



Exh #5

Page 1 of 26

1 Stephen P. St. Cyr & Associates

2 17 Sky Oaks Drive

3 Biddeford, Me. 04005

4 207-423-0215

5 stephenpstcyr@yahoo.com

6
7 Direct Testimony of Stephen P. St. Cyr in DW 17-165

8
9 **TEMPORARY RATES**

10
11 Q. Please state your name and address.

12
13 A. Stephen P. St. Cyr of Stephen P. St. Cyr & Associates, 17 Sky Oaks Drive,
14 Biddeford, Me. 04005.

15
16 Q. Please state your present employment position and summarize your professional
17 and educational background.

18
19 A. I am presently employed by St. Cyr & Associates, which provides accounting,
20 tax, management and regulatory services. The Company devotes a significant
21 portion of the practice to serving utilities. The Company has a number of
22 regulated water utilities among its clientele. I have prepared and presented a
23 number of rate case filings before the New Hampshire Public Utilities
24 Commission. Prior to establishing St. Cyr & Associates, I worked in the utility
25 industry for 16 years, holding various managerial accounting and regulatory
26 positions. I have a Business Administration degree with a concentration in
27 accounting from Northeastern University in Boston, Ma. I obtained my CPA
28 certificate in Maryland.

29
30 Q. Is St. Cyr & Associates presently providing services to Abenaki Water Company
31 ("Abenaki" or "Company")?

32
33 A. Yes. St. Cyr & Associates prepared the various exhibits and supporting schedules
34 and prepared the written testimony and other rate case filing requirements. In
35 addition, St. Cyr & Associates prepares Abenaki's PUC Annual Report.

36
37 Q. Are you familiar with the pending rate application of Rosebrook and with the
38 various exhibits submitted as Schedules 1 through 4 inclusive, with related pages
39 and attachments?

40
41 A. Yes, I am. The exhibits were prepared by me, utilizing the financial records of
42 the Company.

43
44 Q. What is the test year that Rosebrook is using in this filing?

45
46 A. Rosebrook is utilizing the twelve months ended September 30, 2017.

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7 Q. Before you explain the schedules, please provide a brief overview of Rosebrook.

9 A. In 2016 Rosebrook was purchased by Abenaki. Since its purchase, Abenaki has
10 invested in Rosebrook's plant, mostly meters. Rosebrook has a well-documented
11 pressure problem. Rosebrook is looking at ways to address the pressure problem
12 including designing the engineering plans and specifications and obtaining the
13 necessary easements reflected in the proposed step increase. Rosebrook will need
14 additional financing for the pressure reduction project.

16 For the twelve months ended September 30, 2017 (the test year) the actual net
17 loss amounted to \$27,247. Abenaki has been losing money on Rosebrook since
18 its acquisition. With the proposed increase in temporary rates and revenues,
19 Rosebrook should be able to eliminate the net loss, recover its investments, earn
20 the PUC approved rate of return on its investment and continue to provide service
21 to its customers at fair and reasonable rates. The temporary rates will enable
22 Rosebrook to stabilize its financial position and will be a step towards permanent
23 rates.

25 Q. What is the purpose of your testimony?

27 A. The purpose of my testimony is to support Rosebrook's efforts to increase rates
28 on a temporary basis.

30 Q. Please provide an overview of the temporary rate filing.

32 A. **The temporary rate filing is the same as the permanent rate filing, except for
33 the elimination of certain proforma adjustments that are more appropriately
34 reviewed as part of the permanent rate filing. Rosebrook adjusted the
35 revenue adjustment downward. It eliminated expense adjustments 2 – 8. It
36 also eliminated rate base adjustments 1 – 11. In addition, Rosebrook
37 eliminated the additional 2% increase in the cost of equity. With the
38 elimination of the various adjustments, Rosebrook believes that the
39 temporary increase in rates / revenues is fair, reasonable and manageable. It
40 allows Rosebrook to earn an adequate rate of return on its prudently
41 incurred investments and to pay for its necessary operating expenses. The
42 proposed temporary increase will enable Rosebrook to continue providing
43 good water with good pressure and reliability at a good price. Finally, the
44 temporary rates do not include the proposed step increase.**

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7 Q. Is there anything else that you would like to address before you address the
8 temporary rate filing and the rate schedules?
9

10 A. No.
11

12 Q. Would you please summarize the temporary rate schedules?
13

14 A. Yes. The schedule entitled "Computation of Revenue Deficiency for Temporary
15 Rates for the Test Year ended September 30, 2017," summarizes the supporting
16 schedules. The actual revenue deficiency for Rosebrook for the test year amounts
17 to \$48,905. It is based upon an actual test year with a 4 quarter average rate base
18 of \$488,114 as summarized in Schedule 3. The Company's actual rate of return is
19 6.74% for the actual test year. The rate of return of 6.74%, when multiplied by
20 the rate base of \$488,114, results in an operating income requirement of \$32,920.
21 As shown on Schedule 1, the actual net operating income (loss) for the Company
22 for the test year was (\$15,985). The operating income required, less the net
23 operating income (loss), results in an operating income deficiency before taxes of
24 \$48,905. The Company did not calculate the tax effect of the revenue deficiency,
25 resulting in a revenue deficiency for the Company of \$48,905.
26

27 The pro forma revenue deficiency for the Company for the test year amounts to
28 zero. It is based upon the actual test year 4 quarter average rate base of \$488,114,
29 as summarized in Schedule 3. The Company is also utilizing the actual rate of
30 return of 6.74%, including the PUC approved 9.6% return on equity. The actual
31 rate of return of 6.74%, when multiplied by the actual 4 quarter average rate base
32 of \$488,114, results in an operating net income requirement of \$32,920.
33

34 As shown on Schedule 1, the pro forma net operating income for the Company for
35 the test year is \$32,920. The operating income required, less the net operating
36 income, results in a deficiency of zero. The tax effect of the deficiency is zero,
37 resulting in a revenue deficiency for the Company of zero.
38
39
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44

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7 Q. Would you please explain Schedule 1 and supporting Schedule 1A – 1C?

9 A. Schedule 1 reflects Rosebrook's Statement of Income. Column b shows the
10 actual Oct. – Dec. 2016 3 months' balances. Column c shows actual Jan. – Sept.
11 2017 nine months' balances. Column d actual Oct. 2016 – Sept. 2017 combined
12 balances. Column e shows the pro forma adjustments for known and measurable
13 changes to test year revenues and expenses. The pro forma adjustments are
14 further supported by schedule 1A. Column f shows the pro forma test year
15 balances.

17 During the twelve months ended September 30, 2017, the actual operating
18 revenues amounted to \$270,092. Rosebrook's total operating expenses amounted
19 to \$286,077, resulting in a net operating loss of (\$15,985). Net Income (Loss) for
20 the same period is (\$27,247).

22 The Company made 1 pro forma adjustment to operating revenues totaling
23 \$65,452 and two pro forma adjustments to operating expenses totaling \$16,547.
24 The specific pro forma adjustments are identified on the Statement of Income –
25 Pro forma Adjustments (Schedule 1A). A brief explanation is as follows:

27 Pro forma Adjustment to Operating Revenues

29 Operating Revenues – \$65,452

31 The Company has increased test year revenues for the proposed amount of
32 revenues necessary to cover its expenses and allow it to earn its proposed rate of
33 return.

35 Pro forma Adjustments to Expense

37 Operating Expenses:

39 PUC Audit - \$0

43 Lease Agreements - \$0

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6
7
8
9 Amortization of Organizational Costs - \$0

10
11
12
13 Amortization of Utility Plant Acquisition Costs - \$0

14
15
16
17 Taxes other than Income Taxes - \$0

18
19
20
21 Income Taxes - \$16,547

22
23 The Company has provided the calculation of the federal income taxes and the
24 state business taxes (Schedule 1B). The Company has also provided the effective
25 tax factor (Schedule 1C).

26
27 The total pro forma adjustments to Operating Expenses amount to
28 \$16,547.

29
30 The net of the pro forma adjustments to operating revenue of \$65,452 and
31 the pro forma adjustments to operating expenses of \$16,547 results in a net pro
32 forma adjustment of \$48,905. When the net operating income associated with the
33 pro forma adjustments is added to net operating income from the test year, the pro
34 forma test year net operating income totals \$32,920. The pro forma test year net
35 operating income of \$32,920 allows Rosebrook to cover its expenses and
36 earn its proposed 6.74% return on its investments.

37
38 Q. Does that complete your description of the pro forma adjustments to revenues and
39 expenses?

40
41 A. Yes.

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6
7 Q. Please describe Schedule 2, the Balance Sheet.

8
9 A. Please note that the Balance Sheet is for Abenaki (Total Company) and not just
10 Rosebrook. Abenaki has \$2,002,892 total assets at September 30, 2017.
11 \$1,689,653 of the \$2,002,892 total assets is total net utility plant, of which is
12 completed and providing service to customers. Abenaki has \$636,755 of total
13 equity capital. Abenaki incurred a loss in 2016, which reduced retained earning
14 and total equity. Abenaki has \$576,965 of long term debt. The long term debt
15 balance has decreased due to payment of principal on the two outstanding loans.
16 Accounts payable to Associated Co. has increased during the test year. A portion
17 of the plant has been contributed.

18
19 Q. Please continue with an explanation of Schedule 3, Rate Base and the supporting
20 schedule.

21
22 A. Schedule 3 reflects Rosebrook's Rate Base for both the 4 quarter average and the
23 pro forma year-end balance. Column b – e shows the actual balance at the end of
24 each quarter. Column f shows the average of the 4 quarter balances. Column g
25 shows the pro forma adjustments. Column h shows the pro forma year-end
26 balance.

27
28 For temporary rate purposes, Rosebrook has eliminated all the rate base proforma
29 adjustments. The Total Pro Forma September 30, 2017 Rate Base balance
30 amounts to \$488,114.

31
32 Q. Would you please explain Schedule 4, Rate of Return Information?

33
34 A. Please note that the Rate of Return Information is for Abenaki (Total Company)
35 and not just Rosebrook. Schedule 4 reflects the overall rate of return of 6.74% for
36 both actual and profoma, respectively. The weighted average rate of return for
37 the actual test year is 6.74%. It was developed by taking the actual component
38 ratios times the actual component cost rates to determine the actual weighted
39 average cost rate. The sum of the actual cost rates for equity and debt equals
40 actual weighted average rate of return. Rosebrook made no adjustment to the
41 actual rate of return for temporary rates.

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6
7 Schedule 4 also reflects both the capital structure and the capital ratios. Abenaki
8 has provided the capital structure for the actual test year and the pro forma test
9 year. It should be noted that prior to the purchase of Rosebrook, Rosebrook's
10 capital structure consisted entirely of equity capital. With both debt and equity
11 used to finance the purchase, the capital structure is better balanced and results in
12 a lower rate of return.
13

14 In addition, Schedule 4 reflects the long term debt, interest expense, financing
15 costs, total debt costs and debt costs rates for the actual test year. At 9/30/17
16 Abenaki has \$592,281 of outstanding long term debt. Total interest expense for
17 the twelve months ended September 30, 2017 is \$21,762. The September 30,
18 2017 actual cost of debt was 3.67%. There was no change to the long term debt,
19 interest expense and financing costs for the pro forma test year.
20

21 Q. Please explain the Report of Proposed Rate Changes.
22

23 A. If Rosebrook's temporary rate filing is approved as submitted, its total water
24 Operating Revenues will amount to \$335,544.
25

26 Q. Is Rosebrook proposing any changes to the methodology used in calculating the
27 rates?
28

29 A. Yes. Rosebrook needs to increase its revenue from the monthly charges. The
30 present rates generate approximately 31% of the total revenues via the quarterly
31 charges. Rosebrook believes that the percentage from quarterly charges should be
32 closer to 50%, particularly due to the seasonal nature of the service area. As such,
33 for temporary rate purposes, Rosebrook proposes to increase the quarterly charge
34 by 1.5 times. With the monthly charges increasing by 1.5 times, the proposed
35 rates would generate approximately 37% of the total revenue, and get Rosebrook
36 half way to what it proposed for permanent rates.
37

38 Q. When is Rosebrook proposing that the new rates be effective?
39

40 A. The proposed effective date is January 1, 2018.
41

42 Q. Is there anything else that Rosebrook would like to address?
43

44 A. Yes. Roseboork has eliminated its proposed step increase for purposes of
45 temporary rates.

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6

7 Q. Would you please summarize what the Company is requesting in its rate filing?
8

9 A. The Company respectfully requests that the Commissioners approve an increase
10 in annual revenues of \$65,452 for temporary rates.
11

12 Q. Is there anything further that you would like to discuss?
13

14 A. No, there is nothing further.
15

16 Q. Does this conclude your testimony?
17

18 A. Yes.
19
20
21

22 SPSt. Cyr
23 01/16/18

AWC Rosebrook Water**Computation of Revenue Deficiency for Temporary Rates****For the Test Year Ended September 30, 2017**

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 3)	\$ 488,114	\$ 488,114
Rate of Return (Schedule 4)	<u>6.74%</u>	<u>6.74%</u>
Operating Income Required	\$ 32,920	\$ 32,920
Annualized Net Operating Income (Schedule 1)	<u>(15,985)</u>	<u>32,920</u>
Operating Income (Deficiency) Surplus	\$ (48,905)	\$ 0
Tax Effect		<u>-</u>
Revenue Surplus (Deficiency)	<u>\$ (48,905)</u>	<u>\$ 0</u>

AWC Rosebrook Water

Schedule 1

Statement of Income for Temporary Rates

Line No.	Account Title (Number) (a)	Actual Oct. - Dec. 2016 (b)	Actual Jan. - Sept 2017 (c)	Actual Oct. - Sept 2017 (d)	Proforma Adjustments (e)	Proforma 10/1/16 - 9/30/17 (f)
UTILITY OPERATING INCOME						
1	Operating Revenues(400)	\$ 68,569	\$ 201,523	\$ 270,092	\$ 65,452	\$ 335,544
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	59,300	153,274	212,574	0	212,574
4	Depreciation Expense (403)	17,360	39,912	57,272	-	57,272
5	Amortization of Contribution in Aid of Construction (405)	(5,279)	(10,696)	(15,975)		(15,975)
6	Amortization of Utility Plant Acquisition Adjustment (406)	(1,124)		(1,124)	-	(1,124)
7	Amortization Expense-Other (407)				0	
8	Taxes Other Than Income (408, 1-408, 13)	8,394	14,310	22,704	16,547	22,704
9	Income Taxes (409, 1, 410, 1, 411, 1, 412, 1)	(5,500)	16,126	10,626		27,173
10	Total Operating Expenses	\$ 73,151	\$ 212,926	\$ 286,077	\$ 16,547	\$ 302,624
11	Net Operating Income (Loss)	(4,582)	(11,403)	(15,985)	48,905	32,920
12	Other Income and Deductions					
13	Interest and Dividend Income (419)	2,334		2,334		2,334
14	Allow. for funds Used During Construction (420)					
15	Nonutility Income (421)					
16	Gains (Losses) From Disposition of Nonutility Property (421)					
17	Miscellaneous Nonutility Expenses (426)					
18	Interest Expense (427)	(2,864)	(10,732)	(13,596)		(13,596)
19	Taxes Applicable to Other Than Income (409.2, 410.2, etc.)	\$ (530)	\$ (10,732)	\$ (11,262)	\$ -	\$ (11,262)
20	Total Other Income and Deductions	\$ (5,112)	\$ (22,135)	\$ (27,247)	\$ 48,905	\$ 21,658
21	NET INCOME (LOSS)					

AWC Rosebrook Water
Statement of Income - Proforma Adjustments for Temporary Rates

Schedule 1A

Page 1 of 3

Operating Revenues

1	Proforma Oct. 2016 - Sept. 2017	\$ 335,544
	Actual Oct. 2016 - Sept 2017	<u>270,092</u>
	Proforma Adjustment	<u>\$ 65,452</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.

Operation and Maintenance Expenses

2	<u>PUC Audit</u>	
	Proforma Oct. 2016 - Sept. 2017	\$ -
	Actual Oct. 2016 - Sept 2017	<u>0</u>
	Proforma Adjustment	<u>\$ -</u>

To adjust test year expenses for costs associated with PUC audit of test year expenses (\$3,000 / 3 years)

3	<u>Lease Agreements</u>	
	Proforma Oct. 2016 - Sept. 2017	\$ 7,794
	Actual Oct. 2016 - Sept 2017	<u>7,794</u>
	Proforma Adjustment	<u>\$ -</u>

To adjust test year expenses for costs associated with rent of lease space.

Total Proforma Adjustments to Operation and Maintenance Expense \$ -

Amortization of Organizational Costs

4	Proforma Oct. 2016 - Sept. 2017	\$ -
	Actual Oct. 2016 - Sept 2017	<u>0</u>
	Proforma Adjustment	<u>\$ -</u>

To record amortization of organization costs (\$51,931 / 8 years)

Schedule 1A
Page 2 of 3

Amortization of 10% Premium

5	Proforma Oct. 2016 - Sept. 2017	\$ -
	Actual Oct. 2016 - Sept 2017	<u>0</u>
	Proforma Adjustment	\$ -
	To record amortization of organization costs (\$36,234 / 8 years)	

Taxes other than Income Taxes

State Utility Property Taxes

6	Proforma Oct. 2016 - Sept. 2017	\$ 5,090
	Actual Oct. 2016 - Sept 2017	<u>5,090</u>
	Proforma Adjustment	\$ -

Town of Carroll Property Taxes

7	Proforma Oct. 2016 - Sept. 2017	\$ 12,915
	Actual Oct. 2016 - Sept 2017	<u>12,915</u>
	Proforma Adjustment	\$ -

Town of Bethlehem Property Taxes

8	Proforma Oct. 2016 - Sept. 2017	\$ 4,699
	Actual Oct. 2016 - Sept 2017	<u>4,699</u>
	Proforma Adjustment	\$ -

Total Proforma Adjustments to Taxes other than Income
 See 3B for calculation of additional state and local property taxes.

\$ -

Income Taxes

Federal Income Taxes

9	Proforma Oct. 2016 - Sept. 2017	\$ 12,506
	Actual Oct. 2016 - Sept 2017	<u>0</u>
	Proforma Adjustment	\$ 12,506

Schedule 1A
Page 3 of 3**State Business Taxes**

10	Proforma Oct. 2016 - Sept. 2017	\$ 3,286
	Actual Oct. 2016 - Sept 2017	<u>(755)</u>
	Proforma Adjustment	<u>\$ 4,041</u>
To adjust test year expenses for the increase in state business taxes due to the increase in revenue. For additional support, please see schedule 5.		
	Total Proforma Adjustment to Income Taxes	<u>\$ 16,547</u>
	Total Proforma Adjustment to Operating Expense	<u>\$ 16,547</u>

AWC Rosebrook Water**Schedule 1B****Income Tax Computation for Temporary Rates**

	<u>Actual</u>	<u>Proforma</u>
Total Rate Base	\$488,114	\$488,114
Equity Component of Cost of Capital	<u>4.97%</u>	<u>4.97%</u>
Operating Net Income Required	\$24,277	\$24,277
Tax Multiplier (Schedule 5A)	<u>15,792</u>	<u>15,792</u>
Income Required before Income Taxes	\$40,070	\$40,070
Less: NH Business Profits Tax @ 8.2%	<u>3,286</u>	<u>3,286</u>
Income subject to Federal Taxes	\$36,784	\$36,784
Less: Federal Income Tax @ 34%	<u>12,506</u>	<u>12,506</u>
Income after Income Taxes	<u>\$24,277</u>	<u>\$24,277</u>

AWC Rosebrook Water**Schedule 1C****Effective Tax Factor for Temporary Rates**

Taxable Income	100.00%
Less: NH Business Profits Tax	8.20%
Federal Taxable Income	91.80%
Federal Income Tax Rate	34.00%
Effective Federal Income Tax Rate	31.21%
Add: NH Business Profit Tax	8.20%
Effective Tax Rate	39.41%
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	39.41%
Percent Used as a Divisor in Determining the Revenue Requirement	60.59%
Tax Multiplier	65.05%

AWC (Total Company)

Schedule 2-1

Balance Sheet - Assets and Other Debits

Line No.	Account Title (Number) (a)	Ref Sch. (b)	9/30/2017 Balance	12/31/2016 Balance (c)
	UTILITY PLANT			
1	Utility Plant (101-106)	F-6	\$ 2,901,759	\$ 2,681,245
2	Less: Accumulated Depr. and Amort. (108-110)	F-6	1,234,856	1,170,820
3	Net Plant		\$ 1,666,903	\$ 1,510,425
4	Utility Plant Acquisition Adj. (Net) (114-115)	F-7	22,750	22,750
5	Total Net Utility Plant		\$ 1,689,653	\$ 1,533,175
	OTHER PROPERTY AND INVESTMENTS			
6	Nonutility Property (121)	F-14		
7	Less: Accumulated Depr. and Amort. (122)	F-15		
8	Net Nonutility Property			
9	Investment in Associated Companies (123)	F-16		
11	Utility Investments (124)	F-16	3,210	3,210
12	Other Investments	F-16		
13	Special Funds(126-128)	F-17		
14	Total Other Property & Investments		\$ 3,210	\$ 3,210
	CURRENT AND ACCRUED ASSETS			
16	Cash (131)		17,339	168,713
17	Special Deposits (132)	F-18		
18	Other Special Deposits (133)	F-18		
19	Working Funds (134)			
20	Temporary Cash Investments (135)	F-16		
21	Accounts and Notes Receivable-Net (141-144)	F-19	67,988	25,182
22	Accounts Receivable from Assoc. Co. (145)	F-21		
23	Notes Receivable from Assoc. Co. (146)	F-21		
24	Materials and Supplies (151-153)	F-22	12,116	12,724
25	Stores Expense (161)			
26	Prepayments-Other (162)	F-23	7,511	851
27	Prepaid Taxes (163)	F-38		
28	Interest and Dividends Receivable (171)	F-24		
29	Rents Receivable (172)	F-24		
30	Accrued Utility Revenues (173)	F-24	-	67,940
31	Misc. Current and Accrued Assets (174)	F-24		
32	Total Current and Accrued Assets		\$ 104,954	\$ 275,410
	DEFERRED DEBITS			
32	Unamortized Debt Discount & Expense (181) - Note 1	F-25		
33	Extraordinary Property Losses (182)	F-26		
34	Prelim. Survey & Investigation Charges (183)	F-27	83,560	43,405
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	F-28	112,015	122,664
38	Research & Development Expenditures (187)	F-29		
39	Accumulated Deferred Income Taxes (190) - Note 2	F-30	9,500	10,300
40	Total Deferred Debits		\$ 205,075	\$ 176,369
	TOTAL ASSETS AND OTHER DEBITS		\$ 2,002,892	\$ 1,988,164

AWC (Total Company)

Schedule 2-2

Balance Sheet - Equity Capital and Liabilities

Line No.	Account Title (Number) (a)	Ref. Sch. (b)	9/30/2017 Balance	12/31/2016 Balance (c)
	EQUITY CAPITAL			
1	Common Stock Issued (201)	F-31		
2	Preferred Stock Issued (204)	F-31		
3	Capital Stock Subscribed (202,205)	F-32		
4	Stock Liability for Conversion (203, 206)	F-32		
5	Premium on Capital Stock (207)	F-31		
6	Installments Received On Capital Stock (208)	F-32		
7	Other Paid-In Capital (209,211)	F-33	589,521	589,521
8	Discount on Capital Stock (212)	F-34		
9	Capital Stock Expense(213)	F-34		
10	Retained Earnings (214-215)	F-3	47,234	65,231
11	Reacquired Capital Stock (216)	F-31		
12	Total Equity Capital		\$ 636,755	\$ 654,752
	LONG TERM DEBT			
13	Bonds (221)	F-35		
14	Reacquired Bonds (222)	F-35		
15	Advances from Associated Companies (223)	F-35		
16	Other Long-Term Debt (224)	F-35	576,956	606,667
17	Total Long-Term Debt - Note 1		\$ 576,956	\$ 606,667
	CURRENT AND ACCRUED LIABILITIES			
18	Accounts Payable (231)		16,697	70,935
19	Notes Payable (232)	F-36		
20	Accounts Payable to Associated Co. (233)	F-37	208,581	113,053
21	Notes Payable to Associated Co. (234)	F-37		
22	Customer Deposits (235)			
23	Accrued Taxes (236)	F-38	7,536	2
24	Accrued Interest (237)		1,928	
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)	F-39		
27	Matured Interest (240)	F-39		
28	Misc. Current and Accrued Liabilities (241)	F-39		
29	Total Current and Accrued Liabilities		\$ 234,742	\$ 183,990
	DEFERRED CREDITS			
30	Unamortized Premium on Debt (251)	F-25		
31	Advances for Construction (252)	F-40		
32	Other Deferred Credits (253)	F-41		
33	Accumulated Deferred Investment Tax Credits (255)	F-42		
34	Accumulated Deferred Income Taxes:			
35	Accelerated Amortization (281)	F-45		
36	Liberalized Depreciation (282) - Note 2	F-45	170,951	143,651
37	Other (283)	F-45		
38	Total Deferred Credits		\$ 170,951	\$ 143,651
	OPERATING RESERVES			
39	Property Insurance Reserve (261)	F-44		
40	Injuries and Damages Reserve (262)	F-44		
41	Pensions and Benefits Reserves (263)	F-44		
42	Miscellaneous Operating Reserves (265)	F-44		
43	Total Operating Reserves		\$ -	\$-
	CONTRIBUTIONS IN AID OF CONSTRUCTION			
44	Contributions In Aid of Construction (271)	F-46	631,644	635,660
45	Accumulated Amortization of C.I.A.C. (272)	F-46	248,156	236,556
46	Total Net C.I.A.C.		\$ 383,488	\$ 399,104
46	TOTAL EQUITY CAPITAL AND LIABILITIES		\$ 2,002,892	\$ 1,988,164

AWC Rosebrook Water

Schedule 3

Rate Base for Temporary Rates

Line No.	Account Title (a)	December 2016 Balance (b)	March 2017 Balance (c)	June 2017 Balance (d)	September 2017 Balance (e)	4 Qtrs Avg 9/30/2017 Balance (f)	Proforma Adjustments (g)	Proforma Year End Balance (h)
1	Plant in Service	\$1,382,473	\$1,398,584	\$1,451,681	\$1,553,770	\$1,446,627	\$0	\$1,446,627
2	Less: Accumulated Depreciation	<u>651,169</u>	<u>660,169</u>	<u>665,005</u>	<u>678,505</u>	<u>663,712</u>	<u>0</u>	<u>663,712</u>
3	Net Utility Plant	731,304	738,415	786,676	875,265	782,915	0	782,915
4	Util Plant Acq Adj - Rosebrook 10%	36,234	36,234	36,234	36,234	36,234		36,234
5	Accum Amort of Util Plant Acq Adj	0	0	0	0	-	-	-
6	Total Net Utility Plant	767,538	774,649	822,910	911,499	819,149	0	819,149
7	Material and Supplies	5,408	4,800	4,800	4,800	\$4,952	0	4,952
8	Prepayments	851	4,788	4,811	4,154	3,651	0	3,651
9	Contribution in Aid of Construction	(448,708)	(448,708)	(448,708)	(446,331)	(448,114)	0	(448,114)
10	Accumulated Amortization of CIAC	168,217	168,217	175,348	176,537	172,080	0	172,080
11	Accumulated Deferred Income Taxes	<u>(81,751)</u>	<u>(81,751)</u>	<u>(97,877)</u>	<u>(97,877)</u>	<u>(89,814)</u>	<u>0</u>	<u>(89,814)</u>
12	Rate Base	<u>\$411,555</u>	<u>\$421,995</u>	<u>\$461,284</u>	<u>\$552,782</u>	\$461,904	\$0	\$461,904
13	Cash Working Capital (1)					26,210	-	26,210
14	Total Rate Base					\$ 488,114	\$ -	\$ 488,114
15	(1) Cash Working Capital 4 Quarter 9/30/17 Balance is the same as the 9/30/17 Balance.							

AWC Rosebrook Water
Rate Base - Proforma Adjustments for Temporary Rates

Schedule 3A

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Plant in Service

1	9/30/17 Balance	\$1,446,627
	4 Quarters Average 9/30/17 Balance	<u>1,446,627</u>
	Proforma Adjustment	<u>\$0</u>
	To adjust test year 4 quarters average plant in service to fully reflect 9/30/17 additions to plant	
2	Proforma 9/30/17 Balance with organization costs	\$1,446,627
	Proforma 9/30/17 Balance	<u>1,446,627</u>
	Proforma Adjustment	<u>\$0</u>
	To adjust test year 9/30/17 balance of plant in service for org. costs For additional support, please see schedule 3B	
	Total Proforma Adjustments to Plant in Service	<u>\$0</u>

Accumulated Depreciation and Amortization

3	9/30/17 Balance	\$663,712
	4 Quarters Average 9/30/17 Balance	<u>663,712</u>
	Proforma Adjustment	<u>\$0</u>
	To adjust 4 quarters test year average accumulated depreciation to fully reflect 9/30/17 accum depr	
4	Proforma 9/30/17 Balance with org costs	\$0
	Proforma 9/30/17 Balance	<u>0</u>
	Proforma Adjustment	<u>\$0</u>
	To adjust test year 9/30/17 balance of accum amort of org. costs For additional support, please see schedule 3B	
	Total Proforma Adjustments to Accumulated Depreciation and Amortization	<u>\$0</u>

Accumulated Amortization of Utility Plant Acquisition Adjustment

5	Proforma 9/30/17 Balance with org costs	\$ _____ -
	Proforma 9/30/17 Balance	_____ -
	Proforma Adjustment	\$ _____ -
	To adjust test year 9/30/17 balance of amortization of Rosebrook 10% premium (\$36,234 / 8yrs./ 1/2 yr)	
	Total Proforma Adjustments to Accumulated Amortization of Utility Plant Acq Adj	\$ _____ -

Material & Supplies

6	Proforma 9/30/17 Balance	\$ 4,952
	4 Quarters Average 9/30/17 Balance	<u>4,952</u>
	Proforma Adjustment	\$ _____ -
	To adjust 4 quarter average test year to 9/30/17 balance	
	Total Proforma Adjustments to Material & Supplies	\$ _____ -

Prepayments

7	Proforma 9/30/17 Balance	\$3,651
	4 Quarters Average 9/30/17 Balance	<u>3,651</u>
	Proforma Adjustment	<u>\$0</u>
	To adjust 4 quarter average test year to 9/30/17 balance	
	Total Proforma Adjustments to Prepayment	<u>\$0</u>

Contribution in Aid of Construction

8	Proforma 9/30/17 Balance	(\$448,114)
	4 Quarters Average 9/30/17 Balance	<u>(448,114)</u>
	Proforma Adjustment	<u>\$0</u>
	To adjust 4 quarters average test year to 9/30/17 balance.	

Accumulated Amortization of CIAC

9	Proforma 9/30/17 Balance	\$172,080
	4 Quarters Average 9/30/17 Balance	<u>172,080</u>
	Proforma Adjustment	<u>\$0</u>

To adjust 4 quarter average test year to 9/30/17 balance

Accumulated Deferred income Taxes

10	Proforma 9/30/17 Balance	\$ (89,814)
	4 Quarters Average 9/30/17 Balance	<u>(89,814)</u>
	Proforma Adjustment	<u>\$ -</u>

To adjust 4 quarter average test year to 9/30/17 balance

Cash Working Capital

11	Proforma 9/30/17 Balance	\$ 26,210
	4 Quarters Average 9/30/17 Balance	<u>26,210</u>
	Proforma Adjustment	<u>\$ -</u>

Total Proforma Adjustments to Cash Working Capital
See Schedule 3C for calculation of cash working capital.

AWC Rosebrook Water

Schedule 3B

Plant / Accumulated Depreciation / Depreciation Expense for Temporary Rates

To reclass Due Dilligence Costs (183-15-09) Organizational Costs to Plant

PUC Acct. No.	Description	Cost	Amort. Rate	Annual Cost	Accum Amort
301	Organizational costs		12.50%	\$ -	\$ -

AWC Rosebrook Water**Schedule 3C****Working Capital for Temporary Rates**

	10/1/16 - 9/30/2017 Proforma <u>Amount</u>	10/1/16 - 9/30/2017 Actual <u>Amount</u>
Operating and Maintenance Expenses	\$212,574	\$212,574
45/365	<u>12.33%</u>	<u>12.33%</u>
Working Capital	<u>\$26,210</u>	<u>\$26,210</u>

AWC Rosebrook Water

Schedule 4
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Rate of Return Information for Temporary Rates

Proforma Overall Rate of Return		Component Ratio		Component Cost Rate		Weighted Average Cost Rate
Equity Capital		51.81%		9.60%		4.97%
Long Term Debt		48.19%		3.67%		1.77%
Total Capital		100.00%				6.74%

Actual Overall Rate of Return		Component Ratio		Component Cost Rate		Weighted Average Cost Rate
Equity Capital		51.81%		9.60%		4.97%
Long Term Debt		48.19%		3.67%		1.77%
Total Capital		100.00%				6.74%

Capital Structure for Ratemaking Purposes	9/30/2017 Proforma		9/30/2017 Proforma %		9/30/2017 Actual		9/30/2017 Actual %
Common Stock							
Other Paid in Capital	589,521		47.97%		589,521		47.97%
Retained Earnings	47,234		3.84%		47,234		3.84%
Total Equity	\$ 636,755		51.81%		\$ 636,755		51.81%
Long Term Debt	\$592,281		48.19%		\$592,281		48.19%
Total Capital	\$ 1,229,036		100.00%		\$ 1,229,036		100.00%

Long Term Debt	9/30/2017 Proforma		9/30/2017 Actual				
CoBank Loans	\$592,281		\$592,281				
Total Long Term Debt	\$592,281		\$592,281		\$0		\$0

Schedule 4
Page 2 of 2

Proforma Cost of Debt	9/30/2017 Amount		Interest Rate	Interest Expense	Amortization Of Fin Costs	Total Interest	Cost Rate
2014 CoBank Loan for \$300,000	\$205,080		3.68%	\$8,262	\$0	\$8,262	4.03%
2016 CoBank Loan for \$400,000	\$387,201		3.55%	\$13,500	\$0	\$13,500	3.49%
Total Cost of Debt	\$592,281			\$21,762	\$0	\$21,762	3.67%

Actual Cost of Debt	9/30/2017 Actual		Interest Rate	Interest Expense	Amortization Of Fin Costs	Total Interest	Cost Rate
2014 CoBank Loan for \$300,000	\$ 205,080		3.68%	\$ 8,262		\$ 8,262	4.03%
2016 CoBank Loan for \$400,000	387,201		3.55%	13,500		13,500	3.49%
Total Cost of Debt	\$592,281			\$21,762	\$ -	\$21,762	3.67%

Cost of Common Equity Capital

The Company is utilizing a cost of common equity of 9.6% for pro forma purposes.

AWC Rosebrook Water

Calculation of Rates for Temporary Rates

Revenue Requirement from Quarterly Charges

<u>Meter Size</u>	<u>Gallons</u>		<u>Revenue Requirement</u>		<u>Number of Meters</u>	<u>Present Monthly Charge</u>		<u>Proposed Monthly Charge</u>		<u>Revenue Requirement from Prop Qtrly Ch</u>		
	<u>10/01/2016 -</u>	<u>9/30/2017</u>	<u>Percentage</u>	<u>as % of Gallons</u>		<u>Monthly Charge</u>	<u>\$</u>	<u>Monthly Charge</u>	<u>\$</u>	<u>Qtrly Ch</u>	<u>\$</u>	
5/8	1,710,005	4,453,500	4.85%	16,280	107	9.91		14.87		\$19,087		
5/8 x 3/4	2,590,378	1,879,074	7.35%	24,662	254	32.69		49.04		45,309		
1	1,090,834	23,520,013	3.10%	10,385	2	106.00		159.00		3,816		
2			66.74%	223,926	3	230.83		346.25		12,465		
3					1	924.29		1,386.44		16,637		
6												
	<u>35,243,804</u>	<u>100.00%</u>		<u>\$335,544</u>	<u>413</u>					<u>\$124,381</u>		37.07%

Revenue Requirement from Consumptions Charges

Per 1,000 gallons

\$ 5.99

\$211,163 62.93%