

Attachment B

Step II Adjustment Calculations -- Rates and Schedules

**DW 23-020
 HAMPSTEAD AREA WATER COMPANY, INC.
 SECOND STEP ADJUSTMENT: 2021 PROJECTS
 CALCULATION OF STEP ADJUSTMENT**

<u>Account</u>	<u>Shannon Road Water Main (Att. C, Sch. 3a)</u>	<u>H2 Base Project (Att. C, Sch. 3a)</u>	<u>H2 Meditation Project (Att. C, Sch. 3a)</u>	<u>Main St. PRV Project (Att. C, Sch. 3a)</u>	<u>Sawyer Tank Mixer Project (Att. C, Sch. 3a)</u>	<u>East Road Water Main (Att. C, Sch. 3a)</u>	<u>Retirements</u>	<u>Total</u>	<u>Adj #</u>
Additions / (Retirements)	690,542	1,557,296	218,782	239,588	59,358	181,575	-	2,947,141	93-99
Less: Accumulated Dep./ Amort. (1 Full Year)	(13,811)	(71,099)	(18,128)	(17,240)	(1,306)	(3,652)	-	(125,235)	100-105
Less: CIAC	(690,542)	(1,544,332)	(218,782)	(239,588)	(59,358)	(181,575)	-	(2,934,177)	106-111
Add: Accumulated Amort. of CIAC (1 Full Year)	13,811	70,507	18,128	17,240	1,306	3,652	-	124,643	112-117
Add: CIAC Tax	-	-	-	-	-	-	-	-	118-123
Less: Accumulated Amort. of CIAC Tax (1 Full Year)	-	-	-	-	-	-	-	-	124-129
Net Changes to Rate Base from Plant Additions	\$ 0	\$ 12,372	\$ (0)	\$ (0)	\$ 0	\$ -	\$ -	\$ 12,372	
Cash Working Capital:									
Net Increase in O&M Expenses	399,986								
x 12.33%									
\$ 49,318									
Total Change to Rate Base								+ \$ 49,318	130
Rate of Return (Schedule 2)								= \$ 61,690	
								x 5.89%	131-132
Increase in Net Operating Income Requirement								\$ 3,635	
Less: Revenue from Water for Resale	-	-	-	-	-	-	-	(175,180)	133
Less: Revenue from New Customers	-	-	-	-	-	-	-	(50,524)	134
Add: Net Increase/ (Decrease) to O&M Expense	-	-	-	-	-	-	-	399,986	135-136
Add: Annual Depreciation Expense	13,811	71,099	18,128	17,240	1,306	3,652	-	125,235	137-142
Less: Annual Amortization of CIAC	(13,811)	(70,507)	(18,128)	(17,240)	(1,306)	(3,652)	-	(124,643)	143-148
Add: Annual Amortization of CIAC Tax	-	-	-	-	-	-	-	-	149-154
Add: Annual Property Tax Expense	5,858	17,715	1,737	1,925	502	1,540	-	29,277	155-160
Less: 2019 Depr Exp on 2019 Retired Assets							(9,637)	(9,637)	161-164
Add: 2019 Amort of CIAC on 2019 Retired Assets							3,037	3,037	165-169
*=Net Change to Rate Base * Additional Equity Gross up Factor								883	
Increase in Pre Income Tax Revenue Requirement	\$ 5,858	\$ 18,307	\$ 1,737	\$ 1,925	\$ 502	\$ 1,540	\$ (6,600)	\$ 202,069	
Step Increase								\$ 202,069	
2019 Test Year Water Sales Revenue								\$ 2,242,163	
% Increase in Annual Water Revenues								9.01%	

*Additional income taxes are a result of the additional equity associated with the Step 2 Rate Base additions.
 * = Net Change to Rate Base * Tax Gross up Factor on Step 2 RoR - Sch. 2
 *See Step 2 RoR - Sch.2

Note: Not-to-Exceed Step 2 Increase to Revenue Requirement (expressed as dollars) per DW 20-117 Permanent Rate Settlement Agreement)*** **\$ 220,023**
Not-to-Exceed Step 2 Increase to Revenue Requirement (expressed as a percentage) per DW 20-117 Permanent Rate Settlement Agreement)*** **9.81%**

***DW 20-117 Permanent Rate Settlement Agreement and Step 2 Revenue Requirement not to exceed limit increase approved by Order No. 26,635

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DW 23-020
HAMPSTEAD AREA WATER COMPANY, INC.
SECOND STEP ADJUSTMENT
(COMBINED PERM AND STEP ADJUSTMENT CAPITAL STRUCTURE AND COST RATES)

	(1)	(2)	(3)	Capital Structure		(5)	(6)	(7)	(8)	(9)	
	Test-year @ 12/31/19	Company Pro-forma Adj.	Pro-forma Test-year	Staff Adj.	Adj. #	Staff Pro-forma	Step Adj Debt & Equity	Perm & Step Cap Structure	Ann'l Debt Cost	Cost Rate**	Weighted Ave. Cost
Debt											
Long-Term Debt	\$ 4,504,426	\$ 2,351,434	\$ 6,855,860	\$ (3,032,434)		\$ 3,823,426		\$ 3,823,426	45.08%	129,859	1.53%
Step Adjustment Add'l Debt							1,236,044	1,236,044	14.57%	40,296	3.26%
Total Debt	<u>\$ 4,504,426</u>	<u>\$ 2,351,434</u>	<u>\$ 6,855,860</u>	<u>\$ (3,032,434)</u>		<u>\$ 3,823,426</u>	<u>\$ 1,236,044</u>	<u>\$ 5,059,470</u>	<u>59.65%</u>	<u>170,155</u>	<u>2.01%</u>
Common Equity											
Common Stock	\$ 16,767	-	\$ 16,767	-		\$ 16,767		\$ 16,767	0.20%	9.63%	0.02%
Additional Paid in Capital	4,054,354	300,000	4,354,354	(300,000)	1	4,054,354		4,054,354	47.80%	9.63%	4.60%
Step Adjustment Add'l Equity							300,000	300,000	3.54%	9.63%	0.34%
Retained Earnings	(949,024)	-	(949,024)	-		(949,024)		(949,024)	-11.19%	9.63%	-1.08%
Total Common Equity	<u>\$ 3,122,097</u>	<u>\$ 300,000</u>	<u>\$ 3,422,097</u>	<u>\$ (300,000)</u>		<u>\$ 3,122,097</u>	<u>\$ 300,000</u>	<u>\$ 3,422,097</u>	<u>40.35%</u>		<u>3.89%</u>
Total Capitalization	<u>\$ 7,626,523</u>	<u>\$ 2,651,434</u>	<u>\$ 10,277,957</u>	<u>\$ (3,332,434)</u>		<u>\$ 6,945,523</u>	<u>\$ 1,536,044</u>	<u>\$ 8,481,567</u>	<u>100.00%</u>		<u>5.89%</u>

**Most recent calculated base Generic ROE was 9.63% as of May 2021. With the .50% Litigation Avoidance adder, the total ROE becomes 10.13%. The proposed ROE for Settlement is 9.63%.

***Most recent prior Cost of Equity Rate approved was *9.95% in HAWC Rate Case: DW 17-118 dated 11/28/18. Specifically, the 9.95% was 9.45% base ROE + .50% for Litigation Avoidance

Weighted Tax Effect of Equity Investment

	Weighted Cost	Tax Multiplier	Pre-Tax Cost	Tax Gross-up
Debt	2.01%	1.00	2.01%	0.00%
Equity	3.89%	1.37	5.32%	1.43%
Total	<u>5.89%</u>		<u>7.32%</u>	<u>1.43%</u>

Calculation of Tax Multiplier and Effective Tax Rate

Taxable Income	100.00%	Income Available to FIT	100.00%
Less: NHBPT for Year-end 12/31/23	-7.50%	Less: Effective Tax Rate	-26.93%
Federal Taxable Income	92.50%	Divisor for Revenue Requirement	73.08%
Federal Tax Rate	x 21.00%		
Effective FIT Rate	19.43%	Effective Tax Rate	26.93%
Add: NHBPT	7.50%	Divisor	73.08%
Effective Tax Rate	<u>26.93%</u>	Tax Multiplier for Equity	<u>36.85%</u>

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0	DW 23-020 HAMPSTEAD AREA WATER COMPANY, INC. SECOND STEP ADJUSTMENT: 2021 PROJECTS PRO-FORMA ADJUSTMENTS TO RATE BASE	
Adj #	Pro-forma Adjustments to Net Utility Plant in Rate Base:	
	Utility Plant	
93	To add Shannon Road Water Main project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 5	690,542
94	To add H2 Base project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 5	1,557,296
95	To add H2 Mediation project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 5	218,782
96	To add Main St. PRV project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 5	239,588
97	To add Sawyer Tank Mixer project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 5	59,358
98	To add East Road Water Main project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 5	181,575
99	To remove the Net Book Value (NBV) of pump stations retired due to SNHRWP. See Company Adjustment # 29, Bates 085 See Energy 1S 4-10	-
99a	To remove the Net Book Value (NBV) of pump stations retired due to SNHRWP. See Company See Energy 2-x	\$ -
	Total Adjustments - Utility Plant in Service	\$ 2,947,141
	Accumulated Depreciation	
100	To reduce Shannon Road project by full year of depreciation expense. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	(13,811)
101	To reduce H2 Base Project by full year of depreciation expense. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	(71,099)
102	To reduce H2 Mediation project by full year depreciation expense. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	(18,128)
103	To reduce Main St. PRV project by full year of depreciation expense. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	(17,240)
104	To reduce Sawyer Tank Mixer project by full year of depreciation expense. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	(1,306)
105	To reduce East Road Water Main project by full year of depreciation expense. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	(3,652)
	Total Adjustment - Accumulated Depreciation	\$ (125,235)
	CIAC	
106	To add Shannon Road project CIAC. In-service date of 2021. See Step 2 - Sch. 3b - Col. 5	(690,542)
107	To add H2 Base project CIAC. In-service date of 2021. See Step 2 - Sch. 3b - Col. 5	(1,544,332)
108	To add H2 Mediation project CIAC. In-service date of 2021. See Step 2 - Sch. 3b - Col. 5	(218,782)
109	To add Main St. PRV project CIAC. Amort. In-service date of 2021. See Step 2 - Sch. 3b - Col. 5	(239,588)
110	To add Sawyer Tank Mixer project CIAC. Amort. In-service date of 2021. See Step 2 - Sch. 3b - Col. 5	(59,358)
111	To add East Road Water Main project CIAC. Amort. In-service date of 2021. See Step 2 - Sch. 3b - Col. 5	(181,575)
	Total Adjustments - CIAC	\$ (2,934,177)
	Amortization of CIAC	
112	To reduce Shannon Road project CIAC. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	13,811
113	To reduce H2 Base project CIAC. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	70,507
114	To reduce Mediation project CIAC. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	18,128
115	To reduce Main St. PRV project CIAC. Amort. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	17,240
116	To reduce Sawyer Tank Mixer project CIAC. Amort. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	1,306
117	To reduce East Road Water Main project CIAC. Amort. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	3,652
	Total Adjustments - Amortization of CIAC	\$ 124,643
	Amortization of Other	
124	To add full year of amortization of Shannon Road CIAC Tax. Amort. Period is 30 years. See Step 2 - Sch. 3c - Col. 7	\$ - x 3.33% -
125	To add full year of amortization of H2 Base project CIAC Tax. Amort. Period is 30 years. See Step 2 - Sch. 3c - Col. 7	\$ - x 3.33% -
126	To add full year of amortization of Mediation project CIAC Tax. Amort. Period is 30 years. See Step 2 - Sch. 3c - Col. 7	\$ - x 3.33% -
127	To add full year of amortization of Main St. PRV project CIAC Tax. Amort. Period is 30 years. See Step 2 - Sch. 3c - Col. 7	\$ - x 3.33% -
128	To add full year of amortization of Sawyer Tank Mixer Project CIAC Tax. Amort. Period is 30 years. See Step 2 - Sch. 3c - Col. 7	\$ - x 3.33% -
129	To add full year of amortization of East Road Water Main CIAC Tax. Amort. Period is 30 years. See Step 2 - Sch. 3c - Col. 7	\$ - x 3.33% -
	Total Amortization of Other	\$ -
	Net Working Capital in Rate Base:	
	Cash working Capital	
130	To adjust Cash Working Capital for pro-forma adj's to O&M Expenses:	
	Increase to O&M Expenses per Settlement	\$ 999,086
	Cash Working Capital Percentage (Monthly Billing)	x 12.33%
	Proposed Step 2 Cash Working Capital per Settlement	\$ 49,318
	Total Adjustments - Cash Working Capital	\$ 49,318
	CIAC Tax	
118	To add Shannon Road project CIAC Tax. In-service date of 2021. See Step 2 - Sch. 3c - Col. 5	-
119	To add H2 Base project CIAC Tax. In-service date of 2021. See Step 2 - Sch. 3c - Col. 5	-
120	To add Mediation project CIAC Tax. In-service date of 2021. See Step 2 - Sch. 3c - Col. 5	-
121	To add Main St. PRV project CIAC Tax. Amort. In-service date of 2021. See Step 2 - Sch. 3c - Col. 5	-
122	To add Sawyer Tank Mixer project CIAC Tax. Amort. In-service date of 2021. See Step 2 - Sch. 3c - Col. 5	-
123	To add East Road Water Main project CIAC Tax. Amort. In-service date of 2021. See Step 2 - Sch. 3c - Col. 5	-
	Total Adjustments - CIAC Tax	\$ -

Hampstead Area Water Company

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Attachment B
Step 2
Schedule 3a

SNH Plant

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Plant / Depreciation Expense / Accumulated Depreciation							
PUC Acct. No.	Description	Costs	CIAC Tax allocated to Plant	Adjusted Costs	Depr. Rate	Annual Depreciation Expense	Accumulated Depreciation
Shannon Road Water Main							
331	Mains	\$ 677,542		\$ 677,542	2.00%	\$ 13,551	\$ 6,775
335	Hydrants	13,000		13,000	2.00%	260	130
	Total	<u>\$ 690,542</u>		<u>\$ 690,542</u>		<u>\$ 13,811</u>	<u>\$ 6,905</u>
H2 Base Project							
304	Structures	\$ 224,307		\$ 224,307	2.50%	\$ 5,608	\$ 2,804
311	Pumping Equipment	273,491		273,491	10.00%	27,349	13,675
320	Treatment Equipment	1,059,498		1,059,498	3.60%	38,142	19,071
	Total	<u>\$ 1,557,296</u>		<u>\$ 1,557,296</u>		<u>\$ 71,099</u>	<u>\$ 35,549</u>
H2 CO Meditation							
304	Structures	\$ 50,000		\$ 50,000	2.50%	\$ 1,250	\$ 625
311	Pumping Equipment	168,782		168,782	10.00%	16,878	8,439
	Total	<u>\$ 218,782</u>		<u>\$ 218,782</u>		<u>\$ 18,128</u>	<u>\$ 9,064</u>
H2 CO Main ST. PRV							
304	Structures	\$ 89,588		\$ 89,588	2.50%	\$ 2,240	\$ 1,120
311	Pumping Equipment	150,000		150,000	10.00%	15,000	7,500
335	Hydrants	-		-	2.00%	-	-
	Total	<u>\$ 239,588</u>		<u>\$ 239,588</u>		<u>\$ 17,240</u>	<u>\$ 8,620</u>
H2 CO Sawyer Tank Mixer							
320	Treatment Equipment	\$ -		\$ -	3.60%	\$ -	\$ -
330	Distribution Reservoirs & Standpipes	59,358		59,358	2.20%	1,306	653
	Total	<u>\$ 59,358</u>		<u>\$ 59,358</u>		<u>\$ 1,306</u>	<u>\$ 653</u>
East Road Water Main							
331	T&D Mains	\$ 171,075		\$ 171,075	2.00%	\$ 3,422	\$ 1,711
333	Services	4,000		4,000	2.50%	100	50
335	Hydrants	6,500		6,500	2.00%	130	65
	Total	<u>\$ 181,575</u>		<u>\$ 181,575</u>		<u>\$ 3,652</u>	<u>\$ 1,826</u>
	Total	<u>\$ 2,947,141</u>		<u>\$ 2,947,141</u>		<u>\$ 125,235</u>	<u>\$ 62,617</u>

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Hampstead Area Water Company

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Attachment B
Step 2
Schedule 3b

SNH Plant CIAC

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CIAC / Accumulated Amortization of CIAC / Amortization of CIAC							
PUC Acct. No.	Description	CIAC	CIAC Tax Allocated to Plant	Adjusted CIAC	Amort Rate	Annual Amort of CIAC	Accumulated Amortization of CIAC
Shannon Road Water Main							
331	Mains	\$ 677,542		\$ 677,542	2.00%	\$ 13,551	\$ 6,775
335	Hydrants	13,000		13,000	2.00%	260	130
	Total	<u>\$ 690,542</u>		<u>\$ 690,542</u>		<u>\$ 13,811</u>	<u>\$ 6,905</u>
H2 Base Project							
304	Structures	\$ 222,440		\$ 222,440	2.50%	\$ 5,561	\$ 2,781
311	Pumping Equipment	\$ 271,214		271,214	10.00%	27,121	13,561
320	Treatment Equipment	1,050,678		1,050,678	3.60%	37,824	18,912
	Total	<u>\$ 1,544,332</u>		<u>\$ 1,544,332</u>		<u>\$ 70,507</u>	<u>\$ 35,253</u>
H2 CO Meditation							
304	Structures	\$ 50,000		\$ 50,000	2.50%	\$ 1,250	\$ 625
311	Pumping Equipment	168,782		168,782	10.00%	16,878	8,439
	Total	<u>\$ 218,782</u>		<u>\$ 218,782</u>		<u>\$ 18,128</u>	<u>\$ 9,064</u>
H2 CO Main ST. PRV							
304	Structures	\$ 89,588		\$ 89,588	2.50%	\$ 2,240	\$ 1,120
311	Pumping Equipment	150,000		150,000	10.00%	15,000	7,500
335	Hydrants	-		-	2.00%	-	-
	Total	<u>\$ 239,588</u>		<u>\$ 239,588</u>		<u>\$ 17,240</u>	<u>\$ 8,620</u>
H2 CO Sawyer Tank Mixer							
320	Treatment Equipment	\$ -		\$ -	3.60%	\$ -	\$ -
330	Distribution Reservoirs & Standpipes	59,358		59,358	2.20%	1,306	653
	Total	<u>\$ 59,358</u>		<u>\$ 59,358</u>		<u>\$ 1,306</u>	<u>\$ 653</u>
East Road Water Main							
331	T&D Mains	\$ 171,075		\$ 171,075	2.00%	\$ 3,422	\$ 1,711
333	Services	4,000		4,000	2.50%	100	50
335	Hydrants	6,500		6,500	2.00%	130	65
	Total	<u>\$ 181,575</u>		<u>\$ 181,575</u>		<u>\$ 3,652</u>	<u>\$ 1,826</u>
	Total	<u>\$ 2,934,177</u>		<u>\$ 2,934,177</u>		<u>\$ 124,643</u>	<u>\$ 62,321</u>

Note: All costs are CIAC except for \$12,964 associated with the H2 Base project.

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Hampstead Area Water Company

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Attachment B
Step 2
Schedule 3c

SNH Plant CIAC Tax

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CIAC Tax / Amortization of CIAC Tax / Accumulated Amortization of CIAC Tax							
PUC Acct. No.	Description	CIAC	Company Combined Tax rate	CIAC Tax	Amort Rate	Annual Amort of CIAC Tax	Accumulated Amortization of CIAC Tax
Shannon Road Water Main							
331	Mains	\$ 677,542	0.00%	\$ -	3.33%	\$ -	\$ -
335	Hydrants	13,000	0.00%	-	3.33%	-	-
	Total	<u>\$ 690,542</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
H2 Base Project							
304	Structures	\$ 222,440	0.00%	\$ -	3.33%	\$ -	\$ -
311	Pumping Equipment	271,214	0.00%	-	3.33%	-	-
320	Treatment Equipment	1,050,678	0.00%	-	3.33%	-	-
	Total	<u>\$ 1,544,332</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
H2 CO Meditation							
304	Structures	\$ 50,000	0.00%	\$ -	3.33%	\$ -	\$ -
311	Pumping Equipment	168,782	0.00%	-	3.33%	-	-
	Total	<u>\$ 218,782</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
H2 CO Main ST. PRV							
304	Structures	\$ 89,588	0.00%	\$ -	3.33%	\$ -	\$ -
311	Pumping Equipment	150,000	0.00%	-	3.33%	-	-
335	Hydrants	-	0.00%	-	3.33%	-	-
	Total	<u>\$ 239,588</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
H2 CO Sawyer Tank Mixer							
320	Treatment Equipment	\$ -	0.00%	\$ -	3.33%	\$ -	\$ -
330	Distribution Reservoirs & Standpipes	59,358	0.00%	-	3.33%	-	-
	Total	<u>\$ 59,358</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
East Road Water Main							
331	T&D Mains	\$ 171,075	0.00%	\$ -	3.33%	\$ -	\$ -
333	Services	4,000	0.00%	-	3.33%	-	-
335	Hydrants	6,500	0.00%	-	3.33%	-	-
	Total	<u>\$ 181,575</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>
	Total	<u>\$ 2,934,177</u>	0.00%	<u>\$ -</u>	3.33%	<u>\$ -</u>	<u>\$ -</u>

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
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Calculation of CIAC Tax by Plant Account Number

	CIAC	Combined Tax Rate	CIAC Tax Cx D
304 Structures - Pump Station and Site Work	\$ 362,028	\$ -	\$ -
311 Pumping Equipment	589,996	-	-
320 Treatment Equipment	1,050,678	-	-
330 Distribution Reservoirs & Standpipes	59,358	-	-
331 T&D Mains	848,617	-	-
333 Services	4,000	-	-
335 Hydrants	\$ 19,500	-	-
Total	<u>\$ 2,934,177</u>		<u>\$ -</u>

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Hampstead Area Water Company

Attachment B
Step 2
Schedule 3d

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SNHRWIP

Calculation of SNH Plant Property Taxes

	Shannon Road Water Main	H2 Base Project Hampstead	H2 Base Project Atkinson	H2 CO Meditation	H2 CO Main St. PRV	H2 CO Sawyer Tank Mixer	East Road Water Main	Total Projected Costs
Total Project Costs	\$ 690,542	\$ 1,038,197	\$ 519,099	\$ 218,782	\$ 239,588	\$ 59,358	\$ 181,575	\$ 2,947,141
Accumulated Depreciation	13,811	47,399	23,700	18,128	17,240	1,306	3,652	125,235
Net Plant	\$676,731	\$990,798	\$495,399	\$200,654	\$222,348	\$58,052	\$177,924	\$2,821,906
Thousand Dollars of Assessed Value	\$ 677	\$ 991	\$ 495	\$ 201	\$ 222	\$ 58	\$ 178	\$ 2,822
Tax Value as % of Net Book Value	49.35%	49.35%	49.35%	49.35%	49.35%	49.35%	49.35%	49.35%
Combined State and Local Property Tax Rate	\$ 17.54	\$ 27.46	\$ 17.54	\$ 17.54	\$ 17.54	\$ 17.54	\$ 17.54	\$ 17.54
State and Local Property Taxes	\$ 5,858	\$ 13,427	\$ 4,288	\$ 1,737	\$ 1,925	\$ 502	\$ 1,540	\$ 29,277
Combined State and Local Property Tax Rate:								
State	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60	\$ 6.60
Local	10.94	20.86	10.94	10.94	10.94	10.94	10.94	10.94
Total	\$ 17.54	\$ 27.46	\$ 17.54	\$ 17.54	\$ 17.54	\$ 17.54	\$ 17.54	\$ 17.54

Note: The H2 Base Project consist of 9 pump station, 6 and 3 of the pump stations are in Hampstead and Atkinson, respectively.

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HAMPSTEAD AREA WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2021 PROJECTS
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

<u>Adj #</u>														
	Operating Revenue													
133	To add back Company Proforma for Operating Revenue regarding sale of 100,000 gallons of water to Plaistow that is not scheduled to begin until 2022 per Dept. 2-31. See also bates 038.	\$ 175,180												
134	To add additional revenue from additional customers in 2021, net of income taxes See Step 2 - Sch. 4a	\$ 50,526												
	Total Adjustments - Operating Revenue	<u>\$ 225,706</u>												
	Operating Expenses													
	Source of Supply													
135	Purchased Water- Account 602 To add back remaining portion of Company proforma for cost to purchase 250k gallons per day from MWV. (250,000 / 748 x \$3.05 x 365) See 2020 Annual Report Sch. S-2	<table border="0" style="margin-left: 20px;"> <tr> <td>Annual Cost</td> <td style="text-align: right;">\$ 372,075</td> </tr> <tr> <td>Cost recovered in Step 1</td> <td style="text-align: right;">(120,919)</td> </tr> <tr> <td>Remaining Cost for Step 2</td> <td style="text-align: right;">251,156</td> </tr> </table>	Annual Cost	\$ 372,075	Cost recovered in Step 1	(120,919)	Remaining Cost for Step 2	251,156						
Annual Cost	\$ 372,075													
Cost recovered in Step 1	(120,919)													
Remaining Cost for Step 2	251,156													
136	Purchased Water To add back Company Proforma for the purchase of 100,000 gallons for Plaistow from MWV scheduled to begin in 2022 contingent upon purchases actually started. See Energy 2-31 and Bates 039.	<table border="0" style="margin-left: 20px;"> <tr> <td>Gallons per Day</td> <td style="text-align: right;">\$ 100,000</td> </tr> <tr> <td>CCF Conversion</td> <td style="text-align: right;">\$ 748</td> </tr> <tr> <td></td> <td style="text-align: right;">134</td> </tr> <tr> <td>Cost per CCF x</td> <td style="text-align: right;">\$ 3.05</td> </tr> <tr> <td>Days in year x</td> <td style="text-align: right;">365</td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 148,830</td> </tr> </table>	Gallons per Day	\$ 100,000	CCF Conversion	\$ 748		134	Cost per CCF x	\$ 3.05	Days in year x	365		\$ 148,830
Gallons per Day	\$ 100,000													
CCF Conversion	\$ 748													
	134													
Cost per CCF x	\$ 3.05													
Days in year x	365													
	\$ 148,830													
	Total Proforma Adjustments to Source of Supply	<u>\$ 148,830</u>												
	Total Proforma Adjustments to Operating and Maintenance Expenses	<u>\$ 399,986</u>												
	Depreciation Expense													
137	To add Annual Depreciation Expense for Shannon Road project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	\$ 13,811												
138	To add Annual Depreciation Expense for H2 Base project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	\$ 71,099												
139	To add Annual Depreciation Expense for H2 Co Meditation project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	\$ 18,128												
140	To add Annual Depreciation Expense for Main St. PRV project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	\$ 17,240												
141	To add Annual Depreciation Expense for Sawyer Tank Mixer project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	\$ 1,306												
142	To add Annual Depreciation Expense for East Road Water Main project. In-service date of 2021. See Step 2 - Sch. 3a - Col. 7	\$ 3,652												
	Total Adjustments to Depreciation Expense	<u>\$ 125,235</u>												
	Amortization of CIAC													
143	To add Annual Amortization Expense for Shannon Road project. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	\$ (13,811)												
144	To add Annual Amortization Expense for H2 Base project. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	\$ (70,507)												
145	To add Annual Amortization Expense for H2 Co Meditation project. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	\$ (18,128)												
146	To add Annual Amortization Expense for Main St. PRV project. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	\$ (17,240)												
147	To add Annual Amortization Expense for Sawyer Tank Mixer project. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	\$ (1,306)												
148	To add Annual Amortization Expense for East Road Water Main project. In-service date of 2021. See Step 2 - Sch. 3b - Col. 7	\$ (3,652)												
	Total Adjustments to Amortization of CIAC	<u>\$ (124,643)</u>												
	Amortization of Other													
149	To add Annual Amortization Expense for Shannon Road project. In-service date of 2021. See Step 2 - Sch. 3c - Col. 7	\$ -												
150	To add Annual Amortization Expense for H2 Base project. In-service date of 2021. See Step 2 - Sch. 3c - Col. 7	\$ -												
151	To add Annual Amortization Expense for H2 Co Meditation project. In-service date of 2021. See Step 2 - Sch. 3c - Col. 7	\$ -												
152	To add Annual Amortization Expense for Main St. PRV project. In-service date of 2021. See Step 2 - Sch. 3c - Col. 7	\$ -												
153	To add Annual Amortization Expense for Sawyer Tank Mixer project. In-service date of 2021. See Step 2 - Sch. 3c - Col. 7	\$ -												
154	To add Annual Amortization Expense for East Road Water Main project. In-service date of 2021. See Step 2 - Sch. 3c - Col. 7	\$ -												
	Total Adjustments to Amortization of Other	<u>\$ -</u>												
	Taxes Other than Income													
155	To add Annual Property Tax Expense for Shannon Road project. In-service date of 2021. See Step 2 - Sch. 3d	\$ 5,858												
156	To add Annual Property Tax Expense for H2 Base project. In-service date of 2021. See Step 2 - Sch. 3d	\$ 17,715												
157	To add Annual Property Tax Expense for H2 Co Meditation project. In-service date of 2021. See Step 2 - Sch. 3d	\$ 1,737												
158	To add Annual Property Tax Expense for Main St. PRV project. In-service date of 2021. See Step 2 - Sch. 3d	\$ 1,925												
159	To add Annual Property Tax Expense for Sawyer Tank Mixer project. In-service date of 2021. See Step 2 - Sch. 3d	\$ 502												
160	To add Annual Property Tax Expense for East Road Water Main project. In-service date of 2021. See Step 2 - Sch. 3d	\$ 1,540												
	Total Adjustments to Taxes Other than Income	<u>\$ 29,277</u>												
	2019 Depreciation Expense on 2019 retired assets. See Company response to DOE 2-5 (b) & (c)													
161	To delete 2019 depreciation expense on Eastwood Place	\$ (2,994)												
162	To delete 2019 depreciation expense on Village Drive	\$ (2,046)												
163	To delete 2019 depreciation expense on Jesse Pace	\$ (3,903)												
164	To delete 2019 depreciation expense on Woodland Pond	<u>\$ (694)</u>												
	Total Adjustments to Depreciation Expense on 2019 retired assets	<u>\$ (9,637)</u>												
	2019 Amortization of CIAC on 2019 retired assets. See Company response to DOE 2-5 (b) & (c)													
165	To add 2019 depreciation expense on Eastwood Place	\$ 1,972												
166	To add 2019 depreciation expense on Village Drive	\$ 1,065												
167	To add 2019 depreciation expense on Jesse Pace	\$ -												
168	To add 2019 depreciation expense on Woodland Pond	<u>\$ -</u>												
	Total Adjustments to Depreciation Expense on 2019 retired assets	<u>\$ 3,037</u>												
	Income Taxes													
	Combined State and Federal Income Taxes	\$ 883												
	See Step 2 - Sch. 1													
	Total Adjustments to Income Taxes	<u>\$ 883</u>												
	Total Proforma Adjustment to Operating Expenses	<u>\$ 424,138</u>												

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**DW 23-020
HAMPSTEAD AREA WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2021 PROJECTS
CALCULATION OF NEW CUSTOMER REVENUE**

2019 Annual Report Customer Count		3,857	
2020 Annual Report Customer Count	-	3,994	
2020 Additional Customers		<u>(137)</u>	
Projected Water Sales After Permanent Rate Increase		\$ 2,540,482	
2020 Annual Report Customer Count	÷	<u>3,994</u>	
Average Projected Annual Revenue per Customer		\$ 636	
Months in a year	÷	<u>\$ 12</u>	
Average Projected Monthly Revenue per Customer		\$ 53	
2020 Additional Customers		137	
Monthly Revenue per Customer	*	<u>\$ 53</u>	
Additional Monthly Revenue		\$ 7,261	
Additional Monthly Revenue		\$ 7,261	
Months in a year	*	<u>\$ 12</u>	
Additional Annual Revenue		\$ 87,132	
Additional Annual Revenue		\$ 87,132	
Incremental Expenses - See Step 2 - Sch. 4b	-	<u>\$ 17,843</u>	
Pre-Tax Annual New Customer Revenue		\$ 69,289	
Pre-Tax Annual New Customer Revenue		\$ 69,289	
Company's Effective Tax Rate	x	<u>27.08%</u>	
Income Taxes on New Customer Revenue		\$ 18,764	
Pre-Tax Annual New Customer Revenue		\$ 69,289	
Income Taxes on New Customer Revenue	-	<u>\$ 18,764</u>	
After-tax New Customer Revenue		\$ 50,526	<u>\$ 50,526</u>

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Incremental Expenses to offset additional revenues associated with 2020 new customers 4.27%

	<u>12/31/19</u>	<u>Company</u>	<u>Department</u>
Metered Sales to Residential Customers	1,967,875	84,095	
Fire Protection Revenue	55,088		
Late Fees	38,074		
Other Water Revenue	73,185		
Total Revenue	<u>2,134,222</u>		
Net Depreciation & CIAC	339,643	\$ 3,905	\$ 3,905
Property Taxes	146,846	\$ 858	\$ -
Other Taxes	15,577		
Labor on Outside Jobs	30,462		
Well Expenses & Water Purchased	35,720	\$ 1,526	\$ 1,526
Power Purchased for Pumping	219,181	\$ 9,366	\$ 4,683
Pumping Expenses	171,768	\$ 7,340	\$ -
Chemicals	13,500	\$ 577	\$ 577
Treatment Expense (Filters)	174,184	\$ 7,444	\$ 3,722
Transm & Distribution Exp (Mains)	57,308	\$ 2,449	\$ -
Meter Expenses & Customer Installations	57,174	\$ 2,443	\$ -
Maintenance of Storage Tanks	1,935		
Maintenance of Services	44,691	\$ 1,910	\$ -
Maintenance of Hydrants	6,569		
Meter Reading Expenses	9,948	\$ 425	\$ 425
Customer Records & Collections	140,621	\$ 6,009	\$ 3,005
Uncollectable Accounts	0		
Administrative & General Salaries	29,746		
Office Supplies & Other Expenses	57,864		
Outside Services - Engineering	117,899		
Outside Services - Management Fees	169,153		
Outside Services - Accounting	85,650		
Outside Services - Legal	61,082		
Insurance Expense	44,136		
Employee Pensions & Benefits	78,931		
Franchise Requirements	5,840		
Misc General Expenses	4,277		
Misc Expenses - Vehicle Expenses	35,013		
General Rents	16,928		
Total Expenses	<u>2,171,643</u>	<u>\$ 44,253</u>	<u>\$ 17,843</u>
Net Operating Income	<u>(37,422)</u>		
Rate Case Recovery Fees	191,206		
Regulatory Commission Expenses	(76,106)		
Interest Expense	(129,880)		
Interest Income	235		
Misc Nonutility Expenses	0		
Net Income (Loss)	<u>(51,967)</u>		
Meters	570	137	78,090
Annual Depr on 137 Meters	78,090	5.00%	3,905

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