

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
PERMANENT RATE REVENUE REQUIREMENT**

Average Rate Base per Staff (Att A; Sch 2; Col 6)	\$ 273,178
Rate of Return (Att A; Sch 1a)	<u>9.07%</u>
Operating Income Requirement	24,774
Adjusted Net Operating Income per Staff (Att A; Sch 3; Col 6)	<u>37,905</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(13,130)
Divided by Tax Factor (Att A; Sch 1b)	<u>77.78%</u>
Revenue Deficiency / (Surplus)	(16,882)
Pro-forma Test Year Water Sales (Att A; Sch 3; Col 6)	<u>144,097</u>
Revenue Requirement from Water Sales per Staff	127,215
Less: Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	<u>(84,645)</u>
Increase / (Decrease) in Revenue Requirement from Water Sales	<u>\$ 42,570</u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u>50.29%</u>

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure					Interest Expense					Amortization Expense				Total Annual Cost of Debt	Cost Rate	Weighted Average Cost
	Actual @ 12/31/09	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted @ 12/31/09	Percent	Actual @ 12/31/09	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted @ 12/31/09	Interest Rate	Actual @ 12/31/09	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted @ 12/31/09			
Long-term Debt:																	
2009 Owner Loan	\$ 47,192	\$ -	\$ -	\$ 47,192	24.76%	\$ -	\$ 3,303	\$ -	\$ 3,303	7.00%	\$ -	\$ -	\$ -	\$ -	\$ 3,303	7.00%	1.73%
2010 ARRA/SRF Loan	-	40,752	(40,752)	-	0.00%	-	954	(954)	-	0.00%	-	457	(457)	-	-	0.00%	0.00%
2010 Owner Loan	-	16,727	(16,727)	-	0.00%	-	1,171	(1,171)	-	0.00%	-	-	-	-	-	0.00%	0.00%
Total Long-term Debt	47,192	57,479	(57,479)	47,192	24.76%	\$ -	5,428	(2,125)	3,303	7.00%	\$ -	457	(457)	-	\$ 3,303		1.73%
Common Equity:																	
Common Stock	-	-	-	-	0.00%												
Additional Paid-in Capital	106,494	-	-	106,494	55.86%												
Retained Earnings	36,946	-	-	36,946	19.38%												
Total Common Equity	143,440	-	-	143,440	75.24%											9.75%	7.34%
Total Capitalization	\$ 190,632	\$ 57,479	\$ (57,479)	\$ 190,632	100.00%												9.07%

DW 10-306
LAKELAND MANAGEMENT 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>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
PERMANENT RATE AVERAGE RATE BASE**

	(1) Year End Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att A; Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
<u>Plant in Service</u>						
Plant in Service	\$ 356,308	\$ 169,879	\$ 526,187	\$ (98,498)	1 - 3	\$ 427,689
Less: Accumulated Depreciation	<u>(156,533)</u>	<u>(6,618)</u>	<u>(163,151)</u>	<u>4,171</u>	4 - 6	<u>(158,980)</u>
Net Plant in Service	<u>199,775</u>	<u>163,261</u>	<u>363,036</u>	<u>(94,328)</u>		<u>268,708</u>
Contributions in Aid of Construction (CIAC)	-	(40,752)	(40,752)	40,752	7	-
Accumulated Amortization of CIAC	-	<u>646</u>	<u>646</u>	<u>(646)</u>	8	-
Net Contributions in Aid of Construction	-	<u>(40,106)</u>	<u>(40,106)</u>	<u>40,106</u>		-
Net Plant in Rate Base	<u>199,775</u>	<u>123,155</u>	<u>322,930</u>	<u>(54,222)</u>		<u>268,708</u>
<u>Working Capital</u>						
Cash Working Capital	17,529	(583)	16,946	(1,310)	9 - 10	15,636
Materials and Supplies	747	-	747			747
Prepaid Expenses	1,505	-	1,505	(753)	11	752
Accumulated Deferred Income Taxes	<u>(12,583)</u>	<u>-</u>	<u>(12,583)</u>	<u>(83)</u>	12	<u>(12,666)</u>
Total Working Capital in Rate Base	<u>7,198</u>	<u>(583)</u>	<u>6,615</u>	<u>(2,146)</u>		<u>4,469</u>
Total Average Rate Base	<u>\$ 206,973</u>	<u>\$ 122,572</u>	<u>\$ 329,545</u>	<u>\$ (56,367)</u>		<u>\$ 273,178</u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE**

Adj#

Proforma Adjustments to Plant in Service:

Plant in Service

1	To eliminate Co's pro-forma adj to reflect 2010 tanks and VFD's in test year rate base.	\$	(98,230)
2	To adjust test year average plant in service to amount computed by Staff (Att A; Sch 2b; Col 8)		14,330
3	To adjust cost of 2009 Plant Additions reflected in test year rate base:		
	Cost of 2009 Well / Pumping Equipment per Company	\$	143,405
	Less: Accounting error (Per Staff Audit Issue # 2)		(311)
	Adjusted Cost of 2009 Well / Pumping Equipment		<u>143,094</u>
	Less: Test Year Average of 2009 Well / Pumping Equipment per Staff (\$143,405 x 60%)		<u>(86,043)</u>
	Adjustment to reflect full cost of 2009 Well / Pumping Equipment in rate base per Staff		57,051
	Less: Company Adjustment to reflect full cost of 2009 Plant Additions in rate base		<u>(71,649)</u> \$ (14,598)
	Total Adjustments - Plant in Service		<u>\$ (98,498)</u>

Accumulated Depreciation

4	To eliminate Co's pro-forma adj to reflect accumulated depreciation on 2010 tanks and VFD's in test year rate base.	\$	1,501
5	To adjust test year average accumulated depreciation to amount computed by Staff (Att A; Sch 2b; Col 8).		511
6	To adjust accumulated depreciation on 2009 Plant Additions reflected in test year rate base:		
	Accumulated Depreciation on 2009 Well / Pumping Equipment per Company	\$	(2,366)
	Add: Adjustment in Accumulated Depreciation (Per Staff Audit Issue # 3)		<u>(1,302)</u>
	Adjusted Accumulated Depreciation on 2009 Well / Pumping Equipment		<u>(3,668)</u>
	Less: Test Year Average of Accumulated Depreciation on 2009 Well / Pumping Equipment per Staff		<u>710</u>
	Adj to reflect full Accumulated Depreciation on 2009 Well / Pumping Equipment in rate base per Staff		<u>(2,958)</u>
	Less: Company Adj to reflect full Accumulated Depreciation on 2009 Plant Additions in rate base		<u>5,117</u> \$ 2,159
	Total Adjustments - Accumulated Depreciation		<u>\$ 4,171</u>

Contributions in Aid of Construction (CIAC)

7	To eliminate Co's pro-forma adj to reflect CIAC on 2010 tanks and VFD's in test year rate base.	\$	<u>40,752</u>
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Accumulated Amortization - CIAC

8	To eliminate Co's pro-forma adj to reflect accumulated amortization - CIAC on 2010 tanks and VFD's in test year rate base.	\$	<u>(646)</u>
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Proforma Adjustments to Working Capital:

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE

Adj#

Cash Working Capital

9	To adjust Co's test year cash working capital component to amount calculated per Staff (Att A; Sch 2b; Col 8).	\$	(2)
10	To adjust Co's pro-forma cash working capital component to reflect Staff O&M Expense Adj's:		
	Total pro-forma O & M Expenses after Staff Adj's (Att A; Sch 3; Col 6)	\$	76,093
	Cash Working Capital % (75 days / 365 days)		20.55%
	Pro-forma Cash Working Capital Component per Staff	\$	15,636
	Less: Pro-forma cash working capital component proposed by Co. and adjusted by Staff	(16,944)	(1,309)
	Total Adjustments - Cash Working Capital	\$	(1,310)

Prepaid Expenses

11	To adjust test year average prepaid expenses to amount computed by Staff (Att A; Sch 2b; Col 8).	\$	(753)
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Accumulated Deferred Income Taxes

12	To adjust test year average accumulated deferred income taxes to amount computed by Staff (Att A; Sch 2b; Col 8).	\$	(83)
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Net Rate Base Adjustments per Staff

\$ (56,367)

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Quarter Ending Balance Per Staff					5-Quarter Average Per Staff	Year End Average Per Company	To Adjust Rate Base to 5-Quarter Avg	Adjustment #
	12/31/08	03/31/09	06/30/09	09/30/09	12/31/09				
Plant in Service	\$ 284,659	\$ 284,659	\$ 427,957	\$ 427,957	\$ 427,957	\$ 370,638	356,308	\$ 14,330	2
Accumulated Depreciation	(151,416)	(153,476)	(155,164)	(158,407)	(161,649)	(156,022)	(156,533)	511	5
Contributions in Aid of Construction (CIAC)	-	-	-	-	-	-	-	-	
Accumulated Amortization - CIAC	-	-	-	-	-	-	-	-	
Cash Working Capital						(a) 17,527	17,529	(2)	9
Material and Supplies	879	813	747	681	615	747	747	-	
Prepaid Expenses (b)	1,282	115	482	545	1,338	752	1,505	(753)	11
Accumulated Deferred Income Taxes (See Audit Issue # 7)	(13,071)	(12,868)	(12,666)	(12,463)	(12,260)	(12,666)	(12,583)	(83)	12
Total Average Rate Base						\$ 220,976	\$ 206,973	\$ 14,003	

(a) Adjustment of Test Year Cash Working Capital:

Test Year O & M Expenses (Att A; Sch 3; Col 1)	\$ 85,299
Cash Working Capital % (75 days / 365 days)	<u>20.55%</u>
Adjusted Test Year Cash Working Capital per Staff	<u>\$ 17,527</u>

(b) Calculation of Prepaid Expenses:

	12/31/08	03/31/09	06/30/09	09/30/09	12/31/09
Property Insurance - Total Company	\$ 436	\$ 137	\$ 29	\$ 649	\$ 448
Local Property Taxes - Total Company (Staff DR 2-15)	1,091	-	545	-	1,146
Total Company Prepaid Expenses	1,527	137	574	649	1,594
Percentage Net Plant - Water Division	83.94%	83.94%	83.94%	83.94%	83.94%
Total Prepaid Expenses - Water Division	<u>\$ 1,282</u>	<u>\$ 115</u>	<u>\$ 482</u>	<u>\$ 545</u>	<u>\$ 1,338</u>

Calculation of Water Division Allocation Percentage:

Average Net Plant in Service - Water Division	\$ 214,615	(above, Column 6)
Average CWIP - Water Division	78,013	(2009 Annual Report)
Average Total Net Plant - Water Division	292,628	
Average Net Plant in Service - Sewer Division	56,000	(Att B; Sch 2b; Col 6)
Total Company Average Net Plant in Service	<u>\$ 348,628</u>	

Percentage Net Plant - Water Division 83.94%

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT**

	(1) Per Test Year	(2) Pro-forma Adjustments Per Company	(3) Adjusted Test Year Per Company	(4) Staff Adjustments (Att A; Sch 3a)	(5) Adj #	(6) Adjusted Test Year Per Staff	(7) Revenue Deficiency / (Surplus)	(8) Revenue Requirement
Operating Revenues								
Water Sales	\$ 81,259	\$ 59,452	\$ 140,711	\$ 3,386	13	\$ 144,097	\$ (16,882)	\$ 127,215
Other Operating Revenues	-	-	-	-		-	-	-
Total Water Revenues	<u>81,259</u>	<u>59,452</u>	<u>140,711</u>	<u>3,386</u>		<u>144,097</u>	<u>(16,882)</u>	<u>127,215</u>
Operating Expenses								
Operation & Maintenance Expenses:								
Source of Supply Expenses	1,604	-	1,604			1,604		1,604
Pumping Expenses	10,922	-	10,922	(1,241)	14 - 15	9,681		9,681
Water Treatment Expenses	12,004	-	12,004			12,004		12,004
Transmission & Distribution Expenses	1,611	-	1,611			1,611		1,611
Customer Accounts Expenses	7,795	(2,835)	4,960			4,960		4,960
Administrative & General Expenses	51,363	-	51,363	(5,130)	16 - 18	46,233		46,233
Total Operation & Maintenance Expenses	<u>85,299</u>	<u>(2,835)</u>	<u>82,464</u>	<u>(6,371)</u>		<u>76,093</u>	<u>-</u>	<u>76,093</u>
Depreciation Expense	10,604	5,374	15,978	(398)	19 - 20	15,580		15,580
Amortization Expense - CIAC	-	(1,292)	(1,292)	1,292	21	-		-
Amortization Expense - Other	-	-	-			-		-
Taxes other than Income	3,940	4,890	8,830	(3,155)	22 - 23	5,675		5,675
Total Operating Expenses	<u>99,843</u>	<u>6,137</u>	<u>105,980</u>	<u>(8,632)</u>		<u>97,348</u>	<u>-</u>	<u>97,348</u>
Net Operating Income / (Loss)								
Before Income Taxes	(18,584)	53,315	34,731	12,019		46,750	(16,882)	29,867
Income Taxes	(371)	6,608	6,237	2,608	Att A; Sch 3b	8,845	(3,752)	5,093
Net Operating Income (Loss)	<u>\$ (18,213)</u>	<u>\$ 46,707</u>	<u>\$ 28,494</u>	<u>\$ 9,411</u>		<u>\$ 37,905</u>	<u>\$ (13,130)</u>	<u>\$ 24,774</u>

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES

Adj #**Pro-forma Adjustments to Operating Revenue:**

13	To adjust test year water sales in order to reflect 2010 sales to Maple Hill Acres (Per Staff DR 1-16):		
	2010 Water Sales to Maple Hill Acres	\$	10,201
	Less: 2009 Water Sales to Maple Hill Acres		(6,815) \$
			<u>3,386</u>

Pro-forma Adjustments to Operating Expenses:**Pumping Expenses**

14	To eliminate one-half of Jan-'09 billing from purchased power expense (Per Staff Audit Issue # 8)	\$	(214)
15	To allocate portion of adjusted purchased power expense to sewer division (Based on Staff DR 2-23):		
	Adjusted test year purchased power expense (See Adj # 16)	\$	5,133
	Estimated Sewer Division allocation percentage		20.00% (1,027)
			<u>(1,027)</u>
	Total Adjustments - Pumping Expenses	\$	<u>(1,241)</u>

Administrative & General Expenses

16	To adjust test year insurance expense using an average net plant allocation methodology (Based on Staff DR 2-21):		
	Test Year Insurance Expense - Total Company	\$	786
	Calculation of Insurance Expense allocated to Water Division:		
	Average Net Plant in Service - Water Division (Att A; Sch 2b; Col 6)	\$	214,615
	Average CWIP - Water Division (Based on 2009 Annual Report)		78,013
	Average Total Net Plant - Water Division	<u></u>	292,628
	Average Net Plant in Service - Sewer Division (Att B; Sch 2b; Col 6)	<u></u>	56,000
	Total Company Average Net Plant in Service	\$	<u>348,628</u>
	Allocation Percentage - Water Division		<u>83.94%</u>
	Test Year Insurance Expense allocated to Water Division		660
	Less: Insurance Expense allocated to Water Division per the Test Year		<u>(393) \$</u>
			268
17	To adjust test year Officer Compensation (see Staff Audit Report - Pg 14; Staff DR 2-20):		
	Revised annual Officer Compensation per Management Contract	\$	3,450
	Portion of Officer Compensation attributable to the Water Division		50.00%
	Officer Compensation Expense - Water Division	<u></u>	1,725
	Less: Officer Compensation (Water Division) incurred during the test year	<u></u>	(4,032) (2,307)
18	To allocate one-half of total accounting and legal expenditures to the Sewer Division (Based on Staff DR's 1-36 & 2-25):		
	Test year accounting expenditures (Staff DR 1-36)	\$	4,819
	Test year legal expenditures (Staff DR 1-36)	<u></u>	1,363
	Total test year accounting and legal expenditures	<u></u>	6,182
	Percentage of expenditures allocated to Sewer Division		<u>50.00%</u> (3,091)
	Total Adjustments - Administrative & General Expenses	\$	<u>(5,130)</u>

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES

Adj #**Depreciation Expense**

19	To eliminate Co's pro-forma adj relative to tanks and VFD's placed in service during 2010.	\$ (3,002)
20	To adjust test year depreciation expense on 2009 well relative to elimination of \$311 accounting error and reclassification of \$39,015 to pumping equipment (Per Staff Audit Issue # 3):	
	Net Adjustment to test year Depreciation Expense per Staff Audit Issue # 3	\$ 1,302
	To reflect subsequent year effect on annual depreciation expense	x 2 2,604
		<hr/>
	Total Adjustments - Depreciation Expense	\$ (398)

Amortization Expense - CIAC

21	To eliminate Co's pro-forma adj relative to tanks and VFD's placed in service during 2010.	\$ 1,292
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Taxes Other than Income

22	To eliminate Co's pro-forma adj's relative to tanks and VFD's placed in service during 2010.	\$ (2,315)
23	To reflect 2010 property tax assessment for test year pro-forma expense (Staff DR's 1-28 & 2-21):	
	2010 Town of Belmont Property Taxes (Staff DR 1-28)	\$ 4,997
	2010 State Utility Property Taxes (Staff DR 1-28)	<u>1,763</u>
	Total 2010 Property Taxes	\$ 6,760
	Calculation of Total Property Taxes allocated to Water Division:	
	Average Net Plant in Service - Water Division (Att A; Sch 2b; Col 6)	\$ 214,615
	Average CWIP - Water Division (Based on 2009 Annual Report)	<u>78,013</u>
	Average Total Net Plant - Water Division	292,628
	Average Net Plant in Service - Sewer Division (Att B; Sch 2b; Col 6)	<u>56,000</u>
	Total Company Average Net Plant in Service	\$ 348,628
	Allocation Percentage - Water Division	83.94%
	2010 Property Tax Expense allocated to Water Division	\$ 5,674
	Less: Adjusted Test Year Property Tax Expense allocated to Water Division	<u>(6,515) (840)</u>
	Total Adjustments - Taxes Other than Income	\$ (3,155)

Net Operating Expense Adjustments per Staff before Income Taxes **\$ (8,632)**

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE INCOME TAXES**

INCOME TAXES

Pro-forma Net Operating Income / (Loss) before Staff Adjustments and Income Taxes (Att A; Sch 3; Col 3)	\$	34,731	
Summary of Staff Pro-forma Adjustments to Operating Revenues and Expenses (Att A; Sch 3; Col 4):			
Total Pro-forma Adjustments to Water Revenues	\$	3,386	
Total Pro-forma Adjustments to Source of Supply Expenses		-	
Total Pro-forma Adjustments to Pumping Expenses		1,241	
Total Pro-forma Adjustments to Water Treatment Expenses		-	
Total Pro-forma Adjustments to Transmission & Distribution Expenses		-	
Total Pro-forma Adjustments to Customer Accounts Expenses		-	
Total Pro-forma Adjustments to Administrative & General Expenses		5,130	
Total Pro-forma Adjustments to Depreciation Expense		398	
Total Pro-forma Adjustments to Amortization Expense - CIAC		(1,292)	
Total Pro-forma Adjustments to Amortization Expense - Other		-	
Total Pro-forma Adjustments to Taxes other than Income		<u>3,155</u>	<u>12,019</u>
Pro-forma Net Operating Income / (Loss) after Staff Adjustments and before Income Taxes		46,750	
Less: Pro-forma Interest Expense (Att A; Sch 1a)		<u>(3,303)</u>	
Pro-forma Net Income / (Loss) before Income Taxes	\$	<u>43,447</u>	
New Hampshire Business Profits Tax @ 8.5%			\$ 3,693
Pro-forma Income / (Loss) Subject to Federal Income Tax	\$	<u>39,754</u>	
Federal Income Tax @ 15.0%			5,963
Less: Adjusted Deferred Income Tax Expense (Per Staff Audit Issue # 7)			<u>(811)</u>
Total Pro-forma Income Tax Expense			8,845
Less: Income Tax Expense before Staff Pro-forma Adjustments (Att A; Sch 3; Col 3)			<u>(6,237)</u>
Staff's Pro-forma Adjustment to Income Tax Expense	\$		<u><u>2,608</u></u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STEP INCREASE**

Increase in Net Income Requirement:

2010 Plant Additions (Att A; Sch 4a)	\$ 98,230
Less: Accumulated Depreciation (Att A; Sch 4a)	(1,501)
Net 2010 Plant in Service	96,729

2010 Contributions in Aid of Construction (CIAC) (Att A; Sch 4a)	(40,752)
Less: Accumulated Amortization of CIAC (Att A; Sch 4a)	646
Net 2010 CIAC Additions	(40,106)

Net 2010 Plant in Rate Base \$ 56,623

Annual Cost of Debt (Sch 4c) 4.491%

Increase in Operating Income Requirement \$ 2,543

Net Increase in Operating Expenses:

Annual Depreciation Expense - 2010 Plant Additions (Att A; Sch 4a) \$ 3,002

Annual Amortization of CIAC - 2010 CIAC Additions (Att A; Sch 4a) (1,292)

Increase in Property Tax Expense for 2010 Net Additions to Plant (Att A; Sch 4b) 1,923

Increase in Operating Expenses \$ 3,633

Step Increase in Revenue Requirement **\$ 6,176**

Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4) **\$ 84,645**

Percent Increase / (Decrease) in Revenue Requirement from Water Sales **7.30%**

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS**

2010 Plant Additions:

<u>Account</u>	<u>Amount</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 12/31/10</u>	<u>Net Plant in Service @ 12/31/10</u>
304: Structures & Improvements	\$ 90,943	2.50%	\$ 2,274	\$ (1,137)	\$ 89,806
311: Pumping Equipment	<u>7,287</u>	10.00%	<u>729</u>	<u>(364)</u>	<u>6,923</u>
	<u>\$ 98,230</u>		<u>\$ 3,002</u>	<u>\$ (1,501)</u>	<u>\$ 96,729</u>

2010 CIAC Additions:

<u>Account</u>	<u>Amount</u>	<u>Amortization Rate</u>	<u>Annual Amortization</u>	<u>Accumulated Amortization @ 12/31/10</u>	<u>Net CIAC @ 12/31/10</u>
304: Structures & Improvements	\$ (37,108)	2.50%	\$ (928)	\$ 464	\$ (36,644)
311: Pumping Equipment	<u>(3,644)</u>	10.00%	<u>(364)</u>	<u>182</u>	<u>(3,462)</u>
	<u>\$ (40,752)</u>		<u>\$ (1,292)</u>	<u>\$ 646</u>	<u>\$ (40,106)</u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STEP INCREASE PROPERTY TAX CALCULATION**

Municipal Taxes - Town of Belmont:

2010 Net Plant Additions - Water Division (Att A; Sch 4a)	\$	96,729
Municipal Valuation Factor:		
2010 Municipal Valuation - Total Company (Staff DR 1-28)	\$	267,100
Net Utility Plant per 2009 Annual Report - Total Company	+ \$	<u>340,083</u>
	x	<u>78.54%</u>
Estimated Municipal Valuation of 2010 Net Additions to Plant	\$	75,971
2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-28)	x \$	<u>18.71</u>
Estimated Municipal Taxes on 2010 Net Additions to Plant		<u>\$ 1,421</u>

State Utility Property Taxes:

2010 Net Plant Additions - Water Division (Att A; Sch 4a)	\$	96,729
State Valuation Factor:		
2010 State Valuation - Total Company (Staff DR 1-28)	\$	267,053
Net Utility Plant per 2009 Annual Report - Total Company	+ \$	<u>340,083</u>
	x	<u>78.53%</u>
Estimated State Valuation of 2010 Net Additions to Plant	\$	75,957
2010 State Tax Rate (per \$1,000 of Valuation) (Staff DR 1-28)	x \$	<u>6.60</u>
Estimated State Taxes on 2010 Net Additions to Plant		<u>\$ 501</u>
Net Increase in Property Tax Expense for 2010 Net Additions to Plant		<u><u>\$ 1,923</u></u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
STEP INCREASE COST OF DEBT CALCULATION**

	<u>Total Amount Borrowed</u>	<u>Anticipated Principal Forgiveness</u>	<u>Net Principal Amount Due</u>	<u>Percentage of Total</u>	<u>Anticipated Interest Rate</u>	<u>Annual Interest</u>	<u>Annual Amortization of Loan Cost</u>	<u>Total Annual Debt Expense</u>	<u>Annual Cost of Debt</u>	<u>Weighted Average Cost</u>
2009 ARRA / SRF Loan	\$ 81,503	\$ (40,752)	\$ 40,752	70.90%	2.340%	\$ 954	\$ 457	\$ 1,410	3.461%	2.45%
2010 C & C Water Services Loan	16,727	-	16,727	29.10%	7.000%	1,171	-	1,171	7.000%	2.04%
Totals	<u>\$ 98,230</u>	<u>\$ (40,752)</u>	<u>\$ 57,479</u>	<u>100.00%</u>		<u>\$ 2,124</u>	<u>\$ 457</u>	<u>\$ 2,581</u>		<u>4.49%</u>
							↓			
						Total Loan Cost (Per Company)	\$ 4,568			
						Amortization Period (Yrs)	+ 10			
						Annual Amortization	<u>\$ 457</u>			

Calculation of the Step Increase is not finalized as the cost of construction of the new plant has not been audited by Staff.

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
REPORT OF PROPOSED RATE CHANGES**

<u>Rate Class of Service:</u>	<u>Effect of Change</u>	<u>Number of Customers</u>	<u>Authorized Present Revenue</u>	<u>Proposed Revenue</u>	<u>Proposed Change Amount</u>	<u>Proposed Percentage Change</u>
Commercial Class A (MCA)	Increase	1	\$ 6,772	\$ 10,672	\$ 3,900	57.59%
Commercial Class B (MCB)	Increase	4	10,511	16,564	6,053	57.59%
Residential Multi-Family (MRM)	Increase	1	10,201	19,663	9,462	92.75%
Residential Single Family (MRS)	Increase	150	57,161	86,492	29,331	51.31%
Total - Water Division		156	\$ 84,645	\$ 133,391	\$ 48,746	57.59%

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
CALCULATION OF CUSTOMER RATES

Summary of Proposed Revenue Requirement:

Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	\$ 84,645
Proposed Increase in Revenue Requirement from Permanent Rates (Att A; Sch 1)	42,570
Proposed Step Increase in Revenue Requirement (Att A; Sch 4)	6,176
Total Proposed Revenue Requirement	<u>\$ 133,391</u>
Total Proposed Increase in the Revenue Requirement	<u>57.59%</u>

Percent of Pro-forma Test Year Revenues per Customer Class:

	Number of Customers	Pro-forma Test Year Revenues	Percentage of Revenues
Commercial Class A (MCA)	1	\$ 6,772	8.00%
Commercial Class B (MCB)	4	10,511	12.42%
Residential Multi-Family (MRM)	1	10,201	12.05%
Residential Single Family (MRS)	150	57,161	67.53%
	<u>156</u>	<u>\$ 84,645</u>	<u>100.00%</u>

Commercial Class A:**Calculation of Base Charge:**

Quarterly Base Charge - Present Tariff	\$ 833.00	
1 + Percent Increase	x 1.5759	
Proposed Commercial Class A Quarterly Base Charge (Rounded)	\$ 1,313.00	
Number of Customers	x 1	
Annual Billing Quarters	x 4	\$ 5,252.00

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 133,391		
Commercial Class A Percentage of Pro-forma Test Year Revenues	8.00%		
Commercial Class A Proposed Revenues	\$ 10,672		
Less: Commercial Class A Proposed Revenues from Base Charge	(5,252)		
Commercial Class A Proposed Revenues from Consumption Charge	\$ 5,420		
Commercial Class A Test Year Consumption (CCF)	+ 358.90		
Proposed Commercial Class A Consumption Charge	\$ 15,1015		
Commercial Class A Annual Consumption (CCF)	x 358.90	\$ 5,419.92	\$ 10,671.92

Commercial Class B:**Calculation of Base Charge:**

Quarterly Base Charge - Present Tariff	\$ 278.00	
1 + Percent Increase	x 1.5759	
Proposed Commercial Class B Quarterly Base Charge (Rounded)	\$ 438.00	
Number of Customers	x 4	
Annual Billing Quarters	x 4	\$ 7,008.00

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 133,391		
Commercial Class B Percentage of Pro-forma Test Year Revenues	12.42%		
Commercial Class B Proposed Revenues	\$ 16,564		
Less: Commercial Class B Proposed Revenues from Base Charge	(7,008)		
Commercial Class B Proposed Revenues from Consumption Charge	\$ 9,556		
Commercial Class B Test Year Consumption (CCF)	+ 1,399.52		
Proposed Commercial Class B Consumption Charge	\$ 6,8282		
Commercial Class B Annual Consumption (CCF)	x 1,399.52	\$ 9,556.17	\$ 16,564.17

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
WATER DIVISION
CALCULATION OF CUSTOMER RATES

Summary of Proposed Revenue Requirement:

Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	\$ 84,645
Proposed Increase in Revenue Requirement from Permanent Rates (Att A; Sch 1)	42,570
Proposed Step Increase in Revenue Requirement (Att A; Sch 4)	6,176
Total Proposed Revenue Requirement	<u>\$ 133,391</u>
Total Proposed Increase in the Revenue Requirement	<u>57.59%</u>

Percent of Pro-forma Test Year Revenues per Customer Class:

	Number of Customers	Pro-forma Test Year Revenues	Percentage of Revenues
Commercial Class A (MCA)	1	\$ 6,772	8.00%
Commercial Class B (MCB)	4	10,511	12.42%
Residential Multi-Family (MRM)	1	10,201	12.05%
Residential Single Family (MRS)	150	57,161	67.53%
	<u>156</u>	<u>\$ 84,645</u>	<u>100.00%</u>

Calculation of Rates	Annual Revenue per Rate	Annual Revenue per Rate Class
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Residential Multi-Family:

Calculation of Base Charge:

Quarterly Base Charge for Residential Single-Family - Present Tariff	\$ 62.00	
1 + Percent Increase	x 1.5759	
Proposed Quarterly Base Charge per Unit (Rounded)	\$ 98.00	
Number of Units	x 32	
Proposed Residential Multi-Family Quarterly Base Charge (Rounded)	\$ 3,136.00	
Number of Customers	x 1	
Annual Billing Quarters	x 4	\$ 12,544.00

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 133,391		
Less: Combined Proposed Commercial Class A & B Revenue	(27,236)		
Less: Combined Proposed Residential Multi- & Single- Family Revenues from Base Charge	(71,344)		
Combined Proposed Residential Multi- & Single- Family Revenues from Consumption Charge	\$ 34,811		
Combined Residential Multi- & Single- Family Annual Consumption (CCF)	+ 6,584.65		
Proposed Residential Multi- & Single- Family Consumption Charge	\$ 5,286.7		
Residential Multi-Family Annual Consumption (CCF)	x 1,346.50	\$ 7,118.53	\$ 19,662.53

Residential Single-Family:

Calculation of Base Charge:

Quarterly Base Charge - Present Tariff	\$ 62.00	
1 + Percent Increase	x 1.5759	
Proposed Residential Single-Family Quarterly Base Charge (Rounded)	\$ 98.00	
Number of Customers	x 150	
Annual Billing Quarters	x 4	\$ 58,800.00

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 133,391		
Less: Combined Proposed Commercial Class A & B Revenue	(27,236)		
Less: Combined Proposed Residential Multi- & Single- Family Revenues from Base Charge	(71,344)		
Combined Proposed Residential Multi- & Single- Family Revenues from Consumption Charge	\$ 34,811		
Combined Residential Multi- & Single- Family Annual Consumption (CCF)	+ 6,584.65		
Proposed Residential Multi- & Single- Family Consumption Charge	\$ 5,286.7		
Residential Single-Family Annual Consumption (CCF)	x 5,238.15	\$ 27,692.49	\$ 86,492.49

Total Proposed Revenue Requirement - Water Division

\$133,391.11

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
PERMANENT RATE REVENUE REQUIREMENT**

Average Rate Base per Staff (Att B; Sch 2; Col 6)	\$ 70,451
Rate of Return (Att B; Sch 1a)	<u>9.75%</u>
Operating Income Requirement	6,869
Adjusted Net Operating Income per Staff (Att B; Sch 3; Col 6)	<u>7,240</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(371)
Divided by Tax Factor (Att B; Sch 1b)	<u>77.78%</u>
Revenue Deficiency / (Surplus)	(477)
Pro-forma Test Year Sewer Revenues (Att B; Sch 3; Col 6)	<u>80,541</u>
Revenue Requirement from Sewer Revenues per Staff	80,064
Less: Adjusted Test Year Sewer Revenues (Att B; Sch 3; Col's 1 & 4)	<u>(72,280)</u>
Increase / (Decrease) in Revenue Requirement from Sewer Revenues	<u><u>\$ 7,784</u></u>
Percent Increase / (Decrease) in Revenue Requirement from Sewer Revenues	<u><u>10.77%</u></u>

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure					Interest Expense					Amortization Expense					Total Annual Cost of Debt	Cost Rate	Weighted Average Cost
	Actual @ 12/31/09	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted @ 12/31/09	Percent	Actual @ 12/31/09	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted @ 12/31/09	Interest Rate	Actual @ 12/31/09	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted @ 12/31/09				
Long-term Debt:																		
2009 Owner Loan	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	
2010 ARRA/SRF Loan	-	-	-	-	0.00%	-	-	-	-	0.00%	-	-	-	-	-	-	0.00%	
2010 Owner Loan	-	-	-	-	0.00%	-	-	-	-	0.00%	-	-	-	-	-	-	0.00%	
Total Long-term Debt	-	-	-	-	0.00%	\$ -	-	-	-	0.00%	\$ -	-	-	-	\$ -	-	0.00%	
Common Equity:																		
Common Stock	-	-	-	-	0.00%													
Additional Paid-in Capital	106,494	-	-	106,494	74.24%													
Retained Earnings	36,946	-	-	36,946	25.76%													
Total Common Equity	143,440	-	-	143,440	100.00%												9.75%	
Total Capitalization	\$ 143,440	\$ -	\$ -	\$ 143,440	100.00%												9.75%	

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
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>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
PERMANENT RATE AVERAGE RATE BASE**

	(1) Year End Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att B; Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
<u>Plant in Service</u>						
Plant in Service	\$ 100,000	\$ 12,771	\$ 112,771	\$ (12,771)	24 - 25	\$ 100,000
Less: Accumulated Depreciation	<u>(44,000)</u>	<u>(494)</u>	<u>(44,494)</u>	<u>494</u>	26 - 27	<u>(44,000)</u>
Net Plant in Service	<u>56,000</u>	<u>12,277</u>	<u>68,277</u>	<u>(12,277)</u>		<u>56,000</u>
Contributions in Aid of Construction (CIAC)	-	-	-			-
Accumulated Amortization of CIAC	<u>-</u>	<u>-</u>	<u>-</u>			<u>-</u>
Net Contributions in Aid of Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
Net Plant in Rate Base	<u>56,000</u>	<u>12,277</u>	<u>68,277</u>	<u>(12,277)</u>		<u>56,000</u>
<u>Working Capital</u>						
Cash Working Capital	11,090	1,832	12,922	1,081	28 - 29	14,003
Materials and Supplies	-	-	-	304	30	304
Prepaid Expenses	1,504	-	1,504	(1,360)	31	144
Accumulated Deferred Income Taxes	<u>-</u>	<u>-</u>	<u>-</u>			<u>-</u>
Total Working Capital in Rate Base	<u>12,594</u>	<u>1,832</u>	<u>14,426</u>	<u>25</u>		<u>14,451</u>
Total Average Rate Base	<u>\$ 68,594</u>	<u>\$ 14,109</u>	<u>\$ 82,703</u>	<u>\$ (12,252)</u>		<u>\$ 70,451</u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE**

Adj#**Proforma Adjustments to Plant in Service:****Plant in Service**

24	To reclassify purchase cost of 2 SS Grinders to Materials and Supplies (See Att B; Sch 2b; Col 5).	\$ (1,600)
25	To eliminate Co's pro-forma adj to reflect 2010 rebuilt motor, wiring and grinder pump in test year rate base.	<u>(11,171)</u>
	Total Adjustments - Plant in Service	<u>\$ (12,771)</u>

Accumulated Depreciation

26	To reclassify accum deprec on 2 SS Grinders to Materials and Supplies (See Att B; Sch 2b; Col 5).	\$ 80
27	To eliminate Co's pro-forma adj to reflect accumulated depreciation on 2010 additions in test year rate base.	<u>414</u>
	Total Adjustments - Accumulated Depreciation	<u>\$ 494</u>

Proforma Adjustments to Working Capital:**Cash Working Capital**

28	To adjust Co's test year cash working capital component to amount calculated per Staff (Att B; Sch 2b; Col 8).	\$ (2)
29	To adjust Co's pro-forma cash working capital component to reflect Staff O&M Expense Adj's:	
	Total pro-forma O & M Expenses after Staff Adj's (Att B; Sch 3; Col 6)	\$ 68,146
	Cash Working Capital % (75 days / 365 days)	20.55%
	Pro-forma Cash Working Capital Component per Staff	<u>\$ 14,003</u>
	Less: Pro-forma cash working capital component proposed by Co. and adjusted by Staff	<u>(12,920) 1,082</u>
	Total Adjustments - Cash Working Capital	<u>\$ 1,081</u>

Materials and Supplies

30	To record test year average materials and supplies as computed by Staff (Att B; Sch 2b; Col 8).	<u>\$ 304</u>
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Prepaid Expenses

31	To adjust test year average prepaid expense to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>\$ (1,360)</u>
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Net Rate Base Adjustments per Staff**\$ (12,252)**

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
	Quarter Ending Balance Per Staff					5-Quarter Average Per Staff	Year-End Average Per Company	To Adjust Rate Base to 5-Quarter Avg	Staff Pro-forma Adjustment #	
	12/31/08	03/31/09	06/30/09	09/30/09	12/31/09					
Plant in Service	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	100,000	\$ -		
Accumulated Depreciation	(43,000)	(43,500)	(44,000)	(44,500)	(45,000)	(44,000)	(44,000)	-		
Contributions in Aid of Construction (CIAC)	-	-	-	-	-	-	-	-		
Accumulated Amortization - CIAC	-	-	-	-	-	-	-	-		
Cash Working Capital						(a)	11,088	11,090	(2)	28
Materials and Supplies	-	-	-	-	1,520	304	-	304	30	
Prepaid Expenses (b)	245	22	92	104	256	144	1,504	(1,360)	31	
Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-		
Total Average Rate Base						\$ 67,536	\$ 68,594	\$ (1,058)		

(a) Adjustment of Test Year Cash Working Capital:

Test Year O & M Expenses (Att B; Sch 3; Col 1)	\$ 53,964
Cash Working Capital % (75 days / 365 days)	20.55%
Adjusted Test Year Cash Working Capital per Staff	\$ 11,088

(b) Calculation of Prepaid Expenses:

	12/31/08	03/31/09	06/30/09	09/30/09	12/31/09
Property Insurance - Total Company	\$ 436	\$ 137	\$ 29	\$ 649	\$ 448
Local Property Taxes - Total Company	1,091	-	545	-	1,146
Total Company Prepaid Expenses	1,527	137	574	649	1,594
Percentage Net Plant - Sewer Division	16.06%	16.06%	16.06%	16.06%	16.06%
Total Prepaid Expenses - Sewer Division	\$ 245	\$ 22	\$ 92	\$ 104	\$ 256

Calculation of Water Division Allocation Percentage:

Average Net Plant in Service - Water Division	\$ 214,615	(Att A; Sch 2b; Col 6)
Average CWIP - Water Division	78,013	(2009 Annual Report)
Average Net Plant - Water Division	292,628	
Average Net Plant in Service - Sewer Division	56,000	(above, Column 6)
Total Company Average Net Plant in Service	\$ 348,628	
 Percentage Net Plant - Sewer Division	 16.06%	

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT**

	(1) Per Test Year	(2) Pro-forma Adjustments Per Company	(3) Adjusted Test Year Per Company	(4) Staff Adjustments (Att B; Sch 3a)	(5) Adj #	(6) Adjusted Test Year Per Staff	(7) Revenue Deficiency / (Surplus)	(8) Revenue Requirement
Operating Revenues								
Sewer Sales	\$ 69,388	\$ 8,261	\$ 77,649	\$ 2,892	32	\$ 80,541	\$ (477)	\$ 80,064
Other Operating Revenues	-	-	-	-		-	-	-
Total Sewer Revenues	<u>69,388</u>	<u>8,261</u>	<u>77,649</u>	<u>2,892</u>		<u>80,541</u>	<u>(477)</u>	<u>80,064</u>
Operating Expenses								
Operation & Maintenance Expenses:								
Purchased Power Expense	-	-	-	1,027	33	1,027		1,027
Purchased Sewage Treatment Expense	37,042	-	37,042	(309)	34	36,733		36,733
Contracted Services Expense	16,313	8,915	25,228	4,816	35 - 36	30,044		30,044
Regulatory Commission Expense	183	-	183			183		183
Insurance Expense	393	-	393	(267)	37	126		126
Miscellaneous Expense	33	-	33			33		33
Total Operation & Maintenance Expenses	<u>53,964</u>	<u>8,915</u>	<u>62,879</u>	<u>5,267</u>		<u>68,146</u>	<u>-</u>	<u>68,146</u>
Depreciation Expense	2,000	988	2,988	(988)	38 - 39	2,000		2,000
Amortization Expense - CIAC	-	-	-			-		-
Amortization Expense - Other	-	-	-			-		-
Taxes other than Income	3,940	(508)	3,432	(2,346)	40 - 42	1,086		1,086
Total Operating Expenses	<u>59,904</u>	<u>9,395</u>	<u>69,299</u>	<u>1,933</u>		<u>71,232</u>	<u>-</u>	<u>71,232</u>
Net Operating Income / (Loss) Before Income Taxes	<u>9,484</u>	<u>(1,134)</u>	<u>8,350</u>	<u>959</u>		<u>9,309</u>	<u>(477)</u>	<u>8,832</u>
Income Taxes	(370)	1,569	1,199	870	Att B; Sch 3b	2,069	(106)	1,963
Net Operating Income (Loss)	<u>\$ 9,854</u>	<u>\$ (2,703)</u>	<u>\$ 7,151</u>	<u>\$ 89</u>		<u>\$ 7,240</u>	<u>\$ (371)</u>	<u>\$ 6,869</u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES**

Adj #

Pro-forma Adjustments to Operating Revenue:

32	To adjust test year sewer revenues in order to reflect 2010 sales to Maple Hill Acres (Per Staff DR 1-17):		
	2010 Sewer Sales to Maple Hill Acres	\$	8,712
	Less: 2009 Sewer Sales to Maple Hill Acres	(5,820)	\$ 2,892
			\$ 2,892

Proforma Adjustments to Operating Expenses:

Purchased Power Expense

33	To allocate portion of adjusted purchased power expense from water division (Based on Staff DR 2-23):		
	Adjusted test year purchased power expense (See Adj # 16)	\$	5,133
	Estimated Sewer Division allocation percentage	20.00%	\$ 1,027
			\$ 1,027

Purchased Sewage Treatment Expense

34	To reduce test year expense for billing error (Per Staff Audit Issue # 11)		\$ (309)
			\$ (309)

Contracted Services Expense

35	To record test year Officer Compensation:		
	Revised annual Officer Compensation per Management Contract	\$	3,450
	Portion of Officer Compensation attributable to the Sewer Division	50.00%	\$ 1,725
			\$ 1,725

36	To allocate one-half of total accounting and legal expenditures from the Water Division (Based on Staff DR's 1-36 & 2-25):		
	Test year accounting expenditures (Staff DR 1-36)	\$	4,819
	Test year legal expenditures (Staff DR 1-36)		1,363
	Total test year accounting and legal expenditures		6,182
	Percentate of expenditures allocated from Water Division	50.00%	3,091
			3,091

Total Adjustments - Contracted Services Expense		\$	4,816
			\$ 4,816

Insurance Expense

37	To adjust test year insurance expense using an average net plant allocation methodology (Based on Staff DR 2-21):		
	Test Year Insurance Expense - Total Company	\$	786
	Calculation of Insurance Expense allocated to Sewer Division:		
	Average Net Plant in Service - Water Division (Att A; Sch 2b; Col 6)	\$	214,615
	Average CWIP - Water Division (Based on 2009 Annual Report)		78,013
	Average Total Net Plant - Water Division		292,628
	Average Net Plant in Service - Sewer Division (Att B; Sch 2b; Col 6)		56,000
	Total Company Average Net Plant in Service		\$ 348,628
	Allocation Percentage - Sewer Division		16.06%
	Test Year Insurance Expense allocated to Sewer Division	\$	126
	Less: Insurance Expense allocated to Sewer Division per the Test Year		(393)
			\$ (267)

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES**

Adj #

Depreciation Expense

38	To eliminate Co's pro-forma adj relative to rebuilt motor, wiring and pump placed into service during 2010.	\$	(828)
39	To eliminate Co's pro-forma adj relative to 2009 SS Grinders that are currently not in service.		<u>(160)</u>
Total Adjustments - Depreciation Expense			\$ <u>(988)</u>

Taxes Other than Income

40	To eliminate Co's pro-forma adj's relative to rebuilt motor, wiring and pump placed in service during 2010.	\$	(258)
41	To eliminate Co's pro-forma adj's relative to 2009 SS Grinders that are currently not in service.		(36)
42	To reflect 2010 property tax assessment for test year pro-forma expense (Staff DR's 1-28 & 2-21):		
	2010 Town of Belmont Property Taxes (Staff DR 1-28)	\$	4,997
	2010 State Utility Property Taxes (Staff DR 1-28)		<u>1,763</u>
	Total 2010 Property Taxes	\$	6,760
	Calculation of Total Property Taxes allocated to Sewer Division:		
	Average Net Plant in Service - Water Division (Att A; Sch 2b; Col 6)	\$	214,615
	Average CWIP - Water Division (Based on 2009 Annual Report)		<u>78,013</u>
	Average Total Net Plant - Water Division		292,628
	Average Net Plant in Service - Sewer Division (Att B; Sch 2b; Col 6)		<u>56,000</u>
	Total Company Average Net Plant in Service	\$	<u>348,628</u>
	Allocation Percentage - Sewer Division		16.06%
	2010 Property Tax Expense allocated to Sewer Division	\$	<u>1,086</u>
	Less: Adjusted Test Year Property Tax Expense allocated to Sewer Division		<u>(3,138)</u> (2,052)
Total Adjustments - Taxes Other than Income			\$ <u>(2,346)</u>

Net Operating Expense Adjustments per Staff **\$ 1,933**

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE INCOME TAXES**

INCOME TAXES

Pro-forma Net Operating Income / (Loss) before Staff Adjustments and Income Taxes (Att B; Sch 3; Col 3)	\$	8,350	
Summary of Staff Pro-forma Adjustments to Operating Revenues and Expenses:			
Total Pro-forma Adjustments to Sewer Revenues	\$	2,892	
Total Pro-forma Adjustments to Purchased Power Expense		(1,027)	
Total Pro-forma Adjustments to Purchased Sewage Treatment Expense		309	
Total Pro-forma Adjustments to Contracted Services Expense		(4,816)	
Total Pro-forma Adjustments to Regulatory Commission Expense		-	
Total Pro-forma Adjustments to Insurance Expense		267	
Total Pro-forma Adjustments to Miscellaneous Expense		-	
Total Pro-forma Adjustments to Depreciation Expense		988	
Total Pro-forma Adjustments to Amortization Expense - CIAC		-	
Total Pro-forma Adjustments to Amortization Expense - Other		-	
Total Pro-forma Adjustments to Taxes other than Income		<u>2,346</u>	<u>959</u>
Pro-forma Net Operating Income / (Loss) after Staff Adjustments and before Income Taxes			9,309
Less Pro-forma Interest Expense (Att B; Sch 1a)			<u>-</u>
Pro-forma Net Income / (Loss) before Income Taxes	\$	<u>9,309</u>	
New Hampshire Business Profits Tax @ 8.5%			\$ 791
Pro-forma Net Income / (Loss) subject to Federal Income Tax	\$	<u>8,518</u>	
Federal Income Tax @ 15.0%			1,278
Less: Adjusted Deferred Income Tax Expense (Per Staff Audit Issue # 7)			<u>-</u>
Total Pro-forma Income Tax Expense			2,069
Less: Income Tax Expense before Staff Pro-forma Adjustments (Att B; Sch 3; Col 3)			<u>(1,199)</u>
Staff's Pro-forma Adjustment to Income Tax Expense	\$		<u><u>870</u></u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STEP INCREASE**

Increase in Net Income Requirement:

2010 Plant Additions (Att B; Sch 4a)	\$ 3,855
Less: Accumulated Depreciation (Att B; Sch 4a)	(48)
Net 2010 Plant in Service	<u>3,807</u>
2010 Addition to Materials and Supplies	<u>7,316</u>
2010 Additions to Rate Base	\$ 11,123
Rate of Return (Att B; Sch 1a)	<u>9.750%</u>
Increase in Operating Income Requirement net of Income Tax Provision	\$ 1,084
Divided by Tax Factor (Att B; Sch 1b)	<u>77.78%</u>
Increase in Operating Income Requirement including Income Tax Provision	<u>\$ 1,394</u>
Net Increase in Operating Expenses:	
Annual Depreciation Expense - 2010 Plant Additions (Att B; Sch 4a)	\$ 96
Increase in Property Tax Expense for 2010 Net Additions to Plant (Att B; Sch 4b)	<u>76</u>
Net Increase in Operating Expenses	<u>\$ 172</u>
Step Increase in Revenue Requirement	\$ 1,566
Adjusted Test Year Water Sales (Att B; Sch 3; Col's 1 & 4)	\$ <u>72,280</u>
Percent Increase / (Decrease) in Revenue Requirement from Sewer Sales	<u><u>2.17%</u></u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS**

2010 Plant Additions:

<u>Account</u>	<u>Amount</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 12/31/10</u>	<u>Net Plant in Service @ 12/31/10</u>
304: Structures & Improvements	\$ 3,855	2.50%	\$ 96	\$ (48)	\$ 3,807
	<u>\$ 3,855</u>		<u>\$ 96</u>	<u>\$ (48)</u>	<u>\$ 3,807</u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
STEP INCREASE PROPERTY TAX CALCULATION**

Municipal Taxes - Town of Belmont:

2010 Net Plant Additions - Sewer Division (Att B; Sch 4a)	\$	3,807
Municipal Valuation Factor:		
2010 Municipal Valuation - Total Company (Staff DR 1-28)	\$	267,100
Net Utility Plant per 2009 Annual Report - Total Company	÷ \$	<u>340,083</u> x <u>78.54%</u>
Estimated Municipal Valuation of Net Additions to Plant in 2010	\$	2,990
2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-28)	x \$	<u>18.71</u>
Estimated Municipal Taxes on 2010 Net Additions to Plant		<u>\$ 56</u>

State Utility Property Taxes:

2010 Net Plant Additions - Sewer Division (Att B; Sch 4a)	\$	3,807
State Valuation Factor:		
2010 State Valuation - Total Company (Staff DR 1-28)	\$	267,053
Net Utility Plant per 2009 Annual Report - Total Company	÷ \$	<u>340,083</u> x <u>78.53%</u>
Estimated State Valuation of 2010 Net Additions to Plant	\$	2,989
2010 State Tax Rate (per \$1,000 of Valuation) (Staff DR 1-28)	x \$	<u>6.60</u>
Estimated State Taxes on 2010 Net Additions to Plant		<u>\$ 20</u>
Net Increase in Property Tax Expense for 2010 Net Additions to Plant		<u><u>\$ 76</u></u>

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
REPORT OF PROPOSED RATE CHANGES**

<u>Rate Class of Service:</u>	<u>Effect of Change</u>	<u>Number of Customers</u>	<u>Authorized Present Revenue</u>	<u>Proposed Revenue</u>	<u>Proposed Change Amount</u>	<u>Proposed Percentage Change</u>
Commercial Class A (CA)	Increase	1	\$ 5,783	\$ 6,130	\$ 347	6.00%
Commercial Class B (CB)	Increase	3	6,344	6,725	381	6.00%
Residential Multi-Family (RM)	Increase	1	8,712	14,246	5,534	63.53%
Residential Single Family (RS)	Increase	148	51,441	54,529	3,088	6.00%
Total - Sewer Division		153	\$ 72,280	\$ 81,630	\$ 9,350	12.94%

DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
CALCULATION OF CUSTOMER RATES

Summary of Proposed Revenue Requirement

Adjusted Test Year Sewer Sales (Att B; Sch 3; Col's 1 & 4)	\$ 72,280
Proposed Increase in Revenue Requirement from Permanent Rates (Att B; Sch 1)	7,784
Proposed Step Increase in Revenue Requirement (Att B; Sch 4)	1,566
Total Proposed Revenue Requirement	\$ 81,630
Total Proposed Increase in the Revenue Requirement	12.94%

Percent of Pro-forma Test Year Revenues per Customer Class:

	Number of Customers	Pro-forma Test Year Revenues
Commercial Class A (CA)	1	\$ 5,783
Commercial Class B (CB)	3	6,344
Residential Multi-Family (RM)	1	8,712
Residential Single Family (RS)	148	51,441
Total - Pro-forma Test Year	153	\$ 72,280

Calculation of Rates	Annual Revenue per Rate	Annual Revenue per Rate Class
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Commercial Class A:

Calculation of Base Charge:

Quarterly Base Charge (Water) - Present Tariff	\$ 833.00		
Applied Factor to Derive Sewer Rates	x 0.854		
Quarterly Base Charge (Sewer) - Present (Rounded)	\$ 711.00		
1 + Percent Increase	x 1.1294		
Proposed Commercial Class A Quarterly Base Charge (Rounded)	\$ 803.00		
Number of Customers	x 1		
Annual Billing Quarters	x 4	\$ 3,212.00	

Calculation of Consumption Charge:

Proposed Commercial Class A Revenues	\$ 6,130		
Less: Proposed Commercial Class A Revenues from Base Charge	(3,212)		
Proposed Commercial Class A Revenues from Consumption Charge	\$ 2,918		
Commercial Class A Test Year Consumption (CCF)	+ 358.90		
Proposed Commercial Class A Consumption Charge	\$ 8,130.3		
Commercial Class A Annual Consumption (CCF)	x 358.90	\$ 2,917.98	\$ 6,129.98

Commercial Class B:

Calculation of Base Charge:

Quarterly Base Charge (Water) - Present Tariff	\$ 278.00		
Applied Factor to Derive Sewer Rates	x 0.854		
Quarterly Base Charge (Sewer) - Present (Rounded)	\$ 237.00		
1 + Percent Increase	x 1.1294		
Proposed Commercial Class B Quarterly Base Charge (Rounded)	\$ 268.00		
Number of Customers	x 3		
Annual Billing Quarters	x 4	\$ 3,216.00	

Calculation of Consumption Charge:

Proposed Commercial Class B Revenues	\$ 6,725		
Less: Proposed Commercial Class B Revenues from Base Charge	(3,216)		
Proposed Commercial Class B Revenues from Consumption Charge	\$ 3,509		
Commercial Class B Test Year Consumption (CCF)	+ 1,399.52		
Proposed Commercial Class B Consumption Charge	\$ 2,507.7		
Commercial Class B Annual Consumption (CCF)	x 1,399.52	\$ 3,508.64	\$ 6,724.64

**DW 10-306
LAKELAND MANAGEMENT COMPANY, INC.
SEWER DIVISION
CALCULATION OF CUSTOMER RATES**

Summary of Proposed Revenue Requirement

Adjusted Test Year Sewer Sales (Att B; Sch 3; Col's 1 & 4)	\$ 72,280
Proposed Increase in Revenue Requirement from Permanent Rates (Att B; Sch 1)	7,784
Proposed Step Increase in Revenue Requirement (Att B; Sch 4)	1,566
Total Proposed Revenue Requirement	<u>\$ 81,630</u>
Total Proposed Increase in the Revenue Requirement	<u>12.94%</u>

Percent of Pro-forma Test Year Revenues per Customer Class:

	<u>Number of Customers</u>	<u>Pro-forma Test Year Revenues</u>
Commercial Class A (CA)	1	\$ 5,783
Commercial Class B (CB)	3	6,344
Residential Multi-Family (RM)	1	8,712
Residential Single Family (RS)	148	51,441
Total - Pro-forma Test Year	<u>153</u>	<u>\$ 72,280</u>

<u>Calculation of Rates</u>	<u>Annual Revenue per Rate</u>	<u>Annual Revenue per Rate Class</u>
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Residential Multi-Family:

Calculation of Base Charge:

Proposed Residential Multi-Family Quarterly Base Charge per Unit	\$ 73.13		
Number of Units	x 32		
Proposed Residential Multi-Family Quarterly Base Charge (Rounded)	\$ 2,340.00		
Number of Customers	x 1		
Annual Billing Quarters	x 4	\$ 9,360.00	

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 81,630		
Less: Combined Proposed Commercial Class A & B Revenue	(12,855)		
Less: Combined Proposed Residential Multi- & Single- Family Revenues from Base Charge	(44,880)		
Proposed Residential Multi- & Single- Family Revenues from Consumption Charge	\$ 23,896		
Combined Residential Multi- & Single- Family Test Year Consumption (CCF)	+ 6,584.65		
Proposed Residential Multi- & Single- Family Consumption Charge	\$ 3,629.00		
Residential Multi-Family Annual Consumption (CCF)	x 1,346.50	\$ 4,886.43	\$ 14,246.43

Residential Single-Family:

Calculation of Base Charge:

Quarterly Base Charge (Water) - Present Tariff	\$ 62.00		
Applied Factor to Derive Sewer Rates	x 0.854		
Quarterly Base Charge (Sewer) - Present (Rounded)	\$ 53.00		
1 + Percent Increase	x 1.1294		
Proposed Residential Single-Family Quarterly Base Charge (Rounded)	\$ 60.00		
Number of Customers	x 148		
Annual Billing Quarters	x 4	\$ 35,520.00	

Calculation of Consumption Charge:

Total Proposed Revenue Requirement	\$ 81,630		
Less: Combined Proposed Commercial Class A & B Revenue	(12,855)		
Less: Combined Proposed Residential Multi- & Single- Family Revenues from Base Charge	(44,880)		
Proposed Residential Multi- & Single- Family Revenues from Consumption Charge	\$ 23,896		
Combined Residential Multi- & Single- Family Test Year Consumption (CCF)	+ 6,584.65		
Proposed Residential Multi- & Single- Family Consumption Charge	\$ 3,629.00		
Residential Single-Family Annual Consumption (CCF)	x 5,238.15	\$ 19,009.19	\$ 54,529.19

Total Proposed Revenue Requirement - Sewer Division

\$ 81,630.25

PROMISSORY NOTE

\$47,192.00

Gilford, New Hampshire
September 1, 2010

FOR VALUE RECEIVED, Lakeland Management Company, Inc., of PO Box 7394, Gilford, NH 03247, promises to pay to the order of C&C Water Services, Inc., at 24 Tate Road, Gilford, NH 03249, or at such other place as the holder hereof may designate, the principal sum of Forty-seven Thousand One Hundred Ninety-two Dollars (\$47,192.00), plus simple interest on the declining balance at the rate of seven percent (7%) per year until paid in full. Principal and interest shall be paid in Twenty (20) equal quarterly installments of Two Thousand Eight Hundred Four and Eighty-three Hundredths Dollars (\$2,804.83), commencing Sixty (60) days after the end of the calendar quarter in which falls the effective date of the general increase in the water rates of Maker next occurring after the date hereof (the "Commencement Date"), and continuing on the same day of each month thereafter until paid in full. Any principal or accrued interest remaining unpaid on the Sixtieth (60th) day after the fifth anniversary of the Commencement Date, shall then be paid in full. All monies received by the holder hereof from, or on behalf of, the Maker shall be applied first to the costs and expenses of collection, if any, then to late charges accrued but unpaid, if any, then to interest, and then to principal.

Failure of the holder hereof to enforce any provision hereof shall not constitute a waiver of that provision or of any default, and the express waiver of any default or defaults shall not constitute the waiver of any provision hereof, or of any subsequent default. Except as expressly provided herein, Maker waives presentment, demand, protest, and notice of protest and dishonor. Maker may prepay all or any portion of this note at any time, and on multiple occasions, without penalty, but any such prepayment shall not change the amortization schedule.

In the event any instrument given by or on behalf of Maker to the holder hereof is dishonored, in addition to all other remedies available to the holder hereof, Maker shall pay the holder hereof, on demand, for each instrument dishonored, the sum of Fifteen Dollars (\$15.00), plus all bank charges incurred by the holder. Any such charges not paid by the first of the month following the month in which demand is made for the charge shall be added to the principal amount of this note.

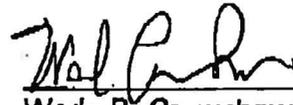
In the event the Maker shall fail to pay any installment due under this note when due, and such failure shall continue for Fifteen (15) days after receipt of written notice of such non-payment, at the option of the holder hereof, and upon notice of acceleration, the entire principal amount of this note, plus accrued interest shall be immediately due and payable. In the event the Maker shall fail to pay any installment due under this note within fifteen (15) days after said installment is due, in addition

to all other remedies available to the holder hereof, upon notice of imposition given before the due date of the next installment, the Maker shall pay to the holder a late charge equal to five percent (5%) of the installment not timely paid. Late charges not paid by the first of the month following the month in which the late charge is imposed shall be added to the principal amount of this note. In the event of default hereunder, interest shall continue to accrue until the monies due hereunder are paid in full. During any suit brought to enforce this note, interest shall continue to accrue at the higher of the rate herein provided, or the maximum rate in effect pursuant to RSA 336:1. In the event of default hereunder, the Maker shall, in addition to principal and accrued interest, pay the holder hereof all expenses of collection, including, but not limited to, court costs and attorneys fees. All remedies of the holder hereof shall be cumulative.

In Witness Whereof, Lakeland Management Company, Inc. has caused its corporate name to be hereunto affixed as of the date first above written.

LAKELAND MANAGEMENT CO., INC.

By:



Wade R. Crawshaw, President

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PROMISSORY NOTE

\$16,727.00

Gilford, New Hampshire
September 1, 2010

FOR VALUE RECEIVED, Lakeland Management Company, Inc., of PO Box 7394, Gilford, NH 03247, promises to pay to the order of C&C Water Services, Inc., at 24 Tate Road, Gilford, NH 03249, or at such other place as the holder hereof may designate, the principal sum of Sixteen Thousand Seven Hundred Twenty-seven Dollars (\$16,727.00), plus simple interest on the declining balance at the rate of seven percent (7%) per year until paid in full. Principal and interest shall be paid in Twenty (20) equal quarterly installments of Nine Hundred Ninety-four and Sixteen Hundredths Dollars (\$994.16), commencing Sixty (60) days after the end of the calendar quarter in which falls the effective date of the general increase in the water rates of Maker next occurring after the date hereof (the "Commencement Date"), and continuing on the same day of each month thereafter until paid in full. Any principal or accrued interest remaining unpaid on the Sixtieth (60th) day after the fifth anniversary of the Commencement Date, shall then be paid in full. All monies received by the holder hereof from, or on behalf of, the Maker shall be applied first to the costs and expenses of collection, if any, then to late charges accrued but unpaid, if any, then to interest, and then to principal.

Failure of the holder hereof to enforce any provision hereof shall not constitute a waiver of that provision or of any default, and the express waiver of any default or defaults shall not constitute the waiver of any provision hereof, or of any subsequent default. Except as expressly provided herein, Maker waives presentment, demand, protest, and notice of protest and dishonor. Maker may prepay all or any portion of this note at any time, and on multiple occasions, without penalty, but any such prepayment shall not change the amortization schedule.

In the event any instrument given by or on behalf of Maker to the holder hereof is dishonored, in addition to all other remedies available to the holder hereof, Maker shall pay the holder hereof, on demand, for each instrument dishonored, the sum of Fifteen Dollars (\$15.00), plus all bank charges incurred by the holder. Any such charges not paid by the first of the month following the month in which demand is made for the charge shall be added to the principal amount of this note.

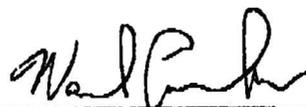
In the event the Maker shall fail to pay any installment due under this note when due, and such failure shall continue for Fifteen (15) days after receipt of written notice of such non-payment, at the option of the holder hereof, and upon notice of acceleration, the entire principal amount of this note, plus accrued interest shall be immediately due and payable. In the event the Maker shall fail to pay any installment due under this note within fifteen (15) days after said installment is due, in addition

to all other remedies available to the holder hereof, upon notice of imposition given before the due date of the next installment, the Maker shall pay to the holder a late charge equal to five percent (5%) of the installment not timely paid. Late charges not paid by the first of the month following the month in which the late charge is imposed shall be added to the principal amount of this note. In the event of default hereunder, interest shall continue to accrue until the monies due hereunder are paid in full. During any suit brought to enforce this note, interest shall continue to accrue at the higher of the rate herein provided, or the maximum rate in effect pursuant to RSA 336:1. In the event of default hereunder, the Maker shall, in addition to principal and accrued interest, pay the holder hereof all expenses of collection, including, but not limited to, court costs and attorneys fees. All remedies of the holder hereof shall be cumulative.

In Witness Whereof, Lakeland Management Company, Inc. has caused its corporate name to be hereunto affixed as of the date first above written.

LAKELAND MANAGEMENT CO., INC.

By:



Wade R. Crawshaw, President

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Lakeland Mgmt. Co., Inc.
Town of Belmont
State of New Hampshire

&

C&C Water Services, Inc.
Town of Gilford
State of New Hampshire

AGREEMENT

WHEREAS, Lakeland Management Company is a New Hampshire Corporation under the rules and regulations of the Public Utilities Commission and the New Hampshire Department of Environmental Services for the purpose of providing and maintaining a domestic water system centrally distributed to all properties within the Belmont side of Briarcrest Estates, Granite Ridge Condominiums, The Orchard at Plummer Hill, Orchard Hill II, Maple Hill Acres boundaries including 4 commercial buildings near Route 106 and;

WHEREAS, C&C Water Services, Inc. is a privately owned corporation incorporated under the laws of the State of New Hampshire for the purpose of operating water systems;

AGREEMENT is made this 31st day of December, 2009 between C&C Water Services, Inc. (hereinafter "Operator") and Lakeland Management Company (hereinafter "Owner") as follows:

TERMS

A. Duration

All provisions of this Agreement shall commence in full force January 1, 2010 at 12:00 noon and said provisions shall terminate on December 31, 2011 at 12:00 noon.

B. Compensation

All payments by Owner shall be made pursuant to bill(s) submitted by the Operator to Owner in writing and shall describe in detail the work performed and shall reference the corresponding provisions of the Schedule of Rates. No payment for labor, materials or equipment pursuant to this Agreement will be made except as provided for in this contract. Operator shall be paid a penalty of 2% for payments received in excess of 30 days from the date a bill for services is delivered to Owner pursuant to this Agreement.

C. Qualifications of Operator (Licensed)

Distribution III, License # 581

Treatment III, License # 581

Domestic & Industrial Pump Installer, License # 1732

D. Authority of Operator

Operator shall be at all times an independent contractor. Owner shall not be responsible to any employee, materials provider or subcontractor of Operator for the payment of any wages, fees, taxes, workman's compensation insurance or any other form of remuneration which would create an employer-employee relationship between Owner and any other

provision shall not be interpreted as a prohibition against Operator's use of subcontractors during the normal course of operations.

F. Termination

1. Mutual Agreement

All provisions of this Agreement shall become null and void in the event the parties mutually agree in writing to terminate this Agreement, setting forth the agreement and the effective date of such termination. Likewise, the parties may modify this Agreement in part or in its entirety by mutual and simultaneous written agreement at any time.

2. One Party Notice

Either party may terminate all provisions of this Agreement by giving a Notice of Termination in writing to the other party. In such an event, a full termination of this Agreement shall occur within sixty (60) days of the receipt of such notice by the party served. Between the receipt of a Notice of Termination and the expiration of the sixty (60) day period, both parties shall be bound by all provisions of this Agreement.

G. Insurance

1. Liability Insurance

Operator shall furnish proof of personal injury (including death) and property damage liability insurance coverage of One Million (\$1,000,000.00) Dollars in the aggregate and not less than Five Hundred Thousand (\$500,000.00) Dollars per occurrence. Said liability insurance coverage shall commence on the effective date of this Agreement and shall be maintained continuously by Operator until the termination date of this Agreement. Failure to establish or to keep in force liability insurance as specified herein shall constitute cause for termination of Operator. Any subcontractor employed shall provide a current Certificate of Insurance to Operator.

2. Workman's Compensation Insurance

Operator shall maintain in full and continuous force, workman's compensation insurance for all persons in his direct employ in an amount equal to the maximum statutory limit provided for by law and shall not employ subcontractors in the performance of his duties under this Agreement unless said subcontractors provide the same workman's compensation insurance as Operator. Failure to establish or to keep in force workman's compensation insurance as specified herein, shall constitute cause for termination of Operator.

H. Subcontractors

If Operator shall use subcontractor(s) to accomplish any of the purposes or responsibilities under this Agreement, Operator shall directly supervise the subcontractor(s) and shall be fully responsible for all activities of such subcontractor(s).

II. SCOPE OF SERVICES

A. Maintenance and Repair

1. Buildings & Grounds

Operator shall monitor the condition of the operations structures. Operator will keep buildings clean, secure, weather tight and free from insects and rodents. All supplies, materials, and parts required for work shall be charged to Owner in accordance with this Agreement. Snow removal from roads, sidewalks, and around buildings, and mowing of grounds around the facility shall be provided by Owner. Owner shall maintain access at all times.

2. Systems

a. Routine & Preventative Maintenance

Operator shall provide all labor for the routine and preventative maintenance of the entire system of Owner, including but not limited to: pumping and boosting equipment, piping, valves, controls, wiring, and monitoring equipment. The labor to remove and reinstall original or same as original equipment for repair is expressly included in this section excepting contractors and machinery necessary for lifting, removal of the well pumps and maintenance on the wells. "Repair" means all labor and materials to restore failed or defective equipment, piping, structures and grounds to operating condition. Repair work authorized by Owner shall be compensated by Owner under the provisions of this Agreement.

1. Water Storage Tanks

Operator shall not be responsible for maintenance of the interior of water storage tanks, but shall flush tank bottoms on a regular basis, if applicable.

2. Manholes

Operator will perform annual inspections of manholes per year.

b. Scheduled Maintenance

Operator shall regularly inspect all equipment which requires scheduled maintenance service and shall perform all work necessary in accordance with standard practice.

1. Mapping & Tie Points

Operator will continually, as an ongoing procedure, develop a complete set of tie points for all gate, manhole and curb boxes and update master map accordingly.

2. Flushing

Operator shall perform one system flushing per year.

B. Emergency

1. Definition

Emergency, as used in this section, shall mean any or a combination of the following:

- a. Visible evidence of a break in underground piping including but not limited to all primary, secondary and lateral service connections.
- b. Any condition which disables or threatens to disable the operability of a pump station.
- c. Any condition which disables or threatens to disable the operability of any stem well(s).
- d. Interruption of electrical power to any or all pump house(s).
- e. Any condition which results in water pressure of less than 15 psi sustained for a period of thirty (30) minutes or more in any one zone or in a combination of zones of the distribution system as experienced at the service end.
- f. Any sewer overflow and high level at pumping station.

2. Scope of Emergency Response

Whenever an emergency condition is established as defined in this section, Operator shall immediately respond as follows:

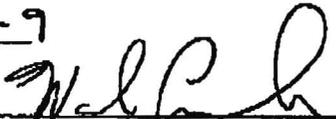
- a. Assess by himself or by his agent the nature and extent of the emergency.
- b. Initiate a plan of action which includes an estimate of labor, equipment and materials necessary to respond to the emergency.
- c. Notify Owner for emergency operations. If Owner is not available, then Operator shall proceed to mitigate the emergency.
- d. Perform all work including labor, equipment and materials to arrest any damage to the system, stabilize defect(s) sufficiently to restore water service and to restore safe, serviceable conditions at the emergency site and to repair any damages that are related to the incident. This is all at Owner's expense.
- e. Operator shall be responsible to follow up any emergency operation with such quality testing and/or monitoring as required by law and is recommended by standard practice.

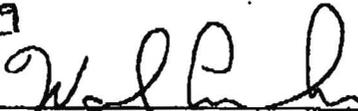
C. Enhancements & Improvements

All enhancements & improvements that are necessary to the water system will be the responsibility of Owner. Enhancements & improvements that come up during the course of the year shall be mutually agreed upon by Owner and Operator.

SCHEDULE OF RATES

The monthly amount for this contract is \$3798
The hourly rate for a licensed water operator is \$60.00
The hourly rate for a mechanic is \$50.00
The quarterly rate for billing services is \$2450.00
The hourly rate for backhoe or other equipment as per market rates and will be discussed with Owner.
Parts and materials: 5% over cost

Date: 12-31-9
For Operator: 
Wade Crawshaw, President
C&C Water Services, Inc.
Address: P.O.Box 7394
Gilford, NH 03247

Date: 12-31-9
For Owner: 
Wade Crawshaw, President
Lakeland Management Company Inc.
Address: P.O. Box 7394
Gilford NH 03247

AGREEMENT

This agreement is made on December 2, 2011, between Theresa Crawshaw, of 24 Tate Road, Gilford, NH 03247, and Lakeland Management Company, Inc., of PO Box 7394, Gilford, NH 03247. In consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Crawshaw, shall, in her capacity as president of Lakeland, attend to all actions necessary or desirable for the proper administration of Lakeland not contracted to C&C Water Services, Inc. Such actions shall include, but are not limited to:

Manage cash, including reconciling accounts and paying bills;

Negotiate, execute, record and implement contracts with providers;

Oversee contractors, including, but not limited to C&C Water Services, Inc.;

Oversee attorneys, accountants and other professionals;

Consult with, consider advice of, and decide issues referred to professionals;

Research, procure, receive, implement and store goods and services; and

Oversee regulatory matters, including, PUC, DRA and DES.

Crawshaw, in her discretion, shall determine the time of performance, the method of performance, the order of performance, and the place of performance of the work covered by this contract.

2. For the work covered by this contract, Lakeland, shall pay Crawshaw, Twenty-five Dollars (\$25.00) per hour for each hour expended by Crawshaw in the performance of that work.

3. Crawshaw, shall deliver to Lakeland, once each calendar quarter, an invoice for the work performed in the quarter, then just ended. The invoice shall contain an itemization of the work performed. Lakeland, shall pay the invoice to Crawshaw within one week after delivery of the invoice to Lakeland.

4. Either Lakeland or Crawshaw may terminate this agreement, with or without cause, upon one week written notice. Upon termination, Lakeland, shall pay for all work performed up to the date of termination within one week after the delivery of an invoice for that work.

5. Crawshaw, shall at all times be an independent contractor or, and not an employee of Lakeland. Crawshaw, shall file all returns of, and pay all taxes upon the income received pursuant to this agreement.

6. This agreement shall apply to all work performed on and after January 1, 2012.

IN WITNESS WHEREOF, Crawshaw, and Lakeland have hereunto affixed their signatures as of the date first above written.



Theresa Crawshaw

LAKELAND MANAGEMENT CO., INC.
By:



Theresa Crawshaw, President

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