

**DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
REVENUE REQUIREMENT**

Pro-forma Rate Base (Sch 2; Col 8)	\$ 4,997,601	
Rate of Return (Sch 3)	x <u>4.89%</u>	
Operating Income Requirement	244,252	
Less: Pro-forma Operating Income (Sch 4; Col 8)	<u>302,601</u>	
Revenue Deficiency / (Surplus) Before Taxes	(58,349)	
Divided by Tax Factor (Sch 5)	÷ <u>91.50%</u>	
Revenue Deficiency / (Surplus)	(63,769)	
Add: Pro-forma Annual Water Revenues (Sch 4; Col 8)	<u>1,591,851</u>	
Annual Water Revenues after Permanent Rates	\$ 1,528,082	
Less: Pro-forma Test Year Annual Water Revenues*	<u>(1,498,187)</u>	
Proposed Increase in Annual Water Revenues after Permanent Rates	<u>\$ 29,895</u>	
Percentage Increase/Decrease in Annual Water Revenues after Permanent Rates	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="text-align: center; padding: 2px;">2.00%</td></tr></table>	2.00%
2.00%		

***Calculation of Pro-forma Test Year Annual Water Revenues:**

Operating Water Revenues - 2011 (Sch 4; Col 1)	\$ 1,492,174
Annualized Water Revenues - Fairfield System (2012) (Sch 4a; Adj 35)	<u>6,013</u>
Pro-forma Test Year Annual Water Revenues	<u><u>\$ 1,498,187</u></u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Original Rate Filing			Motion to Amend Petition		Permanent Rates		
	5-Quarter Average	Pro-forma Adjust's	Pro-forma Rate Base	Amendments to Original Filing	Amended Pro-forma Rate Base	Pro-forma Adjust's (Sch 2a)	Adj # (Sch 2a)	Pro-forma Rate Base
<u>Net Utility Plant in Rate Base</u>								
Utility Plant in Service	\$ 12,851,665	\$ 493,755	\$ 13,345,420	\$ 150,654	\$ 13,496,074	\$ (562,388)	1 - 4	\$ 12,933,686
Less: Accumulated Depreciation	<u>(3,693,818)</u>	<u>(215,268)</u>	<u>(3,909,086)</u>	<u>(5,564)</u>	<u>(3,914,650)</u>	255,853	5 - 14	<u>(3,658,797)</u>
Net Utility Plant in Service	9,157,847	278,487	9,436,334	145,090	9,581,424	(306,535)		9,274,889
Less: Contributions in Aid of Construction (CIAC)	(6,971,090)	(10,030)	(6,981,120)	(17,190)	(6,998,310)	264,381	15 - 17	(6,733,929)
Add: Accumulated Amortization - CIAC	<u>2,275,931</u>	<u>85,438</u>	<u>2,361,369</u>	<u>643</u>	<u>2,362,012</u>	<u>(126,865)</u>	18 - 24	<u>2,235,147</u>
Net Utility Plant in Rate Base	<u>4,462,688</u>	<u>353,895</u>	<u>4,816,583</u>	<u>128,543</u>	<u>4,945,126</u>	<u>(169,020)</u>		<u>4,776,106</u>
<u>Net Working Capital in Rate Base</u>								
Cash Working Capital	106,426	6,225	112,651	3,525	116,176	(2,550)	25 - 26	113,626
Materials and Supplies	-	23,455	23,455	-	23,455	834	27	24,289
Prepayments - Other	20,672	-	20,672	-	20,672	(6,545)	28	14,127
Prepayments - Taxes	18,882	-	18,882	-	18,882	(5,040)	29 - 30	13,842
Accumulated Deferred Income Taxes - Assets	21,702	-	21,702	-	21,702	-		21,702
Miscellaneous Deferred Debits	-	-	-	-	-	38,546	31 - 32	38,546
Accumulated Deferred Income Taxes - Liabilities	(5,156)	-	(5,156)	-	(5,156)	517	33	(4,639)
Rounding	<u>(2)</u>		<u>(2)</u>	<u>(1)</u>	<u>(3)</u>	<u>3</u>	34	<u>-</u>
Net Working Capital in Rate Base	<u>162,524</u>	<u>29,680</u>	<u>192,204</u>	<u>3,524</u>	<u>195,728</u>	<u>25,767</u>		<u>221,495</u>
TOTAL RATE BASE	<u>\$ 4,625,212</u>	<u>\$ 383,575</u>	<u>\$ 5,008,787</u>	<u>\$ 132,067</u>	<u>\$ 5,140,854</u>	<u>\$ (143,253)</u>		<u>\$ 4,997,601</u>

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HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO RATE BASE

Adj #

Pro-forma Adjustments to Net Plant:

Plant in Service

1	To modify test year average for Plant in Service from 5-quarter avg to 13-month avg (Per Sch 2b).		\$	(67,154)
2	To accurately reflect Non-Revenue Producing Net Plant in Service in Test-year Rate Base (Per Sch 2c).			(108,094)
3	To record roof installation costs reclassified from operating expenses per Staff Audit Issue # 12: Roof Installation Costs reclassified from Acct # 631, Maint of Structures & Improvements To reflect test year average	\$	2,263	
		+	<u>2</u>	1,132
4	To record excess capacity adjustment for Plant in Service (Per Sch 2d).			<u>(388,272)</u>
	Total Adjustments - Plant in Service		\$	<u>(562,388)</u>

Accumulated Depreciation

5	To modify test year average for Accumulated Depreciation from 5-quarter avg to 13-month avg (Per Sch 2b).		\$	1,214
6	To reflect Co's Accum Depr Adj in rate base at test year average (See Co Adj 23): Additional Accum Depr on test year plant additions To reflect test year average	\$	16,932	
		+	<u>2</u>	8,466
7	To accurately reflect Non-Revenue Producing Net Plant in Service in Test-Year Rate Base (Per Sch 2c).			183,440
8	To reflect Accumulated Depreciation associated with Fairfield System at test year average (See Co Adj A5): Accumulated Depreciation: Fairfield System To reflect test year average		124	
		+	<u>2</u>	62
9	To reflect Accumulated Depreciation associated with Black Rocks System at test year average (See Co Adj A5): Accumulated Depreciation: Black Rocks Water System To reflect test year average		5,440	
		+	<u>2</u>	2,720
10	To adjust Accum Deprec - T & D Mains for the Black Rocks system from 2.20% rate to 2.00% rate: Cost of T & D Mains: Black Rocks System Depreciation Rate - T & D Mains Accumulated Depreciation - T & D Mains: Black Rocks System @ 2.00% Less: Accumulated Depreciation - T & D Mains: Black Rocks System @ 2.20% Adjustment to Accumulated Depreciation - T & D Mains: Black Rocks System To reflect test year average	\$	61,842	
			<u>2.00%</u>	(1,237)
				<u>1,360</u>
				123
		+	<u>2</u>	62
11	To adjust Accum Depr - T & D Mains per Staff Audit Issue # 3 (Per Sch 2e): Adjustment to Reduce Accumulated Depreciation - T & D Mains To reflect test year average		20,802	
		+	<u>2</u>	10,401
12	To reclassify proceeds from sale of fully depreciated vehicle per Staff Audit Issue # 4: Proceeds from sale of fully depreciated vehicle To reflect test year average		(750)	
		+	<u>2</u>	(375)

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13	To record accumulated depreciation on roof installation costs reclassified from operating expenses per Staff Audit Issue # 12: Roof Installation Costs reclassified from Acct # 631, Maint of Structures & Improvements	2,263	
	Depreciation Rate for Acct # 304, Struct's & Improve's of 2.50% @ 1/2 yr convention	x 1.25%	
	Accumulated Depreciation on roof installation costs	(28)	
	To reflect test year average	+ 2	(14)

14	To record excess capacity adjustment for Accumulated Depreciation (Per Sch 2d).	49,878
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Total Adjustments - Accumulated Depreciation	\$ 255,853
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Contributions in Aid of Construction (CIAC)

15	To modify test year average for CIAC from 5-quarter avg to 13-month avg (Per Sch 2b).	\$ 1,543
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16	To reverse Co pro-forma to reflect CIAC at 12/31/11 value rather than at test-year average (See Co Adj 25).	10,030
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17	To record excess capacity adjustment for CIAC (Per Sch 2d).	252,808
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Total Adjustments - CIAC	\$ 264,381
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Accumulated Amortization - CIAC

18	To modify test year average for Accumulated Amortization - CIAC from 5-quarter avg to 13-month avg (Per Sch 2b).	\$ 753
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19	To reverse Co pro-forma to reflect Accum Amort - CIAC at 12/31/11 value rather than test-year average (See Co Adj 26).	(85,108)
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20	To reflect Co's Accum Amort - CIAC Adj in rate base at test year average (See Co Adj 27): Additional Accum Amort - CIAC on test year plant additions	\$ (330)	
	To reflect test year average	+ 2	(165)

21	To reflect Accum Amort - CIAC associated with Black Rocks System at test year average (See Co Adj A7): Accum Amort - CIAC: Black Rocks Water System	(643)	
	To reflect test year average	+ 2	(322)

22	To adj Accumulated Amortization-CIAC - T & D Mains for the Black Rocks system from 2.20% rate to 2.00% rate: CIAC on T & D Mains: Black Rocks System	\$ (8,165)	
	Amortization Rate-CIAC - T & D Mains	2.00%	
	Accumulated Amortization-CIAC - T & D Mains: Black Rocks System @ 2.00%	163	
	Less: Accumulated Amortization-CIAC - T & D Mains: Black Rocks System @ 2.20%	(181)	
	Adjustment to Accumulated Amortization-CIAC - T & D Mains: Black Rocks System	(18)	
	To reflect test year average	+ 2	(9)

23	To adjust Accum Amort-CIAC - T & D Mains per Staff Audit Issue # 3 (Per Sch 2f): Adjustment to Reduce Accum Amort-CIAC - T & D Mains	(13,379)	
	To reflect Average Rate Base	+ 2	(6,690)

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24	To record excess capacity adjustment for Accumulated Amortization - CIAC (Per Sch 2d).		(35,325)
	Total Adjustments - Accumulated Amortization - CIAC		\$ (126,865)

Working Capital:Cash Working Capital

25	To modify test year Cash Working Capital to 13-month avg (Per Sch 2b).		\$ 2,808
26	To adjust Cash Working Capital for pro-forma adj's to O&M Expenses:		
	Net pro-forma adj's to O&M Expenses (Sch 4; Col 6)	\$ (43,453)	
	Cash Working Capital Percentage (Monthly Billing)	12.33%	(5,357)
	Total Adjustments - Cash Working Capital		\$ (2,550)

Materials and Supplies

27	To adjust test year average for Materials and Supplies from 5-quarter avg to 13-month average:		
	13-Month Average for Materials and Supplies (Per Sch 2b)	\$ 24,289	
	Less: 5-Quarter Average for Materials and Supplies (Per Co Adj 24)	(23,455)	\$ 834
	Total Adjustments - Materials and Supplies		\$ 834

Prepayments - Other

28	To modify test year average for Prepayments - Other from 5-quarter avg to 13-month avg (Per Sch 2b).		\$ (6,545)
	Total Adjustments - Prepayments - Other		\$ (6,545)

Prepayments - Taxes

29	To modify test year average for Prepayments - Taxes from 5-quarter avg to 13-month avg (Per Sch 2b).		\$ (4,396)
30	To reduce Prepaid Taxes by refunded amount per Staff Audit Issue # 18:		
	Prepaid taxes refunded to Company	\$ (1,288)	
	To reflect Test Year Average	2	(644)
	Total Adjustments - Prepayments - Taxes		\$ (5,040)

Miscellaneous Deferred Debits

31	To record 13-month test year average for Miscellaneous Deferred Debits (Per Sch 2b).		\$ 44,119
32	To adjust test-year avg of Miscellaneous Deferred Debits (Per Sch 2g).		(5,573)
	Total Adjustments - Miscellaneous Deferred Debits		\$ 38,546

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Accumulated Deferred Income Taxes - Liabilities

33 To modify test year average for Accum Deferred Income Taxes - Liabilities from 5-quarter avg to 13-month avg (Per Sch 2b). \$ 517

Total Adjustments - Accumulated Deferred Income Taxes - Liabilities \$ 517

Rounding

34 To eliminate rounding (Sch 2; Col 5). \$ 3

Total Adjustments - Rounding \$ 3

Total Pro-forma Adjustments to Rate Base \$ (143,253)

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HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF 13-MONTH AVERAGE RATE BASE

	For the Month Ended												13-Month Average	Test Year Average (Per Co Filing)	Adjustment	
	12/31/10	01/31/11	02/28/11	03/31/11	04/30/11	05/31/11	06/30/11	07/31/11	08/31/11	09/30/11	10/31/11	11/30/11				12/31/11
Net Utility Plant in Rate Base																
Total Utility Plant	\$ 12,587,647	\$ 12,590,411	\$ 12,591,528	\$ 12,581,653	\$ 12,591,322	\$ 12,603,342	\$ 12,613,779	\$ 12,624,201	\$ 12,631,227	\$ 13,129,827	\$ 13,150,438	\$ 13,157,851	\$ 13,345,420	\$ 12,784,511	\$ 12,851,665	\$ (67,154)
Less: Accumulated Depreciation	(3,508,268)	(3,541,268)	(3,574,268)	(3,595,593)	(3,621,038)	(3,654,038)	(3,687,038)	(3,720,038)	(3,753,038)	(3,786,038)	(3,819,038)	(3,852,038)	(3,892,154)	(3,692,604)	(3,693,818)	1,214
Net Utility Plant in Service	9,079,379	9,049,143	9,017,260	8,986,060	8,970,284	8,949,304	8,926,741	8,904,163	8,878,189	9,343,789	9,331,400	9,305,813	9,453,266	9,091,907	9,157,847	(65,940)
Less: Contributions in Aid of Construction	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,966,458)	(6,974,958)	(6,974,958)	(6,974,958)	(6,981,120)	(6,969,547)	(6,971,090)	1,543
Add: Accumulated Amortization - CIAC	2,187,154	2,202,154	2,217,154	2,232,154	2,247,154	2,262,154	2,277,154	2,292,154	2,307,154	2,322,154	2,337,154	2,352,154	2,361,039	2,276,684	2,275,931	753
Net Utility Plant in Rate Base	\$ 4,300,075	\$ 4,284,839	\$ 4,267,956	\$ 4,251,756	\$ 4,250,980	\$ 4,245,000	\$ 4,237,437	\$ 4,229,859	\$ 4,218,885	\$ 4,690,985	\$ 4,693,596	\$ 4,683,009	\$ 4,833,185	\$ 4,399,043	\$ 4,462,688	\$ (63,645)
Net Working Capital in Rate Base																
Cash Working Capital:																
12-Month O&M Expenses	\$ 917,115	\$ 917,806	\$ 913,490	\$ 882,680	\$ 869,361	\$ 868,518	\$ 860,686	\$ 860,814	\$ 880,713	\$ 897,838	\$ 893,929	\$ 891,975	\$ 863,145	\$ 886,005	\$ 863,144	\$ 22,861
Cash Working Capital % (45 days / 365 days)	x 12.33%	x 12.33%	x 12.33%													
Cash Working Capital	113,069	113,154	112,622	108,824	107,181	107,078	106,112	106,128	108,581	110,692	110,210	109,970	106,415	109,234	106,426	2,808
Materials and Supplies	16,273	16,273	15,663	19,347	35,020	36,061	36,061	34,667	27,642	23,156	16,582	16,582	22,436	24,289	-	24,289
Prepayments - Other	11,440	11,326	10,351	13,183	13,948	13,622	13,999	13,590	17,788	16,566	17,381	14,580	15,881	14,127	20,672	(6,545)
Prepayments - Taxes	32,621	17,674	2,727	-	-	-	32,289	17,453	2,617	-	-	41,223	41,718	14,486	18,882	(4,396)
Accumulated Deferred Income Taxes - Assets	22,348	22,240	22,133	22,025	21,917	21,809	21,702	21,594	21,486	21,378	21,271	21,163	21,055	21,702	21,702	(0)
Miscellaneous Deferred Debits	45,710	44,948	44,396	43,724	42,962	43,201	42,712	42,769	43,496	42,969	42,323	43,743	50,596	44,119	-	44,119
Accumulated Deferred Income Taxes - Liabilities	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(4,315)	(8,522)	(4,639)	(5,156)	517
Net Working Capital in Rate Base	\$ 237,146	\$ 221,300	\$ 203,577	\$ 202,788	\$ 216,713	\$ 217,456	\$ 248,560	\$ 231,886	\$ 217,295	\$ 210,446	\$ 203,452	\$ 242,946	\$ 249,579	\$ 223,319	\$ 162,526	\$ 60,793
TOTAL RATE BASE	<u>\$ 4,537,221</u>	<u>\$ 4,506,139</u>	<u>\$ 4,471,533</u>	<u>\$ 4,454,544</u>	<u>\$ 4,467,693</u>	<u>\$ 4,462,456</u>	<u>\$ 4,485,997</u>	<u>\$ 4,461,745</u>	<u>\$ 4,436,180</u>	<u>\$ 4,901,431</u>	<u>\$ 4,897,048</u>	<u>\$ 4,925,955</u>	<u>\$ 5,082,764</u>	<u>\$ 4,622,362</u>	<u>\$ 4,625,214</u>	<u>\$ (2,852)</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF PRO-FORMA ADJUSTMENTS FOR NON-REVENUE PRODUCING ASSETS

	In-Service Date	Cost	Svc Per	Depr Rate	Accumulated Depreciation @ 12/31/11	Adjustment to Reflect Full Yr Depr	Pro-forma Accumulated Depreciation	Plant in Service Adjustment Test Year Average	Pro-forma Adjustment	Accum Deprec Adjustment Test Year Average	Pro-forma Adjustment
Lancaster Farm: Well Failure - New Well and Pump House Addition											
304	Structures and Improvements:										
	1554 Well House Addition	20,830	40	2.50%	(260) +	(260) =	(521)	1,602	19,227	(150)	(371)
307	Wells and Springs:										
	1556 Well (2010) - 510 feet deep	27,703	30	3.33%	(462) +	(462) =	(923)	2,131	25,572	(266)	(657)
309	Supply Mains:										
	1557 Supply Mains	435	50	2.00%	(4) +	(4) =	(9)	33	402	(3)	(6)
311	Pumping Equipment:										
	1564 Well Pump (RAD Well)	3,619	10	10.00%	(181) +	(181) =	(362)	278	3,341	(104)	(258)
	1565 Control Panel	3,793	10	10.00%	(190) +	(190) =	(379)	292	3,501	(109)	(270)
	1566 Labor to Install Pumping Equipment	716	10	10.00%	(36) +	(36) =	(72)	55	661	(21)	(51)
	1567 4 - Silent Check Valves	2,158	10	10.00%	(108) +	(108) =	(216)	166	1,992	(62)	(154)
	1568 Labor and Miscellaneous Materials for Pumping Equipment	1,347	10	10.00%	(67) +	(67) =	(135)	104	1,243	(39)	(96)
	1569 Labor and Miscellaneous Material to Wire Pumping Equipment	6,652	10	10.00%	(333) +	(333) =	(665)	512	6,140	(192)	(473)
	Sub-total: Pumping Equipment	18,285					(1,829)	1,407	16,878	(527)	(1,301)
320	Water Treatment:										
	1559 USA Blue Book - various invoices	65	28	3.57%	(1) +	(1) =	(2)	5	60	(1)	(2)
	Total: Lancaster Farm: Well Failure - New Well and Pump House Addition	67,319					(3,284)	5,178	62,140	(947)	(2,336)
Pope Road Project - New Wells and Pumphouse (DW 10-241)											
304	Structures and Improvements:										
	1520 Pope Road Pump Station (WR 45)	88,391	40	2.50%	(1,105) +	(1,105) =	(2,210)	27,197	61,194	(637)	(1,572)
	1526 Pope Road Pump House (WR 45)	55,051	40	2.50%	(688) +	(688) =	(1,376)	16,939	38,112	(397)	(979)
	1528 Unutil Refund - 2011 Pope Road Station	(5,222)	40	2.50%	65 +	65 =	131	(803)	(4,418)	38	93
	Sub-total: Structures and Improvements	138,220					(3,456)	43,333	94,888	(997)	(2,459)
307	Wells and Springs:										
	1521 Pope Road Wells (WR 45)	5,690	30	3.33%	(95) +	(95) =	(190)	1,751	3,939	(55)	(135)
	1527 Pope Road Wells (WR 45)	118,786	30	3.33%	(1,980) +	(1,980) =	(3,960)	36,550	82,236	(1,142)	(2,817)
	Sub-total: Wells and Springs	124,476					(4,149)	38,300	86,176	(1,197)	(2,952)
309	Supply Mains:										
	1522 Pope Road Supply Mains (WR 45)	15,978	50	2.00%	(160) +	(160) =	(320)	4,916	11,062	(92)	(227)
311	Pumping Equipment:										
	1531 Pope Rd - 5001VA Transformer	526	10	10.00%	(26) +	(26) =	(53)	283	243	(15)	(37)
	1532 Pope Rd - Electrical Equipment and Labor for Pump Station	6,920	10	10.00%	(346) +	(346) =	(692)	3,726	3,194	(200)	(492)
	1533 Pope Rd - Misc Fittings	7	10	10.00%	(0) +	(0) =	(1)	4	3	(0)	(1)
	1534 Pope Rd - Misc Fittings	246	10	10.00%	(12) +	(12) =	(25)	132	113	(7)	(17)
	1535 Pope Rd - 3x2 Brass	47	10	10.00%	(2) +	(2) =	(5)	25	22	(1)	(3)
	1536 Pope Rd - Esteem Resources Software	2,008	10	10.00%	(100) +	(100) =	(201)	1,081	927	(58)	(143)
	1537 Pope Rd - Balance of Electrical Equip & Labor for Pump Station	2,454	10	10.00%	(123) +	(123) =	(245)	1,322	1,133	(71)	(175)
	1538 Pope Rd - SCADA Ethermeter	831	10	10.00%	(42) +	(42) =	(83)	256	575	(24)	(59)
	1539 Pope Rd - Inj. 2" MNPT Inlet/Outlet	597	10	10.00%	(30) +	(30) =	(60)	184	414	(17)	(43)
	1540 Pope Rd - CR32-3-2 3 Phase GRUNDFOS	10,068	10	10.00%	(503) +	(503) =	(1,007)	3,098	6,970	(290)	(716)
	1541 Pope Rd - 14" Neptune Turbine Meter & 2 3" Neptune Meters	5,388	10	10.00%	(269) +	(269) =	(539)	1,658	3,730	(155)	(383)
	1542 Pope Rd - SCADA Control Panel	22,358	10	10.00%	(1,118) +	(1,118) =	(2,236)	6,879	15,479	(645)	(1,591)

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HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF PRO-FORMA ADJUSTMENTS FOR NON-REVENUE PRODUCING ASSETS

	In-Service Date	Cost	Svc Per	Depr Rate	Accumulated Depreciation @ 12/31/11	Adjustment to Reflect Full Yr Depr	Pro-forma Accumulated Depreciation	Plant in Service Adjustment		Accum Deprec Adjustment	
								Test Year Average	Pro-forma Adjustment	Test Year Average	Pro-forma Adjustment
1543 Pope Rd - 2 FL-40 Flexlite Well Tanks & 1 50-gal Solution Tank	09/30/11	1,239	10	10.00%	(62) +	(62) =	(124)	381	858	(36)	(88)
1544 Pope Rd - USA Bluebook - various items	09/30/11	4,125	10	10.00%	(206) +	(206) =	(413)	1,269	2,856	(119)	(294)
1545 Pope Rd - USA Bluebook - various items	09/30/11	2,306	10	10.00%	(115) +	(115) =	(231)	710	1,597	(67)	(164)
1546 Pope Rd - Asahi Butterfly Valve 6'	09/30/11	335	10	10.00%	(17) +	(17) =	(33)	103	232	(10)	(24)
1547 Pope Rd - 3" Hymax Flange Adapter	09/30/11	200	10	10.00%	(10) +	(10) =	(20)	62	138	(6)	(14)
1548 Pope Rd - GSG Supply - various items	09/30/11	2,318	10	10.00%	(116) +	(116) =	(232)	713	1,605	(67)	(165)
1549 Pope Rd - GSG Supply - various items	09/30/11	56	10	10.00%	(3) +	(3) =	(6)	17	39	(2)	(4)
1550 Pope Rd - Silent Check Valve 3'	09/30/11	173	10	10.00%	(9) +	(9) =	(17)	53	120	(5)	(12)
1552 Pope Rd - Samson Fastener - various items	09/30/11	88	10	10.00%	(4) +	(4) =	(9)	27	61	(3)	(6)
1553 Pope Rd - HAWC Labor for Pump Station	09/30/11	900	10	10.00%	(45) +	(45) =	(90)	277	623	(26)	(64)
Sub-total: Pumping Equipment		63,190					(6,319)	22,260	40,929	(1,823)	(4,496)
320 Water Treatment:											
1523 Pope Road - (2) Marlo MGA-72-3 SGL Filters (WR 45)	09/30/11	41,226	28	3.57%	(736) +	(736) =	(1,472)	12,685	28,541	(425)	(1,048)
330 Distribution Reservoirs and Standpipes:											
1524 Pope Road - 20,000 gal Wildco Storage Tank (WR 45)	09/30/11	65,762	45	2.22%	(731) +	(731) =	(1,461)	20,235	45,528	(422)	(1,040)
331 Transmission and Distribution Mains:											
1525 Pope Road - Mains	09/30/11	23,685	50	2.00%	(237) +	(237) =	(474)	7,288	16,397	(137)	(337)
Total: Pope Road Project - New Wells and Pumphouse (DW 10-241)		472,538					(17,651)	149,017	323,521	(5,092)	(12,559)
Grand Total: All Non-Revenue Producing Assets		\$ 539,856					\$ (20,934)	\$ 154,195	\$ 385,661	\$ (6,039)	\$ (14,896)
Less: Co's Pro-forma Adj's # 21 & # 22 to reflect Plant in Service and Accumulated Depreciation in Rate Base as of 12/31/11 rather than at Test-Year Average									(493,755)		198,336
Pro-forma Adj's to Accurately reflect Non-Revenue Producing Assets in Test-Year Rate Base								\$ (108,094)			\$ 183,440

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF EXCESS CAPACITY ADJUSTMENTS

	Mill Woods			Waterford Village			Autumn Hills			Total Adjustments
	Unadjusted	Adjustment	Adjusted	Unadjusted	Adjustment	Adjusted	Unadjusted	Adjustment	Adjusted	
Average Plant in Service	\$ 179,650	\$ (8,510)	\$ 171,140	\$ 210,199	\$ (37,836)	\$ 172,363	\$ 163,702	\$ (81,851)	\$ 81,851	
Average Accumulated Depreciation	(37,160)	1,760	(35,400)	(52,875)	9,518	(43,358)	(38,702)	19,351	(19,351)	
Net Average Plant in Service	142,490	(6,750)	135,740	157,324	(28,318)	129,006	125,000	(62,500)	62,500	
Average CIAC	(126,083)	5,972	(120,111)	(146,666)	26,400	(120,266)	(129,139)	64,570	(64,570)	
Average Accum Amort - CIAC	25,590	(1,212)	24,378	36,961	(6,653)	30,308	28,145	(14,073)	14,073	
Net Average CIAC	(100,493)	4,760	(95,733)	(109,705)	19,747	(89,958)	(100,994)	50,497	(50,497)	
Net Average Plant in Rate Base	\$ 41,997	\$ (1,989)	\$ 40,008	\$ 47,619	\$ (8,571)	\$ 39,048	\$ 24,006	\$ (12,003)	\$ 12,003	
Depreciation Expense	\$ 6,219	\$ (295)	\$ 5,924	\$ 9,566	\$ (1,722)	\$ 7,844	\$ 7,767	\$ (3,884)	\$ 3,884	
Amortization Expense - CIAC	(4,277)	203	(4,074)	(6,170)	1,111	(5,059)	(5,639)	2,820	(2,820)	
Net Depreciation Expense	\$ 1,942	\$ (92)	\$ 1,850	\$ 3,396	\$ (611)	\$ 2,785	\$ 2,128	\$ (1,064)	\$ 1,064	
	Coopers Grove			Sargent Woods			Black Rocks			Total Adjustments
	Unadjusted	Adjustment	Adjusted	Unadjusted	Adjustment	Adjusted	Unadjusted	Adjustment	Adjusted	
Average Plant in Service	\$ 162,821	\$ (92,265)	\$ 70,556	\$ 181,124	\$ (78,789)	\$ 102,335	\$ 164,527	\$ (89,021)	\$ 75,506	\$ (388,272)
Average Accumulated Depreciation	(16,241)	9,203	(7,038)	(14,533)	6,322	(8,211)	(6,883)	3,724	(3,159)	49,878
Net Average Plant in Service	146,580	(83,062)	63,518	166,591	(72,467)	94,124	157,644	(85,297)	72,347	(338,394)
Average CIAC	(139,591)	79,102	(60,489)	(145,759)	63,405	(82,354)	(24,690)	13,359	(11,331)	252,808
Average Accum Amort - CIAC	13,968	(7,915)	6,053	11,879	(5,167)	6,712	563	(305)	258	(35,325)
Net Average CIAC	(125,623)	71,186	(54,437)	(133,880)	58,238	(75,642)	(24,127)	13,054	(11,073)	217,483
Net Average Plant in Rate Base	\$ 20,957	\$ (11,876)	\$ 9,081	\$ 32,711	\$ (14,229)	\$ 18,482	\$ 133,517	\$ (72,242)	\$ 61,275	\$ (120,911)
Depreciation Expense	\$ 7,227	\$ (4,095)	\$ 3,132	\$ 7,614	\$ (3,312)	\$ 4,302	\$ 6,142	\$ (3,323)	\$ 2,819	\$ (16,631)
Amortization Expense - CIAC	(6,202)	3,514	(2,688)	(5,950)	2,588	(3,362)	(1,125)	609	(516)	10,844
Net Depreciation Expense	\$ 1,025	\$ (581)	\$ 444	\$ 1,664	\$ (724)	\$ 940	\$ 5,017	\$ (2,715)	\$ 2,302	\$ (5,786)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF EXCESS CAPACITY ADJUSTMENTS

Calculation of Excess Capacity Percentage:

	Full Build-out in DW 08-065	Current Full Build-out	Customers 12/31/11	Customers 12/31/12	Increase in Customers From 12/31/11 To 12/31/12	Excess Capacity Customers @ 12/31/11	Excess Capacity Percentage	Settlement Factor	Applied Excess Capacity Percentage
1	Bricketts Mill	29	35	35	-	-	0.00%		
002	Dearborn Ridge	11	11	11	(1)	-	0.00%		
2	Bryant Woods	326	305	305	-	-	0.00%		
3	Camelot Court	19	19	19	-	-	0.00%		
4	Colby Pond	173	160	160	-	-	0.00%		
5	Cornerstone	81	77	76	1	1	1.30%		
6	Cricket Hill / Maplevale	128	122	121	1	1	0.82%		
7	Hampstead Core	778	797	777	20	20	2.51%		
8	Kent Farm	261	252	250	2	2	0.79%		
9	Lamplighter	56	56	56	-	-	0.00%		
10	Oak Hill	50	60	60	-	-	0.00%		
11	Rainbow Ridge	15	15	15	-	-	0.00%		
12	Stoneford	75	74	74	-	-	0.00%		
13	Walnut Ridge	738	762	760	2	2	0.26%		
14	Lancaster Farm	85	84	84	(1)	-	0.00%		
15	Woodland Pond	137	104	104	-	-	0.00%		
0015	Bartlett Brook	-	38	31	7	7	18.42%		
16	Mill Woods	38	38	35	3	3 *	7.89% x	60.00% =	4.74%
17	Waterford Village	40	40	28	-	12 *	30.00% x	60.00% =	18.00%
18	Autumn Hills	24	24	4	-	20 *	83.33% x	60.00% =	50.00%
19	Coopers Grove	-	18	1	3	17 *	94.44% x	60.00% =	56.67%
20	Sargent Woods	-	80	22	11	58 *	72.50% x	60.00% =	43.50%
21	Black Rocks	-	112	11	20	101 *	90.18% x	60.00% =	54.11%
22	Fairfield	-	15	-	15	15	100.00%		
	Totals	3,064	3,298	3,039	81	259	7.85%		

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
ACCOUNT # 331, TRANSMISSION AND DISTRIBUTION MAINS: CALCULATION OF ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE ADJUSTMENTS
PER STAFF AUDIT ISSUE # 3

Asset #	Description	In Service Date	Cost Basis	Depreciation @ 2.22% (45 Years)			Depreciation @ 2.00% (50 Years)		
				Accumulated Depreciation @ 12/31/10	2011 Depreciation Expense	Accumulated Depreciation @ 12/31/11	Accumulated Depreciation @ 12/31/10	2011 Depreciation Expense	Accumulated Depreciation @ 12/31/11
53	LBD # 9288 - Repair Leak	06/22/10	\$ 2,651.20	\$ (29.00)	\$ (58.92)	\$ (87.92)	\$ (26.10)	\$ (53.02)	\$ (79.12)
210	Mains	06/30/01	85,000.00	(12,155.00)	(1,888.89)	(14,043.89)	(10,939.50)	(1,700.00)	(12,639.50)
235	Sheet # 24 - LBD # 9223 - Remove Check Valves	04/30/10	1,769.26	(19.00)	(39.32)	(58.32)	(17.10)	(35.39)	(52.49)
240	Sheet # 27 - Rebuilt Pipe at Pit Hatch	11/30/10	2,163.05	(48.00)	(48.07)	(96.07)	(43.20)	(43.26)	(86.46)
358	LBD # 9485 - Patched Hot Top	09/22/10	2,525.70	(28.00)	(56.13)	(84.13)	(25.20)	(50.51)	(75.71)
377	5,190' - 8" Main	06/30/01	126,000.00	(18,018.00)	(2,800.00)	(20,818.00)	(16,216.20)	(2,520.00)	(18,736.20)
378	4,040' - 6" Main	06/30/01	67,500.00	(9,652.50)	(1,500.00)	(11,152.50)	(8,687.25)	(1,350.00)	(10,037.25)
379	4,120' - 4" Main	06/30/01	110,000.00	(15,730.00)	(2,444.44)	(18,174.44)	(14,157.00)	(2,200.00)	(16,357.00)
468	Labor - 32 Hours	06/30/04	1,200.93	(117.00)	(26.69)	(143.69)	(105.30)	(24.02)	(129.32)
469	Labor - 1.5 Hours	06/30/05	87.48	(9.00)	(1.94)	(10.94)	(8.10)	(1.75)	(9.85)
470	Equipment - 23.5 Hours (11/04 - 12/05)	11/15/04	1,930.00	(189.00)	(42.89)	(231.89)	(170.10)	(38.60)	(208.70)
471	Haverhill Steel - Various Used Pipe	09/17/04	565.00	(54.00)	(12.56)	(66.56)	(48.60)	(11.30)	(59.90)
472	Ferguson Waterworks - Red Hed	10/12/04	2,419.14	(238.50)	(53.76)	(292.26)	(214.65)	(48.38)	(263.03)
473	EJ Prescott	10/14/04	30.17	(4.50)	(0.67)	(5.17)	(4.05)	(0.60)	(4.65)
474	EJ Prescott	10/14/04	19.39	-	(0.43)	(0.43)	-	(0.39)	(0.39)
475	Ferguson Waterworks - 100' SDR21 CL200 PVC GJ Pipe	10/27/04	362.60	(36.00)	(8.06)	(44.06)	(32.40)	(7.25)	(39.65)
476	EJ Prescott - 280' SDR21 CL 200 Pipe	11/08/04	1,330.00	(130.50)	(29.56)	(160.06)	(117.45)	(26.60)	(144.05)
477	EJ Prescott - 20' SDR21 CL 200 Pipe	11/22/04	95.00	(9.00)	(2.11)	(11.11)	(8.10)	(1.90)	(10.00)
478	EJ Prescott - Misc Items	11/22/04	2,446.04	(243.00)	(54.36)	(297.36)	(218.70)	(48.92)	(267.62)
479	Redstone Inc - Asphalt	10/07/05	35.04	(4.50)	(0.78)	(5.28)	(4.05)	(0.70)	(4.75)
480	Lewis Equipment Co - Fabricate Pipe	10/22/04	230.00	(22.50)	(5.11)	(27.61)	(20.25)	(4.60)	(24.85)
481	Lewis Equipment Co - Fabricate Pipe	12/31/04	820.00	(81.00)	(18.22)	(99.22)	(72.90)	(16.40)	(89.30)
482	Town of Atkinson - Police Duty	11/10/04	864.00	(85.50)	(19.20)	(104.70)	(76.95)	(17.28)	(94.23)
483	Trenchless Technologies of NE Inc. - Drill Under Road	10/26/04	3,040.00	(301.50)	(67.56)	(369.06)	(271.35)	(60.80)	(332.15)
484	Hampstead Area Water Co - Misc Invoices - Labor (11/04 - 9/05)	11/15/04	991.40	(99.00)	(22.03)	(121.03)	(89.10)	(19.83)	(108.93)
485	Hampstead Area Water Co - Inv # 1074 - Labor	08/31/05	171.33	(18.00)	(3.81)	(21.81)	(16.20)	(3.43)	(19.63)
486	Equipment - 29 Hours Extend Watermain (5/06 - 6/06)	05/16/06	1,945.00	(193.50)	(43.22)	(236.72)	(174.15)	(38.90)	(213.05)
487	Inventory Transfers - Extend Watermain (5/06 - 6/06)	05/16/06	3,856.88	(382.50)	(85.71)	(468.21)	(344.25)	(77.14)	(421.39)
488	Labor - 74 Hrs Extend Watermain (5/06 - 6/06)	05/16/06	2,617.68	(261.00)	(58.17)	(319.17)	(234.90)	(52.35)	(287.25)
496	Sheet # 47 - 1770 lf	11/10/09	106,494.00	(3,514.00)	(2,366.53)	(5,880.53)	(3,162.60)	(2,129.88)	(5,292.48)
497	Sheet # 48 - 2600 lf	11/10/09	156,432.00	(5,163.00)	(3,476.27)	(8,639.27)	(4,646.70)	(3,128.64)	(7,775.34)
498	Sheet # 49 - 2087 lf	11/10/09	125,567.00	(4,143.00)	(2,790.38)	(6,933.38)	(3,728.70)	(2,511.34)	(6,240.04)
499	Sheet # 50 - 2590 lf	11/10/09	155,831.00	(5,142.00)	(3,462.91)	(8,604.91)	(4,627.80)	(3,116.62)	(7,744.42)
500	Sheet # 51 - 2474 lf	11/10/09	148,851.00	(4,912.00)	(3,307.80)	(8,219.80)	(4,420.80)	(2,977.02)	(7,397.82)
669	Mains	06/30/05	18,185.00	(2,200.00)	(404.11)	(2,604.11)	(1,980.00)	(363.70)	(2,343.70)
683	5,035' 8" Water Mains	06/30/01	144,000.00	(20,592.00)	(3,200.00)	(23,792.00)	(18,532.80)	(2,880.00)	(21,412.80)
684	700' 4" Water Mains	06/30/01	16,500.00	(2,359.50)	(366.67)	(2,726.17)	(2,123.55)	(330.00)	(2,453.55)
733	Sheet 37 - LBD # 9300 - Hog Hill Culvert	06/30/10	10,266.76	(113.00)	(228.15)	(341.15)	(101.70)	(205.34)	(307.04)
772	Mains	06/30/05	50,184.00	(6,072.00)	(1,115.20)	(7,187.20)	(5,464.80)	(1,003.68)	(6,468.48)
905	LBD Equipment - 275 Hours	10/16/04	21,712.50	(2,151.00)	(482.50)	(2,633.50)	(1,935.90)	(434.25)	(2,370.15)
906	LBD Equipment - 25.5 Hours	11/15/05	2,900.00	(288.00)	(64.44)	(352.44)	(259.20)	(58.00)	(317.20)
907	LBD Labor - 116.5 Hours	06/30/04	3,633.34	(360.00)	(80.74)	(440.74)	(324.00)	(72.67)	(396.67)
908	LBD Labor - 484.5 Hours	06/30/05	17,917.92	(1,773.00)	(398.18)	(2,171.18)	(1,595.70)	(358.36)	(1,954.06)
909	LBD Labor - 13 Hours	12/23/04	434.85	(45.00)	(9.66)	(54.66)	(40.50)	(8.70)	(49.20)
910	LBD Labor - 73.5 Hours	06/30/05	2,632.32	(261.00)	(58.50)	(319.50)	(234.90)	(52.65)	(287.55)
911	LBD Inventory - Materials	11/15/04	24,033.38	(2,380.50)	(534.08)	(2,914.58)	(2,142.45)	(480.67)	(2,623.12)
912	HAWC Labor	12/31/04	51.41	(4.50)	(1.14)	(5.64)	(4.05)	(1.03)	(5.08)
913	HAWC Labor	04/30/05	416.08	(40.50)	(9.25)	(49.75)	(36.45)	(8.32)	(44.77)
924	Water Main - Kent Farm Road up to Tank	09/15/06	286,789.71	(28,390.50)	(6,373.10)	(34,763.60)	(25,551.45)	(5,735.79)	(31,287.24)
1103	1,810' Mains	06/30/05	61,837.34	(7,480.00)	(1,374.16)	(8,854.16)	(6,732.00)	(1,236.75)	(7,968.75)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
ACCOUNT # 331, TRANSMISSION AND DISTRIBUTION MAINS: CALCULATION OF ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE ADJUSTMENTS
PER STAFF AUDIT ISSUE # 3

Asset #	Description	In Service Date	Cost Basis	Depreciation @ 2.22% (45 Years)			Depreciation @ 2.00% (50 Years)		
				Accumulated Depreciation @ 12/31/10	2011 Depreciation Expense	Accumulated Depreciation @ 12/31/11	Accumulated Depreciation @ 12/31/10	2011 Depreciation Expense	Accumulated Depreciation @ 12/31/11
1104	Sampling Station	11/21/08	986.38	(82.00)	(21.92)	(103.92)	(73.80)	(19.73)	(93.53)
1178	LBD Equipment Time	06/30/05	16,755.00	(2,029.50)	(372.33)	(2,401.83)	(1,826.55)	(335.10)	(2,161.65)
1179	LBD Sand and Gravel	07/16/05	1,200.00	(143.00)	(26.67)	(169.67)	(128.70)	(24.00)	(152.70)
1180	LBD Inventory Transfer - Pipe & Acces.	08/10/05	67.98	(5.50)	(1.51)	(7.01)	(4.95)	(1.36)	(6.31)
1181	LBD Inventory Transfer - Pipe & Acces.	08/12/05	26.48	(5.50)	(0.59)	(6.09)	(4.95)	(0.53)	(5.48)
1182	LBD Inventory Transfer - Pipe & Acces.	09/09/05	133.94	(16.50)	(2.98)	(19.48)	(14.85)	(2.68)	(17.53)
1183	LBD Labor & Burden	06/30/05	15,264.23	(1,848.00)	(339.21)	(2,187.21)	(1,663.20)	(305.28)	(1,968.48)
1184	HAWC Labor - 2 Invoices	06/30/05	501.76	(60.50)	(11.15)	(71.65)	(54.45)	(10.04)	(64.49)
1243	LBD Labor - 129 Hours	06/30/06	4,792.18	(472.50)	(106.49)	(578.99)	(425.25)	(95.84)	(521.09)
1244	Equipment - 47.5 Hours	06/15/06	4,955.00	(490.50)	(110.11)	(600.61)	(441.45)	(99.10)	(540.55)
1245	Ferguson Waterworks	06/20/06	88.83	(9.00)	(1.97)	(10.97)	(8.10)	(1.78)	(9.88)
1246	HAWC Labor	09/30/06	115.32	(13.50)	(2.56)	(16.06)	(12.15)	(2.31)	(14.46)
1247	Inventory Transfer	12/31/06	6,457.35	(639.00)	(143.50)	(782.50)	(575.10)	(129.15)	(704.25)
1311	LBD Labor - 308.5 Hours	06/30/08	13,367.05	(441.00)	(297.05)	(738.05)	(396.90)	(267.34)	(664.24)
1312	LBD Equipment - 3.5 Hours	06/30/08	109.38	(3.00)	(2.43)	(5.43)	(2.70)	(2.19)	(4.89)
1313	LBD Equipment - 127.5 Hours	06/30/08	10,655.00	(351.00)	(236.78)	(587.78)	(315.90)	(213.10)	(529.00)
1314	LBD Inventory Transfers	06/30/08	13,135.43	(433.00)	(291.90)	(724.90)	(389.70)	(262.71)	(652.41)
1315	East Coast Lumber - 4' x 10' Pipe	06/30/08	107.36	(3.00)	(2.39)	(5.39)	(2.70)	(2.15)	(4.85)
1616	East Coast Lumber - 4" SDR21 Pipe 200# (200ft)	01/24/08	3,920.00	(129.00)	(87.11)	(216.11)	(116.10)	(78.40)	(194.50)
1317	Ti-Sales - Sampling Station	01/21/08	750.00	(25.00)	(16.67)	(41.67)	(22.50)	(15.00)	(37.50)
1318	Chase Card Services - Water line Markers	06/01/08	100.57	(3.00)	(2.23)	(5.23)	(2.70)	(2.01)	(4.71)
1361	Al Hoyt & Sons - Install Water Mains	07/18/07	20,000.00	(660.00)	(444.44)	(1,104.44)	(594.00)	(400.00)	(994.00)
1362	Al Hoyt & Sons - Install Water Mains	08/14/07	20,000.00	(660.00)	(444.44)	(1,104.44)	(594.00)	(400.00)	(994.00)
1422	Allocate 20% of the cost of the mains to Services based on the original estimate	06/30/05	(6,790.00)	819.50	150.89	970.39	737.55	135.80	873.35
1501	Oakhill Dr - Water main leak repair	06/30/11	6,757.26	-	(150.16)	(150.16)	-	(135.15)	(135.15)
1502	Remove Pressure Reducer & Install 3" Gate Valve (WR-11)	07/31/11	1,725.27	-	(38.34)	(38.34)	-	(34.51)	(34.51)
1503	Installed Shut-Offs on Summit (WR-16) and 4" Gate Valve on Sunset (WR-17)	11/30/11	7,524.35	-	(167.21)	(167.21)	-	(150.49)	(150.49)
1504	Water Leak Repair - 27 Parklane Rd	11/30/11	2,486.23	-	(55.25)	(55.25)	-	(49.72)	(49.72)
1505	Leak Repair across from 57 Scott Dr	12/31/11	1,876.46	-	(41.70)	(41.70)	-	(37.53)	(37.53)
1512	Water Main Repair	12/31/11	1,950.49	-	(43.34)	(43.34)	-	(39.01)	(39.01)
1525	Pope Road - Mains	09/30/11	23,684.92	-	(526.33)	(526.33)	-	(473.70)	(473.70)
1560	Valves\Mains Repairs (Sheet 45)	12/31/11	11,045.98	-	(245.47)	(245.47)	-	(220.92)	(220.92)
1561	Valves\Mains Repairs (Sheet 45)	12/31/11	11,045.98	-	(245.47)	(245.47)	-	(220.92)	(220.92)
1562	Valves\Mains Repairs (Sheet 10)	12/31/11	21,356.55	-	(474.59)	(474.59)	-	(427.13)	(427.13)
1563	Valves\Mains Repairs (Sheet 11)	12/31/11	21,356.55	-	(474.59)	(474.59)	-	(427.13)	(427.13)
Totals			<u>\$ 2,014,845.18</u>	<u>\$ (163,247.00)</u>	<u>\$ (44,774.34)</u>	<u>\$ (208,021.34)</u>	<u>\$ (146,922.30)</u>	<u>\$ (40,296.90)</u>	<u>\$ (187,219.20)</u>
Less: Depreciation Expense and Accumulated Depreciation @ 2.22% (45 Years)								<u>44,774.34</u>	<u>208,021.34</u>
Adjustments to Reduce Depreciation Expense and Accumulated Depreciation								<u>\$ 4,477.43</u>	<u>\$ 20,802.13</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
ACCOUNT # 331, TRANSMISSION AND DISTRIBUTION MAINS: CALCULATION OF ACCUMULATED AMORTIZATION - CIAC AND AMORTIZATION OF CIAC ADJUSTMENTS
PER STAFF AUDIT ISSUE # 3

Asset #	Description	In Service Date	CIAC	Amortization of CIAC @ 2.22% (45 Years)			Amortization of CIAC @ 2.00% (50 Years)		
				Accumulated Amortization @ 12/31/10	2011 Amortization of CIAC	Accumulated Amortization @ 12/31/11	Accumulated Amortization @ 12/31/10	2011 Amortization of CIAC	Accumulated Amortization @ 12/31/11
53	LBD # 9288 - Repair Leak	06/22/10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
210	Mains	06/30/01	(85,000.00)	12,155.00	1,888.89	14,043.89	10,939.50	1,700.00	12,639.50
235	Sheet # 24 - LBD # 9223 - Remove Check Valves	04/30/10	-	-	-	-	-	-	-
240	Sheet # 27 - Rebuilt Pipe at Pit Hatch	11/30/10	-	-	-	-	-	-	-
358	LBD # 9485 - Patched Hot Top	09/22/10	-	-	-	-	-	-	-
377	5,190' - 8" Main	06/30/01	(126,000.00)	18,018.00	2,800.00	20,818.00	16,216.20	2,520.00	18,736.20
378	4,040' - 6" Main	06/30/01	(67,500.00)	9,652.50	1,500.00	11,152.50	8,687.25	1,350.00	10,037.25
379	4,120' - 4" Main	06/30/01	(110,000.00)	15,730.00	2,444.44	18,174.44	14,157.00	2,200.00	16,357.00
468	Labor - 32 Hours	06/30/04	(1,026.95)	103.50	22.82	126.32	93.15	20.54	113.69
469	Labor - 1.5 Hours	06/30/05	(74.81)	9.00	1.66	10.66	8.10	1.50	9.60
470	Equipment - 23.5 Hours (11/04 - 12/05)	11/15/04	(1,650.40)	162.00	36.68	198.68	145.80	33.01	178.81
471	Haverhill Steel - Various Used Pipe	09/17/04	(483.15)	49.50	10.74	60.24	44.55	9.66	54.21
472	Ferguson Waterworks - Red Hed	10/12/04	(2,068.67)	207.00	45.97	252.97	186.30	41.37	227.67
473	EJ Prescott	10/14/04	(25.80)	4.50	0.57	5.07	4.05	0.52	4.57
474	EJ Prescott	10/14/04	(16.58)	-	0.37	0.37	-	0.33	0.33
475	Ferguson Waterworks - 100' SDR21 CL200 PVC GJ Pipe	10/27/04	(310.07)	31.50	6.89	38.39	28.35	6.20	34.55
476	EJ Prescott - 280' SDR21 CL 200 Pipe	11/08/04	(1,137.32)	112.50	25.27	137.77	101.25	22.75	124.00
477	EJ Prescott - 20' SDR21 CL 200 Pipe	11/22/04	(81.24)	9.00	1.81	10.81	8.10	1.62	9.72
478	EJ Prescott - Misc Items	11/22/04	(2,091.68)	207.00	46.48	253.48	186.30	41.83	228.13
479	Redstone Inc - Asphalt	10/07/05	(29.96)	4.50	0.67	5.17	4.05	0.60	4.65
480	Lewis Equipment Co - Fabricate Pipe	10/22/04	(196.68)	18.00	4.37	22.37	16.20	3.93	20.13
481	Lewis Equipment Co - Fabricate Pipe	12/31/04	(701.20)	67.50	15.58	83.08	60.75	14.02	74.77
482	Town of Atkinson - Police Duty	11/10/04	(738.83)	72.00	16.42	88.42	64.80	14.78	79.58
483	Trenchless Technologies of NE Inc. - Drill Under Road	10/26/04	-	-	-	-	-	-	-
484	Hampstead Area Water Co - Misc Invoices - Labor (11/04 - 9/05)	11/15/04	(847.77)	85.50	18.84	104.34	76.95	16.96	93.91
485	Hampstead Area Water Co - Inv # 1074 - Labor	08/31/05	(146.51)	13.50	3.26	16.76	12.15	2.93	15.08
486	Equipment - 29 Hours Extend Watermain (5/06 - 6/06)	05/16/06	(1,663.22)	166.50	36.96	203.46	149.85	33.26	183.11
487	Inventory Transfers - Extend Watermain (5/06 - 6/06)	05/16/06	(3,298.12)	328.50	73.29	401.79	295.65	65.96	361.61
488	Labor - 74 Hrs Extend Watermain (5/06 - 6/06)	05/16/06	(2,238.45)	220.50	49.74	270.24	198.45	44.77	243.22
496	Sheet # 47 - 1770 lf	11/10/09	(27,420.00)	905.00	609.33	1,514.33	814.50	548.40	1,362.90
497	Sheet # 48 - 2600 lf	11/10/09	(40,278.00)	1,329.00	895.07	2,224.07	1,196.10	805.56	2,001.66
498	Sheet # 49 - 2087 lf	11/10/09	(32,330.00)	1,067.00	718.44	1,785.44	960.30	646.60	1,606.90
499	Sheet # 50 - 2590 lf	11/10/09	(40,123.00)	1,324.00	891.62	2,215.62	1,191.60	802.46	1,994.06
500	Sheet # 51 - 2474 lf	11/10/09	(38,325.00)	1,265.00	851.67	2,116.67	1,138.50	766.50	1,905.00
669	Mains	06/30/05	(15,381.00)	1,859.00	341.80	2,200.80	1,673.10	307.62	1,980.72
683	5,035' 8" Water Mains	06/30/01	(144,000.00)	20,592.00	3,200.00	23,792.00	18,532.80	2,880.00	21,412.80
684	700' 4" Water Mains	06/30/01	(16,500.00)	2,359.50	366.67	2,726.17	2,123.55	330.00	2,453.55
733	Sheet 37 - LBD # 9300 - Hog Hill Culvert	06/30/10	-	-	-	-	-	-	-
772	Mains	06/30/05	(43,161.00)	5,225.00	959.13	6,184.13	4,702.50	863.22	5,565.72
905	LBD Equipment - 275 Hours	10/16/04	(10,583.00)	1,048.50	235.18	1,283.68	943.65	211.66	1,155.31
906	LBD Equipment - 25.5 Hours	11/15/05	(1,414.00)	139.50	31.42	170.92	125.55	28.28	153.83
907	LBD Labor - 116.5 Hours	06/30/04	(1,771.00)	175.50	39.36	214.86	157.95	35.42	193.37
908	LBD Labor - 484.5 Hours	06/30/05	(8,733.00)	864.00	194.07	1,058.07	777.60	174.66	952.26
909	LBD Labor - 13 Hours	12/23/04	(212.00)	22.50	4.71	27.21	20.25	4.24	24.49
910	LBD Labor - 73.5 Hours	06/30/05	(1,283.00)	126.00	28.51	154.51	113.40	25.66	139.06
911	LBD Inventory - Materials	11/15/04	(11,714.00)	1,161.00	260.31	1,421.31	1,044.90	234.28	1,279.18
912	HAWC Labor	12/31/04	(25.00)	4.50	0.56	5.06	4.05	0.50	4.55
913	HAWC Labor	04/30/05	(203.00)	18.00	4.51	22.51	16.20	4.06	20.26
924	Water Main - Kent Farm Road up to Tank	09/15/06	(90,885.25)	3,998.00	2,019.67	6,017.67	3,598.20	1,817.71	5,415.91
1103	1,810' Mains	06/30/05	(47,516.00)	5,747.50	1,055.91	6,803.41	5,172.75	950.32	6,123.07
1104	Sampling Station	11/21/08	-	-	-	-	-	-	-

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
ACCOUNT # 331, TRANSMISSION AND DISTRIBUTION MAINS: CALCULATION OF ACCUMULATED AMORTIZATION - CIAC AND AMORTIZATION OF CIAC ADJUSTMENTS
PER STAFF AUDIT ISSUE # 3

Asset #	Description	In Service Date	CIAC	Amortization of CIAC @ 2.22% (45 Years)			Amortization of CIAC @ 2.00% (50 Years)		
				Accumulated Amortization @ 12/31/10	2011 Amortization of CIAC	Accumulated Amortization @ 12/31/11	Accumulated Amortization @ 12/31/10	2011 Amortization of CIAC	Accumulated Amortization @ 12/31/11
1179	LBD Sand and Gravel	07/16/05	(943.00)	-	20.96	20.96	-	18.86	18.86
1180	LBD Inventory Transfer - Pipe & Acces.	08/10/05	(53.00)	-	1.18	1.18	-	1.06	1.06
1181	LBD Inventory Transfer - Pipe & Acces.	08/12/05	(21.00)	-	0.47	0.47	-	0.42	0.42
1182	LBD Inventory Transfer - Pipe & Acces.	09/09/05	(105.00)	-	2.33	2.33	-	2.10	2.10
1183	LBD Labor & Burden	06/30/05	(11,993.00)	-	266.51	266.51	-	239.86	239.86
1184	HAWC Labor - 2 Invoices	06/30/05	(394.00)	-	8.76	8.76	-	7.88	7.88
1243	LBD Labor - 129 Hours	06/30/06	(3,932.73)	391.50	87.39	478.89	352.35	78.65	431.00
1244	Equipment - 47.5 Hours	06/15/06	(4,066.35)	400.50	90.36	490.86	360.45	81.33	441.78
1245	Ferguson Waterworks	06/20/06	(72.90)	9.00	1.62	10.62	8.10	1.46	9.56
1246	HAWC Labor	09/30/06	(94.64)	9.00	2.10	11.10	8.10	1.89	9.99
1247	Inventory Transfer	12/31/06	(5,299.27)	526.50	117.76	644.26	473.85	105.99	579.84
1311	LBD Labor - 308.5 Hours	06/30/08	(11,496.54)	379.00	255.48	634.48	341.10	229.93	571.03
1312	LBD Equipment - 3.5 Hours	06/30/08	(94.07)	3.00	2.09	5.09	2.70	1.88	4.58
1313	LBD Equipment - 127.5 Hours	06/30/08	(9,164.00)	303.00	203.64	506.64	272.70	183.28	455.98
1314	LBD Inventory Transfers	06/30/08	(11,297.33)	373.00	251.05	624.05	335.70	225.95	561.65
1315	East Coast Lumber - 4' x 10' Pipe	06/30/08	(92.34)	3.00	2.05	5.05	2.70	1.85	4.55
1616	East Coast Lumber - 4" SDR21 Pipe 200# (200ft)	01/24/08	(3,371.46)	111.00	74.92	185.92	99.90	67.43	167.33
1317	Ti-Sales - Sampling Station	01/21/08	(645.05)	21.00	14.33	35.33	18.90	12.90	31.80
1318	Chase Card Services - Water line Markers	06/01/08	(85.60)	3.00	1.90	4.90	2.70	1.71	4.41
1361	Al Hoyt & Sons - Install Water Mains	07/18/07	(17,274.22)	570.00	383.87	953.87	513.00	345.48	858.48
1362	Al Hoyt & Sons - Install Water Mains	08/14/07	(17,274.22)	570.00	383.87	953.87	513.00	345.48	858.48
1422	Allocate 20% of the cost of the mains to Services based on the original estimate	06/30/05	5,335.00	(643.50)	(118.56)	(762.06)	(579.15)	(106.70)	(685.85)
1501	Oakhill Dr - Water main leak repair	06/30/11	-	-	-	-	-	-	-
1502	Remove Pressure Reducer & Install 3" Gate Valve (WR-11)	07/31/11	-	-	-	-	-	-	-
1503	Installed Shut-Offs on Summit (WR-16) and 4" Gate Valve on Sunset (WR-17)	11/30/11	-	-	-	-	-	-	-
1504	Water Leak Repair - 27 Parklane Rd	11/30/11	-	-	-	-	-	-	-
1505	Leak Repair across from 57 Scott Dr	12/31/11	-	-	-	-	-	-	-
1512	Water Main Repair	12/31/11	-	-	-	-	-	-	-
1525	Pope Road - Mains	09/30/11	-	-	-	-	-	-	-
1560	Valves\Mains Repairs (Sheet 45)	12/31/11	-	-	-	-	-	-	-
1561	Valves\Mains Repairs (Sheet 45)	12/31/11	-	-	-	-	-	-	-
1562	Valves\Mains Repairs (Sheet 10)	12/31/11	-	-	-	-	-	-	-
1563	Valves\Mains Repairs (Sheet 11)	12/31/11	-	-	-	-	-	-	-
Totals			<u>\$(1,084,784.38)</u>	<u>\$ 109,687.00</u>	<u>\$ 24,106.32</u>	<u>\$ 133,793.32</u>	<u>\$ 98,718.30</u>	<u>\$ 21,695.69</u>	<u>\$ 120,413.99</u>
Less: Amortization of CIAC and Accumulated Amortization @ 2.22% (45 Years)								<u>(24,106.32)</u>	<u>(133,793.32)</u>
Adjustments to Reduce Amortization of CIAC and Accumulated Amortization								<u>\$ (2,410.63)</u>	<u>\$ (13,379.33)</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF PRO-FORMA DEFERRED ASSETS

Deferred Asset	12/31/10	01/31/11	02/28/11	03/31/11	04/30/11	05/31/11	06/30/11	07/31/11	08/31/11	09/30/11	10/31/11	11/30/11	12/31/11	Test Year Average	Pro-forma Adjust's	Adjusted Average
DW 07-134: 2006 Black Rock	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	\$ 3,859	(a) \$ (3,859)	\$ -
DW 08-065: 2008 Rate Case - Dearborn Well	20,374	20,283	20,191	20,100	20,009	19,917	19,826	19,735	19,643	19,552	19,461	19,369	19,278	19,826		19,826
DW 08-065: 2008 Rate Case - Ice Storm	12,073	11,438	10,802	10,167	9,531	8,896	8,261	7,625	6,990	6,354	5,719	5,083	4,448	8,261		8,261
DW 08-065: 2008 Rate Case - Bryant Woods Well	7,912	7,877	7,841	7,806	7,770	7,735	7,699	7,664	7,628	7,593	7,557	7,522	7,486	7,699		7,699
DW 10-241: 2010 Settlers Ridge Pumphouse	1,492	1,492	1,702	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793	1,793	-	1,602	(b)	(1,602)
DW 11-218: Fairfield	-	-	-	-	-	-	-	-	377	377	493	1,476	1,791	347	(c)	(347)
DW 12-170: 2012 Rate Case	-	-	-	-	-	-	-	-	-	-	-	-	341	26	(d)	(26)
DW 12-170: Rainbow Ridge Extension	-	-	-	-	-	1,001	1,274	2,094	3,206	3,441	3,441	4,641	13,393	2,499	(e)	261
Totals	\$ 45,710	\$ 44,948	\$ 44,396	\$ 43,724	\$ 42,962	\$ 43,201	\$ 42,712	\$ 42,769	\$ 43,496	\$ 42,969	\$ 42,323	\$ 43,743	\$ 50,596	\$ 44,119	\$ (5,573)	\$ 38,546

Explanation of Adjustments

- (a) To transfer avg franchise / financing costs from deferred debits to plant in service and unamortized financing costs.
- (b) To transfer avg financing costs from deferred debits to unamortized financing costs.
- (c) To transfer avg franchise / financing costs from deferred debits to plant in service and unamortized financing costs.
- (d) To remove avg rate case expenses from deferred debits.
- (e) To include January '13 expenses in test year deferred debits at 1/13 the cost (\$3,393 + 13 = \$261)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure			Percent	Cost Rate	Weighted Average Cost
	Unadjusted @ 12/31/11	Pro-forma Adjustments	Adjusted @ 12/31/11			
Debt						
Long-Term Debt (Sch 3a)	\$ 4,838,649	\$ 13,944 (a)	\$ 4,852,593	84.53%	4.00%	3.38%
Total Debt	<u>4,838,649</u>	<u>13,944</u>	<u>4,852,593</u>	<u>84.53%</u>	<u>4.00%</u>	<u>3.38%</u>
Common Equity						
Common Stock	16,767	-	16,767	0.29%		
Additional Paid in Capital	2,104,354	-	2,104,354	36.65%		
Retained Earnings	(1,232,715)	-	(1,232,715)	-21.47%		
Total Common Equity	<u>888,406</u>	<u>-</u>	<u>888,406</u>	<u>15.47%</u>	9.75%	<u>1.51%</u>
Total Capitalization	<u>\$ 5,727,055</u>	<u>\$ 13,944</u>	<u>\$ 5,740,999</u>	<u>100.00%</u>		<u>4.89%</u>

(a) See Schedule 3a

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA LONG-TERM DEBT

GL Acct. #	Date of Note	Lender	Original Amount	NHPUC Docket #	NHPUC Order #	Date of Order	Purpose	Term	Interest Rate	Current Interest Rate	Pro-forma Loan Balance				Pro-forma Interest Expense					Pro-forma Finance Costs					Pro-forma Total Cost of Debt				
											Balance @ 12/31/11	Company Debt Adjustment	Debt Adj per Settlement	Excess Capacity Adjustment*	Adjusted Balance @ 12/31/11	2011 Interest Expense	Company Interest Adjustment	Interest Adj per Settlement	Excess Capacity Adjustment*	Adjusted Interest Expense	2011 Amortized Finance Costs	Company Finance Cost Adjustment	Finance Cost Adj per Settlement	Excess Capacity Adjustment*	Adjusted Amortized Finance Costs	Total Annual Debt Cost	2011 Cost Rate		
Notes to Affiliated Companies:																													
232.04	11/16/04	LBDI	\$ 40,000	DW 05-070	24,545	11/18/05	Waterford Village	10	P+2.25%	5.50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,093	\$ (1,093)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
232.07	10/01/04	LBDI	27,000	DW 05-092	24,592	02/24/06	Jameson Ridge	10	P+2.25%	5.50%	-	-	-	-	-	891	(891)	-	-	-	-	-	-	-	-	-	-	0.00%	
232.12	12/05/07	LBDI	23,000	DW 07-130	24,884	02/08/08	Sargent Woods	20	P+2.25%	5.50%	-	-	-	-	-	913	(913)	-	-	-	-	330	(330)	-	-	-	-	0.00%	
234.18	11/01/10	LBDI	303,311	DW 06-104	24,728	02/02/07	Hydrology Study / Lg GW Permit	15	P+2.25%	5.50%	-	-	-	-	-	12,284	(12,284)	-	-	-	-	-	-	-	-	-	-	0.00%	
234.20	10/01/09	LBDI	94,232	DW 09-112	24,999	08/04/09	2008 Capital Additions	20	P+2.25%	5.50%	-	-	-	-	-	3,710	(3,710)	-	-	-	-	828	-	(828)	-	-	-	0.00%	
234.21	07/01/10	LBDI	114,065	DW 10-111	25,113	06/16/10	2009 Capital Additions	20	P+2.25%	5.50%	-	-	-	-	-	4,606	(4,606)	-	-	-	-	58	(58)	-	-	-	-	0.00%	
234.22	07/01/10	LBDI	337,400	DW 10-111	25,113	06/16/10	2010 Capital Additions	20	P+2.25%	5.50%	-	-	-	-	-	7,270	(7,270)	-	-	-	-	170	(170)	-	-	-	-	0.00%	
234.01	12/31/11	LBDI	113,000	DW 07-134	24,856	05/19/08	Black Rocks	20	P+2.25%	5.50%	-	113,000	-	(61,141)	51,859	-	6,215	-	(3,363)	2,852	-	96	-	(52)	44	2,896	5.56%		
Previously Refinanced Debt			-								-	-	-	-	-	-	-	-	-	-	-	895	(895)	-	-	-	-	0.00%	
Totals - Affiliated Companies			1,052,008								-	113,000	-	(61,141)	51,859	30,767	(24,552)	-	(3,363)	2,852	2,281	(1,357)	(828)	(52)	44	2,896	5.58%		
Rounding			-								-	-	-	-	-	-	-	-	-	-	1	-	(1)	-	-	-	-		
Total Notes to Affiliated Companies			1,052,008								-	113,000	-	(61,141)	51,859	30,767	(24,552)	-	(3,363)	2,852	2,282	(1,357)	(829)	(52)	44	2,896	5.58%		
Notes to Non-affiliated Companies:																													
232.01	07/20/92	Ruma, Inc	73,679	DR 86-198	18,560	03/09/90	Kent Farm	26	9.50%	9.50%	35,985	-	-	-	35,985	3,315	-	104	-	3,419	-	-	-	-	-	3,419	9.50%		
232.02	10/25/04	Picadilly Dev'p	23,000	DW 05-051	24,560	12/09/05	Eastwood Place	10	P+2.25%	5.50%	6,900	-	-	-	6,900	506	-	(126)	-	380	199	-	-	-	199	579	8.39%		
232.03	10/25/04	Edgeworth Dev'p	22,000	DW 05-053	24,575	01/06/06	Putnam Place	10	P+2.25%	5.50%	6,600	-	-	-	6,600	484	-	(121)	-	363	91	-	-	-	91	454	6.88%		
232.05	10/25/04	Skipper Land Dev'p	38,000	DW 05-063	24,544	11/18/05	Mill Woods	10	P+2.25%	5.50%	11,050	-	-	(523)	10,527	817	-	(209)	(29)	579	-	-	-	-	-	579	5.50%		
232.06	09/06/05	NH DES	1,315,291	DW 04-132	24,437	02/25/05	SRF Loan: Tank	20	3.352%	3.352%	1,130,231	-	-	-	1,130,231	38,837	-	(952)	-	37,885	-	-	-	-	-	37,885	3.35%		
232.08	03/31/06	Aquarius Properties	24,000	DW 06-016	24,608	03/24/06	Autumn Hills	20	P+2.25%	5.50%	20,902	-	-	(10,451)	10,451	1,076	-	74	(575)	575	-	-	-	-	-	575	5.50%		
232.09	02/09/07	Ford Motor Credit	50,401	DW 06-104	24,728	02/02/07	2 Vehicles	4	0% & 1.9%	0% & 1.9%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%		
232.10	09/12/11	TD Bank	1,369,153	DW 11-143	25,254	07/22/11	Refinancing	5	4.14%	4.14%	1,354,685	-	-	-	1,354,685	77,761	(21,887)	210	-	56,084	3,217	-	6,435	-	9,652	65,736	4.85%		
232.11	06/24/09	NH DES	1,058,347	DW 08-088	24,937	02/06/09	Hampstead / Atkinson Core Interconnect	20	2.864%	2.864%	1,042,877	-	-	-	1,042,877	38,043	(8,032)	(143)	-	29,868	1,074	-	-	-	1,074	30,942	2.97%		
232.13		Shirco Realty Two, LLC	18,000	DW 07-133	24,831	03/14/08	Coopers Grove	20	P+2.25%	5.50%	18,000	-	(6,000)	(6,800)	5,200	1	989	(990)	-	-	137	-	(137)	-	-	-	0.00%		
232.14	11/16/10	GMAC	29,808					5	5.99%	5.99%	24,101	-	-	-	24,101	1,532	-	(88)	-	1,444	-	-	-	-	-	1,444	5.99%		
232.15	09/12/11	TD Bank	1,200,000	DW 11-162	25,272	09/28/11	Refinancing / Settlers Ridge Pumpstation	5	4.14%	4.14%	1,187,320	-	-	(14,142)	1,173,178	23,687	25,284	184	(585)	48,570	299	-	598	(11)	886	49,456	4.22%		
2011 SRF Loan			-	DW 11-226			Step Adjustment				-	-	-	-	-	-	-	-	-	-	476	-	(476)	-	-	-	0.00%		
Previously Refinanced Debt			-								-	-	-	-	-	-	-	-	-	-	-	184	-	(184)	-	-	-	0.00%	
Totals - Non-affiliated Companies			5,221,679								4,838,651	-	(6,000)	(31,917)	4,800,734	186,059	(3,646)	(2,057)	(1,189)	179,167	5,677	-	6,236	(11)	11,903	191,069	3.98%		
Rounding			-								(2)	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	
Total Notes to Non-affiliated Companies			5,221,679								4,838,649	-	(5,998)	(31,917)	4,800,734	186,059	(3,646)	(2,057)	(1,189)	179,167	5,677	-	6,236	(11)	11,903	191,069	3.98%		
TOTAL NOTES PAYABLE			\$ 6,273,687								\$ 4,838,649	\$ 113,000	\$ (5,998)	\$ (93,058)	\$ 4,852,593	\$ 216,826	\$ (28,198)	\$ (2,057)	\$ (4,552)	\$ 182,019	\$ 7,959	\$ (1,357)	\$ 5,407	\$ (63)	\$ 11,947	\$ 193,966	4.00%		

*Excess Capacity Adjustment (See Sch 2d):

GL Acct. #	System	Applied Excess Capacity Percentage	Percentage of Total Loan	Excess Capacity % Applied to Loans
234.01	Black Rocks	54.11%	100.00%	54.11%
232.05	Mill Woods	4.74%	100.00%	4.74%
232.08	Autumn Hills	50.00%	100.00%	50.00%
232.13	Coopers Grove	56.67%	100.00%	56.67%
232.15	Waterford Village	18.00%	2.15%	0.39%
232.15	Sargent Woods	43.50%	1.85%	0.80%

(Per Loan Refinancing in DW 11-162: Water Village Loan Balance was \$25,800 of total loan amount of \$1,200,000)
(Per Loan Refinancing in DW 11-162: Sargent Woods Loan Balance was \$22,182 of total loan amount of \$1,200,000)

**DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA OPERATING INCOME STATEMENT**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Original Rate Filing			Motion to Amend Petition		Permanent Rates				
	Actual Test Year	Pro-forma Adjust's	Pro-forma Test Year	Amendments to Original Filing	Amended Pro-forma Test Year	Pro-forma Adjust's (Sch 4a)	Adj # (Sch 4a)	Pro-forma Operating Income	Revenue Deficiency (Surplus) (Sch 1)	Operating Income Requirement (Sch 1)
Operating Revenue:										
Sales of Water	\$ 1,492,174	\$ 59,529	\$ 1,551,703	\$ 41,321	\$ 1,593,024	\$ (1,173)	35	\$ 1,591,851	\$ (63,769)	\$ 1,528,082
Other Operating Revenue	69,137	(508)	68,629	-	68,629	(750)	36	67,879		67,879
Total Operating Revenues	<u>1,561,311</u>	<u>59,021</u>	<u>1,620,332</u>	<u>41,321</u>	<u>1,661,653</u>	<u>(1,923)</u>		<u>1,659,730</u>	<u>(63,769)</u>	<u>1,595,961</u>
Operating Expenses:										
Operation & Maintenance Expenses:										
Source of Supply	9,106		9,106		9,106			9,106		9,106
Pumping Expenses	210,573	13,000	223,573		223,573	(15,263)	37 - 38	208,310		208,310
Water Treatment Expenses	90,530	4,000	94,530		94,530	(4,000)	39	90,530		90,530
Transmission & Distribution Expenses	60,122	22,500	82,622		82,622	(23,690)	40 - 41	58,932		58,932
Customer Accounts Expenses	66,410		66,410		66,410			66,410		66,410
Administrative & General Expenses	426,403	10,992	437,395	28,583	465,978	(500)	42 - 44	465,478		465,478
Total Operation & Maintenance Expenses	<u>863,144</u>	<u>50,492</u>	<u>913,636</u>	<u>28,583</u>	<u>942,219</u>	<u>(43,453)</u>		<u>898,766</u>	<u>-</u>	<u>898,766</u>
Depreciation Expense	419,029	16,932	435,961	5,564	441,525	(21,426)	45 - 49	420,099		420,099
Amortization Expense - CIAC	(182,723)	(330)	(183,053)		(183,053)	12,658	50 - 54	(170,395)		(170,395)
Amortization Expense - Other	9,827	(2,030)	7,797		7,797	3,177	55	10,974		10,974
Taxes Other Than Income	188,691		188,691		188,691	(3,862)	56	184,829		184,829
Total Operating Expenses	<u>1,297,968</u>	<u>65,064</u>	<u>1,363,032</u>	<u>34,147</u>	<u>1,397,179</u>	<u>(52,906)</u>		<u>1,344,273</u>	<u>-</u>	<u>1,344,273</u>
Net Operating Income before Income Taxes	<u>263,343</u>	<u>(6,043)</u>	<u>257,300</u>	<u>7,174</u>	<u>264,474</u>	<u>50,983</u>		<u>315,457</u>	<u>(63,769)</u>	<u>251,687</u>
Income Taxes:										
NHBET	3,049		3,049		3,049	(27)	Sch 4c	3,022		3,022
NHBPT	5,500		5,500		5,500	4,334	Sch 4c	9,834	(5,420)	4,413
Total Income Taxes	<u>8,549</u>	<u>-</u>	<u>8,549</u>	<u>-</u>	<u>8,549</u>	<u>4,306</u>		<u>12,855</u>	<u>(5,420)</u>	<u>7,435</u>
NET OPERATING INCOME	<u>\$ 254,794</u>	<u>\$ (6,043)</u>	<u>\$ 248,751</u>	<u>\$ 7,174</u>	<u>\$ 255,925</u>	<u>\$ 46,676</u>		<u>\$ 302,601</u>	<u>\$ (58,349)</u>	<u>\$ 244,252</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

Adj #

Pro-forma Adjustments to Operating Revenue:

Sales of Water

35	To adjust annual revenues anticipated from the Fairfield System (Per Co Responses to Staff DR's 1-4 & 2-2).	
	Usage of Fairfield System: 4/1/12 - 12/31/12 (ccf)	666.59
	To annualize 2012 usage (12 months / 9 months) (ccf)	x 1.333
	Annualized Usage of Fairfield System (ccf)	888.79
	Current Usage rate (per ccf)	\$ 4.74
	Annualized Usage Revenues	\$ 4,213
	Annualized Fixed Revenues: $\frac{\text{Customers}}{15} \times \frac{\text{Months}}{12} \times \frac{\text{Monthly Charge}}{\$ 10.00} =$	
	Total Annualized Revenues	\$ 1,800
	Less: Co's pro-forma revenue adjustment for the Fairfield System (See Co Adj 2)	\$ 6,013
		(7,186) \$ (1,173)

Total Adjustments - Sales of Water \$ (1,173)

Other Operating Revenue

36 To reclassify proceeds from sale of fully depreciated vehicle per Staff Audit Issue # 4. \$ (750)

Total Adjustments - Other Water Revenue \$ (750)

Pro-forma Adjustments to Operating Expenses:

Pumping Expenses

37 To reverse Co's pro-forma adjustments to Pumping Expenses (Per Sch 4b). \$ (13,000)

38 To reclassify roof installation costs to Structures & Improvements per Staff Audit Issue # 12. (2,263)

Total Adjustments - Pumping Expenses \$ (15,263)

Water Treatment Expenses

39 To reverse Co's pro-forma adjustments to Water Treatment Expenses (Per Sch 4b). \$ (4,000)

Total Adjustments - Water Treatment Expenses \$ (4,000)

Transmission and Distribution Expenses

40 To reverse Co's pro-forma adjustments to Transmission and Distribution Expenses (Per Sch 4b). \$ (22,500)

41 To eliminate duplicate posted expense entry per Staff Audit Issue # 15. (1,190)

Total Adjustments - Transmission and Distribution Expenses \$ (23,690)

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

Adj #Administrative & General Expenses

42	To reflect increase in annual amount of management agreement filed with the Commission on 10/12/12.	\$	10,000
43	To reverse Co's pro-forma adjustment to Outside Services - Engineering (Per Sch 4b).		(10,000)
44	To reduce annual NHPUC Audit Expense to \$500, or \$1,500 over 3 years (Based on Co's response to Staff 2-14).		<u>(500)</u>
	Total Adjustments - Administrative & General Expenses	\$	<u>(500)</u>

Depreciation Expense

45	To reduce pro-forma depreciation expense recorded on plant retired during the test year (Per Co's response to Staff 2-5).	\$	(251)
46	To reduce Depreciation Expense - T & D Mains: Black Rocks System from 2.20% rate to 2.00% rate:		
	Cost of T & D Mains: Black Rocks System	\$	61,842
	Depreciation Rate - T & D Mains		<u>2.00%</u>
	Annual Depreciation Expense - T & D Mains: Black Rocks System @ 2.00%		1,237
	Less: Annual Depreciation Expense - T & D Mains: Black Rocks System @ 2.20%		<u>(1,360)</u>
			(123)
47	To reduce Depreciation Expense - T & D Mains per Staff Audit Issue # 3 (Per Sch 2e).		(4,477)
48	To record depreciation expense on roof installation costs reclassified to Structures & Improvements per Staff Audit Issue # 12:		
	Roof Installation Costs		2,263
	Depreciation Rate for Acct # 304, Structures & Improvements	x	<u>2.50%</u>
			57
49	To record excess capacity adjustment for Depreciation Expense (Per Sch 2d).		<u>(16,631)</u>
	Total Adjustments - Depreciation Expense	\$	<u>(21,426)</u>

Amortization - CIAC

50	To record Co pro-forma adjustment A3 which was not reflected in Co's revised rate schedules (See Co response to Staff 3-4).	\$	(643)
51	To reduce pro-forma CIAC amortization recorded on CIAC retired during the test year (Per Co's response to Staff 2-6).		28
52	To reduce Amortization-CIAC - T & D Mains: Black Rocks System from 2.20% rate to 2.00% rate:		
	CIAC on T & D Mains: Black Rocks System	\$	(8,165)
	Amortization-CIAC Rate - T & D Mains		<u>2.00%</u>
	Annual Amortization-CIAC - T & D Mains: Black Rocks System @ 2.00%		(163)
	Less: Annual Amortization-CIAC - T & D Mains: Black Rocks System @ 2.20%		<u>181</u>
			18
53	To reduce Amortization-CIAC - T & D Mains per Staff Audit Issue # 3 (Per Sch 2f).		2,411
54	To record excess capacity adjustment for Amortization - CIAC (Per Sch 2d)		<u>10,844</u>
	Total Adjustments - Amortization Expense - CIAC	\$	<u>12,658</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

Adj #

Amortization Expense - Other

55	To adjust pro-forma amortization expense on 2008 Ice Storm Costs to balance of deferred debit @ 12/31/11: Adjusted amortization expense based on unamortized balance of 2008 Ice Storm Costs @ 12/31/11	\$	(4,448)	
	Less: Co's pro-forma Adj 18 to eliminate the test year amort expense for the 2008 Ice Storm Costs		7,625	\$ 3,177

Total Adjustments - Amortization Expense - Other	\$		3,177
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Taxes other than Income

56	To reduce Property Tax Expense by refunded amount per Staff Audit Issue # 18.	\$	(3,862)
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Total Adjustments - Taxes other than Income	\$		(3,862)
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Total Pro-forma Adjustments to Net Operating Income before Income Taxes	\$		50,983
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DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PRO-FORMA ADJUSTMENTS TO OPERATION and MAINTENANCE EXPENSES

Co Adj #	Account #	Account Description	2012 Actual Expense	COMPANY FILING		SETTLEMENT		
				2011 Actual Expense	Company Pro-forma Adjustment	Company Proposed O & M Exp	Pro-forma Adjustment	Pro-forma O & M Exp
Pumping Expenses:								
4	623	Power Purchased for Pumping	\$ 155,328	\$ 159,273	\$ 10,000	\$ 169,273	\$ (10,000)	\$ 159,273
5	624	Pumping Labor and Expenses	20,836	20,512	1,000	21,512	(1,000)	20,512
6	633	Maintenance of Pumping Equipment	11,120	14,159	2,000	16,159	(2,000)	14,159
		Totals - Pumping Expenses	<u>187,284</u>	<u>193,944</u>	<u>13,000</u>	<u>206,944</u>	<u>(13,000)</u>	<u>193,944</u>
Water Treatment Expenses:								
7	641	Chemicals	10,953	9,193	1,000	10,193	(1,000)	9,193
8	642	Treatment Operation Labor and Expenses	78,351	77,123	3,000	80,123	(3,000)	77,123
		Totals - Water Treatment Expenses	<u>89,304</u>	<u>86,316</u>	<u>4,000</u>	<u>90,316</u>	<u>(4,000)</u>	<u>86,316</u>
Transmission and Distribution Expenses:								
9	663	Meter Expenses	11,779	25,198	3,000	28,198	(3,000)	25,198
10	673	Maintenance of Transmission and Distribution Mains	22,232	12,967	10,000	22,967	(10,000)	12,967
11	675	Maintenance of Services	12,101	11,602	7,500	19,102	(7,500)	11,602
12	676	Maintenance of Meters	1,297	2,955	2,000	4,955	(2,000)	2,955
		Totals - Transmission and Distribution Expenses	<u>47,409</u>	<u>52,722</u>	<u>22,500</u>	<u>75,222</u>	<u>(22,500)</u>	<u>52,722</u>
Administrative and General Expenses:								
13	923.1	Outside Services - Engineering	47,103	64,612	10,000	74,612	(10,000)	64,612
		Totals	<u>\$ 371,100</u>	<u>\$ 397,594</u>	<u>\$ 49,500</u>	<u>\$ 447,094</u>	<u>\$ (49,500)</u>	<u>\$ 397,594</u>

**DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
PROFORMA ADJUSTMENTS TO INCOME TAXES**

NHBET

Increase / (Decrease) in Interest Expense (Per Sch 3a)	\$ (34,807)
Increase / (Decrease) in Wages (See Co Adj A1)	31,200
Increase / (Decrease) in Taxable Enterprise Value Tax Base	<u>\$ (3,607)</u>
NHBET rate	<u>0.75%</u>
 Increase / (Decrease) in NHBET	 <u><u>\$ (27)</u></u>

NHBPT

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Operating Revenues:

Net Pro-forma Adjustments to Water Sales to Customers	\$ (1,173)
Net Pro-forma Adjustments to Other Operating Revenue	(750)

Operating Expenses:

Net Pro-forma Adjustments to Source of Supply Expenses	-
Net Pro-forma Adjustments to Pumping Expenses	15,263
Net Pro-forma Adjustments to Water Treatment Expenses	4,000
Net Pro-forma Adjustments to Transmission & Distribution Expenses	23,690
Net Pro-forma Adjustments to Customer Accounts Expenses	-
Net Pro-forma Adjustments to Administrative & General Expenses	500
Net Pro-forma Adjustments to Depreciation Expense	21,426
Net Pro-forma Adjustments to Amortization Expense - CIAC	(12,658)
Net Pro-forma Adjustments to Amortization Expense - Other	(3,177)
Net Pro-forma Adjustments to Taxes Other Than Income	<u>3,862</u>
 Net Revenue / (Expense) Subject to NHBPT	 50,983
Less: New Hampshire Business Profits Tax @ 8.50%	(4,334)
 Add: (Increase) / Decrease in NHBET	 <u>27</u>
 Net Pro-forma Adjustments to Operating Revenue / Expenses	 <u><u>\$ 46,676</u></u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
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>0.00%</u>
Effective Federal Income Tax Rate	0.00%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>8.50%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>8.50%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>91.50%</u></u>
Tax Multiplier	<u><u>0.09290</u></u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
PERMANENT RATES
CALCULATION OF RATES

Total Annual Water Revenues Proposed per Settlement (Sch 1)		\$ 1,528,082
Less: Fire Protection Revenues		
Municipal	\$ 21,800	
Private	14,423	(36,223)
Revenues from General Metered Customers		\$ 1,491,859

Customer Charge Revenues:

Meter Size	Present Rate	Percent Increase	Proposed Rate	Pro-forma # of Customers	Annual Revenues
5/8" Meter	\$ 120	0.00%	\$ 120	2,992	\$ 359,040
3/4" Meter	240	0.00%	\$ 240	-	-
1" Meter	360	0.00%	\$ 360	58	20,880
1 1/2" Meter	720	0.00%	\$ 720	1	720
2" Meter	1,200	0.00%	\$ 1,200	3	3,600
			(a)	<u>3,054</u>	<u>\$ 384,240</u>

Consumption Charge Revenues: \$ 1,107,619

Consumption Charge Revenues		\$ 1,107,619
Total Pro-forma Annual Consumption (ccf)	(b) +	226,231
Consumption Rate per Customer (per ccf)		<u>\$ 4.90</u>
Total Pro-forma Annual Consumption (ccf)	x	<u>226,231</u>
		<u>(1,107,619)</u>

Unallocated Water Revenues \$ -

(a) Pro-forma # of Customers: 3,039 actual customers @ 12/31/11 + 15 customers from Fairfield System acquired in 2012 = 3,054

(b) Pro-forma Consumption:	2011 Actual Water Sales:		
	Gallons	168,567,571	
	Conversion to Cubic Feet	÷ 7.48	
	Cubic Feet	<u>22,534,207</u>	
	Conversion to CCF	÷ 100	225,342
	2012 Fairfield System Sales:		
	Usage of Fairfield System: 4/1/12 - 12/31/12 (ccf)	666.59	
	To annualize 2012 usage (12 months / 9 months) (ccf)	x 1.333	<u>889</u>
	Total Pro-forma Consumption (ccf)		<u>226,231</u>

**DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
REVENUE REQUIREMENT**

Additions to Rate Base:

Plant Additions (Sch 2):

2012 Plant Additions	\$ 288,415	
Less: Accumulated Depreciation	(8,559)	\$ 279,856

Additions to Deferred Debits (Sch 3):

2012 Additions to Deferred Debits	20,473	
Less: Accumulated Amortization	(512)	19,961

Net Additions to Rate Base \$ 299,817

Rate of Return (Sch 4) x 3.78%

Operating Income Requirement \$ 11,334

Increases in Annual Operating Expenses:

NHBET:

Increase in Interest Expense (Sch 4)	\$ 4,721	
NHBET Rate	x 0.75%	35

Income Tax Expense:

Net Additions to Rate Base	\$ 299,817	
Income Tax Gross-up Factor (Sch 4)	x 0.06%	
Income Tax Expense:	180	
Less: NHBET	(35)	145

Net Depreciation Expense (Sch 2):

Annual Depreciation Expense - 2012 Plant Additions	\$ 17,119	
Less: Annual Depreciation Expense - 2012 Retirements	(7,134)	9,984

Net Amortization of CIAC (Sch 2):

Annual Amortization - 2012 CIAC Retirements 146

Amortization Expense (Sch 3):

Annual Amortization Expense - 2012 Deferred Debit 1,024

Property Tax Expense (Sch 5): 4,382

Total Increase in Revenue Requirement from Step Adjustment # 1 \$ 27,050

Pro-forma Test Year Annual Water Revenue (Settlement Att A; Sch 1) \$ 1,498,187

Percentage Increase in Annual Water Revenues from Step Adjustment # 1 1.81%

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
2012 PLANT ADDITIONS / RETIREMENTS / CIAC

2012 Plant Additions:

Acct. #	Account	Description	Cost	Depreciation Rate	Annual Depreciation Expense	Accumulated Depreciation
320	Water Treatment Equipment	Filter	\$ 46,818	3.60%	\$ 1,685	\$ 843
330	Distribution Reservoirs and Standpipes	Sandblasting and Painting of Water Tank	15,242	5.00%	762	381
331	Transmission and Distribution Mains	Gate Valve and Blowoff	2,842	2.00%	57	28
333	Services	SRF - Service Line Replacements	142,445	2.50%	3,561	1,781
		New Service - 145 Main Street, Atkinson, NH	6,689	2.50%	167	84
334	Meters	144 Changeouts	39,900	10.00%	3,990	1,995
341	Transportation Equipment	Replace Pickup Truck	34,479	20.00%	6,896	3,448
		Total Plant Additions	<u>\$ 288,415</u>		<u>\$ 17,119</u>	<u>\$ 8,559</u>

2012 Plant Retirements:

Acct. #	Account	Description	Cost	Depreciation Rate	Annual Depreciation Expense	Accumulated Depreciation
320	Water Treatment Equipment	Bryant Woods - Filters	\$ 13,253	3.60%	\$ 477	\$ 8,581
334	Meters	Changeouts	6,987	5.00%	349	6,359
341	Transportation Equipment	Replace Pickup Truck	31,538	20.00%	6,308	30,063
		Total Plant Retirements	<u>\$ 51,778</u>		<u>\$ 7,134</u>	<u>\$ 45,003</u>

2012 CIAC Retirements:

Acct. #	Account	Description	Amount	Amortization Rate	Annual Amortization of CIAC	Accumulated Amortization
334	Meters	Changeouts	\$ 2,917	5.00%	\$ 146	\$ 2,831
		Total CIAC Retirements	<u>\$ 2,917</u>		<u>\$ 146</u>	<u>\$ 2,831</u>

Final Amounts Subject to NHPUC Audit

DW 12-170
 HAMPSTEAD AREA WATER COMPANY, INC.
 STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
 MISCELLANEOUS DEFERRED DEBIT ADDITIONS

<u>Description</u>	<u>Acct. #</u>	<u>Cost</u>	<u>Amortization Rate</u>	<u>Amorization Expense</u>	<u>Accumulated Amortization</u>
Abandoned Well - West Side Drive, Atkinson, NH	186	\$ 20,473	5.00%	\$ 1,024	\$ 512
Total Additions to Miscellaneous Deferred Debits		<u>\$ 20,473</u>		<u>\$ 1,024</u>	<u>\$ 512</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
WEIGHTED AVERAGE COST OF CAPITAL

Project	Financing Source	Term	Interest Rate	Amount Financed	Weighted Average	Annual Interest Expense	Annual Amortization of Finance Cost	Total Annual Debt Cost	Cost Rate	Weighted Average Cost Rate
SRF - Service Line Replacements	SRF Loan (DW 11-226)	20	2.72%	\$ 142,445	46.12%	\$ 3,875	\$ 482 (a)	\$ 4,357	3.06%	1.41%
Replace Pickup Truck	Dealership Financing	5	2.49%	33,979	11.00%	846	-	846	2.49%	0.27%
Remaining Projects	Internal Financing			132,464	42.88%				4.89%	2.10%
Total Financing				\$ 308,888	100.00%	\$ 4,721	\$ 482	\$ 5,203		3.78%

(a) Annual Finance Cost Amortization: $\$142,445 + \$180,000 = 79.14\% \times \$609 = \$482$

Income Tax on Equity Component:

	(a) Weighted Cost	(b) Tax Multiplier	(c) Pre-Tax Cost	(d) Tax Gross-up ((c) - (a))
SRF Loan (DW 11-226)	1.41%	1.00	1.41%	0.00%
Dealership Financing	0.27%	1.00	0.27%	0.00%
Internal Financing: Debt	1.45%	1.00	1.45%	0.00%
Internal Financing: Equity	0.65%	1.09	0.71%	0.06%
	<u>3.78%</u>		<u>3.84%</u>	<u>0.06%</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
CALCULATION OF PROPERTY TAX EXPENSE

Net 2012 Additions to Plant			\$ 279,856
Less: Net Vehicle Addition			<u>(31,031)</u>
Net Taxable Additions to Plant			\$ 248,825
Valuation Factor:			
2011 Assessed Valuation		\$ 6,695,024	
2010 Net Utility Plant	\$ 9,418,138		
Less: Net General Plant	<u>(94,739)</u>		
Net Utility Plant Subject to Tax		+ \$ 9,323,399	
Valuation Percentage			x <u>71.81%</u>
Net 2012 Taxable Plant			\$ 178,678
2012 Total Tax Rate (per \$1,000):			
Atkinson (Less State School Rate)		\$ 16.34	
Hampstead (Less State School Rate)		<u>19.51</u>	
Average Municipal Tax Rate		17.93	
Add: State Tax Rate		<u>6.60</u>	x <u>24.53</u>
Property Tax Expense			<u><u>\$ 4,382</u></u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 1 - 2012 PLANT ADDITIONS
CALCULATION OF RATES
(INCLUDING PERMANENT RATE INCREASE FROM SETTLEMENT ATTACHMENT A)

	Amount	% Increase
Pro-forma Test Year Annual Water Revenues (Settlement Att A; Sch 1)	\$ 1,498,187	
Proposed Increase in Annual Water Revenues from Permanent Rates (Settlement Att A; Sch 1)	29,895	2.00%
Proposed Increase in Annual Water Revenues from Step Adjustment # 1 (Sch 1)	27,050	1.81%
Total Increase in Annual Water Revenues	56,945	3.80%
Total Annual Water Revenues after Permanent Rate Increase and Step Adjustment # 1	\$ 1,555,132	

Less: Fire Protection Revenues		
Municipal	\$ 21,800	
Private	14,423	(36,223)
Revenues from General Metered Customers		\$ 1,518,909

Customer Charge Revenues:

Meter Size	Present Rate	Percent Increase	Proposed Rate	Pro-forma # of Customers	Annual Revenues
5/8" Meter	\$ 120	0.00%	\$ 120.00	2,992	\$ 359,040
3/4" Meter	240	0.00%	240.00	-	-
1" Meter	360	0.00%	360.00	58	20,880
1 1/2" Meter	720	0.00%	720.00	1	720
2" Meter	1,200	0.00%	1,200.00	3	3,600
			(a)	3,054	\$ 384,240
					(384,240)

Consumption Charge Revenues:		\$ 1,134,669
Consumption Charge Revenues		\$ 1,134,669
Total Pro-forma Annual Consumption (ccf)	(b)	+ 226,231
Consumption Rate per Customer (per ccf)		\$ 5.02
Total Pro-forma Annual Consumption (ccf)	x	226,231
		(1,134,669)

Unallocated Water Revenues \$ -

(a) Pro-forma # of Customers: 3,039 actual customers @ 12/31/11 + 15 customers from Fairfield System acquired in 2012 = 3,054

(b) Pro-forma Consumption:		
2011 Actual Water Sales:		
Gallons	168,567,571	
Conversion to Cubic Feet	+ 7.48	
Cubic Feet	22,534,207	
Conversion to CCF	+ 100	225,342
2012 Fairfield System Sales:		
Usage of Fairfield System: 4/1/12 - 12/31/12 (ccf)	666.59	
To annualize 2012 usage (12 months / 9 months) (ccf)	x 1.333	889
Total Pro-forma Consumption (ccf)		226,231

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
REVENUE REQUIREMENT

Additions to Rate Base:

Plant Additions (Sch 2):

2013 Plant Additions	\$ 142,555	
Less: Accumulated Depreciation	(1,906)	\$ 140,649

Additions to Deferred Debits (Sch 3):

2013 Additions to Deferred Debits	-	
Less: Accumulated Amortization	-	-

Net Additions to Rate Base \$ 140,649

Rate of Return (Sch 4) x 3.32%

Operating Income Requirement \$ 4,666

Increases in Annual Operating Expenses:

NHBET:

Increase in Interest Expense (Sch 4)	\$ 3,061	
NHBET Rate	x 0.75%	23

Income Tax Expense:

Net Additions to Rate Base	\$ 140,649	
Income Tax Gross-up Factor (Sch 4)	x 0.03%	
Income Tax Expense:	42	
Less: NHBET	(23)	19

Net Depreciation Expense (Sch 2):

Annual Depreciation Expense - 2013 Plant Additions	\$ 3,813	
Less: Annual Depreciation Expense - 2013 Retirements	-	3,813

Amortization Expense (Sch 3):

Annual Amortization Expense - 2013 Deferred Debit -

Property Tax Expense (Sch 5): 2,477

Total Increase in Revenue Requirement from Step Adjustment # 2 \$ 10,998

Pro-forma Test Year Annual Water Revenue (Settlement Att A; Sch 1) \$ 1,498,187

Percentage Increase in Annual Water Revenues from Step Adjustment # 2 0.73%

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
2013 PLANT ADDITIONS / RETIREMENTS

2013 Plant Additions:

Acct. #	Account	Description	Cost	Depreciation Rate	Annual Depreciation Expense	Accumulated Depreciation
307	Wells and Springs	Well at Eastwood Place	\$ 30,000	3.33%	\$ 999	\$ 500
333	Services	Completion of Initial SRF - Service Line Replacements	37,555	2.50%	939	469
		Additional SRF - Service Line Replacements	75,000	2.50%	1,875	938
		Total Plant Additions	<u>\$ 142,555</u>		<u>\$ 3,813</u>	<u>\$ 1,906</u>

2013 Plant Retirements:

Acct. #	Account	Description	Cost	Depreciation Rate	Annual Depreciation Expense	Accumulated Depreciation
307	Wells and Springs		\$ -	3.33%	\$ -	\$ -
334	Services		-	2.50%	-	-
		Total Plant Retirements	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>

DW 12-170
 HAMPSTEAD AREA WATER COMPANY, INC.
 STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
 MISCELLANEOUS DEFERRED DEBIT ADDITIONS

<u>Description</u>	<u>Acct. #</u>	<u>Cost</u>	<u>Amortization Rate</u>	<u>Amorization Expense</u>	<u>Accumulated Amortization</u>
		\$ -	0.00%	\$ -	\$ -
Total Additions to Miscellaneous Deferred Debits		<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>

DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
WEIGHTED AVERAGE COST OF CAPITAL

Project	Financing Source	Term	Interest Rate	Amount Financed	Weighted Average	Annual Interest Expense	Annual Amortization of Finance Cost	Total Annual Debt Cost	Cost Rate	Weighted Average Cost Rate
SRF - Service Line Replacements	SRF Loan (DW 11-226)	20	2.72%	\$ 37,555	26.34%	\$ 1,021	\$ 127 (a)	\$ 1,148	3.06%	0.81%
SRF - Additional Service Line Replacements	SRF Loan (DW 13-???)	20	2.72%	75,000	52.61%	2,040	75 (b)	2,115	2.82%	1.48%
Well at Eastwood Place	Internal Financing			30,000	21.04%				4.89%	1.03%
Total Financing				\$ 142,555	100.00%	\$ 3,061	\$ 202	\$ 3,263		3.32%

(a) Annual Finance Cost Amortization: $\$37,555 \div \$180,000 = 20.86\% \times \$609 = \$127$

(b) Estimated Finance Cost Amortization: $\$1,500 \div 20 \text{ years} = \75

Income Tax on Equity Component:

	(a) Weighted Cost	(b) Tax Multiplier	(c) Pre-Tax Cost	(d) Tax Gross-up ((c) - (a))
SRF Loan (DW 11-226)	0.81%	1.00	0.81%	0.00%
SRF Loan (DW 13-???)	1.48%	1.00	1.48%	0.00%
Internal Financing: Debt	0.71%	1.00	0.71%	0.00%
Internal Financing: Equity	0.32%	1.09	0.35%	0.03%
	<u>3.32%</u>		<u>3.35%</u>	<u>0.03%</u>

**DW 12-170
 HAMPSTEAD AREA WATER COMPANY, INC.
 STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
 CALCULATION OF PROPERTY TAX EXPENSE**

Net 2013 Additions to Plant		\$ 140,649
Valuation Factor:		
2011 Assessed Valuation	\$ 6,695,024	
2010 Net Utility Plant	\$ 9,418,138	
Less: Net General Plant	<u>(94,739)</u>	
Net Utility Plant Subject to Tax	+ \$ 9,323,399	
Valuation Percentage	x <u>71.81%</u>	
Net 2013 Taxable Plant		\$ 100,998
2012 Total Tax Rate (per \$1,000):		
Atkinson (Less State School Rate)	\$ 16.34	
Hampstead (Less State School Rate)	<u>19.51</u>	
Average Municipal Tax Rate	17.93	
Add: State Tax Rate	<u>6.60</u> x <u>24.53</u>	
Property Tax Expense		<u><u>\$ 2,477</u></u>

**DW 12-170
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT # 2 - 2013 PLANT ADDITIONS
CALCULATION OF RATES**

(INCLUDING PERMANENT RATE INCREASE FROM SETTLEMENT ATTACHMENT A & STEP ADJUSTMENT # 1 FROM SETTLEMENT ATTACHMENT B)

	Amount	% Increase
Pro-forma Test Year Annual Water Revenues (Settlement Att A; Sch 1)	\$ 1,498,187	
Proposed Increase in Annual Water Revenues from Permanent Rates (Settlement Att A; Sch 1)	29,895	2.00%
Proposed Increase in Annual Water Revenues from Step Adjustment # 1 (Settlement Att B; Sch 1)	27,050	1.81%
Proposed Increase in Annual Water Revenues from Step Adjustment # 2 (Sch 1)	10,998	0.73%
Total Increase in Annual Water Revenues	67,943	4.54%
Total Annual Water Revenues after Permanent Rate Increase, Step Adjustment # 1 and Step Adjustment # 2	\$ 1,566,130	

Less: Fire Protection Revenues		
Municipal	\$ 21,800	
Private	14,423	(36,223)

Revenues from General Metered Customers \$ 1,529,907

Customer Charge Revenues:

Meter Size	Present Rate	Percent Increase	Proposed Rate	Pro-forma # of Customers	Annual Revenues
5/8" Meter	\$ 120	0.00%	\$ 120.00	2,992	\$ 359,040
3/4" Meter	240	0.00%	240.00	-	-
1" Meter	360	0.00%	360.00	58	20,880
1 1/2" Meter	720	0.00%	720.00	1	720
2" Meter	1,200	0.00%	1,200.00	3	3,600
			(a)	3,054	\$ 384,240

Consumption Charge Revenues: \$ 1,145,667

Consumption Charge Revenues				\$ 1,145,667
Total Pro-forma Annual Consumption (ccf)	(b)	÷	226,231	
Consumption Rate per Customer (per ccf)			\$ 5.06	
Total Pro-forma Annual Consumption (ccf)		x	226,231	(1,145,667)

Unallocated Water Revenues \$ -

(a) Pro-forma # of Customers: 3,039 actual customers @ 12/31/11 + 15 customers from Fairfield System acquired in 2012 = 3,054

(b) Pro-forma Consumption:				
2011 Actual Water Sales:				
Gallons			168,567,571	
Conversion to Cubic Feet		÷	7.48	
Cubic Feet			22,534,207	
Conversion to CCF		÷	100	225,342
2012 Fairfield System Sales:				
Usage of Fairfield System: 4/1/12 - 12/31/12 (ccf)			666.59	
To annualize 2012 usage (12 months / 9 months) (ccf)		x	1.333	889
Total Pro-forma Consumption (ccf)			226,231	

**MANAGEMENT / SERVICE / RENTAL
AGREEMENT**

Agreement made as of July 1, 2012 by and between Hampstead Area Water Company, Inc. ("HAWC") and Lewis Builders Development, Inc. ("Lewis"), both New Hampshire corporations, both of 54 Sawyer Avenue, Atkinson, New Hampshire.

WHEREAS, HAWC, a New Hampshire public utility water company, operates systems in various Towns in New Hampshire and has need of certain management and other services and has need to rent certain office, storage and warehouse space in order for it to conduct its daily operations and whereas Lewis has the management, service and real estate facilities necessary to HAWC's daily operations, now therefore the parties agree as follows:

1. Services

Lewis will provide, on an as needed basis, those services as set forth on Schedule A at the hourly or other rate as set forth on Schedule A.

2. Rental

Lewis will provide on an annual basis the square footage of rental space for HAWC's office, storage and warehousing needs as set forth on Schedule B at the per square foot per year rental basis. All real estate taxes, utilities, telephone usage, use of copying and related office equipment (excluding copying costs for mass mailings which may be billed at 10 cents per copy) and maintenance costs are included in such per square foot per annum charge.

3. Office Supplies

a. Lewis will provide HAWC with office supplies at Lewis' cost, plus overhead.

4. Labor Burden

For all labor costs set forth on Schedule A, which rates constitute the gross pay hourly/salary payments to the individual concerned, Lewis will add a "Labor Burden" cost which represents the indirect cost of such labor, such as workers compensation

insurance, employee benefits, employer paid payroll taxes, etc. Such "Labor Burden" shall be calculated in accordance with Exhibit 1 to Schedule A and shall be calculated on or before April 1st of the following year as of December 31st of the previous year and shall apply to the following calendar year. The Labor Burden for 2012 is Seventy Four percent (74%) of the direct labor rate paid to each employee of Lewis.

5. **Overhead Expense**

For all costs (labor, materials & services) set forth on Schedule A, Lewis will add "Overhead" expense factor (G&A) multiplier calculated on or before April 1st of the following year as of December 31st each year to be applied to the following year, in accordance with the formula set forth on Exhibit II to Schedule A. For 2012, this factor is Thirty Four percent (34%).

6. **Billing Procedure and Content**

A. Lewis will Bill HAWC monthly, in arrears, for the actual cost of all of the items set forth in "3" above, and on Schedule A and B incurred and consumed in the previous month. Item Schedule A.II will be billed in arrears on a monthly basis.

B. No supply material cost, rental rate, labor charge, overhead or labor burden shall include any profit or "mark up" to Lewis or to any related person or entity to either Lewis or HAWC.

C. In the event any employee of HAWC or any equipment belonging to HAWC is used by Lewis in any or for any work or project other than HAWC's operations, Lewis shall pay to HAWC the cost of such, including the then "Labor Burden" and overhead rates.

D. The Agreement may be cancelled at any time by either party upon thirty (30) days notice to the other, without penalty, and will be automatically renewed from year to year until and unless such notice is given.

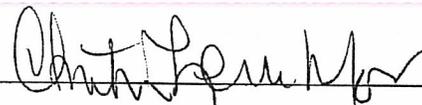
E. This Agreement and any amendment or changes thereto are subject to the prior approval of the New Hampshire Public Utilities Commission.

F. This Agreement supersedes and replaces any and all previous "Management Agreements" between the parties, which previous agreement shall be deemed to have been terminated as of December 31, 2011.

HAMPSTEAD AREA WATER COMPANY, INC.

By: 
Christine Lewis Morse, Vice President

LEWIS BUILDERS DEVELOPMENT COMPANY, INC.

By: 
Christine Lewis Morse, President

SCHEDULE A

I. Services (to be billed out as used)

<u>Services</u>	<u>Present Employee / Entity</u>	<u>To be Billed at Actual Rate paid to Employee</u>	
1. Accounting	John Sullivan	+ Burden + G&A	Hourly Basis
2. Legal Advice	Robert Levine, Esquire	+ Burden + G&A	Hourly Basis
3. Legal Secretary	Judy Armstrong	+ Burden + G&A	Hourly Basis
4. Payroll & Misc. Office Work	Various employees	+ Burden + G&A	Hourly Basis
5. Mailing Costs (actual)			

II. Management

Harold J. Morse, President,	\$110,000 per year
Christine Lewis Morse, Vice President	Plus 5% recurring annual increase
Scott Tosti, IT	\$10,000 per year Plus 5% recurring annual increase

SCHEDULE B

<u>Type of Rental</u>	<u>Per Square Foot Rental Per Year</u>	<u>Square Foot Used by HAWC</u>	<u>Total Rental Per Year</u>
Office	\$ 12.00 *	575 sf	\$ 6,900.00
Storage	\$ 5.00 *	1,238 sf	\$ 6,190.00
Warehouse	\$ 5.00 *	762 sf	\$ 3,810.00
Other (description) _____	\$ *		\$
Grand Total:			\$ 16,900.00

* Gross Rent includes real estate taxes, utilities, maintenance.