

DW 20-117

HAWC

Step 1

Summary of Changes to Calculation of Step Adjustment

Sch. 1: Minor change to Other Plant costs and related depr; Correction to Atk Tank A/A of CIAC; Increase in rate of return due to inclusion of amortization of finance costs Net result – an increase in Step increase revenues of \$2,192, totaling \$260,642.

Sch. 2: Inclusion of annual amortization of finance costs. See calculation at bottom of schedule.

Sch. 2a: No change.

Sch. 2b: No change.

Sch. 3: Adjs. #s 57, 60, 61 & 73.

Sch. 3a: Minor changes to plant accts; Updated NHDRA Assessed value to 4/1/21 and net plant to 12/31/20. Updated for 2020 Atk property tax rate.

Sch. 3b: Updated costs / plant accts; Updated NHDRA Assessed value to 4/1/21 and net plant to 12/31/20. Updated for 2020 Atk & Hamp property tax rates.

Sch. 3c: Updated NHDRA Assessed value to 4/1/21 and net plant to 12/31/20. Updated for 2020 Atk property tax rate.

Sch. 3d: No change.

Sch. 4: Adjs. #s 81, 82, 89, 90, 91 & 92.

Sch. 4a: No change.

Sch. 4b: No change.

SPSt. Cyr

8/29/22

**DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
CALCULATION OF STEP ADJUSTMENT**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Account		Atkinson Tank (Step 1 - Sch 3a)	Other Plant (Step 1 - Sch 3b)	West Side Dr. (Step 1 - Sch. 3c)	MSDC Fee (Step 1 - Sch. 3c)	Retirements (Step 1 - Sch. 3)	Total	Staff Adj #
Additions / (Retirements)		\$ 1,597,603	\$ 291,796	\$ 1,314,140	\$ 892,500	\$ -	\$ 4,096,039	56-59, 67
Less: Accumulated Dep./ Amort. (1 Full Year)		(40,191)	(11,020)	(86,688)	(22,885)	-	(160,784)	60-62, 70
Less: CIAC**		(1,004,919)	-	(1,302,918)	-	-	(2,307,837)	63-64
Add: Accumulated Amort. of CIAC (1 Full Year)		25,227	-	85,948	-	-	111,175	65-66
Add: CIAC Tax		272,132	-	352,830	-	-	624,962	68-69
Less: Accumulated Amort. of CIAC Tax (1 Full Year)		(9,071)	-	(11,761)	-	-	(20,832)	71-72
Net Changes to Rate Base from Plant Additions		840,781	280,776	351,551	869,615	-	2,342,723	
Cash working Capital:								
Net Increase in O&M Expenses	81,393							
x 12.33%								
Net Increase in Cash Working Capital	\$10,036						+ \$ 10,036	73
Total change to Rate Base							= \$ 2,352,759	
Rate of Return (Step 1 - Sch. 2)							x 4.54%	74-76
Increase in Net Operating Income Requirement							\$ 106,838	
Less: Revenue from New Customers		-	-	-	-	-	(50,526)	77
Add: Net Increase/ (Decrease) to O&M Expense		-	-	-	-	-	81,393	78-80
Add: Annual Depreciation Expense		40,191	11,020	86,688	-	-	137,899	81-83
Less: Annual Amortization of CIAC		(25,227)	-	(85,948)	-	-	(111,175)	84-85
Add: Amortization of Other		9,071	-	11,761	22,885	-	43,717	86-88
Add: Annual Property Tax Expense		17,765	3,973	14,311	-	-	36,049	89-91
Add: Additional income taxes*							16,447	92
Increase / (Decrease) in Net Operating Income		\$ 41,800	\$ 14,993	\$ 26,812	\$ 22,885	\$ -	\$ 260,642	
Step Increase							\$ 260,642	
Proforma Test Year Water Sales Revenues (Attachment A, Sch. 4, Col. 8)							\$ 2,540,482	
% Increase in Annual Water Revenues							10.26%	

*Additional income taxes are a result of the additional equity associated with the Step 1 Rate Base additions.

* = Net Change to Rate Base * Tax Gross up Factor on Step 1 RoR - Sch. 2

*See Step 1 RoR - Sch.2

**DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT
RATE OF RETURN**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(a) Calculation of Rate of Return for Step 1 projects								
Staff Adj #	Amount	Weighted Average	Interest Rate	Annual Interest	Annual Amortization of Finance Cost	Total Annual Cost of Debt	Annual Cost Rate	Weighted Average Rate
DES Loan (Atkinson Tank + Atk Tank CIAC Tax)	\$ 883,214		3.38%	\$ 29,853	\$ 403	\$ 30,256	3.43%	
DES Loan (Westside Drive CIAC Tax)	352,830		2.96%	10,444	161	10,605	3.01%	
Additional Debt	\$ 1,236,044	80.5%		\$ 40,296	\$ 565	\$ 40,861	3.31%	2.66%
Additional Equity	\$ 300,000	19.5%					9.63%	1.88%
Total	\$ 1,536,044	100.0%						4.54%

(c) Weighted Tax Effect Due to Additional Equity to Company

	Weighted Cost	Tax Multiplier	Pre-Tax Cost	Tax Gross-Up
Additional Debt	2.66%	x 1.00	2.66%	0.00%
Additional Equity	1.88%	x 1.37	2.58%	0.70%
Total	4.54%		5.24%	0.70%

(d) Calculation of Tax Multiplier and Effective Tax Rate

Taxable Income	100.00%	Income Available to FIT	100.00%
Less NHBPT	-7.70%	Less Effective Tax Rate	27.08%
Fed. Taxable Income	92.30%	Diviser for Rev Req.	72.92%
Fed. Tax Rate	21.00%		
Effective FIT Rate	19.38%	Effective Tax rate	27.08%
Add NHBPT	7.70%	Diviser	72.92%
Effective Tax Rate	27.08%	Tax Multiplier for Equity	37.14%

Annual Amortization of Finance Costs:

Account 105	11,530
Account 186.2	5,408
Total Finance Costs	16,938
Annual Amortization of Finance Costs	565

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA LONG-TERM DEBT

GL Acct. #	Date of Note	Lender	Original Amount	NHPUC Docket #	NHPUC Order #	Date of Order	Purpose	Term	Interest Rate	Current Interest Rate	Actual Loan Balances				Actual Interest Expense				Actual Finance Costs					Pro-forma Total Cost of Debt			
											Actual Balance @ 12/31/19	Company Debt Adjustment	Debt Adj per Settlement	Excess Capacity Adjustment*	St/Pr 1 Adjusted Balance	Pro-forma Interest Expense	Company Interest Adjustment	Interest Adj per Settlement	Excess Capacity Adjustment*	Adjusted Interest Expense	2019 Amortized Finance Costs	Company Finance Cost Adjustment	Finance Cost Adj per Settlement	Excess Capacity Adjustment*	Adjusted Amortized Finance Costs	Total Annual Debt Cost	2019 Cost Rate
232.02	03/13/19	Pentucket Bank	1,000,000	DW 18-147	26.218	02/01/19	Line of Credit			4.75%	450,000	-	-	-	450,000	11,525	-	-	-	11,525	-	-	-	-	-	11,525	2.56%
232.05	07/27/20	NHDES	856,578	DW 18-138	26.230	03/29/19	Atkinson / SNH Tank**	30	3.38%	3.38%	681,000	-	883,214	-	1,564,214	-	-	29,853	-	29,853	-	-	-	-	-	29,853	1.91%
232.06	09/06/05	NHDES	1,315,291	DW 04-132	24.437	02/25/05	SRF Loan: Tank	20	3.352%	3.352%	643,586	-	-	-	643,586	22,672	-	-	-	22,672	-	-	-	-	-	22,672	3.52%
232.08	03/31/06	Aquarius Properties	24,000	DW 06-016	24.608	03/24/06	Autumn Hills	20	P+2.25%	5.50%	12,034	-	-	-	12,034	965	-	-	-	965	-	-	-	-	-	965	8.02%
232.11	06/24/09	NH DES	1,058,347	DW 08-088	24.937	02/06/09	Hampstead / Atkinson Core Interconnect	20	2.864%	2.864%	681,790	-	-	-	681,790	20,302	-	-	-	20,302	-	-	-	-	-	20,302	2.98%
232.12	11/18/16	Ford Motor Credit	38,174	DW 16-826	25.968	11/17/16	2016 F-250	5	4.89%	4.89%	15,786	-	-	-	15,786	900	-	-	-	900	-	-	-	-	-	900	5.70%
232.13	06/26/12	Shriboo Realty Two, LLC	12,000	DW 07-133	24.831	03/14/08	Coopers Grove	-	0.00%	0.00%	3,000	-	-	-	3,000	-	-	-	-	-	-	-	-	-	-	-	0.00%
232.14	10/08/18	Ford Motor Credit	41,500	DW 18-121	26.173	09/12/18	2016 F-250	5	4.90%	4.90%	32,895	-	-	-	32,895	1,857	-	-	-	1,857	-	-	-	-	-	1,857	5.65%
232.16	08/02/13	NHDES	255,000	DW 11-226	25.526	06/21/13	Service Line Replacements	20	3.10%	3.10%	203,430	-	-	-	203,430	6,494	-	-	-	6,494	-	-	-	-	-	6,494	3.19%
232.18	10/28/14	Hillcrest Estates	34,000	DW 14-319	25.757	01/16/15	Snow's Brook, Plaistow	-	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
232.19	09/15/16	Pentucket Bank	2,167,000	DW 16-654	25.930	07/29/16	Refinancing TD Bank loans	15	3.25%	3.25%	1,780,905	-	-	-	1,780,905	60,895	-	-	-	60,895	-	-	-	-	-	60,895	3.42%
232.xx	TBD	NHDES	1,204,815	DW 19-147	26.407	09/28/20	SNH CIAC Additions	30	2.96%	2.96%	-	-	352,830	-	352,830	-	-	10,444	-	10,444	-	-	-	-	-	10,444	2.96%
Totals - Non-affiliated Companies			8,006,705								4,504,426	-	1,236,044	-	5,740,470	125,610	-	40,296	-	165,906	-	-	-	-	-	165,906	2.89%
Rounding											-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Total Notes to Non-affiliated Companies			8,006,705								4,504,426	-	1,236,044	-	5,740,470	125,610	-	40,296	-	165,906	-	-	-	-	-	165,906	2.89%
Amortize financing costs - 3rd Parties											4,249	-	-	-	-	4,249	-	-	-	4,249	-	-	-	-	-	4,249	
											129,859	-	-	-	-	129,859	-	40,296	-	170,155	-	-	-	-	-	170,155	
TOTAL NOTES PAYABLE			\$ 8,006,705								\$ 4,504,426	\$ -	\$ 1,236,044	\$ -	\$ 5,740,470	\$ 129,859	\$ -	\$ 40,296	\$ -	\$ 170,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,155	2.96%

**DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA ADJUSTMENTS TO RATE OF RETURN**

Adj #

Debt

74	*To add back the NH DES Loan for the Atkinson Tank	Actual DES Loan	\$ 875,084		
		Acrued Interest	\$ 8,130		
			\$ 883,214	\$	883,214
	*To add back a portion of the NH DES Loan for SNHRWP CIAC Tax			\$	352,830
	Total Pro-forma Adjustments to Long-term Debt			\$	<u>1,236,044</u>

Interest

75	To add back the annual intrerest associated with the DES Atkinson Tank Loan			\$	29,853
	To add back the annual intrerest associated with the DES CIAC Tax Loan			\$	10,444
	Total Pro-forma Adjustmwnnts to Long-term Debt Interest Expense			\$	<u>40,296</u>

Equity

76	To add back equity for "Additonal Paid in Capital" contribution that was made in 2020 Per Bates 035 & 2020 PUC Annual Report Sch. F-1			\$	300,000
	Total Pro-forma Adjustments to Equity			\$	<u>300,000</u>

**DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA ADJUSTMENTS TO RATE BASE**

Adj #

Pro-forma Adjustments to Net Utility Plant in Rate Base:

Utility Plant

56	To add Atkinson Tank: In-service date of May 2020. See Energy 4-68, 5-21, and Step 1 - Sch. 3a	\$ 1,597,603
57	To add Other Plant Additions (Dearborn Ridge and Angle Pond): In-service date of 2020. See Energy 5-7, Company Filing Bates 092, and Step 1 - Sch. 3b	\$ 291,796
58		\$ -
59	To add the West Side Drive Booster Station: In-service date of Oct. 2020 See Step 1 SNH Plant - Sc. 3c	\$ 1,314,140
Total Adjustments - Utility Plant in Service		\$ 3,203,539

Accumulated Depreciation of Utility Plant

60	To reduce Atkinson Tank by full year of depreciation expense See Energy 5-21 and Step 1 - Sch. 3a	\$ (40,191)
61	To reduce Other Plant Additions by full year of depreciation expense See Step 1 - Sch. 3b	\$ (11,020)
62	To reduce West Side Drive Booster Station by full year of depreciation expense See Step 1 SNH Plant - Sch. 3c	\$ (86,688)
Total Adjustment - Accumulated Depreciation		\$ (137,899)

CIAC

63	To add CIAC for Atkinson Tank See Energy 5-21 and Step 1 - Sch. 3a	\$ (1,004,919)
64	To add CIAC for West Side Drive Booster Station See Step 1 SNH CIAC - Sch. 3c	\$ (1,302,918)
Total Adjustments - CIAC		\$ (2,307,837)

Accumulated Amortization of CIAC

65	To add full year of Amortization of CIAC for Atkinson Tank See Energy 5-21 and Step 1 - Sch. 3a	\$ 25,227
66	To add full year of Amortization of CIAC for West Side Drive Booster Station See Step 1 SNH CIAC - Sch. 3c	\$ 85,948
Total Adjustments - Amortization of CIAC		\$ 111,175

Accumulated Amortization of Other

70	To add full year of amortization of MSDC Fee See Step 1 - Sch. 3d	\$ 892,500 2.56% <u>22,885</u>	22,885
71	To add full year of amortization of Atk Tank CIAC Tax Loan. Amort. Period is 30 years. See Step 1 - Sch. 3a	\$ 272,132 3.33% <u>9,071</u>	9,071

**DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA ADJUSTMENTS TO RATE BASE**

<u>Adj #</u>			
72	To add full year of amortization of West Side Drive Booster CIAC Tax Loan. Amort. Period is 30 years. See Step 1 - Sch. 3c	\$ 352,830 3.33%	
		<hr/> 11,761	11,761
	Total Adjustments - Amortization of Other		<hr/> \$ 43,717
	<u>Net Working Capital in Rate Base:</u>		
	<u>Cash Working Capital</u>		
73	To adjust Cash Working Capital for pro-forma adj's to O&M Expenses: See Step 1 - Sch.1		<hr/> \$ 10,036
	Total Adjustments - Cash Working Capital		
67	To adjust Misc. Deferred Debits for the MSDC Fee See Step 1 - Sch. 3d		\$ 892,500
68	To adjust Misc. Deferred Debits for the Deferred Tax associated with the Atkinson Tank See Step 1 Sch. 3a		\$ 272,132
69	To adjust Misc. Deferred Debits for the Deferred Tax associated with the Westside Drive Booster See Step 1 - Sch. 3c		\$ 352,830
	Total Adjustments - Working Capital		<hr/> \$ 1,517,462

Atkinson Tank

Revised by Company 9/7/2021

Per Energy 5-21

Adjusted to remove CIAC Tax Allocation from Plant, and utilize CIAC Tax rate of .2708.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Plant / Depreciation Expense / Accumulated Depreciation</u>							
		Costs	CIAC Tax allocated to Plant	Adjusted Costs	Depr Rate	Annual Depr Expense	Accum Depr
303	Tank Easement	\$ 50,000		\$ 50,000	2.00%	\$ 1,000	\$ 500
304	Building and site work						
311	Generator	6,300		6,300	10.00%	630	315
311	REPCO Control Panel	11,259		11,259	10.00%	1,126	563
311	Pumping Material	44,582		44,582	10.00%	4,458	2,229
330	Flow Meter	3,994		3,994	2.22%	89	44
330	Solarbee Gridbee Electric Mixer	20,200		20,200	2.22%	448	224
330	1 Million Gallon Concrete Tank	799,800		799,800	2.22%	17,756	8,878
330	Tank Sitework & Engineering	661,468		661,468	2.22%	14,685	7,342
	Total	\$ 1,597,603		\$ 1,597,603		\$ 40,191	\$ 20,096

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>CIAC / Amortization Expense / Accumulated Amortization</u>							
		CIAC			Amort Rate	Annual Amort of CIAC	Accum Amort of CIAC
303	Tank Easement	\$ 31,451			2.00%	\$ 629	\$ 315
311	Generator	3,963			10.00%	396	198
311	REPCO Control Panel	7,082			10.00%	708	354
311	Pumping Material	27,350			10.00%	2,735	1,368
330	Flow Meter	2,512			2.22%	56	28
330	Solarbee Gridbee Electric Mixer	12,706			2.22%	282	141
330	1 Million Gallon Concrete Tank	503,088			2.22%	11,169	5,584
330	Tank	416,767			2.22%	9,252	4,626
	Total	\$ 1,004,919				\$ 25,227	\$ 12,614

Note: 62.9% per Grant Agreement.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Calculation of CIAC Tax</u>							
		CIAC		CIAC Tax Rate	CIAC Tax C x D	Annual** CIAC Tax Amortization	
303	Tank Easement	\$ 31,451		27.08%	\$ 8,517		
311	Generator	3,963		27.08%	1,073		
311	REPCO Control Panel	7,082		27.08%	1,918		
311	Pumping Material	27,350		27.08%	7,406		
330	Flow Meter	2,512		27.08%	680		
330	Solarbee Gridbee Electric Mixer	12,706		27.08%	3,441		
330	1 Million Gallon Concrete Tank	503,088		27.08%	136,236		
330	Tank	416,767		27.08%	112,861		
	Total	\$ 1,004,919			\$ 272,132		\$ 9,071

State Utility Property Taxes and Town of Atkinson Property Taxes

<u>State Utility Property Taxes</u>		
Total Increase in Plant		\$ 1,597,603
Total Increase in Accum Depr & Amort		20,096
Net Total Increase in Plant		\$ 1,577,507
Total Increase in Plant per Thousands		\$ 1,578
Tax Value as % of Net Book Value		49.31%
State Utility Property Tax Rate		\$ 6.60
Total Increase in State Utility Property Taxes		\$ 5,133
<u>Town of Atkinson Property Taxes</u>		
Total Increase in Plant		\$ 1,597,603
Total Increase in Accum Depr & Amort		20,096
Net Total Increase in Plant		\$ 1,577,507
Total Increase in Plant per Thousands		\$ 1,578
Tax Value as % of Net Book Value		49.31%
Town of Atkinson Property Tax Rate		\$ 16.24
Total Increase in Town of Atkinson Property Taxes		\$ 12,631
<u>Total State Utility and Town of Atkinson Property Taxes</u>		\$ 17,765
NHDRA Assessed value as of 4/1/21		\$ 7,648,300
Net Plant at 12/31/20*		\$ 15,512,104
Percent of assessed value to net plant		49.31%

*2020 HAWC PUC Annual Report Sch. F-1, Line 3

**CIAC Tax amortization period is 30 years to match the DES loan used to pay the tax.

Hampstead Area Water Company

Attachment B

Step 1

Schedule 3b

Other Plant

Modified by Energy to match % DRA Book value to updated figures in Atk Tank of 5-21

Plant / Depreciation Expense / Accumulated Depreciation

Angle Pond	Costs	Depr Rate	Annual Depr Expense	Accum Depr
304 Pump House and Site Work		2.50%	\$ -	\$ -
307 Wells	155,501	3.33%	5,178	2,589
309 Supply Mains	60,114	2.00%	1,202	601
311 Pumping Equipment	30,802	10.00%	3,080	1,540
320 Treatment Equipment (filters, etc.)	17,846	3.60%	642	321
Total	\$ 264,263		\$10,103	\$ 5,052

Dearborn Ridge	Costs	Depr Rate	Annual Depr Expense	Accum Depr
307 Wells	27,533	3.33%	\$ 917	\$ 458
320 Treatment Equipment (filters, etc.)		3.60%	-	-
Total	\$ 27,533		\$ 917	\$ 458
Total	\$ 291,796		\$11,020	\$ 5,510

Angle Pond

State Utility Property Taxes and Town of Hampstead Property Taxes

State Utility Property Taxes	
Total Increase in Plant	\$ 264,263
Total Increase in Accum Depr & Amort	5,052
Net Total Increase in Plant	<u>\$ 259,211</u>
Total Increase in Plant per Thousands	\$ 259
Tax Value as % of Net Book Value	49.31%
State Utility Property Tax Rate	6.60
Total Increase in State Utility Property Taxes	<u>\$ 844</u>

Town of Hampstead Property Taxes	
Total Increase in Plant	\$ 264,263
Total Increase in Accum Depr & Amort	5,052
Net Total Increase in Plant	<u>\$ 259,211</u>
Total Increase in Plant per Thousands	\$ 259
Tax Value as % of Net Book Value	49.31%
Town of Atkinson Property Tax Rate	21.55
Total Increase in Town of Atkinson Property Taxes	<u>\$ 2,754</u>

Total State Utility and Town of Hampstead Property Taxes for Angle Pond	\$ 3,598
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Dearborn Ridge

State Utility Property Taxes and Town of Hampstead Property Taxes

State Utility Property Taxes	
Total Increase in Plant	\$ 27,533
Total Increase in Accum Depr & Amort	458
Net Total Increase in Plant	<u>\$ 27,075</u>
Total Increase in Plant per Thousands	\$ 27
Tax Value as % of Net Book Value	49.31%
State Utility Property Tax Rate	6.60
Total Increase in State Utility Property Taxes	<u>\$ 88</u>

Town of Atkinson Property Taxes	
Total Increase in Plant	\$ 27,533
Total Increase in Accum Depr & Amort	458
Net Total Increase in Plant	<u>\$ 27,075</u>
Total Increase in Plant per Thousands	\$ 27
Tax Value as % of Net Book Value	49.31%
Town of Atkinson Property Tax Rate	21.55
Total Increase in Town of Atkinson Property Taxes	<u>\$ 288</u>

Total State Utility and Town of Atkinson Property Taxes for Dearborn Ridge	\$ 376
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Total State Utility and Town Property Taxes	\$ 3,973
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NHDRA Assessed value as of 4/1/20	\$7,648,300
Net Plant at 12/31/20*	<u>15,512,104</u>
Percent of assessed value to net plant	<u>49.31%</u>

Modified by Staff to remove CIAC Tax Allocation from Plant, and utilize CIAC Tax rate of .2708.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Plant / Depreciation Expense / Accumulated Depreciation								
		Costs	CIAC Tax allocated to Plant	Adjusted Costs	Depr Rate	Annual Depr Expense		Accum Depr
303	Land Rights	\$ 23,026		\$ 23,026	5.00%	\$ 1,151		\$ 576
304	Structures - Pump Station and Site Work	580,996		580,996	2.50%	14,525		7,262
310	Power Generator Equipment	80,472		80,472	10.00%	8,047		4,024
311	Pumping Equipment	629,646		629,646	10.00%	62,965		31,482
	Total	\$ 1,314,140		\$ 1,314,140		\$ 86,688		\$ 43,344

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CIAC / Amortization Expense / Accumulated Amortization								
		CIAC			Amort Rate	Annual Amort of CIAC		Accum Amort of CIAC
303	Land Rights	\$ 22,830		\$ 22,830	5.00%	\$ 1,142		\$ 571
304	Structures - Pump Station and Site Work	576,034		576,034	2.50%	14,401		7,200
310	Power Generator Equipment	79,784		79,784	10.00%	7,978		3,989
311	Pumping Equipment	624,270		624,270	10.00%	62,427		31,214
	Total	\$ 1,302,918		\$ 1,302,918		\$ 85,948		\$ 42,974

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Calculation of CIAC Tax								
		CIAC		Comb Tax Rate		CIAC Tax CxD		Annual** CIAC Tax Amortization
303	Land Rights	\$ 22,830		0.2708		\$ 6,182		
304	Structures - Pump Station and Site Work	576,034		0.2708		155,990		
310	Power Generator Equipment	79,784		0.2708		21,606		
311	Pumping Equipment	624,270		0.2708		169,052		
	Total	\$ 1,302,918		0.2708		\$ 352,830		\$ 11,761

State Utility Property Taxes and Town of Atkinson Property Taxes	
State Utility Property Taxes	
Total Increase in Plant	\$ 1,314,140
Total Increase in Accum Depr & Amort	43,344
Net Total Increase in Plant	\$ 1,270,796
Total Increase in Plant per Thousands	\$ 1,271
Tax Value as % of Net Book Value	49.31%
State Utility Property Tax Rate	\$ 6.60
Total Increase in State Utility Property Taxes	\$ 4,135
Town of Atkinson Property Taxes	
Total Increase in Plant	\$ 1,314,140
Total Increase in Accum Depr & Amort	43,344
Net Total Increase in Plant	\$ 1,270,796
Total Increase in Plant per Thousands	\$ 1,271
Tax Value as % of Net Book Value	49.31%
Town of Atkinson Property Tax Rate	\$ 16.24
Total Increase in Town of Atkinson Property Taxes	\$ 10,176
Total State Utility and Town of Atkinson Property Taxes	\$ 14,311
NHDRA Assessed value as of 4/1/20	\$ 7,648,300
Net Plant at 12/31/19*	\$ 15,512,104
Percent of assessed value to net plant	49.31%

*2019 HAWC PUC Annual Report, Sch. F-1, Line 3

**CIAC Tax amortization period is 30 years to match the DES loan used to pay the tax.

**DW 20-117
 HAMPSTEAD AREA WATER COMPANY, INC.
 STEP ADJUSTMENT
 CALCULATION OF MSDC**

<u>Manchester Water Works - MSDC</u>	Original Cost	Amortization Rate	Annual Amortization
	\$ 892,500	2.56%	\$ (22,885)

*Contract expires	2058
**Contract signed by HAWC -	2019
Contract length in years	39
	1
	39
Annual Amortization Rate	2.56%

*See Energy 2-18, Final SIA, page 17 of 112, Article 3, #15, Term and Termination

**See Energy 2-18, Final SIA, page 21 of 112, Signatory Pages

**DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME**

Adj #

Operating Revenue			
77	To increase Operating Revenue, net of Company's combined effective income tax rate, for additional customers per 2020 Annual Report. See Bates 159, Co. 2019 & 2020 Annual Reports Sch. A-6, and Step 1 New Cust. Rev. - Sch. 4a		
	Total Adjustments - Operating Revenue	\$	50,526
Source of Supply			
78	<u>Purchased Water- Account 602</u> Staff Adjustment: to add back Company proforma for cost to purchase annual allotment of water from MWW. The Company contracted to purchase 250,000 gallons per day, or 91,250,000 gallons per year. (250,000 / 748 x \$3.05 x 365) See Bates 075, and 2020 Annual Report Sch. S-2.	Gal. Purchased from MWW in 2020 Convert to CCF + <hr style="width: 50px; margin-left: 0;"/> 29,656,839 748 39,648	
		Cost per CCF x \$	3.05
		Cost of 2020 Gallons	\$ 120,927
		\$	120,927
79	<u>Well Expenses</u> Staff Adjustment: to add back the Company's proforma adjustment of reduction in test year well expenses due to anticipated 20% reduction due to SNHRWIP. See Energy 2-10, and 3-4.		\$ (7,144)
	Total Proforma Adjustments to Source of Supply	\$	113,783
Pumping Expenses			
80	<u>Purchased Power- Account 623</u> Staff Adjustment: to add back the Company's proforma adjustment of test year purchased power expense which reflected an anticipated reduction due to SNHRWIP See Energy 2-11, 3-5.		\$ (32,390)
	Total Proforma Adjustments to Pumping Expenses	\$	(32,390)
	Total Proforma Adjustments to Operating and Maintenance Expenses	\$	81,393
Depreciation Expense			
81	Staff Adjustment: to add back full year of depreciation expense for Atk Tank. See Step 1 - Sch. 3a		\$ 40,191
82	Staff Adjustment: to add back full year of depreciation expense for Other plant addition (Dearborn Ridge and Angle Pond Wells) See Step 1 - Sch. 3b		\$ 11,020
83	Staff Adjustment: to add back full year of depreciation expense for West Side Drive Booster. See Step 1 - Sch. 3c		\$ 86,688
	Total Adjustments to Depreciation Expense	\$	137,899
Amortization Expense - CIAC			
84	Staff Adjustment: to add back full year of amortization expense of CIAC for Atk Tank. See Step 1 - Sch. 3a		\$ (25,227)
85	Staff Adjustment: to add back full year of amortization expense of CIAC for West Side Drive Booster. See Step 1 - Sch. 3c		\$ (85,948)
	Total Adjustments to Amortization of CIAC	\$	(111,175)
Amortization Expense - Other			
86	Staff Adjustment: To adjust for the amortization of the 250,000 GPD fee of \$892,500 over 39 years. See Energy 2-6, 3-2, and Energy 2-18 b - page 17 and page 98, and Step 1 - Sch. 3D		22,885
87	Staff Adjustment: To adjust for the amortization of the CIAC Tax associated with the Atk Tank See Step 1 - Sch. 3a		9,071
88	Staff Adjustment: To adjust for the amortization of the CIAC Tax associated with the West Side Drive Booster See Step 1 - Sch. 3c		11,761
	Total Adjustments to Amortization Expense - Other	\$	43,717
Taxes other than Income			
89	Staff Adjustment: to add back the Co. amount of property taxes for the Atk Tank See Step 1 - Sch. 3a		\$ 17,765
90	Staff Adjustment: to add back the Co. amount of property taxes for the 'Other Plant' See Step 1 - Sch. 3b		\$ 3,973
91	Staff Adjustment: to add back the Co. amount of property taxes for the West Side Drive Booster See Step 1 - Sch. 3c		\$ 14,311
	Total Adjustments to Taxes Other than Income	\$	36,049
Income Taxes			
92	Combined State and Federal Income Taxes See Step 1 - Sch. 1		\$ 16,447

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

Adj #

Total Adjustments to Taxes other than Income and Income Taxes

\$ 16,447

Total Proforma Adjustment to Operating Expenses

\$ 204,330

0

DW 20-117
Hampstead Area Water Company, Inc.
Step Adjustment
Calculation of New Customer Revenue

2019 Annual Report Customer Count		3,857	
2020 Annual Report Customer Count	-	3,994	
2020 Additional Customers		<u>(137)</u>	
Projected Water Sales After Permanent Rate Increase		\$ 2,540,482	
2020 Annual Report Customer Count	÷	<u>3,994</u>	
Average Projected Annual Revenue per Customer		\$ 636	
Months in a year	÷	<u>\$ 12</u>	
Average Projected Monthly Revenue per Customer		\$ 53	
2020 Additional Customers		137	
Monthly Revenue per Customer	*	<u>\$ 53</u>	
Additional Monthly Revenue		\$ 7,261	
Additional Monthly Revenue		\$ 7,261	
Months in a year	*	<u>\$ 12</u>	
Additional Annual Revenue		\$ 87,132	
Additional Annual Revenue		\$ 87,132	
Incremental Expenses - See Step 1 - Sch. 4b	-	<u>\$ 17,843</u>	
Pre-Tax Annual New Customer Revenue		\$ 69,289	
Pre-Tax Annual New Customer Revenue		\$ 69,289	
Company's Effective Tax Rate	x	<u>27.08%</u>	
Income Taxes on New Customer Revenue		\$ 18,764	
Pre-Tax Annual New Customer Revenue		\$ 69,289	
Income Taxes on New Customer Revenue	-	<u>\$ 18,764</u>	
After-tax New Customer Revenue		<u>\$ 50,526</u>	<u>\$ 50,526</u>

HAWC

#69 Attachment
Pg. 1 of 2

Incremental Expenses to offset additional revenues associated with 2020 new customers

4.27%

	<u>12/31/19</u>	<u>Company</u>	<u>Department</u>
Metered Sales to Residential Customers	1,967,875	84,095	
Fire Protection Revenue	55,088		
Late Fees	38,074		
Other Water Revenue	73,185		
Total Revenue	<u>2,134,222</u>		
Net Depreciation & CIAC	339,643	\$ 3,905	\$ 3,905
Property Taxes	146,846	\$ 858	\$ -
Other Taxes	15,577		
Labor on Outside Jobs	30,462		
Well Expenses & Water Purchased	35,720	\$ 1,526	\$ 1,526
Power Purchased for Pumping	219,181	\$ 9,366	\$ 4,683
Pumping Expenses	171,768	\$ 7,340	\$ -
Chemicals	13,500	\$ 577	\$ 577
Treatment Expense (Filters)	174,184	\$ 7,444	\$ 3,722
Transm & Distribution Exp (Mains)	57,308	\$ 2,449	\$ -
Meter Expenses & Customer Installations	57,174	\$ 2,443	\$ -
Maintenance of Storage Tanks	1,935		
Maintenance of Services	44,691	\$ 1,910	\$ -
Maintenance of Hydrants	6,569		
Meter Reading Expenses	9,948	\$ 425	\$ 425
Customer Records & Collections	140,621	\$ 6,009	\$ 3,005
Uncollectable Accounts	0		
Administrative & General Salaries	29,746		
Office Supplies & Other Expenses	57,864		
Outside Services - Engineering	117,899		
Outside Services - Management Fees	169,153		
Outside Services - Accounting	85,650		
Outside Services - Legal	61,082		
Insurance Expense	44,136		
Employee Pensions & Benefits	78,931		
Franchise Requirements	5,840		
Misc General Expenses	4,277		
Misc Expenses - Vehicle Expenses	35,013		
General Rents	16,928		
Total Expenses	<u>2,171,643</u>	<u>\$ 44,253</u>	<u>\$ 17,843</u>
Net Operating Income	<u>(37,422)</u>		
Rate Case Recovery Fees	191,206		
Regulatory Commission Expenses	(76,106)		
Interest Expense	(129,880)		
Interest Income	235		
Misc Nonutility Expenses	0		
Net Income (Loss)	<u>(51,967)</u>		
Meters	570	137	78,090
Annual Depr on 137 Meters	78,090	5.00%	3,905

SPSt. Cyr
11/9/2021