

## **Professional Experience and Qualifications**

### **Donna H. Mullinax, CPA, CIA**

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#### ***Summary***

Mrs. Mullinax has over forty-two years of financial, management and consulting experience. She is President of Blue Ridge Consulting Services, Inc. Prior to becoming President, she held the position of Vice President and Chief Financial Officer for Blue Ridge and her former employer. She has served on various Boards of Directors. She has extensive experience in project management; regulatory and litigation support; financial, administration, and human resource management. She has performed numerous financial, compliance and management audits. She has supported, as well as, provided expert witness testimony in both regulatory and civil proceedings. Mrs. Mullinax has designed and implemented accounting and business systems and developed policy and procedure manuals to support those systems.

#### ***Key Qualifications and Selected Professional Experience***

##### **Financial, Administration, and Human Resource Management**

As Chief Financial Officer and Vice President she was responsible for all aspects of financial, administration, and human resources. Her responsibilities included accounting, cash management, budgeting, tax planning and preparation, fixed assets, human resources, and employee benefits. Records under her control have been subject to an IRS compliance audit with no findings.

##### **Project Management**

Mrs. Mullinax has successfully managed numerous projects controlling cost, schedule, and scope. These projects included management, financial, and compliance audits, M&A due diligence reviews, economic viability studies, prudence reviews, and litigation/regulatory support for construction contract claims and regulatory proceedings. She has worked with diverse team members and reconciled various viewpoints while maintaining effective working relationships among cross-functional teams.

##### **Financial, Compliance, and Management Auditing**

Mrs. Mullinax is a skilled auditor. She has performed numerous financial, compliance, and management audits for governmental entities, businesses, and public utilities. As a CPA and CIA, she is knowledgeable about sound internal control processes and procedures and has made numerous recommendations for modifications to provide reasonable assurance regarding the achievement of objectives related to effectiveness and efficiency of operations; reliability of financial records, and compliance with laws and regulations.

She has also conducted detailed base rates revenue requirements and rider compliance audits. She has analyzed financial information and budget projections, performed risk identification, and evaluated performance against industry benchmarks. Her extensive professional experience allows her to effectively analyze and evaluate methods and procedures and to thoroughly document her findings. She has successfully testified to her audit findings.

❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska

- Application NG-107 Deferred Accounting Order to Record and Preserve Costs Related to the COVID-19 Pandemic, April 2020–August 2020

Project Manager. Led the review of the Company's request for an accounting order

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- Application NG-0095 Effects of Tax Cuts and Jobs Act of 2017 Nebraska Gas Utility Company, LLC and Black Hills Gas Distribution, LLC, March 2018–May 2018

Project Manager. Led the review of the Company's proposed refund to ratepayers related to the tax-rate change.

- Application NG-0078.1, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, November 2014– February 2015
- Application NG-0078.2, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, October 2015– January 2016
- Application NG-0078.3, System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska (formerly SourceGas Distribution LLC), October 2016–December 2016.
- Application NG-0078.4, System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2017–December 2017.
- Application NG-0078.5 Extension of the System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, June 2018–December 2018.
- Application NG-0078.6 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2018–December 2018.
- Application NG-0078.7 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2019–December 2019.
- Application NG-112.1 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2021–present.

Project Manager and Lead Auditor. Led the review of the Company's applications for a system safety and integrity rider for compliance to the Commission directives. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed plant to be placed in service and the verification of planned versus actual plant placed in service for the prior year. Summarized the transactional testing results and calculated the impact to the customer charge.

- Application NG-0072.1, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of SourceGas Distribution, LLC May 2014–August 2014.
- Application No. NG-0074, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of Black Hills/Nebraska Gas Utility Company, LLC, d/b/a Black Hills Energy, July–November 2013.
- Application No. NG-0072, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of SourceGas Distribution, LLC March 2013–May 2013.

Project Manager and Lead Auditor. Led the review of the Company's applications for an infrastructure system replacement cost recovery charge for compliance to the Nebraska Natural Gas Regulation Act. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of plant work order supporting the requested recovery of utility plant in service. Summarized the transactional testing results and calculated the impact to the customer charge.

❖ On behalf of the Staff of the Public Utilities Commission of Ohio (PUCO)

Gas Plant in Service and Capital Spending Prudence Audits

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Columbia Gas of Ohio

- Case No. 17-2202-GA-ALT, May 2018–October 2018
- Case No. 19-0438-GA-RDR, April 2019–August 2019
- Case No. 20-49-GA-RDR, February 2020–June 2020
- Case No. 21-23-GA-RDR, February 2021–June 2021
- Case No. 22-621-GA-RDR, February 2022–present

Dominion Energy Ohio

- Case No. 19-468-GA-ALT, October 2019–August 2020
- Case No. 21-0619-GA-RDR, April 2021–July 2015

Duke Energy Ohio

- Case No. 19-664-GA-RDR, March 2020–August 2020
- Case No. 21-618-GA-RDR, June 2019–present

Vectren Energy Delivery of Ohio

- Case Nos. 20-0099-GA-RDR and 20-0101-GA-RDR, March 2020–September 2020
- Case No. 21-620-GA-RDR, February 2021–June 2021

Project Manager and Lead Auditor. Led the review to determine if the company has accurately determined and account for its plant in service balance. Also reviewed the necessity, reasonableness, and prudence of the Company's capital expenditures and associated assets and recovery through infrastructure riders

Electric Distribution Infrastructure Rider Compliance Audits

First Energy

- Case No. 11-5428-EL-RDR, November 2011–April 2012
- Case No. 12-2885-EL-RDR, December 2012–July 2013
- Case No. 13-2100-EL-RDR, December 2013–April 2014
- Case No. 14-1929-EL-RDR, December 2014–May 2015
- Case No. 15-1739-EL-RDR, January 2016–July 2016
- Case No. 16-2041-EL-RDR, January 2017–November 2017
- Case No. 17-2009-EL-RDR, December 2017–May 2018
- Case No. 18-1542-EL-RDR, December 2018–April 2019
- Case No. 19-1887-EL-RDR, January 2020–August 2020
- Case No. 20-1629-EL-RDR, December 2020–November 2021
- Case No. 21-1038-EL-RDR, January 2022–present

AEP-Ohio

- Case No. 13-0419-EL-RDR, March–August 2013
- Case No. 16-0021-EL-RDR, March–August 2016
- Case No. 17-0038-EL-RDR, April–November 2017
- Case No. 18-0230-EL-RDR, April 2018–August 2018
- Case No. 20-0169-EL-RDR, May 2020–August 2020
- Case No. 21-0016-EL-RDR, May 2021–September 2021

Dayton Power & Light

- Case No. 15-1830-EL-AIR: Plant in Service Balance Audit of Dayton Power and Light Company, April 2017–August 2018.
- Case No. 19-439-EL-RDR, April 2019–October 2019

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Project Manager and Lead Auditor. Led the review to ensure the accuracy and reasonableness of the Companies' compliance with its Commission-approved infrastructure cost recovery rider filings. The reviews included a detailed mathematical verification and validation of the support of the riders' revenue requirements model, development of sensitivity analysis that supported the PPS sampling techniques used to isolate specific plant work order for further testing. Summarized the transactional testing results and calculated the impact to the rider's revenue requirements. Detailed variance analyses of historical data with investigations into any significant changes..

- Case No. 08-0072-GA-AIR Columbia Gas of Ohio, April–August 2008
- Case No. 07-0829-GA-AIR Dominion East Ohio, November 2007–July 2008
- Case No. 07-0589-GA-AIR Duke Energy Ohio, November 2007–February 2008

Lead Auditor and assistant project manager. Performed a comprehensive rate case audit of companies' gas rate filings to validate the filings, provided conclusions and recommendations concerning the reliability of the information, and supported Staff in its evaluation of the reasonableness of the filing.

- ❖ Before the New Hampshire Public Utilities Commission on behalf of Staff
  - Docket No. DE 16-822 Public Service of New Hampshire d/b/a Eversource Energy. Project Manager and Lead Auditor. Led the review of the Company's revised cash working capital study in its 2017 Energy Service rate calculations. February 2017–May 31, 2017.
- ❖ On behalf of the Massachusetts Department of Public Utilities, Case No. D.P.U. 08-110, regarding the Petition and Complaint of the Massachusetts Attorney General for an Audit of New England Gas Company (NEGC), February–August 2010. Lead Auditor and Assistant Project Manager. Conducted a management audit on how NEGC manages its accounting and financial reporting functions and whether sufficient controls are in place to ensure that the information included in the company's filings can be reasonably relied upon for setting rates – areas reviewed included general accounting, financial reporting, and internal controls; plant accounting; income tax; accounts receivable; accounts payable; cash management; payroll; cost allocations; and capital structure.
- ❖ On behalf of the Staff of the Connecticut Public Utilities Regulatory Authority (PURA)
  - Management Audit of Yankee Gas Services Company. June 2014–April 3, 2015. Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management and financial operations. Lead auditor for scope areas of accounting and financial reporting, internal audit practices, and capital/O&M budgeting.
  - Diagnostic Management Audit of Connecticut Light and Power Company, July 2008–June 2009, Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management, system operations, financial operations, marketing operations, human resources, customer service, external relations, and

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support services. In addition, supported an in-depth review of the development and implementation process of the company's new customer information system.

- ❖ Before the Oregon Public Utilities Commission (ORPUC), Docket No. UP 205: Examination of NW Natural's Rate Base and Affiliated Interests Issues, Co-sponsored between NW Natural, ORPUC Staff, Northwest Industrial Gas Users, Citizens Utility Board, August 2005-January 2006, Lead Auditor and Assistant Project Manager. Examined NW Natural's Financial Instruments, Deferred Taxes, Tax Credits, and Security Issuance Costs to ensure Company compliance with orders, rules, and regulations of the ORPUC and with Company policies.

#### ***Partial List of Reports and Publications***

- Compliance Audit of the 2019 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 28, 2020
- Audit of the Capital Expenditure Program for the 2019 Annual Adjustment to the CEP Rider for Columbia Gas of Ohio, Inc. June 17, 2020
- Audit of the Capital Expenditure Program and Infrastructure Replacement Program for Vectren Energy Delivery of Ohio, Inc, June 17, 2020
- Compliance Audit of the 2019 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, June 5, 2020
- Audit of the Plant in-Service and Used and Useful (Rider AU) for Duke Energy Ohio, Inc., July 6, 2020.
- Plant in Service and Capital Spending Audit of the East Ohio Gas Company d/b/a Dominion Energy Ohio, for the Period Covering April 1, 2007 through December 31, 2018, April 27, 2020.
- Review and Recommendation Regarding Black Hills Nebraska Gas, LLC Application for a Deferred Accounting Order (COVID-19 Pandemic) June 1, 2020
- Examination of Black Hills Gas Distribution, LLC Application to Adjust System Safety and Integrity Costs in 2020 on Behalf of the Nebraska Public Advocate, December 9, 2019
- Compliance Audit of the Distribution Investment Rider (DIR) for the Period Covering October 1, 2015 through January 21, 2019, of The Dayton Power & Light company, September 11, 2019
- Audit of the Capital Expenditure Program for the 2018 Annual Adjustment to the CEP Rider for Columbia Gas of Ohio, Inc. July 10, 2019
- Compliance Audit of the 2018 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 30, 2019
- Examination of Black Hills Gas Distribution, LLC Application to Adjust System Safety and Integrity Costs in 2019 on Behalf of the Nebraska Public Advocate, December 7, 2018
- Prudence Audit of Plant in Service and Capital Expenditure Program Spending for Columbia Gas of Ohio, September 3, 2018
- Compliance Audit of the 2017 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 23, 2018

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- Compliance Audit of the 2017 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, May 11, 2018
- Examination of Black Hills Gas Distribution, LLC Application to Increase Eligible System Safety and Integrity Costs in 2018 on Behalf of the Nebraska Public Advocate, December 11, 2017
- Audit of Plant in Service for Dayton Power & Light's Application to Increase Rates, September 28, 2107
- Compliance Audit of the 2016 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 9, 2017
- Review of Public Service Company of New Hampshire d/b/a Eversource Energy Cash Working Capital and Lead-lag Methodology, May 31, 2017
- Compliance Audit of the 2016 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, May 1, 2017
- Examination of Black Hills Gas Distribution, LLC Application for Recovery of 2017 Eligible System Safety and Integrity Costs on Behalf of the Nebraska Public Advocate, December 2, 2016
- Compliance Audit of the 2015 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 5, 2016
- Compliance Audit of the 2015 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 22, 2016
- Examination of SourceGas Distribution LLC Application for Recovery of 2015 Eligible System Safety and Integrity Costs on Behalf of the Nebraska Public Advocate, January 8, 2015
- Compliance Audit of the 2014 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, March 30, 2015
- Management Audit of Yankee Gas Services Company, April 3, 2015
- Examination of the Infrastructure System Replacement Cost Recovery Charge of SourceGas Distribution LLC, June 30, 2014
- Compliance Audit of the 2013 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 9, 2014
- Examination of the Infrastructure System Replacement Cost Recovery Charge of Black Hills/Nebraska Gas Utility, LLC d/b/a Black Hills Energy, October 4, 2013
- Compliance Audit of the 2012 Distribution Investment Rider (DIR) of Columbus Southern Power and Ohio Power Company d/b/a AEP-Ohio, June 19, 2013
- Examination of the Infrastructure System Replacement Cost Recovery Charge of SourceGas Distribution LLC, May 16, 2013
- Compliance Audit of the 2012 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, March 22, 2013
- Compliance Audit of the Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 12, 2012
- Revenue Requirements Audit of New England Gas Company, May 12, 2011

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- Accounting and Financial Reporting Review of New England Gas Company, August 5, 2010
- Management Audit of The Connecticut Light & Power Company, May 29, 2009
- Report of Conclusions and Recommendations on the Financial Audit of the Columbia Gas of Ohio, Inc. in Regards to Case No. 08-0074-GA-AIR, August 13, 2008
- Report of Conclusions and Recommendations on the Financial Audit of the East Ohio Gas Company d/b/a Dominion East Company in Regards to Case No. 07-0829-GA-AIR, April 16, 2008
- Report of Conclusions and Recommendations on the Financial Audit of Duke Energy Ohio, Inc. in Regards to Case No. 07-0589-GA-AIR, December 17, 2007
- Report of Conclusions and Recommendations of NW Natural's Rate Base and Affiliated Interest Issues in Support of Oregon Public Utilities Commission Docket UM1148, December 23, 2005

### **Regulatory and Civil Litigation**

She has provided or supported civil or regulatory testimony in Arizona, Colorado, Connecticut, Delaware, Illinois, Maryland, Michigan, Missouri, New Hampshire, New York, North Carolina, North Dakota, Pennsylvania, South Carolina, Texas, and Utah. She has also served as an advisor to public service commissioners in the District of Columbia and Connecticut. In addition to providing analytical support, she has served as an expert witness and routinely works with other highly specialized expert witnesses. She has developed defensible analyses and testimony in connection with rate cases, audit findings, and other regulatory issues. She has also supported various civil litigations including delay and disruption construction claims and financial fraud. She has supported counsel with interrogatories, depositions, and hearings/trials support.

### **Regulatory Proceedings**

- ❖ Before the New Hampshire Public Utilities Commission on behalf of Staff
  - Docket No. DE 16-384 – Until Energy Systems, Inc. general rate case. Testimony was filed on November 16, 2016. July 2016– January 2017
  - Docket No. DE 16-383 – Liberty Utilities (Granite State Electric) Corp general rate case. Testimony was filed on December 16, 2016. July 2016– January 2017
  - Docket No. DE 19-064 Liberty Utilities (Granite State Electric) Distribution Service Rate Case, May 2019–August 2020
  - Docket No. DE 19-067 Eversource Energy Distribution Service Rate Case, May 2019–December 2020
  - Docket No. DG 20-105 Liberty Utilities (EnergyNorth Electric) Distribution Service Rate Case, October 2020–July 2021
  - Docket No. DE 21-030 Until Energy Systems, Inc., Distribution Service Rate Case, July 2021–present
  - Docket No. DW 20-184 Aquarion Water Company of NH Distribution Service Rate Case, April 2021–present
  - Docket No. DG 21-104 Northern Utilities, Inc. of New Hampshire Distribution Service Rate Case, November 2021–present

Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's

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positions and incorporating recommended adjustments. Supported Staff with Settlement discussions.

- Docket No. DW 18-047 Abenacki Water Company, Inc.
- Docket No. DW 18-054 Aquarion Water Company of NH, Inc.
- Docket No. DW 18-056 Lakes Region Water Company, Inc.

Project Manager and Expert Witness. Led the review and reporting of the Company's tax rate change effect compliance filings following passage of the Tax Cut and Jobs Act of 2017 and changes to state taxes. December 2018–August 2019.

- Docket No. DG 17-0048 – Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities general rate case. June 2017–December 2018.

Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Supported Staff with Settlement discussions. Also evaluated the Company's calculated Rate Effects on the Federal and State Corporate Tax Reductions provided during Settlement. Testified March 21, 2018.

- Docket No. DG 17-0070 Northern Utilities, Inc. Rate Effects on the Federal and State Corporate Tax Reductions. January 2018– February 2018.

Project Manager. Led the review of the Company's proposed changes in its revenue requirement to reflect the change in federal and state corporate income tax rates. Supported Staff with Settlement discussions.

- ❖ Before the Kentucky Public Service Commission on behalf of the Office of Attorney General, Louisville/Jefferson County Metro Government, and Lexington-Fayette Urban County Government

- Case No. 2018-00294, Kentucky Utilities, October 2018–May 2019.
- Case No. 2018-00295 Louisville Gas and Electric Company, October 2018–May 2019.

Expert Witness testifying to the Company's revenue requirements. Direct Testimony filed January 16, 2019.

- ❖ Before the Pennsylvania Public Utility Commission on behalf of the Office of Consumer Advocate

- Docket No. R-2018-3000019, The York Water Company, May 2018–November 2018. Expert Witness testifying to the Company's revenue requirements. Direct Testimony filed August 23, 2018. Surrebuttal Testimony filed October 4, 2018.

- ❖ Before the Massachusetts Department of Public Utilities on behalf of the Massachusetts Attorney General Office

- D.P.U. 16-106, Fitchburg Gas and Electric Light Company d/b/a Unitil. January 2017–May 2017. Expert Witness reviewing the Company's Capital Cost Adjustment filing for compliance to the Department's Order.

- ❖ Before the Arizona Corporation Commission (AZCC) on behalf of Staff



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- Docket No. E-01933A-19-0028, Tucson Electric Power Company, general rate case January 2019–August 2020. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Testimony was filed on October 21, 2019 and December 16, 2019.
- Docket No. E-01933A-15-0322, Phase I, Tucson Electric Power Company, general rate case January 2016–August 2016. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Testimony was filed on June 3, 2016. Supported Staff during Settlement of revenue requirements. Agreement filed with Commission August 15, 2016.
- Docket No. E-04204A-15-0142, UNS Electric, Inc. general rate case August 2015–January 2017. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Direct Testimony was filed on November 6, 2016. Surrebuttal Testimony was filed February 23, 2016.

❖ Before the Connecticut Public Utilities Regulatory Authority

- Docket No. 18-05-10 Yankee Gas Services Company d/b/a Eversource Energy general rate case July 2018– February 2019
- Docket No. 18-05-16 Connecticut Natural Gas Corporation (CNG) general rate case July 2018– February 2019

Project Manager supporting a team of experts assisting Staff in its regulatory oversight of Yankee Gas and CNG with a focus on revenue forecasting, rate mechanisms, and rate design; depreciation; rate base analysis; cash working capital; and environmental remediation. Team developed interrogatories, summarized parties positions, and developed questions for cross examination.

❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska

- Application NG-0109 Black Hills Energy/Nebraska Gas Utility LLC d/b/a Black Hills Energy, June 2020–January 2021. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments.
- Application NG-0093, Black Hills Energy/Nebraska Gas Utility LLC d/b/a Black Hills Energy, September 2017–March 2018. Project Manager and Expert Witness. Led the evaluation of the Company's request for approval of accounting and regulatory

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treatment related to a regulatory asset comprised of increased location costs with the ALLO Fiber Optics Project. Testimony filed on December 18, 2017.

- Application NG-0090, Black Hills/Nebraska Gas Utility, LLC d/b/a Black Hills Energy, December 2016–August 2017. Project Manager and Expert Witness. Led the evaluation of the Company's Farm Tap Safety Proposal. Testimony filed on March 17, 2017. Supported the Public Advocate during Settlement discussions.
  - Application NG-0088, SourceGas Distribution LLC, December 2015–March 2016. Project Manager and Expert Witness. Led the evaluation of the company's request for regulatory asset treatment related to net buyout costs of gas-supply-related contracts. Testimony filed on February 24, 2016. Supported the Public Advocate during Settlement discussions
  - Application NG-0084, Black Hills Holdings, Inc. acquisition of SourceGas Holdings, LLC, October 2015–December 2015. Project Manager and Expert Witness. Led the analysis of the impact of the proposed acquisition on whether it would be consistent with the public interest and not adversely affect the utility's ability to service its ratepayers. Testimony was filed on November 6, 2015.
  - Application NG-0078, SourceGas Distribution, LLC May 2014–November 2014. Project Manager, Lead Auditor, and Expert Witness. Led the review of the Companies' applications to replace its infrastructure system replacement (ISR) cost recovery charge with a prospective System Safety and Integrity Rider (SSIR). The SSIR was subject to a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed projects supporting the requested recovery of utility plant in service. Testimony on the analysis was filed in August 2014.
- ❖ On behalf of the Commissioners and Staff of the District of Columbia Public Service Commission (DCPSC)
- Formal Case No. 1162 Washington Gas Light Company (WGL) base gas rates case, July 2020–November 2011
  - Formal Case No. 1156 Potomac Electric Power Company (Pepco) base electric rate case, December 2019–present
  - Formal Case No. 1151 Washington Gas Light Company's Application for Approval of Reduction of Distribution Rates to Reflect the Tax Cuts and Jobs Act of 2017 March 2018–July 2018
  - Formal Case No. 1150/FC1151 Pepco base electric rate case, March 2018–November 2018. (includes rate impact associated with Tax-Change Effect)
  - Formal Case No. 1139 Pepco base electric rates case, October 2016–November 2017.
  - Formal Case No. 1137 Washington Gas Light Company (WGL) base gas rates case, May 2016–March 2017.
  - Formal Case No. 1103 Potomac Electric Power Company (Pepco) base electric rate case, June 2013–August 2014. Project Manager.
  - Formal Case No. 1093 Washington Gas Light Company (WGL) base gas rates case, July 2011–July 2013. Project Manager.
  - Formal Case No. 1087 Pepco base electric rates case, September 2011–December 2012

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- Formal Case No. 1076 Pepco base electric rates case, July 2009–December 2009
- Formal Case No. 1053 Pepco base electric rates case, February 2007–June 2008  
Lead Consultant advising Commissioners and Staff of the Office of Technical and Regulatory Analysis regarding Companies' proposed rate base, net operating income and revenue requirements. Assessed the companies' and Intervenor's positions on various issues and provided defensible recommendations for the Commissioners' consideration. Developed "what if" revenue requirement model used during Commission deliberations to analyze the impact of various adjustments. Supported the drafting of the Commission's Order and supplied the revenue requirement schedules to support the final decision. Supported the Commissioners' legal team in addressing motions for reconsideration.
- Formal Case No. 1032 Pepco base electric rates case, January–March 2005.  
Senior Technical Consultant and Assistant Project Manager. Reviewed and evaluated Company's compliance filings for class cost of service and revenue requirements for distribution service pursuant to a settlement approved in May 2002. Provided analysis and recommended adjustments to Staff. Proceeding was settled in anticipation of a full rate case for rates to be effective August 8, 2007.
- Formal Case No. 1016 WGL natural gas base rates case, June–December 2003. Senior Technical Consultant and Project Manager. Analyzed and recommended adjustments regarding the company's proposed increase to base rates – advised the Commission on party positions during deliberations Review and evaluation of company's depreciation study filed with the Commission.
- ❖ Before the Missouri Public Service Commission, Case No. HR-2011-0241, on behalf of the City of Kansas City: Veolia Energy Company 2011 and 2012 electric base rates case, July–September 2011. Senior Technical Consultant. Analyzed Company's proposed net operating income, rate base, and revenue requirements. Supported testifying witness with drafted testimony and development of a model to calculate an alternative revenue requirement incorporating recommended adjustments.
- ❖ Before the North Dakota Public Service Commission, Case No. PU-10-657/PU-11-55: Northern States Power Company (NSP) 2011 and 2012 electric base rates case, April–November 2011. On behalf of the Commission Staff, Lead Consultant and Assistant Project Manager. Led the analysis of NSP's rate increase filings and supported adjustments for the Commission's consideration. Developed a model to calculate the appropriate revenue requirements and exhibits to support Staff recommended adjustments.
- ❖ Before the Connecticut Public Utilities Regulatory Authority (PURA), Docket 10-02-13: Aquarion Water Company base rates case, on behalf of the PURA, April–August 2010. Senior Technical Consultant and Assistant Project Manager. Reviewed the expense component of the company's revenue requirement and recommended adjustments for Staff consideration.
- ❖ Before the of the Delaware Public Service Commission on behalf of Staff
  - Docket No. 09-414: Delmarva Power & Light Company (DPL) electric base rates case, September 2009–May 2010. Expert Witness and Assistant Project Manager. Analyzed the company's rate increase filings and provided testimony offering

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adjustments for the Commission consideration related to the rate base and revenue requirements.

- Docket No. 06-284: DPL's gas base rates case, October 2006–March 2007. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Michigan Public Service Commission (MIPSC) on behalf of the Michigan Attorney General
  - Case No. U-15506: Consumers Energy Company base gas rates case, May–November 2008. Expert Witness and Assistant Project Manager. Analyzed the company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – proceeding was settled through negotiations.
  - Case No U-15244 Detroit Edison electric base rates case, September 2007–October 2008.
  - Case No. U-15245 Consumers Energy Company base gas rates case, July 2007–April 2008.

Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.

  - Case No. U-14547 Consumers Energy Company base gas rates case, December 2005–April 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for Commission consideration related to the rate base and revenue requirements.
- ❖ Before the Maryland Public Service Commission (MDPSC)
  - Case No. 9092 Pepco electric base rates case, on behalf of the Staff of the MDPSC, December 2006–June 2007. Expert Witness and Assistant Project manager. Analyzed Company's rate increases filings and provided direct and rebuttal testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements.
  - Case No. 9062 Chesapeake Utilities Corporation gas base rates case, on Behalf of the Maryland Office of People's Counsel, May 2006–August 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – participated in settlement negotiations that were ultimately accepted by all parties.
- ❖ Before the Illinois Commerce Commission, Case No. 05-0597, on behalf of the Illinois Citizens Utility Board, Cook County State Attorney's Office and City of Chicago, November 2005–May 2006. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Hawaii Public Utilities Commission (HPUC), Docket No. 05-0075: Instituting a Proceeding to Investigate Kauai Island Utility Cooperative's Proposed Revised Integrated

## **Professional Experience and Qualifications**

### **Donna H. Mullinax, CPA, CIA**

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Resource Planning and Demand Side Management Framework, On behalf of the Staff of the HPUC, June–November 2005. Senior Technical Consultant and Assistant Project Manager. Conducted and reported on the results of an industry survey of other cooperatives and Commissions to obtain an overview of how other entities approach the specific issues identified within this docket.

- ❖ Before the Public Utilities Commission of the State of Colorado (COPUC), Docket No. 04A-050E: Review of the Electric Commodity Trading Operations of Public Service Company of Colorado (PSCo), On behalf of the COPUC Staff, March–September 2004. Expert Witness and Assistant Project Manager. Performed a transaction audit of PSCo's electric commodity trading operations and submitted testimony describing the process used to conduct the investigation, a summary of the audit findings, and discussion of the significance of the findings.
- ❖ Before the New York Public Service Commission, Case No. 00-E-0612: Proceeding on Motion of the Commission to Investigate the Forced Outage at Consolidated Edison Company of New York, Inc.'s Indian Point No. 2 Nuclear Generation Facility, On behalf of Consolidated Edison Company of New York, Inc., October 2000–September 2003. Project Manager. Supervised cross functional teams to assist scheduling and nuclear engineering experts with responses to interrogatories and the development of three comprehensive rebuttal testimonies on the prudence of extended outages at the Indian Point 2 nuclear power plant. The proceeding settled prior to filing of testimony.

#### **Civil Litigation**

- ❖ ADF Construction vs. Kismet, On Behalf of ADF Construction, December 2003–February 2004. Assistant Project Manager for a delay and disruption construction claim related to a large hotel complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages.
- ❖ On behalf of New Carolina Construction, July 2002–January 2003
  - New Carolina Construction vs. Atlantic Coast
  - New Carolina Construction vs. Acousti

Project Manager for a delay and disruption claim related to construction of a large high school complex in South Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.
- ❖ State of Nevada Bureau of Consumer Protection, September–December 2003. Assistant Project Manager for damage assessment project related to potential litigation regarding the Western Market Manipulation.
- ❖ Oakwood Homes, On behalf of Oakwood Homes, February 1999–May 2000. Assistant Project Manager for a delay and disruption claim related to the construction of a large manufacturing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute was settlement through mediation.
- ❖ McMillan Carter, On behalf of McMillan Carter, June–September 2002. Project Manager for a delay and disruption claim related to construction of a large high school complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.

**Professional Experience and Qualifications**  
**Donna H. Mullinax, CPA, CIA**

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- ❖ Fluor Daniel Inc. vs. Solutia, Inc., On behalf of Fluor Daniel, May 2000–August 2001. Assistant Project Manager for a delay and disruption construction claim related to large chemical processing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute proceeded through mediation.
- ❖ First National Bank of South Carolina vs. Pappas, On Behalf of First National Bank of South Carolina, 1991–1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Supported counsel and expert witnesses during civil proceeding.
- ❖ First Union vs. Pappas, On Behalf of First Union, 1991–1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Dispute was settled out of court.

***Testimony proffered***

Before the Arizona Corporation Commission

- UNS Electric, Inc. – Docket No. E-04204A-15-0142
- Tucson Electric Power Company–Docket No. E-01933A-15-0239
- Tucson Electric Power Company–Docket No. E-01933A-19-0028

Before the Colorado Public Utilities Commission

- Public Service Company of Colorado–Docket No. 04A-050E

Before the Delaware Public Service Commission

- Delmarva Power & Light Company–Docket No. 09-414

Before the Kentucky Public Service Commission

- Kentucky Utilities Company–Case No. 2018-00294
- Louisville Gas and Electric Company–Case No. 2018-00295

Before the Maryland Public Service Commission

- Chesapeake Utilities Corporation–Case No. 9062
- Potomac Electric Power Company–Case No. 9092

Before the Michigan Public Service Commission

- Consumers Energy Company–Case No. U-14547
- Consumers Energy Company–Case No. U-15506

Before the Pennsylvania Public Service Commission

- The York Water Company - Docket No. R-018-3000019

Before the Public Service Commission of Nebraska

- SourceGas Distribution LLC –Docket No. NG-0078
- Black Hills Utility Holdings, Inc. and Source Gas Holdings Inc.–Docket No. NG-0084
- SourceGas Distribution LLC–Docket No. NG-0088
- Black Hills Energy–Docket No. NG-0090
- Black Hills Energy–Docket No. NG-109

Before the New Hampshire Public Utilities Commission

- Unitil Energy Systems, Inc.–Docket No. DE 16-384
- Liberty Utilities (Granite State Electric) Corp.–Docket No. DE 16-383
- Liberty Utilities (EnergyNorth Natural Gas) Corp.–Docket No. DG 17-0048
- Liberty Utilities (Granite State Electric)–Docket No. DE 19-064

## **Professional Experience and Qualifications**

### **Donna H. Mullinax, CPA, CIA**

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- Eversource Energy–Docket No. DE 19-057
- EnergyNorth-Docket No. DG 20-105
- Unifil Energy Systems, Inc.–Docket No. DE 21-030

#### **System Implementation**

Mrs. Mullinax has worked with various business and local governmental entities to design and implement accounting and business systems that addressed real world problems and concerns. She has developed accounting policy and procedure manuals for county governments, a library, and a water utility.

#### ***Professional Experience***

##### **Blue Ridge Consulting Services, Inc.: 2004 - Present**

*President*

*Vice President and Chief Financial Officer*

*Senior Technical Consultant / Expert Witness*

##### **Hawks, Giffels & Pullin, Inc.: 1993 - 2004**

*Vice President and Chief Financial Officer*

*Executive Consultant*

*Controller*

##### **Cherry, Bekaert & Holland, CPAs: 1991 - 1993**

*Accounting Supervisor*

*Senior Accountant*

*Staff Accountant*

##### **Smith, Kline and French Pharmaceutical Company: 1988 - 1991**

*Professional Sales Representative*

##### **Milliken & Company: 1979 - 1988**

*Quality Assurance Manager*

*Technical Cause Analyst*

*Department Manager*

#### ***Professional Certification***

Certified Public Accountant (CPA), State of South Carolina - 1993

Certified Financial Planner (CFP) - 1994, Retired 2021

Certified Internal Auditor (CIA) - 2006

Chartered Global Management Account (CGMA) - 2012

#### ***Professional Affiliations***

Member of the American Institute of Certified Public Accountants (AICPA)

Member of the South Carolina Association of Certified Public Accountants (SCACPA)

Member of the Institute of Internal Auditors (IIA)

Member of the Western Carolinas Chapter of the Institute of Internal Auditors (WCIIA)

#### ***Education***

Clemson University, B.S. Administrative Management with honors, 1978

**Professional Experience and Qualifications**  
**Donna H. Mullinax, CPA, CIA**

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Clemson University, M.S. in Management, 1979  
College for Financial Planning, 1994  
NARUC Utility Rate School, 32<sup>nd</sup> Annual Eastern

Updated February 24, 2022



Aquarion Water Company of New Hampshire, Inc.

List of Schedules

Line #		Description
1	<a href="#">Schedule 1</a>	Summary Comparison of Computation of Revenue Requirement and Revenue Deficiency (Sufficiency)
2	<a href="#">Schedule 1.1</a>	Revenue Requirements and Revenue Deficiency (Sufficiency) with DOE's Recommended Adjustments
3	<a href="#">Schedule 1.2</a>	Computation of Gross Up for Income Taxes
4	<a href="#">Schedule 2</a>	Rate of Return Calculation
5	<a href="#">Schedule 2.1</a>	Impact of Recommended Rate of Return on Company's Revenue Deficiency
6	<a href="#">Schedule 3</a>	Ratemaking Adjustments
7	<a href="#">Schedule 3.1</a>	Adjustment 1 Post-Test Year Plant Adjustments
8	<a href="#">Schedule 3.2</a>	Adjustment 2 Cash Working Capital
9	<a href="#">Schedule 3.3</a>	Adjustment 3 Audit Recommended Adjustments
10	<a href="#">Schedule 3.4</a>	Adjustment 4 Amortize Non-Recurring August 23, 2019, Boil Water Event
11	<a href="#">Schedule 3.5</a>	Adjustment 5 Remove Payroll Increase 12-Months Past End of Test Year
12	<a href="#">Schedule 3.6</a>	Adjustment 6 Exclude Shareholder Focused Short-Term and Long-Term Incentive Compensation
13	<a href="#">Schedule 3.7</a>	Adjustment 7 Flow Through of Payroll Tax
14	<a href="#">Schedule 3.8</a>	Adjustment 8 Remove Employee Benefits Increase 12-months Beyond Test Year and Modify Overhead Rate
15	<a href="#">Schedule 3.9</a>	Adjustment 9 Remove Supplemental Executive Retirement Plan Costs (SERP)
16	<a href="#">Schedule 3.10</a>	Adjustment 10 Sharing of D&O Liability Insurance
17	<a href="#">Schedule 3.11</a>	Adjustment 11 Normalize Legal Expenses
18	<a href="#">Schedule 3.12</a>	Adjustment 12 Remove Lobbying Expenses
19	<a href="#">Schedule 3.13</a>	Adjustment 13 Amortization of Expert Fees
20	<a href="#">Schedule 3.14</a>	Adjustment 14 Convert to Whole Life Depreciation Methodology
21	<a href="#">Schedule 3.15</a>	Adjustment 15 Amortization of Theoretical Depreciation Reserve Imbalance
22	<a href="#">Schedule 3.16</a>	Adjustment 16 Remove Customer Assistance Program
23	<a href="#">Schedule 3.17</a>	Adjustment 17 Remove Eversource Aquarion Merger Costs Recovery Amortization
24	<a href="#">Schedule 3.18</a>	Adjustment 18 Interest Synchronization
25	<a href="#">Schedule 4.1</a>	Step Adjustment-Recommended
26	<a href="#">Schedule 4.2</a>	Step Adjustment-As Filed and PFAS Loan Update-Per Company

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 1

Aquarion Water Company of New Hampshire, Inc.

Twelve Months Ending December 31, 2019

Summary Comparison of Computation of Revenue Requirement and Revenue Deficiency (Sufficiency)

Line	Description	Application	11/30/21 Update	Adjustments	Recommended
		(A)	(B)	(C)	(D)
1	Rate Base	\$ 36,091,050	\$ 36,119,226	\$ (6,760,884)	\$ 29,358,342
2	Rate of Return	8.15%	8.15%	-3.41%	4.74%
3	Return Requirement	2,942,142	2,944,439	(1,552,854)	1,391,585
4	Adjusted Net Operating Income	1,940,736	1,970,235	448,781	2,419,016
5	Deficiency (Sufficiency)	1,001,406	974,204	(2,001,635)	(1,027,431)
6	Income Tax Effect	371,945	361,842	(743,452)	(381,610)
7	Revenue Deficiency (Sufficiency)	<u>\$ 1,373,351</u>	<u>\$ 1,336,046</u>	<u>\$ (2,745,087)</u>	<u>\$ (1,409,041)</u>

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 1.1

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.

Twelve Months Ending December 31, 2019

Revenue Requirements and Revenue Deficiency (Sufficiency) with DOE's Recommended Adjustments

Line	Description	Application	11/30/21 Update	Adjustments	Recommended Total
		(A)	(B)	(C)	(D)
1	<b>Rate Base</b>				
2	Plant in Service	\$ 56,033,346	\$ <b>56,061,522</b>	\$ (6,745,178)	\$ 49,316,344
3	Accumulated Depreciation & Amortization	(13,570,353)	(13,570,353)	-	(13,570,353)
4	Net Plant in Service	\$ 42,462,992	\$ 42,491,168	\$ (6,745,178)	\$ 35,745,991
5	Material and Supplies	\$ 163,416	\$ 163,416	\$ -	\$ 163,416
6	Prepayments	89,815	89,815	-	89,815
7	Deferred Tank Painting	17,710	17,710	-	17,710
8	Cash Working Capital	177,307	177,307	(15,706)	161,601
9	Customer Advances	(652,006)	(652,006)	-	(652,006)
10	Contributions in Aid of Construction	(2,431,613)	(2,431,613)	-	(2,431,613)
11	Reserve for Deferred Taxes	(3,736,572)	(3,736,572)	-	(3,736,572)
12	Total Rate Base	\$ 36,091,050	\$ 36,119,226		\$ 29,358,342
13	<b>Rate of Return</b>	8.15%	8.15%		4.74000%
14	<b>Return Requirement</b>	\$ 2,942,142	\$ 2,944,439	\$ (1,552,854)	\$ 1,391,585
15	<b>Revenues</b>				
16	Revenues—Water	7,394,866	<b>7,400,781</b>	-	7,400,781
17	Revenues—Other	221,927	<b>221,952</b>	-	221,952
18	Total Revenues	\$ 7,616,793	\$ 7,622,732	\$ -	\$ 7,622,732
19	<b>Expenses</b>				
20	Source of Supply	\$ 134,969	\$ <b>134,964</b>	\$ -	\$ 134,964
21	Pumping	423,804	<b>423,756</b>	-	423,756
22	Treatment	191,797	<b>191,789</b>	-	191,789
23	Transmission & Distribution	551,823	<b>550,845</b>	(245,799)	305,046
24	Customer Accounting	398,833	<b>398,828</b>	(12,529)	386,299
25	Information Technology	182,338	182,338	(1,555)	180,783
26	Administrative & General	1,397,577	<b>1,363,197</b>	(74,097)	1,289,100
27	Depreciation and Amortization	1,310,407	<b>1,310,751</b>	(305,751)	1,005,000
28	Taxes Other	948,692	<b>949,256</b>	(139,012)	810,244
29	Other Income & Expenses	(48,686)	(48,686)	(2,672)	(51,358)
30	Current Income Tax—State	21,820	<b>24,935</b>	94,569	119,504
31	Current Income Tax—Federal	77,357	<b>85,198</b>	238,064	323,262
32	Deferred Income Tax—State	29,366	29,366	-	29,366
33	Deferred Income Tax—Federal	62,909	62,909	-	62,909
34	Income Tax Allocated to Non-Utility Inc/Exp	(6,949)	(6,949)	-	(6,949)
35	Total Operating Expenses	\$ 5,676,057	\$ 5,652,497	\$ (448,781)	\$ 5,203,716
36	<b>Net Operating Income</b>	\$ 1,940,736	\$ 1,970,235	\$ 448,781	\$ 2,419,016
37	<b>Income Deficiency (Sufficiency)</b>	\$ 1,001,407	\$ 974,205	\$ (2,001,635)	\$ (1,027,430)
38	Revenue Conversion Factor	1.371	1.371		1.371
39	<b>Revenue Deficiency (Sufficiency)</b>	\$ 1,373,351	\$ 1,336,046	\$ (2,745,087)	\$ (1,409,041)

## Notes and Sources

Column A, Lines 1–12: AWS Application, Schedule No.3  
Column A, Lines 15–36: AWS Application, Schedule No. 1, 1A, 1B  
Column A, Lines 36–39: AWS Application, Schedule A  
Column B, Lines 1–12: AWS Schedule No. 3 11/30/21 Update  
Column B, Lines 15–36: AWS Schedule No. 1 11/30/21 Update  
Column B, Lines 36–39: AWS Schedule A 11/30/21 Update  
Column C: Schedule 3

Distribution Revenue	\$ 7,616,793	\$ 7,622,732	\$ 7,622,732
Revenue Deficiency	\$ 1,373,351	\$ 1,336,046	\$ (1,409,041)
% Increase over Test Year Distribution Revenue	18.0%	17.5%	-18.5%

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**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

Docket No. DW 20-184

Schedule 1.2

Page 1 of 1

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

Twelve Months Ending December 31, 2019

Computation of Gross Up for Income Taxes

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

**Notes and Sources**

Column A: AWS Schedule No. A (No change in 11/30/21 Update)

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 2

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.

Twelve Months Ending December 31, 2019

Rate of Return Calculation

Line	Description	Amount (A)	Capital Structure (B)	Cost % (C)	Weighted Cost % (D)
<b><u>Company Proposed Rate of Return</u></b>					
1	Short-Term Debt	\$ 1,200,000	3.79%	2.42%	0.09%
2	Long-Term Debt	13,900,000	43.85%	6.14%	2.69%
3	Preferred Equity	2,300	0.01%	6.00%	0.00%
4	Common Equity	16,598,323	52.36%	10.25%	5.37%
5	Total	<u>\$ 31,700,623</u>	<u>100.00%</u>		<u>8.15%</u>
<b><u>Recommended Rate of Return</u></b>					
6	Short-Term Debt	\$ 1,200,000	3.32%	2.42%	0.08%
7	Long-Term Debt	14,211,714	39.35%	4.62%	1.82%
8	Preferred Equity	2,300	0.01%	6.00%	0.00%
9	Common Equity	20,705,212	57.32%	4.95%	2.84%
10	Total	<u>\$ 36,119,226</u>	<u>100.00%</u>		<u>4.74%</u>

**Notes and Sources**

Lines 1-5: AWS Schedule No. 4A (Page 578) (No change in 11/20/21 Update)

Lines 6-10: Testimony of DOE Witness Mark Ellis

**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

Docket No. DW 20-184

Schedule 2.1

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

Page 1 of 1

Twelve Months Ending December 31, 2019

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

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Recommended (C)</b>
1	<b>Total Rate Base</b>	\$ 36,119,226		\$ 36,119,226
2	<b>Rate of Return</b>	8.15%	-3.41%	4.74%
3	<b>Return Requirement</b>	\$ 2,944,439	\$ (1,232,388)	\$ 1,712,051
4	<b>Net Operating Income</b>	\$ 1,970,235		\$ 1,970,235
5	<b>Income Deficiency</b>	\$ 974,204		\$ (258,184)
6	Revenue Conversion Factor	1.37142		1.37142
7	Revenue Deficiency	\$ 1,336,046	\$ (1,690,124)	\$ (354,079)

**Notes and Sources**

Column A: Summary Totals from Schedule 1

Line 2: Schedule 2

**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**Aquation Water Company of New Hampshire, Inc.**

Twelve Months Ending December 31, 2019

Ratemaking Adjustments

Docket No. DW 20-184

Schedule 3

Page 1 of 2

Line	Description	Company Update (A)	Adjustment 1 (B) Schedule 3.1	Adjustment 2 (C) Schedule 3.2	Adjustment 3 (D) Schedule 3.3	Adjustment 4 (E) Schedule 3.4	Adjustment 5 (F) Schedule 3.5	Adjustment 6 (G) Schedule 3.6	Adjustment 7 (H) Schedule 3.7	Adjustment 8 (H) Schedule 3.8	Adjustment 9 (H) Schedule 3.9	Adjustment 10 (I) Schedule 3.10	Adjustment Subtotal (J)
<b>Reference Schedule</b>													
1	<b>Rate Base</b>												
2	Plant in Service	\$ 56,061,522	\$ (6,695,500)		\$ (49,678)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,745,178)
3	Accumulated Depreciation & Amortization	(13,570,353)											-
4	Net Plant in Service	\$ 42,491,169	\$ (6,695,500)		\$ (49,678)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,745,178)
5	Material and Supplies	\$ 163,416											\$ -
6	Prepayments	89,815											\$ -
7	Deferred Tank Painting	17,710											-
8	Cash Working Capital	177,307											-
9	Customer Advances	(652,006)											(15,706)
10	Contributions in Aid of Construction	(2,431,613)											-
11	Reserve for Deferred Taxes	(3,736,572)											-
12	Total Rate Base	\$ 36,119,226	\$ (6,695,500)	\$ (15,706)	\$ (49,678)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,760,884)
13	<b>Rate of Return</b>	8.15%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%
14	<b>Return Requirement</b>	\$ 2,944,439	\$ (317,367)	\$ (744)	\$ (2,355)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (320,466)
15	<b>Revenues</b>												
16	Revenues-Water	\$ 7,400,781											\$ -
17	Revenues-Other	221,952											\$ -
18	Total Revenues	\$ 7,622,733											\$ -
19	<b>Expenses</b>												
20	Source of Supply	\$ 134,964											\$ -
21	Pumping	423,756											\$ -
22	Treatment	191,789											-
23	Transmission & Distribution	550,845			\$ (219,201)		(26,598)						(245,799)
24	Customer Accounting	398,828					(2,529)						(2,529)
25	Information Technology	182,338					(1,555)						(1,555)
26	Administrative & General	1,363,197											(51,899)
27	Depreciation	1,310,751	\$ (181,316)		\$ -			\$ (10,886)		\$ (19,504)	\$ (21,018)	\$ (490)	(181,316)
28	Taxes Other	949,256	(138,444)		(568)								(139,012)
29	Other Income & Expenses	(48,686)											(2,672)
30	Current Income Tax-State	24,935	24,622		44	16,878	2,362	838		1,501	1,618	38	48,107
31	Current Income Tax-Federal	85,198	61,979		110	42,488	5,947	2,110		3,780	4,074	95	121,101
32	Deferred Income Tax-State	29,366											-
33	Deferred Income Tax-Federal	62,909											-
34	Income Tax Allocated to Non-Utility Inc/Exp	(6,949)											-
35	Total Operating Expenses	\$ 5,652,497	\$ (233,159)	\$ -	\$ (414)	\$ (159,835)	\$ (22,373)	\$ (7,938)	\$ (1,948)	\$ (14,223)	\$ (15,326)	\$ (357)	\$ (455,573)
36	<b>Net Operating Income</b>	\$ 1,970,236	\$ 233,159	\$ -	\$ 414	\$ 159,835	\$ 22,373	\$ 7,938	\$ 1,948	\$ 14,223	\$ 15,326	\$ 357	\$ 455,573
37	<b>Income Deficiency (Sufficiency)</b>	\$ 974,204	\$ (550,526)	\$ (744)	\$ (2,769)	\$ (159,835)	\$ (22,373)	\$ (7,938)	\$ (1,948)	\$ (14,223)	\$ (15,326)	\$ (357)	\$ (776,039)
38	Revenue Conversion Factor	1.371	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142
39	<b>Revenue Deficiency (Sufficiency)</b>	\$ 1,336,046	\$ (755,004)	\$ (1,021)	\$ (3,797)	\$ (219,201)	\$ (30,682)	\$ (10,886)	\$ (2,671)	\$ (19,506)	\$ (21,016)	\$ (490)	\$ (1,064,278)
40	Percent of Total		56.5%	0.1%	0.3%	16.4%	2.3%	0.8%	0.2%	1.5%	1.6%	0.0%	

Adjustment 1	Post-Test Year Plant Adjustments
Adjustment 2	Cash Working Capital
Adjustment 3	Audit Recommended Adjustments
Adjustment 4	Amortize Non-Recurring August 23, 2019, Boil Water Event
Adjustment 5	Remove Payroll Increase 12-Months Past End of Test Year
Adjustment 6	Exclude Shareholder Focused Short-Term and Long-Term Incentive Compensation
Adjustment 7	Box Thruout of Payroll Tax
Adjustment 8	Remove Employee Benefits Increase 12-months Beyond Test Year and Modify Overhead Rate
Adjustment 9	Remove Supplemental Executive Retirement Plan Costs (SERP)
Adjustment 10	Sharing of D&O Liability Insurance

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Aquation Water Company of New Hampshire, Inc.

Twelve Months Ending December 31, 2019

Rate-making Adjustments

(in thousands)

Docket No. DW 20-184  
Schedule 3  
Page 2 of 2

Line	Description (A)	Carry Forward (B)	Adjustment 11 (C) Schedule 3.11	Adjustment 12 (D) Schedule 3.12	Adjustment 13 (E) Schedule 3.13	Adjustment 14 (F) Schedule 3.14	Adjustment 15 (G) Schedule 3.15	Adjustment 16 (G) Schedule 3.16	Adjustment 17 (G) Schedule 3.17	Adjustment 18 (G) Schedule 3.18	Adjustment 19 (H)	Adjustment 20 (I)	Adjustment Subtotal (J)	Approved Totals (K)
<b>Reference Schedule</b>														
1	<b>Rate Base</b>													
2	Plant in Service	\$ (6,745,178)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,745,178)	\$ 49,316,344
3	Accumulated Depreciation & Amortization	(6,745,178)												(13,570,353)
4	Net Plant in Service	\$ -											\$ (6,745,178)	\$ 35,745,991
5	Material and Supplies	\$ -											\$ -	\$ 163,416
6	Prepayments	-											\$ -	89,815
7	Deferred Tank Painting	(15,706)											(15,706)	17,710
8	Cash Working Capital	-											-	161,601
9	Customer Advances	-											-	(652,006)
10	Contributions in Aid of Constuction	-											-	(2,431,613)
11	Reserve for Deferred Taxes	\$ (6,760,884)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,760,884)	\$ 29,358,342
12	Total Rate Base	4,74%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%	4.74%	\$ -	4.74%
13	<b>Rate of Return</b>												\$ -	4.74%
14	<b>Return Requirement</b>	\$ (320,466)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,552,854)	\$ 1,391,585
15	<b>Revenues</b>													
16	Revenues-Water	\$ -											\$ -	\$ 7,400,781
17	Revenues-Other	-											-	221,952
18	Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,622,732
19	<b>Expenses</b>													
20	Source of Supply	\$ -											\$ -	\$ 134,984
21	Pumping	-											-	423,756
22	Treatment	-											-	191,789
23	Transmission & Distribution	(245,799)											(245,799)	305,046
24	Customer Accounting	(2,529)											(12,529)	386,299
25	Information Technology	(1,555)						\$ (10,000)					(1,555)	180,783
26	Administrative & General	(51,899)	\$ (12,045)	\$ (1,583)	\$ (8,570)	\$ (84,712)	\$ (14,756)		\$ (24,967)				(74,097)	1,289,100
27	Depreciation	(181,316)											(305,751)	1,005,000
28	Taxes Other	(2,672)											(139,012)	810,244
29	Other Income & Expenses												(2,672)	(51,358)
30	Current Income Tax-State	48,107	927	122	660	6,522	1,136	770	1,922	34,403			94,569	119,504
31	Current Income Tax-Federal	121,101	2,335	307	1,661	16,420	2,860	1,938	4,839	86,603			238,064	323,262
32	Deferred Income Tax-State	-											-	29,366
33	Deferred Income Tax-Federal	-											-	62,909
34	Income Tax Allocated to Non-Utility Inc/Exp	-											-	(6,949)
35	Total Operating Expenses	\$ (455,573)	\$ (8,763)	\$ (1,154)	\$ (6,249)	\$ (61,770)	\$ (10,760)	\$ (7,292)	\$ (18,206)	\$ 121,006	\$ -	\$ -	\$ (448,781)	\$ 5,203,716
36	<b>Net Operating Income</b>	\$ 455,573	\$ 8,763	\$ 1,154	\$ 6,249	\$ 61,770	\$ 10,760	\$ 7,292	\$ 18,206	\$ (121,006)	\$ -	\$ -	\$ 448,781	\$ 2,419,016
37	<b>Income Deficiency (Sufficiency)</b>	\$ (776,039)	\$ (8,763)	\$ (1,154)	\$ (6,249)	\$ (61,770)	\$ (10,760)	\$ (7,292)	\$ (18,206)	\$ 121,006	\$ -	\$ -	\$ (2,001,635)	\$ (1,027,431)
38	Revenue Conversion Factor	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142
39	<b>Revenue Deficiency (Sufficiency)</b>	\$ (1,064,276)	\$ (12,045)	\$ (1,583)	\$ (8,570)	\$ (84,713)	\$ (14,757)	\$ (10,000)	\$ (24,968)	\$ 165,950	\$ -	\$ -	\$ (2,745,087)	\$ (1,408,042)
40	Percent of Total		0.9%	0.1%	0.6%	6.3%	1.1%	0.7%	1.9%	-12.4%	0.0%	0.0%		

Percent of Total

Adjustment 11

Adjustment 12

Adjustment 13

Adjustment 14

Adjustment 15

Adjustment 16

Adjustment 17

Adjustment 18

Normalize Legal Expenses

Remove Lobbying Expenses

Amortization of Expert Fees

Convert to Whole Life Depreciation Methodology

Amortization of Theoretical Depreciation Reserve Imbalance

Remove Customer Assistance Program

Remove Eversource Aquarion Merger Costs Recovery Amortization

Interest Synchronization

(1,408,042)  
(9)

000060



## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.1

Page 1 of 3

Aquarion Water Company of New Hampshire, Inc.**Adjustment 1**

Post-Test Year Plant Adjustments

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
<b><u>RATE BASE</u></b>				
1	Plant in Service	\$ 6,695,500	\$ (6,695,500)	\$ -
2	Accumulated Depreciation & Amortization	-	-	-
3	Total Impact to Rate Base	<u>\$ 6,695,500</u>	<u>\$ (6,695,500)</u>	<u>\$ -</u>
<b><u>EXPENSES</u></b>				
4	Depreciation Expense	\$ 181,316	\$ (181,316)	\$ -
5	Property Taxes	138,444	(138,444)	-
6	Total Expense	<u>\$ 319,760</u>	<u>\$ (319,760)</u>	<u>\$ -</u>
7	NH Income Tax	7.70%		7.70%
8	Effect on NH income tax expense	<u>\$ (24,622)</u>	<u>\$ 24,622</u>	<u>\$ -</u>
9	Federal Taxable	\$ 295,138		\$ -
10	Federal Income Tax Rate	21%		21%
11	Effect on Federal income tax expense	<u>\$ (61,979)</u>	<u>\$ 61,979</u>	<u>\$ -</u>
12	Total Taxes	<u>\$ (86,601)</u>	<u>\$ 86,601</u>	<u>\$ -</u>
13	Impact to Net Operating Income	<u>\$ (233,159)</u>	<u>\$ 233,159</u>	<u>\$ -</u>

**Notes and Sources**

	Plant	Annual Depreciation	# of Years	Accum Depr	Property Taxes	
Post Test Year Plant					20.68	Schedule 3.1 WP Page 3 of 3
Mill Road Water Treatment Facility	\$ 2,873,962		n/a	\$ -	\$ 59,425	Move to Step
Well 22 Water Supply	1,721,939		n/a	-	35,605	Move to Step
Mill Road Water Main Replacement	1,224,541		n/a	-	25,320	Move to Step
Locke Road Water Main Replacement	1,017,487		n/a	-	21,039	Move to Step
Subtotal	<u>\$ 6,837,929</u>			<u>\$ -</u>	<u>\$ 141,389</u>	Move to Step
Less Retirements	<u>(142,429)</u>				<u>(2,945)</u>	Move to Step
Total Post-Test-Year Plant	<u>\$ 6,695,500</u>			<u>\$ -</u>	<u>\$ 138,444</u>	Move to Step
Post Test Year Plant Depreciation (see WP)		\$ 181,316	n/a			
Totals	<u>\$ 6,695,500</u>	<u>\$ 181,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,444</u>	

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.1 WP

Page 2 of 3

Aquarion Water Company of New Hampshire, Inc.Adjustment 1

Plant Adjustments Workpaper-Depreciation

	Description	NH PUC ACCT (A)	Pro Forma Additions (B)	Retirements (C)	Pro Forma Utility Plant (D)	Present Annual Rate (G)	Depreciation Amount
1	Organization	101301			\$ -	5.00%	\$ -
2	Miscellaneous Intangible Plant	101303			-	3.33%	-
3	Source Land and Land Rights	101310			-	0.00%	-
4	Source Structures and Improvements	101311			-	2.75%	-
5	Collecting and Impounding Reservoirs	101312			-	0.00%	-
6	Wells and Springs	101314	1,260,984		1,260,984	3.50%	44,134
7	Supply Mains	101316			-	1.20%	-
8							
9	Other Water Source Plant	101317					
10	2008 and Prior				-	5.00%	-
11	2009 and Subsequent				-	5.00%	-
12					-		-
13							
14	Pumping Land and Land Rights	101320			-	0.00%	-
15	Pumping Structures and Improvements	101321			-	2.75%	-
16	Electric Pumping Equipment	101325	32,527		32,527	3.43%	1,116
17	Diesel Pumping Equipment	101326			-	3.50%	-
18	Other Pumping Equipment	101328			-	4.40%	-
19	Treatment Structures and Improvements	101331	1,010,234		1,010,234	2.75%	27,781
20	Treatment Equipment	101332	1,946,743		1,946,743	3.50%	68,136
21	T&D Land and Land Rights	101340			-	0.00%	-
22	T&D Structures and Improvements	101341			-	2.75%	-
23	Distribution Reservoirs and Standpipes	101342			-	2.00%	-
24	Transmission and Distribution Mains	101343	2,529,948	(142,429)	2,387,519	1.20%	28,650
25	Services	101345			-	1.85%	-
26	Meters	101346			-	3.80%	-
27	Meter Installations	101347			-	3.80%	-
28	Hydrants	101348			-	2.40%	-
29	Other T&D Plant	101349			-	5.00%	-
30	General Structures and Improvements	101390			-	2.75%	-
31							
32	Office Furniture and Equipment	101391					
33	Fully Accrued				-	7.46%	-
34	Amortized				-	7.46%	-
35					-		-
36							
37	Computer Equipment - Hardware	101391H					
38	Fully Accrued				-	0.00%	-
39	Amortized		57,493		57,493	20.00%	11,499
40					57,493	20.00%	11,499
41							
42	Computer Equipment - Software	101391S					
43	Fully Accrued				-	0.00%	-
44	Amortized				-	0.00%	-
45					-	20.00%	-
46							
47	Transportation Equipment	101392			-	11.25%	-
48	Stores Equipment	101393			-	5.00%	-
49							
50	Tools, Shop, and Garage Equipment	101394					
51	Fully Accrued				-	5.00%	-
52	Amortized				-	5.00%	-
53					-		-
54							
55	Laboratory Equipment	101395			-	6.67%	-
56	Power Operated Equipment	101396			-	6.67%	-
57	Communications Equipment	101397			-	10.00%	-
58							
59	Miscellaneous Equipment	101398					
60	Fully Accrued				-	6.67%	-
61	Amortized				-	6.67%	-
62					-		-
63							
64			6,837,929	\$ (142,429)	\$ 6,695,500		\$ 181,316

Notes and Sources

AWC Schedule No. 1R

000062

**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

Docket No. DW 20-184

Schedule 3.1 WP

Page 3 of 3

**Aquarion Water Company of New Hampshire, Inc.****Adjustment 1**

Plant Adjustments Workpaper-Property Taxes

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

**Notes and Sources**

AWC Schedule No. 1T

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.2

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.Adjustment 2

Cash Working Capital

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Average Total O&M	\$ 3,194,723		
2	O&M Expenses Used in Revenue Requirement Calculation			
3	Source of Supply	\$ 134,964	\$ -	\$ 134,964
4	Pumping	423,756	-	423,756
5	Treatment	191,789	-	191,789
6	Transmission & Distribution	550,845	(245,799)	305,046
7	Customer Accounting	398,828	(12,529)	386,299
8	Information Technology	182,338	(1,555)	180,783
9	Administrative & General	1,363,197	(74,097)	1,289,100
10	Total O&M Expenses	\$ 3,245,717		\$ 2,911,738
11	Amount Used for Cash Working Capital Calculation	\$ 3,194,723		\$ 2,911,738
12	Rate	5.55%		5.55%
13	Total Cash Working Capital	\$ 177,307	\$ (15,706)	\$ 161,601
14	Impact to Rate Base	\$ 177,307	\$ (15,706)	\$ 161,601

Notes and Sources

Column A, Lines 11–13: AWC Schedule No. 3D

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.3

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.**Adjustment 3**

Audit Recommended Adjustments

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)	Modified in 11/30/21 Update (D)
1	<b><u>RATE BASE</u></b>				
2	<u>Audit Issue #3 Next Generation Strategies</u>				
3	101 Plant in Service	\$ 49,678	\$ (49,678)	\$ -	
4	Total Impact to Rate Base	\$ 49,678	\$ (49,678)	\$ -	
5	<b><u>EXPENSES</u></b>				
6	<u>Audit Issue #8</u>				
7	<b>A. 662202 Overdue 2018 Paper Ads</b>	\$ -	\$ -	\$ -	\$ (900)
8	B. and C. Boil Water Event			-	
9	665002 Public Affairs Consulting	15,792		15,792	
10	665003 Purchased water	3,293		3,293	
11	903203 Customer Credits	179,160		179,160	
12	<b>D. 921201 P-Card Charges Alcohol and Dessert</b>	-	-	-	(499)
13	<b>E. 923201 Deloitte Error</b>	2,156	-	2,156	(411)
14	<b>F. 923214 Environmental Champion Awards</b>		-	-	(14,059)
15	Total Audit Issue #8	\$ 200,401	\$ -	\$ 200,401	
16	<u>Audit Issue #10 State Education Tax</u>	\$ 568	\$ (568)	\$ -	
17	Total	\$ 200,969	\$ (568)	\$ 200,401	
18	NH Income Tax	7.70%		7.70%	
19	Effect on NH income tax expense	\$ (15,475)	\$ 44	\$ (15,431)	
20	Federal Taxable	\$ 185,494		\$ 184,970	
21	Federal Income Tax Rate	21%		21%	
22	Effect on Federal income tax expense	\$ (38,954)	\$ 110	\$ (38,844)	
23	Total Taxes	\$ (54,429)	\$ 154	\$ (54,275)	
24	Impact to Net Operating Income	\$ (146,540)	\$ 414	\$ (146,126)	

**Notes and Sources**

Lines 8–11: See Adjustment on Schedule 3.4

Lines 7, 12, 13, 14: Adjusted in AWC 11/30/21 Update Schedule No. 1Y

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.4

Aquarion Water Company of New Hampshire, Inc.

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**Adjustment 4**

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

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

**Notes and Sources**

Lines 1-5: Staff 2-58

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.5

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Aquarion Water Company of New Hampshire, Inc.**Adjustment 5**

Remove Payroll Increase 12-Months Past End of Test Year

Line	Description	Company Proposed			Adjustment	Adjusted Amount
		2020	Increase 2021	Proforma 2021		
		(A)	(B)	(C)	(D)	(E)
1	<b>AWC NH Employees</b>					
2	Exempt - Non Union	\$ 128,141	\$ 3,844	\$ 131,985	\$ (3,844)	\$ 128,141
3	Non- Exempt Non-Union Wages	132,170	3,965	136,135	(3,965)	132,170
4	Union Employees	505,385	15,162	520,547	(15,162)	505,385
5	Base Wages	\$ 765,696	\$22,971	\$ 788,667	\$ (22,971)	\$ 765,696
6	Standby, OT, Shift Differential Wages	<b>80,255</b>	2,408	82,662	(2,408)	80,255
7	Total AWC NH Employees	\$ 845,951	\$25,379	\$ 871,329	\$ (25,379)	\$ 845,951
8	Percent Charged to Expense	89.1%	89.1%	89.1%	89.1%	89.1%
9	Pro Forma Wages Charged to Expense	\$ 753,742	\$22,612	\$ 776,354	\$ (22,612)	\$ 753,742
10	<b>Service Company Employees</b>					
11	Service Company Charged to Expense	\$ 132,850	\$ 3,986	\$ 136,836	(3,986)	\$ 132,850
12	Total Salaries and Wages	\$ 886,592	\$26,598	\$ 913,190	<b>\$ (26,598)</b>	\$ 886,592
13	<b>AWC-CT Shared Customer Service/Collections</b>					
14	AWC-CT Shared Customer Service/Collections Labor	\$ 2,508,468	\$75,254	\$ 2,583,722	(75,254)	\$ 2,508,468
15	% to AWC-NH	3.36%	3.36%	3.36%	3.36%	3.36%
16	Shared Labor to AWC-NH	\$ 84,303	\$ 2,529	\$ 86,832	<b>\$ (2,529)</b>	\$ 84,303
17	<b>Shared Technology Costs</b>					
18	IT Labor	\$ 1,169,537	\$35,086	\$ 1,204,623	(35,086)	\$ 1,169,537
19	% to AWC-NH	4.43%	4.43%	4.43%	4.43%	4.43%
20	Shared Labor to AWC-NH	\$ 51,826	\$ 1,555	\$ 53,381	<b>\$ (1,555)</b>	\$ 51,826
21	Total Wages and Salaries	\$ 1,022,722	\$30,682	\$ 1,053,403	\$ (30,682)	\$ 1,022,722
22	NH Income Tax			7.70%		7.70%
23	Effect on NH income tax expense			<u>\$ (81,112)</u>	<b>\$ 2,362</b>	<u>\$ (78,750)</u>
24	Federal Taxable			\$ 972,291		\$ 943,972
25	Federal Income Tax Rate			21%		21%
26	Effect on Federal income tax expense			<u>\$ (204,181)</u>	<b>\$ 5,947</b>	<u>\$ (198,234)</u>
27	Total Taxes			<u>\$ (285,293)</u>	<u>\$ 8,309</u>	<u>\$ (276,984)</u>
28	<b>Impact to Net Operating Income</b>			<u>\$ (768,110)</u>	<u>\$ 22,373</u>	<u>\$ (745,738)</u>

**Notes and Sources**

Lines 1–11: AWC Schedule No. 1C

Line 13–16: AWC Schedule No. 1P

Lines 17–20: AWC Schedule No. 1Q

Line 6: Modified in 11/30/21 Update Schedule No. 1C, Line 11

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.6

Page 1 of 1

**Aquarion Water Company of New Hampshire, Inc.****Adjustment 6**

Exclude Shareholder Focused Short-Term and Long-Term Incentive Compensation

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Officer	\$ 10,781		\$ 10,781
2	Exempt, Non-Union	5,481		5,481
3	Non-Exempt, Non-Union	1,192		1,192
4	Total Incentive Compensation	\$ 17,454		\$ 17,454
5	Percent Charged to Expense	89.1%		89.1%
6	Total Incentive Compensation Charged to Expenses	\$ 15,552		\$ 15,552
7	Performance Measurements for Awards			
8	Financial	70%	-70%	0%
9	Operations	30%		30%
10	Incentive Compensation Awarded	100%		30%
11	Total Incentive Compensation	\$ 15,552	\$ (10,886)	\$ 4,665
12	NH Income Tax	7.70%		7.70%
13	Effect on NH income tax expense	\$ (1,197)	\$ 838	\$ (359)
14	Federal Taxable	\$ 14,355		\$ 4,306
15	Federal Income Tax Rate	21%		21%
16	Effect on Federal income tax expense	\$ (3,014)	\$ 2,110	\$ (904)
17	Total Taxes	\$ (4,211)	\$ 2,948	\$ (1,263)
18	Impact to Net Operating Income	\$ (11,341)	\$ 7,938	\$ (3,402)

**Notes and Sources**

Lines 1–6: AWC Schedule No. 1E and Staff 2-19

Lines 7–8: Staff 2-20



## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.7

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.Adjustment 7

Flow Through of Payroll Tax

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)	
1	<b>FICA</b>				
2	Proposed Wages	\$ 871,329	\$ (25,379)	\$ 845,951	Schedule 3.5
3	Add Bonus	17,454		17,454	
4	Medicare Tax Base	\$ 888,783		\$ 863,405	
5	Wages over limit of \$137,700	-		-	
6	Social Security Tax Base	\$ 888,783		\$ 863,405	
7					
8	Social Security Rate	6.20% \$ 55,105		\$ 53,531	
9	Medicare Rate	1.45% 12,887		12,519	
10	Pro Forma FICA Expense	\$ 67,992	\$ (1,942)	\$ 66,050	
11	<b>Federal Unemployment</b>	11			
12	Employees	11			
13	Tax base	7,000			
14	Rate	6.00% \$ 4,620		\$ 4,620	
15	<b>State Unemployment</b>	11			
16	Employees	11			
17	Tax base	14,000			
18	Rate (NH)	0.80% \$ 1,232		\$ 1,232	
19	Subtotal Payroll Taxes	\$ 73,844	\$ (1,942)	\$ 71,902	
20	% to Expense	89.1%		89.1%	
21	Payroll Tax Expense	65,795	\$ (1,730)	64,065	
22	<b>Service Company Payroll Taxes</b>				
23	Pro Forma Wages to Expense	\$ 136,836	\$ (3,986)	\$ 132,850	Schedule 3.5
24	Customer service labor to expense	86,832	\$ (2,529)	84,303	Schedule 3.5
25	IT labor to expense	53,381	\$ (1,555)	51,826	Schedule 3.5
		\$ 277,049		\$ 268,980	
26	Payroll Tax Rate	8.0%	-0.1%	7.89%	Schedule 3.8 WP
27	Service Company Payroll Taxes	22,164	\$ (941)	21,223	
28	Payroll Taxes	\$ 87,959	\$ (2,672)	\$ 85,287	
29	NH Income Tax	7.70%		7.70%	
30	Effect on NH income tax expense	\$ (6,773)	\$ 206	\$ (6,567)	
31	Federal Taxable	\$ 81,186		\$ 78,720	
32	Federal Income Tax Rate	21%		21%	
33	Effect on Federal income tax expense	\$ (17,049)	\$ 518	\$ (16,531)	
34	Total Taxes	\$ (23,822)	\$ 724	\$ (23,098)	
35	Impact to Net Operating Income	\$ (64,137)	\$ 1,948	\$ (62,189)	

Notes and Sources

Lines 1-28: AWC Schedule No. 1S

Line 26: Staff 2-31, Staff 2-25 and WP

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.8

Page 1 of 1

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

Remove Employee Benefits Increase 12-months Beyond Test Year and Modify Overhead Rate

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)	
1	<b>NH Employees</b>				
2	Employee Medical Costs	\$ 223,201	\$ (13,189)	\$ 210,012	
3	401K	48,956	-	48,956	
4	Auto Allowance	5,346	-	5,346	
5	Life Insurance	2,732	(80)	2,652	
6	Long-Term Disability	2,600	(76)	2,524	
7	Total Employee Welfare - NH Employees	282,835	(13,345)	269,490	
8	<b>Service Company Benefits</b>				
9	Pro Forma Wages to Expense	\$ 136,836	\$ (3,986)	\$ 132,850	Schedule 3.5
10	Customer service labor to expense	86,832	(2,529)	84,303	Schedule 3.5
11	IT labor to expense	53,381	(1,555)	51,826	Schedule 3.5
12	Service Company Labor	\$ 277,049	\$ (8,069)	\$ 268,980	
13	Benefits Overhead Rate	52.0%	-0.7%	51.3%	Schedule 3.8 WP
14	Service Company Benefits	144,066	(6,160)	137,906	
15	Total Employee Welfare	\$ 426,901	\$ (19,504)	\$ 407,396	
16	NH Income Tax	7.70%		7.70%	
17	Effect on NH income tax expense	\$ (32,871)	\$ 1,501	\$ (31,370)	
18	Federal Taxable	\$ 394,030		\$ 376,026	
19	Federal Income Tax Rate	21%		21%	
20	Effect on Federal income tax expense	\$ (82,746)	\$ 3,780	\$ (78,966)	
21	Total Taxes	\$ (115,617)	\$ 5,281	\$ (110,336)	
22	<b>Impact to Net Operating Income</b>	\$ (311,284)	\$ 14,223	\$ (297,060)	

**Notes and Sources**

Column A: AWC Schedule No. 1D

Line 2: Employee Medical Costs (11/30/21 Update AWS Schedule No. 1D)

Staff 2-24 Medical based on 2021 estimated pricing. Updated to actual

Tuft Medical - (\$23,574 per mo. for 10 F/T employees \* 12 mo.) \$ 282,888

CIGNA - Dental (10 EE@ \$1,097 PER EE)

10,970

Employee Contribution

(43,351)

Total Medical Cost

\$ 250,507

% to Expense

89.1%

Total medical Expense

\$ 223,201

\$ (13,190)

210,012

Test Year

\$ 196,822

% increase 2021 over Test Year

13.40%

1/2 of Increase

6.70%

210,012

Line 3: 401K=Company 3% increase to Test Year Amount

Line 4: Auto Allowance=No change from Test Year Amount

Line 5: Life Insurance

Base Wages

\$ 788,667

\$ (22,971)

\$ 765,696

Multiple

2.00

2.00

2.00

2X Base Wages Eligible for Life Insurance

\$ 1,577,334

\$ (45,942)

\$ 1,531,392

Cost of \$.162 per \$1,000 of wages X 12 months

0.00194

0.00194

0.00194

Life Insurance Cost

\$ 3,066

\$ (89)

\$ 2,977

% to Expense

89.1%

89.1%

89.1%

Life Insurance Expense

\$ 2,732

\$ (80)

\$ 2,653

Line 6: Long Term Disability

Wages Eligible for Long Term Disability

\$ 788,667

\$ (22,971)

765,696

Cost of \$.37 per \$100 of wages

0.00370

0.00370

0.00370

Long Term Disability

\$ 2,918

\$ (85)

\$ 2,833

% to Expense

89.1%

89.1%

89.1%

Long Term Disability Expense

\$ 2,600

\$ (76)

\$ 2,524

000070

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.8 WP

Page 1 of 1

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

Benefits Overhead Ratio Workpaper

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

**Notes and Sources**

Staff 2-25 Attachment 1

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## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.9

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.**Adjustment 9**

Remove Supplemental Executive Retirement Plan Costs (SERP)

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

**Notes and Sources**

Line 1: Staff 2-27

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.10

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.**Adjustment 10**

Sharing of D&amp;O Liability Insurance

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

**Notes and Sources**

Lines 1-3: AWC Schedule 1O and Staff 2-39

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.11

Page 1 of 2

Aquarion Water Company of New Hampshire, Inc.**Adjustment 11**

Normalize Legal Expenses

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

**Notes and Sources**

Lines 1–3: AWC Schedule No. 1F

Column C: Energy TS 2-8 and WP Average

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.11 WP

Page 2 of 2

Aquarion Water Company of New Hampshire, Inc.Adjustment 11

Normalize Legal Expenses-Workpaper

Description	2016	2017	2018	2019	2020	WCA Filing	General Legal	Comment
WICA Filing	\$ 11,879	\$ 7,513	\$ 8,223	\$ 14,105		\$ 10,430		
Rate Design Filing/Monthly Billing	16,276							Rate Case
Wiggin Way	1,078	13,535	2,860	15,703	\$ 7,148		\$ 8,065	
Hampton/North Hampton Hydrant Matter		2,833					2,833	
DES Water Sampling Matter		1,265					1,265	
Tax Reform			2,498	2,503				Non-recurring
Easement Release				715			715	
Hampton Compliant				330			330	
Management Fee Allocation				1,774			1,774	
NH Regulatory					32,391			
NH Rate Case					6,626			Rate Case
Total	\$ 29,233	\$ 25,145	\$ 13,581	\$ 35,129	\$ 46,165	\$ 10,430	\$ 14,981	
						\$	25,411	

Source: Energy TS 2-8

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.12

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.**Adjustment 12**

Remove Lobbying Expenses

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

**Notes and Sources**

Line 1: Staff 2-33



## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.13

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.**Adjustment 13**

Amortization of Expert Fees

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Blue Ridge 2017 Tax Act Study	\$ 10,284		\$ 10,284
2	Amortization Period - Years	1.00	5.00	6.00
3	Annual Recovery	\$ 10,284	\$ (8,570)	\$ 1,714
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	\$ (792)	\$ 660	\$ (132)
6	Federal Taxable	\$ 9,492		\$ 1,582
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	\$ (1,993)	\$ 1,661	\$ (332)
9	Total Taxes	\$ (2,785)	\$ 2,321	\$ (464)
10	Impact to Net Operating Income	\$ (7,499)	\$ 6,249	\$ (1,250)

**Notes and Sources**

Line 1: AWC Schedule No. 1L

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.14

Page 1 of 1

**Aquarion Water Company of New Hampshire, Inc.****Adjustment 14**

Convert to Whole Life Depreciation Methodology

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Depreciation Expense-Remaining Life	\$ 1,310,407	\$ (1,310,407)	\$ -
2	Depreciation Expense-Whole Life		1,225,695	1,225,695
3	Total Depreciation	\$ 1,310,407	\$ (84,712)	\$ 1,225,695
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	\$ (100,901)	\$ 6,522	\$ (94,379)
6	Federal Taxable	\$ 1,209,506		\$ 1,131,316
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	\$ (253,996)	\$ 16,420	\$ (237,576)
9	Total Taxes	\$ (354,897)	\$ 22,942	\$ (331,955)
10	Impact to Net Operating Income	\$ (955,510)	\$ 61,770	\$ (893,740)

**Notes and Sources**

Line 1: AWC Schedule No. 1R

Line 2: DOE 4-8, Attachment 2

Plant in service as of 12/31/19 and \$6.7M of PTY plant

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.15

Page 1 of 1

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

Amortization of Theoretical Depreciation Reserve Imbalance

<b>Line</b>	<b>Description</b>	<b>Company Proposed (A)</b>	<b>Adjustment (B)</b>	<b>Adjusted Amount (C)</b>
1	Depreciation Reserve Imbalance			
2	Calculated Accrued Depreciation	\$ -	\$ 12,500,837	\$ 12,500,837
3	Book Depreciation Reserve		12,648,397	12,648,397
4	Reserve Imbalance	\$ -	\$ (147,560)	\$ (147,560)
5	Amortization Period - Years		10	10
6	Annual Recovery	\$ -	\$ (14,756)	\$ (14,756)
7	Total Depreciation and Amortization	\$ -	\$ (14,756)	\$ (14,756)
8	NH Income Tax	7.70%		7.70%
9	Effect on NH income tax expense	\$ -	\$ 1,136	\$ 1,136
10	Federal Taxable	\$ -		\$ (13,620)
11	Federal Income Tax Rate	21%		21%
12	Effect on Federal income tax expense	\$ -	\$ 2,860	\$ 2,860
13	Total Taxes	\$ -	\$ 3,996	\$ 3,996
14	Impact to Net Operating Income	\$ -	\$ 10,760	\$ 10,760

**Notes and Sources**

Lines 1-4: DOE 4-8, Attachment 1

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.16

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.**Adjustment 16**

Remove Customer Assistance Program

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

**Notes and Sources**

Line 1: AWC Schedule No. 1M

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.17

Page 1 of 1

**Aquarion Water Company of New Hampshire, Inc.****Adjustment 17**

Remove Eversource Aquarion Merger Costs Recovery Amortization

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

**Notes and Sources**

Lines 1–12: AWC Schedule No. 1X

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 3.18

Page 1 of 1

Aquarion Water Company of New Hampshire, Inc.**Adjustment 18**

Interest Synchronization

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Rate Base	\$ 36,119,226	(6,760,884)	29,358,342
2	Interest Component of Rate of Return	2.78%		1.90%
3	Interest Attributable to Rate Base	1,004,692		557,897
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	\$ (77,361)	\$ 34,403	\$ (42,958)
6	Federal Taxable	\$ 927,331		\$ 514,939
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	\$ (194,740)	\$ 86,603	\$ (108,137)
9	Total Taxes	\$ (272,101)	\$ 121,006	\$ (151,095)
10	<b>Impact to Net Operating Income</b>	\$ 272,101	\$ (121,006)	\$ 151,095
11	Weighted Cost			
12	Long-Term Debt	2.69%		1.82%
13	Short-Term Debt	0.09%		0.08%
14	Interest Component of Rate of Return	2.78%		1.90%

**Notes and Sources**

Column A, Line 1: Schedule 1.1

Column B, Line 1: Schedule 1.1

## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DW 20-184

Schedule 4.1

Page 1 of 2

Aquarion Water Company of New Hampshire, Inc.

Step Adjustment-Recommended

Revised Methodology, 11/30/21 Update, Post-test Year Plant, WACC, Depreciation-Whole Life, Property Taxes-State Only

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Projects completed for Step 1 Adjustment			
2	Source of Supply	\$ 139,852		\$ 139,852
3	Pumping	112,207		112,207
4	Water Treatment	312,983		312,983
5	Transmission & Distribution	3,130,957		3,130,957
6	General Plant	431,982		431,982
7	Post Test Year Plant (Schedule 3.1)		\$ 6,695,500	6,695,500
8	Subtotal			10,823,481
9	Post Test Year Plant-Accum Depr		\$ (271,975)	(271,975)
10	Net Plant in Service	\$ 4,127,981		\$ 10,551,506
11	Rate of Return	8.15%	-3.41%	4.74%
12	Return	336,513		500,141
13	Revenue Conversion Factor	1.3714		1.3714
14	Return and Taxes	<b>\$ 461,501</b>		<b>\$ 685,905</b>
15	O&M Expense-New PFAS Treatment	\$ 59,000		\$ 59,000
16	Depreciation	101,231	184,914	286,145
17	Property Tax Expense Recovered in Step	85,356	(15,717)	69,640
18		<b>\$ 245,587</b>		<b>\$ 414,785</b>
19	NH Income Tax	7.70%		7.70%
20	Effect on NH income tax expense	\$ (18,910)	\$ (13,028)	\$ (31,938)
21	Federal Taxable	\$ 226,677		\$ 382,847
22	Federal Income Tax Rate	21%		21%
23	Effect on Federal income tax expense	\$ (47,602)	\$ (32,796)	\$ (80,398)
24	Total Taxes	<b>\$ (66,512)</b>	<b>\$ (45,824)</b>	<b>\$ (112,336)</b>
25	<b>Step 1 Revenue</b>	<b>\$ 640,577</b>	<b>\$ 347,777</b>	<b>\$ 988,354</b>

**Notes and Sources**

Column A, Lines 1-6: AWS 11/30/21 Update, Schedule No. 6(a)

Column B, Line 7: Schedule 3.1

Column C, Line 11 Schedule 2

Column B, Lines 16: See depreciation workpaper using Whole Life

Column C, Line 17: See workpaper. Includes State only. Local Taxes Recovered through Property Tax Mechanism.

Column B, Line 9:

**PTY Accumulated Depreciation**

PTY Depreciation

\$ 181,316

# years

1.5

Accumulated Depreciation

**\$ 271,975**

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NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Aquation Water Company of New Hampshire, Inc.

Step Adjustment-Recommended Workpaper

11/30/21 PFAS Loan Update, Post-test Year Plant, WACC, Depreciation-Whole Life, Property Taxes-State Only

	Company Proposed	Adjustment	Adjusted Amount
1			
2	14.08	(14.08)	-
3	6.60		6.60
4	20.68		6.60
5	\$ 4,127,981		\$ 10,551,506
6	\$ 85,356	\$ (15,717)	\$ 69,640
7			

11/30/21 PFAS Loan Update, Post-test Year Plant Moved to Step, and Depreciation Updated for Whole Life

Step 1: Remaining 2020 (excluding 4 projects included in Pro Forma Plant Additions) \* at 2021 spend and PFAS O&M incl. WICA (Well 6 PFAS most significant)

Retirement % (4 yr avg retirement %)

-11%

Acct No	Description	Amount	Est. Retirement	Net Additions	Depreciation	Depr Rate	Adjusted to Whole Life (DOE 4.8 Att. 2)	Depreciation	Comment
13									
14	SOS - Wells & Springs	\$ 9,673	\$ (1,064)	\$ 8,609	\$ 312	3.63%	\$ 1,270,857	\$ 44,309	PTY Plant (Sch 3.1)
15	SOS - Other Water Source Plant	147,464	(16,221)	131,243	5,722	4.36%	126,075	6,562	
16	Pumping - Structures & Improvements	126,075	(13,868)	112,207	1,818	1.62%	32,527	2,805	
17	Pumping - Electric Pumping Equipment	-	-	-	-	8.22%	-	1,366	PTY Plant (Sch 3.1)
18	WTP - Structures & Improvements	2,025,983	-	2,025,983	64,021	3.16%	1,323,217	33,080	PFAS Loan (Sch 4.2) + PTY Plant (Sch 3.1)
19	Treatment Equipment	-	-	-	-	6.68%	1,946,743	77,870	PTY Plant (Sch 3.1)
20	T&D - Structures & Improvements	66,950	(7,365)	59,585	83	0.14%	66,950	1,490	
21	T&D - Distribution Reservoirs & Standpipes	335,000	(36,850)	298,150	5,098	1.71%	335,000	5,516	
22	T&D - Transmission & Distribution Mains	2,499,856	(274,984)	2,224,872	27,143	1.22%	4,887,375	57,194	PTY Plant (Sch 3.1)
23	T&D - Services	286,960	(31,566)	255,394	5,772	2.26%	286,960	5,951	
24	T&D - Motors	298,486	(32,833)	265,653	26,406	9.94%	298,486	16,842	
25	T&D - Hydrants	19,677	(2,164)	17,513	298	1.70%	19,677	389	
26	T&D - Other T & D Plant	11,000	(1,210)	9,790	241	2.46%	11,000	326	
27	GP - Property Purchase	192,927	-	192,927	-	0.00%	192,927	-	
28	GP - Structures & Improvements	47,829	(5,261)	42,568	2,179	5.12%	47,829	1,418	
29	GP - Transportation Equipment	43,022	(4,732)	38,290	379	0.99%	43,022	3,638	
30	GP - Miscellaneous Equipment	118,146	-	118,146	7,880	6.67%	118,146	7,880	
31	GP - Computer Hardware	15,500	(1,705)	13,795	2,759	20.00%	72,993	14,251	PTY Plant (Sch 3.1)
32	GP - Computer Software	29,500	(3,245)	26,255	5,251	20.00%	29,500	5,251	
33		\$ 6,274,049	\$ (433,068)	\$ 5,840,981	\$ 155,362	2.48%	\$ 11,256,548	\$ 286,145	
34	Post Test Year Plant (Schedule 3.1)				Check		\$6,695,500		PTY Plant (Sch 3.1)
35	11/30/21 Letter-PFAS Loan				(1,713,000)		PFAS Loan		PFAS Loan (Sch 4.2)
36					\$4,982,500				
37									
38	By Plant Category								
39	Source of Supply	\$ 157,137	\$ (17,285)	\$ 139,852	\$ 6,034	3.84%	\$ 1,418,121	\$ 50,871	
40	Pumping	126,075	(13,868)	112,207	1,818	1.44%	158,602	4,171	
41	Water Treatment	2,025,983	-	2,025,983	64,021	3.16%	3,269,960	110,950	
42	Transmission & Distribution	3,517,929	(386,972)	3,130,957	65,041	1.85%	5,905,448	87,708	
43	General Plant	445,925	(14,943)	431,982	18,443	4.13%	504,417	32,445	
44		\$ 6,274,049	\$ (433,068)	\$ 5,840,981	\$ 155,362	2.48%	\$ 11,256,548	\$ 286,145	



## NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

## Aquatary Water Company of New Hampshire, Inc.

Step Adjustment-As Filed and PFAS Loan Update-Per Company

Docket No. DW 20-184

Schedule 4.2

Page 1 of 1

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)	Comment
1	Operating Revenues	\$ 927,636	\$ (281,015)	\$ 646,621	11/30/21 Letter-PFAS Loan
2	O&M Expense-New PFAS Treatment	\$ 59,000	-	\$ 59,000	
3	Depreciation	155,362	(64,131)	101,231	
4	Property tax	120,777	(85,421)	35,356	
5	Interest expense	116,483	-	116,483	
6	Total Operating Expense	\$ 451,559	\$ (144,108)	\$ 310,151	
7	Utility Operating Income	\$ 476,040	\$ (139,609)	\$ 336,430	
8	Projects completed for Step 1 Adjustment				
9	Source of Supply	\$ 139,852	-	\$ 139,852	
10	Pumping	112,207	-	112,207	
11	Water Treatment	2,025,983	(1,713,000)	312,983	
12	Transmission & Distribution	3,130,957	-	3,130,957	
13	General Plant	446,925	-	446,925	
14	Rate Base Investment	\$ 5,840,981	\$ (1,713,000)	\$ 4,127,981	
15	Return on Rate Base	8.15%		8.15%	
16	<b>Tax Calculation</b>				
17	Income before Income Taxes	\$ 592,497		\$ 401,034	
18	Interest Expense	(162,496)		(162,496)	
19	State taxable income	\$ 430,001		\$ 238,537	
20	State income tax at 7.7%	33,110		15,367	
21	Federal Taxable Income	396,891		220,170	
22	Federal Income Tax at 21%	83,347		46,236	
23	Total Current Income Taxes	\$ 116,457		\$ 64,603	
24	Total Income Taxes	\$ 116,457		\$ 64,603	
	Check	116,457		64,603	

Step 1: Remaining 2020 (excluding 4 projects included in Pro Forma Plant Additions) + all 2021 spend and PFAS O&amp;M incl. WICA (will 6 PFAS most significant)

-11% Retirement % (4 yr avg retirement %)

Acct No	Description	Amount	Est. Retirement	Net Additions	Per Company	Adjustment	Amount	Est. Retirement	Net Additions	Adjusted (Remaining Life)	Dep Rate	Depreciation	Comment
314	SOG - Wells & Springs	\$ 9,673	\$ (1,064)	\$ 8,609			\$ 9,673	\$ (1,064)	\$ 8,609		3.63%	\$ 312	
315	SOG - Onsite Water Source Plant	147,444	(16,221)	131,243			147,444	(16,221)	131,243		4.36%	5,722	
321	Pumping - Electric Pumping Equipment	126,075	(13,668)	112,207			126,075	(13,668)	112,207		1.85%	1,818	
325	Pumping - Electric Pumping Equipment	-	-	-			-	-	-		8.22%	9,890	11/30/21 Letter-PFAS Loan
331	WTP - Structures & Improvements	2,025,983	(7,365)	2,025,983		(1,713,000)	312,983	(7,365)	312,983		3.16%	83	
341	T&D - Structures & Improvements	66,950	(59,585)	59,585			66,950	(59,585)	59,585		0.14%	83	
342	T&D - Distribution Reservoirs & Standpipes	335,000	(36,850)	298,150			335,000	(36,850)	298,150		1.71%	5,098	
343	T&D - Transmission & Distribution Mains	2,499,856	(274,984)	2,224,872			2,499,856	(274,984)	2,224,872		1.22%	27,143	
345	T&D - Services	286,960	(31,566)	255,394			286,960	(31,566)	255,394		2.26%	5,772	
346	T&D - Meters	298,486	(32,833)	265,653			298,486	(32,833)	265,653		9.94%	26,406	
347	T&D - Other T & D	11,000	(1,210)	9,790			11,000	(1,210)	9,790		1.46%	241	
349	T&D - Other T & D Plant	192,927	(192,927)	192,927			192,927	(192,927)	192,927		0.00%	-	
310	GP - Property Purchase	47,829	(5,261)	42,568			47,829	(5,261)	42,568		5.12%	2,179	
390	GP - Structures & Improvements	43,022	(4,732)	38,290			43,022	(4,732)	38,290		0.99%	379	
392	GP - Transportation Equipment	118,146	(1,705)	116,441			118,146	(1,705)	116,441		6.67%	7,880	
398	GP - Miscellaneous Equipment	15,500	(1,705)	13,795			15,500	(1,705)	13,795		20.00%	2,759	
391H	GP - Computer Hardware	29,500	(3,245)	26,255			29,500	(3,245)	26,255		20.00%	5,251	
391S	GP - Computer Software	\$ 6,274,049	\$ (433,068)	\$ 5,840,981			\$ 4,561,049	\$ (433,068)	\$ 4,127,981		2.22%	\$ 101,231	
<b>By Plant Category</b>													
<b>Source of Supply</b>													
Pumping													
Water Treatment													
Transmission & Distribution													
General Plant													
Retirement not calculated for WTP projects as these projects are new													
\$ 2,232,236													

## Calculation of Property Tax Rate (Sch.11)

Pro Forma Property taxes, Towns	\$ 485,343
Assessed value	\$ 35,186,800
Property tax rate	14.08
Pro Forma Property taxes, State of NH	\$ 295,702
Assessed value	\$ 34,187,200
Property tax rate	6.60
Combined property tax mill rate	20.68
Rate Base Investment	\$ 4,127,981
Property Tax	\$ 85,356

Line 14

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 4

Data Request Received: September 9, 2021  
Request No.: DOE 4-3

Date of Response: September 23, 2021  
Witness: Debra Szabo

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REQUEST: **Rate Increases.** Please provide the docket number, requested distribution revenue increase, and approved distribution revenue for the past three distribution rate cases.

RESPONSE: Please refer to the table below

Docket No.	Requested Revenue Increase	Total Revenue Request	Approved Revenue Increase	Total Revenue Allowed
DW 12-085	\$1,113,931	\$7,200,604	\$925,380	\$7,012,053
DW 08-098	\$1,056,070	\$6,065,984	\$873,844	\$5,883,758
DW 05-119	\$885,605	\$5,052,174	\$787,803	\$4,954,371

# 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 rehearing 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 Account #	NH USoA for 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	\$ (4,779)

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 1/1/2019	2019 Additions	2019 Retirements	Ending 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 # 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		

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		\$(4,779)
		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:

Project #	Account Name	Account #	Date	Debit	Credit
	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:

Project #	Account Name	Account #	Date	Debit	Credit
	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 adapter. 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	<u>\$ 4,286,434</u>

### **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	\$ (55)
Total Accounts Receivable	\$282,156

Account 144000: Reserve for Doubtful Accounts-Water	\$ (18,357)
Account 144001: Reserve for Doubtful Accounts-Jobbing	\$ (85)
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 ASC 842, 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
	<u>12.31.2019</u>	<u>12.31.2019</u>	<u>12.31.2019</u>
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	<u>376.50</u>	<u>376.50</u>	<u>0.00</u>
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><u>\$40,000</u></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>
	<u>\$(16,600,623)</u>

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	\$(8,373,058)

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>\$ (1,989,331)</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>		\$	<u>133,637</u>

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
			<hr/>
	<b>Total Transmission &amp; Distribution Expenses</b>	<b>\$</b>	<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	<u>\$1,202</u>
	\$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	<u>\$267</u>
	\$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	<u>\$9,232</u>
	\$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, whichever 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	<u>\$ (6,824)</u>
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
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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 Butth 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 per 2018 Federal Return	AWC NH per 2019 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 lofficers 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
#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 Account #	NH USoA for 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:

Sum of 12/31/2019	FERC Elec. USOA	Correct Acct #		Account Description Per Water USOA
		Water USOA per	Bates Page 645	
\$ 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	\$ (574,596)	\$ (574,598)
Ending Balance	\$49,342,847	\$49,337,847
Property Held for Future	\$ (4,779)	\$ -0-
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	<u>86,659</u>
	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	<u>7,800</u>
	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>	<u>\$189</u>
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 31 0). 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.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-10

Date of Response: July 8, 2021  
Witness: D. Szabo

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REQUEST: **Cash Working Capital:** Direct Testimony of Debra A. Szabo, page 25, lines 1–2, Schedule No. 3D, and Reference Puc 1604.01(a)(26).

- a. Ms. Szabo's testimony references a lag study rate of 5.39%, while the workpapers are using 5.5%. Please explain the difference.
- b. Please provide a copy of the lead/lag study that developed the Days (Lead)/Lag reflected on Puc 1604.01(a)(26). If a study was not performed, provide the basis for the Days (Lead)/Lag used.
- c. Please confirm that Working Capital rate reflects only the lead/lag for revenues.
- d. Did the Company perform a lead/lag analysis on payments? If not, why not?
- e. Please provide the source of the hard-coded numbers used on Schedule No. 3D.

RESPONSE:

- a. Ms. Szabo's testimony should have been updated to reflect a lag study rate of 5.5%. There was an error in the formula in the workpapers that was corrected in the workpapers but not updated in the testimony. Please also refer to the response to Staff 2-74.
- b. Under Puc 1604.07(t) utilities with gross revenues of less than \$50,000,000 may use a formula based on the length of  $\frac{1}{2}$  of the utility's billing cycle plus 30 days in lieu of a detailed lead-lag study. Aquarion has applied that formula in lieu of a detailed lead-lag study. Please refer to Staff 2-10 Attachment 1 for the calculation of the working capital percentage of 5.55%.
- c. Yes.
- d. The Company did not perform a lead/lag analysis on payments. The working capital percentage in this docket is consistent with the calculation approved by the Commission in the previous rate case, Docket No. DW 12-085.
- e. Please refer Staff 2-10 Attachment 2 for the monthly summary income statements for years 2018 and 2019. Row 18 (highlighted) shows the monthly operating expenses.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 1

Data Request Received: April 8, 2021  
Request No.: Staff 1-3

Date of Response: April 22, 2021  
Witness: D. Szabo

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**REQUEST: Testimony of Debra Szabo for Temp Rates, Bates 610**

Please provide details of any non-recurring, one-time, transactions expensed in 2019 of \$50,000 or more on an individual basis.

**RESPONSE:** For purposes of this response, the Company defines “non-recurring, one time, transactions “ as being expenses incurred during 2019 of a magnitude for activities which 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. The Company has not identified any non-recurring, one time, transactions expensed in 2019 of \$50,000 or more that fits this definition.

However, in order to be fully responsive to this request, the Company notes that in 2019 it did incur \$227K of expenses related to a boil water order that was issued on August 23, 2019. The order was issued after results of a routine water sample taken on August 21, 2019 reported the presence of E.Coli and Total Coliform in one of the ten samples. As stated in our September 5, 2019 report to the Commission, the Company believes the positive results were due to a contaminated sample as subsequent water testing completed from August 23, 2019 to August 24, 2019, confirmed no presence of E.Coli bacteria or Total Coliform in any of the source wells or the water distribution system, and that the water sources were continually disinfected.

Although these events do not necessarily recur annually, or at the magnitude that occurred in 2019, it is reasonable to conclude these event could occur in the future such events 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 our 2019 audited financial statements.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-58

Date of Response: July 8, 2021  
Witness: D. Szabo

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REQUEST: **Regarding Staff 1-3:** Please provide a breakdown of the \$227,000 cost related to the August 2019 boil water order.

RESPONSE:

Refer to the table below for cost related to the boil water order:

Customer goodwill credit	\$179,160
Outside services	34,147
Monitoring of wells	8,740
Office supplies	<u>5,162</u>
Total	\$227,209

# AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

## Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-20

Date of Response: July 8, 2021  
Witness: D.Szabo

**REQUEST: Labor Costs—Bonus/Incentive Compensation:** Reference Schedule 1E and PUC 16401(a)(15) Employee Incentive Plan.

- Please provide a copy of the bonus/incentive compensation plan documents that apply to (a) Officer, (b) Exempt Non-Union, (c) Non-Exempt, Non-Union, and (d) allocated Service Company employees. If any plan was changed in the last three years, provide a copy of the plan for each year.
- Please provide a copy of the bonus/incentive compensation plan documents for each plan that is effective in 2021.
- For each plan, please provide the amount awarded and amount paid in the test year and each of the three preceding calendar years for (a) Officer, (b) Exempt Non-Union, (c) Non-Exempt, Non-Union, and (d) allocated Service Company employees. Also provide the amount that is reflected in the Company's rate request for each plan, each group.
- Please provide the scorecards/performance goals or calculations used to determine the achievement of goals and payouts under each incentive/bonus plans for the test year, 2020, and 2021.

**RESPONSE:**

- Refer to Staff 2-20 Attachments 1-3 for the bonus/incentive compensation plans for the years 2018-2020.
- Refer to Staff 2-20 Attachment 4 for the 2021 bonus/incentive compensation plan.
- The table below reports amounts awarded in March of the noted year based on performance in the prior year.

	2020	2020	2019	2019	2018	2018	2017	2017
	LTIP	STIP	LTIP	STIP	LTIP	STIP	LTIP	STIP
Officer	\$4,969.71	\$5,811.61	\$2,602.05	\$5,642.34	\$15,145.43	\$5,478.00	\$6,592.77	\$5,104.50
Exempt		\$5,480.59		\$5,321.47		\$4,345.00		\$5,015.73
Non-Exempt		\$1,191.85		\$1,004.47		\$1,993.00		\$ 704.49

- Below is the achievement of goals and payouts under each incentive/bonus plans for 2019 and 2020.

## AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

### Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-20

Date of Response: July 8, 2021  
Witness: D.Szabo

#### 2019 results paid in 2020:

	Category	Indicative Payout	Weighting	Overall Weighting
Financial	Net Income	116%	60%	70%
	Investment in Rate Base	101%	20%	20%
	Org Alignment	100%	10%	10%
	Strategic Initiatives	75%	10%	8%
			<b>100%</b>	<b>107%</b>
Operational	Service Quality Complaints	100%	8.3%	8.3%
	First Call Resolutions	100%	8.3%	8.3%
	Transform the Customer Exp	100%	8.3%	8.3%
	Water Quality Complaints	100%	12.5%	12.5%
	Water Quality Compliance	0%	12.5%	0.0%
	DART	100%	8.3%	8.3%
	PVMA	100%	8.3%	8.3%
	Employee Turnover %	100%	8.3%	8.3%
	Training Hours per Employee	100%	8.3%	8.3%
	# of Main Breaks	100%	8.3%	8.3%
	Env Compliance Index	100%	8.3%	8.3%
			<b>100.0%</b>	<b>87.5%</b>
<b>Overall Assessment</b>				<b>30%</b>

Financial Overall Weighting 70%  
Net Income 60% / Investment in Rate Base 20% / All Others 20%

Operational Overall Weighting 30%  
Product Quality 25% / Service Quality 25% / All Others 50%

#### 2020 results paid in 2021:

Short Term Incentive Plan					
Performance Assessment					
	Category	Indicative Payout	Weighting	Overall Weighting	Overall Assessment
Financial	Net Income	112.9%	60%	68%	
	Investment in Rate Base	102.7%	20%	21%	
	Strategic Initiatives	67%	20%	13%	
			<b>100%</b>	<b>102%</b>	<b>70%</b>
Service Quality	Service Quality Complaints	100%	8.3%	8.3%	
	First Call Resolutions	100%	8.3%	8.3%	
	Transform the Customer Exp	100%	8.3%	8.3%	
Product Quality	Water Quality Complaints	100%	12.5%	12.5%	
	Water Quality Compliance	100%	12.5%	12.5%	
Other	DART	0%	6.3%	0.0%	
	PVMA	100%	6.3%	6.3%	
	SIF	100%	6.3%	6.3%	
	Employee Turnover %	0%	6.3%	0.0%	
	Diversity of Promotions	100%	6.3%	6.3%	
	Non-Revenue Water	100%	6.3%	6.3%	
	# of Main Breaks	100%	6.3%	6.3%	
	Env Compliance Index	100%	6.3%	6.3%	
			<b>100.0%</b>	<b>87.5%</b>	<b>30%</b>
<b>Overall Assessment</b>					<b>26.25%</b>
					<b>97.43%</b>
Financial	Overall Weighting 70% Net Income 60% / Investment in Rate Base 20% / All Others 20%				
Operational	Overall Weighting 30% Product Quality 25% / Service Quality 25% / All Others 50%				

# **Aquarion Water Company Employee Incentive Plan**

**Effective January 1, 2018**

## **Objectives**

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- To incentivize employee behavior toward customer service and business goals:
  - First and foremost, to improve customer service by tying a portion of employee compensation to customer satisfaction.
  - To enhance the linkage of compensation to our business results specifically related to service quality and product quality metrics
- To attract and retain employees:
  - To ensure that our compensation structure will support our ability to attract and retain employees who are focused on our customer through team goal achievement, continuous improvement of business processes and enhanced customer service delivery.



## **Performance Measures (Balanced Scorecard)**

- Business Unit Performance Measures – Balanced Scorecard:
  - Threshold: The Company must be able to support the payment of incentive compensation by achieving a threshold EBITDA target for 2018.
  - If threshold EBITDA is not achieved, the employee incentive plan will not be funded.
  - If threshold EBITDA is achieved, the Team Measures, Key Employee Results (where applicable) and Individual Performance Modifier will determine the funding of the Plan.
- Team Measures for Service and Product Quality:
  - Accounts for 100% of Balanced Scorecard for Non-Exempt and Exempt employees per the Matrix of Target Payout.
  - Accounts for 50% of Balanced Scorecard for Directors, Vice Presidents and the President & CEO per the Matrix of Target Payout.

<b>Critical Success Factor</b>	<b>Measure</b>	<b>Metric</b>	<b>2018 Targets</b>
Service Quality	DPUC Scorecard	Ranking based on number of customer complaints to the DPUC	Top 25% of all utilities in CT
	Call center performance	Call abandonment rate	<4%
	Customer Service Complaints *	Number of complaints	<3,230
	Customer Survey	Customer satisfaction results	87% (+/- 3%)
Product Quality	Product Compliance Rating	Number of violations per year	Zero (0)
	Customer Water Quality Complaints *	Number of water quality complaints	<1,234
Safety	OSHA Incident Rate	OSHA Incident Rate	3.7

## **Performance Measures (Balanced Scorecard) Cont.**

- Key Employee Results for Service and Product Quality
  - Applicable only to Directors, Vice Presidents and the President & CEO per the Matrix of Target Payout.
  - Achievement of individual employee's goals and objectives, per the 2018 Key Employee Goals & Objectives, accounts for the remaining 50% of the Balanced Scorecard for Key Employees.
- Individual performance modifier
  - At the discretion of the CEO and compensation committee, an employee's award may be enhanced by ±25%; no award is granted if the individual employee's performance is not satisfactory.

## Matrix of Achievement

- **Minimum Financial Threshold.** Threshold EBITDA must be achieved before an employee incentive award is funded and may be approved.
- Threshold achievement is 90% of EBITDA and provides funding for the employee incentive award payment

Threshold	Meets 90% of target EBITDA to fund awards	Payment up to 150% of target depending on the achievement of targets on Balanced scorecard measures
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- **Scorecard Results.** Once a minimum financial threshold is achieved, results of Balanced Scorecard measures dictate the achievement and payment of the incentive plan.
- Threshold achievement is 90% of EBITDA and produces an award according to the following matrix:

Scorecard Results	Meets less than 50% of targets on Balanced Scorecard	Payment up to 50% of target *
	Meets 50% of targets on Balanced Scorecard	Payment 50% of target*
	Meets 75% of targets on Balanced Scorecard	Payment 100% of target*
	Meets or exceeds all targets on Balanced Scorecard	Payment up to 150% of target*

\* payment is made at the discretion and approval of the Compensation Committee

**Matrix of Target Payout: Employee Bonus Plan**

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	Target Bonus %
Non-Exempt Employees	1.5%
Exempt Employees	3%
Directors	10%
Vice Presidents	20 - 40%
President & CEO	60%

## **Time and Form of Payment of Bonuses**

- Bonuses payable under the Employee Incentive Plan for any year will not be determined until after the close of such year.
- If an employee has remained continuously employed through the year for which a bonus is payable, any bonus payable for such year will vest on December 31<sup>st</sup> of that year and be paid to the employee in a lump sum between January 1<sup>st</sup> and March 15<sup>th</sup> of the next succeeding year.
- If an employee terminates employment for any reason (other than termination due to a Change in Control ) on or before December 31<sup>st</sup> of a year for which a bonus would otherwise be payable, the employee will forfeit any and all rights to such bonus immediately upon termination of employment. If reason for termination is due to a Change in Control, the employee will receive a pro-rata payment through the date of termination. Notwithstanding the foregoing, the Compensation Committee reserves the right, upon an employee's termination of employment, to authorize, in its sole discretion, the payment to such terminated employee (or his or her estate in the event of the employee's death) of a pro rata portion of any bonus to which such employee would otherwise have become entitled had such employee continued employment through the end of the year for which such bonus is payable; provided, however, that in no event will the date of payment of such bonus be accelerated.

## **Administration of the Plan; Governing Law**

- The Employee Incentive Plan shall be administered under the direction of the CEO and the Compensation Committee. The Compensation Committee may make such rules and other terms and conditions for the conduct and administration of the Plan as it shall think fit and may amend the Plan, provided, that, no such amendment shall adversely affect the right of any employee to receive payment under the Plan of a vested bonus. Any dispute regarding the interpretation of the Plan or the terms and conditions of participation or the calculation of the thresholds, scorecard measures or bonuses shall be determined by the Committee in its sole discretion and its decision shall be final and binding on all persons.
- All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan will be determined in accordance with the laws of the State of Connecticut without giving effect to the conflict of laws principles thereof. Anything in this Plan to the contrary notwithstanding, the terms of this Plan shall be interpreted and applied in a manner consistent with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations thereunder so as not to subject an employee participating in the Plan to the payment of any tax penalty or interest which may be imposed by Section 409A of the Code and the Company shall have no right to make any payment under this Plan except to the extent such action would not subject an employee to the payment of any tax penalty or interest under Section 409A of the Code. It is intended that payments made under this Plan on or before the 15th day of the third month following the end of the employee's first taxable year in which the right to the payment is no longer subject to a substantial risk of forfeiture shall be exempt from compliance with Section 409A of the Code pursuant to the exception for short-term deferrals set forth in Section 1.409A-1(b)(4) of the Treasury Regulations.

## 2019 Short Term Incentive Plan Goals



# 2019 Operating Plan Overview

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- Aquarion's 2019 Business Plan as well as the 5-year Plan has been submitted and approved by Eversource and supports the overall achievement of the Company's financial and operating goals.
- Our financial and operational goals are aligned with the Company's mission to be the service, employer and investment of choice, through a relentless commitment to excellence.
- The Company's planning process is comprehensive and establishes challenging initiatives and goals that encompass all aspects of the business.
- Aquarion's goals and objectives have been vetted to ensure alignment and support of the Eversource plan.
- A process has been established to review the progress of the established goals and to identify opportunities for continued improvement or assess risk that could hinder achievement.

AQUARION

# Key Objectives and Philosophy

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- To incentivize employee behavior towards achievement of goals and objectives as outlined in the annual and long term business plan.
  - Goals include objective initiative focused on financial achievement, employee, customer service and operations as well as individual employee performance.
- To ensure that our compensation structure will support our ability to attract and retain employees who are focused on our customer through goal achievement, continuous improvement of business processes and enhanced customer service delivery.
- Overall weightings, 70% financial – 30% Operational
- Payouts made in cash at 0-200% of Target based on performance matrix and the individual's contribution.

AQUARION



# Balanced Goals

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- Deliver strong financial results to shareholders through focus on delivery of net income and growth initiatives.
- Focus on employee engagement to support Aquarion as an employer of choice.
- Develop and implement strategies that improve the customer experience.
- Deliver high quality water, reliably and safely.
- Foster Aquarion's reputation as Stewards of the Environment by promoting a positive Company image and improved local community awareness.

AQUARION

# 2019 Performance Goals

- Major initiatives are developed in support of the overall Operating plan and Balanced Scorecard (Financial, Employee, Customer and Operational Excellence).
- Progress on major initiatives are reviewed monthly to ensure is on track to achieve the Company results.
- Major business risks have been identified, monitored and integrated with the Eversource Risk Management process.

- The following pages provide the specific Annual Incentive Plan goals for 2019.

FINANCIAL PERFORMANCE			Overall Weighting
Financial Performance	Category		70%
	Net Income		
	Investment in Rate Base		
	Strategic Initiatives and Regulatory Outcomes		
OPERATIONAL PERFORMANCE			
Employee	Category		30%
	DART Rate		
	PMVA Rate		
	Employee Turnover %		
	Training Hours Per Employee		
Customer	Service Quality Complaints		
	Water Quality Complaints		
	Water Quality Compliance		
	Transform the Customer Experience		
	First Call Resolution		
Operating Efficiency	# of Main Breaks		
	Non-Revenue Water		
	Environmental Compliance Index		
	Average Daily Production		

AQUARION

# Financial Performance

FINANCIAL PERFORMANCE				
	Category	2019 Plan	Rationale	2018 Results
Financial Performance	Net Income	\$30,058	Achieve targeted next income to support Eversource growth initiative at the consolidated level.	\$30,887
	Investment in Rate Base	\$109M	Growth of physical assets is a key driver of Net Income.	\$101.7
	Strategic Initiatives and Regulatory Outcomes	Identify strategic opportunities to grow the business and obtain favorable regulatory outcomes to advance growth. 1) Customer Growth: 1,504 2) Leads, Prospects Wins: 30/2/2 3) Regulatory Filings: WICA, RAM 4) Integration w/Eversource	Advancement of these opportunities will continue to advance Aquarion as a leader in the water utility industry and support the overall earnings profile for Eversource Energy with Rating Agencies and Wall Street.	1) 534 2) 15, 2, 0 3) successful WICA and RAM filings. 4) new measure
	Overall Weighting = 70%, Net Income weighted 60%, Investment in Rate Base 20% all others combined weighted 20%.			

AQUARION



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Staff 2-20 Attachment 2  
Page 7 of 8

## Operating Performance (continued)

OPERATIONAL PERFORMANCE				2018 Results
	Category	2019 Plan	Rationale	
Operational Performance	DART Rate	0.8 - 1.2	Challenging target established with Eversource based on new criteria to move the Company to improved performance.	0
	PMVA Rate	3.5 - 3.9	Challenging target established with Eversource based on new criteria to move the Company to improved performance.	7.64
	Employee Turnover %	5%-8%	Indicator on the Company's ability to motivate, and retain talent required to achieve excellent performance and control turnover costs.	6.80%
	Training Hours Per Employee	14-18 hours	Investment in employee development and commitment.	21.5 hrs
	Service Quality Complaints	3,068-3,392 (average 3,230) complaints	Complaints logged by service representatives in: billing and service (pressure issues, no water, leaks at meter, general complaints). Target is less than 1.5% of total customers.	3,009
	Water Quality Complaints	1,044-1,154 (average 1,099) complaints	Complaints logged specific to taste, odor, appearance of unknown cause, chemical and biological quality. Target is less than .05% of total customers.	1,045

Continued on next page

# AQUARION

# Operating Performance

OPERATIONAL PERFORMANCE			
Category	2019 Plan	Rationale	
Water Quality Compliance	0	Measures the # of NOV'S (Notice of Violations) of water quality standards issued by state health regulators that result in fines, penalties and Tier I customer notifications. Violations in newly acquired systems do not count for period of 3 years in order to allow time to identify and correct the compliance deficiencies.	0
Transform the Customer Experience	Advance the customer experience by: 1) Launch new customer portal 2) Implement new customer survey to understand customer expectations 3) establish a customer service roadmap based on JD Power CEPA and customer satisfaction survey results.	Enhancements in these focus areas will lead to improvements in customer satisfaction scores.	new projects each year to support customer satisfaction improvement opportunities
First Call Resolution	93%	Provides diagnostic feedback on the processes that begin with the customer experience. Top quartile rankings include target of 90% or better.	97%
# of Main Breaks	<431	Monitors the performance of distribution assets and investment as well as gauge the frequency of service interruptions.	Average of 437 overall 4 year period
Environmental Compliance Index	100	Measures state and federal violations based on certain levels. Provides diagnostic feedback on operational processes to mitigate risk to the environment.	100%
Overall Weighting = 30%, Product Quality weighted 25%, Service Quality weighted 25%; all others combined weighted 50%			

# AQUARION

# Aquarion Water Company Employee Incentive Plan

Effective January 1, 2020

## Objectives

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- To incentivize employees behavior towards achievement of goals and objectives as outlined in the 2020 Business Plan.
  - Goals include initiatives focused on financial achievement, employee, customer service, product quality, operations as well as individual employee performance.
- To ensure that our compensation structure will support our ability to attract and retain employees who are focused on our customer through goal achievement, continuous improvement of business processes and enhanced customer service delivery.

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- Overall Weightings, 70% financial – 30% Operational:

- Payouts made in cash at 0-200% of Target based on performance matrix and the individual's contribution

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## Goals

- Deliver strong financial results to shareholders through focus on delivery of net income and growth

initiatives.

- Focus on employee engagement to support Aquarion as an employer of choice.
- Develop and implement strategies that improve the customer experience.
- Deliver high quality water, reliably and safely.
- Foster Aquarion's reputation as Stewards of the Environment by promoting a positive Company image and improved local community awareness.

## **2020 Performance Goals**

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- Major Initiatives are developed in support of the overall Operating Plan and Balanced Scorecard (Financial, Service and Product Quality as well as Operational Excellence)
- Progress on major initiatives are reviewed monthly to ensure they remain on track to achieve the Company



- results.
- Major business risks have been identified, monitored and integrated with the Eversource Risk Management Process.
  - The following pages provide the specific Annual Incentive Plan goals for 2020.

FINANCIAL PERFORMANCE		
	Category	Overall Weighting
Financial Performance	Net Income	70%
	Investment in Rate Base	
	Strategic Initiatives and Regulatory Outcomes	
OPERATIONAL PERFORMANCE		
	Category	Overall Weighting
Service Quality	Service Quality Complaints	30%
	First Call Resolution	
	Transform the Customer Experience	
Product Quality	Water Quality Complaints	
	Water Quality Compliance	
	Employee Turnover %	
Other	Diversity for promotion & new hires	
	DART Rate	
	PMVA Rate	
	SIF (Serious Injury & Fatality)	
	# of Main Breaks	
	Non-Revenue Water	
	Environmental Compliance Index	

FINANCIAL PERFORMANCE:

FINANCIAL PERFORMANCE (70%)				
	Category	2020 Plan	Rationale	2019 Results
Financial Performance	Net Income	\$33,599 (1)	Achieve targeted net income to support Eversource growth initiative at the consolidated level.	\$34,910
	Capital Expenditures	\$123.9M	Growth of physical assets is a key driver of Net Income.	\$110.3
	Strategic Initiatives and Regulatory Outcomes	Identify strategic opportunities to grow the business and obtain favorable regulatory outcomes to advance growth. 1) Customer Growth: 1693 2) Leads, Prospects Wins: 36/10/5 3) Regulatory Filings: WICA, RAM, CT Rate Case	Advancement of these opportunities will continue to advance Aquarion as a leader in the water utility industry and support the overall earnings profile for Eversource Energy with Rating Agencies and Wall Street.	1) 891 2) 30,14,0 3) successful WICA and RAM filings
Overall Weighting = 70%, Net Income weighted 60%, Investment in Rate Base 20% all others combined weighted 20%.				

1) excludes \$7,081M related to sale of Hingham system.

OPERATIONAL PERFORMANCE:

OPERATIONAL PERFORMANCE (30%)			
	Category	2020 Plan	Rationale
Service Quality	Service Quality Complaints	2,977-3,071 (average 3,024) complaints	Complaints logged by service representatives in: billing and service (pressure issues, no water, leaks at meter, general complaints). Target is less than 1.5% of total customers.
	First Call Resolution	93%	Provides diagnostic feedback on the processes that begin with the customer experience. Top quartile rankings include target of 90% or better.
	Transform the Customer Experience	Advance the customer experience by: 1) Launch new corporate website 2) Implement "chat" option on customer portal 3) Complete Phase II of customer portal	Enhancements in these focus areas will lead to improvements in customer satisfaction scores.
	Water Quality Complaints	923-1028 (average 975) complaints	Complaints logged specific to taste, odor, appearance of unknown cause, chemical and biological quality. Target is less than .05% of total customers.
Product Quality	Water Quality Compliance	0	Measures the # of NOV'S (Notice of Violations) of water quality standards issued by state health regulators that result in fines, penalties and Tier I customer notifications. Violations in newly acquired systems do not count for period of 3 years in order to allow time to identify and correct the compliance deficiencies.
	Environmental Compliance Index	100%	Measures state and federal violations based on certain levels. Provides diagnostic feedback on operational processes to mitigate risk to the environment.
			2019 Results
			3,166
			97%
			completed all initiatives
			923
			1
			100%

OPERATIONAL PERFORMANCE (30%)			
Category	2020 Plan	Rationale	2019 Results
Employee Turnover %	5%-8%	Indicator on the Company's ability to motivate, and retain talent required to achieve excellent performance and control turnover costs.	7.80%
Diversity for Promotion & New Hires	40%	Leadership focus on diversity and inclusion in leadership positions. Target set by Eversource in support of the Company's overall goal.	new metric
DART Rate	.7 - 1.1	Challenging target established with Eversource based on new criteria to move the Company to improved performance.	1.2
PMA Rate	3.9-4.3	Challenging target established with Eversource based on new criteria to move the Company to improved performance.	2.6
SIF (Serious Injury & Fatality)	0		new metric
Non Revenue Water	15%-16.8%	This measure provides strategic feedback on sustainability efforts given that the primary cause of non-revenue water is leakage. It also provides diagnostic feedback on the efficacy of the business processes impacting non-revenue water. This measure is also a metric reviewed by the regulatory authorities.	19.30%
# of Main Breaks	<390	Monitors the performance of distribution assets and investment as well as gauge the frequency of service interruptions.	381
Overall Weighting = 30%, Product Quality weighted 25%, Service Quality weighted 25%, all others combined weighted 50%			

Matrix of Achievement

Performance Assessment					
	Category	Indicative Payout	Weighting	Overall Weighting	Overall Assessment
Financial	Net Income	100%	60%		
	Investment in Rate Base	100%	20%		
	Org Alignment	100%	10%		
	Strategic Initiatives	100%	10%		
			100%	70%	70.00%
Operational	Service Quality Complaints	100%	8.3%		
	First Call Resolutions	100%	8.3%		
	Transform the Customer Exp	100%	8.3%		
	Water Quality Complaints	100%	12.5%		
	Water Quality Compliance	100%	12.5%		
	DART	100%	8.3%		
	PVMA	100%	8.3%		
	Employee Turnover %	100%	8.3%		
	Training Hours per Employee	100%	8.3%		
	# of Main Breaks	100%	8.3%		
	Env Compliance Index	100%	8.3%		
			100.0%	30%	30.00%
Overall Assessment					100.00%
Financial	Overall Weighting 70%				
	Net Income 60% / Investment in Rate Base 20% / All Others 20%				
Operational	Overall Weighting 30%				
	Product Quality 25% / Service Quality 25% / All Others 50%				

**Matrix of Target Payout: Employee Bonus Plan**

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	Target Bonus %
Non-Exempt Employees	1.5%
Exempt Employees	3%
Directors	10%
Vice Presidents	20 - 40%
President	50%

## **Time and Form of Payment of Bonuses**

- Bonuses payable under the Employee Incentive Plan for any year will not be determined until after the close of such year.
- If an employee has remained continuously employed through the year for which a bonus is payable, any bonus payable for such year will vest on December 31<sup>st</sup> of that year and be paid to the employee in a lump sum between January 1<sup>st</sup> and March 15<sup>th</sup> of the next succeeding year.
- If an employee terminates employment for any reason (other than termination due to a Change in Control ) on or before December 31<sup>st</sup> of a year for which a bonus would otherwise be payable, the employee will forfeit any and all rights to such bonus immediately upon termination of employment. If reason for termination is due to a Change in Control, the employee will receive a pro-rata payment through the date of termination. Notwithstanding the foregoing, the Compensation Committee reserves the right, upon an employee's termination of employment, to authorize, in its sole discretion, the payment to such terminated employee (or his or her estate in the event of the employee's death) of a pro rata portion of any bonus to which such employee would otherwise have become entitled had such employee continued employment through the end of the year for which such bonus is payable; provided, however, that in no event will the date of payment of such bonus be accelerated.

## **Administration of the Plan; Governing Law**

- The Employee Incentive Plan shall be administered under the direction of the President and the Compensation Committee. The Compensation Committee may make such rules and other terms and conditions for the conduct and administration of the Plan as it shall think fit and may amend the Plan, provided, that, no such amendment shall adversely affect the right of any employee to receive payment under the Plan of a vested bonus. Any dispute regarding the interpretation of the Plan or the terms and conditions of participation or the calculation of the thresholds, scorecard measures or bonuses shall be determined by the Committee in its sole discretion and its decision shall be final and binding on all persons.
- All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan will be determined in accordance with the laws of the State of Connecticut without giving effect to the conflict of laws principles thereof. Anything in this Plan to the contrary notwithstanding, the terms of this Plan shall be interpreted and applied in a manner consistent with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations thereunder so as not to subject an employee participating in the Plan to the payment of any tax penalty or interest which may be imposed by Section 409A of the Code and the Company shall have no right to make any payment under this Plan except to the extent such action would not subject an employee to the payment of any tax penalty or interest under Section 409A of the Code. It is intended that payments made under this Plan on or before the 15th day of the third month following the end of the employee's first taxable year in which the right to the payment is no longer subject to a substantial risk of forfeiture shall be exempt from compliance with Section 409A of the Code pursuant to the exception for short-term deferrals set forth in Section 1.409A-1(b)(4) of the Treasury Regulations.



# 2021 Short Term Incentive Plan Goals

February 25, 2021

Confidential

- Not for Distribution -



## 2021 Operating Plan Overview



- Aquarion's 2021 Business Plan has been submitted and approved by Eversource and supports the overall achievement of the Company's financial and operating goals.
- Our financial and operational goals are aligned with the Company's mission to be the service provider, employer and investment of choice, through a relentless commitment to excellence.
- The Company's planning process is comprehensive and establishes challenging initiatives and goals that encompass all aspects of the business.
- Aquarion's goals and objectives have been vetted to ensure alignment and support of the Eversource plan.
- A process has been established to review the progress of the established goals and to identify opportunities for continuous improvement or assess risk that could hinder achievement.

# Key Objectives and Philosophy



- To incentivize employee behavior towards achievement of goals and objectives as outlined in the annual and long term business plan.
  - Goals include initiatives focused on financial achievement, employee, customer service, product quality, operations as well as individual employee performance.
- To ensure that our compensation structure will support our ability to attract and retain employees who are focused on our customer through goal achievement, continuous improvement of business processes and enhanced customer service delivery.
- Overall weightings, 70% financial – 30% Operational
- Payouts made in cash at 0-200% of Target based on performance matrix and the individual's contribution.

## Balanced Goals



- Deliver strong financial results to shareholders through focus on delivery of net income and growth initiatives.
- Focus on employee engagement to support Aquarion as an employer of choice.
- Develop and implement strategies that improve the customer experience.
- Deliver high quality water, reliably and safely.
- Foster Aquarion's reputation as Stewards of the Environment by promoting a positive Company image and improved local community awareness.

## 2021 Performance Goals



- Major initiatives are developed in support of the overall Operating plan and Balanced Scorecard (Financial, Service and Product Quality as well as Operational Excellence).
- Progress on major initiatives are reviewed monthly to ensure they remain on track to achieve the Company results.
- Major business risks have been identified, monitored and integrated with the Eversource Risk Management process.
- The following pages provide the specific Annual Incentive Plan goals for 2021.

FINANCIAL PERFORMANCE			Overall Weighting
Financial Performance	Category		70%
	Net Income		
	Investment in Capital Expenditures		
Strategic Initiatives and Regulatory Outcomes			
OPERATIONAL PERFORMANCE			Overall Weighting
Service Quality	Category		30%
	Service Quality Complaints		
	First Call Resolution		
Product Quality	Transform the Customer Experience		
	Water Quality Complaints		
	Water Quality Compliance		
Other	DART Rate		
	PM/A Rate		
	SIF (Serious Injury & Fatality)		
	Employee Turnover %		
	Diversity for promotion & new hires		
	Main Break Restoration Time		
	Non-Revenue Water		
	Environmental Compliance Index		

# Financial Performance



Aquarion Water Company  
2021 Short Term Incentive Plan Targets

FINANCIAL PERFORMANCE (70%)				
	Category	2021 Plan	Rationale	2020 Results
Financial Performance	Net Income	\$34,006	Achieve targeted net income to support Eversource growth initiative at the consolidated level.	\$37,929
	Capital Expenditures	\$140.0M*	Growth of physical assets is a key driver of Net Income.	\$127.2
	Strategic Initiatives and Regulatory Outcomes	Identify strategic opportunities to grow the business and obtain favorable regulatory outcomes to advance growth. 1) Customer Growth: 11,377 2) Leads, Prospects, Wins, Close: 30,15,5,3 3) Regulatory Filings: WICA, RAM, CT Rate Case, NH Rate Case	Advancement of these opportunities will continue to advance Aquarion as a leader in the water utility industry and support the overall earnings profile for Eversource Energy with Rating Agencies and Wall Street.	1) 671 2) 14,10,3,3 3) successful WICA and RAM filings
Overall Weighting = 70%, Net Income weighted 60%, Investment in Rate Base 20% all others combined weighted 20%.				

\* Represents 10.1% increase over 2020 capital expenditures.

# Operating Performance

**EVERSOURCE**  
ENERGY

## Aquarion Water Company 2021 Short Term Incentive Plan Targets

OPERATIONAL PERFORMANCE (30%)				2021 Plan	Rationale	2020 Results
Service Quality	Service Quality Complaints			2,712-2,822 (average 2,767) complaints	Complaints logged by service representatives in: billing and service (pressure issues, no water, leaks at meter, general complaints). Target is less than 1.3% of total customers. Reduced to account for loss of Hingham and 3% reduction over prior year targets. Total reduction of 9% from previous year.	1,959
	First Call Resolution			93%	Provides diagnostic feedback on the processes that begin with the customer experience. Top quartile rankings include target of 90% or better.	98%
	Transform the Customer Experience			Advance the customer experience by: 1) Investigate, plan and implement 1 BOT technology enhancement 2) Advance digital technology plan to increase reach and impressions 3) Expand customer portal platform	Enhancements in these focus areas will lead to improvements in customer satisfaction scores.	completed all initiatives
	Water Quality Complaints			923-1028 (average 975) complaints	Complaints logged specific to taste, odor, appearance of unknown cause, chemical and biological quality. Target is less than .05% of total customers.	997
Product Quality	Water Quality Compliance			0	Measures the # of NOV'S (Notice of Violations) of water quality standards issued by state health regulators that result in fines, penalties and Tier I customer notifications. Violations in newly acquired systems do not count for period of 3 years in order to allow time to identify and correct the compliance deficiencies.	1

# Operating Performance



## Aquarion Water Company 2021 Short Term Incentive Plan Targets

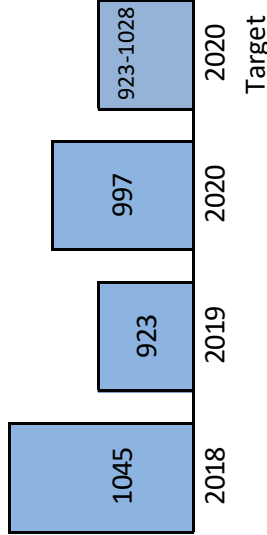
OPERATIONAL PERFORMANCE (30%)				2020 Results
	Category	2021 Plan	Rationale	
	DART Rate	.7 - 1.1 (average .9)	Challenging target established with Eversource based on new criteria to move the Company to improved performance.	1.3
	PMVA Rate	3.1 - 3.8 (average 3.4)	Challenging target established with Eversource based on new criteria to move the Company to improved performance.	4
	SIF (Serious Injury & Fatality)	0	High risk situation in which controls are either absent, ineffective or not complied with, that can result in a serious or fatal injury.	0
	Employee Turnover %	7-11% (average 10%)	Indicator on the Company's ability to motivate, and retain talent required to achieve excellent performance and control turnover costs.	10.20%
	Diversity for Promotion & New Hires	>40%	Leadership focus on diversity and inclusion in leadership positions. Target set by Eversource in support of the Company's overall goal.	61.90%
	Non Revenue Water	14%-16.8%	This measure provides strategic feedback on sustainability efforts given that the primary cause of non-revenue water is leakage. It also provides diagnostic feedback on the efficacy of the business processes impacting non-revenue water. This measure is also a metric reviewed by the regulatory authorities.	15.70%
	Main Break Restoration Time	<4 hours	Timely restoration of water service due to a main break is a key influencer in customer satisfaction (service and water quality) as well as operating efficiency.	3.4 hours
	Environmental Compliance Index	100%	Measures state and federal violations based on certain levels. Provides diagnostic feedback on operational processes to mitigate risk to the environment.	100%
	Overall Weighting = 30%, Product Quality weighted 25%, Service Quality weighted 25%; all others combined weighted 50%			

# 2021 Operating Performance Metrics

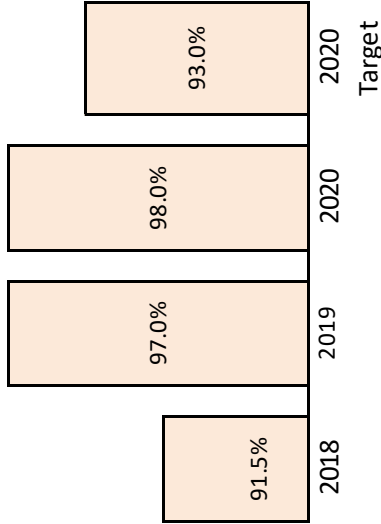


- Product and Service Quality targets are designed to monitor and promote continuous improvement in customer satisfaction, including 100% water quality and environmental compliance.
- First Call Resolution top quartile is 90% or better; maintaining our past performance is key to continued satisfaction.
- Transformation of the Customer Experience includes implementing BOT technology to enhance productivity, advancing digital program by adding channels of communication (Twitter) and expansion of the customer portal platform.

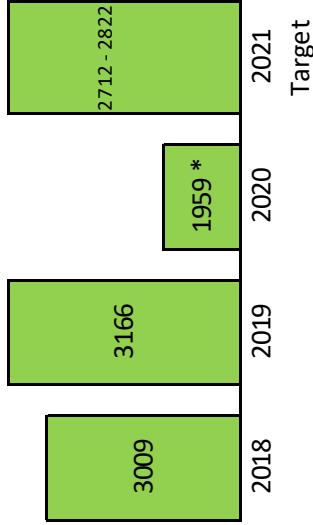
Water Quality Complaints



First Call Resolution



Service Quality Complaints



- Water Quality complaints targeted at <.5% of total customers.
- Service Quality complaints targeted at <1.3% of total customers.
- \* 2020 results reflect COVID-19 impacts on service quality complaints

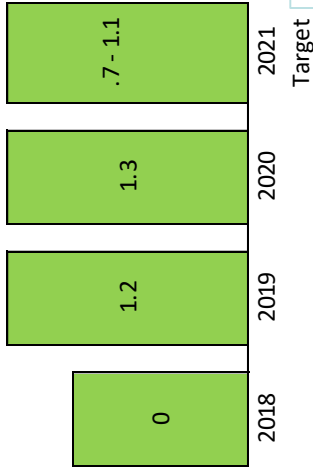


# 2021 Operating Performance Metrics

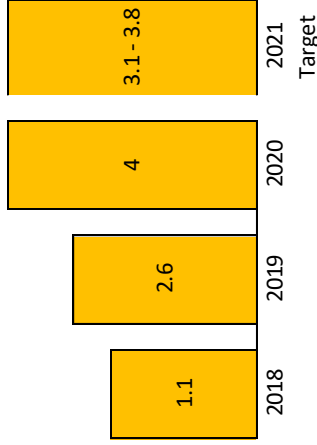


- Safety continues to be at the forefront of everything we do. Safety targets have been determined by Eversource to ensure consistency in reporting criteria. In addition, we have a target of 0 for Serious Injury & Fatality (SIF).
- The Diversity target was established at 40%, which supports the attainment of the Company's diverse and inclusive culture. This is a new target for Aquarion.
- Employee Turnover is important to manage to ensure continuity of service, support of our diversity target and planning for the aging workforce.

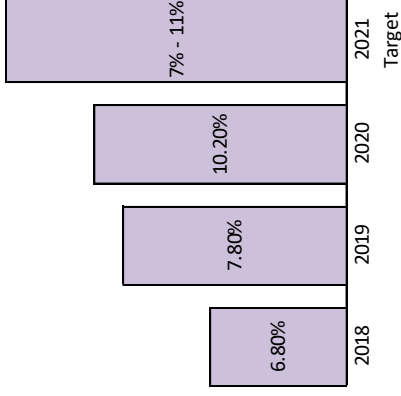
DART Rate



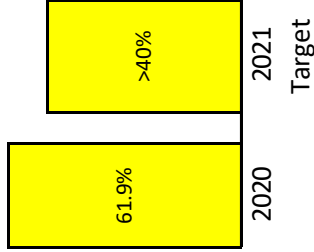
PMVA Rate



Employee Turnover



Diversity of Promotions & New Hires \*



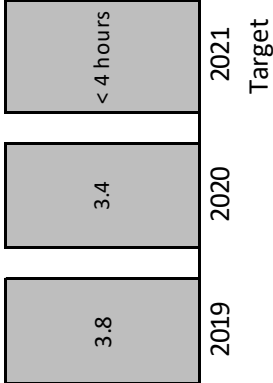
\* New metric in 2020

# 2021 Operating Performance Metrics

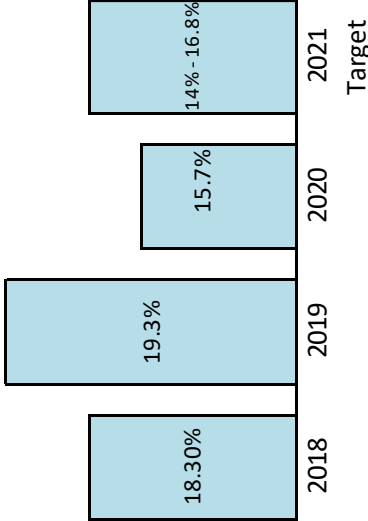


- Timely restoration of service related to a main break is a key influencer in customer satisfaction and operating efficiency. This replaces the # of main break metric as it is more actionable.
- Non-Revenue water is a key metric for our sustainability efforts and provides feedback on the operational impact of business processes. This metric is also reviewed by the regulatory authorities and could have a financial impact in a rate proceeding.

Main Break Restoration Time



Non-Revenue Water



AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-19

Date of Response: July 8, 2021  
Witness: D.Szabo

REQUEST: **Labor Costs—Bonus/Incentive Compensation:** Reference Schedule 1E. Please provide the bonus/incentive comp amount awarded to each of the following in the test year and the preceding three years.

- a. Officer
- b. Exempt Non-Union
- c. Non-Exempt Non-Union
- d. Allocated Service Company

RESPONSE: Please refer to the chart below. The 2020 reported amounts agree to those reported on Schedule 1-E and response to Staff 2-18.

	2020 LTIP	2020 STIP	2019 LTIP	2019 STIP	2018 LTIP	2018 STIP	2017 LTIP	2017 STIP
Officer	\$4,969.71	\$5,811.61	\$2,602.05	\$5,642.34	\$15,145.43	\$5,478.00	\$6,592.77	\$5,104.50
Exempt		\$5,480.59		\$5,321.47		\$4,345.00		\$5,015.73
Non-Exempt		\$1,191.85		\$1,004.47		\$1,993.00		\$ 704.49

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 3

Data Request Received: July 22, 2021  
Request No.: DOE 3-19

Date of Response: August 5, 2021  
Witness: D.Szabo

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**REQUEST: Labor Costs—Bonus/Incentive Compensation.  
Follow-up to DR Staff 2-20.**

- a. Incentive Plans for 2018, 2019, 2020, and 2021 were provided. For each document provided, please indicate if the document provided covers short-term incentive compensation or long-term incentive compensation.
- b. If not provided, please provide the plans for both short-term incentive compensation and long-term incentive compensation for 2018, 2019, 2020, and 2021.
- c. Please confirm that both short-term incentive compensation and long-term incentive compensation are awarded based upon Financial Goals 70% and Operational Performance 30%.
- d. How is short-term incentive compensation awarded (e.g., cash, stock, etc.)?
- e. How is long-term incentive compensation awarded (e.g., cash, stock, etc.)?

**RESPONSE:**

- a. Staff 2-20 Attachments 1 through 3 cover only short-term incentive compensation.
- b. Refer to DOE 3-19 Attachment 1 (CONFIDENTIAL) for the 2018 Long-Term Incentive Compensation plans and reconciliations for performance targets for years 2015-2017; DOE 3-19 Attachment 2 (CONFIDENTIAL) for the 2019 Long-Term Incentive Compensation plans and reconciliations for performance targets for years 2016-2018; DOE 3-19 Attachment 3 (CONFIDENTIAL) for the 2020 Long-Term Incentive Compensation plans and reconciliations for performance targets for years 2017-2019; and DOE 3-19 Attachment 4 (CONFIDENTIAL) for the 2021 Long-Term Incentive Compensation plans and reconciliations for performance targets for years 2018-2020.
- c. Both short-term and long-term incentive compensation are awarded based upon a financial/operation performance split of approximately 70%/30%.
- d. Short-term incentive compensation is awarded in the form of a cash payout, usually in late March or early April of the following year, after reconciliation of the year end goals.
- e. Long-term incentive compensation is awarded in the form of a cash grant, usually in late March or early April of the following year, after reconciliation of the year end goals. The grant fully vests after a 3 year period, at which time payment is made. As an example, grants awarded in 2018, will not be paid out until 2021.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 3

Data Request Received: July 22, 2021  
Request No.: DOE 3-19

Date of Response: August 5, 2021  
Witness: D.Szabo

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Pursuant to Puc 203.08(d) and RSA 363:28, VI, Aquarion provides this response on a confidential basis. Aquarion submits that it has a good faith basis for seeking confidential treatment of this response and intends to submit a motion for confidential treatment of the response prior to the commencement of any hearing in this proceeding.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-31

Date of Response: July 8, 2021  
Witness: D. Szabo

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REQUEST: **Payroll Taxes:** Reference Schedule 1S, line 44. Please provide the calculation for the 8.0% Payroll Tax Rate used to derive the Service Company payroll taxes.

RESPONSE:

Please refer to Staff 2-25 Attachment 1. The 8% Payroll tax was derived by using the prior actual wages and actual payroll taxes for Connecticut. The payroll tax account includes the employer portion of social security and Medicare taxes, as well as Federal unemployment tax and state unemployment insurance.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-25

Date of Response: July 8, 2021  
Witness: D. Szabo

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REQUEST: **Labor Costs—Service Company Benefits:** Reference Schedule 1D, line 46.  
Please provide support for the 52% Benefits Overhead Ratio applied to Service Company wages, customer service labor, and IT labor.

RESPONSE:  
Please refer to Staff 2-25 Attachment 1. The 52% Benefits Overhead Ratio was derived by using the prior actual wages and benefits for Connecticut.

Aquarion Water Company of New Hampshire  
DW 20-184  
Staff 2-25 Attachment 1

**AWC of Connecticut  
Payroll Overhead Rate Reasonableness  
2019**

New Account #	Description	2018 Actual
408001	Payroll taxes	2,138,422
926011/926015	Fringe Benefits, Interdivision Allocation	(510,504)
926000	Benefits, Recreational	38,373
926500	Fringe Benefits Cleared	(2,558,501)
926201	Pensions	2,958,144
926202	Thrift Plan	1,059,818
926203	Supplemental Pension Expense	16,568
926204	FAS 106 Expense	104,388
926206	Benefits - Medical Plan	6,793,550
926207	Employee contribution medical plan	(773,317)
926208	Social and Recreation	31,658
926209	Auto Allowance	-
926210	Death Benefit	82,500
926212	Group Life Insurance	102,598
926213	Long and Short Term Disability	62,248
926214	Seminars and Conferences - Non-Labor	11,645
926215	Benefits - Tuition Reimbursement	91,729
926216	Compliance Training - Non-Labor	25,102
926217	Non Compliance Training - Non-Labor	72,521
926218	Service Awards	30,415
926219	Misc. Expense	66,277
926222	Medical Opt-Out	64,311
926223	IT Training-AWC Emp	-
926226	Pension Expense	2,295,362
926227	OPEB Exp - Other Com	838,613
926229	CY Deferral - MA	-
926230	CY Deferral - MA	-
926231	Amort-PY Deferral - MA	-
926232	Amort-PY Deferral - MA	-
926501	Cap Pension - Other	546,994
926502	Cap Pension - Other	(546,994)
926224	Wellness	3,686
	Total 926's	10,907,184
	Less 2018 Pension and OPEB	-
	Add 2019 Pension and OPEB	-
	Exclude Interdivisional Allocation	510,504
	Add back fringes cleared	2,558,501
	Less: Amortization of PSC-OPEB	
		13,976,189
	Total wages	27,090,862
	Total wages	27,090,862
	Fringes as a percent of wages	51.59%
	Taxes as a percent of wages	7.89%



AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-24

Date of Response: July 8, 2021  
Witness: D.Szabo

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REQUEST: **Labor Costs—Employee Benefits:** Schedule 1D. Please provide support for these items:

- a. Line 4: Tuft Medical - \$22,498 per mo. for 10 F/T employees
- b. Line 6: CIGNA - Dental 10 EE@ \$1,097 PER EE
- c. Line 24: Life Insurance Cost of \$.162 per \$1,000 of wages

RESPONSE:

- a. The Tufts medical costs of \$22,498 per month were based on estimated 2021 pricing. The actual cost per employee is now \$23,574 per month. Refer to Staff 2-24 Attachment 1 for the calculation and Staff 2-24 Attachment 2 for final 2021 renewal confirmation used in the calculation.
- b. Refer to Staff Attachment 1 for the calculation and Staff 2-24 Attachment 4 for the projected claims expense of \$86.91 PEPM.
- c. Refer to Staff 2-24 Attachment 3, pages 2 and 3, for the policy rates effective 1/1/20 – 12/31/2022 related to basic life (\$.148 per \$1,000 of wages) and AD&D (\$0.014 per \$1,000 wages).

Pursuant to Puc 203.08(d) and RSA 363:28, VI, Aquarion provides this response on a confidential basis. Aquarion submits that it has a good faith basis for seeking confidential treatment of this response and intends to submit a motion for confidential treatment of the response prior to the commencement of any hearing in this proceeding.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 3

Data Request Received: July 22, 2021  
Request No.: DOE 3-17

Date of Response: August 5, 2021  
Witness: D. Szabo

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**REQUEST: Labor Costs—Service Company Benefits.  
Follow-up to DR Staff 2-25.**

926203 Supplemental Pension Expense \$16,568 is included in the service company benefits overhead ratio. Does this amount reflect supplemental executive retirement plan (SERP) charges?

**RESPONSE:** Yes, \$16,568 of SERP charge is included in the benefits overhead ratio calculation.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 3

Data Request Received: July 22, 2021  
Request No.: DOE 3-16

Date of Response: August 5, 2021  
Witness: D. Szabo

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REQUEST: **Labor Costs—Service Company Benefits.**  
**Follow-up to DR Staff 2-25.**

Please provide a list of the charges and amounts included in Account 926219  
Misc. Expense \$66,277.

RESPONSE:

The majority of the Misc. Expenses (\$60,386) were for the all employee meetings held in 2018, including small employee gifts such as mugs and T-shirts, \$3,088 was for Laurel award, an employee award for outstanding community service, and \$2,803 for safety related training such as confined space training and luncheons.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-27

Date of Response: July 8, 2021  
Witness: D. Szabo

---

REQUEST: **Labor Costs—Retirement Plans:** Does the Company's rate request include costs associated with a Supplemental Executive Retirement Plan (SERP)? If so, please provide the amount in the TY and in the pro forma expense.

RESPONSE:  
Part of the management allocation expense included in Application, Schedule No. 10 is SERP related. The amount included in the test year and in the pro forma expense is \$19,764 and \$21,018 respectively.

Please refer to Staff 2-27 Attachment 1 for the calculation.

Aquarion Water Company of New Hampshire

DW 20-184

Staff 2-27 Attachment 1

**Aquarion Water Company of Connecticut  
Management Allocation to AWC of NH  
2019**

	<b>Test Year</b>	<b>Pro Forma</b>
Management Fees	\$ 649,596	\$ 682,431
Wages and Benefits	538,162	476,385
Audit & Tax	111,504	111,504
Legal Fees	3,662	3,662
Insurance	16,251	22,395
Misc	32,491	32,491
	<u>\$ 1,351,666</u>	<u>\$ 1,328,868</u>

Allocation Based on Massachusetts Formula (Application Schedule 10, page 2 of 2)

4.11%

4.38%

## AWC-NH Share of Costs

Management Fees	\$ 26,724	\$ 29,856
Wages and Benefits	22,140	20,842
Audit & Tax	4,587	4,878
Legal Fees	151	160
Insurance	669	980
Misc	1,337	1,421
Total Pro Forma Expense	<u>\$ 55,607</u>	<u>\$ 58,138</u>
Test Year Expense, GL account		55,607

## Pro Forma Cost Increase

2,531

SERP included in Salaries and Benefits

480,415

480,415

**SERP expense allocated to NH****19,764****21,018**

** Management Charges	649,596	682,431
** Audit and Consulting	111,504	111,504
** Legal	3,662	3,662
926206 Benefits - Medical Plan	1,376	1,376
926204 Retiree Medical-Svc	-	-
926203 SERP	120,468	120,468
926201 Pension Expense - Service Cost	-	-
926011 PR OH - Benefits	52,541	32,463
926015 Fringe Benefits Allocated	-	-
926218 Benefits - Service Awards	10,627	10,627
926226 Pension Expense	(215,569)	(215,569)
926227 OPEB Expense - Other Components	5,212	5,212
926228 SERP Expense - Other Components	359,947	359,947
930217 Directors Retiree Ex	89,991	89,991
426003 COLI Expense	4,446	4,446
** Employee Benefits	429,039	408,961
920004 G&A Labor	61,933	20,941
421001 Labor - Non-Utility	39,107	41,489
** Salaries	101,040	62,430
408011 PR OH - PR Taxes	8,083	4,994
408015 Payroll Taxes Allocated	-	-
** Payroll Taxes	8,083	4,994
** Insurance	16,251	22,395
** Other	32,491	32,491
*** Allocable Expenses	<u>1,351,665</u>	<u>1,328,867</u>

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-39

Date of Response: July 8, 2021  
Witness: D. Szabo

---

REQUEST: **D&O:** Does the Company carry Directors & Officers' Liability Insurance? If so, what is the amount included within the request for recovery as an operating expense? How much has been capitalized? Provide a summary of who is and what activities are covered under the policy.

RESPONSE:

The Company does not carry a separate Directors & Officers' (D&O) Liability Insurance. However, Aquarion, the Company's parent, carries a D&O insurance for which, the Company is allocated a portion of the cost.

The amount of \$981 (\$22,395 Aquarion D&O insurance cost x 4.38% allocation percentage = \$981) is included in the pro forma operating expense within the request for recovery. Refer to Application, Schedule 1O, Bates 549.

Summary of who is and what activities are covered under the policy

- a) List of Aquarion Water Company of New Hampshire officers and directors covered by the insurance:

BOARD OF DIRECTORS

Donald J. Morrissey  
Lucia A. Teixeira  
John P. Walsh

OFFICERS

Werner J. Schweiger	Chief Executive Officer
Donald J. Morrissey	President and Chief Operating Officer
John M. Moreira	Senior Vice President - Finance and Regulatory and Treasurer
Lucia A. Teixeira	Vice President, Administration
John P. Walsh	Vice President, Operations and Utility Innovation
Robert J. Ulrich	Vice President, Supply Operations and Sustainability
Daniel R. Lawrence	Vice President, Engineering and Real Estate
Richard J. Morrison	Secretary
O. Kay Comendul	Assistant Secretary

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-39

Date of Response: July 8, 2021  
Witness: D. Szabo

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b) List of acts covered by the insurance:

D&O Liability insurance covers the Directors and Officers of Aquarion Water Company of New Hampshire for claims made against them while serving on the Board of Directors and/or as an Officer of Aquarion. Elements to the D&O policy are as follows;

**Side A**—Protects Aquarion Water Company of New Hampshire’s Directors and Officers when Aquarion cannot indemnify the individuals.

**Side B**—Reimburses Aquarion Water Company of New Hampshire when it indemnifies the individual Directors and Officers, thus protecting Aquarion’s balance sheet.

**Side C**—Also known as “entity coverage,” covers Aquarion Water Company of New Hampshire in a securities class action lawsuit.

The types of claims that may target Aquarion Water Company of New Hampshire leadership individually as well as Aquarion Water Company of New Hampshire as an entity typically include shareholder suits over company or stock performance, creditor or investor suits over mismanagement or dereliction of fiduciary duties, misrepresentation in a prospectus, decisions exceeding the authority granted to a Aquarion Water Company of New Hampshire Officer, failure to comply with regulations or laws, employment practices and HR issues, pollution and other regulatory claims.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 3

Data Request Received: July 22, 2021  
Request No.: DOE 3-15

Date of Response: August 5, 2021  
Witness: D. Szabo

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REQUEST: **Legal Expenses.**

**Follow-up to DR Staff 2-35.**

The Company stated that the 12% increase in legal expenses is due to a change in the manner legal costs are charged to the Company by its affiliate. In 2019, legal expenses were allocated through the corporate management fee, not direct charged.

- a. Please explain how legal fees will be charged to the Company going forward.
- b. When was the change effective?
- c. Please provide the analysis performed that supports the decision to make the change.
- d. Will the change in how costs are charged to the Company affect other affiliate charges. If so, please provide a list and explain.

RESPONSE: a. The response to Staff 2-35 should be clarified to state the increase in legal cost is due to a change in the manner in which legal costs are charged to the Company by its affiliate. The assumption is that the Company will incur legal costs associated with future WICA filings partially offset by a lower rate for services provided by internal counsel vs. external counsel.

In 2019, legal services provided to the Company by its affiliate were included as part of the management allocation (refer to response d. below) and not part of the test year legal expense. The proforma legal expense reflects the change in methodology to charge legal services provided by the affiliate directly to the Company. Effective January 2020, legal services provided by our affiliate are either directly charged to the Company based on actual time incurred providing services to the Company or through the management allocation for services related to multiple affiliates.

Additionally, the proforma legal expense includes costs the Company would typically incur related to filing a WICA application in October for investments made during the prior 12 months ending September 30<sup>th</sup>. There was no such filing during the test year since the Company reached the WICA program's cap with its October 2018 filing.

- b. Refer to response a.



AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 3

Data Request Received: July 22, 2021  
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Date of Response: August 5, 2021  
Witness: D. Szabo

- c. The decision to make the change to how legal services from the affiliate are allocated was supported by the ability to identify, track and appropriately charge hours incurred for legal services rendered to each applicable affiliate.
- d. The change affects the allocation of the corporate management fee presented on Schedule 1.O Management Allocation. The allocated management fee of \$29,856 (line 4) should be reduced \$3,564 to reflect the exclusion of \$40,559 of legal fees direct charged to AWC-NH and \$40,905 direct charged to AWC-CT, as shown in the table below.

	<b>Fee</b>	<b>Allocation</b>
Alloc % [Sch O Line 12]		4.38%
Management Fee - [Sch O Line 4 ]	\$ 682,431	\$ 29,856
NH Legal	(40,559)	(1,774)
CT Legal	(40,905)	(1,790)
	<u>\$ 600,967</u>	<u>\$ 26,292</u>

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests  
Technical Session 2

Data Request Received: August 17, 2021  
Request No.: Energy TS 2-8

Date of Response: August 27, 2021  
Witness: Debra Szabo

REQUEST: **Legal Expenses**

Please provide a 5-year analysis (2016-2020) of all legal expenses. Within each year, please identify:

- a) Vendor/entry type;
- b) General Ledger account number(s) charged;
- c) Payment/adjustment amount.

RESPONSE: Please refer to the tables below:

**Year 2016**

Vendor	General Ledger	Amount	Activity
McLane Middleton	923202	\$2,844.69	WICA Filing
Rath Young Pignatelli	923202	\$15,533.43	Rate Design Filing/ Monthly Billing
Rath Young Pignatelli	923202	\$504.00	2016 WICA Variance
NH Brown Law	923202	\$742.50	Rate Design Filing/ Monthly Billing
NH Brown Law	923202	\$7,599.23	WICA Filing
NH Brown Law	923202	\$1,077.50	Wiggin Way
State of New Hampshire	923202	\$931.50	WICA Filing
	<b>Total</b>	<b>\$29,232.85</b>	

**Year 2017**

Vendor	General Ledger	Amount	Activity
NH Brown Law	923202	\$7,512.59	WICA Filing
NH Brown Law	923202	\$13,534.90	Wiggin Way
NH Brown Law	923202	\$2,832.50	Hampton/North Hampton Hydrant Matter
NH Brown Law	923202	\$1,265.00	DES Water Sampling Matter
	<b>Total</b>	<b>\$25,144.99</b>	

# AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

## Aquarion Water Company's Responses to Staff Data Requests Technical Session 2

Data Request Received: August 17, 2021  
Request No.: Energy TS 2-8

Date of Response: August 27, 2021  
Witness: Debra Szabo

### Year 2018

Vendor	General Ledger	Amount	Activity
NH Brown Law	923202	\$7,710.07	WICA Filing
State of New Hampshire	923202	\$513.00	WICA Filing
NH Brown Law	923202	\$2,860.00	Wiggin Way
NH Brown Law	923202	\$2,497.50	Tax Reform Docket
	<b>Total</b>	<b>\$13,580.57</b>	

### Year 2019

Vendor	General Ledger	Amount	Activity
NH Brown Law	923202	\$14,104.96	WICA Filing
NH Brown Law	923202	\$15,702.50	Wiggin Way
NH Brown Law	923202	\$2,502.50	Tax Reform Docket
Rockingham County Registry of Deeds	923202	\$715.00	Easement Release
NH Brown Law	923202	\$330.00	Hampton Complaint
<b>Subtotal</b>		<b>\$33,355</b>	
Eversource	923100	\$1,774*	4.38% Allocation of \$40,559 NH related legal fees from Management Fee
	<b>Total</b>	<b>\$35,128.96</b>	

*\*Refer to response to DOE 3-15*

### Year 2020

Vendor	General Ledger	Amount	Activity
Eversource	923206	\$32,390.67	NH State Regulatory
Eversource	923206	\$7,148.34	Wiggin Way
Eversource	923206	\$6,626.30	NH Rate Case
	<b>Total</b>	<b>\$46,165.31</b>	

After re-evaluating the test year legal related invoices it was determined that the estimated number of hours for legal services related to an annual WICA filing should be 27, a reduction of 13 hours to the assumed 40 hours reflected in Schedule No.1F. The 27 hours represent both the number of

# AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

## Aquarion Water Company's Responses to Staff Data Requests Technical Session 2

Data Request Received: August 17, 2021  
Request No.: Energy TS 2-8

Date of Response: August 27, 2021  
Witness: Debra Szabo

WICA related hours provided in 2018 and the average from 2016 to 2018. The Company has excluded the 2019 WICA services from this analysis as the costs incurred during 2019 did not reflect a typical annual WICA filing as was the case in 2016, 2017 and 2018. In 2019 the WICA filing was part of a combined settlement addressing WICA and the Tax Cut and Jobs Act.

The impact to the pro forma legal expenses reported on Schedule No.1F of our application is as follows:

	<u># hours</u>	<u>Vendor</u>
2016	30.6	NH Brown Law
2017	23.4	NH Brown Law
2018	27.0	NH Brown Law
Avg hours	27.0	
Rate	\$ 217	Eversource
WICA related legal	\$ 5,859	
Other general legal	128	Eversource
Rate	\$ 217	Eversource
	\$ 27,776	
<b>Total Pro forma legal</b>	<b>\$ 33,635</b>	
Original request	\$ 37,456	<i>Schedule No.1F, row 5</i>
Revision	\$ (3,821)	
Test year	33,355	<i>Schedule No.1F, row 7</i>
Pro Forma Adjustment	\$ 280	

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-33

Date of Response: July 8, 2021  
Witness: D. Szabo

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REQUEST: **Dues and Subscriptions:** Reference Puc 1604.01(a)(11). For each of the following, please provide (a) a copy of the invoice, (b) whether the organization conducts lobbying activities and how the Company has excluded the costs associated with those activities from the amount included in the rate request, and (c) a statement of how the dues and subscription provide benefits to customers.

- i. New Hampshire Water Works Association \$1,527
- ii. National Association of Water Companies \$6,851
- iii. American Water Works Association \$2,177

RESPONSE:

- (a) Please refer to Staff 2-33 Attachment 1. Please note that invoiced amount for American Water Works Association in September 2019 was \$2,237, but \$2,177 was expensed in 2019.
- (b) All these organizations conduct some lobbying activities for the water industry and their members at the federal and/or state levels. The invoice from the National Association of Water Companies notes that about 15% of the 2019 dues were for expenditures paid or incurred in connection with lobbying activities. By applying the 15% to the 2019 expense, the portion of dues and subscription expense during the test year that was associated with lobbying activities would be \$1,583.
- (c) These are industry organizations which provide valuable tools, technical resources, training and publications to help its members to be improve their technical skills, to be more knowledgeable and to be better overall in performing their jobs. Through their conferences and seminars, these organizations also bring together the industry best practices and techniques in promoting water quality and preservation. All these will most certainly provide benefits to customers in the long term.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to Staff Data Requests—Set 2

Data Request Received: June 24, 2021  
Request No.: Staff 2-37

Date of Response: July 8, 2021  
Witness: D. Szabo

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REQUEST: **Expert Fees:** Schedule 1L. The Company proposes to amortize over one year the Staff consulting fees paid to Blue Ridge Consulting Services, Inc. for the investigation of the tax change effect in DW 18-054 and DW 18-161. The expense is a one-time, non-recurring expense. Please explain why the Company believes it is appropriate to include these one-time, non-recurring fees in its rate request.

RESPONSE: Please refer to Settlement Agreement in DW 18-161 and DW 18-054 section L. and reproduced in the screen shot below.

**L. Recovery of Staff Expert Fees in Next Rate Case**

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.

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 20-184

Aquarion Water Company's Responses to DOE Data Requests—Set 4

Data Request Received: September 9, 2021  
Request No.: DOE 4-8

Date of Response: September 23, 2021  
Witness: Ned Allis, Debra Szabo

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**REQUEST: Depreciation. Reference NWA-3 and Schedule 1R:**

- a. Please provide a schedule comparing Whole Life and Remaining Life methodologies, including the theoretical reserve imbalance for each account.
- b. Please provide a revised Schedule 1R using Whole Life,
- c. Please provide the resultant theoretical reserve imbalance assuming Whole Life and how the Company proposes to amortize the balance.

**RESPONSE:**

- a. Please see DOE 4-8 Attachment 1 to this response for a schedule showing the whole life depreciation rates using the depreciation parameters recommended in the depreciation study as well as a comparison of the resulting depreciation rates and accruals using the remaining life and whole life techniques.
- b. Please see DOE 4-8 Attachment 2 to this response for a revised Schedule 1R, page 2 using Whole Life.
- c. Please see DOE 4-8 Attachment 1 to this response for a schedule showing the theoretical reserve imbalance for each account. The Company's proposal is to use the remaining life technique, which effectively recovers the theoretical reserve imbalance over the remaining life for each account, except for general plant amortization accounts. For general plant amortization accounts the Company's proposal is to address the reserves for these accounts over 5 years.

DW 20-184  
DOE 4-8 Attachment 1  
Worksheet 1 of 3

AQUARION WATER COMPANY OF NEW HAMPSHIRE

SUMMARY OF ESTIMATED SURVIVOR CURVE, NET SALVAGE PERCENT, ORIGINAL COST AND  
CALCULATED ANNUAL AND ACCRUED DEPRECIATION RELATED TO WATER PLANT AS OF DECEMBER 31, 2019  
BASED ON THE WHOLE LIFE TECHNIQUE

AQUARION ACCOUNT	NARUC ACCOUNT	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST AS OF DECEMBER 31, 2019	CALCULATED ANNUAL ACCRUAL AMOUNT	RATE (6)=(5)/(4)	CALCULATED ACCURED DEPRECIATION
		(1)	(2)	(3)	(4)	(5)	(6)=(5)/(4)	(7)
<b>WATER PLANT</b>								
<b>SOURCE OF SUPPLY PLANT</b>								
311.00	304.10	STRUCTURES AND IMPROVEMENTS	40-R1.5	0	642,550.27	16,064	2.50	192,539
314.00	307.00	WELLS AND SPRINGS	30-S0.5	(5)	3,140,637.95	109,686	3.49	1,155,829
316.00	309.00	SUPPLY MAINS	60-S3	(5)	137,489.99	2,411	1.75	73,813
317.00	339.00	OTHER WATER SOURCE PLANT 2008 AND PRIOR 2009 AND SUBSEQUENT	SQUARE 20-SQ	0	1,644,016.80 79,244.32	71,107 3,962	4.33 5.00	932,939 16,297
		TOTAL OTHER WATER SOURCE PLANT			1,723,261.12	75,069	4.36	949,236
		<b>TOTAL SOURCE OF SUPPLY PLANT</b>			<b>5,643,939.33</b>	<b>203,230</b>	<b>3.60</b>	<b>2,371,417</b>
<b>PUMPING PLANT</b>								
321.00	304.20	STRUCTURES AND IMPROVEMENTS	40-R1.5	0	1,392,388.27	34,810	2.50	563,245
325.00	311.10	ELECTRIC PUMPING EQUIPMENT	25-R1	(5)	907,573.32	38,118	4.20	345,952
328.00	311.20	OTHER PUMPING EQUIPMENT	25-R1	(5)	32,076.32	1,347	4.20	14,556
		<b>TOTAL PUMPING PLANT</b>			<b>2,332,037.91</b>	<b>74,275</b>	<b>3.18</b>	<b>923,753</b>
<b>WATER TREATMENT PLANT</b>								
331.00	304.30	STRUCTURES AND IMPROVEMENTS	40-R1.5	0	58,588.17	1,465	2.50	14,077
332.00	320.00	WATER TREATMENT EQUIPMENT	25-R1	0	231,133.66	9,245	4.00	91,093
		<b>TOTAL WATER TREATMENT PLANT</b>			<b>289,721.83</b>	<b>10,710</b>	<b>3.70</b>	<b>105,170</b>
<b>TRANSMISSION AND DISTRIBUTION PLANT</b>								
341.00	304.40	STRUCTURES AND IMPROVEMENTS	40-R1.5	0	32,893.56	822	2.50	7,927
342.00	330.00	DISTRIBUTION RESERVOIRS AND STANDPIPES	65-R2.5	(20)	2,708,343.96	50,050	1.85	998,069
343.00	331.00	TRANSMISSION AND DISTRIBUTION MAINS	85-R2.5	(5)	26,634,035.12	329,996	1.24	4,342,831
345.00	333.00	SERVICES	45-S2.5	(5)	5,731,678.62	133,605	2.33	2,179,363
346.00	334.00	METERS	15-L3	5	1,620,461.06	102,681	6.34	565,844
347.00	334.00	METER INSTALLATIONS	45-S2.5	0	198,718.93	4,412	2.22	79,621
348.00	335.00	HYDRANTS	45-R3	0	709,986.40	15,762	2.22	316,142
349.00	339.00	OTHER TRANSMISSION AND DISTRIBUTION PLANT	30-S2	0	178,436.23	5,942	3.33	64,200
		<b>TOTAL TRANSMISSION AND DISTRIBUTION PLANT</b>			<b>37,814,553.88</b>	<b>643,270</b>	<b>1.70</b>	<b>8,553,997</b>
<b>GENERAL PLANT</b>								
390.00	304.50	STRUCTURES AND IMPROVEMENTS	30-R0.5	0	566,028.75	18,849	3.33	217,021
391.00	340.10	OFFICE FURNITURE AND EQUIPMENT FULLY ACCRUED AMORTIZED	20-SQ	0	4,412.60 2,237.30	0 112	- 5.00	4,412 56
		TOTAL OFFICE FURNITURE AND EQUIPMENT			6,649.90	112	1.68	4,468
391.10	340.20	OFFICE FURNITURE AND EQUIPMENT - COMPUTER HARDWARE FULLY ACCRUED AMORTIZED	5-SQ	0	144,391.55 40,021.48	0 8,004	- 20.00	144,392 34,405
		TOTAL OFFICE FURNITURE AND EQUIPMENT - COMPUTER HARDWARE			184,413.03	8,004	4.34	178,797
391.20	340.30	OFFICE FURNITURE AND EQUIPMENT - COMPUTER SOFTWARE FULLY ACCRUED AMORTIZED	5-SQ	0	368,220.13 51,074.98	0 10,215	- 20.00	368,221 45,374
		TOTAL OFFICE FURNITURE AND EQUIPMENT - COMPUTER SOFTWARE			419,295.11	10,215	2.44	413,595
392.00	341.00	TRANSPORTATION EQUIPMENT	10-L2.5	5	644,403.27	61,218	9.50	263,062
393.00	342.00	STORES EQUIPMENT	FULLY ACCRUED		330.88	0	-	331
394.00	343.00	TOOLS, SHOP AND GARAGE EQUIPMENT FULLY ACCRUED AMORTIZED	20-SQ	0	38,702.85 49,146.51	0 2,457	- 5.00	38,703 31,755
		TOTAL TOOLS, SHOP AND GARAGE EQUIPMENT			87,849.36	2,457	2.80	70,458
396.00	345.00	POWER OPERATED EQUIPMENT	15-L2	0	109,715.27	7,318	6.67	66,417
397.00	346.00	COMMUNICATION EQUIPMENT	10-SQ	0	51,552.91	5,155	10.00	26,498
398.00	347.00	MISCELLANEOUS EQUIPMENT FULLY ACCRUED AMORTIZED	15-SQ	0	18,577.41 200,883.28	0 13,399	- 6.67	18,577 83,531
		TOTAL MISCELLANEOUS EQUIPMENT			219,460.69	13,399	6.11	102,108
		<b>TOTAL GENERAL PLANT</b>			<b>2,289,699.17</b>	<b>126,727</b>	<b>5.53</b>	<b>1,342,755</b>
		<b>TOTAL DEPRECIABLE PLANT</b>			<b>48,369,952.12</b>	<b>1,058,212</b>	<b>2.19</b>	<b>13,297,092</b>
<b>NONDEPRECIABLE PLANT AND ACCOUNTS NOT STUDIED</b>								
301.00	301.00	ORGANIZATION			17,700.00			
310.00	303.10	LAND AND LAND RIGHTS			635,643.46			
340.00	303.40	LAND AND LAND RIGHTS			314,551.16			
		<b>TOTAL NONDEPRECIABLE PLANT AND ACCOUNTS NOT STUDIED</b>			<b>967,894.62</b>			
		<b>TOTAL WATER PLANT</b>			<b>49,337,846.74</b>			

\* REMAINING COSTS TO BE FULLY DEPRECIATED OVER A TWENTY YEAR PERIOD AS PER THE ORDER FROM CASE DW 08-098

\*\* ADDITIONS TO ACCOUNT WILL HAVE AN AMORTIZATION PERIOD OF 20 YEARS AND WILL BE DEPRECIATED AT A RATE OF 5%



DW 20-184  
DOE 4-8 Attachment 1  
Worksheet 2 of 3

AQUARIUM WATER COMPANY OF NEW HAMPSHIRE

COMPARISON OF WHOLE LIFE AND REMAINING LIFE DEPRECIATION RATES AND ACCRUALS AS OF DECEMBER 31, 2019

AQUARION ACCOUNT	NARUC ACCOUNT	ACCOUNT (1)	ORIGINAL COST AS OF DECEMBER 31, 2019 (2)	REMAINING LIFE (PROPOSED)				WHOLE LIFE			
				SURVIVOR CURVE (3)	SALVAGE PERCENT (4)	CALCULATED ANNUAL ACCRUAL AMOUNT (5)	RATE (6)	SURVIVOR CURVE (7)	SALVAGE PERCENT (8)	CALCULATED ANNUAL ACCRUAL AMOUNT (9)	RATE (10)
WATER PLANT											
SOURCE OF SUPPLY PLANT											
311.00	304.10	STRUCTURES AND IMPROVEMENTS	642,550.27	40-R1.5	0	14,468	2.25	40-R1.5	0	16,064	2.50
314.00	307.00	WELLS AND SPRINGS	3,140,637.95	30-S0.5	(5)	114,134	3.63	30-S0.5	(5)	109,686	3.49
316.00	309.00	SUPPLY MAINS	137,489.99	60-S3	(5)	3,332	2.42	60-S3	(5)	2,411	1.75
317.00	339.00	OTHER WATER SOURCE PLANT									
		2008 AND PRIOR	1,644,016.80	SQUARE	*	71,107	4.33	SQUARE	*	71,107	4.33
		2009 AND SUBSEQUENT	79,244.32	20-SQ	0	3,962	5.00	20-SQ	0	3,962	5.00
		TOTAL OTHER WATER SOURCE PLANT	1,723,261.12			75,069	4.36			75,069	4.36
		TOTAL SOURCE OF SUPPLY PLANT	5,643,939.33			207,003	3.67			203,230	3.60
											(3,773)
PUMPING PLANT											
321.00	304.20	STRUCTURES AND IMPROVEMENTS	1,392,388.27	40-R1.5	0	22,586	1.62	40-R1.5	0	34,810	2.50
325.00	311.10	ELECTRIC PUMPING EQUIPMENT	907,573.32	25-R1	(5)	74,579	8.22	25-R1	(5)	38,118	4.20
328.00	311.20	OTHER PUMPING EQUIPMENT	32,076.32	25-R1	(5)	2,538	7.91	25-R1	(5)	1,347	4.20
		TOTAL PUMPING PLANT	2,332,037.91			99,703	4.28			74,275	3.18
											(25,428)
WATER TREATMENT PLANT											
331.00	304.30	STRUCTURES AND IMPROVEMENTS	58,588.17	40-R1.5	0	1,853	3.16	40-R1.5	0	1,465	2.50
332.00	320.00	WATER TREATMENT EQUIPMENT	231,133.66	25-R1	0	15,438	6.68	25-R1	0	9,245	4.00
		TOTAL WATER TREATMENT PLANT	289,721.83			17,291	5.97			10,710	3.70
											(6,581)
TRANSMISSION AND DISTRIBUTION PLANT											
341.00	304.40	STRUCTURES AND IMPROVEMENTS	32,893.56	40-R1.5	0	46	0.14	40-R1.5	0	822	2.50
342.00	330.00	DISTRIBUTION RESERVOIRS AND STANDPIPES	2,708,343.96	65-R2.5	(20)	46,235	1.71	65-R2.5	(20)	50,050	1.85
343.00	331.00	TRANSMISSION AND DISTRIBUTION MAINS	26,634,035.12	85-R2.5	(5)	325,129	1.22	85-R2.5	(5)	329,996	1.24
345.00	333.00	SERVICES	5,731,678.62	45-S2.5	(5)	129,474	2.26	45-S2.5	(5)	133,605	2.33
346.00	334.00	METERS	1,620,461.06	15-L3	5	161,089	9.94	15-L3	5	102,681	4.13
347.00	334.00	METER INSTALLATIONS	198,718.93	45-S2.5	0	4,453	2.24	45-S2.5	0	4,412	2.22
348.00	335.00	HYDRANTS	709,986.40	45-R3	0	12,038	1.70	45-R3	0	15,762	2.22
349.00	339.00	OTHER TRANSMISSION AND DISTRIBUTION PLANT	178,436.23	30-S2	0	4,416	2.47	30-S2	0	5,942	3.33
		TOTAL TRANSMISSION AND DISTRIBUTION PLANT	37,814,553.88			682,880	1.81			643,270	1.70
											(39,610)
GENERAL PLANT											
390.00	304.50	STRUCTURES AND IMPROVEMENTS	566,028.75	30-R0.5	0	28,983	5.12	30-R0.5	0	18,849	3.33
391.00	340.10	OFFICE FURNITURE AND EQUIPMENT FULLY ACCRUED AMORTIZED	4,412.60 2,237.30	20-SQ	0	0 112	- 5.01	20-SQ	0	0 112	- 5.00
		TOTAL OFFICE FURNITURE AND EQUIPMENT	6,649.90			112	1.68			112	1.68
391.10	340.20	OFFICE FURNITURE AND EQUIPMENT - COMPUTER HARDWARE FULLY ACCRUED AMORTIZED	144,391.55 40,021.48	5-SQ	0	0 8,004	- 20.00	5-SQ	0	0 8,004	- 20.00
		TOTAL OFFICE FURNITURE AND EQUIPMENT - COMPUTER HARDWARE	184,413.03			8,004	4.34			8,004	4.34
391.20	340.30	OFFICE FURNITURE AND EQUIPMENT - COMPUTER SOFTWARE FULLY ACCRUED AMORTIZED	368,220.13 51,074.98	5-SQ	0	0 10,214	- 20.00	5-SQ	0	0 10,215	- 20.00
		TOTAL OFFICE FURNITURE AND EQUIPMENT - COMPUTER SOFTWARE	419,295.11			10,214	2.44			10,215	2.44
392.00	341.00	TRANSPORTATION EQUIPMENT	644,403.27	10-L2.5	5	6,406	0.99	10-L2.5	5	61,218	9.50
393.00	342.00	STORES EQUIPMENT	330.86	FULLY ACCRUED		0	-	FULLY ACCRUED		0	-

AQUARIUM WATER COMPANY OF NEW HAMPSHIRE

COMPARISON OF WHOLE LIFE AND REMAINING LIFE DEPRECIATION RATES AND ACCRUALS AS OF DECEMBER 31, 2019

AQUARIUM ACCOUNT	NARUC ACCOUNT	ACCOUNT (1)	ORIGINAL COST AS OF DECEMBER 31, 2019 (2)	REMAINING LIFE (PROPOSED)			WHOLE LIFE			ACCRUAL DIFFERENCE (1)-(9)+(5)		
				SURVIVOR CURVE (3)	NET SALVAGE PERCENT (4)	CALCULATED ANNUAL ACCRUAL AMOUNT (5)	RATE (6)	SURVIVOR CURVE (7)	NET SALVAGE PERCENT (8)		CALCULATED ANNUAL ACCRUAL AMOUNT (9)	RATE (10)
394.00	343.00	TOOLS, SHOP AND GARAGE EQUIPMENT FULLY ACCRUED AMORTIZED	38,702.85 49,146.51	20-SQ	0	0 2,456	- 5.00	20-SQ	0	0 2,457	- 5.00	0 1
		TOTAL TOOLS, SHOP AND GARAGE EQUIPMENT	87,849.36			2,456	2.80			2,457	2.80	1
396.00	345.00	POWER OPERATED EQUIPMENT	109,715.27	15-L2	0	1,995	1.82	15-L2	0	7,318	6.67	5,323
397.00	346.00	COMMUNICATION EQUIPMENT	51,552.91	10-SQ	0	5,155	10.00	10-SQ	0	5,155	10.00	0
398.00	347.00	MISCELLANEOUS EQUIPMENT FULLY ACCRUED AMORTIZED	18,577.41 200,883.28	15-SQ	0	0 13,393	- 6.67	15-SQ	0	0 13,399	- 6.67	0 6
		TOTAL MISCELLANEOUS EQUIPMENT	219,460.69			13,393	6.10			13,399	6.11	6
		TOTAL GENERAL PLANT	2,289,699.17			76,718	3.35			126,727	5.53	50,009
		RESERVE ADJUSTMENT FOR AMORTIZATION				(24,975)				(23,322)		1,653
		TOTAL DEPRECIABLE PLANT	48,389,952.12			1,058,620				1,034,890	2.14	(23,730)
		NONDEPRECIABLE PLANT AND ACCOUNTS NOT STUDIED										
301.00	301.00	ORGANIZATION	17,700.00									
310.00	303.10	LAND AND LAND RIGHTS	635,643.46									
340.00	303.40	LAND AND LAND RIGHTS	314,551.16									
		TOTAL NONDEPRECIABLE PLANT AND ACCOUNTS NOT STUDIED	967,894.62									
		TOTAL WATER PLANT	49,337,846.74									

\* REMAINING COSTS TO BE FULLY DEPRECIATED OVER A TWENTY YEAR PERIOD AS PER THE ORDER FROM CASE DW08-098

\*\* ADDITIONS TO ACCOUNT WILL HAVE AN AMORTIZATION PERIOD OF 20 YEARS AND WILL BE DEPRECIATED AT A RATE OF 5%

DW 20-184  
DOE 4-8 Attachment 1  
Worksheet 3 of 3

**AQUARION WATER COMPANY OF NEW HAMPSHIRE**  
**COMPARISON OF THE CALCULATED ACCRUED DEPRECIATION AND BOOK DEPRECIATION RESERVE**  
**AS OF DECEMBER 31, 2019**

<b>AQUARION ACCOUNT</b>	<b>NARUC ACCOUNT</b>	<b>ACCOUNT (1)</b>	<b>CALCULATED ACCRUED DEPRECIATION (2)</b>	<b>BOOK DEPRECIATION RESERVE (3)</b>	<b>RESERVE IMBALANCE (4)=(3)-(2)</b>
<b>WATER PLANT</b>					
<b>SOURCE OF SUPPLY PLANT</b>					
311.00	304.10	STRUCTURES AND IMPROVEMENTS	192,539	236,615	44,076
314.00	307.00	WELLS AND SPRINGS	1,155,829	1,092,889	(62,940)
316.00	309.00	SUPPLY MAINS	73,813	47,489	(26,324)
317.00	339.00	OTHER WATER SOURCE PLANT 2008 AND PRIOR 2009 AND SUBSEQUENT	932,939 16,297	932,939 16,297	0 *
		TOTAL OTHER WATER SOURCE PLANT	949,236	949,236	0
		<b>TOTAL SOURCE OF SUPPLY PLANT</b>	<b>2,371,417</b>	<b>2,326,229</b>	<b>(45,188)</b>
<b>PUMPING PLANT</b>					
321.00	304.20	STRUCTURES AND IMPROVEMENTS	563,245	818,385	255,140
325.00	311.10	ELECTRIC PUMPING EQUIPMENT	345,952	(2,091)	(348,043)
326.00	311.30	DIESEL PUMPING EQUIPMENT	0	5,202	5,202
328.00	311.20	OTHER PUMPING EQUIPMENT	14,556	29,058	14,502
		<b>TOTAL PUMPING PLANT</b>	<b>923,753</b>	<b>850,554</b>	<b>(73,199)</b>
<b>WATER TREATMENT PLANT</b>					
331.00	304.30	STRUCTURES AND IMPROVEMENTS	14,077	(56,160)	(70,237)
332.00	320.00	WATER TREATMENT EQUIPMENT	91,093	73,919	(17,174)
		<b>TOTAL WATER TREATMENT PLANT</b>	<b>105,170</b>	<b>17,759</b>	<b>(87,411)</b>

AQUARION WATER COMPANY OF NEW HAMPSHIRE

COMPARISON OF THE CALCULATED ACCRUED DEPRECIATION AND BOOK DEPRECIATION RESERVE  
AS OF DECEMBER 31, 2019

AQUARION ACCOUNT	NARUC ACCOUNT	ACCOUNT (1)	CALCULATED ACCRUED DEPRECIATION (2)	BOOK DEPRECIATION RESERVE (3)	RESERVE IMBALANCE (4)=(3)-(2)
TRANSMISSION AND DISTRIBUTION PLANT					
341.00	304.40	STRUCTURES AND IMPROVEMENTS	7,927	31,234	23,307
342.00	330.00	DISTRIBUTION RESERVOIRS AND STANDPIPES	998,069	1,124,468	126,399
343.00	331.00	TRANSMISSION AND DISTRIBUTION MAINS	4,342,831	4,566,798	223,967
345.00	333.00	SERVICES	2,179,363	2,284,927	105,564
346.00	334.00	METERS	565,844	32,560	(533,284)
347.00	334.00	METER INSTALLATIONS	79,621	187,135	107,514
348.00	335.00	HYDRANTS	316,142	378,689	62,547
349.00	339.00	OTHER TRANSMISSION AND DISTRIBUTION PLANT	64,200	91,531	27,331
TOTAL TRANSMISSION AND DISTRIBUTION PLANT			8,553,997	8,697,343	143,346
GENERAL PLANT					
390.00	304.50	STRUCTURES AND IMPROVEMENTS	217,021	101,931	(115,090)
392.00	341.00	TRANSPORTATION EQUIPMENT	263,062	557,492	294,430
396.00	345.00	POWER OPERATED EQUIPMENT	66,417	97,089	30,672
TOTAL GENERAL PLANT			546,500	756,512	210,012
TOTAL DEPRECIABLE PLANT			12,500,837	12,648,397	147,560
AMORTIZED PLANT					
303.00	303.00	MISCELLANEOUS INTANGIBLE PLANT	0	(15,221)	(15,221)
391.00	340.10	OFFICE FURNITURE AND EQUIPMENT	4,468	13,811	9,343
391.10	340.20	OFFICE FURNITURE AND EQUIPMENT - COMPUTER HARDWARE	178,797	261,346	82,549
391.20	340.30	OFFICE FURNITURE AND EQUIPMENT - COMPUTER SOFTWARE	413,595	430,887	17,292
393.00	342.00	STORES EQUIPMENT	331	4,810	4,479
394.00	343.00	TOOLS, SHOP AND GARAGE EQUIPMENT	70,458	56,417	(14,041)
395.00	344.00	LABORATORY EQUIPMENT	0	(508)	(508)
397.00	346.00	COMMUNICATION EQUIPMENT	26,498	68,257	41,759
398.00	347.00	MISCELLANEOUS EQUIPMENT	102,108	93,068	(9,040)
TOTAL AMORTIZED PLANT			796,255	912,867	116,612

\* REMAINING COSTS TO BE FULLY DEPRECIATED OVER A TWENTY YEAR PERIOD AS PER THE ORDER FROM CASE DW 08-098.

\*\* RECOVERED THROUGH RESERVE ADJUSTMENT FOR AMORTIZATION OVER FIVE YEARS.

DW-20-184  
DOE 4-8 Attachment 2

DEPRECIATION EXPENSE

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

Test Year: Twelve Months Ended 12/31/19  
Schedule No. 1R  
Page 1 of 1

Line No.	Description	NH PUC ACCT	Test Year Plant	Pro Forma Additions	Retirements	Pro Forma Utility Plant	Present Annual Rate	Depreciation Amount	Whole Life Annual Rate	Pro Forma Depreciation Amount
1										
2	Organization	101301	\$ 17,700			\$ 17,700	5.00%	\$ 885	5.00%	885
3	Miscellaneous Intangible Plant	101303	-			-	3.33%	-	-	-
4	Source Land and Land Rights	101310	635,643			635,643	0.00%	-	-	-
5	Source Structures and Improvements	101311	642,550			642,550	2.75%	17,670	2.50%	16,064
6	Collecting and Impounding Reservoirs	101312	3,140,538	1,260,984		4,401,522	0.00%	-	-	-
7	Wells and Springs	101314	137,490			137,490	3.50%	154,057	3.40%	153,617
8	Supply Mains	101316	137,490			137,490	1.20%	1,650	1.75%	2,406
9										
10	Other Water Source Plant	101317	1,644,017			1,644,017	5.00%	82,201	4.33%	71,186
11	2008 and Prior		79,244			79,244	5.00%	3,952	5.00%	3,952
12	2009 and Subsequent		1,723,261			1,723,261		86,163		75,148
13										
14										
15	Pumping Land and Land Rights	101320	-			-	0.00%	-	-	-
16	Pumping Structures and Improvements	101321	1,392,388			1,392,388	2.75%	38,291	2.50%	34,810
17	Electric Pumping Equipment	101325	907,573	32,527		940,101	3.40%	32,445	4.20%	38,464
18	Electric Equipment	101326	32,076			32,076	4.40%	1,411	4.20%	1,347
19	Other Pumping Equipment	101328	58,588			58,588	2.75%	29,393	2.50%	26,721
20	Treatment Structures and Improvements	101331	231,134	1,010,234		1,068,822	2.75%	29,393	2.50%	26,721
21	Treatment Equipment	101332	314,551	1,946,743		2,177,877	3.50%	76,226	4.00%	87,115
22	T&D Land and Land Rights	101340	314,551			314,551	0.00%	-	-	-
23	T&D Structures and Improvements	101341	2,708,344			2,708,344	2.75%	905	2.50%	822
24	T&D Structures and Standpipes	101342	28,021,554	(142,429)		27,879,125	2.00%	54,167	1.85%	50,104
25	Transmission and Distribution Mains	101343	25,634,035	2,529,948		28,163,983	1.20%	346,259	1.24%	399,867
26	Services	101345	5,731,679			5,731,679	1.85%	106,036	2.35%	133,548
27	Meters	101346	1,620,461			1,620,461	3.80%	61,578	6.34%	102,737
28	Valves	101347	1,620,461			1,620,461	2.50%	40,516	2.50%	40,516
29	Hydrants	101348	709,986			709,986	2.40%	17,040	2.25%	15,792
30	Other T&D Plant	101349	178,436			178,436	5.00%	8,922	3.33%	5,942
31	General Structures and Improvements	101390	566,029			566,029	2.75%	15,566	3.33%	18,849
32										
33	Office Furniture and Equipment	101391	4,413			4,413	7.46%	329	-	-
34	Fully Accrued		2,237			2,237	7.46%	167	5.00%	112
35	Amortized		6,650			6,650		496		112
36										
37										
38	Computer Equipment - Hardware	101391H								
39	Fully Accrued		144,392			144,392	0.00%	-	-	-
40	Amortized		40,021	57,493		97,514	20.00%	19,503	20.00%	19,503
41			184,413			241,906	20.00%	19,503		19,503
42										
43	Computer Equipment - Software	101391S								
44	Fully Accrued		368,220			368,220	0.00%	-	-	-
45	Amortized		51,075			51,075	0.00%	-	-	-
46			419,295			419,295	20.00%	-	20.00%	10,215
47										
48	Transportation Equipment	101392	644,403			644,403	11.25%	72,485	9.50%	61,218
49	Store Equipment	101393	331			331	5.00%	17	-	-
50										
51	Tools, Shop, and Garage Equipment	101394								
52	Fully Accrued		38,703			38,703	5.00%	1,935	-	-
53	Amortized		49,147			49,147	5.00%	2,457	5.00%	2,457
54			87,849			87,849		4,392		2,457
55										
56	Laboratory Equipment	101395	-			-	6.67%	-	-	-
57	Power Operated Equipment	101396	109,715			109,715	6.67%	7,318	6.67%	7,318
58	Communications Equipment	101397	51,553			51,553	10.00%	5,155	10.00%	5,155
59										
60	Miscellaneous Equipment	101398								
61	Fully Accrued		18,577			18,577	6.67%	1,239	-	-
62	Amortized		200,883			200,883	6.67%	13,399	6.67%	13,399
63			219,461			219,461		14,538		13,399
64										
65										
66			\$ 48,337,846	6,837,929	\$ (142,429)	\$ 56,033,346		\$ 1,192,028		\$ 1,248,017
67										
68										
69										
70										
71										
72										
73										
										Pro Forma Expense
										Reserve deficiency amortization
										Total
										\$ 1,248,017
										\$ 1,225,695
										Test Year Expense
										\$ 1,024,230
										Pro Forma Adjustment
										\$ 201,465

CHAIRMAN  
Martin P. Honigberg

COMMISSIONERS  
Kathryn M. Bailey  
Michael S. Giaimo

EXECUTIVE DIRECTOR  
Debra A. Howland

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

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October 13, 2017

Re: DW 17-114, Public Service Company of New Hampshire d/b/a Eversource Energy  
Acquisition of Aquarion Water Company of New Hampshire, Inc.  
Joint Petition for Approval of Acquisition

To the Parties:

On June 29, 2017, Eversource Energy and Aquarion Water Company of New Hampshire (Eversource and Aquarion, respectively, or collectively, the Companies) filed a joint petition for approval pursuant to RSA 369:8, II and 374:33 to approve the indirect acquisition of Aquarion by Eversource. Eversource is the parent company of Public Service Company of New Hampshire. Eversource entered into a purchase and sale agreement with Macquarie Utilities Holdings, GP by which Eversource would acquire all of the issued and outstanding stock of Macquarie Utilities, Inc. (MUI). The transaction would result in Eversource having ownership and control of MUI and its subsidiaries which include, Aquarion Company, Aquarion Water Company, and Aquarion. In their petition, the Companies provided a detailed representation that the transaction would not have an adverse effect on the rates, terms, service, or operation of Aquarion.

The Commission held a prehearing conference on August 17, 2017. The Commission granted petitions to intervene filed by the Towns of Hampton, North Hampton, the Town of North Hampton Water Commission, and Representatives Philip Bean, Renny Cushing, and Mike Edgar. The Commission denied intervention to Representatives Mindi Messmer and Jim McConnell. The Office of the Consumer Advocate filed a notice of participation pursuant to RSA 363:28. At the hearing, the Companies agreed to waive the time periods under RSA 369:8, II (b) but not the "protections" of the "adverse effect" standard, so long as the petitioners receive an order fully deciding their petition no later than October 25, 2017. The parties agreed to a proposed procedural schedule which called for document requests and a technical session. The parties met in technical session on September 19.

On October 5, the Commission held a final hearing to determine whether the transaction would have an adverse effect on the rates, terms, service, or operation of Aquarion within the State under RSA 369:8, II(b)(1), and only if so, whether the transaction would meet the "lawful, proper, and in the public interest" standard for acquisitions under RSA 374:33. Eversource restated that there would be no substantial changes to employee levels. Eversource also noted that there will be no transaction premium and no related costs to Aquarion customers associated

October 13, 2017  
Page two

with the merger. The Towns of Hampton and North Hampton and its water commission withdrew their opposition to the proposed transaction. The OCA had no opinion on the application of RSA 369:8 and had no objection were the transaction viewed through the prism of RSA 374:33. Commission Staff stated its position that the transaction meets the requirements of RSA 369:8.

Representative Cushing continued to voice his opposition to the transaction, but he did not articulate how the proposed acquisition would have an adverse effect on rates, terms, service, or operation of the utility. At the hearing, Representative Cushing presented no testimony or documentary evidence, but argued that the acquisition would run afoul of the State's restructuring law, RSA 374-F, and the provision of the New Hampshire Constitution regarding commerce and monopolies, Part II, Article 83. In a filing received after the hearing, Representative Cushing stated that Eversource is the parent company of PSNH and that PSNH is a responsible party to the clean-up of the Coakley Landfill Superfund site. The Coakley Landfill is located in North Hampton, and in Aquarion's service area. The papers allege that the proposed transaction, if approved, would result in a conflict of interest, with one of the "polluters" of the site (Eversource/PSNH), owning an entity (Aquarion) which maintains wells in the area that are likely contaminated by Eversource and others. Representative Cushing suggested that Eversource is using this acquisition to shortcut its clean-up obligations. PSNH's clean-up responsibilities are controlled by the terms of the consent decree filed in Civil Action No. 92-123-D in the United States District Court for the District of New Hampshire. See <https://cumulis.epa.gov/supercpad/SiteProfiles/index.cfm?fuseaction=second.scs&id=0101107&doc=Y&colid=34997&region=01&type=SC>. The Commission took administrative notice of the consent decree under N.H. Admin. Rule Puc 203.27(a)(1). That consent decree binds the parties to the agreement to contributing to the costs of clean-up or remediation. Thus, the Commission determined that Representative Cushing failed to show how this acquisition will have an adverse effect on the rates, terms, service, or operation of Aquarion in this state.

Having heard from the parties and Staff and having independently reviewed the petition and the record herein, the Commission determined that it has no basis to find that Eversource's acquisition of Aquarion's parent company will have an adverse effect on rates, terms, service, or operation of Aquarion within the state. Consequently, Commission approval is not required under RSA 369:8, II(b)(1). The Commission has continuing jurisdiction over the subsidiaries and will monitor the effects of the merger in accord with its statutory responsibilities.

Sincerely,



Debra A. Howland  
Executive Director

cc: Service List/Docket File

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**SERVICE LIST - EMAIL ADDRESSES- DOCKET RELATED**

---

**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

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Docket #: 17-114-1      Printed: October 13, 2017

**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:
- DEBRA A HOWLAND  
EXEC DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.