

*Final Version*

**COMPANY DISCLOSURE SCHEDULE**

**to the**

**AGREEMENT AND PLAN OF MERGER**

**by and among**

**AQUARION MERGER COMPANY, LLC,**

**NEW ENGLAND SERVICE COMPANY, and**

**AQUARION COMPANY**

**DATED APRIL 7, 2021**

Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed to such terms in the Agreement and Plan of Merger (the “Agreement”), made and entered into as of the date hereof, by and among Aquarion Merger Company, LLC (the “Aquarion MergerCo”), New England Service Company (the “Company”), and Aquarion Company (the “Parent”). This Company Disclosure Schedule is being delivered in accordance with the Agreement.

The Company Disclosure Schedule relates to certain matters concerning the transactions contemplated by the Agreement. The Company Disclosure Schedule is qualified in its entirety by reference to the specific provisions of the Agreement, and is not intended to constitute, and shall not be construed as constituting, representations, warranties or covenants of Company or its Subsidiaries, except as and to the extent provided in the Agreement. Inclusion of information herein will not be deemed or construed as an admission or otherwise imply: (a) that such information: (i) is material to the business, results of operations or financial condition of Company or its Subsidiaries; or (ii) represents a material exception or material fact, event or circumstance or that such information has had or would have a Material Adverse Effect by the criteria set forth in the Agreement; or (b) that disclosure of any such information is required under any applicable Law, or regulations or instructions of any Governmental Entity.

Matters reflected in the Company Disclosure Schedule are not necessarily limited to matters required by the Agreement to be reflected in this Company Disclosure Schedule, which additional matters are included for informational purposes only and do not necessarily include other matters of a similar nature. Information disclosed in any particular Section of this Company Disclosure Schedule shall be deemed to be included in all other Sections of this Company Disclosure Schedule to the extent that it is reasonably appropriate from the face of such disclosure that such disclosure is applicable to such other Section or Sections of this Company Disclosure Schedule, notwithstanding the omission of a cross-reference thereto.

Nothing in this Company Disclosure Schedule will be deemed or will constitute an admission of any liability or obligation of any Party to any third party, nor an admission to any third party against the interests of any or all of the Parties. Headings have been inserted on and within this Company Disclosure Schedule for convenience of reference only and will not change the express description of the corresponding sections of the Agreement. The numbering of the Sections of this Company Disclosure Schedule reflects the corresponding numbering in the Agreement.

All descriptions of Contracts or other matters appearing herein are summary in nature and are qualified by reference to the complete documents. The information contained herein is strictly confidential.

**Schedule 3.1 (b)**

Corporate Status; Subsidiaries; Affiliates; Capacity.

1. Valley Water Systems (“VWS”)
2. Colonial Water Company (“CWC”)
3. Mountain Water Systems (“MWS”)
4. Abenaki Water Company (“AWC”)

**Schedule 3.2(a)(i)**

Regulated Subsidiaries.

1. VWS - CT
2. CWC - MA
3. MWS - MA
4. AWC - NH

**Schedule 3.2(a)(ii)**

Disallowed Assets.

1. CWC has \$42,810 held in an account for “Plant held for future use”. The amount represents service lines and curb boxes/stops for 28 properties that are not currently hooked up to the system.
2. Company - \$29,043.12 as of 2/12/21. This entry stems from Mountain Water System’s last rate case where the NESC labor on the docket was disallowed. We wrote the amount off MWS’ books and assigned it to NESC’s books to be amortized until September 2023. The Company has amortized this expense over a period of years to reduce the burden to its earnings. The Company’s auditors have agreed with this accounting treatment.

**Schedule 3.3(b)**

Title to Properties.

None.

**Schedule 3.4**

Water Quality and Water Rights.

None.

### **Schedule 3.5**

#### Use of Assets.

1. NESC-owned land on Fieldstone Lane, Twin Mountain, NH 03595
2. NESC office at 32 Artisan Ct., Gilford, NH 03249



**Schedule 3.6(b)**

Directors and Officers.

<b>Entity</b>	<b>Board of Directors</b>	<b>Officers</b>
Company	Nicholas LaChance Donald Vaughan Judith Wotton Bonalyn Hartley William Galske III Pauline Ahern Stephen Densberger	Nicholas LaChance – President Donald Vaughan – Chairman, Vice President of Operations Robert Gallo – Vice President of Engineering Sheryl Fairchild – Treasurer Jessica Pilgrim – Secretary Ryan Caouette – Assistant Secretary
VWS	Nicholas LaChance Donald Vaughan Judith Wotton Bonalyn Hartley William Galske III Pauline Ahern Stephen Densberger	Nicholas LaChance – Vice President Donald Vaughan – Chairman, Vice President of Operations Robert Gallo – President Sheryl Fairchild – Treasurer Jessica Pilgrim – Secretary Ryan Caouette – Assistant Secretary
CWS	Nicholas LaChance Donald Vaughan Robert Gallo Sheryl Fairchild Jessica Pilgrim Ryan Caouette	Nicholas LaChance – Vice President Donald Vaughan – Chairman, Vice President of Operations Robert Gallo – President Sheryl Fairchild – Treasurer Jessica Pilgrim – Secretary Ryan Caouette – Assistant Secretary
MWS	Nicholas LaChance Donald Vaughan Robert Gallo Sheryl Fairchild Jessica Pilgrim Ryan Caouette	Nicholas LaChance – Vice President Donald Vaughan – Chairman, Vice President of Operations Robert Gallo – President Sheryl Fairchild – Treasurer Jessica Pilgrim – Secretary Ryan Caouette – Assistant Secretary
AWS	Nicholas LaChance Donald Vaughan Robert Gallo Sheryl Fairchild Jessica Pilgrim Ryan Caouette	Nicholas LaChance – Vice President Donald Vaughan – Chairman, Vice President of Operations Robert Gallo – President Sheryl Fairchild – Treasurer Jessica Pilgrim – Secretary Ryan Caouette – Assistant Secretary

**Schedule 3.7(c)**

Capitalization.

None.

**Schedule 3.9(b)**

Absence of Defaults.

1. Based upon most recent unaudited information for AWC, AWC fails to comply with its debt coverage covenant with its lender CoBank. It is working to resolve this matter, and CoBank has provided a written waiver dated March 17, 2021 of the covenant.
2. Other consents required from third parties in connection with the Merger and the assignment of certain contracts are set forth in Schedule 6.2.

### **Schedule 3.11**

#### Contracts.

(a)(i)

1. Mortgage VWS – Mortgage payable, \$36,192 monthly P&I, balloon payment due July 2033 (People’s United Bank)
2. VWS – Note payable, \$6,061 monthly P&I, balloon payment due July 2038 (People’s United Bank)
3. VWS – Secured Line of Credit, \$500,000, (People’s United Bank)
4. AWC- Mortgage payable, \$3,003 monthly P&I, due February 2024. (CoBank)
5. AWC- Term Loan, \$2,350 monthly P&I, due September 2036 (CoBank)
6. AWC- Term Loan, \$645 monthly P&I, due October 2031. (State SRF)
7. AWC- Term Loan in the amount of \$45,000 (State Trust Fund), which recently closed; this is a construction loan, which has not yet been drawn upon
8. AWC- Secured Line of Credit, \$150,000 (CoBank)
9. CWC- Mortgage payable, \$7,300 monthly P&I, due December 2035 (People’s United Bank)
10. CWC- Mortgage payable, \$2,974 monthly P&I, due December 2033 (People’s United Bank)
11. CWC- Note payable, \$1,420 monthly P&I, due July 2039 (People’s United Bank)
12. CWC- Note payable, \$1,307 monthly P&I, due July 2039 (People’s United Bank)
13. CWC- Note payable, \$3,875.73 monthly P&I, due February 2041 (People’s United Bank)
14. CWC- Secured Line of Credit, \$250,000 (People’s United Bank)
15. MWS- Real Estate Mortgage and Security Agreement/Single Advance Term Promissory Note between MWS and CoBank dated January 31, 2017 (and amended March 13, 2018) in the amount of \$1,250,000 due March 2037; Loan No. 00107085T01
16. MWS- Secured Line of Credit, \$100,000 (CoBank)
17. Credit Agreement Number 00123011SLA between NESC and CoBank dated July 9, 2019, pursuant to which there are four Promissory Notes:
  - Note No. 00123011T01 – Multiple Advanced Term Promissory Note not to exceed \$400,000 due July 2041
  - Note No. 00123011T02 – Single Advance Term Note not to exceed \$115,000 due August 2029
  - Note No. 00123011T03 Single Advance Term Note not to exceed \$297,000 due June 2029

18. Note No. 00123011T04 Single Advance Term Note not to exceed \$208,000 due December 2036
19. Paycheck Protection Promissory Note between NESC and Ion Bank dated April 30, 2020 in amount of \$463,700
20. VWS capital expenditure loan and loan and security agreement with People's United Bank in the amount of \$2,500,000 dated March 10, 2021

(a)(ii)

None.

(a)(iii)

1. Employment Agreement, dated as of August 6, 2016, by and between Nicholas LaChance and New England Service Company.

(a)(iv)

None.

(a)(v)

1. VWS – Pursuant to a verbal agreement approved by the Board, VWS agreed to pay 75% of the health care benefits of former employee/superintendent Lucien Bordeau's widow, Barbara Bordeau.

(a)(vi)

1. AWC - Agreement between Horizons Engineering and AWC dated December 22, 2020 to prepare engineering plans and specifications relative to the Pressure Reduction Project at Rosebrook. This contract is estimated to be \$140,000.
2. CWC has an outstanding road opening permit with the Town of Plymouth requiring it to pave about 2000', edge to edge, on Raymond Rd. This project must be completed in the Spring and is estimated to be about \$125,000. The contract related to this project has not yet been completed or executed.
3. CWC is working with the MASS DEP to design and install 4-log deactivation treatment at the Draper Rd pump station pursuant to an administrative consent order. Estimates related to construction costs are still being negotiated with MA DEP as the Company is determining the requirements of the treatment station, which will impact construction costs.

(a)(viii)

None.

(a)(ix)

1. CWC provides water to the town of Dover's distribution system pursuant to a contract between NESC and Dover dated in 1994.

(a)(x)

None.

(a)(xi)

1. VWS – Potential sale of 27 customers to the Town of Southington Water Department for the amount of \$350,000; terms are still being negotiated and there is not yet a written contract regarding this matter.
2. VWS – The sale of class 3 land to the Town of Plainville for \$500,000; of which, \$325,000 will be in cash, the remaining will be donated for tax benefits both state and federal. There is no agreement yet as the Company cannot enter into a written contract regarding this matter until the sale has been approved by PURA.

(a)(xii)

None.

(a)(xiii)

1. CWC – Pavement project of Raymond Rd as a part of CWC's 2021 CapEx plan. The Company has selected and entered a contract with T.L. Edwards, Inc. (dated March 12, 2021) as the vendor for this project. Costs for this project are estimated to be in the amount of \$124,000.
2. AWC – Preparation of the engineering plans and specifications for the Pressure Reduction Project at Rosebrook. AWC has entered into a contract with Horizons Engineering, Inc. dated December 22, 2020 (with a contract start date of January 1, 2021) in connection with the engineering services related to the Pressure Reduction Project at Rosebrook in Bretton Woods, New Hampshire.
3. NESC & Subsidiaries – The preparation and completion of the 2020 annual financial audit and income tax preparation
4. NESC – Payment to Boenning & Scattergood for the preparation of and delivery of the fairness opinion relative to Project Bison
5. NESC – Payment to Cranmore, FitzGerald & Meaney for legal representation relative to Project Bison.

6. NESC – A list of the Company insurance policies is set forth in Schedule 3.17 hereto.

**Schedule 3.14(b)**

Absence of Adverse Change.

1. The Company paid dividends at \$.185 per share for all four quarters of 2020 and the first quarter of 2021.
2. VWS paid dividends of \$1.825 per share on March 13, 2020, June 12, 2020 and September 11, 2020. VWS paid dividends at \$2.247 per share on December 11, 2020. VWS paid dividends of \$1.916 per share on March 26, 2021. VWS also paid a special dividend of \$75,000 to NESC on March 26, 2021.
3. CWC paid dividends at \$320.00 per share on March 13, 2020, June 12, 2020 and September 11, 2020. CWC paid dividends of \$336.00 per share on March 26, 2021.
4. The Company repurchased 470 shares over the course of the year in 2020.



**Schedule 3.14(e)**

Absence of Adverse Change.

None.

**Schedule 3.15 (b)**

Compliance with Laws; Licenses.

1. WMA Permit # 10226701 (Sheffield)
2. WMA Permit # 9P4-3-20-078.01 (Dover)
3. WMA Permit # 9P2-3-19-078.01 (Dover)
4. WMA Permit # 9P4-4-24-239.05 (Plymouth)
5. Diversion Permit # DIV-201100438 (Valley)
6. Permit to Operate for Public Water Systems 0202010, 0262020, 0382010, 0202030, 0881010 (NH Systems)

### **Schedule 3.16**

#### Environmental Matters.

(a)

1. Regarding the Pressure Reduction Project in the Rosebrook System, a Letter of Deficiency was issued by NHDES on December 1, 2020.
2. PUC opened an investigation regarding the Pressure Reduction Project, which resulted in the Company awarding a contract to Horizons Engineering to resolve the Letter of Deficiency.
3. White Rock (Bow) – Letter of Deficiency for exceedance of MCL for arsenic, storage and source deficiencies issued by DES NH on December 29, 2020.
4. CWC – Consent Order for Draper Rd well #1 to install 4-log deactivation prior to putting source back in service.
5. CWC – Dover Sanitary Survey report, dated as of January 25, 2021, outlined deficiencies and requirements and suggested corrective actions.
6. Order to complete Plymouth WMA Application (completed several years ago but no resolution taken by MADEP).
7. Notice of Action Level Exceedance for Rosebrook system pertaining to Copper (corrosion control has been put into place)

(b)

1. Arsenic exceedance of maximum contaminant level at White Rock (Bow) by Department of Environmental Services. The Company has submitted an engineering study. It is to be determined when design plans need to be submitted and construction completed.
2. CWC – Draper Rd well #1 must have 4-log deactivation installed prior to coming back into service.
3. Tioga Gilford Village to have treatment equipment installed by 6/30/21 to bring radium levels under MCL.

(c)

1. Company is under investigation by NHPUC Safety Committee for its actions to date related to the pressure reduction project in the Rosebrook system.

(d)

None.

(e)

None.

(f)

None.

**Schedule 3.17**

**Insurance.**

<b>Carrier</b>	<b>Policy Number</b>	<b>Coverage</b>
Great American Insurance Company	DOLE069164	D&O Policy
BerkleyNet/Midwest Employees Casualty Company	BNUWC0108078	Worker's Compensation
Philadelphia Indemnity Insurance Company	PHPK2216514	Package Policy
Philadelphia Indemnity Insurance Company	PHUB749599	Excess Policy
Chubb/Federal Insurance Company	8156-4616	Fiduciary Liability Policy
Evanston Insurance Company/Markel Assurance Vehicle Policy	MKLV7ENV102308	Professional Policy
Evanston Insurance Company	MKLV7ENV102308	Additional Terrorism Coverage

**Schedule 3.20(c)**

Tax Matters.

None.

**Schedule 3.20(e)**

**Tax Matters.**

None.

**Schedule 3.20(g)**

**Tax Matters.**

None.



### **Schedule 3.20(o)**

#### **Tax Matters.**

1. The NH State Drinking Water Trust Fund has provided up to a \$5,000 grant. Such grant is relative to the SRF loan received in the amount of \$50,000 (up to 10% forgiven, resulting in the (up to) \$5,000 grant) to be used for the installation of a larger storage tank and additional distribution valves at Tioga Belmont.
2. NH Drinking Water Trust Fund – There is a \$350,000 grant pending as the Company awaits final approval, which is tied to the approval of the \$125,000 SRF loan presently before the NHPUC. This grant relates to source exploration at White Rock. This is a 100% grant that is still being evaluated by NHDES relative to vernal pool assessments.
3. NH Drinking Water Trust Fund – There is a pending grant of up to \$280,000 toward the funding of the Pressure Reduction Project. In connection with such grant, a loan was granted in the amount of \$2,520,000. This grant is relative to the \$2.8MM loan, which the NH Trust Fund has preliminarily approved and of which 10% is forgivable (\$280,000). This loan will be used for engineering plans and specs and construction costs relative to the pressure reduction project. The financing docket has been submitted before the Commission.
4. CT State & Federal Tax benefits attributable to the reservoir land sale in Plainville. Final value is to be determined (application is currently pending). These tax benefits relate to the sale of nearly 49 acres of Class 3 land in Plainville and Southington, CT to the Town of Plainville. The Company received 2 appraisals in the amount of \$500K & \$510K, respectively. The purchase price was established to be \$500K; of which, \$300K will be made in cash (if the Town cannot obtain a State grant to fund the purchase. If a grant is received, \$325K will be paid in cash) with the remaining portion being donated as open space resulting in State and Federal tax benefits.
5. North Mountain Tax Abatement Agreement. The tax abatement for North Mountain is due to the Town utilizing a portion of the building. As a result, the town has agreed not to assess property tax to VSW in exchange for the use of the space.

**Schedule 3.21**

Employees.

See attached Schedule 3.21.

**Schedule 3.23(a)(i)**

Employee Benefit Plans.

1. NESC hired a second plumber on 1/1/18 who receives a bonus incentive based off of gross profit pursuant to a plan outline for the two plumbers engaged by the Company (there is no written contract outside of such plan outline).
2. With respect to its stock incentive compensation plan, the Company intends to cash out the unvested portions prior to or at Closing.

**Schedule 3.23(b)**

**Company Benefit Plans.**

1. Health Insurance Plans, LTD/STD, Free \$50,000 life insurance policy, 401K matching, Profit sharing, tuition reimbursement, payment of CEUs, cell phone reimbursement for field, vacation/personal paid time off, dental, stock bonus plan, cash incentives

**Employee and Director Plans.**

1. New England Service Company (NESC) and Subsidiaries  
Employee Deferred Stock Based Incentive Plan (the “Plan”) Effective: Fiscal Year 2020  
Approved by the Board of Directors on June 18, 2020
  - Employees and Directors participate
2. Incentive Compensation Plans
  - A. Unregulated Plan
    - Travis Helming quarterly bonus based off of the profitability of business segment
    - David Candeias– (Colonial Employee)
    - Taylor deOgbum
  - B. Marc Farrelly Plan - The incentive equals 5% of the total gross profits (total r revenue – cost of goods sold. Each new quarter will restart the incentive plan.
  - C. SS Financial Manager Plan
    - Ryan Caouette - - bonus earned on a monthly basis based off of his management of Company’s warranty program
  - D. Plumbing Plan
    - Dale Arnold - bonus quarterly and based off of the profitability of business segment
    - Chris Newton – bonus quarterly and based off of the profitability of business segment
  - E. Stock Incentive Compensation Plan New England Service Company (NESC) and Subsidiaries Non-Exempt Employee Stock Based Incentive Plan (the “Plan”) Effective: Fiscal Year 2020 Approved by the Board of Directors on June 18, 2020
    - Company intends to cash out unvested portions prior to or at Closing

**Schedule 3.23(c)**

Qualified Company Benefit Plans.

1. The Company's 401K retirement plan is a qualified plan.

**Schedule 3.23(d)**

Contributions to Company Benefit Plans.

1. The Board of the Company approved a 401(k) Profit Sharing Plan contribution for 2020 to be paid in May or June of 2021, in the estimated aggregate amount of \$65,000 - \$70,000 based upon the amount estimated by the Plan provider.
2. The Company provides a 100% match of employee contributions up to 5%, which is funded on a weekly basis.

**Schedule 3.23(k)**

Liabilities for Benefit Plans.

1. VWS is obligated to pay 75% of the health care benefits of former employee/superintendent Lucien Bordeau's widow, Barbara Bordeau (approximately \$200 per month).

**Schedule 3.23(m)**

Loans to Directors or Officers.

None.



### Schedule 3.25

#### Bank Accounts and/or Credit.

1. The following Loans impose Prepayment Penalties:
  - a. VWS - \$2.5 MM loan – Capital Expenditure Loan with Peoples United Bank dated March 10, 2021
  - b. VWS - \$1MM loan – Term Loan with Peoples United Bank dated July 6, 2018
  - c. CWC - \$700K Loan - Loan and Security Agreement dated February 2, 2021 with Peoples United Bank
2. Below see a table of financial institutions and vendors in which an account or credit is maintained or established:

Financial Institution/Vendor	Account Type/Line of Credit	Signatories
People's United Bank	Term Note; Line of Credit, Mortgage; Capital Expenditure Loan; Checking and Operating Accounts; Money Market Account	Donald Vaughan Nicholas LaChance Sheryl Fairchild Jessica Pilgrim
CoBank	Term Note, Line of Credit, Mortgage,	Donald Vaughan Nicholas LaChance Sheryl Fairchild Jessica Pilgrim
Ion Bank	PPP Loan, Checking and Operating Accounts; Money Market Account	Donald Vaughan Nicholas LaChance Sheryl Fairchild Jessica Pilgrim
TD Ameritrade	Investment Account/Money Market Account	Donald Vaughan Nicholas LaChance Sheryl Fairchild Jessica Pilgrim
State of New Hampshire	Term Loans	Donald Vaughan Nicholas LaChance Sheryl Fairchild Jessica Pilgrim

### **Schedule 5.2(a)**

#### **Conduct of Company's Business.**

1. Comply with all conditions for the operation of 4-Log Virus Inactivation at the Francis Street Pump Station for the Dover, MA system (PWSID: 3078006) as detailed in MADEP correspondence dated November 6 2020, December 9 2020, MADEP Boil Water Order dated June 11, 2020, MADEP Boil Water Order Amendment 1 dated June 18, 2020, and MADEP Boil Water Order Amendment 2 dated July 2, 2020.
2. Comply with all conditions for the construction and operation of 4-Log Virus Inactivation at the Draper Street Pump Station for the Dover, MA system (PWSID: 3078006) as detailed in Colonial Water Company correspondence dated June 1, 2020 and MADEP Administrative Consent Orders with Penalty dated January 21, 2020.
3. Achieve compliance with the August 2021 revised NHDES Arsenic Maximum Contaminant Level in the Abenaki Water/White Rock system (PWSID: 0262020) in Bow, NH using an approach approved by NHDES and on a schedule acceptable to NHDES, but no later than 60 days before closing.
4. Comply with all conditions and schedule towards the resolution of Significant Distribution Deficiencies and Inadequate Operations and Maintenance outlined in NHDES Letter of Deficiency dated December 1 2020 for Abenaki Water/Rosebrook system (PWSID: 0382010) in Carroll, NH.
5. Achieve compliance with the USEPA Action Level for Copper in the Abenaki Water/Rosebrook system (PWSID: 0382010) in Carroll, NH, no later than 60 days before closing.
6. Submit a final application for up to \$350,000 in grant funds for the White Rock Distribution System Capacity Assurance Project consistent with the process outlined in November 19, 2020 correspondence with the NH Drinking Water and Groundwater Trust Fund. Concurrently with the submission of the final application, the Company will take steps to seek any required NH PUC regulatory approvals for the financing.
7. Maintain compliance with the NHDES Combined Radium 226 & 228 Maximum Containment Level for the Abenaki Water/Gilford Village System (PWSID:0881010) in Gilford, NH using an approach approved by the NHDES and on a schedule acceptable to NHDES.

**Schedule 5.2(a)(ii)**

Disposal of Assets.

1. The Company has submitted docket # 20-12-33 for the purpose of selling real property to the Town of Plainville. We have received 2 appraisals for valuations of \$500,000 and \$510,000, respectively. The agreement with the Town is that they will pay \$300,000 in cash, or \$325,000 if they receive a grant from the State. The remaining balance will be gifted to the Town, and the Company will realize both State and Federal tax benefits.
2. Valley Water Systems has a potential sale of 27 customers to the Town of Southington Water Department for a proposed price of \$350,000. The terms of the agreement are still being negotiated.
3. In order to meet ongoing expenses incurred in connection with this transaction, the Company may need sell equities in its stock portfolio.

**Schedule 5.2(a)(iii)**

Expenses.

1. The Company anticipates incurring the following expenses:
  - a. Potential draws on the line of credit in order to finance ongoing legal expense associated with this endeavor.
  - b. The Company may need to utilize established lines of credit in the event of an emergency, or to pay for ongoing expenses associated with this transaction. The Company will provide prompt notice of any such emergency.
  - c. AWC may need to utilize its line of credit toward the installation of the treatment equipment and media needed to correct its high arsenic levels relative to the White Rock system. Cost is estimated to be approximately \$85,000.

**Schedule 5.2(a)(ix)**

Amendments to Employment Agreements.

None.

**Schedule 5.2(a)(xii)**

1. In its current rate filing, VWS is proposing to use the group depreciation method for rate making purposes.

**Schedule 5.2(a)(xv)**

Plans of Liquidation, Dissolution.

None.

**Schedule 5.2(a)(xvi)**

Changes with Regulatory Authorities.

1. The Company and Parent will cooperate with regard to any settlement and/or changes in its rates, charges, standards of service or accounting.



## Schedule 6.2

### Consents.

Other third-party consents in connection with Merger include consents from:

CoBank (NESC):

- Limits on Merging if NESC is not the surviving entity; may not transfer assets outside of ordinary course
- Pre-payment permitted

CoBank (MWS and AWC): single advance term promissory note (and amendments)

- Pre-payment permitted
- Limits on Merging if NESC is not the surviving entity; may not transfer assets outside of ordinary course

Peoples United Bancorp (VWC): construction term loan (\$2.5 million – 2021)

- Prepayment permitted
- Change of Control is a default (accelerates debt)

Ion Bank (NESC) – PPP Loan Forgiveness Application has been submitted and substantially approved by the lender (Ion Bank).

State of NH (SRF & Trust Fund loans)

Extension Agreement between CWC and the Town of Dover dated March 1, 2021

Norwich Public Utilities (“NPU”) Contract – Such contract may be terminated with 30 days prior notice or the Company may assign with prior consent of NPU)

Plymouth Cell Tower – Assignment and Assumption of Land Lease with CWC (Lessor):

- Assignment requires written consent of other party
- If Lessor sells, acquiror must recognize Lessee’s rights under lease
- Lessee has Right of First Refusal – See Section 16 of Lease

### REAL ESTATE AND LEASES

#### 1. CWC

##### A. Raymond Road, Plymouth MA

- Month to month lease until landlord or tenant terminates
- Assignment terminates lease at Landlord’s option and assignment will be void

##### B. Greater Heights

- Assignment with Landlord’s prior written consent (which may not be unreasonably withheld or delayed)]

**Officers' Certificate**

We, the undersigned, hereby certify that we have reviewed the attached copy of the Confidential New England Service Company (the "Company") Disclosure Schedule (the "Company Disclosure Schedule") pursuant to the proposed Agreement and Plan of Merger, by and among Aquarion Merger Company, LLC, the Company, and Aquarion Company, and that such Company Disclosure Schedule is true, accurate and complete to the best of our knowledge and belief.

Certified this 7<sup>th</sup> day of April, 2021

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Nicholas LaChance

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Donald Vaughan



Financial Statements

Years Ended December 31, 2020 and 2019



## Independent Auditors' Report

**Board of Directors and Stockholder  
Abenaki Water Company  
Plainville, Connecticut**

We have audited the accompanying financial statements of Abenaki Water Company (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PKF O'CONNOR DAVIES, LLP  
Four Corporate Drive, Suite 488, Shelton, CT 06484 | Tel: 203.929.3535 | Fax: 203.929.5470 | [www.pkfod.com](http://www.pkfod.com)

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**Board of Directors and Stockholder  
Abenaki Water Company**  
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 20 through 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*PKF O'Connor Davies, LLP*

Shelton, Connecticut  
April 30, 2021

**ABENAKI WATER COMPANY**

Balance Sheets

	December 31,	
	2020	2019
<b>ASSETS</b>		
Utility plant, at cost	\$ 3,541,455	\$ 3,445,221
Less accumulated depreciation and amortization	(1,686,334)	(1,565,196)
Net Utility Plant	<u>1,855,121</u>	<u>1,880,025</u>
 Current Assets		
Cash and cash equivalents	30,066	24,860
Accounts receivable	14,685	27,311
Accrued unbilled revenues	64,015	63,985
Materials and supplies inventory	<u>17,560</u>	<u>15,395</u>
 Total Current Assets	<u>126,326</u>	<u>131,551</u>
 Other Assets		
Deferred charges and other regulatory assets	629,212	476,587
Regulatory asset – income taxes recoverable	13,700	3,000
Investment in cooperative capital plan	<u>9,966</u>	<u>8,404</u>
Total Other Assets	<u>652,878</u>	<u>487,991</u>
 Total Assets	<u>\$ 2,634,325</u>	<u>\$ 2,499,567</u>

See Notes to Financial Statements

**ABENAKI WATER COMPANY**

Balance Sheets (*continued*)

	December 31,	
	2020	2019
<b>STOCKHOLDER'S EQUITY AND LIABILITY</b>		
Stockholder's Equity		
Common stock, no par; 100 shares authorized, issued and outstanding		
Additional paid in capital	1,066,251	1,066,251
Retained earnings	52,827	115,931
Total Stockholder's Equity	<u>1,119,078</u>	<u>1,182,182</u>
Long-term debt, net of current portion	<u>451,016</u>	<u>503,058</u>
Current Liabilities		
Note payable, bank	22,000	13,900
Current portion of long-term debt	54,674	52,266
Accounts payable and accrued expenses	21,632	47,275
Due to affiliates	<u>332,334</u>	<u>99,920</u>
Total Current Liabilities	<u>430,640</u>	<u>213,361</u>
Other Liabilities		
Deferred income taxes	111,100	60,800
Regulatory liability – excess deferred income taxes	37,898	38,432
Regulatory liability – excess income taxes	28,221	18,814
Other deferred credits	81,751	81,751
Contributions in aid of construction	776,759	776,759
Less: accumulated amortization	<u>(402,139)</u>	<u>(375,590)</u>
Total Other Liabilities	<u>633,590</u>	<u>600,966</u>
Total Stockholder's Equity and Liabilities	<u>\$ 2,634,324</u>	<u>\$ 2,499,567</u>

**ABENAKI WATER COMPANY**

Statements of Operations and Retained Earnings

	Year Ended December 31,	
	2020	2019
<b>OPERATING REVENUES</b>	<u>\$ 726,741</u>	<u>\$ 705,735</u>
<b>OPERATING EXPENSES</b>		
Operation expenses	550,806	446,566
Maintenance expenses	77,409	43,137
Depreciation expense	102,141	103,187
Taxes other than income taxes	48,737	37,050
Income tax expense (benefit)	(8,500)	14,000
Total Operating Expenses	<u>770,593</u>	<u>643,940</u>
Utility Operating Income (Loss)	<u>(43,852)</u>	<u>61,795</u>
<b>OTHER INCOME (DEDUCTIONS)</b>		
Impairment of regulatory asset	-	(13,065)
Patronage refund	4,713	5,192
Other income	1	100
Income tax benefit (expense) on other income (deductions)	(1,400)	2,300
Net Other Income (Deductions)	<u>3,314</u>	<u>(5,473)</u>
Income (Loss) Before Interest Expense	<u>(40,538)</u>	<u>56,322</u>
Interest Expense		
Interest on long-term debt	19,266	20,996
Other interest	303	2,812
Amortization of deferred financing costs	2,997	3,452
Total Interest Expense	<u>22,566</u>	<u>27,260</u>
Net Income (Loss)	<u>(63,104)</u>	<u>29,062</u>
<b>RETAINED EARNINGS</b>		
Retained earnings, beginning	115,931	86,869
Retained earnings, ending	<u>\$ 52,827</u>	<u>\$ 115,931</u>
<b>PER SHARE AMOUNTS</b>		
Net income (loss), basic	<u>\$ (631.04)</u>	<u>\$ 290.62</u>
Book value	<u>\$ 11,190.78</u>	<u>\$ 11,821.82</u>

See Notes to Financial Statements



**ABENAKI WATER COMPANY**

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (63,104)	\$ 29,062
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation and amortization	102,141	103,187
Amortization of deferred financing costs	2,997	3,452
Amortization of regulatory assets	49,182	22,376
Impairment of regulatory asset	-	13,065
Deferred income tax benefit	(10,100)	(5,000)
Investment in cooperative plan	(1,562)	(1,845)
Changes in operating assets and liabilities		
Accounts receivable and accrued unbilled revenues	12,596	(21,238)
Materials and supplies inventory	(2,165)	(2,051)
Deferred charges, net of amortization	(201,864)	(220,638)
Accounts payable and accrued expenses	(26,177)	19,024
Due to affiliates	282,114	183,331
Regulatory liability – excess income taxes	9,407	9,407
Net Cash from Operating Activities	<u>153,465</u>	<u>132,132</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to utility plant	<u>(103,783)</u>	<u>(89,914)</u>
Net Cash from Investing Activities	<u>(103,783)</u>	<u>(89,914)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings (repayments) on note payable, bank	8,100	(76,100)
Repayments of long-term debt	(52,576)	(49,425)
Capital contributions	-	91,808
Net Cash from Financing Activities	<u>(44,476)</u>	<u>(33,717)</u>
Net Change in Cash and Cash Equivalents	5,206	8,501
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	24,860	16,359
Ending of year	<u>\$ 30,066</u>	<u>\$ 24,860</u>

See Notes to Financial Statements

## **ABENAKI WATER COMPANY**

Notes to Financial Statements  
Years Ended December 31, 2020 and 2019

### **1. Description of the Company**

Abenaki Water Company (the "Company"), a wholly owned subsidiary of New England Service Company ("NESC"), is a public utility distributing water to approximately 260 customers in Belmont and Bow and 410 customers in Carroll and Crawford's Purchase (collectively "Rosebrook"), and 40 customers in Gilford, New Hampshire. As a public utility operating in New Hampshire, the Company functions under rules and regulations prescribed by the New Hampshire Public Utilities Commission ("NH PUC").

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

The Company maintains its accounts in accordance with the NH PUC Uniform System of Accounts for Water Companies. The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America which include the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 980, *Regulated Operations* ("ASC 980"). Under ASC 980, regulated companies defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that those costs and credits will be recognized in the rate setting process in a period different from the period in which they would have been reflected in income by an unregulated company. These deferred regulatory assets and liabilities are then reflected in the income statement in the period in which the same amounts are reflected in rates charged for service.

#### ***Use of Estimates***

The preparation of financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from these estimates.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents includes cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

From time to time, the Company had on deposit at financial institutions cash and cash equivalents which exceed current federal deposit insurance limitations. The Company had not experienced any losses in such accounts to date and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### ***Accounts Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company continuously monitors the creditworthiness of customers and establishes, when necessary, an allowance for amounts that may become uncollectible in the future based on current economic trends, historical payment and bad debt write-off experience.

## ABENAKI WATER COMPANY

Notes to Financial Statements  
Years Ended December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Accounts Receivable (continued)***

As permitted by the guidance, the Company has applied a portfolio approach to evaluating the customer's ability to pay, rather than evaluating each customer's ability to pay separately. Past due accounts are written off by management when collection efforts have been exhausted on a case-by-case basis. Accounts receivable at December 31, 2020 and 2019 are comprised solely of amounts due from customers related to regulated tariff-based sales of water. Management has determined that an allowance for uncollectible accounts was not required as of December 31, 2020 and 2019. Accounts receivable at January 1, 2019 were \$14,310.

#### ***Utility Plant***

The cost of additions to utility plant and improvements are capitalized. Costs include labor, materials, services and charges for such indirect costs as engineering, supervision, payroll taxes, employee benefits, transportation and certain preliminary survey and investigation charges. The costs of repairs and maintenance are expensed. When depreciable utility plant is retired or disposed of, its recorded cost along with the cost of removal, less salvage value, is charged to accumulated depreciation.

In accordance with NH PUC's regulations, depreciation on contributed plant is charged to Contributions in Aid of Construction. Such depreciation amounted to \$26,549 and \$25,581 in 2020 and 2019, respectively.

Utility plant as of December 31, consists of the following:

	2020	2019
Intangible plant	\$ 185,747	\$ 185,747
Source of supply plant	980,069	978,659
Pumping plant	494,893	493,484
Water treatment plant	270,925	270,331
Transmission and distribution plant	1,407,522	1,359,861
General plant	160,446	157,260
Total Utility Plant in Service	3,499,602	3,445,342
Construction work in progress	55,337	13,363
Utility plant acquisition adjustment	(13,484)	(13,484)
Total Utility Plant	<u>\$3,541,455</u>	<u>\$ 3,445,221</u>

#### ***Materials and Supplies Inventory***

Materials and supplies inventory, which is stated at the lower of cost or net realizable value using the weighted average cost method, is primarily for the construction and maintenance of utility plant.

## ABENAKI WATER COMPANY

Notes to Financial Statements  
Years Ended December 31, 2020 and 2019

### 2. Summary of significant accounting policies (*continued*)

#### ***Deferred Charges and Other Regulatory Assets***

Costs of certain administrative projects relating to regulatory processes and costs of items which benefit more than one accounting period are deferred and amortized to income over their respective lives and/or periods allowed by NH PUC using the straight-line method.

Costs which are "not yet amortizable" may be charged entirely to income if and when the Company believes it is probable that NH PUC will not allow the Company to recover these costs through rates.

Amortization expense charged to operations in 2020 and 2019 was \$49,182 and \$35,441, respectively and is recorded within operation expenses in the statements of operations and retained earnings.

The following costs have been deferred at December 31:

	Original Cost	2020	2019	Amortization Period Ends
2017 rate case costs - Rosebrook	\$ 79,657	\$ 24,473	\$ 68,620	September 30, 2021
PUC audit - Rosebrook	4,000	2,000	-	December 31, 2021
Tank inspections	22,529	19,494	7,740	May 31, 2025
2017 rate case costs - Rosebrook	45,732	45,732	29,855	Not yet amortizable
2020 rate case costs	22,847	22,847	-	Not yet amortizable
Corrosion control plan	15,471	15,471	-	Not yet amortizable
Digitize and mapping	32,377	32,377	24,959	Not yet amortizable
Docket #DW 18-047 Tax Effect	8,490	8,490	8,490	Not yet amortizable
Due diligence - other	89,767	89,767	88,086	Not yet amortizable
Financing dockets	31,829	31,829	-	Not yet amortizable
Leak detection costs	145,424	145,424	72,743	Not yet amortizable
Other deferred costs	54,318	54,318	52,346	Not yet amortizable
Preliminary survey and investigation	45,392	45,392	42,795	Not yet amortizable
PUC audits - other systems	5,536	5,536	-	Not yet amortizable
Water pressure study	86,062	86,062	80,953	Not yet amortizable
Total Deferred Charges and Other Regulatory Assets		<u>\$ 629,212</u>	<u>\$ 476,587</u>	

#### ***Deferred Financing Costs***

Deferred financing costs are reported on the balance sheet as a direct deduction from the face amount of debt. The deferred financing costs are amortized over the term of the debt on the method that approximates the interest method.

## **ABENAKI WATER COMPANY**

Notes to Financial Statements  
Years Ended December 31, 2020 and 2019

### **2. Summary of significant accounting policies (*continued*)**

#### ***Contracts with Customers***

Substantially all of the Company's revenues are generated from regulated tariff-based sales of water and collections of wastewater. The Company's performance obligation is comprised of the actual delivery of water and collection of wastewater to residential, commercial and industrial customers. Revenue from the transfer of water and collection of wastewater is recognized based on the actual flow of water and wastewater through the meter using tariffs established by NH PUC through the rate-making process.

Customer payment terms are typically less than one year and as such, the Company has applied the practical expedient to exclude consideration of significant financing components from the determination of the transaction price. Costs to obtain a contract are generally immaterial, but the Company has elected the practical expedient to expense these costs as incurred if the amortization period of the capitalized cost would be one year or less.

#### ***Depreciation***

The Company uses the straight-line method of depreciation over the estimated service lives of depreciable plant ranging from 5 to 50 years as approved by NH PUC. Utility plant funded by advances and contributions is excluded from rate base. The cost of this plant, offset by an equal corresponding amount reported within Contributions in Aid of Construction, is \$776,759 as of December 31, 2020 and 2019.

#### ***Income Taxes***

The Company files consolidated federal income and combined unitary state tax returns with NESO and its affiliates, Valley Water Systems, Inc. (VWS), Colonial Water Company (CWC), and Mountain Water Systems (MWS). Income tax expense has been recorded as if the Company filed income tax returns on a "stand-alone" basis.

Deferred income taxes are provided for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which differences are expected to reverse. These differences relate principally to the use of accelerated depreciation for income tax purposes, timing differences in the deductibility of certain expenses and future benefits to be recognized upon the utilization of net operating loss carryforwards.

Additionally, the Company provides a regulatory asset for income tax benefits (primarily federal and state income tax reductions due to the adoption of tangible property regulations issued by the Internal Revenue Service ("IRS") and state income tax reductions due to accelerated depreciation) which have been flowed-through to the ratepayers under NH PUC rate setting policies and which the Company believes it will recover in rates when these income tax benefits reverse.

## **ABENAKI WATER COMPANY**

Notes to Financial Statements  
Years Ended December 31, 2020 and 2019

### **2. Summary of significant accounting policies (*continued*)**

#### ***Income Taxes***

The tangible property regulations, among other things, allow for the immediate deduction for tax purposes, as an ordinary and necessary repair expense, qualifying expenditures that previously would have been capitalized and depreciated over the estimated useful life of the asset.

The conclusions of the Company's management regarding tax positions may be subject to review and adjustment at a later date based on an ongoing analysis of tax laws, regulations, and interpretations. If incurred, the Company recognizes interest and penalties on income taxes as a component of income tax expense. Generally, federal and state authorities may examine the consolidated tax returns three years from the date of filing. Consequently, income tax returns for years prior to 2017 are no longer subject to examination by taxing authorities.

#### ***Contributions in Aid of Construction***

In certain cases, real estate developers and others advance funds to the Company for the construction of water main extension projects. A portion of these funds are potentially refundable, without interest, usually within a ten year period. As a result of the Act, the Company may collect additional funds from developers and others for any additional income taxes incurred by the Company. There are no potential amounts refundable on completed projects as of December 31, 2020 and 2019.

Contributions in Aid of Construction are amortized over the remaining useful life of the related "contributed" utility plant item to accumulated amortization. Total amortization taken during 2020 and 2019 was \$26,549 and \$25,581, respectively.

#### ***Subsequent Events***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through April 30, 2021, the date which the financial statements were available for issue.

### **3. Acquisition of Net Utility Plant**

On April 30, 2019, the Company acquired the rate base assets of Tioga River Water Company, Inc. ("Tioga"), a New Hampshire corporation and a regulated public water utility that provides water service to 22 customers in Belmont and 39 customers in Gilford.

In connection with the acquisition, the Company obtained regulatory approval for the assumption of Tioga's existing long-term debt (see Note 7).

The acquisition has been accounted for in accordance with the provisions of the Financial Accounting Standards Board ASC No. 980, *Regulated Operations* and NH PUC guidance. Accordingly, the transfer of rate base assets was recorded at the original cost and related accumulated depreciation in accordance with regulatory segregation of such amounts.

## ABENAKI WATER COMPANY

Notes to Financial Statements  
 Years Ended December 31, 2020 and 2019

### 3. Acquisition of Net Utility Plant (*continued*)

The following table summarizes the consideration paid by AWC and the amounts of assets acquired and liabilities assumed recognized at the acquisition date:

#### Consideration

Due from NESC	<u>\$78,163</u>
---------------	-----------------

#### Recognized amounts of identified assets acquired and liabilities assumed

Utility plant - Belmont, at cost	\$179,024
Less: accumulated depreciation and amortization	(69,297)
Contribution in aid of construction, net of accumulated amortization	(34,127)
Utility plant - Gilford, at cost	199,749
Less: accumulated depreciation and amortization	(85,160)
Contribution in aid of construction, net of accumulated amortization	(34,999)
Prepaid deferred financing costs	4,676
Assumption of long-term debt	<u>(81,703)</u>
	<u>\$78,163</u>

### 4. Regulatory Matters

As necessary, the Company applies to the NH PUC for changes in the rates charged for service. The rate increase requests are based on the levels of operating expenses and capital costs that are expected to be in effect when the rates become effective. The revenues requested are based on actual sales during the historic test year selected by the Company as the base period, but are adjusted for known and measurable changes such as an increase or decrease in the number of customers or a documented change in customer usage.

On November 19, 2020, the Company filed a rate application with NH PUC for a \$228,009 or 91.34% increase in annual water service revenues for Belmont, Bow and Gilford customers using the year ended December 31, 2019 as a test year. No final decision has been issued by NH PUC as of the financial statement date.

On October 1, 2019, AWC entered into temporary-permanent rate recoupment and partial recovery of rate case expenses settlement agreements with the NH PUC for Rosebrook customers.

The agreements approved the recoupment of \$39,533 difference between the temporary and permanent rates and the recovery of \$79,657 in uncontested rate case expenses. AWC was authorized to collect a fixed monthly surcharge from its customers for the period of 18-24 months, depending on the type of the customer, to recover the approved charges.

## ABENAKI WATER COMPANY

Notes to Financial Statements  
Years Ended December 31, 2020 and 2019

### 4. Regulatory Matters (*continued*)

On May 10, 2019, NH PUC issued order No. 26,251, *Investigation to Determine Rate Effects of Corporate Tax Reductions* ("Order 26,251"), which was undertaken by NH PUC to address the impact on rates charged to customers due to the reduction in the federal corporate tax rate from 34% to 21% and in the state business enterprise tax rates from 0.720% to 0.675% and state business profits tax from 8.2% to 7.9%. Specifically, Order 26,251 addressed two areas of income taxes: (1) the income tax expense included in rates charged to customers; and (2) the excess accumulated deferred income tax ("EDIT") liability.

In accordance with the order, the Company was ordered to create a regulatory liability of \$9,407 annually to account for the decrease in its federal and state income tax expenses and to establish a regulatory liability of \$38,966 to account for its EDIT, effective January 1, 2018. The Company was further ordered to suspend amortization of EDIT for Belmont and Bow systems until those systems' next general rate proceedings.

The Company's financial statements as of and for the years ended December 31, 2020 and 2019 have been adjusted to comply with these orders.

### 5. Investment in Cooperative Capital Plan

The Company has an investment in CoBank's cooperative capital plan, which earns an annual patronage distribution on the average loan volume outstanding, of which portion (67% in 2020) is paid in cash and the remaining distribution in the form of Class A Common Stock of CoBank, ACB. The patronage distribution is paid to participants subsequent to the year in which it is earned.

The Company earned a patronage refund of 97 and 80 basis points on its average loan amount outstanding of \$488,313 and \$648,933 during 2020 and 2019, respectively. Out of the total refund due of \$4,713 and \$5,192, \$1,563 and \$1,845 was allocated to the investment and the remaining amount is included in accounts receivable at 2020 and 2019, respectively.

The investment is valued using the cost method of accounting. Under this method, only dividends received, and not the Company's share of the earnings or losses of the investments, are included in the statements of operations.

### 6. Note Payable, Bank

The Company has a \$150,000 secured line of credit with interest at LIBOR plus 1.75%, as defined (1.85% at December 31, 2020). The line of credit expires in June 2021. Total amount outstanding was \$22,200 and \$13,900 at December 31, 2020 and 2019, respectively.

### 7. Long-Term Debt

The Company has a mortgage payable and term loan, bank that are secured by substantially all of the assets of the Company and are guaranteed by NESC.



# ABENAKI WATER COMPANY

Notes to Financial Statements  
Years Ended December 31, 2020 and 2019

## 7. Long-Term Debt (continued)

The Company's mortgage and term loan, bank, agreements contains certain financial covenants that require, among other things, maintenance of minimum funded debt to capitalization ratio and minimum debt service coverage ratio, as defined. As of December 31, 2020, certain financial covenants have not been met and the bank has waived such noncompliance.

A summary of long-term debt at December 31, is as follows:

	2020	2019
Mortgage payable, bank, 3.68%, \$3,003 of interest and principal due monthly through February 2024.	\$107,335	\$138,669
Term loan, bank, 3.55%, \$2,350 of interest and principal due monthly through September 2036.	338,232	353,886
Term loan, State Revolving Fund, 2.86%, \$645 of interest and principal due monthly through October 2031.	<u>72,026</u>	<u>77,614</u>
	517,593	570,169
Less current portion	<u>(54,674)</u>	<u>(52,266)</u>
Net long-term portion due	462,919	517,903
Less unamortized finance costs	<u>(11,903)</u>	<u>(14,845)</u>
	<u>\$451,016</u>	<u>\$503,058</u>

Principal payments of long-term debt follow:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 54,674
2022	56,658
2023	58,715
2024	29,956
2025	25,214
Thereafter	<u>292,376</u>
Total	<u>\$517,593</u>

## ABENAKI WATER COMPANY

Notes to Financial Statements  
Years Ended December 31, 2020 and 2019

### 8. Revenue Recognition

#### *Contracts with Customers*

The following table presents the Company's operating revenues by customer class:

	Year ended December 31,	
	2020	2019
Water Operations		
Residential	\$ 392,933	\$ 341,156
Commercial	163,342	220,514
Surcharge	64,976	27,829
Total Water Operations	<u>621,251</u>	<u>589,499</u>
Wastewater Operations		
Residential	102,808	97,839
Commercial	12,602	13,043
Surcharge	-	5,039
Total Wastewater Operations	<u>115,410</u>	<u>115,921</u>
Other	80	315
Total Contracts with Customers	<u>\$ 736,741</u>	<u>\$ 705,735</u>

All customers are billed monthly on a cycle basis. The Company accrues revenue and a related contract asset for actual or estimated water delivery and wastewater collection services provided but not yet billed to customers based on actual or estimated water usage from the latest meter reading to the end of the year.

### 9. Taxes Other than Income Taxes

Taxes other than income taxes for the years ended December 31, 2020 and 2019 are as follows:

	December 31,	
	2020	2019
Property taxes	\$39,055	\$27,920
State utility tax assessments	9,682	9,130
Total Taxes Other than Income Taxes	<u>\$48,737</u>	<u>\$37,050</u>

## ABENAKI WATER COMPANY

### Notes to Financial Statements Years Ended December 31, 2020 and 2019

#### 10. Income Taxes

Income tax expense (benefit) for the years ended December 31, 2020 and 2019 are as follows:

	2020			2019
	Federal	State	Total	Total
Current income taxes	\$ -	\$ 3,000	\$ 3,000	\$ 21,600
Tax benefit of operating loss carryforwards	-	-	-	(4,900)
Deferred income tax benefit	(10,100)	-	(10,100)	(5,000)
Total Income Taxes (Benefit)	<u>\$ (10,100)</u>	<u>\$ 3,000</u>	<u>(7,100)</u>	<u>11,700</u>
Less attributed to other income			(1,400)	2,300
Net Charged to Utility Operations			<u>\$ (8,500)</u>	<u>\$ 14,000</u>

The components of the Company's deferred tax liability at December 31, are as follows:

	2020	2019
Deferred Tax Liability		
Basis difference resulting from Tangible		
Property Regulations	\$ (14,600)	\$ -
Accelerated depreciation on utility plant	<u>(96,500)</u>	<u>(60,800)</u>
Net Deferred Income Tax Liability	<u>\$ (111,100)</u>	<u>\$ (60,800)</u>

#### 11. Earnings Per Share

Earnings per share on common stock are computed by dividing net income, by the weighted average number of shares outstanding, which are 100 for the years ended December 31, 2020 and 2019.

#### 12. Related Party Transactions

Certain expenses are allocated to and from NESC and its affiliate, VWS. Below is a summary of the balances due from (owed to) related parties as of December 31,

	2020	2019
NESC	\$ (378,729)	\$ (114,630)
CWC	24,200	\$ -
VWS	<u>22,195</u>	<u>14,710</u>
	<u>\$ (332,334)</u>	<u>\$ (99,920)</u>

The Company also purchases services and materials from NESC, VWS and MWS.

## ABENAKI WATER COMPANY

Notes to Financial Statements  
Years Ended December 31, 2020 and 2019

### 12. Related Party Transactions *(continued)*

Below is a summary of related party transactions for the years ended December 31,

	2020	2019
Related party purchases		
NESC	\$ 470,410	\$ 397,651
VWS	6,975	6,017
MWS	9	86
	<u>\$ 477,394</u>	<u>\$ 403,754</u>

### 13. Commitments

#### *Capital Budget*

The Company is engaged in a continuous construction program and expects to spend approximately \$650,000 over the next five years for new utility plant and/or improvements to existing infrastructure. A majority of this program is expected to be financed with internally generated funds.

### 14. Concentration

Approximately 25% and 30% of total revenue was derived from one customer in 2020 and 2019. The Company had outstanding accounts receivable from this customer of approximately \$0 and \$3,700 at December 31, 2020 and 2019, respectively.

### 15. Supplemental Disclosure of Cash Flow Information

	2020	2019
Interest paid	\$ 19,811	\$ 19,385
Income taxes paid	8,633	5,181

#### *Supplemental Disclosure of Non-cash Investing and Financing Activities*

Acquisition of rate base assets of Tioga in 2019 was financed through advance from NESC of \$78,163. In connection with the acquisition, the Company assumed existing long-term debt of Tioga of \$81,703.

During 2019, NESC converted \$354,422 due from the Company into additional paid in capital.

## **ABENAKI WATER COMPANY**

Notes to Financial Statements  
Years Ended December 31, 2020 and 2019

### **16. COVID-19 Pandemic**

The ongoing outbreak of the coronavirus disease 2019 ("COVID-19"), which was declared a pandemic by the World Health Organization in March 2020, has adversely impacted global commercial activity and contributed to significant volatility in financial markets. Many countries around the world, including the United States, have implemented significant governmental measures to control the spread of COVID-19.

The Company is considered an essential business in New Hampshire and has continued its operations and employing its workforce on a full-time basis throughout 2020. In April 2020, NH PUC imposed various requirements for all public service utilities in New Hampshire designed to assist customers impacted by the pandemic. NH PUC's decision requires the Company to offer payment plans to all customers requesting financial assistance of up to 24 months, waive all fees and interest in the calculation of amounts due and places a moratorium on the shutting off of customer water through February 2021. NH PUC's decision has not materially impacted the Company's cash flows from operations in the current period, nor is it expected to materially impact any future periods.

The full duration and extent of the COVID-19 pandemic, related business restrictions, and changes to behavior intended to reduce its spread are uncertain as of the date these financial statements were available for issuance, as the pandemic continues to evolve globally. Therefore, the full extent of any future adverse impact on the results of operations, financial position and cash flows cannot be reasonably estimated at this time.

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**ABENAKI WATER COMPANY**

Supplementary Information  
Years Ended December 31, 2020 and 2019

**ABENAKI WATER COMPANY**

Schedule of Changes in Utility Plant Year  
Ended December 31, 2020

	Utility Plant, at Cost				Balance 12/31/2020
	Balance 12/31/2019	Additions	Dispositions	Reclass	
Intangible plant					
Organization	\$ 185,747	\$ -	\$ -	\$ -	\$ 185,747
Source of supply plant					
Land and land rights	14,212	-	-	-	14,212
Structures and improvements	458,134	-	-	-	458,134
Wells and springs	493,884	-	-	-	493,884
Other supply plants	12,429	1,410	-	-	13,839
Pumping plant					
Purchase and install generator	16,725	-	-	-	16,725
Electric pumping equipment	476,759	1,409	-	-	478,168
Water treatment plant					
Water treatment equipment	270,331	594	-	-	270,925
Transmission and distribution plant					
Distribution reservoirs	132,728	-	-	-	132,728
Mains - sewer	100,000	-	-	-	100,000
Mains	591,107	19,467	(345)	-	610,229
Services	115,669	-	-	(16,988)	98,681
Services and renewals	19,757	20,514	-	16,988	57,259
Meters	230,094	6,741	-	-	236,835
Meter installations	90,729	1,285	-	-	92,014
Hydrants	79,776	-	-	-	79,776
General plant					
Phone system upgrade	52,740	-	-	-	52,740
NDS and website	18,695	-	-	10,287	28,982
Other miscellaneous equipment	74,766	4,016	-	(10,287)	68,495
Structures - sewer	3,855	-	-	-	3,855
Sewer pump	7,204	6,373	(7,203)	-	6,374
Total Utility Plant in Service	3,445,341	61,809	(7,548)	-	3,499,602
Construction work in progress	13,363	103,783	(61,809)	-	55,337
Utility plant acquisition adjustment	(13,484)	-	-	-	(13,484)
Total Utility Plant	<u>\$ 3,445,220</u>	<u>\$ 165,592</u>	<u>\$ (69,357)</u>	<u>\$ -</u>	<u>\$ 3,541,455</u>

# **ABENAKI WATER COMPANY**

## Statement of Operations and Retained Earnings (Deficit) by System Year Ended December 31, 2020 (with Comparative Totals for the Year Ended December 31, 2019)

	2020					2019	
	Belmont	Bow	Rosebrook	Tioga	Gilford Village	Total	Total
<b>OPERATING REVENUES</b>	<u>\$ 240,798</u>	<u>\$ 87,088</u>	<u>\$ 345,605</u>	<u>\$ 18,846</u>	<u>\$ 34,404</u>	<u>\$ 726,741</u>	<u>\$ 705,735</u>
<b>OPERATING EXPENSES</b>							
Operation expenses	162,923	75,880	216,668	42,848	52,487	550,806	446,566
Maintenance expenses	9,787	17,079	26,856	7,576	16,111	77,409	43,137
Depreciation expense	26,700	14,978	50,818	4,823	4,822	102,141	103,187
Taxes other than income taxes	11,731	11,023	22,131	2,298	1,554	48,737	37,050
Income tax expense (benefit)	<u>5,200</u>	<u>(3,400)</u>	<u>3,600</u>	<u>(6,100)</u>	<u>(7,800)</u>	<u>(8,500)</u>	<u>14,000</u>
Total Operating Expenses	<u>216,341</u>	<u>115,560</u>	<u>320,073</u>	<u>51,445</u>	<u>67,174</u>	<u>770,593</u>	<u>643,940</u>
Utility Operating Income (Loss)	<u>24,457</u>	<u>(28,472)</u>	<u>25,532</u>	<u>(32,599)</u>	<u>(32,770)</u>	<u>(43,852)</u>	<u>61,795</u>
Other Income and (Deductions)							
Impairment of regulatory asset	-	-	-	-	-	-	(13,065)
Patronage refund	1,173	391	3,149	-	-	4,713	5,192
Other income	1	-	-	-	-	1	100
Income tax benefit (expense) on other income (Deductions)	<u>(300)</u>	<u>(100)</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>(1,400)</u>	<u>2,300</u>
Net Other Income (Deductions)	<u>874</u>	<u>291</u>	<u>2,149</u>	<u>-</u>	<u>-</u>	<u>3,314</u>	<u>(5,473)</u>
Income (Loss) Before Interest Expense	<u>25,331</u>	<u>(28,181)</u>	<u>27,681</u>	<u>(32,599)</u>	<u>(32,770)</u>	<u>(40,538)</u>	<u>56,322</u>
Interest Expense							
Interest on long-term debt	3,463	1,154	12,497	1,076	1,076	19,266	20,996
Other interest	76	45	182	-	-	303	2,812
Amortization of deferred financing costs	<u>1,623</u>	<u>541</u>	<u>128</u>	<u>378</u>	<u>327</u>	<u>2,997</u>	<u>3,452</u>
Total Interest Expense	<u>5,162</u>	<u>1,740</u>	<u>12,807</u>	<u>1,454</u>	<u>1,403</u>	<u>22,566</u>	<u>27,260</u>
Net Income (Loss)	20,169	(29,921)	14,874	(34,053)	(34,173)	(63,104)	29,062
<b>RETAINED EARNINGS</b>							
Retained earnings, beginning	<u>147,734</u>	<u>(24,774)</u>	<u>26,013</u>	<u>(19,975)</u>	<u>(13,067)</u>	<u>115,931</u>	<u>86,869</u>
Retained earnings, ending	<u>\$ 167,903</u>	<u>\$ (54,695)</u>	<u>\$ 40,887</u>	<u>\$ (54,028)</u>	<u>\$ (47,240)</u>	<u>\$ 52,827</u>	<u>\$ 115,931</u>

See Independent Auditors' Report



# **ABENAKI WATER COMPANY**

## Schedule of Operation Expenses by System Year Ended December 31, 2020 (with Comparative Totals for the Year Ended December 31, 2019)

	2020					2019	
	Belmont	Bow	Rosebrook	Tioga	Gilford Village	Total	Total
Pumping							
Power purchased for pumping water	\$ 3,279	\$ 10,417	\$ 27,351	\$ 3,240	\$ 8,446	\$ 52,733	\$ 49,156
Power purchased for pumping sewer	6,858	-	-	-	-	6,858	6,959
Labor – water	8,422	13,634	14,118	7,011	5,420	48,605	43,089
Labor and other – sewer	6,210	-	-	-	-	6,210	8,001
	<u>24,769</u>	<u>24,051</u>	<u>41,469</u>	<u>10,251</u>	<u>13,866</u>	<u>114,406</u>	<u>107,205</u>
Treatment							
Sewer	69,795	-	-	-	-	69,795	62,751
Water	8,460	4,556	25,648	1,563	2,264	42,491	28,722
	<u>78,255</u>	<u>4,556</u>	<u>25,648</u>	<u>1,563</u>	<u>2,264</u>	<u>112,286</u>	<u>91,473</u>
Customer accounts							
Meter reading	1,472	1,176	3,904	754	1,825	9,131	6,757
Supervision	1,690	2,325	4,308	1,472	1,422	11,217	11,796
	<u>3,162</u>	<u>3,501</u>	<u>8,212</u>	<u>2,226</u>	<u>3,247</u>	<u>20,348</u>	<u>18,553</u>
Administrative and general							
Administrative and general salaries	36,190	28,066	42,924	23,473	26,916	157,569	116,589
Office supplies and other	7,462	4,503	18,207	1,204	1,985	33,361	29,650
Property insurance	1,250	1,250	3,472	486	471	6,929	6,341
Regulatory commission expense	2,012	1,342	50,212	593	622	54,781	40,023
Outside services employed	9,823	8,611	26,524	3,052	3,116	51,126	36,732
	<u>56,737</u>	<u>43,772</u>	<u>141,339</u>	<u>28,808</u>	<u>33,110</u>	<u>303,766</u>	<u>229,335</u>
Total Operation Expenses	<u>\$ 162,923</u>	<u>\$ 75,880</u>	<u>\$ 216,668</u>	<u>\$ 42,848</u>	<u>\$ 52,487</u>	<u>\$ 550,806</u>	<u>\$ 446,566</u>

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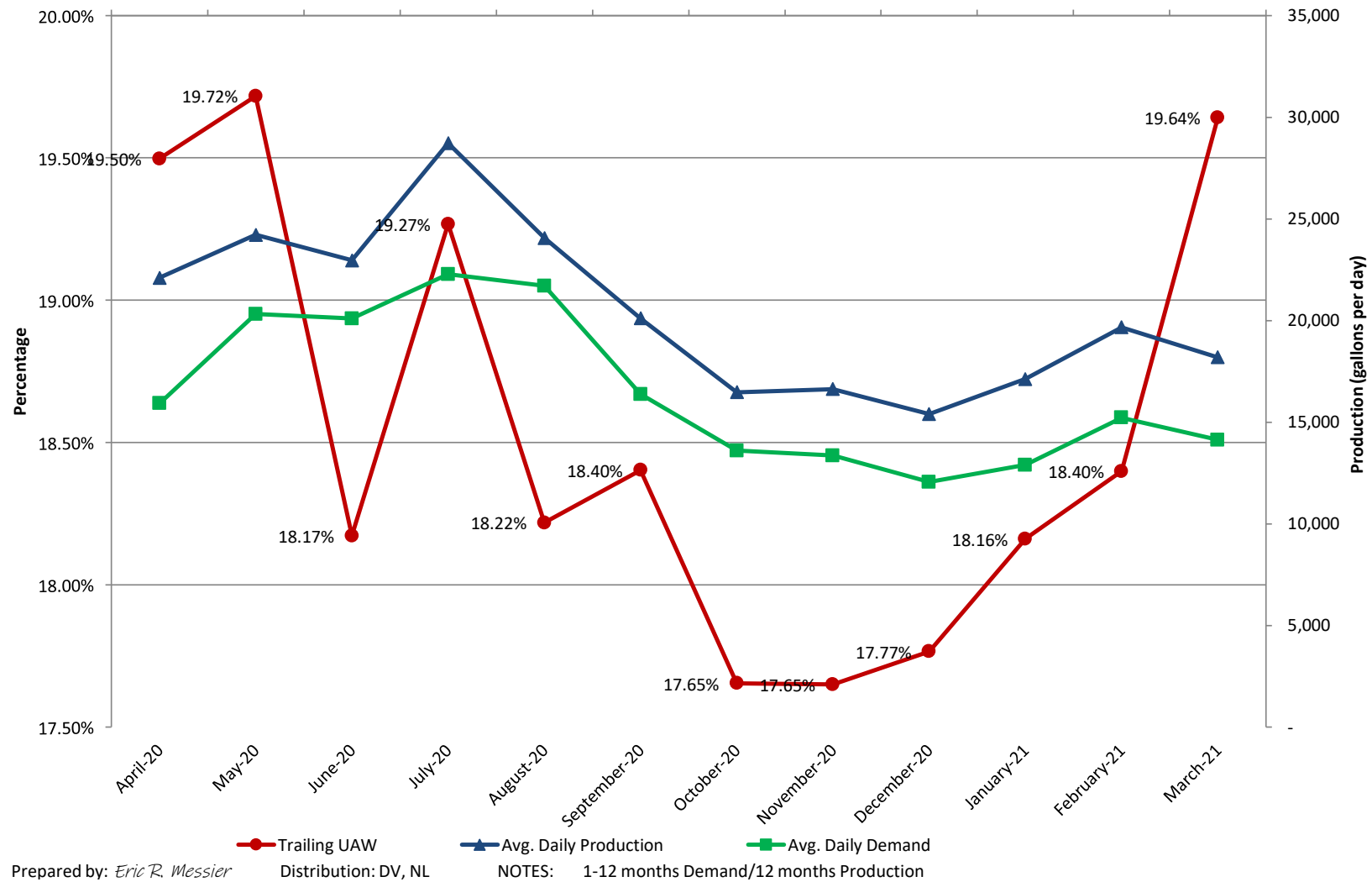
**ABENAKI WATER COMPANY**

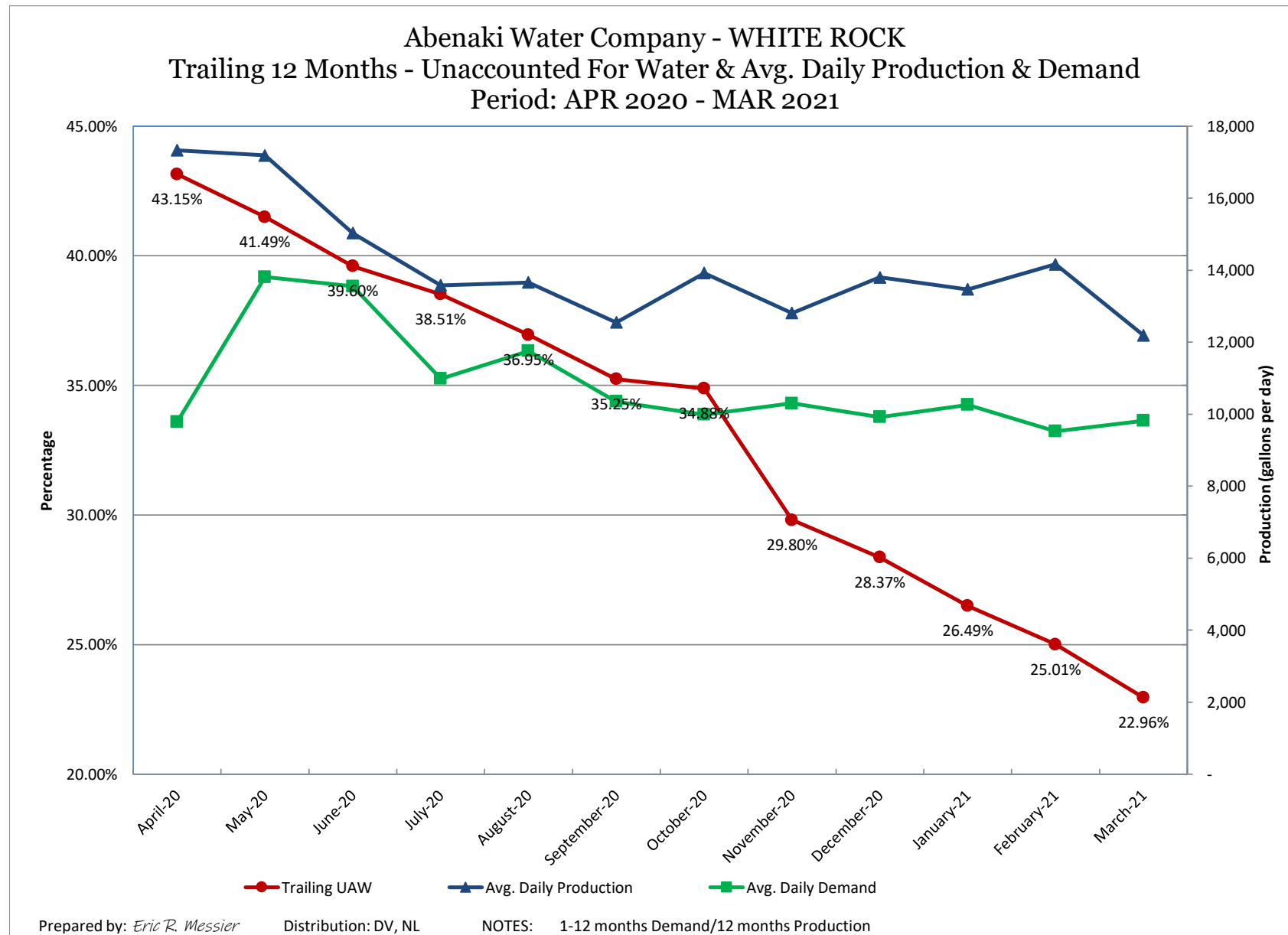
Schedule of Maintenance Expenses by System  
Year Ended December 31, 2020  
(with Comparative Totals for the Year Ended December 31, 2019)

	2020					2019	
	Belmont	Bow	Rosebrook	Tioga	Gilford Village	Total	Total
Pumping							
Structures and improvements	\$ 2,104	\$ 4,326	\$ 3,662	\$ 3,427	\$ 1,196	\$ 14,715	\$ 8,066
Pumping equipment	<u>371</u>	<u>601</u>	<u>355</u>	<u>432</u>	<u>606</u>	<u>2,365</u>	<u>6,665</u>
	<u>2,475</u>	<u>4,927</u>	<u>4,017</u>	<u>3,859</u>	<u>1,802</u>	<u>17,080</u>	<u>14,731</u>
Treatment							
Maintenance treatment equipment	<u>827</u>	<u>2,192</u>	<u>1,881</u>	<u>129</u>	<u>70</u>	<u>5,099</u>	<u>2,845</u>
Transmission and distribution							
Transmission and distribution mains	845	6,639	4,509	2,226	12,595	26,814	10,054
Other	2,168	160	445	62	62	2,897	1,674
Services	1,603	2,805	8,718	793	1,299	15,218	7,189
Meters	1,869	356	2,520	507	283	5,535	3,490
Hydrants	<u>-</u>	<u>-</u>	<u>4,766</u>	<u>-</u>	<u>-</u>	<u>4,766</u>	<u>3,154</u>
	<u>6,485</u>	<u>9,960</u>	<u>20,958</u>	<u>3,588</u>	<u>14,239</u>	<u>55,230</u>	<u>25,561</u>
Total Maintenance Expenses	<u>\$ 9,787</u>	<u>\$ 17,079</u>	<u>\$ 26,856</u>	<u>\$ 7,576</u>	<u>\$ 16,111</u>	<u>\$ 77,409</u>	<u>\$ 43,137</u>

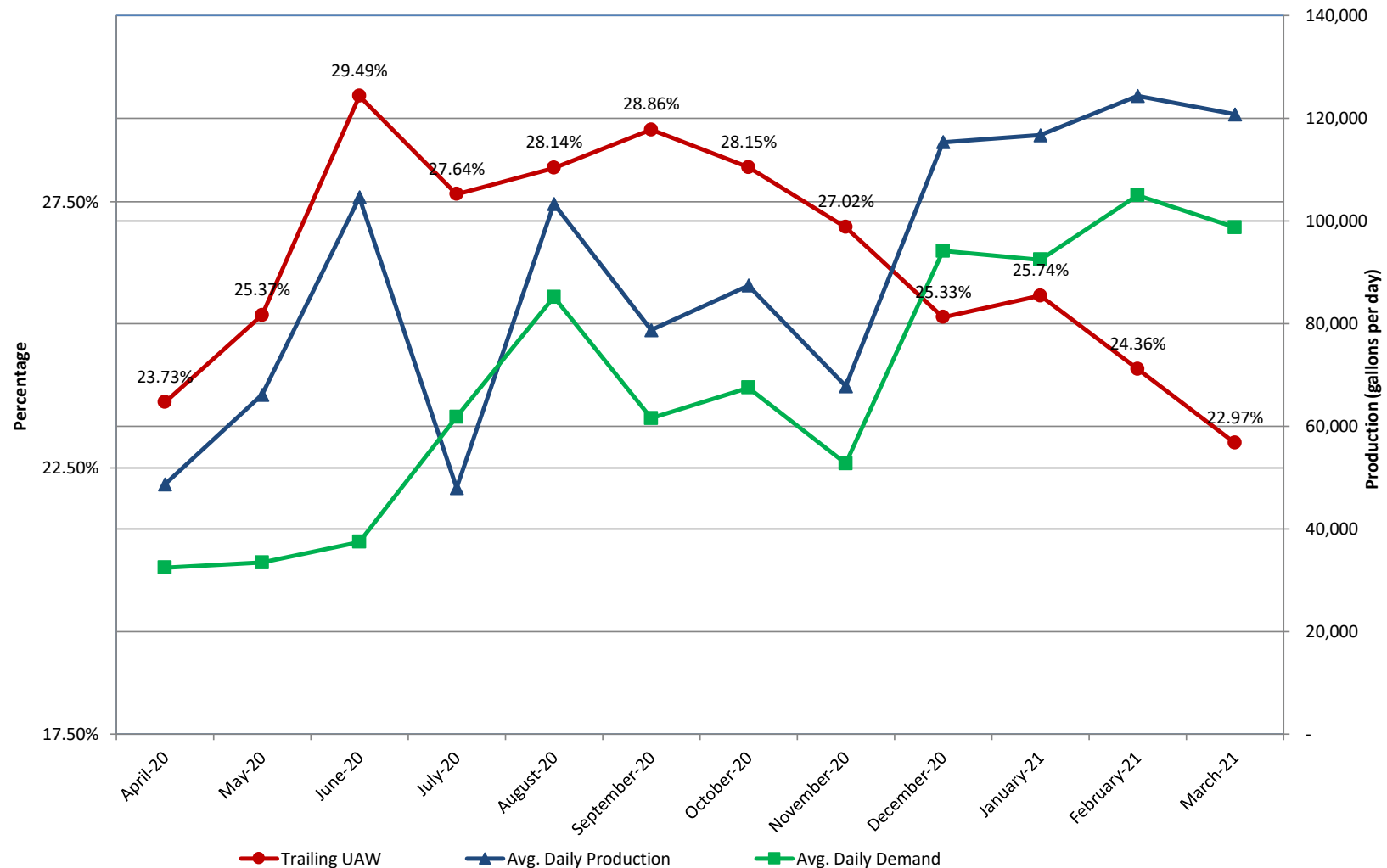
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# Abenaki Water Company - LAKELAND Trailing 12 Months - Unaccounted For Water & Avg. Daily Production & Demand Period: APR 2020 - MAR 2021





# Abenaki Water Company - ROSEBROOK Trailing 12 Months - Unaccounted For Water & Avg. Daily Production & Demand Period: APR 2020 - MAR 2021

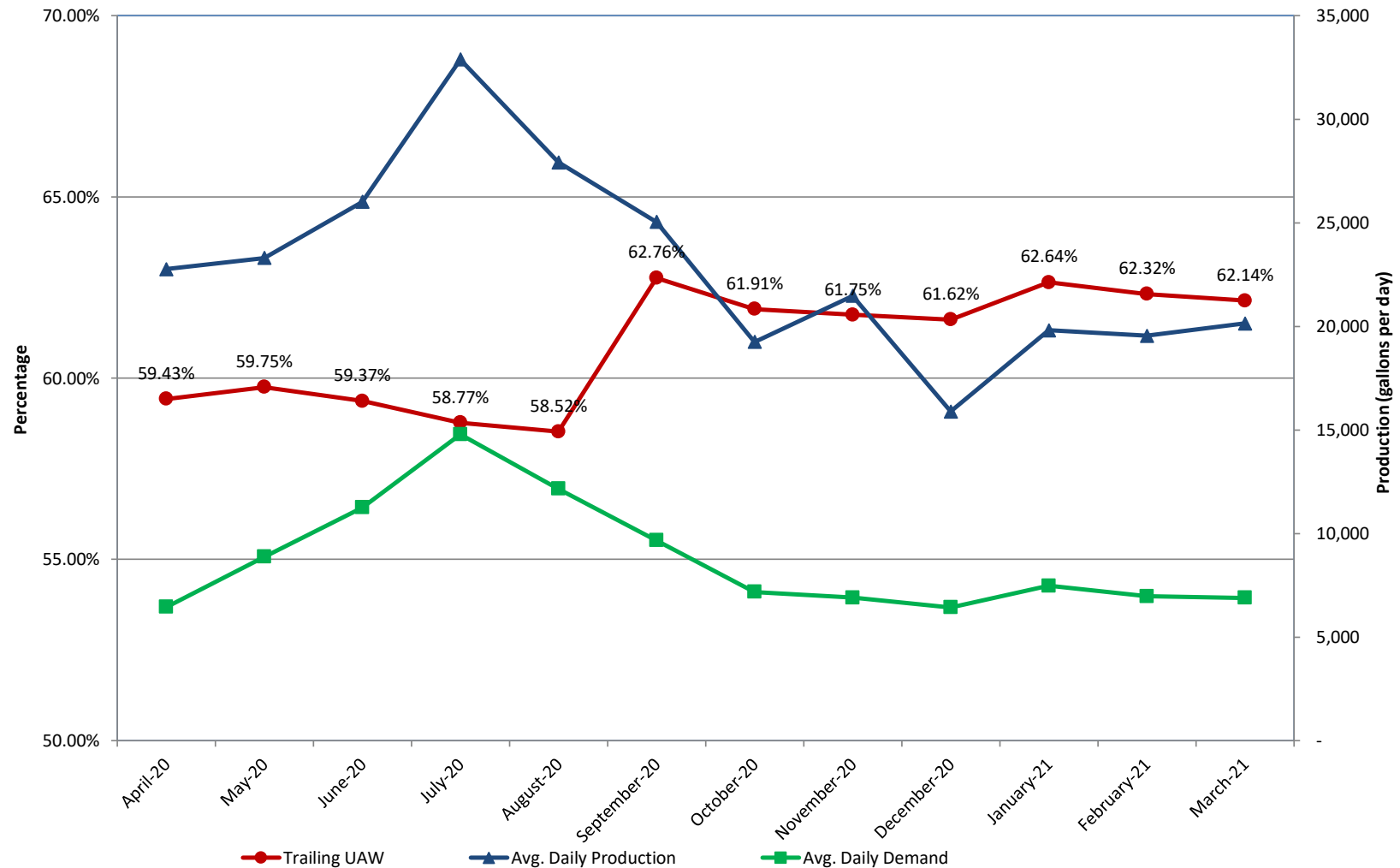


Prepared by: *Eric R. Messier*

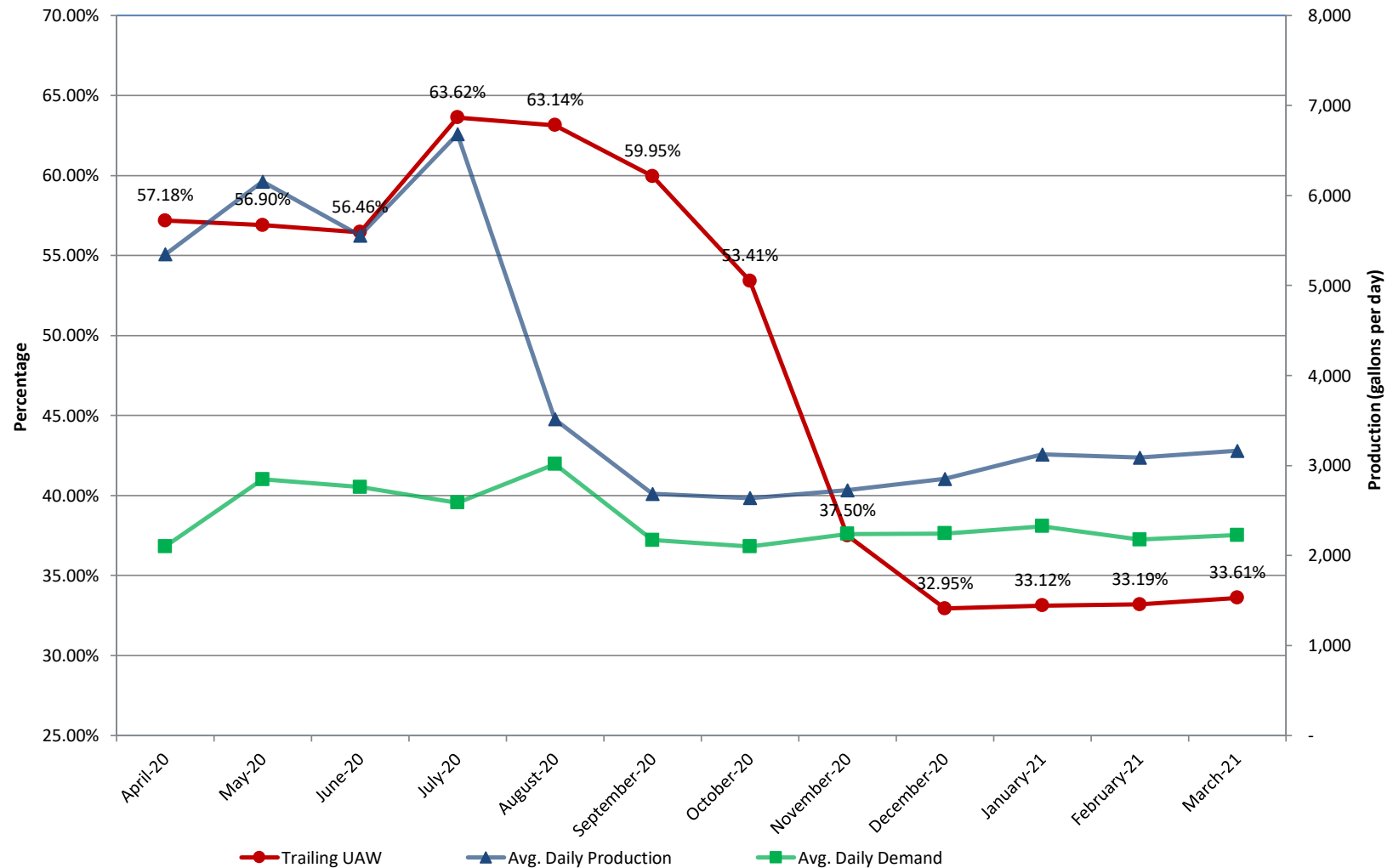
Distribution: DV, NL

NOTES: 1-12 months Demand/12 months Production

# Abenaki Water Company - GILFORD VILLAGE Trailing 12 Months - Unaccounted For Water & Avg. Daily Production & Demand Period: APR 2020 - MAR 2021



# Abenaki Water Company - TIOGA RIVER Trailing 12 Months - Unaccounted For Water & Avg. Daily Production & Demand Period: APR 2020 - MAR 2021



Prepared by: *Eric R. Messier*

Distribution: DV, NL

NOTES: 1-12 months Demand/12 months Production