

Hampstead Area Water Company
Computation of Revenue Deficiency
For the Test Year Ended December 31, 2016

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 3)	\$5,105,137	\$5,225,351
Rate of Return (Schedule 4)	<u>5.60%</u>	<u>6.42%</u>
Operating Income Required	\$285,791	\$ 335,370
Net Operating Income (Schedule 1)	<u>189,897</u>	<u>335,370</u>
Operating Income Deficiency	\$95,894	\$0
Tax Effect	<u>0</u>	<u>0</u>
Revenue Deficiency	<u>\$95,894</u>	<u>\$0</u>

Statement of Income

Line No.	Account Title (Number) (a)	Actual 2016 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2016 Year End Balance (d)	Actual 2015 Year End Balance (e)	Actual 2014 Year End Balance (f)
UTILITY OPERATING INCOME						
1	Operating Revenues(400)	\$ 1,790,467	\$223,672	\$ 2,014,139	\$ 1,843,983	\$ 1,761,629
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	1,122,571	62,059	1,184,630	1,054,823	909,308
4	Depreciation Expense (403)	497,371	13,616	510,987	507,364	492,879
5	Amortization of Contribution in Aid of Construction (405)	(212,659)	\$0	(212,659)	(220,843)	(200,919)
6	Amortization of Utility Plant Acquisition Adjustment (406)					
7	Amortization Expense-Other (407)	2,715	2,162	4,877	1,193	2,627
8	Taxes Other Than Income (408.1-408.13)	176,391	0	176,391	216,796	227,677
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	14,181	362	14,543	11,485	9,708
10	Total Operating Expenses	\$ 1,600,570	\$ 78,199	\$ 1,678,769	\$ 1,571,018	\$ 1,441,280
11	Net Operating Income (Loss)	189,897	145,473	335,370	272,965	320,349
12	Income From Utility Plant Leased to Others (413)					
13	Gains(Losses) From Disposition of Utility Property (414)					
14	Net Water Utility Operating Income	\$ 189,897	\$ 145,473	\$ 335,370	\$ 272,965	\$ 320,349
OTHER INCOME AND DEDUCTIONS						
15	Revenues From Merchandising, Jobbing and Contract Work (415)					
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)					
17	Equity in Earnings of Subsidiary Companies (418)					
18	Interest and Dividend Income (419)			-		
19	Allow. for funds Used During Construction (420)					
20	Nonutility Income (421)					
21	Gains (Losses) Form Disposition Nonutility Property (422)					
22	Miscellaneous Nonutility Expenses (426)					
23	Total Other Income and Deductions	\$ -		\$ -	\$ -	\$ -
TAXES APPLICABLE TO OTHER INCOME						
24	Taxes Other Than Income (408.2)					
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)					
26	Total Taxes Applicable To Other Income					
INTEREST EXPENSE						
27	Interest Expense (427)	142,571		142,571	169,637	191,547
28	Amortization of Debt Discount & Expense (428)	12,326		12,326	15,087	443
29	Amortization of Premium on Debt (429)					
30	Total Interest Expense	\$ 154,897		\$ 154,897	\$ 184,724	\$ 191,990
31	Income Before Extraordinary Items	35,000	145,473	180,473	88,241	128,359
EXTRAORDINARY ITEMS						
32	Extraordinary Income (433)					
33	Extraordinary Deductions (434)					
34	Income Taxes, Extraordinary Items (409.3)					
35	Net Extraordinary Items					
	NET INCOME (LOSS)	\$ 35,000	\$ 145,473	\$ 180,473	\$ 88,241	\$ 128,359

Hampstead Area Water Company
Statement of Income - Proforma Adjustments

Schedule 1A

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Operating Revenues

1	2016 Test Year Proforma	\$ 2,014,139
	2016 Test Year Actual Operating Revenues	<u>1,790,467</u>
	Proforma Adjustment	<u>\$ 223,672</u>
	To adjust test year revenues for the additional revenue needed in order for the Company to earn its rate of return and to recover its expenses.	
	Total Proforma Adjustment to Operating Revenues	<u>\$ 223,672</u>

Operating and Maintenance Expenses

2	<u>Wages</u>	
	2016 Test Year Proforma	\$ 315,018
	2016 Test Year Actual	<u>256,670</u>
	Proforma Adjustment	<u>\$ 58,348</u>
	To adjust test year wages for on-going annual wages plus 3% increase	
3	<u>Payroll Taxes</u>	
	2016 Test Year Proforma	\$ 4,464
	2016 Test Year Actual	<u>-</u>
	Proforma Adjustment	<u>\$ 4,464</u>
	To adjust test year payroll taxes due to on-going wages plus 3% increase	
4	<u>Benefits - Employee Health</u>	
	2016 Test Year Proforma	\$ 27,777
	2016 Test Year Actual	<u>38,806</u>
	Proforma Adjustment	<u>\$ (11,029)</u>
	To adjust test year employee health benefits due to change in personnel	
5	<u>Benefits - 401k</u>	
	2016 Test Year Proforma	\$ 5,300
	2016 Test Year Actual	<u>3,317</u>
	Proforma Adjustment	<u>\$ 1,983</u>
	To adjust test year 401k benefits due to change in personnel	
6	<u>Management Agreement</u>	
	2016 Test Year Proforma	\$ 153,154
	2016 Test Year Actual	<u>145,861</u>
	Proforma Adjustment	<u>\$ 7,293</u>
	To adjust test year management costs by 5% as per Management / Service / Rental Agreement	

7	<u>Outside Services - Audit Expenses</u>	
	2016 Test Year Proforma	\$1,000
	2016 Test Year Actual	<u>0</u>
	Proforma Adjustment	\$1,000
	To adjust test year expenses for costs associated with 2017 PUC audit of test year expenses (\$3,000 / 3 years)	
	Total Proforma Adjustments to Operating and Maintenance Expenses	<u>\$62,059</u>
8	Depreciation Expenses	
	2016 Test Year Proforma	\$ 510,987
	2016 Test Year Actual	<u>497,371</u>
	Proforma Adjustment	\$ 13,616
	To adjust test year expenses for the additional half year depreciation on the 2016 addition to plant	
9	Amortization of CIAC	
	2016 Test Year Proforma	\$ (212,659)
	2016 Test Year Actual	<u>(212,659)</u>
	Proforma Adjustment	<u>\$ -</u>
	To adjust test year expenses for the additional half year amortization on the 2016 CIAC	
10	Amortization Expense - Other	
	2016 Test Year Proforma	\$ 4,877
	2016 Test Year Actual	<u>2,715</u>
	Proforma Adjustment	<u>\$ 2,162</u>
	To adjust test year expenses for amortization of Village Drive and Eastwod Place wells	
11	Taxes other than Income	
	2016 Test Year Proforma	\$ 176,391
	2016 Test Year Actual	<u>176,391</u>
	Proforma Adjustment	<u>\$ -</u>
	To adjust test year expenses for state and local property taxes	
12	Income Taxes	
	2016 Test Year Proforma	\$ 14,543
	2016 Test Year Actual	<u>14,181</u>
	Proforma Adjustment	<u>\$ 362</u>
	To adjust test year expenses for state business taxes	
	Total Proforma Adjustment to Operating Expenses	<u>\$78,199</u>

Wage Adjustments

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)						
Employee #	2016 Actual Wages	2016 Adj #1	2016 Adjusted for Full Yr	3% incr Adj # 2	2016 Proforma Wages	(f - b) Total Wage Adjustment	EmpPayTax (g x 7.65%) Adj #3		Employee Health			Employee 401K		
								2016	2017	Adj #4	2016	2017	Adj #5	
1	34,705	(34,705)	-	-	-	(34,705)	(2,655)	10,732		(10,732)			-	
2	39,537	(39,537)	-	-	-	(39,537)	(3,025)				830		(830)	
3	47,944	(47,944)	-	-	-	(47,944)	(3,668)	16,261		(16,261)			-	
4		34,611	34,611	1,038	35,649	35,649	2,727						-	
5		42,432	42,432	1,273	43,705	43,705	3,343						-	
6		52,146	52,146	1,564	53,710	53,710	4,109		14,157	14,157			-	
7	79,815	(1,815)	78,000	2,340	80,340	525	40	10,567	9,283	(1,284)	1,676	2,340	664	
8	16,077	45,803	61,880	1,856	63,736	47,659	3,646	1,246	4,337	3,091		1,857	1,857	
9	38,592	(1,818)	36,774	1,103	37,877	(715)	(55)				811	1,103	292	
Total Wages	256,670	49,173	305,843	9,175	315,018	58,348	4,464	38,806	27,777	(11,029)	3,317	5,300	1,983	
Capitalized Wages	(3,266)													
Net Wage Expense	253,404													

Adjustments:

- #1 Record additional wages to increase employee wages to 52 weeks.
- #2 Record additional wages to increase employees wages for 3% increase to be implemented x/x/xx
- #3 Record additional payroll taxes on additional wages
- #4 Record decrease in health insurance benefits due to change in employees
- #5 Record increase in 401K Match by HAWC due to change in employees

2017 Miscellaneous Deferred Debits and related amortization

<u>Location</u>	<u>Account Description</u>	<u>Account</u>	<u>Description</u>	<u>Amount</u>	<u>Depr Rate</u>	<u>Annual Depr</u>	<u>Accum Depr</u>
Village Drive	Misc. Deferred Debits	186	Abandon Well	\$ 20,660	5.00%	\$ 1,033	\$ 517
Eastwood Place	Misc. Deferred Debits	186	Abandon Well	22,589	5.00%	1,129	565
Total				<u>\$ 43,249</u>		<u>\$ 2,162</u>	<u>\$ 1,081</u>

SPSt. Cyr
6/23/2017

HAWC

Schedule 1D

Business Enterprise Tax

	<u>2016</u>	Proforma <u>2016</u>
Dividends paid	\$ -	\$ -
Compensation and Wages	256,670	315,018
Interest Paid or Accrued	<u>142,571</u>	<u>133,218</u>
Total Enterprise Value Tax Base	<u>\$ 399,241</u>	<u>\$ 448,236</u>
Business Enterprise Tax (.0075%)	<u>\$ 2,994</u>	<u>\$ 3,362</u>
Rounded	<u>\$ 3,000</u>	

SPSt. Cyr
7/26/2017

Balance Sheet - Assets and Other Debits

Line No.	Account Title (Number) (a)	Actual 2016 Year End Balance (b)	Actual 2015 Year End Balance (c)	Actual 2014 Year End Balance (d)
UTILITY PLANT				
1	Utility Plant (101-106)	\$ 16,622,778	\$ 16,328,565	\$ 15,474,786
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 6,083,178	\$ 5,662,313	\$ 5,194,933
3	Net Plant	\$ 10,539,600	\$ 10,666,252	\$ 10,279,853
4	Utility Plant Acquisition Adj. (Net) (114-115)			
5	Total Net Utility Plant	\$ 10,539,600	\$ 10,666,252	\$ 10,279,853
OTHER PROPERTY AND INVESTMENTS				
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Investment in Associated Companies (123)			
11	Utility Investments (124)			
12	Other Investments			
13	Special Funds(126-128)			
14	Total Other Property & Investments	\$ -	\$ -	\$ -
CURRENT AND ACCRUED ASSETS				
16	Cash (131)	619,179	323,094	253,635
17	Special Deposits (132)			
18	Other Special Deposits (133)			
19	Working Funds (134)			
20	Temporary Cash Investments (135)			
21	Accounts and Notes Receivable-Net (141-144)	232,970	273,160	286,962
22	Accounts Receivable from Assoc. Co. (145)			
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)	43,721	22,767	21,294
25	Stores Expense (161)			
26	Prepayments-Other (162)	18,175	12,537	17,441
27	Prepaid Taxes (163)	62,110	39,879	43,419
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)	119,239	112,109	105,790
31	Misc. Current and Accrued Assets (174)			
32	Total Current and Accrued Assets	\$ 1,095,394	\$ 783,546	\$ 728,541
DEFERRED DEBITS				
32	Unamortized Debt Discount & Expense (181)	39,118	45,474	59,038
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	82,652	84,461	99,511
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)	14,590	15,883	17,176
40	Total Deferred Debits	\$ 136,360	\$ 145,818	\$ 175,725
TOTAL ASSETS AND OTHER DEBITS				
		\$ 11,771,354	\$ 11,595,616	\$ 11,184,119

Balance Sheet - Equity Capital and Liabilities

Line No.	Account Title (Number) (a)	Actual 2016 Year End Balance (b)	Actual 2015 Year End Balance (c)	Actual 2014 Year End Balance (d)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 16,767	\$ 16,767	\$ 16,767
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	2,754,354	2,254,354	2,104,354
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)			
10	Retained Earnings (214-215)	(779,242)	(814,242)	(902,483)
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 1,991,879	\$ 1,456,879	\$ 1,218,638
LONG TERM DEBT				
13	Bonds (221)			
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	4,190,886	4,345,587	4,634,464
17	Total Long-Term Debt	\$ 4,190,886	\$ 4,345,587	\$ 4,634,464
CURRENT AND ACCRUED LIABILITIES				
18	Accounts Payable (231)	5,087	10,411	26,779
19	Notes Payable (232)			
20	Accounts Payable to Associated Co. (233)	15,093	20,903	18,640
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)	8,540	9,090	8,124
23	Accrued Taxes (236)	8,504	5,836	5,812
24	Accrued Interest (237)			
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)			
27	Matured Interest (240)			
28	Misc. Current and Accrued Liabilities (241)	26,800	24,800	23,600
29	Total Current and Accrued Liabilities	\$ 64,024	\$ 71,040	\$ 82,955
DEFERRED CREDITS				
30	Unamortized Premium on Debt (251)			
31	Advances for Construction (252)			
32	Other Deferred Credits (253)			
33	Accumulated Deferred Investment Tax Credits (255)			
34	Accumulated Deferred Income Taxes:			
35	Accelerated Amortization (281)			
36	Liberalized Depreciation (282)	41,422	31,534	24,342
37	Other (283)			
38	Total Deferred Credits	\$ 41,422	\$ 31,534	\$ 24,342
OPERATING RESERVES				
39	Property Insurance Reserve (261)			
40	Injuries and Damages Reserve (262)			
41	Pensions and Benefits Reserves (263)	5,226		
42	Miscellaneous Operating Reserves (265)			
43	Total Operating Reserves	\$ 5,226	\$ -	\$ -
CONTRIBUTIONS IN AID OF CONSTRUCTION				
44	Contributions In Aid of Construction (271)	8,762,709	8,794,493	8,118,047
45	Accumulated Amortization of C.I.A.C. (272)	3,284,792	3,103,917	2,894,327
46	Total Net C.I.A.C.	\$ 5,477,917	\$ 5,690,576	\$ 5,223,720
46	TOTAL EQUITY CAPITAL AND LIABILITIES	\$ 11,771,354	\$ 11,595,616	\$ 11,184,119

Hampstead Area Water Company

Rate Base

Line No.	Account Title (a)	December 2015 Balance (b)	January 2016 Balance (c)	February 2016 Balance (d)	March 2016 Balance (e)	April 2016 Balance (f)	May 2016 Balance (g)	June 2016 Balance (h)	July 2016 Balance (i)	August 2016 Balance (j)	September 2016 Balance (k)	October 2016 Balance (l)	November 2016 Balance (m)	December 2016 Balance (n)	Actual 13 Month Avg Bal (o)	2016 Proforma Adjustments (p)	2016 Proforma Balance (q)
1	Plant in Service	\$16,279,598	\$16,283,098	\$16,285,973	\$16,289,162	\$16,292,068	\$16,301,612	\$16,311,418	\$16,315,826	\$16,322,081	\$16,329,557	\$16,419,871	\$16,462,280	\$16,474,890	\$16,335,956	\$138,934	\$16,474,890
2	Less: Accumulated Depreciation	(5,662,313)	(5,703,313)	(5,744,212)	(5,784,851)	(5,825,007)	(5,857,326)	(5,894,182)	(5,932,540)	(5,971,946)	(6,008,521)	(6,011,543)	(6,050,928)	(6,083,178)	(5,886,912)	(209,882)	(6,096,794)
3	Net Utility Plant	10,617,285	10,579,785	10,541,761	10,504,311	10,467,061	10,444,286	10,417,236	10,383,286	10,350,135	10,321,036	10,408,328	10,411,352	\$10,391,712	\$10,449,044	(\$70,948)	\$10,378,096
4	Material and Supplies	22,767	36,946	35,520	50,998	48,110	53,698	53,364	50,393	47,250	52,703	39,763	44,156	43,721	44,568	(847)	43,721
5	Prepayments - Other	12,537	11,098	10,049	15,962	12,008	14,118	16,776	15,896	18,580	18,263	23,289	22,403	18,175	16,089	2,086	18,175
6	Prepaid Taxes	39,879	21,861	3,844				39,777	21,793	3,810			53,083	62,110	18,935	43,175	62,110
7	Miscellaneous Deferred Debits	41,399	41,173	40,947	40,720	40,494	40,268	40,042	39,815	39,589	39,363	39,137	38,910	38,684	40,042	41,891	81,933
8	Accumulated Deferred Income Taxes - Assets	15,883	15,755	15,668	15,560	15,452	15,344	15,237	15,129	15,021	14,913	14,806	14,698	14,590	15,235	(645)	14,590
9	Accumulated Deferred Income Taxes - Liabilities	(28,342)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(41,422)	(32,049)	(9,373)	(41,422)
10	Contribution in Aid of Construction	(8,794,493)	(8,794,493)	(8,794,393)	(8,794,032)	(8,793,537)	(8,785,256)	(8,782,027)	(8,779,861)	(8,778,542)	(8,774,667)	(8,764,865)	(8,763,450)	(8,762,709)	(8,781,717)	19,008	(8,762,709)
11	Accumulated Amortization of CIAC	3,103,917	3,121,167	3,138,317	3,155,205	3,171,961	3,181,805	3,196,701	3,212,650	3,229,466	3,243,716	3,252,046	3,263,756	3,284,792	3,196,578	\$88,214	3,284,792
12	Rate Base	\$5,030,832	\$5,001,758	\$4,960,179	\$4,957,190	\$4,930,015	\$4,932,729	\$4,965,572	\$4,927,577	\$4,893,775	\$4,883,793	\$4,980,970	\$5,053,374	\$5,049,653	\$4,966,724	\$112,562	5,079,286
13	Cash Working Capital *														138,413	7,652	146,065
14	Total Rate Base														\$5,105,137	\$120,213	\$5,225,351

*The actual 13 month average balance for cash working capital is the December 2016 balance.

Hampstead Area Water Company

Schedule 3A

Rate Base Adjustments

Plant in Service		
13	12/31/16 Plant in Service	\$ 16,474,890
	12/31/16 13 Month Average Plant in Service	<u>16,335,956</u>
	12/31/16 Plant in Service Proforma Adjustment	<u>\$ 138,934</u>
Accumulated Depreciation		
14	12/31/16 Accumulated Depreciation	\$ (6,083,178)
	12/31/16 13 Month Average Accumulated Depreciation	<u>(5,886,912)</u>
	12/31/16 Accumulated Depreciation Proforma Adjustment	<u>\$ (196,266)</u>
15	12/31/16 Accumulated Depreciation w/add'l half year depr	\$ (6,096,794)
	12/31/16 Accumulated Depreciation	<u>(6,083,178)</u>
	12/31/16 Accumulated Depreciation Proforma Adjustment	<u>\$ (13,616)</u>
	12/31/16 Total Accumulated Depreciation	<u>\$ (209,882)</u>
Material & Supplies		
16	12/31/16 Material & Supplies	\$ 43,721
	12/31/16 13 Month Average Material & Supplies	<u>44,568</u>
	12/31/16 Material & Supplies Proforma Adjustment	<u>\$ (847)</u>
Prepayments - Other		
17	12/31/16 Prepayments	\$ 18,175
	12/31/16 13 Month Average Prepayments	<u>16,089</u>
	12/31/16 Prepayments Proforma Adjustment	<u>\$ 2,086</u>
Prepaid Taxes		
18	12/31/16 Prepaid Taxes	\$ 62,110
	12/31/16 13 Month Average Prepaid Taxes	<u>18,935</u>
	12/31/16 Prepaid Proforma Adjustment	<u>\$ 43,175</u>
Miscellaneous Deferred Debits		
19	12/31/16 Misc Def Dr	\$ 38,684
	12/31/16 13 Month Average Misc Def Dr	<u>40,042</u>
	12/31/16 Misc Def Dr Proforma Adjustment	<u>\$ (1,358)</u>
20	12/31/16 Misc Def Dr w/Village Drive & Eastwood Place wells	\$ 81,933
	12/31/16 Misc Def Dr	<u>\$ 38,684</u>
	12/31/16 Misc Def Dr Proforma Adjustment	<u>\$ 43,249</u>
	Total Miscellaneous Deferred Debits	<u>\$ 41,891</u>
Accumulated Deferred Income Taxes - Assets		
21	12/31/16 ADIT - Assets	\$ 14,590
	12/31/16 13 Month ADIT - Assets	<u>15,235</u>
	12/31/16 ADIT Assets Adjustment	<u>\$ (645)</u>

Accumulated Deferred Income Taxes - Liabilities		
22	12/31/16 ADIT - Liabilities	\$ (41,422)
	12/31/16 13 Month ADIT - Liabilities	<u>(32,049)</u>
	12/31/16 ADIT Liabilities Adjustment	\$ (9,373)
Contribution in Aid of Construction ("CIAC")		
23	12/31/16 CIAC	\$ (8,762,709)
	12/31/16 13 Month Average CIAC	<u>(8,781,717)</u>
	12/31/16 CIAC Proforma Adjustment	\$ 19,008
Accumulated Amortization of CIAC		
24	12/31/16 Accumulated Amortization CIAC	\$ 3,284,792
	12/31/16 13 Month Average A/A of CIAC	<u>3,196,578</u>
	12/31/16 A/A of CIAC Proforma Adjustment	<u>\$ 88,214</u>
25	12/31/16 Accumulated Amortization w/add'l half year depr	\$ 3,284,792
	12/31/16 Accumulated Amortization CIAC	<u>3,284,792</u>
	12/31/16 Accumulated Amortization Proforma Adjustment	<u>\$ -</u>
	12/31/16 Total Accumulated Amortization of CIAC	\$ 88,214
Cash Working Capital		
26	12/31/16 Cash Working Capital	\$ 146,065
	12/31/16 Cash Working Capital	<u>138,413</u>
	12/31/16 Cash Working Proforma Adjustment	\$ 7,652
	Total Adjustments to Rate Base	\$ 120,213

Hampstead Area Water Company

Schedule 3B

Working Capital

	2016 Proforma <u>Amount</u>	2016 Actual <u>Amount</u>	2015 Actual <u>Amount</u>	2014 Actual <u>Amount</u>
Operating and Maintenance Expenses	\$1,184,630	\$1,122,571	\$1,054,823	\$909,308
Cash Working Capital Factor (45/365)	<u>0.1233</u>	<u>0.1233</u>	<u>0.1233</u>	<u>0.1233</u>
Working Capital	<u>\$146,065</u>	<u>\$138,413</u>	<u>\$130,060</u>	<u>\$112,118</u>

Rate of Return Information

Overall Rate of Return	Actual				Proforma		
	Component Ratio	Component Cost Rate	Wght Avg Cost Rate		Component Ratio	Component Cost Rate	Wght Avg Cost Rate
Equity Capital	32.22%	9.60%	3.09%		36.34%	11.60%	4.21%
Long Term Debt	67.78%	3.70%	2.51%		63.66%	3.46%	2.20%
Total Capital	100.00%		5.60%		100.00%		6.42%

Capital Structure		2016 Actual Amounts	2016 Actual Ratios		2016 Proforma Amounts	2016 Proforma Ratios
Common Stock		\$ 16,767	0.27%		\$ 16,767	0.25%
Other Paid in Capital		2,754,354	44.55%		3,154,354	47.92%
Retained Earnings		(779,242)	-12.60%		(779,242)	-11.84%
Total Equity		\$ 1,991,879	32.22%		\$ 2,391,879	36.34%
Long Term Debt		\$4,190,886	67.78%		\$4,190,886	63.66%
Total Capital		\$ 6,182,765	100.00%		\$ 6,582,765	100.00%

Capital Structure for 2016 - 2014		2016 Amounts		2015 Amounts		2014 Amounts
Common Stock		\$ 16,767		\$ 16,767		\$ 16,767
Other Paid in Capital		2,754,354		2,254,354		2,104,354
Retained Earnings		(779,242)		(814,242)		(902,483)
Total Equity		\$ 1,991,879		\$ 1,456,879		\$ 1,218,638
Long Term Debt		\$4,190,886		\$4,345,587		\$ 4,634,464
Total Capital		\$ 6,182,765		\$5,802,466		\$ 5,853,102

Capital Structure Ratios for 2016 - 2014		2016 Ratios		2015 Ratios		2014 Ratios
Common Stock		0.27%		0.29%		0.29%
Other Paid in Capital		44.55%		38.85%		35.95%
Retained Earnings		-12.60%		-14.03%		-15.42%
Total Equity		32.22%		25.11%		20.82%
Long Term Debt		67.78%		74.89%		79.18%
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 9.6% plus 2%.

**HAMPSTEAD AREA WATER COMPANY
ACTUAL LONG-TERM DEBT
12/31/2016**

Schedule 5A

Date of Note	Borrower	GL Acct. #	Lender	Original Note Amount	Note Term	Interest Rate	Current Interest Rate	Outstanding Balance 12/31/16	Outstanding Balance 12/31/15	Interest Expense 2016	Total Cost Rate
								0	0	0	
								0	0	0	
	Total Associated Companies			<u>0</u>				<u>0</u>	<u>0</u>	<u>0</u>	
	Amortize financing costs - associated companies									810	
	Total Associated Companies									<u>810</u>	
7/20/92	HAWC	232.01	Ruma Inc	73,679	26 yrs	9.50%	9.50%	8,996	14,946	1,071	11.90%
9/6/05	HAWC	232.06	NH DES	1,315,291	20 yrs	3.35%	3.35%	841,498	903,174	29,333	3.49%
10/22/13	HAWC	232.07	Torromeo Trucking	25,000	yrs	0.00%	0.00%	0	15,000	0	0.00%
3/31/06	HAWC	232.08	Aquarius Properties LLC	24,000	20 yrs	P+2.25%	5.50%	15,753	16,794	860	5.46%
12/7/12	HAWC	232.09	Huntington Bank	33,979	5 yrs	2.49%	2.49%	6,553	14,106	290	4.43%
9/12/11	HAWC	232.10	TD Bank	1,369,153	5 yrs	4.14%	4.14%	0	1,163,814	32,316	0.00%
6/24/09	HAWC	232.11	NH DES	1,058,347	20 yrs	2.86%	2.86%	826,966	872,657	24,396	2.95%
11/18/16	HAWC	232.12	Ford Motor Credit	38,174	5 yrs	4.89%	4.89%	37,046	0	309	0.83%
6/26/12	HAWC	232.13	Shribco Realty Two, LLC	12,000		0.00%	0.00%	3,000	3,000	0	0.00%
9/12/11	HAWC	232.15	TD Bank	1,200,000	5 yrs	4.140%	4.140%	0	1,020,030	28,833	0.00%
8/2/13	HAWC	232.16	NH DES	255,000	20 yrs	3.10%	3.10%	234,374	244,066	7,439	3.17%
6/9/15	HAWC	232.17	Trndezza LLC	44,000		0.00%	0.00%	44,000	44,000	0	0.00%
10/28/14	HAWC	232.18	Hillcrest Estates LLC	34,000		0.00%	0.00%	34,000	34,000	0	0.00%
	HAWC	232.19	Pentucket Bank	2,167,000	15 yrs	3.250%	3.250%	2,138,700	0	17,725	0.83%
	Total Non-related			<u>7,649,623</u>				<u>4,190,886</u>	<u>4,345,587</u>	142,571	3.40%
	Amortize financing costs - 3rd parties									11,516	
	Total 3rd Parties									<u>154,087</u>	
	Company Totals			<u>7,649,623</u>				<u>4,190,886</u>	<u>4,345,587</u>	<u>154,897</u>	<u>3.70%</u>
				<u>Acct #</u>							
				427.01			Interest on Debt to Assoc. Co.			0	

Hampstead Area Water Company

Calculation of Rates (including Step Increase)

Option 1 - No Increase in the Base Rates

Total Revenue Requirement	\$2,078,777
Less: Fire Protection Revenue	(41,336)
Less: Other Water Revenues	<u>(69,300)</u>
Total Revenue Requirement for General Customers	\$1,968,141

Revenue Requirement from Base Rate:

	# of meters	Existing Annual Amount	Total	
5/8	3,507	\$ 120	\$ 420,840	
3/4	-	240	-	
1	65	360	23,400	
1 1/2	2	720	1,440	
2	4	1,200	4,800	
Revenue Requirement from Base Rate			<u>450,480</u>	22.89%
Revenue Requirement from Consumption			\$1,517,661	77.11%
2016 Consumption per 100 cubic feet			<u>182,244</u>	
Consumption rate per 100 cubic feet			<u>8.33</u>	

Hampstead Area Water Company

Calculation of Rates

Option 2 - 17.16% Increase in the Base Rates

Total Revenue Requirement	\$2,078,777
Less: Fire Protection Revenue	(41,336)
Less: Other Water Revenues	<u>(69,300)</u>
Total Revenue Requirement for General Customers	\$1,968,141

Revenue Requirement from Base Rate:

	# of meters	Existing Annual Amount	Proposed Percent Increase	Proposed Annual Amount	Total	
5/8	3,507	120	17.16%	\$140.59	\$ 493,056	
3/4	-		17.16%	0.00	-	
1	65	360	17.16%	421.78	27,415	
1 1/2	2	720	17.16%	843.55	1,687	
2	4	1,200	17.16%	1,405.92	5,624	
Revenue Requirement from Base Rate					<u>527,782</u>	26.82%
Revenue Requirement from Consumption					\$1,440,359	73.18%
2016 Consumption per 100 cubic feet					<u>182,244</u>	
Consumption rate per 100 cubic feet					<u>7.90</u>	