

Summary of Adjustments

| | | Requested | | Settlement | |
|--------|--|---------------------------|-------------------|----------------------------------|----------------------------------|
| | | ROE | 10.25% | 9.10% | |
| | | Rate of Return | 8.15% | 7.54% | |
| | | Revenue Conversion Factor | 1.3714223 | 1.371422302 | |
| | | Rate Base | Operating Income | Revenue Deficiency (Sufficiency) | Revenue Deficiency (Sufficiency) |
| Line 1 | Company's Request | \$ 36,091,050 | \$ 1,940,736 | \$ 1,373,351 | \$ 1,373,351 |
| 2 | Adjustment 1 1a Proforma post test year plant | \$ (6,695,500) | | (748,546) | (692,347) |
| 3 | 1b Proforma post test year plant - depreciation | | 138,254 | (189,605) | (189,605) |
| 4 | 1c Proforma post test year plant - property taxes | | 100,949 | (138,444) | (138,444) |
| 5 | Adjustment 18 18 Taxes impact of lower interest expenses on lower rate base | | (47,416) | 65,027 | 65,027 |
| 6 | Proforma plant adjustment | \$ (6,695,500) | \$ 191,787 | \$ (1,011,567) | \$ (955,368) |
| 7 | | | | | |
| 8 | Adjustment 14 14 Convert to Whole Life Depreciation Methodology | - | 18,179 | (24,931) | (24,931) |
| 9 | Adjustment 15 15 Amortization of Theoretical Depreciation Reserve Imbalance | - | (7,451) | 10,218 | 10,218 |
| 10 | Depreciation methodology impact | \$ - | \$ 10,728 | \$ (14,713) | \$ (14,713) |
| 11 | | | | | |
| 12 | Adjustment 2 2 Cash Working Capital | (14,639) | | \$ (1,637) | \$ (1,514) |
| 13 | Adjustment 3 3a Audit Recommended Adjustments | (49,678) | | (5,554) | (5,137) |
| 14 | Rate Base adjustments | \$ (64,317) | \$ - | \$ (7,191) | \$ (6,651) |
| 15 | | | | | |
| 16 | | | | | |
| 17 | 3b Audit Recommended Adjustments | | \$ 11,571 | \$ (15,869) | \$ (15,869) |
| 18 | Adjustment 4 4 Amortize Non-Recurring August 23, 2019, Boil Water Event | | 159,835 | (219,201) | (219,201) |
| 19 | Adjustment 5 5 Remove Payroll Increase 12-Months Past End of Test Year | | 22,377 | (30,689) | (30,689) |
| 20 | Adjustment 6 6 Transfer Financial Goal Incentive Compensation to Shareholders | | 3,969 | (5,443) | (5,443) |
| 21 | Adjustment 7 7 Flow Through of Payroll Tax | | 1,949 | (2,673) | (2,673) |
| 22 | Adjustment 8 8 Remove Increase 12-mo Beyond Test Year and Modify Benefits Overhead Ratio | | 10,029 | (13,753) | (13,753) |
| 23 | Adjustment 9 9 Remove Supplemental Executive Retirement Plan Costs (SERP) | | 15,326 | (21,018) | (21,018) |
| 24 | Adjustment 10 10 Sharing of D&O Liability Insurance | | 357 | (490) | (490) |
| 25 | Adjustment 11 11 Normalize Legal Expenses | | 8,783 | (12,045) | (12,045) |
| 26 | Adjustment 12 12 Remove Lobbying Expenses | | 1,154 | (1,583) | (1,583) |
| 27 | Adjustment 13 13 Amortization of Expert Fees | | 4,999 | (6,856) | (6,856) |
| 28 | Adjustment 16 16 Remove Customer Assistance Program | | 7,292 | (10,000) | (10,000) |
| 29 | Adjustment 17 17 Eversource Aquarion Merger Costs Recovery Amortization | | 9,104 | (12,485) | (12,485) |
| 30 | 19 Shared facility flow through due to reduction of CS and IT labor cost | | 581 | (797) | (797) |
| 31 | O&M adjustments | \$ - | \$ 257,325 | \$ (352,902) | \$ (352,902) |
| 32 | | | | | |
| 33 | Impact of Recommended Cost of Capital | | | | \$ (302,916) |
| 34 | SUBTOTAL ADJUSTMENTS [Line 6 + Line 10 + Line 14+ Line 31 + line 33] | \$ (6,759,817) | \$ 459,841 | \$ (1,386,372) | \$ (1,632,549) |
| 35 | | | | | |
| 36 | SUBTOTAL (SUFFICIENCY) [Line 1 + Line 34] | | | | \$ (259,198) |
| 37 | | | | | |
| 38 | | | | | |
| 39 | | | | | |
| 40 | Settlement offer | | | | (46,029) |
| 41 | TOTAL SUFFICIENCY [Line 36 + Line 39 + Line 40] | | | | \$ (305,227) |
| 42 | | | | | |
| 43 | | | | | |
| 44 | | | | | |
| 45 | | | | | |
| 46 | | | | | |

| | |
|---|---------------------|
| Proforma revenue initial application | \$ 7,616,793 |
| Settled revenue requirement | \$ 7,311,566 |
| Rate impact | -4.01% |

Aquarion Water Company of New Hampshire, Inc.

List of Schedules

| Line # | Description |
|--------|---|
| 1 | Schedule 1 Summary Comparison of Computation of Revenue Requirement and Revenue Deficiency |
| 2 | Schedule 1.1 Revenue Requirements and Revenue Deficiency with Staff's Recommended Adjustments |
| 3 | Schedule 1.2 Computation of Gross Up for Income Taxes |
| 4 | Schedule 2 Rate of Return Calculation |
| 5 | Schedule 2.1 Impact of Recommended Rate of Return on Company's Revenue Deficiency |
| 6 | Schedule 3 Ratemaking Adjustments |
| 7 | Schedule 3.1 Adjustment 1 Plant Adjustments |
| 8 | Schedule 3.2 Adjustment 2 Cash Working Capital |
| 9 | Schedule 3.3 Adjustment 3 Audit Recommended Adjustments |
| 10 | Schedule 3.4 Adjustment 4 Amortize Non-Recurring August 23, 2019, Boil Water Event |
| 11 | Schedule 3.5 Adjustment 5 Remove Payroll Increase 12-Months Past End of Test Year |
| 12 | Schedule 3.6 Adjustment 6 Transfer Financial Goal Incentive Compensation to Shareholders |
| 13 | Schedule 3.7 Adjustment 7 Flow Through of Payroll Tax |
| 14 | Schedule 3.8 Adjustment 8 Remove Increase 12-mo Beyond Test Year and Modify Benefits Overhead Ratio |
| 15 | Schedule 3.9 Adjustment 9 Remove Supplemental Executive Retirement Plan Costs (SERP) |
| 16 | Schedule 3.10 Adjustment 10 Sharing of D&O Liability Insurance |
| 17 | Schedule 3.11 Adjustment 11 Normalize Legal Expenses |
| 18 | Schedule 3.12 Adjustment 12 Remove Lobbying Expenses |
| 19 | Schedule 3.13 Adjustment 13 Amortization of Expert Fees |
| 20 | Schedule 3.14 Adjustment 14 Convert to Whole Life Depreciation Methodology |
| 21 | Schedule 3.15 Adjustment 15 Amortization of Theoretical Depreciation Reserve Imbalance |
| 23 | Schedule 3.16 Adjustment 16 Remove Customer Assistance Program |
| 25 | Schedule 3.17 Adjustment 17 Eversource Aquarion Merger Costs Recovery Amortization |
| 27 | Schedule 3.18 Adjustment 18 Interest Synchronization |
| 29 | Schedule 4 HB700 Property Tax Recovery |
| 31 | Schedule 5 Step Adjustment |

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 1

Aquarion Water Company of New Hampshire, Inc.

Twelve Months Ending December 31, 2019

Summary Comparison of Computation of Revenue Requirement and Revenue Deficiency

| Line | Description | Application (A) | Recommended (B) | Adjustments (C) |
|-------------|-------------------------------|----------------------------|----------------------------|----------------------------|
| 1 | Rate Base | \$ 36,091,050 | \$ 29,331,233 | \$ (6,759,817) |
| 2 | Rate of Return | 8.1520% | 7.54% | -0.61% |
| 3 | Return Requirement | 2,942,142 | 2,211,575 | (730,567) |
| 4 | Adjusted Net Operating Income | 1,940,736 | 2,400,574 | 459,838 |
| 5 | Deficiency | 1,001,406 | (188,999) | (1,190,406) |
| 6 | Income Tax Effect | 371,945 | (70,198) | (442,143) |
| 7 | Revenue Deficiency | <u>\$ 1,373,351</u> | <u>\$ (259,197)</u> | <u>\$ (1,632,549)</u> |
| 8 | Percent of Original Request | | -18.87% | |

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 1.1

Aquarion Water Company of New Hampshire, Inc.

Page 1 of 1

Twelve Months Ending December 31, 2019

Revenue Requirements and Revenue Deficiency with Staff's Recommended Adjustments

| Line | Description | Application (A) | Adjustments (B) | Recommended Total (C) |
|------|---|--------------------|--------------------|-----------------------------|
| 1 | Rate Base | | | |
| 2 | Plant in Service | \$ 56,033,346 | \$ (6,745,178) | \$ 49,288,168 |
| 3 | Accumulated Depreciation & Amortization | (13,570,353) | - | (13,570,353) |
| 4 | Net Plant in Service | \$ 42,462,992 | \$ (6,745,178) | \$ 35,717,815 |
| 5 | Material and Supplies | \$ 163,416 | \$ - | \$ 163,416 |
| 6 | Prepayments | 89,815 | - | 89,815 |
| 7 | Deferred Tank Painting | 17,710 | - | 17,710 |
| 8 | Cash Working Capital | 177,307 | (14,639) | 162,668 |
| 9 | Customer Advances | (652,006) | - | (652,006) |
| 10 | Contributions in Aid of Construction | (2,431,613) | - | (2,431,613) |
| 11 | Reserve for Deferred Taxes | (3,736,572) | - | (3,736,572) |
| 12 | Total Rate Base | \$ 36,091,050 | \$ (6,759,817) | \$ 29,331,233 |
| 13 | Rate of Return | 8.152000% | | 7.54% |
| 14 | Return Requirement | \$ 2,942,142 | \$ (730,567) | \$ 2,211,575 |
| 15 | Revenues | | | |
| 16 | Revenues–Water | 7,394,866 | - | 7,394,866 |
| 17 | Revenues–Other | 221,927 | - | 221,927 |
| 18 | Total Revenues | \$ 7,616,793 | \$ - | \$ 7,616,793 |
| 19 | Expenses | | | |
| 20 | Source of Supply | \$ 134,969 | \$ (483) | \$ 134,486 |
| 21 | Pumping | 423,804 | (4,727) | 419,077 |
| 22 | Treatment | 191,797 | (1,035) | 190,762 |
| 23 | Transmission & Distribution | 551,823 | (9,142) | 542,681 |
| 24 | Customer Accounting | 398,833 | (232,262) | 166,571 |
| 25 | Information Technology | 182,338 | (1,555) | 180,783 |
| 26 | Administrative & General | 1,397,577 | (100,983) | 1,296,594 |
| 27 | Depreciation and Amortization | 1,310,407 | (204,316) | 1,106,091 |
| 28 | Taxes Other | 948,692 | (141,116) | 807,576 |
| 29 | Other Income & Expenses | (48,686) | (38) | (48,724) |
| 30 | Current Income Tax–State | 21,820 | 67,046 | 88,866 |
| 31 | Current Income Tax–Federal | 77,357 | 168,773 | 246,130 |
| 32 | Deferred Income Tax–State | 29,366 | - | 29,366 |
| 33 | Deferred Income Tax–Federal | 62,909 | - | 62,909 |
| 34 | Income Tax Allocated to Non-Utility Inc/Exp | (6,949) | - | (6,949) |
| 35 | Total Operating Expenses | \$ 5,676,057 | \$ (459,838) | \$ 5,216,219 |
| 36 | Net Operating Income | \$ 1,940,736 | \$ 459,838 | \$ 2,400,574 |
| 37 | Income Deficiency | \$ 1,001,407 | \$ (1,190,406) | \$ (188,998) |
| 38 | Revenue Conversion Factor | 1.37142230 | | 1.371422302 |
| 39 | Revenue Deficiency | \$ 1,373,351 | \$ (1,632,549) | \$ (259,197) |
| 40 | Percent of Original Request | | ##### | -18.87% |

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 1.2

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Aquarion Water Company of New Hampshire, Inc.

Twelve Months Ending December 31, 2019

Computation of Gross Up for Income Taxes

| Line | Description | Company | Adjustment | Adjusted Amount |
|-------------|--|----------------|-------------------|------------------------|
| | | (A) | (B) | (C) |
| 1 | NH Tax Rate | 7.70% | | 7.70% |
| 2 | Federal Statutory Tax rate | 21.00% | | 21.00% |
| 3 | Federal Effective Tax rate (1-State rate*Federal rat | 19.38% | | 19.38% |
| 4 | Total Composite Tax rate | 27.08% | | 27.08% |
| 5 | Revenue Requirement Gross-Up Factor | 72.92% | | 72.92% |
| 6 | Revenue Conversion Factor | 1.371 | | 1.371 |

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Aquarion Water Company of New Hampshire, Inc.

Schedule 2

Twelve Months Ending December 31, 2019

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Rate of Return Calculation

| Line | Description | Capital Structure (A) | Cost % (B) | Weighted Cost % (C) |
|---|--------------------|--------------------------------------|-----------------------|------------------------------------|
| <u>Company Proposed Rate of Return</u> | | | | |
| 1 | Long-Term Debt | 43.85% | 6.14% | 2.69000% |
| 2 | Short-Term Debt | 3.78% | 2.42% | 0.09150% |
| 3 | Preferred Equity | 0.01% | 6.00% | 0.00000% |
| 4 | Common Equity | 52.36% | 10.25% | 5.37000% |
| 5 | Total | <u>100.00%</u> | | 8.1520% |
| <u>Recommended Rate of Return</u> | | | | |
| 6 | Long-Term Debt | 45.57% | 5.68% | 2.5900% |
| 7 | Short-Term Debt | 0.00% | 0.00% | 0.0000% |
| 8 | Preferred Equity | 0.01% | 6.00% | 0.0000% |
| 9 | Common Equity | 54.42% | 9.10% | 4.9500% |
| 10 | Total | <u>100.00%</u> | | 7.5400% |

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 2.1

Aquarion Water Company of New Hampshire, Inc.

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Twelve Months Ending December 31, 2019

Impact of Recommended **Rate of Return** on Company's Revenue Deficiency

| Line | Description | Company Proposed (A) | Adjustment (B) | Recommended (C) |
|-------------|-----------------------------|-------------------------------------|---------------------------|----------------------------|
| 1 | Total Rate Base | \$ 36,091,050 | | \$ 36,091,050 |
| 2 | Rate of Return | 8.15% | -0.61% | 7.540% |
| 3 | Return Requirement | \$ 2,942,142 | \$ (220,877) | \$ 2,721,265 |
| 4 | Net Operating Income | \$ 1,940,736 | | \$ 1,940,736 |
| 5 | Income Deficiency | \$ 1,001,406 | | \$ 780,529 |
| 6 | Revenue Conversion Factor | 1.37142 | | 1.37142 |
| 7 | Revenue Deficiency | \$ 1,373,351 | \$ (302,916) | \$ 1,070,435 |

Aguarion Water Company of New Hampshire, Inc.

Twelve Months Ending December 31, 2019

Ratemaking Adjustments

| Line | Description | Company Application (A) | Adjustment 1 (B) | Adjustment 2 (C) | Adjustment 3 (D) | Adjustment 4 (E) | Adjustment 5 (F) | Adjustment 6 (G) | Adjustment 7 (H) | Adjustment 8 (H) | Adjustment 9 (H) | Adjustment 10 (I) | Adjustment Subtotal (J) |
|------|---|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------------|
| | Reference Schedule | | Schedule 3.1 | Schedule 3.2 | Schedule 3.3 | Schedule 3.4 | Schedule 3.5 | Schedule 3.6 | Schedule 3.7 | Schedule 3.8 | Schedule 3.9 | Schedule 3.10 | |
| 1 | Rate Base | | | | | | | | | | | | |
| 2 | Plant in Service | \$ 56,033,346 | \$ (6,695,500) | | \$ (49,678) | | | | | | | | \$ (6,745,178) |
| 3 | Accumulated Depreciation & Amortization | (13,570,353) | - | | | | | | | | | | - |
| 4 | Net Plant in Service | \$ 42,462,993 | \$ (6,695,500) | \$ - | \$ (49,678) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (6,745,178) |
| 5 | Material and Supplies | \$ 163,416 | | | | | | | | | | | \$ - |
| 6 | Prepayments | 89,815 | | | | | | | | | | | - |
| 7 | Deferred Tank Painting | 17,710 | | | | | | | | | | | - |
| 8 | Cash Working Capital | 177,307 | | \$ (14,639) | | | | | | | | | (14,639) |
| 9 | Customer Advances | (652,006) | | | | | | | | | | | - |
| 10 | Contributions in Aid of Construction | (2,431,613) | | | | | | | | | | | - |
| 11 | Reserve for Deferred Taxes | (3,736,572) | | | | | | | | | | | - |
| 12 | Total Rate Base | \$ 36,091,050 | \$ (6,695,500) | \$ (14,639) | \$ (49,678) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (6,759,817) |
| 13 | Rate of Return | 8.15% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.540% |
| 14 | Return Requirement | \$ 2,942,142 | \$ (504,841) | \$ (1,104) | \$ (3,746) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (509,690) |
| 15 | Revenues | | | | | | | | | | | | |
| 16 | Revenues—Water | \$ 7,394,866 | | | | | | | | | | | \$ - |
| 17 | Revenues—Other | 221,927 | | | | | | | | | | | - |
| 18 | Total Revenues | \$ 7,616,793 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 19 | Expenses | | | | | | | | | | | | |
| 20 | Source of Supply | \$ 134,969 | | | | | (483) | | | | | | \$ (483) |
| 21 | Pumping | 423,804 | | | | | (4,727) | | | | | | (4,727) |
| 22 | Treatment | 191,797 | | | | | (1,035) | | | | | | (1,035) |
| 23 | Transmission & Distribution | 551,823 | | | \$ (900) | | (8,242) | | | | | | (9,142) |
| 24 | Customer Accounting | 398,833 | | | | \$ (219,201) | (3,061) | | | | | | (222,262) |
| 25 | Information Technology | 182,338 | | | | | (1,555) | | | | | | (1,555) |
| 26 | Administrative & General | 1,397,577 | | | \$ (14,969) | | (11,545) | \$ (5,443) | | \$ (13,754) | \$ (21,018) | \$ (490) | (67,219) |
| 27 | Depreciation | 1,310,407 | \$ (189,605) | | | | | | | | | | (189,605) |
| 28 | Taxes Other | 948,692 | (138,444) | | | | | | (2,672) | | | | (141,116) |
| 29 | Other Income & Expenses | (48,686) | | | | | (38) | | | | | | (38) |
| 30 | Current Income Tax—State | 21,820 | 25,260 | | 1,222 | 16,878 | 2,363 | 419 | 206 | 1,059 | 1,618 | 38 | 49,063 |
| 31 | Current Income Tax—Federal | 77,357 | 63,586 | | 3,076 | 42,488 | 5,948 | 1,055 | 517 | 2,666 | 4,074 | 95 | 123,505 |
| 32 | Deferred Income Tax—State | 29,366 | | | | | | | | | | | - |
| 33 | Deferred Income Tax—Federal | 62,909 | | | | | | | | | | | - |
| 34 | Income Tax Allocated to Non-Utility Inc/Exp | (6,949) | | | | | | | | | | | - |
| 35 | Total Operating Expenses | \$ 5,676,057 | \$ (239,203) | \$ - | \$ (11,571) | \$ (159,835) | \$ (22,375) | \$ (3,969) | \$ (1,949) | \$ (10,029) | \$ (15,326) | \$ (357) | \$ (464,614) |
| 36 | Net Operating Income | \$ 1,940,736 | \$ 239,203 | \$ - | \$ 11,571 | \$ 159,835 | \$ 22,375 | \$ 3,969 | \$ 1,949 | \$ 10,029 | \$ 15,326 | \$ 357 | \$ 464,614 |
| 37 | Income Deficiency | \$ 1,001,407 | \$ (744,044) | \$ (1,104) | \$ (15,317) | \$ (159,835) | \$ (22,375) | \$ (3,969) | \$ (1,949) | \$ (10,029) | \$ (15,326) | \$ (357) | \$ (974,304) |
| 38 | Revenue Conversion Factor | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 |
| 39 | Revenue Deficiency | \$ 1,373,351 | \$ (1,020,398) | \$ (1,514) | \$ (21,006) | \$ (219,201) | \$ (30,685) | \$ (5,443) | \$ (2,673) | \$ (13,753) | \$ (21,018) | \$ (490) | \$ (1,336,182) |
| 40 | Percent of Total | | 74.3% | 0.1% | 1.5% | 16.0% | 2.2% | 0.4% | 0.2% | 1.0% | 1.5% | 0.0% | |

- Adjustment 1 Plant Adjustments
- Adjustment 2 Cash Working Capital
- Adjustment 3 Audit Recommended Adjustments
- Adjustment 4 Amortize Non-Recurring August 23, 2019, Boil Water Event
- Adjustment 5 Remove Payroll Increase 12-Months Past End of Test Year
- Adjustment 6 Transfer Financial Goal Incentive Compensation to Shareholders
- Adjustment 7 Flow Through of Payroll Tax
- Adjustment 8 Remove Increase 12-mo Beyond Test Year and Modify Benefits Overhead Ratio
- Adjustment 9 Remove Supplemental Executive Retirement Plan Costs (SERP)
- Adjustment 10 Sharing of D&O Liability Insurance

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Aquarion Water Company of New Hampshire, Inc.
 Twelve Months Ending December 31, 2019
 Ratemaking Adjustments

Schedule 3

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Shared facility flow through due to reduction of CS and IT labor cost

(in thousands)

| Line | Description | Carry Forward | Adjustment 11 | Adjustment 12 | Adjustment 13 | Adjustment 14 | Adjustment 15 | Adjustment 16 | Adjustment 17 | Adjustment 18 | Adjustment 19 | Adjustment Subtotal | Approved Totals |
|---------------------------|---|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------|-----------------|
| | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (G) | (G) | (G) | (H) | (J) | (K) |
| | | | Schedule 3.11 | Schedule 3.12 | Schedule 3.13 | Schedule 3.14 | Schedule 3.15 | Schedule 3.16 | Schedule 3.17 | Schedule 3.18 | | | |
| Reference Schedule | | | | | | | | | | | | | |
| 1 | Rate Base | | | | | | | | | | | | |
| 2 | Plant in Service | \$ (6,745,178) | | | | | | | | | | \$ (6,745,178) | \$ 49,288,168 |
| 3 | Accumulated Depreciation & Amortization | - | | | | | | | | | | - | (13,570,353) |
| 4 | Net Plant in Service | (6,745,178) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | (6,745,178) | \$ 35,717,815 |
| 5 | Material and Supplies | \$ - | | | | | | | | | | | \$ 163,416 |
| 6 | Prepayments | - | | | | | | | | | | \$ - | 89,815 |
| 7 | Deferred Tank Painting | - | | | | | | | | | | | 17,710 |
| 8 | Cash Working Capital | (14,639) | | | | | | | | | | (14,639) | 162,668 |
| 9 | Customer Advances | - | | | | | | | | | | | (652,006) |
| 10 | Contributions in Aid of Construction | - | | | | | | | | | | | (2,431,613) |
| 11 | Reserve for Deferred Taxes | - | | | | | | | | | | | (3,736,572) |
| 12 | Total Rate Base | \$ (6,759,817) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (6,759,817) | \$ 29,331,233 |
| 13 | Rate of Return | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% | 7.54% |
| 14 | Return Requirement | \$ (509,690) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (730,567) | \$ 2,211,575 |
| 15 | Revenues | | | | | | | | | | | | |
| 16 | Revenues--Water | \$ - | | | | | | | | | | \$ - | \$ 7,394,866 |
| 17 | Revenues--Other | - | | | | | | | | | | - | 221,927 |
| 18 | Total Revenues | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,616,793 |
| 19 | Expenses | | | | | | | | | | | | |
| 20 | Source of Supply | \$ (483) | | | | | | | | | | \$ (483) | \$ 134,486 |
| 21 | Pumping | (4,727) | | | | | | | | | | (4,727) | 419,077 |
| 22 | Treatment | (1,035) | | | | | | | | | | (1,035) | 190,762 |
| 23 | Transmission & Distribution | (9,142) | | | | | | | | | | (9,142) | 542,681 |
| 24 | Customer Accounting | (222,262) | | | | | | \$ (10,000) | | | | (232,262) | 166,571 |
| 25 | Information Technology | (1,555) | | | | | | | | | | (1,555) | 180,783 |
| 26 | Administrative & General | (67,219) | \$ (12,045) | \$ (1,583) | \$ (6,856) | | | | \$ (12,484) | | \$ (797) | (100,983) | 1,296,594 |
| 27 | Depreciation | (189,005) | | | | \$ (24,930) | \$ 10,219 | | \$ - | | | (204,316) | 1,106,091 |
| 28 | Taxes Other | (141,116) | | | | | | | | | | (141,116) | 807,576 |
| 29 | Other Income & Expenses | (38) | | | | | | | | | | (38) | (48,724) |
| 30 | Current Income Tax--State | 49,063 | 927 | 122 | 528 | 1,919 | (787) | 770 | 961 | 13,481 | 62 | 67,046 | 88,866 |
| 31 | Current Income Tax--Federal | 123,505 | 2,335 | 307 | 1,329 | 4,832 | (1,981) | 1,938 | 2,419 | 33,935 | 154 | 168,773 | 246,130 |
| 32 | Deferred Income Tax--State | - | | | | | | | | | | - | 29,366 |
| 33 | Deferred Income Tax--Federal | - | | | | | | | | | | - | 62,909 |
| 34 | Income Tax Allocated to Non-Utility Inc/Exp | - | | | | | | | | | | - | (6,949) |
| 35 | Total Operating Expenses | \$ (464,614) | \$ (8,783) | \$ (1,154) | \$ (4,999) | \$ (18,179) | \$ 7,451 | \$ (7,292) | \$ (9,104) | \$ 47,416 | \$ (581) | \$ (459,838) | \$ 5,216,219 |
| 36 | Net Operating Income | \$ 464,614 | \$ 8,783 | \$ 1,154 | \$ 4,999 | \$ 18,179 | \$ (7,451) | \$ 7,292 | \$ 9,104 | \$ (47,416) | \$ 581 | \$ 459,838 | \$ 2,400,574 |
| 37 | Income Deficiency | \$ (974,304) | \$ (8,783) | \$ (1,154) | \$ (4,999) | \$ (18,179) | \$ 7,451 | \$ (7,292) | \$ (9,104) | \$ 47,416 | \$ (581) | \$ (1,190,406) | \$ (188,999) |
| 38 | Revenue Conversion Factor | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.37142 | 1.371422302 | 1.37142 |
| 39 | Revenue Deficiency | \$ (1,336,182) | \$ (12,045) | \$ (1,583) | \$ (6,856) | \$ (24,931) | \$ 10,218 | \$ (10,000) | \$ (12,485) | \$ 65,027 | \$ (797) | \$ (1,632,549) | \$ (259,198) |
| 40 | Percent of Total | | 0.9% | 0.1% | 0.5% | 1.8% | -0.7% | 0.7% | 0.9% | -4.7% | 0.1% | | |

- Adjustment 11 Normalize Legal Expenses
- Adjustment 12 Remove Lobbying Expenses
- Adjustment 13 Amortization of Expert Fees
- Adjustment 14 Convert to Whole Life Depreciation Methodology
- Adjustment 15 Amortization of Theoretical Depreciation Reserve Imbalance
- Adjustment 16 Remove Customer Assistance Program
- Adjustment 17 Eversource Aquarion Merger Costs Recovery Amortization
- Adjustment 18 Interest Synchronization

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 1

Plant Adjustments

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------------------|---|-------------------------|-------------------|------------------------|
| RATE BASE | | | | |
| 1 | Plant in Service | \$ 6,695,500 | \$ (6,695,500) | \$ - |
| 2 | Accumulated Depreciation & Amortization | - | - | - |
| 3 | Total Impact to Rate Base | \$ 6,695,500 | \$ (6,695,500) | \$ - |
| EXPENSES | | | | |
| 4 | Depreciation Expense | \$ 189,605 | \$ (189,605) | \$ - |
| 5 | Property Taxes | 138,444 | (138,444) | - |
| 6 | Total Expense | \$ 328,049 | \$ (328,049) | \$ - |
| 7 | NH Income Tax | 7.70% | 7.70% | 7.70% |
| 8 | Effect on NH income tax expense | \$ (25,260) | \$ 25,260 | \$ - |
| 9 | Federal Taxable | \$ 302,789 | \$ (302,789) | \$ - |
| 10 | Federal Income Tax Rate | 21% | 21% | 21% |
| 11 | Effect on Federal income tax expense | \$ (63,586) | \$ 63,586 | \$ - |
| 12 | Total Taxes | \$ (88,846) | \$ 88,846 | \$ - |
| 13 | Impact to Net Operating Income | \$ (239,203) | \$ 239,203 | \$ - |

Notes and Sources

| | Plant | Annual Depreciation | # of Years | Accum Depr | Property Taxes | |
|--|--------------|---------------------|------------|------------|----------------|-----------------------------|
| | | | | | 20.68 | Schedule 3.1 WF Page 3 of 3 |
| Post Test Year Plant | | | | | | |
| Mill Road Water Treatment Facility | \$ 2,873,962 | | n/a | \$ - | \$ 59,425 | Move to Step |
| Well 22 Water Supply | 1,721,939 | | n/a | - | 35,605 | Move to Step |
| Mill Road Water Main Replacement | 1,224,541 | | n/a | - | 25,320 | Move to Step |
| Locke Road Water Main Replacement | 1,017,487 | | n/a | - | 21,039 | Move to Step |
| Subtotal | \$ 6,837,929 | | | \$ - | \$ 141,389 | Move to Step |
| Less Retirements | (142,429) | | | | (2,945) | Move to Step |
| Total Post-Test-Year Plant | \$ 6,695,500 | | | \$ - | \$ 138,444 | Move to Step |
| Post Test Year Plant Depreciation (see WP) | | \$ 189,605 | n/a | | | |
| Totals | \$ 6,695,500 | \$ 189,605 | \$ - | \$ - | \$ 138,444 | |
| | | 0.028318273 | | | | |
| WL with Proforma, DOE 4-8 Att 1 | 1,249,017 | | | | | |
| WL without Profoma | 1,059,412 | | | | | |
| Pro forma plant at WL rate | 189,605 | | | | | |

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 1

Plant Adjustments Workpaper-Property Taxes

| 1 | <u>Most Recent Property Tax Bills</u> | <u>Assessed Value</u> | <u>Tax Rate</u> | <u>Property Tax</u> |
|----|--|-----------------------|-----------------|-------------------------|
| 2 | Hampton | | | |
| 3 | Town Area | 18,246,800 | 14.02 | \$ 255,820 |
| 4 | Precinct Area | 6,102,000 | 14.97 | 91,347 |
| 5 | Education Fund | 189,500 | 16.01 | 3,034 |
| 6 | North Hampton | | | |
| 7 | Town Area | 7,670,300 | 14.58 | 111,833 |
| 8 | Education Fund | 50,000 | 16.68 | 834 |
| 9 | Rye | 1,903,800 | 8.04 | 15,307 |
| 10 | Stratham | 1,024,400 | 16.76 | 17,169 |
| 11 | State of NH | 34,197,200 | 6.60 | 225,702 |
| 12 | <u>Proforma Additions</u> | | | |
| 13 | Hampton | | | |
| 14 | Town Area | 219,461 | 14.02 | \$ 3,077 |
| 15 | North Hampton | | | |
| 16 | Town Area | - | 14.58 | - |
| 17 | State of NH | 219,461 | 6.60 | 1,448 |
| 18 | | | | <u>\$ 725,570</u> |
| 19 | | Test Year Expense | | 677,193 |
| 20 | | Pro Forma Adjustment | | <u><u>\$ 48,377</u></u> |
| 21 | <u>Calculation of Composite Property Tax Rate</u> | | | |
| 22 | Towns | 35,406,261 | 14.08 | 498,420 |
| 23 | State of NH | 34,416,661 | 6.60 | 227,150 |
| 24 | | | 20.68 | |

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 2

Cash Working Capital

| <u>Line</u> | <u>Description</u> | <u>Company Proposed</u> | <u>Adjustment</u> | <u>Adjusted Amount</u> |
|-------------|--|-----------------------------|--------------------|----------------------------|
| | | (A) | (B) | (C) |
| 1 | Average Total O&M | \$ 3,194,723 | | |
| 2 | O&M Expenses Used in Revenue Requirement Calculation | | | |
| 3 | Source of Supply | \$ 134,969 | \$ (483) | \$ 134,486 |
| 4 | Pumping | 423,804 | (4,727) | 419,077 |
| 5 | Treatment | 191,797 | (1,035) | 190,762 |
| 6 | Transmission & Distribution | 551,823 | (9,142) | 542,681 |
| 7 | Customer Accounting | 398,833 | (232,262) | 166,571 |
| 8 | Information Technology | 182,338 | (1,555) | 180,783 |
| 9 | Administrative & General | 1,397,577 | (100,983) | 1,296,594 |
| 10 | Total O&M Expenses | \$ 3,281,141 | | \$ 2,930,954 |
| 11 | Amount Used for Cash Working Capital Calculation | \$ 3,194,723 | | \$ 2,930,954 |
| 12 | Rate | 5.55% | | 5.55% |
| 13 | Total Cash Working Capital | \$ 177,307 | \$ (14,639) | \$ 162,668 |
| 14 | Impact to Rate Base | \$ 177,307 | \$ (14,639) | \$ 162,668 |

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 3

Audit Recommended Adjustments

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|--|----------------------------|--------------------|---------------------------|
| 1 | <u>RATE BASE</u> | | | |
| 2 | <u>Audit Issue #3 Next Generation Strategies</u> | | | |
| 3 | 101 Plant in Service | \$ 49,678 | \$ (49,678) | \$ - |
| 4 | Total Impact to Rate Base | <u>\$ 49,678</u> | <u>\$ (49,678)</u> | <u>\$ -</u> |
| 5 | <u>EXPENSES</u> | | | |
| 6 | <u>Audit Issue #8</u> | | | |
| 7 | 662202 Overdue 2018 Paper Ads | \$ 900 | \$ (900) | \$ - |
| 8 | Boil Water Event | | | - |
| 9 | 665002 Public Affairs Consulting | 15,792 | | 15,792 |
| 10 | 665003 Purchased water | 3,293 | | 3,293 |
| 11 | 903203 Customer Credits | 179,160 | | 179,160 |
| 12 | 921201 P-Card Charges Alcohol and Dessert | 499 | (499) | - |
| 13 | 923201 Deloitte Error | 2,567 | (411) | 2,156 |
| 14 | 923214 Environmental Champion Awards | 14,059 | (14,059) | - |
| 15 | Total Audit Issue #8 | <u>\$ 216,270</u> | <u>\$ (15,869)</u> | <u>\$ 200,401</u> |
| 16 | | | | |
| 17 | Total | \$ 216,270 | \$ (15,869) | \$ 200,401 |
| 18 | NH Income Tax | 7.70% | | 7.70% |
| 19 | Effect on NH income tax expense | <u>\$ (16,653)</u> | <u>\$ 1,222</u> | <u>\$ (15,431)</u> |
| 20 | Federal Taxable | \$ 199,617 | | \$ 184,970 |
| 21 | Federal Income Tax Rate | 21% | | 21% |
| 22 | Effect on Federal income tax expense | <u>\$ (41,920)</u> | <u>\$ 3,076</u> | <u>\$ (38,844)</u> |
| 23 | Total Taxes | <u>\$ (58,573)</u> | <u>\$ 4,298</u> | <u>\$ (54,275)</u> |
| 24 | Impact to Net Operating Income | <u>\$ (157,697)</u> | <u>\$ 11,571</u> | <u>\$ (146,126)</u> |

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 4

Amortize Non-Recurring August 23, 2019, Boil Water Event

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | Customer Goodwill Credit | 179,160 | (179,160) | - |
| 2 | Outside Services | 34,147 | | 34,147 |
| 3 | Monitoring of Wells | 8,740 | | 8,740 |
| 4 | Office Supplies | 5,162 | | 5,162 |
| 5 | Total Boil Water Event | 227,209 | | 48,049 |
| | Amortization Period - Years | 1.00 | 5.00 | 6.00 |
| 3 | Annual Recovery | \$ 227,209 | \$ (219,201) | \$ 8,008 |
| 4 | NH Income Tax | 7.70% | | 7.70% |
| 5 | Effect on NH income tax expense | \$ (17,495) | \$ 16,878 | \$ (617) |
| 6 | Federal Taxable | \$ 209,714 | | \$ 7,391 |
| 7 | Federal Income Tax Rate | 21% | | 21% |
| 8 | Effect on Federal income tax expense | \$ (44,040) | \$ 42,488 | \$ (1,552) |
| 9 | Total Taxes | \$ (61,535) | \$ 59,366 | \$ (2,169) |
| 10 | Impact to Net Operating Income | \$ (165,674) | \$ 159,835 | \$ (5,839) |

Aquarion Water Company of New Hampshire, Inc.

Adjustment 5

Remove Payroll Increase 12-Months Past End of Test Year

| Line | Description | Company Proposed | | | Adjustment (D) | Adjusted Amount (E) |
|------|---|------------------|-------------------------|-------------------------|--------------------|------------------------|
| | | 2020 (A) | Increase 2021 (B) | Proforma 2021 (C) | | |
| 1 | AWC NH Employees | | | | | |
| 2 | Exempt - Non Union | \$ 128,141 | \$ 3,844 | \$ 131,985 | \$ (3,844) | \$ 128,141 |
| 3 | Non- Exempt Non-Union Wages | 132,170 | 3,965 | 136,135 | (3,965) | 132,170 |
| 4 | Union Employees | 505,385 | 15,162 | 520,547 | (15,162) | 505,385 |
| 5 | Base Wages | \$ 765,696 | \$22,971 | \$ 788,667 | \$ (22,971) | \$ 765,696 |
| 6 | Standby, OT, Shift Differential Wages | 80,503 | 2,415 | 82,918 | (2,415) | 80,503 |
| 7 | Total AWC NH Employees | \$ 846,199 | \$25,386 | \$ 871,585 | \$ (25,386) | \$ 846,199 |
| 8 | Percent Charged to Expense | 89.1% | 89.1% | 89.1% | 89.1% | 89.1% |
| 9 | Pro Forma Wages Charged to Expense | \$ 753,963 | \$22,619 | \$ 776,582 | \$ (22,619) | \$ 753,963 |
| 10 | Service Company Employees | | | | | |
| 11 | Service Company Charged to Expense | \$ 132,850 | \$ 3,986 | \$ 136,836 | (3,986) | \$ 132,850 |
| 12 | Total Salaries and Wages | \$ 886,814 | \$26,604 | \$ 913,418 | \$ (26,604) | \$ 886,814 |
| 13 | AWC-CT Shared Customer Service/Collections | | | | | |
| 14 | AWC-CT Shared Customer Service/Collections Labor | \$ 2,508,468 | \$75,254 | \$ 2,583,722 | (75,254) | \$ 2,508,468 |
| 15 | % to AWC-NH | 3.36% | 3.36% | 3.36% | 3.36% | 3.36% |
| 16 | Shared Labor to AWC-NH | \$ 84,303 | \$ 2,529 | \$ 86,832 | \$ (2,529) | \$ 84,303 |
| 17 | Shared Technology Costs | | | | | |
| 18 | IT Labor | \$ 1,169,537 | \$35,086 | \$ 1,204,623 | (35,086) | \$ 1,169,537 |
| 19 | % to AWC-NH | 4.43% | 4.43% | 4.43% | 4.43% | 4.43% |
| 20 | Shared Labor to AWC-NH | \$ 51,826 | \$ 1,555 | \$ 53,381 | \$ (1,555) | \$ 51,826 |
| 21 | Total Wages and Salaries | \$ 1,022,943 | \$30,688 | \$ 1,053,631 | \$ (30,688) | \$ 1,022,943 |
| 22 | NH Income Tax | | | 7.70% | | 7.70% |
| 23 | Effect on NH income tax expense | | | <u>\$ (81,130)</u> | \$ 2,363 | <u>\$ (78,767)</u> |
| 24 | Federal Taxable | | | \$ 972,501 | | \$ 944,176 |
| 25 | Federal Income Tax Rate | | | 21% | | 21% |
| 26 | Effect on Federal income tax expense | | | <u>\$ (204,225)</u> | \$ 5,948 | <u>\$ (198,277)</u> |
| 27 | Total Taxes | | | <u>\$ (285,355)</u> | <u>\$ 8,311</u> | <u>\$ (277,044)</u> |
| 28 | Impact to Net Operating Income | | | <u>\$ (768,276)</u> | <u>\$ 22,377</u> | <u>\$ (745,899)</u> |

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 6

Transfer Financial Goal Incentive Compensation to Shareholders

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|--|----------------------------|-------------------|---------------------------|
| 1 | Officer | \$ 10,781 | | \$ 10,781 |
| 2 | Exempt, Non-Union | 5,481 | | 5,481 |
| 3 | Non-Exempt, Non-Union | 1,192 | | 1,192 |
| 4 | Total Incentive Compensation | \$ 17,454 | | \$ 17,454 |
| 5 | Percent Charged to Expense | 89.1% | | 89.1% |
| 6 | Total Incentive Compensation Charged to Expenses | \$ 15,552 | | \$ 15,552 |
| 7 | Performance Measurements for Awards | | | |
| 8 | Financial | 70% | -35% | 35% |
| 9 | Operations | 30% | | 30% |
| 10 | Incentive Compensation Awarded | 100% | | 65% |
| 11 | Total Incentive Compensation | \$ 15,552 | \$ (5,443) | \$ 10,108 |
| 12 | NH Income Tax | 7.70% | | 7.70% |
| 13 | Effect on NH income tax expense | \$ (1,197) | \$ 419 | \$ (778) |
| 14 | Federal Taxable | \$ 14,355 | | \$ 9,330 |
| 15 | Federal Income Tax Rate | 21% | | 21% |
| 16 | Effect on Federal income tax expense | \$ (3,014) | \$ 1,055 | \$ (1,959) |
| 17 | Total Taxes | \$ (4,211) | \$ 1,474 | \$ (2,737) |
| 18 | Impact to Net Operating Income | \$ (11,341) | \$ 3,969 | \$ (7,371) |

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 7

Flow Through of Payroll Tax

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|--------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | FICA | | | |
| 2 | Proposed Wages | \$ 871,585 | \$ (25,386) | \$ 846,199 |
| 3 | Add Bonus | 17,454 | | 17,454 |
| 4 | Medicare Tax Base | \$ 889,039 | | \$ 863,653 |
| 5 | Wages over limit of \$137,700 | - | | - |
| 6 | Social Security Tax Base | \$ 889,039 | | \$ 863,653 |
| 7 | | | | |
| 8 | Social Security Rate | 6.20% \$ 55,120 | | \$ 53,546 |
| 9 | Medicare Rate | 1.45% 12,891 | | 12,523 |
| 10 | Pro Forma FICA Expense | \$ 68,011 | \$ (1,942) | \$ 66,069 |
| 11 | Federal Unemployment | 11 | | |
| 12 | Employees | 11 | | |
| 13 | Tax base | 7,000 | | |
| 14 | Rate | 6.00% \$ 4,620 | | \$ 4,620 |
| 15 | State Unemployment | 11 | | |
| 16 | Employees | 11 | | |
| 17 | Tax base | 14,000 | | |
| 18 | Rate (NH) | 0.80% \$ 1,232 | | \$ 1,232 |
| 19 | Subtotal Payroll Taxes | \$ 73,863 | \$ (1,942) | \$ 71,921 |
| 20 | % to Expense | 89.1% | | 89.1% |
| 21 | Payroll Tax Expense | 65,812 | \$ (1,730) | 64,082 |
| 22 | Service Company Payroll Taxes | | | |
| 23 | Pro Forma Wages to Expense | \$ 136,836 | \$ (3,986) | \$ 132,850 |
| 24 | Customer service labor to expense | 86,832 | \$ (2,529) | 84,303 |
| 25 | IT labor to expense | 53,381 | \$ (1,555) | 51,826 |
| | | \$ 277,049 | | \$ 268,980 |
| 26 | Payroll Tax Rate | 8.0% | -0.1% | 7.89% |
| 27 | Service Company Payroll Taxes | 22,164 | \$ (941) | 21,223 |
| 28 | Payroll Taxes | \$ 87,976 | \$ (2,672) | \$ 85,304 |
| 29 | NH Income Tax | 7.70% | | 7.70% |
| 30 | Effect on NH income tax expense | \$ (6,774) | \$ 206 | \$ (6,568) |
| 31 | Federal Taxable | \$ 81,202 | | \$ 78,736 |
| 32 | Federal Income Tax Rate | 21% | | 21% |
| 33 | Effect on Federal income tax expense | \$ (17,052) | \$ 517 | \$ (16,535) |
| 34 | Total Taxes | \$ (23,826) | \$ 723 | \$ (23,103) |
| 35 | Impact to Net Operating Income | \$ (64,150) | \$ 1,949 | \$ (62,201) |

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Aquarion Water Company of New Hampshire, Inc.**Adjustment 8**

Remove Increase 12-mo Beyond Test Year and Modify Benefits Overhead Ratio

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | NH Employees | | | |
| 2 | Employee Medical Costs | \$ 211,697 | \$ (7,438) | \$ 204,259 |
| 3 | 401K | 48,956 | - | 48,956 |
| 4 | Auto Allowance | 5,346 | - | 5,346 |
| 5 | Life Insurance | 2,732 | (80) | 2,652 |
| 6 | Long-Term Disability | 2,600 | (76) | 2,524 |
| 7 | Total Employee Welfare - NH Employees | 271,331 | (7,594) | 263,737 |
| 8 | Service Company Benefits | | | |
| 9 | Pro Forma Wages to Expense | \$ 136,836 | \$ (3,986) | \$ 132,850 |
| 10 | Customer service labor to expense | 86,832 | (2,529) | 84,303 |
| 11 | IT labor to expense | 53,381 | (1,555) | 51,826 |
| 12 | Service Company Labor | \$ 277,049 | \$ (8,069) | \$ 268,980 |
| 13 | Benefits Overhead Rate | 52.0% | -0.7% | 51.3% |
| 14 | Service Company Benefits | 144,066 | (6,160) | 137,906 |
| 15 | Total Employee Welfare | \$ 415,397 | \$ (13,754) | \$ 401,643 |
| 16 | NH Income Tax | 7.70% | | 7.70% |
| 17 | Effect on NH income tax expense | \$ (31,986) | \$ 1,059 | \$ (30,927) |
| 18 | Federal Taxable | \$ 383,411 | | \$ 370,716 |
| 19 | Federal Income Tax Rate | 21% | | 21% |
| 20 | Effect on Federal income tax expense | \$ (80,516) | \$ 2,666 | \$ (77,850) |
| 21 | Total Taxes | \$ (112,502) | \$ 3,725 | \$ (108,777) |
| 22 | Impact to Net Operating Income | \$ (302,895) | \$ 10,029 | \$ (292,866) |

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Aquarion Water Company of New Hampshire, Inc.
Adjustment 8

Benefits Overhead Ratio Workpaper

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---|----------------------------|-------------------|---------------------------|
| 1 | | 2018 Actual | | |
| 2 | Payroll taxes | 2,138,422 | | 2,138,422 |
| 3 | Fringe Benefits, Interdivision Allocation | (510,504) | | (510,504) |
| 4 | Benefits, Recreational | 38,373 | (38,373) | - |
| 5 | Fringe Benefits Cleared | (2,558,501) | | (2,558,501) |
| 6 | Pensions | 2,958,144 | | 2,958,144 |
| 7 | Thrift Plan | 1,059,818 | | 1,059,818 |
| 8 | Supplemental Pension Expense | 16,568 | (16,568) | - |
| 9 | FAS 106 Expense | 104,388 | | 104,388 |
| 10 | Benefits - Medical Plan | 6,793,550 | | 6,793,550 |
| 11 | Employee contribution medical plan | (773,317) | | (773,317) |
| 12 | Social and Recreation | 31,658 | (31,658) | - |
| 13 | Auto Allowance | - | | - |
| 14 | Death Benefit | 82,500 | | 82,500 |
| 15 | Group Life Insurance | 102,598 | | 102,598 |
| 16 | Long and Short Term Disability | 62,248 | | 62,248 |
| 17 | Seminars and Conferences - Non-Labor | 11,645 | | 11,645 |
| 18 | Benefits - Tuition Reimbursement | 91,729 | | 91,729 |
| 19 | Compliance Training - Non-Labor | 25,102 | | 25,102 |
| 20 | Non Compliance Training - Non-Labor | 72,521 | | 72,521 |
| 21 | Service Awards | 30,415 | | 30,415 |
| 22 | Misc. Expense | 66,277 | | 66,277 |
| 23 | Medical Opt-Out | 64,311 | | 64,311 |
| 24 | IT Training-AWC Emp | - | | - |
| 25 | Pension Expense | 2,295,362 | | 2,295,362 |
| 26 | OPEB Exp - Other Com | 838,613 | | 838,613 |
| 27 | CY Deferral - MA | - | | - |
| 28 | CY Deferral - MA | - | | - |
| 29 | Amort-PY Deferral - MA | - | | - |
| 30 | Amort-PY Deferral - MA | - | | - |
| 31 | Cap Pension - Other | 546,994 | | 546,994 |
| 32 | Cap Pension - Other | (546,994) | | (546,994) |
| 33 | Wellness | 3,686 | | 3,686 |
| 34 | Total 926's | 10,907,184 | | 10,820,585 |
| 35 | Less 2018 Pension and OPEB | - | | - |
| 36 | Add 2019 Pension and OPEB | - | | - |
| 37 | Exclude Interdivisional Allocation | 510,504 | | 510,504 |
| 38 | Add back fringes cleared | 2,558,501 | | 2,558,501 |
| 39 | Less: Amortization of PSC-OPEB | | | |
| 40 | | <u>13,976,189</u> | | <u>13,889,590</u> |
| 41 | Total wages | 27,090,862 | | 27,090,862 |
| 42 | Total wages | <u>27,090,862</u> | | <u>27,090,862</u> |
| 43 | Fringes as a percent of wages | 51.59% | | 51.27% |
| 44 | Taxes as a percent of wages | 7.89% | | 7.89% |

Notes and Sources

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 9

Remove Supplemental Executive Retirement Plan Costs (SERP)

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|--------------------|---------------------------|
| 1 | SERP | \$ 21,018 | \$ (21,018) | \$ - |
| 2 | NH Income Tax | 7.70% | | 7.70% |
| 3 | Effect on NH income tax expense | <u>\$ (1,618)</u> | \$ 1,618 | <u>\$ -</u> |
| 4 | Federal Taxable | \$ 19,400 | | \$ - |
| 5 | Federal Income Tax Rate | 21% | | 21% |
| 6 | Effect on Federal income tax expense | <u>\$ (4,074)</u> | \$ 4,074 | <u>\$ -</u> |
| 7 | Total Taxes | <u>\$ (5,692)</u> | <u>\$ 5,692</u> | <u>\$ -</u> |
| 8 | Impact to Net Operating Income | <u>\$ (15,326)</u> | <u>\$ 15,326</u> | <u>\$ -</u> |

Aquarion Water Company of New Hampshire, Inc.
Adjustment 10
 Sharing of D&O Liability Insurance

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | D&O Insurance - Corporate Costs | \$ 22,395 | | \$ 22,395 |
| 2 | Allocation Factor | 4.38% | | 4.38% |
| 3 | D&O Insurance - AWC-NH Share | \$ 981 | | \$ 981 |
| 4 | Allocation to Ratepayers | 100% | -50% | 50% |
| 5 | Total | \$ 981 | \$ (490) | \$ 490 |
| 6 | NH Income Tax | 7.70% | | 7.70% |
| 7 | Effect on NH income tax expense | <u>\$ (76)</u> | \$ 38 | <u>\$ (38)</u> |
| 8 | Federal Taxable | \$ 905 | | \$ 452 |
| 9 | Federal Income Tax Rate | 21% | | 21% |
| 10 | Effect on Federal income tax expense | <u>\$ (190)</u> | \$ 95 | <u>\$ (95)</u> |
| 11 | Total Taxes | <u>\$ (266)</u> | <u>\$ 133</u> | <u>\$ (133)</u> |
| 12 | Impact to Net Operating Income | <u>\$ (715)</u> | <u>\$ 357</u> | <u>\$ (357)</u> |

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Adjustment 11

Normalize Legal Expenses

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|-------------|---------------------------------------|---------------------------------|---------------------------|--------------------------------|
| 1 | NH WICA Legal Expense | \$ 9,680 | \$ 750 | \$ 10,430 |
| 2 | General Legal Expenses 2019 | 27,776 | (12,795) | 14,981 |
| 3 | Legal Fees | <u>\$ 37,456</u> | <u>\$ (12,045)</u> | <u>\$ 25,411</u> |
| 4 | NH Income Tax | 7.70% | | 7.70% |
| 5 | Effect on NH income tax expense | <u>\$ (2,884)</u> | <u>\$ 927</u> | <u>\$ (1,957)</u> |
| 6 | Federal Taxable | \$ 34,572 | | \$ 23,454 |
| 7 | Federal Income Tax Rate | 21% | | 21% |
| 8 | Effect on Federal income tax expense | <u>\$ (7,260)</u> | <u>\$ 2,335</u> | <u>\$ (4,925)</u> |
| 9 | Total Taxes | <u>\$ (10,144)</u> | <u>\$ 3,262</u> | <u>\$ (6,882)</u> |
| 10 | Impact to Net Operating Income | <u>\$ (27,312)</u> | <u>\$ 8,783</u> | <u>\$ (18,529)</u> |

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Adjustment 12

Remove Lobbying Expenses

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|--|----------------------------|-------------------|---------------------------|
| 1 | National Association of Water Companies-Lobbying | \$ 1,583 | \$ (1,583) | \$ - |
| 2 | NH Income Tax | 7.70% | | 7.70% |
| 3 | Effect on NH income tax expense | <u>\$ (122)</u> | <u>\$ 122</u> | <u>\$ -</u> |
| 4 | Federal Taxable | \$ 1,461 | | \$ - |
| 5 | Federal Income Tax Rate | 21% | | 21% |
| 6 | Effect on Federal income tax expense | <u>\$ (307)</u> | <u>\$ 307</u> | <u>\$ -</u> |
| 7 | Total Taxes | <u>\$ (429)</u> | <u>\$ 429</u> | <u>\$ -</u> |
| 8 | Impact to Net Operating Income | <u>\$ (1,154)</u> | <u>\$ 1,154</u> | <u>\$ -</u> |

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Adjustment 13

Amortization of Expert Fees

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | Blue Ridge 2017 Tax Act Study | \$ 10,284 | | \$ 10,284 |
| 2 | Amortization Period - Years | 1.00 | 2.00 | 3.00 |
| 3 | Annual Recovery | \$ 10,284 | \$ (6,856) | \$ 3,428 |
| 4 | NH Income Tax | 7.70% | | 7.70% |
| 5 | Effect on NH income tax expense | \$ (792) | \$ 528 | \$ (264) |
| 6 | Federal Taxable | \$ 9,492 | | \$ 3,164 |
| 7 | Federal Income Tax Rate | 21% | | 21% |
| 8 | Effect on Federal income tax expense | \$ (1,993) | \$ 1,329 | \$ (664) |
| 9 | Total Taxes | \$ (2,785) | \$ 1,857 | \$ (928) |
| 10 | Impact to Net Operating Income | \$ (7,499) | \$ 4,999 | \$ (2,500) |

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 14

Convert to Whole Life Depreciation Methodology

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | Depreciation Expense-Remaining Life | \$ 1,084,342 | \$ (1,084,342) | \$ - |
| 2 | Depreciation Expense-Whole Life | | 1,059,412 | 1,059,412 |
| 3 | Total Depreciation | \$ 1,084,342 | \$ (24,930) | 1,059,412 |
| 4 | NH Income Tax | 7.70% | | 7.70% |
| 5 | Effect on NH income tax expense | \$ (83,494) | \$ 1,919 | \$ (81,575) |
| 6 | Federal Taxable | \$ 1,000,848 | | \$ 977,837 |
| 7 | Federal Income Tax Rate | 21% | | 21% |
| 8 | Effect on Federal income tax expense | \$ (210,178) | \$ 4,832 | \$ (205,346) |
| 9 | Total Taxes | \$ (293,672) | \$ 6,751 | \$ (286,921) |
| 10 | Impact to Net Operating Income | \$ (790,670) | \$ 18,179 | \$ (772,491) |

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Aquarion Water Company of New Hampshire, Inc.**Adjustment 15**

Amortization of Theoretical Depreciation Reserve Imbalance

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | Depreciation Reserve Imbalance | | | |
| 2 | Calculated Accrued Depreciation | \$ - | \$ 12,500,837 | \$ 12,500,837 |
| 3 | Book Depreciation Reserve | | 12,648,397 | 12,648,397 |
| 4 | Reserve Imbalance | \$ - | \$ (147,560) | \$ (147,560) |
| 5 | Amortization Period - Years | | 10 | 10 |
| 6 | Annual Recovery | \$ (24,975) | \$ 10,219 | \$ (14,756) |
| 7 | Total Depreciation and Amortization | \$ (24,975) | \$ 10,219 | \$ (14,756) |
| 8 | NH Income Tax | 7.70% | | 7.70% |
| 9 | Effect on NH income tax expense | \$ 1,923 | \$ (787) | \$ 1,136 |
| 10 | Federal Taxable | \$ (23,052) | | \$ (13,620) |
| 11 | Federal Income Tax Rate | 21% | | 21% |
| 12 | Effect on Federal income tax expense | \$ 4,841 | \$ (1,981) | \$ 2,860 |
| 13 | Total Taxes | \$ 6,764 | \$ (2,768) | \$ 3,996 |
| 14 | Impact to Net Operating Income | \$ 18,211 | \$ (7,451) | \$ 10,760 |

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Adjustment 16

Remove Customer Assistance Program

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | Customer Assistance Program | \$ 10,000 | \$ (10,000) | \$ - |
| 2 | NH Income Tax | 7.70% | | 7.70% |
| 3 | Effect on NH income tax expense | <u>\$ (770)</u> | <u>\$ 770</u> | <u>\$ -</u> |
| 4 | Federal Taxable | \$ 9,230 | | \$ - |
| 5 | Federal Income Tax Rate | 21% | | 21% |
| 6 | Effect on Federal income tax expense | <u>\$ (1,938)</u> | <u>\$ 1,938</u> | <u>\$ -</u> |
| 7 | Total Taxes | <u>\$ (2,708)</u> | <u>\$ 2,708</u> | <u>\$ -</u> |
| 8 | Impact to Net Operating Income | <u>\$ (7,292)</u> | <u>\$ 7,292</u> | <u>\$ -</u> |

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Adjustment 17

Eversource Aquarion Merger Costs Recovery Amortization

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | Investment Banker | \$ 3,016,667 | \$ - | \$ 3,016,667 |
| 2 | Legal Services | 1,548,167 | - | 1,548,167 |
| 3 | Other Outside Services | 977,009 | - | 977,009 |
| 4 | Application Approval Fees | 125,000 | - | 125,000 |
| 5 | Environmental Outside Services | 27,177 | - | 27,177 |
| 6 | Printing Services for Bill Inserts | 9,486 | - | 9,486 |
| 7 | Other Outside Services | 3,238 | - | 3,238 |
| 8 | Total Merger Transaction Cost | \$ 5,706,744 | | \$ 5,706,744 |
| 9 | Allocation % for AWC NH | 4.38% | | 4.38% |
| 10 | Cost allocated to AWC NH | \$ 249,671 | | \$ 249,671 |
| 11 | Years to amortize | 10.00 | 10 | 20.00 |
| 12 | Amortization of Merger Costs Recovery | \$ 24,967 | \$ (12,484) | \$ 12,484 |
| 13 | NH Income Tax | 7.70% | | 7.70% |
| 14 | Effect on NH income tax expense | \$ (1,922) | \$ 961 | \$ (961) |
| 15 | Federal Taxable | \$ 23,045 | | \$ 11,523 |
| 16 | Federal Income Tax Rate | 21% | | 21% |
| 17 | Effect on Federal income tax expense | \$ (4,839) | \$ 2,419 | \$ (2,420) |
| 18 | Total Taxes | \$ (6,761) | \$ 3,380 | \$ (3,381) |
| 19 | Impact to Net Operating Income | \$ (18,206) | \$ 9,104 | \$ (9,103) |

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 18

Interest Synchronization

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | Rate Base | \$ 36,091,050 | (6,759,817) | 29,331,233 |
| 2 | Interest Component of Rate of Return | 2.5900% | | 2.5900% |
| 3 | Interest Attributable to Rate Base | 934,758 | | 759,679 |
| 4 | NH Income Tax | 7.70% | | 7.70% |
| 5 | Effect on NH income tax expense | \$ (71,976) | \$ 13,481 | \$ (58,495) |
| 6 | Federal Taxable | \$ 862,782 | | \$ 701,184 |
| 7 | Federal Income Tax Rate | 21% | | 21% |
| 8 | Effect on Federal income tax expense | \$ (181,184) | \$ 33,935 | \$ (147,249) |
| 9 | Total Taxes | \$ (253,160) | \$ 47,416 | \$ (205,744) |
| 10 | Impact to Net Operating Income | \$ 253,160 | \$ (47,416) | \$ 205,744 |
| 11 | Weighted Cost | | | |
| 12 | Long-Term Debt | 2.5900% | | 2.5900% |
| 13 | Short-Term Debt | 0.0000% | | 0.0000% |
| 14 | Interest Component of Rate of Return | 2.5900% | | 2.5900% |

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Aquarion Water Company of New Hampshire, Inc.

Adjustment 19

Shared facility flow through due to reduction of CS and IT labor cost

| Line | Description | Company Proposed (A) | Adjustment (B) | Adjusted Amount (C) |
|------|---------------------------------------|----------------------------|-------------------|---------------------------|
| 1 | Shared facility | \$ 46,737 | \$ (797) | \$ 45,940 |
| 2 | NH Income Tax | 7.70% | | 7.70% |
| 3 | Effect on NH income tax expense | <u>\$ (3,599)</u> | <u>\$ 62</u> | <u>\$ (3,537)</u> |
| 4 | Federal Taxable | \$ 43,138 | | \$ 42,403 |
| 5 | Federal Income Tax Rate | 21% | | 21% |
| 6 | Effect on Federal income tax expense | <u>\$ (9,059)</u> | <u>\$ 154</u> | <u>\$ (8,905)</u> |
| 7 | Total Taxes | <u>\$ (12,658)</u> | <u>\$ 216</u> | <u>\$ (12,442)</u> |
| 8 | Impact to Net Operating Income | <u>\$ (34,079)</u> | <u>\$ 581</u> | <u>\$ (33,498)</u> |
