liability, Exhibit B. This is a preliminary projection based on estimates and incomplete data. However, it shows that the Company may incur a 2013 tax liability of approximately $110,837 by 12/31/2013. The total of the 2012 actual tax liability, $54,000, and that projected for 2013, $110,837, is $164,837. This exceeds the ~~$137,566.79~~$143,987.62 reduction in Accounts Payable that the Company has been able to achieve this year, since 12/31/2012. Like the Company's calculation of net operating income shown on Page 167 of Exhibit 4, this calculation shows the Company paying its 2013 tax liability, but does not take into account: (a) the need to address Accounts Payable incurred prior to 2013; (b) the need to invest in new capital projects that are required to serve the public; and (c) make principle payments on notes payable.

6. Much of the progress has been possible due to the Company's realization of revenue for rate recoupment ($52,202.62 over one year approved on October 12, 2012),[1] and rate case expense recovery ($152,965.97 over two years approved on January 17, 2013).[2] However, by denying the Company any tax expense, the Commission has forced the Company to use a substantial majority of this revenue to pay for the tax expense of $164,837 it projects to incur by the end of 12/31/2013.

7. The Commission's Director of the Water and Gas Division, Mark Naylor, described Lakes Region Water Company as "unbankable". Instead of allowing the Company to realize the benefits of recoupment and rate case expense recovery for their intended purpose, Order No. 25,516 forces the Company to use its recoupment and rate case expense revenue to pay taxes. The diversion of the Company's recoupment and rate case expense recovery to pay taxes means that its "unbankable" financial condition will

[1] See Order No. 25,423.
[2] See Order No. 25,454.

2012 actual tax liability ($54,000) and its projected 2013 tax liability ($110,837) is real and immediate. Emergency rate relief is required to allow the Company to realize the benefits of the ~~$137,566.79~~ $143,987.62 reduction in Accounts Payable that the Company achieved this year and maintain the financial strength to needed to finance capital improvement projects required to serve its customers.

10. The Company has requested tax expense in its rates on three separate occasions. Order No. 25,391 (July 13, 2012) (approving rates without a tax expense based on a 2009 test year); Order No. 25,408 (September 6, 2012) (denying rehearing request for actual tax expense incurred in 2012); and Order No. 25,516 (denying emergency request for actual tax expenses incurred in 2012 and 2013). The Commission's repeated denial of tax expense now forces the Company to use revenues intended to recoup its deficiencies in its approved rates or pay its rate prior case expenses, and defer necessary capital improvements, simply to pay income taxes that are ordinarily recoverable in rates.

11. Order No. 25,616 could be read as merely standing for the proposition that an emergency does not exist and that the Company's tax expense could be recovered in an ordinary rate case. Such a view ignores the impact that a traditional rate case has on the Company's balance sheet and, after rate case expense recovery is authorized, its customers. If the Company had filed in 2012, it would have had to do so while its last rate case (filed in 2010) was still pending! In 2013, it would have incurred substantial costs, without its Financial Manager in place. Commencing a new rate case on the heels of its last rate case would have worsened the Company's financial condition.