

## Hampstead Area Water Company

### Computation of Revenue Deficiency for Temporary Rates

For the Test Year Ended December 31, 2016

|                                   | <u>Actual</u>   | <u>Proforma</u> |
|-----------------------------------|-----------------|-----------------|
| Rate Base (Schedule 3)            | \$5,105,137     | \$5,110,495     |
| Rate of Return (Schedule 4)       | <u>5.60%</u>    | <u>5.44%</u>    |
| Operating Income Required         | \$285,791       | \$ 277,937      |
| Net Operating Income (Schedule 1) | <u>189,897</u>  | <u>277,937</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 for Temporary Rates

| Line No.                                | Account Title (Number)<br>(a)   | Actual 2016<br>Year End Balance<br>(b) | Proforma<br>Adjustments<br>(c) | Proforma 2016<br>Year End Balance<br>(d) | Actual 2015<br>Year End Balance<br>(e) | Actual 2014<br>Year End Balance<br>(f) |
|---|---|--|--------------------------------|--|--|--|
| <b>UTILITY OPERATING INCOME</b>         |   |  |                                |  |  |  |
| 1                                       | Operating Revenues(400)   | \$ 1,790,467                           | \$131,780                      | \$ 1,922,247                             | \$ 1,843,983                           | \$ 1,761,629                           |
| 2                                       | Operating Expenses:   |  |                                |  |  |  |
| 3                                       | Operating and Maintenance Expense (401)                                 | 1,122,571                              | 43,447                         | 1,166,018                                | 1,054,823                              | 909,308                                |
| 4                                       | Depreciation Expense (403)  | 497,371                                | 0                              | 497,371                                  | 507,364                                | 492,879                                |
| 5                                       | Amortization of Contribution in Aid of<br>Construction (405)            | (212,659)                              | \$0                            | (212,659)                                | (220,643)                              | (200,919)                              |
| 6                                       | Amortization of Utility Plant Acquisition<br>Adjustment (406)           |  |                                |  |  |  |
| 7                                       | Amortization Expense-Other (407)  | 2,715                                  | -                              | 2,715                                    | 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                                 | 293                            | 14,474                                   | 11,485                                 | 9,708                                  |
| 10                                      | <b>Total Operating Expenses</b>   | <b>\$ 1,600,570</b>                    | <b>\$ 43,740</b>               | <b>\$ 1,644,310</b>                      | <b>\$ 1,571,018</b>                    | <b>\$ 1,441,280</b>                    |
| 11                                      | Net Operating Income (Loss)   | 189,897                                | 88,040                         | 277,937                                  | 272,965                                | 320,349                                |
| 12                                      | Income From Utility Plant Leased to<br>Others (413)                     |  |                                |  |  |  |
| 13                                      | Gains(Losses) From Disposition of<br>Utility Property (414)             |  |                                |  |  |  |
| 14                                      | <b>Net Water Utility Operating Income</b>                               | <b>\$ 189,897</b>                      | <b>\$ 88,040</b>               | <b>\$ 277,937</b>                        | <b>\$ 272,965</b>                      | <b>\$ 320,349</b>                      |
| <b>OTHER INCOME AND DEDUCTIONS</b>      |   |  |                                |  |  |  |
| 15                                      | Revenues From Merchandising, Jobbing and<br>Contract Work (415)         |  |                                |  |  |  |
| 16                                      | Costs and Expenses of Merchandising,<br>Jobbing and Contract Work (416) |  |                                |  |  |  |
| 17                                      | Equity in Earnings of Subsidiary<br>Companies (418)                     |  |                                |  |  |  |
| 18                                      | Interest and Dividend Income (419)                                      |  |                                | -  |  |  |
| 19                                      | Allow. for funds Used During<br>Construction (420)                      |  |                                |  |  |  |
| 20                                      | Nonutility Income (421)   |  |                                |  |  |  |
| 21                                      | Gains (Losses) Form Disposition<br>Nonutility Property (422)            |  |                                |  |  |  |
| 22                                      | Miscellaneous Nonutility Expenses (426)                                 | -                                      |                                |  |  |  |
| 23                                      | <b>Total Other Income and Deductions</b>                                | <b>\$ -</b>                            |                                | <b>\$ -</b>                              | <b>\$ -</b>                            | <b>\$ -</b>                            |
| <b>TAXES APPLICABLE TO OTHER INCOME</b> |   |  |                                |  |  |  |
| 24                                      | Taxes Other Than Income (408.2)   |  |                                |  |  |  |
| 25                                      | Income Taxes (409.2, 410.2, 411.2,<br>412.2, 412.3)                     |  |                                |  |  |  |
| 26                                      | <b>Total Taxes Applicable To Other Income</b>                           |  |                                |  |  |  |
| <b>INTEREST EXPENSE</b>                 |   |  |                                |  |  |  |
| 27                                      | Interest Expense (427)  | 142,571                                |                                | 142,571                                  | 169,637                                | 191,547                                |
| 28                                      | Amortization of Debt Discount &<br>Expense (428)                        | 12,326                                 |                                | 12,326                                   | 15,087                                 | 443                                    |
| 29                                      | Amortization of Premium on Debt (429)                                   |  |                                |  |  |  |
| 30                                      | <b>Total Interest Expense</b>   | <b>\$ 154,897</b>                      |                                | <b>\$ 154,897</b>                        | <b>\$ 184,724</b>                      | <b>\$ 191,990</b>                      |
| 31                                      | Income Before Extraordinary Items                                       | 35,000                                 | 88,040                         | 123,040                                  | 88,241                                 | 128,359                                |
| <b>EXTRAORDINARY ITEMS</b>              |   |  |                                |  |  |  |
| 32                                      | Extraordinary Income (433)  |  |                                |  |  |  |
| 33                                      | Extraordinary Deductions (434)  |  |                                |  |  |  |
| 34                                      | Income Taxes, Extraordinary Items (409.3)                               |  |                                |  |  |  |
| 35                                      | <b>Net Extraordinary Items</b>  |  |                                |  |  |  |
| <b>NET INCOME (LOSS)</b>                |   | <b>\$ 35,000</b>                       | <b>\$ 88,040</b>               | <b>\$ 123,040</b>                        | <b>\$ 88,241</b>                       | <b>\$ 128,359</b>                      |

**Hampstead Area Water Company**  
**Statement of Income - Proforma Adjustments for Temporary Rates**

Schedule 1A

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**Operating Revenues**

|   |   |                          |
|---|---|--------------------------|
| 1 | 2016 Test Year Proforma   | \$ 1,922,247             |
|   | 2016 Test Year Actual Operating Revenues  | <u>1,790,467</u>         |
|   | Proforma Adjustment   | <u>\$ 131,780</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   | <b><u>\$ 131,780</u></b> |

**Operating and Maintenance Expenses**

|   |   |                    |
|---|---|--------------------|
| 2 | <u>Wages</u>  |                    |
|   | 2016 Test Year Proforma   | \$ 305,843         |
|   | 2016 Test Year Actual   | <u>256,670</u>     |
|   | Proforma Adjustment   | <u>\$ 49,173</u>   |
|   | To adjust test year wages for on-going annual wages plus 3% increase                      |                    |
| 3 | <u>Payroll Taxes</u>  |                    |
|   | 2016 Test Year Proforma   | \$ 3,320           |
|   | 2016 Test Year Actual   | <u>-</u>           |
|   | Proforma Adjustment   | <u>\$ 3,320</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   | \$ 145,861         |
|   | 2016 Test Year Actual   | <u>145,861</u>     |
|   | Proforma Adjustment   | <u>\$ -</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   | \$0                    |
|    | 2016 Test Year Actual   | <u>0</u>               |
|    | Proforma Adjustment   | \$0                    |
|    | To adjust test year expenses for costs associated with 2017 PUC audit of test year expenses (\$3,000 / 3 years) |                        |
|    | <b>Total Proforma Adjustments to Operating and Maintenance Expenses</b>   | <b><u>\$43,447</u></b> |
| 8  | <b>Depreciation Expenses</b>  |                        |
|    | 2016 Test Year Proforma   | \$ 497,371             |
|    | 2016 Test Year Actual   | <u>497,371</u>         |
|    | Proforma Adjustment   | \$ -                   |
|    | To adjust test year expenses for the additional half year depreciation on the 2016 addition to plant            |                        |
| 9  | <b>Amortization of CIAC</b>   |                        |
|    | 2016 Test Year Proforma   | \$ (212,659)           |
|    | 2016 Test Year Actual   | <u>(212,659)</u>       |
|    | Proforma Adjustment   | \$ -                   |
|    | To adjust test year expenses for the additional half year amortization on the 2016 CIAC                         |                        |
| 10 | <b>Amortization Expense - Other</b>   |                        |
|    | 2016 Test Year Proforma   | \$ 2,715               |
|    | 2016 Test Year Actual   | <u>2,715</u>           |
|    | Proforma Adjustment   | \$ -                   |
|    | To adjust test year expenses for amortization of Village Drive and Eastwod Place wells                          |                        |
| 11 | <b>Taxes other than Income</b>  |                        |
|    | 2016 Test Year Proforma   | \$ 176,391             |
|    | 2016 Test Year Actual   | <u>176,391</u>         |
|    | Proforma Adjustment   | \$ -                   |
|    | To adjust test year expenses for state and local property taxes   |                        |
| 12 | <b>Income Taxes</b>   |                        |
|    | 2016 Test Year Proforma   | \$ 14,474              |
|    | 2016 Test Year Actual   | <u>14,181</u>          |
|    | Proforma Adjustment   | \$ <b>293</b>          |
|    | To adjust test year expenses for state business taxes   |                        |
|    | <b>Total Proforma Adjustment to Operating Expenses</b>  | <b><u>\$43,740</u></b> |

## Balance Sheet - Assets and Other Debits

| Line No.                              | Account Title (Number)<br>(a)                  | Actual 2016<br>Year End<br>Balance<br>(b) | Actual 2015<br>Year End<br>Balance<br>(c) | Actual 2014<br>Year End<br>Balance<br>(d) |
|---------------------------------------|--|---|---|---|
| <b>UTILITY PLANT</b>                  |  |   |   |   |
| 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                             |
| <b>OTHER PROPERTY AND INVESTMENTS</b> |  |   |   |   |
| 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             | \$ -                                      | \$ -                                      | \$ -                                      |
| <b>CURRENT AND ACCRUED ASSETS</b>     |  |   |   |   |
| 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                                |
| <b>DEFERRED DEBITS</b>                |  |   |   |   |
| 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                                |
| <b>TOTAL ASSETS AND OTHER DEBITS</b>  |  |   |   |   |
|                                       |  | \$ 11,771,354                             | \$ 11,595,616                             | \$ 11,184,119                             |

## Balance Sheet - Equity Capital and Liabilities

| Line No.                                    | Account Title (Number)<br>(a)                        | Actual 2016<br>Year End<br>Balance<br>(b) | Actual 2015<br>Year End<br>Balance<br>(c) | Actual 2014<br>Year End<br>Balance<br>(d) |
|---|--|---|---|---|
| <b>EQUITY CAPITAL</b>                       |  |   |   |   |
| 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                              |
| <b>LONG TERM DEBT</b>                       |  |   |   |   |
| 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                              |
| <b>CURRENT AND ACCRUED LIABILITIES</b>      |  |   |   |   |
| 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                                 |
| <b>DEFERRED CREDITS</b>                     |  |   |   |   |
| 30  | Unamortized Premium on Debt (251)                    |   |   |   |
| 31  | Advances for Construction (252)                      |   |   |   |
| 32  | Other Deferred Credits (253)                         |   |   |   |
| 33  | Accumulated Deferred Investment<br>Tax Credits (255) |   |   |   |
| 34  | <b>Accumulated Deferred Income Taxes:</b>            |   |   |   |
| 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                                 |
| <b>OPERATING RESERVES</b>                   |  |   |   |   |
| 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                                  | \$ -                                      | \$ -                                      |
| <b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b> |  |   |   |   |
| 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  | <b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>          | \$ 11,771,354                             | \$ 11,595,616                             | \$ 11,184,119                             |

Hampstead Area Water Company  
Rate Base for Temporary Rates

Schedule 3

| 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                | \$0                           | \$16,335,956              |
| 2        | Loss: 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)                 | 0                             | (5,886,912)               |
| 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                | (\$0)                         | \$10,449,044              |
| 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                      | (0)                           | 44,568                    |
| 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                      | 0                             | 16,089                    |
| 6        | Prepaid Taxes                                   | 39,879                    | 21,861                   | 3,844                     |                        |                        |                      | 39,777                | 21,793                | 3,810                   |                            |                          | 53,083                    | 62,110                    | 18,935                      | (0)                           | 18,935                    |
| 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                      | 0                             | 40,042                    |
| 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                      | (0)                           | 15,235                    |
| 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)                    | 0                             | (32,049)                  |
| 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)                 | 0                             | (8,781,717)               |
| 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             | 3,212,660             | 3,229,466               | 3,243,716                  | 3,252,046                | 3,263,756                 | 3,284,792                 | 3,196,578                   | \$0                           | 3,196,578                 |
| 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                | \$4,890,970              | \$5,053,374               | \$5,049,653               | \$4,966,724                 | \$1                           | 4,966,725                 |
| 13       | Cash Working Capital *                          |                           |                          |                           |                        |                        |                      |                       |                       |                         |                            |                          |                           |                           | 138,413                     | 5,357                         | 143,770                   |
| 14       | Total Rate Base                                 |                           |                          |                           |                        |                        |                      |                       |                       |                         |                            |                          |                           |                           | \$5,105,137                 | \$5,358                       | \$5,110,495               |

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

**Hampstead Area Water Company**

Schedule 3A

**Rate Base Adjustments for Temporary Rates**

|   |   |                    |
|---|---|--------------------|
| <b>Plant in Service</b>                           |   |                    |
| 13  | 12/31/16 Plant in Service                                   | \$ 16,335,956      |
|   | 12/31/16 13 Month Average Plant in Service                  | <u>16,335,956</u>  |
|   | 12/31/16 Plant in Service Proforma Adjustment               | <u>\$ (0)</u>      |
| <b>Accumulated Depreciation</b>                   |   |                    |
| 14  | 12/31/16 Accumulated Depreciation                           | \$ (5,886,912)     |
|   | 12/31/16 13 Month Average Accumulated Depreciation          | <u>(5,886,912)</u> |
|   | 12/31/16 Accumulated Depreciation Proforma Adjustment       | <u>\$ 0</u>        |
| 15  | 12/31/16 Accumulated Depreciation w/add'l half year depr    | \$ (5,886,912)     |
|   | 12/31/16 Accumulated Depreciation                           | <u>(5,886,912)</u> |
|   | 12/31/16 Accumulated Depreciation Proforma Adjustment       | <u>\$ -</u>        |
|   | 12/31/16 Total Accumulated Depreciation                     | <u>\$ 0</u>        |
| <b>Material &amp; Supplies</b>                    |   |                    |
| 16  | 12/31/16 Material & Supplies                                | \$ 44,568          |
|   | 12/31/16 13 Month Average Material & Supplies               | <u>44,568</u>      |
|   | 12/31/16 Material & Supplies Proforma Adjustment            | <u>\$ (0)</u>      |
| <b>Prepayments - Other</b>                        |   |                    |
| 17  | 12/31/16 Prepayments  | \$ 16,089          |
|   | 12/31/16 13 Month Average Prepayments                       | <u>16,089</u>      |
|   | 12/31/16 Prepayments Proforma Adjustment                    | <u>\$ 0</u>        |
| <b>Prepaid Taxes</b>                              |   |                    |
| 18  | 12/31/16 Prepaid Taxes                                      | \$ 18,935          |
|   | 12/31/16 13 Month Average Prepaid Taxes                     | <u>18,935</u>      |
|   | 12/31/16 Prepaid Proforma Adjustment                        | <u>\$ (0)</u>      |
| <b>Miscellaneous Deferred Debits</b>              |   |                    |
| 19  | 12/31/16 Misc Def Dr  | \$ 40,042          |
|   | 12/31/16 13 Month Average Misc Def Dr                       | <u>40,042</u>      |
|   | 12/31/16 Misc Def Dr Proforma Adjustment                    | <u>\$ 0</u>        |
| 20  | 12/31/16 Misc Def Dr w/Village Drive & Eastwood Place wells | \$ 40,042          |
|   | 12/31/16 Misc Def Dr  | <u>40,042</u>      |
|   | 12/31/16 Misc Def Dr Proforma Adjustment                    | <u>\$ -</u>        |
|   | Total Miscellaneous Deferred Debits                         | <u>\$ 0</u>        |
| <b>Accumulated Deferred Income Taxes - Assets</b> |   |                    |
| 21  | 12/31/16 ADIT - Assets                                      | \$ 15,235          |
|   | 12/31/16 13 Month ADIT - Assets                             | <u>15,235</u>      |
|   | 12/31/16 ADIT Assets Adjustment                             | <u>\$ (0)</u>      |

|  |  |                    |
|--|--|--------------------|
| <b>Accumulated Deferred Income Taxes - Liabilities</b> |  |                    |
| 22   | 12/31/16 ADIT - Liabilities                              | \$ (32,049)        |
|  | 12/31/16 13 Month ADIT - Liabilities                     | <u>(32,049)</u>    |
|  | 12/31/16 ADIT Liabilities Adjustment                     | <u>\$ 0</u>        |
| <b>Contribution in Aid of Construction ("CIAC")</b>    |  |                    |
| 23   | 12/31/16 CIAC  | \$ (8,781,717)     |
|  | 12/31/16 13 Month Average CIAC                           | <u>(8,781,717)</u> |
|  | 12/31/16 CIAC Proforma Adjustment                        | <u>\$ 0</u>        |
| <b>Accumulated Amortization of CIAC</b>                |  |                    |
| 24   | 12/31/16 Accumulated Amortization CIAC                   | \$ 3,196,578       |
|  | 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>\$ 0</u>        |
| 25   | 12/31/16 Accumulated Amortization w/add'l half year depr | \$ 3,196,578       |
|  | 12/31/16 Accumulated Amortization CIAC                   | <u>3,196,578</u>   |
|  | 12/31/16 Accumulated Amortization Proforma Adjustment    | <u>\$ -</u>        |
|  | 12/31/16 Total Accumulated Amortization of CIAC          | <u>\$ 0</u>        |
| <b>Cash Working Capital</b>                            |  |                    |
| 26   | 12/31/16 Cash Working Capital                            | \$ 143,770         |
|  | 12/31/16 Cash Working Capital                            | <u>138,413</u>     |
|  | 12/31/16 Cash Working Proforma Adjustment                | <u>\$ 5,357</u>    |
|  | Total Adjustments to Rate Base                           | <u>\$ 5,358</u>    |

**Hampstead Area Water Company****Schedule 3B****Working Capital for Temporary Rates**

|                                      | 2016<br>Proforma<br><u>Amount</u> | 2016<br>Actual<br><u>Amount</u> | 2015<br>Actual<br><u>Amount</u> | 2014<br>Actual<br><u>Amount</u> |
|--------------------------------------|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Operating and Maintenance Expenses   | \$1,166,018                       | \$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>\$143,770</u>                  | <u>\$138,413</u>                | <u>\$130,060</u>                | <u>\$112,118</u>                |

Rate of Return Information for Temporary Rates

| 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%              |  | 32.22%          | 9.60%               | 3.09%              |
| Long Term Debt         | 67.78%          | 3.70%               | 2.51%              |  | 67.78%          | 3.46%               | 2.35%              |
| Total Capital          | 100.00%         |                     | 5.60%              |  | 100.00%         |                     | 5.44%              |

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

**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>             | <u>142,571</u>        | <u>3.40%</u>        |
|              | Amortize financing costs - 3rd parties          |            |                         |                         |                                |               |                       |                              |                              | 11,516                |                     |
|              | Total 3rd Parties                               |            |                         |                         |                                |               |                       |                              |                              | <u>154,087</u>        |                     |
|              | <b>Company Totals</b>                           |            |                         | <u><b>7,649,623</b></u> |                                |               |                       | <u><b>4,190,886</b></u>      | <u><b>4,345,587</b></u>      | <u><b>154,897</b></u> | <u><b>3.70%</b></u> |
|              |   | Acct #     |                         | 427.01                  | Interest on Debt to Assoc. Co. |               |                       |                              |                              | 0                     |                     |

