLC panel	10,221	25	409	204
Building	80,497	50	1,610	805
				0
West Cove A Overflow Structure	59,800	50	1,196	598
West Cove A Pump Station	46,846	50	937	468
West Cove A Pump Replacement	20,000	10	2,000	1,000
Total	$344,534		$10,637	$5,319

CIAC / amortization Expense / Accumulated Amortization

	1st Year CIAC	Estimated Life	Annual Amort Expense	Accum Amort
West Cove B Pump Installation	$516	10	$52	$26
Sitework	1,956	50	39	20
Manholes, mains, etc.	2,139	50	43	21
Grinder	3,708	25	148	74
Flowmeter and ph Meter	787	20	39	20
PLC panel	732	25	29	15
Building	5,763	50	115	58
				0
West Cove A Overflow Structure	4,282	50	86	43
West Cove A Pump Station	3,354	50	67	34
West Cove A Pump Replacement	1,432	10	143	72
Total	$24,668		$762	$381

Eastman Sewer Company **Schedule 5**

Computation of Revenue Deficiency

For the Test Year Ended December 31, 2007

	Actual	Proforma
Rate Base (Schedule 6)	$67,706	$68,397
Rate of Return (Schedule 7)	10.00%	10.00%
Operating Income Required	$6,771	$6,840
Net Operating Income (Schedule 8)	-9,749	6,840
Operating Income Deficiency	$16,520	$0
Tax Effect		0
Revenue Deficiency	$16,520	$0

Eastman Sewer Company **Schedule 6**

Rate Base

Line No.	Account Title (a)	December 2007 Balance (b)	December 2006 Balance (c)	Actual Average Balance (d)	Adjustments (e)	Proforma Average Balance (f)
1	Plant in Service	$ 2,486,095	$ 2,486,095	$2,486,095	$ 344,534	$2,830,629
2	Less: Accumulated Depreciation	(1,975,695)	(1,899,916)	(1,937,806)	(5,319)	(1,943,125)
3	Net Utility Plant	$510,400	$586,179	$548,290	$339,215	$887,505
4	Cash Working Capital	23,562	19,200	23,562	692	24,254
5	Material and Supplies	0	0	0		0
6	Prepayments	11,084	4,925	8,005		8,005
7	Contribution in Aid of Construction - Net	(473,142)	(544,631)	(508,887)	(339,215)	(848,102)
8	Accumulated Deferred Income Taxes	(2,344)	(4,184)	(3,264)		(3,264)
9	Total Rate Base	$69,560	$61,489	$67,706	$692	$68,397

Eastman Sewer Company

Schedule 6A

Working Capital

	2007 Proforma Amount	2007 Actual Amount	2006 Actual Amount
Operating and Maintenance Expenses	$118,023	$114,657	$93,432
75/365	20.55%	20.55%	20.55%
Working Capital	$24,254	$23,562	$19,200

Eastman Sewer Company

Rate of Return Information

Overall Rate of Return		Component Ratio		Component Cost Rate		Weighted Average Cost Rate
Equity Capital		100.00%		10.00%		10.00%
Long Term Debt		0.00%		0.00%		0.00%
Total Capital		100.00%				10.00%

Capital Structure for Ratemaking Purposes				2007 Proforma		2007 Ratios
Common Stock				$ 8,000		7.97%
Other Paid in Capital				66,262		65.98%
Retained Earnings				26,166		26.05%
Total Equity				$ 100,428		100.00%
Long Term Debt				$0		0.00%
Total Capital				$ 100,428		100.00%

Capital Structure for 2007 - 2005	2007 Proforma		2007 Actual		2006 Actual		2005 Actual
Common Stock	$ 8,000		$ 8,000		$ 8,000		$ 8,000
Other Paid in Capital	66,262		66,262		66,262		66,262
Retained Earnings	26,166		32,713		40,134		30,666
Total Equity	$ 100,428		$ 106,975		$ 114,396		$ 104,928
Long Term Debt	-		-		$ -		$ -
Total Capital	$ 100,428		$ 106,975		$ 114,396		$ 104,928

Cap Struct Ratios for 2007 - 2005	2007 Proforma		2007 Actual		2006 Actual		2005 Actual
Common Stock	7.97%		7.48%		6.99%		7.62%
Other Paid in Capital	65.98%		61.94%		57.92%		63.15%
Retained Earnings	26.05%		30.58%		35.08%		29.23%
Total Equity	100.00%		100.00%		100.00%		100.00%
Long Term Debt	0.00%		0.00%		0.00%		0.00%
Total Capital	100.00%		100.00%		100.00%		100.00%

Cost of Common Equity Capital
The Company is utilizing a cost of common equity of 10%.

Eastman Sewer Company **Schedule 8**

Statement of Income

Line No.	Account Title (Number) (a)	Actual 2007 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2007 Year End Balance (d)	Actual 2006 Year End Balance (e)	Actual 2005 Year End Balance (f)
	UTILITY OPERATING INCOME					
1	**Operating Revenues(400)**	$ 112,310	$ 25,649	$ 137,959	$ 111,819	$ 110,112
2	**Operating Expenses:**					
3	Operating and Maintenance Expense (401)	114,657	3,366	118,023	93,432	95,370
4	Depreciation Expense (403)	75,779		75,779	74,917	73,919
5	Amortization of Contribution in Aid of Construction (405)	(71,490)		(71,490)	(70,609)	(69,684)
6	Amortization of Utility Plant Acquisition Adjustments (406)					
7	Amortization Expense-Other (407)					
8	Taxes Other Than Income (408)	4,953	1,234	6,187	4,600	6,417
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	(1,840)	$4,460	2,620	2,850	1,600
10	**Total Operating Expenses**	$ 122,059	$ 9,060	$ 131,119	$ 105,190	$ 107,622
11	**Net Operating Income (Loss)**	(9,749)	16,589	6,840	6,629	2,490
12	**OTHER INCOME AND DEDUCTIONS**					
13	Interest and Dividend Income (419)	2,328		2,328	2,839	3,014
14	Allow. for funds Used During Construction (420)					
15	Nonutility Income (421)					
16	Gains (Losses) From Disposition of Nonutility Property (422)					
17	Miscellaneous Nonutility Expenses (426)					
18	Interest Expense (427)			-		
19	Taxes Applicable To Other Income (409.2, 410.2, 411.2, 412.2)					
20	**Total Other Income and Deductions**	$ 2,328	$ -	$ 2,328	$ 2,839	$ 3,014
21	**NET INCOME (LOSS)**	$ (7,421)	$ 16,589	$ 9,168	$ 9,468	$ 5,504

Eastman Sewer Company
Statement of Income - Proforma Adjustments

Operating Revenues

2007 Test Year Proforma	$137,959
2007 Test Year Actual	112,310
Proforma Adjustment	$25,649

To adjust test year revenues for the additional revenue needed in order for the Company to earn its rate of return and to recover its expenses.

Total Proforma Adjustment to Operating Revenues	**$25,649**

Operation and Maintenance Expenses

Contracted Services - Sewer System Operations

2007 Test Year Proforma	$42,000
2007 Test Year Actual	29,170
Proforma Adjustment	$12,830

To adjust test year expenses for increase in contracted services related to the operations of the sewer system.

Other Consulting

2007 Test Year Proforma	$2,162
2007 Test Year Actual	5,333
Proforma Adjustment	($3,171)

To adjust test year expenses for expenditures related to financing and rate filing and engineering / capital study

Building & Equipment Repairs

2007 Test Year Proforma	$4,040
2007 Test Year Actual	5,333
Proforma Adjustment	($1,293)

To adjust test year expenses for the 3 year average of building and equipment repairs program.

Miscellaneous Expenses

2007 Test Year Proforma	$382
2007 Test Year Actual	5,382
Proforma Adjustment	($5,000)

To adjust test year expenses for the payment of $5,000 to the condo association for sewer backup incident

Total Proforma Adjustment to Operating & Maintenance Expenses **$3,366**

Taxes other than Income

2007 Test Year Proforma	$6,187
2007 Test Year Actual	4,953
Proforma Adjustment	**$1,234**

To adjust test year expenses for the increase in state and local property taxes due to the increase in plant in service

Income Taxes

Federal Income Taxes

2007 Test Year Proforma	$1,618
2007 Test Year Actual	(1,080)
Proforma Adjustment	$2,698

To adjust test year expenses for the increase in federal income taxes due to the increase in revenue

State Business Taxes

2007 Test Year Proforma	$1,002
2007 Test Year Actual	(760)
Proforma Adjustment	$1,762

To adjust test year expenses for the increase in state business taxes due to the increase in revenue

Total Proforma Adjustments to Income Taxes	**$4,460**
Total Proforma Adjustment to Operating Expenses	**$9,060**

Eastman Sewer Company **Schedule 9**

Income Tax Computation

	Actual	Proforma
Total Rate Base	$67,706	$68,397
Equity Component of Cost of Capital	10.00%	10.00%
Operating Net Income Required	$6,771	$6,840
Interest Income	2,328	2,328
Taxable Income	$9,099	$9,168
Tax Effect (.2858)	2,600	2,620
Income Required before Income Taxes	$11,699	$11,787
Less: NH Business Profits Tax @ 8.5%	994	1,002
Income subject to Federal Taxes	$10,704	$10,786
Less: Federal Income Tax @ 15%	1,606	1,618
Income after Income Taxes	$9,099	$9,168