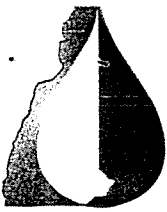


**DW 08-065: HAMPSTEAD AREA WATER COMPANY, INC.**

**ATKINSON / HAMPSTEAD INTERCONNECTION  
PROJECT  
STEP INCREASE**

**ATTACHMENT A:**

**COMPANY FILING AND SUPPORTING SCHEDULES**



# HAMPSTEAD AREA

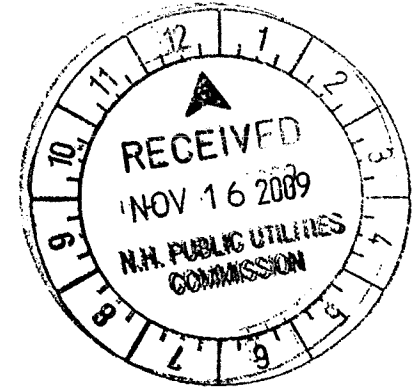
## WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811

TEL: 603.362.4299 FAX: 603.362.4936  
www.hampsteadwater.com

November 13, 2009

Debra A. Howland  
Executive Director & Secretary  
Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, N. H. 03301-2429



Re: DW 08-065, Hampstead Area Water Company  
Atkinson-Hampstead Interconnection Project Step Increase

Dear Ms. Howland:

In accordance with the terms of the Stipulation approved by the Commission in Order No. 25,000 dated August 4, 2009 in DW 08-065, the Company "agrees to file with the Commission detailed actual costs of the Project, as well as the return on the assets, the depreciation expenses on those assets, and the direct expenses related to the Project to be recovered through the rate increase". As such, enclosed are one (1) paper set and (7) seven computer disks of the various schedules including plant and contribution in aid of construction, weighted average rate of return, calculation of tax expense, calculation of revenue requirement, calculation of rates, actual costs by vendor and actual costs by invoice. Please note that two computer disks have also been provided to the Office of the Consumer Advocate.

In Order No. 24,937 in Docket DW- 08-088 dated February 6, 2009, the Commission approved HAWC's request to finance the interconnection project, but deferred the issue of how the financing would impact rates to the instant docket. The parties to the Stipulation approved herein by the Commission agreed that at the conclusion of the project, HAWC will submit documentation of its costs relating to the Project for Staff and the OCA's review and then for Commission review and approval. The Project was completed and placed in service on November 10, 2009. Beginning on December 15, 2009, subject to the approval by the Commission, the customer bills will reflect service being rendered for that billing period.

The step adjustment to rates is made contingent on review and approval from the Commission of the actual costs of the Project to confirm that such costs are consistent with Hampstead's petition.

As of July 31, 2009 the Company incurred \$35,357 of financing and step increase expenditures in DW 08-088. The Company has attributed 50% of the costs to financing

Debra A. Howland  
November 13, 2009  
page 2.

costs and 50% of the costs to rate case expenditures. The annual amortization of the 50% financing costs have been incorporated into the cost of debt / rate of return calculation (see SPS-2). The Company proposes to recover these 50% rate case expenditures over two months as a rate case expenditure surcharge of \$3.04 per customer using a customer base of 2,907.

The Company respectfully requests the opportunity to review the Staff's recommendation prior to submission to the Commission. Further, the Company respectfully requests that the Commission review and approve the costs actually incurred and the related rate increase. The Company also respectfully requests that the Commission issue an order approving the costs actually incurred and the related rate increase as soon as possible so that the Company can reflect the rate increase in its December 15, 2009 billings.

If the Commission and/or its Staff have any questions or comments, please do not hesitate to contact me at your earliest convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. C. Levine', with a stylized flourish at the end.

Robert C. Levine, Esq.  
General Counsel

cc: HAWC  
Stephen P. St. Cyr  
Service list

11/12/2009

## HAMPSTEAD AREA WATER CO.

### Hampstead \Atkinson Interconnection Final Costs Summary

<b>Total Cost</b>	<b>1,071,692.99</b>	
Less: 6 Fire Hydrants @ \$5,000 each	(30,000.00)	3 in Hampstead, 3 in Atkinson
Total allocated to Mains	<u>1,041,692.99</u>	
Length of Mains	<u>15,895</u>	LF
Per LF cost	<u>65.54</u>	per LF

#### Summary:

Acct # 331 - Transmission & Distribution Mains	1,041,692.99
Acct # 335 - Hydrants	<u>30,000.00</u>
<b>TOTAL</b>	<u><b>1,071,692.99</b></u>

#### CIAC:

Contribution by Town of Atkinson towards 2 Fire Hydrants	<u>5,000.00</u>
--	-----------------

**HAMPSTEAD AREA WATER CO.**

Hampstead \Atkinson Interconnection  
Final Costs - Sorted by Date

Date	Payee	Description	
3/3/07	St Cyr	February	488.06
4/30/07	LBD # 6918	acctg	269.20
4/30/07	LBD # 6919	engineering	86.45
4/30/07	LBD # 6922	engineering	187.11
4/30/07	LBD # 6952	engineering	1,242.75
5/31/07	LBD # 7014	engineering	162.81
6/22/07	LBD # 7024	engineering	1,948.04
7/31/07	LBD # 7125	legal	69.35
7/31/07	LBD # 7179	engineering	1,994.55
8/31/07	LBD # 7157	legal	514.09
8/31/07	LBD # 7180	engineering	698.21
4/30/08	LBD # 7687	acctg.	603.12
4/30/08	LBD # 7695	legal	320.45
5/3/08	Steve St Cyr	April	210.00
5/31/08	LBD # 7768	legal	986.23
5/31/08	LBD # 7779	eng	127.26
6/7/08	Steve St Cyr	May	78.75
6/30/08	LBD # 7833	acctg	75.39
6/30/08	LBD # 7841	legal	763.43
6/30/08	LBD # 7856	eng	21.21
7/7/08	Steve St Cyr		1,785.00
7/28/08	LBD # 7975	mailing	1,260.00
7/31/08	LBD # 7905	legal	820.87
8/3/08	Steve St Cyr		105.00
8/31/08	LBD # 7954		243.54
8/31/08	LBD # 7966	legal	1,697.22
8/31/08	Union Leader	ad	401.84
9/5/08	Steve St Cyr		1,185.76
9/22/08	Steven Patnaude	transcript	133.80
9/30/08	LBD # 8020		3,170.27
9/30/08	LBD # 8023	eng	169.64
10/9/08	Steve St Cyr		958.13
10/31/08	LBD # 8075		1,505.91
10/31/08	LBD # 8078		7,057.98
10/31/08	Steve St Cyr		997.50
11/30/08	LBD # 8125		254.52
11/30/08	LBD # 8129		5,209.90
12/6/08	Steve St Cyr		1,102.50
12/8/08	Steven Patnaude		953.95
12/31/08	Steve St Cyr		52.50
1/30/09	LBD # 8251		230.95
2/28/09	LBD # 8322		1,026.56
3/6/09	Steve St Cyr		52.50
3/31/09	LBD # 8395		1,951.84
3/31/09	LBD # 8395		223.85
4/15/09	Lewis Engineering		8,220.00
4/20/09	NE Archaeology		2,500.00
4/30/09	Eagle Tribune	adv.	654.64
4/30/09	LBD # 8459		4,322.18

**HAMPSTEAD AREA WATER CO.**

Hampstead \Atkinson Interconnection  
Final Costs - Sorted by Date

<u>Date</u>	<u>Payee</u>	<u>Description</u>		
4/30/09	Union Leader	adv.	329.38	
5/1/09	LBD # 8511		1,868.20	
5/1/09	LBD # 8512		7,310.77	
5/1/09	LBD # 8513		191.13	
5/18/09	Plaistow Police	detail	230.00	
5/18/09	Plaistow Police	detail	50.00	
5/22/09	Town of Hampstead	police detail	224.00	
5/31/09	LBD # 8530		6,885.21	
5/31/09	LBD # 8535		3,096.94	
5/31/09	Union Leader	ad	329.38	
6/9/09	Steve St Cyr		52.50	
6/15/09	Lewis Engineering		6,720.00	
6/16/09	Law Office of Peter Riley	title update	292.00	
6/23/09	Atk. Resort	meeting room	171.70	
6/25/09	State of NH	cert of existence	5.00	
6/30/09	LBD # 8589		1,096.71	
6/30/09	LBD # 8593		2,071.33	
6/30/09	LBD # 8599		2,034.97	
6/30/09	Union Leader	ad	467.71	
7/8/09	Steve St Cyr		26.25	
7/10/09	Law Office of Peter Riley		2,187.00	
7/15/09	East Coast Lumber	paint	6.63	
7/15/09	East Coast Lumber	paint	9.94	
7/28/09	Lewis Engineering, PLLC	design	1,500.00	
7/31/09	Al Hoyt & Sons, Inc.		129,096.00	
7/31/09	LBD # 8634		214.41	
7/31/09	LBD # 8635		3,480.29	
7/31/09	LBD # 8684		349.64	
8/19/09	Lewis Engineering, PLLC		840.00	
8/26/09	Al Hoyt & Sons, Inc.	Req # 2	246,912.00	
8/31/09	LBD # 8700		597.00	
8/31/09	LBD # 8701		3,628.43	
9/25/09	GS Analytical		65.00	
9/29/09	Al Hoyt & Sons, Inc.	Req # 3	419,639.00	
9/30/09	LBD # 8740		2,032.42	
9/30/09	LBD # 8741		34.15	
9/30/09	LBD # 8761		5,000.00	
10/5/09	Fedex		11.26	
10/23/09	Al Hoyt & Sons, Inc.	Req # 4	160,465.00	
10/30/09	LBD # 8799		281.54	
10/31/09	LBD # 8783		2,795.29	
<b>TOTAL</b>			<b>1,071,692.99</b>	
<b>Original Budget</b>			<b>1,100,885.00</b>	approved in PUC Order # 24,937
<b>Amount Under Budget</b>			<b>29,192.01</b>	

**HAMPSTEAD AREA WATER CO.**

Hampstead \Atkinson Interconnection  
Final Costs - Sorted by Vendor

Date	Payee	Description		
7/31/09	Al Hoyt & Sons, Inc.	Req # 1	129,096.00	
8/26/09	Al Hoyt & Sons, Inc.	Req # 2	246,912.00	
9/29/09	Al Hoyt & Sons, Inc.	Req # 3	419,639.00	
10/23/09	Al Hoyt & Sons, Inc.	Req # 4	160,465.00	956,112.00
6/23/09	Atk. Resort	meeting room	171.70	171.70
4/30/09	Eagle Tribune	adv.	654.64	654.64
7/15/09	East Coast Lumber	paint	6.63	
7/15/09	East Coast Lumber	paint	9.94	16.57
10/5/09	Fedex		11.26	11.26
9/25/09	GS Analytical		65.00	65.00
6/16/09	Law Office of Peter Riley	title update	292.00	
7/10/09	Law Office of Peter Riley		2,187.00	2,479.00
4/30/07	LBD # 6918	acctg	269.20	
4/30/07	LBD # 6919	engineering	86.45	
4/30/07	LBD # 6922	engineering	187.11	
4/30/07	LBD # 6952	engineering	1,242.75	
5/31/07	LBD # 7014	engineering	162.81	
6/22/07	LBD # 7024	engineering	1,948.04	
7/31/07	LBD # 7125	legal	69.35	
8/31/07	LBD # 7157	legal	514.09	
7/31/07	LBD # 7179	engineering	1,994.55	
8/31/07	LBD # 7180	engineering	698.21	
4/30/08	LBD # 7687	acctg.	603.12	
4/30/08	LBD # 7695	legal	320.45	
5/31/08	LBD # 7768	legal	986.23	
5/31/08	LBD # 7779	eng	127.26	
6/30/08	LBD # 7833	acctg	75.39	
6/30/08	LBD # 7841	legal	763.43	
6/30/08	LBD # 7856	eng	21.21	
7/31/08	LBD # 7905	legal	820.87	
8/31/08	LBD # 7954		243.54	
8/31/08	LBD # 7966	legal	1,697.22	
7/28/08	LBD # 7975	mailing	1,260.00	
9/30/08	LBD # 8020		3,170.27	
9/30/08	LBD # 8023	eng	169.64	
10/31/08	LBD # 8075		1,505.91	
10/31/08	LBD # 8078		7,057.98	
11/30/08	LBD # 8125		254.52	
11/30/08	LBD # 8129		5,209.90	
1/30/09	LBD # 8251		230.95	
2/28/09	LBD # 8322		1,026.56	
3/31/09	LBD # 8395		1,951.84	

**HAMPSTEAD AREA WATER CO.**

Hampstead \Atkinson Interconnection  
Final Costs - Sorted by Vendor

Date	Payee	Description		
3/31/09	LBD # 8395		223.85	
4/30/09	LBD # 8459		4,322.18	
5/1/09	LBD # 8511		1,868.20	
5/1/09	LBD # 8512		7,310.77	
5/1/09	LBD # 8513		191.13	
5/31/09	LBD # 8530		6,885.21	
5/31/09	LBD # 8535		3,096.94	
6/30/09	LBD # 8589		1,096.71	
6/30/09	LBD # 8593		2,071.33	
6/30/09	LBD # 8599		2,034.97	
7/31/09	LBD # 8634		214.41	
7/31/09	LBD # 8635		3,480.29	
7/31/09	LBD # 8684		349.64	
8/31/09	LBD # 8700		597.00	
8/31/09	LBD # 8701		3,628.43	
9/30/09	LBD # 8740		2,032.42	
9/30/09	LBD # 8741		34.15	
9/30/09	LBD # 8761		5,000.00	
10/31/09	LBD # 8783		2,795.29	
10/30/09	LBD # 8799		281.54	82,183.31
4/15/09	Lewis Engineering		8,220.00	
6/15/09	Lewis Engineering		6,720.00	
7/28/09	Lewis Engineering, PLLC	design	1,500.00	
8/19/09	Lewis Engineering, PLLC		840.00	17,280.00
4/20/09	NE Archaeology		2,500.00	2,500.00
5/18/09	Plaistow Police	detail	230.00	
5/18/09	Plaistow Police	detail	50.00	280.00
6/25/09	State of NH	cert of existence	5.00	5.00
3/3/07	Steve St Cyr	February	488.06	
5/3/08	Steve St Cyr	April	210.00	
6/7/08	Steve St Cyr	May	78.75	
7/7/08	Steve St Cyr		1,785.00	
8/3/08	Steve St Cyr		105.00	
9/5/08	Steve St Cyr		1,185.76	
10/9/08	Steve St Cyr		958.13	
10/31/08	Steve St Cyr		997.50	
12/6/08	Steve St Cyr		1,102.50	
12/31/08	Steve St Cyr		52.50	
3/6/09	Steve St Cyr		52.50	
6/9/09	Steve St Cyr		52.50	
7/8/09	Steve St Cyr		26.25	7,094.45
9/22/08	Steven Patnaude	transcript	133.80	
12/8/08	Steven Patnaude		953.95	1,087.75



**HAMPSTEAD AREA WATER CO.****Hampstead \Atkinson Interconnection  
Final Costs - Sorted by Vendor**

<u>Date</u>	<u>Payee</u>	<u>Description</u>		
5/22/09	Town of Hampstead	police detail	224.00	224.00
8/31/08	Union Leader	ad	401.84	
4/30/09	Union Leader	adv.	329.38	
5/31/09	Union Leader	ad	329.38	
6/30/09	Union Leader	ad	467.71	1,528.31
<b>TOTAL</b>			<u>1,071,692.99</u>	<u>1,071,692.99</u>
<b>Original Budget (approved in PUC Order # 24,937)</b>			<u>1,100,885.00</u>	
<b>Amount Under Budget</b>			<u>29,192.01</u>	

## DW 08-065 Second Step Adjustment

Plant / Contribution in Aid of Construction

<u>Plant</u>		<u>Costs*</u>		<u>Depr. Exp.</u>	Accum <u>Depr.</u>
331	Main	\$1,006,336	2.00%	\$20,127	\$10,063
335	Hydrants	<u>30,000</u>	2.00%	<u>600</u>	<u>300</u>
Total		<u>\$1,036,336</u>		<u>\$20,727</u>	<u>\$10,363</u>

\*Total costs amounted to \$1,071,693, of which, as of 7/31/09, \$35,357 are financing and step increase expenditures.

CIAC / Amortization of CIAC / Accumulated Amortization

<u>CIAC</u>		<u>Grant/CIAC*</u>		<u>Amort. Exp.</u>	Accum <u>Amort.</u>
331	Main	(\$256,927)	2.00%	(\$5,139)	(\$2,569)
335	Hydrants	<u>(12,659)</u>	2.00%	<u>(253)</u>	<u>(127)</u>
Total		<u>(\$269,587)</u>		<u>(\$5,392)</u>	<u>(\$2,696)</u>

\*Total State Grant amounts to \$264,587 (25% of \$1,058,347), which has been allocated based on plant costs. In addition, the Town of Atkinson has contributed \$5,000 towards the costs of 2 of the 3 hydrants in Atkinson.

SPSt. Cyr  
11/5/2009

## DW 08-065 Second Step Adjustment

## Rate of Return

	<u>Balance</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>Amort. of Fin. Costs</u>	<u>Total Interest</u>	<u>Cost of Debt</u>
State Revolving Fund	<u>\$1,058,347</u>	<u>3.7440%</u>	<u>\$39,625</u>	<u>\$884</u>	<u>\$40,509</u>	<u>3.8275%</u>

Note: As of 7/31/09 the Company incurred \$35,357 of financing and step increase costs. The Company has attributed 50% of the costs to financing costs and 50% of the costs to rate case expenditures. As such, the amortization of financing costs amounts to \$884 ( $\$35,357 / 2 / 20$ )

SPSt. Cyr  
11/5/2009

**Hampstead Area Water Company****SPS-3****DW 08-065 Second Step Adjustment****State Property Taxes**

331	Mains, LF 15,895		\$1,006,336
335	Hydrants, Total 6		<u>30,000</u>
	Total Plant		\$1,036,336
108	Accumulated Depreciation		<u>(10,363)</u>
	Net Plant		<u>\$1,046,699</u>
	Thousand Dollars of Assessed Value		\$1,047
	Property Tax Rate		<u>6.60</u>
	State Property Taxes		<u>\$6,908</u>

**Local Property Taxes****Hampstead**

331	Mains, LF 5,830	0.3668	\$369,106
335	Hydrants, Total 3	0.5000	<u>15,000</u>
	Total Plant		\$384,106
108	Accumulated Depreciation		<u>(3,841)</u>
	Net Plant		<u>\$380,265</u>
	Thousand Dollars of Assessed Value		\$380
	Property Tax Rate		<u>18.79</u>
	Hampstead Property Taxes		<u>\$7,145</u>

**Atkinson**

331	Mains, LF 10,065	0.6332	\$637,230
335	Hydrants, Total 3	0.5000	<u>15,000</u>
	Total Plant		\$652,230
108	Accumulated Depreciation		<u>(6,522)</u>
	Net Plant		<u>\$645,708</u>
	Thousand Dollars of Assessed Value		\$646
	Property Tax Rate		<u>12.69</u>
	Atkinson Property Taxes		<u>\$8,194</u>

**State Business Enterprise Taxes**

Interest Expense	\$40,509
Business Enterprise Tax Rate	<u>0.75%</u>
Business Enterprise Taxes	<u>\$304</u>

<b>Total Taxes</b>	<u><b>\$22,551</b></u>
--------------------	------------------------

## DW 08-065 Second Step Adjustment

## Calculation of Revenue Requirement

Addition to Rate Base:

Plant Additions:

Main	\$1,006,336
Hydrants	<u>30,000</u>
Total Addition to Plant	\$1,036,336
Less: Accumulated Depreciation	<u>(10,363)</u>
Net Plant	<u>\$1,025,973</u>

Add: Cash Working Capital

CIAC:

Mains	(\$256,927)
Hydrants	<u>(12,659)</u>
Total Addition to CIAC	(\$269,587)
Less: Accumulated Amortization	<u>2,696</u>
Net CIAC	<u>(\$266,891)</u>

Total Additions to Rate Base	\$759,082
------------------------------	-----------

Rate of Return	<u>3.828%</u>
----------------	---------------

Additional Net Operating Income Required	\$29,054
--	----------

Add:	Operating and Maintenance Expenses	
	Depreciation Expense	20,727
	Amortization of CIAC	(5,392)
	State Property Taxes	6,908
	Local Property Taxes	15,339
	Business Enterprise Taxes	<u>304</u>

Total Additional Revenue Required	\$66,940
-----------------------------------	----------

DW 08-065 Revenue Requirement	<u>\$1,310,082</u>
-------------------------------	--------------------

Total Revenue Requirement after Additions	<u>\$1,377,022</u>
---	--------------------

Percentage Increase	<u>5.11%</u>
---------------------	--------------

**Hampstead Area Water Company****SPS-5****DW 08-065 Second Step Adjustment****Calculation of Rates**

Marginal Increase in Water Revenues \$66,940

Less: Fire Protection Revenues

Municipal	\$0	
Private	0	0

Revenue from General Metered Customers

Customer Charge Revenue

<u>Meter Size</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Proforma # of Cust.</u>	<u>Annual Revenues</u>
5/8"			2859	
3/4"			0	
1"			48	
1 1/2"			0	
2"			0	<u>0</u>

Consumption Charge Revenue \$66,940

Consumption Charge Revenue	\$66,940
Total Proforma Annual Consumption (ccf)*	228,445
Consumption Rate per Customer (per ccf)	<u>0.293026</u>

\* Based on Total Proforma Annual Consumption (ccf) as agreed upon in DW 08-065

SPSt. Cyr  
11/5/2009

11/12/2009

**HAMPSTEAD AREA WATER CO.**

Rate Case\Financing Expenses

12/31/09

Atk\Hamp  
Interconn.

DW 08-088

Date	Payee	Description	
7/31/07	LBD # 7125	legal	69.35
8/31/07	LBD # 7157	legal	514.09
4/30/08	LBD # 7687	acctg.	603.12
4/30/08	LBD # 7695	legal	320.45
5/3/08	Steve St Cyr	April	210.00
5/31/08	LBD # 7768	legal	986.23
6/7/08	Steve St Cyr	May	78.75
6/30/08	LBD # 7833	acctg.	75.39
6/30/08	LBD # 7841	legal	763.43
7/7/08	Steve St Cyr		1,785.00
7/28/08	LBD # 7975	mailing	1,260.00
7/31/08	LBD # 7905	legal	820.87
8/3/08	Steve St Cyr		105.00
8/31/08	Union Leader	ad	401.84
8/31/08	LBD # 7954		243.54
8/31/08	LBD # 7966	legal	1,697.22
9/5/08	Steve St Cyr		1,185.76
9/22/08	Steven Patnaude	transcript	133.80
9/30/08	LBD # 8020		3,170.27
10/9/08	Steve St Cyr		958.13
10/31/08	LBD # 8075		1,505.91
10/31/08	LBD # 8078		7,057.98
10/31/08	Steve St Cyr		997.50
11/30/08	LBD # 8125		254.52
11/30/08	LBD # 8129		5,209.90
12/6/08	Steve St Cyr		1,102.50
12/8/08	Steven Patnaude		953.95
12/31/08	Steve St Cyr		52.50
1/30/09	LBD # 8251		230.95
3/6/09	Steve St Cyr		52.50
3/31/09	LBD # 8395		223.85
6/9/09	Steve St Cyr		52.50
6/25/09	State of NH	cert of existence	5.00
6/30/09	LBD # 8599		2,034.97
7/8/09	Steve St Cyr		26.25
7/31/09	LBD # 8634		214.41
<b>Balance 12/31/09</b>			<b>35,357.43</b>

**DW 08-065: HAMPSTEAD AREA WATER COMPANY, INC.**

**ATKINSON / HAMPSTEAD INTERCONNECTION  
PROJECT  
STEP INCREASE**

**ATTACHMENT B:**

**COMPANY RESPONSES TO STAFF DATA REQUESTS**



# *The Lewis Group of Companies*

---

54 Sawyer Avenue - Atkinson, New Hampshire 03811 (603)362-5333 - (603)362-4936 (fax)

December 7, 2009

Marcia Thunberg, Esq.  
NH PUC  
21 S. Fruit Street, Suite 10  
Concord, NH 03301-2429

RE: DW-08-065  
Answers to Staff Data Requests – Set 6

Dear Marcia:

Please find the enclosed Answers to Staff Data Requests – Set 6 regarding the above referenced docket. An email copy has been sent to all PUC and OCA Staff on the Service List. Feel free to call me if you have any questions.

Sincerely,



Robert C. Levine  
General Counsel

Enclosure  
RCL/ja

cc: HAWC Mgrs.  
Stephen St. Cyr  
NH PUC Service List

*F:\Legal\HAWC\DW-08-065 General Rate Case\correspondence\Ltr to Staff with Answers to Staff Data Request - Set 6 12.07.09.doc*

*Lewis Builders, Inc. - Lewis Builders Development, Inc. - Lewis Equipment Company, Inc. - East Coast Lumber & Building Supply Company, Inc. - ECLBSC, LLC - Atkinson Farms, Inc. - Atkinson Concessions, Inc. Centerview Hollow Land Company, LLC*

**DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
STAFF DATA REQUESTS – SET 6  
PERMANENT RATES**

**Date request received: 11-25-09**

**Date of Response: 12-07-09**

**Staff 6-1**

**Witness: John Sullivan**

Was the interconnection project put out to bid? If so, please provide bid results and indicate to whom the bid was awarded. If not, please explain.

**ANSWER:**

Yes, the project was put out to bid. There were 5 bidders:

Al Hoyt & Sons, Inc, Plaistow, NH	\$ 939,552
GE Merrill & Sons, Inc, Salem, NH	\$1,100,000
RH White Co. Inc, Auburn, MA	\$1,496,355
FL Merrill Const. Inc, Pembroke, NH	\$1,530,500
Brown Industrial, Berwick, ME	\$1,796,684

The bid was awarded to the lowest bidder – Al Hoyt & Sons, Inc.

**DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
STAFF DATA REQUESTS – SET 6  
PERMANENT RATES**

**Date request received: 11-25-09**

**Date of Response: 12-07-09**

**Staff 6-2**

**Witness: John Sullivan**

Was any portion of the project not bid? If so, please describe.

**ANSWER:**

The engineering design was not bid out. The work was performed by Lewis Engineering, PLLC from Litchfield, NH. Please note that this company is not affiliated with HAWC or Lewis Builders. This was reviewed by Rick Skarinka who informed us that NH DES rules did not require that this portion of the work be bid out.

**DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
STAFF DATA REQUESTS – SET 6  
PERMANENT RATES**

**Date request received: 11-25-09**

**Date of Response: 12-07-09**

**Staff 6-3**

**Witness: John Sullivan**

Was any company affiliate either a contractor or subcontractor for any portion of the work?  
Please explain.

**ANSWER:**

Lewis Builders Development Inc was subcontracted by the winning bidder, Al Hoyt and Son to perform a portion of the water main installation and ledge removal. Lewis Builders requested and received permission from NH DES to be allowed to subcontract this work from the General Contractor on this project.

DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
STAFF DATA REQUESTS – SET 6  
PERMANENT RATES

**Date request received: 11-25-09**

**Date of Response: 12-07-09**

**Staff 6-4**

**Witness: Charles Lanza**

Was a booster station and/or metering station constructed as part of the project? Please provide details including:

- a) The reason a station was or was not constructed.
- b) On whose engineering input or recommendations the decision was based.
- c) If a station was constructed, its functionality (for example, boosting in either direction) and approximate location.

**ANSWER:**

- a) The station was not constructed because there was a more viable option discovered during the design phases of the project. This option was to extend the proposed water main beyond the existing Meditation Lane booster station.
- b) A booster station was not included in the specifications for this project, and was based on recommendations by the project engineer, Bruce Lewis of Lewis Engineering, LLC.
- c) Not Applicable.

**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**STAFF DATA REQUESTS – SET 6**  
**PERMANENT RATES**

**Date request received: 11-25-09**

**Date of Response: 12-07-09**

**Staff 6-5**

**Witness: Charles Lanza**

What water main size and material was used in the interconnection?

**ANSWER:**

10" PVC C909 DI OD water main was used for the interconnection.

**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**STAFF DATA REQUESTS – SET 6**  
**PERMANENT RATES**

**Date request received: 11-25-09**

**Date of Response: 12-07-09**

**Staff 6-6**

**Witness: Robert C. Levine**

Were there any legal challenges to the project? If so, please describe and indicate the current status of each.

**ANSWER:**

There were no court proceedings filed or other legal challenge made to the project. There was an ordinance passed in Atkinson that the Selectmen have chosen not to enforce after their receipt of an opinion letter from the Attorney General's office addressed to DES that such an ordinance was not enforceable.

**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**STAFF DATA REQUESTS – SET 6**  
**PERMANENT RATES**

**Date request received: 11-25-09**

**Date of Response: 12-07-09**

**Staff 6-7**

**Witness: Charles Lanza**

Please indicate the current and intended future status of the Bricketts Mill facilities.

**ANSWER:**

The Bricketts Mill wells are going to be maintained as inactive water supply wells and the pumping & treatment station, filters, etc. are going to become inventory and utilized as needed.



**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**STAFF DATA REQUESTS – SET 6**  
**PERMANENT RATES**

**Date request received: 11-25-09**

**Date of Response: 12-07-09**

**Staff 6-8**

**Witness: Charles Lanza**

Have any customers connected to the new main? If so, how many and what type?

**ANSWER:**

No.

**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**STAFF DATA REQUESTS – SET 6**  
**PERMANENT RATES**

**Date request received: 11-25-09**  
**Staff 6-9**

**Date of Response: 12-07-09**  
**Witness: Charles Lanza**

Please confirm that a total of three hydrants in each town have been connected to the new main.

**ANSWER:**

That is correct.

**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**STAFF DATA REQUESTS – SET 6**  
**PERMANENT RATES**

**Date request received: 11-25-09**

**Date of Response: 12-07-09**

**Staff 6-10**

**Witness: Charles Lanza**

Please indicate the current status of the Atkinson large groundwater permit application.

**ANSWER:**

The Atkinson large groundwater application Final Report was submitted to DES on August 18, 2009. There have been two rounds of comments from DES, the last of which the company received on October 29, 2009. The company responded to those comments on November 4, 2009 and is awaiting a response

**DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
STAFF DATA REQUESTS – SET 6  
PERMANENT RATES**

**Date request received: 11-25-09**

**Date of Response: 12-07-09**

**Staff 6-11**

**Witness: Charles Lanza**

Does the company have any plans to conduct a hydrogeological review and/or file a large groundwater permit application in Hampstead? Please explain.

**ANSWER:**

Currently the company does not have any plans to conduct a hydrogeological review or file a large groundwater permit application in Hampstead. Based on the company's conversations with NH DES, NH DES is comfortable with the work the company have done so far with the large groundwater withdrawal in Atkinson, the Atkinson-Hampstead interconnection, the well management plan, and the company's ongoing conservation efforts. Therefore, NH DES does not feel that the company need to pursue anything in Hampstead at the present time.

**DW 08-065: HAMPSTEAD AREA WATER COMPANY, INC.**

**ATKINSON / HAMPSTEAD INTERCONNECTION  
PROJECT  
STEP INCREASE**

**ATTACHMENT C:**

**COMMISSION STAFF FINAL AUDIT REPORT**

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** January 11, 2010

**AT (OFFICE):** NHPUC

**FROM:** Stuart Hodgdon, Chief Auditor

**SUBJECT:** Hampstead Area Water Co.  
DW 08-065  
Hampstead/Atkinson Interconnection  
Step Adjustment  
Final Report

**TO:** Mark Naylor, Director Gas & Water  
Jayson LaFlamme, Analyst

### **Introduction**

Audit reviewed PUC Order #24,937, dated 2/6/09 pertaining to Hampstead Area Water Co (HAWC). In the Commission Analysis section of this Order it is written that HAWC testified that DES recommended HAWC pursue a franchise expansion and interconnection of water systems. In December 2007, the Governor and Executive Council approved a grant, in the amount of \$312,840, for the above under the Water System Interconnection Grant program administered by DES and authorized by RSA 486-A. Borrowing of up to \$1,100,885 from the State Revolving Loan Fund to finance the construction of a water interconnection between the Town of Atkinson and Town of Hampstead was also approved per Commission Order #24,937.

On 11/13/09 HAWC filed with the Commission detailed schedules reporting the actual costs of the interconnection project to have been \$1,071,692. The filing requests a step increase in rates to recover this investment.

The NH PUC Audit Staff (Audit) was assigned the task of reviewing Company support for the above project. From the filing Audit obtained schedules showing costs described as Financing and/or Rate Case Expense totaling \$35,357 and Interconnection plant totaling \$1,036,336. The filing also included copies of all invoices with dates beginning 3/3/07 and ending 10/31/09.

The HAWC cover letter to the Commission's Executive Director & Secretary states that of the \$35,357 described as Financing and/or Rate Case Expense the Company has attributed 50% of the costs to Financing and 50% to Rate Case expenditures. **Audit Issue #1**

## Hampstead/Atkinson Interconnection Costs

Al Hoyt & Sons, Inc.

Audit reviewed the Application and Certification for Payment documents supporting charges for the 7/21/09 contract for water main construction with Al Hoyt & Sons, Inc. Audit noted that on page two of the first Application and Certification for Payment there is a column entitled Scheduled Value that shows this job to be valued at \$939,552. Audit noted that there were two change orders totaling \$16,560 for additional ledge removal. The total completed construction contract payments to Al Hoyt & Sons, Inc were \$956,112.

Lewis Builders Development Inc (LBD)

LBD invoices for employee labor and overheads totaling \$82,183 were charged to the project and posted to the HAWC general ledger as CWIP. The following are examples of services provided by LBD to the Interconnection project:

Accounting/Management/Legal  
Engineering Fees  
Project Management

### Audit Issues with LBD invoices filed as Interconnection:

LBD invoice #6919, dated 4/30/07 in the amount of \$86.45 was reported in the filing as Interconnection cost; Account #331, Mains. Audit's review of the time record shows the job description to have been **NHPUC hearing**. Therefore, \$86.45 must be reclassified from Interconnection Costs; Plant acct. 331 to that of Rate Case/Financing Expenses. *Per Company email of 12/9 they agree with this Audit Recommendation.*

LBD invoice #7024, dated 6/22/07 in the amount of \$1,948.04 has time record support that shows C. Frey, 3.0 hours, reviewing **DWSRF Application and supporting information**, \$160.38. On the same invoice Audit determined that C. Lanza, spent 17 ½ hours working on **DWSRF Loan Application** and 5.5 hours on **SIGI Grant/Apps**. From the invoice Audit determines Mr. Lanza's time amounts to \$811.13. Audit therefore finds that \$971.51 from above invoice should be reclassified from Interconnection Costs; Plant acct. #331 to that of Rate Case/Financing Expenses. *Per Company email of 12/9/09 they agree with this Audit Recommendation.*

LBD invoice #7179, dated 7/31/07 in the amount of \$1,994.55 has time record support that shows C. Lanza, 12.0 hours, **DWSRF Loan read, application and loan meeting**. From information in support of the invoice Audit determined Mr. Lanza's time on the loan results in \$437.40 of costs. Therefore, Audit recommends that \$437.40 of the above invoice be reclassified from Interconnection Costs; Plant acct. #331 to that of Rate Case/Financing Expenses.

LBD invoice #8530 dated 5/31/09 in the amount of \$6,885.21 contains labor for several employees. Support shows J. Sullivan with 14 hours to **Review HAWC SRF loan documents**, specs and contract. Audit recommends that half the labor hours or \$500.29 be reclassified from Interconnection Costs; Plant acct. #331 to that of Rate Case/Financing Expenses. In addition, Audit's review of time record support for R. Levine shows 4.4 hours of work to **Review Loan Documents and conference re same**. Audit recommends that \$393.14 be reclassified from Interconnection Costs; Plant acct. #331 to that of Rate Case/Financing Expenses.

LBD invoice #8635 dated 7/31/09 in the amount of \$3,480.29 is for labor for several employees. Time record support shows, J. Sullivan with 5 hours to **Prepare for & attend DES loan closing**. Audit recommends that \$357.35 be reclassified from Interconnection Costs; Plant acct. #331 to that of Rate Case/Financing Expenses. In addition, Audit's review of time record support for R. Levine determines that 9.7 hours was for **Prepare resolutions for subordinated debt, Prepare Certification of Notes, Prepare for closing; attend closing**. Audit recommends that \$866.70 be reclassified from Interconnection Costs; Plant acct. #331 to that of Rate Case/Financing Expenses.

LBD invoice #8589 in the amount of \$1,096.71 was billed to HAWC on 6/30/09 for missed labor charges for employee work in year 2007. Audit reviewed the time record support for this invoice as well as previously billed LBD labor hours. Audit found that the 27.5 hours on LBD invoice #8589 had in fact been billed previously on LBD invoice numbers 7179 and 7024 in 2007. Audit recommends that invoice #8589 be voided and the sum of \$1,096.71 be subtracted from this HAWC filing for Interconnection Costs. *Per an email, dated 12/16/09 LBD will issue a credit to HAWC to correct the above error.*

LBD invoice #8512 in the amount of \$7,310.77 was billed to HAWC on 5/1/09 for employee work performed in year 2008 that was mistakenly posted to the books and records of LBD in year 2008. Audits review of the original time records found several hours that were for DWSRF. The time record for the period of 4/05 to 4/11/08 for C. Lanza shows a total of 21 ½ hours for work described as **DWSRF budget, SRF and NHDES meeting**. His time record for the period of 4/12 to 4/18/08 shows a total of 10 1/2 hours for work described as **SRF, SRF meeting and SRF loan budget**. Audit recommends that \$1,357.44 be reclassified from Interconnection Costs; Plant acct. #331 to that of Rate Case/Financing Expenses. Additionally Audit found that the time records of J. Manning for the period of 4/12 to 4/18/08 shows 1.5 hours for **DWSRF meeting** and for the period of 4/19 to 4/25/08 there is another 1.5 hours for work described as **DWSRF meet**. Audit recommends that from the above invoice the sum of \$161.20 be reclassified from Interconnection Costs; Plant acct. #331 to that of Rate Case/Financing Expenses.



## PUC Audit Test - LBD Payroll and Overhead

LBD invoices for employee charges show they are based on hourly rates that consist of the employee's labor rate, an overhead labor burden rate and a general overhead rate. Audit tested several employee labor rates charged for years 2008 and 2009. This consisted of an on site review of actual LBD payroll records. Audit did find two LBD employees for year 2009 for which their actual costs of labor plus overheads did not match the billings. Audit calculates employee J. Manning's 2009 rate to be \$50.94 however, LBD billed HAWC the rate of \$51.04. Audit calculates employee C. Lanza's 2009 rate to be \$40.21 however, LBD billed HAWC the rate of \$40.30. Audit concludes that the above difference in rates is immaterial, however per Audit Issue #19 of the 12/31/07 test year PUC audit report the LBD Controller should be performing random invoice testing of charges to HAWC.

Audit also reviewed the above year's LBD overhead rates using financial information provided by LBD. Increased expenses included in the overhead calculations were explained by the Controller. Audit found that Issues discussed in the PUC audit report dated 3/24/09 for test year 2007 concerning overheads were corrected before year end 2009. No exceptions were noted.

## Vendor Payments-Miscellaneous included as Interconnection Costs

Miscellaneous costs reported as Interconnection Costs included outside legal services, outside engineering services, Stephen P. St. Cyr services, Steven Patnaude transcription services, newspaper notices and police detail.

Audit's review of support for invoices from Stephen P. St. Cyr show work was for Interconnection and correctly charged to HAWC general ledger account #105, CWIP.

### Issues with Vendor Payments-Miscellaneous:

Audit's review of a FedEx invoice dated 10/5/09 show the charge of \$11.26 was for overnight mailing of DWSRF Loan Application. This charge needs to be reclassified from Interconnection; Plant Acct. #331 to that of Rate Case/Financing Expenses.

Outside legal firm invoice #2009-135 dated 6/16/09 for \$292 has the description of work performed to be title update, DES loan. Outside legal firm invoice #2009-140, dated 7/10/09 for \$2,187 has the description of work performed to be FATICO Loan Policy re: State of NH Loan. These legal charges, totaling \$2,479, need to be reclassified from Interconnection; Plant Acct. #331 to that of Rate Case/Financing Expenses. *Per Company email of 12/9/09 they agree with the two above recommendations.*

## **Hydrants**

LBD invoice #8761, dated 9/22/09 provides support for installing two new fire hydrants for a total cost of \$5,000. The invoice states that these were paid for by the Town of Atkinson and are therefore CIAC.

The filing shows the addition of six hydrants with the total cost being \$30,000.

## **Rate Case\Financing Expenses**

Invoices supporting costs filed by HAWC as Rate Case\Financing Expenses totaling \$35,357.43 were reviewed by Audit. No exceptions were found to those amounts however, additional costs were found from the Company's filing for Interconnection or plant that Audit finds should be reclassified here instead. Per the above write-up Audit finds the sum of \$7,621.74 should be reclassified. Audit concludes that Rate Case/Financing Expenses **should be \$42,979.17.**

## **CONCLUSION**

Audit verified that year 2007 invoices for Interconnection were posted to CWIP on the HAWC general ledger. This review was accomplished as a result of records kept here at the PUC from the general rate case for HAWC in Docket #08-065.

In summary, Audit determines that HAWC plant acct. #331, Mains should be posted for \$997,617 (1,006,336-1,097-7,622) and HAWC plant acct #335, Hydrants should be posted for \$30,000 and Hydrants CIAC should be \$5,000. Rate Case\Financing Expenses per Audit amount to \$42,979. There are no retirements for this project as the investment was for new plant constructed for the expansion of the HAWC franchise area.

Final costs per Audit for the Hampstead\Atkinson Interconnection project are \$1,070,596 which is a decrease of \$1,097 from what HAWC has filed per their schedules dated 11/12/09.

## **Audit Issue #1**

### **Rate Case Costs and Financing Costs**

#### **Background**

A PUC Final Audit Report, dated 3/24/09 for the permanent rate increase from docket DW 08-065, using test year 2007, contained Audit Issue #2 pertaining to financing petition costs posted to HAWC general ledger account #186.01, Deferred Rate Case Expense. The recommendation was that a certain sum for financing costs be reclassified from the above deferred account and posted to account #181, Unamortized Debt Discount and Expense as per the PUC Uniform Chart of Accounts.

The Company's response to the Audit Recommendation was "Company agrees with recommendation."

#### **Issue**

The Company's filing for this step adjustment provides a schedule of Rate Case\Financing Expenses totaling \$35,357.43. The schedule lists expenses from 7/31/07 through 7/31/09.

In the filing the Company attributes 50% of the costs to financing and 50% of the above costs to rate case; instead of identifying actual costs for each.

#### **Recommendation**

The Company is reminded again, that financing costs should be posted to account #181, Unamortized Debt Discount and Expense. Going forward Audit expects the Company to be able to identify actual costs to be recouped as Rate Case Expense and the actual costs to be recouped as Financing Expenses.

#### **Company Response**

The earlier audit find to which the Company agreed pertained to financing costs that were charged to account 186.1 rather than account 181.1. In a filing that seeks PUC approval of both a financing and a rate increase, it is difficult for most expenditures to be either one or the other. The expenditures are incurred for both the financing and the rate increase. As such, the Company attributed half the costs to financing costs and half the costs to rate case expenditures. The Commission Staff has accepted a similar split in other proceedings.

### **Audit Comment**

The PUC Audit Staff found the descriptions for several expenditures could be determined as either financing or rate case. Therefore, the Company should be charging those costs that can be recognized to their proper account as per the State of New Hampshire PUC Uniform System of Accounting for Water Utilities.

Audit agrees from reviewing many LBD employee time records that the descriptions for labor lead to the conclusion of splitting the costs 50/50 between financing and rate case. Going forward the Company should train LBD employees to break out their hours spent for financing and those hours spent for rate case; especially for large projects such as this interconnection.

**DW 08-065: HAMPSTEAD AREA WATER COMPANY, INC.**

**ATKINSON / HAMPSTEAD INTERCONNECTION  
PROJECT  
STEP INCREASE**

**ATTACHMENT D:**

**STAFF REVENUE REQUIREMENT SCHEDULES**

**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT**  
**MARGINAL REVENUE REQUIREMENT**

Marginal Rate Base (Sch 2)	\$ 750,450	
Rate of Return (Sch 3)	<u>3.0535%</u>	
Marginal Operating Income Requirement	22,915	
Marginal Operating Income per Staff (Sch 4)	<u>30,531</u>	
Revenue Deficiency / (Surplus) Before Taxes	(7,615)	
Divided by Tax Factor (Sch 5)	<u>100.00%</u>	
Revenue Deficiency / (Surplus)	(7,615)	
Marginal Annual Water Revenue per Co (Sch 4)	<u>66,940</u>	
Marginal Annual Water Revenue per Staff (Sch 4)	\$ 59,325	
DW 08-065: Stipulated Annual Water Revenue (Permanent Increase and Step # 1)	<u>1,371,839</u>	
Adjusted Total Annual Water Revenue after Step Adjustment	<u><u>\$ 1,431,164</u></u>	
Percentage Increase in Annual Water Revenue from Step Adjustment	<table border="1"><tr><td>4.32%</td></tr></table>	4.32%
4.32%		

DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT  
MARGINAL RATE BASE

	<u>Marginal Rate Base</u>
<b><u>Net Additional Plant</u></b>	
Total Additonal Plant in Service	\$ 1,027,617
Less: Additional Accumulated Depreciation	<u>(10,276)</u>
Net Additional Plant in Service	1,017,341
Less: Additional Contributions in Aid of Construction (CIAC)	(269,587)
Add: Additional Accumulated Amortization - CIAC	<u>2,696</u>
Net Additional Plant in Rate Base	<u>750,450</u>
<b><u>Additional Working Capital</u></b>	
Cash Working Capital	-
Prepayments	-
Deferred Income Taxes (Asset)	-
Miscellaneous Deferred Debits	<u>-</u>
Net Additional Working Capital	<u>-</u>
<b>MARGINAL RATE BASE</b>	<u><u>\$ 750,450</u></u>

DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT  
PLANT ADDITIONS

<u>Acct. #</u>	<u>Description</u>	<u>Cost per Co Filing</u>	<u>Staff Adjustments</u>	<u>Adj Cost per Staff</u>	<u>Depreciation Rate</u>	<u>Depreciation Expense</u>	<u>Half-Year Convention</u>	<u>Prop Tax (Sch 2b)</u>
331	Mains	\$ 1,006,336	\$ (8,719)	\$ 997,617	-2.00%	\$ (19,952)	\$ (9,976)	\$ 21,536
335	Hydrants	<u>30,000</u>	<u></u>	<u>30,000</u>	-2.00%	<u>(600)</u>	<u>(300)</u>	<u>670</u>
	Total Plant Additions	<u>\$ 1,036,336</u>	<u>\$ (8,719)</u>	<u>\$ 1,027,617</u>		<u>\$ (20,552)</u>	<u>\$ (10,276)</u>	<u>\$ 22,207</u>



DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT  
MARGINAL PROPERTY TAXES

Acct. #	Description	Method of Allocation	Allocated Cost	Allocated Accum Depr	Net Allocated Cost	Local Prop Tx Rate*	State Prop Tx Rate	Total Prop Tx Rate	Total Prop Tx per \$1,000
331	Mains:	Linear Feet							
	Hampstead	5,830	\$ 365,908	\$ (3,659)	\$ 362,249	\$ 18.79	\$ 6.60	\$ 25.39	\$ 9,197
	Atkinson	10,065	631,709	(6,317)	625,392	\$ 13.13	\$ 6.60	\$ 19.73	12,339
	Total	15,895	<u>\$ 997,617</u>	<u>\$ (9,976)</u>	<u>\$ 987,641</u>				<u>\$ 21,536</u>
335	Hydrants:	# of Hydrants							
	Hampstead	3	\$ 15,000	\$ (150)	\$ 14,850	\$ 18.79	\$ 6.60	\$ 25.39	\$ 377
	Atkinson	3	15,000	(150)	14,850	\$ 13.13	\$ 6.60	\$ 19.73	293
	Total	6	<u>\$ 30,000</u>	<u>\$ (300)</u>	<u>\$ 29,700</u>				<u>\$ 670</u>
Total:									
	Hampstead		\$ 380,908	\$ (3,809)	\$ 377,099	\$ 18.79	\$ 6.60	\$ 25.39	\$ 9,575
	Atkinson		646,709	(6,467)	640,242	\$ 13.13	\$ 6.60	\$ 19.73	12,632
	Total		<u>\$ 1,027,617</u>	<u>\$ (10,276)</u>	<u>\$ 1,017,341</u>				<u>\$ 22,207</u>

\* 2009 Municipal Tax Rate less State Property Tax Portion

DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT  
ADDITIONAL CONTRIBUTIONS IN AID OF CONSTRUCTION

Acct. #	Description	Cost per Co Filing	Staff Adjustments	Adj Cost per Staff	Amortization Rate	Amotization Expense	Half-Year Convention
331	Mains	\$ (256,927)	\$ 65	\$ (256,862)	-2.00%	\$ 5,137	\$ 2,569
335	Hydrants	(12,659)	(65)	(12,724)	-2.00%	254	127
	Total CIAC	<u>\$ (269,587)</u>	<u>\$ (0)</u>	<u>\$ (269,587)</u>		<u>\$ 5,392</u>	<u>\$ 2,696</u>

**Calculation:**

<b>Grant:</b>	25.00% of SRF Loan	\$ (264,587)	\$ -	\$ (264,587)
Plant Allocation:				
331	Mains	\$ (256,927)	\$ 65	\$ (256,862)
335	Hydrants	(7,659)	(65)	(7,724)
		<u>\$ (264,587)</u>	<u>\$ (0)</u>	<u>\$ (264,587)</u>

**Contribution:**

Plant Allocation:		\$ (5,000)	\$ -	\$ (5,000)
335	Hydrants	<u>\$ (5,000)</u>	<u>-</u>	<u>\$ (5,000)</u>

**Total:**

Plant Allocation:		\$ (269,587)	\$ -	\$ (269,587)
331	Mains	\$ (256,927)	\$ 65	\$ (256,862)
335	Hydrants	(12,659)	(65)	(12,724)
		<u>\$ (269,587)</u>	<u>\$ (0)</u>	<u>\$ (269,587)</u>

DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT  
COST OF DEBT

<u>Lender</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Amount Financed</u>	<u>Interest Expense</u>	<u>Amortization of Financing Costs (Sch 3a)</u>	<u>Annual Financing Cost</u>	<u>Cost Rate</u>
State Revolving Fund	20	2.9520%	<u>\$ 1,058,347</u>	<u>\$ 31,242</u>	<u>\$ 1,074</u>	<u>\$ 32,317</u>	<u>3.0535%</u>

**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT**  
**FINANCING AND RATE INCREASE COSTS**

	<u>Total</u>	<u>50.00% Financing Costs</u>	<u>50.00% Rate Increase Costs</u>
Financing and Rate Increase Costs per Co Filing	\$ 35,357	\$ 17,679	\$ 17,679
Staff Adjustments	<u>7,622</u>	<u>3,811</u>	<u>3,811</u>
Adjusted Financing and Rate Increase Costs per Staff	<u>\$ 42,979</u>	<u>\$ 21,490</u>	<u>\$ 21,490</u>
Annual Amortization of Financing Costs (20 Years)		<u><u>\$ 1,074</u></u>	
Total Surcharge per Customer (2,907 customers)			<u>\$ 7.39</u>
Monthly Surcharge per Customer (2 Month Recovery)			<u><u>\$ 3.70</u></u>

DW 08-065  
HAMPSTEAD AREA WATER COMPANY, INC.  
HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT  
MARGINAL OPERATING INCOME STATEMENT

	<u>Marginal Operating Income per Co Filing</u>	<u>Staff Adjustments</u>	<u>Marginal Operating Income per Staff</u>	<u>Revenue Deficiency (Surplus) (Sch 1)</u>	<u>Marginal Operating Income Requirement (Sch 1)</u>
<b>Marginal Operating Revenue:</b>					
Sales of Water	\$ 66,940	\$ -	\$ 66,940	\$ (7,615)	\$ 59,325
Other Water Revenue	-	1,200	1,200		1,200
Other Operating Revenue					
Total Marginal Operating Revenues	<u>66,940</u>	<u>1,200</u>	<u>68,140</u>	<u>(7,615)</u>	<u>60,525</u>
<b>Marginal Operating Expenses:</b>					
Operation & Maintenance Expenses:					
Source of Supply					
Pumping Expenses					
Water Treatment Expenses					
Transmission & Distribution Expenses					
Customer Accounts Expenses					
Administrative & General Expenses					
Total Operation & Maintenance Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation Expense	20,727	(175)	20,552		20,552
Amortization Expense - CIAC	(5,392)	0	(5,392)		(5,392)
Amortization Expense - Other					
Property Taxes	22,247	(40)	22,207		22,207
Business Enterprise Tax	304	(62)	242		242
Total Marginal Operating Expenses	<u>37,886</u>	<u>(277)</u>	<u>37,609</u>	<u>-</u>	<u>37,609</u>
Net Marginal Operating Income before Income Taxes	29,054	1,477	30,531	(7,615)	22,915
<b>Marginal Income Taxes:</b>					
Income Tax Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET MARGINAL OPERATING INCOME</b>	<u>\$ 29,054</u>	<u>\$ 1,477</u>	<u>\$ 30,531</u>	<u>\$ (7,615)</u>	<u>\$ 22,915</u>

**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT**  
**TAX ADJUSTMENTS**

**INCOME TAXES**

To reflect the income tax effect of pro-forma adjustments to revenue and expenses:

**Operating Revenues:**

Total Staff Adjustments to Sales of Water	\$ -
Total Staff Adjustments to Other Water Revenue	1,200
Total Staff Adjustments to Other Operating Revenue	

**Operating Expenses:**

Total Staff Adjustments to Source of Supply Expenses	
Total Staff Adjustments to Pumping Expenses	
Total Staff Adjustments to Water Treatment Expenses	
Total Staff Adjustments to Transmission & Distribution Expenses	
Total Staff Adjustments to Customer Accounts Expenses	
Total Staff Adjustments to Administrative & General Expenses	
Total Staff Adjustments to Depreciation Expense	175
Total Staff Adjustments to Amortization Expense - CIAC	(0)
Total Staff Adjustments to Amortization Expense - Other	
Total Staff Adjustments to Property Taxes	40
Total Staff Adjustments to Business Enterprise Tax	62

Marginal Revenue (Expense) Subject to Income Taxes	1,477
--	-------

Less: New Hampshire Business Profits Tax @ 0.00%	-
--	---

Amount Subject to Federal Income Tax	1,477
--------------------------------------	-------

Less: Federal Income Tax @ 0.00%	-
----------------------------------	---

Pro-forma Adjustments to Operating Revenue/Expenses net of Income Taxes	<u>\$ 1,477</u>
---	-----------------

Increase / (Decrease) in NH Business Enterprise Tax

Marginal Increase / (Decrease) in Interest Expense (Per Sch 3)	\$ 32,317
--	-----------

Marginal Increase / (Decrease) in Salary & Wage Expense (Per Sch 4)	<u>                    </u>
---	-----------------------------

Total Marginal Increase / (Decrease) in NH Business Enterprise Tax Base	\$ 32,317
---	-----------

NHBET rate	<u>0.75%</u>
------------	--------------

Marginal NHBET	<u>\$ 242</u>
----------------	---------------

**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT**  
**EFFECTIVE TAX FACTOR**

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>0.00%</u>
Federal Taxable Income	100.00%
Federal Income Tax Rate	<u>0.00%</u>
Effective Federal Income Tax Rate	0.00%
Add: NH Business Profits Tax	<u>0.00%</u>
Effective Tax Rate	<u><u>0.00%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>0.00%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>100.00%</u></u>
Tax Multiplier	<u><u>0.00000</u></u>

**DW 08-065**  
**HAMPSTEAD AREA WATER COMPANY, INC.**  
**HAMPSTEAD / ATKINSON INTERCONNECTION STEP ADJUSTMENT**  
**REPORT OF PROPOSED RATE CHANGES**

Marginal Increase in Total Water Revenue \$ 60,525

Less: Fire Protection Revenue

Municipal	\$ 1,200		
Private	-		(1,200)

Revenue from General Metered Customers \$ 59,325

Customer Charge Revenue:

Meter Size	Present Rate	Proposed Rate	Pro-forma # of Customers	Annual Revenue
5/8" Meter	\$ 120	\$ -	2,859	\$ -
3/4" Meter	240	-	-	-
1" Meter	360	-	48	-
1 1/2" Meter	720	-	1	-
2" Meter	1,200	-	1	-
			2,909	\$ -

Consumption Charge Revenue: \$ 59,325

Consumption Charge Revenue	\$ 59,325	
Total Pro-forma Annual Consumption (ccf)	/ 228,445	
Consumption Rate per Customer (per ccf)	\$ 0.26	
 Total Pro-forma Annual Consumption (ccf)	 x 228,445	 (59,325)

Unallocated Water Revenue \$ -