

WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT

In addition to the net charges provided for in this Tariff, a Water Infrastructure and Conservation Adjustment ("WICA") surcharge of 0.70% will apply to all bills with services rendered on or after January 1, 2022.

I. General Description

Purpose: To recover the fixed costs (depreciation, property taxes and pre-tax return) of certain Commission-approved non-revenue producing system improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases. In addition, WICA provides the Company with the resources to accelerate asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

Eligible Property: The WICA-eligible property will consist of the following:

Services* (account 333) and hydrants* (account 335) installed as in-kind (i.e., same size) replacements for customers;

Mains and valves* (account 331) installed as replacements for existing facilities that have either reached the end of their useful life, are worn out or are in deteriorated condition;

Main cleaning and re-lining projects and relocations that are not reimbursable (account 331);

Replacement of production meters (account 304); and replacement of pressure reducing valves (accounts 309, 331);

*The first \$50,000 in costs related to the emergency reactive replacement of services, valves, and hydrants in a given year WICA filing shall not be eligible for recovery through the WICA surcharge.

Dated: November 24, 2020

Effective: December 24, 2020

Authorized by Docket No. DW-117

Issued by: _____

Christine Lewis Morse

Title: Vice President

Dated:

II. Computation of the WICA

Calculation: The initial charge, effective January 1, 2022, will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between January 1, 2021 and September 30, 2021. Thereafter, the WICA will be updated on an annual basis to reflect eligible plant additions placed in service during the twelve-month period ending three months prior to the effective date of each WICA update (the "Project Year"). Thus, changes in the WICA rate will occur as follows:

Effective Date <u>Of WICA Change</u>	Date To Which WICA Eligible Plant <u>A</u> dditions Reflected
January 1, 2X:XX+1	September 30, 2XXX

The fixed costs of eligible infrastructure system improvement projects will consist of depreciation, property taxes and pre-tax return, calculated as follows:

Depreciation: The depreciation expense will be calculated by applying the depreciation rates employed in the Company's last base rate case for the plant accounts to the original cost of WICA-eligible property minus the corresponding retirement unit recorded.

Property Taxes: The property tax expense will reflect an estimate of the tax expense for such projects based on the property tax rate in effect for each town at the end of the most recent Project Year completed (the "tax rate") and shall be applied to the cumulative Project Year ending net book value of all eligible WICA projects included from the first Project Year thru the end of the most recent Project Year.

Pre-tax return: The pre-tax return will be calculated using the state and federal income tax rates. The cost of equity and debt will be the rates approved in the Company's last base rate case, DW 08-098, or a subsequent docket.

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WICA Surcharge Amount: The charge will be expressed as a percentage carried to two decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges.

Formula: The formula for calculation of the WICA surcharge is as follows:

$$\text{WICA} = \frac{\text{CISI} \times \text{PTRR} + \text{Dep} + \text{PT}}{\text{BRWR}}$$

ISI= the original cost to the Company of eligible infrastructure system improvement projects, less accumulated depreciation.

PTRR= the pre-tax return rate applicable to eligible infrastructure system improvement projects.

Dep= annual depreciation expense related to eligible infrastructure system improvement projects.

PT="" annual property taxes related to eligible infrastructure system improvement projects.

BRWR= base retail water revenues as approved by the Commission in the Company's last rate proceeding, DW 17-118, or a subsequent docket.

Annual updates: Supporting data for each annual update will be filed with the Commission and the Office of Consumer Advocate sixty (60) days prior to the effective date of the update. The Company shall also provide notice to the Towns.

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III. Safeguards

Cap: The amount of the WICA applied between general rate case filings shall not exceed zero and seventy one hundredths percent (0.70%) of the Company's annual retail water revenues as approved in its most recent rate filing, and shall not exceed five percent (5%) of such revenues for any twelve-month period.

Project Changes: If, after the Company has received Commission approval for Year 1 projects, because of changed circumstances or significant new information the Company plans to undertake projects in Year 1 that were not included on the list of approved WICA projects for that year or it has decided not to proceed with one or more projects that were included on the Commission-approved list, it shall promptly notify the Commission and all parties to the proceeding in which the list of WICA projects was approved that the Company plans to add to or delete projects and the reason for the proposed changes, in accordance with the following schedule. The Company will submit updates for approved WICA projects for subsequent project years, based upon information known on a project year-to-date basis, from the beginning of the project year through the following effective dates, on the associated reporting dates:

Effective Date	Reporting Date
December 31	January 15
March 31	April 15
June 30	July 15
September 30	October 15

Audits: The WICA will be subject to audit prior to the determination by the Commission.

New Base Rates: The WICA charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the WICA. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the annual updates of the WICA.

Customer Notice: Customers shall be notified of changes in the WICA by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing. Before sending, the Company will review the notice with the Commission's Consumer Affairs division.

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