

STATE OF NEW HAMPSHIRE
Intra-Department Communication

DATE: October 11, 2022

FROM: NH Department of Energy, Division of Enforcement Audit Staff

SUBJECT: Hampstead Area Water Company Inc.
DW 20-117 Step Adjustment I
FINAL Audit Report

TO: Tom Frantz, Director, Regulatory Division
Jayson Laflamme, Assistant Director, Gas/Water Division
Anthony Leone, Utility Analyst

Introduction

On September 1, 2022, Hampstead Area Water Company, Inc. (HAWC, Company) filed its Step 1 final cost and schedules, as contemplated by the May 6, 2022 Settlement Agreement filed in docket DW 20-117. The Settlement Agreement was approved on July 20, 2022 in the 2nd revised Order No. 26,635. The assets contemplated for inclusion in the step adjustment were reported within the filing—Summary of Changes to Calculation of Step Adjustment, Schedules 1 through 4b—totaling \$4,096,039, with \$(2,307,837) of that addition being contributed by the developer and recorded as a contribution in aid of construction (CIAC). The following depicts the year 2020 additions for the first step adjustment, as reported within the filing:

| | <u>Asset</u> | <u>CIAC</u> |
|------------------------------|--------------------|----------------------|
| Atkinson Tank | \$1,597,603 | \$(1,004,919) |
| Other Plant – Angle Pond | \$ 264,263 | \$ -0- |
| Other Plant – Dearborn Ridge | \$ 27,533 | \$ -0- |
| Westside Drive | \$1,314,140 | \$(1,302,918) |
| MSDC Fee | <u>\$ 892,500</u> | <u>\$ -0-</u> |
| 2020 Projects | \$4,096,039 | \$(2,307,837) |

The filing further details each proposed step increase by general ledger account, the depreciation rate, and accumulated depreciation through 2020. The amortization rate and accumulated amortization relating to the Atkinson Tank and Westside Drive projects CIAC were also included.

Audit reviewed the Settlement Agreement, noting the following as stated on page 7: *“The Settling Parties agree that the proposed Step I Adjustment[...]will result in an increase not to exceed \$258,450 in the Company’s revenue requirement.”* On September 1, 2022, the Company filed a Summary of Changes to the step adjustment calculation, stating that *“The*

schedules support an increase greater than the ‘not to exceed \$258,450.’ As such, HAWC respectfully request an increase of \$258,450, subject to DOE Audit Division and Settling Parties review and reports.” Although the schedules within the filed Summary of Changes to the step adjustment support an increase greater than the “not to exceed \$258,450” amount, Audit understands that the Company is not asking that the higher figure of \$260,642 be approved for collection.

Continuing Property Records

The Sage Fixed Asset system is an all-encompassing online system which demonstrates asset, depreciation years and rate, the system and service number, copies of supporting invoices as applicable, descriptions and locations of assets, the acquisition date, the system name, town, general ledger account number for the plant, depreciation expense and accumulated depreciation, the name of the vendor, serial numbers as applicable, contribution in aid of construction detail as applicable, replacement value, warranty date as applicable, asset total for book and tax purposes, among other information, among other items. Audit was provided with complete access to the system for all assets placed into service during 2020.

Project Costs

Atkinson Tank \$1,597,603 and CIAC \$(1,004,919)

The February 4, 2019 Settlement Agreement, outlined the need for the Atkinson Tank Project as *“a necessary investment in the ordinary course of HAWC’s operation, and thus it is a routine financing.”* On March 29, 2019, the Commission approved the Company’s petition to finance the construction of the Atkinson Tank, via Order No. 26,230 of Docket DW 18-138: *“The proposed financing will fund part of the construction of the Tank Project to be located in Atkinson [and] will become part of HAWC’s Atkinson and Hampstead Core System. The Tank Project is part of the much larger Southern New Hampshire Regional Water Project [SNHRWP], supported by the DES, to ‘transmit water supply from Manchester Water Works to meet domestic water demands in the towns of Windham, Salem, Atkinson, Hampstead, and Plaistow.’”* In the filed testimony of Charles Lanza, General Manager of HAWC, the Atkinson Tank was identified as being constructed by the Company, as *“a 1 Million Gallon storage tank in Atkinson ensuring the Company’s Core water treatment System’s storage capacity and pressure stability and enhanced fire protection.”*

Audit reviewed the total cost for the Atkinson Tank, per attachment B of the filing. The following reflected the total asset additions and related CIAC, as filed:

| | Asset <u>Amount</u> | CIAC <u>Amount</u> | Depreciation <u>Rate</u> | ½ Year <u>Accum Dep.</u> | Amortization <u>Rate</u> | ½ year <u>Accum. Amort.</u> |
|-------------------------------------|------------------------|-----------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------------|
| 303 Tank Easement | \$ 50,000 | \$ (31,451) | 2.00% | \$ 500 | 2.00% | \$ 315 |
| 311 Generator | 6,300 | (3,963) | 10.00% | 315 | 10.00% | 198 |
| 311 REPCO Control Panel | 11,259 | (7,082) | 10.00% | 563 | 10.00% | 354 |
| 311 Pumping Material | 44,582 | (27,350) | 10.00% | 2,229 | 10.00% | 1,368 |
| 330 Flow Meter | 3,994 | (2,512) | 2.22% | 44 | 2.22% | 28 |
| 330 Solarbee Gridbee Electric Mixer | 20,200 | (12,706) | 2.22% | 224 | 2.22% | 141 |
| 330 1 Million Gallon Concrete Tank | 799,800 | (503,088) | 2.22% | 8,878 | 2.22% | 5,584 |
| 330 Tank Sitework & Engineering | <u>661,468</u> | <u>(416,767)</u> | 2.22% | <u>7,342</u> | 2.22% | <u>4,626</u> |
| Total | \$ 1,597,603 | \$(1,004,919) | | \$ 20,096 | | \$ 12,614 |

Audit verified the total costs filed of \$1,597,603 for the Atkinson Tank to the Fixed Asset Summary Report (Internal) for the period ended December 31, 2020. Using the Sage accounting software, Audit reviewed the general ledger and CPR information—confirming the December 2020 in-service date. The CPR was properly identified as to location, contribution amount, asset depreciation, and CIAC related information.

Audit confirmed the filed asset cost per general ledger account to the Fixed Asset Summary report and noted a variance of \$1,101 within account 311, Pumping Mat. Audit calculated an additional variance—between the filing and the Fixed Asset Summary Report—of \$(1,101) within account 330, Tank/Distribution Reservoirs/Standpipes. The Company explained the variances in the following statement: *“We originally recorded the information on the books in 2020. When we were finalizing the Step 1 submission we found that \$1,101 was incorrectly classified on the books. The filing corrected that classification. Once Step 1 is approved, we will adjust the general ledger.”* Audit acknowledged that the filed total asset cost of \$1,597,603 was not impacted by the incorrect classification on the general ledger, as the \$1,101 variance in account 330 and the \$(1,101) variance in account 330 is zeroed out.

The CIAC component of the Atkinson Tank Project was a grant from NHDES. Audit reviewed the journal entry and final disbursement amount for the grant—as well as the payoff letter—confirming that NHDES had disbursed to the Company, a total of \$1,004,919.56 for the Atkinson Storage Tank. The final grant payment was disbursed on June 22, 2020. All CIAC related assets were verified to the Fixed Asset Summary Report (CIAC) for the period ended December 31, 2020. The reports were downloads of the HAWC general ledger system. Audit verified that the CIAC Fixed Asset Summary Report rolls into the appropriate 271 Contributions in Aid of Construction account and noted the monthly amortization expense recorded on account 272 Accumulated Amortization of Contributions in Aid of Construction.

Audit sampled expenses from DN Tanks, Lewis Engineering, Steve Cummings, Town of Atkinson, and Wilson Construction. The following includes a certificate of payment and other sampled invoices that were reviewed in support of the expenses incurred:

DN Tanks, Inc. – There was a total of \$1,407,148 in expenses paid to DN Tanks for the Atkinson Tank addition. Audit reviewed the contract with DN Tanks and verified the certificate for payment, totaling \$1,407,148. Expenses included engineering design drawing, the tank site and trench excavation, pouring and reinforcement of wall slots and dome, as well as fees charged for layout, survey, casting wall panels and dome panels, road access, and electrical.

Lewis Engineering – Five invoices, totaling \$8,175, were reviewed from Lewis Engineering. Progress payments were invoiced for the design of the new tank, as well as technical services, site inspection, winterization, completion, disinfection, and startup.

Steve Cummings – There were six invoices totaling \$13,255 in expenses paid to Steve Cummings for consulting engineering services through May 2020. Specifically, review and inspection of the site was performed, as well as the layout access roadway alternative to the tank site was revised with grades and drainage calculations.

Town of Atkinson – A total of \$3,459 was paid to the Town of Atkinson for the planning board application and necessary permits. Audit reviewed the supporting E-mails, Job Cost Transaction Reports, and copies of checks for payments.

Wilson Controls, LLC – Three invoices, totaling \$32,520, were reviewed from Wilson Controls, LLC. Payments were for the base contract, as well as upgrades, and final startup.

The Company provided Job Cost Transaction Reports which summarized the employee labor for the Atkinson Tank project. Audit verified a sample of employee time sheets and to the Job Cost Transaction Reports and to the general ledger.

Other Plant \$291,796

The Other Plant additions are for a new pumphouse at the Angle Pond and Dearborn Ridge locations. The pumphouses were added for the purpose of making necessary system upgrades to incorporate a newly permitted well. The filing reflected the total asset additions as follows:

| | <u>Asset Amount</u> | <u>CIAC Amount</u> | <u>Depreciation Rate</u> | <u>½ Year Accum Dep.</u> |
|--------------------------------|-------------------------|------------------------|------------------------------|------------------------------|
| <u>Angle Pond</u> | | | | |
| 307 Wells | \$ 155,501 | \$ -0- | 3.33% | \$ 2,589 |
| 309 Supply Mains | 60,114 | -0- | 2.00% | 601 |
| 311 Pumping Equipment | 30,802 | -0- | 10.00% | 1,540 |
| 320 Treatment Equipment | <u>17,846</u> | <u>-0-</u> | 3.60% | <u>321</u> |
| Angle Pond Total (rounded) | \$ 264,263 | \$ -0- | | \$ 5,052 |
| <u>Dearborn Ridge</u> | | | | |
| 307 Wells | <u>\$ 27,533</u> | <u>\$ -0-</u> | 3.33% | <u>\$ 458</u> |
| Dearborn Ridge Total (rounded) | \$ 27,533 | \$ -0- | | \$ 458 |

Audit verified the total costs filed of \$291,796 for Angle Pond and Dearborn Ridge to the Fixed Asset Summary Report (Internal) for the period ended December 31, 2020. Using the Sage accounting software, Audit reviewed the general ledger and CPR information—confirming the October 31, 2020 in-service date for Angle Pond and the December 31, 2020 in-service date for Dearborn Ridge. The CPR was properly identified as to location, contribution amount, and asset depreciation. There was no CIAC reported for the projects.

Audit confirmed the filed asset cost per general ledger account to the Fixed Asset Summary report and noted a variance of \$(150) (rounded) within account 311, Pumping Mat. Audit calculated an additional variance (rounded)—between the filing and the Fixed Asset Summary Report—of \$150 within account 320, Treatment Equipment. Audit acknowledged that the filed total asset cost of \$291,796 was not impacted by the incorrect classification on the general ledger, as the rounded variances of \$(150) in account 311 and \$150 in account 320 is zeroed out. Refer to the *Atkinson Tank* project costs section of the report for the Company’s explanation of variances on the plant accounts.

For the Angle Pond addition, Audit sampled expenses from Emery and Garrett Groundwater Investigations, R.E. Prescott, Sweet Electric, Ti-Sales, and Vierra Artesian Well. The following includes invoices that were reviewed in support of the expenses incurred:

Emery and Garrett Groundwater Investigations – Fifteen invoices—totaling \$119,665—were reviewed from Emery and Garrett, as well as a copy of the service contract. Progress payments were invoiced for hydrological services, including the Aquifer testing and water quality, preliminary reporting, the final report preparation, and meetings in preparation for the Public Hearing.

R.E. Prescott Co., Inc. – Audit reviewed two invoices, totaling \$18,501 in expenses paid to R.E Prescott for the Angle Pond addition. Items purchased included a submersible motor, a pump end, a transformer, a filter, as well as a 15 ft. cable and a connector.

Sweet Electric, LLC – Two invoices, in the total amount of \$4,757, were reviewed by Audit. Expenses paid were for electrical services at the Angle Pond Pump House, including the installation of an outlet for the water system.

Ti-Sales – Expenses accrued totaled \$3,067. Audit reviewed two invoices for water supplies, including one Turbine Meter ProRead Wheel, one Turbine MeterPro Coder Gallon, two Flange Kits, and two no lead bronze Flange Kits with full face gasket.

Viera Artesian Well – One invoice, totaling \$14,860, was reviewed for services rendered and items purchased from Viera Well. The description of charges were for top-hole drilling, 40’ of 8” casing, one drive shoe seal, and 560’ of 8” drilling.

For the Dearborn Ridge addition, Audit sampled expenses from Land and Boundary Consultants, R.E. Prescott Co., and Vierra Artesian Well. The following includes invoices that were reviewed in support of the expenses incurred:

Land and Boundary Consultants – Expenses incurred totaled \$675. Audit reviewed the invoice for Title examination; specifically, the examination of the status of the water rights deed and easement.

R.E. Prescott Co. – One invoice, totaling \$998, was reviewed for the purchase of a Yaskawa P1000 pump drive. The drive had a rated output current (Amps) of 17.5 and a nominal HP3 of 5.

Viera Artesian Well – One invoice, totaling \$7,290, was reviewed for services rendered and items purchased from Viera Well. The description of charges were for 140’ of steel casing, a drive shoe seal, grout, and 465’ of 6” drilling.

The Company provided Job Cost Transaction Reports which summarized the employee labor. Audit verified a sample of employee time sheets and to the Job Cost Transaction Reports and to the general ledger.

Westside Drive \$1,314,140 and CIAC \$(1,302,918)

The addition at the Westside Drive location consists of a new pump station. As part of the Southern New Hampshire Regional Water project, the Westside Drive pump station allows the Company to receive water through a connection from Salem. A description of the Westside Drive Drinking Water Treatment Facility is described on the Company’s website: “[...] chloraminated water from the town of Salem will be introduced into the Hampstead Area Water Company, Inc.’s (HAWC) core water system. Treatment at this facility makes the water supplied by Salem compatible with HAWC’s existing water supplies. This facility will convert the existing type of disinfection (chlorine) to monochloramine within its existing water treatment process.”

The filing reflected the total asset additions and related CIAC as follows:

| | Asset <u>Amount</u> | CIAC <u>Amount</u> | Depreciation <u>Rate</u> | ½ Year <u>Accum Dep.</u> | Amortization <u>Rate</u> | ½ year <u>Accum. Amort.</u> |
|---|------------------------|-----------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------------|
| 303 Land Rights | \$ 23,026 | \$ (22,830) | 5.00% | \$ 576 | 5.00% | \$ 571 |
| 304 Structures – Pump Station/Site Work | 580,996 | (576,034) | 2.50% | 7,262 | 2.50% | 7,200 |
| 310 Power Generator Equipment | 80,472 | (79,784) | 10.00% | 4,024 | 10.00% | 3,989 |
| 311 Pumping Equipment | <u>629,646</u> | <u>(624,270)</u> | 10.00% | <u>31,482</u> | 10.00% | <u>31,214</u> |
| Total | \$1,314,140 | \$(1,302,918) | | \$ 43,344 | | \$ 42,974 |

Audit verified the total costs filed of \$1,314,140 for Westside Drive to the Fixed Asset Summary Report (Internal) for the period ended December 31, 2020. The general ledger and CPR information were also reviewed, confirming the December 2020 in-service date for the Westside Drive additions. Audit noted that the \$80,472 amount reported in the filing for account #310, Power Generator Equipment, was booked to the general ledger for account #311, Pumping Mat. The Company explained that, “[...]this was a mistake on the general ledger that was not spotted until after 12/31/21. The general ledger will be corrected with any other audit adjustments.” Audit acknowledged that the filed total asset cost of \$1,314,140 was not impacted by the classification of the \$80,472 within account 310, as reported on schedule B of the filing.

The CIAC component of the Westside Drive pump station was a grant from NHDES. Audit reviewed the Contractor’s Application for Payment—as well as the payment disbursements log, request for disbursement, and journal entry—verifying that NHDES had disbursed to the Company, a total of \$1,302,918 for the Westside Drive pump station. All CIAC related assets were verified to the Fixed Asset Summary Report (CIAC) for the period ended December 31, 2020. The reports were downloads of the HAWC general ledger system. Audit verified that the CIAC Fixed Asset Summary Report rolls into the appropriate 271 Contributions in Aid of Construction account and noted the monthly amortization expense recorded on account 272 Accumulated Amortization of Contributions in Aid of Construction.

Refer to the Plant Accounts section for details regarding the project costs per general ledger account.

Audit sampled expenses from Sullivan Associates and Weston and Sampson Engineers for the new pump station at Westside Drive. The following includes invoices that were reviewed in support of the expenses incurred:

Sullivan Associates – One invoice, totaling \$1,075, was reviewed by Audit. Charges were for the purchase of a combined chlorine polarizer and a sensor.

Weston and Sampson Engineers – Four invoices, totaling \$41,387, were reviewed for engineering and testing services rendered. Audit reviewed the detailed expense reports that corresponded to the invoices.

All CIAC related assets were verified to the Fixed Asset Summary Report (CIAC) for the period ended December 31, 2020. The reports were downloads of the HAWC general ledger system. Audit verified that the CIAC Fixed Asset Summary Report rolls into the appropriate 271 Contributions in Aid of Construction account and noted the monthly amortization expense recorded on account 272 Accumulated Amortization of Contributions in Aid of Construction.

MSDC Fee \$892,500

On September 28, 2020, the Commission approved Order #26,407 of Docket DW 19-147, for the financing of the Merrimack Source Development Charge (MSDC). The MSDC is related to the Southern NH Regional Water Project and for the purpose of acquiring water from Manchester Water Works (MWW)—through the Town of Derry and to the Company, as well as the towns of Windham, Plaistow, and Salem. The Company pays the one-time MSDC fee to MWW, totaling \$892,500, for 250,000 gallons of water per day from MWW. The Company has been connected to the project since August of 2020. The Company’s fee of \$892,500 goes toward a portion of the project—along with other cities/towns contributing their own fee, based on the number of gallons of water from Manchester. The collected fees allow Manchester to fund the project involving the digging into the Merrimack River, for the purpose of creating a new supply.

Audit reviewed the signed agreement between MWW and the Company, as well as the towns included in the Southern NH Regional Water Project. The termination date of the agreement was noted as December 31, 2058—for a contract length of 39 years—and was verified to the filing. Audit reviewed an invoice for the in the amount of \$892,500 from MWW and verified the MSDC to general ledger account 186, Other Deferred Debits.

Plant Accounts

Tank Easement / Land Rights – Account 303 per Step Filing \$73,026

| | <u>Per Filing</u> | <u>Per GL and Sage</u> | <u>Per Audit</u> |
|-----------------|-------------------|------------------------|------------------|
| Atkinson Tank | \$50,000 | \$50,000 | \$50,000 |
| West Side Drive | \$23,026 | \$23,026 | \$23,026 |

Within the Atkinson Tank summary of the filing was a total for Tank Easement of \$50,000. Audit verified that total to account 1-00-303.00 and to the Sage system. The depreciation expense and accumulated depreciation for the Atkinson Tank Easement was filed as \$500, with a depreciation rate of 2.0% applied for the first year using the ½ year convention. The filing also reflected additions to the West Side Drive development in Atkinson in the amount of \$23,026. The addition was reported as booked to account 1-00-303.00, Land Rights. The filing stated the depreciation expense and accumulated depreciation for the Westside Drive Land Rights as \$576, with a depreciation rate of 5% applied for the first year using the ½ year convention. The differing depreciation rates of 2% for the easement and 5% for the land rights were observed; additionally, Audit noted that no estimated life was reported on the CPRs for the easement and land rights. The Company explained that, *“Upon further review, HAWC believes that lives of the easement / land rights probably should be the same, the lives should probably be consistent with the approximate lives of the other assets at the Atkinson Tanks and West Side*

Drive and probably be consistent with the easement life of the Smith Mountain Tank, which is 40 years. As such, HAWC proposes to adjust the percentages to 2.5% for both amortization the tank easement and land rights and the related CIAC.” **AUDIT ISSUE #1**

The total of \$1,076 in accumulated depreciation expenses filed—\$500 for the Atkinson Tank Easement and \$576 for the Westside Drive Land Rights—was not reported within the CPR information or on the general ledger. The Company explained that they “[...] *mistakenly did not record depreciation expense on the easement during 2020 and 2021. This was discovered when we were preparing the Step 1 schedules. Out thought was to correct the general ledger when the Step 1 audit is complete in case there are other adjustments that need to be made.*” Refer to Audit Issue #1 for details regarding the booking of the accumulated depreciation.

Of the total \$50,000 for Atkinson Tank and \$23,026 for Westside Drive, the CIAC was filed as \$31,451 and \$22,830, respectively. The totals were verified to the Fixed Asset Summary Report CIAC. No exceptions were noted.

Audit reviewed the Fixed Asset Summary report as well as the Sage system and there were no additions to the Tank Easement / Land Rights account 303, other than those noted for the Atkinson Tank and West Side Drive.

Structures and Improvements – Account 304 per Step Filing \$580,996

| | <u>Per Filing</u> | <u>Per GL and Sage</u> | <u>Per Audit</u> |
|-----------------|-------------------|------------------------|------------------|
| West Side Drive | \$580,996 | \$580,996 | \$580,996 |

Within the Westside Drive summary of the filing was a total of \$580,996 for Pump Station and Site Work. Audit verified that total to account 1-00-304.00, as well as the Sage system Continuing Property Records (CPR). The depreciation rate of 2.50% noted in Sage agrees with the PUC Small Water booklet. Of the total \$580,996, an amount of \$576,034 was reported to be CIAC. That total was verified to the Fixed Asset Summary Report CIAC. The reported 2.50% depreciation rate applied for the first year using the ½ year convention was recalculated for each without exception. The depreciation expense and accumulated depreciation was \$7,262.

Audit reviewed the Fixed Asset Summary report and the Sage system, as well as the general ledger, noting that there were no additions to the Structures-Pump Station and Site Work account 304, other than those noted for West Side Drive.

Wells, Account 307 per Step Filing \$183,034

| | <u>Per Filing</u> | <u>Per GL and Sage</u> | <u>Per Audit</u> |
|------------------------------|-------------------|------------------------|------------------|
| Other Plant – Angle Pond | \$155,501 | \$155,501 | \$155,501 |
| Other Plant – Dearborn Ridge | \$ 27,533 | \$27,533 | \$27,533 |

The filing reflected additions of \$155,501 that were classified as Other Plant for the Angle Pond Well in Hampstead. The addition was for a large groundwater supply well booked to account 307, Wells. The 3.33% depreciation rate was verified to the PUC Small Water Booklet and then applied for the first year using the ½ year convention. The filing reported the depreciation expense and the accumulated depreciation at \$2,589 and Audit recalculated the amount without exception.

The filing also reflected additions at Dearborn Ridge in Atkinson in the amount of \$27,533. The addition was reported as booked to account 307, Wells. The reported 3.33% depreciation rate applied for the first year using the ½ year convention was recalculated without exception. The depreciation expense and accumulated depreciation was \$458.

There was a total variance amount of \$(274) between the accumulated depreciation filed versus the amount booked to the general ledger. The \$(274) total variance consisted of the Angle Pond location—where Audit noted a variance of \$(233) between the filed depreciation of \$2,589 and the \$2,356 amount that was booked to the general ledger—and the Dearborn Ridge location, where Audit noted a variance of \$(41) between the filed depreciation of \$458 and the \$417 that was booked to the general ledger. **AUDIT ISSUE #2**

Pumping Equipment, Account 311 per Step Filing \$803,061

| | <u>Per Filing</u> | <u>Per GL and Sage</u> |
|--------------------------|-------------------|------------------------|
| Atkinson Tank | \$ 62,141 | \$ 61,040 |
| Other Plant – Angle Pond | \$ 30,802 | \$ 30,652 |
| Westside Drive | \$710,118 | \$710,118 |

The filing reflected additions to the Atkinson Tank, Angle Pond pumphouse, and Westside Drive pumpstation, in the amounts of \$62,141, \$30,802, and 710,118 respectively. The additions included materials related to a generator at Atkinson Tank and Westside Drive, as well as a pump controller and motor at the Angle Pond pump house. Audit confirmed that the additions were and booked to account 311, Pumping Equipment. A variance of \$1,101—between the filing for Atkinson Tank and the general ledger was calculated by Audit. Refer to the Atkinson Tank section of the report for details regarding the variance.

Audit noted a \$(150) variance, between the filing for the Angle Pond pumphouse and the general ledger. Refer to the Other Plant section of the report for details regarding the variance.

Audit verified the 2020 pumping equipment additions to the Sage system. The depreciation rate of 10% noted in Sage agrees with the PUC Small Water booklet. The reported 10% depreciation rate applied for the first year using the ½ year convention was recalculated. The depreciation expense and accumulated depreciation was \$40,153.

For the Pumping Material costs at Atkinson Tank—booked to account 311.00—Audit noted a variance of \$(55) between the \$2,229 accumulated depreciation filed on Schedule 3a, and the \$2,174 accumulated depreciation booked to the general ledger. **AUDIT ISSUE #2**

Of the total \$803,061, an amount of \$742,449 was reported to be CIAC and was verified to the Fixed Asset Summary Report (CIAC).

Audit verified the 2020 pumping equipment additions to the Sage system. Invoices from Wilson Controls for an MTU upgrade were reviewed in relation to the Atkinson Tank generator. The Sage system indicated the generator would be depreciated over ten years. Invoices from R.E. Prescott for the pump controller and motor at the Angle Pond pump house were reviewed. The Sage system indicated that the pumping equipment would be depreciated over ten years.

All of the pumping equipment assets are being depreciated over ten years. Audit understands that the inclusion of generators as part of the step adjustment will be discussed with the Water division of the NH PUC.

Water Treatment Equipment – Account 320 per Step Filing \$17,846

| | <u>Per Filing</u> | <u>Per GL and Sage</u> |
|--------------------------|-------------------|------------------------|
| Other Plant – Angle Pond | \$17,846 | \$17,996 |

Within the Angle Pond summary of the filing was a total of \$17,846 for treatment equipment, such as filters. Audit noted a \$150 variance, between the filing for the Angle Pond pumphouse and the general ledger. Refer to the Other Plant section of the report for details regarding the variance.

Audit verified that total to account 1-00-320.00, as well as the Sage system Continuing Property Records (CPR). The depreciation rate of 3.60% noted in Sage agrees with the PUC Small Water booklet. The reported 3.60% depreciation rate applied for the first year using the ½ year convention was recalculated for each without exception. The depreciation expense and accumulated depreciation was \$321.

Distribution Reservoirs and Standpipes, Account 330 per Step Filing \$1,485,462

| | <u>Per Filing</u> | <u>Per GL and Sage</u> |
|---------------|-------------------|------------------------|
| Atkinson Tank | \$1,485,462 | \$1,486,564 |

A variance (rounded) of \$1,101—between the filing for Atkinson Tank and the general ledger was calculated by Audit. Refer to the Atkinson Tank section of the report for details regarding the variance.

The filing reflected additions to the Atkinson Tank development in the amount of \$1,485,462. The total was verified to the general ledger account 1-00-330, Distribution Reservoirs and Standpipes. The 2.22% depreciation rate noted in Sage, agrees with the PUC Small Water Booklet. Audit recalculated the 2.22% depreciation rate applied for the first year using the ½ year convention without exception. The depreciation expense and accumulated depreciation was \$16,489. Audit noted a \$28 variance between the filed accumulated depreciation of \$16,489 and the \$16,517 accumulated depreciation that was booked to the general ledger. **AUDIT ISSUE #2**

The CPRs reported the depreciable life of the asset at 45 years. Audit confirmed that the life agrees with the PUC Small Water booklet.

Of the \$1,485,462 total, an amount of \$935,073 was reported to be CIAC. Audit verified the \$935,073 to the Fixed Asset Summary Report CIAC.

Audit verified on the general ledger that there were no additions to Distribution Reservoirs and Standpipes, other than those relating to Atkinson Tank.

Depreciation

Audit verified the rates included within the filing, reported on Attachment B of the Step Increase pages, and adjusted the ½ year reflection based on the actual additions booked to the general ledger. Refer to the individual accounts with the Plant Accounts section of the report for details regarding the calculation and verification of the depreciation expense.

Retirements

There were no retirements associated with the 2020 Step 1 additions, as reported on Attachment B, Schedule 1 of the filing. Audit reviewed the general ledger plant accounts, as well as the Accumulated Depreciation account 108, and verified that there were no entries recorded for the 2020 Step 1 additions.

Management Agreement between HAWC and Lewis Builders Development, Inc.

Audit reviewed the Management/Service/Rental Agreement dated July 1, 2012 between Hampstead Area Water Company, Inc. (HAWC) and Lewis Builders Development, Inc. (Lewis). The Agreement—which detailed all of the services and associated fees, along with the cost of renting office space—was signed by Christine Lewis Morse, Vice President of HAWC and President of Lewis. Office supplies are provided by Lewis “*at Lewis’ cost, plus overhead.*” For all services provided by Lewis, a labor burden then overhead is added. An exhibit of costs used to calculate the labor burden and overhead is attached to the agreement, and must be recalculated on or before April 1 of the following year as of December 31 of the previous year. Included within the rate case Audit report were the rates 2017 - 2020. The labor burden and overhead rates for 2017 through 2020 are shown below:

| <u>Year</u> | <u>Labor Burden</u> | <u>Overhead</u> |
|-------------|---------------------|-----------------|
| 2017 | 63% | 13% |
| 2018 | 67% | 11% |
| 2019 | 63% | 11% |
| 2020 | 48% | 23% |

Conclusion

Audit conducted a review of the \$4,096,039 in final project costs. Based on the review, Audit believes that the Company has shown that these projects were used, useful and booked to the appropriate plant accounts, as of 12/31/2020. Support for the project costs was provided in the form of the general ledger, journal entries, fixed asset summary reports, CPRs, work order detail reports, invoices, and Excel spreadsheets.

Audit Issue #1

Account #303, Tank Easement/Land Rights: Depreciation Rate and Amortization Rate

Background

The accumulated depreciation for the Atkinson Tank Easement (account #303) was filed as \$500, with a depreciation rate of 2% applied for the first year using the ½ year convention. The related accumulated amortization of CIAC was filed as \$315 at an amortization rate of 2%. The accumulated depreciation for the Westside Drive Land Rights (account #303) was filed as \$576, with a depreciation rate of 5% applied for the first year using the ½ year convention. The related accumulated amortization of CIAC was filed as \$571 at an amortization rate of 5%. The differing depreciation rates of 2% for the easement and 5% for the land rights were observed. The Company explained that, *“Upon further review, HAWC believes that lives of the easement / land rights probably should be the same, the lives should probably be consistent with the approximate lives of the other assets at the Atkinson Tanks and West Side Drive and probably be consistent with the easement life of the Smith Mountain Tank, which is 40 years. As such, HAWC proposes to adjust the percentages to 2.5% for both amortization the tank easement and land rights and the related CIAC.”*

The year 2020 total accumulated depreciation for account #303 was filed as \$1,076 with the related CIAC filed as \$886. However, Audit was not able to verify the accumulated depreciation or related CIAC—for account #303—on the general ledger.

Audit Issue

Based on the Company’s newly proposed rate of 2.5%, Audit re-calculated the total accumulated depreciation of \$913. As a result, the filing amount of \$1,076 is overstated by \$163 for the accumulated depreciation on account #303. Based on the Company’s newly proposed rate of 2.5%, Audit re-calculated the adjusted total accumulated amortization of CIAC at \$679. As a result, the filing amount of \$886 is overstated by \$207 for the accumulated amortization of CIAC on account #303. The following is a depiction of Audit’s calculations for the proposed depreciation and amortization rate of 2.5% for account #303, Tank Easement/Land Rights:

| | Cost | Adjusted Depreciation Rate | Annual Depreciation Expense | ½ Year Accumulated Depreciation |
|-----------------------|----------|-------------------------------|--------------------------------|---|
| <u>Atkinson Tank</u> | | | | |
| #303 Tank Easement | \$50,000 | 2.5% | \$1,250 | \$625 |
| <u>Westside Drive</u> | | | | |
| #303 Land Rights | \$23,026 | 2.5% | \$ 576 | <u>\$288</u> |
| | | | | <u>\$913</u> Year 2020 Total Adjusted Accumulated Depreciation on account #303 |
| | Cost | Adjusted Amortization Rate | Annual Amortization of CIAC | Accumulated Amortization of CIAC |
| <u>Atkinson Tank</u> | | | | |
| #303 Tank Easement | \$31,451 | 2.5% | \$ 786 | \$393 |
| <u>Westside Drive</u> | | | | |
| #303 Land Rights | \$22,830 | 2.5% | \$ 572 | <u>\$286</u> |
| | | | | <u>\$679</u> Year 2020 Total Adjusted Accumulated Amortization of CIAC on account #303 |

Audit Recommendation

The Company should adjust the depreciation expense and related CIAC calculations for the Atkinson Tank easement and the Westside Drive land rights—account #303—to reflect the proposed 2.5% percentage and book the entries to the general ledger.

Company Response

The Company agrees.

Audit Comment

Audit agrees with the Company's response. The filed depreciation and CIAC for the Atkinson Tank easement and the Westside Drive land rights should be adjusted to reflect the change in rates. Supporting journal entries for the adjustments are requested as soon as they are booked.

Audit Issue #2
Accumulated Depreciation: Filing Versus the General Ledger

Background

Attachment B, Schedule 3 of the filing stated the total accumulated depreciation of \$(137,899). Audit noted variances in the accumulated depreciation reported in the filing versus the amount on the general ledger.

Audit Issue

There was a total of \$(301) in depreciation amounts reported within the filing, Schedules 3a – 3c, that Audit was not able to tie to the general ledger:

Depreciation (rounded)

| <u>Acct.</u> | <u>Filing</u> | <u>General Ledger</u> | <u>Variance</u> |
|--------------|-------------------|-----------------------|-----------------|
| 307 | \$(3,047) | \$ (2,773) | \$ (274) |
| 311 | \$(40,153) | \$(40,098) | \$ (55) |
| 330 | <u>\$(16,489)</u> | <u>\$(16,517)</u> | <u>\$ 28</u> |
| | <u>\$(59,689)</u> | <u>\$(59,388)</u> | <u>\$ (301)</u> |

Audit Recommendation

The Company should provide the documentation or an explanation in support of the filed amounts versus the general ledger or adjust the accumulated depreciation on the filing schedule/s to reflect the actual amount booked to the general ledger.

Company Response

The Company booked the original amounts in 2020. In preparing the Step 1 submission in 2022, the Company reviewed the items it booked on the general ledger in 2020 and determined there should be relatively minor adjustments made to the amounts and general ledger allocations. That reallocation caused the \$301 discrepancy in depreciation expense.

The Company believes that the amounts shown on the filing are accurate and it will adjust the general ledger to those amounts.

Audit Comment

Audit understands that the Company needs to make minor adjustments, totaling \$301, to the general ledger for the accumulated depreciation. Supporting journal entries for the adjustments are requested as soon as they are booked.

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) |
|--|---|---|--|---------------------------------------|---|---------------------|------------------------------|-----|
| <u>Account</u> | <u>Atkinson Tank</u> (Step 1 - Sch 3a) | <u>Other Plant</u> (Step 1 - Sch 3b) | <u>West Side Dr.</u> (Step 1 - Sch. 3c) | <u>MSDC Fee</u> (Step 1 - Sch. 3c) | <u>Retirements</u> (Step 1 - Sch. 3) | <u>Total</u> | <u>Staff</u> <u>Adj #</u> | |
| 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 | | | | | | | |
| x 12.33% | | | | | | | | |
| Net Increase in Cash Working Capital | \$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 | | |
| 2019 Test Year Water Sales Revenues | | | | | | \$ 2,242,163 | | |
| % Increase in Annual Water Revenues | | | | | | 11.57% | | |

*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 | | \$ 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 | - | 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 | - | 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 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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 | |
| | | 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><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 Adjustments 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 #

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 | \$ (40,441) |
| 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) |

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 | \$ 25,384 |
| 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 |

Accumulated Amortization of Other

| | | | |
|----|---|---------------------|--------|
| 70 | To add full year of amortization of MSDC Fee See Step 1 - Sch. 3d | \$ 892,500 2.56% | 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% | 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 | \$ 352,830 3.33% | 11,761 |
| | | 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) |
|--|---|--------------|-----------------------------|----------------|-----------|---------------------|-----|------------|
| 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 | 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) |
|---|---|--------------|-----|--------------|----------------------|-----------|---------------------|-----------|
| CIAC / Amortization Expense / Accumulated Amortization | | | | | | | | |
| | | 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) |
|--------------------------------|---|--------------|-----|---------------|-----|--------------|--------------------------------|-----|
| 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 | 43,056 |
| 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. | Gal. Pruchased from MWW in 2020 Convert to CCF + Cost per CCF x \$ Cost of 2020 Gallons | 29,656,839 748 39,648 3.05 \$ 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

Adi #

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 | | \$ 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