

Aquarion Water Company of New Hampshire  
Step Adjustment Updated Filing

Docket No. 20-184

| CALCULATION OF STEP ADJUSTMENT |  | DOE 6-9<br>Attachment 1          | Settlement<br>Agreement<br>Appendix 4 | Change        | Comments          |
|--------------------------------|--|----------------------------------|---------------------------------------|---------------|-------------------|
| Line                           | Schedule Ref.  |                                  |                                       |               |                   |
| 1                              |  |                                  |                                       |               |                   |
| 2                              | Total non revenue plant additions for 2020 and 2021                              | Page 3, line 30, column D        | \$ 13,143,086                         | \$ 13,143,086 | \$ -              |
| 3                              | Exclude pending receipt of grant from allowed return on investment               | Page 3, lines 9 and 10, column I | \$ (1,769,509)                        | \$ (428,250)  | (1,341,259)       |
| 4                              | Exclude cost of main extension contributed and other adjustment                  | Page 3, line 13, column F        | \$ (266,122)                          | \$ (264,122)  | (2,000)           |
| 5                              | Exclude adjustment from Audit review   | Page 3, line 25, column F        | \$ (97,447)                           |               | (97,447)          |
| 6                              | Accumulated Depreciation   | Page 3, line 30, column H        | \$ (329,431)                          | \$ (356,134)  | 26,703            |
| 7                              |  |                                  |                                       |               |                   |
| 8                              | Net Plant Additions  |                                  | \$ 10,680,576                         | \$ 12,094,580 | \$ (1,414,004)    |
| 9                              |  |                                  |                                       |               |                   |
| 10                             | Allowed Return on Rate Base  |                                  | 7.54%                                 | 7.54%         |                   |
| 11                             |  |                                  |                                       |               |                   |
| 12                             | Allowed Return on Investment   | Line 8 x Line 10                 | \$ 805,315                            | \$ 911,931    | (106,616)         |
| 13                             |  |                                  |                                       |               |                   |
| 14                             | Income Tax on Equity Component   |                                  |                                       |               |                   |
| 15                             |  |                                  |                                       |               |                   |
| 16                             |  | (a)                              | (b)                                   | (c)           | (d)               |
| 17                             |  | Weighted                         | Tax                                   | Pre tax       | Tax Gross Up      |
| 18                             |  | Cost                             | Multiplier                            | Cost          | Col (c) - Col (a) |
| 19                             |  |                                  |                                       |               |                   |
| 20                             | Debt   | 2.59%                            | 1.00                                  | 2.59%         | 0.00%             |
| 21                             | Equity   | 4.95%                            | 1.37                                  | 6.79%         | 1.84%             |
| 22                             |  |                                  |                                       |               |                   |
| 23                             |  | 7.54%                            |                                       | 9.38%         | 1.84%             |
| 24                             |  |                                  |                                       |               |                   |
| 25                             | Total Eligible Investment  |                                  | \$ 10,680,576                         | Line 8        |                   |
| 26                             |  |                                  |                                       |               |                   |
| 27                             |  |                                  |                                       |               |                   |
| 28                             | Income Tax Expense   | Line 23 (d) x Line 25            | 196,523                               | 222,540       | (26,017)          |
| 29                             |  |                                  |                                       |               |                   |
| 30                             | Depreciation Expense   | Page 3, Line 28, Column H        | 250,009                               | 309,418       | (59,409)          |
| 31                             |  |                                  |                                       |               |                   |
| 32                             | Property Tax Expense   | Page 3, Line 28, Column K        | 76,241                                | 73,105        | 3,136             |
| 33                             |  |                                  |                                       |               |                   |
| 34                             | Revenue requirement for payroll increase and payroll benefits                    |                                  |                                       |               |                   |
| 35                             | effective April 2021 per Settlement Agreement                                    |                                  | -                                     | 44,442        | (44,442)          |
| 36                             |  |                                  |                                       |               |                   |
| 37                             | Total revenue requirement for step adjustment (Line 10 + Lines 27 though 33)     |                                  | \$ 1,328,088                          | \$ 1,561,436  | \$ (233,348)      |
| 38                             |  |                                  |                                       |               |                   |
| 39                             |  |                                  |                                       |               |                   |
| 40                             | Total Approved water revenue per Docket 20-184                                   |                                  | \$ 7,311,566                          | \$ 7,311,566  |                   |
| 41                             | Exclude: Misc revenues   |                                  | (221,244)                             | (227,665)     |                   |
| 42                             | Revenues step adjustment to be applied against                                   |                                  | \$ 7,090,322                          | \$ 7,083,901  |                   |
| 43                             |  |                                  |                                       |               |                   |
| 44                             | Step adjustment as % of allowed water revenue per perm rates (line 37 / line 42) |                                  | 18.73%                                | 22.04%        | -3.31%            |

000008

Aquarion Water Company of New Hampshire  
Step Adjustment Filing Update  
Non-Revenue Generating Plant Additions for Year 2020

Docket No. 20-184

| Line No. | A<br>NH PUC Code      | B<br>Depr Rate | C<br>Plant Description                         | D<br>Capital Costs | E<br>Retirements | F<br>Adjustments | G<br>Audit Adjustment | H = (D-E-F)*B<br>Depreciation Expense | I = (D-E-F)*K/100*1.5<br>Accumulated Depreciation | J<br>State Rate | K = (D-E-F-G)/1000*H<br>Property Tax Expense | L<br>Depr Rate for 2020-2021 |
|----------|-----------------------|----------------|--|--------------------|------------------|------------------|-----------------------|---------------------------------------|---|-----------------|--|------------------------------|
| 1        | <b>2020 Additions</b> |                |  |                    |                  |                  |                       |                                       |   |                 |  |                              |
| 2        |                       |                |  |                    |                  |                  |                       |                                       |   |                 |  |                              |
| 3        | 303                   | 0.00%          | Source Land and Land Rights                    | \$ 193,875.00      | \$ -             |                  |                       | \$ -                                  | \$ -  | 6.60            | \$ 1,280                                     | -                            |
| 4        | 304                   | 2.50%          | Structures and Improvements                    | \$ 23,565.01       | \$ 27,924        |                  |                       | \$ (109)                              | \$ (180)  | 6.60            | \$ (28)                                      | 2.75                         |
| 5        | 307                   | 3.49%          | Wells and Springs                              | \$ 1,316,321.93    | \$ 65,387        |                  |                       | \$ 43,658                             | \$ 65,674   | 6.60            | \$ 7,823                                     | 3.50                         |
| 6        | 311                   | 4.20%          | Pumping Equipment                              | \$ 85,946.40       | \$ 70,957        |                  |                       | \$ 630                                | \$ 771  | 6.60            | \$ 94  | 3.43                         |
| 7        | 339                   | 4.33%          | Other Water Source Plant - 2008 and prior      | \$ -               | \$ 72,502        |                  |                       | \$ (3,139)                            | \$ (5,438)  | 6.60            | \$ (443)                                     | 5.00                         |
| 8        | 339                   | 5.00%          | Other Water Source Plant - 2009 and subsequent | \$ 12,538.69       | \$ -             |                  |                       | \$ 627                                | \$ 940  | 6.60            | \$ 77  | 5.00                         |
| 9        | 304                   | 2.50%          | Treatment Structures and Improvements          | \$ 851,538.00      | \$ -             |                  |                       | \$ 21,288                             | \$ 35,126   | 6.60            | \$ 5,388                                     | 2.75                         |
| 10       | 320                   | 4.00%          | Treatment Equipment                            | \$ 2,160,062.97    | \$ 1,635         |                  | \$ 15,561             | \$ 85,715                             | \$ 112,501  | 6.60            | \$ 13,503                                    | 3.50                         |
| 11       | 304                   | 2.50%          | T&D Structures and Improvements                | \$ 8,731.20        | \$ -             |                  |                       | \$ 218                                | \$ 360  | 6.60            | \$ 55  | 2.75                         |
| 12       | 330                   | 1.85%          | Distribution Reservoirs and Standpipes         | \$ 5,071.73        | \$ -             |                  |                       | \$ 94                                 | \$ 152  | 6.60            | \$ 32  | 2.00                         |
| 13       | 331                   | 1.24%          | Transmission and Distribution Mains            | \$ 3,689,335.48    | \$ 142,429       |                  |                       | \$ 43,982                             | \$ 63,844   | 6.60            | \$ 22,988                                    | 1.20                         |
| 14       | 333                   | 2.33%          | Services                                       | \$ 172,741.76      | \$ -             |                  |                       | \$ 4,025                              | \$ 4,794  | 6.60            | \$ 1,108                                     | 1.85                         |
| 15       | 334                   | 6.34%          | Meters   | \$ 88,277.55       | \$ 191,153       |                  |                       | \$ (6,522)                            | \$ (5,864)  | 6.60            | \$ (640)                                     | 3.80                         |
| 16       | 335                   | 2.22%          | Hydrants                                       | \$ 8,100.06        | \$ -             |                  |                       | \$ 180                                | \$ 292  | 6.60            | \$ 52  | 2.40                         |
| 17       | 339                   | 3.33%          | Other T&D Plant                                | \$ -               | \$ 3,741         |                  |                       | \$ (125)                              | \$ (281)  | 6.60            | \$ (23)                                      | 5.00                         |
| 18       | 340                   | 5.00%          | Office Furniture and Equipment                 | \$ 2,316.01        | \$ -             |                  |                       | \$ 116                                | \$ 259  | 6.60            | \$ 14  | 7.46                         |
| 19       | 340                   | 20.00%         | Computer Equipment - Hardware                  | \$ 65,247.53       | \$ 238           |                  |                       | \$ 13,002                             | \$ 19,503   | 6.60            | \$ 300                                       | 20.00                        |
| 20       | 340                   | 20.00%         | Computer Equipment - Software                  | \$ 40,253.10       | \$ -             |                  |                       | \$ 8,051                              | \$ 12,076   | 6.60            | \$ 186                                       | 20.00                        |
| 21       | 341                   | 9.50%          | Transportation Equipment                       | \$ 43,022.29       | \$ 28,945        |                  |                       | \$ 1,337                              | \$ 2,375  | 6.60            | \$ 77  | 11.25                        |
| 22       | 343                   | 5.00%          | Tools, Shop, and Garage Equipment              | \$ 1,344.19        | \$ 9,893         |                  |                       | \$ (427)                              | \$ (641)  | 6.60            | \$ (52)                                      | 5.00                         |
| 23       | 347                   | 6.67%          | Miscellaneous Equipment                        | \$ 83,560.36       | \$ 1,635         |                  |                       | \$ 5,464                              | \$ 8,197  | 6.60            | \$ 487                                       | 6.67                         |
| 24       |                       |                |  |                    |                  |                  |                       |                                       |   |                 |  |                              |
| 25       |                       |                |  |                    |                  |                  |                       |                                       |   |                 | \$ 52,278                                    |                              |
| 26       |                       |                |  |                    |                  |                  |                       |                                       |   |                 |  |                              |
|          |                       |                |  | \$ 8,851,849.26    | \$ 616,441.07    | \$ -             | \$ 15,561             | \$ 218,063                            | \$ 314,461  |                 |  |                              |

Aquarion Water Company of New Hampshire  
Step Adjustment Filing Update  
Non-Revenue Generating Plant Additions for Year 2021

Docket No. 20-184

| Line No. | A<br>NH PUC Code             | B<br>Depr Rate | C<br>Plant Description                         | D<br>Capital Costs   | E<br>Retirements    | F<br>Adjustment             | G<br>Audit Adjustment | H = (D-E-F-G)*B<br>Depreciation Expense | I = (D-E-F-G)*K/100*0.5<br>Accumulated Depreciation | J<br>State Rate | K = (D-E-F-G)/1000*H<br>Property Tax Expense | L<br>Depr Rate for 2020-2021 |
|----------|------------------------------|----------------|--|----------------------|---------------------|-----------------------------|-----------------------|---|---|-----------------|--|------------------------------|
| 1        | <b><u>2021 Additions</u></b> |                |  |                      |                     |                             |                       |   |   |                 |  |                              |
| 2        |                              |                |  |                      |                     |                             |                       |   |   |                 |  |                              |
| 3        | 303                          | 0.00%          | Source Land and Land Rights                    | \$ 1,940             | \$ -                |                             |                       | \$ -                                    | \$ -  | 6.60            | \$ 13  | -                            |
| 4        | 304                          | 2.50%          | Structures and Improvements                    | \$ 57,173            | \$ -                |                             |                       | \$ 1,429                                | \$ 786  | 6.60            | \$ 372                                       | 2.75                         |
| 5        | 307                          | 3.49%          | Wells and Springs                              | \$ 31,236            | \$ 54,073           |                             |                       | \$ (797)                                | \$ (400)  | 6.60            | \$ (148)                                     | 3.50                         |
| 6        | 311                          | 4.20%          | Pumping Equipment                              | \$ 55,389            | \$ 70,377           |                             |                       | \$ (630)                                | \$ (257)  | 6.60            | \$ (97)                                      | 3.43                         |
| 7        | 339                          | 4.33%          | Other Water Source Plant - 2008 and prior      | \$ -                 | \$ 14,520           |                             |                       | \$ (629)                                | \$ (363)  | 6.60            | \$ (93)                                      | 5.00                         |
| 8        | 339                          | 5.00%          | Other Water Source Plant - 2009 and subsequent | \$ 9,223             |                     |                             |                       | \$ 461                                  | \$ 231  | 6.60            | \$ 59  | 5.00                         |
| 9        | 304                          | 2.50%          | Treatment Structures and Improvements          | \$ 576,504           | \$ 54,644           | \$ 553,387 <sup>(1)</sup>   | \$ 8,714              | \$ (1,006)                              | \$ (553)  | 6.60            | \$ 3,390                                     | 2.75                         |
| 10       | 320                          | 4.00%          | Treatment Equipment                            | \$ 1,504,446         | \$ 1,672            | \$ 1,216,122 <sup>(1)</sup> | \$ 73,045             | \$ 8,544                                | \$ 3,738  | 6.60            | \$ 9,412                                     | 3.50                         |
| 11       | 304                          | 2.50%          | T&D Structures and Improvements                | \$ -                 | \$ -                |                             |                       | \$ -                                    | \$ -  | 6.60            | \$ -   | 2.75                         |
| 12       | 330                          | 1.85%          | Distribution Reservoirs and Standpipes         | \$ 2,534             | \$ -                |                             |                       | \$ 47                                   | \$ 25   | 6.60            | \$ 17  | 2.00                         |
| 13       | 331                          | 1.24%          | Transmission and Distribution Mains            | \$ 1,731,470         | \$ 143,569          | \$ 266,122 <sup>(2)</sup>   |                       | \$ 16,390                               | \$ 7,931  | 6.60            | \$ 10,428                                    | 1.20                         |
| 14       | 333                          | 2.33%          | Services                                       | \$ 80,884            | \$ 50,997           |                             | \$ 127                | \$ 693                                  | \$ 275  | 6.60            | \$ 195                                       | 1.85                         |
| 15       | 334                          | 6.34%          | Meters   | \$ 150,329           | \$ 161,995          |                             |                       | \$ (739)                                | \$ (222)  | 6.60            | \$ (76)                                      | 3.80                         |
| 16       | 335                          | 2.22%          | Hydrants                                       | \$ (31,555)          | \$ -                |                             |                       | \$ (701)                                | \$ (379)  | 6.60            | \$ (206)                                     | 2.40                         |
| 17       | 339                          | 3.33%          | Other T&D Plant                                | \$ 47,809            | \$ -                |                             |                       | \$ 1,592                                | \$ 1,195  | 6.60            | \$ 308                                       | 5.00                         |
| 18       | 340                          | 5.00%          | Office Furniture and Equipment                 | \$ -                 | \$ -                |                             |                       | \$ -                                    | \$ -  | 6.60            | \$ -   | 7.46                         |
| 19       | 340                          | 20.00%         | Computer Equipment - Hardware                  | \$ 16,604            | \$ -                |                             |                       | \$ 3,321                                | \$ 1,660  | 6.60            | \$ 99  | 20.00                        |
| 20       | 340                          | 20.00%         | Computer Equipment - Software                  | \$ 23,620            | \$ -                |                             |                       | \$ 4,724                                | \$ 2,362  | 6.60            | \$ 140                                       | 20.00                        |
| 21       | 341                          | 9.50%          | Transportation Equipment                       | \$ (78,035)          | \$ -                |                             |                       | \$ (7,413)                              | \$ (4,389)  | 6.60            | \$ (486)                                     | 11.25                        |
| 22       | 345                          | 6.67%          | Power Operated Equipment                       | \$ -                 | \$ 11,845           |                             |                       | \$ (790)                                | \$ (395)  | 6.60            | \$ (76)                                      | 6.67                         |
| 23       | 347                          | 6.67%          | Miscellaneous Equipment                        | \$ 111,666           | \$ -                |                             |                       | \$ 7,448                                | \$ 3,724  | 6.60            | \$ 712                                       | 6.67                         |
| 24       |                              |                |  |                      |                     |                             |                       |   |   |                 |  |                              |
| 25       |                              |                |  | \$ 4,291,237         | \$ 563,692          | \$ 2,035,631                | \$ 81,886             | \$ 31,945                               | \$ 14,970   |                 | \$ 23,963                                    |                              |
| 26       |                              |                |  |                      |                     |                             |                       |   |   |                 |  |                              |
| 27       |                              |                |  |                      |                     |                             |                       |   |   |                 |  |                              |
| 28       | <b>2020 and 2021 TOTAL</b>   |                |  | <b>\$ 13,143,086</b> | <b>\$ 1,180,133</b> | <b>\$ 2,035,631</b>         | <b>\$ 97,447</b>      | <b>\$ 250,009</b>                       | <b>\$ 329,431</b>                                   |                 | <b>\$ 76,241</b>                             |                              |

<sup>(1)</sup> Receipt of a grant from Drinking Water and Groundwater Trust Fund ("DWGTF") for the amount of \$428,250 and pending receipt of second grant from Department of Environmental Services ("NHDES") for \$1,341,259 for a total of \$1,769,509.

<sup>(2)</sup> Contribution from developer (WBS EN230-2020-002): \$247,465 and project closed in error in 2021 (WBS ER230-2019-007): \$18,657

<sup>(3)</sup> Retirement for meters of \$161,995 should have been recorded for year 2021. The amount was posted in June 2022.

| <b><u>PFAS Well #6</u></b> |   |                          |                     |                       |                     |                         |
|----------------------------|---|--------------------------|---------------------|-----------------------|---------------------|-------------------------|
| Line                       | NHPUC                                   | WBS #                    | Original filing     | Audit Issue<br>#2 Adj | Audit Report        | Adjustment<br>for Grant |
| 1                          | 304                                     | XC230-2020-003-D03       | \$ 242,601          | \$ -                  | \$ 242,601          |                         |
| 2                          | 304                                     | XC230-2020-003-E04-331   | 333,903             | (8,714)               | 325,189             |                         |
| 3                          | 320                                     | XC230-2020-003-E04-332   | 1,320,673           | (73,045)              | 1,247,628           |                         |
| 4                          | 340                                     | XC230-2020-003-E04-91S   | 146                 | -                     | 146                 |                         |
| 5                          |   |                          | <u>\$ 1,897,323</u> | <u>\$ (81,759)</u>    | <u>\$ 1,815,564</u> |                         |
| 6                          |   |                          |                     |                       |                     |                         |
| 7                          | 304                                     | Adjustment [Lines 1 + 2] | 576,504             | (8,714)               | 567,790             | (553,387)               |
| 8                          | 320                                     | Adjustment [Lines 3 + 4] | 1,320,819           | (73,045)              | 1,247,774           | (1,216,122)             |
| 9                          |   |                          | <u>\$ 1,897,323</u> | <u>\$ (81,759)</u>    | <u>\$ 1,815,564</u> | <u>\$ (1,769,509)</u>   |
| 10                         |   |                          |                     |                       |                     |                         |
| 11                         | <b><u>WTP Centralized Treatment</u></b> |                          |                     |                       |                     |                         |
| 12                         | 320                                     | XC230-2016-004-E04-332   | \$ 1,044,838        | \$ (15,561)           | \$ 1,029,277        |                         |
| 13                         |   |                          |                     |                       |                     |                         |
| 14                         | <b><u>New Fire Service</u></b>          |                          |                     |                       |                     |                         |
| 15                         | 333                                     | SN230-0000-00100         | \$ 127              | \$ (127)              | \$ -                |                         |
| 16                         |   |                          |                     |                       |                     |                         |
| 17                         | <b>Total Audit Adjustments</b>          |                          | <b>\$ 2,942,288</b> | <b>\$ (97,447)</b>    | <b>\$ 2,844,841</b> |                         |

## REPORT OF PROPOSED RATE CHANGES (PERM RATES, PERM RATES WITH STEP INCREASE)

Aquarion Water Company of New Hampshire, Inc.  
Docket No. DW 20-184

Test Year: Twelve Months Ended 12/31/19  
Page 1 of 1

| Line |          | Rate/Class<br>of Service | Est. Annual Revenue |                    | Change with Perm Rates |          | Est. Annual Revenue          |              | Change with Step Increase |          |
|------|----------|--------------------------|---------------------|--------------------|------------------------|----------|------------------------------|--------------|---------------------------|----------|
| No.  | Schedule |                          | Present<br>Rates    | Permanent<br>Rates | Amount                 | % Change | Permanent with Step<br>Rates |              | Amount                    | % Change |
| 1    |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 2    |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 3    | 5B.step  | Residential              | \$ 4,202,086        | \$ 4,076,608       | \$ (125,478)           | -3.0%    | \$ 4,840,519                 | \$ 763,911   | 18.7%                     |          |
| 4    | 5C.step  | Commercial               | 1,263,852           | 1,210,840          | (53,012)               | -4.2%    | 1,437,729                    | 226,888      | 18.7%                     |          |
| 5    | 5D.step  | Industrial               | 9,150               | 8,893              | (258)                  | -2.8%    | 10,559                       | 1,666        | 18.7%                     |          |
| 6    | 5E.step  | Public Authority         | 112,266             | 106,402            | (5,864)                | -5.2%    | 126,339                      | 19,937       | 18.7%                     |          |
| 7    | 5F.step  | Seasonal                 | 424,134             | 379,214            | (44,920)               | -10.6%   | 450,247                      | 71,033       | 18.7%                     |          |
| 9    | 5G.step  | Public Fire              | 926,116             | 909,295            | (16,820)               | -1.8%    | 1,079,605                    | 170,310      | 18.7%                     |          |
| 8    | 5H.step  | Private Fire             | 457,261             | 399,432            | (57,829)               | -12.6%   | 474,250                      | 74,817       | 18.7%                     |          |
| 10   | 5I.step  | Miscellaneous revenue    | 221,927             | 221,244            | (683)                  | -0.3%    | 221,244                      | -            | 0.0%                      |          |
| 11   |          | Adj for Rate Design      |                     | (362)              | (362)                  |          | (837)                        | (475)        |                           |          |
| 12   |          |                          | \$ 7,616,793        | \$ 7,311,566       | \$ (305,227)           | -4.0%    | \$ 8,639,654                 | \$ 1,328,088 | 18.2%                     |          |
| 13   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 14   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 15   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 16   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 17   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 18   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 19   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 20   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 21   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 22   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 23   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 24   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 25   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 26   |          |                          |                     |                    |                        |          |                              |              |                           |          |
| 27   |          |                          |                     |                    |                        |          |                              |              |                           |          |

Donald J. Morrissey

---

President

---

**BILL ANALYSIS - TOTAL METERED**

**Docket No. DW 20-184**  
**Schedule No. 5A.Step**  
**Page 1 of 1**

| Line No. | Class/Description        | Sales (100CF) | Present Rates |                    | Perm Rates    |                    | Dollar Change | Total Revenue % Change | Perm Rates w Step |                    | Dollar Change | Total Revenue % Change |
|----------|--------------------------|---------------|---------------|--------------------|---------------|--------------------|---------------|------------------------|-------------------|--------------------|---------------|------------------------|
|          |                          |               | Total Revenue | % Revenue to Total | Total Revenue | % Revenue to Total |               |                        | Total Revenue     | % Revenue to Total |               |                        |
| 1        | Monthly Billing:         |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 2        | Residential              | 528,517       | \$4,202,086   | 55.2%              | \$4,076,608   | 55.76%             | \$ (125,478)  | -3.0%                  | \$4,840,519       | 56.03%             | \$ 763,911    | 18.7%                  |
| 3        | Commercial               | 196,168       | 1,263,852     | 16.6%              | 1,210,840     | 16.56%             | (53,012)      | -4.2%                  | 1,437,729         | 16.64%             | 226,888       | 18.7%                  |
| 4        | Industrial               | 1,584         | 9,150         | 0.1%               | 8,893         | 0.12%              | (258)         | -2.8%                  | 10,559            | 0.12%              | 1,666         | 18.7%                  |
| 5        | Other Public Authority   | 16,933        | 112,266       | 1.5%               | 106,402       | 1.46%              | (5,864)       | -5.2%                  | 126,339           | 1.46%              | 19,937        | 18.7%                  |
| 6        | Public Fire              |               | 926,116       | 12.2%              | 909,295       | 12.44%             | (16,820)      | -1.8%                  | 1,079,605         | 12.50%             | 170,310       | 18.7%                  |
| 7        | Private Fire             |               | 457,261       | 6.0%               | 399,432       | 5.46%              | (57,829)      | -12.6%                 | 474,250           | 5.49%              | 74,817        | 18.7%                  |
| 8        |                          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 9        | Seasonal Billing:        |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 10       | Residential              | 18,523        | 273,634       | 3.6%               | 234,679       | 3.21%              | (38,955)      | -14.2%                 | 278,639           | 3.23%              | 43,960        | 18.7%                  |
| 11       | Commercial               | 16,449        | 126,406       | 1.7%               | 123,295       | 1.69%              | (3,111)       | -2.5%                  | 146,390           | 1.69%              | 23,095        | 18.7%                  |
| 12       | Public Authority         | 1,989         | 24,094        | 0.3%               | 21,240        | 0.29%              | (2,853)       | -11.8%                 | 25,219            | 0.29%              | 3,978         | 18.7%                  |
| 13       | Total                    |               | \$7,394,866   | 97.1%              | \$7,090,684   | 96.98%             | \$ (304,181)  | -4.1%                  | \$8,419,247       | 97.45%             | \$1,328,563   | 18.7%                  |
| 14       |                          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 15       | Pro Forma Other          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 16       | Late Payment Fee         |               | \$ 31,027     | 0.4%               | \$ 30,344     | 0.42%              | \$ (683)      | -2.2%                  | \$ 30,344         | 0.35%              | \$ -          |                        |
| 17       | Antenna Rental Income    |               | 163,511       | 2.1%               | 163,511       | 2.24%              | -             |                        | 163,511           | 1.89%              | -             |                        |
| 18       | Misc. Operating Revenues |               | 27,389        | 0.4%               | 27,389        | 0.37%              | -             |                        | 27,389            | 0.32%              | -             |                        |
| 19       |                          |               | \$ 221,927    | 2.9%               | \$ 221,244    | 3.03%              | \$ (683)      | -0.3%                  | \$ 221,244        | 2.56%              | \$ -          |                        |
| 20       |                          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 21       | Adj. for rate design     |               |               |                    | \$ (362)      | 0.00%              | \$ (362)      |                        | \$ (837)          | -0.01%             | \$ (475)      |                        |
| 22       |                          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 23       | Pro Forma Total          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 24       | Operating Revenues       |               | \$7,616,793   | 100.0%             | \$7,311,566   | 100.00%            | \$ (305,227)  | -4.0%                  | \$8,639,654       | 100.00%            | \$1,328,088   | 18.2%                  |
| 25       |                          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 26       |                          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 27       |                          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 28       |                          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |
| 29       |                          |               |               |                    |               |                    |               |                        |                   |                    |               |                        |

**BILL ANALYSIS - RESIDENTIAL**

**Docket No. DW 20-184**  
**Schedule No. 5B.Step**  
**Page 1 of 1**

18.73% Step increase

| Line No. | Class/Description            | Customer Meter Billings | Sales (100CF)  | Current Rate | Total Revenue       | % Revenue To Total | Permanent Rate | Total Revenue       | % Revenue To Total | Dollar Change       | Total Revenue % Change | Perm Rate w Step | Total Revenue       | % Revenue To Total | Dollar Change     | Total Revenue % Change |
|----------|------------------------------|-------------------------|----------------|--------------|---------------------|--------------------|----------------|---------------------|--------------------|---------------------|------------------------|------------------|---------------------|--------------------|-------------------|------------------------|
| 1        |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 2        | Residential:                 |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 3        | <b>Service Charge</b>        |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 4        | 5/8" Monthly                 | 87,993.0                |                | \$ 15.60     | \$ 1,372,691        | 30.7%              | \$ 15.37       | \$ 1,352,452        | 31.37%             | (20,238)            | -1.5%                  | \$ 18.25         | \$ 1,605,872        | 31.37%             | \$ 253,420        | 18.7%                  |
| 5        | 3/4" Monthly                 | -                       |                | \$ 23.40     | -                   | 0.0%               | \$ 21.37       | -                   | 0.00%              | -                   | 0.0%                   | \$ 25.37         | -                   | 0.00%              | -                 | 0.0%                   |
| 6        | 1" Monthly                   | 1,927.0                 |                | \$ 39.01     | 75,172              | 1.7%               | \$ 33.37       | 64,304              | 1.49%              | (10,868)            | -14.5%                 | \$ 39.62         | 76,348              | 1.49%              | 12,044            | 18.7%                  |
| 7        | 1 1/2" Monthly               | 317.0                   |                | \$ 78.05     | 24,742              | 0.6%               | \$ 63.37       | 20,088              | 0.47%              | (4,654)             | -18.8%                 | \$ 75.24         | 23,851              | 0.47%              | 3,763             | 18.7%                  |
| 8        | 2" Monthly                   | 312.0                   |                | \$ 124.87    | 38,959              | 0.9%               | \$ 99.37       | 31,003              | 0.72%              | (7,956)             | -20.4%                 | \$ 117.98        | 36,810              | 0.72%              | 5,806             | 18.7%                  |
| 9        |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 10       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 11       | <b>Volumetric Charges</b>    |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 12       | > Per CCF                    |                         | 528,517        | \$ 4.536     | \$ 2,397,353        | 53.6%              | \$ 4.936       | \$ 2,608,760        | 60.51%             | 211,407             | 8.8%                   | \$ 5.861         | \$ 3,097,638        | 60.51%             | \$ 488,878        | 18.7%                  |
| 13       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 14       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 15       | WICA - Test Year             |                         |                | 6.8661%      | \$ 268,390          | 6.0%               | \$ -           | -                   | 0.00%              | (268,390)           | -100.0%                | \$ -             | -                   | 0.00%              | \$ -              | 0.0%                   |
| 16       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 17       | WICA - 2020                  |                         |                | 0.6339%      | \$ 24,779           | 0.6%               | \$ -           | -                   | 0.00%              | (24,779)            | -100.0%                | \$ -             | -                   | 0.00%              | \$ -              | 0.0%                   |
| 18       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 19       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 20       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 21       | Per Bill Analysis            |                         | <u>528,517</u> |              | <u>\$ 4,202,086</u> | 93.9%              |                | <u>\$ 4,076,608</u> | <u>94.56%</u>      | <u>(125,478)</u>    | -3.0%                  |                  | <u>\$ 4,840,519</u> | <u>94.56%</u>      | <u>\$ 763,911</u> | 18.7%                  |
| 22       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 23       | Seasonal Yield (See 5F.step) |                         | 18,523         |              | 273,634             | 6.1%               |                | 234,679             | 5.44%              | (38,955)            | -14.2%                 |                  | 278,639             | 5.44%              | 43,960            | 18.7%                  |
| 24       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 25       | Total                        |                         | <u>547,040</u> |              | <u>\$ 4,475,720</u> | 100.0%             |                | <u>\$ 4,311,287</u> | <u>100.00%</u>     | <u>\$ (164,433)</u> | -3.7%                  |                  | <u>\$ 5,119,158</u> | <u>100.00%</u>     | <u>\$ 807,871</u> | 18.7%                  |
| 26       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |
| 27       |                              |                         |                |              |                     |                    |                |                     |                    |                     |                        |                  |                     |                    |                   |                        |

**BILL ANALYSIS - COMMERCIAL**

**Docket No. DW 20-184**  
**Schedule No. 5C.Step**  
**Page 1 of 1**

18.73% Step increase

| Line No. | Class/Description            | Customer Meter Billings | Sales (100CF)  | Current Rate | Total Revenue       | % Revenue To Total | Perm Rate | Total Revenue       | % Revenue To Total | Dollar Change      | Total Revenue % Change | Perm Rate w Step | Total Revenue       | % Revenue To Total | Dollar Change     | Total Revenue % Change |
|----------|------------------------------|-------------------------|----------------|--------------|---------------------|--------------------|-----------|---------------------|--------------------|--------------------|------------------------|------------------|---------------------|--------------------|-------------------|------------------------|
| 1        |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 2        | Commercial:                  |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 3        | <b>Service Charge</b>        |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 4        | 5/8" Monthly                 | 4,081.0                 |                | \$ 15.60     | \$ 63,664           | 4.6%               | \$ 15.37  | \$ 62,725           | 4.70%              | (939)              | -1.5%                  | \$ 18.25         | \$ 74,478           | 4.70%              | \$ 11,753         | 18.7%                  |
| 5        | 3/4" Monthly                 | -                       |                | \$ 23.40     | -                   | 0.0%               | \$ 21.37  | -                   | 0.00%              | -                  | 0.0%                   | \$ 25.37         | -                   | 0.00%              | -                 | 0.0%                   |
| 6        | 1" Monthly                   | 1,112.0                 |                | \$ 39.01     | 43,379              | 3.1%               | \$ 33.37  | 37,107              | 2.78%              | (6,272)            | -14.5%                 | \$ 39.62         | 44,057              | 2.78%              | 6,950             | 18.7%                  |
| 7        | 1 1/2" Mthly                 | 336.0                   |                | \$ 78.05     | 26,225              | 1.9%               | \$ 63.37  | 21,292              | 1.60%              | (4,932)            | -18.8%                 | \$ 75.24         | 25,281              | 1.60%              | 3,988             | 18.7%                  |
| 8        | 2" Monthly                   | 1,222.0                 |                | \$ 124.87    | 152,591             | 11.0%              | \$ 99.37  | 121,430             | 9.10%              | (31,161)           | -20.4%                 | \$ 117.98        | 144,172             | 9.10%              | 22,741            | 18.7%                  |
| 9        |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 10       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 11       | <b>Volumetric Charges</b>    |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 12       | > Per CCF                    |                         | 196,168        | \$ 4.536     | \$ 889,818          | 64.0%              | \$ 4.936  | \$ 968,285          | 72.58%             | 78,467             | 8.8%                   | \$ 5.861         | \$ 1,149,741        | 72.58%             | \$ 181,455        | 18.7%                  |
| 13       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 14       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 15       | WICA - Test Year             |                         |                | 6.8661%      | \$ 80,723           | 5.8%               |           | \$ -                | 0.00%              | (80,723)           | -100.0%                |                  | \$ -                | 0.00%              | \$ -              | 0.0%                   |
| 16       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 17       | WICA - 2020                  |                         |                | 0.6339%      | \$ 7,453            | 0.5%               |           | \$ -                | 0.00%              | (7,453)            | -100.0%                |                  | \$ -                | 0.00%              | \$ -              | 0.0%                   |
| 18       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 19       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 20       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 21       | Per Bill Analysis            |                         | <u>196,168</u> |              | <u>\$ 1,263,852</u> | 90.9%              |           | <u>\$ 1,210,840</u> | 90.76%             | <u>(53,012)</u>    | -4.2%                  |                  | <u>\$ 1,437,729</u> | 90.76%             | <u>\$ 226,888</u> | 18.7%                  |
| 22       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 23       | Seasonal Yield (See 5F.step) |                         | 16,449         |              | 126,406             | 9.1%               |           | 123,295             | 9.24%              | (3,111)            | -2.5%                  |                  | 146,390             | 9.24%              | 23,095            | 18.7%                  |
| 24       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 25       | Total                        |                         | <u>212,617</u> |              | <u>\$ 1,390,259</u> | 100.0%             |           | <u>\$ 1,334,135</u> | 100.00%            | <u>\$ (56,123)</u> | -4.0%                  |                  | <u>\$ 1,584,118</u> | 100.00%            | <u>\$ 249,983</u> | 18.7%                  |
| 26       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |
| 27       |                              |                         |                |              |                     |                    |           |                     |                    |                    |                        |                  |                     |                    |                   |                        |



**BILL ANALYSIS - INDUSTRIAL**

**Docket No. DW 20-184**  
**Schedule No. 5D.Step**  
**Page 1 of 1**

18.73% Step increase

| Line No. | Class/Description            | Customer Meter Billings | Sales (100CF) | Current Rate | Total Revenue   | % Revenue To Total | Perm Rate | Total Revenue   | % Revenue To Total | Dollar Change   | Total Revenue % Change | Perm Rate w Step | Total Revenue    | % Revenue To Total | Dollar Change   | Total Revenue % Change |
|----------|------------------------------|-------------------------|---------------|--------------|-----------------|--------------------|-----------|-----------------|--------------------|-----------------|------------------------|------------------|------------------|--------------------|-----------------|------------------------|
| 1        |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 2        | Industrial:                  |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 3        | <b>Service Charge</b>        |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 4        | 5/8" Monthly                 | 1.0                     |               | \$ 15.60     | \$ 16           | 0.2%               | \$ 15.37  | \$ 15           | 0.17%              | (0)             | -1.5%                  | \$ 18.25         | \$ 18            | 0.17%              | \$ 3            | 18.7%                  |
| 5        | 3/4" Monthly                 | -                       |               | \$ 23.40     | -               | 0.0%               | \$ 21.37  | -               | 0.00%              | -               |                        | \$ 25.37         | -                | 0.00%              | -               |                        |
| 6        | 1" Monthly                   | -                       |               | \$ 39.01     | -               | 0.0%               | \$ 33.37  | -               | 0.00%              | -               |                        | \$ 39.62         | -                | 0.00%              | -               |                        |
| 7        | 1 1/2" Monthly               | 12.0                    |               | \$ 78.05     | 937             | 10.2%              | \$ 63.37  | 760             | 8.55%              | (176)           | -18.8%                 | \$ 75.24         | 903              | 8.55%              | 142             | 18.7%                  |
| 8        | 2" Monthly                   | 3.0                     |               | \$ 124.87    | 375             | 4.1%               | \$ 99.37  | 298             | 3.35%              | (77)            | -20.4%                 | \$ 117.98        | 354              | 3.35%              | 56              | 18.7%                  |
| 9        |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 10       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 11       | <b>Volumetric Charges</b>    |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 12       | > Per CCF                    |                         | 1,584         | \$ 4.536     | \$ 7,185        | 78.5%              | \$ 4.936  | \$ 7,819        | 87.92%             | 634             | 8.8%                   | \$ 5.861         | \$ 9,284         | 87.92%             | \$ 1,465        | 18.7%                  |
| 13       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 14       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 15       | WICA - Test Year             |                         |               | 6.8661%      | \$ 584          | 6.4%               |           | \$ -            | 0.00%              | (584)           | -100.0%                |                  | \$ -             | 0.00%              | \$ -            |                        |
| 16       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 17       | WICA - 2020                  |                         |               | 0.6339%      | \$ 54           | 0.6%               |           | \$ -            | 0.00%              | (54)            | -100.0%                |                  | \$ -             | 0.00%              | \$ -            |                        |
| 18       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 19       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 20       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 21       | Per Bill Analysis            |                         | <u>1,584</u>  |              | <u>\$ 9,150</u> | <u>100.0%</u>      |           | <u>\$ 8,893</u> | <u>100.00%</u>     | <u>(258)</u>    | -2.8%                  |                  | <u>\$ 10,559</u> | <u>100.00%</u>     | <u>\$ 1,666</u> | 18.7%                  |
| 22       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 23       | Seasonal Yield (See 5F.step) |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 24       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 25       | Total                        |                         | <u>1,584</u>  |              | <u>\$ 9,150</u> | <u>100.0%</u>      |           | <u>\$ 8,893</u> | <u>100.00%</u>     | <u>\$ (258)</u> | -2.8%                  |                  | <u>\$ 10,559</u> | <u>100.00%</u>     | <u>\$ 1,666</u> | 18.7%                  |
| 26       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |
| 27       |                              |                         |               |              |                 |                    |           |                 |                    |                 |                        |                  |                  |                    |                 |                        |

**BILL ANALYSIS - PUBLIC AUTHORITY**

**Docket No. DW 20-184**  
**Schedule No. 5E.Step**  
**Page 1 of 1**

18.73% Step increase

| Line No. | Class/Description            | Customer Meter Billings | Sales (100CF) | Current Rate | Total Revenue     | % Revenue To Total | Perm Rate | Total Revenue     | % Revenue To Total | Dollar Change     | Total Revenue % Change | Perm Rate w Step | Total Revenue     | % Revenue To Total | Dollar Change    | Total Revenue % Change |
|----------|------------------------------|-------------------------|---------------|--------------|-------------------|--------------------|-----------|-------------------|--------------------|-------------------|------------------------|------------------|-------------------|--------------------|------------------|------------------------|
| 1        |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 2        | Other Public Authority       |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 3        | <b>Service Charge</b>        |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 4        | 5/8" Monthly                 | 200.0                   |               | \$ 15.60     | \$ 3,120          | 2.3%               | \$ 15.37  | \$ 3,074          | 2.41%              | (46)              | -1.5%                  | \$ 18.25         | \$ 3,650          | 2.41%              | \$ 576           | 18.7%                  |
| 5        | 3/4" Monthly                 | -                       |               | \$ 23.40     | -                 | 0.0%               | \$ 21.37  | -                 | 0.00%              | -                 |                        | \$ 25.37         | -                 | 0.00%              | -                |                        |
| 6        | 1" Monthly                   | 60.0                    |               | \$ 39.01     | 2,341             | 1.7%               | \$ 33.37  | 2,002             | 1.57%              | (338)             | -14.5%                 | \$ 39.62         | 2,377             | 1.57%              | 375              | 18.7%                  |
| 7        | 1 1/2" Monthly               | 84.0                    |               | \$ 78.05     | 6,556             | 4.8%               | \$ 63.37  | 5,323             | 4.17%              | (1,233)           | -18.8%                 | \$ 75.24         | 6,320             | 4.17%              | 997              | 18.7%                  |
| 8        | 2" Monthly                   | 125.0                   |               | \$ 124.87    | 15,609            | 11.4%              | \$ 99.37  | 12,421            | 9.73%              | (3,188)           | -20.4%                 | \$ 117.98        | 14,748            | 9.73%              | 2,326            | 18.7%                  |
| 9        |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 10       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 11       | <b>Volumetric Charges</b>    |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 12       | > First 5 CCF                |                         | 16,933        | \$ 4.536     | \$ 76,808         | 56.3%              | \$ 4.936  | \$ 83,581         | 65.48%             | 6,773             | 8.8%                   | \$ 5.861         | \$ 99,244         | 65.48%             | \$ 15,663        | 18.7%                  |
| 13       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 14       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 15       | WICA - Test Year             |                         |               | 6.8661%      | \$ 7,171          | 5.3%               |           | \$ -              | 0.00%              | (7,171)           | -100.0%                |                  | \$ -              | 0.00%              | \$ -             |                        |
| 16       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 17       | WICA - 2020                  |                         |               | 0.6339%      | \$ 662            | 0.5%               |           | \$ -              | 0.00%              | (662)             | -100.0%                |                  | \$ -              | 0.00%              | \$ -             |                        |
| 18       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 19       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 20       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 21       | Per Bill Analysis            |                         | <u>16,933</u> |              | <u>\$ 112,266</u> | <u>82.3%</u>       |           | <u>\$ 106,402</u> | <u>83.36%</u>      | <u>(5,864)</u>    | -5.2%                  |                  | <u>\$ 126,339</u> | <u>83.36%</u>      | <u>\$ 19,937</u> | 18.7%                  |
| 22       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 23       | Seasonal Yield (See 5F.step) |                         | 1,989         |              | 24,094            | 17.7%              |           | 21,240            | 16.64%             | (2,853)           | -11.8%                 |                  | 25,219            | 16.64%             | 3,978            | 18.7%                  |
| 24       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 25       | Total                        |                         | <u>18,922</u> |              | <u>\$ 136,360</u> | <u>100.0%</u>      |           | <u>\$ 127,642</u> | <u>100.00%</u>     | <u>\$ (8,718)</u> | -6.4%                  |                  | <u>\$ 151,558</u> | <u>100.00%</u>     | <u>\$ 23,916</u> | 18.7%                  |
| 26       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |
| 27       |                              |                         |               |              |                   |                    |           |                   |                    |                   |                        |                  |                   |                    |                  |                        |

BILL ANALYSIS - SEASONAL

Docket No. DW 20-184  
Schedule No. 5F.Step  
Page 1 of 1

18.73% Step increase

| Line No. | Class/Description                     | Customer Meter Billings | Sales (100CF) | Current Rate | Total Revenue | % Revenue To Total | Perm Rate   | Total Revenue | % Revenue To Total | Dollar Change | Total Revenue % Change | Perm Rate   | Total Revenue | % Revenue To Total | Dollar Change | Total Revenue % Change |
|----------|---------------------------------------|-------------------------|---------------|--------------|---------------|--------------------|-------------|---------------|--------------------|---------------|------------------------|-------------|---------------|--------------------|---------------|------------------------|
| 1        | Seasonal Residential:                 |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 2        | Service Charge                        |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 3        | 5/8"                                  | 633                     |               | \$ 234.00    | \$ 148,122    | 54.1%              | \$ 183.37   | \$ 116,073    | 49.46%             | (32,049)      | -21.6%                 | \$ 217.72   | \$ 137,817    | 49.46%             | 21,744        | 18.7%                  |
| 4        | 3/4"                                  | -                       |               | \$ 351.00    | -             |                    | \$ 274.57   | -             |                    | -             |                        | \$ 326.00   | -             |                    | -             |                        |
| 5        | 1'                                    | 4                       |               | \$ 585.15    | 2,341         | 0.9%               | \$ 454.57   | 1,818         | 0.77%              | (522)         | -22.3%                 | \$ 539.71   | 2,159         | 0.77%              | 341           | 18.7%                  |
| 6        | 1 1/2"                                | -                       |               | \$ 1,170.75  | -             |                    | \$ 903.37   | -             |                    | -             |                        | \$ 1,072.57 | -             |                    | -             |                        |
| 7        | 2"                                    | -                       |               | \$ 1,873.05  | -             |                    | \$ 1,443.37 | -             |                    | -             |                        | \$ 1,713.71 | -             |                    | -             |                        |
| 8        | Volumetric Charges                    |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 9        | > Per CCF                             |                         | 18,523        | \$ 5.619     | \$ 104,081    | 38.0%              | \$ 6.305    | \$ 116,788    | 49.76%             | 12,707        | 12.2%                  | \$ 7.486    | \$ 138,663    | 49.76%             | 21,876        | 18.7%                  |
| 10       | Total Seasonal Residential            |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 11       |                                       |                         |               |              | 254,543       |                    |             | 234,679       |                    |               |                        |             | 278,639       |                    |               |                        |
| 12       | WICA - Test Year                      |                         |               | 6.8661%      | \$ 17,477     | 6.4%               | \$ -        | -             |                    |               |                        | \$ -        | -             |                    |               |                        |
| 13       | WICA - 2020                           |                         |               | 0.6339%      | 1,614         | 0.6%               |             | -             |                    |               |                        |             | -             |                    |               |                        |
| 14       | Total Revenue                         |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 15       |                                       |                         |               |              | \$ 273,634    | 100.0%             |             | \$ 234,679    | 100.00%            |               |                        |             | \$ 278,639    | 100.00%            |               |                        |
| 16       | Seasonal Commercial                   |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 17       | Service Charge                        |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 18       | 5/8"                                  | 39                      |               | 234.00       | \$ 9,126      | 7.2%               | 183.37      | \$ 7,151      | 5.80%              | (1,975)       | -21.6%                 | 217.72      | \$ 8,491      | 3.05%              | 1,340         | 18.7%                  |
| 19       | 3/4"                                  | -                       |               | 351.00       | -             |                    | 274.57      | -             |                    | -             |                        | 326.00      | -             |                    | -             |                        |
| 20       | 1'                                    | 21                      |               | 585.15       | 12,288        | 9.7%               | 454.57      | 9,546         | 7.74%              | (2,742)       | -22.3%                 | 539.71      | 11,334        | 4.07%              | 1,788         | 18.7%                  |
| 21       | 1 1/2"                                | -                       |               | 1170.75      | -             |                    | 903.37      | -             |                    | -             |                        | 1072.57     | -             |                    | -             |                        |
| 22       | 2"                                    | 2                       |               | 1873.05      | 3,746         | 3.0%               | 1443.37     | 2,887         | 2.34%              | (859)         | -22.9%                 | 1713.71     | 3,427         | 1.23%              | 541           | 18.7%                  |
| 23       | Volumetric Charges                    |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 24       | > Per CCF                             |                         | 16,449        | 5.619        | \$ 92,427     | 73.1%              | 6.305       | \$ 103,711    | 84.12%             | 11,284        | 12.2%                  | 7.486       | \$ 123,137    | 44.19%             | 19,426        | 18.7%                  |
| 25       | Total Seasonal Commercial             |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 26       |                                       |                         |               |              | 117,587       |                    |             | 123,295       |                    |               |                        |             | 146,390       |                    |               |                        |
| 27       | WICA - Test Year                      |                         |               | 6.8661%      | \$ 8,074      | 6.4%               | \$ -        | -             |                    |               |                        | \$ -        | -             |                    |               |                        |
| 28       | WICA - 2020                           |                         |               | 0.6339%      | 745           | 0.6%               |             | -             |                    |               |                        |             | -             |                    |               |                        |
| 29       | Total Revenue                         |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 30       |                                       |                         |               |              | \$ 126,406    | 100.0%             |             | \$ 123,295    | 100.00%            |               |                        |             | \$ 146,390    | 52.54%             |               |                        |
| 31       | Seasonal Other Public Authority:      |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 32       | Service Charge                        |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 33       | 5/8"                                  | 11                      |               | 234.00       | \$ 2,574      | 10.7%              | 183.37      | \$ 2,017      | 9.50%              | (557)         | -21.6%                 | 217.72      | \$ 2,395      | 0.86%              | 378           | 18.7%                  |
| 34       | 3/4"                                  | -                       |               | 351.00       | -             |                    | 274.57      | -             |                    | -             |                        | 326.00      | -             |                    | -             |                        |
| 35       | 1'                                    | 2                       |               | 585.15       | 1,170         | 4.9%               | 454.57      | 909           | 4.28%              | (261)         | -22.3%                 | 539.71      | 1,079         | 0.39%              | 170           | 18.7%                  |
| 36       | 1 1/2"                                | -                       |               | 1170.75      | -             |                    | 903.37      | -             |                    | -             |                        | 1072.57     | -             |                    | -             |                        |
| 37       | 2"                                    | 4                       |               | 1873.05      | 7,492         | 31.1%              | 1443.37     | 5,773         | 27.18%             | (1,719)       | -22.9%                 | 1713.71     | 6,855         | 2.46%              | 1,081         | 18.7%                  |
| 38       | Volumetric Charges                    |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 39       | > Per CCF                             |                         | 1,989         | 5.619        | \$ 11,176     | 46.4%              | 6.305       | \$ 12,541     | 59.04%             | 1,364         | 12.2%                  | 7.486       | \$ 14,890     | 5.34%              | 2,349         | 18.7%                  |
| 40       | Total Seasonal Other Public Authority |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 41       |                                       |                         |               |              | 22,413        |                    |             | 21,240        |                    |               |                        |             | 25,219        |                    |               |                        |
| 42       | WICA - Test Year                      |                         |               | 6.8661%      | \$ 1,539      | 6.4%               | \$ -        | -             |                    |               |                        | \$ -        | -             |                    |               |                        |
| 43       | WICA - 2020                           |                         |               | 0.6339%      | 142           | 0.6%               |             | -             |                    |               |                        |             | -             |                    |               |                        |
| 44       | Total Revenue                         |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 45       |                                       |                         |               |              | \$ 24,094     | 100.0%             |             | \$ 21,240     | 100.00%            |               |                        |             | \$ 25,219     | 9.05%              |               |                        |
| 46       |                                       |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 47       | Service Charge                        |                         |               |              | \$ 186,859    | 44.1%              | \$ 146,175  | 38.55%        | (40,684)           | -21.8%        |                        | \$ 173,557  | 38.55%        | 27,382             | 18.7%         |                        |
| 48       | Usage charge                          |                         |               |              | 207,684       | 49.0%              |             | 233,039       | 61.45%             | 25,355        | 12.2%                  |             | 276,690       | 61.45%             | 43,651        | 18.7%                  |
| 49       | WICA                                  |                         |               |              | 29,591        | 7.0%               |             | -             |                    | (29,591)      | -100.0%                |             | -             |                    | -             |                        |
| 50       | Total Seasonal                        |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |
| 51       |                                       |                         |               |              | \$ 424,134    |                    |             | \$ 379,214    |                    | (44,920)      | -10.6%                 |             | \$ 450,247    |                    | 71,033        | 18.7%                  |
| 52       |                                       |                         |               |              |               |                    |             |               |                    |               |                        |             |               |                    |               |                        |

**BILL ANALYSIS - PUBLIC FIRE SERVICE**

**Docket No. DW 20-184**  
**Schedule No. 5G.Step**  
**Page 1 of 1**

18.73% Step increase

| Line No. | Location                                     | Number of Hydrants | Current Rates | Revenue           | Perm Rates | Revenue           | Dollar Change      | Total Revenue % Change | Perm Rates W Step | Revenue             | Dollar Change     | Total Revenue % Change |
|----------|--|--------------------|---------------|-------------------|------------|-------------------|--------------------|------------------------|-------------------|---------------------|-------------------|------------------------|
| 1        | Rates are annual                             |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 2        | <b>Public Fire Service</b>                   |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 3        |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 4        | Town of Hampton                              | 280                | 1,740.41      | \$ 487,315        | 1,836.96   | \$ 514,349        | \$ 27,034          | 5.5%                   | 2,181.02          | \$ 610,686          | \$ 96,337         | 18.7%                  |
| 5        |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 6        | Town of Hampton - WICA Test Year             |                    | 6.8661%       | 33,460            |            | -                 | (33,460)           |                        |                   | -                   | -                 |                        |
| 7        |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 8        | Town of Hampton - WICA Pro Forma 2020        |                    | 0.6339%       | 3,089             |            | -                 | (3,089)            |                        |                   | -                   | -                 |                        |
| 9        |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 10       | Town of Hampton - Subtotal                   |                    |               | \$ 523,863        |            | \$ 514,349        | \$ (9,515)         | -1.8%                  |                   | \$ 610,686          | \$ 96,337         | 18.7%                  |
| 11       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 12       | Town of North Hampton                        | 149                | 1,740.41      | \$ 259,321        | 1,836.96   | \$ 273,707        | \$ 14,386          | 5.5%                   | 2,181.02          | \$ 324,972          | \$ 51,265         | 18.7%                  |
| 13       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 14       | Town of North Hampton - WICA Test Year       |                    | 6.8661%       | 17,805            |            | -                 | (17,805)           |                        |                   | -                   | -                 |                        |
| 15       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 16       | Town of North Hampton - WICA Pro Forma 2020  |                    | 0.6339%       | 1,644             |            | -                 | (1,644)            |                        |                   | -                   | -                 |                        |
| 17       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 18       | Town of North Hampton - Subtotal             |                    |               | \$ 278,770        |            | \$ 273,707        | \$ (5,063)         | -1.8%                  |                   | \$ 324,972          | \$ 51,265         | 18.7%                  |
| 19       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 20       | Rye Beach Precinct                           | 24                 | 1,740.41      | \$ 41,770         | 1,836.96   | \$ 44,087         | \$ 2,317           | 5.5%                   | 2,181.02          | \$ 52,344           | \$ 8,257          | 18.7%                  |
| 21       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 22       | Rye Beach Precinct - WICA Test Year          |                    | 6.8661%       | 2,868             |            | -                 | (2,868)            |                        |                   | -                   | -                 |                        |
| 23       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 24       | Rye Beach Precinct - WICA Pro Forma 2020     |                    | 0.6339%       | 265               |            | -                 | (265)              |                        |                   | -                   | -                 |                        |
| 25       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 26       | Rye Beach Precinct - Subtotal                |                    |               | \$ 44,903         |            | \$ 44,087         | \$ (816)           | -1.8%                  |                   | \$ 52,344           | \$ 8,257          | 18.7%                  |
| 27       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 28       | Jenness Beach Precinct                       | 42                 | 1,740.41      | \$ 73,097         | 1,836.96   | \$ 77,152         | \$ 4,055           | 5.5%                   | 2,181.02          | \$ 91,603           | \$ 14,451         | 18.7%                  |
| 29       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 30       | Jenness Beach Precinct - WICA Test Year      |                    | 6.8661%       | 5,019             |            | -                 | (5,019)            |                        |                   | -                   | -                 |                        |
| 31       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 32       | Jenness Beach Precinct - WICA Pro Forma 2020 |                    | 0.6339%       | 463               |            | -                 | (463)              |                        |                   | -                   | -                 |                        |
| 33       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 34       | Jenness Beach Precinct - Subtotal            |                    |               | \$ 78,580         |            | \$ 77,152         | \$ (1,427)         | -1.8%                  |                   | \$ 91,603           | \$ 14,451         | 18.7%                  |
| 35       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 36       | Total Public Fire                            | <u>495</u>         |               | <u>\$ 926,116</u> |            | <u>\$ 909,295</u> | <u>\$ (16,820)</u> | -1.8%                  |                   | <u>\$ 1,079,605</u> | <u>\$ 170,310</u> | 18.7%                  |
| 37       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 38       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 39       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |
| 40       |  |                    |               |                   |            |                   |                    |                        |                   |                     |                   |                        |

**BILL ANALYSIS - PRIVATE FIRE SERVICE**

**Docket No. DW 20-184**  
**Schedule No. 5H.Step**  
**Page 1 of 1**

18.73% Step increase

| Line No. | Location                    | Number of Hydrants | Current Rates | Revenue          | Perm Rates | Revenue          | Dollar Change      | Total Revenue % Change | Annual Rates | Revenue          | Dollar Change    | Total Revenue % Change |
|----------|-----------------------------|--------------------|---------------|------------------|------------|------------------|--------------------|------------------------|--------------|------------------|------------------|------------------------|
| 1        |                             |                    | Monthly       |                  |            |                  |                    |                        |              |                  |                  |                        |
| 2        | <b>Private Fire Service</b> |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 3        |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 4        | 3" Inch or less             | 96                 | \$ 36.76      | \$ 42,348        | \$ 35.32   | \$ 40,689        | \$ (1,659)         | -3.92%                 | \$ 41.94     | \$ 48,315        | \$ 7,626         | 18.74%                 |
| 5        |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 6        | 4" Inch                     | 74                 | \$ 62.64      | 55,624           | \$ 56.35   | 50,039           | (5,586)            | -10.04%                | \$ 66.90     | 59,407           | 9,368            | 18.72%                 |
| 7        |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 8        | 6" Inch                     | 137                | \$ 149.44     | 245,679          | \$ 140.46  | 230,916          | (14,763)           | -6.01%                 | \$ 166.77    | 274,170          | 43,254           | 18.73%                 |
| 9        |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 10       | 8" Inch                     | 19                 | \$ 265.72     | 60,584           | \$ 252.60  | 57,593           | (2,991)            | -4.94%                 | \$ 299.91    | 68,379           | 10,787           | 18.73%                 |
| 11       |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 12       | 10" Inch                    | -                  | \$ 415.31     | -                | \$ 392.78  | -                | -                  |                        | \$ 466.35    | -                | -                |                        |
| 13       |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 14       | 12" Inch                    | 3                  | \$ 586.77     | 21,124           | \$ 560.99  | 20,196           | (928)              | -4.39%                 | \$ 666.06    | 23,978           | 3,783            | 18.73%                 |
| 15       |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 16       | WICA - Test Year            |                    | 6.8661%       | 29,206           |            | -                | (29,206)           | -100.00%               |              | -                | -                |                        |
| 17       |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 18       | WICA - 2012                 |                    | 0.6339%       | 2,696            |            | -                | (2,696)            | -100.00%               |              | -                | -                |                        |
| 19       |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 20       | Total Private Fire          | <u>329</u>         |               | <u>\$457,261</u> |            | <u>\$399,432</u> | <u>\$ (57,829)</u> | -12.65%                |              | <u>\$474,250</u> | <u>\$ 74,817</u> | 18.73%                 |
| 21       |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 22       |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 23       |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 24       |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |
| 25       |                             |                    |               |                  |            |                  |                    |                        |              |                  |                  |                        |

**BILL ANALYSIS - MISCELLANEOUS REVENUES**

**Docket No. DW 20-184**  
**Schedule No. 51.Step**  
**Page 1 of 1**

| Line No. | Location                            | Qty/<br>Frequency | Current<br>Rates | Revenue          | Perm<br>Rates | Revenue          | Dollar<br>Change | Total<br>Revenue<br>% Change | Perm Rates<br>W Step | Revenue          | Dollar<br>Change | Total<br>Revenue<br>% Change |
|----------|-------------------------------------|-------------------|------------------|------------------|---------------|------------------|------------------|------------------------------|----------------------|------------------|------------------|------------------------------|
| 1        |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 2        | <b>Miscellaneous Revenues</b>       |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 3        |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 4        |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 5        |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 6        | Late Payment                        |                   | 5.00%            | \$ 31,027        | 5.00%         | \$ 30,344        | \$ (683)         | -2.2%                        | 5.00%                | \$ 30,344        | \$ -             | 0.0%                         |
| 7        |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 8        | Turn on Charge - Reg Business Hours | 745               | \$ 44            | 32,780           | \$ 44         | 32,780           |                  |                              | \$ 44                | 32,780           |                  |                              |
| 9        |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 10       | Turn on Charge - After Hours        | 7                 | \$ 75            | 525              | \$ 75         | 525              |                  |                              | \$ 75                | 525              |                  |                              |
| 11       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 12       | Antenna Lease - Cingular            | 1                 | \$ 40,904        | 40,904           | \$ 40,904     | 40,904           |                  |                              | \$ 40,904            | 40,904           |                  |                              |
| 13       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 14       | Antenna Lease - Verizon, Exeter     | 1                 | \$ 36,743        | 36,743           | \$ 36,743     | 36,743           |                  |                              | \$ 36,743            | 36,743           |                  |                              |
| 15       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 14       | Antenna Lease - Verizon, Mill Rd    | 1                 | \$ 40,234        | 40,234           | \$ 40,234     | 40,234           |                  |                              | \$ 40,234            | 40,234           |                  |                              |
| 15       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 16       | Antenna Lease - MetroPCS            | 1                 | \$ 41,645        | 41,645           | \$ 41,645     | 41,645           |                  |                              | \$ 41,645            | 41,645           |                  |                              |
| 17       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 18       | Antenna Lease - NH DOT              | 1                 | \$ 3,884         | 3,884            | \$ 3,884      | 3,884            |                  |                              | \$ 3,884             | 3,884            |                  |                              |
| 19       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 20       | Antenna Lease - Town of Hampton     | 1                 | \$ 100           | 100              | \$ 100        | 100              |                  |                              | \$ 100               | 100              |                  |                              |
| 21       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 22       | Misc.                               |                   |                  | (5,916)          |               | (5,916)          |                  |                              |                      | (5,916)          |                  |                              |
| 23       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 24       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 25       |                                     |                   |                  | <u>\$221,927</u> |               | <u>\$221,244</u> | <u>\$ (683)</u>  |                              |                      | <u>\$221,244</u> | <u>\$ -</u>      |                              |
| 26       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 27       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 28       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 29       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |
| 30       |                                     |                   |                  |                  |               |                  |                  |                              |                      |                  |                  |                              |

**Annual Residential Bill Impact @ 50,500 Gallons**

|                                       | <b>Current</b>   | <b>Permanent<br/>Rate</b> | <b>Permanent<br/>Rate with Step</b> |
|---------------------------------------|------------------|---------------------------|-------------------------------------|
| Service Charge                        | \$ 187.20        | \$ 184.44                 | \$ 219.00                           |
| <u>Usage Charge</u>                   |                  |                           |                                     |
| Rate per TG                           | \$ 4.536         | \$ 4.936                  | \$ 5.861                            |
| Usage in TG                           | 50.5             | 50.5                      | 50.5                                |
| Total usage charge                    | \$ 229.07        | \$ 249.27                 | \$ 295.98                           |
| Service and Usage                     | \$ 416.27        | \$ 433.71                 | \$ 514.98                           |
| WICA @ 7.5%                           | \$ 31.22         | \$ -                      | \$ -                                |
| Total annual bill                     | <u>\$ 447.49</u> | <u>\$ 433.71</u>          | <u>\$ 514.98</u>                    |
| Increase/(Decrease) vs. current rates |                  | \$ (13.78)                | \$ 67.49                            |
| %                                     |                  | -3.1%                     | 15.6%                               |
| Per month increase/(reduction)        |                  | \$ (1.15)                 | \$ 5.62                             |

**SCHEDULE OF WATER RATES FOR METERED SERVICE****Available:**

To all customers except those using the Company's service for fire service and those who do not take metered water service for twelve (12) consecutive months.

**Rate:**

All general water service customers shall pay a service charge based on the size of the meter installed. Rate for consumption in addition to the service charge provided for herein: \$~~5.86~~~~14.536~~ per 100 cubic feet.

**Service Charge:**

| <b><u>Size of Meter</u></b> | <b><u>Per Day*</u></b> | <b><u>Per Month</u></b> | <b><u>Per Quarter</u></b> | <b><u>Per Day*</u></b> | <b><u>Per Month</u></b> |
|-----------------------------|------------------------|-------------------------|---------------------------|------------------------|-------------------------|
| 5/8 inch                    | \$ <del>0.51</del>     | \$ <del>15.60</del>     | \$ <del>46.80</del>       | \$ 0.60                | \$ 18.25                |
| 3/4 inch                    | \$ <del>0.77</del>     | \$ <del>23.40</del>     | \$ <del>70.20</del>       | \$ 0.83                | \$ 25.37                |
| 1 inch                      | \$ <del>1.28</del>     | \$ <del>39.04</del>     | \$ <del>117.03</del>      | \$ 1.30                | \$ 39.62                |
| 1 1/2 inch                  | \$ <del>2.57</del>     | \$ <del>78.05</del>     | \$ <del>234.15</del>      | \$ 2.47                | \$ 75.24                |
| 2 inch                      | \$ <del>4.11</del>     | \$ <del>124.87</del>    | \$ <del>374.61</del>      | \$ 3.88                | \$ 117.98               |
| 3 inch                      | \$ <del>7.69</del>     | \$ <del>234.00</del>    | \$ <del>702.00</del>      | \$ 9.00                | \$ 273.75               |
| 4 inch                      | \$ <del>12.82</del>    | \$ <del>390.00</del>    | \$ <del>1,170.00</del>    | \$ 15.00               | \$ 456.25               |
| 6 inch                      | \$ <del>25.64</del>    | \$ <del>780.00</del>    | \$ <del>2,340.00</del>    | \$ 30.00               | \$ 912.50               |
| 8 inch                      | \$ <del>41.03</del>    | \$ <del>1,248.00</del>  | \$ <del>3,744.00</del>    | \$ 48.00               | \$ 1,460.00             |
| 10 inch                     | \$ <del>58.98</del>    | \$ <del>1,794.00</del>  | \$ <del>5,382.00</del>    | \$ 69.00               | \$ 2,098.75             |

**Terms of Payment:**

Bills for the service charge shall be rendered monthly in arrears for services rendered following the monthly meter readings. The billing for water consumed in the previous month shall be included with billing of the monthly service charge. Bills are due and payable within 25 days from the postmarked date of the bill.

\*The per day rate is based on the annual service charge (per month \*12) divided by 365 calendar days.

**Penalty:**

A penalty of five percent (5%) will be added to bills which are unpaid 30 days from the postmarked date of the bill.

Issued: ~~August 18~~~~November X~~, 2022~~1~~

Issued by:

Donald J. Morrissey

Effective: ~~February 1, 2021~~~~xxxxxxxxxx.xxxx~~

Title:

President \_\_\_\_\_

Authorized by NHPUC Order No. ~~26,488~~~~XX,XXX~~ in Docket No. DW~~w~~ 20-184, dated ~~XXXX~~~~June 21~~, 2022~~1~~



**SCHEDULE OF WATER RATES FOR METERED SERVICE**

To all customers taking water service for a period less than four (4) consecutive quarters, except those using the Company's service for fire service.

**Rate:**

All general water service customers shall pay a service charge based on the size of the meter installed. Rate for consumption in addition to the service charge provided for herein: ~~\$7.4865.619~~ per 100 cubic feet.

**Service Charge:**

| <b><u>Size of Meter</u></b> | <b><u><del>Per Season</del></u></b> | <b><u>Per Season</u></b> |
|-----------------------------|-------------------------------------|--------------------------|
| 5/8 inch                    | <del>\$ 234.00</del>                | \$ 217.72                |
| 3/4 inch                    | <del>\$ 351.00</del>                | \$ 326.00                |
| 1 inch                      | <del>\$ 585.15</del>                | \$ 539.71                |
| 1 1/2 inch                  | <del>\$ 1,170.75</del>              | \$ 1,072.57              |
| 2 inch                      | <del>\$ 1,873.05</del>              | \$ 1,713.71              |
| 3 inch                      | <del>\$ 3,510.00</del>              | \$ 3,265.80              |
| 4 inch                      | <del>\$ 5,850.00</del>              | \$ 5,443.00              |
| 6 inch                      | <del>\$ 11,700.00</del>             | \$ 10,886.00             |
| 8 inch                      | <del>\$ 18,720.00</del>             | \$ 17,417.60             |
| 10 inch                     | <del>\$ 26,910.00</del>             | \$ 25,037.80             |

**Term of Payment:**

Bills for the service charge shall be rendered as of May 1<sup>st</sup> for all customers receiving seasonal service. Bills for water consumption will be rendered on a monthly basis or when the meter is removed.

**Penalty:**

A penalty of five percent (5%) will be added to bills which are unpaid after the due date printed on the bill as evidenced by the date of payment to the utility's authorized agent.

Issued: ~~August 18~~November X, 2022~~1~~

Issued by: \_\_\_\_\_  
Donald J. Morrissey

Effective: ~~February 1, 2021~~ xxxxxxxxxx.xxxx

Title: President

Authorized by NHPUC Order No. ~~26,488-XX,XXX~~ in Docket No. D~~Ww~~ 20-184, dated ~~June 21~~XXXX, 2022~~1~~

**SCHEDULE OF WATER RATES FOR PRIVATE FIRE SERVICE****Available:**

To all customer using the Company's facilities for Private Fire Service.

**Rates:**

| <u>Fire Service Connection</u> | <u><del>Per Day</del></u> | <u><del>Per Month</del></u> | <u>Per Day</u> | <u>Per Month</u> |
|--------------------------------|---------------------------|-----------------------------|----------------|------------------|
| 3 inch or less                 | <del>\$ 1.21</del>        | <del>\$ 36.76</del>         | \$ 1.38        | \$ 41.94         |
| 4 inch                         | <del>\$ 2.06</del>        | <del>\$ 62.64</del>         | \$ 2.20        | \$ 66.90         |
| 6 inch                         | <del>\$ 4.91</del>        | <del>\$ 149.44</del>        | \$ 5.48        | \$ 166.77        |
| 8 inch                         | <del>\$ 8.74</del>        | <del>\$ 265.72</del>        | \$ 9.86        | \$ 299.91        |
| 10 inch                        | <del>\$ 13.65</del>       | <del>\$ 415.31</del>        | \$ 15.33       | \$ 466.35        |
| 12 inch                        | <del>\$ 19.29</del>       | <del>\$ 586.77</del>        | \$ 21.90       | \$ 666.06        |

**Terms of Payment:**

Bills for Private Fire Service will be rendered on a monthly basis in arrears on the first day of each month. Bills are due and payable within 25 days from the postmarked date of the bill.

\*The per days rate is based on the annual service charge (per month\*12) divided by 365 calendar days.

Issued: ~~August 18~~ November X, 2022~~1~~

Issued by:

Donald J. Morrissey

Effective: ~~February 1, 2021~~ xxxxxxxxxx.xxxx  
President \_\_\_\_\_

Title:

Authorized by NHPUC Order No. ~~26,488-XX,XXX~~ in Docket No. D~~Ww~~ 20-184, dated  
~~June 21~~ XXXX, 2022~~1~~

000025

**SCHEDULE OF WATER RATES FOR PUBLIC FIRE SERVICE**

**Available:**

To all customers using the Company's facilities for Public Fire Service.

**Rates:**

The hydrant charge for each municipal hydrant shall be \$~~1,740.41~~2,181.02 per annum.

**Terms of Payment:**

Bills for Public Fire Service will be rendered six (6) months in advance of January 1<sup>st</sup> and July 1<sup>st</sup> of each year. Bills are due and payable at the office of the Company on the above dates. The hydrant charge for each municipal hydrant shall be \$~~1,740.41~~2,181.02 per annum.

Issued: ~~August 18~~November X, 202~~21~~

Issued by: \_\_\_\_\_  
Donald J. Morrissey

Effective: ~~February 1, 2021~~ xxxxxxxxxx.xxxx  
President \_\_\_\_\_

Title:

Authorized by NHPUC Order No. ~~26,488-XX,XXX~~ in Docket No. D~~Ww~~ 20-184, dated  
~~June 21~~XXXX, 202~~21~~

**WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT**

In addition to the net charges provided for in this Tariff, a Water Infrastructure and Conservation Adjustment (“WICA”) surcharge of ~~7.50.00%~~ will apply to all bills with services rendered on or after ~~February 1, 2021~~ XXXX, 202X.

**I. General Description**

Purpose: To recover the fixed costs (depreciation, property taxes and pre-tax return) of certain Commission-approved non-revenue producing system improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases. In addition, WICA provides the Company with the resources to accelerate asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

Eligible Property: The WICA-eligible property will consist of the following:

Services\* (account 333) and hydrants\* (account 335) installed as in-kind (i.e., same size) replacements for customers;

mains and valves\* (account 331) installed as replacements for existing facilities that have either reached the end of their useful life, are worn out or are in deteriorated condition,

main cleaning and re-lining projects and relocations that are non-reimbursable (account 331);

replacement of production meters (account 304); and

replacement of pressure reducing valves (accounts 309, 331);

\*The first \$~~7550~~,000 in costs related to the emergency reactive replacement of services, valves, and hydrants in a given years WICA filing shall not be eligible for recovery through the WICA surcharge.

**II. Computation of the WICA**

—Calculation: The ~~initial~~ charge, ~~effective January 1, 2011~~, will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between ~~January 1, 2010~~ and ~~December 31~~ September 30, 2010. Thereafter, the WICA will be updated on an annual basis to reflect eligible plant additions placed in service during the ~~previous twelve~~

Issued: ~~August 18~~ November X, 2022

Issued by: \_\_\_\_\_

Donald Morrissey

Effective: ~~February 1, 2021~~ xxxxxxxxxx.xxxx

Title: President

~~month-period~~calendar year ending three months prior to the effective date of each WICA update (the “Project Year”). Thus, changes in the WICA rate will occur as follows:

Issued: ~~August 18~~November X, 2022~~1~~

Issued by: \_\_\_\_\_  
Donald Morrissey

Effective: ~~February 1, 2021~~xxxxxxxxxx.xxxx

Title: President

Effective Date  
Of WICA Change

Date To Which WICA  
Eligible  
Plant Additions Reflected

~~January-April~~ 1, 2XXX+1    ~~September-30~~December 31,  
2XXX

The fixed costs of eligible infrastructure system improvement projects will consist of depreciation, property taxes and pre-tax return, calculated as follows:

**Depreciation:** The depreciation expense will be calculated by applying the depreciation rates employed in the Company's last base rate case for the plant accounts to the original cost of WICA-eligible property minus the corresponding retirement unit recorded.

**Property Taxes:** The property tax expense will reflect an estimate of the tax expense for such projects based on the property tax rate in effect for ~~each town~~the state at the end of the most recent Project Year completed (the “tax rate”), and shall be applied to the cumulative Project Year ending net book value of all eligible WICA projects included from the first Project Year thru the end of the most recent Project Year.†

**Pre-tax return:** The pre-tax return will be calculated using the state and federal income tax rates. The cost of equity and debt will be the rates approved in the Company's last base rate case, DW ~~08-09820-184~~, or a subsequent docket.

**—WICA Surcharge Amount:** The charge will be expressed as a percentage carried to two decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges.

**Formula:** The formula for calculation of the WICA surcharge is as follows:

$$\text{WICA} = \frac{(\text{ISI} \times \text{PTRR}) + \text{Dep} + \text{PT}}{\text{BRWR}}$$

Where:

Issued: ~~January 1~~November X, 20172022

Issued by: \_\_\_\_\_  
Donald Morrissey

Effective: ~~January 1, 2017~~xxxxxxxxxx.xxxx  
Financial Officer

Title: President Chief

ISI= the original cost to the Company of eligible infrastructure system improvement projects, less accumulated depreciation.

PTRR= the pre-tax return rate applicable to eligible infrastructure system improvement projects.

Dep= annual depreciation expense related to eligible infrastructure system improvement projects.

PT= annual property taxes related to eligible infrastructure system improvement projects.

BRWR= base retail water revenues as approved by the Commission in the Company's last rate proceeding, DW 08-098, or a subsequent docket.

Annual updates: Supporting data for each annual update will be filed with the Commission and the Office of Consumer Advocate sixty (60) days prior to the effective date of the update. The Company shall also provide notice to the Towns.

### III. Safeguards

Return analysis: With each WICA filing, the Company shall include an return analysis as a basis for its decision to file the WICA petition, which will compare the Company's actual rate of return to its authorized WACC. If the Company exceeds the authorized WACC of 7.54% by more than fifty basis points for any calendar year calculated under the cost of capital method using end of period balances, the Company shall not pursue a WICA adjustment for that year. The previously approved WICA surcharge, if applicable, will remain in effect until either the filing of its next WICA adjustment the following calendar year or the next base rate proceeding. If the Company has exceeded the fifty-basis point threshold in a given year, it may include its WICA eligible plant investments for recovery in a future WICA filing when it is next eligible to submit a WICA filing.

Cap: The amount of the WICA applied between general rate case filings shall not exceed seven and one-half percent (7.5%) of the Company's annual retail water

Issued: ~~January 1, 2017~~November X, 2022

Issued by: \_\_\_\_\_

Donald Morrissey

Effective: ~~xxxxxxxxxx.xxxx~~ January 1, 2017

Title: Chief Financial

~~Officer~~President

revenues as approved in its most recent rate filing, and shall not exceed five percent (5%) of such revenues for any twelve-month period.

Project Changes: If, after the Company has received Commission approval for ~~Year 1~~ projects in a given calendar year, because of changed circumstances or significant new information the Company plans to undertake projects in ~~Year 1~~that calendar year that were not included on the list of approved WICA projects for that year or it has decided not to proceed with one or more projects that were included on the Commission-approved list, it shall promptly notify the Commission and all parties to the proceeding in which the list of WICA projects was approved that the Company plans to add to or delete projects and the reason for the proposed changes, in accordance with the following schedule. The Company will submit updates for approved WICA projects for subsequent project years, based upon information known on a project year-to-date basis, from the beginning of the project year through the following effective dates, on the associated reporting dates:

| <u>Effective Date</u> | <u>Reporting Date</u> |
|-----------------------|-----------------------|
| December 31           | January 15            |
| March 31              | April 15              |
| June 30               | July 15               |
| September 30          | October 15            |

Audits: The WICA will be subject to an audit by the Department of Energy prior to ~~the determination approval~~ by the Commission.

New Base Rates: The WICA charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the WICA. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the annual updates of the WICA.

Customer Notice: Customers shall be notified of changes in the WICA by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing. Before sending, the Company will review the notice with the Department of Energy's ~~Commission's~~ Consumer Affairs division.

Issued: ~~January 1, 2017~~November X, 2022

Issued by: \_\_\_\_\_  
Donald Morrissey

Effective: ~~xxxxxxxxxx.xxxx~~ January 1, 2017

\_\_\_\_\_  
~~Officer~~President Title: Chief Financial



**SCHEDULE OF WATER RATES FOR METERED SERVICE**

**Available:**

To all customers except those using the Company's service for fire service and those who do not take metered water service for twelve (12) consecutive months.

**Rate:**

All general water service customers shall pay a service charge based on the size of the meter installed. Rate for consumption in addition to the service charge provided for herein: \$5.861 per 100 cubic feet.

**Service Charge:**

| <b><u>Size of Meter</u></b> | <b><u>Per Day*</u></b> | <b><u>Per Month</u></b> |
|-----------------------------|------------------------|-------------------------|
| 5/8 inch                    | \$ 0.60                | \$ 18.25                |
| 3/4 inch                    | \$ 0.83                | \$ 25.37                |
| 1 inch                      | \$ 1.30                | \$ 39.62                |
| 1 1/2 inch                  | \$ 2.47                | \$ 75.24                |
| 2 inch                      | \$ 3.88                | \$ 117.98               |
| 3 inch                      | \$ 9.00                | \$ 273.75               |
| 4 inch                      | \$ 15.00               | \$ 456.25               |
| 6 inch                      | \$ 30.00               | \$ 912.50               |
| 8 inch                      | \$ 48.00               | \$ 1,460.00             |
| 10 inch                     | \$ 69.00               | \$ 2,098.75             |

**Terms of Payment:**

Bills for the service charge shall be rendered monthly in arrears for services rendered following the monthly meter readings. The billing for water consumed in the previous month shall be included with billing of the monthly service charge. Bills are due and payable within 25 days from the postmarked date of the bill.

\*The per day rate is based on the annual service charge (per month \*12) divided by 365 calendar days.

**Penalty:**

A penalty of five percent (5%) will be added to bills which are unpaid 30 days from the postmarked date of the bill.

Issued: November X, 2022

Issued by: \_\_\_\_\_  
Donald J. Morrissey

Effective: xxxxxxxxxxxx.xxxx

Title: President\_\_\_\_\_

Authorized by NHPUC Order No. XX,XXX in Docket No. DW 20-184, dated XXXX, 2022

000032

**SCHEDULE OF WATER RATES FOR METERED SERVICE**

To all customers taking water service for a period less than four (4) consecutive quarters, except those using the Company's service for fire service.

**Rate:**

All general water service customers shall pay a service charge based on the size of the meter installed. Rate for consumption in addition to the service charge provided for herein: \$7.486 per 100 cubic feet.

**Service Charge:**

| <b><u>Size of Meter</u></b> | <b><u>Per Season</u></b> |
|-----------------------------|--------------------------|
| 5/8 inch                    | \$ 217.72                |
| 3/4 inch                    | \$ 326.00                |
| 1 inch                      | \$ 539.71                |
| 1 1/2 inch                  | \$ 1,072.57              |
| 2 inch                      | \$ 1,713.71              |
| 3 inch                      | \$ 3,265.80              |
| 4 inch                      | \$ 5,443.00              |
| 6 inch                      | \$ 10,886.00             |
| 8 inch                      | \$ 17,417.60             |
| 10 inch                     | \$ 25,037.80             |

**Term of Payment:**

Bills for the service charge shall be rendered as of May 1<sup>st</sup> for all customers receiving seasonal service. Bills for water consumption will be rendered on a monthly basis or when the meter is removed.

**Penalty:**

A penalty of five percent (5%) will be added to bills which are unpaid after the due date printed on the bill as evidenced by the date of payment to the utility's authorized agent.

Issued: November X, 2022

Issued by: \_\_\_\_\_  
Donald J. Morrissey

Effective: xxxxxxxxxxxx.xxxx

Title: President \_\_\_\_\_

Authorized by NHPUC Order No. XX,XXX in Docket No. DW 20-184, dated XXXX, 2022

000033

**SCHEDULE OF WATER RATES FOR PRIVATE FIRE SERVICE**

**Available:**

To all customer using the Company's facilities for Private Fire Service.

**Rates:**

| <b><u>Fire Service Connection</u></b> | <b><u>Per Day</u></b> | <b><u>Per Month</u></b> |
|---------------------------------------|-----------------------|-------------------------|
| 3 inch or less                        | \$ 1.38               | \$ 41.94                |
| 4 inch                                | \$ 2.20               | \$ 66.90                |
| 6 inch                                | \$ 5.48               | \$ 166.77               |
| 8 inch                                | \$ 9.86               | \$ 299.91               |
| 10 inch                               | \$ 15.33              | \$ 466.35               |
| 12 inch                               | \$ 21.90              | \$ 666.06               |

**Terms of Payment:**

Bills for Private Fire Service will be rendered on a monthly basis in arrears on the first day of each month. Bills are due and payable within 25 days from the postmarked date of the bill.

\*The per days rate is based on the annual service charge (per month\*12) divided by 365 calendar days.

Issued: November X, 2022

Issued by: \_\_\_\_\_  
Donald J. Morrissey

Effective: xxxxxxxxxxxx.xxxx

Title: President\_\_\_\_\_

Authorized by NHPUC Order No. XX,XXX in Docket No. DW 20-184, dated XXXX,  
2022

000034

**SCHEDULE OF WATER RATES FOR PUBLIC FIRE SERVICE**

**Available:**

To all customers using the Company's facilities for Public Fire Service.

**Rates:**

The hydrant charge for each municipal hydrant shall be \$2,181.02 per annum.

**Terms of Payment:**

Bills for Public Fire Service will be rendered six (6) months in advance of January 1<sup>st</sup> and July 1<sup>st</sup> of each year. Bills are due and payable at the office of the Company on the above dates. The hydrant charge for each municipal hydrant shall be \$2,181.02 per annum.

Issued: November X, 2022

Issued by: \_\_\_\_\_  
Donald J. Morrissey

Effective: xxxxxxxxxxxx.xxxx

Title: President\_\_\_\_\_

Authorized by NHPUC Order No. XX,XXX in Docket No. DW 20-184, dated XXXX,  
2022

000035

## **WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT**

In addition to the net charges provided for in this Tariff, a Water Infrastructure and Conservation Adjustment (“WICA”) surcharge of 0.00% will apply to all bills with services rendered on or after XXXX, 202X.

### **I. General Description**

**Purpose:** To recover the fixed costs (depreciation, property taxes and pre-tax return) of certain Commission-approved non-revenue producing system improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases. In addition, WICA provides the Company with the resources to accelerate asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

**Eligible Property:** The WICA-eligible property will consist of the following:

Services\* (account 333) and hydrants\* (account 335) installed as in-kind (i.e., same size) replacements for customers;

mains and valves\* (account 331) installed as replacements for existing facilities that have either reached the end of their useful life, are worn out or are in deteriorated condition,

main cleaning and re-lining projects and relocations that are non-reimbursable (account 331);

replacement of production meters (account 304); and

replacement of pressure reducing valves (accounts 309, 331);

\*The first \$75,000 in costs related to the emergency reactive replacement of services, valves, and hydrants in a given year WICA filing shall not be eligible for recovery through the WICA surcharge.

### **II. Computation of the WICA**

**Calculation:** The charge will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between January 1 and December 31. Thereafter, the WICA will be updated on an annual basis to reflect eligible plant additions placed in service during the previous calendar year ending three months prior to the effective date of each WICA update (the “Project Year”). Thus, changes in the WICA rate will occur as follows:

Issued: November X, 2022

Issued by: \_\_\_\_\_  
Donald Morrissey

Effective: xxxxxxxxxxxx.xxxx

Title: President

Effective Date  
Of WICA Change

Date To Which WICA  
Eligible  
Plant Additions Reflected

April 1, 2XXX+1

December 31, 2XXX

The fixed costs of eligible infrastructure system improvement projects will consist of depreciation, property taxes and pre-tax return, calculated as follows:

**Depreciation:** The depreciation expense will be calculated by applying the depreciation rates employed in the Company's last base rate case for the plant accounts to the original cost of WICA-eligible property minus the corresponding retirement unit recorded.

**Property Taxes:** The property tax expense will reflect an estimate of the tax expense for such projects based on the property tax rate in effect for the state at the end of the most recent Project Year completed (the "tax rate"), and shall be applied to the cumulative Project Year ending net book value of all eligible WICA projects included from the first Project Year thru the end of the most recent Project Year.

**Pre-tax return:** The pre-tax return will be calculated using the state and federal income tax rates. The cost of equity and debt will be the rates approved in the Company's last base rate case, DW 20-184, or a subsequent docket.

**WICA Surcharge Amount:** The charge will be expressed as a percentage carried to two decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges.

**Formula:** The formula for calculation of the WICA surcharge is as follows:

$$\text{WICA} = \frac{(\text{ISI} \times \text{PTRR}) + \text{Dep} + \text{PT}}{\text{BRWR}}$$

Where:

Issued: November X, 2022

Issued by: \_\_\_\_\_  
Donald Morrissey

Effective: xxxxxxxxxxxx.xxxx

Title: President

ISI= the original cost to the Company of eligible infrastructure system improvement projects, less accumulated depreciation.

PTRR= the pre-tax return rate applicable to eligible infrastructure system improvement projects.

Dep= annual depreciation expense related to eligible infrastructure system improvement projects.

PT= annual property taxes related to eligible infrastructure system improvement projects.

BRWR= base retail water revenues as approved by the Commission in the Company's last rate proceeding, DW 08-098, or a subsequent docket.

Annual updates: Supporting data for each annual update will be filed with the Commission and the Office of Consumer Advocate sixty (60) days prior to the effective date of the update. The Company shall also provide notice to the Towns.

### III. Safeguards

Return analysis: With each WICA filing, the Company shall include a return analysis as a basis for its decision to file the WICA petition, which will compare the Company's actual rate of return to its authorized WACC. If the Company exceeds the authorized WACC of 7.54% by more than fifty basis points for any calendar year calculated under the cost of capital method using end of period balances, the Company shall not pursue a WICA adjustment for that year. The previously approved WICA surcharge, if applicable, will remain in effect until either the filing of its next WICA adjustment the following calendar year or the next base rate proceeding. If the Company has exceeded the fifty-basis point threshold in a given year, it may include its WICA eligible plant investments for recovery in a future WICA filing when it is next eligible to submit a WICA filing.

Cap: The amount of the WICA applied between general rate case filings shall not exceed seven and one-half percent (7.5%) of the Company's annual retail water revenues as approved in its most recent rate filing, and shall not exceed five percent (5%) of such revenues for any twelve-month period.

Project Changes: If, after the Company has received Commission approval for projects in a given calendar year, because of changed circumstances or significant new

Issued: November X, 2022

Issued by: \_\_\_\_\_  
Donald Morrissey

Effective: xxxxxxxxxxxx.xxxx

Title: President

information the Company plans to undertake projects in that calendar year that were not included on the list of approved WICA projects for that year or it has decided not to proceed with one or more projects that were included on the Commission-approved list, it shall promptly notify the Commission and all parties to the proceeding in which the list of WICA projects was approved that the Company plans to add to or delete projects and the reason for the proposed changes, in accordance with the following schedule. The Company will submit updates for approved WICA projects for subsequent project years, based upon information known on a project year-to-date basis, from the beginning of the project year through the following effective dates, on the associated reporting dates:

| <u>Effective Date</u> | <u>Reporting Date</u> |
|-----------------------|-----------------------|
| December 31           | January 15            |
| March 31              | April 15              |
| June 30               | July 15               |
| September 30          | October 15            |

Audits: The WICA will be subject to an audit by the Department of Energy prior to approval by the Commission.

New Base Rates: The WICA charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the WICA. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the annual updates of the WICA.

Customer Notice: Customers shall be notified of changes in the WICA by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing. Before sending, the Company will review the notice with the Department of Energy's Consumer Affairs division.

Issued: November X, 2022

Issued by: \_\_\_\_\_  
Donald Morrissey

Effective: xxxxxxxxxxxx.xxxx

Title: President



AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-1

Date of Response: October 13, 2022  
Witness: D. Lawrence

---

**REQUEST: Mill Road PFAS Treatment  
Reference Department TS 3-7**

The Company's response to Department TS 3-7 (December 14, 2021) indicated the new Mill Road PFAS treatment system would be in service by year end 2021. In this regard, please indicate the status of the treatment system:

- a. Project was put into service.
- b. Currently.

**RESPONSE:**

- a. Project was put into service on December 21, 2021.
- b. Project is complete and closed to Plant and has been in operation since then.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-2

Date of Response: October 13, 2022  
Witness: D. Lawrence

---

**REQUEST: Wells 7 and 22**

Please indicate the current status of:

- a. The Little River Treatment Facility.
- b. Arsenic treatment for Well 22.

**RESPONSE:**

- a. The Little River Treatment Facility will treat water for both Well 7 and Well 22. The Company has completed the design phase and has applied for funding from the State Revolving Loan Fund (“SRF”) on June 1, 2022 and will be applying for additional funding from the NH Department of Environmental Services trust on October 15, 2022. The Company expects to start construction in 2023-2024.
- b. Well 22 – See response above.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-3

Date of Response: October 13, 2022  
Witness: D. Lawrence

---

**REQUEST: Reference Attachment DAS/DRL-3, Page 2, Projects Summary**

Given that the Little River Treatment Facility and associated arsenic treatment are not included in the step increase, please indicate generally what each of the following projects involved, and when the improvements were placed in service:

- |   |             |
|---|-------------|
| a. Well 7/22 Improvements                         | \$1,307,469 |
| b. Little River Wellfield Electrical Improvements | \$441,736   |
| c. Well 7/ Well 22 Treatment Improvements         | \$146,001   |

**RESPONSE:**

- a. Well 7/22 Improvements – The Well 7/22 Improvements included installation, pump testing and permitting associated with the new Well 22, all of which was placed in service in 2020. Well 22 was placed in service at a reduced capacity and is blended with the existing Well 7 prior to treatment.
- b. The Little River Wellfield Electrical Improvements were completed and placed into service in 2020 to ensure adequate electrical supply to meet the Well 7/22 electrical demands operating in reduced capacity and meet the long term supply and treatment needs at the Little River Wellfield.
- c. The treatment improvements pertained to the blending of Well 22 with Well 7, as referenced in a., above.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-4

Date of Response: October 13, 2022  
Witness: D. Szabo/D. Lawrence

---

**REQUEST: Reference Attachment DAS/DRL-3, Page 2, Projects Summary and DOE 5-13 (a) (iii)**

A portion of the \$1,173,819 Mill Road Main Replacement appears to have been placed in service in 2019, and a portion in 2020. Has any of the overall cost already been included in the base rate case? Please explain.

**RESPONSE:** In 2019, as part of the overall Mill Road Main Replacement project, the Company installed a portion of the Mill Road Water Main and the new main was placed into service. The associated costs of \$575,723 are included in the base rate case . Please refer to the Company's responses to data requests Staff 2-44, DOE 3-11.

In 2020, the remainder of the Mill Road Main Replacement was completed and the associated costs of \$1,173,819 are included as part of the step increase. None of these costs were included in base rates.

During the preparation of this response the Company determined that the date for the remainder of the Mill Road Replacement was incorrectly reported in Attachment DAS/RL-3 as an asset addition in April 2021. The correct date is June 30, 2020.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-5

Date of Response: October 13, 2022  
Witness: D. Lawrence

---

**REQUEST: Reference Attachment DAS/DRL-3, Page 2, Projects Summary**  
Regarding “Mary Batchelder Hampton, NH” for \$247,465, please indicate:

- a. Date in Service.
- b. Footage installed.
- c. Pipe size installed.
- d. Material installed.
- e. Footage abandoned.
- f. Original pipe size.
- g. Original pipe material, including whether lined or unlined.
- h. Pipe segment (replacement prioritization) ranking.
- i. Project justification.
- j. ‘From’ and ‘To’ location.

**RESPONSE:**

- a. Date in service was 12/9/20.
- b. Total footage installed was 2,380 feet.
- c. An 8” main was installed.
- d. Pipe installed was ductile iron main.
- e. New Main installation – no footage was abandoned.
- f. N/A
- g. N/A
- h. N/A
- i. New developer subdivision.
- j. Project scope was from Timber Swamp Road to Rose Fountain Lane in Hampton.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-6

Date of Response: October 13, 2022  
Witness: D. Lawrence

---

**REQUEST: Reference Attachment DAS/DRL-3, Page 2, Projects Summary and Attachment DAS/DRL-4, pages 57-59**

Please explain the meaning and purpose of “Winnicut WTP 4-Log Pipe Improvements” for \$266,794, including whether and how this relates to the replacement of Well 14A.

**RESPONSE:**

This project installed a pipe loop and chlorine monitoring equipment to the discharge of the Winnicut WTP to add the volume needed to achieve 4-log disinfection of finished water before it enters the distribution system. Achieving 4-log disinfection removes the need to sample individual wells when positive coliform bacteria results are observed during distribution sampling for the Total Coliform Rule.

This project has no relationship to the replacement of Well 14 with Well 14A.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-7

Date of Response: October 13, 2022  
Witness: D. Szabo/D. Lawrence

---

**REQUEST: Exeter Tank Replacement Evaluation  
Reference Attachment DAS/DRL-4, pages 38-41**

In regard to this project, please indicate:

- a. Whether any of the costs of the project are included in the proposed step increase.
- b. The current status of the evaluation.

**RESPONSE:**

- a. Project costs of \$113,380 are included in the proposed step increase.
- b. The evaluation was completed and closed to plant on November 30, 2020.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-8

Date of Response: October 13, 2022  
Witness: D. Szabo/D. Lawrence

---

**REQUEST: Colby Street Water Main Extension**  
**Reference Attachment DAS/DRL-4, pages 72-82**  
Please indicate whether any of the costs of this project are included in the proposed step increase.

**RESPONSE:** The cost of \$60,050 for the Colby Street Water Main Extension is included in the proposed step increase.



AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-9

Date of Response: October 13, 2022  
Witness: D. Szabo

---

**REQUEST: Re: Audit Report, Audit Issue #2, pages 38-39.**

Please provide copies of the schedules discussed in the Company's comment to Audit Issue #2.

**RESPONSE:** Please refer to DOE 6-9 Attachment 1. The adjustments related to the Company's comment to Audit Issue #2 are detailed on page 4 of the attachment. Additionally, in compliance with PUC Order No. 26,680 dated September 22, 2022, the Company removed the wage/salary/benefits adjustment of \$44,442 from the step revenue requirement calculation.

Aquarion Water Company of New Hampshire  
Step Adjustment Updated Filing

Docket No. 20-184

CALCULATION OF STEP ADJUSTMENT

| Line |  | Schedule Ref.                          |                |
|------|--|--|----------------|
| 1    |  |  |                |
| 2    | Total non revenue plant additions for 2020 and 2021                              | Page 3, line 30, column D              | \$ 13,143,086  |
| 3    | Exclude pending receipt of grant from allowed return on investment               | Page 3, lines 9 and 10, column F       | \$ (1,769,509) |
| 4    | Exclude cost of main extension contributed and other adjustment                  | Page 3, line 13, column F              | \$ (266,122)   |
| 5    | Exclude adjustment from Audit review   | Page 3, line 25, column F              | \$ (97,447)    |
| 6    | Accumulated Depreciation   | Page 3, line 30, column H              | \$ (329,431)   |
| 7    |  |  |                |
| 8    | Net Plant Additions  |  | \$ 10,680,576  |
| 9    |  |  |                |
| 10   | Allowed Return on Rate Base  |  | 7.54%          |
| 11   |  |  |                |
| 12   | Allowed Return on Investment   | Line 8 x Line 10                       | \$ 805,315     |
| 13   |  |  |                |
| 14   | Income Tax on Equity Component   |  |                |
| 15   |  |  |                |
| 16   |  | (a) (b) (c) (d)                        |                |
| 17   |  | Weighted Tax Pre tax Tax Gross Up      |                |
| 18   |  | Cost Multiplier Cost Col (c) - Col (a) |                |
| 19   |  |  |                |
| 20   | Debt   | 2.59% 1.00 2.59% 0.00%                 |                |
| 21   | Equity   | 4.95% 1.37 6.79% 1.84%                 |                |
| 22   |  |  |                |
| 23   |  | 7.54% 9.38% 1.84%                      |                |
| 24   |  |  |                |
| 25   | Total Eligible Investment  | \$ 10,680,576 Line 8                   |                |
| 26   |  |  |                |
| 27   |  |  |                |
| 28   | Income Tax Expense   | Line 23 (d) x Line 25                  | 196,523        |
| 29   |  |  |                |
| 30   | Depreciation Expense   | Page 3, Line 28, Column H              | 250,009        |
| 31   |  |  |                |
| 32   | Property Tax Expense   | Page 3, Line 28, Column K              | 76,241         |
| 33   |  |  |                |
| 34   | Revenue requirement for payroll increase and payroll benefits                    |  |                |
| 35   | effective April 2021 per Settlement Agreement                                    |  | -              |
| 36   |  |  |                |
| 37   | Total revenue requirement for step adjustment (Line 10 + Lines 27 though 33)     |  | \$ 1,328,088   |
| 38   |  |  |                |
| 39   |  |  |                |
| 40   | Total Approved water revenue per Docket 20-184                                   |  | \$ 7,311,566   |
| 41   | Exclude: Misc revenues   |  | (221,244)      |
| 42   | Revenues step adjustment to be applied against                                   |  | \$ 7,090,322   |
| 43   |  |  |                |
| 44   | Step adjustment as % of allowed water revenue per perm rates (line 37 / line 42) |  | 18.73%         |

000049

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-10

Date of Response: October 13, 2022  
Witness: D. Szabo

REQUEST: **Supplemental Testimony of Debra A. Szabo and Daniel R. Lawrence, page 5 [Bates 11].**

Please provide documentation supporting the plant additions adjustment of \$2,000.

RESPONSE: The plant adjustment of \$2,000 is related to a correction of an error pertaining to the Mace Rd main replacement (Project ER230-2019-007). This project, totaling \$18,657 (see line 77 of Attachment DAS-DRL-3), was closed in error in 2021 requiring an adjustment to exclude it from the 2021 plant additions reported in column D of Appendix 4 to the permanent base rates Settlement Agreement in this docket.

However, the adjustment was incorrectly reported at \$16,657 (within the “total capital costs” column) in Appendix 4 to the Settlement Agreement. The proper adjustment of \$18,657 (within the “adjustments” column) was reported in Attachment DAS-DRL-1 – Revenue Requirement Calculation, page 3, line 13 and noted in footnote 2.

The description of this correction in the Supplemental Testimony of Debra A. Szabo and Daniel R. Lawrence, Bates page 11, line 16 contains an error. It should read, “The net plant ~~additions~~ **adjustments** have been increased by \$2,000 to correct an error in the amount previously reported in the Settlement Agreement.”

As reflected in the table below, the \$2,000 adjustment resulted in a decrease to the net additions.

|                        | <b>App 4 to Settlement Agreement</b> | <b>Att DAS-DRL-1</b> |
|------------------------|--------------------------------------|----------------------|
|                        | Line 14                              | Line 13              |
| Capital Costs          | 1,467,384                            | 1,731,470            |
| Less:                  |                                      |                      |
| Adjustments            | (reported in capital costs)          | 266,122              |
| Retirement/Adjustments | 143,569                              | 143,569              |
| Net Additions          | 1,323,779                            | 1,321,779            |

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-11

Date of Response: October 13, 2022  
Witness: D. Lawrence

---

**REQUEST: Supplemental Testimony of Debra A. Szabo and Daniel R. Lawrence, page 6 [Bates 12].**

Please discuss the current status of the \$428,250 DWGT grant related to the Well 6 PFAS treatment project.

- a) Date grant was approved.
- b) Final dollar amount of the grant.
- c) Copy of final grant documentation.

**RESPONSE:**

- a. The grant was approved by the Governor and Council on 7/7/22.
- b. The final amount of the grant was \$428,250, which has been received.
- c. Please refer to DOE 6-11 Attachment 1.

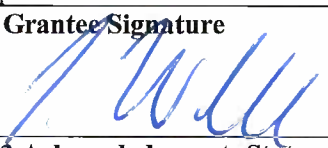
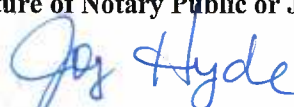
**Subject: Aquarion Water Company of New Hampshire, Inc.**

## GRANT AGREEMENT

The State of New Hampshire and the Grantee hereby mutually agree as follows:

### GENERAL PROVISIONS

#### 1. Identification.

|  |  |  |  |
|--|--|--|--|
| <b>1.1 State Agency Name</b><br>NH Department of Environmental Services  |  | <b>1.2 State Agency Address</b><br>29 Hazen Drive, Concord, NH 03301   |  |
| <b>1.3 Grantee Name</b><br>Aquarion Water Company of New Hampshire, Inc.   |  | <b>1.4 Grantee Address</b><br>835 Main Street Bridgeport, CT 06604   |  |
| <b>1.5 Effective Date</b><br>Upon G&C Approval   | <b>1.6 Completion Date</b><br>June 1, 2022 | <b>1.7 Audit Date</b><br>N/A   | <b>1.8 Grant Limitation</b><br>\$1,284,750 |
| <b>1.9 Grant Officer for State Agency</b><br>Amy Rousseau, PFAS Remediation Loan Fund, NH<br>Department of Environmental Services  |  | <b>1.10 State Agency Telephone Number</b><br>603-271-8801  |  |
| <b>1.11 Grantee Signature</b><br>   |  | <b>1.12 Name &amp; Title of Grantee Signor</b><br>John Walsh<br>Vice President, Operations & Utility Improvement             |  |
| <b>1.13 Acknowledgment:</b> State of _____, County of _____<br><br>On <u>11/9/21</u> , before the undersigned officer, personally appeared the person identified in block 1.12, or satisfactorily proven to be the person whose name is signed in block 1.11, and acknowledged that s/he executed this document in the capacity indicated in block 1.12. |  |  |  |
| <b>1.13.1 Signature of Notary Public or Justice of the Peace</b><br>[SEAL]    |  |  |  |
| <b>1.13.2 Name &amp; Title of Notary Public or Justice of the Peace</b><br>Joy Hyde, Notary Public<br><div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"><div>Joy Hyde</div><div>Notary Public, State of Connecticut</div><div>My Commission Expires Aug 31, 2025</div></div>                                    |  |  |  |
| <b>1.14 State Agency Signature(s)</b>  |  | <b>1.15 Name/Title of State Agency Signor(s)</b><br>Robert R. Scott, Commissioner<br>NH Department of Environmental Services |  |
| <b>1.16 Approval by Attorney General (Form, Substance and Execution)</b><br><br>By: _____ On: _____  |  |  |  |
| <b>1.17 Approval by the Governor and Executive Council</b><br><br>By: _____ On: _____  |  |  |  |

2. **SCOPE OF WORK.** In exchange for grant funds provided by the state of New Hampshire, acting through the agency identified in block 1.1 (hereinafter referred to as "the State"), pursuant to RSA 21-O, the Grantee identified in block 1.3 (hereinafter referred to as "the Grantee"), shall perform that work identified and more particularly described in the scope of work attached hereto as EXHIBIT A (the scope of work being referred to as "the Project").

3. **AREA COVERED.** Except as otherwise specifically provided for herein, the Grantee shall perform the Project in, and with respect to, the State of New Hampshire.

4. **EFFECTIVE DATE: COMPLETION OF PROJECT.**

4.1 This Agreement, and all obligations of the parties hereunder, shall become effective on the date in block 1.5 or on the date of approval of this Agreement by the Governor and Council of the State of New Hampshire whichever is later (hereinafter referred to as the "Effective Date").

4.2 Except as otherwise specifically provided for herein, the Project, including all reports required by this Agreement, shall be completed in ITS entirety prior to the date in block 1.6 (hereinafter referred to as the "Completion Date").

5. **GRANT AMOUNT: LIMITATION ON AMOUNT: PAYMENT.**

5.1 The Grant Amount is identified and more particularly described in EXHIBIT B, attached hereto.

5.2 The manner of, and schedule of payment shall be as set forth in EXHIBIT B.

5.3 In accordance with the provisions set forth in EXHIBIT B, and in consideration of the satisfactory performance of the Project, as determined by the State, and as limited by subparagraph 5.5 of these general provisions, the State shall pay the Grantee the Grant Amount. The State shall withhold from the amount otherwise payable to the Grantee under this subparagraph 5.3 those sums required, or permitted, to be withheld pursuant to N.H. RSA 80:7 through 7-c.

5.4 The payment by the State of the Grant amount shall be the only, and the complete, compensation to the Grantee for all expenses, of whatever nature, incurred by the Grantee in the performance hereof, and shall be the only, and the complete, compensation to the Grantee for the Project. The State shall have no liabilities to the Grantee other than the Grant Amount.

5.5 Notwithstanding anything in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made, hereunder exceed the Grant limitation set forth in block 1.8 of these general provisions.

6. **COMPLIANCE BY GRANTEE WITH LAWS AND REGULATIONS.**

In connection with the performance of the Project, the Grantee shall comply with all statutes, laws, regulations, and orders of federal, state, county, or municipal authorities, which shall impose any obligations, or duty upon the Grantee, including the acquisition of any and all necessary permits.

7. **RECORDS AND ACCOUNTS.**

7.1 Between the Effective Date and the date seven (7) years after the Completion Date the Grantee shall keep detailed accounts of all expenses incurred in connection with the Project, including, but not limited to, costs of administration, transportation, insurance, telephone calls, and clerical materials and services. Such accounts shall be supported by receipts, invoices, bills and other similar documents.

7.2 Between the Effective Date and the date seven (7) years after the Completion Date, at any time during the Grantee's normal business hours, and as often as the State shall demand, the Grantee shall make available to the State all records pertaining to matters covered by this Agreement. The Grantee shall permit the State to audit, examine, and reproduce such records, and to make audits of all contracts, invoices, materials, payrolls, records or personnel, data (as that term is hereinafter defined), and other information relating to all matters covered by this Agreement. As used in this paragraph, "Grantee" includes all persons, natural or fictional, affiliated with, controlled by, or under common ownership with, the entity identified as the Grantee in block 1.3 of these general provisions.

8. **PERSONNEL.**

8.1 The Grantee shall, at its own expense, provide all personnel necessary to perform the Project. The Grantee warrants that all personnel engaged in the Project shall be qualified to perform such Project, and shall be properly licensed and authorized to perform such Project under all applicable laws.

8.2 The Grantee shall not hire, and it shall not permit any subcontractor, subgrantee, or other person, firm or corporation with whom it is engaged in a combined effort to perform such Project, to hire any person who has a contractual relationship with the State, or who is a State officer or employee, elected or appointed.

8.3 The Grantee officer shall be the representative of the State hereunder. In the event of any dispute hereunder, the interpretation of this Agreement by the Grantee Officer, and his/her decision on any dispute, shall be final.

9. **DATA: RETENTION OF DATA; ACCESS.**

9.1 As used in this Agreement, the word data shall mean all information and things developed or obtained during the performance of, or acquired or developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.

9.2 Between the Effective Date and the Completion Date the Grantee shall grant to the State, or any person designated by it, unrestricted access to all data for examination, duplication, publication, translation, sale, disposal, or for any other purpose whatsoever.

9.3 No data shall be subject to copyright in the United States or any other country by anyone other than the State.

9.4 On and after the Effective Date all data, and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason, whichever shall first occur.

9.5 The State, and anyone it shall designate, shall have unrestricted authority to publish, disclose, distribute and otherwise use, in whole or in part, all data.

10. **CONDITIONAL NATURE OR AGREEMENT.**

Notwithstanding anything in this Agreement to the contrary, all obligations of the State hereunder, including without limitation, the continuance of payments hereunder, are contingent upon the availability or continued appropriation of funds, and in no event shall the State be liable for any payments hereunder in excess of such available or appropriated funds. In the event of a reduction or termination of those funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to terminate this Agreement immediately upon giving the Grantee notice of such termination.

11. **EVENT OF DEFAULT: REMEDIES.**

11.1 Any one or more of the following acts or omissions of the Grantee shall constitute an event of default hereunder (hereinafter referred to as "Events of Default"):

11.1.1 failure to perform the Project satisfactorily or on schedule; or

11.1.2 failure to submit any report required hereunder; or

11.1.3 failure to maintain, or permit access to, the records required hereunder; or

11.1.4 failure to perform any of the other covenants and conditions of this Agreement.

11.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

11.2.1 give the Grantee a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the Grantee notice of termination; and

11.2.2 give the Grantee a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the grant amount which would otherwise accrue to the Grantee during the period from the date of such notice until such time as the State determines that the Grantee has cured the Event of Default shall never be paid to the Grantee; and

11.2.3 set off against any other obligation the State may owe to the Grantee any damages the State suffers by reason of any Event of Default; and

11.2.4 treat the Agreement as breached and pursue any of its remedies at law or in equity, or both.

12. **TERMINATION.**

12.1 In the event of any early termination of this Agreement for any reason other than the completion of the Project, the Grantee shall deliver to the Grant Officer, not later than fifteen (15) days after the date of termination, a report ("Termination Report") describing in detail all Project Work performed, and the Grant Amount earned, to and including the date of termination.

12.2 In the event of Termination under paragraphs 10 or 12.4 of these general provisions, the approval of such a Termination Report by the State shall entitle the Grantee to receive that portion of the Grant amount earned to and including the date of termination.

12.3 In the event of Termination under paragraphs 10 or 12.4 of these general provisions, the approval of such a Termination Report by the State shall in no

Grantee Initials

Date

000053



event relieve the Grantee from any and all liability for damages sustained or incurred by the State as a result of the Grantee's breach of its obligations hereunder.

12.4 Notwithstanding anything in this Agreement to the contrary, either the State or except where notice default has been given to the Grantee hereunder, the Grantee, may terminate this Agreement without cause upon thirty (30) days written notice.

13. **CONFLICT OF INTEREST.** No officer, member or employee of the Grantee and no representative, officer of employee of the State of New Hampshire or of the governing body of the locality or localities in which the Project is to be performed, who exercises any functions or responsibilities in the review or approval of the undertaking or carrying out of such Project, shall participate in any decision relating to this Agreement which affects his or her personal interests or the interest of any corporation, partnership, or association in which he or she is directly or indirectly interested, nor shall he or she have any personal or pecuniary interest, direct or indirect, in this Agreement or the proceeds thereof.

14. **GRANTEE'S RELATION TO THE STATE.** In the performance of this Agreement the Grantee, its employees, and any subcontractor or subgrantee of the Grantee are in all respects independent contractors, and are neither agents nor employees of the State. Neither the Grantee nor any of its officers, employees, agents, members, subcontractors or subgrantees, shall have authority to bind the State nor are they entitled to any of the benefits, workers' compensation or emoluments provided by the State to its employees.

15. **ASSIGNMENT AND SUBCONTRACTS.** The Grantee shall not assign, or otherwise transfer any interest in this Agreement without the prior written consent of the State. None of the Project Work shall be subcontracted or subgranted by the Grantee other than as set forth in Exhibit A without the prior written consent of the State.

16. **INDEMNIFICATION.** The Grantee shall defend, indemnify and hold harmless the State, its officers and employees, from and against any and all losses suffered by the State, its officers and employees, and any and all claims, liabilities or penalties asserted against the State, its officers and employees, by or on behalf of any person, on account of, based on or resulting from, arising out of (or which may be claimed to arise out of) the acts or omissions of the Grantee of Subcontractor, or subgrantee or other agent of the Grantee. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant shall survive the termination of this Agreement.

17. **INSURANCE AND BOND.**

17.1 The Grantee shall, at its sole expense, obtain and maintain in force, or shall require any subcontractor, subgrantee or assignee performing Project work to obtain and maintain in force, both for the benefit of the State, the following insurance:

17.1.1 statutory workers' compensation and employees liability insurance for all employees engaged in the performance of the Project, and

17.1.2 comprehensive public liability insurance against all claims of bodily injuries, death or property damage, in amounts not less than \$2,000,000 for bodily injury or death any one incident, and \$500,000 for property damage in any one incident; and

17.2 The policies described in subparagraph 18.1 of this paragraph shall be the standard form employed in the State of New Hampshire, issued by underwriters acceptable to the State, and authorized to do business in the State of New Hampshire. Each policy shall contain a clause prohibiting cancellation or modification of the policy earlier than ten (10) days after written notice of the of has been received by the State.

18. **WAIVER OF BREACH.** No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event, or any subsequent Event. No express waiver of any Event of Default shall be deemed a waiver of any provisions hereof. No such failure or waiver shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other default on the part of the Grantee.

19. **NOTICE.** Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses first above given.

20. **AMENDMENT.** This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Council of the State of New Hampshire.

21. **CONSTRUCTION OF AGREEMENT AND TERMS.** This Agreement shall be construed in accordance with the law of the State of New

Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assignees. The captions and contents of the "subject" blank are used only as a matter of convenience, and are not to be considered a part of this Agreement or to be used in determining the intent of the parties hereto.

22. **THIRD PARTIES.** The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

23. **ENTIRE AGREEMENT.** This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire Agreement and understanding between the parties, and supersedes all prior Agreements and understandings relating hereto.

Grantee Initials

Date

000054

Aquarion Water Company of New Hampshire, Inc. PRLF-1  
PFAS Remediation Loan Fund – Grant  
Page 1 of 2

**EXHIBIT A**  
**SCOPE OF SERVICES**

Aquarion Water Company of New Hampshire (PWS #1051010):

Aquarion Water Company of New Hampshire, Inc. ("Recipient") will use the grant funds in conjunction with other funding to install granular activated carbon ("GAC") treatment for per- and poly-flouroalkyl substances ("PFAS") present within groundwater at the Mill Road well field Well 6. Grants funds will be used to complete the design, bidding, construction, and engineering oversight to install a new raw water main to isolate Well 6 and installation of GAC pressure vessels in an existing building.

As a requirement of this grant funding, Aquarion Water Company of New Hampshire, Inc. is required to develop and adhere to an asset maintenance and renewal plan for the funded improvements and provide documentation supporting this requirement.

**EXHIBIT B**  
**BUDGET & PAYMENT METHOD**

The NHDES shall pay to the Grantee the total reimbursable program costs in accordance with the following requirements:

Reimbursement requests for program costs shall be made no more than once per calendar month by the Grantee using the Request for Disbursement form as supplied by the NHDES, which shall be completed and signed by the Grantee. The disbursement form shall be accompanied by proper supporting documentation based upon direct costs. The Grantee will maintain adequate documentation to substantiate all Program related costs. All work shall be performed to the satisfaction of the NHDES before payment is made.

This grant is combined with a Drinking Water and Groundwater Trust Fund ("DWGTF") match funding of \$428,250. Each disbursement request will be paid 100% grant funds up to \$1,284,750.

**EXHIBIT C**  
**SPECIAL PROVISIONS**

Non-material project-related changes to the Scope of Services outlined in Exhibit A require NHDES approval in advance.

This Grant Agreement and all obligations of the parties hereunder shall become effective on the date the Governor and Executive Council of the State of New Hampshire approve this Agreement ("Effective

Grantee Initials \_\_\_\_\_  
Date 11/9/21

000055



Aquarion Water Company of New Hampshire, Inc. PRLF-1  
PFAS Remediation Loan Fund – Grant  
Page 2 of 2

Date”) and shall end on June 1, 2022. Any work performed by the RECIPIENT prior to the Effective Date shall be at the **sole risk** of the RECIPIENT. In the event this Grant Agreement does not become effective, NHDES shall be under no obligation to pay the RECIPIENT for any costs incurred or work performed; however, if this Agreement becomes effective, costs incurred prior to the Effective Date that would otherwise be allowable are eligible for payment under the terms of this Agreement.

Grantee Initials

Date

*AW*  
*11/9/21*

000056

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.  
(Directors Written Consent)  
(Effective: November 8, 2021)

The undersigned, being all of the Directors of Aquarion Water Company of New Hampshire, Inc. (the "Company"), hereby consent to the following action, which consent shall have the same effect as a vote in favor of such action taken at a meeting of the Company's Directors:

AUTHORIZATION TO ENTER INTO PFAS REMEDIATION LOAN FUND PROGRAM  
GRANT AGREEMENT

RESOLVED, that Aquarion Water Company of New Hampshire, Inc. (the "Company") is hereby authorized to enter into a PFAS Remediation Loan Fund Program grant agreement between the Company and the New Hampshire Department of Environmental Services (the "Grant Agreement") to fund a water system improvement project (the "Project") to construct a treatment facility/system in North Hampton, New Hampshire to address per- and polyfluoroalkyl substances ("PFAS") levels in Well 6 located in Hampton, New Hampshire.

RESOLVED, that each of the President and Chief Operating Officer, the Senior Vice President-Finance and Regulatory and Treasurer, the Vice President, Operations and Utility Innovation, and the Vice President, Engineering and Real Estate of the Company (the "Authorized Officers"), acting singly, is hereby authorized to execute, deliver and perform, in the name and on behalf of the Company, any and all documents that may be necessary or desirable to effectuate the Grant Agreement.

RESOLVED, that each Authorized Officer is hereby authorized, in the name and on behalf of the Company, to file with the New Hampshire Public Utilities Commission and any and all other applicable federal, state or local regulatory agencies, applications for all necessary approvals relating to the Grant Agreement, and any transactions contemplated by the foregoing resolutions.

RESOLVED, that any and all actions heretofore taken, and any and all things heretofore done, by any officer of the Company in connection with or with respect to the Grant Agreement or any related agreements to be entered into by the Company in connection therewith are hereby approved, ratified and confirmed.

*[Remainder of this page intentionally left blank. Signature page to follow.]*

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.  
(Directors Written Consent)  
(Effective: November 8, 2021)

Signed by the Directors as follows:

DocuSigned by:

Donald J. Morrissey

EE8FFCEC9035403...

Donald J. Morrissey

DocuSigned by:

Lucia A. Teixeira

84906E9C0F71495...

Lucia A. Teixeira

DocuSigned by:

John P. Walsh

A9810D6901C44A3...

John P. Walsh

000058

# State of New Hampshire

## Department of State

### CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify that AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC. is a New Hampshire Profit Corporation registered to transact business in New Hampshire on August 14, 1889. I further certify that all fees and documents required by the Secretary of State's office have been received and is in good standing as far as this office is concerned.

Business ID: **30863**

Certificate Number: **0005463256**



IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed  
the Seal of the State of New Hampshire,  
this 3rd day of November A.D. 2021.

A handwritten signature in cursive script, appearing to read "Wm Gardner".

William M. Gardner  
Secretary of State

000059



# FINAL GRANT AND LOAN APPLICATION

## Water Division/Drinking Water and Groundwater Bureau

### Per- and Polyfluoroalkyl Substances

### Remediation Grant and Loan Fund (PFAS RLF)



RSA 485-H/Env-Dw 1400

|   |  |
|---|--|
| <b>1. PUBLIC WATER SYSTEM INFORMATION</b>                       |  |
| Applicant Name: Aquarion Water Company of New Hampshire         | PWS ID #: NH1051010  |
| Town/City: Hampton  | Municipal <input type="checkbox"/> Private <input checked="" type="checkbox"/> |
| Contact Person: John Walsh                                      | Title: Vice President of Operations & Utility Innovation                       |
| Mailing Address: 835 Main St, Bridgeport, CT                    | ZIP + 4: 06604   |
| Phone: 203-336-7617   | Email: jwalsh@aquarionwater.com  |
| Billing Contact: Maria Seara                                    | Title: Sr. Capital & Reporting Specialist                                      |
| Email: mseara@aquarionwater.com                                 | Phone: 203-362-3030  |
| Primary site where work will be performed: Mill Road Well Field |  |
| Address: 5 Mill Rd, North Hampton, NH                           | ZIP + 4: 03862   |

|  |
|--|
| <b>2. PROJECT TITLE:</b> Mill Road Well Field PFAS Treatment |
|--|

|   |
|---|
| <b>3. PROJECT DESCRIPTION</b> - Provide a concise description of the project. Include analysis of alternatives justifying the present project as the most cost-effective option.  |
| <p>The proposed project will provide treatment for Per- and Poly-fluoroalkyl Substances (PFAS) present within groundwater at the Mill Road well field. The well field consists of 6 wells in Hampton and North Hampton, NH and is critical to meet water supply needs of the Hampton, North Hampton, and Rye communities. PFAS concentrations (in particular, PFOA) at the point of entry (POE) have exceeded the newly adopted New Hampshire Maximum Contaminant Levels (MCLs) on an individual sample basis and the running annual average is currently over 80% of the MCL. PFAS concentrations, particularly PFOA, are rising in the wells. To continue to meet the MCL at the Mill Rd WTP POE, blending will require increasingly lower production volumes from Wells 6, 9 and 11. Absent the capacity to remove PFOA, the practical effect will be a substantial loss of production capacity in just a few years. The proposed project includes granular activated carbon (GAC) treatment for Well 6, which is the well with the highest concentrations</p> |

|   |
|---|
| <b>4. SCOPE OF WORK</b> - Include a scope of work including project tasks, schedule and deliverables.   |
| <p>This project includes a new raw water main to isolate Well 6 water for treatment, GAC pressure vessels for PFAS treatment, and building improvements for the existing garage. The estimated cost of the overall project is \$1,713,000. Construction began in June May 2021 with substantial completion expected in December 2021.</p> |

PFAS Remediation Loan Fund Program  
PO Box 95, Concord, NH 03302-0095  
www.des.nh.gov

| 5. PROJECT SCHEDULE, to the extent available  |               |
|---|---------------|
| Anticipated Authority to Borrow Date:         | April 2021    |
| Anticipated Design Start Date:                | October 2020  |
| Anticipated Construction Contract Award Date: | May 2021      |
| Anticipated Project Completion Date:          | December 2021 |

| 6. GRANT/LOAN FUNDING REQUEST             |                 |         |
|---|-----------------|---------|
| Requested Amount:                         | Grant           | Loan    |
|   | \$ 1,284,750.00 | \$ 0    |
| Loan Term* (5, 10, 15, 20 or 30** years): |                 | 0 years |
|   |                 |         |
|   |                 |         |
|   |                 |         |
|   |                 |         |

| 5. PROJECT COST & BUDGET             |              |
|--------------------------------------|--------------|
| Estimated Construction Cost          | \$ 1,242,000 |
| Construction Contingency (10%)       | \$ 248,000   |
| Estimated Engineering/Planning Costs | \$ 233,000   |
| Other Costs                          | \$           |
| <i>Describe other costs:</i>         |              |
| Total Estimated Costs                | \$ 1,713,000 |
| Amount of Grant                      | \$ 1,284,750 |
| Amount of Loan                       | \$ 0         |

\* Loan term cannot exceed the life-cycle cost of the financed asset/improvement.

\*\* Loans to disadvantaged water systems may be for a term of up to 30 years.

| 7. CURRENT RESIDENTIAL WATER RATE (Based on 71,996 gallons/year) |
|--|
| \$ 670.57/single family home/year                                |


| 8. PROJECT SCHEDULE                                     |               |
|---|---------------|
| Anticipated Authority to Accept Grant/Borrow Funds Date | November 2021 |
| Anticipated Design Start Date                           | October 2020  |
| Anticipated Construction Contract Award Date            | May 2021      |
| Anticipated Project Completion Date                     | December 2021 |

| 9. VENDOR CODE – A vendor code may be obtained online at <a href="#">Vendor Registration website</a> . |
|--|
| 174060   |

*Applicant certifies that the signer has been duly authorized by the applicant to sign this application and that information in the application and in the attachments is true, complete, and not misleading to the best of the representative's knowledge and belief. Applicant further certifies that applicant understands that any NHDES determination that the applicant and the applicant's project qualifies for funding from*

*the PFAS RLF that is based on false, incomplete, or misleading information is subject to modification, up to and including reversal, through an adjudicative proceeding conducted in accordance with applicable provisions of Env-C 200, and that the applicant and the signer are subject to the penalties specified in New Hampshire law for falsification in official matters, currently RSA 641.*

*If the applicant's authorized representative is, or is acting on behalf of, a listed engineer as defined in Env-C 502.10, the signature also constitutes certification that the signer understands that the submittal of false or misleading information is grounds for debarring the listed engineer from the roster.*

DocuSigned by:  
  
A9810D6901C44A3...

John Walsh, P.E.

Signature of Authorized Representative

Vice President, Operations & Utility Innovation

Title

November 8, 2021

Date

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 6

Data Request Received: September 29, 2022  
Request No.: DOE 6-12

Date of Response: October 13, 2022  
Witness: D. Lawrence

---

**REQUEST: Supplemental Testimony of Debra A. Szabo and Daniel R. Lawrence, page 6 [Bates 12].**

Please discuss the current status of the \$1,284,750 grant from the PFAS Remediation Loan Fund as it relates to the Well 6 PFAS treatment project. If the grant has been approved, please provide:

- a) Date grant was approved by the Governor and Council.
- b) Final dollar amount of the grant.
- c) Copy of final grant documentation.

**RESPONSE:**

- a. The grant was approved by the Governor and Council on 7/27/22.
- b. The final approved amount is \$1,284,750; however, receipt of these funds is still pending.
- c. Please refer to DOE 6-12 Attachment 1.





The State of New Hampshire  
Department of Environmental Services

Robert R. Scott, Commissioner

Docket No. BW 20-184  
Data Request 0016-12-001  
Step 1 of 2  
Attachment 1  
Page 25 of 40



June 28, 2022

His Excellency, Governor Christopher T. Sununu  
and the Honorable Council  
State House  
Concord, New Hampshire 03301

APPROVED G & C  
DATE 27 July 2022  
ITEM # 83

REQUESTED ACTION

Authorize the Department of Environmental Services (NHDES) to award a grant to Aquarion Water Company of New Hampshire, Inc. (VC# 174060-B001), Bridgeport, CT, in the amount not to exceed \$1,341,259 to finance the Mill Road Well Field Per- and Polyfluoroalkyl Substances (PFAS) Treatment project in North Hampton, effective upon Governor & Council approval through September 1, 2022. 100% Federal Funds.

Funding is available in the following account:

03-44-44-440010-2476-072-500574

Dept. Environmental Services, ARPA Program, Grants Federal  
Activity Code: 00FRF602WB4401C

FY 2023

\$1,341,259

EXPLANATION

The grant is funded through the American Rescue Plan Act (ARPA) of 2021. ARPA is a \$1.9 trillion economic stimulus bill passed by the 117<sup>th</sup> United States Congress and signed into law by President Biden on March 11, 2021, to speed up the United States' recovery from the economic health effects of the COVID-19 pandemic and the resultant recession. The Act defines eligible uses of the state and local funding, including responding to public health emergencies, responding to workers performing essential work during the COVID-19 emergency, providing revenue relief to states and making investments in water, sewer, and broadband infrastructure. ARPA provides funding for costs incurred after March 3, 2021.

On April 29, 2022, the NHDES authorized up to \$1,341,259 as a grant to Aquarion Water Company of New Hampshire to assist with financing necessary water system improvements to remediate PFAS contamination in the Mill Road well field by way of activated granular carbon. The bidding process occurred in March and April of 2021; construction began June 23, 2021. The approved project scope included bidding, construction, and engineering oversight for the renovation of an existing pumphouse to accommodate treatment vessels, installation of treatment and necessary pipe work to connect the affected well(s). Substantial completion was issued on December 21, 2021. This is an allowable use of ARP FRF funds under Section 602 (c)(1)(D) to make necessary investments in water, sewer, or broadband infrastructure.

If federal funds become no longer available, General Funds will not be requested to support this program. This grant agreement has been approved by the Attorney General's Office as to form, substance, and execution.

We respectfully request your approval.

Robert R. Scott  
Commissioner

DES Website: [www.des.nh.gov](http://www.des.nh.gov)

P.O. Box 95, 29 Hazen Drive, Concord, New Hampshire 03302-0095


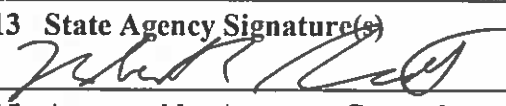

Telephone: (603) 271-2513 • Fax: (603) 271-5171 • TDD Access: Relay NH 1-800-735-2964

000064

## GRANT AGREEMENT

The State of New Hampshire and the Grantee hereby  
 Mutually agree as follows:  
 GENERAL PROVISIONS

### 1. Identification and Definitions.

|  |   |   |  |
|--|---|---|--|
| <b>1.1. State Agency Name</b><br>NH Department of Environmental Services   |   | <b>1.2. State Agency Address</b><br>29 Hazen Drive, Concord, NH 03301   |  |
| <b>1.3. Grantee Name</b><br>Aquarion Water Company of New Hampshire, Inc.  |   | <b>1.4. Grantee Address</b><br>835 Main Street Bridgeport, CT 06604   |  |
| <b>1.5. Grantee Phone #</b><br>203-336-7617  | <b>1.6. Account Number</b><br>03-44-44-4440010-2476-072 | <b>1.7. Completion Date</b><br>September 1, 2022  | <b>1.8. Grant Limitation</b><br>\$ 1,341,259 |
| <b>1.9. Grant Officer for State Agency</b><br>Amy Rousseau, PFAS Response Administrator<br>NH Department of Environmental Services   |   | <b>1.10. State Agency Telephone Number</b><br>603-271-8801  |  |
| If Grantee is a municipality or village district: "By signing this form we certify that we have complied with any public meeting requirement for acceptance of this grant, including if applicable RSA 31:95-b."                               |   |   |  |
| <b>1.11. Grantee Signature 1</b><br>  |   | <b>1.12. Name &amp; Title of Grantee Signor 1</b><br>John Walsh<br>Vice President, Operations & Utility Innovation                  |  |
| <b>Grantee Signature 2</b>   |   | <b>Name &amp; Title of Grantee Signor 2</b>   |  |
| <b>Grantee Signature 3</b>   |   | <b>Name &amp; Title of Grantee Signor 3</b>   |  |
| <b>1.13. State Agency Signature(s)</b><br>  |   | <b>1.14. Name &amp; Title of State Agency Signor(s)</b><br>Robert R. Scott, Commissioner<br>NH Department of Environmental Services |  |
| <b>1.15. Approval by Attorney General (Form, Substance and Execution) (if G &amp; C approval required)</b><br>By:  Assistant Attorney General, On: 7/8/2022 |   |   |  |
| <b>1.16. Approval by Governor and Council (if applicable)</b><br>By: _____ On: ____/____/____  |   |   |  |

2. **SCOPE OF WORK:** In exchange for grant funds provided by the State of New Hampshire, acting through the Agency identified in block 1.1 (hereinafter referred to as "the State"), the Grantee identified in block 1.3 (hereinafter referred to as "the Grantee"), shall perform that work identified and more particularly described in the scope of work attached hereto as EXHIBIT B (the scope of work being hereinafter referred to as "the Project").

3. AREA COVERED. Except as otherwise specifically provided for herein, the Grantee shall perform the Project in, and with respect to, the State of New Hampshire.
4. EFFECTIVE DATE, COMPLETION OF PROJECT.
- 4.1. This Agreement, and all obligations of the parties hereunder, shall become effective on the date of approval of this Agreement by the Governor and Council of the State of New Hampshire if required (block 1.16), or upon signature by the State Agency as shown in block 1.14 ("the Effective Date").
- 4.2. Except as otherwise specifically provided herein, the Project, including all reports required by this Agreement, shall be completed in ITS entirety prior to the date in block 1.7 (hereinafter referred to as "the Completion Date").
5. GRANT AMOUNT, LIMITATION ON AMOUNT, VOUCHERS, PAYMENT.
- 5.1. The Grant Amount is identified and more particularly described in EXHIBIT C, attached hereto.
- 5.2. The manner of, and schedule of payment shall be as set forth in EXHIBIT C.
- 5.3. In accordance with the provisions set forth in EXHIBIT C, and in consideration of the satisfactory performance of the Project, as determined by the State, and as limited by subparagraph 5.5 of these general provisions, the State shall pay the Grantee the Grant Amount. The State shall withhold from the amount otherwise payable to the Grantee under this subparagraph 5.3 those sums required, or permitted, to be withheld pursuant to N.H. RSA 80:7 through 7-c.
- 5.4. The payment by the State of the Grant amount shall be the only, and the complete payment to the Grantee for all expenses, of whatever nature, incurred by the Grantee in the performance hereof, and shall be the only, and the complete, compensation to the Grantee for the Project. The State shall have no liabilities to the Grantee other than the Grant Amount.
- 5.5. Notwithstanding anything in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made, hereunder exceed the Grant limitation set forth in block 1.8 of these general provisions.
6. COMPLIANCE BY GRANTEE WITH LAWS AND REGULATIONS. In connection with the performance of the Project, the Grantee shall comply with all statutes, laws regulations, and orders of federal, state, county, or municipal authorities which shall impose any obligations or duty upon the Grantee, including the acquisition of any and all necessary permits and RSA 31-95-b.
7. RECORDS and ACCOUNTS.
- 7.1. Between the Effective Date and the date seven (7) years after the Completion Date, unless otherwise required by the grant terms or the Agency, the Grantee shall keep detailed accounts of all expenses incurred in connection with the Project, including, but not limited to, costs of administration, transportation, insurance, telephone calls, and clerical materials and services. Such accounts shall be supported by receipts, invoices, bills and other similar documents.
- 7.2. Between the Effective Date and the date seven (7) years after the Completion Date, unless otherwise required by the grant terms or the Agency pursuant to subparagraph 7.1, at any time during the Grantee's normal business hours, and as often as the State shall demand, the Grantee shall make available to the State all records pertaining to matters covered by this Agreement. The Grantee shall permit the State to audit, examine, and reproduce such records, and to make audits of all contracts, invoices, materials, payrolls, records of personnel, data (as that term is hereinafter defined), and other information relating to all matters covered by this Agreement. As used in this paragraph, "Grantee" includes all persons, natural or fictional, affiliated with, controlled by, or under common ownership with, the entity identified as the Grantee in block 1.3 of these provisions
8. PERSONNEL.
- 8.1. The Grantee shall, at its own expense, provide all personnel necessary to perform the Project. The Grantee warrants that all personnel engaged in the Project shall be qualified to perform such Project, and shall be properly licensed and authorized to perform such Project under all applicable laws.
- 8.2. The Grantee shall not hire, and it shall not permit any subcontractor, subgrantee, or other person, firm or corporation with whom it is engaged in a combined effort to perform the Project, to hire any person who has a contractual relationship with the State, or who is a State officer or employee, elected or appointed.
- 8.3. The Grant Officer shall be the representative of the State hereunder. In the event of any dispute hereunder, the interpretation of this Agreement by the Grant Officer, and his/her decision on any dispute, shall be final.
9. DATA, RETENTION OF DATA, ACCESS.
- 9.1. As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations,

- computer programs, computer printouts, notes, letters, memoranda, paper, and documents, all whether finished or unfinished.
- 9.2. Between the Effective Date and the Completion Date the Grantee shall grant to the State, or any person designated by it, unrestricted access to all data for examination, duplication, publication, translation, sale, disposal, or for any other purpose whatsoever.
- 9.3. No data shall be subject to copyright in the United States or any other country by anyone other than the State.
- 9.4. On and after the Effective Date all data, and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason, whichever shall first occur.
- 9.5. The State, and anyone it shall designate, shall have unrestricted authority to publish, disclose, distribute and otherwise use, in whole or in part, all data.
10. CONDITIONAL NATURE OF AGREEMENT. Notwithstanding anything in this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability or continued appropriation of funds, and in no event shall the State be liable for any payments hereunder in excess of such available or appropriated funds. In the event of a reduction or termination of those funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to terminate this Agreement immediately upon giving the Grantee notice of such termination.
11. EVENT OF DEFAULT, REMEDIES.
- 11.1. Any one or more of the following acts or omissions of the Grantee shall constitute an event of default hereunder (hereinafter referred to as "Events of Default"):
- 11.1.1 Failure to perform the Project satisfactorily or on schedule; or
- 11.1.2 Failure to submit any report required hereunder; or
- 11.1.3 Failure to maintain, or permit access to, the records required hereunder; or
- 11.1.4 Failure to perform any of the other covenants and conditions of this Agreement
- 11.2. Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:
- 11.2.1 Give the Grantee a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the Grantee notice of termination; and
- 11.2.2 Give the Grantee a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the Grant Amount which would otherwise accrue to the Grantee during the period from the date of such notice until such time as the State determines that the Grantee has cured the Event of Default shall never be paid to the Grantee; and
- 11.2.3 Set off against any other obligation the State may owe to the Grantee any damages the State suffers by reason of any Event of Default; and
- 11.2.4 Treat the agreement as breached and pursue any of its remedies at law or in equity, or both.
12. TERMINATION.
- 12.1. In the event of any early termination of this Agreement for any reason other than the completion of the Project, the Grantee shall deliver to the Grant Officer, not later than fifteen (15) days after the date of termination, a report (hereinafter referred to as the "Termination Report") describing in detail all Project Work performed, and the Grant Amount earned, to and including the date of termination. In the event of Termination under paragraphs 10 or 12.4 of these general provisions, the approval of such a Termination Report by the State shall entitle the Grantee to receive that portion of the Grant amount earned to and including the date of termination.
- 12.2. In the event of Termination under paragraphs 10 or 12.4 of these general provisions, the approval of such a Termination Report by the State shall in no event relieve the Grantee from any and all liability for damages sustained or incurred by the State as a result of the Grantee's breach of its obligations hereunder.
- 12.3. Notwithstanding anything in this Agreement to the contrary, either the State or, except where notice default has been given to the Grantee hereunder, the Grantee, may terminate this Agreement without cause upon thirty (30) days written notice.
- 12.4. CONFLICT OF INTEREST. No officer, member of employee of the Grantee, and no representative, officer or employee of the State of New Hampshire or of the governing body of the locality or localities in which the Project is to be performed, who exercises any functions or responsibilities in the review or

- approval of the undertaking or carrying out of such Project, shall participate in any decision relating to this Agreement which affects his or her personal interest or the interest of any corporation, partnership, or association in which he or she is directly or indirectly interested, nor shall he or she have any personal or pecuniary interest, direct or indirect, in this Agreement or the proceeds thereof.
14. GRANTEE'S RELATION TO THE STATE. In the performance of this Agreement the Grantee, its employees, and any subcontractor or subgrantee of the Grantee are in all respects independent contractors, and are neither agents nor employees of the State. Neither the Grantee nor any of its officers, employees, agents, members, subcontractors or subgrantees, shall have authority to bind the State nor are they entitled to any of the benefits, workmen's compensation or emoluments provided by the State to its employees.
15. ASSIGNMENT AND SUBCONTRACTS. The Grantee shall not assign, or otherwise transfer any interest in this Agreement without the prior written consent of the State. None of the Project Work shall be subcontracted or subgranted by the Grantee other than as set forth in Exhibit B without the prior written consent of the State.
16. INDEMNIFICATION. The Grantee shall defend, indemnify and hold harmless the State, its officers and employees, from and against any and all losses suffered by the State, its officers and employees, and any and all claims, liabilities or penalties asserted against the State, its officers and employees, by or on behalf of any person, on account of, based on, resulting from, arising out of (or which may be claimed to arise out of) the acts or omissions of the Grantee or subcontractor, or subgrantee or other agent of the Grantee. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant shall survive the termination of this agreement.
17. INSURANCE.
- 17.1 The Grantee shall, at its own expense, obtain and maintain in force, or shall require any subcontractor, subgrantee or assignee performing Project work to obtain and maintain in force, both for the benefit of the State, the following insurance:
- 17.1.1 Statutory workers' compensation and employees liability insurance for all employees engaged in the performance of the Project, and
- 17.1.2 General liability insurance against all claims of bodily injuries, death or property damage, in amounts not less than \$1,000,000 per occurrence and \$2,000,000 aggregate for bodily injury or death any one incident, and \$500,000 for property damage in any one incident; and
- 17.2. The policies described in subparagraph 17.1 of this paragraph shall be the standard form employed in the State of New Hampshire, issued by underwriters acceptable to the State, and authorized to do business in the State of New Hampshire. Grantee shall furnish to the State, certificates of insurance for all renewal(s) of insurance required under this Agreement no later than ten (10) days prior to the expiration date of each insurance policy.
18. WAIVER OF BREACH. No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event, or any subsequent Event. No express waiver of any Event of Default shall be deemed a waiver of any provisions hereof. No such failure of waiver shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other default on the part of the Grantee.
19. NOTICE. Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses first above given.
20. AMENDMENT. This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Council of the State of New Hampshire, if required or by the signing State Agency.
21. CONSTRUCTION OF AGREEMENT AND TERMS. This Agreement shall be construed in accordance with the law of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assignees. The captions and contents of the "subject" blank are used only as a matter of convenience, and are not to be considered a part of this Agreement or to be used in determining the intent of the parties hereto.
22. THIRD PARTIES. The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.
23. ENTIRE AGREEMENT. This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire agreement and understanding between the parties, and supersedes all prior agreements and understandings relating hereto.
24. SPECIAL PROVISIONS. The additional or modifying provisions set forth in Exhibit A hereto are incorporated as part of this agreement.

**EXHIBIT A**  
**SPECIAL PROVISIONS**

## ***I. NEW HAMPSHIRE STATE AND LOCAL FISCAL RECOVERY FUNDS FEDERAL REQUIREMENTS***

This Agreement is funded under a grant to the State of New Hampshire (State) and subsequently through the Governor's Office for Emergency Relief and Recovery (GOFERR) and New Hampshire Department of Environmental Services (NHDES) as approved by the Governor and Executive Council from the federal government through the Department of Treasury (Treasury) through the American Rescue Plan Act of 2021 (ARPA), with the source of funds being the State and Local Fiscal Recovery Funds (SLFRF) identified under the Catalog of Federal Domestic Assistance (CFDA) number #21.027. The Federal Award Identification Number (FAIN) for this award is SLFRP0145. This grant award is a subaward of SLFRF funds and any and all compliance requirements, as updated by Treasury, for use of SLFRF funds are applicable to the Subrecipient, without further notice. Treasury requirements are published and updated at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>.

**FEDERAL FUNDING ACCOUNTABILITY and TRANSPARENCY ACT (FFATA).** The Subrecipient shall comply with the terms of the FFATA by providing NHDES with their Data Universal Numbering System (DUNS) number, and all applicable Executive Compensation Data information as required under the FFATA. A DUNS number may be obtained by visiting <http://fedgov.dnb.com/webform/>.

**SAM REGISTRATION:** The Subrecipient must have an active registration with the System for Award Management (SAM) (<https://www.sam.gov>).

**GENERALLY ACCEPTED ACCOUNTING PROCEDURES:** The Subrecipient, if a governmental entity, shall maintain project accounts in accordance with the Generally Accepted Accounting Principles (GAAP), including standards relating to the reporting of infrastructure assets as issued by the Governmental Accounting Standards Board (GASB). The full text of Governmental Accounting Reporting Standards is available through the GASB website at: <http://www.gasb.org>

**RECORDKEEPING REQUIREMENTS:** The Subrecipient must maintain records and financial documents for five years after all funds have been expended or returned to the State and/or Treasury. Treasury may request transfer of records of long-term value at the end of such period. Wherever practicable, such records should be collected, transmitted, and stored in open and machine-readable formats.

Subrecipient must agree to provide or make available such records to the State and Treasury upon request, and to the Government Accountability Office ("GAO"), Treasury's Office of Inspector General ("OIG"), and their authorized representative in order to conduct audits or other investigations.

Grantee Initials

Date \_\_\_\_\_

Aquarion Water Company of New Hampshire, Inc. PRLF-01  
PFAS Remediation Grant and Loan Fund  
Page 2 of 8

**SINGLE AUDIT REQUIREMENTS:** Recipients and subrecipients that expend more than \$750,000 in Federal awards during their fiscal year will be subject to an audit under the Single Audit Act and its implementing regulation at 2 CFR Part 200, Subpart F regarding audit requirements. Recipients and subrecipients may also refer to the Office of Management and Budget (OMB) Compliance Supplements for audits of federal funds and related guidance and the Federal Audit Clearinghouse to see examples and single audit submissions.

**CIVIL RIGHTS COMPLIANCE:** The sub-grantee, contractor, subcontractor, successor, transferee, and assignee shall comply, and shall include in every contract or agreement funded with these funds this same requirement to comply, with Title VI of the Civil Rights Act of 1964, which prohibits recipients of federal financial assistance from excluding from a program or activity, denying benefits of, or otherwise discriminating against a person on the basis of race, color, or national origin (42 U.S.C. § 2000d et seq.), as implemented by the Department of the Treasury's Title VI regulations, 31 CFR Part 22, which are herein incorporated by reference and made a part of this contract (or agreement). Title VI also includes protection to persons with "Limited English Proficiency" in any program or activity receiving federal financial assistance, 42 U.S.C. § 2000d et seq., as implemented by the Department of the Treasury's Title VI regulations, 31 CFR Part 22, and herein incorporated by reference and made a part of this contract or agreement.

In order to carry out its enforcement responsibilities under Title VI of the Civil Rights Act, NHDES may collect and review information from subrecipients to ascertain their compliance with the applicable requirements before and after providing financial assistance. Treasury's implementing regulations, 31 CFR part 22, and the Department of Justice (DOJ) regulations, Coordination of Non-discrimination in Federally Assisted Programs, 28 CFR part 42, provide for the collection of data and information from recipients and subrecipients (see 28 CFR 42.406).

**PERIOD OF PERFORMANCE:** All funds are subject to statutory requirements that they must be used for costs incurred by the recipient during the period that begins on March 3, 2021, and ends on December 31, 2024, and that award funds for the financial obligations incurred by December 31, 2024 must be expended by December 31, 2026.

**PROCUREMENT, SUSPENSION AND DEBARMENT:** Recipients are responsible for ensuring that any procurement using SLFRF funds, or payments under procurement contracts using such funds are consistent with the procurement standards set forth in the Uniform Guidance at 2 CFR 200.317 through 2 CFR 200.327, as applicable. The Uniform Guidance establishes in 2 CFR 200.319 that all procurement transactions for property or services must be conducted in a manner providing full and open competition, consistent with standards outlined in 2 CFR 200.320, which allows for non-competitive procurements only in circumstances where at least one of the conditions below is true: the item is below the micro-purchase threshold; the item is only available from a single source; the public exigency or emergency will not permit a delay from publicizing a competitive solicitation; or after solicitation of a number of sources, competition is determined inadequate. Subrecipients must have and use

Grantee Initials

Date

*JW*  
5/12/22

documented procurement procedures that are consistent with the standards outlined in 2 CFR 200.317 through 2 CFR 200.320.

Subrecipient shall fully comply with Subpart C of 2 C.F.R. Part 180 entitled, "Responsibilities of Participants Regarding Transactions Doing Business With Other Persons," as implemented and supplemented by 2 C.F.R. Part 1532. subrecipient is responsible for ensuring that any lower tier covered transaction, as described in Subpart B of 2 C.F.R. Part 180, entitled "Covered Transactions," and 2 C.F.R. § 1532.220, includes a term or condition requiring compliance with 2 C.F.R. Part 180, Subpart C. subrecipient is responsible for further requiring the inclusion of a similar term and condition in any subsequent lower tier covered transactions. subrecipient acknowledges that failing to disclose the information required under 2 C.F.R. § 180.335 to NHDES may result in the delay or negation of this assistance agreement, or pursuance of administrative remedies, including suspension and debarment. Subrecipients may access the System for Award Management (SAM) exclusion list at <https://sam.gov/SAM/> to determine whether an entity or individual is presently excluded or disqualified.

By entering into this agreement, the subrecipient certifies that the subrecipient is not debarred or suspended. Furthermore, the subrecipient certifies that no part of this contract will be subcontracted to a debarred or suspended person or firm.

**DOMESTIC PREFERENCES FOR PROCUREMENTS (2 C.F.R. § 200.322)** As appropriate and to the extent consistent with law, to the greatest extent practicable, there is a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States (including but not limited to iron, aluminum, steel, cement, and other manufactured products). The requirements of this section must be included in all subawards including all contracts and purchase orders for work or products under this award.

**For purposes of this section:**

- (1) "Produced in the United States" means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.
- (2) "Manufactured products" means items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

**PROHIBITION ON CERTAIN TELECOMMUNICATIONS AND VIDEO SURVEILLANCE SERVICES OR EQUIPMENT:**

As required by 2 CFR 200.216, subrecipients, are prohibited from obligating or expending loan or grant funds to procure or obtain; extend or renew a contract to procure or obtain; or enter into a contract (or

Grantee Initials

Date \_\_\_\_\_

000070

extend or renew a contract) to procure or obtain equipment, services, or systems that use covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system. As described in Public Law 115-232, section 889, covered telecommunications equipment is telecommunications equipment produced by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities). Recipients, Subrecipients, and borrowers also may not use federal funds to purchase:

- a. For the purpose of public safety, security of government facilities, physical security surveillance of critical infrastructure, and other national security purposes, video surveillance and telecommunications equipment produced by Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities).
- b. Telecommunications or video surveillance services provided by such entities or using such equipment.
- c. Telecommunications or video surveillance equipment or services produced or provided by an entity that the Secretary of Defense, in consultation with the Director of the National Intelligence or the Director of the Federal Bureau of Investigation, reasonably believes to be an entity owned or controlled by, or otherwise connected to, the government of a covered foreign country.

Consistent with 2 CFR 200.471, costs incurred for telecommunications and video surveillance services or equipment such as phones, internet, video surveillance, and cloud servers are allowable except for the following circumstances:

- a. Obligating or expending funds for covered telecommunications and video surveillance services or equipment or services as described in 2 CFR 200.216 to:
- (1) Procure or obtain, extend or renew a contract to procure or obtain;
  - (2) Enter into a contract (or extend or renew a contract) to procure; or
  - (3) Obtain the equipment, services, or systems. Certain prohibited equipment, systems, or services, including equipment, systems, or services produced or provided by entities identified in section 889, are recorded in the System for Award Management exclusion list which can be found at <https://www.sam.gov/SAM/pages/public/index.jsf>

**REPORTING REQUIREMENTS:** For all projects listed under the Water and Sewer Expenditure Categories (see Table below), detailed project-level information is required.

|                   |   |
|-------------------|---|
| 5: Infrastructure |   |
| 5.1               | Clean Water: Centralized Wastewater Treatment                 |
| 5.2               | Clean Water: Centralized Wastewater Collection and Conveyance |

Grantee Initials

Date \_\_\_\_\_

000071



Aquarion Water Company of New Hampshire, Inc. PRLF-01  
 PFAS Remediation Grant and Loan Fund  
 Page 5 of 8

|      |   |
|------|---|
| 5.3  | Clean Water: Decentralized Wastewater                         |
| 5.4  | Clean Water: Combined Sewer Overflows                         |
| 5.5  | Clean Water: Other Sewer Infrastructure                       |
| 5.6  | Clean Water: Stormwater                                       |
| 5.7  | Clean Water: Energy Conservation                              |
| 5.8  | Clean Water: Water Conservation                               |
| 5.9  | Clean Water: Nonpoint Source                                  |
| 5.10 | Drinking water: Treatment                                     |
| 5.11 | Drinking water: Transmission & Distribution                   |
| 5.12 | Drinking water: Transmission & Distribution: Lead Remediation |
| 5.13 | Drinking water: Source  |
| 5.14 | Drinking water: Storage                                       |
| 5.15 | Drinking water: Other water infrastructure                    |

Definitions for water and sewer Expenditure Categories can be found in the EPA's handbooks. For "clean water" expenditure category definitions, please see: <https://www.epa.gov/sites/production/files/2018-03/documents/cwdefinitions.pdf>. For "drinking water" expenditure category definitions, please see: <https://www.epa.gov/dwsrf/drinking-water-state-revolving-fund-national-information-management-system-reports>.

All Clean Water and Drinking Water infrastructure projects:

- Projected/actual construction start date (month/year)
- Projected/actual initiation of operations date (month/year)
- Location (for broadband, geospatial location data)

For water and sewer projects:

- National Pollutant Discharge Elimination System (NPDES) Permit Number (if applicable; for projects aligned with the Clean Water State Revolving Fund)
- Public Water System (PWS) ID number (if applicable; for projects aligned with the Drinking Water State Revolving Fund)

**II. FEDERAL REQUIREMENTS APPLICABLE TO ARPA INFRASTRUCTURE PROJECTS OVER \$10M**

For projects over \$10 million (based on expected total cost) a recipient shall provide a certification that, for the relevant project, all laborers and mechanics employed by contractors and subcontractors in the performance of such project are paid wages at rates not less than those prevailing, as determined by the U.S. Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code (commonly known as the "Davis-Bacon Act"), for the corresponding classes of laborers and mechanics employed on projects of a character similar to the contract work in the civil subdivision of the State (or the District of Columbia) in which the work is to be performed. All contracts and subcontracts for the construction of treatment works shall insert in full in any contract the standard Davis-Bacon contract clause as specified by 29 CFR §5.5(a).

Grantee Initials

Date

*[Signature]*  
 5/18/22

000072

000073

1. Project-related changes to the Scope of Services outlined in Exhibit B require NHDES approval in advance and if applicable as determined by NHDES, may require grant amendment subject to approval by the Governor and Executive Council.
2. Work must be completed and request for reimbursement must be made by the completion date listed on the grant agreement (section 1.7).
3. Any subcontractor will remain obligated to carry comprehensive general liability insurance in amounts not less than \$250,000 per claim and \$2,000,000 per occurrence.

000074

Aquarion Water Company of New Hampshire, Inc. PRLF-01  
PFAS Remediation Grant and Loan Fund  
Page 8 of 8

completed and signed by the Grantee. The disbursement form shall be accompanied by proper supporting documentation based upon direct costs. The Grantee will maintain adequate documentation to substantiate all Program related costs. All work shall be performed to the satisfaction of the NHDES before payment is made.

The total reimbursement shall not exceed the grant award of \$1,341,259. Each disbursement request for costs incurred after March 3, 2021 will be paid 100% grant funds up to \$1,341,259.

Changes to the Scope of Services require NHDES approval in advance. Work must be completed and request for reimbursement must be made by the completion date listed on the grant agreement (section 1.7).

Grantee Initials

Date

*JW*  
*5/18/22*

000075



## DRINKING WATER INFRASTRUCTURE PROJECT CERTIFICATE OF VOTE – GRANTS ONLY



Drinking Water & Groundwater Bureau Sustainability Grants,  
 Drinking Water & Groundwater Trust Fund (DWGTF),  
 PFAS Remediation Loan Fund (PFAS-RLF), And American Recovery Plan Act (ARPA)

Env-Dw 1300; Env-Dw 1400

A Certificate of Vote of Authorization is a certificate that states that a grant applicant is willing to enter into a grant agreement with the State of NH Department of Environmental Services and that whoever signs the Grant Agreement (provided under separate cover) has the authority to do so. **This is a 3-person form:**

- ☐ Completed and signed by someone other than the person being given authority.  
☐ Must be notarized.  
☐ Original is required for submittal.

### Certificate of Vote of Authorization

AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC.  
 7 Scott Rd, Hampton, NH 03842

I, O. Kay Comendul, Assistant Secretary of the Aquarion Water Company of New Hampshire, Inc. do hereby certify that by unanimous written consent dated November 8, 2021, the Board of Directors of Aquarion Water Company of New Hampshire, Inc. voted to enter into a PFAS Remediation Loan Fund (PFAS RLF) grant agreement with the New Hampshire Department Environmental Services to fund a water system improvement project.

Aquarion Water Company of New Hampshire, Inc. further authorized Donald J. Morrissey, President and Chief Operating Officer; John M. Moreira, Senior Vice President-Finance and Regulatory and Treasurer (who was elected Executive Vice President, Chief Financial Officer and Treasurer on May 4, 2022); John P. Walsh, Vice President, Operations and Utility Innovation; and Daniel R. Lawrence, Vice President, Engineering and Real Estate, of the Company to execute any documents which may be necessary to effectuate this grant agreement.

IN WITNESS WHEREOF, I have hereunto set my hand as Assistant Secretary of Aquarion Water Company of New Hampshire, Inc., on this 27<sup>th</sup> day of May, 2022.

O. Kay Comendul Signature: \_\_\_\_\_

STATE OF CONNECTICUT, County of Hartford

On this 27<sup>th</sup> day of May 2022, Kathy L. Schmidt, before me (Notary Public) the undersigned Officer, personally appeared O. Kay Comendul, who acknowledged herself to be the Assistant Secretary of Aquarion Water Company of Hampshire, Inc., being authorized so to do, execute the foregoing instrument for the purpose therein contained.

In witness thereof, I have set my hand and official seal.

Notary Public:

My commission expires: 11-30-2024

# State of New Hampshire

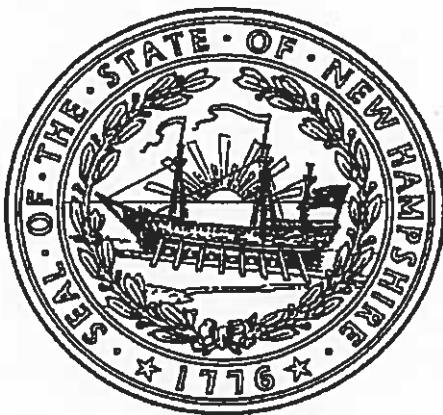
## Department of State

### CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify that AQUARION WATER COMPANY OF NEW HAMPSHIRE, INC. is a New Hampshire Profit Corporation registered to transact business in New Hampshire on August 14, 1889. I further certify that all fees and documents required by the Secretary of State's office have been received and is in good standing as far as this office is concerned.

Business ID: 30863

Certificate Number: 0005748225



IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed  
the Seal of the State of New Hampshire,  
this 4th day of April A.D. 2022.

A handwritten signature in black ink, appearing to read "William M. Gardner".

William M. Gardner  
Secretary of State



# CERTIFICATE OF LIABILITY INSURANCE

Docket No. BW 20-184  
Data Request DOD 6-12-2019  
Attachment 1  
Page 39 of 40

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

|  |  |                       |               |
|--|--|-----------------------|---------------|
| <b>PRODUCER</b><br>Marsh USA Inc.<br>1166 Avenue of the Americas<br>New York, NY 10036-2774<br>Attn: NewYork.Certs@marsh.com Fax: 212-948-0500 | <b>CONTACT NAME:</b>   |                       |               |
|  | <b>PHONE (A/C, No, Ex):</b>                                      | <b>FAX (A/C, No):</b> |               |
| <b>INSURED</b><br>Aquarion Water Company<br>835 Main Street<br>Bridgeport, CT 06604  | <b>INSURER(S) AFFORDING COVERAGE</b>                             |                       | <b>NAIC #</b> |
|  | INSURER A : Associated Electric & Gas Insurance Services Limited |                       | 3190004       |
|  | INSURER B : N/A  |                       | N/A           |
|  | INSURER C :  |                       |               |
|  | INSURER D :  |                       |               |
|  | INSURER E :  |                       |               |
| INSURER F :  |  |                       |               |

**COVERAGES** **CERTIFICATE NUMBER:** NYC-011057828-07 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| INSR LTR | TYPE OF INSURANCE  | ADD'L SUBR INSD WVD                          | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS   |
|----------|--|--|---------------|-------------------------|-------------------------|--|
|          | <b>COMMERCIAL GENERAL LIABILITY</b><br><input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR<br><br>GEN'L AGGREGATE LIMIT APPLIES PER:<br><input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC<br>OTHER: |  |               |                         |                         | EACH OCCURRENCE \$<br>DAMAGE TO RENTED PREMISES (Ea occurrence) \$<br>MED EXP (Any one person) \$<br>PERSONAL & ADV INJURY \$<br>GENERAL AGGREGATE \$<br>PRODUCTS - COMP/OP AGG \$<br>\$ |
|          | <b>AUTOMOBILE LIABILITY</b><br><input type="checkbox"/> ANY AUTO<br><input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS<br><input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY                |  |               |                         |                         | COMBINED SINGLE LIMIT (Ea accident) \$<br>BODILY INJURY (Per person) \$<br>BODILY INJURY (Per accident) \$<br>PROPERTY DAMAGE (Per accident) \$<br>\$                                    |
| A        | <b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR<br><input checked="" type="checkbox"/> EXCESS LIAB <input checked="" type="checkbox"/> CLAIMS-MADE<br>DED <input checked="" type="checkbox"/> RETENTION \$ 1,000,000   |  | XL5043711P    | 03/15/2022              | 03/15/2023              | EACH OCCURRENCE \$ 5,000,000<br>AGGREGATE \$ 5,000,000<br>\$   |
|          | <b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b><br>ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)<br>if yes, describe under DESCRIPTION OF OPERATIONS below  | Y/N<br><input checked="" type="checkbox"/> N | N/A           |                         |                         | PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/><br>E.L. EACH ACCIDENT \$<br>E.L. DISEASE - EA EMPLOYEE \$<br>E.L. DISEASE - POLICY LIMIT \$                         |

**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES** (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
Certificate Holder is included as Additional Insured where required by written contract with respect to Excess Liability subject to policy terms and conditions. This insurance is primary and non-contributory over any existing insurance and limited to liability arising out of the operations of the named insured subject to policy terms and conditions. Waiver of subrogation is applicable where required by written contract and subject to policy terms and conditions.

With respect to Umbrella/Excess Liability:  
\$1,000,000 General Liability SIR any one occurrence as respects Aquarion Water Company prior to January 1, 2020. \$300,000 General Liability SIR any one occurrence as respects Aquarion Water Company on or after January 1, 2020.

|  |  |
|--|--|
| <b>CERTIFICATE HOLDER</b><br>State of New Hampshire<br>Department of Environmental Services<br>29 Hazen Drive<br>PO Box 95, Concord, NH 03302-0095 | <b>CANCELLATION</b><br>SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.<br><br>AUTHORIZED REPRESENTATIVE<br><br>Marsh USA Inc. |
|--|--|



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
 03/17/2022

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

|  |   |                                       |
|--|---|---------------------------------------|
| <b>PRODUCER</b><br>Aon Risk Services Northeast, Inc.<br>Providence RI Office<br>100 Westminster Street, 10th Floor<br>Providence RI 02903-2393 USA | <b>CONTACT NAME</b><br>_____                        |                                       |
|  | <b>PHONE (A/C. No. Ext):</b> (866) 283-7122         | <b>FAX (A/C. No.):</b> (800) 363-0105 |
| <b>E-MAIL ADDRESS:</b><br>_____  |   |                                       |
| <b>INSURED</b><br>Aquarion Water Company<br>835 Main Street<br>Bridgeport CT 06604 USA   | <b>INSURER(S) AFFORDING COVERAGE</b>                |                                       |
|  | <b>INSURER A:</b> Everest Premier Insurance Company |                                       |
|  | <b>INSURER B:</b>                                   |                                       |
|  | <b>INSURER C:</b>                                   |                                       |
|  | <b>INSURER D:</b>                                   |                                       |
|  | <b>INSURER E:</b>                                   |                                       |
| <b>INSURER F:</b>  |   |                                       |
| <b>NAIC #</b> 16045  |   |                                       |

**COVERAGES** **CERTIFICATE NUMBER:** 570092045075 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS

Limits shown are as requested

| INSR LTR | TYPE OF INSURANCE   | ADOL INSD | SUBR WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS   |
|----------|---|-----------|----------|---------------|-------------------------|-------------------------|--|
|          | <b>COMMERCIAL GENERAL LIABILITY</b><br><input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR<br><br>GEN'L AGGREGATE LIMIT APPLIES PER<br><input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC<br><input type="checkbox"/> OTHER |           |          |               |                         |                         | EACH OCCURRENCE<br>DAMAGE TO RENTED PREMISES (Ea occurrence)<br>MED EXP (Any one person)<br>PERSONAL & ADV INJURY<br>GENERAL AGGREGATE<br>PRODUCTS - COMPROP AGG                             |
|          | <b>AUTOMOBILE LIABILITY</b><br><input type="checkbox"/> ANY AUTO<br><input type="checkbox"/> OWNED AUTOS ONLY<br><input type="checkbox"/> HIRED AUTOS ONLY<br><input type="checkbox"/> SCHEDULED AUTOS<br><input type="checkbox"/> NON-OWNED AUTOS ONLY                                 |           |          |               |                         |                         | COMBINED SINGLE LIMIT (Ea accident)<br>BODILY INJURY (Per person)<br>BODILY INJURY (Per accident)<br>PROPERTY DAMAGE (Per accident)  |
|          | <b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR<br><b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE<br><input type="checkbox"/> DED <input type="checkbox"/> RETENTION   |           |          |               |                         |                         | EACH OCCURRENCE<br>AGGREGATE   |
| A        | <b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b><br>ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)<br>If yes, describe under DESCRIPTION OF OPERATIONS below   | Y/N<br>N  | N/A      | EN4WC00252221 | 01/01/2022              | 01/01/2023              | <input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH<br>E L EACH ACCIDENT \$1,000,000<br>E L DISEASE-EA EMPLOYEE \$1,000,000<br>E L DISEASE-POLICY LIMIT \$1,000,000 |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

## CERTIFICATE HOLDER

## CANCELLATION

|  |  |
|--|--|
| State of New Hampshire<br>Department of Environmental Services<br>29 Hazen Drive<br>PO Box 95<br>Concord NH 03302-0095 USA | SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.<br><br><b>AUTHORIZED REPRESENTATIVE</b><br> |
|--|--|

©1988-2015 ACORD CORPORATION. All rights reserved.

Holder Identifier :

570092045075

Certificate No :





# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** July 13, 2021  
**AT (OFFICE):** NHPUC

**FROM:** Audit Staff, Department of Energy

**SUBJECT:** Aquarion Water Company of New Hampshire, Inc.  
**FINAL** Audit Report – DW 20-184

**TO:** Jayson Laflamme, Assistant Director of the Water Division  
Robyn Descoteau, Utility Analyst III  
David Goyette, Utility Analyst III  
Christopher Tuomala, Hearings Examiner

### **INTRODUCTION**

Aquarion Water Company of New Hampshire, Inc. (AWC-NH) filed a request for a change in rates on December 18, 2020, which was docketed as DW 20-184. The prior rate case was for test year ending 2011. The test year for the current filing is for the period ending December 31, 2019. The Audit Staff of the NH Department of Energy (Audit) has conducted an audit of the books and records of the Company from 2012 through 2019.

### **Ownership**

In docket DW 17-114, AWC-NH and Eversource Energy petitioned for approval of a stock purchase. On 6/1/2017, Eversource, as purchaser, and Macquarie Utilities Holdings, GP (MUH) as seller signed a purchase and sale agreement by which Eversource would acquire all issued and outstanding common stock of Macquarie Utilities, Inc. (MUI). MUI acquired Aquarion Water Company, AWC-NH and related subsidiaries in 2007 after approval by Commission Order 24,691 in docket DW 06-094.

Effective with the Eversource purchase of the MUI stock, Eversource would create a new subsidiary to be named Eversource Water Ventures, Inc. as a Connecticut corporation and direct subsidiary of Eversource. MUI was to be renamed Eversource Aquarion Holdings, Inc. and remain as the holding company of the Aquarion subsidiaries. Exhibit ES-AQ-2 of the petition in DW 17-114 is an Organizational chart of Eversource Energy. The Chart reflected the purchase as:

Eversource Energy 100% owns of  
Eversource Water Ventures, Inc. which owns 100% of  
Eversource Aquarion Holdings, Inc. f/k/a Macquarie Utilities, Inc, which  
owns 100% of  
Aquarion Company which owns 100% of  
Aquarion Water Company which owns 100% of each:  
Aquarion Water Capital of Massachusetts, Inc.  
Aquarion Water Company of Connecticut  
Aquarion Water Company of New Hampshire, Inc.  
Aquarion Company also owns 100% of Homeowner Safety Valve  
Company.

An updated Eversource corporate organization chart effective 4/6/2021 does not  
include Eversource Water Ventures, Inc. or Eversource Aquarion Holdings, Inc. An  
additional company, Aquarion Merger Company, LLC, is listed as 100% owned by  
Aquarion Company.

Audit verified that the Aquarion Water Company of New Hampshire, business  
identification #30863, is listed in good standing with the NH Secretary of State, through  
use of the online business name search:

<https://quickstart.sos.nh.gov/online/BusinessInquire/LandingPageBusinessSearch>

### **Dockets and Orders since the Prior Rate Case**

The prior rate case for test year 2011 was docketed as DW 12-085. Since the  
prior rate case, the following Orders and Secretarial Letter have been issued:

| <u>Docket</u> | <u>Order</u> | <u>Date</u> | <u>Order Summary</u>  |
|---------------|--------------|-------------|---|
| DW12-098      | 25,369       | 05/24/2012  | NISI approval \$5mill bond-retire \$4m existing and use \$1m capital improvements     |
| DW12-085      | 25,373       | 06/12/2012  | suspend tariff, schedule PHC tech session 7/11/2012                                   |
| DW12-085      | 25,412       | 09/18/2012  | Approve temporary rate settlement 8.8% increase for service rendered on after 7/1/12  |
| DW12-325      | 25,455       | 01/17/2013  | NISI WICA 2013 surcharge 5.2733% over rates in DW 08-098 for 2012 project \$834,662.  |
| DW 12-325     | 25,584       | 10/21/2013  | Order denying modificaitons to 2013 WICA Projects                                     |
| DW 12-085     | 25,586       | 10/22/2013  | Approves recovery of \$587,324 difference between permanent and temporary rates.      |
| DW 13-314     | 25,628       | 02/07/2014  | 2014 \$1,018,568 and 2015 \$847,000 WICA projects approved                            |
| DW 13-314     | 25,668       | 05/23/2014  | Set WICA surcharge at \$0 for 2013 projects due to tax benefits                       |
| DW 14-075     | 25,692       | 07/10/2014  | Credit of \$905,000 over three years beginning 1/1/2015 due to IRS Tax Depr. Benefit  |
| DW 14-075     | 25,750       | 01/12/2015  | Apply previously approved \$905,000 as refund to customers                            |
| DW 14-300     | 25,751       | 01/12/2015  | Approval of 2015 WICA projects  |
| DW 14-075     | 25,761       | 02/06/2015  | 3 year credit amortization of \$905,000 tax refund benefit                            |
| DW 15-476     | 25,857       | 01/07/2016  | 2016 WICA surcharge of 3.99% and approval 2016 and 2017 projects.                     |
| DW 15-476     | 25,863       | 02/01/2016  | Grant Confidential Treatment of Tata and Howard Capital Efficiency Study.             |
| DW 16-123     | OoN          | 03/09/2016  | Petition for monthly rather than quarterly billing                                    |
| DW 16-123     | 25,929       | 07/27/2016  | Authorization granited for Settlement Agreement to change manner of billing customers |
| DW 16-804     | 25,938       | 08/22/2016  | Approve Emergency Interconnection with Wiggin Farm Homeowners Association             |
| DW 16-828     | 25,977       | 01/13/2017  | WICA \$2.42 average customer bill=5.69% increase over 2016                            |
| DW 16-828     | 25,982       | 01/27/2017  | Deny Hampton and No. Hampton request for reharing on 2016 WICA projects               |
| DW 17-062     | 26,106       | 05/10/2017  | Approve seasonal rates for Wiggin Way Homeowners Assoc.                               |
| DW 17-114     | OoN          | 07/13/2017  | Eversource Petition to purchase AWC-NH  |
| DW 17-114     | Sec. Letter  | 10/13/2017  | Purchase does not need Commission Approval  |
| DW 17-114     | 26,079       | 11/29/2017  | denial of joint rehear petition from McQuarie and Eversource                          |
| DW 17-154     | 26,094       | 12/29/2017  | 2018 WICA surcharge approving order   |
| DW 17-154     | 26,102       | 02/09/2018  | Deny Hampton's motion for rehearing on 2018 WICA surcharge                            |
| DW 18-054     | 26,245       | 05/02/2019  | Authorized creation of regulatory liability account for EADIT owed to customers       |
| DW 18-161     | 26,245       | 05/02/2019  | Authorized the 2019 WICA surcharge to be 6.72%  |
| DW 19-065     | 26,263       | 06/24/2019  | Dismiss Town of Hampton complaint against AWC   |
| DW 19-065     | 26,287       | 08/14/2019  | Town of Hampton no new evidence, so rehearing motion denied                           |

### Affiliate Agreements

Audit reviewed the “Service Contract” dated 12/4/2017, between Eversource Energy Service Company (Service Company) and Aquarion Company and its direct and indirect subsidiaries (Associate Company). Those subsidiaries, listed on Appendix B of the Contract, are:

Aquarion Water Company  
 Aquarion Water of Massachusetts Inc.  
 Aquarion Water of Connecticut Inc.  
 Aquarion Water of New Hampshire Inc.  
 Homeowner Safety Valve Company

The Service Company is a wholly owned subsidiary of Eversource Energy, and the “Service Contract” was presented to the Commission pursuant to RSA 366:3 on 4/11/2019. The filing was docketed as DA 19-079. The Assistant Director of the Gas/Water Division of the NH PUC recommended acceptance of the filing and the closure of the docket, which was done in May 2019.

Costs that are allocated to the NH division of Aquarion Water Company (AWC-NH) consist of general, accounting, and other indirect overhead costs. The overhead charges consist of general overhead/materials handling, payroll overhead, and vehicle overhead. See the Plant, Payroll, and Operations and Maintenance sections of this report for further testing.

### **Rate Filing and Annual Report**

Audit verified the 2019 PUC Annual Report to the detailed general ledger and rate filing. Although Audit was able to verify all numbers, some accounts were misclassified. Refer to the remainder of this audit report and the audit issues for further details.

### **External Audit**

The firm of Deloitte & Touche, LLP located in Hartford, CT audited the balance sheets, related statements of income, cash flows, and stockholders' equity for AWC-NH for 12/31/2018 and 12/31/2019 (Bates pages 669-691 of the filing). The opinion expressed was that the financial statements presented fairly the financial position of AWC-NH for the years ended 2018 and 2019. There were no recommended year-end adjustments. Audit verified the information for year-end 2019, contained within the balance sheet of the statements, to the trial balance with no exceptions noted.

### **Internal Audit**

Audit reviewed the Internal Audit reports provided by Aquarion Water Company for both Aquarion - Connecticut and Aquarion - New Hampshire from 2013 through 2017. The final assessments were assigned ratings described as Red, Amber and Green. In summary, a Green rating showed business processes operating effectively with no significant opportunities for cost reductions. An Amber rating showed significant control weakness in one or more audit issues and opportunities for cost reduction and/or revenue enhancement were noted. A Red rating showed an effective control structure has not been established and significant opportunities for cost reduction and/or revenue enhancement. In general, the audits found areas in need of improvements but mostly in areas of moderate or low priority. The table below lists the Company's Internal Audits and the ratings assigned:

| <u>Report On</u>                      | <u>Report Date</u> | <u>Rating</u> |
|---------------------------------------|--------------------|---------------|
| Treasury                              | August 22, 2013    | Green         |
| Employee Benefits                     | November 1, 2013   | Green         |
| Rate Case Data Collection & Reporting | February 8, 2014   | Green         |
| Financial Controls & Reporting        | August 12, 2014    | Green         |
| Customer Billing and Collection       | January 28, 2015   | Green         |

|  |                   |       |
|--|-------------------|-------|
| Information Technology General Controls-SAP  | February 13, 2015 | Green |
| N.H and MA. Operations Audit                 | July 30, 2015     | Green |
| Ext. Vulnerability Assess & Penetration Test | July 31, 2015     | Green |
| SCADA Security Assessment, Conn., N.H., MA.  | December 2015     | Green |
| Accounts Payable & Anti-Fraud Audit          | February 15, 2016 | Green |
| Human Resources & Payroll                    | August 17, 2016   | Green |
| SAP Change Mgmt. & Data Privacy Assess.      | February 16, 2017 | Green |
| Treasury and Cash Management                 | July 31, 2017     | Green |

### **Minutes of the Board of Directors**

Audit reviewed the Aquarion Water Company of New Hampshire Meeting of the Board of Directors' minutes for 2019.

In year 2019, four annual meetings were held at the offices at 835 Main Street in Bridgeport, Connecticut. The first was held on Wednesday, March 27, 2019. Present at that meeting were Charles V. Firlotte, John P. Walsh and Donald J. Morrissey. In that meeting was the unanimous approval of the December 20, 2018 Board meeting minutes. The Monthly Report and Summary of Operations was presented by Mr. Morrissey. Mr. Firlotte provided an update on Key Performance Indicators, budgeting and customer service delivery. The meeting was unanimously adjourned at 1:51 P.M.

The second meeting was held on Wednesday, June 26, 2019. In that meeting was the unanimous approval of the March 27, 2019 Board minutes. Present at that meeting were Charles V. Firlotte, John P. Walsh and Donald J. Morrissey via telephone. The Monthly Report and Summary of Operations was presented by Mr. Morrissey along with discussions of revenues and budgeting, rates of return, staffing and Company capitalization. Mr. Firlotte provided an update on Key Performance Indicators, customer complaint levels and future budget levels. The meeting was unanimously adjourned at 1:57 P.M.

The third meeting was held on Thursday, September 19, 2019. In that meeting was the unanimous approval of the June 26, 2019 Board minutes. Present at that meeting were Charles V. Firlotte and John P. Walsh. Donald J. Morrissey was absent. Mr. Firlotte reported on AWC-NH results for the eight-month period ending August 31, 2019, revenue and budget comparisons and operating expenses. Mr. Firlotte also provided the President's report, an update on Key Performance Indicators and water quality compliance. Mr. Walsh reported on capital spending and budget levels and budget forecasting. The meeting was unanimously adjourned at 3:58 P.M.

The fourth meeting was held on Monday, December 16, 2019. In that meeting, a motion to approve the September 19, 2019 Board minutes was unanimously approved. Present at that meeting were Charles V. Firlotte, John P. Walsh and Donald J. Morrissey. The Monthly Report and Summary of Operations was presented by Mr. Morrissey for the eleven-month period ending November, 2019, along with discussions of revenues and expenses, rates of return, staffing levels and Company capitalization. Mr. Firlotte

provided an update on Key Performance Indicators and customer service metrics. Mr. Walsh reported on capital spending, and well and water treatment in the Mill Road centralized treatment project. The meeting was unanimously adjourned at 2:56 P.M.

### **Water Uniform System of Accounts**

The Company reflected a number of accounts on the general ledger (GL) using the electric FERC account number rather than the NHPUC Water USoA. The Company uses the Uniform Chart of Accounts based on the Connecticut Public Utilities Regulatory Authority across all the affiliates. The Company further provided CPR records that showed how the electric accounts translated to the Water USoA 300 subaccounts. Audit was then able to tie the actual general ledger accounts used to those reflected on the PUC annual report. The Company however, should be using the New Hampshire USoA for water utilities as it is regulated in New Hampshire not Connecticut. The chart below summarizes a list of those accounts, in addition to the #300 level accounts that are discussed in the Plant section. **Audit Issue #1**

| Account Name                                  | FERC-Electric<br>Account # | NH USoA for<br>Water Utilities |
|---|----------------------------|--------------------------------|
| Utility Plant Held for Future Use             | 105000                     | 103                            |
| Accumulated Depreciation                      | 111001                     | 108                            |
| Proceeds Sale of Equipment                    | 111002                     | 108                            |
| Cost of Removal                               | 111003                     | 108                            |
| Acc Dep Capitalized Pension/OPEB              | 111005                     | 108                            |
| Accum Dep-Retirements                         | 111010                     | 108                            |
| Construction Work in Progress                 | 107000                     | 105                            |
| Other Investments                             | 124000                     | 125                            |
| Supplies Inventory                            | 154000                     | 151-153                        |
| Supplies Inventory-Chemicals                  | 154002                     | 151-153                        |
| Miscellaneous Prepayments                     | 165000                     | 162                            |
| Prepaid Property Taxes                        | 165002                     | 163                            |
| Prepaid Insurance                             | 165003                     | 162                            |
| Prepaid PURA Assessment                       | 165005                     | 162                            |
| Prepaid Dues and Subscriptions                | 165006                     | 162                            |
| Prepaid Bond Trust-Fees                       | 165011                     | 162                            |
| Retained Earnings                             | 216                        | 214-215                        |
| Accounts Payable                              | 232xxx                     | 231                            |
| Notes Payable                                 | 233                        | 232                            |
| Miscellaneous Current and Accrued Liabilities | 242xxx                     | 241                            |
| Intercompany Interest Expense                 | 430000                     | 427                            |
| Interest on Tax Assessments                   | 431002                     | 427                            |
| Police/Fire Revenue                           | 463001                     | 462                            |
| Public Authority Water Revenue                | 464002                     | 461                            |

## **Plant**

### **Bidding**

Audit reviewed the Company's procurement policy that indicates bidders for projects are required to have adequate financial resources, comply with work schedules, a good safety and performance record, necessary facilities, organizational ability, technical ability, quality controls, accounting, and operational know how. The Company goes out to bid for all purchase orders and contracts that exceed \$25,000. Each request for proposal (RFP) is required to have at least three qualified bidders. The Company for 2012-2016 provided a list of bidders for seven of eight projects that were done. The Company went with the lowest bidders, with the exception if there was only one bidder on the project. For the 2017-2019 projects the Company began using an automated software called Procureware that replaced the previously manual system. The Company for 2017-2019, also selected the lowest bidder, unless there was just one RFP response.

### **Review of Systems/Capital Budgeting Controls**

The Company uses the SAP system for the general ledger as well as managing and tracking costs for fixed assets. All purchase requisitions must be approved in SAP. Capital Projects greater than \$100,000, since January 2018, must go through the Project Management Committee approval and tracking process. All expenditures that are less than \$500 are treated as an expense. This includes all capital expenses as well, such as minor purchases such as portable tools. All invoices greater than \$500 require a purchase order.

The Company stated that in 2021 they are implementing new capital spending management software that will better facilitate the monthly reporting and review of capital spending, and better identify any approval needed from Project Management Committee.

### **Capital Budgeting Process**

The Company confirmed the budgeting process has not changed since the DW 12-085 rate case, and that the approval threshold for projects increased from \$50,000 to \$100,000 in 2018. The Company convenes a monthly Project Management Review Committee (PMC) that looks at projects submitted by the project manager, reviews the capital budget authorized funds, reviews budgeted vs. actual spent on projects to date, final cost analysis, reviews and approves prior meeting minutes, and votes on project authorization requests exceeding \$100,000. The Company also indicated if a project's actual costs exceed the budgeted amount by greater than a 10% variance, the project must be reauthorized by the PMC. The project approval process consists of five phases including the final report card phase that closes out the project.

## **Review of E-22s**

The 2012 Form E-22 indicates proposed capital expenditures were \$1,205,540. The project additions consisted of routine projects such as new meters, service lines, hydrants, new SCADA software upgrade, Atlantic Avenue main replacement, Ocean Boulevard main replacement, and replacement of work trucks.

The 2013 Form E-22 shows proposed capital expenditures were \$914,000. The project additions consisted of routine projects such as new meters, service lines, hydrants, and new SCADA software upgrade, replacement of work trucks, Church St. main replacement, Auburn Avenue main replacement, and Mill Road Telemetry equipment.

Audit reviewed the Form E- 22 Report of 2014 proposed capital expenditures that indicated there was \$914,000 in estimated capital additions to be done during 2014. The projects consisted of SCADA Programming, customer meters, services, Ocean Boulevard main replacement in Hampton, and Great Boars Head Main replacement in Hampton.

The 2015 Form E-22 indicates proposed capital expenditures were \$946,000. The project additions consisted of routine projects such as new meters, service lines, hydrants, SCADA Software, Exeter Road Tank Rehabilitation, Ross Avenue main replacement, Cable Road main replacement, and Kings Highway main replacements.

The 2016 Form E-22 indicates proposed capital expenditures were \$1,834,000. The project additions consisted of routine projects such as new meters, service lines, hydrants, SCADA Software, Lafayette Road main replacement, Manchester Street main replacement, Sun Surf Avenue main replacement, and land purchases for a new wellhead.

The 2017 Form E-22 indicates proposed capital expenditures were \$2,697,000. The project additions consisted of routine projects such as new meters, service lines, hydrants, new work trucks, water treatment products, and Lafayette Road main replacement.

Audit reviewed the Form 22 Report of 2018 proposed capital expenditures that indicated there was \$5,650,286 in estimated capital additions to be done during 2018. The projects consisted of utility truck replacements, Mill Road main replacement, meters, new services, service replacements, well improvements, Exeter Road storage tank, Jenness Beach tank rehabilitation, and meters.

Audit reviewed the Form 22 Report of 2019 proposed capital expenditures that indicated there was \$7,450,402 in estimated capital additions to be done during 2019. The projects consisted of meters, district metering, PFC treatment, new services, service replacements, new wells, Exeter Road tank, Route 101 main replacement, Straw Pond main replacement, Mill Road centralized treatment plant, and other main replacement projects in Hampton.



## **Review of Prior Period Audit Reports**

After issuance of the final Audit report associated with the 2011 rate case, the Audit division reviewed annual plant additions associated with the Water Infrastructure and Conservation Adjustment (WICA) mechanism for projects 2015 through 2018. The Company recovered through WICA surcharge WICA projects completed between 2013 and 2018. The Company was not authorized a WICA surcharge for WICA projects completed in 2019. The Company continues to collect the WICA surcharge as approved for completed projects up to and including 2018.

Based on a review of the 2015 Audit Report DW 15-476, the Company booked \$741,465 in additions to plant in service. There were no Audit issues. Order #25,857, issued 1/7/2016, authorized a WICA surcharge of 3.99% to be effective 1/1/2016.

Based on a review of the 2016 Audit Report DW 16-828 the Company booked \$915,024 in additions to plant in service. There were no Audit issues. Order #25,977, issued 1/13/2017, authorized the WICA surcharge for 2017 to be 5.69%.

Based on a review of the 2017 Revised Audit Report DW 17-154 the Company booked \$813,883 in additions to plant in service. There were no Audit issues. Order #26,094, issued 12/29/2017, authorized the WICA surcharge for 2018 to be 7.08%

Based on a review of the 2018 Audit Report DW 18-161 the Company booked \$1,045,877 in additions to plant in service. There were three Audit issues:

1. One issue related to not filing the E-22s in a timely manner;
2. The second issue related to booking replacement hydrants (account 335) and services (account 333) as Mains (account 331) when replaced in conjunction with Main replacement projects;
3. The third issue related to the tenth revised page 16 of the tariff, effective 1/1/2018, that failed to include language from the Commission Order establishing the WICA, specifically reference to the first "\$50,000 in costs related to the emergency/reactive replacement of services, valves, and hydrants in a given year's WICA filing shall not be eligible for recovery through the WICA surcharge".

Order #26,245, issued 5/2/2019, authorized the 2019 WICA surcharge to be 6.72% and also authorized the establishment of a regulatory liability account for excess accumulated deferred income taxes owed to customers. See the Tax section of this report for additional details.

## **Leases**

The Company indicated there were no leases with regard to capitalized fixed assets. Refer to the Miscellaneous Current and Accrued Assets section of this report for the capitalization of operating leases.

## **Materials**

The Company stated a physical annual inventory took place on October 17, 2019 for meters and October 23, 2019 for supplies. The 2015 New Hampshire and Massachusetts internal audit identified as a low material risk the fact that the annual physical inventory count was conducted by the same person who has the responsibility of physical custody of the inventory.

The Company indicated they have since updated the internal controls with regard to meters. The meters are tracked by different employees in SAP when a meter is received and placed into inventory, and also when a meter is installed at a customer's home. The inventory count is conducted by two NH based employees. The inventory count process involves using a scanner to scan the serial numbers of the meters in inventory and the serial numbers are automatically uploaded into a spreadsheet.

## **Allowance for Funds Used During Construction (AFUDC)**

The Company stated that AFUDC has not been included in capital projects since 2006 for NH. The Company informed Audit that AFUDC is charged in Connecticut and Massachusetts to all projects that are open for one month and exceed \$10,000 at a rate equal to the allowed return on rate base, except main extensions, meters, services, hydrants, and valves.

## **Plant in Service**

Audit reviewed the testimony and filing schedules for Docket DW 20-184 and traced total plant balances to the Continuing Property Records (CPRs) and general ledger as of December 31 2012 through 2019. Several projects and other plant activity were also reviewed.

Audit reviewed the general ledger accounts for as of December 31 for 2012-2019 for all plant in service accounts with each year verified to the PUC annual report F-8:

|      |              |  |
|------|--------------|--|
| 2012 | \$36,142,581 | representing a 1.6% increase over the 2011 balance |
| 2013 | \$37,573,822 | representing a 4.0% increase over the 2012 balance |
| 2014 | \$38,932,893 | representing a 3.6% increase over the 2013 balance |
| 2015 | \$39,691,129 | representing a 2.0% increase over the 2014 balance |
| 2016 | \$41,785,687 | representing a 5.0% increase over the 2015 balance |
| 2017 | \$42,663,229 | representing a 2.1% increase over the 2016 balance |
| 2018 | \$46,103,737 | representing a 8.0% increase over the 2017 balance |
| 2019 | \$49,337,847 | representing a 7.0% increase over the 2018 balance |

Audit verified the \$49,337,847 plant in service to the general ledger booked to account 101. The \$49,342,626 Plant in Service balance on filing schedule 2 is different from the GL. The difference is account 105 - Property Held for Future Use in the amount of \$4,779 which is included on the filing Schedule 2, and correctly excluded on the filing

Schedule 3. The Company also listed this account incorrectly as account 105, which is a FERC USoA for Electric Utilities account number. Property Held for Future Use according to the USoA for Water utilities is account 103. **Audit Issue #1**

|                                     |                   |
|-------------------------------------|-------------------|
| Plant in Service                    | \$ 46,103,737     |
| Additions                           | \$ 3,808,705      |
| Retirements                         | \$ (574,598)      |
| Adjustments                         | \$ -              |
| Total Plant in Service 2019         | \$ 49,337,847     |
| Filing Sch. 2 Plant in Service 2019 | \$ 49,342,626     |
| Plant Held for Future Use           | <u>\$ (4,779)</u> |

Additions and Retirements to Plant

Activity since the prior audit (DW 12-085), test year ending in 2011, was reviewed with the following additions, retirements, and adjustments noted within each annual report.

| Year | Beginning Balance | Additions   | Retirements   | Adjustments | Ending Balance |
|------|-------------------|-------------|---------------|-------------|----------------|
| 2012 | \$35,549,563      | \$2,776,922 | (\$1,157,901) | \$0         | \$36,142,581   |
| 2013 | \$36,142,581      | \$1,785,813 | (\$354,572)   | \$0         | \$37,573,822   |
| 2014 | \$37,573,822      | \$1,482,485 | (\$123,414)   | \$0         | \$38,932,893   |
| 2015 | \$38,932,893      | \$1,411,084 | (\$652,848)   | \$0         | \$39,691,129   |
| 2016 | \$39,691,129      | \$2,227,010 | (\$132,452)   | \$-1        | \$41,785,687   |
| 2017 | \$41,785,687      | \$1,242,819 | (\$365,274)   | \$0         | \$42,663,229   |
| 2018 | \$42,663,229      | \$3,612,986 | (\$172,478)   | \$0         | \$46,103,737   |
| 2019 | \$46,103,737      | \$3,808,705 | (\$574,598)   | \$0         | \$49,337,847   |

| Plant Additions                                | Beginning<br>1/1/2019 | 2019 Additions      | 2019 Retirements    | Ending<br>12/31/2019 |
|--|-----------------------|---------------------|---------------------|----------------------|
| <b>Intangible Plant 1.</b>                     |                       |                     |                     |                      |
| 301 - Organization                             | \$ 17,700             |                     |                     | \$ 17,700            |
| 302 - Franchises                               | \$ -                  |                     |                     | \$ -                 |
| <b>Source of Supply &amp; Pumping Plant 2.</b> | \$ -                  |                     |                     | \$ -                 |
| 303 - Land and Land Rights                     | \$ 635,644            |                     |                     | \$ 635,644           |
| 304 - Structures and Improvements              | \$ 2,048,486          | \$ 8,297            | \$ (21,843)         | \$ 2,034,940         |
| 305 - Collecting and Impounding Reservoirs     | \$ -                  |                     |                     | \$ -                 |
| 306 - Lakes, Rivers and Other Intakes          | \$ -                  |                     |                     | \$ -                 |
| 307 - Wells and Springs                        | \$ 2,655,327          | \$ 505,754          | \$ (20,444)         | \$ 3,140,637         |
| 308 - Infiltration Galleries and Tunnels       | \$ -                  |                     |                     | \$ -                 |
| 309 - Supply Mains                             | \$ 137,490            |                     |                     | \$ 137,490           |
| 310 - Power Generating Equipment               | \$ -                  |                     |                     | \$ -                 |
| 311 - Pumping Equipment                        | \$ 912,672            | \$ 78,778           | \$ (51,800)         | \$ 939,650           |
| 339- Miscellaneous Intangible Plant            | \$ -                  |                     |                     | \$ -                 |
| 339- Other Plant and Miscellaneous             | \$ 1,434,736          |                     |                     | \$ 1,434,736         |
| 339- Other Plant and Miscellaneous             | \$ 288,525            |                     |                     | \$ 288,525           |
| Total Supply and Pumping Plant                 | \$ 8,112,878          | \$ 592,829          | \$ (94,087)         | \$ 8,611,620         |
| <b>Water Treatment Plant 3.</b>                | \$ -                  |                     |                     | \$ -                 |
| 304 - Structures and Improvements              | \$ 58,588             |                     |                     | \$ 58,588            |
| 320- Water Treatment and Equipment             | \$ 217,410            | \$ 17,744           | \$ (4,020)          | \$ 231,134           |
| Total Water Treatment Plant                    | \$ 275,998            | \$ 17,744           | \$ (4,020)          | \$ 289,722           |
| <b>Transmission and Distribution Plant 4.</b>  | \$ -                  |                     |                     | \$ -                 |
| 303 - Land and Land Rights                     | \$ 314,551            |                     |                     | \$ 314,551           |
| 304 - Structures and Improvements              | \$ 32,894             |                     |                     | \$ 32,894            |
| 330- Distribution Reservoirs and Standpipes    | \$ 2,708,343          |                     |                     | \$ 2,708,343         |
| 331 - Transportation and Distribution Mains    | \$ 24,025,648         | \$ 2,740,010        | \$ (131,622)        | \$ 26,634,036        |
| 333 - Services                                 | \$ 5,653,028          | \$ 92,791           | \$ (14,141)         | \$ 5,731,678         |
| 334 - Meter and Meter Installations            | \$ 1,937,116          | \$ 183,173          | \$ (301,109)        | \$ 1,819,180         |
| 335 - Hydrants                                 | \$ 676,187            | \$ 35,655           | \$ (1,855)          | \$ 709,987           |
| 339 - Other Plant and Miscellaneous Equipment  | \$ 178,436            |                     |                     | \$ 178,436           |
| Total Transmission and Distribution Plant      | \$ 35,526,205         | \$ 3,051,629        | \$ (448,727)        | \$ 38,129,107        |
| <b>General Plant 5.</b>                        | \$ -                  |                     |                     | \$ -                 |
| 304 - Structures and Improvements              | \$ 554,562            | \$ 11,466           |                     | \$ 566,028           |
| 340 - Office Furniture and Equipment           | \$ 613,472            | \$ 2,237            | \$ (5,351)          | \$ 610,358           |
| 341 - Transportation Equipment                 | \$ 550,249            | \$ 116,567          | \$ (22,413)         | \$ 644,403           |
| 342 Stores Equipment                           | \$ 331                |                     |                     | \$ 331               |
| 343 - Tools, Shop and Garage Equipment         | \$ 87,849             |                     |                     | \$ 87,849            |
| 344 - Laboratory Equipment                     | \$ -                  |                     |                     | \$ -                 |
| 345-Power Operated Equipment                   | \$ 109,715            |                     |                     | \$ 109,715           |
| 346 - Communication Equipment                  | \$ 51,553             |                     |                     | \$ 51,553            |
| 347 - Computer Equipment                       | \$ 203,228            | \$ 16,233           |                     | \$ 219,461           |
| 348 - Miscellaneous Equipment                  | \$ -                  |                     |                     | \$ -                 |
| Total General Plant                            | \$ 2,170,958          | \$ 146,503          | \$ (27,764)         | \$ 2,289,698         |
| Total Plant in Service 101                     | <u>\$ 46,103,737</u>  | <u>\$ 3,808,705</u> | <u>\$ (574,598)</u> | <u>\$ 49,337,847</u> |

### Continuing Property Records

The Company provided SAP Continuing Property Records that showed the beginning balance, additions, retirements, and ending balance by plant account only. The report of Asset Acquisitions showed the sub-account number, asset ID, acquisition date, location, description, date placed in service and book cost of the individual assets. The Continuing Property Records provided to Audit used the FERC USoA Electric accounts rather than NH USoA for Water Utilities. The only correct account was the 301 Organizational Costs account. The Company does correctly use the account 101 designation across all three affiliates.

The Company uses the Uniform Chart of Accounts based on the Connecticut Public Utilities Regulatory Authority across all the affiliates. The Company further provided CPR records that showed how the electric accounts matched up with the Water USoA 300 subaccounts. Audit was then able to tie the actual general ledger accounts used to those reflected on the PUC annual report. The Company however, should be using the New Hampshire USoA for water utilities as it is regulated in New Hampshire not Connecticut. **Audit Issue #1**

| Sum of 12/31/2019 | FERC Elec. USOA            | Correct Acct #<br>Water USOA per<br>Bates Page 645 | Account Description Per Water USOA    |
|-------------------|----------------------------|--|---------------------------------------|
| \$ 4,778.50       | 105                        | 103  | Property Held for Future Use          |
| \$ 17,700.00      | 301                        | 301  | Organizational Costs                  |
| \$ 635,643.46     | 310                        | 303  | Land and Land Rights                  |
| \$ 642,550.27     | 311                        | 304  | Structures and Improvements           |
| \$ 3,140,637.95   | 314                        | 307  | Wells and Springs                     |
| \$ 137,489.99     | 316                        | 309  | Supply Mains                          |
| \$ 1,723,261.12   | 317                        | 339  | Other Water Source Plant              |
| \$ 1,392,388.27   | 321                        | 304  | Pumping Structures and Improvements   |
| \$ 907,573.32     | 325                        | 311  | Electric Pumping Equipment            |
| \$ 32,076.32      | 328                        | 311  | Other Pumping Equipment               |
| \$ 58,588.17      | 331                        | 304  | Treatment Structures and Improvements |
| \$ 231,133.66     | 332                        | 320  | Treatment Equipment                   |
| \$ 314,551.16     | 340                        | 303  | T&D Land and Land Rights              |
| \$ 32,893.56      | 341                        | 304  | T&D Structures and Improvements       |
| \$ 2,708,343.96   | 342                        | 330  | Dist Reservoirs and Standpipes        |
| \$ 26,634,035.12  | 343                        | 331  | Transmission and Dist. Mains          |
| \$ 5,731,678.62   | 345                        | 333  | Services                              |
| \$ 1,620,461.06   | 346                        | 334  | Meters                                |
| \$ 198,718.93     | 347                        | 334  | Meter Installations                   |
| \$ 709,986.40     | 348                        | 335  | Hydrants                              |
| \$ 178,436.23     | 349                        | 339  | Other T&D Mains                       |
| \$ 566,028.75     | 390                        | 304  | General Structures and Improvements   |
| \$ 6,649.90       | 391                        | 340  | Office Furniture and Equipment        |
| \$ 184,413.03     | 391H                       | 340  | Computer Equipment-Hardware           |
| \$ 419,295.11     | 391S                       | 340  | Computer Equipment Software           |
| \$ 644,403.27     | 392                        | 341  | Transportation Equipment              |
| \$ 330.88         | 393                        | 342  | Stores Equipment                      |
| \$ 87,849.36      | 394                        | 343  | Tools, Shop, and Garage Equipment     |
| \$ 109,715.27     | 396                        | 345  | Power Operated Equipment              |
| \$ 51,552.91      | 397                        | 346  | Communications Equipment              |
| \$ 219,460.69     | 398                        | 347  | Misc. Equipment                       |
| \$ 49,342,625.24  |                            |  |                                       |
| \$ (4,779.00)     |                            |  |                                       |
| \$ 49,337,846.00  | Total Plant in Service F-8 |  |                                       |

The CPR records also indicated there was \$117,269 in adjustments that were not included on the 2019 F-8 on the annual report. The Continuing Property Records, when adding the additions and adjustments, summed to the \$3,808,705 additions on the F-8 annual reports. **Audit Issue #2**

| <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u>              | <u>Adjustments</u> | <u>Ending Balance</u> |
|--------------------------|------------------|---------------------------------|--------------------|-----------------------|
| \$46,108,515             | \$3,691,437      | \$(574,596)                     | \$117,269          | \$49,342,847          |
|                          |                  | Less: Property Held Future Use  |                    | <u>\$(4,779)</u>      |
|                          |                  | Plant in Service ending balance |                    | \$49,337,847          |

### Vehicle Costs

Audit was provided with a list of vehicles the Company uses and Audit, upon testing plant project additions, verified individual vehicle costs were allocated in accordance with the Company policy.

### Overheads

#### General Overhead/Material Handling

The Company stated that general overhead represents charges to capital that are not specific to any one project. The general overheads are calculated each month and passed to all eligible construction projects such as main replacements and major construction projects greater than \$50k, at the end of each month.

The material handling is assessed on labor incurred by warehouse employees to all the projects that use inventory such as meters, services, and hydrants.

For the test year, the Company indicated that general overheads reflect indirect labor based on projected labor costs for 2019, projected benefits based on of the projected labor, projected vehicle overheads, capitalized miscellaneous costs, and projected fringe benefits for 2019. The sum of the projected charges, \$34,987, was spread among all the 2019 capital projects. The overhead rate resulting from the calculation was 0.71% for 2019.

#### Payroll Overhead

The Company stated that Payroll Overhead represents the percentage of fringe benefits and payroll taxes to total payroll expense. The payroll overhead rate is set at the beginning of each year based on the benefits and payroll taxes as a percent of the total payroll budget. The rate is then applied to the total direct and indirect labor for each job at the end of the month.

#### Vehicle Overhead

The vehicle overhead represents the total costs of operating and maintaining the vehicle fleet, as well as the employee labor associated with the maintenance of these vehicles. For the year, a total of 46,765.45 of vehicle overhead was calculated, with \$40,531.62 expensed representing 86.67%, and \$6,233.83 or 13.33% capitalized. For 2019, Audit verified the details for each cost type below to a pivot table of 2019 specific costs included in the calculation:

Costs listed represent Payroll for non-CT labor; Materials and Supplies; Gasoline; and Outside Services provided by vendors:

|                        | <u>Expensed</u>    | <u>Capitalized</u> | <u>Total</u>       |
|------------------------|--------------------|--------------------|--------------------|
| Payroll                | \$ 2,117.37        | \$ 325.66          | \$ 2,443.03        |
| Materials and Supplies | \$ 9,021.78        | \$1,387.57         | \$10,409.35        |
| Gasoline               | \$14,504.35        | \$2,230.79         | \$16,735.14        |
| Outside Services       | <u>\$14,888.11</u> | <u>\$2,289.82</u>  | <u>\$17,177.93</u> |
| Total Vehicle          | \$40,531.62        | \$6,233.83         | \$46,765.45        |

Refer to the Operations and Maintenance section and the Plant section for additional details relating to allocations.

### **Review of Additions 2012-2019**

#### **2012 Additions**

##### **Project #1**

|               |                  |
|---------------|------------------|
| All Overheads | \$14,099         |
| Labor         | \$7,452          |
| Materials     | \$3,312          |
| Contractor    | <u>\$178,535</u> |
| Total         | \$203,398        |

Audit reviewed project #XC230-2011-004-EOS-39S that was to upgrade the SCADA software to Wonderware that was unitized to plant in service for \$203,398 on 11/30/2012. Audit reviewed the overhead spreadsheet calculations that indicated for 2012 the payroll overhead rate for 2012 is 68%, 81% for Connecticut prorated time charged from CT, and 5% general overhead.

The materials consisted of internal inventory such as computer and other peripheral equipment. Audit reviewed small purchase card transaction that were reimbursed to employees for materials purchased at Home Depot. Such purchases at Home Depot included various computer parts such as cables.

Audit reviewed several invoices from the contractor Results Engineering that was related to software programming on the Wonderware conversion as they were the primary contractor. Audit reviewed one invoice from Green Pages Technology Solutions for \$1,768 that was for the purchase of computer hardware and related equipment for the new SCADA software program.



## General Ledger

Audit reviewed the project was unitized to the following plant in service accounts:

| Project # | Account Name     | Account # | Date       | Debit      | Credit     |
|-----------|------------------|-----------|------------|------------|------------|
| 1         | Plant in Service | 101000    | 11/30/2012 | \$ 203,398 |            |
| 1         | CWIP             | 107000    | 11/30/2012 |            | \$ 203,398 |

Audit verified the project was unitized to the 391S Computer Equipment account on November 30, 2012 for \$203,398. The account should be 340, Computer Equipment-Software. See Audit Issue #1

## PMC Report

Audit reviewed the Project Management Committee Report that revised the original cost estimate from \$126,000 to \$200,000. The PMC document indicates the project's actual costs were \$194,988 or 2.5% under budget as of September 2012. This is an \$8,410 difference than what was unitized to plant in service. The Company explained this was a timing difference as the PMC form was completed a few days prior to the final closeout that were still processing Results Engineering invoices before the final closeout in the GL occurred.

## Project #2

|             |                |
|-------------|----------------|
| Overhead    | \$1,098        |
| Contractors | <u>\$3,752</u> |
| Total       | \$4,850        |

Audit reviewed project # XR230-2006-001-332-005 that was for the purchase of chemical metering pumps. The project was unitized to plant in service for \$4,850 on July 31, 2012.

Audit reviewed two invoices from Tri-Sales Inc. for water and waste water supplies that were for 6 LMI chemical metering pumps. Audit reviewed general overhead that related to transportation of the metering pumps as well as general supervisory maintenance for the installation of the metering pumps.

## General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name     | Account # | Date      | Debit    | Credit   |
|-----------|------------------|-----------|-----------|----------|----------|
| 2         | Plant in Service | 101000    | 7/31/2012 | \$ 4,850 |          |
| 2         | CWIP             | 107000    | 7/31/2012 |          | \$ 4,850 |

Audit verified the project was unitized to plant in service account #332 Treatment Equipment on July 31, 2012 for \$4,850. The account should be 320, Treatment Equipment. See Audit Issue #1

## **2013 Additions**

### **Project #3**

Audit reviewed a \$136,992 stock yard addition that was transferred from asset ID 1010000294 to 1010002424 unitized to account 390 structures and improvements that was originally booked in July 2002 in the town of Hampton. The Company indicated the stock yard additions were booked to the incorrect town that should have been North Hampton.

Audit reviewed the CPR detail that transferred a new asset ID and the old asset ID was zeroed out so the Company was seeking to recover the same asset twice. The Company provided a screenshot journal entry from January 2013 of the reclassified account, confirming that the asset was not, in fact, on the CPR twice.

### **General Ledger**

Audit reviewed the project that was unitized as follows

| <b>Project #</b> | <b>Account Name</b> | <b>Account #</b> | <b>Date</b> | <b>Debit</b> | <b>Credit</b> |
|------------------|---------------------|------------------|-------------|--------------|---------------|
| 3                | Plant in Service    | 101000           | 1/28/2013   | \$ 136,992   |               |
| 3                | CWIP                | 107000           | 1/28/2013   |              | \$ 136,992    |

Audit verified the project was unitized to plant in service account #390 General Structures and Improvements on January 28, 2013 for 136,992. The account should be 304, General Structures and Equipment. See Audit Issue #1

### **Project #4**

|             |                 |
|-------------|-----------------|
| Overheads   | \$4,093         |
| Contractors | <u>\$39,500</u> |
| Total       | \$43,593        |

Audit reviewed project #XR230-2013-004-39S-001 that was for SCADA software programming, unitized to plant in service for \$43,593 on January 10, 2014. Audit reviewed several invoices from the contractor, Results Engineering, that were related to software programming for the SCADA programming on the wells VFD Configuration project. Audit verified the overheads rates used for 2013, 5% for general overhead and 84% for payroll overhead. The overheads on the project related to fringe benefits and supervision.

## General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name       | Account # | Date      | Debit     | Credit    |
|-----------|--------------------|-----------|-----------|-----------|-----------|
|           | 4 Plant in Service | 101000    | 1/10/2014 | \$ 43,593 |           |
|           | 4 CWIP             | 107000    | 1/10/2014 |           | \$ 43,593 |

Audit verified the project was unitized to plant in service account #391S Computer Equipment on January 4, 2014 for 43,593. The account should be 340, Computer Equipment-Software. See Audit Issue #1

## Project #5

|                        |              |
|------------------------|--------------|
| Developer Contribution | \$41,220     |
| Contractor             | \$426        |
| Labor                  | \$218        |
| Overhead               | <u>\$124</u> |
| Total                  | \$41,988     |

Audit reviewed project #EN230-2008-001 that was for a developer paid main extension costs that was unitized to plant in service for \$41,988 on April 9, 2013. The developer paid for 650 feet of main extension along Sherbourne Place in Hampton. Audit reviewed the offsetting credit entry of \$41,220 that was booked to account 252 Customer Advances. Refer to the Customer Advances for Construction section of this report for additional information. The remaining charges related to project management and labor related to tracking the main extension project.

## General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name       | Account # | Date     | Debit     | Credit    |
|-----------|--------------------|-----------|----------|-----------|-----------|
|           | 5 Plant in Service | 101000    | 4/9/2013 | \$ 41,988 |           |
|           | 5 CWIP             | 107000    | 4/9/2013 |           | \$ 41,988 |

Audit verified the project was unitized to plant in service account #343 Transmission and Distribution Mains on April 9, 2013 for \$41,988. The account should be 331, Transmission and Distribution Mains. See Audit Issue #1

## **2014 Additions**

### **Project #6**

|                        |                  |
|------------------------|------------------|
| Overheads              | \$8,877          |
| Developer Contribution | \$2,270          |
| Materials              | \$25,711         |
| Labor                  | \$8,459          |
| Contractor             | <u>\$124,416</u> |
| Total                  | \$169,733        |

Audit reviewed project #XC230-2014-002 that was for a main replacement project in Great Boars Head Ave in Hampton that was unitized to plant in service for \$169,733. Audit reviewed several invoices from the contractor Robert Pike Construction for main replacement work. The work consisted of asphalt removal, excavation, main installation, removal, paving work, blasting, and final restoration work. Other contractors included Tighe and Bond that was for engineering and topographical survey work.

Audit reviewed invoices from the Town of Hampton for police detail work done during the main replacement project. Audit reviewed a sample payroll transaction for direct labor that was done working on the project during fall 2014. The materials from inventory were box valve tops, pipes, clamp sockets, and brass fittings. Audit reviewed the overhead calculations that for 2014 was 50% for payroll overhead, 5% general overhead, and 56% for Connecticut prorated rate for time charged from CT.

### **General Ledger**

Audit reviewed the project was unitized as follow:

| <b>Project #</b> | <b>Account Name</b> | <b>Account #</b> | <b>Date</b> | <b>Debit</b> | <b>Credit</b> |
|------------------|---------------------|------------------|-------------|--------------|---------------|
|                  | 6 Plant in Service  | 101000           | 12/5/2014   | \$ 169,733   |               |
|                  | 6 CWIP              | 107000           | 12/5/2014   |              | \$ 169,733    |

Audit verified the project was unitized to plant in service account #343 Transmission and Distribution Mains on December 5, 2014 for \$169,733. The account should be 331, Transmission and Distribution Mains. See Audit Issue #1

### **PMC Report**

Audit reviewed the Project Management Committee Report that indicated the project was estimated to cost \$202,099 and the actual cost of the project was \$169,733. This was 16% under the budgeted amount.

Project #7

|            |              |
|------------|--------------|
| Materials  | \$21,650     |
| Labor      | \$827        |
| Contractor | \$7,253      |
| Overhead   | <u>\$413</u> |
| Total      | \$30,143     |

Audit reviewed project #AC230-2014-342-002-001 that was for a Glade Path Tank Mixer, unitized to plant in service for \$30,143 on November 7, 2014. Audit reviewed invoices from Richardson Electrical that was for glade path tank repairs and work on the mixer. Audit reviewed an invoice from Utility Service Co. Inc. for the glade path mixer and the installation and setup work for the elevated tank.

General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name       | Account # | Date      | Debit     | Credit    |
|-----------|--------------------|-----------|-----------|-----------|-----------|
|           | 7 Plant in Service | 101000    | 11/7/2014 | \$ 30,143 |           |
|           | 7 CWIP             | 107000    | 11/7/2014 |           | \$ 30,143 |

Audit verified the project was unitized to plant in service account #342 Distribution Reservoirs and Standpipes on November 7, 2014 for \$30,143. The account should be 330, Distribution Reservoirs and Standpipes. See Audit Issue #1

2015 Additions

Project #8

|            |                |
|------------|----------------|
| Materials  | \$3,359        |
| Labor      | \$297          |
| Overhead   | \$741          |
| Contractor | <u>\$2,538</u> |
| Total      | \$6,935        |

Audit reviewed project #HR230-0000-00100 that was for a hydrant replacement that was unitized to plant in service for \$6,935 on August 9, 2015. Audit reviewed the inventory that consisted of a single hydrant, copper fittings, and brass couplings. Audit reviewed an invoice from BCK Excavation that was for excavation work to remove the old hydrant. Audit reviewed the labor details that included direct charges for the installation of the new hydrant.

## General Ledger

Audit reviewed the project was unitized as follows:

| <b>Project #</b> | <b>Account Name</b> | <b>Account #</b> | <b>Date</b> | <b>Debit</b> | <b>Credit</b> |
|------------------|---------------------|------------------|-------------|--------------|---------------|
|                  | 8 Plant in Service  | 101000           | 8/7/2015    | \$ 6,935     |               |
|                  | 8 CWIP              | 107000           | 8/7/2015    |              | \$ 6,935      |

Audit verified the project was unitized to plant in service account #348 Hydrants on August 7, 2015 for \$6,935. The account should be 335, Hydrants. See Audit Issue #1

## Project #9

|            |                 |
|------------|-----------------|
| Labor      | \$662           |
| Overhead   | \$523           |
| Contractor | <u>\$31,628</u> |
| Total      | \$32,813        |

Audit reviewed project #AC230-2015-39S-001-002 that was for a Topview Alarm Installation System installation, unitized to plant in service for \$32,813 on November 10, 2015. Audit reviewed all the invoices by the contractor, Results Engineering that included the installation and setup of the cellular alarm system and installation/configuration of the Topview Management Software. The labor related to the operations staff working with Results Engineering for the specifications of the project and ongoing monitoring of the project.

## General Ledger

Audit reviewed the project was unitized as follows:

| <b>Project #</b> | <b>Account Name</b> | <b>Account #</b> | <b>Date</b> | <b>Debit</b> | <b>Credit</b> |
|------------------|---------------------|------------------|-------------|--------------|---------------|
|                  | 9 Plant in Service  | 101000           | 11/10/2015  | \$ 32,813    |               |
|                  | 9 CWIP              | 107000           | 11/10/2015  |              | \$ 32,813     |

Audit verified the project was unitized to plant in service account #391S Computer Equipment on November 10, 2015 for \$32,813. The account should be 340, Computer Equipment. See Audit Issue #1

## 2016 Additions

### Project #10

|            |                 |
|------------|-----------------|
| Overheads  | \$8,174         |
| Labor      | \$8,190         |
| Contractor | <u>\$54,782</u> |
| Total      | \$71,146        |

Audit reviewed project #XC230-2015-004-E04-317 that was for a top hydraulic modeling and master plan update that was unitized to plant in service for \$71,146 on May 6, 2016. Audit reviewed all the invoices from the contractor, Tata and Howard, which performed the Hydraulic Evaluation Tasks. Audit reviewed the overhead calculations that for 2016 were 79% for payroll overhead, 1% general overhead, and 70% for Connecticut prorated rate for time charged from CT.

#### General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name        | Account # | Date     | Debit     | Credit    |
|-----------|---------------------|-----------|----------|-----------|-----------|
|           | 10 Plant in Service | 101000    | 5/6/2016 | \$ 71,146 |           |
|           | 10 CWIP             | 107000    | 5/6/2016 |           | \$ 71,146 |

Audit verified the project was unitized to plant in service account #317 Other Water Source Plant on May 6, 2016 for \$71,146. The account should be 339, Other Water Sources Plant. See Audit Issue #1

#### PMC Report

Audit reviewed the Project Management Committee Report that indicated the budgeted costs were \$60,429 and the actual costs were \$71,146. The reason for the cost overrun was additional hydraulic modeling for the Exeter Road Tank line.

#### Project #11

|            |                  |
|------------|------------------|
| Overheads  | \$9,719          |
| Materials  | \$5,588          |
| Labor      | \$7,845          |
| Contractor | <u>\$163,855</u> |
| Total      | \$187,006        |

Audit reviewed project #ERC230-2016-002 that was for a Manchester St. main replacement project that was unitized to plant in service for \$187,006 on May 6, 2016. Audit reviewed progress payments and invoices for the Manchester St main replacement project in Hampton from Tighe & Bond.

The work included paving, excavation, trenching, main replacement, installation, drilling, testing, erosion control, and finishing work. The materials included brass fittings and copper tracing wiring purchased at HD Supply Water Works, curb stops and brass fittings used from inventory.

## General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name        | Account # | Date     | Debit      | Credit     |
|-----------|---------------------|-----------|----------|------------|------------|
|           | 11 Plant in Service | 101000    | 5/6/2016 | \$ 187,006 |            |
|           | 11 CWIP             | 107000    | 5/6/2016 |            | \$ 187,006 |

Audit verified the project was unitized to plant in service account #343, Transmission and Distribution Main on May 6, 2016 for \$187,006. The account should be 331, Transmission and Distribution Mains. See Audit Issue #1

## PMC Report

Audit reviewed the Project Management Committee Report that indicated the budgeted costs were \$766,871 and the actual costs were \$904,780. The reason for the cost overrun was due to additional piping needed and weather related issues such as freezing and below average temperature during the time of construction. The Project Management Report was part of a larger main project on Lafayette Road. Audit reviewed a portion of the project.

## Project #12

|            |              |
|------------|--------------|
| Contractor | \$5,900      |
| Materials  | \$6,995      |
| Overhead   | \$470        |
| Labor      | <u>\$282</u> |
| Total      | \$13,647     |

Audit reviewed project #XR230-2017-002-325-004 that was for the well #19 pump replacement project, that was unitized to plant in service for \$13,647 on October 8, 2016. Audit reviewed the contractor costs that were provided by Maher Services Inc. for steam cleaning, inspection, disassembly, mobilization, demobilization, removal, and reinstallation of the pump. The materials included the Goulds 6 stage pump purchased from Maher Services along with a new 30hp 460 volt Franklin motor. The motor came with new wiring as well. Audit reviewed the labor charges that were direct charges related to an employee working with Maher Services Inc.

## General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name        | Account # | Date      | Debit     | Credit    |
|-----------|---------------------|-----------|-----------|-----------|-----------|
|           | 12 Plant in Service | 101000    | 10/8/2016 | \$ 13,647 |           |
|           | 12 CWIP             | 107000    | 10/8/2016 |           | \$ 13,647 |



Audit verified the project was unitized to plant in service account #325 Electric Pumping Equipment on October 8, 2016 for \$13,647. The account should be 311, Pumping Equipment. See Audit Issue #1

## **2017 Additions**

### **Project #13**

|             |                |
|-------------|----------------|
| Overheads   | \$325          |
| Labor       | \$168          |
| Materials   | \$2,908        |
| Contractors | <u>\$7,066</u> |
| Total       | \$10,467       |

Audit reviewed project #XR230-2017-005-397-003 that was for the installation of PRV fiber optic cable on Willow Ave, unitized to plant in service for \$10,467 on October 6, 2017. Audit reviewed the invoices that included the materials and contractor costs from Results Engineering.

The work done during May 2017 including removing the old fiber optic cable and the installation of new cable. The fiber optic cable components also included new 6 amp circuit breaker, 10 amp circuit breaker, Ethernet card, the end stop, wall mount for new panel, custom marker, power supply, fiber wire, wire way, and end covers.

### **General Ledger**

Audit reviewed the project was unitized as follows:

| <b>Project #</b> | <b>Account Name</b> | <b>Account #</b> | <b>Date</b> | <b>Debit</b> | <b>Credit</b> |
|------------------|---------------------|------------------|-------------|--------------|---------------|
|                  | 13 Plant in Service | 101000           | 10/6/2017   | \$ 10,467    |               |
|                  | 13 CWIP             | 107000           | 10/6/2017   |              | \$ 10,467     |

Audit verified the project was unitized to plant in service account #397 Communications Equipment on October 6, 2017 for \$10,467. The account should be 346, Communication Equipment. See Audit Issue #1

### **Project #14**

|           |                 |
|-----------|-----------------|
| Overheads | \$520           |
| Labor     | \$713           |
| Vehicles  | <u>\$35,124</u> |
| Total     | \$36,357        |

Audit reviewed project #AC230-2017-392-001-001 that was for the purchase of a 2017 T104 Chevy Colorado pickup truck unitized to plant in service for \$36,357 on July 5, 2017. The Company paid cash to purchase the vehicle for \$31,260 from Portsmouth Chevrolet based on the invoice reviewed by Audit.

Based on a review of other invoices from Com-tronics Inc. the Company paid for the installation of a new GPS unit and the mounting of the unit. The Company also had to get new amber strobe lights and Company logos/decals that were done by Cap World.

#### General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name        | Account # | Date     | Debit     | Credit    |
|-----------|---------------------|-----------|----------|-----------|-----------|
|           | 14 Plant in Service | 101000    | 7/5/2017 | \$ 36,357 |           |
|           | 14 CWIP             | 107000    | 7/5/2017 |           | \$ 36,357 |

Audit verified the project was unitized to plant in service account #392 Transportation Equipment on July 5, 2017 for \$36,357. The account should be 341, Transportation Equipment. See Audit Issue #1

#### Project #15

Audit reviewed project #AC230-2017-332-001-001 that was for a 2017 Orthophosphate plan for NH that was unitized to plant in service for \$969 on December 7, 2017. Audit reviewed a November 2017 invoice from Tighe and Bond that allocated \$969 on the invoice for corrosion control. The work was performed by an engineer.

Audit reviewed the project was unitized as follows:

| Project # | Account Name        | Account # | Date      | Debit  | Credit |
|-----------|---------------------|-----------|-----------|--------|--------|
|           | 15 Plant in Service | 101000    | 12/7/2017 | \$ 969 |        |
|           | 15 CWIP             | 107000    | 12/7/2017 |        | \$ 969 |

Audit verified the project was unitized to plant in service account #392 Transportation Equipment on December 7, 2017 for \$969.

The Company indicated the charges were incorrectly booked to the 392 Transportation account by a Company Engineer entering the information incorrectly when the project was first setup. The Company proposed to move the cost to account 332 but this is an incorrect FERC electric account. The Company should move the \$969 Orthophosphate charts to the 2015 NHPUC Water Uniform System of Account #320 Treatment Equipment. **Audit Issue #1**

### Project #16

|            |                 |
|------------|-----------------|
| Overheads  | \$247           |
| Labor      | \$339           |
| Contractor | <u>\$39,159</u> |
| Total      | \$39,745        |

Audit reviewed project #AC230-2017-392-001-002 that was for the purchase of a 2017 T105 Chevy Silverado pickup truck, unitized to plant in service for \$39,745 on January 5, 2018. The Company paid cash for the vehicle for \$35,783 from Portsmouth Chevrolet. The Company paid Lang's Corner Garage in Rye for accessories for the work truck that included a new GPS, GPS mount, harnesses, harness mount, controller, and new mount adaptor. The Company paid Speed of Sound for new strobe lights and Cap World for new fender side mounts.

### General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name        | Account # | Date     | Debit     | Credit    |
|-----------|---------------------|-----------|----------|-----------|-----------|
|           | 16 Plant in Service | 101000    | 1/5/2018 | \$ 39,745 |           |
|           | 16 CWIP             | 107000    | 1/5/2018 |           | \$ 39,745 |

Audit verified the project was unitized to plant in service account #392 Transportation Equipment on January 5, 2018 for \$39,745. The account should be 341, Transportation Equipment. See Audit Issue #1

### 2018 Additions

#### Project #17

|            |                  |
|------------|------------------|
| Overheads  | \$13,852         |
| Labor      | \$1,007          |
| Contractor | <u>\$327,834</u> |
| Total      | \$329,164        |

Audit reviewed project #XC230-2017-005-E04-314 that was for PFC treatment related to the Mills Rd. Wells Study, unitized to plant in service for \$344,023 on December 31, 2018. PFCs are toxic carcinogens related to household items like Teflon. The Company had to study PFC treatment on well 6 that was contaminated in Hampton and North Hampton. The Company also had to investigate how to treat PFCs on all 6 wells. The Company works with the EPA and NHDES on the allowable limits for the PFCs since the issue was first came about in 2017.

Audit reviewed four invoices from Next Generations Strategies that summed to \$48,048 that were for public affairs and public relations costs related to social media, elected officials, NHDES, customers, and other external stakeholders. The Company indicated the PFAS were not regulated at the time and NHDES was still developing guidelines for new testing thresholds and threshold amount limits. The Company indicated the public relations firm was hired to develop a plan for public officials and community stakeholders to help identify solutions to the issue, rate impact, feedback, and cost details. The public relations costs should not have been capitalized to the 307 wells account but rather booked to an expense account below the line. **Audit Issue #3**

| <u>Vendor Name</u>         | <u>Invoice #</u> | <u>Amount</u>  |
|----------------------------|------------------|----------------|
| Next Generation Strategies | 20180131         | \$10,430       |
| Next Generation Strategies | 20180228         | \$10,859       |
| Next Generation Strategies | 20180331         | \$10,596       |
| Next Generation Strategies | 20171130         | <u>\$5,304</u> |
| Total                      |                  | \$48,048       |

The remaining charges relate to Tighe & Bond, Inc. that performed PFC bench testing/sampling and preliminary design services for Mills Road in Hampton. The testing study helped to identify the extent of the contamination.

#### General Ledger

Audit reviewed the project was unitized as follows:

| <b>Project #</b> | <b>Account Name</b> | <b>Account #</b> | <b>Date</b> | <b>Debit</b> | <b>Credit</b> |
|------------------|---------------------|------------------|-------------|--------------|---------------|
|                  | 17 Plant in Service | 101000           | 12/31/2018  | \$ 344,023   |               |
|                  | 17 CWIP             | 107000           | 12/31/2018  |              | \$ 344,023    |

Audit verified the project was unitized to plant in service account #314 Wells and Springs on December 31, 201 for \$344,023. The account should be 307, Wells and Springs. See Audit Issue #1

#### PMC Report

Audit reviewed the Project Management Committee Report that indicated the budgeted cost of the project was \$355,425 and the actual cost was \$344,023. The project was 3.2% under budget. The PMC indicates the project went according to plan.

#### Project #18

|            |                  |
|------------|------------------|
| Overheads  | \$34,019         |
| Labor      | \$22,608         |
| Materials  | \$150,701        |
| Contractor | <u>\$844,223</u> |
| Total      | \$1,051,551      |

Audit reviewed project #XC230-2017-003-E04-343 that was for Mill Rd. main replacement, unitized to plant in service for \$1,051,551 on September 7, 2018. Audit reviewed a progress payment for the lead contractor, Jamco Excavators, that was for \$1,049,186. The contract indicated they performed main replacement work and were authorized to subcontract out work Tighe & Bond, Inc., the architect of the project. Jamco performed digging, detail, and excavation work. Tighe & Bond performed engineering work.

Audit reviewed materials and other contract invoices from Robert Pike Construction that performed work such as excavation, replace old mains, install new mains, replace curb stops, boxes, rods, and any necessary back fill. Audit also reviewed several invoices from North Hampton and Greenland Police Departments for detailing/traffic work related to the main replacement project.

### Retirements

Aquarion provided a spreadsheet showing the asset number of 32 specific assets that were retired, for \$91,839.77 the amount retired and if it was a full or partial retirement. A request for more detailed information was made, and the Company provided the details of the SAP general ledger retirement entries which took place in August, September, and revised in October 2018. The detail identified the location, account number, number of feet, type of pipe, and original year of capitalization. Retirements were properly credited to account 101000 and debited to Accumulated Depreciation-Retirements, account 111010.

The Company indicated there was no cost of removal because this was a parallel main.

### General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name     | Account # | Date     | Debit        | Credit       |
|-----------|------------------|-----------|----------|--------------|--------------|
| 18        | Plant in Service | 101000    | 9/7/2018 | \$ 1,051,551 |              |
| 18        | CWIP             | 107000    | 9/7/2018 |              | \$ 1,051,551 |

Audit verified the project was unitized to plant in service account #343 Transmission and Distribution Mains on September 7, 2018 for \$1,051,551. The account should be 331, Transmission and Distribution Mains. See Audit Issue #1

### PMC Report

Audit reviewed the Project Management Committee Report that indicated the budgeted cost of the project was \$1,049,694 and the actual cost was \$1,051,551. The project replaced 3,200 feet of water main on Mill Rd. in North Hampton.

## **2019 Additions**

### **Project #19**

|               |                    |
|---------------|--------------------|
| Overheads     | \$60,536           |
| Labor         | \$22,179           |
| Materials     | \$285,002          |
| Temp Facility | \$32,079           |
| Contractor    | <u>\$1,676,180</u> |
| Total         | \$2,075,976        |

Audit reviewed project #XC230-2017-003-E04-343 that was for Route 101 main replacements that were unitized to plant in service for \$2,075,976 on December 9, 2019. Audit reviewed a progress payment for the lead contractor, Jamco Excavators, that was for \$1,276,354. The contract indicated they performed main replacement work and were authorized to subcontract out work to Tighe & Bond as the architect of the project. Jamco performed digging, detail, and excavation work. Tighe & Bond performed engineering work. Audit reviewed materials and other contract invoices from Robert Pike Construction that performed work such as excavation, remove old mains, install new mains, replace curb stops, boxes, rods, and any necessary back fill.

The Company allocated \$1,630 out of \$7,588 on a Next Generation Strategies invoice that was related to PR/Public Affairs Consulting. The public affairs consulting relates to social media, communication, email, and other communication with the Hampton Chamber of Commerce related to updates on the project. The PR charges should not have been capitalized but rather booked as an expense below the line. **Audit Issue #3**

| <u>Vendor Name</u>         | <u>Invoice #</u> | <u>Amount</u> |
|----------------------------|------------------|---------------|
| Next Generation Strategies | 20190630A        | \$1,630       |

### **General Ledger**

Audit reviewed the project was unitized as follows:

| <b>Project #</b> | <b>Account Name</b> | <b>Account #</b> | <b>Date</b> | <b>Debit</b> | <b>Credit</b> |
|------------------|---------------------|------------------|-------------|--------------|---------------|
| 19               | Plant in Service    | 101000           | 12/9/2019   | \$ 2,075,976 |               |
| 19               | CWIP                | 107000           | 12/9/2019   |              | \$ 2,075,976  |

Audit verified the project was unitized to plant in service account #343 Transmission and Distribution Mains on December 9, 2019 for \$2,075,976. The account should be 331, Transmission and Distribution Mains. See Audit Issue #1

## PMC Report

Audit reviewed the Project Management Committee Report that indicated the approved project was budgeted to cost \$1,841,105 and the proposed budget was \$2,075,976.

### Project #20

|           |                 |
|-----------|-----------------|
| Overheads | \$2,722         |
| Labor     | \$5,126         |
| Materials | <u>\$73,061</u> |
| Total     | \$80,909        |

Audit reviewed project #AC230-2018-398-001-001 that was for a fixed base leak logger pilot project that were unitized to plant in service for \$80,909 on December 31, 2019. Audit reviewed invoices from Gutermann that was for the purchase of the ZS820 Extended Antenna Logger and the repeater. Audit also reviewed invoices from AT&T for the monthly radio/data service.

### General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name        | Account # | Date       | Debit     | Credit    |
|-----------|---------------------|-----------|------------|-----------|-----------|
|           | 20 Plant in Service | 101000    | 12/31/2019 | \$ 80,909 |           |
|           | 20 CWIP             | 107000    | 12/31/2019 |           | \$ 80,909 |

Audit verified the project was unitized to plant in service account #392 Transportation Equipment on December 31, 2019 for \$80,909.

Audit asked why the \$80,909 fixed base leak logger pilot charges were booked to the FERC Electric account #392 that relates to Transportation. The Company indicated the charges were booked incorrectly and should have been booked to the FERC account #398. This is also incorrect and per the 2015 NHPUC Water Uniform System of Accounts the charges should be booked to account #348 Other Plant and Miscellaneous Equipment. **Audit Issue #1**

## PMC Report

Audit reviewed the Project Management Committee Report that indicated the budgeted cost of the project was \$101,000 and the actual cost was \$80,909. The project was over budget by 25% due to additional leaks found while performing the work.

Project #21

|           |                 |
|-----------|-----------------|
| Overheads | \$95            |
| Labor     | \$185           |
| Vehicles  | <u>\$34,197</u> |
| Total     | \$34,476        |

Audit reviewed project # AC230-2019-392-001-001 that was for the purchase of a 2020 Chevy Colorado pickup truck that was unitized to plant in service for \$36,357 on November 6, 2019. The Company paid cash to purchase the vehicle for \$28,069 from Portsmouth Chevrolet based on the invoice reviewed by Audit. Based on a review of other invoices from Tri-City Line-X the charges were for a new truck bed liner and installation of an inverter. Audit reviewed an invoice from Cen-Com for the installation of a new GPS system and antenna. Audit reviewed an invoice from CAP World for installation of LED strobe lights.

General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name     | Account # | Date      | Debit     | Credit    |
|-----------|------------------|-----------|-----------|-----------|-----------|
| 21        | Plant in Service | 101000    | 11/6/2019 | \$ 34,476 |           |
| 21        | CWIP             | 107000    | 11/6/2019 |           | \$ 34,476 |

Audit verified the project was unitized to plant in service account #392 Transportation Equipment on November 6, 2019 for \$34,476. The account should be 341, Transportation Equipment. See Audit Issue #1

Projects 20 and 21 Excel and CPR variance

The CPR records for projects 20 and 21 were booked to asset number 10100003343 that summed to \$148,418 and the cost spreadsheets provided to Audit summed to \$115,385. This is a \$33,033 difference that the Company indicated was due to an additional asset recorded under a different asset number. The error, discovered by the Company's Accounting Staff, was due to an error made by an Engineer during the data entry process. The Engineer clicked on the wrong asset attribute assigned to SAP, which then allocated the incorrect costs to another asset ID. The Company indicated internal controls are in place so this is no longer an issue going forward. Engineers must get approval and are monitored by Company Accounting Staff to make sure project costs are entered to the correct project and asset ID. The Company provided an updated excel spreadsheet that summarizes \$33,033. Audit also reviewed the updated invoices.



|           |                 |
|-----------|-----------------|
| Overheads | \$347           |
| Labor     | \$578           |
| Materials | \$1,325         |
| Vehicles  | <u>\$30,783</u> |
| Total     | \$33,033        |

The invoices indicated the Company paid \$26,819 in cash for a 2019 Chevy Colorado from Portsmouth Chevrolet. The remaining charges included charges from Cencom for the installation of a mobile radio system with dash mounting system. The Company purchased a new truck bed liner and installed and needed to get new LED strobe lights installed.

### Project #22

Audit reviewed project #MN230-0000-00100-0058 that was unitized to plant in service for \$42,173 on December 31, 2019 that consisted of meter replacements from Neptune Technology Group from Inventory. Audit reviewed detailed screenshot from the Company inventory list.

### General Ledger

Audit reviewed the project was unitized as follows:

| Project # | Account Name        | Account # | Date       | Debit     | Credit    |
|-----------|---------------------|-----------|------------|-----------|-----------|
|           | 22 Plant in Service | 101000    | 12/31/2019 | \$ 42,173 |           |
|           | 22 CWIP             | 107000    | 12/31/2019 |           | \$ 42,173 |

Audit verified the project was unitized to plant in service account #346 Meters on December 31 2019 for \$42,173. The account should be 334, Meters. See Audit Issue #1

### Customer Advances for Construction \$727,819

The Company reflected \$727,819 in the Customer Advances for Construction account #252000 for the test year. There was (\$148,699) in net activity during the 2019 test year. The activity related to contractor costs for the installation of main extensions on High St, Liberty Lane, Fern Road, and Winnacunnet Road.

Audit sampled transactions related to Liberty Lane developer's costs and Winnacunnet Rd. Audit reviewed the contract agreement with Liberty Lane Sewer Association for a main extension that was signed in August 2017. The contract indicated there was an \$800 upfront deposit.

Audit reviewed the journal entry for \$212,255 from August 2018 for the Liberty Lane project. The Company debited account #107000 and credited the 252000 Customer

Advances account for \$212,255 each. The cost detail for the mains consisted of paving, and labor associated with the installation of the main.

Audit reviewed a developer contract for the Winnacunnet Rd. main extension in Hampton that was signed in June 2019. The estimated deposit was \$24,975. Audit reviewed signed checks that verified the payment for the deposits. Audit reviewed a sample journal entry from August 2019 for \$45,899. The Company debited account #107000 and credited the 252000 Customer Advances account for \$212,255 each. The cost detail for the mains consisted of paving, and labor associated with the installation of the main.

The Company indicated that five years after the initial receipt, the customer advances are reclassified from account 252000 to CIAC 271000. There were no advances in 2014 and therefore nothing to reclassify in 2019.

### **Retirements/Cost of Removal**

Audit verified the \$574,598 in retirements shown on the 2019 annual report, to the CPR records, general ledger, and filing schedule. If the Company could not find any engineering records, the Company stated that the Handy-Whitman Index of Public Utility Construction Costs (Whitman), which indexes plant by year, was used to value unidentifiable assets. On the CPRs, these assets were titled pre-acquisition AWCNH with the pertinent account number.

Audit reviewed samples of retirement journal entries for hydrants, meters, mains, and service lines. Audit reviewed a \$3,115 hydrants entry from January 2019. The Company debited the account 111010 Accumulated Depreciation- retirements and credited the 335 hydrants account for the same amount. The hydrants were very old and at the end of their useful life. Audit reviewed a December 2019 entry for the retirement of \$301,109 worth of meters that were 12 years old. The Company debited account 111010 A/D-Retirements and credited the meters account 33400 for the same amount.

The Company indicated customer meters are replaced every 10 years in NH and MA while the meters are replaced every 12 years in CT. The meters get retired from the Company books. The Company indicated they do not track and post the individual retirement of customer meters.

Audit reviewed an October 2019 entry for the removal of 935 feet of main that was retired due to being a cement-asbestos main. The mains were originally placed into service in May 1958. The Company debited the account 111010 A/D-Retirements for \$5,931 and credited the mains account 331000 for the same amount. Audit reviewed a January 2019 retirement of a service line at Marston Elementary School in Hampton. The service line was originally installed in July 1968. The Company debited the A/D-Retirements account 111010 for \$2,070 and credited the services account 333000 for the same amount.

Audit noted that there were no costs of removal associated with the pre-acquisition retirements. There was \$6,982 in salvage value scrap metal sold to MJ Metal Industrial Recyclers. Retirements were tested for the test-year with no exceptions.

### **Construction Work in Progress (CWIP)**

The 2019 ending general ledger balance for CWIP, Account 107000 in the amount of \$4,286,434, was verified to the 2019 NHPUC annual report and filing schedule 2. The Company should be using the correct Water USoA for CWIP that is account #105. **Audit Issue #1**

CWIP consists of 6 projects: the Mill Road centralized treatment plant, Exeter Road storage tank improvements, well improvements, Meadow Pond main replacement, Lamies Trust property purchase, and other miscellaneous small projects.

|                                      | CWIP         |
|--------------------------------------|--------------|
| Mill Road WTP Centralized Treatment  | \$ 2,492,466 |
| Exeter Rd. Tank Improvements         | \$ 300,492   |
| Well 7/Well 22 Improvements          | \$ 1,308,607 |
| Lamies Inn Purchase                  | \$ 5,921     |
| Gentian/Green/Meadow Pond Main Repl. | \$ 42,130    |
| Other                                | \$ 136,819   |
| Total                                | \$ 4,286,434 |

### **Contributions in Aid of Construction (CIAC)**

The PUC annual report reflects CIAC in the amount of \$3,119,748. There was no activity during 2019. Accumulated Amortization of CIAC in the amount of \$(706,654) was also reviewed. There was \$37,437 in account activity related to the Amortization of CIAC during the test year. The net CIAC balance of \$(2,412,894) was verified to the filing schedule 2, Bates page 560 the CIAC Balance Sheet account. Audit verified the total to the following general ledger accounts for CIAC in 2019:

|  |                    |
|--|--------------------|
| 271000 Contributions in Aide of Construction | \$3,119,748        |
| 272000 Accumulated Amortization of CIAC      | <u>\$(706,654)</u> |
| Net CIAC                                     | \$2,412,894        |

Audit verified that the detailed listing of all Contributions in Aid of Construction in the filing on Bates page 571, as shown below, agrees in total to the general ledger:

|                                |              |
|--------------------------------|--------------|
| Hampton Balance at Acquisition | \$ 1,802,893 |
| Pre-Acq. Adjustment            | \$ 7,054     |
| William Woods                  | \$ 14,123    |
| Hampton Meadows                | \$ 133,047   |
| Ridgemont Realty               | \$ 18,281    |
| Parkway Development            | \$ 4,712     |
| Layayette Rd. Realty           | \$ 10,201    |
| Abenqui Meadows                | \$ 58,231    |
| Asset Title Holding Co.        | \$ 42,700    |
| DPG Development                | \$ 6,157     |
| Exeter Oak Realty              | \$ 14,889    |
| Green and Co.                  | \$ 3,046     |
| Love Lane Realty               | \$ 28,980    |
| Majestic Pine                  | \$ 43,480    |
| Meadow Pond Ext.               | \$ 4,197     |
| Park Ave                       | \$ 4,000     |
| Richard Fucci                  | \$ 9,906     |
| Robert McDermatt               | \$ 16,977    |
| Tracy Emerick                  | \$ 6,544     |
| Winterberry                    | \$ 115,138   |
| The Seacaost LLC               | \$ 28,656    |
| Platinum Fence                 | \$ 11,000    |
| North Hampton Properties       | \$ 296,703   |
| Pilot Construction             | \$ 5,256     |
| Village at Hampton Center      | \$ 4,129     |
| Thibeault Corp.                | \$ 2,000     |
| NH DES                         | \$ 16,206    |
| CIAC Detail as of DW 12-085    | \$ 2,708,506 |

|                                 |    |           |
|---------------------------------|----|-----------|
| Baron Rd. Deposit               | \$ | 1,500     |
| Baron Rd. Costs                 | \$ | 38,050    |
| Dalton Ln Deposit               | \$ | 3,500     |
| Dalton Ln Costs                 | \$ | 27,269    |
| Sherburne Drive Deposit         | \$ | 2,000     |
| Sherburne Drive Costs           | \$ | 41,220    |
| Lafayette Crossing Mall Deposit | \$ | 1,200     |
| Lafayette Crossing Mall Costs   | \$ | 31,708    |
| Lafayette Rd Deposits           | \$ | 1,200     |
| Lafayette Rd Costs              | \$ | 19,025    |
| Greystone Village Deposits      | \$ | 1,500     |
| Greystone Village Costs         | \$ | 76,099    |
| Drakeside Rd. Deposits          | \$ | 250       |
| Drakeside Rd. Costs             | \$ | 16,065    |
| Witch Island Way Deposits       | \$ | 1,200     |
| Witch Island Way Costs          | \$ | 39,916    |
| Ocean Blvd. Deposits            | \$ | 200       |
| Ocean Blvd. Costs               | \$ | 14,586    |
| Landing Road Deposits           | \$ | 1,500     |
| Landing Road Costs              | \$ | 18,850    |
| High St Deposits                | \$ | 1,200     |
| High St. Costs                  | \$ | 26,635    |
| Jasand Inc for Juniper Ln.      | \$ | 26,653    |
| 20 Keefe Ave.                   | \$ | 12,788    |
| Kuckleberry Ln                  | \$ | 7,128     |
|                                 |    | <hr/>     |
| December 31, 2019 CIAC Detail   | \$ | 3,119,749 |

Per Filing 2H Bates Page 571

Filing indicates 2011 when should be 2019

Accumulated Amortization of CIAC, account 272000, for the test-year 2019 totaled \$706,854 and agrees with the 2019 NHPUC annual report and the filing schedule 2. Audit traced twelve months of debits for each contribution being amortized and recalculated amortization figures with no exceptions. Offsetting credits totaling \$37,437 were verified to the Amortization Expense account 405000. The expense figure agrees with the 2019 NHPUC annual report. Audit noted that the amortization rates and the depreciation rates agreed with only minor exceptions.

## **Capitalized Pension and Other Post-employment Obligations (OPEB)**

Audit reviewed several accounts related to the implementation of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, and the 2018 adoption of the ASU. As labor and any related overheads are capitalized through construction projects, the FASB clarified that only service (labor) related pension and OPEB costs should be capitalized, not other pension and OPEB related costs such as interest, expected return on plan assets, amortization of prior service costs, or gains or losses.

Audit requested clarification of the accounting used by Aquarion to determine the service costs and impact on the balance sheet and income statement. The Company provided an overview of the process and the specific accounting entries booked quarterly, beginning in 2018.

| <u>Asset / Liability</u>                     | <u>12/31/2019</u> | <u>12/31/2018</u> |
|--|-------------------|-------------------|
| 101001 Reclass to Cap Pension & OPEB-Other C | \$ 7,650.09       | \$(2,908.50)      |
| 101002 Capitalized Pension & OPEB Exp-Other  | \$ -0-            | \$ 2,908.50       |
| 101003 Cap Pension & OPEB Credits-Other Comp | \$(7,650.09)      | \$ -0-            |
| Net impact to account 101                    | \$ -0-            | \$ -0-            |

| <u>Accumulated Depreciation</u>            | <u>12/31/2019</u> | <u>12/31/2018</u> |
|--|-------------------|-------------------|
| 111004 A/D-Cap Pension & OPEB Exp-Other Co | \$ -0-            | \$ (69.22)        |
| 111005 A/D-Cap Pension & OPEB Crdt-Other C | \$101.36          | \$ -0-            |

| <u>Expenses</u>              | <u>12/31/2019</u> | <u>12/31/2018</u> |
|------------------------------|-------------------|-------------------|
| 403001 Dep-Cap Pension-Other | \$ (170.58)       | \$ 69.22          |
| 926502 Cap Pension-Other     | \$(10,558.59)     | \$ 2,908.50       |
| 926501 Cap Pension-Other     | \$ 10,558.59)     | \$(2,908.50)      |

Quarterly journal entries, based on the first quarter estimates, then actual costs based on actuarial reports (for the quarters 2, 3, and 4) are posted. The calculations reviewed were based on the pension and OPEB as percentages of prior year labor. A calculation error, discovered by the Aquarion accounting staff, used 50% for the capitalized fringe benefit, rather than 39%. The error was corrected in the 2<sup>nd</sup> quarterly entry. 50% had been the 2018 rate.

| <i>Factors used in calculation:</i> | <b>Pension</b> | <b>OPEB</b> |
|-------------------------------------|----------------|-------------|
| Prior year labor                    | \$ 774,412     |             |
| Total 926's for cap fringe          | \$ 238,993     |             |
| Service cost                        | 11%            | 1%          |
| Other components %                  | -2%            | -12.3%      |
| Capitalized fringe (no taxes)       | <b>31%</b>     | <b>31%</b>  |
| Cap fringe -payroll taxes           | <b>8%</b>      | <b>8%</b>   |

Quarterly Entry #1 reclassifies non-service pension costs included in capitalized benefits. Non-service costs are interest, return on assets, amortization of prior service costs, and gains or losses on the pension and OPEB accounts that cannot be depreciated.

Debit expense account 926502 Cap Pension-Other  
Credit expense account 926501 Cap Pension-Other

Quarterly Entry #2 moves the non-service costs that were capitalized in plant to a regulatory asset or regulatory liability, both of which remain as part of total utility plant.

Debit Asset account 101001 Recl to Cap Pension  
Credit Asset account 101002 Cap Pension-Other

Quarterly Entry #3 moves the depreciation associated with the non-service costs from the Accumulated Depreciation of Utility Plant in Service to a regulatory asset or liability account associated with those non-service costs.

Debit 111004 A/D-Cap Pension-Other  
Credit 111001 Accum Deprec Util

Quarterly Entry #4 moves non-service costs included in the depreciation expense to an “other income” account.

Debit 403000 Depreciation Expense  
Credit 403001 Depr – Cap Pension-Other

Annual Entry #5 reclassifies the prior year non-service costs included in Accumulated Depreciation, based on the beginning balance.

Debit 111001 Accum Deprec Util  
Credit 111004 A/D –Cap Pension-Other

Annual Entry #6 reclassifies prior year depreciation expense to other income.

Debit 403001 Deprec-Cap Pension  
Credit 403000 Depreciation Expense

From the FERC Office of Enforcement, docket number A118-1-000 dated 12/28/2017 “...Because there is no definitive requirement under the Uniform Systems of Accounts requiring specific identification of pension and PBOP cost components to be capitalized, outside of the requirement for the capitalization to be based on appropriate labor costs and to have a definite relation to construction, jurisdictional entities may elect to follow the capitalization required under ASU No. 2017-07. It is also acceptable to continue capitalizing all of the pension and PBOP costs, as companies have done so prior to the issuance of the ASU. Either approach will not conflict with the existing requirements under the Uniform System of Accounts, provided that the method of capitalization adheres to Electric Plant Instruction No. 4, Gas Plant Instruction No. 4, and Service Company Property Instruction No. 367.52”.-

## Accumulated Depreciation

The 2019 NHPUC annual report and the filing schedule 2/2D reflect total Net Accumulated Depreciation of \$(13,570,454). Audit verified the total to the following general ledger accounts and related activity throughout the test year:

|  |        | <u>1/1/2019</u> | <u>Activity</u> | <u>12/31/2019</u> |
|--|--------|-----------------|-----------------|-------------------|
| Accumulated Depreciation-Depreciation      | 111001 | \$ (18,586,771) | \$ (1,024,401)  | \$ (19,611,172)   |
| Accumulated Depreciation-Sale of Equipment | 111002 | \$ (70,152)     | \$ (6,982)      | \$ (77,135)       |
| Accumulated Depreciation - Cost of Removal | 111003 | \$ 188,963      | \$ -            | \$ 188,963        |
| Accumulated Depreciation - Retirements     | 111010 | \$ 5,354,291    | \$ 574,596      | \$ 5,928,887      |
| Net Accumulated Depreciation               |        | \$ (13,113,669) | \$ (456,787)    | \$ (13,570,454)   |

The Company should have booked the accumulated depreciation charges to account #108 rather than account 111. **Audit Issue #1**

Refer to the Retirements portion of this report for detailed discussion regarding the accounting for Cost of Removal and Sale of Equipment. Refer to the Depreciation section below for detailed discussion regarding the accounting for the Depreciation Expense.

## Depreciation Expense

Depreciation Expense per the 2019 NHPUC annual report agrees with the general ledger account 403000 and 403001, which totaled \$1,024,230. The Filing Schedule 2 Bates Page 560 also was verified to the GL and annual report. Audit recalculated several accounts for accuracy and found no exceptions.

The 403001 account represents capitalized depreciation expense for Pensions and OPEB. The Company adopted ASU 2017-07 for implementation in 2018. This FASB update requires the separate presentation of service costs as non-operating income and not subject to capitalization. Aquarion adopted the accounting policy change in the first quarter of 2018, following the procedures established by Eversource. The implementation of the ASU did not have an impact on the net income of the Company, or the balance sheet. Audit reviewed the pension/OPEB adjustments that were done quarterly in March, June, September, and December.

|  |              |
|--|--------------|
| 403000 Depreciation Expense                      | \$1,024,401  |
| 403001 Depreciation Capitalized Pension Overhead | <u>(171)</u> |
| Total  | \$1,024,230  |



### **Acquisition Adjustments \$-0-**

The Company did not have any balances associated with plant acquisition adjustments prior to or during the test year.

### **Utility Plant Held for Future Use Account #105000 \$4,778**

The balance shown in this general ledger account represents land that could be used for a storage tank. There was no change in the account during the test year. This should have been booked to account 103 per the Water USoA. The charge amounts were correctly reflected on filing schedule 2C and the 2019 annual report as account 103.

### **Audit Issue #1**

## **CURRENT AND ACCRUED ASSETS**

### **Cash and Bank Reconciliations**

Cash accounts with year-end balances were verified from the filing schedule 2, page 1 of 1, to the NHPUC 2019 annual report and the following general ledger accounts without exception:

|                             |          |
|-----------------------------|----------|
| 131120: Cash - Peoples Bank | \$ 6,095 |
| 131152: Payroll Clearing    | \$14,603 |
| 131900: Cash Desk           | \$ 835   |
| 135000: Petty Cash          | \$ 300   |
|                             | <hr/>    |
|                             | \$21,833 |

The Company has a main checking account with Peoples Bank, and a payroll account through JP Morgan Chase Bank. The accounts are described in further detail below.

Account 131120: Peoples Bank. – Audit reviewed the December 31, 2019 bank statement that describes the account as the Business Advantage account, which is the main checking account. The statement shows the November 29, 2019 beginning balance of \$1,858 with deposits of \$21,683 and withdrawals of \$17,446 resulting in the year-end balance of \$6,095, which agrees with the general ledger.

Account 131152: Payroll Clearing – The Payroll Coordinator posts entries from the payroll register each week. The Payroll Coordinator posts the net payroll and tax amounts to account 131152. ADP pulls those cash amounts from the Company's account each week then the accountant will review the amounts which will net to zero. The reconciliation shows a balance at year-end of \$14,603 which agrees with the general ledger.

Accounts 131900: Cash desk and 131120: Peoples accounts –When a customer walks into the Company’s NH office and makes a payment to his/her account, the money will be deposited into Peoples bank. The Accounting Department makes an entry every month crediting account 131900 and debiting account 131120. The activity in account 131900 reflected 259 entries ranging in debit amounts from \$84 to \$42,994. Monthly credit entries were noted with the offset to 131120 as described.

Account 131999 had a zero balance at the beginning of the year and at year-end. Activity within the account however showed seven credit entries totaling \$(6,664.37) with seven debits clearing each entry. The Company explained the account as “[t]his is a clearing account for customer refunds paid to third parties at the customer’s request. When a refund is due to a customer and the customer requests the refund to be made to a third party, the request will be reviewed. Upon approval of the request, account 131999 is credited. When payment is made, the account is debited. The account zeroes out.”

Account 135000: Petty cash – AWC-NH keeps petty cash in the NH office. The cash is used to reimburse employees for any purchases when an employee uses cash out of pocket for such things as tolls if an employee travels for any reason. When a reimbursement is made a slip is filled out, the receipt is attached, the employee signs the slip along with the NH office administrator’s signature stating the reimbursement is done. When the administrator submits a request to replenish petty cash the receipts are attached to a check request to replenish the funds. The immaterial Petty Cash account balance has not changed since the prior audit. Audit verified there was no activity in the account during the test year.

Account 131151 – Cash – Disbursements Clearing reflected a credit balance at year-end of \$(83,581.52). Refer to the Accounts Payable portion of this report.

### Accounts Receivable

Account 142000 - Accounts Receivable – Customers totaled \$284,052. Jobbing Receivables, account 142001 and account 142100, Clarification Receivables totaled \$(1,896) on the general ledger resulting in a net amount of \$282,156. This figure agrees with the filing schedule No. 2, page 1 of 1 (Bates page 560). The Total Notes and Accounts Receivable-Net \$263,714 agrees with the annual report.

|   |                |
|---|----------------|
| Account 142000: Accounts Receivable – Customers       | \$284,052      |
| Account 142001: Jobbing Receivables                   | \$ (1,841)     |
| Account 142100: Clarification Account                 | <u>\$ (55)</u> |
| Total Accounts Receivable                             | \$282,156      |
| Account 144000: Reserve for Doubtful Accounts-Water   | \$ (18,357)    |
| Account 144001: Reserve for Doubtful Accounts-Jobbing | <u>\$ (85)</u> |
| Total Notes and Accounts Receivable-Net               | \$263,714      |

Refer also to the Revenue section of this audit report. The aged accounts receivable listing provided to Audit detailed the following:

|               |            |           |
|---------------|------------|-----------|
| Current       | \$ 859     | 1%        |
| 1-30 days     | \$ 273,990 | 96%       |
| 31-60 days    | \$ 8,916   | 3%        |
| 61-90 days    | \$ 2,122   | 1%        |
| 91-120 days   | \$ (1,835) | -1%       |
| Over 120 days | \$ -       | <u>0%</u> |
|               | \$ 284,052 | 100%      |

Jobbing Receivables, account 142001, reflected a credit balance of \$1,841 per the general ledger which agrees with the NHPUC 2019 annual report and the filing Schedule No 2, page 1 of 1, Bates page 560. The Reserve for Doubtful Accounts-Jobbing, #144001, in the amount of \$85 per the general ledger also agrees with the NHPUC 2019 annual report and the filing Schedule No 2, page 1 of 1, Bates page 560.

Clarification account #142100 (\$55), was immaterial and not reviewed in detail by Audit. Activity in the account reflected 226 journal entries that net to \$122.66.

Accumulated Provision for Uncollectible Accounts-Water Audit verified the reported year-end figure of \$(18,442) to the following general ledger accounts and related activity:

| Account            | <u>#144000</u>       | <u>#144001</u>      | <u>Combined</u>      |
|--------------------|----------------------|---------------------|----------------------|
| Beginning Balance  | \$(17,009.71)        | \$ (60.13)          | \$(17,069.84)        |
| Debits             | \$ 12,098.21         | \$ 1,624.48         | \$ 13,722.69         |
| Credits            | <u>\$(13,445.95)</u> | <u>\$(1,649.26)</u> | <u>\$(15,095.21)</u> |
| 12/31/2019 Balance | \$(18,357.45)        | \$ (84.91)          | \$(18,442.36)        |

The Company should reflect the details in account 143. Refer to **Audit Issue #1**

The debit activity was noted as accounts written off. For account 144000, Reserve for Doubtful Accounts-Water, those debits were offset with credits to account 142000, Accounts Receivable-Customers. For account 144001, Reserve for Doubtful Accounts-Jobbing, debits were offset with credits to account 142001, Jobbing Receivables.

The credit noted on the annual report was identified as “deterioration of receivables”. The credit activity seen in account 144000 was offset with debits to account 904000, Bad Debt Expense. The Bad Debt Expense account 904000 reflected monthly debits of \$583, with a year-end true-up of \$3,879 for total expense \$10,875. Additional credits were verified to debits totaling \$2,570.95 in account 142000. Credits seen in account 144001 were verified to debits posted to account 416202, Jobbing Bad Debt Expense, primarily.

The Bad Debt Expense total of account 904000, \$10,875, increased over the 2018 year-end balance of \$6,996 by \$3,879 or 55%. The 2019 Expense represented 3.9% of Accounts Receivable.

The overall sum of the 142xxx accounts for 2018 was \$252,733 with the 2018 Accumulated Reserve \$(17,070). The 2018 Expense \$6,996 represented 2.77% of Accounts Receivable.

The Company provided the Collection and Write-off policy related to past due accounts receivable items for Connecticut, Massachusetts and New Hampshire. Aquarion Connecticut uses three contractors for collection activities while Massachusetts and New Hampshire use Aquarion Water Service technicians to handle field collection activities. The write-off policy is the same for all three States. The policy in part, states:

*“The Collection Department is responsible for the collection of Accounts Receivables. ... In addition to using system-generated letters and statements to assist in collection efforts, Collections Representatives contact customers with past due accounts, and where regulations allow, service is terminated for non-payment. Collection agencies and attorneys are used where appropriate in the collection process...Residential, commercial, government, and fire dunning code accounts receive the following notices: Supervisor of Collections reviews the aging reports on a weekly basis. The SAP system automatically generates delinquent notifications for each (NH) customer.*

- *Bill is generated*
- *31 Day past due assessed 5% late fees on all the account.*
- *31 Day reminder is mailed if balance is over \$25 to government, industrial and priority accounts. If the past due balance is greater than \$750, the account goes on a call list via the SAP system for the collection team to make outbound calls.*
- *47-day Disconnect Work Order is generated, and water may be shut off for non-payment or tagged for field collection for residential and commercial accounts.*

*An account can be written off as uncollectible once all Collection efforts have been exhausted by the Collection department, the Collection Agency or if the account has been discharged of debt from the bankruptcy court...The Collection Representatives review the monthly Collection Agency report and will manually write-off any balances the agency deems uncollectible. Collection representatives have the authority to write off balances up to \$250. The Collection Supervisor must approve accounts between \$250 and \$1,000, and the Director of Customer Service must approve accounts over \$1,000. After 160 days from the billing date, unpaid final bills are written off automatically via SAP system and can be reversed any time collection payment is received.”*

### Intercompany Receivable (Payable)

Account #146000 – Intercompany Receivable (Payable) totaled \$(22,906) on the general ledger. This account represents all of the flow-through funds company-wide. Refer to the Liabilities section of this report, due to the balance in the account.

### Prepayments

| Account                               | 2019 Ending Balance | 2018 Ending Balance | Prior YR Incr/Decr |
|---------------------------------------|---------------------|---------------------|--------------------|
| 165000 - Misc. Prepayments            | \$ 23,309           | \$ 50,371           | \$ (27,062)        |
| 165002-Prepaid Property Tax           | \$ 121,621          | \$ 127,378          | \$ (5,758)         |
| 165003-Prepaid Insurance              | \$ 2,922            | \$ 2,774            | \$ 148             |
| 165004-Prepaid Maintenance Contracts  | \$ -                | \$ -                | \$ -               |
| 165005-Prepaid PURA Assessment        | \$ 13,687           | \$ 13,382           | \$ 305             |
| 165006-Prepaid Dues and Subscriptions | \$ 3,323            | \$ 3,263            | \$ 60              |
| 165011-Prepaid Bond Trustee Fees      | \$ 1,724            | \$ 1,724            | \$ (0)             |
|                                       | \$ 166,585          | \$ 198,893          | \$ (32,307)        |

### Miscellaneous Prepayments \$23,909

The Company provided an account analysis showing the detail of what comprises the balance:

- \$15,000 for the trench restoration performance guarantee that was paid to the Town of Hampton in 2007.
- \$7,709 for the Scott Road office deposit paid in 2012.
- \$600 remaining balance related to prepaid trench permits (each permit costs \$200) paid to the Town of Hampton in 2019.

The 2019 activity is comprised of:

- Trench permits – A pre-payment to the Town of Hampton in April 2019 for trench permits and reductions to the prepaid balance by \$200 for each occurrence required when digging in the road is necessary.
- \$26,461.63 re-classification of the December 2018 prepayment related to the 2019 Tufts medical insurance invoice for active employees and retirees.

The Company provided supporting documentation in the form of check requests and journal entries from the Town of Hampton and Tufts Health Plan. The account should have been account #162 per the 2015 NHPUC Water USOA. **Audit Issue #1**

Account #165002 Prepaid Property Taxes \$121,621 was verified the filing schedule and annual report. See the Tax Section for more details. The account number should have been the 2015 NHPUC Water USOA #163. **Audit Issue #1**

Account #165003 Prepaid Insurance \$2,922- was verified to the filing and annual report. A total of \$111,006 was booked to the account for prepaid insurance expenses.

Audit requested copies of all insurance binders for policies in effect during 2019. Aquarion provided copies of the policies for the following insurances: property, crime, fiduciary, business travel, excess liability, administrative fee, workers compensation, auto, general liability, cyber liability, and directors and officers.

Aquarion noted, *“AWC-NH does not have any stand-alone policies. The policy premiums reported ... are either for Aquarion (D&O only) or Eversource consolidated. D&O insurance is allocated to Aquarion which in turn is allocated among the Aquarion subsidiaries. The amount of D&O insurance allocated to New Hampshire is less than \$1,000. Eversource uses a formula to allocate premiums across all its subsidiaries. In addition to the premiums, broker fees, relevant taxes or reductions due to continuity credits would also be included in the total amount to be allocated”*.

Aquarion provided Audit with a table showing the premium amounts for all of the insurance policies. Aquarion also provided an Excel spreadsheet showing how each of those premiums were allocated to AWC-NH. The cyber policy was allocated to NH at 3.54%, which was based on 2018 revenues. The business travel, crime and fiduciary policy premiums were allocated at 3.46%, which was based on 2018 employee count. The umbrella policies and broker fee were allocated at 2.48%, which was based on gallons produced in 2017 and trued up at 2018 year end.

The invoice from the insurance company for the premium for worker's compensation, general liability and auto liability provided a breakdown of the total premium expense noting NH's portion.

Audit was able to recalculate the allocated premium amounts and tie all NH insurance premium amounts to GL 165003 without exception.

Also included in the GL activity was a true-up in the amount of \$5,441. Aquarion provided an Excel document to Audit that showed the calculation behind the true-up. No exception was noted.

Monthly amortization amounts of \$9,155 and an additional credit of \$998 were also booked to the account. Please see account expense 925 in the Operations and

Maintenance section for information on the amortization. The prepaid balance sheet account should have been #162. **Audit Issue #1**

Account #165005 Prepaid PURA Assessment \$13,687 was verified to the filing and annual report. One debit entry in the amount of \$27,374 was booked to account 165005. Monthly amortization entries were credited to the account in the amount of \$2,230.41 or \$2,230.42 for January through July and \$2,281.17 was booked for August through December. An additional credit entry of \$50.75 was also booked to the account in August. Please see account 928001 in the Operations and Maintenance section for additional detail on the PURA Assessment. The prepaid account should have been #162. **Audit Issue #1**

Account # 165006 Prepaid Dues and Subscriptions \$3,323 was verified to the filing and annual report. \$10,615 was booked to the account for dues to NH Water Works Association, American Water Works Association, and the National Association of Water Companies. Monthly amortization amounts of \$862.33 for January through May; \$891.21 for June through November and \$896.63 in December were noted. Please see account 930201 in the Operations and Maintenance section for additional detail on dues and subscriptions. The prepaid account should have been #162. **Audit Issue #1**

Account # 165011 Prepaid Bond Trustee Fees \$1,724 was verified to the filing and annual report. Two debit entries of \$2,586 for US Bank were booked to this account. Monthly amortization amounts of \$431 were credited. Please see account 923210 in the Operations and Maintenance section for additional detail. The prepaid account should have been #162. **Audit Issue #1**

Miscellaneous Current and Accrued Assets \$473,984 was verified to the following general ledger accounts:

|  |                  |                |
|--|------------------|----------------|
| 127000 Utility Plant in Service under Operating Leases | \$449,534        | Audit Issue #4 |
| 143000 Miscellaneous Receivables                       | \$ 24,000        | Audit Issue #5 |
| 143003 Security Deposit-Chemical Containers            | \$ 450           | Audit Issue #5 |
|  | <u>\$473,984</u> |                |

The total was verified to the annual report for account 174 and to the filing, Bates page 560.

Account 127 Plant in Service under Operating Lease \$449,534

The Company booked \$449,534 during the test year to a new account 127000, Plant in Service under Operations. The activity in the GL demonstrated the charges related to operating leases for an office copier, office and warehouse space, and well heads. The Company indicated that as of January 1, 2019 they adopted Accounting Standards Codification (ASC) 842 that, per FASB, indicates lease agreements classified as operating leases are to be recorded as right of use assets and liabilities on the balance

sheet. Audit requested clarification of the account 127, to which the Company responded:

*“The FASB issued guidance in February 2016 (ASU 2016-02), with amendments in 2018 (ASU 2018-01, 2018-10 and 2018-11), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet, initially measured at the present value of the lease payments, and disclosing key information about leasing arrangements. In connection with this guidance the FASB created ASC 842, Leases, which supersedes ASC 840, Leases (“ASC 840”). The new guidance retains a distinction between finance leases and operating leases with the classification criteria substantially similar to the classification of leases in ASC 840. The guidance is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company adopted this guidance effective January 1, 2019.”*

*“The Company’s response to [a previous question], in which it was stated that the Company does not have any capital leases with regards to fixed assets that affected the test year, is a correct statement.*

*The \$449,534 reported in account #127000 relates to operating, not capital leases. As explained... the Company adopted ASC 842 effective January 1, 2019. Under ASC842, lease agreements classified as operating leases are to be recorded as right of use assets and liabilities on the balance sheet. Account #127000 was created to record the “Utility Plant under Operating Lease”. The offsetting accounts are #243000 for the current liability and #225000 for the non-current liability for these operating leases. The Right of Use Asset is not being depreciated. It is being reduced along with the Lease Liability as the Company makes its lease payments. None of these accounts are included in rate base. Please refer to the table below for the 2019 year end balances of these accounts.*

|                           | #127000       | #243000      | #225000       |
|---------------------------|---------------|--------------|---------------|
|                           | 12.31.2019    | 12.31.2019   | 12.31.2019    |
| Office                    | \$ 372,928.74 | \$ 78,761.33 | \$ 294,167.41 |
| Well #16                  | 58,277.47     | 7,380.73     | 50,896.74     |
| Well #10                  | 17,951.11     | 140.14       | 17,810.97     |
| Copier                    | 376.50        | 376.50       | 0.00          |
| Total right to use assets | \$ 449,533.82 | \$ 86,658.69 | \$ 362,875.13 |

*Expenses associated with these operating leases are recorded the same way as before adoption of ASC 842. The Company books its rental expenses in account #604000 for wells 14 and 16, #931000 for office rent and #931201 for copier rent.”*

Audit did verify the totals in the grid provided to the following accounts:

|  |              |                |
|--|--------------|----------------|
| 127000 Plant in Service under Operating Leases       | \$449,533.82 |                |
| 225000 Obligations under Operating Leases-Noncurrent |              | \$(362,875.14) |
| 243000 Obligations under Operating Leases-Current    |              | \$ (86,658.68) |



Audit verified that the \$449,533.82 is erroneously included within the Miscellaneous Current and Accrued Assets on both the PUC annual report and the filing, Bates page 560. The Company based the establishment of account 127 on the FERC which requires that, for electric and gas utilities, over which the FERC has jurisdiction, the asset side of the entry should be in account 101, Utility Plant in Service. **Audit Issue #4**

The non-current portion of the liability side of the journal entry should have been posted to account 227. Balances of the two liability accounts were included within the Accounts Payable balance on both the PUC annual report and the filing, Bates page 560. Refer to the Miscellaneous Current and Accrued Liabilities section of this report for additional detail.

Audit reviewed the lease agreement for roughly 2,600 square feet of office space at 1 Merrill Industrial Drive in Hampton and 8,000 square feet of warehouse space at 7 Scott Road in Hampton. The lease between Aquarion Water Company of New Hampshire and Casemo Realty, LLC was for May 1, 2012 through April 30, 2019. The monthly rent was \$7,709. The Company exercised an option to extend the term of the lease for an additional 5 years through April 30, 2024 per an amendment signed in April 2019. This increased the rental payment by 2% in each subsequent year. The April 30, 2019 through December 31, 2019 monthly lease payment was \$8,658. The lease indicated the Company was not authorized to sublease to other tenants.

Audit reviewed the lease between Aquarion Water Company of NH and Conway Office Products, LLC for the Xerox 7120 office copier that was from March 2015 through March 2020. The monthly payments were \$189 per month.

Audit reviewed the 99 year well #10 lease agreement, for land in Hampton and North Hampton, between Hampton Water Works (now AWC-NH) and B. Dustin individually and as trustee under deed of J. Dustin, C. Dustin Jr., and F. Dustin Winch that has been in effect since 1963. The rent has remained at \$1,000 per year.

Audit reviewed the well #16 lease agreement that has been in effect since October 1997 for 30 years through June 30, 2027. The lease for easement rights to the utility's well number 16, between Hampton Water Works and the Katherine S. Peabody Revocable Trust of 1996, requires payment of \$91,500 per year or \$9,706 monthly at 10% interest.

Audit reviewed the right of use calculations for the copier, office lease, and wells #10 and #16. See the Operations and Maintenance Expenses and Miscellaneous Current Liabilities sections of this report for additional information.

The Miscellaneous Receivable account #143000 showed a balance of \$24,000 on the general ledger and the filing. This amount represents the 2018 Cash Patronage from CoBank received on March 15, 2019. The Company provided the check and statement indicating the distribution. The offset was to account #421223 CoBank Qualifying Patronage Distribution. The account should be part of the Net Receivables on the

balance sheet, rather than part of the Miscellaneous Current and Accrued Assets. **Audit Issue #5**

2018 Patronage Distribution

|  |     |                 |
|--|-----|-----------------|
| Cash Patronage                         | 60% | \$24,000        |
| Equity Patronage                       | 40% | <u>\$16,000</u> |
| Total Qualified Patronage Distribution |     | <u>\$40,000</u> |

Activity during the test year showed a credit on 3/26/2019 for \$(24,000), then a debit 12/31/2019 for the same amount, resulting in activity for the year summing to zero. The credit detail reflected the “JPMC AQMST 19354, Dep 1339 2018 CoBank Qualified Patronage”, and was offset to account 146000, Accounts Receivable. The debit entry noted that it was the December 19 NH CoBank.

Security Deposit –Chemical account #143003 in the amount of \$450 was a reduction of \$1,239 from the 2018 balance. Audit reviewed the two entries in the account: One debit for \$200 was a deposit to the Monson Companies; one credit for \$(1,439) dated 7/24/2019 was debited to account 643002 Outside Services-Treatment Op. The account should be part of the Net Receivables on the balance sheet, rather than part of the Miscellaneous Current and Accrued Assets. **Audit Issue #5**

**Deferred Debits**

The filing, Bates 560 Comparative Balance sheet, shows the Deferred Debits to be:

|                                       | <u>12/31/2019</u>  | <u>12/31/2018</u>  |
|---------------------------------------|--------------------|--------------------|
| Unamortized Debt Discount and Expense | \$ 92,934          | \$ 104,528         |
| Unfunded Deferred Taxes               | \$2,624,800        | \$2,426,645        |
| Other Deferred Debits                 | \$ 66,244          | \$ 62,638          |
| Unrecognized PBOP obligations         | <u>\$1,036,769</u> | <u>\$ 719,653</u>  |
|                                       | <b>\$3,820,747</b> | <b>\$3,313,464</b> |

The Unamortized Debt Discount and Expense figure, \$92,934 is discussed in detail within that titled section of this report.

Audit verified the total Miscellaneous Deferred Debits of \$3,727,813 at year end 12/31/2019 to ten specific general ledger accounts and the NHPUC annual report schedule F28.

| <u>Account Number</u> | <u>Description</u>   | <u>12/31/2019</u>   |
|-----------------------|--|---------------------|
| 186042                | FAS 158 Net (Gain) / Loss  | \$ 846,786          |
| 186043                | FAS 158 Prior Service Costs                                      | \$ 189,983          |
|                       | <b>Unrecognized Pension &amp; Other Post-Retirement Benefits</b> | <b>\$ 1,036,769</b> |
| 186015                | Deferred Program Maintenance Costs                               | \$ -                |
| 186032                | Deferred Rate Case Costs   | \$ 10,284           |
| 186303                | Deferred Debt Issue Cost-5.9M Note                               | \$ 38,261           |
| 186547                | Exeter Road Tank Rehab   | \$ 17,699           |
|                       | <b>Other Deferred Debits</b>                                     | <b>\$ 66,244</b>    |
| 186901                | Unfunded Deferred Asset - FAS 109                                | \$ 2,303,756        |
| 186904                | FAS 158 Regulatory Tax Asset (Liability)                         | \$ (341,014)        |
| 186905                | FAS 158 DTA (DTL)  | \$ 341,014          |
| 186909                | Pre-Acquisition (AW Companies) FAS 109                           | \$ 321,044          |
|                       | <b>Unfunded Deferred Taxes</b>                                   | <b>\$ 2,624,800</b> |
|                       | <b>Total Miscellaneous Deferred Debits</b>                       | <b>\$ 3,727,813</b> |

Account #186042, FAS 158 Net (Gain) Loss \$842,786 represents the difference between the expected and actual post retirement plan gain or loss, based on the greater of the plan market value or projected benefit obligation. The variance is spread over the average working lifetime of plan participants. The activity in each account reflects standard journal entries throughout the year with true-up entries in November.

Account #186043, FAS 158 Prior Service Costs totaled \$189,983 at year-end. The Company stated that this “*Relates to plan amendment or initiation that retroactively changes benefits attributable to prior employee services and the cost is amortized by assigning an equal amount to each future period of service of each employee who is active at the date of the initiation of the plan (or amendment).*”

The general ledger shows a debit to Account #186032 - Deferred Rate Case Expense in the amount of \$10,284. This represents costs incurred by Blue Ridge Consulting Services, Inc., a firm contracted by the Commission for work performed in March, 2019 related to the Investigation to Determine Rate Effects of Federal and State Corporate Tax Reduction, docket DW 18-054.

The Settlement Agreement in order DW 18-054, Section L under The Terms of Agreement states that “*the Commission Staff incurred expenses associated with Blue Ridge’s review of the impact of the corporate income tax rate reductions on Aquarion’s revenues resulting from the 2017 Tax Cuts and Jobs Act as well as those instituted by the State of New Hampshire. The Settling Parties agree and recommend that Aquarion pay the consultant fees immediately upon demand, pursuant to RSA 365:37. The Settling parties further agree and recommend that the Commission order Aquarion to record*”

*these expenses as a deferred regulatory asset and thereby defer resolution of recovery of these expenses to Aquarion's next full rate case."*

Audit reviewed employee time sheets which showed the number of hours worked at each task. The time sheets supported the invoices which Audit recalculated with no exceptions noted.

Account 186547 - Exeter Road Tank Rehab had a beginning balance of \$17,699. These costs are not being amortized as of the test-year 2019.

The following accounts are included on schedule 2F, page 1 of 1, Bates page 569 and are part of deferred the tax amount totaling \$2,624,800 ( Refer to the Tax section of this report):

|  |                   |
|--|-------------------|
| 186901 – Unfunded Deferred Asset FAS 109 | \$2,303,756       |
| 186904 – FAS 158 Tax Effect Asset        | \$ (341,014)      |
| 186905 – FAS 158 Regulatory Asset        | \$ 341,014        |
| 186909 – Unfunded Deferred Asset AS 109  | <u>\$ 321,044</u> |
| Total Deferred Taxes                     | \$2,624,800       |

Accounts #186904 and #186905 are mirror images of each other, to accurately reflect the zero balance sheet effect of the tax impact of FAS 158 post-retirement benefits and adjustments in accounts 186042, 186043, and 186044.

Account #186909, Pre-acquisition AW Companies FAS 109, \$321,044 represents the flow through for depreciation prior to Aquarion's purchase of the NH franchise in 2002.

## **LIABILITIES AND EQUITY**

The 2019 balance sheet equity and liabilities, noted on Schedule F1 of the annual report, totaled \$(45,259,734). Audit verified the total equity and liabilities to the general ledger, as well as to Schedule 2A of the filing.

|                                      |                    |
|--------------------------------------|--------------------|
| Equity Capital                       | \$(16,600,623)     |
| Long-term Debt                       | (13,900,000)       |
| Current and Accrued Liabilities      | (4,642,841)        |
| Deferred Credits                     | (7,703,376)        |
| Contributions in Aid of Construction | <u>(2,412,894)</u> |
| Total Equity Capital and Liabilities | \$(45,259,734)     |

Equity Capital \$(16,600,623)

Audit verified that the total equity capital consisted of:

|                                     |                    |
|-------------------------------------|--------------------|
| Common Stock issued balance of      | \$ (2,187,075)     |
| Preferred Stock balance of          | (2,300)            |
| Premium on Capital Stock balance of | (3,557,940)        |
| Other Paid-in Capital balance of    | (2,480,250)        |
| Retained Earnings balance of        | <u>(8,373,058)</u> |
|                                     | \$(16,600,623)     |

Common Stock \$(2,187,075)

Schedule 2 of the filing reports the Common Stock total of \$(2,187,075), as of December 31, 2019. This total agrees with the PUC annual report, as well as with the general ledger account 201000, Common Stock. The Company's stock is owned by Aquarion Water Company. Audit noted that the 2019 Common Stock total of \$(2,187,075) has remained constant since the prior rate case in 2011.

Preferred Stock \$(2,300)

The Company was authorized for 5,700 shares of preferred stock, at \$100 par value. Schedule F-31 of the annual report showed that the Company had 23 shares of 6% Series preferred stock outstanding, as of December 31, 2019. Audit verified the \$(2,300) balance to the general ledger for account 204000, Preferred Stock, as well as to schedule 4A of the filing. The 2019 Preferred Stock amount of \$(2,300) has remained constant since the prior rate case in 2011.

Premium on Capital Stock \$(3,557,940)

The total Premium on Capital Stock of \$(3,557,940) was noted in the filing on schedule 4A, as well as page 17 of the annual report. Audit reviewed the general ledger and previous years' financial reports, noting that the balance has remained on the account since the prior rate case in 2011.

Other Paid-in Capital \$(2,480,250)

In review of the equity, Audit noted that the only change during the test year was to Account 211000, Other Paid-in Capital. The 2019 total for Other Paid in Capital was reported on page 17 of the PUC annual report and verified to the general ledger account 211000, Contributed Capital, as well as to schedule 4A of the filing. The general ledger for the Other Paid-in Capital account reported only one 12/31/19 entry, in the amount of \$(2,000,000), for the capital contribution. Audit verified that the Company received a \$(2,000,000) capital contribution from Aquarion Company, the parent of Aquarion Water Company NH, to help cover the increased capital expenditures anticipated for the end of 2019 and throughout 2020.

Retained Earnings \$(8,373,058)

The total Retained Earnings of \$(8,373,058) was noted in the filing on schedule 2A, as well as page 17 of the annual report. The following represents the general ledger activity for the Retained Earnings account, as verified to Schedule F-3, Statement of Retained Earnings, within the annual report:

|   |                      |
|---|----------------------|
| 216000 Retained Earnings Opening Balance                | \$(7,279,584)        |
| 437000 Dividends Declared – Preferred Stock             | 138                  |
| Net Income per Income Statement F2 of Annual Report     | <u>(1,093,612)</u>   |
| Adjusted Retained Earnings at Year End F3 Annual Report | <u>\$(8,373,058)</u> |

The general ledger balance for the Retained Earnings account had no activity posted for the test year 2019. Audit noted that although the annual report listed the account number for Retained Earnings as 214-215, which is compliant with the New Hampshire Uniform System of Accounts (USoA) for water utilities, the Company's general ledger account number for Retained Earnings was listed as 216. Audit identified that the Company's use of general ledger account 216 is based on the FERC Electric USoA for Unappropriated Retained Earnings. **Audit Issue #1**

The annual report balance sheet, line 10, reflects the Retained Earnings as account 214-215, with a balance of \$(8,373,058). Audit confirmed the \$(1,093,612) balance transferred from income, as reported on schedule F-3 of the annual report, to the net income reported on schedule F-2, Statement of Income.

## **DEBT**

### **Long Term Debt \$(13,900,000)**

Audit verified the PUC annual report total of \$(13,900,000) for long term debt to schedule 4D of the filing, as well as to the general ledger accounts 221xxx. The long term debt reported on schedule F-35 of the annual report was tied to the corresponding interest, per the 2019 loan interest amortization schedule provided to Audit. The following general ledger accounts represent the Company's long-term debt obligations:

| Account | Outstanding   | Date of Issue | Maturity | Interest Rate |
|---------|---------------|---------------|----------|---------------|
| 221241  | \$(3,000,000) | 11/1993       | 06/2023  | 7.71%         |
| 221242  | \$(5,900,000) | 08/2005       | 08/2035  | 6.21%         |
| 221244  | \$(5,000,000) | 7/2012        | 7/5/2022 | 4.45%         |

The \$3 million dollar general bond, issued in 1993 was approved by Commission Order 20,953 on 9/8/1993. Audit reviewed the Order, noting that *"the Company proposes to issue and sell for cash \$3,000,000 principal amount of General Mortgage Bonds ("Bonds"), 7.71% Series due June 1, 2023."* A copy of the bond purchase agreement was provided by the Company and Audit verified that the agreement was dated 7/1/1993 for \$3,000,000 General Mortgage Bonds, 7.71% series, due June 1, 2023.

Commission Order 24,482, dated on July 1, 2005, approved General Mortgage Bonds in an aggregate principal amount of up to \$5.9 million. Audit reviewed the Order, verifying that the issued bonds will carry a fixed interest rate of 6.21% with maturity in thirty years. A copy of the bond purchase agreement was provided by the Company and Audit verified that the agreement was dated 8/1/2005 for \$5,900,000 General Mortgage Bonds, 6.21% series, due August 1, 2035. The proceeds were used to reduce a significant portion of the inter-company short-term debt that had been incurred when higher interest rate bonds were redeemed prior to maturity. A redemption premium of \$83,160 and \$27,118 in unamortized issuance costs, both relating to a General Mortgage Bond of \$1,972,440, were also approved for amortization over the thirty year maturity period of the \$5.9 million debt. Refer to the Unamortized Debt Discount section of this report for details regarding the reclassification of the debt issuance cost regulatory asset.

A \$5M bond issue was approved by Commission Order 25,369 on May 24, 2012, for the purpose of retiring *"an existing \$4 million debt obligation, and to use the remaining \$1 million for capital improvements. Aquarion proposes to borrow the \$5 million from CoBank, ACB (CoBank) on a ten year term at an interest rate of 4.45%."* The \$4M debt obligation to be refinanced was originally issued on March 10, 2010 from Aquarion Company, the parent of Aquarion Water Company NH, and authorized by Commission Order 25,072 on 2/1/2010. The Company explained that the \$4M was an intercompany loan from Aquarion and was paid off when the \$5M loan from CoBank was obtained on July 5, 2012. Audit reviewed the July 5, 2012 journal entry, confirming the retiring of the \$4M loan. A copy of the bond purchase agreement was provided by

the Company and Audit verified that the agreement was dated 7/5/2012 for a loan amount of \$5,000,000 at a rate of 4.45%.

**Current and Accrued Liabilities \$(4,642,841)**

Audit tied the general ledger balances for the current and accrued liability accounts, to page 17 of the annual report, as well as to Schedule 2 of the filing. The general ledger accounts included in the aggregate total of \$(4,642,841) for the current and accrued liabilities were reviewed by Audit, noting the following balances for each category: Accounts Payable, \$(1,989,331); Notes Payable, \$(1,200,000); Accounts Payable to Associated Companies, \$(22,906); Accrued Interest, \$(228,799); Accrued Dividends, \$(1,180); and Miscellaneous Current and Accrued Liabilities, \$(1,200,621). Specifically:

|        |   |                                    |
|--------|---|------------------------------------|
| 232xxx | Accounts Payable                                  | <b><u>\$ (1,989,331)</u></b>       |
| 233100 | Notes Payable to Associated Companies             | <b><u>\$ (1,200,000)</u></b>       |
| 146000 | Intercompany Receivable (Payable)                 | <b><u>\$ (22,906) acct 233</u></b> |
| 237241 | Accrued Interest - \$3.0M 7.71% Due 2023-NH       | \$ (19,275)                        |
| 237242 | Accrued Interest - \$5.9M 6.21% Due 2035-NH       | (152,663)                          |
| 237244 | Accrued Interest - \$5.0M - 4.45% due 7/5/2       | (56,861)                           |
| 237    | Total Accrued Interest                            | <b><u>\$ (228,799)</u></b>         |
| 238002 | Dividends Declared - Preferred Stock              | <b><u>\$ (1,180)</u></b>           |
| 242001 | Funded Pension Contribution                       | \$ (1,029,599)                     |
| 232003 | Accrued Medical Claims                            | (4,906)                            |
| 232007 | Accrued Bill Postage/Processing-People            | (1,440)                            |
| 232017 | Accrued Purchased Power Costs                     | (17,476)                           |
| 232022 | Accrued Rental Expense                            | (1,618)                            |
| 241005 | Accrued Payroll Tax-Bonus                         | (720)                              |
| 242002 | Bonus Accrual                                     | (12,233)                           |
| 242006 | Accrued Payroll                                   | (21,740)                           |
| 242007 | Audit Fee   | (23,916)                           |
| 242020 | Accrued Trustee Fees                              | (314)                              |
| 243000 | Obligations Under Operating Leases                | (86,659)                           |
| 241    | Total Miscellaneous Current & Accrued Liabilities | <b><u>\$ (1,200,621)</u></b>       |
|        | Total Current and Accrued Liabilities             | <b><u>\$ (4,642,837)</u></b>       |

Audit noted the \$4 variance between the general ledger account balances for the total Current and Accrued Liabilities and the balance reported on line 29 of the annual report, \$(4,642,841). See the following Accounts Payable section for details regarding the variance.



Accounts Payable \$(1,989,335)

The Accounts Payable, reported on page 17 of the annual report, reported the aggregate balance of \$(1,989,335). This figure has increased from the 2018 year-end balance of \$(1,342,237). Through recalculation, Audit verified the \$(1,989,335) Accounts Payable balance as combined with the Accrued Liabilities amount and reported on schedule 2 of the filing. The following represents the 2019 year-end general ledger account balances comprising the aggregate Accounts Payable amount:

|        |  |                              |
|--------|--|------------------------------|
| 131151 | Cash - Disbursements Clearing          | \$ (83,582)                  |
| 225000 | Obligations under Operating Leases     | (362,875)                    |
| 232000 | Accounts Payable                       | (362,514)                    |
| 232001 | Accounts Payable-Inv Recd Not Invoiced | (466,908)                    |
| 232002 | Accrued Accounts Payable               | (80,306)                     |
| 232004 | FASB 106 Deferred Ins Costs            | (625,347)                    |
| 235000 | Customer Deposits Water                | (7,800)                      |
|        | Total Accounts Payable                 | <u><b>\$ (1,989,331)</b></u> |

Audit recalculated the general ledger account balances for the aggregate Accounts Payable amount, resulting in a total of \$(1,989,331). The \$4 variance between Audit's calculation and the amount of \$(1,989,335), as reported on line 18 of the annual report, is acknowledged and deemed as immaterial.

Audit noted that although the annual report listed the account number for Accounts Payable as 231, which is compliant with the New Hampshire USoA for water utilities, the Company's general ledger account number for Accounts Payable was listed as 232xxx. Audit identified that the Company's use of general ledger account 232 is based on the FERC Electric USoA for Accounts Payable. **Audit Issue #1**

Refer to the Operations and Maintenance section of this report for testing of expense accounts, and to the Plant in Service section for any payables that were for capital projects.

131151 Cash Disbursements Clearing \$(83,582)

Audit reviewed the general ledger activity and the bank reconciliation for the Cash Disbursements Clearing account. As of 12/31/19, the \$(83,582) balance on the account represents \$(57,973) in outstanding accounts payable checks and \$(25,609) in outstanding customer service refund checks. Twelve of the outstanding items listed on the bank reconciliation totaled \$1,916 and have been outstanding for over one year, with ten of the twelve item amounts below \$9. There were no outstanding ACH amounts as of 12/31/19. See also the Cash portion of this report. See also **Audit Issue #6** regarding consolidation for financial statement purposes reflecting debit account with credit balances on the liability side of the financial statement.

225000 Obligations under Operating Leases-Non-current \$(362,875)

A total of twelve transactions were recorded in 2019 to account 225000 for leases pertaining to well 10, well 16, a copier, and a new office. Audit noted that the account did not exist on the 2018 general ledger and inquired about the creation of the account. The Company stated that the account was created in the first quarter of 2019, in accordance with the FASB. See the *Miscellaneous Current and Accrued Asset* section of this report.. FERC required that the use of account 227, Obligations under Capital Leases Non-current. Account 225 per FERC is Unamortized Premium on Long-term Debt. Neither account exists in the NH PUC USoA for Water Utilities. **Audit Issue #4**

The Company further explained that the transactions on the account by stating that, *“Under ASC842, lease agreements classified as operating leases are recorded as liabilities and right of use assets on the balance sheet. Account 225000 is the non-current liability for leases. The lease liability is calculated using the present value of lease payments over the lease term and is discounted using the lessee’s incremental borrowing rate. Payments and true ups between current and non-current liabilities are the transactions in this account. The Company has elected the practical expedient package whereby it does not need to reassess whether or not an existing contract is or contains a lease or whether a lease is an operating or capital lease, and it does not need to reassess initial direct costs for leases. The Company has also elected the practical expedient to not reevaluate land easements existing at adoption if they were not previously accounted for as leases. The Company recognized \$109K of operating lease liabilities and right-of-use assets on the respective balance sheet upon transition at January 1, 2019.”*

Audit reviewed copies of each of the lease agreements, as well as the lease liability calculation for both of the wells, the copier, and the new office, verifying the payments recorded on the general ledger. A May 2019 credit entry, totaling \$347,334.90 for a new office lease in Hampton, NH, was selected by Audit for further review. The Company provided screenshots from their accounting system (SAP) and Audit verified that the \$347,334.90 is the non-current liability portion for the lease. The offsetting debit entry was to account 127000, UP Under OP Lease, for the lease amount of \$423,334.04 and the current portion of the lease was a credit to account 243000, Leases – Current, in the amount of \$75,999.14. Audit also reviewed the payment schedule for the Hampton office lease, verifying the quarterly payments to the general ledger.

232000 Accounts Payable \$(362,514)

Audit reviewed the 2019 general ledger for account 232000, Accounts Payable, noting a year-end balance of \$(362,514). Through recalculation, Audit was able to identify the \$(362,514) Accounts Payable balance, within the aggregate Accounts Payable total reported on the annual report, as well as schedule 2 of the filing. The aged accounts payable listing was provided by the Company and Audit verified the \$(362,514) year-end balance.

Audit reviewed the activity in the Accounts Payable account, noting that the majority of the payments throughout the year were to the same vendors. Monthly payment postings were recorded for Eversource, FedEx, and Verizon Wireless. Audit also noted 12 monthly payments posted on the account, averaging \$527 per month, for ADP and monthly Verizon Wireless payments of approximately \$528 each. Other recurring payments on the account were to RCL Cleaning Services, in the amount of \$225 each, as well as to the Town of Hampton.

Audit requested the supporting documentation for three entries on the account, totaling \$117,529. The invoices for a 1/4/19 journal entry, in the amount of \$71,937, were provided. Charges were for services rendered from Geosphere Environmental Management for supplies, labor, subcontractor, and mileage needed in the oversight and installation of overburden monitoring wells, bacteria testing, and re-chlorination of private wells. Audit recalculated the invoice amounts, verifying the \$71,937 recorded to account 232000 and offset to Cash, account 131151. Audit requested clarification of the account to which the initial receivable credit had been debited and was told:

*“The Geosphere invoices totaling \$71,936.67. The breakdown of the invoice are as follows: \$28,626.23: This was booked to capital project XC230-2018-006-E04-314; asset class 314.*

*\$3,085.14: This was booked to capital project XC230-2018-006-E04-314; asset class 314.*

*\$21,573.15: This was booked to capital project XC230-2018-001-314-003; asset class 314.*

*\$1,157.85: This was booked to expense; Account 642203 in December 2018.*

*\$661.90: This was booked to expense ; Account 603002 in December 2018.*

*\$9,705.40: This was booked to capital project XC230-2017-005-E04-314; asset class 314*

*\$7,127.00: This was booked to capital project XC230-2018-001-314-003; asset class 314.”*

A Tighe & Bond Engineers and Environmental Specialists invoice for a May 2019 general ledger transaction was reviewed by Audit. Services totaling \$11,474 were provided for the Route 101 water main replacement. The offsetting entry was verified to 232001. Audit also reviewed an invoice in the amount of \$34,118 from W.L. French Excavating Corp. and verified the amount to a December 2019 journal entry on the account. Charges were for trucking services used in the transportation and disposal of lined landfill soil from Route 101 in Hampton, NH. The offsetting entry was verified to 232001. As above, Audit requested the initial debit offsets and was informed:

*“The Tighe and Bond and W.L. French Excavating Corp invoices.*

*All Invoices were booked to Project #19- Route 101 Main Replacement from Audit Request #54. The closing journal entries were provided in Audit Request #68 along with which asset class the project was closed.”*

There were also four quarterly payments for the New Hampshire property taxes. Audit verified that the offsetting entries were made to account 165002, Prepaid Property

Taxes. Refer to the Prepaid Property Taxes section of this report for further details regarding the utility property tax payments.

232001 Accounts Payable – Invoice Received Not Paid \$(466,908)

The detailed listing of Payables in account 232001 reflects an aging of invoices received. The Company explained that, *“It is usual for the Company to receive an invoice and pay it in the next month or so. Occasionally however, amounts remain in this account for longer than usual as the Company does not consider the work performed by the vendor complete. The accounting department reviews the account each month and will contact the employee responsible if an invoice remains open for an extended time.”* A spreadsheet containing the detail of outstanding items in the account was reviewed. Audit noted that the oldest items posted were three amounts from Waterline Industries, totaling \$4,379.50 and dated 7/31/19. These items were part of the purchasing document shared with other Waterline Industries’ items that posted on 9/30/19 and 12/31/19, confirming the Company’s statement regarding incomplete work by the vendor. The Company confirmed the incomplete work for the 7/31/19 outstanding items by stating that they are related to the retainage for the Mill Road Water Treatment project and that, *“The retainage is paid at the end of the project when the project is reviewed and agreed all the work has been done.”* Audit reviewed a copy of the contractor’s application and confirmed the \$4,379.50 retainage amount.

Audit reviewed the supporting documentation for two entries on the account, totaling \$91,983. Copies of a progress bill and contractor’s application for payment were from Waterline Industries for the Mill Road water treatment plant project and verified to a 9/30/19 journal entry totaling \$57,865. An invoice from W.L. French Excavating Corp, totaling \$34,118, was verified to a 12/30/19 journal entry for the transportation/disposal of landfill soil in Hampton, NH.

232002 Accrued Accounts Payable \$(80,306)

Audit reviewed the 2019 general ledger for account 232002, noting that the year-end balance of \$(80,306) represented a \$78,590 decrease from the prior year-end balance. Samples of the monthly accruals were verified as posting on the last day of the month and reversed on the first day of the following month. Accruals recorded were for leak detection, main break, and public affairs consulting. Audit selected three transactions, totaling \$23,933, and reviewed copies of supporting invoices from Robert Pike Construction and Next Generation Strategies. Services provided were for labor, excavation, traffic control, and public affairs consulting on PFAS results/well testing, legislation, and water supply updates.

Audit reviewed a spreadsheet of the outstanding items on account 232002. A total of six items were listed as outstanding, totaling \$(80,306). All of the accrued payables had a recorded date listed as 12/31/19. Audit reviewed detailed journal entry samples of the outstanding amounts, confirming the reversals posted in January 2020.

232004 FASB 106 Deferred Ins. Costs \$(625,347)

The 2019 balance on the account depicts a \$69,876 decrease in the liability from the previous year-end balance. Audit reviewed the general ledger and the post-retirement benefits plan reconciliation of funded status spreadsheet, verifying that the year-end balance of \$(625,347) for the actuarial valuation reflects the difference between the Company's New Hampshire portion of the accumulated post-retirement benefit obligation (APBO), totaling \$(2,629,683), versus the Company's New Hampshire portion of fair value of plan assets, totaling \$(2,004,336), as of 12/31/19. Audit verified these figures to page 685 of the filing.

There were monthly entries on the account for FAS 106 service costs and United Healthcare Insurance, as well as Tufts Associated Health maintenance. Audit reviewed the detailed journal entry and the estimated 2019 benefit cost report for four entries. A 1/31/19 journal entry and a 2/28/19 journal entry were both recorded as FAS 106 service costs, each for \$(744). Another 1/31/19 journal entry and a 2/28/19 journal entry were both recorded as FAS 106 Other, each for \$(8,389.67). Audit verified the amounts recorded on the general ledger to the estimated benefit cost report and recalculated the monthly amounts. Offsetting entries were to account 926204, Retiree Medical Service Cost, for the FAS 106 service costs and to account 926227, OPEB Expense Other Components for the FAS 106 Other entries.

235000 Customer Deposits Water \$(7,800)

Audit reviewed the general ledger for the account, noting a beginning balance of \$(7,802). Audit confirms that the \$(7,802) balance has remained on the account since at least 2017, as confirmed by review of the prior years' general ledgers. There was only one transaction on the account, in the amount of \$2, for the posting of customer service checks and offset to account 142000, Accounts Receivable – Customers. Refer to the Revenue, Customer Deposits – Account #235000 section of the report for details on the account balance versus the annual report, as well as account transactions. **Audit Issue #5**

233100 Notes Payable to Associated Companies \$(1,200,000)

The Company's short term debt for test year 2019 totaled \$(1,200,000). The short term debt balance calculated to 2.99% of net fixed plant and was in compliance with PUC 608.05, in that it does not exceed 10% of the utility's net fixed plant of \$40,058,708, as of December 31, 2019. Audit verified the short term debt to page 17 of the annual report, for account 232, Notes Payable, as well as to schedule 4A of the filing.

Audit noted that although the annual report listed the \$(1,200,000) balance as Notes Payable, account 232, which is compliant with the New Hampshire USoA for water utilities, the Company's general ledger account number with the \$(1,200,000) balance was in 233100, Notes Payable to Associated Companies. Audit identified that the Company's use of general ledger account 233100 is based on the FERC Electric USoA for Notes Payable to Associated Companies, rather than the Water USoA which

requires Notes Payable to Associated Companies be reflected in account 234. **Audit Issue #1**

Audit verified that the short-term debt balance of \$(1,200,000) represents the balance of intercompany notes payable at December 31, 2019, as reported on the general ledger for account 233100. A copy of the December signed note payable for \$(1,200,000) was requested and reviewed by Audit, confirming the balance on the account. The Company confirmed that they use *“intercompany borrowings in instances where there is a cash need within the business. In most cases short term debt accumulates when there is a need to finance capital expenditures.”* Audit notes that, pursuant to the N.H. Code of Administrative Rules, Section Puc 608.05, the Company has not sought the Commission’s authorization related to the 2019 intercompany note payable balance of \$1,200,000, as it does not exceed 10% of the utility’s net fixed plant of \$40.1M. Refer to the 146000 Intercompany Receivable (Payable) account section of the report for further details regarding the Company’s intercompany borrowing process.

The general ledger for the account was reviewed by Audit with a beginning balance of \$(300,000). Audit reviewed a copy of the corresponding signed Note Payable, for \$300,000, due 1/31/2019. Credits on the account did not exceed one year and were offset to 146000, Intercompany Receivable (Payable) for the intercompany notes. Audit selected a November 2019 credit, in the amount of \$(400,000) for an intercompany note, and reviewed a copy of the signed Note Payable. Audit reviewed the Company’s monthly outstanding short-term debt balance activity report, which corresponded with the account’s monthly balances reported on PUC 1604.01(a)(24) of the filing, confirming the intercompany notes recorded on account 233100, Notes Payable to Associated Companies.

146000 Intercompany Receivable (Payable) \$(22,906)

The annual report listed the intercompany payable balance of \$(22,906) as account 233, Accounts Payable to Associated Companies. Audit verified the balance to Schedule No. 2 of the filing and noted that the general ledger reported the \$(22,906) credit balance in account 146000, Intercompany Receivable (Payable). The Company confirmed that, *“Intercompany accounts payable activity is recorded to account 146000 at all Aquarion associated companies allowing for the elimination at the consolidated level. For annual reporting purposes since the balance in the general ledger at the end of the year was in a liability position it was appropriately reported as a payable in account 233.”* **Audit Issue #6**

Audit reviewed the general ledger for account 146000, noting that intercompany interest expenses were recorded monthly and offset to account 430000, Intercompany Interest Expense. A 12/31/19 entry, totaling \$4,734 for the interest on a capital contribution, was reviewed by Audit. The offsetting entry for the interest amount was recorded to account 430000. The amount booked to the general ledger was verified to a copy of the supporting interest calculation for the NH portion, provided by the Company, during the month of December. Audit also reviewed the Consent to Action of the Board

of Directors document, detailing the Company's \$2M contribution to AWC-NH, of which the \$4,734 interest was calculated. The 12/31/19 journal entry for the \$2M capital contribution was reviewed, confirming that the offset was made to account 211000, Contributed Capital.

The Company verified their intercompany borrowing process in the following statement: *"Intercompany transactions are first recorded to the intercompany accounts receivable account 146000. At the end of each month if the intercompany balance in account 146000 is greater than \$100K, an intercompany note, in increments of \$100K, between NH and Aquarion is created."* Refer to the Short-Term Debt section of this report for further detail regarding the short-term debt balance of \$(1,200,000), representing the balance of intercompany notes payable at December 31, 2019 as reported in account 233100.

237xxx Accrued Interest \$(228,799)

The accrued interest figure on Schedule 2 of the filing was verified to the PUC annual report. The following general ledger accounts represent the total accrued interest as of 12/31/19:

|        |                                   |                 |
|--------|-----------------------------------|-----------------|
| 237241 | Accrued Interest - \$3M @ 7.71%   | \$ (19,275)     |
| 237242 | Accrued Interest - \$5.9M @ 6.21% | (152,663)       |
| 237244 | Accrued Interest - \$5M @ 4.45%   | <u>(56,861)</u> |
|        | Total Accrued Bond Interest       | \$ (228,799)    |

The Company provided an amortization schedule, detailing the monthly and annual calculation of interest expense for the bonds. Audit verified the recorded monthly accrued interest expense calculated on the amortization schedule, to the journal entries booked monthly to the Accrued Interest account. Offsetting entries were recorded to account 427, Interest Expense: Bonds and Notes. No payments were made in May and November. Interest payments are made semiannually for the First Colony Life \$3M debt, with payments in June and December, and also semiannually for the General Electric \$5.9M debt, with payments made in February and August. There are quarterly payments made for the \$5M CoBank debt, with payments made in January, April, July, and October. The Company confirmed that no true-ups were made on the 427 accounts.

238002 Dividends Declared – Preferred Stock \$(1,180)

The general ledger for account 238002 was reviewed by Audit. Monthly entries were made to record dividends and offset to account 437000, Dividends Declared – Preferred. Audit tied the ending balance on account 437000 to the dividend entries made on account 238002. Refer to the Retained Earnings section of the report for details regarding dividends declared.

241xxx Miscellaneous Current and Accrued Liability \$(1,200,621)

Audit verified the 2019 Miscellaneous Current and Accrued Liability balance of \$(1,200,621) to the general ledger, as well as to page 17 of the annual report. Through recalculation, Audit was also able to identify the \$(1,200,621) balance as combined with the Accounts Payable total and reported on schedule 2 of the filing. The total Miscellaneous Current and Accrued Liability figure of \$(1,200,621), as reported on the annual report for account 241, includes general ledger accounts other than the 241 accounts. **Audit Issue #5**

Refer to the Current and Accrued Liabilities section of the report for the general ledger account detail comprising the Miscellaneous Current and Accrued Liability balance.

Account 241005, Accrued Payroll Tax – Bonus, \$(720) reported monthly entries for the payroll tax bonus accruals. Refer to the Payroll section of this report for further detail on payroll accruals.

The following 232xxx accounts included in the balance for the total Miscellaneous Current and Accrued Liability were reviewed by Audit:

|                                       |            |
|---------------------------------------|------------|
| 232003, Accrued Medical Claims        | \$ (4,906) |
| 232007, Accrued Bill Post Proc        | \$ (1,440) |
| 232017, Accrued Purchased Power Costs | \$(17,476) |
| 232022, Accrued Rental Expense        | \$ (1,618) |

Audit reviewed transactions on the accounts for medical expenses, accrued bank fees, and power accruals, noting that these monthly entries reversed the following month. Audit sampled seven transactions and reviewed the accompanying invoices and detailed journal entries. Offsetting entries for medical and rent expenses were to accounts 926206, Medical Plan, and 604000, Rent Expense, respectively. Refer to the Operations and Maintenance section of this report for other details.

The following 242xxx accounts included in the balance for the total Miscellaneous Current and Accrued Liability were reviewed by Audit: 242001, Funded Pension Contribution; 242002, Bonus Accrual; 242006, Accrued Payroll; 242007, Audit Fee; and 242020, Accrued Trustee Fees. Transactions on the account were for pension contributions, bonus and payroll accruals, as well as monthly Audit and Trustee fees.

The Funded Pension Contribution, account 242001, reported a 2019 year-end balance of \$(1,029,599). Audit reviewed the general ledger activity, noting monthly transactions for pension service costs, as well as pension contributions. An August journal entry, totaling \$97,533, was reviewed by Audit along with a copy of the corresponding JPMorgan Chase bank receipt for the \$3,500,000 pension contribution. Audit verified the \$97,533 portion of the contribution, noting the offsetting entry was made to account 146000, Intercompany Rec (Pay).



Audit selected a total of seven journal entries on the 242 accounts to review in further detail. Copies of the detailed journal entries, as well as invoices and the payroll register were provided in support of the selected account transactions. Audit reviewed a copy of the 2019 Bonus Budget, confirming the twelve monthly debits, each in the amount of \$1,019, to account 242002, Bonus Accrual and offset to account 920102, Bonus Expense. Audit verified the capital allocation and expense portions of the bonus accrual. The year-end accrual balance was \$(12,233).

Account 242006, Accrued Payroll, with a 12/31/2019 balance of \$(21,740) reported monthly payroll accrual entries which reversed in the following month. Refer to the Payroll section of this report for further detail on payroll accruals.

An entry on account 242007, Audit Fee, was recorded on 3/15/19 in the amount of \$14,350. Audit reviewed the accompanying invoice from Deloitte and Touche, LLP, totaling \$205,000 for the financial statement audit and recalculated the bill, confirming the 7% NH portion of \$14,350. The offsetting entry was made to account 146000, Intercompany Rec (Pay).

Audit reviewed the general ledger for account 243000, Obligations under Operating Leases – Current, noting that journal entries were to record the current portion of office, copier, and well leases. Offsetting entries were to account 127000, UP Under OP Lease. Refer to the Current and Accrued Liabilities section for account 225000, Obligations under Operating Leases, for further details regarding the lease obligations. See also Audit Issue #4.

#### **42724x Interest Expense \$823,280**

The 2019 total interest expense of \$823,280 was reported on schedule F-35 of the annual report, as well as on the filing PUC 1604.01(a)(20) and the general ledger. The following general ledger accounts represent the interest expense for the test year:

|  |                |
|--|----------------|
| 427241 Interest on \$3.0M, 7.71% NH Debt | \$ 231,300     |
| 427242 Interest on \$5.9M, 6.21% NH Debt | 366,390        |
| 427244 Interest on \$5M, 4.62% NH Debt   | <u>225,590</u> |
| Total Interest Expense                   | \$ 823,280     |

Audit noted that schedule F-2 of the annual report lists the interest expense, for account 427, as totaling \$847,875. The \$24,595 variance between schedule F-2 of the annual report and the general ledger represents the 2019 balance for account 430000, Intercompany Interest Expense. The \$24,595 balance for account 430 was included in the annual report balance reported on schedule F-2, for account 427. **Audit Issue #7**

The Company provided the interest payment schedule and interest calculation for each of the three bond debts. Audit recalculated the interest and verified the monthly journal entries without exception.

## **428000 Amortization of Debt Discount and Expense \$18,006**

Audit confirmed the \$18,006 year-end balance for the Amortization of Debt Discount and Expense, account 428, to schedule F-2 of the annual report, as well as to 1604.01(a)(20) of the filing. There were twelve monthly debit transactions on the general ledger account, each in the amount of \$1,500.50, totaling \$18,006 for the 2019 amortization of debt expense. Entries were offset to account 181000, Unamortized Debt Expense, and to account 186303, Deferred Issuance Cost. Audit reviewed the amortization schedule for the debt discounts totaling \$18,006 and verified the straight line method used in the calculation of the amortization. The monthly amortization of debt costs were also verified to the general ledger for the offsetting accounts 181000 and 186303.

### **181xxx Unamortized Debt Discount \$92,934**

The 2019 Unamortized Debt Discount totaled \$92,934. This net figure represented the amount of debt issuance costs associated with obtaining the three debts and the accumulated amortization relating to each. Refer to the Interest Expense and Long Term Debt sections of this report for details regarding the bonds. The following represents the general ledger accounts that comprise the net Unamortized Debt Discount of \$92,934:

The net balance associated with the \$3.0M, 7.71% NH Debt was \$6,298:

|        |   |                 |
|--------|---|-----------------|
| 181241 | Unamortized Debt Disc - \$3.0M Due 2023 - NH    | \$ 38,892       |
| 181341 | Unamortized Debt Amortization - \$3.0M Due 2023 | <u>(32,594)</u> |
|        | Net relating to \$3.0M                          | \$ 6,298        |

The net balance associated with the \$5.0M, 4.45% NH Debt was \$24,442:

|        |  |                 |
|--------|--|-----------------|
| 181244 | Unamortized Debt Disc - \$5.0M Due 2022 - NH         | \$ 97,507       |
| 181344 | Unamortized Debt Amortization - \$5.0M Due 2022 - NH | <u>(73,065)</u> |
|        | Net relating to \$5M                                 | \$ 24,442       |

The net balance associated with the \$5.9M, 6.21% NH Debt was \$62,194:

|        |  |                 |
|--------|--|-----------------|
| 181242 | Unamortized Debt Disc - \$5.9M Due 2035 - NH | \$ 115,765      |
| 181342 | Accumulated Amortization - \$5.9M Due 2035   | <u>(53,571)</u> |
|        | Net relating to \$5.9M                       | \$ 62,194       |

The 2019 activity on the 181 accounts reflected the monthly amortization of debt costs offset to account 428000, Amortization of Debt Discount, in the total amount of \$18,006. F-25 of the annual report shows the beginning year of \$104,528 for the account 181 (listing the three GM Bonds), with credits relating to the \$3.0M and \$5.0M bonds only, summing to \$11,593. The \$6,413 difference between the general ledger and the annual report is the amortization of debt issuance costs related to the bonds replaced by the \$5.9M issuance.

Audit reviewed copies of the detailed journal entries, as well as the amortization schedule. The basis on which the amortizations were calculated, for each of the \$3M, \$5M, and \$5.9M bonds, was provided and Audit verified the basis to its corresponding bond, with amortization amounts confirmed to the general ledger. Twelve monthly credit entries were recorded to the following accounts for the amortization of debt cost and offset with debits to account 428000, Amortization of Debt Discount and Expense: 181341, Unamortized Debt Cost \$3M; 181344, Unamortized Debt Cost \$5M; and 186303, Deferred Issuance Cost \$5.9M. Audit questioned the use of account 186 in recording the per-month amortization and the Company explained with the following statement:

*“For the Company’s \$5.9M debt, it was determined that the debt that was refinanced was deemed an extinguishment, so the related issuance costs would be expensed under GAAP. However, for regulatory accounting purposes, the Company was allowed to recognize a regulatory asset and amortize it over the remaining life of the debt. The regulatory asset represents the portion of unamortized costs that would have been expensed under GAAP as the related loan transaction represented an extinguishment, not a loan modification. Prior to 2018, the re-class of the regulatory assets was done at the Company’s parent level in its consolidated financial statements. In April 2018, the Company decided to re-class the regulatory assets on the books of AWC CT and AWC NH rather than at the consolidated level. For this purpose, \$48,947.45 was re-classed to the regulatory asset.”*

Audit reviewed the 2018 general ledger for account 186303, verifying the 4/3/2018 re-classification of the regulatory assets totaling \$48,947, with offsetting entries to accounts 181242 and 181342. Specifically:

|           |   |          |                   |
|-----------|---|----------|-------------------|
| 4/30/2018 | Debit account 186303 Def Iss Cost -\$5.9M NP      | \$48,947 |                   |
|           | Debit account 181342 Unam Dbt Am \$5.9NH          | \$36,179 |                   |
|           | <u>Credit account 181242 Unam Dbt Dsc \$5.9NH</u> |          | <u>\$(85,126)</u> |
|           | Total Journal Entry                               | \$85,126 | \$(85,126)        |

Refer to the Deferred Debits and Debt sections of this report for details regarding account 186303, as well as the Company’s \$5.9M debt. Refer to the Amortization of Debt Discount and Expense, account 428000, section for more information on the monthly amortization of debt cost.

## **REVENUE**

Total revenue identified on the filing schedule 1 page 1 of 3 (Bates page 531) totaled \$7,226,513 and was verified to the NHPUC 2019 annual report and the following general ledger accounts:

|                                       |                |
|---------------------------------------|----------------|
| 460001: Unmetered Sales - General     | \$ 368         |
| 460002: Unmetered Sales - Hydrant Use | \$ (9,220)     |
| 461001: Residential Revenue           | \$ (4,247,651) |
| 461003: Commercial Revenue            | \$ (1,321,123) |
| 461005: Industrial Revenue            | \$ (8,872)     |
| 462001: Private Fire Revenue          | \$ (442,802)   |
| 463001: Public Fire Revenue           | \$ (871,923)   |
| 464001: Public Authority Revenue      | \$ (131,192)   |
| 471000: Miscellaneous Service Revenue | \$ 15,576      |
| 471001: Service Connection Fees       | \$ (33,305)    |
| 471002: Late Payment Fees             | \$ (29,467)    |
| 471003: Collect At Door Fees          | \$ (440)       |
| 472002: Antenna Rental Income         | \$ (146,460)   |
| Total Operating Revenue               | \$ (7,226,513) |

#### Water Revenues - Billing Test

Audit conducted a tariff test using the detailed aged receivable as a source. A random selection of 15 customer' bills were reviewed. Nine customers' invoices complied with the tariff. Six required clarification:

Three customers, accounts 200170010, 200170027 and 200447267 were charged a service charge of \$16.41 while the tariff states that a 5/8" meter is charged \$15.60 per month. It was explained that service charges are billed based on a per diem for example, if there are 32 days in the bill. The tariff does reflect a Per Day charge of \$0.51.

Audit requested clarification of two invoices for general metered customers with no service charges. Specifically account 200150989 and 200454212. The Company explained that service charges on seasonal accounts are billed once a year in May. However, the Company explained that *"account 200454212 was not billed the first half of 2019 when it was erroneously moved out of service, therefore missing the billing for the service charge for this particular customer."*

One customer, account 200416489 was credited \$20 for what was described on the bill as a Goodwill Credit. The Company's tariff does not explain this charge. The Company stated that a credit of \$20 was applied to accounts on September 4, 2019 for customers affected by the boil water order. All 8,958 customers received the credit, with the \$179,160 entry debited to account 903203 and credited to account 142000. Revenue for the year was not impacted. Refer to the Operations and Maintenance portion of this report for additional details.

### Antenna Rental Income

Account 472002 – Antenna Rental Income totaled \$(146,460) for the test-year. Audit reviewed the rental agreements between Aquarion and the following companies and public authorities, relating to leasing space on water tanks for telecommunication equipment.. There was found to be a \$6 immaterial variance. Audit also reviewed the monthly billing for each of the rental agreements provided by the Company:

- Metro PCS contract commenced August 9, 2010 at a monthly cost, in advance, of \$2,500. A signing fee of \$2,500 was also paid. A total of \$37,358 was properly posted to account #472002.
- New Cingular Wireless PCS, LLC contract commenced September 1, 2015 at a monthly cost, in advance, of \$2,500. A one-time, non-refundable signing bonus in the amount of \$2,500 was paid and a security deposit in the amount of \$2,500 was also paid. A total of \$36,490 was properly posted to account #472002.
- The State of New Hampshire acting through its Department of Transportation commenced August 17, 2011 at a monthly cost, in advance, of \$250 with a 2% increases per year after. A total of \$3,515 was properly posted to account #472002.
- CELLCO Partnership, d/b/a Verizon Wireless has two License Agreements with Aquarion. One commenced on November 14, 2007 and the second agreement commenced on August 15, 2016. The 2007 agreement calls for a fee of \$2,000 per month with annual increases on each anniversary of the Commencement Date of the agreement of 3%. The second agreement calls for Aquarion to receive \$2,800 monthly with annual increases on each anniversary of the Commencement Date of the agreement of 3% for use of its Hampton, NH tank. A total of \$68,991 was properly posted to account #472002.
- An annual license agreement commencing on June 6, 2007 with the Town of Hampton. This was for leasing of space on the tank to be used for emergency services communication equipment was verified to the agreement to be \$100 per year. The total amount of \$100 was properly posted to the antenna rental account.

### WICA 2019 Surcharge

The Water Infrastructure and Conservation Adjustment (WICA) charge per the tariff, the Twelfth Revised page 16 states that the surcharge of 7.50% will apply to all bills with services rendered on or after January 20, 2020. Audit's recalculations showed that the surcharge was using a rate of 6.72%, the temporary rate approved in Order No. 26,245, for effect June 1, 2019.

The Order also required a WICA Revenue Reconciliation to be filed with the next rate proceeding.

*“During Aquarion’s next general rate proceeding, it must provide a reconciliation between the 2019 WICA revenues actually billed and the revenues that would have been billed using the 6.86 percent WICA surcharge for the full 12-month period of 2019. Any difference revealed by that reconciliation will be an adjusting item to be considered in determining Aquarion’s next authorized revenue requirement in that case.”*

The Company filed the 2019 WICA reconciliation table within the Testimony of Debra Szabo at 31, Bates page 192 of the initial rate case filing. The Company also stated that they did not make any pro-forma adjustment related to the under collection.

### Unbilled Revenues

The general ledger shows Accrued Utility Revenues, account 173000, in the amount of \$249,355 on December 31, 2019. Accrued Cross-Connection Revenues (backflow testing) was \$2,825 at year-end 2019.

The accrued revenue calculations for the year-end entries to both accounts were verified to two spreadsheets provided by the Company as well as the January 1, 2020 reversing entries

### EXPENSES

#### Operations and Maintenance (O&M) Expenses \$ 3,346,041

The filing Schedule 1, reflects the total O&M Expenses of \$3,346,041. Audit verified the filing amount to the 2019 annual report and general ledger without exception.

|                             |                     |
|-----------------------------|---------------------|
| Source of Supply            | \$ 133,637          |
| Pumping                     | \$ 394,142          |
| Treatment                   | \$ 171,854          |
| Transmission & Distribution | \$ 529,529          |
| Customer Accounting         | \$ 376,031          |
| Information Technology      | \$ 263,000          |
| Administrative & General    | <u>\$ 1,477,847</u> |
|                             | \$ 3,346,041        |

Due to the large number of accounts, Audit reviewed the detailed general ledger activity for all of the O&M Expense accounts that had changes from 2018 to 2019 greater than 10%. Audit also reviewed the general ledger account detail for other selected accounts.

Selections were made from the general ledger to review supporting documentation. All invoices and supporting documentation reviewed are noted in the sections below.

**Source of Supply Expenses \$133,637 is comprised of the following:**

|                               |   |    |         |
|-------------------------------|---|----|---------|
| 601                           | Operation Labor and Expenses                        | \$ | 120     |
| 603                           | Miscellaneous Expenses                              | \$ | 70,268  |
| 604                           | Rents   | \$ | 22,650  |
| 611                           | Maintenance of Structures and Improvements          | \$ | 706     |
| 612                           | Maintenance of Collecting and Impounding Reservoirs | \$ | 35,006  |
| 614                           | Maintenance of Wells and Springs                    | \$ | 4,887   |
| <b>Total Source of Supply</b> |   | \$ | 133,637 |

Audit reviewed in detail the transactions in the 603, 612 and 614 accounts as those accounts had changes greater than 10% during the year. Please see the Payroll section for additional detail regarding the labor accounts.

Account 601 Operation Labor and Expenses \$120 is comprised of one account 601001 Labor – SOS Operation. Please see the Payroll section for additional information.

During the annual report review, Aquarion noted that the change in the 603 Miscellaneous Expense Accounts \$70,268 was due to *“Best Management Practice/Potential Contaminant Sources survey that is required every three years to assess potential contaminant sources near the wells.”*

|        |                                  |                 |
|--------|----------------------------------|-----------------|
| 603002 | Outside Services - SOS Operation | \$32,662        |
| 603005 | Voice - Operations               | \$12,146        |
| 603008 | Cell Air Cards -Ops              | \$6,480         |
| 603009 | Data Network - Ops               | \$18,980        |
|        |                                  | <u>\$70,268</u> |

Activity in the four 603 accounts contained monthly vendor telecom invoices, vendor invoice payments to Geosphere Environmental and a \$10,172 reclassification entry.

Audit selected the reclassification entry which was booked to account 603002 to reclassify the BMP/PCS survey to the proper account.

Audit also selected one entry from account 603005 in the amount of \$1,578.94. The invoice associated with this entry showed it was for phone services.

No exceptions were noted with the review of the 603 accounts.

Account 604 Rents \$22,650

|                                     |          |
|-------------------------------------|----------|
| 604000 Rent Expense - SOS Operation | \$10,706 |
| 604001 Rent Exp(840)                | \$11,944 |
|                                     | <hr/>    |
|                                     | \$22,650 |

Detail in the 604 accounts show rent expense payments and vendor invoice payments.

Account 611 Maintenance of Structures and Improvements \$706 is comprised of one account, 611004 Transportation – SOS Maintenance. Due to the immaterial nature of the account, Audit did not review the activity in detail.

Aquarion previously noted that the increase in the 612 Maintenance of Collecting and Impounding Reservoirs Accounts \$35,006 in 2019 was due to “*staff spending more time on grounds and wellhead protection activities*”.

|   |          |
|---|----------|
| 612001 Maintenance of Reservoirs Labor  | \$10,579 |
| 612002 Maint of Reservoirs O/S Services | \$24,392 |
| 612003 Maint of Reservoir Materials     | \$35     |
|   | <hr/>    |
|   | \$35,006 |

Activity in the three 612 accounts contained labor transfers, vendor invoices and accruals and P-Card transactions.

Audit reviewed one journal entry from account 612002 in the amount of \$3,250 for spring clean up. No exception was noted.

The decrease in Account 614 Maintenance of Wells and Springs \$4,887 in 2019 from 2018 was due to “*14 water quality investigations in 2018 that were not required in 2019,*” per Aquarion.

|   |         |
|---|---------|
| 614001 Mainenance of Wells Labor        | \$4,567 |
| 614002 Mainenance of Wells O/S Services | \$315   |
| 614003 Mainenance of Wells Materials    | \$6     |
|   | <hr/>   |
|   | \$4,887 |

Audit reviewed the activity in the three 614 accounts which contained labor transfers, one vendor invoice for \$315 and one P-Card payment for \$6.



**Pumping Expenses \$394,142 is comprised of the following:**

|                               |  |                   |
|-------------------------------|--|-------------------|
| 620                           | Operation Supervision and Engineering      | \$ 871            |
| 623                           | Fuel or Power Purchased for Pumping        | \$ 215,827        |
| 624                           | Pumping Labor and Expenses                 | \$ 127,717        |
| 626                           | Miscellaneous Expenses                     | \$ 11,656         |
| 631                           | Maintenance of Structures and Improvements | \$ 15,849         |
| 632                           | Maintenance of Power Production Equipment  | \$ 7,856          |
| 633                           | Maintenance of Pumping Equipment           | \$ 14,365         |
| <b>Total Pumping Expenses</b> |  | <b>\$ 394,142</b> |

Audit reviewed in detail the transactions in the 623, 626, 631, and 632 accounts as those accounts had changes greater than 10% during the year. Please see the Payroll section for additional detail regarding the labor accounts.

Account 620 Operation Supervision and Engineering \$871 is comprised of one account, 620001 Supervisor Labor – Pump. Please see the Payroll section for additional information.

Aquarion noted that the decrease in Account 623 Fuel or Power Purchased for Pumping \$215,827 in 2019 was due to less water pumped.

|        |                                    |                  |
|--------|------------------------------------|------------------|
| 623201 | Purchased Fuel - Electric          | \$106,293        |
| 623202 | Purchased Fuel - Oil               | \$1,375          |
| 623203 | Fuel-Nat Gas/Propane               | \$7,771          |
| 623209 | Purchased Electric from Eversource | \$100,389        |
|        |                                    | <u>\$215,827</u> |

Audit reviewed the four 623 accounts and all of the activity was for vendor invoices and invoice accruals.

Audit selected one journal entry in the amount of \$9,341 booked to account 623209. The invoice showed this was a payment to Eversource for electric service. No exception was noted.

Account 624 Pumping Labor and Expenses \$127,717 is comprised of one account, 924001 Labor – Pumping Operations. Please see the Payroll section for additional detail.

The 2019 increase in Account 626 Maintenance Expenses \$11,656 was due to “more supplies and materials were purchased for pumping operations,” per Aquarion.

|   |          |
|---|----------|
| 626003 Materials - Pumping Operations     | \$3,501  |
| 626004 Transportation - Pumping Operation | \$8,156  |
|   | <hr/>    |
|   | \$11,656 |

The two 626 accounts were reviewed by Audit in detail and contained P-Card transactions and transportation charges

Audit selected one journal entry from account 626004 to test the transportation allocation. Aquarion provided Audit with an Excel workbook showing the allocation percentage of transportation costs per general ledger account. One spreadsheet shows the 2018 actual labor costs for NH employees with vehicles by work order number or WBS number (known as the Partner object).

Another tab is a pivot table that shows the Partner object and amount from the first tab. A third tab calculates the 2018 labor charge by cost element for expenses and capital as a percentage of total 2018 labor for NH employees with vehicles.

The percentage is applied to the 2019 actual NH fleet cost. The third tab in the workbook notes the allocation percentage by general ledger account number. Audit recalculated the allocation percentage amounts and the allocation specific to this journal entry without exception.

During the review of the annual report, Aquarion noted the increase to Account 631 Maintenance of Structures & Improvements \$15,849 was due to *“more staff time and more materials used for plant maintenance activities”*.

|                             |          |
|-----------------------------|----------|
| 631001 Mnt Struct Labor - P | \$6,837  |
| 631002 Mnt Struct Serv - Pu | \$4,199  |
| 631003 Mnt Struct Matls - P | \$4,813  |
|                             | <hr/>    |
|                             | \$15,849 |

Audit reviewed the two 631 accounts which contained labor transfers and P-Card transactions.

Audit reviewed one journal entry in the amount of \$2,270 booked to account 631002. This entry was for annual preventative maintenance. No exception was noted.

Aquarion previously noted, in 2018 the well 9 generator needed maintenance resulting in a decrease in expenses for Account 632 Maintenance of Power Production Equipment \$7,856 in 2019 as no maintenance to that well was needed.

|   |         |
|---|---------|
| 632001 Maint of Power Prod Labor        | \$3,335 |
| 632002 Maint of Power Prod O/S Services | \$2,507 |
| 632003 Maint of Power Prod Materials    | \$2,014 |
|   | <hr/>   |
|   | \$7,856 |

Audit reviewed the three 632 accounts in detail. Activity in the accounts included labor transfers, P-Card charges, and vendor invoice payments.

Account 633 Maintenance of Pumping Equipment \$14,365 is comprised of the following three accounts:

|        |                                    |          |
|--------|------------------------------------|----------|
| 633001 | Maint of Equipment Labor - Pumping | \$10,537 |
| 633002 | Mnt Equip Serv - Pum               | \$2,495  |
| 633003 | Mnt Equip Matls - Pu               | \$141    |
| 633004 | Transp - Pump Maint                | \$1,193  |
|        |                                    | <hr/>    |
|        |                                    | \$14,365 |

Please see the Payroll section for detail regarding the labor booked to Account 633001. As the remaining 633 accounts did not have large changes from 2018 to 2019, Audit did not review them in detail.

**Treatment Expenses \$171,854 is comprised of the following:**

|                                 |  |                   |
|---------------------------------|--|-------------------|
| 640                             | Operation Supervision and Engineering      | \$ 4,389          |
| 641                             | Chemicals                                  | \$ 40,317         |
| 642                             | Operation Labor and Expenses               | \$ 83,495         |
| 643                             | Miscellaneous Expenses                     | \$ 12,658         |
| 651                             | Maintenance of Structures and Improvements | \$ 5,288          |
| 652                             | Maintenance of Water Treatment Equipment   | \$ 25,708         |
|                                 |  | <hr/>             |
| <b>Total Treatment Expenses</b> |  | <b>\$ 171,854</b> |

Audit reviewed in detail the transactions in the 640, 642, 643, and 652 accounts as those accounts had changes greater than 10% during the year. Please see the Payroll section for additional detail regarding the labor accounts.

The increase in 2019 to Account 640 Operations Supervision and Engineering \$4,389 was due to Aquarion “*staff spending more time on pumping and treatment operations activities*”.

All activity in the only 640 account, 640001, was labor transfers. As noted above, the Payroll section has more detailed information.

Account 641 Chemicals \$40,317 total is booked to one account 641000 Chemicals. Audit reviewed the activity in the account and noted monthly charges for chemicals. Audit also tied the general ledger amount to Schedule No. 1G, test year expense amount, without exception.

The decrease in Account 642 Operation Labor and Expenses \$83,495 from 2018 to 2019 was due to *“less non-compliance water quality samples (PFAS and E-coli) performed in the current year”*.

|   |                 |
|---|-----------------|
| 642001 Labor - Treatment Operations     | \$13,930        |
| 642202 Contract Lab Work                | \$5,599         |
| 642203 Water Quality Sample Collections | <u>\$63,967</u> |
|   | \$83,495        |

Audit reviewed the activity in the three 642 accounts which contained labor transfers and vendor invoices and accruals.

Audit selected one invoice from Microbac Laboratories in the amount of \$4,030 booked to account 642203 to review in detail. This invoice was for lab tests. No exception was noted.

Account 643 Miscellaneous Expenses \$12,658 increased in 2019 due to *“more groundwater sample collection and bacteria sampling”*.

|   |              |
|---|--------------|
| 643002 Outside Serv - Treat             | \$8,475      |
| 643003 Materials - Treatment Operations | \$2,964      |
| 643004 Transp - Treat Op                | \$884        |
| 643009 Telecom - Treat Op               | <u>\$335</u> |
|   | \$12,658     |

Audit reviewed the detailed activity in the three 643 accounts which includes vendor invoices and accruals, P-Card charges, and monthly transportation charges.

Audit selected two P-Card charges booked to account 643009. Both charges were \$25.75 and paid on the same day. Audit selected them thinking it may have been a double payment but it was not. It was monthly SCADA paging charges. No exception was noted.

Account 651 Maintenance of Structures and Improvements \$5,288 is comprised of the following three accounts:

|                             |             |
|-----------------------------|-------------|
| 651001 Mnt Struct Labor - T | \$1,574     |
| 651002 Mnt Struct Serv - Tr | \$3,630     |
| 651003 Mnt Struct Matls - T | <u>\$84</u> |
|                             | \$5,288     |

More information regarding Account 651011 Maintenance of Structures Labor can be found in the Payroll section. Audit reviewed the activity in the other two accounts which contained one vendor invoice for repair and two P-Card charges.

Account 652 Maintenance of Water Treatment Equipment \$25,708 decreased in 2019 due to *“less contractor work on booster and chemical feed system maintenance activities”*.

|                             |          |
|-----------------------------|----------|
| 652001 Mnt Equip Labor - Tr | \$13,003 |
| 652002 Mnt Equip Serv - Tre | \$137    |
| 652003 Mnt Equip Matls - Tr | \$11,445 |
| 652004 Transp - Treat Maint | \$1,122  |
|                             | <hr/>    |
|                             | \$25,708 |

Audit reviewed the detail in the four 652 accounts which contained labor transfers, vendor invoices, P-Card charges, and transportation charges.

Audit selected one journal entry to review booked to account 652003 in the amount of \$2,680.50. The invoice shows this amount was paid to USA Bluebook for chemicals. No exception was noted.

**Transmission & Distribution Expenses \$529,529 is comprised of the following:**

|   |                         |
|---|-------------------------|
| 662 Transmission and Distribution Lines Expenses        | \$ 34,912               |
| 663 Meter Expenses                                      | \$ 35,881               |
| 664 Customer Installation Expenses                      | \$ 29,639               |
| 665 Miscellaneous Expenses                              | \$ 102,152              |
| 666 Rents   | \$ 600                  |
| 671 Maintenance of Structures and Improvements          | \$ 55,460               |
| 672 Maintenance of Distribution Reservoirs & Standpipes | \$ 1,422                |
| 673 Maintenance of Transmission and Distribution Mains  | \$ 80,479               |
| 675 Maintenance of Services                             | \$ 136,134              |
| 676 Maintenance of Meters                               | \$ 18,465               |
| 677 Maintenance of Hydrants                             | \$ 14,049               |
| 678 Maintenance of Miscellaneous Equipment              | \$ 20,336               |
| <b>Total Transmission &amp; Distribution Expenses</b>   | <hr/> <b>\$ 529,529</b> |

Audit reviewed in detail the transactions in the 662,665,672,673,676,677 and 678 accounts as those accounts had changes greater than 10% during the year. Please see the Payroll section for additional detail regarding the labor accounts.

A decrease in Account 662 Transmission & Distribution Lines Expense was described within the PUC annual report to be the result of *“scope of contract leak detection was reduced because fixed base leak loggers covered ~10% of the distribution system. A DES grant also covered the cost of some contract leak detection work”*. Audit requested additional details regarding the note, and the Company provided:

*“For the past several years, NHDES Drinking Water and Groundwater Bureau has funded leak surveys for water systems across the state. This is not a grant to the*

*company, but a contract between the State and its contractor. Typically the State solicits interest from utilities in advance, then issues a bid request to leak survey contractors for the overall scope of work. The contractor who is awarded the work then follows up with the individual water systems approved by the State to schedule the surveys. The contractor is paid directly by the State for the survey work.*

*In 2019, the same contractor, New England Water Distribution Services, won both the state contract and the company's leak survey bid. The State contract covered 50% of the company's water system; approximately 70 miles of water main. The company bid spec was to conduct three surveys (spring, summer and fall) covering a total of approximately 240 miles of water mains. The company contract price was \$83.50 per mile.*

*The spring 2019 leak detection survey covered the entire 140 mile system. The contractor only billed the company for 70 miles, and billed the State for the other 70 miles. Based on the company rate of \$83.50 per mile of main surveyed, the DES grant had a value of \$5,845. However, since the contractor was paid directly by the State, this cost was not posted to any company accounts and only shows up as a favorable expense variance to budget."*

|                                      |          |
|--------------------------------------|----------|
| 662001 T&D Lines Labor               | \$14,059 |
| 662002 T&D Lines Outside Services    | \$10,743 |
| 662003 T&D Lines Materials           | \$516    |
| 662201 Leak Detection - Other        | \$8,694  |
| 662202 Flushing Expenses - T&D Mains | \$900    |
|                                      | <hr/>    |
|                                      | \$34,912 |

Audit reviewed the activity in the five 662 accounts which contained labor transfers, vendor invoices and accruals, and P-Card charges.

Audit selected three journal entries to review from account 662. The first was in the amount of \$3,462.25 booked to account 662002. The invoice noted it was for hydrant flushing for September and October 2018 but was not billed until January 2019. As the invoice wasn't billed until 2019, not issue is present.

The second selection was from account 662201 in the amount of \$7,431.50. The invoice was from New England Water Distribution for leak detection survey. No exception was noted.

The third selection was from 662202 in the amount of \$900. The invoice was from Seacoast Media Group and noted it was overdue for 2018 paper ads. Audit recommends removing the \$900 from the test year amount as it was for the previous year and billed in 2018. **Audit Issue #8**

Account 663 Meter Expenses \$35,881 is comprised of the following two accounts:

|                                |                |
|--------------------------------|----------------|
| 663001 Meter Expense Labor     | \$31,818       |
| 663003 Meter Expense Materials | <u>\$4,063</u> |
|                                | \$35,881       |

Information regarding Account 663001 can be found in the Payroll section. Account 663003 contained P-Card charges and vendor invoices.

Account 664 Customer Installations Expenses \$29,639 is comprised of one account 664001 Customer Installations Labor. Additional information on labor can be found in the Payroll section.

Aquarion noted that the increase in Account 665 Miscellaneous Expenses was “due to the boil water alert in August resulting in incremental labor and consulting costs”.

|   |              |
|---|--------------|
| 665001 Labor - T&D Operations             | \$47,757     |
| 665002 Outside Services - T&D Operation   | \$37,169     |
| 665003 Materials - T&D Operation          | \$6,565      |
| 665004 Transportation - T&D Operation     | \$6,917      |
| 665008 Cell GPS Truck - Ops               | \$3,114      |
| 665201 Misc. T&D Expense - Business Meals | <u>\$629</u> |
|   | \$102,152    |

Audit reviewed the activity in the six 665 accounts and noted activity for labor transfers, vendor invoices and accruals, P-Card charges, and transportation charges.

Audit selected two journal entries to review in detail. The first selection was in the amount \$15,792.25 and booked to account 665002. The invoice was from Next Generation Strategies for public affairs consulting regarding the boil water alert.

The second selection was in the amount of \$3,292.80 and booked to account 665003. This invoice was from The Coca-Cola Bottling Co for water. Aquarion noted the water was distributed to customers during the August 23, 2019 boil water event.

Audit notes that these expenses, totaling \$19,085.05 should be considered non-recurring as boil water alerts are not a commonly occurring event. **Audit Issue #8**

Audit reviewed the activity in Account 666000 Rent Expense \$600 which contained rent payments to Boston & Maine Corporation.

Account 671 Maintenance of Structures and Improvements \$55,460 is comprised of the following three accounts:

|  |          |
|--|----------|
| 671001 Maint of Structures Labor - T&D | \$49,134 |
| 671002 Mnt Struct Serv - T&            | \$5,124  |
| 671003 Mnt Struct Matls - T            | \$1,202  |
|  | <hr/>    |
|  | \$55,460 |

Additional detail regarding account 671001 and the labor expense can be found in the Payroll Section. Audit reviewed the remaining two accounts and noted activity for Dig Safe payments and P-Card charges.

The decrease in expense amount in Account 672 Maintenance of Distribution Reservoirs & Standpipes \$1,422 was due to *“tank painting amortization ended January 2019”*.

|                                    |         |
|------------------------------------|---------|
| 672001 Maint of Tanks Labor        | \$158   |
| 672002 Maint of Tanks O/S Services | \$502   |
| 672003 Maint of Tanks Materials    | \$495   |
| 672201 Tank Painting Amortization  | \$267   |
|                                    | <hr/>   |
|                                    | \$1,422 |

Audit reviewed the four 672 accounts in detail. Audit confirmed amortization was only booked for January. Other activity included labor transfers, and three vendor invoices.

The expense total in Account 673 Maintenance of Transmission and Distribution Mains increased in 2019 due to *“more contractor work and materials for maintenance of mains activities”*.

|   |          |
|---|----------|
| 673000 Maintenance of Mains             | \$105    |
| 673001 Maint of Mains Labor             | \$11,496 |
| 673002 Maint of Mains O/S Services      | \$50,264 |
| 673003 Maint of Mains Materials         | \$9,383  |
| 673004 Transportation - T&D Maintenance | \$9,232  |
|   | <hr/>    |
|   | \$80,479 |

Audit reviewed the five 673 general ledger accounts. Activity included labor transfers, vendor invoice and accruals, P-Card charges and transportation charges.

Audit selected two journal entries booked to the 673 accounts to review in detail. The first selection was in the amount of \$3,970 and booked to account 673002. The invoice noted it was excavation work for a water main break. Audit reviewed the capitalization policy and it noted that repairs due to breaks that require less than 10 feet of pipe are to be expensed.



The second selection in the amount of \$2,772.44 was booked to account 673003. The detail of the invoice noted these are supplies.

No exceptions were noted with the review of the 673 accounts.

Account 675 Maintenance of Services \$136,134 is comprised of the following three accounts:

|                                       |           |
|---------------------------------------|-----------|
| 675001 Maint of Services Labor        | \$42,471  |
| 675002 Maint of Services O/S Services | \$82,719  |
| 675003 Maint of Services Materials    | \$10,944  |
|                                       | <hr/>     |
|                                       | \$136,134 |

Information regarding labor can be found in the Payroll Section. Audit reviewed the remaining two accounts and noted activity for vendor invoices and accruals and supplies from inventory.

The expense total in Account 676 Maintenance of Meters \$18,465 decreased from 2018 to 2019 due to *“less contractor work and materials for meter maintenance”*.

|                                     |          |
|-------------------------------------|----------|
| 676001 Maint of Meters Labor        | \$14,272 |
| 676002 Maint of Meters O/S Services | \$3,840  |
| 676003 Maint of Meters Materials    | \$353    |
|                                     | <hr/>    |
|                                     | \$18,465 |

Audit reviewed the detailed general ledger for the three 676 accounts and noted activity for labor transfers, three vendor invoices and two P-Card charges.

Audit selected one journal entry from account 676002 to review in detail. The amount of the invoice was \$2,850 and was for meter testing/calibration. No exception was noted.

Expenses in Account 677 Maintenance of Hydrants \$14,049 included a hydrant relocation in 2018. In 2019 less staff and contractor time was needed resulting in a decrease in expenses.

|                                       |           |
|---------------------------------------|-----------|
| 677001 Maint of Hydrants Labor        | \$10,480  |
| 677002 Maint of Hydrants O/S Services | (\$1,037) |
| 677003 Maint of Hydrants Materials    | \$4,607   |
|                                       | <hr/>     |
|                                       | \$14,049  |

The three 677 accounts were reviewed by Audit in detail. Transactions included labor transfers, vendor invoices and accruals, and P-Card charges.

Audit selected two journal entries from account 677003 to review in detail. The entries were in the amounts of \$1,566.76 and \$1,563.36 and both were for supplies. No exception was noted.

The increase in expenses in Account 678 Maintenance of Miscellaneous Equipment \$20,336 was due to *“staff spent more time on valve maintenance and more materials needed due to a long complicated valve repair”*.

|                                     |          |
|-------------------------------------|----------|
| 678001 Maint of Valves Labor        | \$9,417  |
| 678002 Maint of Valves O/S Services | \$7,722  |
| 678003 Maint of Valves Materials    | \$3,197  |
|                                     | <hr/>    |
|                                     | \$20,336 |

The three 678 accounts were reviewed by Audit and contained transactions for labor transfers, vendor invoices and accruals, and P-Card charges.

Audit selected two journal entries to review in detail. The first was in the amount of \$1,840 and booked to account 678002. This invoice was for excavation, repairs, pavement and man hours. The second was in the amount of \$2,053.98 and booked to account 678003 for hose reel and pressure washer. Audit questioned Aquarion if these were replacement parts and Aquarion noted they were replacement parts for the valve maintenance trailer. No exception was noted.

**Customer Account Expenses \$376,031 is comprised of the following:**

|  |            |
|--|------------|
| 902 Meter Reading Expenses                   | \$ 17,001  |
| 903 Customer Records and Collection Expenses | \$ 258,668 |
| 904 Uncollectible Accounts                   | \$ 10,875  |
| 905 Miscellaneous Customer Accounts Expenses | \$ 89,487  |
| <b>Total Customer Accounting Expenses</b>    | <hr/>      |
|  | \$ 376,031 |

Audit reviewed in detail the transactions in the 902 and 905 accounts as those accounts had changes greater than 10% during the year. Please see the Payroll section for additional detail regarding the labor accounts.

Account 902 Meter Reading Expenses \$17,001 increased in 2019 *“due to training of new staff for meter reading and more re-reads”*.

|                                       |           |
|---------------------------------------|-----------|
| 902001 Meter Reading Labor            | \$16,361  |
| 902003 Meter Reading Materials        | \$198     |
| 902004 Transportation - Meter Reading | \$842     |
| 902201 Procds-Met Read Sale           | (\$400)   |
|                                       | <hr/>     |
|                                       | \$ 17,001 |

Audit reviewed the four 902 accounts noted in the general ledger. Activity included labor transfers, transportation and vendor invoices.

Audit selected one journal entry from account 902004 to test the transportation allocation. Please see Account 626 for a detailed review of the transportation allocation. Audit recalculated the allocation specific to this journal entry without exception.

Account 903 Customer Records and Collections Expenses \$258,668 increase in 2019 was “*due to the August 2019 boil water alert – each customer received a \$20 credit on their bill totaling \$179k*”.

|   |           |
|---|-----------|
| 903001 Coll & Billing Labor             | \$439     |
| 903004 Transportation - Collections     | \$290     |
| 903201 Records & Collections - Postage  | \$33,100  |
| 903202 Bill Printing Services           | \$23,241  |
| 903203 Goodwill Credit                  | \$179,467 |
| 903204 Leak Concessions                 | \$10,899  |
| 903205 Reimbursable Outside Collections | (\$1,380) |
| 903206 Non-Reimb Agent Fees             | \$957     |
| 903208 Reverse 911 Service              | \$1,500   |
| 903209 Bank Fees - FISC                 | \$10,154  |
|   | <hr/>     |
|   | \$258,668 |

Audit reviewed the activity in the ten 903 accounts and noted activity for labor transfers, transportation, vendor payments and CCS entries.

Account 903203 contained a \$179,160 journal entry for the credit given to the customers for the August boil alert. This amount should be considered non-recurring as boil alerts are not a common occurrence. The credit offset was noted in Accounts Receivable, account #142000. For 2018, the 903203 account reflected \$368. **Audit Issue #8**

Account 904 Uncollectable Accounts \$10,875 is comprised of one account, 904000 Bad Debt Expense. This account increased in 2019 “*due to a true up of bad debt and slightly higher over 90 days balance*”. Please see the Reserve for Doubtful Accounts-Water Account Section for a detailed review of the 904000 account noted above.

The increase in Account 905 Miscellaneous Customer Accounts Expenses was due to “*system changed so that more customer service calls to the CT call center*”. See the Payroll section for additional detail on this change.

|                            |          |
|----------------------------|----------|
| 905000 Misc Cust Accts Exp | \$105    |
| 905011 Alloc Cust Svc Exp  | \$89,382 |
|                            | <hr/>    |
|                            | \$89,487 |

Audit reviewed activity in the two 905 accounts which include allocated payroll and two CCS postings. Aquarion noted that “*CCS is a code for the customer service checks when posted in SAP*”. Due to the immaterial nature of the CCS postings, \$105, Audit did not make any selections for review.

**Information Technology Expenses \$263,000 is comprised of the following:**

|                               |                  |
|-------------------------------|------------------|
| 906011 Allocated IT Expenses  | \$262,527        |
| 906217 IT HW Maint-Brk/Fix    | \$473            |
|                               | <hr/>            |
| <b>Information Technology</b> | <b>\$263,000</b> |

Please see the Payroll section for a detailed description of the charges allocated to account 906011. Due to the immateriality of account 906217, Audit did not review it in detail.

**Administrative and General Expense \$1,477,847 is comprised of the following:**

|  |                     |
|--|---------------------|
| 920 Administrative and General Salaries            | \$ 402,831          |
| 921 Office Supplies and Other Expenses             | \$ 69,623           |
| 923 Outside Services Employed                      | \$ 276,584          |
| 924 Property Insurance                             | \$ 1,317            |
| 925 Injuries and Damages                           | \$ 114,931          |
| 926 Employee Pensions and Benefits                 | \$ 372,040          |
| 928 Regulatory Commission Expenses                 | \$ 27,070           |
| 930 Miscellaneous General Expenses                 | \$ 26,262           |
| 931 General Rents                                  | \$ 105,680          |
| 932 General and Administrative Maintenance         | \$ 81,509           |
|  | <hr/>               |
| <b>Total Administrative &amp; General Expenses</b> | <b>\$ 1,477,847</b> |

Audit reviewed in detail the transactions in the 923, and 932 accounts as those accounts had changes greater than 10% during the year. Please see the Payroll section for additional detail regarding the labor accounts.

Account 920 Administrative and General Salaries \$402,831 is comprised of the following accounts:

|   |             |
|---|-------------|
| 920000 Payroll Expense                  | \$819,194   |
| 920003 Labor - Non-CT                   | (\$802,513) |
| 920004 G&A Labor                        | \$367,054   |
| 920006 Standby Pay for Exempt Employees | \$6,000     |
| 920102 Bonus Expense                    | \$10,949    |
| 920103 LTIP Expense                     | \$2,148     |
|   | <hr/>       |
|   | \$402,831   |

A detail review of all of these accounts, except account 920003 can be found in the Payroll section.

Account 920003 Labor – Non-CT contains labor transfers to other general ledger accounts for NH direct charged employees.

Audit selected Account 921 Office Supplies and Other Expenses \$69,623 to review in detail due to the nature of the account.

|  |          |
|--|----------|
| 921000 Office Supplies and Materials   | \$64     |
| 921004 Transportation - G&A            | \$11,102 |
| 921005 Phone Switch Mnt-Cr             | \$877    |
| 921006 Cell Phones - G&A               | \$7,020  |
| 921201 G&A Business Meals              | \$1,570  |
| 921202 Auto Mileage Reimbursement      | \$5,489  |
| 921203 Individual Dues and Memberships | \$3,842  |
| 921204 Subscriptions and Publications  | \$390    |
| 921205 Postage Expenses                | \$4,238  |
| 921206 Electricity                     | \$8,283  |
| 921207 Payroll Computer Expense        | \$6,565  |
| 921208 Building Services               | \$5,071  |
| 921209 Office Supplies                 | \$8,745  |
| 921211 Utilities Expense               | \$6,368  |
|  | <hr/>    |
|  | \$69,623 |

Audit reviewed the ten 921 accounts and noted activity for travel & expense reimbursements for employees, P-Card charges, and vendor invoices.

Audit selected five journal entries to review in detail. The first was from account 921201 for a P-Card charge. Supporting documentation shows the \$499 charge was for an extravagant lunch including alcohol and dessert. Audit recommends this charge be booked below the line. **Audit Issue #8**

One selection from account 921202 in the amount of \$928 was a travel and expense reimbursement for an employee. The charges were for mileage reimbursement. No exceptions were noted.

Three journal entries were selected from account 921203 in the amounts of \$435, \$500 and \$95. These charges were for NE Water Works meeting registration, NH Water Works course registration and a DOT exam, respectively. No exceptions were noted.

Account 923 Outside Service Employed \$276,584 increased in 2019 due to “*more legal fees due to WICA and Wiggin Way and higher allocation from parent company*”.

|   |           |
|---|-----------|
| 923002 Outside Services                   | \$407     |
| 923011 Allocation from AWC CT             | \$49,830  |
| 923100 Corporate Allocation from Aquarion | \$55,607  |
| 923201 Outside Services - Auditing        | \$29,229  |
| 923202 Outside Services - Legal           | \$33,355  |
| 923203 Outside Services - Pension         | \$6,920   |
| 923204 Bank Fees - BOA                    | \$7,687   |
| 923208 Outside Services                   | \$4,189   |
| 923210 TrusteesFees - Long-Term Debt      | \$6,250   |
| 923214 Outside Services-CC                | \$68,656  |
| 923215 Actuary Fees - PBGC                | \$14,454  |
|   | <hr/>     |
|   | \$276,584 |

Audit reviewed the eleven 923 accounts noted in the general ledger. Activity in these accounts included vendor invoices, P-Card charges, and monthly charges.

Audit selected five journal entries from the 923 accounts to review in detail. One selection from account 923201 was an allocation for Deloitte year end financials in the amount of \$2,567. The NH total was \$30,800 the allocation percentage used was 7%. Audit was unable to verify the allocation method used and requested additional information. Aquarion noted, “*the 7% is management’s estimate of the time the audit staff would spend on the audit work of AWC New Hampshire*”.

Audit recalculated 7% of \$30,800 and determined the amount to be \$2,156; however, \$2,567 was booked to the general ledger account. Audit recommends an adjusting journal entry to reduce the amount by \$411. **Audit Issue #8**

Audit reviewed one invoice from account 923202 for legal fees associated with the WICA filing. No exception was noted.

Audit reviewed two journal entries from account 923208, both for Bench Mark Communications. The invoice amounts were \$273.77 fully charged to the account and \$797.18 with \$337.58 charged to 923208 and the remaining \$459.60 charged to 923000.

The final selection reviewed was from account 923214 from Next Generation Strategies in the amount of \$14,058.75. The detail of the invoice noted it was for public affairs consulting work for the May 2019 Environmental Champion Awards Ceremony. This is a program where Aquarion honors non-profit organizations, businesses and individuals *“for outstanding volunteer efforts in conserving and improving our natural environment”* (per the Aquarion website). Audit notes that this expense should be booked below the line as it is not required to successfully operate the business. **Audit Issue #8**

The invoice also notes that awards were paid out to the winners. Audit questioned where the \$4,000 in awards were paid and Aquarion noted they were charged to account 426001 and were reports on Schedule F-57 of the Annual Report.

Account 924001 Property Insurance \$1,317 contained monthly insurance entries for \$117 each. In December a reclassification of \$(87) was performed resulting in the balance of \$1,317.

Account 925 Injuries and Damages \$114,931 comprised of the following accounts:

|   |           |
|---|-----------|
| 925001 Ins Prem - Gen Liab                | \$61,727  |
| 925003 Safety and Accident Prevention     | \$8,154   |
| 925006 Insurance Premium - Auto Liability | \$22,245  |
| 925007 Ins Prem - Excs Liab               | \$2,911   |
| 925008 Insurance Premiums - Fiduciary     | \$656     |
| 925009 Insurance Prem - Oth               | \$34      |
| 925010 Insurance Premiums - Admin         | \$294     |
| 925011 Workers Compensation Insurance     | \$18,262  |
| 925016 Ins Prem - CyberLiab               | \$648     |
|   | <hr/>     |
|   | \$114,931 |

The insurance payments are booked to the prepaid account, 165003, and allocated to the expense accounts on a monthly basis. Audit reviewed the insurance policies and premiums and noted no exceptions. Please see the 165003 Prepaid Insurance account for additional information regarding the booking of the premium amounts.

Account 926 Employee Pensions and Benefits \$372,040 is comprised of the following accounts:

|   |            |
|---|------------|
| 926000 Other Fringe Benefits              | \$21,634   |
| 926011 PR OH - Benefits                   | \$141,825  |
| 926201 Pension Expense - Service Cost     | \$65,949   |
| 926202 Benefits - Thrift / 401(k) Plan    | \$55,345   |
| 926204 Retiree Medical-Srvc               | \$8,788    |
| 926206 Benefits - Medical Plan            | \$257,623  |
| 926207 Medical - Contrib                  | (\$36,938) |
| 926212 Benefits - Life Insurance          | \$1,789    |
| 926213 Benefits - Long-Term Disability    | \$1,631    |
| 926214 Seminars & Conferences - Non-Labor | \$295      |
| 926222 Medical Plan Opt Out Credits       | \$216      |
| 926226 Pension Expense - Other Components | (\$24,646) |
| 926227 OPEB Expense - Other Components    | (\$93,390) |
| 926500 PR OH - Cap Fringes                | (\$28,079) |
| 926501 Cap Pension-Other                  | (\$10,559) |
| 926502 Cap Pension-Other                  | \$10,559   |
|   | <hr/>      |
|   | \$372,040  |

Detail regarding accounts 926201, 926204, 926222, 926226, 926227, and 926500 can be found in the Payroll section.

Account 926011 PR OH – Benefits \$141,825 is the total charge for benefits allocated to AWC -NH from CT employees. The benefits charged are 52% of the total allocated payroll including direct charged CT, customer service and IT.

The 52% rate is determined by dividing the 2018 total AWC-CT payroll benefits (\$13,976,189.29) by the total AWC-CT wages of 2018 (\$27,090,862.22).

The total allocated payroll amount of \$265,688.48 is multiplied by 52% totaling \$138,158.01. A total of \$141,800.75 was booked to the general ledger for the year. Regarding the difference between the calculated amount and the GL amount, Aquarion noted *“The wages used to calculate payroll benefits and payroll taxes associated with the ‘direct time charged by CT employees’ incorrectly included \$7,005.27 of wages charged to certain general overhead orders during the period Jan-May 2019. This resulted in excess benefit and payroll taxes of \$4,203.16 being charged to NH (52% of payroll benefits + 8% of payroll taxes on \$7,005.27).*

Audit recommends AWC-NH make an adjusting journal entry for the difference of \$3,642.74 (the amount booked to the GL and a calculated total). Audit also notes that Schedule No.1D in the filing shows the test year amount of \$141,824, which is \$24 more than what was recorded in the general ledger. **Audit Issue #8**



Account 926202 Benefits – Thrift/401(k) Plan \$55,345 contained weekly journal entries for the 401(k) match. Audit reviewed the final pay period payroll register and was able to verify the 401(k) match amount to the general ledger detail without exception.

Account 926206 Benefits – Medical Plan \$257,623 shows monthly payments to Tufts in the amount of \$21,788.48 for January through June; \$17,924.84 in July; and \$19,618.82 for August through December. Also included are monthly accruals for medical expenses.

Account 926207 Medical – Contributions \$(36,938) contains weekly entries for the employees' contribution to their medical benefits. Audit was able to tie the amount from the final payroll register detail to the general ledger without exception.

Account 926212 Benefits – Life Insurance \$1,789 shows weekly transactions from payroll and monthly payments to the life insurance company. Audit was able to verify the weekly amount to the payroll register for the final pay period of the year.

Account 926213 Benefits - Long-Term Disability \$1,631 showed twelve monthly payments to the insurance company for approximately \$136 each.

Account 926214 Seminars & Conferences – Non-Labor \$295 was not reviewed in detail by Audit due to the immaterial year-end balance in the account.

The total of Account 926501 Cap Pension & OPEB Exp – Other Components \$(10,558.59) and Account 926502 Cap Pension & OPEB Exp – Other Components \$10,558.59 net to zero. Each account contains four quarterly entries in which the amount is debited to account 926502 and credited to account 926501.

Account 928001 Annual PURA Assessment \$27,070

Activity in the account monthly amortization amounts for the PUC Assessment as Aquarion booked these charges to a prepaid account. Please see Account 165005 Prepaid PURA Assessment for additional detail.

Audit verified the PUC Assessment books for the quarterly payments required during the test year. Specifically for state fiscal years ending 6/30/2019 and 6/30/2020, the quarterly assessments were invoiced for:

|                   |                 |
|-------------------|-----------------|
| Quarter 3 FY 2019 | \$ 7,822        |
| Quarter 4 FY 2019 | \$ 7,822        |
| Quarter 1 FY 2020 | \$ 5,390        |
| Quarter 2 FY 2020 | <u>\$ 7,328</u> |
| Total assessment  | \$28,362        |

Account 930 Miscellaneous General Expenses \$26,262 is comprised of the following accounts:

|  |          |
|--|----------|
| 930000 Misc. G&A Expenses - Other      | \$877    |
| 930201 Company Dues and Memberships    | \$11,150 |
| 930202 Industry Conferences            | \$1,942  |
| 930203 Travel Expenses                 | \$4,071  |
| 930204 Advisory Boards                 | \$712    |
| 930205 Employee Recruiting             | \$299    |
| 930207 Customer Relations              | \$3,726  |
| 930208 Press Relations / Wire Service  | \$100    |
| 930211 Public Relations - Publications | \$2,488  |
| 930213 Civic & Community               | \$136    |
| 930218 Bank Reconciliation Expenses    | \$366    |
| 930220 Corp Secrtry Filing             | \$395    |
|  | <hr/>    |
|  | \$26,262 |

Due to the immaterial balance in the following 930 accounts, Audit did not review them in detail: 930000, 930204, 930205, 930208, 930213, 930218, and 930220.

Audit selected one journal entry from account 930201 in the amount of \$891.21. This entry was to record the amortization of prepaid dues and subscriptions. Please see Account 165006 Prepaid Dues and Subscriptions for additional information.

Audit reviewed the detail activity the general ledger 930202 and 930203 which contained only P-Card charges for both accounts.

Account 930207 contained vendor invoices and accruals and one P-Card charge.

Account 930211 originally contained the charges for the Environmental Champions awards but they were reclassified to account 426001. Other activity in the account was vendor invoices.

Audit selected Account 931 General Rents \$105,680 to review in detail.

|  |           |
|--|-----------|
| 931000 Rent Expense                    | \$103,467 |
| 931201 Office Equipment Rental Expense | \$2,213   |
|  | <hr/>     |
|  | \$105,680 |

Audit reviewed the activity in account 931000 Rent Expense which included monthly payments to Casemo Realty for office space. Account 931201 included monthly payments to Great America Financial Services.

The increase in expenses in Account 932 Maintenance of Office Equipment was due to "more contractor fees for SCADA troubleshooting".

|   |          |
|---|----------|
| 932002 Outside Services - G&A Maintenance | \$79,678 |
| 932003 Supplies - G&A Maint               | \$1,830  |
|   | <hr/>    |
|   | \$81,509 |

Audit reviewed the two 932 accounts and noted activity for vendor invoices and accruals and P-Card charges.

Audit selected one journal entry to review in the amount of \$4,819.50 from Results Engineering. The invoice showed the charges were for software coding. No exception was noted.

### **Payroll**

During 2019, payroll was charged to Aquarion NH by either directly charged payroll or allocated payroll.

A total of \$1,093,571 was charged to Aquarion NH for payroll in 2019. This total includes \$827,882.72 for New Hampshire employees (direct charged payroll) and \$265,688.48 for Connecticut employees (allocated payroll).

#### **Direct Charged Payroll**

The total payroll charged to ACW-NH for NH employees was \$827,882.72, per the final payroll register from 2019 and W-2.

|   |                  |
|---|------------------|
| 920000 Payroll Expense                  | \$ 819,194.02    |
| 920006 Standby Pay for Exempt Employees | \$ 5,999.76      |
| 926222 Medical Plan Opt Out Credits     | <u>\$ 216.00</u> |
|   | \$ 825,409.76    |

The difference of \$2,472.96, between the payroll register, W-2 and general ledger, is immaterial as it represents .2% of the payroll for the year. No issue is present.

Audit received the final payroll register for the dates of December 14, 2019 through December 20, 2019, which was paid on December 26, 2019. The payroll register illustrated thirteen employees whose pay is directly charged to Aquarion NH. Two of the employees on the payroll register were noted as terminated and did not receive a paycheck for the final pay period. Seven of the employees on the payroll register were union employees.

Audit received the most recent union contract between Aquarion NH and United Steel Workers, Amalgamated Local No. 8938. The contract went into effect December 1, 2016 and notes regular hourly rates by job title, and includes a 3% increase yearly on December 1 of each year. Also noted in the contract, regarding payroll, is overtime pay, vacation pay, pager rates, rest time, holiday pay, etc.

Audit requested, and received, the paystubs and timesheets for the eleven employees whose time is directly charged to Aquarion NH. Audit reviewed the documentation in detail, verifying the total hours, and type of hours, on the timesheet to the hours on the paystub. Hours noted were for regular pay, vacation pay, sick pay and pager pay. Two employees worked over 40 hours for the week. Aquarion provided additional documentation showing that the two employees were properly paid for overtime hours. No exceptions were noted with the review of the paystubs and timesheets.

Audit used the employee job titles noted on the payroll register to verify the hourly rate, for union employees, to the union contract. Audit was unable to determine which job title "OPERMAIN" on the register correlated with on the contract and requested additional information from the Company. Aquarion noted that Opermain stands for Operation Maintenance and is a general description in the SAP system and is not related to salary class.

Aquarion provided documentation showing the union employees' progression of hourly wages from 2016 (when the union contract went into effect), or their start date, which ever was latest. Audit was able to verify all of the hourly pay rates to the union contract without exception.

The December 20, 2019 payroll register shows the gross pay amount for the pay period to be \$15,479.97. Audit was able to verify that amount to the following three general ledger accounts without exception:

|        |                                  |                 |
|--------|----------------------------------|-----------------|
| 920000 | Payroll Expense                  | \$ 15,337.59    |
| 920006 | Standby Pay for Exempt Employees | \$ 115.38       |
| 926222 | Medical Plan Opt Out Credits     | <u>\$ 27.00</u> |
|        |                                  | \$ 15,479.97    |

Audit inquired if employees were allowed to use company vehicles for personal use. Aquarion noted that AWC-NH employees are not authorized to use company vehicles for personal use. The Vehicle Safety and Use Policy that was provided to Audit noted that if an employee is on call they must have the vehicle with them at all times. An example given in the policy manual notes that if a child has a baseball game the employee must take the vehicle to the game but the child is not allowed to ride in the vehicle.

Audit questioned why this example would not be considered personal use and Aquarion noted *"When an employee is 'on call' they need to be able to respond to all calls or emergencies (e.g., main breaks) as soon as possible wherever they are located. On call status is considered company business since the employee has to be available to respond immediately to any company business"*.

Audit did not see any indication of personal use of company vehicles being recorded on the paystubs or final payroll register reviewed.

Allocated Payroll

A total of \$265,688.48 was allocated to Aquarion NH by Connecticut customer service and IT employees.

|                                      |                    |
|--------------------------------------|--------------------|
| Direct time charged by CT employees  | \$128,980.74       |
| Allocation of customer service labor | \$89,382.27        |
| Allocation of IT labor               | <u>\$47,325.48</u> |
|                                      | \$265,688.48       |

Aquarion noted the following with regards to the allocated payroll:

*“Direct time charged by CT employees” is determined based on the number of hours charged to NH by CT employee charged times the employees’ rate of pay. The amount of direct wages charged to NH is shown on Schedule 1C, Bates number 537, line 28 of the Company’s application.*

The total “direct time charged by CT employees” was booked to five general ledger accounts.

|                                    |                      |
|------------------------------------|----------------------|
| 620001 Super Labor – Pumping Op    | \$ 870.78            |
| 640001 Super Labor – Treatment Op  | \$ 4,388.93          |
| 642001 Labor – Treatment Op        | \$ 4,376.32          |
| 665001 Super Labor – T&D Op – Misc | \$ 17,389.26         |
| 920004 G&A Labor                   | <u>\$ 101,955.45</u> |
|                                    | \$ 128,980.74        |

Audit reviewed the general ledger activity for all five accounts and was able to verify the total labor without exception.

Per Aquarion, “Allocation of customer service labor and IT labor” represent the portion allocated to NH for payroll incurred by the customer service center and IT cost center in the Company’s CT affiliate.

The customer service and IT labor is allocated based on the 2018 NH customer count served by CT employees. In January through March, CT was only taking 50% of the customer services calls as there was a call center open in NH. In April through December the NH call center closed and all calls were answered by CT employees, therefore the allocation percentage for the call center changed in April.

January – March

|                           |               |               |
|---------------------------|---------------|---------------|
| CT customers              | 198,269       | 88.95%        |
| MA and NH customers       | <u>24,620</u> | <u>11.05%</u> |
| Total Customers           | 222,889       | 100.00%       |
| MA customers              | 19,876        | 80.73%        |
| NH customers              | <u>4,744</u>  | <u>19.27%</u> |
| Total MA and NH customers | 24,620        | 100.00%       |

The total customer service labor for CT employees for January – March was \$594,656.45. The total labor was then multiplied by 11.05% (MA and NH customer percentage of total customers) to total \$65,709.54. That amount was then multiplied by 19.27% (NH percentage of MA and NH customers) to get a total customer service labor for January – March of \$12,661.50.

April – December

|                           |               |               |
|---------------------------|---------------|---------------|
| CT customers              | 198,269       | 87.10%        |
| MA and NH customers       | <u>29,363</u> | <u>12.90%</u> |
| Total Customers           | 227,632       | 100.00%       |
| MA customers              | 19,876        | 67.69%        |
| NH customers              | <u>9,487</u>  | <u>32.31%</u> |
| Total MA and NH customers | 29,363        | 100.00%       |

The total customer service labor for CT employees for April – December was \$1,840,749.80. The total labor was then multiplied by 12.90% (MA and NH customer percentage of total customers) to total \$237,456.72. That amount was then multiplied by 32.31% (NH percentage of MA and NH customers) to get a total customer service labor for April – December of \$76,720.77.

The January – March labor allocation amount was \$12,661.50 plus the April – December \$76,720.77 labor allocation totals \$89,382.27 for the year.

Aquarion provided SAP documentation to Audit showing AWC of Connecticut total labor booked to account 901001 (Exmp Labor – Cust S) and account 903001 (Coll & Billing Labor) totaling the labor amounts of \$594,656.45 for January – March and \$1,840,749.80 for April – December, as noted above. Audit recalculated the allocation percentage amount and the labor amounts allocated to NH for customer service without exception.

The allocated labor was booked to AWC-NH's general ledger account 905011, Allocated Customer Accounts Expense. The account total for the year was \$89,382.31,

which was the amount of customer service labor allocated to NH. No exception was noted with the booking of the allocated customer service labor to the AWC-NH GL.

IT labor was fully located in CT for entire year and used the allocation percentages noted below. These are the same percentages used for the April – December customer service labor.

|                           |               |               |
|---------------------------|---------------|---------------|
| <u>IT Full Year</u>       |               |               |
| CT customers              | 198,269       | 87.10%        |
| MA and NH customers       | <u>29,363</u> | <u>12.90%</u> |
| Total Customers           | 227,632       | 100.00%       |
|                           |               |               |
| MA customers              | 19,876        | 67.69%        |
| NH customers              | <u>9,487</u>  | <u>32.31%</u> |
| Total MA and NH customers | 29,363        | 100.00%       |

SAP documentation, provided by Aquarion, shows a total of \$1,135,473.02 booked to AWC-CT account 906001 IT Labor. The CT IT labor was multiplied by the 12.90% representing the percentage of MA and NH customers and then multiplied by the NH percentage of 32.31%. The total labor allocated to NH for CT IT labor was \$47,325.48. No exception was noted with the calculation of the IT labor allocation.

The IT labor allocation was booked to AWC-NH general ledger account 906011, Allocated IT Expenses. A total of \$262,527.41 was booked to this account for allocated labor and other expenses. The allocated amounts were booked monthly in two lump sum amounts. Audit requested additional information from Aquarion to verify the payroll amount booked to the GL was correct and Aquarion was unable to provide a breakdown. Aquarion noted the following regarding the two entries:

*“There are 2 entries per month that show 1) the allocation of IT Labor and IT expenses, and 2) allocation of the depreciation of IT assets and return on IT assets.”*

Aquarion also noted that *“The \$47,325 is included in the total amount of \$262,527 for IT expenses for New Hampshire for 2019.”*

Due to the lump sum amounts, Audit was unable to determine the exact amounts booked to account 906011 for labor. **Audit Issue #12**

#### Payroll Accrual

Audit requested, and received, a copy of the journal entry and supporting documentation for the end of year payroll accrual. A total of \$21,740 was booked to account 920000, Payroll Expense and offset to account 242006, Accrued Payroll. Audit verified this amount to both general ledger accounts without exception.

The supporting documentation provided was the ADP payroll register showing the gross pay for the period of December 21, 2019 through December 27, 2019 to be \$15,740. The pay date for this pay period was January 2, 2020. December 28 and 29 were a Saturday and Sunday respectively, and no accrual was done for those days. As timesheets for the dates of December 30, 2019 and December 31, 2019 were not submitted, an estimated payroll amount of \$6,000 was added to the \$15,740 to come up with a total of \$21,740 in accrued payroll.

The payroll accrual was reversed on January 1, 2020.

#### Vacation Accrual

As the Company does not allow the carry-over of unused vacation time; therefore, there was no vacation accrual booked to the general ledger for the end of 2019.

#### Pension Contributions

Aquarion noted the following regarding pension contributions:

*“An actuary has been employed to value the pension and post-retirement healthcare benefits of the Aquarion plans. Aquarion Water Company of New Hampshire, along with other subsidiaries of Aquarion, participates in these plans. Both plans have been closed to new employees and participation under the pension plan was closed effective October 1, 2009 with respect to any non-union Employee who did not become a Participant before October 1, 2009. Further, participation under the pension plan was closed effective January 1, 2011 with respect to any union Employee who was not employed on January 1, 2011.*

*Since several subsidiaries of Aquarion participate in Aquarion’s employee benefit plans, it is impractical to segregate the assets of the individual plans. Ultimately, the subsidiaries receive a portion of the total costs based upon the demographics of the employee groups therein. In 2019 an actuarial loss of \$23.8 million was recorded to the Aquarion Pension Plan due primarily to a change in the discount rate and a mortality table update. In the Aquarion Postretirement Plan, an actuarial loss of \$4.1 million was reported in 2019 due primarily to a change in the discount rate, a change to the mortality projection scale, asset returns higher than expected and lower than expected benefit payments. Aquarion Water Company of New Hampshire’s portion of the net pension cost was \$41,302 in 2019 (Accounts 926201 and 926226). The Company’s portion of postretirement benefit income was \$84,602 in 2019 (Accounts 926204 and 926227).*

*Aquarion offers a 401k plan where the company matches 100% of the first 6% for all new hires into the plan. Those hired prior to 8/1/2010 receive a 75% company match for the first 6% contributed.”*



Audit verified the pension contribution amount of \$41,302 to the following accounts without exception:

|   |                      |
|---|----------------------|
| 926201 Pension Expense – Service Cost     | \$ 65,948.54         |
| 926226 Pension Expense – Other Components | <u>\$(24,646.08)</u> |
|   | \$ 41,302.46         |

Audit also verified the postretirement benefit income amount of \$84,602 to the following accounts without exception:

|  |                   |
|--|-------------------|
| 926204 Retiree Medical – Service Cost  | \$ 8,788.04       |
| 926227 OPEB Expense – Other Components | <u>\$(93,390)</u> |
|  | \$(84,601.96)     |

### Incentive Compensation

Audit requested and received a copy of the “Aquarion Water Company Employee Incentive Plan” that was effective January 1, 2019. The plan detailed the objectives of having an incentive plan, the performance measures, matrix of achievement, matrix of target payout, and the time and form of payments.

Aquarion noted, “An incentive plan payout for non-union employees was accrued in Account 920102 in the amount of \$10,948.94 during 2019”.

Audit reviewed the detail of account 920102 Bonus Expense which contained twelve entries for \$918.50 each and a true-up of \$(73.06) totaling \$10,948.94. No exception was noted.

Schedule No. 1E in the filing shows a total of \$13,097 of bonuses charged to expenses during the test year. The total shown on the schedule includes the \$10,948.94 in account 920102 and \$2,148 in account 920103, LTIP Accrual. No exception was noted.

### Payroll Taxes

Payroll taxes are charged to Aquarion directly, for the direct charged payroll, and allocated, for the allocated payroll.

Page 1 of 3 of Schedule No. 1, Statement of Net Income, in the filing shows the total Taxes Other to be \$753,018.

|                                 |            |
|---------------------------------|------------|
| 408001 Payroll Taxes            | \$ 60,856  |
| 408004 Property Taxes – Utility | \$ 677,193 |
| 408011 PR OH – PR Taxes         | \$ 21,792  |

|                             |            |
|-----------------------------|------------|
| 408500 PR OH – Cap PR Taxes | \$ (6,824) |
| Taxes Other than Income     | \$ 753,018 |

\$60,856 was booked to account 408001 Payroll Taxes during the text year. All payroll taxes, such as FUTA, SUTA, social security and Medicare, for the direct charged employees is booked to this account. Audit was able to tie the payroll tax amounts from the final pay period payroll register to account 408001 without exception.

Audit reviewed the W-2, FUTA tax return and SUTA tax return. The yearly amounts due per the tax returns is \$48,948 for Social Security, \$11,447.52 for Medicare, \$504 for FUTA and \$168 for SUTA. The total per these statements is \$61,067.52, which is \$211.33 higher than the amount booked to the general ledger. As this amount is immaterial, no issue exists.

See the Property Tax Expense section for detail regarding the \$677,193 booked to account 408004 Property Taxes – Utility.

\$21,792 was booked to account 408011 PR OH – PR Taxes for 2019. These are the taxes charged to AWC-NH for the allocated CT payroll. The taxes charged are 8% of the total allocated payroll including direct charged CT, customer service and IT.

The 8% rate is determined by dividing the 2018 total AWC-CT payroll taxes (\$2,138,422.41) by the total AWC-CT wages of 2018 (\$27,090,862.22).

The total allocated payroll amount of \$265,688.48 is multiplied by 8% totaling \$21,255.08. A total of \$21,792 was booked to the general ledger for the year. Regarding the difference between the calculated amount and the GL amount, Aquarion noted *“The wages used to calculate payroll benefits and payroll taxes associated with the ‘direct time charged by CT employees’ incorrectly included \$7,005.27 of wages charged to certain general overhead orders during the period Jan-May 2019. This resulted in excess benefit and payroll taxes of \$4,203.16 being charged to NH (52% of payroll benefits + 8% of payroll taxes on \$7,005.27).*

Audit recommends AWC-NH make an adjusting journal entry for the difference of \$560.41 (the amount booked to the GL and a calculated total). Audit also notes that Schedule No.1S in the filing shows the test year amount of \$21,792, as that is what was recorded in the general ledger. **Audit Issue #8**

Account 408500 PR OH – Cap PR Taxes had a total of \$(6,824) booked to it during 2019. The entries in this GL account were to capitalize payroll for the directly charged NH employees. The entries in this account are offset to account 926500 PR Overhead – Capitalized Fringe Benefits. The sum of account 408001 Payroll Taxes

(\$60,856) and this account, 408500, total \$54,032, which is the test year total that is shown on Schedule No.1S.

### Taxes

#### Prepaid Taxes \$121,621

The total noted in this line item, which was noted in the PUC annual report and the filing schedule 2, is comprised of one asset account:

|       |                               |           |
|-------|-------------------------------|-----------|
| Asset | 165002 Prepaid Property Taxes | \$121,621 |
|-------|-------------------------------|-----------|

Audit reviewed the second issue Hampton, North Hampton, Rye, and Stratham property taxes and recalculated the prepaid amount which properly represents ½ of the 2019 second issue.

#### Property Tax Expense

Audit verified the property taxes paid during the test year, \$677,193 to the following:

|   |                  |                                 |
|---|------------------|---------------------------------|
| 2019 NH DRA Utility Property Tax          | \$225,703        |                                 |
| ½ of 2 <sup>nd</sup> Issue 2018 municipal | \$127,383        |                                 |
| Full 1 <sup>st</sup> Issue 2019 municipal | \$250,244        |                                 |
| ½ of 2 <sup>nd</sup> Issue 2019 municipal | <u>\$121,621</u> |                                 |
| Property tax expense                      | \$724,950        |                                 |
|   | <u>\$677,193</u> | Total per general ledger 408004 |
| Difference                                | \$47,757         | <b>Audit Issue #9</b>           |

Audit reviewed the \$677,193 in property tax expense booked to the 2019 annual report and filing schedule 1 to the actual municipal property tax bills and NH Department of Revenue Administration 2019 state utility tax. There was a \$47,757 difference that relates to how the Company paid the state utility tax. The 2019 DP-255 indicated the state utility tax was \$225,703. The Company estimated the state utility tax liability to be roughly \$200,000 for 2019. The Company paid \$177,956 in state property tax payments during 2019 along with a (\$22,044) prior year credit carryover for overpayment of prior year taxes. The remaining \$25,702 difference represents the difference between the \$200,000 2019 estimated tax liability and the actual tax liability that is related to taxes owed on the DP 255 and RSA 83-F Notice of Valuation and Tax Bill. The Company indicated the remaining tax liability was paid and expensed in January 2020. Based on a review of all the municipal property tax bills and state utility tax bills the 2019 property tax expense should be \$724,950. The Company should adjust filing schedule 1 and annual report to reflect the adjustment. **Audit Issue #9**

The Company indicated there were no abatements during the test year.

## State Education Tax

The Company, on the Hampton Parcel 164-13 for the 2018 second issuance, 2019 first issuance, and 2019 second issuance, paid a total of \$568 in statewide education tax that should not have been assessed on utility property at a municipal level. The Company provided the municipal tax bills for the second issuance. The state education tax calculation for the 2019 first issuance has been calculated by prorating exacting half the second half issuance.

| <u>Town</u> | <u>Parcel</u> | <u>Date</u>          | <u>State Ed. Tax</u>         |
|-------------|---------------|----------------------|------------------------------|
| Hampton     | 164-13        | 2018 2 <sup>nd</sup> | \$190                        |
| Hampton     | 164-13        | 2019 1 <sup>st</sup> | \$189                        |
| Hampton     | 164-13        | 2019 2 <sup>nd</sup> | <u>\$189</u>                 |
| Total       |               |                      | \$568 <b>Audit Issue #10</b> |

See Payroll section for discussion of other 408 accounts specifically related to payroll.

## Review of Federal Income Tax

PUC Audit, as part of the Eversource rate case DE 19-057, requested and was provided with copies of the un-redacted 2017 and 2018 federal income tax returns filed by Eversource Energy and subsidiaries. The un-redacted 2019 federal income tax return was reviewed as part of this Aquarion rate case audit, DW 20-184. The federal returns are consolidations of 47 unregulated and regulated entities in NH, CT, NY and MA.

Jay Buth the Eversource VP, Controller, and Chief Accounting Officer signed the 2017 Form 1120 on July 26, 2018, the 2018 Form 1120 in mid-October 2018, and the 2019 Form 1120 on June 25, 2020. The tax rate for 2018 and 2019 was 21%.

The 2017 Tax Cuts and Jobs Act legislation allows utilities an exemption from deductibility of interest and 100% qualified expensing of property. The tax act does not permit utilities to immediately expense 100% of the cost of new investments in qualified property.

For 2018, the overall taxable income for Eversource Energy and Subs, per the Form 1120 U.S. Corporation Income Tax Return was \$539,949,093 with an overpayment of \$31,646,903 identified, and credited to the 2019 estimated tax. The 2018 taxable income for AWCNH specifically was \$1,355,924.

For 2019, the overall taxable income for Eversource Energy and Subs was \$300,671,475 with an overpayment of \$23,916,310 credited to the 2020 estimated tax. The 2019 taxable income for AWCNH specifically was \$444,050. The Aquarion Water NH net income per the PUC Annual Report for 2018 was \$1,479,955 and for 2019 was \$1,093,612.

| Form 1120 U.S. Corporation Income Tax Return         | AWC NH<br>per 2018<br>Federal Return | AWC NH<br>per 2019<br>Federal Return |
|--|--------------------------------------|--------------------------------------|
| Total Assets   | \$ 39,663,684                        | \$ 45,153,243                        |
| 1A-Gross Receipts                                    | \$ 7,389,109                         | \$ 7,608,140                         |
| 1B-Return & Allowance                                | \$ -                                 | \$ -                                 |
| 1C-subtract 1B from 1A                               | \$ 7,389,109                         | \$ 7,608,140                         |
| cost of good sold from 1125-A                        | \$ 646,532                           | \$ 837,176                           |
| Gross Profit line 1C less line 3                     | \$ 6,742,577                         | \$ 6,770,964                         |
| Dividends schedule C line 4                          | \$ -                                 | \$ -                                 |
| Interest line 5                                      | \$ 19,922                            | \$ -                                 |
| Gross Rents line 6                                   | \$ 141,423                           | \$ 146,460                           |
| gross royalties line 7                               | \$ -                                 | \$ -                                 |
| capital gain net income schedule d line 8            | \$ -                                 | \$ -                                 |
| net gain (loss) from form 4797 line 9                | \$ 15,544                            | \$ (189,716)                         |
| other income (attach schedule) line 10               | \$ -                                 | \$ -                                 |
| TOTAL INCOME line 3 through 10 for line 11           | \$ 6,919,466                         | \$ 6,727,708                         |
| Compensation of Iofficers form 1125-E line 12        | \$ -                                 | \$ -                                 |
| Salaries and Wages line 13                           | \$ 658,413                           | \$ 786,945                           |
| Repairs line 14                                      | \$ 437,146                           | \$ 1,016,276                         |
| Bad debt line 15                                     | \$ 14,996                            | \$ 11,021                            |
| Rents line 16  | \$ 104,238                           | \$ 128,930                           |
| Taxes line 17  | \$ 881,030                           | \$ 776,010                           |
| Interest line 18                                     | \$ 842,411                           | \$ 875,262                           |
| Contributions (see instructions) line 19             | \$ 1,000                             | \$ 6,000                             |
| Dprctn from form 4562 not on 1125-A line 20          | \$ 1,020,905                         | \$ 1,030,263                         |
| Depletion line 21                                    | \$ -                                 | \$ -                                 |
| Advertising line 22                                  | \$ -                                 | \$ -                                 |
| Pension, Profit Share etc plans line 23              | \$ 314,737                           | \$ 416,774                           |
| Employee benefit programs line 24                    | \$ 477,993                           | \$ 461,114                           |
| RESERVED line 25                                     | \$ -                                 | \$ -                                 |
| other deductions line 26                             | \$ 810,673                           | \$ 775,063                           |
| Total Deductions lines 12 - 27                       | \$ 5,563,542                         | \$ 6,283,658                         |
| Ptaxable Income befor NOL and special deduct line 28 | \$ 1,355,924                         | \$ 444,050                           |
| less NOL deduction line 29A                          | \$ -                                 | \$ -                                 |
| special deduction schedule c line 29B                | \$ -                                 | \$ -                                 |
| TAXABLE INCOME line 30 =line 28-line 29a-line 29b    | \$ 1,355,924                         | \$ 444,050                           |

## **Review of NH Business Tax Returns**

As part of the Eversource DE 19-054 rate case audit, Audit reviewed the 2017 and 2018 combined group NH Business Profits Tax returns and Business Enterprise Tax returns. The 2019 returns were requested and provided in the context of this Aquarion DW 20-184 rate case audit.

The NH State income tax returns are filed under the business organization name of the Connecticut Light and Power Company. When asked why the filings are not done under one of the NH utility names, the Company indicated the return has been filed with the NHDRA in this manner for a number of years, likely beginning when NU purchased PSNH.

| <u>per 2019 BT-Summary</u>        | <u>2017</u>           | <u>2018</u>           | <u>2019</u>           |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| BET Net of Statutory Credits      | \$ 1,317,950          | \$ 1,363,915          | \$ 1,212,160          |
| BPT Net of Statutory Credits      | \$ 2,944,491          | \$ 2,294,238          | \$ -                  |
| Total BEP and BPT                 | \$ 4,262,441          | \$ 3,658,153          | \$ 1,212,160          |
| Estimated Tax Payments            | \$ (6,550,000)        | \$ (7,600,000)        | \$ (3,075,000)        |
| Credit Carryover Prior Tax Period | \$ (1,877,264)        | \$ -                  | \$ -                  |
|                                   | <u>\$ (4,164,823)</u> | <u>\$ (3,941,847)</u> | <u>\$ (1,862,840)</u> |

[From the DE 19-057, 2018 rate case Audit report] The consolidated Company, in 2017 paid \$1,317,950 in New Hampshire Business Enterprise Tax. The NHBET is comprised of wages, sales, and taxable enterprise value tax base. The Company paid \$54,751,037 in New Hampshire Waters Edge Business Profits on line 15 of page NH-1120-WE of the tax return. The Company paid \$4,489,585 in 2017 Business Profits tax based on an 8.2% rate for 2017. The Company had (\$1,545,094) in NH BET credits for the year. The 2017 Business Profits Tax net of statutory credits is \$2,944,491.

From the DE 19-057, 2018 rate case Audit report: *“The 2018 tax return was filed on September 20, 2019. The Company, in 2018, paid \$1,363,915 in New Hampshire Business Enterprise Tax. The Company paid \$46,305,735 in New Hampshire Waters Edge Business Profits on line 15 of page NH-1120-WE of the tax return. The Company paid \$3,658,153 in 2018 Business Profits tax based on a 7.9% rate for 2018. The Company had (\$1,363,915) in NH BET credits for the year. The 2018 Business Profits Tax net of statutory credits is \$2,294,238.”*

The 2019 tax return was filed on September 9, 2020. The Company, in 2019, paid \$1,212,160 in New Hampshire Business Enterprise Tax. The New Hampshire Waters Edge taxable Business Profits, on line 15 of the NH-1120-WE return demonstrated \$10,591,827. The Company calculated \$815,571 in 2019 Business Profits tax based on a 7.7% rate for 2019, and applied prior year BET tax credits to satisfy the return. The Company had \$1,212,160 in NH BET credits for the year, used the \$815,571 for the BPT, resulting in \$396,589 in Excess BET Credits at the end of 2019. The 2019 result, per line 20 of the NH-112—WE was \$-0- due

## Tax Allocation Agreement

The Company provided a Third Amended and Restated Tax Allocation Agreement from 2012 that was between Northeast Utilities the Parent Company and the associated companies. The Company lawyer indicated even though Aquarion was purchased in 2017 they are considered an associate per page 1 of the agreement.

### Accumulated Deferred Income Taxes per Filing

|  |                    |
|--|--------------------|
| 253201 Excess Def. Income Taxes Due to Rate Payers | \$1,754,818        |
| 2820010 Deferred Income Taxes-Flowthrough Dep.     | \$2,303,284        |
| 283019 Pre-Acquisition (AW Companies) DTL-Flow     | \$157,614          |
| 283004 Deferred Taxes-FAS 109                      | \$2,714,378        |
| 283020 Deferred Taxes-EDIT                         | <u>(\$483,575)</u> |
| Total ADIT per Filing Schedule 2                   | \$6,446,519        |

### Per Annual Report

283019 Pre-Acquisition (AW Companies) DTL-Flow \$157,614 listed as acct 255  
an investment tax credit. **Audit Issue #11**

|   |                    |
|---|--------------------|
| 282001 Deferred Income Taxes-Flowthrough Dep. | \$2,303,284        |
| 283004 Deferred Taxes-FAS 109                 | \$2,714,378        |
| 283020 Deferred Taxes-EDIT                    | <u>(\$483,575)</u> |
| Total   | \$2,230,803        |

Audit reviewed the tax worksheets provided by the Company to calculate the Accumulated Deferred Income Taxes. The Company on the filing included the \$1,754,818 booked to Other Deferred Credits account 253201 Excess Deferred Income Taxes. The difference in the account represents the lowering of the federal corporate income tax from 35% to 21% in December 2017 because of the TCJA. The Other account activity consisted of the revenue portion returned to rate payers for the TCJA and the adjustments for Accumulated Depreciation and Amortization.

The Company included \$157,614 in pre-acquisition deferred taxes prior to purchasing AWS. The 282001 Excess Deferred Income Taxes account activity during 2019 consisted of \$6,072 during the year per the tax worksheets. The Company on the annual report included the acquisition charges as an investment tax credit account 255 when they should be included in the ADIT on the annual report as that is where the costs are booked on the GL. **Audit Issue #11**

### Unfunded Deferred Taxes

|  |                  |
|--|------------------|
| 186901 Unfunded Deferred Asset-FAS 109 | \$2,303,756      |
| 186909 Unfunded Deferred Asset-109     | <u>\$321,044</u> |
| Total                                  | \$2,624,800      |

Audit reviewed the unfunded deferred tax accounts on filing schedule 2 and 2F. The \$2,303,759 is the offsetting account to the ADIT 282010 account. The FAS 109 account relates to changes in the effects for the accounting of income taxes. There was another account 186909 that related to accounting changes for FAS 109 with regard to the Tax Cuts and Jobs Act passed in 2017. See Miscellaneous Deferred Debits in the Asset section for more details.

### Other Deferred Credits

| <u>Per Annual Report</u>            |                 | <u>Per Filing Schedule 2</u> |
|-------------------------------------|-----------------|------------------------------|
| 253019 Federal Revenue Adj. Date    | \$ 514,000      | \$514,000                    |
| 253021 Excess Deferred Income Taxes | \$1,754,818     |                              |
| 253022 CIAC Tax Gross Up            | <u>\$15,039</u> | <u>\$15,039</u>              |
| Total                               | \$2,283,857     | \$529,038                    |

Audit reviewed the Other Deferred Credits account to the filing schedule 2 and 2019 annual report. The \$1,754,818 Excess Deferred Income Taxes is the difference from the lowering corporate tax rate from 35% to 21% based on the Tax Cuts and Jobs Act passed in December 2017. The Excess Deferred Income Taxes is included in the ADIT tax calculations for filing purposes. The \$514,000 Federal Revenue Adjustment booked to account 253019 is the revenue adjustment due to ratepayers that represents the cumulative regulatory liability for tax savings realized since the TCJA passed in 2017.

Audit reviewed calculations were in accordance with the settlement agreement reach in DW 18-161 and DW 18-054. The formula the Company used to calculate the accrual was based on the formula in the most recent DW 12-085 rate case. Audit reviewed the calculation worksheet for the \$15,039 CIAC tax gross up for 2019 projects done on High St, Fern St, and Winnacunnet road in Hampton.

### State Income Taxes

|   |                |
|---|----------------|
|   | <u>2019</u>    |
| #409002, State Income Tax                 | \$27,492       |
| #409008, State Income Tax Current         | <u>(2,502)</u> |
| Total State Income Tax Expense            | \$24,990       |
| <br>                                      |                |
| #410002, State Income Tax Deferred        | 28,368         |
| #410004, State Income Tax Utility FAS 109 | (1,440)        |
| #410008, Deferred SIT Adjustments         | <u>2,438</u>   |
| Total Deferred State Income Taxes         | \$29,366       |



Audit reviewed the tax work sheets for the 2019 \$24,990 state income tax expenses to the filing schedule 1 and 2019 annual report. The state income tax expense was based on \$357,044 Stand Alone Taxable income that included an exclusion for bonus depreciation. The Company applied the correct 7.7% Business Profits Tax for the year. Audit reviewed the tax worksheets for the \$29,366 deferred state income tax to the tax worksheets prepared by the Company. The State of NH Business Tax returns are in the name of the parent Connecticut Power and Light. The Company indicated this is the way the state returns have been prepared since NStar-Northeast Utilities merger.

Federal Income Taxes

|                                      | <u>2019</u>    |
|--------------------------------------|----------------|
| #409001, Federal Income Tax Utility  | \$92,306       |
| #409007, Federal Income Tax Current  | <u>525</u>     |
| Total Federal Income Taxes           | \$99,289       |
|                                      |                |
| #410001, Federal Income Tax Deferred | \$48,310       |
| #410003, Federal Income Tax FAS 109  | 21,569         |
| #410007 Deferred Tax Adjustments     | <u>(6,970)</u> |
| Total Deferred Income Taxes          | \$62,909       |

Audit reviewed the tax work sheets for the 2019 \$99,289 state income tax expenses to the filing schedule 1 and 2019 annual report. The federal income tax expense was based on \$439,552 stand-alone taxable income that included an exclusion for state income tax. The Company applied the correct 21% federal corporate tax rate for 2019. Audit reviewed the tax worksheets for the \$62,909 deferred state income tax to the tax worksheets prepared by the Company.

# **Audit Issue #1** **Company using FERC Electric USOA**

## **Background**

Aquarion is required to comply with the Uniform System of Accounts for Water Utilities, as defined in Puc rule 607.07.

## **Issue**

The Company is using the FERC Electric USOA for a number of accounts, rather than the NHPUC Uniform System of Accounts for Water Utilities. When questioned, the Company informed Audit that the numbering system used is based on the uniform system of accounts for water utilities approved by the Connecticut Public Utilities Regulatory Authority, applied across all states and affiliates. The charts below summarize the accounts used vs. the NH USOA that should be used:

| Account Name                                  | FERC-Electric<br>Account # | NH USOA for<br>Water Utilities |
|---|----------------------------|--------------------------------|
| Utility Plant Held for Future Use             | 105000                     | 103                            |
| Accumulated Depreciation                      | 111001                     | 108                            |
| Proceeds Sale of Equipment                    | 111002                     | 108                            |
| Cost of Removal                               | 111003                     | 108                            |
| Acc Dep Capitalized Pension/OPEB              | 111005                     | 108                            |
| Accum Dep-Retirements                         | 111010                     | 108                            |
| Construction Work in Progress                 | 107000                     | 105                            |
| Other Investments                             | 124000                     | 125                            |
| Supplies Inventory                            | 154000                     | 151-153                        |
| Supplies Inventory-Chemicals                  | 154002                     | 151-153                        |
| Miscellaneous Prepayments                     | 165000                     | 162                            |
| Prepaid Property Taxes                        | 165002                     | 163                            |
| Prepaid Insurance                             | 165003                     | 162                            |
| Prepaid PURA Assessment                       | 165005                     | 162                            |
| Prepaid Dues and Subscriptions                | 165006                     | 162                            |
| Prepaid Bond Trust-Fees                       | 165011                     | 162                            |
| Retained Earnings                             | 216                        | 214-215                        |
| Accounts Payable                              | 232xxx                     | 231                            |
| Notes Payable                                 | 233                        | 232                            |
| Miscellaneous Current and Accrued Liabilities | 242xxx                     | 241                            |
| Intercompany Interest Expense                 | 430000                     | 427                            |
| Interest on Tax Assessments                   | 431002                     | 427                            |
| Police/Fire Revenue                           | 463001                     | 462                            |
| Public Authority Water Revenue                | 464002                     | 461                            |

The chart below represents specifically the Plant accounts used by Aquarion vs. the NH USoA numbers that should be used:

|                   |                            | Correct Acct #                |                                       |
|-------------------|----------------------------|-------------------------------|---------------------------------------|
| Sum of 12/31/2019 | FERC Elec. USOA            | Water USOA per Bates Page 645 | Account Description Per Water USOA    |
| \$ 4,778.50       | 105                        | 103                           | Property Held for Future Use          |
| \$ 17,700.00      | 301                        | 301                           | Organizational Costs                  |
| \$ 635,643.46     | 310                        | 303                           | Land and Land Rights                  |
| \$ 642,550.27     | 311                        | 304                           | Structures and Improvements           |
| \$ 3,140,637.95   | 314                        | 307                           | Wells and Springs                     |
| \$ 137,489.99     | 316                        | 309                           | Supply Mains                          |
| \$ 1,723,261.12   | 317                        | 339                           | Other Water Source Plant              |
| \$ 1,392,388.27   | 321                        | 304                           | Pumping Structures and Improvements   |
| \$ 907,573.32     | 325                        | 311                           | Electric Pumping Equipment            |
| \$ 32,076.32      | 328                        | 311                           | Other Pumping Equipment               |
| \$ 58,588.17      | 331                        | 304                           | Treatment Structures and Improvements |
| \$ 231,133.66     | 332                        | 320                           | Treatment Equipment                   |
| \$ 314,551.16     | 340                        | 303                           | T&D Land and Land Rights              |
| \$ 32,893.56      | 341                        | 304                           | T&D Structures and Improvements       |
| \$ 2,708,343.96   | 342                        | 330                           | Dist Reservoirs and Standpipes        |
| \$ 26,634,035.12  | 343                        | 331                           | Transmission and Dist. Mains          |
| \$ 5,731,678.62   | 345                        | 333                           | Services                              |
| \$ 1,620,461.06   | 346                        | 334                           | Meters                                |
| \$ 198,718.93     | 347                        | 334                           | Meter Installations                   |
| \$ 709,986.40     | 348                        | 335                           | Hydrants                              |
| \$ 178,436.23     | 349                        | 339                           | Other T&D Mains                       |
| \$ 566,028.75     | 390                        | 304                           | General Structures and Improvements   |
| \$ 6,649.90       | 391                        | 340                           | Office Furniture and Equipment        |
| \$ 184,413.03     | 391H                       | 340                           | Computer Equipment-Hardware           |
| \$ 419,295.11     | 391S                       | 340                           | Computer Equipment Software           |
| \$ 644,403.27     | 392                        | 341                           | Transportation Equipment              |
| \$ 330.88         | 393                        | 342                           | Stores Equipment                      |
| \$ 87,849.36      | 394                        | 343                           | Tools, Shop, and Garage Equipment     |
| \$ 109,715.27     | 396                        | 345                           | Power Operated Equipment              |
| \$ 51,552.91      | 397                        | 346                           | Communications Equipment              |
| \$ 219,460.69     | 398                        | 347                           | Misc. Equipment                       |
| \$ 49,342,625.24  |                            |                               |                                       |
| \$ (4,779.00)     |                            |                               |                                       |
| \$ 49,337,846.00  | Total Plant in Service F-8 |                               |                                       |

## Recommendation

The Company is required by Puc Rule 607.07 to maintain its financial books in accordance with the Uniform System of Accounts for Water Utilities.

## Company Comment

The Company disagrees with Audit Issue #1. The Company acknowledges that the Commission's rule Puc 607.07(a) requires that accounts and records be maintained in line with the account classifications set out by the Commission. Section 1(d)(14)A. of

the Uniform System of Accounts for Water Utilities (“USoA”) published by the Commission to implement this rule (located on the Commission’s site here: <https://www.puc.nh.gov/Water-Sewer/Chart%20of%20Accounts/USOA-WATER.pdf>), provides “As a general rule, all accounts kept by reporting companies shall conform in numbers and titles to those prescribed herein. ***However, reporting companies may use different numbers for internal purposes when separate accounts (or subaccounts) maintained are similar to the title and content of accounts and subaccounts prescribed in the system.***” (emphasis added). Thus, the USoA itself specifies that adherence to the numbering requirements is not required in all instances.

As noted by the Audit Staff, Aquarion follows the Uniform Chart of Accounts based upon the requirements of the Connecticut Public Utilities Regulatory Authority (“PURA”) across all affiliates, including in New Hampshire. This was the same system and method of accounting followed by the Company at the time of its last two rate cases in 2008 (DW 08-098) and 2012 (DW 12-085), and which was not noted as an issue in the audit conducted for these two proceedings. The numbering of accounts based on the PURA system is similar in title and content to the accounts provided for in the USoA in New Hampshire. Further, the PURA system is used for the Company’s internal purposes, but in providing submissions to the Commission (such as the Company’s annual report), the Company provides the information in line with the New Hampshire USoA. Accordingly, in addition to the Company’s accounting method having been previously accepted by the Audit Staff for use in New Hampshire, the Company uses a system of accounts for internal purposes that is similar to the title and content of the USoA and provides relevant records in line with the USoA. Thus, Aquarion complies with the requirements of the USoA for New Hampshire and does not agree with the Audit Staff finding on Audit Issue #1.

## **Audit Conclusion**

Audit understands and appreciates the ambiguity included within the NH USoA. While the identification of this as an issue was not part of the DW 08-098 or DW 12-085 Audit reports, the lack of addressing it does not indicate that the usage of the PURA accounts was accepted by the Audit Staff for use in New Hampshire.

However, given the identification of the account numbering system as an issue in this current audit, the comparison provided within the filing, 1604.01(a)(9), of the accounts used by Aquarion to the accounts demonstrated in the NH PUC USoA for Water Utilities, and the *basic* ability to review the reported Annual Report figures as appropriate, this Audit Conclusion accepts the Company’s use of an account numbering system that varies from the NH PUC USoA. The Company, however, is reminded that the intent of the accounting system required for Regulatory purposes must follow the NH PUC USoA and related Puc Rules. Refer to Audit Issues #4, #5, and #6 of this report.

## **Audit Issue #2**

### **Incorrect Additions/Adjustments on Annual Report**

#### **Background**

The Company, on the 2019 F-8 of the annual report, reflected total additions of \$3,808,706.

#### **Issue**

The CPR records indicated there was a total of \$117,269 in adjustments that were not reflected as such on the 2019 F-8 on the annual report.

| The Continuing Property Records reflect: |                     | Schedule F-8        |
|--|---------------------|---------------------|
| Beginning Balance                        | \$46,108,515        | \$46,103,737        |
| Additions                                | \$ 3,691,437        | \$ 3,808,706        |
| Adjustments                              | \$ 117,269          | \$ -0-              |
| Retirements                              | <u>\$ (574,596)</u> | <u>\$ (574,598)</u> |
| Ending Balance                           | \$49,342,847        | \$49,337,847        |
| Property Held for Future                 | <u>\$ (4,779)</u>   | <u>\$ -0-</u>       |
| Ending Plant in Service                  | \$49,337,847        | \$49,337,847        |

#### **Recommendation**

The Continuing Property Records do agree, when adding the additions and adjustments, with the F-8 \$3,808,705 additions. Going forward, the annual reports should more accurately reflect the specifics of additions and adjustments.

#### **Company Comment**

Going forward the Company will more accurately reflect the specifics of additions and adjustments.

#### **Audit Conclusion**

Audit concurs with the Company comment.

### **Audit Issue #3**

#### **Public Relations, Public Affairs Costs**

#### **Background**

The Company capitalized public relations and public affairs costs which consisted of dealing with the NHDES, legislators, customers, other government regulatory bodies, and other community stakeholders.

#### **Issue**

The Company capitalized \$48,048 in public relations and public affairs costs from Next Generation Strategies with regards to Project #17 for PFC treatment and contamination of well # 6 in Hampton/North Hampton. The project was unitized to plant in service for \$344,023.

| <u>Vendor Name</u>         | <u>Invoice #</u> | <u>Amount</u>  |
|----------------------------|------------------|----------------|
| Next Generation Strategies | 20180131         | \$10,430       |
| Next Generation Strategies | 20180228         | \$10,859       |
| Next Generation Strategies | 20180331         | \$10,596       |
| Next Generation Strategies | 20171130         | <u>\$5,304</u> |
| Total                      |                  | \$48,048       |

The Company allocated \$1,630 out of \$7,588 on a Next Generation Strategies invoice that was related to PR/Public Affairs for the Route 101 Main Extension project #19. The public affairs consulting relates social media, communication, email, and other communication with the Hampton Chamber of Commerce related to updates on the project.

| <u>Vendor Name</u>         | <u>Invoice #</u> | <u>Amount</u> |
|----------------------------|------------------|---------------|
| Next Generation Strategies | 20190630A        | \$1,630       |

#### **Recommendation**

The Company should reduce the filing so the \$49,678 in capitalized Next Generation Strategies are removed from the plant in service accounts. The general ledger Plant in Service account should also be reduced.

The public relations costs should have been booked to an expense account below the line.

## **Company Comment**

The Company disagrees with Audit Issue #3. The \$49,678 of costs are related to standard planning and design costs incurred related to building a water treatment facility which the Company has appropriately capitalized.

In 2017, the Company discovered relatively high levels of PFAS in Well 6. In response to intense public concerns about this issue, the Company committed to public officials in Hampton and North Hampton that it would take decisive steps to address this issue, which at the time was not subject to regulatory requirements.

As part of the planning, input from public officials and other stakeholders was critical when it came to decisions about whether to build a treatment facility and what such a facility, if built, would do; as such, each task in the process included detailed communications with town officials and incorporation of their input into the overall project plan. More specifically, with no regulatory requirement at the time to remove PFAS from the water (DES has since developed limits for four PFAS), it was important to first inform public officials of the PFAS risk, the alternative solutions to address this risk, the cost of these solutions, and the rate impact, and second to obtain their feedback to understand their interests in the Company proceeding with the treatment project.

The communication efforts managed by Next Generation Strategies were an important and necessary part of this planning process for PFAS treatment and were a necessary pre-condition to the construction of the facility. The Company chose to use Next Generation Strategies in lieu of an engineering consultant due to their expertise in this area. As such, the Company believes these costs have been appropriately capitalized.

## **Audit Conclusion**

Audit appreciates the response by the Company. Audit understands there was no regulatory requirement to remove PFAS at the time and that NHDES had not developed limits for the four PFAS compounds. It is also understood that the Company was responding to an emergency situation. However, the public relations costs from Next Generation Strategies should have been expensed rather than capitalized, and should also be considered non-recurring.

## **Audit Issue #4**

### **Accounting for Utility Plant under Operating Lease**

#### **Background**

Aquarion adopted Accounting Standards Codification (ASC) 842 that, per FASB, indicates lease agreements classified as operating leases are to be recorded as right of use assets and liabilities on the balance sheet. FERC requires the utilities to record the right of use asset in account 101, Utility Plant in Service.

#### **Issue**

The Company reflected \$449,534 as a year-end balance in a new account 127000, Plant in Service under Operations, and included it as part of the total Miscellaneous Current and Accrued Assets on the PUC annual report and the filing, Bates page 560.

The asset side of the interpretation of the FASB should be included in the Utility Plant in Service account 101.

The offsetting liabilities are included within the Accounts Payable in the PUC annual report and the filing.

#### **Recommendation**

The Company should revise the filing to reflect the \$449,534 as part of the 101 Utility Plant in Service and to reflect the liability side of the entry within the short-term and long-term liabilities.

In addition, the asset must be reflected on the general ledger in an asset account that rolls into account 101.

The Company should also be following the NH PUC Uniform System of Accounts for Water Utilities, rather than FERC. Refer to Audit Issue #1.

#### **Company Comment**

The Company disagrees with Audit Issue #4. Refer to the Company's response to Audit Issue #1. Additionally, the recommendation to record the asset as part of the 101 Utility Plant in Service would result in an overstatement of rate base.

The Company disagrees with the statement that the offsetting liability should be included within the Accounts Payable in the PUC annual report and the filing. The offsetting liability is reported in Miscellaneous Current and Accrued Assets in the PUC



annual report and confirmed as such in Audit Issue #5 of this report where the associated general ledger account is included as part of the balance of the “Miscellaneous Current and Accrued Liability” account.

In the absence of formal guidance for the Water industry regarding the regulatory reporting of the operating lease’s Right of Use Assets and Lease Obligation, the Company has elected to report the asset and liability consistent with its presentation in its audited financial statements.

### **Audit Conclusion**

Audit is also unaware of Water utility specific guidance related to the implementation of this codification. The FERC guidance recommended posting to the following accounts:

|   |                |
|---|----------------|
| 101 Plant in Service under Operating Leases       | \$449,533.82   |
| 227 Obligations under Operating Leases-Noncurrent | \$(362,875.14) |
| 243 Obligations under Operating Leases-Current    | \$ (86,658.68) |

**Audit Issue #5**  
**Accounts Payable, Miscellaneous Current and Accrued Liabilities, and**  
**Miscellaneous Current and Accrued Assets**

**Background**

The 2019 Miscellaneous Current and Accrued Liability balance of \$(1,200,621) tied to the general ledger, as well as to page 17 of the annual report and schedule 2 of the filing.

The 2019 Accounts Payable balance of \$(1,989,335) tied to the general ledger, as well as to page 17 of the annual report and schedule 2 of the filing.

The 2019 Miscellaneous Current and Accrued Assets balance of \$473,984 tied to the general ledger, as well as to page 16 of the annual report and to the filing, Bates page 560.

**Issue**

The total Miscellaneous Current and Accrued Liability figure for account 241, of \$(1,200,621), as shown on the annual report, includes the following general ledger accounts other than the 241 accounts:

|        |  |              |
|--------|--|--------------|
| 242001 | Funded Pension Contribution                | \$ 1,029,599 |
| 232003 | Accrued Medical Claims                     | 4,906        |
| 232007 | Accrued Bill Postage/Processing-People'    | 1,440        |
| 232017 | Accrued Purchased Power Costs              | 17,476       |
| 232022 | Accrued Rental Expense                     | 1,618        |
| 242002 | Bonus Accrual                              | 12,233       |
| 242006 | Accrued Payroll                            | 21,740       |
| 242007 | Audit Fee                                  | 23,916       |
| 242020 | Accrued Trustee Fees                       | 314          |
| 243000 | Obligations Under Operating Leases         | 86,659       |
|        | Total for accounts, other than account 241 | \$ 1,199,901 |

The total Accounts Payable account 231 figure of \$(1,989,335), as shown on the annual report, includes the following general ledger accounts other than the 231 accounts:

|        |  |              |
|--------|--|--------------|
| 131151 | Cash - Disbursements Clearing          | \$ 83,582    |
| 225000 | Obligations Under Operating Leases     | 362,875      |
| 232000 | Accounts Payable                       | 362,514      |
| 232001 | Accounts Payable-Inv Recd Not Invoiced | 466,908      |
| 232002 | Accrued Accounts Payable               | 80,306       |
| 232004 | FASB 106 Deferred Ins Costs            | 625,347      |
| 235000 | Customer Deposits Water                | 7,800        |
|        | Total Accounts Payable                 | \$ 1,989,332 |

The total Miscellaneous Current and Accrued Assets account 174 figure of \$473,984, as shown on the annual report, includes the following general ledger accounts other than 174:

|  |               |
|--|---------------|
| 127000 Utility Plant in Service under Operating Leases | \$449,534     |
| 143000 Miscellaneous Receivables                       | \$ 24,000     |
| 143003 Security Deposit-Chemical Containers            | <u>\$ 450</u> |
|  | \$473,984     |

## **Recommendation**

The general ledger account numbers for the Miscellaneous Current and Accrued Liabilities and the general ledger account numbers for Accounts Payable need to comply with the USoA for Water Utilities.

Account numbers other than 241 should not be included in the Miscellaneous Current and Accrued Liabilities total reported and account numbers other than 231 should not be included in the Accounts Payable total reported. See also Audit Issue #1

Account number 127000, included in the 174 Miscellaneous Current and Accrued Assets balance should be in Plant in Service. See Audit Issue #4. Accounts 143000 and 143003 should be reflected in the appropriate Accounts Receivable net balance line of the annual report.

## **Company Response**

The Company disagrees with the Audit Issue #5. Please refer to the Company's response to Audit Issue #1 regarding application of the Uniform System of Accounts for Water Utilities.

Regarding account numbers other than 241 and 231 and account 127000, refer to the Company's response to Audit Issue #4.

Regarding account 143000, the balance represents the cash portion of the Co-Bank Patronage fee. This is not a receivable from our customer and therefore, should continue to be reported as a Miscellaneous Receivable, not as Accounts Receivable.

Regarding account 143003, the balance represents deposits paid to chemical vendors for containers that are required to be returned to the vendor when we are finished with the container. This is not a receivable from our customer and therefore, should continue to be reported as a Miscellaneous Receivable, not as Accounts Receivable.

## **Audit Conclusion**

Audit appreciates the Company response. Regarding references to Audit Issue #1 and #4, Audit does encourage the reader to review those issues. Regarding the 143 accounts that are receivables owed to the Company from sources other than customers, the correct account to use would be 142, Other Accounts Receivable. As noted in Audit Issue #1, account 143 for NH is the Accumulated Provision for Uncollectible Accounts. It is understood that the Company uses the Connecticut USoA. Reflection of those Other Accounts Receivable as Miscellaneous Current Assets, account 174 is incorrect, using either the NH or CT USoA.

**Audit Issue #6**  
**Accounting for Elimination at the Consolidated Corporate Level and Balance Sheet Presentation**

**Background**

The annual report listed the intercompany payable balance of \$(22,906) on the line for account 233, Accounts Payable to Associated Companies. Audit verified the balance to Schedule No. 2 of the filing and noted that the general ledger reported the \$(22,906) credit balance in account 146000, Intercompany Receivable (Payable).

Account 131151 Cash Disbursements Clearing has a balance of \$(83,582) at year-end.

**Issue**

The Company confirmed that, *“Intercompany accounts payable activity is recorded to account 146000 at all Aquarion associated companies allowing for the elimination at the consolidated level. For annual reporting purposes since the balance in the general ledger at the end of the year was in a liability position it was appropriately reported as a payable in account 233”*

The Cash account 131151 was included within the Accounts Payable total because the balance at year-end was negative.

**Recommendation**

Audit understands the elimination of certain accounts at the Aquarion and Eversource corporate levels, but recommends, for NH regulatory reporting purposes, that the balance in all general ledger accounts be reflected within the specific general ledger account that agrees with the account rather than the balance.

**Company Comment**

The Company disagrees with Audit Issue #6. Please also refer to the Company’s response to Audit Issue #1.

**Audit Conclusion**

Audit restates the issue and recommendation. For regulatory purposes, the accounts with balances contrary to the balance sheet presentation should not be moved to the opposite side of the balance sheet.

## **Audit Issue #7 Interest Expense**

### **Background**

The filing PUC 1604.01(a)(20) and the general ledger, account 427, each report the total interest expense as \$823,280. Schedule F-2 of the annual report lists the interest expense, for account 427, as \$847,875.

### **Issue**

There is a \$24,595 variance, reported for account 427, between the general ledger and schedule F-2 of the annual report. The variance amount represents the 2019 general ledger balance for account 430000, Intercompany Interest Expense. The \$24,595 general ledger balance for account 430 was included in the annual report balance reported on schedule F-2, for account 427.

### **Recommendation**

The \$24,595 inter-company interest expense should be booked to a sub-account of 427, rather than to account 430 which is not part of the NH USoA. Refer also to Audit Issue #1, as Inter-company interest expense account 430 is within the FERC USoA.

### **Company Comment**

The Company disagrees with Audit Issue #7. Please also refer to the Company's response to Audit Issue #1.

### **Audit Conclusion**

Audit understands the Company's response, and did validate the amount of \$24,595 to the PUC Annual Report schedule F-36, Notes Payable.

## **Audit Issue #8 Operations & Maintenance Expenses**

### **Background**

Audit reviewed the detail general ledger for the Operation and Maintenance accounts. From that review, Audit made selections of journal entries for which supporting documentation was requested and provided.

### **Issue**

- A. \$900 was booked to account 662202 for overdue 2018 paper ads.
- B. In August 2019 Aquarion had a boil water alert in effect. \$15,792.25 was booked to account 665002 for public affairs consulting regarding the alert. They also purchased \$3,292.80 in water to distribute to customers which was booked to account 665003. A total of \$19,085.05 was paid due to the boil water alert.
- C. \$179,160 journal entry was booked to account 903203 for credits given to customers for the August boil alert.
- D. A P-Card charge, in the amount of \$499, was booked to account 921201. Audit reviewed the supporting documentation which detailed a restaurant receipt showing alcohol and dessert purchases along with lunch.
- E. Account 923201 contained an allocation amount of \$2,567 for Deloitte year end financials. The supporting documentation showed the NH total was \$30,800 and was allocated at 7%. A recalculation of the allocated amount shows \$2,156 should have been booked to account 923201.
- F. A \$14,058.75 invoice was booked to account 923214 for public affairs consulting work associated with the Environmental Champion Awards.
- G. Aquarion noted that the wage amount used to book payroll benefits and taxes for CT employees' allocated time was incorrect. Due to this the amount booked to general ledger accounts 926011 and 408011 were overstated.

## **Recommendation**

- A. Due to these expenses being incurred in 2018 and ultimately would have been paid in 2018 if paid on time, Audit recommends reducing the test year amount, in account 662202, by \$900.
- B. Audit recommends that these charges, totaling \$19,085, be deemed non-recurring as boil water alerts are not a regular recurring event.
- C. Audit recommends that \$179,160 be deemed non-recurring as boil water alerts are not a regular recurring event.
- D. Due to the extravagant nature of the meal, Audit recommends it be booked below the line, and the filing adjusted
- E. Audit recommends the filing be adjusted to reduce the amount by \$411
- F. Audit recommends that this charge of \$14,058.75 is booked below the line and removed from the filing.
- G. Audit recommends Aquarion adjust filing for account 926011 by \$(3,642.74) and account 408011 by \$(560.41).

See also Audit Issue #4

## **Company Comment**

- A. The Company does not object to the recommendation.
- B. The Company does not agree with audit issue 10.B. The Company considers a non-recurring event as one that would not reasonably be expected to recur in the foreseeable future and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates. Although the events that led up to the incurring of these costs do not necessarily recur annually, or at the magnitude that occurred in 2019, it is reasonable to conclude these events and associated costs could occur in the future and therefore the Company does not consider them as non-recurring and one time. Nor has the Company reported them as such in its 2019 audited financial statements.



- C. Refer to the response to B. above.
- D. The Company does not object to the recommendation.
- E. The Company does not object to the recommendation.
- F. The Company does not object to the recommendation.
- G. The Company agrees general ledger account 926011 and 408011 (payroll overhead) was overstated. However, the adjustment will not impact the proforma payroll overhead and payroll tax in the filing as they were based on proforma payroll.

### **Audit Conclusion**

Audit appreciates the Company's detailed responses, and concurs with most. The boil-water expenses, item B above, however, are not expected to occur annually, nor at the amount posted during the test year, as acknowledged in the Company's response.

## **Audit Issue #9 Property Tax Expense**

### **Background**

The Company booked \$677,193 in 2019 property tax expenses to account 408004 as part of \$753,018 Taxes Other Than Income on Filing Schedule 1 and the 2019 annual report.

### **Issue**

The Company incorrectly booked the state utility tax based on a review of the actual 2019 DP-255 and RSA 83-F that was \$225,703 for 2019. The Company paid \$177,956 during 2019 for the state portion of the property tax expense. This is a \$47,757 difference.

|   |                  |
|---|------------------|
| 2019 NH DRA Utility Property Tax          | \$225,703        |
| ½ of 2 <sup>nd</sup> Issue 2018 municipal | \$127,383        |
| Full 1 <sup>st</sup> Issue 2019 municipal | \$250,244        |
| ½ of 2 <sup>nd</sup> Issue 2019 municipal | <u>\$121,621</u> |
| Property tax expense                      | \$724,950        |
|   |                  |
| Total per GL 408004 and filing            | <u>\$677,193</u> |
| Difference                                | \$ 47,757        |

### **Recommendation**

The Company should adjust filing schedule 1 to reflect the correct 2019 \$724,950 total property tax expense. This will increase the property tax expense by \$47,757.

### **Company Comment**

The Company agrees with Audit Issue #9. Adjusting filing schedule 1 to reflect the correct 2019 property tax expense of \$724,950 will increase test year property tax expense by \$47,757. However, the adjustment will not impact the proforma property tax expense of \$860,716 in the filing.

The \$47,757 adjustment reflects both the overestimate of property tax in 2018 and the under estimate of property tax in 2019. The Company typically does not know the exact amount of property tax until the Company files Form PA-255 in January of the next year. In 2018, the Company estimated property tax expense of \$200,000 for the state portion. However, the final amount was \$177,956. As a result, the Company reduced property tax expense in 2019 to record the adjustment of \$22,044. In 2019, the Company

made estimated property tax payments of \$200,000 vs. a final amount of \$225,702 determined when the Company filed Form PA-255 in January 2020. As a result, the Company recorded the adjustment of \$25,702 as part of 2020 expense.

**Audit Conclusion**

Audit concurs with the Company's comment.

## **Audit Issue #10 State Education Tax**

### **Background**

AWC pays municipal property taxes as well as a Statewide Utility property tax expense. Because of the statewide tax, the municipalities are not supposed to include the state education tax portion of the rate on AWC's municipal tax bills.

### **Issue**

The Company included \$568 State Education Tax in the property tax expense in the Town of Hampton. This is not supposed to be assessed on utility property at the municipal level. The Hampton Parcel 164-13 included the statewide education tax for the 2018 second half, and 2019 second half municipal tax bills. The Company did not provide the 2019 first half municipal bills so the state education tax was calculated using the 2019 second half issuance. The 2018-second issuance represents the January – March period, the 2019 1<sup>st</sup> issuance represents the April through September, and the 2019 second issuance represents October through December.

| <u>Town</u> | <u>Parcel</u> | <u>Date</u>          | <u>State Ed. Tax</u> |
|-------------|---------------|----------------------|----------------------|
| Hampton     | 164-13        | 2018 2 <sup>nd</sup> | \$190                |
| Hampton     | 164-13        | 2019 1 <sup>st</sup> | \$189                |
| Hampton     | 164-13        | 2019 2 <sup>nd</sup> | \$189                |
| Total       |               |                      | \$568                |

### **Recommendation**

The Company should ensure the towns cease to assess the Statewide Education portion of the property tax rate.

The filing should be updated to reduce the Property Tax expense calculation, by ensuring that the proforma figures do not include the Statewide Education portion of the invoices.

### **Company Comment**

The Company disagrees with Audit Issue # 10. The property classified as utility property already excludes the Statewide Education portion of the property tax rate. However, the property classified as land (utility or non-utility) properly includes the education portion of the tax rate and does not qualify for the exemption. All land on the Company's books and records is considered utility property, with the exception of the property held for future use.

## Audit Conclusion

Audit appreciates the response by the Company. However, the NH Department of Revenue verified that property included on the PUC Annual Report schedule F-8 is reviewed and reconciled with the property provided to the DRA on annual form PA-20. That form is used to calculate the utility notice of valuation and calculation of the state property tax assessed. The DRA indicated that utilities “...are allowed to request an exclusion from (the State Utility Tax \$6.60 per thousand) taxation for “non-taxable” property, which consists of certain equipment that would generally be considered similar to personalty and also includes emergency generators (Account 310). The non-taxable property does not include land or land rights...so if those watershed properties are included in the original cost basis reported in your annual report as utility plant, then they are included in our appraised value...” (underline added)

As a result, the Audit Issue is re-stated. Based on the asset placement on the general ledger of Aquarion, the parcel appears to be assessed at both the State level and the Town of Hampton level for the Statewide Education Tax.

## **Audit Issue #11**

### **Investment Tax Credit Incorrect Account**

#### **Background**

The Company on the 2019 annual report booked charges under the incorrect account on the 2019 annual report.

#### **Issue**

The Company on the GL booked \$157,614 in 2017 pre-acquisition (AW Companies) DTL-Flow Investment Tax Credits booked to account 283019 that is an Accumulated Deferred Income Tax account. The Company on the 2019 annual report booked the charges under the 255 Accumulated Deferred Investment Tax Credits account.

#### **Recommendation**

The Company should indicate whether the \$157,614 the 2017 pre-acquisition charges booked to account 283019 are actually related to ADIT or are in fact an investment tax credit. If the charges are not an investment tax credit then going forward the Company should booked the charges in the 283019 account in the ADIT portion of the annual report. This will bring better consistency between the filing, GL, and annual reports.

#### **Company Comment**

The Company agrees with Audit Issue #11. The \$157,614 reported in account 283019 is related to ADIT and not an investment tax credit. This amount is a legacy balance that was on the books of the New Hampshire American Water Company prior to Aquarion's acquisition in 2002 and is currently being amortized. The Company will classify this under deferred taxes on the PUC Report going forward.

#### **Audit Conclusion**

Audit concurs with the Company.

## **Audit Issue #12**

### **Payroll Expense**

#### **Background**

Audit reviewed the payroll expense that was directly charged and allocated to AWC-NH.

#### **Issue**

The Company books the monthly allocated IT labor and IT expenses to AWC-NH's general ledger in one lump sum journal entry. Due to this, Audit was unable to determine if the proper amount of allocated IT labor was booked to account 906011.

#### **Recommendation**

Audit would recommend booking allocated IT labor and allocated IT expenses in two separate journal entries so it is clear how much for each item was booked over the month and/or year.

#### **Company Comment**

The Company disagrees with Audit Issue #12. While it is true that the Company books the monthly allocated IT labor and IT expenses to AWC-NH's general ledger in one lump sum journal entry, the labor portion of the charge was shown (to Audit) for the amount of \$47,325.48. To break up the journal entry into two separate entries would involve significant SAP re-configuration at significant cost. The Company does not feel that the cost would justify the benefit, especially since the labor portion of the allocation can easily be calculated and thus provided to Staff.

#### **Audit Conclusion**

Audit appreciates the information regarding the re-configuration and potential costs involved, and thus concurs with the Company Comment.