

Rosebrook Water Company

Calculation of Revenue Deficiency

For the Test Year Ended December 31, 2011

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 2)	\$433,109	\$455,043
Rate of Return (Schedule 3)	<u>9.38%</u>	<u>10.78%</u>
Operating Income Required	\$40,607	\$49,041
Net Operating Income (Schedule 4)	<u>40,575</u>	<u>49,042</u>
Operating Income Deficiency	\$32	(\$0)
Tax Effect	<u>0</u>	<u>0</u>
Revenue Deficiency	<u>\$32</u>	<u>(\$0)</u>

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Rosebrook Water Company

Rate Base

For the Test Year Ended December 31, 2011

	Actual <u>12/31/2010</u> (a)	Actual <u>3/31/2011</u> (b)	Actual <u>6/30/2011</u> (c)	Actual <u>9/30/2011</u> (d)	Actual <u>12/31/2011</u> (e)	5 Quarter Actual Average (f)	Proforma Adjustments (g)	Proforma <u>12/31/2011</u> (h)
Plant in Service	\$1,112,954	\$1,113,582	\$1,113,582	\$1,133,958	\$1,134,254	\$1,121,666	\$12,588	\$1,134,254
Accumulated Depreciation	<u>(493,057)</u>	<u>(501,454)</u>	<u>(510,150)</u>	<u>(518,416)</u>	<u>(528,912)</u>	<u>(510,398)</u>	<u>(19,076)</u>	<u>(529,474)</u>
Net plant	\$619,897	\$612,128	\$603,432	\$615,542	\$605,342	\$611,268	(\$6,488)	\$604,780
Plant Acquisition Adjustment	(347,259)	(347,259)	(347,259)	(347,259)	(347,259)	(347,259)		(347,259)
Accumulated Amortization	306,992	308,242	309,496	310,750	312,002	309,496		309,496
Cash Working Capital	33,452				27,302	27,302	10,007	37,309
Material & Supplies	1,350	1,350	1,350	1,350	853	1,251		1,251
Prepayments	4,371	3,315	5,957	9,159	5,586	5,678		5,678
CIAC	(117,914)	(117,914)	(117,914)	(167,914)	(247,914)	(153,914)	14,624	(139,290)
Accum Amort of CIAC	60,861	62,512	64,153	65,794	67,570	64,178	3,791	67,969
Accum Deferred Income Taxes	<u>(84,399)</u>	<u>(84,399)</u>	<u>(84,399)</u>	<u>(84,399)</u>	<u>(86,860)</u>	<u>(84,891)</u>		<u>(84,891)</u>
Total Rate Base	<u>\$477,351</u>	<u>\$437,975</u>	<u>\$434,816</u>	<u>\$403,023</u>	<u>\$336,622</u>	<u>\$433,109</u>	<u>\$21,934</u>	<u>\$455,043</u>

Rosebrook Water Company

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Rate Base Adjustments

1 Plant in Service	
12/31/2011 Year End	\$1,134,254
12/31/2011 5 Quarter Average	<u>1,121,666</u>
12/31/2011 Proforma Adjustment	<u>\$12,588</u>
To adjust 5 quarter average to year end	
Accumulated Depreciation	
2 12/31/2011 Year End	(\$528,912)
12/31/2011 5 Quarter Average	<u>(510,398)</u>
12/31/2011 Proforma Adjustment	<u>(\$18,514)</u>
To adjust 5 quarter average to year end	
3 12/31/2011 Year End w/add'l half year depreciation	(\$529,474)
12/31/2011 Year End	<u>(528,912)</u>
12/31/2011 Proforma Adjustment	<u>(\$562)</u>
To adjust year end for additional half year depreciation on 2011 additions	
Total proforma Adjustment to Accumulated Depreciation	<u>(\$19,076)</u>
Contribution in Aid of Construction ("CIAC")	
4 12/31/2011 Year End	(\$247,914)
12/31/2011 5 Quarter Average	<u>(153,914)</u>
12/31/2011 Proforma Adjustment	<u>(\$94,000)</u>
To adjust 5 quarter average to year end	
5 12/31/2011 Year End w/o CIAC associated w/CWIP	(\$139,290)
12/31/2011 Year End	<u>(247,914)</u>
12/31/2011 Proforma Adjustment	<u>\$108,624</u>
To adjust year end for CIAC associated with CWIP	
Total Proforma Adjustment to CIAC	<u>\$14,624</u>
Accumulated Amortization of CIAC	
6 12/31/2011 Year End	\$67,570
12/31/2011 5 Quarter Average	<u>64,178</u>
12/31/2011 Proforma Adjustment	<u>\$3,392</u>
To adjust 5 quarter average to year end	
7 12/31/2011 Year End w/add'l half year amortization	\$67,969
12/31/2011 Year End	<u>67,570</u>
12/31/2011 Proforma Adjustment	<u>\$399</u>
To adjust year end for additional half year amortization on 2011 CIAC	
Total Proforma Adjustment to Accumulated Amortization of CIAC	<u>\$3,791</u>

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Schedule 2B

Rosebrook Water Company

Cash Working Capital

For the Test Year Ended December 31, 2011

	Proforma <u>12/31/2011</u>	Actual <u>12/31/2011</u>	Actual <u>12/31/2010</u>
Operating Expenses	\$181,551	\$132,857	\$162,782
Cash Working Capital Percentage	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Cash Working Capital	<u>\$37,309</u>	<u>\$27,302</u>	<u>\$33,452</u>

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Rate of Return Information

For the Test Year Ended December 31, 2011

<u>Overall Rate of Return</u>	<u>Component Ratio</u>	<u>Actual Component Cost Rate</u>	<u>Wght Avg Cost Rate</u>	<u>Component Ratio</u>	<u>Proforma Component Cost Rate</u>	<u>Wght Avg Cost Rate</u>
Equity Capital	93.44%	9.75%	9.11%	93.44%	11.25%	10.51%
Long Term Debt	6.56%	4.05%	0.27%	6.56%	4.05%	0.27%
Total Capital	100.00%		9.38%	100.00%		10.78%

<u>Capital Structure</u>	<u>2011 Actual Amounts</u>	<u>2011 Actual Ratios</u>	<u>2011 Proforma Amounts</u>	<u>2011 Proforma Ratios</u>
Common Stock	\$1,000	0.18%	\$1,000	0.18%
Additional Paid in Capital	451,303	83.46%	451,303	83.46%
Retained Earnings	52,952	9.79%	52,952	9.79%
Total Equity	\$505,255	93.44%	505,255	93.44%
Long Term Debt	\$35,483	6.56%	\$35,483	6.56%
Total Capital	\$540,738	100.00%	\$540,738	100.00%

<u>Capital Structure for 2011 - 2009</u>	<u>2011 Amounts</u>	<u>2010 Amounts</u>	<u>2009 Amounts</u>
Common Stock	\$1,000	\$1,000	\$1,000
Additional Paid in Capital	451,303	451,303	451,303
Retained Earnings	52,952	10,201	25,524
Total Equity	\$505,255	\$462,504	\$477,827
Long Term Debt	\$35,483	\$44,384	\$52,974
Total Capital	\$540,738	\$506,888	\$530,801

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<u>Capital Structure Ratios for 2011 - 2009</u>	<u>2011 Ratios</u>	<u>2010 Ratios</u>	<u>2009 Ratios</u>
Common Stock	0.18%	0.20%	0.19%
Other Paid in Capital	83.46%	89.03%	85.02%
Retained Earnings	9.79%	2.01%	4.81%
Total Equity	93.44%	91.24%	90.02%
Long Term Debt	6.56%	8.76%	9.98%
Total Capital	100.00%	100.00%	100.00%

Cost of Common Equity Capital

The Company is utilizing the Commission determined cost of common equity of 9.75% plus 1.5%.

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Schedule 3A

Rosebrook Water Company

Long Term Debt - Actual

For the Test Year Ended December 31, 2011

	<u>12/31/2011</u>	<u>2011 Interest</u>	<u>Cost Rate</u>
1999 State Revolving Fund Loan	<u>\$35,483</u>	<u>\$1,436</u>	<u>4.05%</u>
Total Long Term Debt	<u>\$35,483</u>	<u>\$1,436</u>	<u>4.05%</u>

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Schedule 3B

Rosebrook Water Company

Long Term Debt - Proforma

For the Test Year Ended December 31, 2011

	<u>12/31/2011</u>	<u>2011 Interest</u>	<u>Cost Rate</u>
1999 State Revolving Fund Loan	<u>\$35,483</u>	<u>\$1,436</u>	<u>4.05%</u>
Total Long Term Debt	<u>\$35,483</u>	<u>\$1,436</u>	<u>4.05%</u>

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Rosebrook Water Company

Income Statement

For the Test Year Ended December 31, 2011

	2011 <u>Actual</u> (b)	Proforma <u>Adjustments</u> (c)	2011 <u>Proforma</u> (d)	2010 <u>Actual</u> (e)	2009 <u>Actual</u> (f)
Operating Revenues	\$209,518	\$68,499	\$278,017	\$193,656	\$202,622
Operating Expenses:					
Operation and Maintenance	\$132,857	\$48,694	\$181,551	\$162,782	\$139,303
Depreciation	36,482	562	37,044	34,476	32,402
Amortization of CIAC	(6,709)	(399)	(7,108)	(6,474)	(6,574)
Amortization of Plant Acq Adj	(5,010)		(5,010)	(5,010)	(5,010)
Taxes other than Income	8,920		8,920	7,516	7,843
Income Taxes	<u>2,403</u>	<u>11,175</u>	<u>13,578</u>	15,839	6,889
Total Operating Expenses	<u>\$168,943</u>	<u>\$60,032</u>	<u>\$228,975</u>	<u>\$209,129</u>	<u>\$174,853</u>
Net Operating Income (Loss)	\$40,575	\$8,467	\$49,042	(\$15,473)	\$27,769
Interest Income	3,612		3,612	1,797	3,299
Interest Expense	<u>(1,436)</u>		<u>(1,436)</u>	(1,747)	(2,047)
Net Income	<u>\$42,751</u>	<u>\$8,467</u>	<u>\$51,218</u>	<u>(\$15,423)</u>	<u>\$29,021</u>

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Proforma Adjustments

For the Test Year Ended December 31, 2011

Operating Revenues

9	12/31/11 Test Year Proforma	\$278,017
	12/31/11 Test Year Actual	<u>\$209,518</u>
	12/3111 Proforma Adjustment	<u>\$68,499</u>
	To adjust revenues in order to cover the operating expenses and earn rate of return	
	Total Proforma Adjustment To Revenue	<u>\$68,499</u>

Operating and Maintenance Expenses

Pumping Expenses

10	2011 Test Year Proforma	\$22,777
	2011 Test Year Actual	<u>20,878</u>
	Proforma Adjustment	<u>\$1,899</u>
	To adjust test year pumping expenses to the 3 year average	

Treatment Expenses

11	2011 Test Year Proforma	\$15,116
	2011 Test Year Actual	<u>12,936</u>
	Proforma Adjustment	<u>\$2,180</u>
	To adjust test year treatment expenses to the 3 year average	

Maintenance

12	2011 Test Year Proforma	\$9,592
	2011 Test Year Actual	<u>1,731</u>
	Proforma Adjustment	<u>\$7,861</u>
	To adjust test year maintenance expenses to the 3 year average	

Outside Services - Management

13	2011 Test Year Proforma	\$80,400
	2011 Test Year Actual	<u>46,898</u>
	Proforma Adjustment	<u>\$33,502</u>
	To adjust test year management expenses	

Outside Services - Operations

14	2011 Test Year Proforma	\$17,704
	2011 Test Year Actual	<u>772</u>
	Proforma Adjustment	<u>\$16,932</u>
	To adjust test year operation expenses	

Outside Services - Legal

15	2011 Test Year Proforma	\$2,964
	2011 Test Year Actual	<u>14,818</u>
	Proforma Adjustment	<u>(\$11,854)</u>
	To adjust test year legal expenses for the recovery of compliance / CIAC / tariff costs over 5 years. (\$11,854 / 5 years)	

<u>Outside Services - Legal</u>		
16	2011 Test Year Proforma	\$2,000
	2011 Test Year Actual	<u>0</u>
	Proforma Adjustment	<u>\$2,000</u>
	To adjust test year legal expenses for normal and recurring legal expenses .	
<u>Outside Services - Accounting</u>		
17	2011 Test Year Proforma	\$6,199
	2011 Test Year Actual	<u>10,858</u>
	Proforma Adjustment	<u>(\$4,659)</u>
	To adjust test year accounting expenses for various regulatory related charges	
<u>Outside Services - Regulatory</u>		
18	2011 Test Year Proforma	\$931
	2011 Test Year Actual	<u>0</u>
	Proforma Adjustment	<u>\$931</u>
	To adjust test year regulatory expenses for the recovery of compliance / CIAC / tariff costs over 5 years. (\$4,659 / 5 years)	
<u>Outside Services - PUC Audit</u>		
19	2011 Test Year Proforma	\$833
	2011 Test Year Actual	<u>0</u>
	Proforma Adjustment	<u>\$833</u>
	To adjust test year accounting expenses for the anticipated costs associated with 2012 PUC audit (\$2,500 / 3 years)	
Total Proforma Adjustment to Operating Expenses		<u>\$48,694</u>
Depreciation Expenses		
20	2011 Test Year Proforma	\$37,044
	2011 Test Year Actual	<u>36,482</u>
	Proforma Adjustment	<u>\$562</u>
	To adjust test year depreciation expenses for the additional half year depreciation on 2011 addition	
Amortization of CIAC		
21	2011 Test Year Proforma	(\$7,108)
	2011 Test Year Actual	<u>(6,709)</u>
	Proforma Adjustment	<u>(\$399)</u>
	To adjust test year depreciation expenses for the additional half year depreciation on 2011 addition	
Federal Income Taxes		
22	2011 Test Year Proforma	\$7,041
	2011 Test Year Actual	<u>(58)</u>
	Proforma Adjustment	<u>\$7,099</u>
	To adjust test year federal income taxes	
State Business Taxes		
23	2011 Test Year Proforma	\$4,076
	2011 Test Year Actual	<u>0</u>
	Proforma Adjustment	<u>\$4,076</u>
	To adjust test year federal income taxes	
Total Proforma Adjustment to Income Taxes		<u>\$11,175</u>
Total Proforma Adjustments to Operating Expenses		<u>\$60,032</u>

Rosebrook Water Company

3 Year Average of Pumping, Treatment and Maintenance Expenses

		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>3 Year Average</u>
623	Purchased Power	\$20,625	\$21,347	\$20,878	\$20,950
626	Miscellaneous	<u>1,972</u>	<u>3,509</u>	<u>0</u>	<u>1,827</u>
Total	Total Pumping Expenses	<u>\$22,597</u>	<u>\$24,856</u>	<u>\$20,878</u>	<u>\$22,777</u>
641	Chemicals	\$12,165	\$10,626	\$9,092	\$10,628
643	Miscellaneous	<u>4,659</u>	<u>4,962</u>	<u>3,844</u>	<u>4,488</u>
Total	Total Treatment Expenses	<u>\$16,824</u>	<u>\$15,588</u>	<u>\$12,936</u>	<u>\$15,116</u>
631	Maintenance of Structures	\$0	\$0	\$0	\$0
633	Maintenance of Pumping Equipment	5,357	1,401	0	2,253
652	Maintenance of Treatment Equipment	1,618	548	1,250	1,139
673	Maintenance of T&D Mains	4,027	1,176	0	1,734
675	Maintenance of Services	387	2,880	0	1,089
676	Maintenance of Meters	0	0	312	104
677	Maintenace of Hydrants	8,546	0	169	2,905
678	Maintenance of Miscellaneous Equipment	<u>0</u>	<u>1,105</u>	<u>0</u>	<u>368</u>
Total	Maintenance	<u>\$19,935</u>	<u>\$7,110</u>	<u>\$1,731</u>	<u>\$9,592</u>

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Rosebrook Water Company**Calculation of Federal and State Taxes**

Federal Income Taxes

Nwt Income (loss) per Books \$51,218

Federal Income Taxes per Books \$1,391

Deductions on Return not Charged against Book Income (1) (\$5,667)Taxable Income \$46,942Federal Tax @15% \$7,041

State Business Taxes \$46,942

State Business Taxes \$1,012Adjusted Gross Profits \$47,954State Business Taxes @ 8.5% \$4,076Total Federal Income and State Business Taxes \$11,117

Note: (1) Deductions on return do not reflect accelerated depreciation and / or SEC 179 deductions because such deductions are not reflected in rates.

F-1 BALANCE SHEET
Assets and Other Debits

Line #	Acct #	Account Title (a)	Ref Sch (b)	2011 Actual Balance (c)	2010 Actual Balance (d)	2009 Actual Balance (e)
UTILITY PLANT						
1	101->105	Utility Plant	F-6	\$1,217,277	\$1,148,154	\$1,008,237
2	108+110	Less: Accumulated Depreciation & Amortization	F-6	528,912	493,057	467,798
3		Net Plant		\$688,365	\$655,097	\$540,439
4	114-115	Utility Plant Acquisition Adjustment - Net	F-7	(35,257)	(40,267)	(45,277)
5		Total Net Utility Plant		\$653,108	\$614,830	\$495,162
OTHER PROPERTY AND INVESTMENTS						
6	121	Nonutility Property	-			
7	122	Less: Accumulated Depreciation & Amortization	-			
8		Net Nonutility Property				
9	124	Utility Investments	-			
10	127	Depreciation Funds	-			
11		Total Other Property and Investments		\$0	\$0	\$0
CURRENT AND ACCRUED ASSETS						
12	131	Cash	-	\$165,160	214,208	\$304,319
13	132	Special Deposits	-			
14	141-143	Accounts Receivable Net	-	51,645	51,296	49,376
15	151	Plant Materials and Supplies	-	853	1,350	1,888
16	162+163	Prepayments	-	5,586	4,371	1,773
17	174	Miscellaneous Current and Accrued Assets	-			
18		Total Current and Accrued Assets		\$223,244	\$271,225	\$357,356
DEFERRED DEBITS						
19	186	Miscellaneous Deferred Debits	-	\$25,342	\$25,342	\$25,342
20	190	Accumulated Deferred Income Taxes	-	-	-	-
21		Total Deferred Debits		\$25,342	\$25,342	\$25,342
22		TOTAL ASSETS AND OTHER DEBITS		\$901,694	\$911,397	\$877,860

F-1 BALANCE SHEET
Equity Capital and Liabilities

Line #	Acct #	Account Title (a)	Ref Sch (b)	2011 Actual Balance (c)	2010 Actual Balance (d)	2009 Actual Balance (e)
EQUITY CAPITAL						
1	201	Common Stock Issued	F-31	\$1,000	\$1,000	\$1,000
2	204	Preferred Stock Issued	F-31			
3	211	Other Paid In Capital	-	451,303	451,303	451,303
4	217	Retained Earnings	F-3	\$52,952	\$10,201	25,524
5	218	Proprietary Capital (Proprietorships & Partnerships only)	F-4			
6		Total Equity Capital		\$505,255	\$462,504	\$477,827
LONG TERM DEBT						
7	224	Other Long-Term Debt	F-35	\$35,483	\$44,384	\$52,974
		Total Long Term Debt		\$ 35,483	\$44,384	\$52,974
CURRENT AND ACCRUED LIABILITIES						
8	231	Accounts Payable	-	\$15,233	\$53,913	\$3,412
9	232	Notes Payable	F-36			
10	235	Customer Deposits	-			
11	236	Accrued Taxes	F-38			1,200
12	237	Accrued Interest	-			
13	241	Miscellaneous Current & Accrued Liabilities	-	(625)		264
14		Total Current and Accrued Liabilities		\$14,608	\$53,913	\$4,876
OTHER LIABILITIES						
15	252	Advances for Construction	-			
16	253	Other Deferred Credits	-	79,144	209,144	209,144
17	255	Accumulated Deferred Investment Tax Credit	-			
18	265	Miscellaneous Operating Reserves	-			
19	271-272	CIAC - Net	F-46	180,344	57,053	63,627
20	281->283	Accumulated Deferred Income Taxes	-	86,860	84,399	69,412
21		Total Other Liabilities		\$346,348	\$350,596	\$342,183
22		TOTAL EQUITY CAPITAL AND LIABILITIES		\$901,694	\$911,397	\$877,860

NHPUC Docket DW 12-306**Schedule 6****Rosebrook Water Company****2012 Step Increase**

Additions to Rate Base

Plant in Service Additions	\$233,114
Accumulated Depreciation	(4,517)
Plant in Service Retirements	0
Accumulated Depreciation	0
Contribution in Aid of Construction	(233,114)
Accumulated Amortization of CIAC	<u>4,517</u>
Total Rate Base	\$0
Rate of Return	<u>0.00%</u>
Additional Operating Income Requirement	\$0
Depreciation on additions	9,035
Depreciation on retirements	0
Amortization of CIAC	(9,035)
Property Tax Expenses	<u>1,559</u>
Step Adjustment to Revenue	<u>\$1,559</u>

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Rosebrook Water Company

Step Increase Supporting Documentation

<u>Additions to Plant</u>		<u>Depr Rate</u>	<u>Estimated Costs</u>	<u>Annual Depr / Amort</u>	<u>Accum Depr / Amor</u>
304	Tank Roof	2.50%	\$162,354	\$4,059	\$2,029
310	Diesel Generator	5.00%	42,000	2,100	1,050
311	Submersible Pump	10.00%	<u>28,760</u>	<u>2,876</u>	<u>1,438</u>
Total			<u>\$233,114</u>	<u>\$9,035</u>	<u>\$4,517</u>

Retirement from Plant

304	Tank Roof	2.50%		\$0	\$0
310	Diesel Generator	5.00%		0	0
311	Submersible Pump	10.00%		<u>0</u>	<u>0</u>
Total			<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Contribution in Aid of Construction

304	Tank Roof	2.50%	\$162,354	\$4,059	\$2,029
310	Diesel Generator	5.00%	42,000	2,100	1,050
311	Submersible Pump	10.00%	<u>28,760</u>	<u>2,876</u>	<u>1,438</u>
Total			<u>\$233,114</u>	<u>\$9,035</u>	<u>\$4,517</u>

Property TaxesState Utility Property Taxes

Addition to Plant				<u>\$233,114</u>
Per thousand				\$233
2011 Assessed Valuation		\$404,793		
12/31/2010 Plant in Service		<u>1,112,954</u>		
Percentage				<u>36.37%</u>
Per Thousand subject to State Utility Property Taxes				\$85
State Utility Property Tax Rate				<u>\$6.60</u>
State Utility Property Taxes				<u>\$560</u>

Town of Carroll, N. H. Property Taxes

Addition to Plant				<u>\$233,114</u>
Per thousand				\$233
2011 Assessed Valuation		\$415,960		
12/31/2010 Plant in Service		<u>1,112,954</u>		
Percentage				<u>37.37%</u>
Per Thousand subject to Town Property Taxes				\$87
Town of Carroll Property Tax Rate				<u>11</u>
Town of Carroll Property Taxes				<u>\$999</u>

Total Property Taxes				<u>\$1,559</u>
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Schedule 7

Rosebrook Water Company

Combined Revenue

Test Year Revenues	\$209,518
Permanent Rate Increase Revenues	68,499
Step Rate Increase Revenues	<u>1,559</u>
Total Combined Revenue Requirement	<u>\$279,576</u>

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