

Hampstead Area Water Company

Atkinson Tank Financing and Step Increase

Major Assumptions

HAWC participates in The Southern NH Regional Water Interconnection Project with NHDES, Derry, MWW, Plaistow, Salem and Pennichuck East.

NHDES provides HAWC with grant of \$1,077,717. HAWC treats grant as CIAC.

Under new tax law, CIAC treated as income for federal tax purposes. As such, owner incurs 30% federal tax on NHDES grant.

NHDES lends \$323,315 (30% of \$1,077,717) to HAWC in order for HAWC to pay 30% federal tax.
The debt financing assumes 2.424% interest rate over 30 years.

NHDES lends HAWC \$646,630 for the balance of the costs.
The debt financing assumes 2.424% interest rate over 30 years.

HAWC constructs 1,000,000 gallon tank with estimated costs of \$2,047,662.

Upon completion of construction and connect to the water system, HAWC submits actual costs and recovers such costs as part of step increase.

HAWC Estimated that step increase will amount to an increase in annual revenues of \$83,308.

HAWC proposed to maintain customer charges per meter size and increase consumption charges.
HAWC estimates that the consumption charge will increase from \$5.95 to \$6.29 per ccf.

SPSt. Cyr
8/8/2018

Atkinson Tank Financing and Step Increase

F-1 BALANCE SHEET
Assets and Other Debits

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
UTILITY PLANT				
1	Utility Plant (101-106)	\$ 17,298,401	\$ 2,047,662	\$ 19,346,063
2	Less: Accumulated Depr. and Amort. (108-110)	6,547,479	\$ 22,752	6,570,231
3	Net Plant	\$ 10,750,922	\$ 2,024,910	\$ 12,775,832
4	Utility Plant Acquisition Adj. (Net) (114-115)			
5	Total Net Utility Plant	\$ 10,750,922	\$ 2,024,910	\$ 12,775,832
OTHER PROPERTY AND INVESTMENTS				
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Investment in Associated Companies (123)			
11	Utility Investments (124)			
12	Other Investments			
13	Special Funds(126-128)			
14	Total Other Property & Investments			
CURRENT AND ACCRUED ASSETS				
16	Cash (131)	\$ 709,320	\$ (13,227)	\$ 696,093
17	Special Deposits (132)			
18	Other Special Deposits (133)			
19	Working Funds (134)			
20	Temporary Cash Investments (135)			
21	Accounts and Notes Receivable-Net (141-144)	237,690		237,690
22	Accounts Receivable from Assoc. Co. (145)			
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)	33,240		33,240
25	Stores Expense (161)			
26	Prepayments-Other (162)	21,518		21,518
27	Prepaid Taxes (163)	47,877		47,877
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)	117,847		117,847
31	Misc. Current and Accrued Assets (174)			
32	Total Current and Accrued Assets	\$ 1,167,492	\$ (13,227)	\$ 1,154,265
DEFERRED DEBITS				
32	Unamortized Debt Discount & Expense (181)	\$ 36,353	\$ 11,875	\$ 48,228
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	153,320		153,320
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)	13,297		13,297
40	Total Deferred Debits	\$ 202,970	\$ 11,875	\$ 214,845
TOTAL ASSETS AND OTHER DEBITS		\$ 12,121,384	\$ 2,023,558	\$ 14,144,942

F-1 BALANCE SHEET
Equity Capital and Liabilities

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 16,767		\$ 16,767
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	3,154,354		3,154,354
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)			
10	Retained Earnings (214-215)	(759,974)	10,137	(749,837)
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 2,411,147	\$ 10,137	\$ 2,421,284
LONG TERM DEBT				
13	Bonds (221)			
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	\$ 3,893,007	\$ 947,679	\$ 4,840,686
17	Total Long-Term Debt	\$ 3,893,007	\$ 947,679	\$ 4,840,686
CURRENT AND ACCRUED LIABILITIES				
18	Accounts Payable (231)	\$ 17,494		\$ 17,494
19	Notes Payable (232)			
20	Accounts Payable to Associated Co. (233)	48,471		48,471
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)	8,437		8,437
23	Accrued Taxes (236)	3,005		3,005
24	Accrued Interest (237)			
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)			
27	Matured Interest (240)			
28	Misc. Current and Accrued Liabilities (241)	27,236		27,236
29	Total Current and Accrued Liabilities	\$ 104,643	\$ -	\$ 104,643
DEFERRED CREDITS				
30	Unamortized Premium on Debt (251)			
31	Advances for Construction (252)			
32	Other Deferred Credits (253)			
33	Accumulated Deferred Investment Tax Credits (255)			
34	Accumulated Deferred Income Taxes:			
35	Accelerated Amortization (281)			
36	Liberalized Depreciation (282)	48,621		48,621
37	Other (283)			
38	Total Deferred Credits	\$ 48,621		\$ 48,621
OPERATING RESERVES				
39	Property Insurance Reserve (261)			
40	Injuries and Damages Reserve (262)			
41	Pensions and Benefits Reserves (263)	7,733		7,733
42	Miscellaneous Operating Reserves (265)			
43	Total Operating Reserves	\$ 7,733	\$ -	\$ 7,733
CONTRIBUTIONS IN AID OF CONSTRUCTION				
44	Contributions In Aid of Construction (271)	\$ 9,142,476	\$ 1,065,742	\$ 10,208,218
45	Accumulated Amortization of C.I.A.C. (272)	3,486,243		3,486,243
46	Total Net C.I.A.C.	\$ 5,656,233	\$ 1,065,742	\$ 6,721,975
46	TOTAL EQUITY CAPITAL AND LIABILITIES	\$ 12,121,384	\$ 2,023,558	\$ 14,144,942

F-2 STATEMENT OF INCOME

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
	UTILITY OPERATING INCOME			
1	Operating Revenues(400)	\$ 1,788,762	\$ 83,308	\$ 1,872,070
2	Operating Expenses:			
3	Operating and Maintenance Expense (401)	1,180,014	-	1,180,014
4	Depreciation Expense (403)	500,470	22,752	523,222
5	Amortization of Contribution in Aid of Construction (405)	(216,489)	(11,975)	(228,464)
6	Amortization of Utility Plant Acquisition Adjustment (406)			
7	Amortization Expense-Other (407)	2,715		2,715
8	Taxes Other Than Income (408.1-408.13)	159,664	38,336	198,000
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	11,492	168	11,660
10	Total Operating Expenses	\$ 1,637,866	\$ 49,281	\$ 1,687,147
11	Net Operating Income (Loss)	\$ 150,896	\$ 34,027	\$ 184,923
12	Income From Utility Plant Leased to Others (413)			
13	Gains(Losses) From Disposition of Utility Property (414)			
14	Net Water Utility Operating Income	\$ 150,896	\$ 34,027	\$ 184,923
	OTHER INCOME AND DEDUCTIONS			
15	Revenues From Merchandising, Jobbing and Contract Work (415)			
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)			
17	Equity in Earnings of Subsidiary Companies (418)			
18	Interest and Dividend Income (419)	537		
19	Allow. for funds Used During Construction (420)			
20	Nonutility Income (421)			
21	Gains (Losses) Form Disposition Nonutility Property (422)			
22	Miscellaneous Nonutility Expenses (426)			
23	Total Other Income and Deductions	\$ 537	\$ -	537
	TAXES APPLICABLE TO OTHER INCOME			
24	Taxes Other Than Income (408.2)			
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)			
26	Total Taxes Applicable To Other Income			
	INTEREST EXPENSE			
27	Interest Expense (427)	\$ 129,400	\$ 23,265	\$ 152,665
28	Amortization of Debt Discount & Expense (428)	2,765	625	3,390
29	Amortization of Premium on Debt (429)			
30	Total Interest Expense	\$ 132,165	\$ 23,890	\$ 156,055
31	Income Before Extraordinary Items	\$ 19,268	\$ 10,137	\$ 29,405
	EXTRAORDINARY ITEMS			
32	Extraordinary Income (433)			
33	Extraordinary Deductions (434)			
34	Income Taxes, Extraordinary Items (409.3)			
35	Net Extraordinary Items			
	NET INCOME (LOSS)	\$ 19,268	\$ 10,137	\$ 29,405

Atkinson Tank Financing and Step Increase

F-1 BALANCE SHEET
Capital Structure

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 16,767		\$ 16,767
2	Other Paid-In Capital (209,211)	3,154,354		3,154,354
3	Retained Earnings (214-215)	(759,974)	10,137	(749,837)
4	Total Equity Capital	\$ 2,411,147	\$ 10,137	\$ 2,421,284
LONG TERM DEBT				
5	Other Long-Term Debt (224)	\$ 3,893,007	\$ 947,679	\$ 4,840,686
6	Total Long-Term Debt	\$ 3,893,007	\$ 947,679	\$ 4,840,686
7	Total Capital Structure	\$ 6,304,154	\$ 957,816	\$ 7,261,970

Line No. (a)	Account Title (Number) (b)	Current Year End Balance (c)	Adjustments (d)	Adjusted Year End Balance (e)
EQUITY CAPITAL				
1	Common Stock Issued (201)	0.27%	0.00%	0.23%
2	Other Paid-In Capital (209,211)	50.04%	0.00%	43.44%
3	Retained Earnings (214-215)	-12.06%	1.06%	-10.33%
4	Total Equity Capital	38.25%	1.06%	33.34%
LONG TERM DEBT				
5	Other Long-Term Debt (224)	61.75%	98.94%	66.66%
6	Total Long-Term Debt	61.75%	98.94%	66.66%
7	Total Capital Structure	100.00%	100.00%	100.00%

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Hampstead Area Water Company
Journal Entries

SPS-4

Atkinson Tank Financing and Step Increase

Impact on
Net Income

1	Dr.	181	Unamortized Debt Expense	12,500		
	Cr.	131	Cash		12,500	
	To record estimated debt expense associated with obtaining PUC approval of of 2018 Bank Debt Financing					
2	Dr.	131	Cash	2,047,662		
	Cr.	271	CIAC		1,077,717	
	Cr.	224	LTD - NHDES loan		323,315	
	Cr.	224	LTD - NHDES loan		646,630	
	To record receipt of cash and related long term debt and equity associated with tank					
3	Dr.	101.00	Plant in Service	2,047,662		
	Cr.	131	Cash		2,047,662	
	To record construction of 2018 water tank					
4	Dr.	403	Depreciation Expense (\$2,047,662 / 45 / 2)	22,752		(22,752)
	Cr.	108	Accumulated Depreciation		22,752	
	To record 1/2 year depreciation and related accumulated depreciation for year 1					
5	Dr.	272	Accumulated Amortization of CIAC	11,975		
	Cr.	405	Amortization of CIAC (\$1,077,717 / 45 / 2)		11,975	11,975
	To record 1/2 year amortization of CIAC and related accumulated amortization for year 1					
6	Dr.	224	Other Long Term Debt	22,266		
	Cr.	427	Interest Expense	23,265		(23,265)
	Dr.	131	Cash		45,531	
	To record the projected 1st year payments (principle and interest) on NHDES loan					
7	Dr.	428	Amortization of Debt Expense	625		(625)
	Cr.	181	Unamortized Debt Expense		625	
	To record annual amortization of debt expense					
8	Dr.	131	Cash	83,308		
	Cr.	400	Operating Revenue		83,308	83,308
	To record projected increase in revenues					
9	Dr.	401	Operating Expenses	-		-
	Dr.	408	Taxes other than Income	38,336		(38,336)
	Dr.	409	State Business Enterprise Taxes	168		(168)
	Cr.	131	Cash		38,504	
	To record projected increase in revenues					
	Impact on Net Income					<u>10,137</u>
	Impact on Cash			2,130,970	2,144,197	
	Net Impact on Cash				(13,227)	

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Revenue Requirement - Step Increase for 2018 Additions to Plant and related CIAC associated with Atkinson Water Tank

RATE BASE			Amount
2018 Plant in Service			\$2,047,662
Less: Accumulated Depreciation			<u>22,752</u>
NET PLANT IN SERVICE			\$2,024,910
Contribution in Aid of Construction			(1,077,717)
Plus: Accumulated Amortization of CIAC			<u>11,975</u>
NET PLANT IN RATE BASE			\$959,168
Cash Working Capital			<u>-</u>
TOTAL RATE BASE			<u>\$959,168</u>
Return on Additional Plant	@	2.424%	\$23,250
O&M Expenses			\$ -
Depreciation Expense			45,504
Amortization of CIAC			(23,950)
State Utility Property Taxes			5,816
Local Property Taxes			32,520
State Business Enterprise Taxes	23,265	0.0072	168
Operating Expenses			\$ 60,058
Additional Revenue Requirement			\$83,308
2017 Operating Revenues			\$ 1,788,762
% Increase associated with Step Increase			4.66%

Hampstead Area Water Company

Attachment B
Schedule 6a

SPS-6

DW 17-118
STEP ADJUSTMENT
CALCULATION OF RATES

Total Annual Water Revenues Proposed per Settlement (Sch 1)						\$ 1,965,342	\$ 83,308	\$ 2,048,650
Less: Fire Protection Revenues								
Municipal						\$41,336		
Private						-	(41,336)	(41,336)
Revenues from General Metered Customers						\$ 1,924,006	\$ 83,308	\$ 2,007,314
Customer Charge Revenues:								
Meter Size	Proposed Perm Rate	Percent Increase	Proposed Step Rate	Pro-forma # of Customers	Annual Revenues			
5/8" Meter	\$120	0.00%	\$120	3,550	\$426,000			
3/4" Meter	240	0.00%	\$240	-	-			
1" Meter	360	0.00%	\$360	65	23,400			
1 1/2" Meter	720	0.00%	\$720	2	1,440			
2" Meter	1,200	0.00%	\$1,200	4	4,800			
(a)						3,621	\$455,640	(455,640)
Consumption Charge Revenues:						\$ 1,468,366	83,308	\$ 1,551,674
Consumption Charge Revenues						\$1,468,366		
Total Pro-forma Annual Consumption (ccf) (b)						+	246,870	
Consumption Rate per Customer (per ccf)							\$5.95	\$ 6.29
Total Pro-forma Annual Consumption (ccf)						x	246,870	\$ (1,468,366)
Unallocated Water Revenues							\$ -	\$ -
(a) Pro-forma # of Cus 3,578 actual customers @ 12/31/16 + 43 customers from New System acquired in 2017 =							3,621	
(b) Pro-forma Consum 2016 Actual Water Sales:								
Gallons							182,243,771	
Conversion to Cubic Feet						+	7.48	
Cubic Feet							24,362,449	
Conversion to CCF						+	100	243,624
2017 Estimated New System Sales:								
Estimated Usage of New System: (ccf)							3,245.50	
To annualize 2017 usage (12 months / 12 months) (ccf) x							1	3,246
Total Pro-forma Consumption (ccf)							246,870	

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Hampstead Area Water Company
Source and Use of Funds

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Atkinson Tank Financing and Step Increase

Source of Funds

2018

State of NH	\$ 1,077,717
NHDES debt financing for 30% federal income tax on State of NH CIAC	323,315
NHDES debt financing	<u>646,630</u>
Total Source of Funds	<u>\$ 2,047,662</u>

Use of Funds

Atkinson Water Tank	\$ <u>2,047,662</u>
Total Use of Funds	<u>\$ 2,047,662</u>

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**Hampstead Area Water Company
Estimated Cost of Financing**

SPS-8

Atkinson Tank Financing and Step Increase

2018 Financing Costs

State of NH CIAC	\$ -
NHDES Debt Financing Fees	5,000
St. Cyr & Associates	2,500
Lewis Builders Development	<u>5,000</u>
Total Estimated Financing Costs	<u>\$ 12,500</u>

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