

**STATE OF NEW HAMPSHIRE  
THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION  
HAMPSTEAD AREA WATER COMPANY, INC**

**DW 10-000**

**PETITION FOR APPROVAL OF FINANCING  
FOR 2009 AND 2010 CAPITAL ADDITIONS**

The Petitioner, Hampstead Area Water Company, Inc. (the Company), respectively petitions the N.H. Public Utilities Commission (Commission) for approval of financing for capital additions to the System assets for 2009 and 2010. In support of this Petition, the Company says:

1. The Company is presently franchised in most areas of Hampstead and Atkinson, New Hampshire, and has franchised satellite systems in various towns in Rockingham County (see Schedule A, attached).
2. That for the first financing item, the Company is seeking financing for the various capital additions made in 2009, including replacement meters, pumps, mains, and station upgrades, as listed on Exhibit 1.
3. That the Company will be borrowing \$114,065.00 from its affiliated company, Lewis Builders Development, Inc., with interest at prime plus 2.25%, currently 5.50%, over a term of Twenty (20) years. A copy of the proposed note is attached as Exhibit 2.
4. That for the second item of financing, the Company is seeking financing for the various capital additions to be made in 2010, including replacement well, and replacement filters, meters, and pumps, and station upgrades, as listed on Exhibit 3.
5. That the Company will be borrowing \$337,400.00 from its affiliated company, Lewis Builders Development, Inc., with interest at prime plus 2.25%, currently 5.50%, over a term of Twenty (20) years. A copy of the proposed note is attached as Exhibit 4.

6. In support of the capital additions financing request, the Company proposes that the financing will:

- a. Provide the necessary cash flow for these system improvements.
- b. Pay for the expenses incurred in installing the meters, pumps and stations upgrades.

7. It would be in the public good for the Company to have approval of the capital additions financing request. The Company provides the following in support:

- a. The capital additions will allow the Company better serve the needs of the its system customers, with more accurate metering, improvement to system flow and water quality.

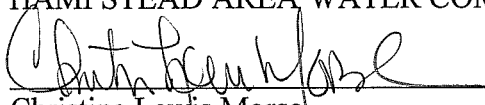
8. See the Pre-filed Testimony of Stephen St. Cyr in support of both financing requests, attached as Exhibit 5.

WHEREFORE your Petitioner prays:

- A. That the Commission find that it would be in the public good for the Company to be permitted to finance the capital additions for 2009 and 2010, as proposed;
- B. That the Commission, by appropriate order, grant the Company permission to finance the capital additions for 2009 and 2010, as proposed;
- C. That the Commission make such further findings and orders as may be proper.

Dated the 16<sup>th</sup> day of April, 2010

Respectfully submitted,  
HAMPSTEAD AREA WATER COMPANY, INC.

  
Christine Lewis Morse  
Vice President

## Schedule A

### HAWC System History

| Company                            | Year | Docket     | Order  | Franchise Area                    |
|------------------------------------|------|------------|--------|-----------------------------------|
| Walnut Ridge Water Company         | 1977 | DE 76-179  | 12,827 | 1,826 Acres                       |
| Lancaster Farms-Salem              | 1984 | DR 84-267  | 17,312 | 144 Acres                         |
| Bricketts Mill-Hampstead           | 1985 | DE 85-149  | 17,848 | 80 Acres                          |
| Squire Ridge-Hampstead             | 1985 | DE 85-274  | 17,967 | 140 Acres                         |
| Kent Farm-Hampstead                | 1987 | DE 86-198  | 18,560 | 1,700 Acres                       |
| Kent Farm-Hampstead                | 1987 | DE 86-198  | 18,598 | Supp Order                        |
| Woodland Pond-Hampstead            | 1987 | DE 87-211  | 18,980 | 701 Acres                         |
| Bryant Woods-Atkinson              | 1988 | DE 87-226  | 19,230 | 2,340 Acres                       |
| Hampstead Area Water Company       | 1989 | DE 89-047  | 19,717 | Hampstead Merger*                 |
| Hampstead Area Water Company       | 1989 | DE 89-047  | 19,751 | 1,650<br>Bryant Woods<br>Merger** |
| Walnut Ridge Water Company         | 1990 | DE 90-129  | 19,992 |                                   |
| HAWC-Bricketts Mill Extension      | 1990 | DE 90-049  | 19,783 | 55 Acres                          |
| HAWC-Hampstead                     | 1991 | DE 91-121  | 20,224 | 1,246 Acres                       |
| HAWC-Hampstead                     | 1991 | DE 91-144  | 20,320 | 1,350 Acres                       |
| HAWC-Rainbow Ridge-Plaistow        | 1993 | DE 92-129  | 20,774 | 370 Acres                         |
| HAWC-Stoneford-Sandown             | 1996 | DE 96-201  | 22,551 | 152 Acres                         |
| HAWC-Colby Pond-Danville           | 1998 | DE 97-154  | 22,854 | 3,483 Acres                       |
| HAWC-Oak Hill-Chester              | 2000 | DW 00-059  | 23,577 | 177 Acres                         |
| HAWC-Walnut Ridge &<br>Lancaster   | 2002 | DW 01-204  | 23,954 | Atkinson Merger***                |
| HAWC-Camelot Court-<br>Nottingham  | 2004 | DW 02-198  | 24,296 | 44 Acres                          |
| HAWC-Cornerstone-Sandown           | 2004 | DW 02-198  | 24,296 | 188 Acres                         |
| HAWC-Lamplighter-Kingston          | 2004 | DW 02-198  | 24,296 | 13.66 Acres                       |
| HAWC-Maplevale-East Kingston       | 2004 | DW 03-150  | 24,299 | 107 Acres                         |
| HAWC-Dearborn Ridge-Atkinson       | 2005 | DW 04-055  | 24,501 | 541 Acres                         |
| HAWC-Hampstead Expansion           | 2005 | DW 04-062  | 24,520 | 238 Acres                         |
| HAWC-Mill Woods-Sandown            | 2005 | DW 05-063  | 24,544 | 35 Acres                          |
| HAWC-Waterford Village-<br>Sandown | 2005 | DW 05-070  | 24,545 | 90.37 Acres                       |
| HAWC-Atkinson Expansion            | 2005 | DW 05-092  | 24,592 | 333 Acres                         |
| HAWC-Autumn Hills-Sandown          | 2006 | DW 06-016- | 24,608 | 33.68 Acres                       |
| HAWC - Cooper Grove-Kingston       | 2008 | DW-07-133  | 24,831 | 211 Acres                         |
| HAWC - Black Rocks Village         | 2008 | DW-07-134  | 24,856 | 391 Acres                         |
| HAWC - Sargent Woods               | 2008 | DW-07-130  | 24,884 | 65.97 Acres                       |

\*Merged Bricketts Mill, Kent Farm, Squire Ridge and Woodland Pond into HAWC

\*\*Merged Bryant Woods into Walnut Ridge with requirement that the Bryant Woods rates apply

\*\*\*Merged Lancaster Farms and Walnut Ridge into HAWC

# HAMPSTEAD AREA WATER COMPANY

## 2009 Additions

| Sheet #       | Account                  | Date     | Amount                   | Description                |
|---------------|--------------------------|----------|--------------------------|----------------------------|
| WR 21-27      | 304                      | 4/30/09  | 2,092.92                 | Lighting Fixtures          |
|               | <b>Structures</b>        |          | <u>2,092.92</u>          |                            |
| WR 9-13       | 307                      | 6/12/09  | 2,197.00                 | Pipe in well               |
| VG 8          | 307                      | 12/18/09 | 1,014.05                 | Repair well                |
| VG 8          | 307                      | 12/31/09 | 1,287.04                 | Repair well                |
|               | <b>Wells</b>             |          | <u>4,498.09</u>          |                            |
| WR 36-40      | 311                      | 1/30/09  | 1,755.69                 | Neptune meter              |
| RR            | 311                      | 4/9/09   | 874.14                   | Pump                       |
| CP            | 311                      | 4/10/09  | 2,838.91                 | Labor to install pump      |
| CP            | 311                      | 4/10/09  | 643.30                   | Pump                       |
| RR            | 311                      | 4/24/09  | 1,139.63                 | Labor to install pump      |
| WR 36-40      | 311                      | 5/31/09  | 3,945.31                 | Pump                       |
| OH            | 311                      | 6/17/09  | 1,582.10                 | Booster pump               |
| WR 36-40      | 311                      | 9/25/09  | 2,312.81                 | Pump                       |
| AP            | 311                      | 10/27/09 | 1,507.50                 | Drive                      |
| LF            | 311                      | 11/4/09  | 706.17                   | Pump end & motor           |
| LF            | 311                      | 11/30/09 | 678.80                   | Labor to install pump      |
|               | <b>Pumping Equipment</b> |          | <u>17,984.36</u>         |                            |
| WR 36-40      | 331                      | 2/27/09  | 1,805.38                 | Repair main                |
| HAMP 7        | 331                      | 5/29/09  | 3,472.67                 | Repair main                |
| HAMP 1-6      | 331                      | 5/31/09  | 1,664.99                 | As-built drawings          |
| HAMP 15       | 331                      | 7/31/09  | 1,479.40                 | As-built drawings          |
| HAMP 7        | 331                      | 11/30/09 | 1,061.88                 | Repair main                |
| HAMP 1-6      | 331                      | 12/31/09 | 4,721.57                 | Irongate mains             |
| BM            | 331                      | 12/31/09 | 1,442.28                 | Repair main                |
|               | <b>Mains</b>             |          | <u>15,648.17</u>         |                            |
| WR 9-13       | 333                      | 3/31/09  | 3,474.12                 | Repair service line        |
| HAMP 7        | 333                      | 5/1/09   | 1,454.57                 | New service                |
| BM            | 333                      | 5/29/09  | 1,563.33                 | Repair service line        |
| LF            | 333                      | 5/29/09  | 1,126.95                 | Repair lawn around repairs |
| HAMP 7        | 333                      | 6/5/09   | 1,072.56                 | New service                |
| HAMP 7        | 333                      | 6/19/09  | 1,225.14                 | New service                |
| WR 9-13       | 333                      | 8/21/09  | 1,155.43                 | Repair service line        |
| WR 9-13       | 333                      | 10/30/09 | 1,729.61                 | Repair service line        |
| HAMP 7        | 333                      | 10/30/09 | 2,003.49                 | Repair curb box            |
| KF            | 333                      | 10/30/09 | 1,277.04                 | Repair curb box            |
| HAMP 7        | 333                      | 11/30/09 | 1,024.23                 | Repair service line        |
|               | <b>Services</b>          |          | <u>17,106.47</u>         |                            |
| AH            | 334                      | 6/30/09  | 364.00                   | New customer meter         |
| WR-UNK        | 334                      | 7/31/09  | 364.00                   | Meter                      |
| HAMP 7        | 334                      | 12/31/09 | 364.00                   | Customer meters            |
| HAMP-UNK      | 334                      | var.     | 3,276.00                 | Customer meters            |
| HAMP 1-6      | 334                      | var.     | 3,640.00                 | Customer meters            |
| HAMP 33-34    | 334                      | var.     | 728.00                   | Customer meters            |
| CH            | 334                      | var.     | 728.00                   | Customer meters            |
| LF            | 334                      | var.     | 18,327.12                | 84 customer meters         |
| LF            | 334                      | var.     | 21,335.20                | Install 84 meters          |
| WV            | 334                      | var.     | 6,188.00                 | Customer meters            |
|               | <b>Customer Meters</b>   |          | <u>55,314.32</u>         |                            |
| Veh & Oth     | 340                      | 6/5/09   | 1,420.00                 | Folding machine            |
|               | <b>Office Equipment</b>  |          | <u>1,420.00</u>          |                            |
| <b>TOTALS</b> |                          |          | <u><u>114,064.33</u></u> |                            |

**EXHIBIT 2**

**PROMISSORY NOTE  
2009 Capital Additions**

Initial Interest Rate    5.25%  
Principle Balance:      \$114,065.00  
Date:                      July 1, 2010  
Term:                      Twenty (20) years

Hampstead Area Water Company, Inc. (HAWC) promises to pay to Lewis Builders Development, Inc., (LBDI), the sum of One Hundred Twelve Thousand Six Hundred Forty Four and 33/100<sup>th</sup> Dollars (\$114,065.00) (Principal), plus interest calculated from the date of this note at the rate of prime plus Two and 25/100<sup>th</sup> (2.25%) percent, interest to be adjusted on the third anniversary of the signing of this note, and payable as follows:

In Two Hundred and Forty (240) monthly installments of \$774.87 commencing on July 1, 2010 and every month thereafter, to be paid on the 1<sup>st</sup> day of each month until the balance is paid in full.

Hampstead Area Water Company, Inc. may prepay this note at any time.

HAMPSTEAD AREA WATER  
COMPANY, INC.

\_\_\_\_\_  
Witness:

By: \_\_\_\_\_  
Christine Lewis Morse, Its Vice  
President, duly authorized.

ACKNOWLEDGED AND ACCEPTED  
LEWIS BUILDERS DEVELOPMENT, INC.,

BY \_\_\_\_\_  
Christine Lewis Morse, its President duly authorized

**Hampstead Area Water Company**  
**Capital Expenditure Budget**  
**Year 2010**

| Item Description                                 | Plant Acct # | Quantity  | Units | Total<br>Amount | Reason Item Needed                            |
|--|--------------|-----------|-------|-----------------|---|
| Replace (2) 6' Greensand Filters - Village Green | 320          |           |       | 36,000          | Normal obsolescence                           |
| Replace misc pumps, fix leaks in mains           | var.         | as needed |       | 60,000          | \$57k in 2009                                 |
| Replace 200 meters per year                      | 334          | 168       | 300   | 50,400          | Required by DES(200 less 32 @ Bricketts Mill) |
| Brickett's Mill Meter Replacement                | 334          | 32        | 300   | 9,600           |   |
| Village Green Well                               | 307          |           |       | 25,000          | Replacement well                              |
| Lancaster Farm - uranium treatment               | 320          |           |       | 50,000          | New filter & shed                             |
| Battery backup for tank scada                    | 311          |           |       | 2,500           | 1600 for 3 day and 3,400 for 6 day + wiring   |
| Camelot Court filter                             | 320          |           |       | 3,500           | Filter for iron                               |
| New F-150 pick up truck                          | 341          |           |       | 32,000          | Replacement (\$26k for truck + \$6k for bed)  |
| Mains on Route 121                               | 331          |           |       | 10,000          | NH DOT replacing culvert                      |
| Test\Replace 14 well meters                      | 311          |           |       | 8,400           | Required by DES                               |
| Fix leaks found during leak detection            | 331          |           |       | 50,000          | Part of leak detection program                |
| Total Proposed Financing                         |              |           |       | <u>337,400</u>  |   |

**PROMISSORY NOTE**  
**2010 Capital Additions**

Initial Interest Rate    5.25%  
Principle Balance:      \$337,400.00  
Date:                      July 1, 2010  
Term:                      Twenty (20) years

Hampstead Area Water Company, Inc. (HAWC) promises to pay to Lewis Builders Development, Inc., (LBDI), the sum of Three Hundred Thirty Seven Thousand Four Hundred and 00/100<sup>th</sup> Dollars (\$337,400.00) (Principal), plus interest calculated from the date of this note at the rate of prime plus Two and 25/100<sup>th</sup> (2.25%) percent, interest to be adjusted on the third anniversary of the signing of this note, and payable as follows:

In Two Hundred and Forty (240) monthly installments of \$2,320.93 commencing on July 1, 2010 and every month thereafter, to be paid on the 1<sup>st</sup> day of each month until the balance is paid in full.

Hampstead Area Water Company, Inc. may prepay this note at any time.

HAMPSTEAD AREA WATER  
COMPANY, INC.

\_\_\_\_\_  
Witness:

By: \_\_\_\_\_  
Christine Lewis Morse, Its Vice  
President, duly authorized.

ACKNOWLEDGED AND ACCEPTED  
LEWIS BUILDERS DEVELOPMENT, INC.,

BY \_\_\_\_\_  
Christine Lewis Morse, its President duly authorized

## 2009 CAPITAL ADDITIONS

|                |              |               |
|----------------|--------------|---------------|
| PRINCIPAL:     | \$114,065.00 | P + 2.25%     |
| INTEREST RATE: | 5.500%       | Adjust        |
| NO. OF MONTHS: | 240          | every 3 years |
| PAYMENT/MO.:   | \$784.64     |               |
| PAYMENT/YR.:   | \$9,415.68   |               |

| #         | PRINCIPAL       | INTEREST        | TOTAL           | PRINCIPAL<br>BALANCE |
|-----------|-----------------|-----------------|-----------------|----------------------|
| 1         | \$261.84        | \$522.80        | \$784.64        | \$113,803.16         |
| 2         | \$263.04        | \$521.60        | \$784.64        | \$113,540.12         |
| 3         | \$264.25        | \$520.39        | \$784.64        | \$113,275.87         |
| 4         | \$265.46        | \$519.18        | \$784.64        | \$113,010.41         |
| 5         | \$266.68        | \$517.96        | \$784.64        | \$112,743.73         |
| 6         | \$267.90        | \$516.74        | \$784.64        | \$112,475.83         |
| 7         | \$269.13        | \$515.51        | \$784.64        | \$112,206.70         |
| 8         | \$270.36        | \$514.28        | \$784.64        | \$111,936.34         |
| 9         | \$271.60        | \$513.04        | \$784.64        | \$111,664.74         |
| 10        | \$272.84        | \$511.80        | \$784.64        | \$111,391.90         |
| 11        | \$274.09        | \$510.55        | \$784.64        | \$111,117.81         |
| <b>12</b> | <b>\$275.35</b> | <b>\$509.29</b> | <b>\$784.64</b> | <b>\$110,842.46</b>  |
| 13        | \$276.61        | \$508.03        | \$784.64        | \$110,565.85         |
| 14        | \$277.88        | \$506.76        | \$784.64        | \$110,287.97         |
| 15        | \$279.15        | \$505.49        | \$784.64        | \$110,008.82         |
| 16        | \$280.43        | \$504.21        | \$784.64        | \$109,728.39         |
| 17        | \$281.72        | \$502.92        | \$784.64        | \$109,446.67         |
| 18        | \$283.01        | \$501.63        | \$784.64        | \$109,163.66         |
| 19        | \$284.31        | \$500.33        | \$784.64        | \$108,879.35         |
| 20        | \$285.61        | \$499.03        | \$784.64        | \$108,593.74         |
| 21        | \$286.92        | \$497.72        | \$784.64        | \$108,306.82         |
| 22        | \$288.23        | \$496.41        | \$784.64        | \$108,018.59         |
| 23        | \$289.55        | \$495.09        | \$784.64        | \$107,729.04         |
| <b>24</b> | <b>\$290.88</b> | <b>\$493.76</b> | <b>\$784.64</b> | <b>\$107,438.16</b>  |
| 25        | \$292.22        | \$492.42        | \$784.64        | \$107,145.94         |
| 26        | \$293.55        | \$491.09        | \$784.64        | \$106,852.39         |
| 27        | \$294.90        | \$489.74        | \$784.64        | \$106,557.49         |
| 28        | \$296.25        | \$488.39        | \$784.64        | \$106,261.24         |
| 29        | \$297.61        | \$487.03        | \$784.64        | \$105,963.63         |
| 30        | \$298.97        | \$485.67        | \$784.64        | \$105,664.66         |
| 31        | \$300.34        | \$484.30        | \$784.64        | \$105,364.32         |
| 32        | \$301.72        | \$482.92        | \$784.64        | \$105,062.60         |
| 33        | \$303.10        | \$481.54        | \$784.64        | \$104,759.50         |
| 34        | \$304.49        | \$480.15        | \$784.64        | \$104,455.01         |
| 35        | \$305.89        | \$478.75        | \$784.64        | \$104,149.12         |
| <b>36</b> | <b>\$307.29</b> | <b>\$477.35</b> | <b>\$784.64</b> | <b>\$103,841.83</b>  |



## 2010 CAPITAL ADDITIONS

|                |              |               |
|----------------|--------------|---------------|
| PRINCIPAL:     | \$337,400.00 | P + 2.25%     |
| INTEREST RATE: | 5.500%       | Adjust        |
| NO. OF MONTHS: | 240          | every 3 years |
| PAYMENT/MO.:   | \$2,320.93   |               |
| PAYMENT/YR.:   | \$27,851.16  |               |

| #  | PRINCIPAL       | INTEREST          | TOTAL             | PRINCIPAL<br>BALANCE |
|----|-----------------|-------------------|-------------------|----------------------|
| 1  | \$774.51        | \$1,546.42        | \$2,320.93        | \$336,625.49         |
| 2  | \$778.06        | \$1,542.87        | \$2,320.93        | \$335,847.43         |
| 3  | \$781.63        | \$1,539.30        | \$2,320.93        | \$335,065.80         |
| 4  | \$785.21        | \$1,535.72        | \$2,320.93        | \$334,280.59         |
| 5  | \$788.81        | \$1,532.12        | \$2,320.93        | \$333,491.78         |
| 6  | \$792.43        | \$1,528.50        | \$2,320.93        | \$332,699.35         |
| 7  | \$796.06        | \$1,524.87        | \$2,320.93        | \$331,903.29         |
| 8  | \$799.71        | \$1,521.22        | \$2,320.93        | \$331,103.58         |
| 9  | \$803.37        | \$1,517.56        | \$2,320.93        | \$330,300.21         |
| 10 | \$807.05        | \$1,513.88        | \$2,320.93        | \$329,493.16         |
| 11 | \$810.75        | \$1,510.18        | \$2,320.93        | \$328,682.41         |
| 12 | <b>\$814.47</b> | <b>\$1,506.46</b> | <b>\$2,320.93</b> | <b>\$327,867.94</b>  |
| 13 | \$818.20        | \$1,502.73        | \$2,320.93        | \$327,049.74         |
| 14 | \$821.95        | \$1,498.98        | \$2,320.93        | \$326,227.79         |
| 15 | \$825.72        | \$1,495.21        | \$2,320.93        | \$325,402.07         |
| 16 | \$829.50        | \$1,491.43        | \$2,320.93        | \$324,572.57         |
| 17 | \$833.31        | \$1,487.62        | \$2,320.93        | \$323,739.26         |
| 18 | \$837.13        | \$1,483.80        | \$2,320.93        | \$322,902.13         |
| 19 | \$840.96        | \$1,479.97        | \$2,320.93        | \$322,061.17         |
| 20 | \$844.82        | \$1,476.11        | \$2,320.93        | \$321,216.35         |
| 21 | \$848.69        | \$1,472.24        | \$2,320.93        | \$320,367.66         |
| 22 | \$852.58        | \$1,468.35        | \$2,320.93        | \$319,515.08         |
| 23 | \$856.49        | \$1,464.44        | \$2,320.93        | \$318,658.59         |
| 24 | <b>\$860.41</b> | <b>\$1,460.52</b> | <b>\$2,320.93</b> | <b>\$317,798.18</b>  |
| 25 | \$864.36        | \$1,456.57        | \$2,320.93        | \$316,933.82         |
| 26 | \$868.32        | \$1,452.61        | \$2,320.93        | \$316,065.50         |
| 27 | \$872.30        | \$1,448.63        | \$2,320.93        | \$315,193.20         |
| 28 | \$876.29        | \$1,444.64        | \$2,320.93        | \$314,316.91         |
| 29 | \$880.31        | \$1,440.62        | \$2,320.93        | \$313,436.60         |
| 30 | \$884.35        | \$1,436.58        | \$2,320.93        | \$312,552.25         |
| 31 | \$888.40        | \$1,432.53        | \$2,320.93        | \$311,663.85         |
| 32 | \$892.47        | \$1,428.46        | \$2,320.93        | \$310,771.38         |
| 33 | \$896.56        | \$1,424.37        | \$2,320.93        | \$309,874.82         |
| 34 | \$900.67        | \$1,420.26        | \$2,320.93        | \$308,974.15         |
| 35 | \$904.80        | \$1,416.13        | \$2,320.93        | \$308,069.35         |
| 36 | <b>\$908.95</b> | <b>\$1,411.98</b> | <b>\$2,320.93</b> | <b>\$307,160.40</b>  |

**STATE OF NEW HAMPSHIRE**  
**PUBLIC UTILITIES COMMISSION**  
**HAMPSTEAD AREA WATER COMPANY**

**DW 10-**

**PETITION FOR APPROVAL OF FINANCING  
FOR 2009 AND 2010 CAPITAL ADDITIONS**

**PREFILED DIRECT TESTIMONY OF STEPHEN P. ST. CYR**

Q. What is your name and business address?

A. My name is Stephen P. St. Cyr and my business address is 17 Sky Oaks Drive, Biddeford, ME.

Q. Who is your employer?

A. My employer is Stephen P. St. Cyr & Associates.

Q. What are your responsibilities in this case?

A. My responsibilities are to support Hampstead Area Water Company's (Company or HAWC) financing request and to prepare the financial exhibits and prefiled direct testimony which describes the financing and the financial schedules. In addition, I am prepared to testify in support of financing.

Q. Have you prepared testimony before this Commission?

A. Yes, I have prepared and presented testimony in numerous cases before the Public Utilities Commission, including requests for new and expanded franchises, requests for approval of State Revolving Fund ("SRF"), commercial bank and owner financings and requests for rate increases.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the Company's effort to borrow funds from Lewis Builders Development, Inc., an affiliated company (Lewis), which will allow it to pay for the 2009 additions to plant and proposed 2010 capital additions.

Q. Please describe the financing for the 2009 additions to plant.

A. In 2009 the Company replaced/upgraded/improved the system with various additions to plant. In total, the Company expended \$114,065.00. The 2009 additions to plant included numerous meters and pumps, repair to mains, service lines and curb boxes. A number of other projects, i.e., meter and pump replacement were critical in order for the system to function.

Q. When does the Company expect that the 2009 additions to plant to be completed?

A. The 2009 additions to plant are already installed. The financing request is for approval of the monies advanced by the affiliated company, Lewis Builders Development, Inc. for the cost of the purchase and installation of the 2009 additions to plant.

Q. Please describe the proposed note.

A. The Company will be borrowing \$114,065.00 from its affiliated company, Lewis Builders Development, Inc., with interest at prime plus 2.25% over a term of Twenty (20) years. A copy of the proposed note is attached as Exhibit 2 to the Petition for Financing.

Q. Please describe the financing for the proposed 2010 capital additions.

- A. In 2010 the Company is proposing to replace/upgrade/improve the system with various additions to plant. In total, the Company proposes to expend \$347,400.00. The proposed 2010 additions to plant included a replacement well, replacing meters, a new vehicle, new water treatment filters, station upgrades, replacement pumps, etc. A number of the projects, i.e., the replacement meters, the replacement well and the water loss program, are DES recommended. A number of other projects, i.e., filter and pumps, improvements to the SCADA system, are critical in order for the system to function. The replacement vehicle is necessary to carry out required maintenance on the system.
- Q. When does the Company expect that the 2010 additions to plant to be completed?
- A. The proposed 2010 additions to plant will be installed over the course of the remainder of 2010. The financing request is for approval of the monies to be advanced by the affiliated company, Lewis Builders Development, Inc., for the cost of the purchase and installation of the proposed 2010 additions to plant.
- Q. Please describe the proposed note.
- A. The Company will be borrowing \$347,400.00 from its affiliated company, Lewis Builders Development, Inc., with interest at prime plus 2.25% over a term of Twenty (20) years. A copy of the proposed note is attached as Exhibit 4 to the Petition for Financing.
- Q. Has the Company determined the impact of the financing and the additions to plant on the Company's financial statements?
- A. Yes. I have prepared proforma financial statements identified as SPS 1-1 – SPS 9.

Q. Would you please explain Schedule SPS 1-1, entitled Balance Sheet – Assets and Other Debits?

A. Yes. Generally, column (a) identifies the line number on the schedule. Column (b), identifies the PUC account title and account number. Column (c) identifies the actual December 31, 2009 account balances. Column (d) identifies the adjustments to the December 31, 2009 account balances. Column (e) identifies the adjusted December 31, 2009 account balances and is the sum of columns (c) and (d).

Q. Please explain the adjustments related to 2009 / 2010 Additions to Plant Financing.

A. Schedule SPS 1-1 contains 4 adjustments.

The first adjustment to Utility Plant for \$337,400 represents the total additions to plant in service for the costs of the replacing meters, replacing mains and services, replacing and adding treatment equipment and filters, purchasing a new F-150 pickup truck, replacing well and various other system improvements. Please note the 2009 additions to plant amounting to \$114,065 are reflected in the December 31, 2009 account balance.

The second adjustment to Accumulated Depreciation for \$13,388 represents a half year depreciation on the 2009 additions and a half year depreciation on the 2010 additions. Please note that a half year depreciation on the 2009 additions is already reflected in the December 31, 2009 account balance.

The third adjustment to Cash for \$75,061 represents the net of the cash received from the Lewis financing and the anticipated additional revenue when

such plant is placed in rate base and reflected in rates less payment for the new plant, payment of the first year principal and interest on the new loan and payment for increase in certain expenses, i.e., taxes.

The four adjustment to Miscellaneous Deferred Debits for \$4,750 is the net of the costs incurred in order to pursue PUC approval of the financing and the amortization of such costs.

Q. Please explain Schedule SPS 1-2, entitled Balance Sheet – Equity Capital and Liabilities.

A. The description of the columns is the same as SPS 1-1.

Q. Please explain the adjustments related to the 2009 / 2010 Additions to Plant Financing.

A. Schedule SPS 1-2 contains 2 adjustments.

The first adjustment to Retained Earnings for \$12,720 represents the net income impact of the various income statement transactions (i.e., revenue, depreciation, taxes and interest.

The second adjustment to Other Long Term Debt for \$391,104 represents the net amount of the financing of \$451,465 and the first year repayment of the loan of \$37,267. Please note that \$47,606 of the \$114,065 financing for the 2009 additions is already reflected in the December 31, 2009 account balance.

Q. Would you please explain Schedule SPS 2, entitled Statement of Income?

A. The description of the columns is the same as SPS1-1.

Q. Please explain the adjustments related to the 2009 / 2010 Additions to Plant Financing.

A. There are 4 adjustments to the Statement of Income.

The first adjustment to Operating Revenue of \$60,540 represents the anticipated additional revenues when such plant is placed in rate base and reflected in rates. The anticipated revenue requirement allows the Company to recover its investment and earn a return on the unrecovered investment.

The second adjustment to Depreciation Expense of \$13,388 represents a half year depreciation on the 2009 additions and a half year depreciation on the 2010 additions. Please note that a half year depreciation on the 2009 additions is already reflected in the December 31, 2009 account balance.

The third adjustment to Taxes other than Income of \$9,487 and Income Taxes of \$184 represents the increase in state and local property taxes and the state business enterprise tax.

The fourth adjustment to Interest Expense including the amortization of the financing costs amounts to \$24,762. It represents the first year interest expense on the new loan and the amortization of the financing costs.

Overall, with the additional revenue less the various expense, the net income amounts to \$12,720.

Q. Would you please explain Schedule SPS 3, entitled Balance Sheet, Capital Structure?

A. The description of the columns is the same as SPS1-1.

Q. Please explain the adjustments related to the 2009 / 2010 Additions to Plant Financing.

- A. The actual Current Year End Balance is also reflected on the Balance Sheet (see SPS 1-2). The related capitalization ratios are shown on the bottom half of the schedule. The Company's debt to equity position is heavily weighted towards debt due to its negative retained earnings. The Company equity position has improved in recent years due to the 2009 conversion of A/P to Associated Company to Other Paid in Capital. With recent rate increases, the Company expects that the ratio will continue to improve.
- Q. Please explain Schedule SPS-4, entitled Journal Entries.
- A. Schedule SPS-4 identifies the specific journal entries used to develop the proforma financial statements. The significant journal entries are the recording of (1) the borrowing of funds, (2) the utilization of the funds for the additions to plant, (3) the repayment of the principal and interest on the loan, and (4) the anticipated revenue requirement when the plant is placed in rate base and reflected in rates.
- Q. Would you like to explain SPS-5?
- A. SPS-5 is a schedule of plant and depreciation for 2009 Capital Additions.
- Q. Would you please explain SPS-6?
- A. SPS-6 is a schedule of plant and depreciation for 2010 Capital Additions.
- Q. Would you please explain Schedule SPS 7, entitled Calculation of Revenue Requirement?
- A. The sum of the additions to plant less the related accumulated depreciation result in a rate base of \$438,077. The Company is applying the cost of the debt of 5.50% to determine the additional net operating income required. In addition, the



Company adds a full year depreciation and taxes to the additional net operating income required in order to determine the total additional revenue requirement of \$60,540.

Q. Would you like to explain SPS-8?

A. SPS-8 is a schedule of the Source and Use of Funds for the 2009 and 2010 Capital Additions.

Q. Would you like to explain SPS-9?

A. SPS-9 is a schedule of the Estimated Cost of Financing for the 2009 and 2010 Capital Additions.

Q. How does the Company propose to repay the new debt?

A. At this point, the Company anticipates filing for a rate increase in 2011 based on a 2010 test year. The 2009 and 2010 additions will be reflect in rate base, the debt financing will be reflected in the rate of return and the various expenses will be reflected in the proforma test year. With an increase in rates, the Company believes that the revenues will be sufficient to pay principal and interest on the loans.

Q. What does the Company propose to do with the costs of the financing?

A. The cost to pursue and obtain PUC approval of the financing will be deferred. The financing costs will amortized over the term of the loans.

Q. Why should the Commission approve the financing?

A. The Commission should approve the financing because it is in the best interest of the Company and its customers. The 2009 and 2010 additions to plant allow the Company to continue to operate and maintain the system including more accurate

metering, more dependable water supply and better quality water. The financing of the 2009 additions will allow the Company to repay Lewis Builders Development, Inc. for monies already expended for plant already installed. The financing of the 2010 additions from Lewis is necessary as institution financing is not available to the Company.

Q. Is there anything else that the Company would like to bring to the Commission's attention?

A. No.

Q. Please summarize the approvals that the Company is requesting.

A. The Company respectfully requests that the PUC approve the financing of the 2009 additions to plant amounting to \$114,065.00, under the terms stated previously. The Company also respectfully requests that the PUC approve the financing of the proposed 2010 additions to plant amounting to \$347,400.00, under the terms stated previously.

Q. Does this conclude your testimony?

A. Yes.

**F-1 BALANCE SHEET**  
**Assets and Other Debits**

| Line No.<br>(a)                       | Account Title (Number)<br>(b)                  | Current Year End Balance<br>(c) | Adjustments<br>(d) | Adjusted Year End Balance<br>(e) |
|---------------------------------------|--|---------------------------------|--------------------|----------------------------------|
| <b>UTILITY PLANT</b>                  |  |                                 |                    |                                  |
| 1                                     | Utility Plant (101-106)                        | \$ 12,674,268                   | \$ 337,400         | \$ 13,011,668                    |
| 2                                     | Less: Accumulated Depr. and Amort. (108-110)   | 3,149,891                       | 13,388             | 3,163,279                        |
| 3                                     | Net Plant                                      | \$ 9,524,377                    | \$ 324,012         | \$ 9,848,389                     |
| 4                                     | Utility Plant Acquisition Adj. (Net) (114-115) |                                 |                    |                                  |
| 5                                     | Total Net Utility Plant                        | \$ 9,524,377                    | \$ 324,012         | \$ 9,848,389                     |
| <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)                                     | \$ 29,584                       | \$ 75,061          | \$ 104,645                       |
| 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)    | 435,845                         |                    | 435,845                          |
| 22                                    | Accounts Receivable from Assoc. Co. (145)      |                                 |                    |                                  |
| 23                                    | Notes Receivable from Assoc. Co. (146)         |                                 |                    |                                  |
| 24                                    | Materials and Supplies (151-153)               |                                 |                    |                                  |
| 25                                    | Stores Expense (161)                           |                                 |                    |                                  |
| 26                                    | Prepayments-Other (162)                        | 15,102                          |                    | 15,102                           |
| 27                                    | Prepaid Taxes (163)                            | 26,056                          |                    | 26,056                           |
| 28                                    | Interest and Dividends Receivable (171)        |                                 |                    |                                  |
| 29                                    | Rents Receivable (172)                         |                                 |                    |                                  |
| 30                                    | Accrued Utility Revenues (173)                 | 107,704                         |                    | 107,704                          |
| 31                                    | Misc. Current and Accrued Assets (174)         |                                 |                    |                                  |
| 32                                    | Total Current and Accrued Assets               | \$ 614,291                      | \$ 75,061          | \$ 689,352                       |
| <b>DEFERRED DEBITS</b>                |  |                                 |                    |                                  |
| 32                                    | Unamortized Debt Discount & Expense (181)      | \$ 70,834                       | \$ 4,750           | \$ 75,584                        |
| 33                                    | Extraordinary Property Losses (182)            |                                 |                    |                                  |
| 34                                    | Prelim. Survey & Investigation Charges (183)   |                                 |                    |                                  |
| 35                                    | Clearing Accounts (184)                        |                                 |                    |                                  |
| 36                                    | Temporary Facilities (185)                     |                                 |                    |                                  |
| 37                                    | Miscellaneous Deferred Debits (186)            | 127,412                         |                    | 127,412                          |
| 38                                    | Research & Development Expenditures (187)      |                                 |                    |                                  |
| 39                                    | Accumulated Deferred Income Taxes (190)        | 23,641                          |                    | 23,641                           |
| 40                                    | Total Deferred Debits                          | \$ 221,887                      | \$ 4,750           | \$ 226,637                       |
| <b>TOTAL ASSETS AND OTHER DEBITS</b>  |  | <b>\$ 10,360,555</b>            | <b>\$ 403,824</b>  | <b>\$ 10,764,379</b>             |

**F-1 BALANCE SHEET**  
**Equity Capital and Liabilities**

| Line No.<br>(a)                             | Account Title (Number)<br>(b)                     | Current Year<br>End Balance<br>(c) | Adjustments<br>(d) | Adjusted Year<br>End Balance<br>(e) |
|---|---|------------------------------------|--------------------|-------------------------------------|
| <b>EQUITY CAPITAL</b>                       |   |                                    |                    |                                     |
| 1   | Common Stock Issued (201)                         | \$ 16,767                          |                    | \$ 16,767                           |
| 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)                   | 2,104,354                          |                    | 2,104,354                           |
| 8   | Discount on Capital Stock (212)                   |                                    |                    |                                     |
| 9   | Capital Stock Expense(213)                        |                                    |                    |                                     |
| 10  | Retained Earnings (214-215)                       | (1,428,401)                        | 12,720             | (1,415,681)                         |
| 11  | Reacquired Capital Stock (216)                    |                                    |                    |                                     |
| 12  | Total Equity Capital                              | \$ 692,720                         | \$ 12,720          | \$ 705,440                          |
| <b>LONG TERM DEBT</b>                       |   |                                    |                    |                                     |
| 13  | Bonds (221)                                       |                                    |                    |                                     |
| 14  | Reacquired Bonds (222)                            |                                    |                    |                                     |
| 15  | Advances from Associated Companies (223)          |                                    |                    |                                     |
| 16  | Other Long-Term Debt (224)                        | \$ 4,646,181                       | \$ 391,104         | \$ 5,037,285                        |
| 17  | Total Long-Term Debt                              | \$ 4,646,181                       | \$ 391,104         | \$ 5,037,285                        |
| <b>CURRENT AND ACCRUED LIABILITIES</b>      |   |                                    |                    |                                     |
| 18  | Accounts Payable (231)                            | \$ 18,131                          |                    | \$ 18,131                           |
| 19  | Notes Payable (232)                               |                                    |                    |                                     |
| 20  | Accounts Payable to Associated Co. (233)          | 14,961                             |                    | 14,961                              |
| 21  | Notes Payable to Associated Co. (234)             |                                    |                    |                                     |
| 22  | Customer Deposits (235)                           |                                    |                    |                                     |
| 23  | Accrued Taxes (236)                               |                                    |                    |                                     |
| 24  | Accrued Interest (237)                            |                                    |                    |                                     |
| 25  | Accrued Dividends (238)                           |                                    |                    |                                     |
| 26  | Matured Long-Term Debt (239)                      |                                    |                    |                                     |
| 27  | Matured Interest (240)                            |                                    |                    |                                     |
| 28  | Misc. Current and Accrued Liabilities (241)       | 21,159                             |                    | 21,159                              |
| 29  | Total Current and Accrued Liabilities             | \$ 54,251                          | \$ -               | \$ 54,251                           |
| <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)                    | 1,684                              |                    | 1,684                               |
| 37  | Other (283)                                       |                                    |                    |                                     |
| 38  | Total Deferred Credits                            | \$ 1,684                           |                    | \$ 1,684                            |
| <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)        | \$ 6,969,799                       |                    | \$ 6,969,799                        |
| 45  | Accumulated Amortization of C.I.A.C. (272)        | 2,004,080                          |                    | 2,004,080                           |
| 46  | Total Net C.I.A.C.                                | \$ 4,965,719                       | \$ -               | \$ 4,965,719                        |
| 46  | <b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>       | \$ 10,360,555                      | \$ 403,824         | \$ 10,764,379                       |

## F-2 STATEMENT OF INCOME

| Line No.<br>(a) | Account Title (Number)<br>(b)   | Current Year<br>End Balance<br>(c) | Adjustments<br>(d) | Adjusted Year<br>End Balance<br>(e) |
|-----------------|---|------------------------------------|--------------------|-------------------------------------|
|                 | <b>UTILITY OPERATING INCOME</b>   |                                    |                    |                                     |
| 1               | Operating Revenues(400)   | \$ 1,327,921                       | \$ 60,540          | \$ 1,388,461                        |
| 2               | Operating Expenses:   |                                    |                    |                                     |
| 3               | Operating and Maintenance Expense (401)                                 | 845,169                            |                    | 845,169                             |
| 4               | Depreciation Expense (403)  | 359,624                            | 13,388             | 373,012                             |
| 5               | Amortization of Contribution in Aid of<br>Construction (405)            | (179,196)                          |                    | (179,196)                           |
| 6               | Amortization of Utility Plant Acquisition<br>Adjustment (406)           |                                    |                    |                                     |
| 7               | Amortization Expense-Other (407)  | 3,812                              |                    | 3,812                               |
| 8               | Taxes Other Than Income (408.1-408.13)                                  | 140,642                            | 9,487              | 150,129                             |
| 9               | Income Taxes (409.1, 410.1, 411.1, 412.1)                               | 5,530                              | 184                | 5,714                               |
| 10              | <b>Total Operating Expenses</b>   | \$ 1,175,581                       | \$ 23,059          | \$ 1,198,640                        |
| 11              | Net Operating Income (Loss)   | \$ 152,340                         | \$ 37,482          | \$ 189,822                          |
| 12              | Income From Utility Plant Leased to<br>Others (413)                     |                                    |                    |                                     |
| 13              | Gains(Losses) From Disposition of<br>Utility Property (414)             |                                    |                    |                                     |
| 14              | <b>Net Water Utility Operating Income</b>                               | \$ 152,340                         | \$ 37,482          | \$ 189,822                          |
|                 | <b>OTHER INCOME AND DEDUCTIONS</b>                                      |                                    |                    |                                     |
| 15              | Revenues From Merchandising, Jobbing and<br>Contract Work (415)         |                                    |                    |                                     |
| 16              | Costs and Expenses of Merchandising,<br>Jobbing and Contract Work (416) |                                    |                    |                                     |
| 17              | Equity in Earnings of Subsidiary<br>Companies (418)                     |                                    |                    |                                     |
| 18              | Interest and Dividend Income (419)                                      |                                    |                    |                                     |
| 19              | Allow. for funds Used During<br>Construction (420)                      |                                    |                    |                                     |
| 20              | Nonutility Income (421)   |                                    |                    |                                     |
| 21              | Gains (Losses) Form Disposition<br>Nonutility Property (422)            |                                    |                    |                                     |
| 22              | Miscellaneous Nonutility Expenses (426)                                 |                                    |                    |                                     |
| 23              | <b>Total Other Income and Deductions</b>                                | \$ -                               | \$ -               | -                                   |
|                 | <b>TAXES APPLICABLE TO OTHER INCOME</b>                                 |                                    |                    |                                     |
| 24              | Taxes Other Than Income (408.2)   |                                    |                    |                                     |
| 25              | Income Taxes (409.2, 410.2, 411.2,<br>412.2, 412.3)                     |                                    |                    |                                     |
| 26              | <b>Total Taxes Applicable To Other Income</b>                           |                                    |                    |                                     |
|                 | <b>INTEREST EXPENSE</b>   |                                    |                    |                                     |
| 27              | Interest Expense (427)  | \$ 151,204                         | \$ 24,512          | \$ 175,716                          |
| 28              | Amortization of Debt Discount &<br>Expense (428)                        | 1,549                              | 250                | 1,799                               |
| 29              | Amortization of Premium on Debt (429)                                   |                                    |                    |                                     |
| 30              | <b>Total Interest Expense</b>   | \$ 152,753                         | \$ 24,762          | \$ 177,515                          |
| 31              | <b>Income Before Extraordinary Items</b>                                | \$ (413)                           | \$ 12,720          | \$ 12,307                           |
|                 | <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>  | \$ (413)                           | \$ 12,720          | \$ 12,307                           |

**F-1 BALANCE SHEET**  
**Capital Structure**

| Line No.<br>(a)       | Account Title (Number)<br>(b)   | Current Year<br>End Balance<br>(c) | Adjustments<br>(d) | Adjusted Year<br>End Balance<br>(e) |
|-----------------------|---------------------------------|------------------------------------|--------------------|-------------------------------------|
| <b>EQUITY CAPITAL</b> |                                 |                                    |                    |                                     |
| 1                     | Common Stock Issued (201)       | \$ 16,767                          |                    | \$ 16,767                           |
| 2                     | Other Paid-In Capital (209,211) | 2,104,354                          | -                  | 2,104,354                           |
| 3                     | Retained Earnings (214-215)     | (1,428,401)                        | 12,720             | (1,415,681)                         |
| 4                     | Total Equity Capital            | \$ 692,720                         | \$ 12,720          | \$ 705,440                          |
| <b>LONG TERM DEBT</b> |                                 |                                    |                    |                                     |
| 5                     | Other Long-Term Debt (224)      | \$ 4,646,181                       | \$ 391,104         | \$ 5,037,285                        |
| 6                     | Total Long-Term Debt            | \$ 4,646,181                       | \$ 391,104         | \$ 5,037,285                        |
| 7                     | Total Capital Structure         | \$ 5,338,901                       | \$ 403,824         | \$ 5,742,725                        |

| Line No.<br>(a)       | Account Title (Number)<br>(b)   | Current Year<br>End Balance<br>(c) | Adjustments<br>(d) | Adjusted Year<br>End Balance<br>(e) |
|-----------------------|---------------------------------|------------------------------------|--------------------|-------------------------------------|
| <b>EQUITY CAPITAL</b> |                                 |                                    |                    |                                     |
| 1                     | Common Stock Issued (201)       | 0.31%                              | 0.00%              | 0.29%                               |
| 2                     | Other Paid-In Capital (209,211) | 39.42%                             | 0.00%              | 36.64%                              |
| 3                     | Retained Earnings (214-215)     | -26.75%                            | 3.15%              | -24.65%                             |
| 4                     | Total Equity Capital            | 12.97%                             | 3.15%              | 12.28%                              |
| <b>LONG TERM DEBT</b> |                                 |                                    |                    |                                     |
| 5                     | Other Long-Term Debt (224)      | 87.03%                             | 96.85%             | 87.72%                              |
| 6                     | Total Long-Term Debt            | 87.03%                             | 96.85%             | 87.72%                              |
| 7                     | Total Capital Structure         | 100.00%                            | 100.00%            | 100.00%                             |

**Hampstead Area Water Company**  
**Journal Entries**

**SPS-4**

|    |   |        |                                 |         |         |
|----|---|--------|---------------------------------|---------|---------|
| 1  | Dr.   | 181    | Unamortized Debt Expense        | 5,000   |         |
|    | Cr.   | 131    | Cash                            |         | 5,000   |
|    | To record estimated debt expense associated with financing 2009 & 2010 additions to plant           |        |                                 |         |         |
| 2  | Dr.   | 131    | Cash                            | 66,459  |         |
|    | Cr.   | 224    | Other Long Term Debt            |         | 66,459  |
|    | To record receipt of cash and related liability for 2009 additions to plant.                        |        |                                 |         |         |
|    | Note: \$47,406 of the liability related to the 2009 additions is already reflected on 12/31/09 B/S. |        |                                 |         |         |
| 3  | Dr.   | 131    | Cash                            | 337,400 |         |
|    | Cr.   | 224    | Other Long Term Debt            |         | 337,400 |
|    | To record receipt of cash and related liability for the 2010 additions to plant.                    |        |                                 |         |         |
| 4  | Dr.   | 101    | Plant in Service                | 337,400 |         |
|    | Cr.   | 131    | Cash                            |         | 337,400 |
|    | To record the 2010 plant in service   |        |                                 |         |         |
|    | Note: The 2009 additions to plant are already reflected on 12/31/09 B/S.                            |        |                                 |         |         |
| 5  | Dr.   | 403    | Depreciation Expense            | 2,890   |         |
|    | Cr.   | 108    | Accumulated Depreciation        |         | 2,890   |
|    | To record additional half year depreciation expense on 2009 additions to plant                      |        |                                 |         |         |
|    | Note: A half year depreciation on 2009 additions to plant is already reflected on the 12/31/09 B/S. |        |                                 |         |         |
| 6  | Dr.   | 403    | Depreciation Expense            | 10,498  |         |
|    | Cr.   | 108    | Accumulated Depreciation        |         | 10,498  |
|    | To record half year depreciation expense on 2010 additions to plant                                 |        |                                 |         |         |
| 7  | Dr.   | 224    | Other Long Term Debt            | 12,755  |         |
|    | Dr.   | 427    | Interest Expense                | 24,512  |         |
|    | Cr.   | 131    | Cash                            |         | 37,267  |
|    | To record 1st year principal and interest payments on N/P for 2009 & 2010 additions                 |        |                                 |         |         |
| 8  | Dr.   | 428    | Amortization of Debt Expense    | 250     |         |
|    | Cr.   | 186    | Miscellaneous Deferred Debits   |         | 250     |
|    | To record annual amortization of debt expense   |        |                                 |         |         |
| 9  | Dr.   | 131    | Cash                            | 60,540  |         |
|    | Cr.   | 461    | Metered Water Revenues          |         | 60,540  |
|    | To record additional annual revenue   |        |                                 |         |         |
| 10 | Dr.   | 408    | State Utility Property Taxes    | 2,899   |         |
|    | Dr.   | 408    | Local Property Taxes            | 6,588   |         |
|    | Dr.   | 409.11 | State Business Enterprise Taxes | 184     |         |
|    | Cr.   | 131    | Cash                            |         | 9,671   |
|    | To record additional state and local property taxes and state business enterprise tax               |        |                                 |         |         |

**Hampstead Area Water Company  
2010 Projected Plant and Depreciation**

**SPS-5**

| <u>Item Description</u>   | <u>Plant<br/>Acct #</u> | <u>Total<br/>Amount</u> | <u>Depr.<br/>Rate</u> | <u>Annual<br/>Depr Exp</u> | <u>Accum<br/>Depr</u> |
|---------------------------|-------------------------|-------------------------|-----------------------|----------------------------|-----------------------|
| Structures & Improvements | 304                     | \$2,093                 | 2.00%                 | \$42                       | \$21                  |
| Well Improvements         | 307                     | 4,498                   | 3.30%                 | 148                        | 74                    |
| Pumping Equipment         | 311                     | 17,985                  | 10.00%                | 1,799                      | 899                   |
| Main Replacements         | 331                     | 15,648                  | 2.00%                 | 313                        | 156                   |
| Service Replacements      | 333                     | 17,106                  | 2.50%                 | 428                        | 214                   |
| Meters                    | 334                     | 55,315                  | 5.00%                 | 2,766                      | 1,383                 |
| Office Equipment          | 340                     | 1,420                   | 20.00%                | 284                        | 142                   |
| Total Proposed Financing  |                         | <u>\$114,065</u>        |                       | <u>\$5,779</u>             | <u>\$2,890</u>        |



**Hampstead Area Water Company  
2010 Projected Plant and Depreciation**

**SPS-6**

| <u>Item Description</u>                          | <u>Plant<br/>Acct #</u> | <u>Total<br/>Amount</u> | <u>Depr.<br/>Rate</u> | <u>Annual<br/>Depr Exp</u> | <u>Accum<br/>Depr</u> |
|--|-------------------------|-------------------------|-----------------------|----------------------------|-----------------------|
| Miscellaneous Structures                         | 304                     | \$2,000                 | 2.00%                 | \$40                       | \$20                  |
| Village Green Well                               | 307                     | 25,000                  | 3.30%                 | 825                        | 413                   |
| Miscellaneous Well Improvements                  | 307                     | 5,000                   | 3.30%                 | 165                        | 83                    |
| Battery backup for tank scada                    | 311                     | 2,500                   | 10.00%                | 250                        | 125                   |
| Test\Replace 14 well meters                      | 311                     | 8,400                   | 10.00%                | 840                        | 420                   |
| Miscellaneous Pumping Equipment                  | 311                     | 20,000                  | 10.00%                | 2,000                      | 1,000                 |
| Replace (2) 6' Greensand Filters - Village Green | 320                     | 36,000                  | 10.00%                | 3,600                      | 1,800                 |
| Lancaster Farm - uranium treatment               | 320                     | 50,000                  | 3.60%                 | 1,800                      | 900                   |
| Camelot Court filter                             | 320                     | 3,500                   | 3.60%                 | 126                        | 63                    |
| Mains on Route 121                               | 331                     | 10,000                  | 2.00%                 | 200                        | 100                   |
| Fix leaks found during leak detection            | 331                     | 50,000                  | 2.00%                 | 1,000                      | 500                   |
| Miscellaneous Main replacements                  | 331                     | 15,000                  | 2.00%                 | 300                        | 150                   |
| Miscellaneous Service replacements               | 333                     | 18,000                  | 2.50%                 | 450                        | 225                   |
| Replace 200 meters per year                      | 334                     | 50,400                  | 5.00%                 | 2,520                      | 1,260                 |
| Brickett's Mill Meter Replacement                | 334                     | 9,600                   | 5.00%                 | 480                        | 240                   |
| New F-150 pick up truck                          | 341                     | 32,000                  | 20.00%                | 6,400                      | 3,200                 |
| Total Proposed Financing                         |                         | <u>\$337,400</u>        |                       | <u>\$20,996</u>            | <u>\$10,498</u>       |

**Hampstead Area Water Company**  
**2009 / 2010 Additions to Plant Financing**

**SPS-7**

Calculation of Revenue Requirement

|   | Estimated<br><u>2009/2010</u> |
|---|-------------------------------|
| Addition to Rate Base:                                      |                               |
| Plant Additions   |                               |
| 2009 Additions  | \$114,065                     |
| 2010 Additions  | <u>337,400</u>                |
| Total Addition to Plant                                     | \$451,465                     |
| Less: Accumulated Depreciation                              | <u>13,388</u>                 |
| Net Plant   | \$438,077                     |
| Add: Cash Working Capital                                   |                               |
| Total Additions to Rate Base                                | \$438,077                     |
| Rate of Return  | <u>5.50%</u>                  |
| Additional Net Operating Income Required                    | \$24,094                      |
| Add: Operating and Maintenance Expenses                     |                               |
| Depreciation Expense  | 26,775                        |
| State Property Taxes ( $\$439,229 / 1,000 \times \$6.60$ )  | 2,899                         |
| Local Property Taxes ( $\$439,229 / 1,000 \times \$15.00$ ) | 6,588                         |
| Business Enterprise Taxes ( $\$24,512 \times \$0.0075$ )    | <u>184</u>                    |
| Total Additional Revenue Required                           | <u>\$60,540</u>               |

**Hampstead Area Water Company**  
**Source and Use of Funds**

**SPS-8**

| <u>Source of Funds</u>           | <u>2009/2010</u>  |
|----------------------------------|-------------------|
| Lewis Builders Development, Inc. | \$ 451,465        |
| Total Source of Funds            | <u>\$ 451,465</u> |
| <br><u>Use of Funds</u>          |                   |
| 2009 Additions to Plant          | \$ 114,065        |
| 2010 Additions to Palnt          | <u>337,400</u>    |
| Total Use of Funds               | <u>\$ 451,465</u> |

**Hampstead Area Water Company  
Estimated Cost of Financing**

**SPS-9**

2009 / 2010 Additions to Plant Financing

|                                 |                |
|---------------------------------|----------------|
| St. Cyr & Associates            | \$2,000        |
| Lewis Builders Development      | <u>3,000</u>   |
| Total Estimated Financing Costs | <u>\$5,000</u> |