

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>

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)					
8	Taxes Other Than Income (408.1-408.13)	8,394	14,310	22,704	0	22,704
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	(5,500)	16,126	10,626	16,547	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.)					
20	Total Other Income and Deductions	\$ (530)	\$ (10,732)	\$ (11,262)	\$ -	\$ (11,262)
21	NET INCOME (LOSS)	\$ (5,112)	\$ (22,135)	\$ (27,247)	\$ 48,905	\$ 21,658

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

Schedule 1A

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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)

Amortization of 10% Premium

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

Town of Carroll Property Taxes

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

Town of Bethlehem Property Taxes

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

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	<u>\$ 12,506</u>

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>

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%

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

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

Schedule 3

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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 9/30/17Balance	<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		<u>Cost</u>	Amort. <u>Rate</u>	Annual <u>Cost</u>	Accum <u>Amort</u>
<u>Acct. No.</u>	<u>Description</u>				
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>

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

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>10/01/2016 -</u> <u>9/30/2017</u>	<u>Percentage</u>	<u>Revenue</u> <u>Requirement</u> <u>as % of</u> <u>Gallons</u>	<u>Number of</u> <u>Meters</u>	<u>Present</u> <u>Monthly</u> <u>Charge</u>	<u>Proposed</u> <u>Monthly</u> <u>Charge</u>	<u>Revenue</u> <u>Requirement</u> <u>from Prop</u> <u>Qtrly Ch</u>	
5/8	1,710,005	4.85%	\$ 16,280	107	\$ 9.91	\$ 14.87	\$19,087	
5/8 x 3/4	4,453,500	12.64%	42,400	254	9.91	14.87	45,309	
1	2,590,378	7.35%	24,662	46	32.69	49.04	27,067	
2	1,879,074	5.33%	17,890	2	106.00	159.00	3,816	
3	1,090,834	3.10%	10,385	3	230.83	346.25	12,465	
6	<u>23,520,013</u>	<u>66.74%</u>	<u>223,926</u>	<u>1</u>	<u>924.29</u>	<u>1,386.44</u>	<u>16,637</u>	
	<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

\$211,163 62.93%

Per 1,000 gallons

\$ 5.99