

Lakes Region Water Company
SPS 1-1
Financing and Step Increase for ARRA Projects
Balance Sheet
Assets and Other Debits

| Line No. (a) | Account Title (Number) (b) | 2008 Year End Balance (c) | Adjustments (d) | 2008 Proformed Year End Balance (e) |
|-----------------|--|------------------------------------|--------------------|--|
| | UTILITY PLANT | | | |
| 1 | Utility Plant (101-106) | \$ 4,217,427 | \$ 1,398,279 | \$ 5,615,706 |
| 2 | Less: Accumulated Depr. and Amort. (108-110) | \$ 1,090,576 | \$ (82,553) | 1,008,023 |
| 3 | Net Plant | \$ 3,126,851 | \$ 1,480,832 | \$ 4,607,683 |
| 4 | Utility Plant Acquisition Adj. (Net) (114-115) | (117,266) | 1,738 | (119,004) |
| 5 | Total Net Utility Plant | \$ 3,009,585 | \$ 1,479,094 | \$ 4,488,679 |
| | 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) | 657 | (6,350) | (5,693) |
| 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) | 83,810 | | 83,810 |
| 22 | Accounts Receivable from Assoc. Co. (145) | 46,333 | | 46,333 |
| 23 | Notes Receivable from Assoc. Co. (146) | | | |
| 24 | Materials and Supplies (151-153) | 66,354 | | 66,354 |
| 25 | Stores Expense (161) | | | |
| 26 | Prepayments-Other (162) | 38,120 | | 38,120 |
| 27 | Prepaid Taxes (163) | 5,463 | | 5,463 |
| 28 | Interest and Dividends Receivable (171) | | | |
| 29 | Rents Receivable (172) | | | |
| 30 | Accrued Utility Revenues (173) | | | |
| 31 | Misc. Current and Accrued Assets (174) | | | |
| 32 | Total Current and Accrued Assets | \$ 240,737 | \$ (6,350) | \$ 234,387 |
| | DEFERRED DEBITS | | | |
| 32 | Unamortized Debt Discount & Expense (181) | 28,765 | 2,375 | 31,140 |
| 33 | Extraordinary Property Losses (182) | | | |
| 34 | Prelim. Survey & Investigation Charges (183) | | | |
| 35 | Clearing Accounts (184) | | | |
| 36 | Temporary Facilities (185) | | | |
| 37 | Miscellaneous Deferred Debits (186) | 18,361 | | 18,361 |
| 38 | Research & Development Expenditures (187) | | | |
| 39 | Accumulated Deferred Income Taxes (190) | | | |
| 40 | Total Deferred Debits | \$ 47,126 | \$ 2,375 | \$ 49,501 |
| | TOTAL ASSETS AND OTHER DEBITS | \$ 3,297,448 | \$ 1,475,119 | \$ 4,772,567 |

Financing and Step Increase for ARRA Projects

Balance Sheet

Equity Capital and Liabilities

| Line No. (a) | Account Title (Number) (b) | 2008 Year End Balance (c) | Adjustments (d) | 2008 Proformed Year End Balance (e) |
|---|--|---------------------------------|--------------------|---|
| EQUITY CAPITAL | | | | |
| 1 | Common Stock Issued (201) | \$ 10,000 | | \$ 10,000 |
| 2 | Preferred Stock Issued (204) | | | |
| 3 | Capital Stock Subscribed (202,205) | | | |
| 4 | Stock Liability for Conversion (203, 206) | | | |
| 5 | Premium on Capital Stock (207) | 942,080 | | 942,080 |
| 6 | Installments Received On Capital Stock (208) | | | |
| 7 | Other Paid-In Capital (209,211) | | | - |
| 8 | Discount on Capital Stock (212) | | | |
| 9 | Capital Stock Expense(213) | | | |
| 10 | Retained Earnings (214-215) | 183,466 | 11,714 | 195,180 |
| 11 | Reacquired Capital Stock (216) | | | |
| 12 | Total Equity Capital | \$ 1,135,546 | \$ 11,714 | \$ 1,147,260 |
| LONG TERM DEBT | | | | |
| 13 | Bonds (221) | 834,663 | | 834,663 |
| 14 | Reacquired Bonds (222) | | | |
| 15 | Advances from Associated Companies (223) | | | |
| 16 | Other Long-Term Debt (224) | 228,288 | 724,310 | 952,598 |
| 17 | Total Long-Term Debt | \$ 1,062,951 | \$ 724,310 | \$ 1,787,261 |
| CURRENT AND ACCRUED LIABILITIES | | | | |
| 18 | Accounts Payable (231) | 272,911 | | 272,911 |
| 19 | Notes Payable (232) | | | - |
| 20 | Accounts Payable to Associated Co. (233) | | | |
| 21 | Notes Payable to Associated Co. (234) | | | |
| 22 | Customer Deposits (235) | 362 | | 362 |
| 23 | Accrued Taxes (236) | (4,522) | | (4,522) |
| 24 | Accrued Interest (237) | 25,121 | | 25,121 |
| 25 | Accrued Dividends (238) | | | |
| 26 | Matured Long-Term Debt (239) | | | |
| 27 | Matured Interest (240) | | | |
| 28 | Misc. Current and Accrued Liabilities (241) | | | - |
| 29 | Total Current and Accrued Liabilities | \$ 293,872 | \$ - | \$ 293,872 |
| 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) | 105,511 | | 105,511 |
| 37 | Other (283) | | | |
| 38 | Total Deferred Credits | \$ 105,511 | \$ - | \$ 105,511 |
| OPERATING RESERVES | | | | |
| 39 | Property Insurance Reserve (261) | | | |
| 40 | Injuries and Damages Reserve (262) | | | |
| 41 | Pensions and Benefits Reserves (263) | | | |
| 42 | Miscellaneous Operating Reserves (265) | | | |
| 43 | Total Operating Reserves | | | |
| CONTRIBUTIONS IN AID OF CONSTRUCTION | | | | |
| 44 | Contributions In Aid of Construction (271) | 844,099 | 750,000 | 1,594,099 |
| 45 | Accumulated Amortization of C.I.A.C. (272) | (144,531) | (10,905) | (155,436) |
| 46 | Total Net C.I.A.C. | \$ 699,568 | \$ 739,095 | \$ 1,438,663 |
| 46 | TOTAL EQUITY CAPITAL AND LIABILITIES | \$ 3,297,448 | \$ 1,475,119 | \$ 4,772,567 |

Financing and Step Increase for ARRA Projects

Statement of Income

| Line No. (a) | Account Title (Number) (b) | 2008 Year End Balance (c) | Adjustments (d) | 2008 Proformed Year End Balance (e) |
|-----------------|---|---------------------------------|--------------------|---|
| | UTILITY OPERATING INCOME | | | |
| 1 | Operating Revenues(400) | \$ 814,126 | \$ 70,430 | \$ 884,556 |
| 2 | Operating Expenses: | | | |
| 3 | Operating and Maintenance Expense (401) | 733,573 | 2,500 | 736,073 |
| 4 | Depreciation Expense (403) | 118,824 | 19,168 | 137,992 |
| 5 | Amortization of Contribution in Aid of Construction (405) | (10,500) | (10,905) | (21,405) |
| 6 | Amortization of Utility Plant Acquisition Adjustment (406) | (3,693) | 1,738 | (5,431) |
| 7 | Amortization Expense-Other (407) | | | |
| 8 | Taxes Other Than Income (408.1-408.13) | 36,415 | 15,844 | 52,259 |
| 9 | Income Taxes (409.1, 410.1, 411.1, 412.1) | 2,017 | 2,603 | 4,620 |
| 10 | Total Operating Expenses | \$ 876,636 | \$ 30,949 | \$ 907,585 |
| 11 | Net Operating Income (Loss) | (62,510) | 39,481 | (23,029) |
| 12 | Income From Utility Plant Leased to Others (413) | | | |
| 13 | Gains(Losses) From Disposition of Utility Property (414) | 8,691 | | 8,691 |
| 14 | Net Water Utility Operating Income | \$ (53,819) | \$ 39,481 | \$ (14,338) |
| | 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) | 3,422 | | 3,422 |
| 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 | \$ 3,422 | \$ - | \$ 3,422 |
| | 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) | 78,396 | 27,642 | 106,038 |
| 28 | Amortization of Debt Discount & Expense (428) | 1,296 | 125 | 1,421 |
| 29 | Amortization of Premium on Debt (429) | | | |
| 30 | Total Interest Expense | \$ 79,692 | \$ 27,767 | \$ 107,459 |
| 31 | Income Before Extraordinary Items | (130,089) | 11,714 | (118,375) |
| | EXTRAORDINARY ITEMS | | | |
| 32 | Extraordinary Income (433) | | | |
| 33 | Extraordinary Deductions (434) | | | |
| 34 | Income Taxes, Extraordinary Items (409.3) | | | |
| 35 | Net Extraordinary Items | | | |
| | NET INCOME (LOSS) | \$ (130,089) | \$ 11,714 | \$ (118,375) |

Financing and Step Increase for ARRA Projects

Capital Structure

| Line No. | Account Title (Number) | 12/31/2004 | Proformed 12/31/2004 in DW 05-137 | 12/31/2005 | 12/31/2006 | 12/31/2007 | 12/31/2008 | Proformed 12/31/2008 |
|-----------------------|--|--------------|-----------------------------------|--------------|--------------|--------------|--------------|----------------------|
| EQUITY CAPITAL | | | | | | | | |
| 1 | Common Stock Issued (201) | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ 10,000 |
| 2 | Preferred Stock Issued (204) | | | | | | | |
| 3 | Capital Stock Subscribed (202,205) | | | | | | | |
| 4 | Stock Liability for Conversion (203, 206) | | | | | | | |
| 5 | Premium on Capital Stock (207) | 217,650 | 217,650 | 217,650 | 217,650 | 217,650 | 942,080 | 942,080 |
| 6 | Installments Received On Capital Stock (208) | | | | | | | |
| 7 | Other Paid-In Capital (209,211) | | | | | | | |
| 8 | Discount on Capital Stock (212) | | | | | | | |
| 9 | Capital Stock Expense(213) | | | | | | | |
| 10 | Retained Earnings (214-215) | 339,871 | 339,871 | 281,512 | 303,456 | 313,555 | 183,466 | 195,180 |
| 11 | Reacquired Capital Stock (216) | | | | | | | |
| 12 | Total Equity Capital | \$ 567,521 | \$ 567,521 | \$ 509,162 | \$ 531,106 | \$ 541,205 | \$ 1,135,546 | \$ 1,147,260 |
| LONG TERM DEBT | | | | | | | | |
| 13 | Bonds (221) | 792,397 | 739,001 | 975,681 | 932,245 | 885,099 | 834,663 | 834,663 |
| 14 | Reacquired Bonds (222) | | | | | | | |
| 15 | Advances from Associated Companies (223) | | | | | | | |
| 16 | Other Long-Term Debt (224) | 95,712 | 121,631 | 127,613 | 194,013 | 442,100 | 228,288 | 952,598 |
| 17 | Total Long-Term Debt | \$ 888,109 | \$ 860,632 | \$ 1,103,294 | \$ 1,126,258 | \$ 1,327,199 | \$ 1,062,951 | \$ 1,787,261 |
| | Total Capitalization | \$ 1,455,630 | \$ 1,428,153 | \$ 1,612,456 | \$ 1,657,364 | \$ 1,868,404 | \$ 2,198,497 | \$ 2,934,521 |

Capitalization Ratios

| Line No. | Account Title (Number) (a) | 12/31/2004 | Proformed 12/31/2004 in DW 05-137 | 12/31/2005 | 12/31/2006 | 12/31/2007 | 12/31/2008 | Proformed 12/31/2008 |
|-----------------------|--|------------|-----------------------------------|------------|------------|------------|------------|----------------------|
| EQUITY CAPITAL | | | | | | | | |
| 1 | Common Stock Issued (201) | 0.69% | 0.70% | 0.62% | 0.60% | 0.54% | 0.45% | 0.34% |
| 2 | Preferred Stock Issued (204) | | | | | | | |
| 3 | Capital Stock Subscribed (202,205) | | | | | | | |
| 4 | Stock Liability for Conversion (203, 206) | | | | | | | |
| 5 | Premium on Capital Stock (207) | 14.95% | 15.24% | 13.50% | 13.13% | 11.65% | 42.85% | 32.10% |
| 6 | Installments Received On Capital Stock (208) | | | | | | | |
| 7 | Other Paid-In Capital (209,211) | | | | | | | |
| 8 | Discount on Capital Stock (212) | | | | | | | |
| 9 | Capital Stock Expense(213) | | | | | | | |
| 10 | Retained Earnings (214-215) | 23.35% | 23.80% | 17.46% | 18.31% | 16.78% | 8.35% | 6.65% |
| 11 | Reacquired Capital Stock (216) | | | | | | | |
| 12 | Total Equity Capital | 38.99% | 39.74% | 31.58% | 32.05% | 28.97% | 51.65% | 39.10% |
| LONG TERM DEBT | | | | | | | | |
| 13 | Bonds (221) | 54.44% | 51.75% | 60.51% | 56.25% | 47.37% | 37.97% | 28.44% |
| 14 | Reacquired Bonds (222) | | | | | | | |
| 15 | Advances from Associated Companies (223) | | | | | | | |
| 16 | Other Long-Term Debt (224) | 6.58% | 8.52% | 7.91% | 11.71% | 23.66% | 10.38% | 32.46% |
| 17 | Total Long-Term Debt | 61.01% | 60.26% | 68.42% | 67.95% | 71.03% | 48.35% | 60.90% |
| | Total Capitalization | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Financing and Step Increase for ARRA Projects

| Journal Entries | | | | Impact on NI |
|-----------------|--|-----------|-----------|-----------------|
| JE#1 | Dr. Miscellaneous Deferred Debits | 5,000 | | |
| | Cr. Cash | | 5,000 | |
| | To record costs associated with financing and step increase (See SPS 11) | | | |
| JE#2 | Dr. Cash | 1,500,000 | | |
| | Cr. Other Long Term Debt | | 750,000 | |
| | Cr. Contribution in Aid of Construction | | 750,000 | |
| | To record receipt of cash and additional long term debt (See SPS 10) | | | |
| JE#3 | Dr. Accumulated Depreciation | 2,642 | | |
| | Cr. Depreciation Expense | | 2,642 | 2,642 |
| | Dr. Accumulated Depreciation | 101,721 | | |
| | Cr. Plant | | 101,721 | |
| | To reverse 2008 depreciation on retired plant and record retirement of such plant | | | |
| JE#4 | Dr. Amortization of Utility Plant Acquisition Adjustments | 1,738 | | (1,738) |
| | Cr. Accumulated Amortization of Util Plant Acq Adj | | 1,738 | |
| | Dr. Utility Plant Acquisition Adjustment | 69,127 | | |
| | Cr. Accumulated Amortization of Util Plant Acq Adj | | 69,127 | |
| | To reverse 2008 amortization on retired util plant acq adj and record related retirement | | | |
| JE#5 | Dr. Plant | 1,500,000 | | |
| | Cr. Cash | | 1,500,000 | |
| | To record additional investment in plant (See SPS 6) | | | |
| JE#6 | Dr. Depreciation Expense | 21,810 | | (21,810) |
| | Cr. Accumulated Depreciation | | 21,810 | |
| | To record annual depreciation expense (See SPS 6) | | | |
| JE#7 | Dr. Accumulated Amortization of CIAC | 10,905 | | |
| | Cr. Amortization Expense | | 10,905 | 10,905 |
| | To record annual amortization expense (See SPS 7) | | | |
| JE#8 | Dr. Operating Expenses | | | 0 |
| | Cr. Cash | | | |
| | To record increase in operating expenses | | | |
| JE#9 | Dr. Regulatory Commission expenses | 2,500 | | (2,500) |
| | Cr. Miscellaneous Deferred Debits | | 2,500 | |
| | To record regulatory expenses associated with step increase | | | |
| JE#10 | Dr. Taxes other than Income - State | 4,878 | | (4,878) |
| | Dr. Taxes other than Income - Local | 10,966 | | (10,966) |
| | Dr. State Business Enterprise Taxes | 996 | | (996) |
| | Dr. Federal Income Taxes | 1,608 | | (1,608) |
| | Cr. Cash | | 18,448 | |
| | To record increase in property taxes and business enterprise taxes (See SPS 8 & 9) | | | |
| JE#11 | Dr. Other Long Debt | 25,690 | | |
| | Dr. Interest Expense | 27,642 | | (27,642) |
| | Cr. Cash | | 53,332 | |
| | To record repayment of principal and interest | | | |
| JE#12 | Dr. Amortization of Debt Expense | 125 | | (125) |
| | Cr. Miscellaneous Deferred Debt | | 125 | |
| | To record amortization of debt expense | | | |
| JE#13 | Dr. Cash | 70,430 | | |
| | Cr. Revenue | | 67,930 | 67,930 |
| | Cr. Revenue - Surcharge | | 2,500 | 2,500 |
| | To record receipt of revenue (See SPS 5) | | | |
| | Total Impact on Net Income | | | 11,714 |

Financing and Step Increase for ARRA Projects

Preliminary Calculation of Revenue Requirement

| | Tamworth Projected <u>Costs</u> | Gunstock BrakeHill Projected <u>Costs</u> | Woodland Grove Projected <u>Costs</u> | Echo Lake Woods Projected <u>Costs</u> | 175 Estate Projected <u>Costs</u> | Total Projected <u>Costs</u> |
|--|---------------------------------------|--|--|---|--|------------------------------------|
| Plant Additions/Retirements: | | | | | | |
| Plant Additions | | | | | | |
| Structures and Improvements | | | 20,000 | | | 20,000 |
| Pumping Equipment | | | 95,000 | | | 95,000 |
| Water Treatment Equipment | 46,000 | | | | | 46,000 |
| Tank | | | 30,000 | | | 30,000 |
| Mains | | 750,000 | | 161,000 | 345,000 | 1,256,000 |
| Meters | <u>32,000</u> | | | | <u>21,000</u> | <u>53,000</u> |
| Total | \$78,000 | \$750,000 | \$145,000 | \$161,000 | \$366,000 | \$1,500,000 |
| Plant Retirements | <u>0</u> | <u>39,677</u> | <u>28,927</u> | <u>42,117</u> | <u>0</u> | <u>110,721</u> |
| Net Additions/Retirements | \$78,000 | \$710,323 | \$116,073 | \$118,883 | \$366,000 | \$1,389,279 |
| Add: Accum Depr on Retired Plant | 0 | 39,677 | 28,927 | 42,117 | 0 | 110,721 |
| Less: Accum Depr on New Plant | <u>3,100</u> | <u>7,500</u> | <u>5,625</u> | <u>1,610</u> | <u>3,975</u> | <u>21,810</u> |
| Net Plant | <u>\$74,900</u> | <u>\$742,500</u> | <u>\$139,375</u> | <u>\$159,390</u> | <u>\$362,025</u> | <u>\$1,478,190</u> |
| Contribution in Aid of Construction | | | | | | |
| Structures and Improvements | | | \$10,000 | | | \$10,000 |
| Pumping Equipment | | | 47,500 | | | 47,500 |
| Water Treatment Equipment | 23,000 | | | | | 23,000 |
| Tank | | | 15,000 | | | 15,000 |
| Mains | | 375,000 | | 80,500 | 172,500 | 628,000 |
| Meters | <u>16,000</u> | | | | <u>10,500</u> | <u>26,500</u> |
| Total | \$39,000 | \$375,000 | \$72,500 | \$80,500 | \$183,000 | \$750,000 |
| Less: Accumulated Amortization of CIAC | 1,550 | 3,750 | 2,813 | 805 | 1,988 | <u>10,905</u> |
| Net Contribution in Aid of Construction | <u>37,450</u> | <u>371,250</u> | <u>69,688</u> | <u>79,695</u> | <u>181,013</u> | <u>739,095</u> |
| Plus: Working Capital | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Additional Rate Base | \$37,450 | \$371,250 | \$69,688 | \$79,695 | \$181,013 | \$739,095 |
| Rate of Return | <u>3.74%</u> | <u>3.74%</u> | <u>3.74%</u> | <u>3.74%</u> | <u>3.74%</u> | <u>3.74%</u> |
| Additional Net Operating Income Required | <u>\$1,402</u> | <u>\$13,900</u> | <u>\$2,609</u> | <u>\$2,984</u> | <u>\$6,777</u> | <u>\$27,672</u> |
| Increase in Operating and Maintenance Expenses | | | | | | 0 |
| Increase in Depreciation Expense | | | | | | 43,620 |
| Increase in Amortization of CIAC | | | | | | (21,810) |
| Increase in Taxes other than Income - State | | | | | | 4,878 |
| Increase in Taxes other than Income - Town | | | | | | 10,966 |
| Increase in Business Taxes - State | | | | | | 996 |
| Increase in Income Taxes - Federal | | | | | | <u>1,608</u> |
| Total Increase in Operating Expenses | | | | | | <u>40,258</u> |
| Total Additional Revenue Required | | | | | | \$67,930 |
| 2008 Adjusted Operating Revenues | | | | | | <u>772,713</u> |
| Total Revenue Required | | | | | | <u>\$840,643</u> |
| Percentage Increase Required | | | | | | <u>8.79%</u> |

Financing and Step Increase for ARRA Projects

Plant

Preliminary Accumulated Depreciation and Depreciation Expense

| PUC Acct. No. | Description | Cost | Depr. Rate | Annual Cost | Accum Depr. |
|------------------|-----------------------------------|--------------------|---------------|-----------------|-----------------|
| | <u>Tamworth</u> | | | | |
| 320 | Water Treatment Equipment | \$46,000 | 10.00% | \$4,600 | \$2,300 |
| 334 | Meters | <u>32,000</u> | 5.00% | <u>1,600</u> | <u>800</u> |
| | TOTAL | <u>\$78,000</u> | | <u>\$6,200</u> | <u>\$3,100</u> |
| | <u>Gunstock Glen / Brake Hill</u> | | | | |
| 331 | Mains | <u>\$750,000</u> | 2.00% | <u>\$15,000</u> | <u>\$7,500</u> |
| | TOTAL | <u>\$750,000</u> | | <u>\$15,000</u> | <u>\$7,500</u> |
| | <u>Woodland Grove</u> | | | | |
| 304 | Structures and Improvements | \$20,000 | 2.50% | \$500 | \$250 |
| 311 | Pumping Equipment - Pumps | 90,000 | 10.00% | 9,000 | 4,500 |
| 311 | Pumping Equipment - SCADA System | 5,000 | 20.00% | 1,000 | 500 |
| 330 | Tank | <u>30,000</u> | 2.50% | <u>750</u> | <u>375</u> |
| | TOTAL | <u>\$145,000</u> | | <u>\$11,250</u> | <u>\$5,625</u> |
| | <u>Echo Lake Woods</u> | | | | |
| 331 | Mains | <u>\$161,000</u> | 2.00% | <u>\$3,220</u> | <u>\$1,610</u> |
| | TOTAL | <u>\$161,000</u> | | <u>\$3,220</u> | <u>\$1,610</u> |
| | <u>175 Estate</u> | | | | |
| 331 | Mains | \$345,000 | 2.00% | \$6,900 | \$3,450 |
| 334 | Meters | <u>21,000</u> | 5.00% | <u>1,050</u> | <u>525</u> |
| | TOTAL | <u>\$366,000</u> | | <u>\$7,950</u> | <u>\$3,975</u> |
| | GRAND TOTAL | <u>\$1,500,000</u> | | <u>\$43,620</u> | <u>\$21,810</u> |

SPSt. Cyr
5/21/2009

Financing and Step Increase for ARRA Projects

Contribution in Aid of Construction

Preliminary Accumulated Amortization and Amortization Expense

| PUC Acct. No. | Description | Cost | Depr. Rate | Annual Cost | Accum Amort |
|------------------|-----------------------------------|------------------|---------------|-----------------|-----------------|
| | <u>Tamworth</u> | | | | |
| 320 | Water Treatment Equipment | \$23,000 | 10.00% | \$2,300 | \$1,150 |
| 334 | Meters | <u>16,000</u> | 5.00% | <u>800</u> | <u>400</u> |
| | TOTAL | <u>\$39,000</u> | | <u>\$3,100</u> | <u>\$1,550</u> |
| | <u>Gunstock Glen / Brake Hill</u> | | | | |
| 331 | Mains | <u>\$375,000</u> | 2.00% | <u>\$7,500</u> | <u>\$3,750</u> |
| | TOTAL | <u>\$375,000</u> | | <u>\$7,500</u> | <u>\$3,750</u> |
| | <u>Woodland Grove</u> | | | | |
| 304 | Structures and Improvements | \$10,000 | 2.50% | \$250 | \$125 |
| 311 | Pumping Equipment - Pumps | 45,000 | 10.00% | 4,500 | 2,250 |
| 311 | Pumping Equipment - SCADA System | 2,500 | 20.00% | 500 | 250 |
| 330 | Tank | <u>15,000</u> | 2.50% | <u>375</u> | <u>188</u> |
| | TOTAL | <u>\$72,500</u> | | <u>\$5,625</u> | <u>\$2,813</u> |
| | <u>Echo Lake Woods</u> | | | | |
| 331 | Mains | <u>\$80,500</u> | 2.00% | <u>\$1,610</u> | <u>\$805</u> |
| | TOTAL | <u>\$80,500</u> | | <u>\$1,610</u> | <u>\$805</u> |
| | <u>175 Estate</u> | | | | |
| 331 | Mains | \$172,500 | 2.00% | \$3,450 | \$1,725 |
| 334 | Meters | <u>10,500</u> | 5.00% | <u>525</u> | <u>263</u> |
| | TOTAL | <u>\$183,000</u> | | <u>\$3,975</u> | <u>\$1,988</u> |
| | GRAND TOTAL | <u>\$750,000</u> | | <u>\$21,810</u> | <u>\$10,905</u> |

SPSt. Cyr
5/21/2009

Financing and Step Increase for ARRA Projects

| | | Gunstock | Woodland | Echo Lake | 175 | |
|------------------------------------|-----------------|------------------|------------------|------------------|------------------|--------------------|
| Taxes | Tamworth | Brake Hill | Grove | Woods | Estate | Total |
| | Projected | Projected | Projected | Projected | Projected | Projected |
| <u>State Property Taxes</u> | <u>Costs</u> | <u>Costs</u> | <u>Costs</u> | <u>Costs</u> | <u>Costs</u> | <u>Costs</u> |
| Total Project Costs | \$78,000 | \$750,000 | \$145,000 | \$161,000 | \$366,000 | \$1,500,000 |
| Accumulated Depreciation | <u>3,100</u> | <u>7,500</u> | <u>5,625</u> | <u>1,610</u> | <u>3,975</u> | <u>21,810</u> |
| Net Plant | <u>\$74,900</u> | <u>\$742,500</u> | <u>\$139,375</u> | <u>\$159,390</u> | <u>\$362,025</u> | <u>\$1,478,190</u> |
| Thousand Dollars of Assessed Value | <u>\$75</u> | <u>\$743</u> | <u>\$139</u> | <u>\$159</u> | <u>\$362</u> | <u>\$1,478</u> |
| Adjusted \$000 of Assessed Value | <u>\$37</u> | <u>\$371</u> | <u>\$70</u> | <u>\$80</u> | <u>\$181</u> | <u>\$739</u> |
| Property Tax Rate | <u>6.60</u> | <u>6.60</u> | <u>6.60</u> | <u>6.60</u> | <u>6.60</u> | <u>6.60</u> |
| State Property Taxes | <u>\$247</u> | <u>\$2,450</u> | <u>\$460</u> | <u>\$526</u> | <u>\$1,195</u> | <u>\$4,878</u> |

Local Property Taxes

| | | | | | | |
|------------------------------------|-----------------|------------------|------------------|------------------|------------------|--------------------|
| Total Project Costs | \$78,000 | \$750,000 | \$145,000 | \$161,000 | \$366,000 | \$1,500,000 |
| Accumulated Depreciation | <u>3,100</u> | <u>7,500</u> | <u>5,625</u> | <u>1,610</u> | <u>3,975</u> | <u>21,810</u> |
| Net Plant | <u>\$74,900</u> | <u>\$742,500</u> | <u>\$139,375</u> | <u>\$159,390</u> | <u>\$362,025</u> | <u>\$1,478,190</u> |
| Thousand Dollars of Assessed Value | <u>\$75</u> | <u>\$743</u> | <u>\$139</u> | <u>\$159</u> | <u>\$362</u> | <u>\$1,478</u> |
| Adjusted \$000 of Assessed Value | <u>\$37</u> | <u>\$371</u> | <u>\$70</u> | <u>\$80</u> | <u>\$181</u> | <u>\$739</u> |
| Property Tax Rate | <u>18.51</u> | <u>13.50</u> | <u>13.53</u> | <u>13.53</u> | <u>17.90</u> | |
| Local Property Taxes | <u>\$693</u> | <u>\$5,012</u> | <u>\$943</u> | <u>\$1,078</u> | <u>\$3,240</u> | <u>\$10,966</u> |

SPSt. Cyr
5/21/2009

Financing and Step Increase for ARRA Projects**Income Taxes**State Business Taxes

| | |
|---------------------------|--------------|
| Pretax Income | \$ 11,714 |
| State Business Taxes Rate | <u>8.50%</u> |
| State Business Taxes | <u>\$996</u> |

Federal Income Taxes

| | |
|-----------------------|----------------|
| Pretax Income | \$11,714 |
| State Business Taxes | <u>(996)</u> |
| Pretax Federal Income | \$10,718 |
| Federal Income Rate | <u>15.00%</u> |
| Federal Income Taxes | <u>\$1,608</u> |

SPSt. Cyr
5/21/2009

Lakes Region Water Company

SPS 10

Financing and Step Increase for ARRA Projects

| | |
|-------------------------|--------------------|
| Total Costs of Projects | <u>\$1,500,000</u> |
|-------------------------|--------------------|

Source of Funds:

| | |
|--------------------------------|--------------------|
| State of New Hampshire - Loan | \$750,000 |
| State of New Hampshire - Grant | <u>\$750,000</u> |
| Total Source of Funds | <u>\$1,500,000</u> |

Use of Funds:

| | |
|--|--------------------|
| Tamworth - Unarium Filter / Meters | \$78,000 |
| Gunstock / Brake Hill - Mains | 750,000 |
| Woodland Grove - Pump Station, Pumps, SCADA & Tank | 145,000 |
| Echo Lake Woods - Mains | 161,000 |
| 175 Estates - Mains / Meters | <u>366,000</u> |
| Total Use of Funds | <u>\$1,500,000</u> |

SPSt. Cyr
5/21/2009

Lakes Region Water Company

SPS 11

Financing and Step Increase for ARRA Projects

Estimated Financing and Step Increase Costs

| | |
|---------------------------------|--------------|
| Stephen P. St. Cyr & Associates | <u>5,000</u> |
|---------------------------------|--------------|

| | |
|-----------------------|----------------|
| Total Financing Costs | <u>\$5,000</u> |
|-----------------------|----------------|

SPSt. Cyr
5/21/2009

Lakes Region Water Company

SPS 12

Financing and Step Increase for ARRA Projects

DW 09-

Calculation of Percent Increase and Average, Annual Rate per Customer

| | |
|--|------------------|
| 2008 Total Water Operating Revenues | \$ 814,126 |
| Less: Total 2008 Other Operating Revenues | <u>83,652</u> |
| 2008 Sales of Water | \$730,474 |
| Less: 2008 Swissvale Special Contract #2 | <u>70,500</u> |
| 2008 Revenues subject to DW 09- Step increases | \$659,974 |
| DW 08-070 Step 1 & 2 Revenue Requirement | <u>112,739</u> |
| 2008 Revenue adjusted for DW 08-070 Step 1 & 2 Revenue Requirement | \$772,713 |
| DW 09- Step increase | <u>67,930</u> |
| DW 09- Revenue Requirement | <u>\$840,643</u> |
| DW 09- Step increase percent | <u>8.79%</u> |
| | |
| 2008 Revenue adjusted for DW 08-070 Step 1 & 2 Revenue Requirement | \$772,713 |
| Number of Customers at 12/31/08 (exculding POASI) | <u>1,611</u> |
| Average 2008 Revenue per Customer | \$479.65 |
| Average Step Increase per Customer | <u>42.17</u> |
| Average, Annual Rate per Customer | <u>\$521.81</u> |

SPSt. Cyr

5/21/2009