Pennichuck East Utility, Inc. Stabilization Fund Calculations Settlement Agreement

DLW Exh 1

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	Proformed Re						
		Requi CBFRR		perating Expense 1.0 enue Requirement ⁶	Requirement	0.1 Debt Service Reveue Requirement	\$ 1,819,809
	Revenue Requirement ² - \$ Percentage of Revenues -	926,309 \$ 8.77%	7,745,042 \$ 73.30%	7,163 \$ 0.07%	1,716,526 16.24%	1.62%	Requested MOEF - 6.00% Rate increase @ requested MOEF - 21.05%
Increase in Material Operating Expenses of 3.00% per year based on averge increase of these expenses	3 Years coverage - S Requested Rate Stabilization Fund by Revenue Category ⁷⁴ - S DW17-128 Approved RSF fund level - S	62,586 \$ 60,000 \$ 31,000 \$	1,856,368 1,860,000 No Sta 898,000	\$ abilization Fund \$	127,575 130,000 51,000	\$ - No Stabilization Fund	Annual MOEF Cash - \$ 438,399 \$ 2,050,000 Requested RSF totals with no MOEF
per year between 2012 and 2017. See Table below for calculation.	Based on largest negative variance from five year ave of -	31,000 \$	698,000	\$	51,000		Requested RSF funds with MOEF - \$ 980,000

		, based on increase in MOE's past 5 years
	Inflation	Revenue Shortfall
Yr 1 -	\$ 218,410	\$ 173,167
Yr 2 -	\$ 443,373	\$ 173,167
Yr 3 -	\$ 675,084	\$ 173,167

1,336,867 \$

Totals - \$

519,501 1,856,368

Revenue Type	 PEU Billed Revenue	2016 PEU Billed Revenue ⁸	201	7 PEU Billed Revenue	2018	PEU Billed Revenue	2019	PEU Billed Revenue
Total Volumetric Charges (less Recoupment)	\$ 3,713,054	\$ 3,645,136	\$	3,959,013	\$	4,191,292	\$	4,093,815
Total Capital Recovery Surcharge (fixed)	\$ 300,353	\$ 303,336	\$	296,146	\$	297,430	\$	299,985
Total Meter Charge (less recoupment - fixed)	\$ 1,515,095	\$ 1,516,104	\$	1,616,793	\$	1,750,470	\$	2,114,832
Total Fire Protection - Public & Private (fixed)	\$ 775,061	\$ 795,700	\$	861,603	\$	912,761	\$	931,801
Total Billed Revenue	\$ 6,303,563	\$ 6,260,276	\$	6,733,555	\$	7,151,953	\$	7,440,433
% of Revenues that are variable	58.9%	58.2%		58.8%		58.6%		55.0%
% of Revenues that are fixed	41.1%	41.8%		41.2%		41.4%		45.0%

Average percentage of revenues that were variable during the previous 5 years -

57.9%

Expense Type		2016 PEU Actual Variable Expenses	2017 PEU Actual Variable Expenses	2018 PEU Actual Variable Expenses	2019 PEU Actual Variable Expenses	
Purchased Water	\$ 959,966	\$ 1,009,818	\$ 952,865	\$ 1,104,605	\$ 1,018,049	
Electric	\$ 302,197	\$ 279,236	\$ 269,019	\$ 313,229	\$ 337,595	
Chemicals	\$ 32,816	\$ 66,806	\$ 79,231	\$ 75,072	\$ 87,745	
Total Variable Costs	\$ 1,294,979	\$ 1,355,860	\$ 1,301,115	\$ 1,492,906	\$ 1,443,389	
Variable Expenses as a Percent of Total Revenues	20.5%	21.7%	19.3%	20.9%	19.4%	
variable Expenses as a referre of rotal Revendes	20.370	21.770	13.570	20.570	-0	
variable Expenses as a refeelt of rotal Revenues	20.576	21.770	15.570	20.370		
, i		2016 Actual CCF's sold by PEU				
, i	2015 Actual CCF's sold by	2016 Actual CCF's sold by	2017 Actual CCF's sold by	2018 Actual CCF's sold by	2019 Actual CCF's sold by	
·	2015 Actual CCF's sold by PEU 691,344	2016 Actual CCF's sold by PEU	2017 Actual CCF's sold by PEU	2018 Actual CCF's sold by PEU	2019 Actual CCF's sold by PEU	
Annual Metered Sales (CCF)	2015 Actual CCF's sold by PEU 691,344 3.14%	2016 Actual CCF's sold by PEU 730,157	2017 Actual CCF's sold by PEU 661,679	2018 Actual CCF's sold by PEU 684,279	2019 Actual CCF's sold by PEU 669,602	

Largest percentage reduction in volumetric sales at	PEU of
Results in a Revenue loss of	\$ 159,212
Results in an Operating Expense reduction of	\$ 56,134
Results in an Operating Income reduction of	\$ 103.077

3.89% over the past five years from the five year average of volumetric sales

Pennichuck East Utilities

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Calculation of Annual Material Operating Expense Adjustment Percentage	Coloulation of Data Stabilization Funds	1 age 2

erial Operating Expense Adjustment Percentage	Calculation	on of Rate Stabilization Fur	nds				1 age 2	
	2016 PEU Material Operating Expenses (DW17-128 TY)	2017 PEU Material Operating Expenses	2018 PEU Material Operating Expenses	2019 PEU Material Operating Expenses	2019 PEU Proforma Material Operating Expenses ⁹	Increase in Pro Forma TY Operating Expense since the prior rate case TY	Average annual increase in Operating Expenses since the prior rate case	Increase in Operating Expense between 2018 and 2019 Proforma
Production Expenses	\$ 1,991,779	\$ 1,966,063	2,290,425	2,257,199	2,347,926	17.9%	5.58%	2.51%
Transmission & Distribution Expenses	\$ 616,944	\$ 696,492	737,584	1,006,231	850,713	37.9%	11.19%	15.34%
Customer Acct & Collection Exp	\$ 184,106	\$ 192,789	200,152	204,718	198,984	8.1%	2.60%	-0.58%
Administrative & General Expense		\$ 167,568	184,537	181,461	193,921	24.9%	7.61%	5.09%
Inter Div Management Fee	\$ 1,811,426	\$ 2,098,399	2,356,956	2,397,261	2,275,502	25.6%	7.82%	-3.46%
Amortization Expense	\$ 50,687	\$ 58,618	86,683	127,440	118,703	134.2%	32.42%	36.94%
Property Taxes	\$ 1,051,160	\$ 891,416	1,040,185	1,177,819	1,153,820	9.8%	3.12%	10.92%
Total Annual MOERR Expenses	\$ 5,861,396	\$ 6,071,345	\$ 6,896,522	\$ 7,352,129	\$ 7,139,569	21.8%	5.06%	3.52%
Less change in variable expenses over prior year	\$ 1,355,860	\$ 1,301,115	\$ 1,492,906	\$ 1,443,389	\$ 1,472,660	8.6%	2.09%	-1.36%
Total Annual MOERR Expenses less variable expenses	\$ 4,505,536	\$ 4,770,230	\$ 5,403,616	\$ 5,908,740	\$ 5,666,910	25.8%	5.90%	4.87%
		Total Perc	entage Increase in Fixed M	aterial Operating Expenses	since the prior rate case -	6.73%		

Notes:

1. Based on Debt Service Multiplier of 1.10 per Sch A of 1604.06 schedules. The 1.1 multiplier is not applied to the North Country Capital Recovery Surcharge P&I

2. Revenue requirements per Sch A of 1604.06 schedules

3. Requested Rate Stabilization fund for Operating Expense and P & I Coverage each have a contingency of 0% safety factor and are based on year ending 2019 results

4. PEU share of the \$5,000,000 RSF for distribution to the RSF, MOERSF and the P&IRSF is 5 along the P&IRSF is

PWW Revenue Requirment - \$ 27,689,214 per DW13-130 Settlement Agreement

PEU Revenue Requirement - \$ 6,913,261 per DW13-126 Settlement Agreement
PAC Revenue Requirement - \$ 745,186 per DW13-128 Settlement Agreement

Total Utility Revenue Requirement - \$ 35,347,663

6. For Calculation of Operating Expense Requirement see Exhibit 1.1

7. 2015 Billed Recoupment \$ 196,261 8. 2016 Billed Recoupment \$ 16,968

9. 2019 amortization expense proforma does not include deferred debit to refill depleted RSF accounts