

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

21 S. Fruit Street, Suite 10  
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December 28, 2017

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301

Re: Docket No. DW 17-118  
Hampstead Area Water Company, Inc.  
Petition for Permanent and Temporary Rates  
Stipulation Agreement on Temporary Rates

Dear Ms. Howland:

Please find attached, for the Commission's consideration, a Stipulation Settlement Agreement, entered into by Staff and Hampstead Area Water Co., Inc. for the above-captioned proceeding.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alexander F. Speidel".

Alexander F. Speidel  
Staff Attorney

cc: Service List (ELECTRONICALLY)

DW 17-118

**HAMPSTEAD AREA WATER COMPANY, INC.**

**Petition for Permanent and Temporary Rates**

**STIPULATION AGREEMENT ON TEMPORARY RATES**

**I. BACKGROUND**

On September 7, 2017, Hampstead Area Water Company (Hampstead or HAWC) filed with the New Hampshire Public Utilities Commission (Commission) a Petition including financial schedules and supporting testimony for an increase in permanent rates for all of its current franchises. This filing was docketed by the Commission as DW 17-118.

Within the Petition, Hampstead applied for temporary rates pending the decision to be made in the case herein. On October 5, 2017, the Commission issued an Order of Notice (Order No. 26,061) scheduling a Pre-Hearing Conference for this docket for October 31, 2017. Subsequently the Commission approved a procedural schedule for this proceeding which incorporates consideration of the Company's request for temporary rates in this docket.

HAWC proposes to increase its annual revenue by a total of \$288,310, or 16.10%, to a total revenue requirement of \$2,078,777. The proposed revenue increase is comprised of new revenues of \$223,672 based on its 2016 test year, and new revenues of \$64,638 based on a proposed step adjustment for 2017 plant additions anticipated to be completed by December 31, 2017. HAWC states that its currently effective rates do not allow the company to meet its anticipated operating expenses and earn its proposed rate of return. HAWC proposes an overall rate of return of 6.42%, based on a cost of equity of 11.60% and a weighted average cost of debt

DW 17-118 Hampstead Area Water Company  
Temporary Rate Stipulation

of 3.46%. HAWC's capital structure as of December 31, 2016 was composed of 67.78% debt and 32.22% equity.

HAWC states that the need for a permanent increase in its revenues is due to new capital investments made in its water systems, efforts to reduce water loss, and other increases in its operating costs including property taxes. If the proposed revenue levels are approved, HAWC states that annual rates for an average customer would increase from \$475.47 to \$557.01, an increase of \$81.60 or 17.16%.

As part of HAWC's rate filing, HAWC proposed temporary rates in the event that the PUC suspended the Company's requests for an increase in permanent rates. HAWC proposed to increase its annual revenues on a temporary basis by a total of \$131,780 or 7.36% to a total revenue requirement of \$1,922,247. HAWC's request for temporary rates was based on a pro forma rate base of \$5,110,495 and a rate of return of 5.44% including a 9.6% return on equity.

HAWC is proposing temporary rates as follows:

<u>Meter Size</u>	<u>Base Rate</u>	<u>Consumption Rate (per 100 cubic feet)</u>
5/8" meter	\$10.00	\$8.33
3/4" meter	\$20.00	\$8.33
1" meter	\$30.00	\$8.33
1 1/2" meter	\$60.00	\$8.33
2" meter	\$100.00	\$8.33

Subsequently, on October 18, 2017, HAWC revised its calculation of temporary rates, which reflected the same base charges as above but revised downward the consumption rate from \$8.33 to \$5.59.

During the test year, the Company did not earn its authorized rate of return. The underlying plant that supports the test year level of revenues is used and useful and providing service to customers. The test year level of expenses is fair and reasonable.

## II. PARTIES AND SCOPE OF THE STIPULATION

A. This Stipulation is entered into by Hampstead and the Staff of the New Hampshire Public Utilities Commission (Staff), representing all of the full participants in this Docket.

B. This Stipulation constitutes Hampstead and Staff's recommendation to the Commission with respect to temporary rates in this Docket.

C. Under this Stipulation, Hampstead and Staff agree to this joint submission to the Commission as resolution of the issues specified herein only.

D. This Stipulation shall not be deemed an admission by Hampstead or Staff that any allegation or contention in this proceeding by Hampstead or Staff, other than those specifically agreed to herein, is true and valid. This Stipulation shall not be deemed to foreclose any Party from taking any position in any future proceedings.

E. Hampstead and Staff agree that all supporting documentation should be admitted as full exhibits for the purpose of consideration of this Stipulation, and be given whatever weight the Commission deems appropriate.

## III. STIPULATED TERMS

A. Rate Base – Hampstead and Staff agree to Pro-forma Rate Base of \$5,009,572 as detailed on Attachment A, Schedule 3.

B. Rate of Return – Hampstead and Staff agree to Rate of Return of 5.44% including Return on Equity of 9.60% as shown on Attachment A, Schedule 2.

C. Revenue Requirement – Hampstead and Staff agree to a total revenue requirement of \$1,845,496, an increase of \$124,329 or 7.22% as shown on Attachment A, Schedule 1.

DW 17-118 Hampstead Area Water Company  
Temporary Rate Stipulation

D. Temporary Customer Rate – Hampstead and Staff agree that the following temporary rates based upon the agreed upon revenue requirement are just and reasonable. Base Charge rates will remain unchanged from those currently in effect. The Consumption Rate will increase to \$5.56 per 100 cubic feet consumed. Details pertaining to the calculation of rates are found within Attachment A, Schedule 6. The temporary rates are as follows:

<u>Meter Size</u>	<u>Monthly Base Charge</u>	<u>Consumption Rate (per 100 cubic feet)</u>
5/8" meter	\$10.00	\$5.56
3/4" meter	\$20.00	\$5.56
1" meter	\$30.00	\$5.56
1 1/2" meter	\$60.00	\$5.56
2" meter	\$100.00	\$5.56

E. Effective Date - Hampstead and Staff agree that the effective date for these temporary rates should be October 17, 2017 on a service rendered basis.

F. Reconciliation - Hampstead and Staff agree that temporary rates will be subject to reconciliation pursuant to RSA 378:29 after the final determination of permanent rates in this docket.

#### IV. MISCELLANEOUS

A. This Stipulation is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept the Stipulation in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Stipulation, and Hampstead or Staff is unable to agree with said changes, conditions or findings, the Stipulation shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

DW 17-118 Hampstead Area Water Company  
Temporary Rate Stipulation

B. Hampstead and Staff agree that the Commission's acceptance of the Stipulation does not constitute continuing approval of, or precedent for, any particular issue in this proceeding other than those specified herein.

C. This Stipulation may be executed in multiple counterparts, which together shall constitute one agreement.

**IN WITNESS WHEREOF**, the signatories below have executed this Stipulation, each being fully authorized to do so, as of the day indicated below.

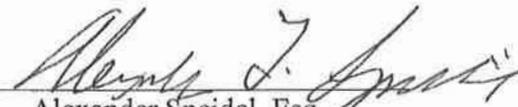
HAMPSTEAD AREA WATER COMPANY INC  
By its

Date: December 27, 2017

By:   
Christine Lewis Morse, VP

STAFF OF THE NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION  
By its Attorney,

Date: December 27, 2017

By:   
Alexander Speidel, Esq.

**DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
REVENUE REQUIREMENT**

Pro-forma Rate Base (Sch 3; Col 8)		\$ 5,009,572	
Rate of Return (Sch 2)	x	<u>5.44%</u>	
Operating Income Requirement		272,448	
Less: Pro-forma Operating Income (Sch 4; Col 8)		<u>279,288</u>	
Revenue Deficiency / (Surplus) Before Taxes		(6,840)	
Divided by Tax Factor (Sch 5)	÷	<u>91.80%</u>	
Revenue Deficiency / (Surplus) after Tax Effect		(7,451)	
Add: Pro-forma Annual Water Revenues (Sch 4; Col 8)		<u>1,852,947</u>	
Annual Water Revenues after Temporary Rates		\$ 1,845,496	
Less: Test Year Annual Water Revenues (Sch 4; Col 1)		<u>(1,721,167)</u>	
Proposed Increase in Annual Water Revenues after Temporary Rates		<u>\$ 124,329</u>	
Percentage Increase/Decrease in Annual Water Revenues after Temporary Rates		<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="text-align: center;">7.22%</td></tr></table>	7.22%
7.22%			

**DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
WEIGHTED AVERAGE COST OF CAPITAL**

	<u>Capital Structure</u>			<u>Cost Rate</u>	<u>Weighted Average Cost</u>
	<u>Unadjusted @ 12/31/16</u>	<u>Pro-forma Adjustments</u>	<u>Adjusted @ 12/31/16</u>		
<b><u>Debt</u></b>					
Long-Term Debt (Sch 2a)	\$ 4,190,886	\$ -	\$ 4,190,886	67.78%	3.46%
<b>Total Debt</b>	<u>4,190,886</u>	<u>-</u>	<u>4,190,886</u>	<u>67.78%</u>	<u>3.46%</u>
<b><u>Common Equity</u></b>					
Common Stock	16,767	-	16,767	0.27%	
Additional Paid in Capital	2,754,354	-	2,754,354	44.55%	
Retained Earnings	(779,242)	-	(779,242)	-12.60%	
<b>Total Common Equity</b>	<u>1,991,879</u>	<u>-</u>	<u>1,991,879</u>	<u>32.22%</u>	<u>9.60%</u>
<b>Total Capitalization</b>	<u>\$ 6,182,765</u>	<u>\$ -</u>	<u>\$ 6,182,765</u>	<u>100.00%</u>	<u>5.44%</u>

Most recent Cost of Equity Rate approved was 9.60% in Lakes Region Rate Case: DW15-209, dated 11/28/16.

DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
PRO-FORMA LONG-TERM DEBT

GL Acct. #	Date of Note	Lender	Original Amount	NHPUC Docket #	NHPUC Order #	Date of Order	Purpose	Term	Interest Rate	Current Interest Rate	Pro-forma Loan Balance				Pro-forma Interest Expense					Pro-forma Finance Costs					Pro-forma Total Cost of Debt				
											Balance @ 12/31/16	Company Debt Adjustment	Debt Adj per Settlement	Excess Capacity Adjustment*	Adjusted Balance @ 12/31/16	2016 Interest Expense	Company Interest Adjustment	Interest Adj per Settlement	Excess Capacity Adjustment*	Adjusted Interest Expense	2016 Amortized Finance Costs	Company Finance Cost Adjustment	Finance Cost Adj per Settlement	Excess Capacity Adjustment*	Adjusted Amortized Finance Costs	Total Annual Debt Cost	2016 Cost Rate		
232.01	07/20/92	Ruma, Inc	73,679	DR 86-198	18,560	03/09/90	Kent Farm	26	9.50%	9.50%	8,996	-	-	-	8,996	1,071	-	-	-	1,071	-	-	-	-	-	-	1,071	11.91%	
232.06	08/06/05	NH DES	1,315,291	DW 04-132	24,437	02/25/05	SRF Loan: Tank	20	3.352%	3.352%	841,498	-	-	-	841,498	29,333	-	-	-	29,333	-	-	-	-	-	-	29,333	3.49%	
232.07	10/22/13	Torromeo Trucking	25,000	DW 13-323	25,636	03/14/14	Little River Village, Plaletow	20	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	
232.08	03/31/06	Aquarius Properties	24,000	DW 08-016	24,608	03/24/06	Autumn Hills	20	P+2.25%	5.50%	15,753	-	-	-	15,753	860	-	-	-	860	-	-	-	-	-	-	860	5.46%	
232.09	12/07/12	Huntington Bank	33,979	DW 12-170	25,519	06/07/13	Pickup Truck	5	2.49%	2.49%	6,553	-	-	-	6,553	290	-	-	-	290	-	-	-	-	-	-	290	4.43%	
232.10	09/12/11	TD Bank	1,369,153	DW 11-143	25,254	07/22/11	Refinancing	5	4.14%	4.14%	-	-	-	-	32,316	(32,316)	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
232.11	06/24/09	NH DES	1,058,347	DW 08-088	24,937	02/06/09	Hampstead / Atkinson Core Interconnect	20	2.864%	2.864%	826,966	-	-	-	826,966	24,396	-	-	-	24,396	-	-	-	-	-	-	24,396	2.95%	
232.12	11/18/16	Ford Motor Credit	38,174	DW 16-826	25,968	11/17/16	2016 F-250	5	4.89%	4.89%	37,046	-	-	-	37,046	309	1,404	-	-	1,713	-	-	-	-	-	-	1,713	4.62%	
232.13	06/26/12	Shriboe Realty Two, LLC	12,000	DW 07-133	24,831	03/14/08	Coopers Grove	-	0.00%	0.00%	3,000	-	-	-	3,000	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	
232.15	09/12/11	TD Bank	1,200,000	DW 11-162	25,272	09/29/11	Refinancing / Settlers Ridge Pumpstation	5	4.14%	4.14%	-	-	-	-	28,833	(28,833)	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
232.16	08/02/13	NHDES	255,000	DW 11-226	25,526	06/21/13	service line replacements	20	3.10%	3.10%	234,374	-	-	-	234,374	7,439	-	-	-	7,439	-	-	-	-	-	-	7,439	3.17%	
232.17	06/09/15	Trendezza	44,000	DW 15-254	25,803	08/24/15	Kings's Landing, Kingston	-	0.00%	0.00%	44,000	-	-	-	44,000	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	
232.18	10/28/14	Hillcrest Estates	34,000	DW 14-319	25,757	01/16/15	Snow's Brook, Plaletow	-	0.00%	0.00%	34,000	-	-	-	34,000	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	
232.19		Pentucket Bank	2,187,000	DW16-654	25,930	07/29/16	Refinancing TD Bank loans	15	3.25%	3.25%	2,138,700	-	-	-	2,138,700	17,725	50,392	-	-	68,117	-	-	-	-	-	-	68,117	3.18%	
Totals - Non-affiliated Companies			7,649,623								4,190,886	-	-	-	4,190,886	142,572	(9,353)	-	-	133,219	-	-	-	-	-	-	133,219	3.16%	
Rounding																(1)	-	-	-	(1)	-	-	-	-	-	-	(1)	0.00%	
Total Notes to Non-affiliated Companies			7,649,623								4,190,886	-	-	-	4,190,886	142,571	(9,353)	-	-	133,218	-	-	-	-	-	-	133,218	3.16%	
Amortize financing costs - 3rd Parties																11,516	298	-	-	11,814	-	-	-	-	-	-	11,814		
TOTAL NOTES PAYABLE			\$ 7,649,623								\$ 4,190,886	\$ -	\$ -	\$ -	\$ 4,190,886	\$ 154,087	\$ (9,055)	\$ -	\$ -	\$ 145,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,032	3.46%	

**DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
PRO-FORMA RATE BASE**

	(1)	(2)	(3)	(6)	(7)	(8)
	<u>Original Temporary Rate Filing</u>			<u>Temporary Rates</u>		
	<u>13-month Average</u>	<u>Company Pro-forma Adjust's</u>	<u>Pro-forma Rate Base</u>	<u>Staff Pro-forma Adjust's (Sch 3a)</u>	<u>Staff Adj # (Sch 3a)</u>	<u>Pro-forma Rate Base</u>
<b><u>Net Utility Plant in Rate Base</u></b>						
Utility Plant in Service	\$ 16,335,956	\$ -	\$ 16,335,956	\$ (75,064)	1	\$ 16,260,892
Less: Accumulated Depreciation	(5,886,912)	-	(5,886,912)	-		(5,886,912)
Net Utility Plant in Service	10,449,044	-	10,449,044	(75,064)		10,373,980
Less: Contributions in Aid of Construction (CIAC)	(8,781,717)	-	(8,781,717)	-		(8,781,717)
Add: Accumulated Amortization - CIAC	3,196,578	-	3,196,578	-		3,196,578
Net Utility Plant in Rate Base	<u>4,863,905</u>	<u>-</u>	<u>4,863,905</u>	<u>(75,064)</u>		<u>4,788,841</u>
<b><u>Net Working Capital in Rate Base</u></b>						
Cash Working Capital	138,413	5,357	143,770	(9,770)	2-3	134,000
Materials and Supplies	44,568	-	44,568	-		44,568
Prepayments - Other	16,089	-	16,089	(16,089)	4	-
Prepayments - Taxes	18,935	-	18,935	-		18,935
Accumulated Deferred Income Taxes - Assets	15,235	-	15,235	-		15,235
Miscellaneous Deferred Debits	40,042	-	40,042	-		40,042
Accumulated Deferred Income Taxes - Liabilities	(32,049)	-	(32,049)	-		(32,049)
Rounding	(1)	1	-	-		-
Net Working Capital in Rate Base	<u>241,232</u>	<u>5,358</u>	<u>246,590</u>	<u>(25,859)</u>		<u>220,731</u>
<b>TOTAL RATE BASE</b>	<u>\$ 5,105,137</u>	<u>\$ 5,358</u>	<u>\$ 5,110,495</u>	<u>\$ (100,923)</u>		<u>\$ 5,009,572</u>

DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
PRO-FORMA ADJUSTMENTS TO RATE BASE

Adi #

Pro-forma Adjustments to Net Plant:

Plant in Service

1	To remove wells in the Fieldstone location not currently serving customers per Audit Issue #3. Wells in Fieldstone location held in Property Held for Future Use, account 103	\$ (75,064)
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Total Adjustments - Plant in Service	\$ (75,064)
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Working Capital:

Cash Working Capital

2	To modify test year Cash Working Capital which will report test-year at 13-month average (Per Sch 3b).	\$ (9,541)
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3	To adjust Cash Working Capital for pro-forma adj's to O&M Expenses: Net pro-forma adj's to O&M Expenses (Sch 4; Col 6)	\$ (1,857)
	Cash Working Capital Percentage (Monthly Billing)	12.33% (229)

Total Adjustments - Cash Working Capital	\$ (9,770)
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Prepayments - Other

4	To adjust Prepaid expenses: include only those prepaids not included in Cash Working Capital:	\$ (16,089)
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Total Adjustments - Prepayments - Other	\$ (16,089)
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Total Pro Forma Adjustments to Rate Base	(100,923)
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**DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
CALCULATION OF 13-MONTH AVERAGE RATE BASE**

	For the Month Ended												Staff 13-Month Average	Test Year Average (Per Company)	Staff Adjustment	
	12/31/15	01/31/16	02/28/16	03/31/16	04/30/16	05/31/16	06/30/16	07/31/16	08/31/16	09/30/16	10/31/16	11/30/16				12/31/16
<b>Net Utility Plant in Rate Base</b>																
Total Utility Plant	\$ 16,279,598	\$ 16,283,098	\$ 16,285,973	\$ 16,289,162	\$ 16,292,068	\$ 16,301,612	\$ 16,311,418	\$ 16,315,826	\$ 16,322,081	\$ 16,329,557	\$ 16,419,871	\$ 16,462,280	\$ 16,474,890	\$ 16,335,956	\$ 16,335,956	\$ -
Less: Accumulated Depreciation	(5,662,313)	(5,703,313)	(5,744,212)	(5,784,851)	(5,825,007)	(5,857,326)	(5,894,182)	(5,932,540)	(5,971,946)	(6,008,521)	(6,011,543)	(6,050,928)	(6,083,178)	(5,886,912)	(5,886,912)	-
Net Utility Plant in Service	10,617,285	10,579,785	10,541,761	10,504,311	10,467,061	10,444,286	10,417,236	10,383,286	10,350,135	10,321,036	10,408,328	10,411,352	10,391,712	10,449,044	10,449,044	-
Less: Contributions in Aid of Construction	(8,794,493)	(8,794,493)	(8,794,393)	(8,794,032)	(8,793,537)	(8,785,256)	(8,782,027)	(8,779,861)	(8,778,542)	(8,774,667)	(8,764,865)	(8,763,450)	(8,762,709)	(8,781,717)	(8,781,717)	-
Add: Accumulated Amortization - CIAC	3,103,917	3,121,167	3,138,317	3,155,205	3,171,961	3,181,805	3,196,701	3,212,660	3,229,466	3,243,716	3,252,046	3,263,756	3,284,792	3,196,578	3,196,578	-
Net Utility Plant in Rate Base	\$ 4,926,709	\$ 4,906,459	\$ 4,885,685	\$ 4,865,484	\$ 4,845,485	\$ 4,840,835	\$ 4,831,910	\$ 4,816,085	\$ 4,801,059	\$ 4,790,085	\$ 4,895,509	\$ 4,911,658	\$ 4,913,795	\$ 4,863,905	\$ 4,863,905	\$ -
<b>Net Working Capital in Rate Base</b>																
Cash Working Capital:																
12-Month O&M Expenses	\$ 1,054,823	\$ 1,068,705	\$ 1,062,667	\$ 1,056,657	\$ 1,068,188	\$ 1,066,232	\$ 1,070,412	\$ 1,078,242	\$ 1,109,704	\$ 1,125,312	\$ 1,129,890	\$ 1,140,264	\$ 1,122,571			
Cash Working Capital % (45 days / 365 days)	x 12.33%															
Cash Working Capital	130,047	131,758	131,014	130,273	131,694	131,453	131,969	132,934	136,813	138,737	139,302	140,580	138,399	134,229	143,770	(9,541)
Materials and Supplies	22,767	36,946	35,520	50,998	48,110	53,698	53,364	50,393	47,250	52,703	39,763	44,156	43,721	44,568	44,568	-
Prepayments - Other	12,537	11,098	10,049	15,962	12,008	14,118	16,776	15,896	18,580	18,263	23,289	22,403	18,175	16,089	16,089	-
Prepayments - Taxes	39,879	21,861	3,844	-	-	-	39,777	21,793	3,810	-	-	53,083	62,110	18,935	18,935	-
Accumulated Deferred Income Taxes - Assets	15,883	15,755	15,668	15,560	15,452	15,344	15,237	15,129	15,021	14,913	14,806	14,698	14,590	15,235	15,235	-
Miscellaneous Deferred Debits	41,399	41,173	40,947	40,720	40,494	40,268	40,042	39,815	39,589	39,363	39,137	38,910	38,684	40,042	40,042	-
Accumulated Deferred Income Taxes - Liabilities	(28,342)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(31,534)	(41,422)	(32,049)	(32,049)	-
Net Working Capital in Rate Base	\$ 234,170	\$ 227,057	\$ 205,508	\$ 221,979	\$ 216,224	\$ 223,347	\$ 265,631	\$ 244,426	\$ 229,529	\$ 232,445	\$ 224,763	\$ 282,296	\$ 274,257	\$ 237,049	\$ 246,590	\$ (9,541)
<b>TOTAL RATE BASE</b>	<b>\$ 5,160,879</b>	<b>\$ 5,133,516</b>	<b>\$ 5,091,193</b>	<b>\$ 5,087,463</b>	<b>\$ 5,061,709</b>	<b>\$ 5,064,182</b>	<b>\$ 5,097,541</b>	<b>\$ 5,060,511</b>	<b>\$ 5,030,588</b>	<b>\$ 5,022,530</b>	<b>\$ 5,120,272</b>	<b>\$ 5,193,954</b>	<b>\$ 5,188,052</b>	<b>\$ 5,100,954</b>	<b>\$ 5,110,495</b>	<b>\$ (9,541)</b>

**DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
PRO-FORMA OPERATING INCOME STATEMENT**

	(1)	(2)	(3)	(6)	(7)	(8)	(9)	(10)
	Original Temporary Rate Filing			Temporary Rates				
	Actual Test Year	Company Pro-forma Adjust's	Pro-forma Test Year	Staff Pro-forma Adjust's (Sch 4a)	Adj # (Sch 4a)	Pro-forma Operating Income	Revenue Deficiency (Surplus) (Sch 1)	Operating Income Requirement (Sch 1)
<b>Operating Revenue:</b>								
Sales of Water	\$ 1,721,167	\$ 131,780	\$ 1,852,947	\$ -		\$ 1,852,947	\$ (7,451)	\$ 1,845,496
Other Operating Revenue	69,300	-	69,300	-		69,300		69,300
<b>Total Operating Revenues</b>	<b>1,790,467</b>	<b>131,780</b>	<b>1,922,247</b>	<b>-</b>		<b>1,922,247</b>	<b>(7,451)</b>	<b>1,914,796</b>
<b>Operating Expenses:</b>								
Operation & Maintenance Expenses:								
Source of Supply	24,518	-	24,518	-		24,518		24,518
Pumping Expenses	283,753	-	283,753	-		283,753		283,753
Water Treatment Expenses	139,446	-	139,446	-		139,446		139,446
Transmission & Distribution Expenses	78,687	-	78,687	-		78,687		78,687
Customer Accounts Expenses	117,287	-	117,287	-		117,287		117,287
Administrative & General Expenses	478,880	43,447	522,327	(1,857)	5	520,470		520,470
<b>Total Operation &amp; Maintenance Expenses</b>	<b>1,122,571</b>	<b>43,447</b>	<b>1,166,018</b>	<b>(1,857)</b>		<b>1,164,161</b>	<b>-</b>	<b>1,164,161</b>
Depreciation Expense	497,371	-	497,371	-		497,371		497,371
Amortization Expense - CIAC	(212,659)	-	(212,659)	-		(212,659)		(212,659)
Amortization Expense - Other	2,715	-	2,715	-		2,715		2,715
Taxes Other Than Income	176,391	-	176,391	-		176,391		176,391
<b>Total Operating Expenses</b>	<b>1,586,389</b>	<b>43,447</b>	<b>1,629,836</b>	<b>(1,857)</b>		<b>1,627,979</b>	<b>-</b>	<b>1,627,979</b>
<b>Net Operating Income before Income Taxes</b>	<b>204,078</b>	<b>88,333</b>	<b>292,411</b>	<b>1,857</b>		<b>294,268</b>	<b>(7,451)</b>	<b>286,817</b>
<b>Income Taxes:</b>								
Federal Income Taxes	11,181	-	11,181	-		11,181		11,181
State Income Taxes	3,000	293	3,293	506	6	3,799	(611)	3,188
<b>Total Income Taxes</b>	<b>14,181</b>	<b>293</b>	<b>14,474</b>	<b>506</b>		<b>14,980</b>	<b>(611)</b>	<b>14,369</b>
<b>NET OPERATING INCOME</b>	<b>\$ 189,897</b>	<b>\$ 88,040</b>	<b>\$ 277,937</b>	<b>\$ 1,351</b>		<b>\$ 279,288</b>	<b>\$ (6,840)</b>	<b>\$ 272,448</b>

DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

<u>Adj #</u>		
<b><u>Administrative &amp; General Expenses</u></b>		
5	To reduce wage adjustments for 401k option not taken by employee (See Staff DR#1-2)	\$ (1,857)
	Total Adjustments - Administrative & General Expenses	<u>\$ (1,857)</u>
<b><u>Income Tax</u></b>		
6	To adjust Business Enterprise Tax calculation on Company Schedule 1D from .0075 to .0072	\$ 506
	Total Adjustments - Taxes other than Income	<u>\$ 506</u>
	<b>Total Pro-forma Adjustments to Net Operating Income before Income Taxes</b>	<b><u>\$ (1,351)</u></b>

**DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
PROFORMA ADJUSTMENTS TO INCOME TAXES**

**NHBET**

Increase / (Decrease) in Wages (See Co Pro Forma #2)	49,173
Increase / (Decrease) in Taxable Enterprise Value Tax Base	\$ 49,173
NHBET rate	0.72%
 Increase / (Decrease) in NHBET	 \$ 354

**NHBPT**

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

**Operating Revenues:**

Net Pro-forma Adjustments to Water Sales to Customers	\$ -
Net Pro-forma Adjustments to Other Operating Revenue	-

**Operating Expenses:**

Net Pro-forma Adjustments to Source of Supply Expenses	-
Net Pro-forma Adjustments to Pumping Expenses	-
Net Pro-forma Adjustments to Water Treatment Expenses	-
Net Pro-forma Adjustments to Transmission & Distribution Expenses	-
Net Pro-forma Adjustments to Customer Accounts Expenses	-
Net Pro-forma Adjustments to Administrative & General Expenses	1,857
Net Pro-forma Adjustments to Depreciation Expense	-
Net Pro-forma Adjustments to Amortization Expense - CIAC	-
Net Pro-forma Adjustments to Amortization Expense - Other	-
Net Pro-forma Adjustments to Taxes Other Than Income	-

Net Revenue / (Expense) Subject to NHBPT	1,857
Less: New Hampshire Business Profits Tax @ 8.20%	(152)
Add: (Increase) / Decrease in NHBET	(354)
Net Pro-forma Adjustments to Operating Revenue / Expenses	\$ 1,351

**DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
EFFECTIVE TAX FACTOR**

Taxable Income	100.00%
Less: NH Busines Profits Tax	<u>8.20%</u>
Federal Taxable Income	91.80%
Federal Income Tax Rate	<u>0.00%</u>
Effective Federal Income Tax Rate	0.00%
Add: NH Business Profits Tax	<u>8.20%</u>
Effective Tax Rate	<u><u>8.20%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>8.20%</u>
Percent Used as a Divisor in Determing the Revenue Requirement	<u><u>91.80%</u></u>
Tax Multiplier	<u><u>0.08932</u></u>

**DW 17-118  
HAMPSTEAD AREA WATER COMPANY, INC.  
TEMPORARY RATES  
CALCULATION OF RATES - CHANGING CONSUMPTION ONLY**

Total Annual Water Revenues Proposed per Settlement (Sch 1)		\$ 1,845,496
Less: Fire Protection Revenues		
Municipal	\$ 41,336	
Private	-	(41,336)

Revenues from General Metered Customers \$ 1,804,160

Customer Charge Revenues:

Meter Size	Present Rate	Percent Increase	Proposed Rate	Pro-forma # of Customers	Annual Revenues
5/8" Meter	\$ 120	0.00%	\$ 120	3,507	\$ 420,840
3/4" Meter	240	0.00%	240	-	-
1" Meter	360	0.00%	360	65	23,400
1 1/2" Meter	720	0.00%	720	2	1,440
2" Meter	1,200	0.00%	1,200	4	4,800
			(a)	3,578	\$ 450,480

Consumption Charge Revenues: \$ 1,353,680

Consumption Charge Revenues		\$ 1,353,680		
Total Pro-forma Annual Consumption (ccf)	(b)	+	243,624	
Consumption Rate per Customer (per ccf)			\$ 5.56	
Total Pro-forma Annual Consumption (ccf)		x	243,624	(1,353,680)

Unallocated Water Revenues \$ -

**(b) Pro-forma Consumption:**

<b>2016 Actual Water Sales:</b>			
Gallons			182,243,771
Conversion to Cubic Feet		+	7.48
Cubic Feet			24,362,449
Conversion to CCF		÷	100
			243,624

Average Usage per Staff 1-10:

**NEW RATE:**

Average usage for a Residential Customer per month:	5.67	x	5.56	=	31.53
Meter charge					10.00
					\$ 41.53

**OLD RATE:**

Average usage for a Residential Customer per month:	5.67	x	5.02	=	28.49
Meter charge					10.00
					\$ 38.49

AVERAGE MONTHLY INCREASE PER RESIDENTIAL CUSTOMER: \$ 3.04

AVERAGE YEARLY INCREASE PER RESIDENTIAL CUSTOMER: \$ 36.53