

**DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
PERMANENT RATE REVENUE REQUIREMENT**



Average Rate Base per Staff (Att A; Sch 2; Col 6)	\$ 274,515
Rate of Return (Att A; Sch 1a)	<u>7.21%</u>
Operating Income Requirement	19,792
Adjusted Net Operating Income per Staff (Att A; Sch 3; Col 7)	<u>28,200</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(8,407)
Divided by Tax Factor (Att A; Sch 1b)	<u>60.39%</u>
Revenue Deficiency / (Surplus)	(13,922)
Pro-forma Test Year Water Sales (Att A; Sch 3; Col 7)	<u>138,684</u>
Revenue Requirement from Water Sales per Staff	124,762
Less: Adjusted Test Year Water Sales (Att A; Sch 3; Col 1, 2 & 5)	<u>(127,666)</u>
Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>\$ (2,904)</u></u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>-2.27%</u></u>

DW 15-189
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure				Interest Expense					Amortization Expense				Cost Rate	Weighted Average Cost		
	Actual 12/31/14	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted 12/31/14	Percent	Actual 12/31/14	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted 12/31/14	Interest Rate	Actual 12/31/14	Adjustments Per Co Filing	Adjustments Per Staff			Adjusted 12/31/14	Total Annual Cost of Debt
Long-term Debt:																	
2014 CoBank Loan	\$ 252,802	\$ -	\$ -	\$ 252,802	41.56%	\$ 8,637	\$ -	\$ -	\$ 8,637	3.42%	\$ 1,803	\$ -	\$ -	\$ 1,803	\$ 10,440	4.13%	1.72%
Total Long-term Debt	<u>252,802</u>	<u>-</u>	<u>-</u>	<u>252,802</u>	<u>41.56%</u>	<u>\$ 8,637</u>	<u>-</u>	<u>-</u>	<u>8,637</u>	<u>3.42%</u>	<u>\$ 1,803</u>	<u>-</u>	<u>-</u>	<u>1,803</u>	<u>\$ 10,440</u>		<u>1.72%</u>
Common Equity:																	
Common Stock	-	-	-	-	0.00%												
Additional Paid-in Capital	339,521	-	-	339,521	55.82%												
Retained Earnings	15,956	-	-	15,956	2.62%												
Total Common Equity	<u>355,477</u>	<u>-</u>	<u>-</u>	<u>355,477</u>	<u>58.44%</u>											<u>9.40%</u>	<u>5.49%</u>
Total Capitalization	<u>\$ 608,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 608,279</u>	<u>100.00%</u>												<u>7.21%</u>

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DW 15-199
ABENAKI WATER COMPANY, INC.
EFFECTIVE TAX FACTOR

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>34.00%</u>
Effective Federal Income Tax Rate	31.11%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>39.61%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>39.61%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>60.39%</u></u>
Tax Multiplier	<u><u>0.65590</u></u>

DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
PERMANENT RATE AVERAGE RATE BASE

	(1) 5-Qtr Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att A; Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
<u>Plant in Service</u>						
Plant in Service	\$ 551,504	\$ 101,348	\$ 652,852	\$ (40,126)	1 - 4	\$ 612,726
Less: Accumulated Depreciation and Amortization	(279,764)	(13,458)	(293,222)	17,809	5 - 9	(275,413)
Net Plant in Service	271,740	87,890	359,630	(22,317)		337,313
Contributions in Aid of Construction (CIAC)	(43,052)	-	(43,052)	-		(43,052)
Accumulated Amortization of CIAC	5,696	709	6,405	(1,418)	10	4,987
Net Contributions in Aid of Construction	(37,356)	709	(36,647)	(1,418)		(38,065)
Net Plant in Rate Base	234,384	88,599	322,983	(23,735)		299,248
<u>Working Capital</u>						
Cash Working Capital	7,020	779	7,799	(229)	11 - 12	7,570
Materials and Supplies	-	-	-	-		-
Prepaid Expenses	567	1,030	1,597	-		1,597
Accumulated Deferred Income Taxes	(33,017)	-	(33,017)	(883)	13	(33,900)
Total Working Capital in Rate Base	(25,430)	1,809	(23,621)	(1,112)		(24,733)
Total Average Rate Base	\$ 208,954	\$ 90,408	\$ 299,362	\$ (24,847)		\$ 274,515

DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE

Adj#

Proforma Adjustments to Plant in Service:

Plant in Service

1	To adjust pro-forma test year average for plant in service to test year-end balance. (Att A; Sch 2b; Col 8)		\$ (77,739)
2	To adjust Plant in Service for meter retirements not recorded in test year. (Staff 2-9 & Att A; Sch 2c)		(17,993)
3	To adjust Plant in Service for organizational costs. (D. Carson testimony and Audit Report Adjustment #7)		
	Balance of Organizational Costs 12/31/14 \$ 102,233	% Allocation to Belmont system: 75%	\$ 68,288
	Less: Audit Adjustment #7 (9,141)		
	Less: Staff Adjustment-Daggett invoices (2,041)	% Allocation to Belmont water: 74%	\$ 50,533
	<u>\$ 91,051</u>		<u>50,533</u>
4	To adjust Plant in Service for Land & Land Rights costs reclassified from organizational costs. (Audit Report Adjustment #7)		
	Total cost 9,141	% Allocation to Belmont system: 75%	\$ 6,856
		% Allocation to Belmont water: 74%	\$ 5,073
			<u>5,073</u>
	Total Adjustments - Plant in Service		<u>\$ (40,126)</u>

Accumulated Depreciation and Accumulated Amortization

5	To adjust pro-forma test year average for Accum Deprec & Amort.back to test year-end balance. (Att A; Sch 2b; Col 8)		\$ 4,073
6	To adjust Accumulated Depreciation for meter retirements not recorded in test year. (Staff 2-9 & Att A; Sch 2c)		17,993
7	To record additional Accumulated Depreciation per Staff's calculation, incorrect rates used by Company. (Att A, Sch 2c)	\$ 3,164	(269)
		<u>(2,895)</u>	
8	To adjust Accumulated Depreciation for additional half-year depreciation on 2014 Plant Additions not reflected in test year. (Att A; Sch 2c)		(1,583)
9	To adjust Accumulation Amortization for full-year amortization on Organizational costs. (Att A; Sch 2c)		<u>(2,405)</u>
	Total Adjustments - Accumulated Depreciation		<u>\$ 17,809</u>

Accumulated Amortization - CIAC

10	To adjust pro-forma test year average accum amortization - CIAC back to test year-end balance. (Att A; Sch 2b; Col 8)		\$ (1,418)
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Proforma Adjustments to Working Capital:

Cash Working Capital

11	To adjust Co's test year cash working capital component to amount calculated per Staff. (Att A; Sch 2b; Col 8)		\$ (779)
12	To adjust Co's pro-forma cash working capital component to reflect Staff O&M Expense Adj's:		
	Total pro-forma O & M Expenses after Staff Adj's (Att A; Sch 3; Col 7)	\$ 61,391	
	Cash Working Capital % (45 days / 365 days)	12.33%	
	Pro-forma Cash Working Capital Component per Staff	<u>\$ 7,570</u>	
	Less: Pro-forma cash working capital component proposed by Co. and adjusted by Staff (Att A; Sch 2b)	<u>(7,020)</u>	550
	Total Adjustments - Cash Working Capital		<u>\$ (229)</u>

Deferred Income Taxes

13	To adjust deferred income taxes to test year-end balance. (Att A; Sch 2b; Col 8)		\$ (883)
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Net Rate Base Adjustments per Staff

\$ (24,847)

DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
	Quarter Ending Balance					5-Quarter Average Per Staff	Pro Forma Yr End Average Per Company	To Adjust Rate Base to Yr End Bal	Adjustment #	
	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14					
Plant in Service	\$ 529,217	\$ 537,581	\$ 551,334	\$ 564,276	\$ 575,113	\$ 551,504	652,852	\$ (77,739)	1	
Accumulated Depreciation	(271,478)	(274,646)	(279,398)	(284,150)	(289,149)	(279,764)	(293,222)	4,073	5	
Contributions in Aid of Construction (CIAC)	(43,052)	(43,052)	(43,052)	(43,052)	(43,052)	(43,052)	(43,052)	-		
Accumulated Amortization - CIAC	4,987	5,342	5,697	6,051	6,405	5,696	6,405	(1,418)	10	
Cash Working Capital	(b) (5)					(a)	7,020	7,799	(779)	11
Material and Supplies	-	-	-	-	-	-	-	-		
Prepaid Expenses	-	-	1,238	-	1,597	567	1,597	-		
Accumulated Deferred Income Taxes	(32,134)	(32,575)	(33,017)	(33,458)	(33,900)	(33,017)	(33,017)	(883)	13	
Total Average Rate Base						<u>\$ 208,955</u>	<u>\$ 299,362</u>	<u>\$ (76,746)</u>		

(a) Adjustment of Test Year Cash Working Capital:

Test Year O & M Expenses (Att A; Sch 3; Col 1 + Col 2)	\$ 56,931
Cash Working Capital % (45 days / 365 days)	x 12.33%
Adjusted Test Year Cash Working Capital per Staff	<u>\$ 7,020</u>

DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
PLANT / CIAC ADDITIONS AND RETIREMENTS

2014 Plant Additions:

Account	Amount	Depreciation Rate	Annual Depreciation	Accumulated Depreciation @ 12/31/14	Net Plant in Service @ 12/31/14
311: Pumping Equipment	\$ 823	10.00%	\$ 82	\$ (41)	\$ 782
333: Services	295	2.50%	7	(4)	291
334: Purchase & Installation of Meters	38,847	5.00%	1,942	(971)	37,876
346: Communication Equipment	489	14.29%	70	(35)	454
347: Set up Computer billing/GL/AP System	5,164	14.29%	738	(369)	4,795
347: Remote Access Software	278	20.00%	56	(28)	250
As Computed by Company:	\$ 45,896		\$ 2,895	\$ (1,448)	\$ 44,448
303: Land & Land Rights	\$ 5,073	0.00%	\$ -	\$ -	\$ 5,073
311: Pumping Equipment	823	10.00%	82	(41)	782
333: Services	295	2.50%	7	(4)	291
334: Purchase & Installation of Meters	38,847	5.00%	1,942	(971)	37,876
346: Communication Equipment	489	9.00%	44	(22)	467
347: Set up Computer billing/GL/AP System	5,164	20.00%	1,033	(517)	4,647
347: Remote Access Software	278	20.00%	56	(28)	250
As Computed by Staff:	\$ 50,969		\$ 3,164	\$ (1,583)	\$ 49,386

2014 Plant Retirements:

Account	Amount	Depreciation Rate	Annual Depreciation	Accumulated Depreciation @ 12/31/14	Net Plant in Service @ 12/31/14
334: Purchase & Installation of Meters	17,993	5.00%	900	(17,993)	-
	\$ 17,993		\$ 900	\$ (17,993)	\$ -

Organizational Costs Additions:

Account	Amount	Amortization Rate	Annual Amortization	Accumulated Amortization @ 12/31/14	Net Org Costs @ 12/31/14
301: Organizational Costs (75% Belmont; 74% Water)	\$ 50,533	4.76%	\$ 2,405	\$ (1,203)	\$ 49,330
	\$ 50,533		\$ 2,405	\$ (1,203)	\$ 49,330

DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT

	(1) Test Year 10 1/2 months Per Company	(2) Normalization Adjustments Per Company	(3) Pro-forma Adjustments Per Company	(4) Adjusted Test Year Per Company	(5) Staff Adjustments (Att A; Sch 3a)	(6) Adj #	(7) Adjusted Test Year Per Staff	(8) Revenue Deficiency / (Surplus)	(9) Revenue Requirement
Operating Revenues									
Water Sales	\$ 111,808	\$ 15,973	\$ 11,018	\$ 138,799	\$ (115)	14	\$ 138,684	\$ -	\$ 138,684
Other Operating Revenues	-	-	-	-	115	15	115	-	115
Total Water Revenues	<u>111,808</u>	<u>15,973</u>	<u>11,018</u>	<u>138,799</u>	<u>-</u>		<u>138,799</u>	<u>-</u>	<u>138,799</u>
Operating Expenses									
Operation & Maintenance Expenses:									
Source of Supply Expenses	-	-	-	-	-		-	-	-
Pumping Expenses	19,849	2,836	-	22,685	(291)	16	22,394	-	22,394
Water Treatment Expenses	11,091	1,584	200	12,875	(138)	17	12,737	-	12,737
Transmission & Distribution Expenses	8,309	1,187	-	9,496	-		9,496	-	9,496
Customer Accounts Expenses	3,806	544	-	4,350	-		4,350	-	4,350
Administrative & General Expenses	6,760	965	6,123	13,848	(1,434)	18 - 20	12,414	-	12,414
Total Operation & Maintenance Expenses	<u>49,815</u>	<u>7,116</u>	<u>6,323</u>	<u>63,254</u>	<u>(1,863)</u>		<u>61,391</u>	<u>-</u>	<u>61,391</u>
Depreciation Expense	15,471	2,210	1,973	19,654	(631)	21 - 23	19,023	-	19,023
Amortization Expense - CIAC	(1,231)	(176)	-	(1,407)	-		(1,407)	-	(1,407)
Amortization Expense - Organization Costs	-	-	4,726	4,726	(2,321)	24	2,405	-	2,405
Taxes other than Income	9,581	1,369	3,798	14,748	(2,229)	25 - 27	12,519	-	12,519
Total Operating Expenses	<u>73,636</u>	<u>10,519</u>	<u>16,820</u>	<u>100,975</u>	<u>(7,044)</u>		<u>93,931</u>	<u>-</u>	<u>93,931</u>
Net Operating Income / (Loss)									
Before Income Taxes	38,172	5,454	(5,802)	37,824	7,044		44,868	-	44,868
Income Taxes	7,425	1,061	5,392	13,878	2,790	Att A; Sch 3c	16,668	-	16,668
Net Operating Income (Loss)	<u>\$ 30,747</u>	<u>\$ 4,393</u>	<u>\$ (11,194)</u>	<u>\$ 23,946</u>	<u>\$ 4,254</u>		<u>\$ 28,200</u>	<u>\$ -</u>	<u>\$ 28,200</u>

DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES

Adj #

Pro-forma Adjustments to Operating Revenue:

14	To adjust test year water sales for other revenues included in error. (Report of Proposed Rate Changes)	\$	(115)
15	To record other revenues included in water sales in error. (Report of Proposed Rate Changes)	\$	115

Pro-forma Adjustments to Operating Expenses:

Pumping Expenses:

16	To adjust electric expense per company's response to Tech 2-3.	\$	(291)
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Water Treatment Expenses:

17	To adjust chemical expense per company's response to Tech 2-3.	\$	(138)
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Administrative & General Expenses

18	To adjust test year insurance expense for prior year's expense. (See Audit Report page 34) Prepaid Insurance carried through acquisition, \$371. (\$371 / 2 = 186) This expense was booked in Belmont only and split equally between water and sewer.	\$	(186)
19	To adjust test year for Administrative Costs charged by Parent in March, April and May but were not included in the Management Fee Agreement. (See Audit Issue #3) Total Costs allocated for Belmont Division Allocation percentage Total Costs allocated for Water Division	\$ (3,034) 50.00% <hr style="width: 50px; margin-left: 0;"/> (1,517)	\$ (1,517)
20	To reclassify NHHWA dues and NAWC conference costs which should not have been booked to the sewer division. (\$538/2)	\$	269
Total Adjustments - Administrative & General Expenses		\$	(1,434)

Depreciation Expense

21	To eliminate Company's pro-forma adjustment for full-year depreciation expense relative to 2015 additions.	\$	(525)
22	To adjust test year depreciation expense for meter retirements not recorded during the test year. (Att A, Sch 2c)		(900)
23	To record additional depreciation expense per Staff's calculation, incorrect rates used by Company. (Att A, Sch 2c)	\$ 3,164 <hr style="width: 50px; margin-left: 0;"/> (2,895)	269
Total Adjustments - Depreciation Expense		\$	(631)

Amortization Expense - Organizational Costs

24	To adjust Company's pro-forma adjustment relative to Organizational Costs. (Att A; Sch 2c)	Filed amount: \$ 4,726 less revised: <hr style="width: 50px; margin-left: 0;"/> 2,405	\$ (2,321)
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Taxes Other than Income

25	To eliminate Company's pro-forma adjustment relative to State of NH property taxes. Calculation was based on 2014 Additions, 2015 Additions and Organizational Costs.	\$	(789)
26	To eliminate Company's pro-forma adjustment relative to Town of Belmont property taxes. Calculation was based on 2014 Additions, 2015 Additions and Organizational Costs.	\$	(3,009)
27	To record Town of Belmont and State of NH property tax expense associated with 2014 additions. (Att A, Sch 3b)	\$	1,569
Total Adjustments - Taxes Other than Income		\$	(2,229)

Net Operating Expense Adjustments per Staff before Income Taxes	\$ (7,044)
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DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
INCREASE PROPERTY TAX CALCULATION

Municipal Taxes - Town of Belmont:

2014 Net Plant Additions - Water Division (Att A; Sch 2c)		\$	49,386	
2014 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-5)	x	\$	<u>25.17</u>	
Estimated Municipal Taxes on 2014 Net Additions to Plant				<u>\$ 1,243</u>

State Utility Property Taxes:

2014 Net Plant Additions - Water Division (Att A; Sch 2c)		\$	49,386	
2014 State Tax Rate (per \$1,000 of Valuation) (Staff DR 1-5)	x	\$	<u>6.60</u>	
Estimated State Taxes on 2014 Net Additions to Plant				<u>\$ 326</u>

Net Increase in Property Tax Expense for 2014 Net Additions to Plant \$ 1,569

DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
PROFORMA ADJUSTMENTS TO INCOME TAXES

INCOME TAXES

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Total proforma adjustments to Water Revenue	\$ 115
Total proforma adjustments to Other Revenue	(115)
Total proforma adjustments to Water Treatment Expenses	291
Total proforma adjustments to Pumping Expenses	138
Total proforma adjustments to Transmission and Distribution Expenses	-
Total proforma adjustments to Customer Accounting Expenses	-
Total proforma adjustments to Administrative & General Expenses	1,434
Total proforma adjustments to Depreciation Expense	631
Total proforma adjustments to Amortization Expense	2,321
Total proforma adjustments to Taxes Other than Income	<u>2,229</u>
Additional Revenue/(Expense) Subject to New Hampshire Business Profits Tax	7,044
New Hampshire Business Profits Tax @ 8.5%	<u>(599)</u>
Additional Revenue/(Expense) Subject to Federal Income Tax	6,445
Federal income Tax @ 34%	<u>(2,191)</u>
Staff Proforma Adjustments Net of Income Taxes	<u><u>\$ 4,254</u></u>

**DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
STEP INCREASE**

Increase in Net Income Requirement:

2015 Plant Additions (Att A; Sch 4a)	\$	32,896
Less: Accumulated Depreciation (Att A; Sch 4a)		(1,084)
Net 2015 Plant in Service		<u>31,812</u>
 Net 2015 Plant in Rate Base	 \$	 31,812
 Rate of Return (Att A; Sch 1a)	 x	 <u>7.21%</u>
 Increase in Operating Income Requirement	 \$	 <u>2,294</u>

Net Increase in Operating Expenses:

Annual Depreciation Expense: 2015 Plant Additions less Retirements (Att A; Sch 4a)	\$	2,099
Property Tax Expense for 2015 Net Additions to Plant (Att A; Sch 4b)		1,011
Income Tax Expense for 2015 Additions - State and Federal (Att A; Sch 4c)		<u>1,259</u>

Step Increase in Revenue Requirement **\$ 6,662**

Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1, 2 & 5) **\$ 127,666**

Percent Increase / (Decrease) in Revenue Requirement from Water Sales **5.22%**

DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
STEP INCREASE PLANT / ORGANIZATIONAL COSTS ADDITIONS AND RETIREMENTS

2015 Plant Additions:

<u>Account</u>	<u>Amount *</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 12/31/15</u>	<u>Net Plant in Service @ 12/31/15</u>
304: Structures & Improvements - Rebuild Pump Station	\$ 9,200	2.50%	\$ 230	\$ (115)	\$ 9,085
311: Pumping Equipment - Rebuild Pump Station	15,052	10.00%	1,505	(753)	14,299
334: Purchase New Meters	7,275	5.00%	364	(182)	7,093
334: Install New Meters	1,369	5.00%	68	(34)	1,335
	<u>\$ 32,896</u>		<u>\$ 2,167</u>	<u>\$ (1,084)</u>	<u>\$ 31,812</u>

* See Staff Data Request 2-2 for detail

2015 Plant Retirements:

<u>Account</u>	<u>Amount</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 12/31/15</u>	<u>Net Plant in Service @ 12/31/15</u>
334: Purchase & Installation of Meters	1,356	5.00%	68	(1,356)	-
	<u>\$ 1,356</u>		<u>\$ 68</u>	<u>\$ (1,356)</u>	<u>\$ -</u>

DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
STEP INCREASE PROPERTY TAX CALCULATION

Municipal Taxes - Town of Belmont:

2015 Net Plant Additions - Water Division (Att A; Sch 4a)	\$	31,812	
2015 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-5)	x	<u>\$ 25.17</u>	
Estimated Municipal Taxes on 2015 Net Additions to Plant			<u>\$ 801</u>

State Utility Property Taxes:

2015 Net Plant Additions - Water Division (Att A; Sch 4a)	\$	31,812	
2015 State Tax Rate (per \$1,000 of Valuation) (Staff DR 1-5)	x	<u>\$ 6.60</u>	
Estimated State Taxes on 2015 Net Additions to Plant			<u>\$ 210</u>

Net Increase in Property Tax Expense for 2015 changes to Plant \$ 1,011

DW 15-199
ABENAKI WATER COMPANY, INC.
BELMONT WATER DIVISION
STEP INCREASE INCOME TAXES

INCOME TAXES

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Total proforma adjustments to Water Revenue	\$ -
Total proforma adjustments to Other Revenue	-
Total proforma adjustments to Pumping Expenses	-
Total proforma adjustments to Transmission and Distribution Expenses	-
Total proforma adjustments to Customer Accounting Expenses	-
Total proforma adjustments to Administrative & General Expenses	-
Total proforma adjustments to Depreciation Expense	2,167
Total proforma adjustments to Amortization Expense	-
Total proforma adjustments to Taxes Other than Income	<u>1,011</u>
Additional Revenue/(Expense) Subject to New Hampshire Business Profits Tax	3,178
New Hampshire Business Profits Tax @ 8.5%	<u>(270)</u>
Additional Revenue/(Expense) Subject to Federal Income Tax	2,908
Federal income Tax @ 34%	<u>(989)</u>
Staff Proforma Adjustments Net of Income Taxes	<u><u>\$ 1,919</u></u>

**DW 15-199
ABENAKI
SEWER DIVISION
PERMANENT RATE REVENUE REQUIREMENT**

Average Rate Base per Staff (Att B; Sch 2; Col 6)	\$ 93,016
Rate of Return (Att B; Sch 1a)	<u>7.21%</u>
Operating Income Requirement	6,706
Adjusted Net Operating Income per Staff (Att B; Sch 3; Col 7)	<u>10,966</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(4,260)
Divided by Tax Factor (Att B; Sch 1b)	<u>60.39%</u>
Revenue Deficiency / (Surplus)	(7,054)
Pro-forma Test Year Water Sales (Att B; Sch 3; Col 7)	<u>117,559</u>
Revenue Requirement from Water Sales per Staff	110,505
Less: Adjusted Test Year Sewer Sales (Att B; Sch 3; Col 1, 2 & 5)	<u>(78,313)</u>
Increase / (Decrease) in Revenue Requirement from Sewer Sales	<u>\$ 32,192</u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u>41.11%</u>

DW 15-199
ABENAKI
SEWER DIVISION
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure					Interest Expense					Amortization Expense				Cost Rate	Weighted Average Cost	
	Actual 12/31/14	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted 12/31/14	Percent	Actual 12/31/14	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted 12/31/14	Interest Rate	Actual 12/31/14	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted 12/31/14			Total Annual Cost of Debt
Long-term Debt:																	
2014 CoBank Loan	\$ 252,802	\$ -	\$ -	\$ 252,802	41.56%	\$ 8,637	\$ -	\$ -	\$ 8,637	3.42%	\$ 1,803	\$ -	\$ -	\$ 1,803	\$ 10,440	4.13%	1.72%
Total Long-term Debt	<u>252,802</u>	<u>-</u>	<u>-</u>	<u>252,802</u>	<u>41.56%</u>	<u>\$ 8,637</u>	<u>-</u>	<u>-</u>	<u>\$ 8,637</u>	<u>3.42%</u>	<u>\$ 1,803</u>	<u>-</u>	<u>-</u>	<u>\$ 1,803</u>	<u>\$ 10,440</u>		<u>1.72%</u>
Common Equity:																	
Common Stock	-	-	-	-	0.00%												
Additional Paid-in Capital	339,521	-	-	339,521	55.82%												
Retained Earnings	15,956	-	-	15,956	2.62%												
Total Common Equity	<u>355,477</u>	<u>-</u>	<u>-</u>	<u>355,477</u>	<u>58.44%</u>											<u>9.40%</u>	<u>5.49%</u>
Total Capitalization	<u>\$ 608,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 608,279</u>	<u>100.00%</u>												<u>7.21%</u>

**DW 15-199
ABENAKI
EFFECTIVE TAX FACTOR**

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>34.00%</u>
Effective Federal Income Tax Rate	31.11%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>39.61%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>39.61%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>60.39%</u></u>
Tax Multiplier	<u><u>0.65590</u></u>

**DW 15-199
ABENAKI
SEWER DIVISION
PERMANENT RATE AVERAGE RATE BASE**

	(1) Year End Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att B; Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
<u>Plant in Service</u>						
Plant in Service	\$ 108,743	\$ 21,251	\$ 129,994	\$ 603	1 - 3	\$ 130,597
Less: Accumulated Depreciation	(54,341)	(2,548)	(56,889)	(15)	4 - 6	(56,904)
Net Plant in Service	54,402	18,703	73,105	588		73,693
Contributions in Aid of Construction (CIAC)	-	-	-	-		-
Accumulated Amortization of CIAC	-	-	-	-		-
Net Contributions in Aid of Construction	-	-	-	-		-
Net Plant in Rate Base	54,402	18,703	73,105	588		73,693
<u>Working Capital</u>						
Cash Working Capital	9,937	2,033	11,970	(578)	7 - 8	11,392
Materials and Supplies	7,931	-	7,931	-		7,931
Prepaid Expenses	-	-	-	-		-
Accumulated Deferred Income Taxes	-	-	-	-		-
Total Working Capital in Rate Base	17,868	2,033	19,901	(578)		19,323
Total Average Rate Base	\$ 72,270	\$ 20,736	\$ 93,006	\$ 10		\$ 93,016

**DW 15-199
ABENAKI
SEWER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE**

Adj#

Proforma Adjustments to Plant in Service:

Plant in Service

1	To adjust plant in service to test year-end balances. (Att B; Sch 2b; Col 8)		(18,935)
2	To adjust Plant in Service for Organizational Costs. (D. Carson testimony and Audit Report Adjustment #7)		
	Balance of Organizational Costs 12/31/14	\$ 102,233	
		% Allocation to Belmont system:	75% \$ 68,288
	Less: Audit Adjustment #7	(9,141)	
	Less: Staff Adjustment-Daggett invoices	(2,041)	
		\$ 91,051	
		% Allocation to Belmont water:	26% \$ 17,755
			17,755
3	To adjust Plant in Service for Land & Land Rights costs reclassified from organizational costs. (Audit Report Adjustment #7)		
	Total cost	9,141	
		% Allocation to Belmont system:	75% \$ 6,856
		% Allocation to Belmont water:	26% \$ 1,783
			1,783
	Total Adjustments - Plant in Service		\$ 603

Accumulated Depreciation & Accumulated Amortization

4	To adjust test year average Accum Deprec & Amort to test year-end balances. (Att B; Sch 2b; Col 8)		1,190
5	To adjust Accumulated Depreciation for additional half-year depreciation on 2014 Plant Additions not reflected in test year. (Att B; Sch 2c)		(360)
6	To adjust Accumulation Amortization for full-year amortization on Organizational costs. (Att B; Sch 2c)		(845)
	Total Adjustments - Accumulated Depreciation & Amortization		\$ (15)

Proforma Adjustments to Working Capital:

Cash Working Capital

7	To adjust Co's test year cash working capital component to amount computed by Staff. (Att B; Sch 2b)		\$ (2,033)
8	To adjust Co's pro-forma cash working capital component to reflect Staff O&M Expense Adj's:		
	Total pro-forma O & M Expenses after Staff Adj's (Att B; Sch 3; Col 7)	\$ 92,391	
	Cash Working Capital % (45 days / 365 days)	12.33%	
	Pro-forma Cash Working Capital Component per Staff	\$ 11,392	
	Less: Pro-forma cash working capital component proposed by Co. and adjusted by Staff (Att B; Sch 2b)	(9,937)	1,455
	Total Adjustments - Cash Working Capital		\$ (578)

Net Rate Base Adjustments per Staff

\$ 10

DW 15-199
ABENAKI
SEWER DIVISION
CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14	5-Quarter Average Per Staff	Year End Average Per Company	To Adjust Rate Base to Year End Bal	Adjustment #
Plant in Service	\$ 103,850	\$ 109,850	\$ 109,899	\$ 110,059	\$ 111,059	\$ 108,943	129,994	\$ (18,935)	1
Accumulated Depreciation	(53,242)	(53,623)	(54,195)	(54,947)	(55,699)	(54,341)	(56,889)	1,190	4
Contributions in Aid of Construction (CIAC)	-	-	-	-	-	-	-	-	
Accumulated Amortization - CIAC	-	-	-	-	-	-	-	-	
Cash Working Capital	(a)					9,937	11,970	(2,033)	7
Material and Supplies	7,931	7,931	7,931	7,931	7,931	7,931	7,931	-	
Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-	
Total Average Rate Base						\$ 72,470	\$ 93,006	\$ (19,778)	

(a) Adjustment of Test Year Cash Working Capital:

Test Year O & M Expenses (Att B; Sch 3; Col 1 + Col 2)	\$ 80,592
Cash Working Capital % (45 days / 365 days)	x 12.33%
Adjusted Test Year Cash Working Capital per Staff	\$ 9,937

**DW 15-199
ABENAKI
SEWER DIVISION
PLANT / CIAC ADDITIONS AND RETIREMENTS**

2014 Plant Additions:

Account	Amount	Depreciation Rate	Annual Depreciation	Accumulated Depreciation @ 12/31/14	Net Plant in Service @ 12/31/14
303: Land & Land Rights	\$ 1,783	0.00%	\$ -	\$ -	\$ 1,783
371: Pumping Equipment	7,204	10.00%	720	(360)	6,844
As Computed by Company:	<u>\$ 8,987</u>		<u>\$ 720</u>	<u>\$ (360)</u>	<u>\$ 8,627</u>

2014 Plant Retirements:

Account	Amount	Depreciation Rate	Annual Depreciation	Accumulated Depreciation @ 12/31/14	Net Plant in Service @ 12/31/14
	-		-	-	-
	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Organizational Costs Additions:

Account	Amount	Amortization Rate	Annual Amortization	Accumulated Amortization @ 12/31/14	Net Org Costs @ 12/31/14
301: Organizational Costs (75% Belmont; 26% sewer)	\$ 17,755	4.76%	\$ 845	\$ (423)	\$ 17,332
	<u>\$ 17,755</u>		<u>\$ 845</u>	<u>\$ (423)</u>	<u>\$ 17,332</u>

**DW 15-199
ABENAKI
SEWER DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT**

	(1) Test Year 10 1/2 Months Per Company	(2) Normalization Adjustments Per Company	(3) Pro-forma Adjustments Per Company	(4) Adjusted Test Year Per Company	(5) Staff Adjustments (Att B; Sch 3a)	(6) Adj #	(7) Adjusted Test Year Per Staff	(8) Revenue Deficiency / (Surplus)	(9) Revenue Requirement
Operating Revenues									
Sewer Sales	\$ 68,524	\$ 9,789	\$ 39,246	\$ 117,559	\$ -		\$ 117,559	\$ -	\$ 117,559
Other Operating Revenues	-	-	-	-	-		-	-	-
Total Sewer Revenues	<u>68,524</u>	<u>9,789</u>	<u>39,246</u>	<u>117,559</u>	<u>-</u>		<u>117,559</u>	<u>-</u>	<u>117,559</u>
Operating Expenses									
Operation & Maintenance Expenses:									
Source of Supply Expenses	-	-	-	-	-		-	-	-
Pumping Expenses	13,816	1,974	1,625	17,415	-		17,415	-	17,415
Sewer Treatment Expenses	46,479	6,639	8,741	61,859	(2,718)	9 - 10	59,141	-	59,141
Transmission & Distribution Expenses	-	-	-	-	-		-	-	-
Customer Accounts Expenses	3,806	544	-	4,350	-		4,350	-	4,350
Administrative & General Expenses	6,417	917	6,123	13,457	(1,972)	11 - 13	11,485	-	11,485
Total Operation & Maintenance Expenses	<u>70,518</u>	<u>10,074</u>	<u>16,489</u>	<u>97,081</u>	<u>(4,690)</u>		<u>92,391</u>	<u>-</u>	<u>92,391</u>
Depreciation Expense	2,200	314	360	2,874	-		2,874	-	2,874
Amortization Expense - CIAC	-	-	-	-	-		-	-	-
Amortization Expense - Organization Costs	-	-	1,661	1,661	(816)	14	845	-	845
Taxes other than Income	3,366	481	824	4,671	(333)	15 - 17	4,338	-	4,338
Total Operating Expenses	<u>76,084</u>	<u>10,869</u>	<u>19,334</u>	<u>106,287</u>	<u>(5,839)</u>		<u>100,448</u>	<u>-</u>	<u>100,448</u>
Net Operating Income / (Loss)									
Before Income Taxes	(7,560)	(1,080)	19,912	11,272	5,839		17,111	-	17,111
Income Taxes	-	-	3,832	3,832	2,313	Att B; Sch 3c	6,145	-	6,145
Net Operating Income (Loss)	<u>\$ (7,560)</u>	<u>\$ (1,080)</u>	<u>\$ 16,080</u>	<u>\$ 7,440</u>	<u>\$ 3,526</u>		<u>\$ 10,966</u>	<u>\$ -</u>	<u>\$ 10,966</u>

**DW 15-199
ABENAKI
SEWER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES**

Adj #

Pro-forma Adjustments to Sewer Treatment Expense:

9	To adjust test year purchased sewer treatment costs where the company substituted 2015 sewer rates.		
	Company Response to Staff 2-5: Actual 2015 Deferral	\$ 7,386	
	Less: Company Proforma	<u>(8,741)</u>	
		\$ (1,355)	\$ (1,355)
10	To adjust test year purchased sewer treatment costs per the company's response to Tech 2-3.		\$ (1,363)

Pro-forma Adjustments to Operating Expenses:

\$ (2,718)

Administrative & General Expenses

11	To adjust test year insurance expense for prior year's expense. (See Audit Report page 34) Prepaid Insurance carried through acquisition, \$371. (\$371 / 2 = 186) This expense was booked in Belmont only and split equally between water and sewer.		\$ (186)
12	To adjust test year for Administrative Costs charged by Parent in March, April and May but were not included in the Management Fee Agreement. (See Audit Issue #3) Total Costs allocated for Belmont Division Allocation percentage Total Costs allocated for Water Division	\$ (3,034) 50.00% <u>(1,517)</u>	\$ (1,517)
13	To reclassify NHWWA dues and NAWC conference costs which should not have been booked to the sewer division. (\$538/2)		\$ (269)
Total Adjustments - Administrative & General Expenses			\$ (1,972)

Amortization Expense - Organizational Costs

14	To adjust Company's pro-forma adjustment relative to Organizational Costs. (Att B; Sch 2c)	Filed amount: \$ 1,661 less revised: <u>845</u>	\$ (816)
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Taxes Other than Income

15	To eliminate Company's pro-forma adjustment relative to State of NH property taxes. Calculation was based on 2014 Additions, 2015 Additions and Organizational Costs.		\$ (126)
16	To eliminate Company's pro-forma adjustment relative to Town of Belmont property taxes. Calculation was based on 2014 Additions, 2015 Additions and Organizational Costs.		\$ (481)
17	To record Town of Belmont and State of NH property tax expense associated with 2014 additions. (Att B, Sch 3b)		\$ 274
Total Adjustments - Taxes Other than Income			\$ (333)

Net Operating Expense Adjustments per Staff before Income Taxes

\$ (5,839)

**DW 15-199
ABENAKI
SEWER DIVISION
INCREASE PROPERTY TAX CALCULATION**

Municipal Taxes - Town of Belmont:

2014 Net Plant Additions - Sewer Division (Att B; Sch 2c)		\$	8,627	
2014 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-5)	x	\$	25.17	
Estimated Municipal Taxes on 2014 Net Additions to Plant				<u>\$ 217</u>

State Utility Property Taxes:

2014 Net Plant Additions - Sewer Division (Att B; Sch 2c)		\$	8,627	
2014 State Tax Rate (per \$1,000 of Valuation) (Staff DR 1-5)	x	\$	6.60	
Estimated State Taxes on 2014 Net Additions to Plant				<u>\$ 57</u>

Net Increase in Property Tax Expense for 2014 Net Additions to Plant \$ 274

**DW 15-199
ABENAKI WATER COMPANY, INC.
ABENAKI
SEWER DIVISION
PROFORMA ADJUSTMENTS TO INCOME TAXES**

INCOME TAXES

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Total proforma adjustments to Sewer Revenue	\$ -
Total proforma adjustments to Other Revenue	-
Total proforma adjustments to Sewer Treatment Expenses	2,718
Total proforma adjustments to Transmission and Distribution Expenses	-
Total proforma adjustments to Customer Accounting Expenses	-
Total proforma adjustments to Administrative & General Expenses	1,972
Total proforma adjustments to Depreciation Expense	-
Total proforma adjustments to Amortization Expense	816
Total proforma adjustments to Taxes Other than Income	<u>333</u>
Additional Revenue/(Expense) Subject to New Hampshire Business Profits Tax	5,839
New Hampshire Business Profits Tax @ 8.5%	<u>(496)</u>
Additional Revenue/(Expense) Subject to Federal Income Tax	5,343
Federal income Tax @ 34%	<u>(1,816)</u>
Staff Proforma Adjustments Net of Income Taxes	<u><u>\$ 3,526</u></u>

**DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
PERMANENT RATE REVENUE REQUIREMENT**

Average Rate Base per Staff (Att C; Sch 2; Col 6)	\$ 144,038
Rate of Return (Att C; Sch 1a)	<u>7.21%</u>
Operating Income Requirement	10,385
Adjusted Net Operating Income per Staff (Att C; Sch 3; Col 7)	<u>18,067</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(7,682)
Divided by Tax Factor (Att C; Sch 1b)	<u>60.39%</u>
Revenue Deficiency / (Surplus)	(12,721)
Pro-forma Test Year Water Sales (Att C; Sch 3; Col 7)	<u>100,582</u>
Revenue Requirement from Water Sales per Staff	87,861
Less: Adjusted Test Year Water Sales (Att C; Sch 3; Col 1, 2 & 5)	<u>(66,207)</u>
Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>\$ 21,654</u></u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>32.71%</u></u>

DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure					Interest Expense				Amortization Expense				Cost Rate	Weighted Average Cost		
	Actual 12/31/14	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted 12/31/14	Percent	Actual 12/31/14	Adjustments Per Co Filing	Adjustments Per Staff	Adjusted 12/31/14	Interest Rate	Actual 12/31/14	Adjustments Per Co Filing	Adjustments Per Staff			Adjusted 12/31/14	Total Annual Cost of Debt
Long-term Debt:																	
2014 CoBank Loan	\$ 252,802	\$ -	\$ -	\$ 252,802	41.56%	\$ 8,637	\$ -	\$ -	\$ 8,637	3.42%	\$ 1,803	\$ -	\$ -	\$ 1,803	\$ 10,440	4.13%	1.72%
Total Long-term Debt	<u>252,802</u>	<u>-</u>	<u>-</u>	<u>252,802</u>	<u>41.56%</u>	<u>\$ 8,637</u>	<u>-</u>	<u>-</u>	<u>8,637</u>	<u>3.42%</u>	<u>\$ 1,803</u>	<u>-</u>	<u>-</u>	<u>1,803</u>	<u>\$ 10,440</u>		<u>1.72%</u>
Common Equity:																	
Common Stock	-	-	-	-	0.00%												
Additional Paid-in Capital	339,521	-	-	339,521	55.82%												
Retained Earnings	15,956	-	-	15,956	2.62%												
Total Common Equity	<u>355,477</u>	<u>-</u>	<u>-</u>	<u>355,477</u>	<u>58.44%</u>											<u>9.40%</u>	<u>5.49%</u>
Total Capitalization	<u>\$ 608,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 608,279</u>	<u>100.00%</u>												<u>7.21%</u>

DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>34.00%</u>
Effective Federal Income Tax Rate	31.11%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>39.61%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>39.61%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>60.39%</u></u>
Tax Multiplier	<u><u>0.65590</u></u>

DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
PERMANENT RATE AVERAGE RATE BASE

	(1) Year End Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att C; Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
<u>Plant in Service</u>						
Plant in Service	\$ 413,314	\$ 75,210	\$ 488,524	\$ (40,232)	1 - 4	\$ 448,292
Less: Accumulated Depreciation	(212,014)	(8,058)	(220,072)	3,540	5 - 8	(216,532)
Net Plant in Service	201,300	67,152	268,452	(36,692)		231,760
Contributions in Aid of Construction (CIAC)	(143,900)	-	(143,900)	-		(143,900)
Accumulated Amortization of CIAC	44,318	4,502	48,820	-		48,820
Net Contributions in Aid of Construction	(99,582)	4,502	(95,080)	-		(95,080)
Net Plant in Rate Base	101,718	71,654	173,372	(36,692)		136,680
<u>Working Capital</u>						
Cash Working Capital	5,899	815	6,714	(140)	9 - 10	6,574
Materials and Supplies	424	-	424	-		424
Prepaid Expenses	72	288	360	-		360
Accumulated Deferred Income Taxes	-	-	-	-		-
Total Working Capital in Rate Base	6,395	1,103	7,498	(140)		7,358
Total Average Rate Base	\$ 108,113	\$ 72,757	\$ 180,870	\$ (36,832)		\$ 144,038

DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE

Adj#

Proforma Adjustments to Plant in Service:

Plant in Service

1	To adjust pro-forma test year average for plant in service to test year-end balance. (Att C; Sch 2b; Col 8)	\$ (62,559)
2	To adjust Plant in Service for meter retirements not recorded in test year. (Staff DR 2-9 & Att C; Sch 2c)	(2,720)
3	To adjust Plant in Service for organizational costs. (D. Carson testimony and Audit Report Adjustment #7)	
	Balance of Organizational Costs 12/31/14 \$ 102,233 % Allocation to Bow system: 25% \$ 22,762	
	Less: Audit Adjustment #7 (9,141)	
	Less: Staff Adjustment-Daggett invoices (2,041)	\$ 22,762
	\$ 91,051	
4	To adjust Plant in Service for Land & Land Rights costs reclassified from organizational costs. (Audit Report Adjustment #7)	
	Total cost 9,141 % Allocation to Bow system: 25% \$ 2,285	2,285
	Total Adjustments - Plant in Service	\$ (40,232)

Accumulated Depreciation & Accumulated Amortization

5	To adjust pro-forma test year average for Accum Deprec and Amort back to test year-end balance. (Att C; Sch 2b; Col 8)	\$ 2,644
6	To adjust Accumulated Depreciation for meter retirements not recorded in test year. (Staff DR 2-9 & Att C; Sch 2c)	2,720
7	To adjust Accumulated Depreciation for additional half-year depreciation on 2014 Plant Additions not reflected in test year. (Att C; Sch 2c)	(741)
8	To adjust Accumulation Amortization for full-year amortization on Organizational Costs. (Att C; Sch 2c)	(1,083)
	Total Adjustments - Accumulated Depreciation	\$ 3,540

Proforma Adjustments to Working Capital:

Cash Working Capital

9	To adjust Co's test year cash working capital component to amount calculated per Staff. (Att C; Sch 2b)	\$ (815)
10	To adjust Co's pro-forma cash working capital component to reflect Staff O&M Expense Adj's:	
	Total pro-forma O & M Expenses after Staff Adj's (Att C; Sch 3; Col 7)	\$ 53,315
	Cash Working Capital % (45 days / 365 days)	12.33%
	Pro-forma Cash Working Capital Component per Staff	\$ 6,574
	Less: Pro-forma cash working capital component proposed by Co. and adjusted by Staff (Att C; Sch 2b)	(5,899) 675
	Total Adjustments - Cash Working Capital	\$ (140)

Net Rate Base Adjustments per Staff **\$ (36,832)**

DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Quarter Ending Balance					5-Quarter Average Per Staff	Year End Average Per Company	To Adjust Rate Base to Year End Bal	Adjustment #
	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14				
Plant in Service	\$ 403,442	\$ 404,002	\$ 408,522	\$ 424,637	\$ 425,965	\$ 413,314	488,524	\$ (62,559)	1
Accumulated Depreciation	(205,158)	(208,996)	(212,494)	(215,992)	(217,428)	(212,014)	(220,072)	2,644	5
Contributions in Aid of Construction (CIAC)	(143,900)	(143,900)	(143,900)	(143,900)	(143,900)	(143,900)	(143,900)	-	
Accumulated Amortization - CIAC	43,682	43,030	43,030	43,030	48,820	44,318	48,820	-	
Cash Working Capital	(a)					5,899	6,714	(815)	9
Material and Supplies	424	424	424	424	424	424	424	-	
Prepaid Expenses	-	-	-	-	360	72	360	-	
Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-	
Total Average Rate Base						\$ 108,113	\$ 180,870	\$ (60,730)	

(a) Adjustment of Test Year Cash Working Capital:

Test Year O & M Expenses (Att C; Sch 3; Col 1 + Col 2)	\$ 47,845
Cash Working Capital % (45 days / 365 days)	x 12.33%
Adjusted Test Year Cash Working Capital per Staff	\$ 5,899

DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
PLANT / CIAC ADDITIONS AND RETIREMENTS

2014 Plant Additions:

<u>Account</u>	<u>Amount</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 12/31/14</u>	<u>Net Plant in Service @ 12/31/14</u>
304: Land & Land Rights	\$ 2,285	0.00%	\$ -	\$ -	\$ 2,285
310: Purchase and Install Stand-by Generator	13,700	5.00%	685	(343)	13,357
333: Services & Renewals	4,024	2.50%	101	(50)	3,974
334: Purchase Meters	410	5.00%	21	(10)	400
334: Install Meters	824	5.00%	41	(21)	803
347: Set up Computer billing/GL/AP System	2,952	20.00%	590	(295)	2,657
348: Misc Capital Expenditures under \$1000	613	7.18%	44	(22)	591
As Computed by Company:	<u>\$ 24,808</u>		<u>\$ 1,482</u>	<u>\$ (741)</u>	<u>\$ 24,067</u>

2014 Plant Retirements:

<u>Account</u>	<u>Amount</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 12/31/14</u>	<u>Net Plant in Service @ 12/31/14</u>
334: Purchase & Installation of Meters	2,720	5.00%	136	(2,720)	-
	<u>\$ 2,720</u>		<u>\$ 136</u>	<u>\$ (2,720)</u>	<u>\$ -</u>

Organizational Cost Additions:

<u>Account</u>	<u>Amount</u>	<u>Amortization Rate</u>	<u>Annual Amortization</u>	<u>Accumulated Amortization @ 12/31/14</u>	<u>Net Org Costs @ 12/31/14</u>
301: Organizational Costs (25% Bow)	\$ 22,762	4.76%	\$ 1,083	\$ (542)	\$ 22,220
	<u>\$ 22,762</u>		<u>\$ 1,083</u>	<u>\$ (542)</u>	<u>\$ 22,220</u>

DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT

	(1) Test Year 10 1/2 Months Per Company	(2) Normalization Adjustments Per Company	(3) Pro-forma Adjustments Per Company	(4) Adjusted Test Year Per Company	(5) Staff Adjustments (Att C; Sch 3a)	(6) Adj #	(7) Adjusted Test Year Per Staff	(8) Revenue Deficiency / (Surplus)	(9) Revenue Requirement
Operating Revenues									
Water Sales	\$ 58,021	\$ 8,289	\$ 34,375	\$ 100,685	\$ (103)	11	\$ 100,582	\$ -	\$ 100,582
Other Operating Revenues	-	-	-	-	103	12	103	-	103
Total Water Revenues	<u>58,021</u>	<u>8,289</u>	<u>34,375</u>	<u>100,685</u>	<u>-</u>		<u>100,685</u>	<u>-</u>	<u>100,685</u>
Operating Expenses									
Operation & Maintenance Expenses:									
Source of Supply Expenses	-	-	-	-	-		-	-	-
Pumping Expenses	15,713	2,246	-	17,959	-		17,959	-	17,959
Water Treatment Expenses	5,825	833	-	6,658	-		6,658	-	6,658
Transmission & Distribution Expenses	9,312	1,330	-	10,642	-		10,642	-	10,642
Customer Accounts Expenses	4,358	622	-	4,980	-		4,980	-	4,980
Administrative & General Expenses	6,656	950	6,607	14,213	(1,137)	13 - 14	13,076	-	13,076
Total Operation & Maintenance Expenses	<u>41,864</u>	<u>5,981</u>	<u>6,607</u>	<u>54,452</u>	<u>(1,137)</u>		<u>53,315</u>	<u>-</u>	<u>53,315</u>
Depreciation Expense	10,764	1,538	2,415	14,717	(1,811)	15 - 16	12,906	-	12,906
Amortization Expense - CIAC	(5,790)	-	651	(5,139)	-		(5,139)	-	(5,139)
Amortization Expense - Organization Costs	-	-	2,129	2,129	(1,046)	17	1,083	-	1,083
Taxes other than Income	8,150	1,164	2,778	12,092	(1,966)	18 - 20	10,126	-	10,126
Total Operating Expenses	<u>54,988</u>	<u>8,683</u>	<u>14,580</u>	<u>78,251</u>	<u>(5,960)</u>		<u>72,291</u>	<u>-</u>	<u>72,291</u>
Net Operating Income / (Loss)									
Before Income Taxes	3,033	(394)	19,795	22,434	5,960		28,394	-	28,394
Income Taxes	2,475	354	5,137	7,966	2,361	Att C; Sch 3c	10,327	-	10,327
Net Operating Income (Loss)	<u>\$ 558</u>	<u>\$ (748)</u>	<u>\$ 14,658</u>	<u>\$ 14,468</u>	<u>\$ 3,599</u>		<u>\$ 18,067</u>	<u>\$ -</u>	<u>\$ 18,067</u>

**DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES**

Adj #

Pro-forma Adjustments to Operating Revenue:

11	To adjust test year water sales for other revenues included in error. (Report of Proposed Rate Changes)	\$	(103)
12	To record other revenues included in water sales in error. (Report of Proposed Rate Changes)	\$	103

Pro-forma Adjustments to Operating Expenses:

Administrative & General Expenses

13	To adjust test year for Administrative Costs charged by Parent in March, April and May but were not included in the Management Fee Agreement. (See Audit Issue #3)		(1,037)
14	To eliminate Company's pro-forma adjustment relative to water testing expected in 2016.		(100)
Total Adjustments - Administrative & General Expenses			\$ (1,137)

Depreciation Expense

15	To adjust test year depreciation expense for meter retirements not recorded during the test year. (See Attachment C, Schedule 2a)		(136)
16	To eliminate Company's pro-forma adjustment relative to depreciation expense associated with 2015 additions.	\$	(1,675)
Total Adjustments - Depreciation Expense			\$ (1,811)

Amortization Expense - Organizational Costs

17	To eliminate Company's pro-forma adjustment relative to Organizational Costs. (Att C; Att 2c)	Filed amount: \$	2,129	
		less revised:	1,083	\$ (1,046)

Taxes Other than Income

18	To eliminate Company's pro-forma adjustment relative to State of NH property taxes. Calculation was based on 2014 Additions, 2015 Additions and Organizational Costs.	\$	(544)
19	To eliminate Company's pro-forma adjustment relative to Town of Bow property taxes. Calculation was based on 2014 Additions, 2015 Additions and Organizational Costs.	\$	(2,233)
20	To record Town of Bow and State of NH property tax expense associated with 2014 additions. (Att C, Sch 3b)	\$	811
Total Adjustments - Taxes Other than Income			\$ (1,966)

Net Operating Expense Adjustments per Staff before Income Taxes	\$		(5,960)
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DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
INCREASE PROPERTY TAX CALCULATION

Municipal Taxes - Town of Bow:

2014 Net Plant Additions - Bow Water Division (Att C; Sch 2c)	\$	24,067	
2014 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-5)	x	<u>\$ 27.09</u>	
Estimated Municipal Taxes on 2014 Net Additions to Plant			<u>\$ 652</u>

State Utility Property Taxes:

2014 Net Plant Additions - Bow Water Division (Att C; Sch 2c)	\$	24,067	
2014 State Tax Rate (per \$1,000 of Valuation) (Staff DR 1-5)	x	<u>\$ 6.60</u>	
Estimated State Taxes on 2014 Net Additions to Plant			<u>\$ 159</u>

Net Increase in Property Tax Expense for 2014 Net Additions to Plant \$ 811

DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
PROFORMA ADJUSTMENTS TO INCOME TAXES

INCOME TAXES

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Total proforma adjustments to Water Revenue	\$ 103
Total proforma adjustments to Other Revenue	(103)
Total proforma adjustments to Pumping Expenses	-
Total proforma adjustments to Transmission and Distribution Expenses	-
Total proforma adjustments to Customer Accounting Expenses	-
Total proforma adjustments to Administrative & General Expenses	1,137
Total proforma adjustments to Depreciation Expense	1,811
Total proforma adjustments to Amortization Expense	1,046
Total proforma adjustments to Taxes Other than Income	<u>1,966</u>
Additional Revenue/(Expense) Subject to New Hampshire Business Profits Tax	5,960
New Hampshire Business Profits Tax @ 8.5%	<u>(507)</u>
Additional Revenue/(Expense) Subject to Federal Income Tax	5,454
Federal income Tax @ 34%	<u>(1,854)</u>
Staff Proforma Adjustments Net of Income Taxes	<u><u>\$ 3,599</u></u>

**DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
STEP INCREASE**

Increase in Net Income Requirement:

2015 Plant Additions (Att C; Sch 4a)	\$	26,418
Less: Accumulated Depreciation (Att C; Sch 4a)		(661)
Net 2015 Plant in Service		<u>25,757</u>
 Net 2015 Plant in Rate Base	 \$	 25,757
 Rate of Return (Att C; Sch 1a)	 x	 <u>7.21%</u>
 Increase in Operating Income Requirement	 \$	 <u>1,857</u>

Net Increase in Operating Expenses:

Annual Depreciation Expense: 2015 Plant Additions less Retirements (Att C; Sch 4a)	\$	524
Property Tax Expense for 2015 Net Additions to Plant (Att C; Sch 4b)		868
Income Tax Expense for 2015 Additions - State and Federal (Att C; Sch 4c)		<u>867</u>

Step Increase in Revenue Requirement	\$	4,116
Adjusted Test Year Water Sales (Att C; Sch 3; Col 1, 2 & 5)	\$	<u>66,207</u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales		<u><u>6.22%</u></u>

DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
STEP INCREASE PLANT / ORGANIZATIONAL COST ADDITIONS AND RETIREMENTS

2015 Plant Additions:

<u>Account</u>	<u>Amount *</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 12/31/15</u>	<u>Net Plant in Service @ 12/31/15</u>
334: Purchase Meters	\$ 18,374	5.00%	\$ 919	\$ (460)	\$ 17,914
334: Install Meters	8,044	5.00%	402	(201)	7,843
	<u>\$ 26,418</u>		<u>\$ 1,321</u>	<u>\$ (661)</u>	<u>\$ 25,757</u>

* See Staff Data Request 2-3 for details

2015 Plant Retirements:

<u>Account</u>	<u>Amount</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 12/31/15</u>	<u>Net Plant in Service @ 12/31/15</u>
334: Purchase & Installation of Meters	\$ 15,932	5.00%	\$ 797	\$ (15,932)	\$ -
	<u>\$ 15,932</u>		<u>\$ 797</u>	<u>\$ (15,932)</u>	<u>\$ -</u>

DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
STEP INCREASE PROPERTY TAX CALCULATION

Municipal Taxes - Town of Bow:

2015 Net Plant Additions - Bow Water Division (Att C; Sch 4a)	\$	25,757	
2015 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-5)	x	<u>\$ 27.09</u>	
Estimated Municipal Taxes on 2015 Net Additions to Plant			<u>\$ 698</u>

State Utility Property Taxes:

2015 Net Plant Additions - Bow Water Division (Att C; Sch 4a)	\$	25,757	
2015 State Tax Rate (per \$1,000 of Valuation) (Staff DR 1-5)	x	<u>\$ 6.60</u>	
Estimated State Taxes on 2015 Net Additions to Plant			<u>\$ 170</u>

Net Increase in Property Tax Expense for 2015 changes to Plant \$ 868

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DW 15-199
ABENAKI WATER COMPANY, INC.
BOW WATER DIVISION
STEP INCREASE INCOME TAXES

INCOME TAXES

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Total proforma adjustments to Water Revenue	\$ -
Total proforma adjustments to Other Revenue	-
Total proforma adjustments to Pumping Expenses	-
Total proforma adjustments to Transmission and Distribution Expenses	-
Total proforma adjustments to Customer Accounting Expenses	-
Total proforma adjustments to Administrative & General Expenses	-
Total proforma adjustments to Depreciation Expense	1,321
Total proforma adjustments to Amortization Expense	-
Total proforma adjustments to Taxes Other than Income	<u>868</u>
Additional Revenue/(Expense) Subject to New Hampshire Business Profits Tax	2,189
New Hampshire Business Profits Tax @ 8.5%	<u>(186)</u>
Additional Revenue/(Expense) Subject to Federal Income Tax	2,003
Federal income Tax @ 34%	<u>(681)</u>
Staff Proforma Adjustments Net of Income Taxes	<u><u>\$ 1,322</u></u>