

**FISHERS ISLAND ELECTRIC CORPORATION**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2013, 2012, 2011, 2010 AND 2009**

	<b>ASSETS</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 487,005	\$ 333,996	\$ 81,797	\$ 61,465	\$ 53,011
Trade accounts receivable	196,226	208,531	200,251	228,176	250,075
Related Party					1,867
Inventories:					
Materials and supplies	135,714	127,291	129,566	122,640	138,101
Fuel and lubricating oil		-	-	1,059	1,059
Prepaid expenses	65,365	22,044	20,575	77,302	80,020
<b>TOTAL CURRENT ASSETS</b>	<b>884,310</b>	<b>691,862</b>	<b>432,189</b>	<b>490,642</b>	<b>524,133</b>
<b>PROPERTY AND EQUIPMENT</b>					
Electric plant in service	5,246,265	5,190,227	5,185,147	5,101,005	5,028,999
Less: accumulated depreciation	(3,000,638)	(2,887,222)	(2,754,613)	(2,618,407)	(2,453,363)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>2,245,627</b>	<b>2,303,005</b>	<b>2,430,534</b>	<b>2,482,598</b>	<b>2,575,636</b>
<b>OTHER ASSETS</b>					
Debt expense (net of amortization) (note 3)	-	-	1,376	2,752	4,128
<b>TOTAL ASSETS</b>	<b>\$ 3,129,937</b>	<b>\$ 2,994,867</b>	<b>\$ 2,864,099</b>	<b>\$ 2,975,992</b>	<b>\$ 3,103,897</b>

See accountants' review report and notes to the financial statements

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ED LORAH &amp; ASSOCIATES, LLC

**FISHERS ISLAND ELECTRIC CORPORATION**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2013, 2012, 2011, 2010 AND 2009**

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
	<b>2,013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>CURRENT LIABILITIES</b>					
Notes payable	\$ 44,486	\$ 44,402	\$ 83,435	\$ 81,519	\$ 81,941
Accounts payable:					
Trade	79,450	61,173	61,071	113,406	115,037
Associated companies	47,500	22,421	126,705	65,903	82,027
Accrued pension expense	-	-	5,521	4,039	4,463
Accrued taxes and expenses	30,746	30,194	23,350	13,755	7,290
Customer Refund	30,176	98,721	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>232,358</b>	<b>256,911</b>	<b>300,082</b>	<b>278,622</b>	<b>290,758</b>
<b>LONG-TERM LIABILITIES</b>					
Notes payable net of current portion above (note 4)	208,224	231,221	277,132	358,292	439,400
Deferred federal income tax liability (note 5)	188,580	166,189	133,179	140,495	145,545
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>396,804</b>	<b>397,410</b>	<b>410,311</b>	<b>498,787</b>	<b>584,945</b>
<b>TOTAL LIABILITIES</b>	<b>629,162</b>	<b>654,321</b>	<b>710,393</b>	<b>777,409</b>	<b>875,703</b>
<b>STOCKHOLDERS' EQUITY</b>					
Common stock - authorized 2,000 shares without par value; issued and outstanding 1,710 shares at stated value	100,551	100,551	100,551	100,551	100,551
Paid in capital	29,498	29,498	29,498	29,498	29,498
Retained earnings	2,370,726	2,210,497	2,023,657	2,068,534	2,098,145
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>2,500,775</b>	<b>2,340,546</b>	<b>2,153,706</b>	<b>2,198,583</b>	<b>2,228,194</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 3,129,937</b>	<b>\$ 2,994,867</b>	<b>\$ 2,864,099</b>	<b>\$ 2,975,992</b>	<b>\$ 3,103,897</b>

**FISHERS ISLAND ELECTRIC CORPORATION**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, 2011, 2010 AND 2009**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>			
Sale of electric energy			
Residential	#####	#####	\$ 1,267,738
Commercial and industrial	287,926	292,293	297,546
Public street and highway lighting	11,500	11,500	11,500
Other sales to public authorities	150,742	148,588	143,229
PPA Reconciliation	253,107	378,738	72,824
Rent from Electric Operating Property	13,200	13,200	13,200
<b>TOTAL OPERATING REVENUES</b>	1,977,453	2,134,765	1,806,037
<b>OPERATING EXPENSES</b> (page 10)			
Purchase of electricity	831,111	850,242	870,137
Materials	39,677	38,556	
Generation	22,261	19,906	13,002
Transmission and distribution	214,257	230,278	185,533
Customers' accounting and collecting	28,364	69,869	74,852
Administrative and general	427,665	401,964	422,793
Taxes, other than federal income tax	185,122	180,476	170,438
<b>TOTAL OPERATING EXPENSES</b>	1,748,457	1,791,291	1,736,755
<b>OPERATING INCOME BEFORE DEPRECIATION</b>	228,996	343,474	69,282
Depreciation of electric plant	(113,916)	(132,609)	(136,206)
<b>NET OPERATING INCOME</b>	115,080	210,865	(66,924)
<b>OTHER INCOME (EXPENSE)</b>			
Merchandise and jobbing income	87,027	76,646	47,840
Merchandise and jobbing expense	(17,718)	(68,166)	(25,998)
Interest income	323	73	10
Rental income	12,188	15,000	15,000
Other non-operating income	2,334	1,833	2,964
Finance Charge Income	5,733	5,810	6,045
Interest expense	(12,838)	(22,212)	(31,180)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	77,049	8,984	14,681
<b>NET INCOME BEFORE FEDERAL INCOME TAX</b>	192,129	219,849	(52,243)
Federal income tax-current	9,469	-	-
Federal income tax - deferred	22,454	33,009	(7,316)
<b>TOTAL FEDERAL INCOME TAX</b>	31,923	33,009	(7,316)
<b>NET INCOME (LOSS)</b>	160,206	186,840	(44,927)
<b>RETAINED EARNINGS - BEGINNING</b>	2,210,497	2,023,657	2,068,534
<b>PRIOR PERIOD ADJUSTMENT</b>	23		50
<b>RETAINED EARNINGS - ENDING</b>	<u>\$ 2,370,726</u>	<u>\$ 2,210,497</u>	<u>\$ 2,023,657</u>

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ED LORAH &amp; ASSOCIATES, LLC

See accountants' review report and notes to the financial statements

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ED LORAH & ASSOCIATES, LLC

<u>2010</u>	<u>2009</u>	<u>5 - YR AVG</u>
\$ 1,287,400	\$1,247,235	\$ 1,270,759
323,492	311,451	\$ 302,542
11,500	11,500	\$ 11,500
129,824	129,999	\$ 140,476
		\$ 140,934
<u>13,200</u>	<u>13,200</u>	<u>\$ 13,200</u>
1,765,416	\$1,713,385	1,879,411
857,628	770,384	835,900
4,693	978	15,647
168,393	155,919	12,168
73,757	80,730	190,876
422,167	424,637	65,514
163,644	158,137	419,845
<u>1,690,282</u>	<u>1,590,785</u>	<u>1,711,514</u>
75,134	122,600	167,897
<u>(165,044)</u>	<u>(168,290)</u>	<u>(143,213)</u>
(89,910)	(45,690)	24,684
143,758	157,942	102,643
(94,246)	(79,540)	(57,134)
11	14	86
15,000	15,000	14,438
22,449	2,434	6,403
5,369	3,490	5,289
<u>(37,092)</u>	<u>(42,903)</u>	<u>(29,245)</u>
<u>55,249</u>	<u>56,437</u>	<u>42,480</u>
(34,661)	10,747	67,164
-	-	1,894
<u>(5,050)</u>	<u>1,485</u>	<u>8,916</u>
<u>(5,050)</u>	<u>1,485</u>	<u>10,810</u>
(29,611)	9,262	56,354
2,098,145	2,088,883	2,097,943
<u>0</u>	<u>0</u>	<u>15</u>
<u>\$ 2,068,534</u>	<u>\$ 2,098,145</u>	<u>\$ 2,210,666</u>

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ED LORAH &amp; ASSOCIATES, LLC

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ED LORAH & ASSOCIATES, LLC

**FISHERS ISLAND ELECTRIC CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013, 2012, 2011, 2010 AND 2009**

	2013	2012	2011	2010	2009	5-YR AVG
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net Income (Loss) (page 4)	160,206	\$ 186,840	\$ (44,927)	\$ (29,611)	\$ 9,262	\$ 56,354
Adjustments to reconcile net income to net cash provided						\$ -
Operating activities						\$ -
Depreciation and amortization	113,416	133,985	137,582	166,420	169,665	\$ 144,214
(Increase) decrease in:						\$ -
Receivables	12,305	(8,280)	27,925	23,766	(72,979)	\$ (3,453)
Inventories	(8,423)	2,275	(5,867)	15,461	(12,605)	\$ (1,832)
Prepaid expenses	(43,321)	(1,469)	56,727	2,718	(21,853)	\$ (1,440)
Increase (decrease) in:						\$ -
Accounts payable	43,356	(104,182)	8,467	(17,755)	52,231	\$ (3,577)
Accrued taxes and expenses	552	1,323	11,077	6,041	2,701	\$ 4,339
Deferred federal income tax liability	22,391	33,010	(7,316)	(5,050)	1,485	\$ 8,904
Customer Refund	(68,545)	98,721	-	-	-	\$ 6,035
<b>NET CASH PROVIDED BY OPERATING</b>	<b>231,937</b>	<b>342,223</b>	<b>183,668</b>	<b>161,990</b>	<b>127,907</b>	<b>203,947</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Additions to electric plant in service	(56,038)	(5,080)	(84,142)	(72,006)	(73,586)	(58,704)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Note repayments		(84,944)	(79,244)	(81,530)	(76,026)	(80,436)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		252,199	20,282	8,454	(21,705)	64,808
<b>CASH AND CASH EQUIVALENTS BALANCE - BEGINNING</b>	333,996	81,797	61,465	53,011	74,720	67,748
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>23</b>	-	50	-	-	13
<b>CASH AND CASH EQUIVALENTS BALANCE - ENDING</b>	<b>\$ 333,996</b>	<b>\$ 81,797</b>	<b>\$ 61,465</b>	<b>\$ 53,015</b>	<b>\$</b>	<b>\$ 132,568</b>

See accountants' review report and notes to the financial statements

**FISHERS ISLAND ELECTRIC CORPORATION**  
**OPERATING EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, 2011, 2010 AND 2009**

	2013	2012	2011
<b>PURCHASE OF ELECTRICITY</b>	831,111	\$ 850,242	\$ 870,137
<b>MATERIALS</b>	39,677	38,556	-
<b>GENERATION</b>			
Production	11,110	11,996	7,559
Heat	11,151	7,910	5,443
Maintenance Supplies & Expense	-	-	-
	22,261	19,906	13,002
<b>TRANSMISSION AND DISTRIBUTION</b>			
Supervision	61,760	60,948	61,814
Operation labor	47,600	45,146	46,622
Maintenance labor	90,164	98,987	40,750
Labor on street lighting and signal system	1,841	261	---
Supplies and expense	12,892	24,936	36,347
	214,257	230,278	185,533
<b>CUSTOMERS' ACCOUNTING AND COLLECTING</b>			
Meter reading	17,143	16,570	15,419
Inter-company rent and administrative charges	-	43,080	51,756
Computer	11,221	10,219	7,677
	28,364	69,869	74,852
<b>ADMINISTRATIVE AND GENERAL</b>			
General office expense	22,803	29,264	23,695
Management services	77,812	44,580	67,896
Office salaries	69,565	51,960	59,928
Legal, accounting and professional fees	28,620	38,669	70,865
P.S.C. expense	35,946	43,620	16,590
Insurance	79,475	79,493	76,971
Transportation and freight expense	26,075	35,195	33,439
Pension plan - employer contribution	-	-	5,095
Group life and medical insurance	-	-	18,298
Rental house expenses	22,922	5,749	164
Vacations, holidays, training, etc.	-	-	49,852
Sub-contract services	85,077	73,434	-
	427,665	401,964	422,793
<b>TAXES OTHER THAN FEDERAL INCOME TAX</b>			
New York state corporation tax	11,787	5,563	5,205
New York state tax on gross income	45,694	48,375	41,753
Social security and other taxes	24,219	25,240	23,996
Real estate taxes	103,422	101,298	99,484
	185,122	180,476	170,438
<b>TOTAL OPERATING EXPENSES</b>	\$ 1,748,457	\$ 1,791,291	\$ 1,736,755

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<u>2010</u>	<u>2009</u>
\$ 857,628	\$ 770,384
-	-
-	-
4,693	903
-	75
<u>4,693</u>	<u>978</u>
60,466	56,217
49,969	44,228
41,953	45,275
469	58
<u>15,536</u>	<u>10,141</u>
168,393	155,919
14,568	15,235
51,756	51,756
<u>7,433</u>	<u>13,739</u>
73,757	80,730
23,901	31,602
67,361	61,892
59,928	65,395
73,385	34,304
27,364	39,846
84,304	88,778
26,401	27,105
4,039	5,028
12,537	26,058
764	598
42,183	44,031
-	-
<u>422,167</u>	<u>424,637</u>
6,001	7,583
39,539	37,272
23,186	24,243
<u>94,918</u>	<u>89,039</u>
163,644	158,137
<u>\$ 1,690,282</u>	<u>\$ 1,590,785</u>

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FISHERS ISLAND ELECTRIC CORPORATION						
Plant in Service - Balances 5 Year						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	5-YR AVG
1301. Organization	\$ 963	\$ 963	\$ 963	\$ 963	\$ 963	963
1302. Franchise and Consents	846	846	846	846	846	846
1303. Miscellaneous Intangible Plant	-	-	-	-	-	-
Total Intangible Plant	1,809	1,809	1,809	1,809	1,809	1,809
1310. Land and Land Rights	44	44	44	44	44	44
1311. Structures and Improvements	78,523	78,523	78,523	78,523	78,523	78,523
1312. Steam power Equipment	-	-	-	-	-	-
1322. reservoirs, Dams and Waterways	-	-	-	-	-	-
1323. Hydraulic Power Equipment	-	-	-	-	-	-
1332. Internal Combustion Eng. Pwr. Eq.	136,722	136,783	136,783	136,783	136,783	136,771
Total Production Plant	215,289	215,350	215,350	215,350	215,350	215,338
1350. Land and Land Rights	7,736	7,736	7,736	7,736	7,736	7,736
1351. Structures and Improvements	85,950	89,537	107,915	107,915	110,205	100,304
1352. Station Equipment	229,319	243,112	250,312	255,392	280,640	251,755
1354. Overhead Lines *	611,631	611,632	611,632	611,632	611,632	611,632
1354.1 Poles, Towers and Fixtures	234,238	237,260	244,465	244,465	244,465	240,979
1354.2 Overhead Conductors and Devices	410,527	424,677	434,688	434,688	434,688	427,854
1354.3 Overhead Service	85,568	89,051	92,945	92,945	92,945	90,691
1356. <i>Underground Lines*</i>	-	-	-	-	-	-
1356.1 Underground Conduit	90,532	91,348	91,480	91,480	91,480	91,264
1356.2 Underground Conductors and Devices	644,455	664,233	684,219	684,219	684,219	672,269
1356.3 Underground Services	323,930	323,930	324,057	324,057	324,057	324,006
1358. Line Transformers	193,003	196,208	204,850	204,850	204,850	200,752
1360. Meters	172,093	180,038	188,177	188,177	188,177	183,332
1361. Installation on Customers' Premises	-	-	-	-	-	-
1362. Leased Prop. On Customer Premises	-	-	-	-	-	-
1363. Street Lighting and Signal Systems	11,431	11,431	11,431	11,431	11,431	11,431
Total Trans and Distr. Plant	3,100,412	3,170,193	3,253,907	3,258,987	3,286,525	3,214,005
1370. Land and Land Rights	-	-	-	-	-	-
1371. Structures and Improvements	352,375	353,361	353,789	353,789	353,789	353,421
1372. Office Furniture and Equipment	12,997	13,326	13,326	13,326	13,326	13,260
1373. transportation Equipment	605,718	605,718	605,718	605,718	605,718	605,718
1379. Other General Equipment	92,862	93,711	93,711	93,711	122,211	99,241
1390. Other Tangible Property	647,537	647,537	647,537	647,537	647,537	647,537
Total General Plant	1,711,489	1,713,653	1,714,081	1,714,081	1,742,581	1,719,177
Total Electric Plant in Service	\$ 5,028,999	\$ 5,101,005	\$ 5,185,147	\$ 5,190,227	\$ 5,246,265	5,150,329

**FISHERS ISLAND ELECTRIC CORPORATION**

3/4/2013

**PLANT IN SERVICE**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>5-YR AVERAGE</b>
ELECTRIC PLANT IN SERVICE	5,028,999	5,101,005	5,185,147	5,190,227	5,246,265	5,150,329
LESS : SUBMARINE CABLE	(646,246)	(646,246)	(646,246)	(646,246)	(646,246)	(646,246)
LESS: REPAIRS & MAINTENANCE	(57,193)	(60,150)	(62,332)	-	-	(35,935)
LESS: ACCUMULATED DEPRECIATION	(2,754,613)	(2,618,407)	(2,453,363)	(2,887,222)	(3,000,638)	(2,742,849)
	1,570,947	1,776,202	2,023,206	1,656,759	1,599,381	1,725,299

**CASH WORKING CAPITAL ALLOWANCE**

OPERATIONS & MAINTENANCE	1,590,785	1,690,282	1,736,755	1,791,291	1,748,457	1,711,514
MULTIPLY BY 12.5%	0.125	0.125	0.125	0.125	0.125	0.125
	198,848	211,285	217,094	223,911	218,557	213,939

<b>RATE BASE</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>3-YR AVERAGE</b>
NET PLANT IN SERVICE	1,570,947	1,776,202	2,023,206	1,656,759	1,599,381	1,725,299
ADD: MATERIALS & SUPPLIES	138,101	122,640	129,566	127,291	135,714	130,808
ADD: PRE-PAYMENTS	80,020	77,302	20,575	22,044	65,365	59,299
ADD: CASH WORKING CAPITAL	198,848	211,285	217,094	223,911	218,557	213,939
Sub-Total	1,987,916	2,187,429	2,390,441	2,030,005	2,019,017	2,129,345
LESS: DEFERRED TAXES	(145,545)	(140,495)	(133,179)	(166,189)	(188,580)	(139,740)
	1,842,371	2,046,934	2,257,262	1,863,816	1,830,437	1,989,605

<b>OPERATING INCOME</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>3-YR AVERAGE</b>
	9,262	(29,611)	(44,927)	186,840	160,206	56,354

# FISHERS ISLAND ELECTRIC REVENUE REQUIREMENT

## REVENUE REQUIREMENTS 12/31/2013

	6/30/2010 RATE YEAR REVENUE REQUIREMENT INCREASE
RATE BASE	\$ 2,459,900
RATE OF RETURN	8.090%
REQUIRED RETURN	199,006
OPERATING INCOME BEFORE REVENUE REQUIREMENT	81,658
DEFICIENCY	117,348
RETENTION FACTOR	67.150%
REVENUE REQUIREMENT	\$ 174,755

	FACTOR	PROOF	FACTOR
CALCULATION FACTOR			
SALES REVENUES	1.0000	\$ 174,755	1.0000
REVENUE TAXES @ 2.33% + Uncollectible .03%	0.0236%	4,117	0.0300%
RETENTION FACTOR Before FIT	0.9764%	170,638	0.9700%
State Income Tax @ 7.1% plus MTA(17%)	0.0811%	14,175	0.0811%
FIT Rate - Composite Rate	0.2238%	39,116	0.2238%
Retention Factor	0.6715%	\$ 117,347	0.6651%

3/4/2013

**2009 - 2011  
AVERAGE**

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\$ 1,830,437

8.85%

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161,974

(138,027)

---

300,001

66.51%

\$ 202,274

**PROOF**

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\$ 300,000

9,000

---

291,000

23,600

---

65,126

202,274

Fishers Island Electric Company  
Operating Income, Rate Base & Rate of Return

December 31, 2013

	Current Rates	Revenue Requirement	Proposed Rates
Operating Revenue	1,977,453	300,000	2,277,453
Less: PPA	(253,107)		(253,107)
Net Revenue	<u>1,724,346</u>	<u>300,000</u>	<u>2,024,346</u>
			-
Operations and Maintenance Expense	1,563,335		1,563,335
Depreciation of Plant	113,916		113,916
Taxes other than Income Taxes	185,122		185,122
Total Deductions	1,862,373		1,862,373
Operating Income before Income Taxes	(138,027)	300,000	161,973
Rate Base	2,459,900		1,830,437
Rate of Return	-5.6111%		8.8489%

FISHERS ISLAND ELECTRIC COMPANY  
PRESENT AND RECOMMENDED RATES  
RATE COMPARISON SHEET

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	<u>Present</u>	<u>Proposed</u>	<u>Rate Increase</u>	
			<u>Amount</u>	<u>Percent</u>
<u>Service Classification No. 1</u>				
Minimum Charge	\$ 10.60	\$ 12.50	\$ 1.90	17.96%
Energy Charge				
First 1,000 kWh	0.1790	0.2111	0.0321	17.96%
Over 1,000 kWh	0.2067	0.2438	0.0371	17.96%
<u>Service Classification No. 2</u>				
Minimum Charge	\$ 32.37	\$ 38.18	\$ 5.81	17.96%
Energy Charge	0.3237	0.3818	0.0581	17.96%
<u>Service Classification No. 5</u>				
Minimum Charge	\$ 15.90	\$ 18.75	\$ 2.85	17.96%
Demand Charge	\$ 11.17	\$ 13.18	\$ 2.01	17.96%
Energy Charge	0.1696	0.2001	0.0305	17.96%
<u>Service Classification No. 7</u>				
Minimum Charge	\$ 23.12	\$ 27.27	\$ 4.15	17.96%
Energy Charge	0.2255	0.2660	0.0405	17.96%