

DW 17-165
ABENAKI WATER COMPANY, INC.
ROSEBROOK DIVISION
PERMANENT RATES
REVENUE REQUIREMENT

	Settlement 10.89 ROE	Testimony 9.01 ROE
Proforma Rate Base (Sch 3, Col 9)	\$ 594,422	\$ 594,422
Rate of Return (Sch 2)	x 7.56%	8.59%
Operating Income Requirement	44,938	39,172
Less: Proforma Operating Income (Sch 4, Col 9)	<u>(2,429)</u>	<u>(2,429)</u>
Revenue Deficiency / (Surplus) Before Income Tax Effect	47,367	41,601
Divided by Income Tax Divisor (Sch 5)	+ 60.59%	60.59%
Tax Effected Revenue Deficiency / (Surplus)	78,179	68,663
Add: Proforma Annual Water Revenues (Sch 4, Col 9)	+ 276,335	276,335
Total Proposed Operating Revenue Requirement after Permanent Rates	<u>\$ 354,514</u>	<u>\$ 344,998</u>
Revenue Deficiency Adjusted for 2018 Tax Change:		
Tax Effected Revenue Deficiency / (Surplus)	\$ 78,179	\$ 68,663
Tax Rate Change Revenue Adjustment (Sch 4d)	(12,909)	(12,909)
Amortization of Excess Deferred Income Taxes	(534)	(534)
Amortization of Excess Deferred Tax Liability (Company Schedule)	-	-
Adjusted Revenue Deficiency / (Surplus)	\$ 64,736	\$ 55,220
Add: Proforma Annual Water Revenues (Sch 4, Col 9)	+ 276,335	276,335
Total Proposed Tax Effected Operating Revenue Requirement after Permanent Rates	\$ 341,071	\$ 331,555
Percentage Increase/Decrease in Annual Water Revenues after Permanent Rates	<u>23.43%</u>	<u>19.98%</u>
Difference in Revenue Requirement from Staff Testimony (9.01% ROE) and Settlement (10.89% ROE)		\$ 9,517

Proposed Revenue Requirement	Increase	Increase %
Tax Effected Revenue Requirement after Permanent Rates	\$ 341,071	\$ 64,736
Step Increase I Revenue Requirement	<u>15,043</u>	<u>15,043</u>
Totals for Initial Revenue Requirement	356,114	79,779
Subsequent Step Increase II Revenue Requirement	9,986	9,986
Totals after Subsequent Step II Adjustment	<u>\$ 366,100</u>	<u>\$ 89,765</u>
Proforma Annual Water Revenues	+ \$ 276,335	
Percentage Increase in Annual Water Revenues		32.48%

DW 17-165
ABENAKI WATER COMPANY, INC.
ALL DIVISIONS INCLUDED
PERMANENT RATES
WEIGHTED AVERAGE COST OF CAPITAL

Capital Structure	Per Test Year	Percent	Cost of Debt				Total Annual Cost of Debt	Cost Rate	Weighted Average Cost
			Interest Rate @ 09/30/17	Annual Interest	Annual Amortization **	Total Annual Cost of Debt			
Debt									
2014 CoBank Loan, \$300,000	\$ 205,080	0.00%	3.68%	\$ 7,547	\$ 2,163	\$ 9,710	0.00%	0.00%	
2016 CoBank Loan, \$400,000	387,201	0.00%	3.55%	13,746	128	13,874	0.00%	0.00%	
Total Debt	592,281	40.00%		\$ 21,293	\$ 2,291	\$ 23,584	3.98%	1.59%	
Common Equity									
Common Stock	589,521	0.00%					9.95%	5.97%	
Additional Paid in Capital	47,234	0.00%							
Retained Earnings	636,755	60.00%							
Total Common Equity									
Total Capitalization	\$ 1,229,036	100.00%						7.56%	

Staff Testimony - Existing Capital Structure & 9.01% ROE

Debt	2014 CoBank Loan, \$300,000	2016 CoBank Loan, \$400,000	Total Debt	Common Equity	Common Stock	Additional Paid in Capital	Retained Earnings	Total Common Equity	Total Capitalization
	\$ 205,080	387,201	592,281		589,521	47,234	636,755	1,229,036	
	16.69%	31.50%	48.19%	0.00%	47.97%	3.84%	51.81%	100.00%	
	3.68%	3.55%							9.01%
	\$ 7,547	\$ 13,746	\$ 21,293						
	\$ 2,163	\$ 128	\$ 2,291						
	\$ 9,710	\$ 13,874	\$ 23,584						
	4.73%	3.58%	3.98%						6.59%
	0.79%	1.13%	1.92%						
									4.67%
									6.59%

Imputed ROE - Existing Capital Structure

Debt	2014 CoBank Loan, \$300,000	2016 CoBank Loan, \$400,000	Total Debt	Common Equity	Common Stock	Additional Paid in Capital	Retained Earnings	Total Common Equity
	\$ 205,080	387,201	592,281		589,521	47,234	636,755	1,229,036
	16.69%	31.50%	48.19%	0.00%	47.97%	3.84%	51.81%	100.00%
	3.68%	3.55%						
	\$ 7,547	\$ 13,746	\$ 21,293					
	\$ 2,163	\$ 128	\$ 2,291					
	\$ 9,710	\$ 13,874	\$ 23,584					
	4.73%	3.58%	3.98%					
	0.79%	1.13%	1.92%					

10.89%

5.64%