

# **2013 Capital Plan and Budget for Lakes Region Water Company**

## **1. Purpose of this Capital Plan and Budget**

This Capital Plan and Budget is intended for Lakes Region Water Company's planning purposes and identifies high priority capital improvements required or important to maintain safe, reliable and adequate supply of water. Estimated costs are stated in nominal (2013) dollars.

Completion of all high priority capital requirements in a single budget year is not reasonably possible due to limited customer revenues within reasonable rate parameters. Execution of capital projects therefore requires careful consideration of operational needs and rate impacts. This Plan is not intended to replace or be a substitute for careful consideration and judgment based on the Company's on-going assessment of needs of its water systems and funds available.

## **2. High Priority Capital Improvements and Estimated Costs.**

### **Paradise Shores (\$30,000)**

- Completion of Mt Roberts pump house and installation of electrical, telemetry, meters and controls.

\$30,000

### **Far Echo (\$20,200)**

- Re-plumb the station to update existing plumbing

\$10,000

- Install telemetry to monitor station

\$6,500

- Replace 5 old wedge valves in the distribution system with new curb stop ball valves \$3,700

### **West Point (\$16,500)**

- Backfill the existing storage tank and add appropriate telemetry to the tank \$6500
- Hydro fracture well to improve production \$10,000

### **Deer Run (\$19,700+).**

- Repair existing (off-line) well \$10,000 +
- Remove/re-plumb old pressure pit \$5,000
- Explore hidden PRV and potentially replace \$4,700 +

### **WVG (\$7,800).**

- install a new tank structure\$7,800

**Hidden Valley (\$50,000)**

- Engineering and reconfiguration of controls \$40,000
- Replace 500 feet of water main on Hidden Valley Drive \$10,000

**Indian Mound (\$106,000).**

- Replace 3000 feet of water main in various spots in the system  
\$100,000
- Install valves throughout the system to assist in leak detection  
\$6,000

**Deer Cove (\$17,000)**

- Re-plumb pump station to accommodate meters  
\$6,000
- Install 2 pressure zones to assist with water pressure on Patriot Way  
\$5,000
- New booster pumps  
\$6,000

**Brake Hill****Gunstock Glenn (\$4,000)**

- Add telemetry \$4,000

**LOV (\$62,000)**

- Add control valves \$7,000
- Replace 1000 feet of main \$55,000

**175 Estates (\$18,000)**

- Well cleaning \$15,000
- Slight re-plumb \$3,000

**Tamworth (\$44,000)**

- New well source \$44,000

**Echo Lake Woods (\$15,000)**

- 500 feet of water main replacement  
\$15,000

**Woodland Grove**

**Wentworth Cove (\$18,000)**

- |                                |          |
|--------------------------------|----------|
| ➤ New Entry Cover and building | \$8,000  |
| ➤ Replace electrical controls  | \$10,000 |

**Pendelton Cove (\$6,000).**

- |                       |         |
|-----------------------|---------|
| ➤ Re-plumb pump house | \$6,000 |
|-----------------------|---------|

**EST. TOTAL CAPITAL IMPROVEMENTS:           \$434,200**

**3.       Capital Budget and Implementation.**

Budget Goals. For planning purposes, the Company estimates a minimum budget goal of \$125,000 per year for capital improvements . Historically, the Company has reinvested customer revenues to meet or exceed this amount. However, the availability of debt financing, step increases, or other sources could allow additional improvements to be made.

a.   Proposed Calendar Year 2014

Indian Mound water main, well, treatment, pump house renovations/replacement

Add telemetry to stations that do not already have it

b.   Proposed Calendar Year 2015.

Water main replacement to be determined through leak analysis (Gunstock Glen, Paradise Shores, Indian Mound)

Lakes Region Water Company, Inc. Accounts Payable Aging as of													
10/28/2013 Balance	Increase (Decrease)	Vendor Name	11/30/2013 Total	1 Month 0-30	2 Months 31-60	3 Months 61-90	4 Months 91-120	5 Months 121-150	6 Months 151-180	7-12 Months 181-365	13-24 Months 366-730	25-36 Months 731-1095	Over 3 Years >1095
-	-	City of Laconia	-	-	-	-	-	-	-	-	-	-	-
-	-	Town of Campton	-	-	-	-	-	-	-	-	-	-	-
-	1,993.00	Town of Conway	1,993.00	1,993.00	-	-	-	-	-	-	-	-	-
-	-	Town of Freedom	-	-	-	-	-	-	-	-	-	-	-
-	-	Town of Gilford	-	-	-	-	-	-	-	-	-	-	-
-	-	Town of Moultonboro	-	-	-	-	-	-	-	-	-	-	-
-	-	Town of Ossipee - Tax Dept.	-	-	-	-	-	-	-	-	-	-	-
-	-	Town of Tamworth	-	-	-	-	-	-	-	-	-	-	-
-	1,193.00	Town of Thornton	1,193.00	1,193.00	-	-	-	-	-	-	-	-	-
-	-	Town of Tuftonboro	-	-	-	-	-	-	-	-	-	-	-
-	3,186.00	Total Property Taxes	3,186.00	3,186.00	-	-	-	-	-	-	-	-	-
875.39	(149.27)	NHEC	726.12	725.76	-	-	-	-	-	-	-	-	0.36
1,116.09	(69.86)	PSNH	1,046.23	1,046.23	-	-	-	-	-	-	-	-	-
1,991.48	(219.13)	Total Electric Utility Bills	1,772.35	1,771.99	-	-	-	-	-	-	-	-	0.36
30,107.75	(13,022.52)	State of New Hampshire	17,085.23	-	-	-	-	-	-	17,085.23	-	-	-
52,168.28	(7,500.00)	Internal Rev. Service (2013 accrued)	44,668.28	-	-	-	-	-	-	44,668.28	-	-	-
-	-	United States Treasury	-	-	-	-	-	-	-	-	-	-	-
82,276.03	(20,522.52)	Total State of NH Property and Other Taxes	61,753.51	-	-	-	-	-	-	61,753.51	-	-	-
-	3,544.30	Payroll Taxes	3,544.30	3,544.30	-	-	-	-	-	-	-	-	-
-	3,544.30	Total Payroll Taxes	3,544.30	3,544.30	-	-	-	-	-	-	-	-	-
10,395.92	(304.87)	AAA Financial Services	10,091.05	-	205.35	204.32	248.53	206.01	228.90	5,180.26	839.31	338.74	2,639.63
1,000.00	(1,000.00)	Balmoral Improv. Assoc.	-	-	-	-	-	-	-	-	-	-	-
-	300.00	Eastern Analytical Inc.	300.00	300.00	-	-	-	-	-	-	-	-	-
155.18	39.85	F.W. Webb Co.	195.03	195.03	-	-	-	-	-	-	-	-	-
132.00	(132.00)	Granite State Rural Water	-	-	-	-	-	-	-	-	-	-	-
5,121.44	(5,121.44)	IPFS Corp.	-	-	-	-	-	-	-	-	-	-	-
6,742.50	(600.00)	LRW Water Services, Inc.	6,142.50	-	750.00	-	-	-	-	3,600.00	-	1,792.50	-
1,649.60	(1,374.66)	R E Prescott	274.94	274.94	-	-	-	-	-	-	-	-	-
144,860.00	-	Roberge, Norman E.	144,860.00	-	-	3,840.00	4,420.00	4,720.00	2,140.00	36,200.00	59,740.00	31,200.00	2,600.00
2,542.84	-	Sands, David S	2,542.84	-	-	-	(307.33)	-	-	916.08	934.09	1,000.00	-
2,204.14	-	Shaheen & Gordon, P.A.	2,204.14	-	-	-	-	-	-	-	-	2,204.14	-
1,274.74	(47.98)	Skelly's Market	1,226.76	1,226.76	-	-	-	-	-	-	-	-	-
4,250.50	(2,470.00)	Skillings & Sons Inc.	1,780.50	-	-	-	-	-	-	697.70	1,082.80	-	-
13,714.79	201.25	St Cyr, Stephen P	13,916.04	201.25	-	-	-	57.50	86.25	2,127.50	3,412.50	2,441.25	5,589.79
216.75	(216.75)	United Health Care Ins.Co.	-	-	-	-	-	-	-	-	-	-	-
11,451.12	5,501.00	Upton & Hatfield LLP	16,952.12	5,501.00	-	2,123.50	391.00	990.00	-	5,641.62	2,305.00	-	-
3,080.81	819.08	Water Industries	3,899.89	3,899.89	-	-	-	-	-	-	-	-	-
1,706.00	(1,706.00)	Windy Ridge Corp.	-	-	-	-	-	-	-	-	-	-	-
210,498.33	(6,112.52)	Total General Operating and Capital Asset	204,385.81	11,598.87	955.35	6,167.82	4,752.20	5,973.51	2,455.15	54,363.16	68,313.70	38,976.63	10,829.42
	Total Due												
25,560.00	(1,980.00)	Norman Roberge (rce)	23,580.00	-	-	-	-	-	-	-	-	-	-
60,384.31	-	Shaheen & Gordon, P.A. (rce)	60,384.31	-	-	-	-	-	-	2,880.00	5,280.00	14,140.00	1,280.00
59,079.49	(2,415.00)	St Cyr, Stephen P (rce)	56,664.49	-	-	-	-	-	-	-	-	60,384.31	-
104,945.44	(540.26)	Upton & Hatfield LLP (rce)	104,405.18	1,620.00	-	2,295.00	762.00	6,660.00	1,237.50	37,338.55	54,492.13	19,671.75	16,378.07
249,969.24	(4,935.26)	Total Rate Case	245,033.98	1,620.00	-	2,295.00	762.00	6,660.00	1,237.50	47,228.55	73,376.80	94,196.06	17,658.07
		## (See Note Below)											
35.64	-	Ford Credit	35.64			35.64							
13,552.78	-	TD Banknorth	13,552.78						275.43	1,173.17	5,770.20	4,933.87	1,400.11

Lakes Region Water Company, Inc.													
Accounts Payable Aging as of													
10/28/2013	Increase		11/30/2013	1 Month	2 Months	3 Months	4 Months	5 Months	6 Months	7-12 Months	13-24 Months	25-36 Months	Over 3 Years
Balance	(Decrease)	Vendor_Name	Total	0-30	31-60	61-90	91-120	121-150	151-180	181-365	366-730	731-1095	>1095
13,588.42	-	Total Note Late Payments	13,588.42	-	-	35.64	-	-	275.43	1,173.17	5,770.20	4,933.87	1,400.11
		Summary											
-	3,186	Total Property Taxes	3,186	3,186	-	-	-	-	-	-	-	-	-
1,991	(219)	Total Electric Utility Bills	1,772	1,772	-	-	-	-	-	-	-	-	0
82,276	(20,523)	Total State of NH Property and Other Taxes	61,754	-	-	-	-	-	-	61,754	-	-	-
-	3,544	Total Payroll Taxes	3,544	3,544	-	-	-	-	-	-	-	-	-
210,498	(6,113)	Total General Operating and Capital Asset	204,386	11,599	955	6,168	4,752	5,974	2,455	54,363	68,314	38,977	10,829
249,969	(4,935)	Total Rate Case	245,034	1,620	-	2,295	762	6,660	1,238	47,229	73,377	94,196	17,658
13,588	-	Total Note Late Payments	13,588	-	-	36	-	-	275	1,173	5,770	4,934	1,400
558,323.50	(25,059.13)	Total All Payables	533,264.37	21,721.16	955.35	8,498.46	5,514.20	12,633.51	3,968.08	164,518.39	147,460.70	138,106.56	29,887.96
		Rate Case Recoupment Unbilled at 11/30/13	88,709.00										
		Net Unfunded Payables	444,555.37										

## Justin C. Richardson

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**From:** Evan Stowell <EStowell@lmpa.com>  
**Sent:** Tuesday, October 29, 2013 3:29 PM  
**To:** Lakes Region Water Company Inc. (lrwater@lakesregionwater.com); Justin C. Richardson  
**Cc:** lrwh2oserv@yahoo.com  
**Subject:** 2013 Income Tax Projection  
**Attachments:** LRWC 2013 Projection.pdf

Tim & Justin,

As discussed over the phone this afternoon. Attached please find a slightly updated version of the 2013 income tax projection which you supplied to me. As we discussed, it is my understanding that the projected revenue and expense figures are based on January 2013 to June 2013 actual results with projected results for July 2013 to December 2013. From the figures supplied, I have estimated the 2013 Federal and state of New Hampshire income taxes (including the New Hampshire Business Enterprise Tax).

Based on my calculations, the total estimated Federal and state income taxes (including the New Hampshire Business Enterprise Tax) will be approximately \$112,500. The Federal and state tax authorities generally require these taxes to be paid quarterly via estimated tax payments based on management estimates. For Federal purposes, in the event that suitable estimated taxes are not paid, or that the total tax is not paid with the timely filed tax return, interest of approximately 4% is charged. In addition, a failure to pay penalty of 0.5% per month of the unpaid tax is charged is assessed. Finally, a failure to file penalty of 5% per month (25% cap) of the unpaid tax is assessed if a return is not filed timely. Because the "extension" many taxpayers request is an extension of "time to file", rather than an extension of "time to pay," this penalty can still be assessed if a return is "extended" but the total tax is not paid by the initial filing date of March 15<sup>th</sup>. Similar penalties and interest may also be assessed by the State of New Hampshire. Please note that any penalties and interest incurred above would not be deductible for tax purposes.

It is likely that the IRS and State of New Hampshire would agree to a payment plan for any tax which the Corporation is unable to pay. The benefits of a payment plan is that the failure to file and failure to pay penalties may be eliminated, leaving only the interest on the unpaid balance. The maximum period of time this plan may cover is 72 months, however it is unlikely that they would agree to a term of this length. In my experience the tax authority would likely agree to a period of around 2 years to pay the unpaid balance in these circumstances.

As discussed, a bank loan to get caught up on the 2013 taxes that are likely to be due may be a sensible option given the monthly cash outlay (and term) would be known and as for tax purposes the associated interest would be deductible. Although over simplified in some instances, I believe the above presents a good representation of our conversation. Please let me know if you need more detail on the above.

Thanks,

Evan



Evan Stowell, CPA  
**Leone, McDonnell & Roberts, P. A.**  
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Lakes Region Water Company Inc.  
PRELIMINARY Projected 2013 Tax Expense

<b>Water Billings</b>	\$	1,219,858	
Includes Surcharges for Manager			
Other income (disconnects too)	\$	15,000	
Sales to Outside Contractors	\$	5,000	
Interest Income	\$	5,000	
<b>Total</b>			<b>\$ 1,244,858</b>

<b>Expenses</b>	<b>Per 2012</b>		<b>Total</b>	
Officer	\$ 60,000	\$ 4,000	\$ 64,000	
Field	\$ 139,000	\$ (12,100)	\$ 126,900	
Office	\$ 58,000	\$ 58,986	\$ 116,986	
<b>Total</b>	<b>\$ 257,000</b>	<b>\$ 50,886</b>		<b>\$ 307,886</b>
Payroll Tax	\$ 22,000	\$ 2,000	\$ 24,000	\$ 24,000
Health Ins	\$ 36,000	\$ 10,000	\$ 46,000	\$ 46,000
Purchased Water	\$ 1,200			\$ 1,200
Electric - PH	\$ 63,700	\$ 300		\$ 64,000
Chemicals	\$ 500			\$ 500
Materials	\$ 42,000			\$ 42,000
Contracted Services	\$ 39,500	\$ 500		\$ 40,000
Accounting	\$ 71,000	\$ (27,000)		\$ 44,000
Computer Supplies	\$ 10,000			\$ 10,000
General Law	\$ 17,000			\$ 17,000
(Ransmier Write Off)	\$ (12,000)			\$ (12,000)
Rent	\$ 1,000			\$ 1,000
Equipment Lease	\$ 6,000			\$ 6,000
Heat	\$ 4,000			\$ 4,000
Vehicle Costs	\$ 56,000			\$ 56,000
Insurance	\$ 50,000	\$ 5,000		\$ 55,000
Bad Debts	\$ 7,500			\$ 7,500
Regulatory	\$ 38,000	\$ (30,000)		\$ 8,000
Telephone	\$ 9,500			\$ 9,500
Office Expense	\$ 24,000			\$ 24,000
Property Tax	\$ 43,000	\$ 4,000		\$ 47,000
Bank Charges	\$ 2,000			\$ 2,000
Permits	\$ 5,100			\$ 5,100
Depreciation	\$ 120,000			\$ 120,000
Amortization CIAC	\$ (17,000)			\$ (17,000)
Amortization ADT	\$ (5,700)			\$ (5,700)
Interest	\$ 69,000	\$ (20,000)		\$ 49,000
<b>Total Office Expenses</b>				<b>\$ 955,986</b>
<b>Income Before Taxes</b>				<b>\$ 288,872</b>
Provision for NH BET			\$ 2,677	
Provision for NH BPT			\$ 24,327	
Provision for FIT			\$ 85,379	
Total State and Federal tax provision				<b>\$ 112,382</b>
<b>Net Income</b>				<b>\$ 176,490</b>



5500 South Quebec Street  
Greenwood Village, CO 80111  
800-542-8072  
www.cobank.com

November 13, 2013

Mr. Thomas Mason, President and CEO  
Lakes Region Water Co., Inc.

Dear Mr. Mason:

The following information is for informational purposes only and is not a commitment to lend.

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<b>Borrower:</b>	Lake Region Water Company ("Borrower")
<b>Type of Credit Facilities:</b>	<p>A secured term loan of up to 15 years and a maximum \$500,000.</p> <p>A secured term loan of up to 5 years and a maximum of \$400,000. ("together the "Term Loans").</p> <p>A secured one-year revolving line of credit of up to \$50,000 ("Revolver") (together the "Loans")</p>
<b>Purpose:</b>	<p>Term Loans - To refinance existing debt and pay outstanding payables.</p> <p>Revolver – interim capital expenditures and working capital</p>
<b>Availability:</b>	All Term Loans to be advanced at closing.
<b>Interest:</b>	<p>In accordance with one or more of the following interest rate options, as selected by the Company:</p> <p><u>Weekly Quoted Variable Rate Option:</u> Under this option, balances may be fixed at a rate established by CoBank on the first "Business Day" (to be defined) of each week. The rate established shall be effective until the first Business Day of the next week. WQVR for the week of November 13, 2013 is 2.94%.</p>

Quoted Fixed Rate Option: At one or more rates to be quoted by CoBank. Under this option, rates can be fixed: (1) on balances of \$100,000 or more; (2) for periods of, 6 months to the final maturity of the Loan; and (3) for each facility, on no more than 5 separate balances at any one time. As of November 13, 2013 a 15 year fully amortizing fixed rate is 5.75% while a 5 year fixed rate is 4.00%.

Patronage: The above quoted interest rates are stated prior to the payment of patronage under CoBank's patronage program. Patronage will lower the effective interest rate by 75 basis points per annum based on the current program. The patronage program can be modified by a vote of CoBank's board of directors.

Interest will be calculated on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20<sup>th</sup> day of the following month.

Notwithstanding the foregoing, during the continuance of a default, interest shall accrue at 4% in excess of the rates that would otherwise be in effect.

**Origination Fees:**

Five-thousand dollars payable at closing.

**Principal Repayment:**

Term Loans - In consecutive monthly installments, each due on the 20<sup>th</sup> of the month, with the first installment due on the 20<sup>th</sup> day of the second month following the month in which the Loan is made. The amount of each installment shall be the same principal amount that would be due and payable if the Loan was payable in level installments of principal and interest and such schedule was calculated using the "CoBank Base Rate" (to be defined) on the date of the loan agreement; provided, however, that if on the date the Loan is made, the Borrower fixes the rate of interest on the entire principal amount of the Loan to the final maturity date thereof, then the rate utilized in calculating the amortization schedule shall be the rate of interest accruing on the Loan.

Revolver – Interest due monthly with principal due at maturity.

**Prepayment:**

Balances bearing interest at the Weekly Quoted Variable Rate Option may be prepaid without premium. Balances bearing interest at the Quoted Fixed Rate Option may be prepaid upon payment of a premium equal to the present value of CoBank's

"Funding Losses" (to be defined) plus a yield of .50% on a per annum basis.

**Capitalization:**

The Loans will be capitalized in accordance with CoBank's bylaws and its capital plan. As such it will be eligible for patronage refunds.

**Collateral:**

The Loans will be secured by a perfected priority lien on and security interest in all real and personal, tangible and intangible, present and future assets of the Borrower including a deed of trust or mortgage with evidence of title (in a form to be determined by CoBank) subject only to those exceptions approved by CoBank.

**Documentation:**

The Loans would be subject to the negotiation, execution, delivery, and, where appropriate, recording of loan and loan related documentation (including exhibits, opinions, and security documentation) satisfactory to CoBank and its counsel in its or their sole discretion. In addition, all other matters whatsoever relating to the credit or the closing thereof must be approved by CoBank and its counsel in its or their sole discretion. Without limiting the foregoing, the loan documentation shall include conditions precedent, representations and warranties, covenants, events of default, remedies upon default, and various miscellaneous provisions.

**Representations**

**and Warranties:**

Including, without limitation, representations and warranties as to organization; good standing and qualification; authorization of borrowing; compliance with law; financial condition; title to properties; liens; no material adverse change; litigation; payment of taxes; governmental regulations; disclosure; licenses; trademarks; and patents.

**Financial Covenants:**

Financial Covenants:

- "Debt Service Coverage Ratio" (as defined in Exhibit A hereto) of greater than:

At each FYE  $> 1.50x$

- "Total Debt to Total Capitalization (as defined in Exhibit A hereto) of not greater than 60% at all times.

**Negative**

**Covenants:**

Include but not restricted to: restrictions on additional indebtedness (except for an amount to be determined for purchase money indebtedness and capital leases), other liens (other than liens securing permitted purchase money indebtedness), mergers and acquisitions, sale or transfer of assets, change in business, dividends (permitted up to the amount of net income assuming no default or event of default exists or would result), and loans and investments subject to permitted items.

**Reporting**

**Requirements:**

The Borrower will be required to deliver:

- Annual reviewed financial statements within 120 days of each fiscal year end.
- If requested by CoBank - Quarterly, company prepared, interim financial statements within 60 days of close of the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> fiscal quarters.

**Expenses and  
Indemnification:**

The Borrower will indemnify CoBank against all losses, liabilities, claims, damages, or expenses relative to the Credit Facility or the use of loan proceeds. All reasonable costs and expenses incurred by CoBank in connection with this transaction including, without limitation, all legal fees and expenses for CoBank's legal counsel, shall be paid by the Borrowers. CoBank will document the Loans in house so no external legal fees are anticipated for loan documentation.

**Defaults:**

CoBank's customary events of default, including without limitation, payment default; cross-default; provisions relating to occurrences of any default under any other material agreement governing indebtedness of the Borrower; material misrepresentation of fact; covenant default; bankruptcy or insolvency; and material unsatisfied judgments.

**EXHIBIT A**  
**DEFINITIONS**

**"Debt Service Coverage Ratio"** shall mean the ratio of: (1) net income (after taxes), plus depreciation expense, amortization expense, and interest expense, minus non-cash patronage, and non-cash income from subsidiaries and/or joint ventures; to (2) all principal payments due within the period on all "Long-Term Debt" (as defined below) plus interest expense (all as calculated on a consolidated basis for the fiscal year in accordance with GAAP consistently applied or the appropriate standards of the regulatory agency having jurisdiction over the Company). For purposes hereof, "Long-Term Debt" shall mean, for the Company, on a consolidated basis, the sum of (a) all indebtedness for borrowed money, (b) obligations which are evidenced by notes, bonds, debentures or similar instruments, and (c) that portion of obligations with respect to capital leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with GAAP or which are treated as operating leases under regulations applicable to them but which otherwise would be required to be capitalized under GAAP, in each case having a maturity of more than one year from the date of its creation or having a maturity within one year from such date but that is renewable or extendible, at the Company's option, to a date more than one year from such date or that arises under a revolving credit or similar agreement that obligates the lender(s) to extend credit during a period of more than one year from such date, including all current maturities in respect of such indebtedness whether or not required to be paid within one year from the date of its creation.

**Total Debt to Capitalization Ratio.** The ratio of "Total Debt" to "Total Capitalization" both as defined below. (1) "Total Debt" shall mean, for the Company, on a consolidated basis, the sum of (a) all indebtedness for borrowed money, (b) obligations which are evidenced by notes, bonds, debentures or similar instruments, and (c) that portion of obligations with respect to capital leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with GAAP or which are treated as operating leases under regulations applicable to them but which otherwise would be required to be capitalized under GAAP; and (2) "Total Capitalization" shall mean Total Debt plus "Net Worth" (as defined below). For purposes hereof, "Net Worth" shall mean the difference between total assets less total liabilities (both as determined on a consolidated basis in accordance with GAAP consistently applied or the appropriate standards of the regulatory agency having jurisdiction over the Company), except that in determining Total Capitalization, contributions in aid of construction, advances for construction, customer deposits, or similar items reducing rate base calculations shall be excluded.