

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
 Proposed Second Year Calculation of Discount Purchase Rate (DPR) for Purchase of Receivables (POR) Program
Illustrative Example

	202X		Reference
Uncollectible Percentage (UP)			
Customer Class	Small	Large	
Uncollectible Expense	\$ 150,000	\$ 168,000	Page 2
Customer Revenues	\$ 25,356,296	\$ 28,593,271	Company record
Uncollectible Percentage	0.592%	0.588%	Line 6 / Line 7
Administrative Cost Percentage (ACP)			
<u>System Modification/Implementation Costs</u>			
O&M Expense associated with implementation of POR program	\$ -		Company estimate
Capital cost to modify billing systems (estimate)	\$ 500,000		Company estimate
Amortization period in years	5		Company proposal
One year amortization	\$ 100,000		Line 15 / Line 16
Return at WACC	\$ 30,400		Page 5, Line 20
Total Implementation Costs	\$ 130,400		Line 13 + Line 17 + Line 19
<u>Working Capital</u>			
Working Capital Impact	\$ 132,511		Page 3, Line 5
<u>Ongoing Administration Costs</u>			
Forecasted cost of administering collection efforts	\$ -		Company estimate
Total POR Program Administration Costs	\$ 262,911		Line 21 + Line 24 + Line 27
202X Actual Supplier Billings	\$ 13,012,115		Company records
Administrative Cost Percentage (ACP)	2.021%		Line 29 / Line 30
Past Period Reconciliation Percentage (PPRP)			
Prior Period Estimated Uncollectible Percentage	Small 0.26%	Large 0.26%	Attachment ELM-1
Prior Period Actual Uncollectible Percentage	0.59%	0.59%	Line 8
Difference	0.33%	0.33%	Line 35 - Line 34
Total Discount Purchase Rate (DPR)	2.943%	2.935%	Line 8 + Line 31 + Line 36

Approved Weighted Average Cost of Capital per Docket No. DE 19-064

Description	Capital Structure	Cost of Capital	Post-Tax Weighted Cost of Capital	Pre-Tax Weighted Cost of Capital
Common stock	52.00%	9.10%	4.73%	6.48%
Long-term debt	48.00%	5.97%	2.87%	2.87%
	100.00%		7.60%	9.35%
			Fed Tax Rate	21.00%
			State Tax Rate (After 12/31/22)	7.60%
			Effective Tax Rate	27.00%

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 Calculation of Working Capital Impact

	<u>Days of Cost</u> (a)	<u>Annual Percent</u> (b)	<u>Customer Payment Lag %</u> (c)	<u>CWC %</u> (d)	<u>Expense</u> (e)	<u>Working Capital Requirement</u> (f)
[1] 2021 Purchase Power Costs	(35.993)	-9.86%	20.74%	10.88%	\$ 13,012,115	<u>\$ 1,415,718</u>
[2] Capital Structure Post-tax						7.60%
[3] Working Capital Impact						<u>\$ 107,595</u>
[4] Capital Structure Pre-tax						<u>9.36%</u>
[5] Working Capital Impact						\$ 132,511

Columns:

- [1](a) Company Records
- (b) Column (a) ÷ 365
- (c) Company Records
- (d) Column (b) + Column (c)
- (e) Company Records

Lines:

- [2] Settlement Agreement Docket No. DE 19-064
- [3] Line (1) x Line (2)
- [4] Settlement Agreement Docket No. DE 19-064
- [5] Line (1) x Line (4)