

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
REVISED 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)	(40,441)	(11,020)	(86,112)	(22,885)	-	(160,458)	60-62, 70	
Less: CIAC**	(1,004,919)	-	(1,302,918)	-	-	(2,307,837)	63-64	
Add: Accumulated Amort. of CIAC (1 Full Year)	25,384	-	85,377	-	-	110,761	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	840,688	280,776	351,556	869,615	-	2,342,636		
Cash working Capital:								
Net Increase in O&M Expenses	81,393							
Net Increase in Cash Working Capital	x 12.33%							
	\$10,036					+ \$ 10,036	73	
Total change to Rate Base						= \$ 2,352,671		
Rate of Return (Step 1 - Sch. 2)						x 4.50%	74-76	
Increase in Net Operating Income Requirement						\$ 105,969		
Less: Revenue from New Customers	-	-	-	-	-	(50,526)	77	
Add: Net Increase/ (Decrease) to O&M Expense	-	-	-	-	-	81,393	78-80	
Add: Annual Depreciation Expense	40,441	11,020	86,112	-	-	137,574	81-83	
Less: Annual Amortization of CIAC	(25,384)	-	(85,377)	-	-	(110,761)	84-85	
Add: Amortization of Other	9,071	-	11,761	22,885	-	43,717	86-88	
Add: Annual Property Tax Expense	17,763	3,657	14,314	-	-	35,735	89-91	
Add: Additional income taxes*	-	-	-	-	-	16,370	92	
Increase / (Decrease) in Net Operating Income	\$ 41,892	\$ 14,677	\$ 26,810	\$ 22,885	\$ -	\$ 259,470		
Step Increase						\$ 259,470		
Proforma Test Year Water Sales Revenues (Attachment A, Sch. 4, Col. 8)						\$ 2,540,482		
% Increase in Annual Water Revenues						10.21%		

*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)
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
(a) Calculation of Rate of Return for Step 1 projects								
DES Loan (Atkinson Tank + Atk Tank CIAC Tax)	\$ 883,214		3.38%	\$ 29,853		\$ 29,853	3.38%	
DES Loan (Westside Drive CIAC Tax)	352,830		2.96%	10,444		10,444	2.96%	
Additional Debt	\$ 1,236,044	80.5%		\$ 40,296	\$ -	\$ 40,296	3.26%	2.62%
Additional Equity	\$ 300,000	19.5%					9.63%	1.88%
Total	\$ 1,536,044	100.0%						4.50%

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

	Weighted Cost	Tax Multiplier	Pre-Tax Cost	Tax Gross-Up
Additional Debt	2.62%	x 1.00	2.62%	0.00%
Additional Equity	1.88%	x 1.37	2.58%	0.70%
Total	4.50%		5.20%	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 - \$4,026)	7,504
Account 186.2	5,408
Total Finance Costs	12,912
Annual Amortization of Finance Costs	430

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*	Step 1 Adjusted Balance	Proforma 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 16-147	26.216	02/01/19	Line of Credit	Demand	Prime	4.75%	450,000	-	-	-	450,000	11,525	-	-	-	11,525	-	-	-	-	-	11,525	2.56%	
232.05	07/27/20	NHDES	856,578	DW 18-136	26.230	03/29/19	Atkinson / SNH Tank**	30	3.38%	3.38%	681,000	26,230	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	Shrivo 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	-	-	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%
Roundino																												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	
																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	
		Accrued 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><u>\$ 1,236,044</u></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><u>\$ 40,296</u></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><u>\$ 300,000</u></u>

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

Adj #

<u>Pro-forma Adjustments to Net Utility Plant in Rate Base:</u>								
<u>Utility Plant</u>								
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						
 <u>Accumulated Depreciation of Utility Plant</u>								
60	To reduce Atkinson Tank by full year of depreciation expense See Energy 5-21 and Step 1 - Sch. 3a	\$ (40,441)						
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	\$ (86,112)						
Total Adjustment - Accumulated Depreciation		\$ (137,574)						
 <u>CIAC</u>								
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)						
 <u>Accumulated Amortization of CIAC</u>								
65	To add full year of Amortization of CIAC for Atkinson Tank See Energy 5-21 and Step 1 - Sch. 3a	\$ 25,384						
66	To add full year of Amortization of CIAC for West Side Drive Booster Station See Step 1 SNH CIAC - Sch. 3c	\$ 85,377						
Total Adjustments - Amortization of CIAC		\$ 110,761						
 <u>Accumulated Amortization of Other</u>								
70	To add full year of amortization of MSDC Fee See Step 1 - Sch. 3d	<table border="0" style="margin-left: auto;"> <tr><td>\$ 892,500</td><td></td></tr> <tr><td style="text-align: right;">2.56%</td><td></td></tr> <tr><td style="border-top: 1px solid black;">22,885</td><td style="text-align: right;">22,885</td></tr> </table>	\$ 892,500		2.56%		22,885	22,885
\$ 892,500								
2.56%								
22,885	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	<table border="0" style="margin-left: auto;"> <tr><td>\$ 272,132</td><td></td></tr> <tr><td style="text-align: right;">3.33%</td><td></td></tr> <tr><td style="border-top: 1px solid black;">9,071</td><td style="text-align: right;">9,071</td></tr> </table>	\$ 272,132		3.33%		9,071	9,071
\$ 272,132								
3.33%								
9,071	9,071							
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	<table border="0" style="margin-left: auto;"> <tr><td>\$ 352,830</td><td></td></tr> <tr><td style="text-align: right;">3.33%</td><td></td></tr> <tr><td style="border-top: 1px solid black;">11,761</td><td style="text-align: right;">11,761</td></tr> </table>	\$ 352,830		3.33%		11,761	11,761
\$ 352,830								
3.33%								
11,761	11,761							

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

Adj #

	Total Adjustments - Amortization of Other	\$ 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	<u>\$ 10,036</u>
	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	<u>\$ 1,517,462</u>

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	2.50%	\$ 1,250	\$ 625
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		\$ 40,441	\$ 20,221

(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			2.50%	\$ 786	\$ 393
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				\$ 25,384	\$ 12,692

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	20,221
Net Total Increase in Plant	\$ 1,577,382
Total Increase in Plant per Thousands	\$ 1,577
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	20,221
Net Total Increase in Plant	\$ 1,577,382
Total Increase in Plant per Thousands	\$ 1,577
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	\$ 12,630
Total State Utility and Town of Atkinson Property Taxes	\$ 17,763
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

	<u>Costs</u>	Depr <u>Rate</u>	Annual Depr <u>Expense</u>	Accum <u>Depr</u>
Angle Pond				
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	<u>\$ 264,263</u>		<u>\$ 10,103</u>	<u>\$ 5,052</u>
Dearborn Ridge				
307 Wells	27,533	3.33%	\$ 917	\$ 458
320 Treatment Equipment (filters, etc.)		3.60%	-	-
Total	<u>\$ 27,533</u>		<u>\$ 917</u>	<u>\$ 458</u>
Total	<u>\$ 291,796</u>		<u>\$ 11,020</u>	<u>\$ 5,510</u>

Angle Pond

State Utility Property Taxes and Town of Hampstead Property Taxes

<u>State Utility Property Taxes</u>	
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>
<u>Town of Hampstead Property Taxes</u>	
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 Hampstead Property Tax Rate	19.63
Total Increase in Town of Atkinson Property Taxes	<u>\$ 2,509</u>
Total State Utility and Town of Hampstead Property Taxes for Angle Pond	<u>\$ 3,352</u>

Dearborn Ridge

State Utility Property Taxes and Town of Atkinson Property Taxes

<u>State Utility Property Taxes</u>	
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>
<u>Town of Atkinson Property Taxes</u>	
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	16.24
Total Increase in Town of Atkinson Property Taxes	<u>\$ 217</u>
Total State Utility and Town of Atkinson Property Taxes for Dearborn Ridge	<u>\$ 305</u>
Total State Utility and Town Property Taxes	<u>\$ 3,657</u>

NHDRA Assessed value as of 4/1/20	\$7,648,300
Net Plant at 12/31/20*	15,512,104
Percent of assessed value to net plant	49.31%

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)
<u>Plant / Depreciation Expense / Accumulated Depreciation</u>								
		Costs	CIAC Tax allocated to Plant	Adjusted Costs	Depr Rate	Annual Depr Expense		Accum Depr
303	Land Rights	\$ 23,026		\$ 23,026	2.50%	\$ 576		\$ 288
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		\$ 86,112		\$ 43,056

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>CIAC / Amortization Expense / Accumulated Amortization</u>								
		CIAC			Amort Rate	Annual Amort of CIAC		Accum Amort of CIAC
303	Land Rights	\$ 22,830		\$ 22,830	2.50%	\$ 571		\$ 285
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		\$ 85,377		\$ 42,689

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Calculation of CIAC Tax</u>								
		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	43,056
Net Total Increase in Plant	\$ 1,271,084
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	\$ 4,136
Town of Atkinson Property Taxes	
Total Increase in Plant	\$ 1,314,140
Total Increase in Accum Depr & Amort	43,056
Net Total Increase in Plant	\$ 1,271,084
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	\$ 10,178
Total State Utility and Town of Atkinson Property Taxes	\$ 14,314
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**

Adi #

<u>Operating Revenue</u>																						
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																			
<u>Source of Supply</u>																						
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.	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Gal. Purchased from MWW in 2020</td> <td style="width: 10%; text-align: right;">29,656,839</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Convert to CCF +</td> <td style="text-align: right;">748</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">39,648</td> <td></td> <td></td> </tr> <tr> <td>Cost per CCF x</td> <td style="text-align: right;">\$ 3.05</td> <td></td> <td></td> </tr> <tr> <td>Cost of 2020 Gallons</td> <td style="text-align: right; border-top: 1px solid black;">\$ 120,927</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">120,927</td> </tr> </table>	Gal. Purchased from MWW in 2020	29,656,839			Convert to CCF +	748				39,648			Cost per CCF x	\$ 3.05			Cost of 2020 Gallons	\$ 120,927	\$	120,927
Gal. Purchased from MWW in 2020	29,656,839																					
Convert to CCF +	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																			
<u>Pumping Expenses</u>																						
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																			
<u>Depreciation Expense</u>																						
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		\$ 86,112																			
Total Adjustments to Depreciation Expense			\$ 137,324																			
<u>Amortization Expense - CIAC</u>																						
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		\$ (85,377)																			
Total Adjustments to Amortization of CIAC			\$ (110,604)																			
<u>Amortization Expense - Other</u>																						
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																			
<u>Taxes other than Income</u>																						
89	Staff Adjustment: to add back the Co. amount of property taxes for the Atk Tank See Step 1 - Sch. 3a		\$ 17,763																			
90	Staff Adjustment: to add back the Co. amount of property taxes for the 'Other Plant' See Step 1 - Sch. 3b		\$ 3,657																			
91	Staff Adjustment: to add back the Co. amount of property taxes for the West Side Drive Booster See Step 1 - Sch. 3c		\$ 14,314																			
Total Adjustments to Taxes Other than Income			\$ 35,735																			
<u>Income Taxes</u>																						
92	Combined State and Federal Income Taxes See Step 1 - Sch. 1		\$ 16,370																			
Total Adjustments to Taxes other than Income and Income Taxes			\$ 16,370																			
Total Proforma Adjustment to Operating Expenses			\$ 203,934																			

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

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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		\$ 50,526	<u>\$ 50,526</u>

HAWC

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