STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: September 6, 2018
AT (OFFICE): NHPUC

FROM: James Schuler, Examiner
Sean Courtois, Examiner

SUBJECT: Abenaki Water Company - Rosebrook
DW 17-165
REVISED Final Audit Report

TO: Steve Frink, Director, Gas/Water Division
Jayson Laflamme, Assistant Director, Gas/Water Division
Robyn Descoteau, Utility Analyst III

Introduction

Abenaki Water Company (AWC, Abenaki or Company), is a wholly-owned subsidiary of New England Service Company (NESC) a publicly traded corporation headquartered in Plainville, CT. Abenaki Water Company owns the former White Rock Water based in Bow, NH, Lakeland Management water and sewer systems based in Belmont, NH, and Rosebrook Water based in Bethlehem and Carroll, NH. The settlement agreement granting Abenaki authority to purchase the assets and transfer the utility franchise of Rosebrook Water System was approved by the NHPUC by Order #25,934 dated August 9, 2016.

As a result of the purchase, Abenaki now provides water services to approximately 410 metered customers consisting of 390 residential and 20 commercial customers in the towns of Bethlehem and Carroll, NH. On December 4, 2017 Abenaki – Rosebrook filed with the Commission, a petition for permanent rate increases, with an additional request filed for temporary rates. The rate case test year is for the 12 months beginning October 1, 2016 and ending September 30, 2017. Audit appreciates the assistance provided throughout the audit process by Pauline Doucette, Office Manager for Abenaki - Rosebrook Water Company.

Affiliate Agreement

The Company provided the affiliate agreements between NESC, the service Company and AWC-Rosebrook that were in effect on January 1, 2017 and a revised agreement effective September, 2017.

Below is the list the scope of services and provisions to be provided by NESC to AWC-Rosebrook and includes the following:

- 24/7 stand-by work for emergencies or unexpected and non-scheduled work
- Meter reading on a monthly, quarterly or as needed basis
- Regulatory and compliance reporting
- Monitoring water quality and systems oversight and services
- Shut-offs or turn-ons of water services
- Valve exercising and flushing of mains
- Resolving on-site water and service issues
- Ongoing cross connection inspections
- Miscellaneous customer service issues
- Other routine, periodic and related tasks as necessary

The following schedule of charges rendered by NESC and paid to NESC by AWC-Rosebrook for the agreement dated January 1, 2017 are as follows:

a) Regular Work Hours – Operator @ $75 per hour

b) NH Administrative Support/Accounting @ $60 per hour

c) Overtime Work Hours (usually for emergency and unplanned jobs) @ $112 per hour ($75 x 1.5)

d) On Call Coverage (24/7) @ $210 per week

g) All other labor to be billed at cost

Throughout the twelve months ending 9/30/2017, NESC was paid $401,194, distributed among the three NH Abenaki utilities, balance sheet account totaling $102,282 and expense accounts $298,912:

New England Service Company test year postings

Account #	Description	LMC	WR	RBW	Total	RBW as % of Total
1051xxxxx	Maps/VFD Pumps/Media	$ 11,384	$ 2,617	$ 365	$ 14,367	3%
1620x0xxx	Prepayments	$ 2,569	$ 1,220	$ 2,633	$ 6,422	41%
1831xxxx	Due Diligence/Studies	$ 7,433	$ -	$ 22,585	$ 30,018	75%
18617xxxx	Study/Financing/Rate Case Exp	$ 957	$ 10	$ 3,899	$ 4,866	80%
231040000	Accounts Payable-NESC	$ (32,389)	$ -	$ -	$ (32,389)	0%
3111xxxxx	Wells	$ 3,730	$ -	$ 862	$ 4,592	19%
320161102	Media	$ -	$ 631	$ -	$ 631	0%
3331xxxxx	Services	$ 2,349	$ 5,334	$ 2,540	$ 10,223	25%
3341x0xxx	Meters	$ 82	$ 1,539	$ 55,685	$ 57,306	97%
341161203	Transportation	$ -	$ -	$ 2,209	$ 2,209	100%
343030000	Tools/Shop/Garage	$ -	$ -	$ 107	$ 107	100%
34717xxxx	Miscellaneous Office	$ 2,868	$ 23	$ 1,038	$ 3,930	26%
	NESC Booked to Balance Sheet	**$ (1,017)**	**$ 11,375**	**$ 91,923**	**$ 102,282**	**90%**

New England Service Company test year postings

Account #	Description	LMC	WR	RBW	Total	RBW as % of Total
6240x0000	Pumping Labor and Expense	$ 18,446	$ 15,910	$ 14,130	$ 48,486	29%
6310x0000	Maintenance of Structures	$ 2,325	$ 19	$ 1,386	$ 3,729	37%
6330x0000	Maintenance Pumping Equip.	$ 1,800	$ 521	$ 17,004	$ 19,326	88%
6410x0x00	Chemicals	$ 150	$ 105	$ 356	$ 611	58%
6420x0000	Treatment Labor and Expense	$ 2,534	$ 5,705	$ 20,712	$ 28,951	72%
652030000	Maintenance of Trtmt Equip.	$ -	$ -	$ 7,189	$ 7,189	100%
6630x0000	Meter Expenses	$ 75	$ 375	$ 941	$ 1,391	68%
664010x00	Emergency Calls	$ 1,824	$ -	$ 300	$ 2,124	14%
6730x0000	Maintenance of Trans/Dist Mains	$ 914	$ 635	$ 113	$ 1,661	7%
6750x0000	Maintenance of Services	$ 1,189	$ 151	$ 4,249	$ 5,589	76%
676030000	Maintenance of Meters	$ -	$ -	$ 1,837	$ 1,837	100%
677030000	Maintenance of Hydrants	$ -	$ -	$ 5,009	$ 5,009	100%
775030000	Pumping Maintenance Expense	$ 9,764	$ -	$ -	$ 9,764	0%
9020x0000	Meter Reading	$ 1,719	$ 1,950	$ 6,087	$ 9,757	62%
9030x0000	Customer Records	$ 2,456	$ 1,957	$ 3,196	$ 7,610	42%
9200x0x00	Admin and General Salaries	$ 27,749	$ 21,462	$ 60,604	$ 109,816	55%
9210xxxxx	Office Supplies and Expenses	$ 4,978	$ 3,549	$ 12,057	$ 20,583	59%
9230xxxxx	Professional Services	$ 474	$ 185	$ 655	$ 1,313	50%
9240x0000	Property Insurance	$ 190	$ 63	$ -	$ 253	0%
926050x00	On Call Pay	$ 1,527	$ 782	$ 2,838	$ 5,147	55%
9300xxxxx	Liability/D&O Insurance/Cloud fee	$ 382	$ 192	$ 1,656	$ 2,230	74%
934030000	Vehicle Maintenance	$ -	$ -	$ 5,822	$ 5,822	100%
9500x0000	Maintenance of Plant	$ 77	$ -	$ 639	$ 716	89%
	NESC Expensed	**$ 78,571**	**$ 53,560**	**$ 166,780**	**$ 298,912**	**56%**

Audit requested the monthly NESC invoices for services rendered to AWC-Rosebrook for the months of October, 2016, April and September 2017. Refer to the testing within the Plant in Service and Operations and Maintenance portions of this report.

General Ledger

AWC-Rosebrook uses Northern Data Systems for their accounting system. Audit reviewed the January through September 2017 detailed general ledger and found that many account balances from December 2016 did not carry over the balances to the detailed general ledger as of September 2017. Although the summary general ledger balance for 2017 did include all the accounts. Audit requested an explanation to understand if it was a system error or an oversite. The Company responded that the system default does not print accounts on the detailed general ledger that have n o activity for the period.

Review of Internal and External Audit Reports

Audit reviewed the December 31, 2015 and 2016 Financial Statement audit performed by Dworken, Hillman, Lamorte, and Sterczala that stated the financial statements present fairly, in all material respects, the financial position of Abenaki Water Company as of December 31, 2015 and 2016.

A note on the audit report stated the Company made a change to Financial Accounting Standards Board updates 2015-3 Simplifying the issuance of debt. Audit reviewed the draft audit report that was conducted by Dworken, Hillman, Lamorte, and Sterczala that stated that as December 31, 2016 and 2017 the Financial Statements present fairly in all material aspects the financial position of the Company. AWC-Rosebrook stated they have not conducted any internal audits.

Utility Plant in Service

Audit chose to review the activities since the last audit of Rosebrook Water Company which used the test-year of 2011. Coinciding with that audit, a compliance review of additions and CIAC for 2012 was completed. Therefore, Audit reviewed the plant additions and retirements for the years 2013 through the end of the current test-year, September 30, 2017.

The filing schedule 3 shows the Plant in Service ending balances as of December 2016, March 2017, June 2017 and September 2017. The general ledger shows Total Plant in Service as of September 30, 2017 of $1,553,770 which agrees with the filing schedule 3.

Continuing Property Records (CPR)

Audit requested the CPR from Rosebrook Water Company prior to the acquisition date for the years 2013 through September 30, 2016 and for the test-year October, 2016 through September 2017. Audit also requested a sample of prior years' additions and retirements to Plant in Service. The Company responded that they do not have access to any of the Rosebrook's records. From the last rate case, Rosebrook Water Company was cited for not maintaining property records. The Company maintains a depreciation schedule that records additions and retirements along with the depreciation expense and accumulated depreciation. The additions are listed individually however no specific identifier or location of the asset is used. Audit verified additions and retirements for 2014, 2015, 2016 and 9 months in 2017 are carried forward on the schedule however no pre-acquisition work orders were available (**Audit Issue #1)**.

Bidding

Audit requested general information on the bidding policy and a list of bids and proposals for projects undertaken during the test-year. The Company stated that there is no bidding policy and there were no requests for proposals for the test-year.

Rosebrook Prior Years' Additions

Audit reviewed the PUC annual reports and noted the following additions according to the annual report schedule F8 – Utility Plant in Service:

2013, acct 334-03-00-00, Meters	$ 393
2013, acct 346-03-00-00, Communication Equipment	$1,542
2013, acct 347-03-00-00, Computer Equipment	$ 875
Total 2013 Additions	$2,810
2014, acct 331-04-03-00, Transmission & Distribution Mains	$ 2,000
2014, acct 334-03-00-00, Meters	$ 9,337
2014, acct 335-03-00-00, Hydrants	$ 3,000
2014, acct 347-03-00-00, Computer Equipment	$ 799
Total 2014 Additions	$15,136
2015, acct 311-03-00-00, Pumping Plant & Equipment	$13,049
2015, acct 334-03-00-00, Meters	$ 3,505
Total 2015 Additions	$16,554
2016, acct 334-03-00-00, Meters	$10,632
2016, acct 334-03-00-00, 2016 Purchase Meters	$ 678
2016, acct 341-16-12-03, Transportation Equipment	$26,241
2016, acct 347-16-08-03, Customer Conversion	$ 6,723
Total 2016 Additions	$44,274
2017, acct 311-17-12-03, Well #2 check Valve	$ 2,729
2017, acct 333-17-05-03, Services & Renewals	$ 3,327
2017, acct 334-16-01-03, 2016 Install Meters	$ 859
2017, acct 334-17-01-03, 2017 Purchase Meters	$108,476
2017, acct 334-17-02-03, 2017 Install Meters	$ 80,357
2017, acct 341-16-12-03, Transportation Equipment	$ 1,590
2017, acct 343-03-00-00, Shop Equipment	$ 107
2017, acct 347-17-10-03, NH Office Cannon Copier	$ 1,641
2017, acct 347-17-15-03, Website Design	$ 843
Total 2017 Additions	$199,929

Rosebrook 2014 Additions

Transmission & Distribution Mains, account 331 was charged with a total of $2,000 for the purchase and installation of approximately 18 feet of 6 inch CL52 DI SJ pipe in 2014.

Vendor/Contractor	Account/Description	Amount
Dodge Contracting	331/Transmission & Distribution Mains	$ 2,000

The Company stated that they do not have access to Rosebrook's Water Company's work orders prior to the acquisition. However, the 2016 depreciation report does show the 2014 addition T & D Mains $2,000 with a fifty-year service life. AWC-Rosebrook is charging $40 per year of depreciation expense.

Rosebrook 2015 Additions

Audit requested the 2015 Year-to-Date Activity Report for account 311, Pumping Equipment showing additions of $13,049 and retirements of $6,607 including the Accounts Payable Approval for Payment Report and the related invoice(s).

The Company responded that they do not have access to Rosebrook Water Company's work orders prior to the acquisition of Rosebrook. However, the 2016 depreciation report does show the December 31, 2015 addition of an 8", 60HP, 460V, submersible motor totaling $13,049 with a ten-year service life. Rosebrook Water Company charged ½ year depreciation in 2015 for $652 and full-year depreciation in 2016 for $1,305.

Rosebrook 2016 Additions

Transportation Equipment, account 341-03-00-00, was charged $25,254 for the purchase of a new 4 wheel-drive pickup truck in December 2016. The total truck purchase booked to the general ledger is shown below:

12/12/2016-New England Service Co.	$ 117
12/16/2016-Truck Purchase	$25,254
02/14/2017-New England Service Co., December 2016	$ 63
02/16/2017-New England Service Co., 2016 Vehicle Expense	$ 807
Total 2016 Transportation Equipment	$26,241

The Company provided the 2016 Year-to-Date Activity Report, the purchase order and the vendor invoice showing the 2016 truck purchase totaling $25,254 posted to account 341-16-12-03, Transportation Equipment. Account 341-03-00-00 shows the acquisition of the 2008 Chevy truck from Rosebrook Water Company for $17,173 and the retirement of the truck, which was fully depreciated, for the same amount to zero-out the account. AWC-Rosebrook uses the new account 341-16-12-03 for transportation related assets. Accumulated Depreciation, account 108-03-00-00 was debited for the full amount of the retirement.

Subsequent activity in 2017 results in the September 30, 2017 test-year ending balance of $26,886 as shown below:

12/31/2016 - Total 2016 Transportation Equipment	$26,241
02/02/2017 - Signage	$ 293
03/03/2017 - New England Service Co.	$ 277
05/11/2017 - New England Service Co.	$ 75
Total 2017 Transportation Equipment	$26,886

Rosebrook 2017 Additions

Meter, Meter Installations and Retirements

The Company's testimony included in the filing states that the installation of radio read meters has been completed for nearly 100% of the customers. The Meter Change Log provided by the Company reports 412 meters have been replaced for 410 customers with several customers having two meters. The general ledger shows the following meter activity during the test-year:

GL #	Account Name	10/1/2016 Beg. Balance	Debits	Credits	9/30/2017 Ending Balance
334-03-00-00	Meters-RWC	$ 51,953	$ -	$(12,758)	$ 39,195
334-16-01-03	2016 Purch Meters RBW	$ -	$ 10,632	$ -	$ 10,632
334-16-02-03	2016 Install Meters-RBW	$ -	$ 1,647	$ (968)	$ 678
334-17-01-03	2017 Purch Meters RBW	$ -	$ 108,476	$ -	$ 108,476
334-17-02-03	2017 Install Meters-RBW	$ -	$ 80,356	$(13,017)	$ 67,339
		$ 51,953	$ 201,110	$(26,743)	$ 226,320

Of the $108,476 purchases reflected in the general ledger account 334-17-01-03, Meters, Audit selected thirteen entries, summing to $89,200, to review in detail. The selection represents 82% of the account total. Invoices from TiSales were provided which demonstrated the number of meters purchased, rubber meter washers, and other minor items. Each invoice was sold to Abenaki Water Company, and shipped to AWC-Rosebrook in Bretton Woods (Carroll) NH. All invoices reviewed supported the entries booked to the general ledger.

Audit received the Meter Change Log showing, among other pertinent data, the meter location, the customer's name, the date the meter was changed and the installer's initials for all the meter installations in 2017. Audit matched 193 meters, or 47% of the total meters installed, from the Meter Change Log to the installation sheets with only minor differences in the meter size between the installer's sheet and the Log. However, all 50 meters installed in the Fairway Village location did not match or were not labeled **(Audit Issue #2)**.

Location	Number of Meters Tested
Omni Mt. Washington Resort	19
Crawford Ridge	22
Dartmouth Ridge	16
Fairway Village	50
Mt. Washington Homes	9
Mt. Washington Place	30
Rosebrook	28
Riverfront	9
Stone Hill	10
	193

Mr. Vaughn's testimony included several reasons for the conversion to radio read meters*: cash flow, reduction of bad debt, more accurate invoicing, virtual elimination of estimated bills, facilitation of monthly billing, earlier homeowner detection of leaks, the ability to calculate unaccounted for water on a monthly basis, and over the long-term, a reduction in operating expense*. The bad debt related to AWC-Rosebrook was expensed to account 904, Uncollectible Accounts, per the PUC Annual Reports. For information, Audit has summarized the Uncollectible, the net Accounts Receivable and Total Revenue since the prior audit (test year 12/2011). The 2016 and 2017 Annual Reports do not reflect the individual systems' balance sheet accounts or revenue for 2016 and 2017. Audit used the general ledger information to compile the figures:

	Expensed to Account #904	Net Accounts Receivable #141	Total Revenue
2012	$ -0-	$51,468	$210,360
2013	$384	$54,265	$309,431
2014	$-0-	$ (2,486)	$396,841
2015	$-0-	$ (2,252)	$413,227
2016	$-0-	$ 2,686	$ 74,816 (Oct – Dec 2016)
9/2017	$-0-	$34,301	$201,523 (Jan – Sep 2017)

Meter Reading Expense, account 902 for the test-year totaled $358 for the three months October 1 to December 31, 2106 and $5,603 for January 1 through September 30, 2017 resulting in total meter reading expense for the test-year of $5,961. Comparing the meter reading expense to Rosebrook Water Company for 2015, the last comprehensive year of expenses, Rosebrook Water Company's total account 903, Customer Records and Collections was $1,357. There was zero listed for account 902.

Account 334 – Meters on the general ledger shows retirements for the test-year totaling $12,758. However, the Depreciation Report shows total test-year meter retirements of $33,318, a variance of $20,560 **(Audit Issue #3)**.

Although the filing and general ledger tie at the end of the test-year, the 2015 ending balance on the 2015 annual report for account 334-03-00-00, Meters, in the amount of $50,188 is not reflected on the general ledger as the beginning balance for October 2016, the month of acquisition, due to the net of $3,952 meters added and $2,187 meters retired prior to the acquisition by Abenaki. The general ledger reports an October 1, 2016 beginning balance of $51,953, the increase of the net $1,765.

Allowance for Funds Used During Construction (AFUDC)

The filing Schedule 1, Statement of Income line 14 account 420 - AFUDC, reports a zero-balance throughout the test-year. The Company states that they do not calculate AFUDC for AWC-Rosebrook.

Organization

The general ledger reports Organization expenses, account 301-03-00-00 in the amount of $42,294. This amount is a component of total Plant in Service from the filing schedule 3 which reports $1,553,770 as of September 30, 2017. From the description on Rosebrook Water Company's 2012 general ledger, these costs consist of legal fees and advertising associated with the purchase, by BW Land Holdings, LLC., of the utility's stock from MWH Preservation Limited Partnership in 2007. The amount is being depreciated over 40 years with the test-year depreciation totaling $1,057.

Retirement of Fixed Capital

The total retirements reported on each PUC annual report and the test-year general ledger since the prior audit in 2012 is summarized below:

Year	Retirements
2013	$ -0-
2014	$ 3,062
2015	$ 9,638
2016	$ 20,737 per g/l
2017	$ 13,099 per g/l

Rosebrook reported no retirements of fixed plant in service for the year 2013. The retirements reported on the annual reports in 2014 for $3,062 and 2015 for $9,638 were verified to the Depreciation Report.

For 2016, pre-acquisition retirements totaled $2,955. The general ledger account 334-03-00-00, Meters shows the credit for $608 described as the replacement of five meters and account 341-03-00-00, Transportation Equipment shows a 2017 credit for the retirement of a 2008 Chevy Truck for $17,174. The retirements totaling $20,737 were debited to the accumulated depreciation for the same amount. No exceptions were noted.

In 2017, account 304-03-00-00, Source of Supply Structures shows the disposition of a pump station door in the amount of $949. Account 334-03-00-00, shows Meters retired of $12,150 representing total 2016 retirements of $13,099. The pump station door was debited to the accumulated depreciation for the full value. The meters were debited to accumulated depreciation for $11,627 via a month-end entry for period 6 but a request for the difference of $523 was not provided **(Audit Issue #4)**.

Audit noted that there were no costs of removal or salvage value associated with the pre-acquisition retirements.

Depreciation

The following table was based on the Company's annual reports and the general ledger for the test-year:

	Beginning Balance	Expense	Book Cost of Retirements	Cost of Removal	Salvage	Adjustments	Ending Balance
2012	$ 528,912	$ 44,711	$ (89,935)	$ -	$ -	$ 819	$ 484,507
2013	$ 484,507	$ 51,592	$ -	$ -	$ -	$ -	$ 536,099
2014	$ 536,099	$ 50,213	$ (3,062)	$ -	$ -	$ (1)	$ 583,249
2015	$ 583,249	$ 49,498	$ (9,638)	$ -	$ -	$ -	$ 623,109
2016	$ 623,109	$ 48,797	$ (20,737)	$ -	$ -	$ -	$ 651,169
2017	$ 651,169	$ 39,912	$ (12,576)	$ -	$ -	$ -	$ 678,505

For 2016, the ending balance of $651,169 per the general ledger agrees with the ending balance shown on filing schedule 3. The September, 2017 ending balance shown on schedule 3 of the filing of $678,505 also agrees with the general ledger.

Account 403-03-00-00, Depreciation Expense totaled $31,437 for the period January 1, 2016 through September 30, 2016 and from October 1, 2016 through December 31, 2016 the expense totaled $17,360 resulting in total depreciation expense of $48,797 for 2016.

For the period January 1, through September 30, 2017 the general ledger shows depreciation expense totaling $39,912 resulting in total test-year depreciation expense of $57,272 which agrees with total Depreciation Expense reported on schedule 1, line 4 of the filing.

Depreciation rates and the use of half-year convention for newly added or retired assets was confirmed and recalculated with no exceptions noted.

<u>Contributions in Aid of Construction (CIAC)</u>

The account 271-03-00-00, CIAC balance at the end of the test-year totaled $446,331 which agrees with the general ledger. The contributed assets consist of main extensions, meters and hydrants. However, the Company posted two amortization expense entries totaling $2,377 to account 271-03-00-00, CIAC in error rather than to account 272-03-00-00, Accumulated Amortization of CIAC. The net CIAC does not change. However, the filing schedule 3, line 10 should be $(448,708) rather than $(446,331) and the Accumulated Amortization figure should be $178,913 rather than $176,537. **(Audit Issue #5)**.

	Beginning Balance	Debits	Credits	Adjustments	Ending Balance
2012	$ 247,914	$ -	$ 192,951	$ -	$ 440,865
2013	$ 440,865	$ -	$ -		$ 440,865
2014	$ 440,865	$ -	$ 7,551	$ (1)	$ 448,415
2015	$ 448,415	$ (3)	$ 296		$ 448,708
2016	$ 448,708	$ -	$ -	$ -	$ 448,708
2017	$ 448,708	$ -	$ -		$ 448,708

Accumulated Amortization of CIAC and Amortization Expense

Account 405-03-00-00, Amortization of CIAC totaled $5,279 for the period October 1, 2016 through December 31, 2016 and account 405-03-00-00, Amortization of CIAC totaled $10,696 for the period January 1 through September 30, 2017 on the general ledger. Total CIAC Amortization Expense of $15,975 agrees with the filing schedule 1, line 5. Below summarizes by calendar year the Amortization Expense since the prior audit.

	Beginning Balance	Debits	Credits	Adjustments	Ending Balance
2012	$ 67,570	$ 30,071	$ -	$ -	$ 97,641
2013	$ 97,641	$ 18,479	$ -	$ -	$ 116,120
2014	$ 116,120	$ 18,113	$ -	$ -	$ 134,233
2015	$ 134,233	$ 18,171	$ (3)	$ -	$ 152,401
2016	$ 152,401	$ 15,816	$ -	$ -	$ 168,217
2017	$ 168,217	$ 10,696	$ -	$ -	$ 178,913

The Company's CIAC worksheet reports an immaterial variance of $7 in the beginning balances from 2012 through to 2015 and a $10 variance in 2016. However, account 272-03-00-00, Accumulated Amortization of CIAC totaled $176,537 on the general ledger and schedule 3 of the filing but should be $178,914 to reflect the posting error described above for $2,377 **(Audit Issue #5)**.

Acquisition Adjustment and Related Amortization

Order #25,934 in docket 16-448 dated August 9, 2016 authorized the purchase of the Rosebrook Water Company assets to Abenaki Water Company for an amount not to exceed $400,000. Audit requested the complete journal entry for the posting of the Rosebrook purchase, and was provided with the following. The entries were booked on December 2, 2016 for the October 2016 closing period:

114-03-01-00 Acquisition Premium	**$ 36,234**	**Audit Issue #6**	
151-03-00-00 Plant Materials	$ 5,408		
162-03-00-00 Prepaid before Acquisition	$ 7,660		
183-03-00-00 Preliminary Survey	$ 25,342	**Audit Issue #6**	
301-03-00-00 Organization Expense	$ 42,294		
304-03-00-00 Source of Supply Structures	$243,033		
307-03-00-00 Wells and Springs	$222,547		
311-03-00-00 Pumping Plant Equipment	$156,108		
320-03-00-00 Water Treatment Equipment	$ 26,631		
331-04-03-00 Trans. And Distrib. Mains	$459,133		
333-03-00-00 Services	$ 29,041		
334-03-00-00 Meters	$ 51,953		
335-03-00-00 Hydrants	$ 47,520		
339-03-00-00 Other Plant and Equipment	$ 6,713		
341-16-12-03 Trans.Equip.-4wd Pickup	$ 17,173		
343-03-00-00 Shop Equipment	$ 4,006		
346-03-00-00 Communication Equipment	$ 49,829		
347-03-00-00 Computer Equipment	$ 1,672		
115-03-00-00 Acc. Amort. Acq. Adjstmnt	**$332,651**		
272-03-00-00 Acc. Amort. CIAC	$162,938		
Total Debits (rounded)	$1,927,887		
108-03-00-00 Accumulated Depreciation		$651,590	
114-03-00-00 Acquisition Adjustment		**$347,259**	
131-02-00-00 Farmington Bk Checking		$388,538	wired 10/21/16
183-15-09-00 Due Diligence		$ 10,041	down payment
271-03-00-00 Contributions in Aid of Construction		$448,708	
282-03-00-00 Accumulated Deferred Income Taxes		$ 81,751	
Total Credits (rounded)		$1,927,887	

The total Utility Plant Acquisition Accounts and Accumulated Amortization of Utility Plant Acquisition Adjustment at 9/30/2017 netted to $22,750 and was verified to the following accounts:

114-03-00-00	Acquisition Adjustment	$	(347,259)
114-03-01-00	Acquisition Premium	$	36,234
	Total Adjustment	$	(311,025)
115-03-00-00	Accumulated Amortization	$	333,775
	Net Acquisition Adjustment	$	22,750

Per the direct testimony of Mr. St. Cyr, page 2, line 38, the Company states that it is seeking recovery of its 10% acquisition premium and Commission authorization to amortize these costs over an eight-year period. The basis of the $36,234 was requested but not provided **(Audit Issue #6)**.

The proforma adjustment #5 shown on schedule 3A, page 2 of 3, reflects a calculation of amortizing the proposed $36,234 over 8 years, and applying the ½ year convention to the test year. The result is a proforma Accumulated Amortization balance of $(2,265) relating solely to the $36,234 acquisition premium.

Accumulated Amortization, account 115-03-00-00 totaled $333,775 on the general ledger as of September 30, 2017. The filing schedule 3, line 6 reflects a zero balance at 9/30/2017, as that line appears to reflect the Accumulated Amortization relative to the proposed 10% acquisition premium only.

Amortization of Utility Plant Acquisition Adjustment, expense account 406-03-00-00 reported a balance on the general ledger of $(1,124) at the end of 2016 which agrees with the filing schedule 1 for 2016. The proforma adjustment #5 shown on schedule 1A, page 2 of 3 calculates 12 months of expense for the 10% acquisition premium. The resulting annual expense, $4,529 netted against the credit of $(1,124) booked during the test year, resulted in the proforma on schedule 1 of $3,405. Audit understands that the request to amortize the 10% acquisition premium will be determined as part of the instant rate case.

Construction Work in Process (CWIP)

Per the NHPUC annual reports schedule F-6 Utility Plant Accumulated Depreciation and Amortization, Rosebrook reported a zero balance for account 105-17-08-03, CWIP for the years 2012 through 2016. For 2017, the Company posted four entries in April and May 2017 totaling $365 for digitized maps per the general ledger.

Compliance with Accounting and Reporting Requirements

Audit requested a copy of a policy and procedures manual or any other documentation outlining office policies such as disbursements, authorizations, approvals, and internal controls. The Company stated they do not have general office procedures manual and that AWC-Rosebrook does not have any employees. (**Audit Issue #7)**

Audit asked Rosebrook about the allocation policy. The Company stated they have a customer based and rate based allocation policy. Rosebrook was unable to provide a list of each specific account that applied to the customer based or rate based allocation. This is discussed further below in the Review of Standard Monthly Journal Entries.

Audit reviewed customer invoices as part of the review of revenue. Rosebrook was unable to provide three of the invoices because when they purchased the Company they did not transfer over and were lost. The Company must keep records for up to two years. (Refer to **Audit Issue #24**, detailed in the Revenue section of this report.)

Review of Standard Monthly Journal Entries

Audit reviewed the standard journal entries for October-December 2016 and 2017. Rosebrook maintains a customer based allocation and a ratepayer based allocation. The Company described the customer based allocation as expenses related to customers such as internet and phone because they are for direct use by the customer. The Company does not maintain a formal written policy on which specific accounts meet these allocation criteria and is done on an ad hoc basis. **(Audit Issue #7)**

Customer Based Allocation

	LMC	WR	RBW	TOTAL
Customers	162	95	395	652
Percentage	25%	15%	60%	100%

Rate Based Allocation

Rosebrook describes the rate based allocation as expenses relating to assets such as plant, materials, and deferred debits. Below is a chart provided by Rosebrook representing the rate based expense allocation:

12/31/16 Rate Base Calculations
For Belmont/Bow/Rosebrook

Item	Belmont	Bow	Rosebrook	Total
Utility Plant (and Non-Utility)	$ 786,523	$ 512,249	$ 1,405,223	$ 2,703,995
Accumulated Depreciation	(303,102)	(216,549)	(651,169)	(1,170,820)
Net Utility Plant	483,420	295,700	754,055	1,533,175
Materials and Supplies	7,316	-	5,408	12,724
Prepayment	-	-	851	851
CIAC Net	(33,811)	(84,802)	(280,491)	(399,104)
Deferred Debits	65,150	24,599	93,362	183,112
Accumulated Deferred Income Taxes	(38,700)	(12,900)	(81,751)	(133,351)
Total Rate Base	483,376	222,597	491,435	1,197,407
Percentage of Total Rate Base	40%	19%	41%	100%

Balance Sheet Accounts

Cash Reconciliation

The Company provided copies of both the money market and checking account bank statements, in order to verify the reported September 30, 2017 cash balances. The total cash reported on the filing schedule 2-1 was $17,339 which agreed with the combined balances of the money market and checking accounts as of September 30, 2017. The trial balance showed $16,325 for account 131-02-00-00, Farmington Bank

Checking and $1,014 for the account 131-03-03-00-00, FSB Money Market for a total cash balance of $17,339.

Materials and Supplies

The filing schedule 3 shows account #151-Materials and Supplies in the amount of $4,800 which agrees with the 9/30/17 general ledger. The account balance at the time of acquisition was $5,408. An April 2017 entry wrote-off materials totaling $608 resulting in the September 2017 filing balance of $4,800. These were connectors and other small materials related to the retired meters. The offset was to account #663 – Meter Expenses.

Prepaid Accounts Account 162

The Filing Schedule 2-1 is not broken out by Division.

	9/30/2017	12/31/2016
Filing Balance	$7,511	$851
Annual Report		851

Audit verified $4,153 in test year prepaid expenses to Staff Data Request 1-5 that breaks out the Balance Sheet Accounts for Rosebrook.

Audit reviewed 16 general ledger prepaid accounts. There were six accounts relating to Lakeland that totaled $2,252, four accounts relating to White Rock that totaled $1,105, and six accounts related to Rosebrook totaling $4,153 during the test year. The general ledger accounts discussed below are in regards to Rosebrook.

Account 162 Prepayments-Other shows $851 in charges on the 2016 Annual Report and detailed general ledger. The charges were for prepaid chemicals. Audit reviewed the prepaid expenditures allocation for 2017 between the three Abenaki Water Divisions. Audit verified the allocation for Rosebrook was correct and the monthly ending balances reconciled with the general ledger. The following accounts below comprise the test year balance as of September 30, 2017:

162-01-03-00 Prepaid General Insurance	$ 188
162-02-03-00 Directors and Officers Insurance	$ 172
162-05-03-00 Prepaid Chemicals	$1,453
162-06-03-00 Prepaid Professional Services	$2,042
162-07-03-00 Property Insurance	$ 298
Total	$4,153

Account 162-01-03-00 is for Prepaid General Liability Insurance for New England Service Company-Rosebrook. This is general liability insurance for the Company in the event of losses or advancement of defense costs in the event an insured suffers a loss as a result of legal action against the Company. There was a debit entry of $753.54 invoiced from NESC on 3/20/2017 for month end February 2017. There was

$62.80 credited each month for the liability expense for a total credit balance of $(565.20). The result was a test year-end $188 debit balance. Audit reviewed the insurance allocations for Property Insurance and verified the premiums charged corresponded to the premiums expensed. The offsetting debit account is 930-01-03-00 General Liability Insurance Rosebrook. This is discussed in further detail in the Operations and Maintenance Section.

Account 162-02-03-00 is for Directors and Officers Insurance for New England Service Company. This is liability insurance for Company Officers, or the Organization itself, as indemnification for losses or advancement of defense costs in the event an insured suffers a loss as a result of legal action brought for alleged wrongful acts in the capacity as Directors and Officers of the Company. There was a debit entry for February 2017 in the amount of $688.80 on the general ledger. $57.40 was credited each month resulting in a test year-end balance of $172.20 debit balance. Audit reviewed the insurance allocations for General, Property and Directors and Officers (D&O) Insurance and verified the premiums charged corresponded to the premiums expensed. The offsetting monthly debit account is 930-02-03-00 Director and Officer Insurance Rosebrook. This is discussed in further detail in the Operations and Maintenance Section.

Account 162-05-03-00 is for Prepaid Chemicals from Harcros Chemicals Inc. There were three separate invoices from the Company. The offsetting debit entry is account 641-01-03-00 Rosebrook Chemicals. This is discussed in further detail in the Operations and Maintenance Section.

Account 162-06-03-00 is for Prepaid Professional Accounting and Financial Consulting from Dworken, Hillman, and Lamorte. Audit reviewed an invoice dated 8/13/2017 in the amount of $1,900 that was for tax accrual work for the period ending 6/30/2017. The portion allocated for Rosebrook was $912, booked to this prepaid account, and $228 debited to account 923-02-03-00, Rosebrook Professional Accounting Services. The invoice was credited to Accounts Payable-Vendors account 23101-00-00. The Company booked a portion of the total invoice to prepaid because while the invoice was for the accrual analysis of the prior six months, it impacted the projected accruals through December 2017. This is discussed in further detail in the Operations and Maintenance Section.

Account 162-07-03-00 is for Property Insurance Expense for New England Service Company. Audit reviewed an invoice dated 3/20/2017 from New England Service Company for $1,190 for the February monthly close. Rosebrook allocates $99.23 monthly to the expense. Audit reviewed the insurance allocations for New England Service Company Insurance and verified the premiums charged corresponded to the premiums expensed. The offsetting debit account is 924-03-00-00 Property Insurance Rosebrook. This is discussed in further detail in the Operations and Maintenance Section.

Audit sampled an account 162 prepaid expense and during 2017 the allocation percentage is accurate for the rate based allocation. Below is the allocation percentage for prepaid property insurance from January 2017:

Allocate Property Insurance Expense-LMC	924-01	$ 96.81	
Allocate Property Insurance Expense-WR	924-02	$ 45.99	
Allocate Property Insurance Expense-RBW	924-03	$ 99.23	
Total		$242.03	
	162-07-01		$ 96.81
	162-07-02		$ 45.99
	162-07-03		$ 99.23
Total			$242.03

Based on the above journal entry the allocation percentages are as follows:

Lakeland $96.81/$242.03 = 40%
Whiterock $45.99/$242.03= 19%
Rosebrook $99.23/$242.03= 41%

Account 162-03-00-00 Prepaids Before Acquisitions was reviewed and contained a test year ending balance of zero.

<u>Preliminary Survey and Investigation Charges Account 183</u>

The Filing Schedule 2-1 is not broken out by Division.

	9/30/2017	12/31/2016
Filing Balance	**$83,560**	$43,405

The 2016 annual report schedule F-27 lists the four specific accounts and totals which agree with the $43,405 figure on the balance sheet and the Filing. In response to Staff Data Request 1-5, the Company provided the following:

	9/30/2017	12/31/2016
Response to Staff Data Request 1-5	**$70,827**	$43,404

The $12,739 difference between the Filing Balance and the Data Response balance at 9/30/2017 is the elimination of accounts 183-14-11-00 and 183-15-11-00.

Audit reviewed seven general ledger accounts for Preliminary Survey and Investigative Charges and compared them to the Filing and to the Staff Data Request response 1-5:

General Ledger Account 183				Filing Account 183		Staff DR 1-5	
		9/30/2017	12/31/2016	9/30/2017	12/31/2016	9/30/2017	12/31/2016
183-03-00-00	Prel. Survery & Invstgtn RWC	$ 25,342	$ 25,342	$ 25,342	$ 25,342	$ 25,342	$ 25,342
183-14-11-00	Prep App Acq Small Water Co	$ 596	$ 596	$ 596	$ 596	$ -	$ 596
183-15-11-00	Due Diligence Small Water Co	$ 12,143	$ 3,917	$ 12,143	$ 3,917	$ -	$ 3,917
183-16-09-03	RWC Pressure Study	$ 45,479	$ 13,550	$ 45,479	$ 13,550	$ 45,479	$ 13,550
	subtotal to filing and annual rpt	$ 83,560	$ 43,405	$ 83,560	$ 43,405	$ 70,821	$ 43,405
183-14-09-00	Due Diligence Small Water Co	$ -	$ -	$ -	$ -	$ -	$ -
183-15-09-00	Due Diligence Rosebrook	$ 51,932	$ 51,932	$ -	$ -	$ -	$ -
183-17-07-00	Due Diligence Two Small Water Co	$ 946	$ -	$ -	$ -	$ -	$ -
subtotal of 183 accounts included in 186		$ 52,878	$ 51,932	$ -	$ -	$ -	$ -
	General Ledger Account 183 Total	$ 136,438	$ 95,337	$ 83,560	$ 43,405	$ 70,821	$ 43,405

The total general ledger balance of account 183 at 9/30/2017 is $136,438 of which $83,560 was reflected within account 183 on the filing and the annual report. Both the 183-15-09-00 $51,932 and 183-17-07-00 $946 are included within the Deferred Debit total of $112,015 account 186. **(Audit Issue #8)**

Account 183-03-00-00 $25,342 amount has been on the Rosebrook balance sheet since 2009 in account 186 Miscellaneous Deferred Debits. The balance was booked to the Abenaki balance sheet on 12/2/2016. Rosebrook should move the $25,342 from account 183-03-00-00 to account 186 Miscellaneous Deferred Debits. (**Audit Issue #8)**

Account 183-14-11-00 $596 represents costs associated with the potential acquisition of a small water company. The cost is not related to Rosebrook. It is included in the filing, and the Staff DR 1-5 12/31/2016 balance, but excluded from the Staff DR 1-5 9/30/2017 balance. Audit concurs with the representation of the 9/30/2017 DR 1-5 response.

Account 183-15-11-00 $12,143 at 9/30/2017 represents due diligence costs incurred by Abenaki relating to the potential acquisition of another small water company. The costs do not relate to Rosebrook. (**Audit Issue #8)**

Account 183-16-09-03 9/30/2017 balance of $45,479 is for the cost associated with the Rosebrook Pressure Study that was approved in the settlement agreement. Most of the work was performed by New England Service Company. Audit reviewed three invoices from New England Service Company for labor associated with Pressure Reduction. The invoices were from October 2016, December 2017, and March 2017. Audit reviewed the labor hours charged on the account report as well as the accounts payable approval for payment form. Audit reviewed two invoices from Horizons Engineering for work related to Preliminary Engineering and developing a hydraulic model. One invoice was dated 3/2017 in the amount of $6,564 and $4,173 from April 2017. Audit reviewed one invoice from Upton and Hatfield for $400 from March 2017 for legal work on the pressure study.

Account 183-15-09-00 $51,932 is for the due diligence legal costs provided by Upton and Hatfield associated with the purchase of Rosebrook Water System, which should be in account 186. Audit reviewed two invoices by Upton and Hatfield for legal services related to the purchase of Rosebrook water. The legal work consisted of legal review and related correspondence to the purchase agreement. The first invoice was dated 10/2016 for $8,330 and the second invoice dated 12/2016 was for $701.50. See Organization Costs section for a more detailed description of beginning balance. See also **(Audit Issue #8)**.

Miscellaneous Deferred Debits Account 186

The Filing Schedule 2-1 is not broken out by Division. However, the Annual Report for year-end 2016 schedule F-28 does reflect the components of the $122,664 balance.

	9/30/2017	12/31/2016
Filing Balance	$112,015	$122,664

In response to Staff Data Request 1-5, the Company indicated that the Rosebrook balances for account 186 were:

9/30/2017	12/31/2016
$10,054	$51,931

Audit reviewed the general ledger accounts and compared the result to the information provided in the filing and the data response:

General Ledger Account 186 including one 183 Account				Filing Account 186		Staff DR 1-5	
		9/30/2017	12/31/2016	9/30/2017	12/31/2016	9/30/2017	12/31/2016
186-15-07-00	2015 Rate Case	$ 45,233	$ 67,850	$ 45,233	$ 67,850	$ -	$ 67,850
186-15-08-00	Investigate Add'l Water WRWC	$ 2,883	$ 2,883	$ 2,883	$ 2,883	$ -	$ 2,883
186-17-06-03	Financing-RWC Pressure Redctn	$ 2,963	$ -	$ 2,963	$ -	$ 2,963	$ -
186-17-13-03	2017 Rate Case-RBW	$ 7,059	$ -	$ 7,059	$ -	$ 7,059	$ -
186-17-16-01	Cap Study Streamline Rate-LMC	$ 24	$ -	$ 24	$ -	$ -	$ -
186-17-16-02	Cap Study Streamline Rate-WR	$ 10	$ -	$ 10	$ -	$ -	$ -
186-17-16-03	Cap Study Streamline Rate-RBW	$ 33	$ -	$ 33	$ -	$ 33	$ -
186-17-17-01	Def Debit Water Boiling LMC	$ 932	$ -	$ 932	$ -	$ -	$ -
	Subtotal Account 186	$ 59,137	$ 70,733	$ 59,137	$ 70,733	$ 10,055	$ 70,733
183-15-09-00	Due Diligence Rosebrook	$ 51,932	$ 51,932	$ 51,932	$ 51,932	$ -	$ 51,932
183-17-07-00	Due Diligence Two Small Water Co	$ 946		$ 946		$ -	$ -
	See Audit Issue #8	$ 52,878	$ 51,932	$ 52,878	$ 51,932	$ -	$ 51,932
	General Ledger Account 183 Total	$ 112,015	$122,665	$ 112,015	$ 122,665	$ 10,055	$ 122,665

There was initially a $2,883 variance for 12/31/2016 Miscellaneous Deferred Debits on the general ledger when comparing the Filing Schedule 2-1 and 2016 Annual Report. The variance was because the account 186-15-08-00 was not on the detailed general ledger but only the summary trial balance. Abenaki stated general ledger accounts that do not have any activity during the year do not show on the detailed general ledger because of how the general ledger system is setup. There was initially a $3,831 variance on the general ledger when comparing Filing Schedule 2-1 for the test year ending period. Abenaki stated the reason was the inclusion of $947 account 183-17-07-00, Due Diligence Small Water System. The Due Diligence for the small water system does not have any relationship to Rosebrook Water. (**Audit Issue #8)**

Abenaki stated the remaining $2,976 was due to adjustments made in November 2017 to account 186-17-13-03, 2017 Rosebrook Rate Case. Abenaki should not have made adjustments after the test year as this brings in to question the accuracy and integrity of the general ledger vs. filing schedule costs. Audit asked Abenaki if there were additional adjustments made after the test year and has yet to hear a response. **(Audit Issue #9)**

Audit was able to tie the 2017 test year general ledger with inclusion of accounts 186-15-08-00 and 183-17-07-00. Abenaki included the $51,931 Due Diligence charges for Rosebrook on the Filing and 2016 Annual Report in account 186 the correct account. The charges are reflected in general ledger account 183-15-09-00. This is the wrong general ledger account that is discussed in (**Audit Issue #8)**.

There were five accounts associated with Rosebrook 9/30/17 test year balance discussed below. Two of the accounts have a zero balance. The $10,054 agrees with the response to the Staff Data Request 1-5.

186-17-06-03 Financing Rosebrook Pressure Reduction	$ 2,963
186-17-13-03 2017 Rate Case Rosebrook	$ 7,059
186-17-16-03 Cap. Study/Streamline Rate	$ 32
Total	$10,054

Account 186-17-06-03 is for financing charges for the Rosebrook Pressure reduction project. Audit reviewed New England Service Company charges that were from July 2017 for $1,770 in administrative labor related to the financing the pressure reduction.

Account 186-17-13-03 is for 2017 rate case expenses incurred for DW17-165. Audit reviewed an invoice from Steve St. Cyr and Associates for work associated with the rate case. The invoice for the month was for $2,092 for auditing/accounting work for the current rate case. Audit reviewed the August 2017 New England Service invoice for $2,403 that consisted of administrative charges for preparing the rate case. Audit work is not part of the rate case recovery and was not noted within the $2,092.

Account 186-17-16-03 Rosebrook started using this account but stopped because the work was for the 2017 Rate Case and was changed to account 186-17-13-03. There were charges for labor related for New England Service Company for work preparing the rate case.

Accounts Receivable

The Filing Schedule 2-1 is not broken out by Division.

	9/30/2017	12/31/2016
Filing Balance	$67,988	$25,182
Annual Report		$25,182

	9/30/2017	12/31/2016
141-01-00-00 A/R Customers LMC	$ 28,282	$ 22,495
141-02-00-00 A/R Customers WRW	$ 5,404	$ -0-
141-03-00-00 A/R Customers RBW	$ 34,302	$ 2,686
	$ 67,988	$25,182

In response to Staff Data Request 1-5, the Company identified account 141-03-00-00 Customers RBW $34,302 as the account related to Rosebrook.

Audit reviewed the detailed general ledger for the test year ending balance of $34,302. The general ledger account is for billed Rosebrook Customers. There were $73,258 worth of debits and ($41,642) worth of credits during the test year. The general ledger shows $2,686.42 from CoBank Dividend Patronage on 3/22/2017. This should be in Account 142 Other Accounts Receivable. This was an audit issue in the prior Abenaki DW 15-199 audit report. **(Audit Issue #10).** The full patronage amount was booked to the cash account 131-02-00-00 in April 2017 and the receivable was reversed.

Accounts Receivable Aging

Aging	Amount
Current	($3,522.57)
30 days	$108.83
60 days	0
90 days	$41.85
120 days	0
150 days	$49.65
Finance Charges	$ 0
Total Customer Receivables	($3,322.24)

The Accounts Receivable aging list does not match the general ledger test year ending balance of $34,301.78 on 9/30/2017. (**Audit issue #11)** This was previously an audit issue in Abenaki DW 15-199 audit report. Audit asked the Company in regards to the $30,979 difference between the general ledger and Aging Report. The Company stated when a customer payment is received the Farmington Bank Account 131-02-00-00 is debited to account 131-02-00-00 and credited to accounts receivable 141-03-00-00. Audit reviewed the 2017 general ledger for customer payment deposits and they are all listed as “summary” not indicating when a customer payment is received. Audi asked Rosebrook how they keep separate customer payments when the Farmington Bank

Account is used for all the Abenaki business lines. The Company stated that transaction code 18 is for Rosebrook Water. Audit reviewed one entry in the amount of $338.26 for one customer that showed a record of the cash receipt and a credit of $338.26 in the accounts receivable account.

Rosebrook further clarified the reason for the $37,624 variance between the GL and aging report. The process for the accounts receivable is to age the books at the end of every month prior to the billing process starting. In October Rosebook billed for services in September. On 10/11/2017 there was a $39,131.80 debit to Rosebrook accounts receivable account # 141-03-00-00 this was the July-September 2017 amount charged on the billing summary. This was the only month Audit was able to tie the billing summary to the general ledger in the Rosebrook account.

Audit was able to tie the monthly bill payments to account 141-01-00-00 Accounts Receivable-LMC the incorrect account. This was the prior common accounts receivable account before the change in late July 2017 (**Audit Issue #12).** Prior to the July 2017 change, all of the accounts receivable were put into one account. Since August 2017, the accounts receivable accounts have been separated by each water system so each one has its own accounts receivable account and payments are posted against the correct accounts receivable account.

The accounts receivable aging report as of test year ending 9/30/2017 shows the aging of the books prior to posting of invoices. On the accounts receivable account 141-03-00-00 on 9/29/2017 the balance is ($728.89). During the course of the rest of October the Company accountant stated efforts were made to clean up the accounts receivable outstanding invoices by moving balances to the correct accounts. The October 2017 adjusting entries were for September 2017 that resulted in the test year accounts receivable $34,302 test year balance. She also stated they moved payments that were made to correct AR account that were originally posted to the general accounts receivable account. Going forward Rosebrook has put in place a process to reconcile accounts receivable at the end of the month taking the aging report, adding in the accounts receivable billing journal to reconcile to the trial balance for the month. This should then reconcile the aging report and general ledger account going forward. Audit reviewed the template that the Company is using going forward.

<u>Unbilled Revenue $-0-</u>

	9/30/2017	12/31/2016
Unbilled Revenue per Filing Schedule 2-1	0	$67,940
Unbilled Revenue per 2016 Annual Report		$67,940

Note: The Filing Schedule 2-1 and 2016 Annual Report is not broken out by Company Division. However, Audit reviewed the general ledger and demonstrates the following by division:

	9/30/2017	12/31/16
173-01-00-00 Accrued Unbilled Revenue-LMC		$ 11,239
173-02-00-00 Accrued Unbilled Revenue-WR		$ 7,719
173-03-00-00 Accrued Unbilled Sewer Revenue		$ 10,036
173-04-00-00 Accrued Unbilled Revenue-RBW	0	$ 38,946
	$0	$67,940

Audit reviewed the Staff Data Request 1-5 that breaks out the Balance Sheet for Rosebrook and the above general ledger allocation is correct.

The 2016 annual report and filing has a year-end balance of $67,940 in Account #173-04 Unbilled Revenue. The Annual Report and filing does not break out by system what the charges are in account number 173. Account 173-04-00-00 has $38,946 as of 12/31/2016 in accrued unbilled revenue for Rosebrook. Audit was able to tie the 12/31/2016 general ledger total to the $67,940 filing and 2016 annual report. The GL for the test year ending September 30, 2017 was zero. Rosebrook did not close the books for the end of the test year until 10/25/2017 for unbilled revenue and made a $14,700 adjustment. Rosebrook stated there is no unbilled revenue to calculate for October 2017 because of the transition to monthly billing which means the September bills for the 3rd quarter were mailed in October and the invoices for October were mailed in November.

Bad Debt Expense Account 904 $-0-

In reviewing the expenses for Abenaki-Rosebrook, there is no account for Bad Debt Expense. Abenaki stated that they did not write anything off for the Rosebrook division during the test year. Account 904-01-00-00, Bad Debt Lakeland Management, reflected a credit balance at the end of the 9/30/2017 period of $(470). The affiliate account does not impact the Rosebrook division. Refer to page 8, discussion regarding reduction of bad debt expenses.

Allowance for Doubtful Accounts Account 143 $-0-

The Company stated they diligently work with customers to have a payment plan to assist them. The write off policy is to setup customers on a payment plan and if they cannot reach an agreement the account is turned over to a collections agency. There were zero expenses in account 904 relating to the Rosebrook division. Refer to page 8, discussion regarding reduction of bad debt expenses.

Miscellaneous Current and Accrued Assets

The Company does not have any Miscellaneous Current and Accrued Assets.

Account #125-01-00-00 Investment-CoBank (Other Investments) $3,210

The Filing Schedule 2-1 is not broken out by Division, nor is the general ledger.

	9/30/2017	12/31/2016
Filing Balance	$3,210	$3,210
Annual Report		$3,210

The $3,210 was verified to account 125-01-00-00 Investment-CoBank.

Audit reviewed Staff Data Request 1-5 and the breakout for the Balance Sheet for Rosebrook is $573 for the test year and 12/31/16 year end.

The 2016 Annual Report and Filing do not list Account 125, the correct account, instead including the equity amount on the line for Account 124 Utility Investments **(Audit Issue #13).** The general ledger at 12/31/2016 and 9/30/2017 did list account 125-01-00-00. The reported balance on the 2016 Annual Report is $3,210 which is the 2016 year-end equity balance. The account is comprised of a beginning balance of $2,314 in 2016 and there was a debit of $895 in account 125-01-00-00 to accrue 2016 patronage to record the patronage distribution. The year-end total on the general ledger was $3,210. The account is for all three divisions of Abenaki Water Company. See Long Term Debt Section for more Detail about the patronage distribution.

Equity Account Balance	
Equity Balance prior to Patronage Allocation	$2,314
2016 Equity Patronage	895
Year-End 2016 Equity Balance	$3,209
2017 Equity Retirement	($0)
3/15/17 Equity Balance	$3,209

Account #181- Unamortized Debt Discount $2,442

There Filing Schedule 2-1 and the 2016 Annual Report show a zero balance. However, the general ledger reflects balances and activity in two accounts during the test year. The 2016 Annual Report and Filing indicate a note that states debt issuance costs are no longer presented as an asset on the balance sheet but rather as a direct deduction from the debt liability. The note indicates this was due to changes in the Financial Accounting Standards Board ASU 2015-3 which was aimed at simplifying Balance Sheet presentation. Rosebrook stated they continue to follow the PUC Chart of Accounts. The debt expenses continue to be reflected in account 181 on the general ledger as discussed above.

Rosebrook is reminded that while the Financial Accounting Standards Board issues guidance to Accounting Professionals in regard to the presentation of Financial Statements, FASB guidance is different from utility regulation. The PUC chart of accounts is setup for the ratemaking process which is not the same as guidance given by FASB. The Company should continue to list the total on the Filing Schedule 2-1 and Annual Reports separately in Account 181. **(Audit Issue #14)**

	9/30/17	12/31/16
181-03-00-00 Unamortized Debt Exp 400K Loan	$2,442	$2,539
181-01-00-00 Unamortized Debt Exp 300K Loan	$ 12,882	$14,504
	$15,324	$17,043

The 300k Unamortized Debt Expense Account is for Lakeland and White Rock in account 181-01-00-00. The general ledger indicates a 2016 beginning balance of $15,045 which Abenaki indicated was the 2015 year ending balance. There were twelve credit entries of $180.26 totaling $2,163 during the test year. This resulted in a test year balance of $12,882.

The 400K Unamortized Debt Expense Account is for Rosebrook in account 181-03-00-00. The general ledger began 2016 with a zero balance as the loan had not been taken out until November 2016. On 12/19/2016 there was a debit entry of $2,560 to record the debt issuance expense. There were eleven monthly credit amortization charges of $10.67, booked to account 428 (refer to the Amortization portion below). This resulted in a test year ending balance of $2,442.

Account #407 Amortization of Debt Expense $117

The Filing Schedule 2-1 is not broken out by Division. This expense was reflected under account 428 on the 2016 Annual Report. Rosebrook stated the Company will pay attention to this account in the future and book the debt amortization expense to account 407.

	9/30/2017	12/31/2016
Filing Balance	$0	$0
Annual Report		$0

The total test year in account 407 should be $117. The GL accounts discussed below are the relevant costs that relate to Rosebrook Water:

	12/31/2016 Balance	1/1/17-9/30/17 Balance	9/30/17 Total
407-03-00-00	$21	$96	$117

There were monthly amortization debt expenses of $10.67 for November and December 2016 for the $400,000 loan to acquire Rosebrook in account 407-03-00-00. The offsetting monthly credits were booked in account 181-03-00-00 Unamortized Debt. The 2016 year-end total was $21.

There was monthly amortization of debt expense of $10.67 for January through September 2017 for the $400,000 loan used to acquire Rosebrook in account 407-03-00-

00. The offsetting monthly credits were booked in account 181-03-00-00 Unamortized Debt. The 2017 test year total was $96. The $96 was included in account 427 Interest Expense on the Filing Schedule 1.

Account 237 Accrued Interest $1,217

There is $1,927 of accrued interest from the Cobank Loans booked on 4/12/2017 to account 237-01-00-00. Audit reviewed the year end 2016 journal entry that states CoBank loan interest from January was accrued on March 13, 2017 and reversing entry to accrue interest for the year was booked on 3/23/2017. The 2016 year-end entry for accrued interest is off by $10 as Account 427-03-00-00, seen below sum to $1,937. The accrued interest account 237-01-00 is a general account and not allocated by specific Company division. Based on the accrued interest seen in the GL below the accrued interest for Rosebrook is $1,217. Staff Data Request accrued interest for the year was $1,214. There was an immaterial $3 difference compared to the general ledger.

427-03-00-00	CoBank 300k Loan Payment Interest-LMC and WR	$ 720
427-03-03-00	CoBank 400k Loan Payment Interest- Rosebrook	$1,217

Long Term Debt Account# 224 $387,200

The Filing Schedule 2-2 is not broken out by Division.

	9/30/2017	12/31/2016
Filing Balance	$576,956	$606,667
Annual Report		$606,667

Below is a breakout of the Abenaki Outstanding Long Term Debt on the 2016 F-35:

	Date of Issue	Date Matures	Outstanding	Interest Rate
CoBank 300k	2/14	2/24	$226,002	3.68%
CoBank 400k	10/16	10/26	$397,708	3.55%
Total Outstanding Debt			$623,710	
Unamortized Debt			($17,043)	
			$606,667	

Below is a breakout of the 9/30/2017 Outstanding Long Term Debt

	Date of Issue	Date Matures	Outstanding	Interest Rate
CoBank 300k	2/14	2/24	$205,080	3.68%
CoBank 400k	10/16	10/26	$387,200	3.55%
Total Outstanding Debt			$592,280	
Unamortized Debt			($15,324)	
			$579,956	

Audit verified the Long Term Debt balances to Staff data request 1-5 that breaks out the balance sheet for Rosebrook during the test year.

The 300k CoBank Loan is for the Lakeland and White Rock Water Systems. The 400k CoBank is for the Rosebrook Water System.

See review of Promissory Note for Review of Long Term debt balance of $397,708 at year end 2016. The total was verified to account 224-02-00-00 CoBank 400K Loan.

See review of Payments and Interest section for review of Long Term Debt Balance of $387,200 for the test year 9/30/2017. The 9/30/2017 balance was also verified to account 224-02-00-00 CoBank 400K Loan.

Principal

On August 9, 2016, the Commission issued Order #25,934, which authorized Abenaki to acquire up to $400,000 in Long Term Debt (LTD) at a proposed rate of up to 3.78% which will be reduced to 3.22% after the application of a patronage basis of 75 points. Audit reviewed the CoBank Statement of Patronage Distribution dated March 15, 2017. Cash Patronage accounts for 75% of the distribution and equity the other 25%. The equity is in the form of CoBank Class A Common Stock. The patronage distribution payout is based on an average loan volume during the year of $358,189. The breakout of patronage distribution is seen below:

2016 Patronage Distribution		
Cash Patronage	75%	$2,686
Equity Patronage	25%	895
Total Qualified Patronage Distribution		$3,582
Equity Account Balance		
Equity Balance prior to Patronage Allocation		$2,314
2016 Equity Patronage		895
Year-End 2016 Equity Balance		$3,209
2017 Equity Retirement		($0)
3/15/17 Equity Balance		$3,209
Cash Payment Summary		
Cash Patronage		$2,686

The general ledger reflected a debit of $2,686 in account 141-03-00-00 Accounts Receivable-Rosebrook Customers **(Audit Issue #10)** and $895 debit in Account 125-01-00-00 for 2016 equity. There was a credit of $3,581 in account 419-02-00-00 Dividend

Income. These were all booked on March 22, 2017. Abenaki receives the CoBank statement annually in March.

Accounting for Divisions

The Filing Schedule 2-1 of the balance sheet does not break out the Company accounts by Division. Abenaki was told in the prior Abenaki audit report in DW 15-199 that they must account for each division separately. Audit also has reviewed the chart of accounts and general ledger and the Company needs to maintain separate divisions. Previously discussed in this audit the Company did not maintain separate accounts receivable and accounts payable accounts. **(Audit Issue #15)**

Promissory Note

Audit has reviewed the Promissory Note effective 9/12016 and verified an amount of $400,000 was borrowed for 20 years with final payment due 9/20/2036. The Promissory note did not indicate what the interest rate was as there were 3 options. Rosebrook stated they presently have a 3.55% fixed interest rate that matures on 10/21/2026. After this date Rosebrook has the option to term up for a fixed rate until maturity in 2036 or go with a variable rate. There is a $2,000 loan origination fee. The loan was disbursed on 10/20/2016. Abenaki has recorded this LTD in Account# 224-02-00-00 and at the end of 2016 Abenaki's GL indicated there was $397,708 of principal remaining. The test year ending general ledger balance on September 30, 2017 indicated there was $387,200 principal remaining.

Payments and Interest per Filing Schedule 1 $13,596

The Filing Schedule 1 reflects $96 more in interest expense than the CoBank 400k general ledger account 427-03-00-00. The difference is due to including the amortization expense relating to the loan issuance. Refer to the Account #407 portion of this report. Below is a breakout of the Principal and Interest per the GL on 9/30/2017:

224-02-00-00 CoBank 400k Principal Payments	$12,799
427-03-00-00 CoBank Interest Expense	$13,499
	$26,298 Relating to RW
224-01-00-00 CoBank 300K Principal Payments	$27,774
427-03-00-00 CoBank Interest Expense	$ 7,546
	$35,320 Relating to LM/WR

The Promissory Note (for RW) does not state a monthly payment amount but only that there are 240 payments over 20 years. The payments are due on the 20th day of the month. The 400k Loan payments were $2,349.65 per month at 3.55% interest. Starting on 11/1/2016, prior to the permanent rate, the CoBank Loan Statement indicates a variable 2.28% interest rate. Audit was able to recalculate the interest expense for the test year which totaled $12,285. The interest expense in account 427-03-00-00 for the test year was $13,499. There is a difference of $1,214 comparing the interest expense on the loan statements to the general ledger. The general ledger account 427-03-00-00 includes an extra payment from February 2017. The general ledger account is overstated by $1,214. **(Audit Issue #16)**

The loan statements show $12,799 of principal payments which matches general ledger account 224-02-00-00 CoBank 400k Loan monthly debit totals. The balance at test-year end is $387,201

The loan statements for the other Abenaki divisions show $27,774 principal payments which matches general ledger account 224-01-00-00 300k CoBank Loan. The interest expense in account 427-03-00-00 is $7,546 for the 300k CoBank loan. The loan statements showed there was $8,428 in interest payments. The general ledger account is understated by $882.

The Abenaki GL indicates that $61,287.42 was credited to the Farmington Bank Cash Checking Account 131-02-00-00 for payments on the "CoBank Loan". This total comprises a $300,000 dollar loan for the other two Abenaki Divisions as well as the $400,000 approved loan for Abenaki's purchase of Rosebrook Water in docket DW16-448. Audit reviewed the test year loan statements and was able to verify the $61,287.42 was credited to the Farmington Cash Checking general ledger account correctly. Based upon the review of the loan statements the principal and interest payments were $36,203 for the other two Abenaki Companies and $25,084.65 for Rosebrook. The following charts reflect the actual loan statement information:

CoBank 400k Loan Statement

Month	Principal	Interest	Total Due	Interest Rate	Date Paid
Oct-16		$ 1.90	$ 1.90	2.28%	12/1/2016
Nov-16	$ 1,124.63	$ 461.64	$ 1,586.27	2.28%	12/16/2016
Dec-16	$ 1,167.40	$ 1,182.22	$ 2,349.62	3.55%	1/5/2017
Jan-17	$ 1,131.64	$ 1,217.96	$ 2,349.60	3.55%	3/13/2017
Feb-17	$ 1,135.10	$ 1,214.43	$ 2,349.53	3.55%	3/15/2017
Mar-17	$ 1,255.55	$ 1,094.10	$ 2,349.65	3.55%	4/13/2017
Apr-17	$ 1,142.41	$ 1,207.36	$ 2,349.77	3.55%	5/10/2017
May-17	$ 1,184.66	$ 1,164.89	$ 2,349.55	3.55%	6/12/2017
Jun-17	$ 1,149.52	$ 1,200.34	$ 2,349.86	3.55%	7/19/2017
Jul-17	$ 1,191.56	$ 1,158.00	$ 2,349.56	3.55%	8/9/2017
Aug-17	$ 1,156.68	$ 1,192.97	$ 2,349.65	3.55%	9/8/2017
Sep-17	$ 1,160.21	$ 1,189.48	$ 2,349.69	3.55%	10/25/2017
Totals	$12,799.36	$12,285.29	$25,084.65	3.55%	

CoBank 300k Loan Statement

Month	Principal	Interest	Total Due	Interest Rate	Date Paid
Oct-16	$ 2,285.00	$ 792.81	$ 3,077.81	3.68%	12/1/2016
Nov-16	$ 2,268.44	$ 812.05	$ 3,080.49	3.68%	12/16/2016
Dec-16	$ 2,298.96	$ 712.23	$ 3,011.19	3.68%	1/5/2017
Jan-17	$ 2,282.91	$ 720.64	$ 3,003.55	3.68%	3/13/2017
Feb-17	$ 2,290.14	$ 713.37	$ 3,003.51	3.68%	3/15/2017
Mar-17	$ 2,365.31	$ 638.46	$ 3,003.77	3.68%	4/13/2017
Apr-17	$ 2,304.90	$ 698.79	$ 3,003.69	3.68%	5/10/2017
May-17	$ 2,334.36	$ 669.20	$ 3,003.56	3.68%	6/12/2017
Jun-17	$ 2,319.60	$ 684.50	$ 3,004.10	3.68%	7/19/2017
Jul-17	$ 2,348.63	$ 654.96	$ 3,003.59	3.68%	8/9/2017
Aug-17	$ 2,334.39	$ 669.26	$ 3,003.65	3.68%	9/8/2017
Sep-17	$ 2,341.79	$ 662.07	$ 3,003.86	3.68%	10/25/2017
Totals	$27,774.43	$ 8,428.34	$36,202.77		
Total all Abenaki Loans	$40,573.79	$20,713.63	$61,287.42		

Short Term Debt $-0-

According to the Request for Waiver of Certain 1604.01 Requirements, item #24 included with the filing, the Company has no Short Term Debt. Audit did note that in the External Financial Audit conducted by Dworken, Hillman, Lamorte, and Sterczala, the years ending December 31, 2015 and 2016 Abenaki took out a $50,000 line of credit from CoBank with interest at LIBOR plus 1.75%. The line of credit expired on March 22, 2017. The line of credit was considered a note payable. Audit reviewed the general ledger account #232-01-00-00 was for a line of credit for $40,000. The account has a zero balance. Rosebrook stated they did not know for which division of the Company the line of credit was.

Account 427.4 Interest on Line of Credit

During December 2016 and year end close 2016 there was $908 worth of interest on a line of credit in account 427-04-00-00, Interest on Line of Credit. This was not included in the filing. The year-end balance was zero. Per the PUC Chart of Accounts account 427.4 is for Interest on Customer Deposits. **(Audit Issue #17)** The Company stated that there was no interest on Customer Deposits. The account was used for interest accrued on short term lines of credit. Rosebrook did not know for which division of the Company the interest on the line of credit was.

Interest and Dividend Income $2,334

The filing schedule 1 reflects the Rosebrook division only, with the following:

	9/30/2017	12/31/2016
Filing Balance	$2,334	$2,334
Annual Report		$2,334

Per the revised income statement, schedule F-2 of the 2016 Annual Report, the 2016 income from CoBank is broken out among the Water Systems:

Lakeland	$937
White Rock	$312
Rosebrook	$2,334
	$3,582

2016 Distribution per Statement of Qualified Patronage Distribution 3/15/2017		
Cash Patronage	75%	$2,686
Equity Patronage	25%	$ 895
Total Qualified Patronage Distribution		$3,582

The GL test year balance for Interest and Dividend Income at 9/30/2017 is for all three divisions of the Company and was verified to account 419-02-00-00 Dividend Income in the amount of $3,582. The CoBank distribution represents 100 basis points on the average Abenaki loan balances during 2016. The credit entry of $3,582 was finally offset with a debit of $2,686 to account 131-02-00-00 Farmington Bank Checking and $895 debit to account 125-01-00-00 Investment-CoBank for 2016 equity. The GL does not break down the 131 account or the 125 account by Company division. The allocated income for Rosebrook was $2,334 and appears to be 60% of the total.

See CoBank Account 125 Other Investments and Long Term Debt for further details. There was $1 dollar of interest income from CoBank Patronage in 2016 in account 419-01-00-00.

Other Paid in Capital Account 211 $250,000

The 2016 Annual Report Schedule F-33 Other Paid in Capital Account reflects the following:

Rosebrook	$250,000
Lakeland/WR	$339,521
	$589,521

The Filing Schedule 2-2 does not show the $589,521 breakout. The balance is the same at test year 9/30/2017.

Total per GL Account 211-00-00-00 at 12/2016 and 9/30/2017

Rosebrook	$209,101
Lakeland/WR	$380,419
	$589,521

Audit reviewed the 2016 Annual Report Other Paid in Capital balance of $589,521. On Schedule F-33 it states that during 2016 the new owner contributed $250,000 in additional paid in capital that is related to Rosebrook. The remaining $339,251 is for Lakeland and White Rock. The 2016 year-end general ledger account 211-00-00-00 stated there was $209,101.42 of equity infused during 2016. This is a difference of $40,898.58 compared to the $250,000 Annual Report total for Rosebrook. There was $380,420 for Lakeland and White Rock on the general ledger.

The Company stated the $209,101 was the prior year's total Other Paid in Capital from New England Service Company. The Parent Company did not indicate to the Rosebrook accountant that an additional $40,898 Other Paid in Capital was contributed to Rosebrook. The correct Other Paid in Capital allocation is supposed to be $250,000 For Rosebrook and $339,521 Lakeland/White Rock. The Company should use separate accounts for the Other Paid in Capital Account to accurately reflect the allocation by Company division. **(Audit Issue #18)**

Retained Earnings Account 215 ($9,771)

The 12/31/2016 and 9/30/2017 Filing Schedule 2-2 reflects retained earnings for 2016 of $65,231 and $47,234 for 9/2017. The related general ledger accounts are noted below, and do not support the totals in the filing.

	12/31/2016	9/30/2017	
215-00-00-00 Retained Earnings	$(60,936)	$(63,528)	Dr. balances not allocated
215-01-00-00 RE-LMC	$114,875	$ 0	balances not provided
215-02-00-00 RE-WRWC	$ 6,872	$ 0	balances not provided
215-03-00-00 RE-Rosebrook	$ (5,504)	$ (9,771)	specific RB dr. balances
Total	$ 55,307	$(73,299)	filed debit balance
PUC Annual Report	$ 65,231		
Filing Schedule 2-2	$ 65,231	$47,234	credit balances
Filing minus GL	$ 9,924	$120,533	

The 2016 detailed general ledger is $9,924 different than the Filing Schedule 2-2 and 2016 Annual Report total of $65,231. The Company said this was due to the timing of when the Annual Report is calculated as well as all the year-end adjustments that were not made for the retained earnings account. The retained earnings calculation is affected by changes to net income which fluctuates during the year until a hard close is done at the end of the year and adjustments are made. Audit reviewed the 2016 year-end adjusting entries for Retained Earnings and they are just a copy of the 2016 Summary Trial

Balance that totaled $52,192 for 2016. The Summary Trial Balance for 9/30/2017 used estimated year-end entries, which are not an accurate reflection of the year-end adjustments. **(Audit Issue #19)**

Audit asked Rosebrook why account 215-03-00-00 Rosebrook Retained Earnings had a ($5,504) 2016 GL ending balance and a ($8,104) 2017 beginning balance. This is a ($2,600) difference. Audit reviewed the calculations provided by the Company that break out the ($2,600) 2016 year-end adjustments to arrive at the adjusted 2016 year-end balance of ($8,104). Rosebrook stated there was a ($1,667) charge to correct the retained earnings balance for Rosebrook during 2017. This brings the test year-end total to ($9,771). Audit does understand that retained earnings calculations are not done until a hard close of the books at the end of the calendar year but the general ledger accounts provided for ratemaking must be accurate. The Filing, Annual Reports, and general ledger accounts must be an accurate record of the Company's books. **(Audit Issue #19)**

There is a $120,533 variance between Filing Schedule 2-2 and the 2017 detailed GL. The retained earning accounts related to LMC and WRWC were not provided for 2017. Audit reviewed the 2017 adjusting entries provided by Rosebrook which did not have any adjusting entries for retained earnings. **(Audit Issue #19)**

Accounts Payable Account# 231

The Filing Schedule 2-2 is not broken out by Division.

	9/30/2017	12/31/2016
Filing Balance	$16,697	$70,935
Annual Report		$70,935

Below are the 12/31/2016 and 9/30/2017 general ledger balance for accounts payable:

	12/31/2016	9/30/2017
231-01-00-00 Accounts Payable-Vendors	$ 3,515	$225,278
231-06-00-00 Accrued AP	$ 12,857	$ -0-
231-07-00-00 Accounts Payable to Rosebrook	$ 54,563	$ -0-
Subtotal account 231	$ 70,935	$225,278
231-00-00-00 Accounts Payable	$ -0-	$ -0-
231-04-00-00 Accounts Payable-NESC	$113,053	$ -0-
Total General Ledger accounts 231	$183,988	$225,278

Account 231-04-00-00, Accounts Payable-NESC is reflected on the annual report and filing within account 233 payable to associated company. The general ledger should also reflect account **233**, rather than account 231. (**Audit Issue #20).** Refer to the Payable to Associated Companies section below.

Audit was unable to determine from where the $16,697 Accounts Payable test year balance came on Filing Schedule 2-2. The accounts payable accounts during 2017 reflected activity, but were brought to zero by 9/30/2017. The only account with a balance at the end of the test year was 231-01-00-00 Accounts Payable Vendors. **(Audit Issue #20)**

Audit reviewed the 9/30/2017 Accounts Payable Aging list that is a list of open invoices owed by Abenaki Water Company. The aging report is for the entire Abenaki Water Company and reflected $229,527. The open invoice report stated $219,702 was owed to New England Service Company, representing 97% of the total amount. The invoices are owed by November 1, 2017 and December 1, 2017. The report does not indicate how many payments are outstanding. Rosebrook stated there were no late charges incurred during the year. Rosebrook should use a separate aged payables listing for each Abenaki division that breaks out days outstanding payments. **(Audit Issue #20)**

Audit reviewed the general ledger 231-07-00-00 Accounts Payable Rosebrook for the test year ending September 30, 2017. There was a debit entry of ($54,564) booked in January 2017 to end the test year with a zero balance. Abenaki stated this was money owed to Rosebrook Water after they acquired the water system.

There was $225,278 test year 9/30/2017 ending balance in account 231-01-00-00, Accounts Payable - Vendors. There is a $4,249 overstated difference between the Accounts Payable Aging List and the general ledger. Rosebrook stated the variance was because the aging report that was processed on 10/20/2018 has invoices that were included in the report for October 2018. The GL account is for all vendors and not split out between Accounts Payable and Accounts Payable to Associated Companies account 233. **(Audit Issue #20)**

Summary of Accounts Payable Aging Report as of 9/30/2017

	Amount Owed
Invoices owed to NESC	$219,702
Invoices owed to Eversource	$ 2,285
Invoices owed to E.J. Prescott Inc.	$ 53
Invoices owed Valley Water Systems	$ 28
Invoices owed Stephen St. Cyr and Associates	$ 2,093
City of Laconia	$ 5,100
A. Pryburn and Sons	$ 165
Erik Bergum	$ 100
	$229,527

Accounts Payable to Associated Companies # 233

The Filing Schedule 2-2 is not broken out by Division, nor is the general ledger.

	9/30/2017	12/31/2016
Filing Balance	$208,581	$113,053
Annual Report		$113,053

Audit reviewed the 2016 year-end general ledger balance of $113,053 in account **231**-04-00-00, Accounts Payable – NESC. This should have been in account **233**, and should be segregated by division. **(Audit Issue #20).** The general ledger transactions for account 231-04-00-00 show GL descriptions as payments to current accounts payable. The transactions are invoices and AP reversals.

The 9/30/2017 Filing Schedule 2-2 balance of $208,581 is included in GL account 231-01-00-00 Accounts Payable-Vendors, which reflected a test year-end balance of $225,278. Refer to the discussion above relating to Accounts Payable.

Miscellaneous Current and Accrued Liabilities Account 241

There are no Miscellaneous Current and Accrued Liabilities in Account 241.

TAX SECTION

Accrued Taxes Account #236 $2,732

The Filing Schedule 2-2 is not broken out by Division.

	9/30/2017	12/31/2016
Filing Balance	$7,536	$2
Annual Report		2

Audit verified the filing balance to the following accounts on the general ledger:

	12/2016	9/2017
236-11-03-03 Accrued Utility Tax- Rosebrook	$-0-	$ (513)
236-11-04-00 Accrued Property Tax Bethlehem	$-0-	$ 806
236-11-05-00 Accrued Property Tax Carroll	$-0-	$2,439
Subtotal Rosebrook	$-0-	$2,732
236-11-01-00 Accrued Property Tax Belmont	$-0-	$2,383
236-11-02-00 Accrued Property Tax Bow	$-0-	$1,686
236-11-03-01 Accrued Utility Tax LMC	$-0-	$ 147
236-11-03-02 Accrued Utility Tax WRWC	$-0-	$ (213)
Subtotal LMC and WRWC	$-0-	$4,003
236-12-01-00 Accrued Fed Corp Inc Tax	$-0-	$ -0-
236-12-02-00 Accrued NH Corp Inc Tax	$ 2	$ 800
Subtotal Accrued Income Tax	$ 2	$ 800
Consolidated Accrued Taxes #236	**$ 2**	**$7,535**

Account 236-11-03-03 is the accrued amount for the 2016 Rosebrook related state utility tax. Audit reviewed the 2016 DP-255 to verify the accrued utility tax on the general ledger. The DP-255 on 12/15/16 indicated $4,951 in State Utility Tax was paid. Rosebrook booked $5,040 in State Utility Tax expense for the year. This is a difference of $89 dollar compared to the actual 2016 DP-255. The Company made quarterly utility tax payments of $1,325 on 3/28/2017, 5/22/2017, and 9/8/2017. Rosebrook credited $(440) per month in state utility tax. There was a ($513) test year ending debit balance.

Account 236-11-04-00 is the accrued amount of property tax for the Town of Bethlehem. The October 1, 2016 beginning balance was zero. There was an invoice from Bethlehem for $1,712 that was paid on 11/28/2016. Rosebrook accrued $333 per month for October-December 2016 property taxes. The Company paid the town invoice on 6/7/2017 in the amount of $1,894. For January-September 2017 Rosebrook accrued $300 per month in property taxes. The test year ending balance was $806.

Account 236-11-05-00 is the accrued amount of property tax for the Town of Carroll. The October 1, 2016 beginning balance was zero. Rosebrook paid the town on 11/28/2016 for $4,405 in property taxes. Rosebrook accrued $833 per month for Carroll property taxes. The Company paid $5,210 on 6/23/2017 in property taxes. There was $850 in accrued taxes for January-September 2017 for a test year-end balance of $2,439. Rosebrook does not have a prepaid account for prepaying property taxes during the year. Rosebrook debits account 408 the expense account and credits account 236 the liability account.

Accumulated Deferred Income Taxes Account 282 $97,877

The Filing Schedule 2-2 is not broken out by Division.

	9/30/2017	12/31/2016
Filing Balance	$170,951	$143,651
Annual Report		$143,651

Below are the GL balances as of 9/30/2017 and 12/31/2016:

	9/30/2017	12/31/2016
282-03-00-00 Accumulated Deferred Income Tax-RWC	$ 97,877	$ 81,751
282-00-00-00 Accumulated Deferred Income Tax	$ 73,074	$ 61,900
subtotal	$170,951	$143,651
282-01-00-00 Deferred Inc Tax Recoverable	$ (9,500)	$ (10,300)
Total of accounts 282	$161,451	$133,351

The test year detailed general ledger for account 282-03-00-00 Accumulated Deferred Income Tax shows a beginning December 2016 balance of $81,751 for the purchase of Rosebrook. In September 2017 there was a $16,126 debit entry for splitting accumulated deferred income tax. The offsetting entry is booked as a credit in account 410-03-00-00. The $16,126 was the deferred tax expense in account 410-03-00-00 for Rosebrook. The test year GL ending balance was $97,877 for account 282-03-00-00. Abenaki reported a Deferred Income Tax recoverable amount ($9,500) for the test year ending 9/30/2017 in account 282-01-00-00. This is a general account for all three divisions. This is reflected in Account 190, Accumulated Deferred Income Taxes on Filing Schedule 1 and the 2016 Annual Report. Audit requested but never received a response from the Company for calculations of the $97,877 Accumulated Deferred Income Tax for Rosebrook and how the account is affected by the Deferred Income Tax Recoverable account. **(Audit Issue #22)**

The Accumulated Deferred Income Tax Refund appears in Account **190** on the Filing Schedule 2-1 and 2016 Annual Report. However, the general ledger reflects the refund in account **282**-01-00-00, Deferred Inc Tax Recoverable, which reflected a debit balance of $10,300 at 12/31/2016 and a debit balance of $9,500 at 9/30/2017. The Abenaki Balance Sheet is not broken out by Division:

	9/30/2017	12/31/2016
Account **190** Accumulated Deferred Income Taxes	$9,500	$10,300

On the 2016 Annual Report Abenaki Note 2 was a statement that changed how accumulated deferred income taxes were reflected. Rather than being a reduction to account 282 Accumulated Deferred Income Taxes they are now reflect as a deferred debit in account 190. The quotes are "*in 2015 the Company reported deferred income tax recoverable as a reduction to accumulated deferred income taxes-liberalized deprecation. In 2016 The Company is reporting the deferred income tax recoverable as a deferred debit-accumulated deferred income taxes, the new reporting has been retroactively applied to the year-end December 31, 2015*." Stephen St. Cyr, an accountant for Rosebrook, stated "*the deferred income tax recoverable represents a potential refund and is better reported as an Other Asset rather than as a reduction to a deferred tax liability. Reporting it as an Other Asset also is consistent with the audited financial reports*". Rosebrook should not have put the $9,500 tax recoverable test year amount on the Filing Schedule 2-1 and the $10,300 tax recoverable amount on the 2016 Annual Report and filing in account 190. The change is not consistent with PUC Chart of Accounts and the reports to the Commission do not reflect the general ledger of the Company. **(Audit Issue #21)**

Property Tax Expense

The Filing Schedule 1 reflects the following tax expense for accounts 408 Property Taxes, for Rosebrook only. The Rosebrook figures agree with the general ledger. The 2016 Annual Report specifies all 3 divisions.

	9/30/2017	12/31/2016	Total
Filing Balance	$14,310	$ 8,394	$22,704
Annual Report		$27,319	$27,319

	9/30/17	12/31/16	Total
408-03-03-00 State Utility Tax	$3,960	$1,130	$ 5,090
408-04-00-00 Prop Tax. Exp. Bethlehem	$2,700	$ 1,999	$ 4,699
408-05-00-00 Prop Tax Exp. Carroll	$7,650	$ 5,265	$12,916
Total Rosebrook Property Tax	**$14,310**	**$ 8,394**	$22,704

	9/30/17	12/31/16	Total
408-03-02-00 State Utility Tax-WR	$900	$ 5,627	$ 6,527
408-02-00-00 Property Tax-Bow	$4,500	$ 1,026	$ 5,526
Total Property Taxes **White Rock**	$5,400	$ 6,653	$12,053

	9/30/17	12/31/16	Total
408-01-00-00 Property Tax-Belmont	$7,200	$ 9,634	$16,834
408-03-01-00 State Utility Tax-LMC	$2,565	$ 2,638	$ 5,203
Total Property Taxes **LMC**	$9,765	$12,272	$22,037
Total Property Taxes 3 Divisions	$29,425	$27,319	$56,744

Audit reviewed the general ledger property tax expense for the three divisions of Abenaki. The 2016 Annual Report Schedule F-2 Revised Income Statement line 7 states property taxes for the three divisions was $27,319. Audit verified the total to the general ledger accounts above. The accounting reflected monthly accruals, with a year-end closing entry for each. Also included within the balances were entries to "zero out accrued property taxes/utility taxes". The entries were made as corrections to the accruals.

Bethlehem Property Taxes

The Company accrued $333 per month in property taxes from October-December 2016. Rosebrook accrued $300 per month from January-September 2017 for property tax expense.

Audit reviewed the 2016 second issuance and 2017 first property tax issuance. Rosebrook paid $1,712 in property taxes on the 2016 2nd issuance. The town of Bethlehem assessed the property at $128,981 and a tax rate of $28.63 per thousand for parcel 422-006-011-00U. Rosebrook included state education tax in the tax payment when should not have. The total tax for the 2016 second issuance was $3,692.73 and Rosebrook had previously paid $1,980.51 in the first half of 2016. Rosebrook calculated the monthly accrual amount by dividing the $1,980 by six that resulted in the monthly $333 accrual the Company used. The actual accrual should have been $330 per month. This resulted in an extra $18 dollars being accrued during the six-month period. This is an immaterial amount. Based the state education tax the Company should have excluded $308 in State Education Tax. **(Audit Issue #23)** This would bring the 2016 second issuance property tax payment to $4,391 with the exclusion of state education tax.

The 2017 first issuance property tax bill increased the assessed value to $132,315 on a tax rate of $28.63 per thousand for parcel 422-006-011-00U. Rosebrook included state education tax in the tax payment when it should have been excluded. The total tax for the year for the 2017 first issuance was $3,788.18. The total tax paid was $1,894.09 which was paid on 6/23/2017 for the 2017 first issuance. Rosebrook calculated the monthly accrual by dividing $1,894 by six for $300 monthly accrual. The actual accrual should have been $315 per month. An additional $90 dollars should have been expensed during the six months. This is an immaterial amount. The total state education tax for the 2017 first issuance was $316.23. If the state education tax is excluded the 2017 first issuance should be $1,577.86 **(Audit Issue #23)**

Rosebrook does not have a prepaid account for prepaying property taxes during the year. Rosebrook debits account 408 the expense account and credits account 236 the liability account.

Carroll Property Taxes

The Company accrued $833 per month in property taxes from October-December 2016. Rosebrook accrued $850 per month from January-September 2017 in property taxes.

Audit reviewed the 2016 second issuance and 2017 first property tax issuance. Rosebrook paid $4,405 in property taxes on the 2016 2nd issuance. The town of Carroll assessed the property at $558,506 and a tax rate of $16.65 per thousand for parcel 999-UTL-WAT-000. The total tax for the year 2016 second issuance was $9,299 and Rosebrook had previously paid $4,893 in the first half of 2016. Rosebrook calculated the monthly accrual by dividing the previously paid amount of $4,893 by six for a total of $815. Rosebrook rounded up and accrued $830 per month for the six months. The Company should have accrued $815 per month. This resulted in an additional $90 being expensed. The amount is immaterial.

Audit reviewed the 2017 1st issuance and 2017 first property tax issuance. Rosebrook paid $5,210 in property taxes on the 2017 1st issuance. The town of Carroll assessed the property at $625,907 and a tax rate of $16.65 per thousand for parcel 999-UTL-WAT-000. The total tax for the year 2017 1st issuance was $10,421 and Rosebrook had previously paid $4,405 in the 2nd half of 2016. Rosebrook calculated the monthly accrual by dividing the estimated payment amount of $5,210 by six for $868 per month but rounded down to $850 per month. This resulted in $108 under-expensing during the period. The amount is immaterial.

State Utility Taxes

Abenaki provided a copy of the 2016 State Utility Tax Bill received by the Company on December 15, 2016. Rosebrook had an assessed value of $750,200 as of 4/1/2016. Based on a $6.60 tax rate per $1,000 of assessed value, the total tax bill for the year was $4,951. Audit reviewed the DP-255 estimated payments were paid in the amount of $1,325 in 2017 on April 17, June 15, September 15,2017, and December 15. There is an extra $89 dollars that was booked to the property tax expense compared to the DP-255 account. Rosebrook does not have a prepaid account for prepaying property taxes during the year. Rosebrook debits account 408 the expense account and credits account 236 the liability account.

Income Taxes

Below is a breakout of the Filing Schedule 1 and Annual Report for the test year for accounts 409,410:

	9/30/2017	12/31/2016	Total
Filing Balance	$16,126	($5,500)	$10,126
Annual Report		$0	

Below is a breakdown of the GL Income Tax Expenses:

	9/30/2017	12/31/2016	Total
409-02-00-00 NH Corporate Income Tax	$ 1,090	$2,500	$ 3,590
409-01-00-00 Federal Corporate Income Tax	$ -0-	$ -0-	$ -0-
410-00-00-00 Deferred Income Tax	$ -0-	$15,700	$15,700
410-03-00-00 Deferred Income Tax-RBW	$16,126	$ -0-	$16,126
	$17,216	$18,200	$35,416

The 2016 income taxes total $18,200 for all 3 Abenaki Divisions. The reason for the $(5,500) loss on the Filing Schedule 1 is described by Stephen St. Cyr as "*the Company reported an income (loss) for 2016 is incorporated into the parent Company NESC Income(loss) and the income taxes are calculated at the parent Company level. The taxes are then allocated back to the subsidiaries including Rosebrook. Abenaki does not break out income taxes for each of the three divisions. In responding to a 2016 PUC desk audit of the 2016 Annual Report, the Company allocated a portion of the income tax totals to each of the three divisions. The allocations were done on a pretax book income basis.*"

The State Income Tax Expense for 2017 was booked on 9/14/2017 for the year. The expense is for all three divisions. The Company allocated $16,126 to Rosebrook for Deferred Income Tax expense on 9/20/2017. On the Filing Schedule 1 the Company states the Income Tax Expense is $10,626 for the test year.

Audit is not able to verify the Filing Schedule 1 $10,626 test year income tax expense to the test year 9/30/2017 general ledger $35,416 balance as Abenaki does not break out Income Taxes by Company Division. Proformas #9 and #10 on the Filing Schedule 1A sum to a total income tax proforma of $25,211. Audit never received a response as to how income tax was calculated for general ledger and Filing purposes as there is a $24,790 difference (excluding the proformas). **(Audit Issue #22)**

State Income Taxes

Audit reviewed the 2016 State return. Abenaki Water Company filed a combined 1120 tax return prepared by Dworken, Hillman, Lamorte, and Sterczala in September 2017. Abenaki is required to file the Business Enterprise Tax and the Business Profits tax. Abenaki paid $361 of Business Enterprise Tax, $686 of Business Profits Tax, and had a $1,597 credit carryover from a prior tax period. As a result of the carryover credit Abenaki has overpaid their taxes and has a $550 tax refund for 2016 per the return.

The $361 BET was arrived at by multiplying the $50,202 taxable enterprise value by the December 31, 2016 BET tax rate of .0072. Audit verified the net income of $42,274 on line 1 of the Combined Business Profits Tax Return to line 28 of the 2016 federal tax return. Abenaki paid 8.2% on $12,771 of taxable Business Profits Tax. This is $1,047 of tax less the $361 for the BET for a total of $686 of Business Profits Tax. Abenaki has stated that they have filed extensions for the 2017 State of NH income tax return that will be due in September 2018. The filing Schedule 1A indicates ($755) in actual tax for the test year. This figure was calculated by dividing the 2016 State Income Tax expense by 3. Audit received a response that explains how the pro forma amount that was used to calculate State Income Taxes on Filing Schedule 1A was determined. Audit is not able form a logical reason for the test year tax expense on the GL, State Tax return and Filing as the Company does not allocate taxes by Company Division. **(Audit Issue #22)**

<u>Federal Income Taxes</u>

Audit reviewed the 2016 1120 Federal Tax Return. The return is filed in the name of New England Service Company out of Plainville, Connecticut as well as the other water companies in New Hampshire, Massachusetts, and Connecticut. The return was filed on 8/28/2017 by Dworken, Hillman, Lamorte, and Sterczala. Audit verified the $13,046 on the 2016 Annual Report to the net income of $13,046 on Schedule M-3 of the 1120 tax return. The tax return indicated a ($25,180) tax loss on Schedule M-3 of the return for income tax purposes. The 2016 return indicates Abenaki Paid $15,700 in Deferred Income Taxes during 2016. $15,700 was verified to account 410-00-00-00, Deferred Income Tax. Abenaki paid zero in 2016 federal income tax due the ($25,180) Abenaki Tax Loss and the NESC net operating loss deduction. Abenaki has stated that they have filed extensions for the 2017 federal income tax return that will be due in September 2018. The filing Schedule 1A indicates zero dollars in actual tax for the test year. Rosebrook stated it is because their parent Company NESC had a net loss. Audit received an explanation that explains how the pro forma was calculated and why there was no tax expense for the year on Filing Schedule 1A due to the fact the Company is losing money. Audit is not able to form an opinion on the test year tax expense as there is no logical relationship between the GL, Federal Tax return, and Filing. The Company does not allocate taxes by each division. **(Audit Issue #22)**

<u>Operating Revenue</u>

Account 400 Operating Revenue has a test year ending balance of $270,092 as of September 30, 2017 which agrees with the October 2016 – December 2016 general ledger and the January 2017 – September 2017 general ledger as well as the Filing Schedule 1. Audit reviewed the 2016 Annual Report total operating revenues of $74,812 compared to the October-December 2016 general ledger total of $68,569. The general ledger subtracts the beginning balances from the year-end total for 2016 which are $6,243. The $6,243 represents the 4 days of water usage from third quarter 2016 that is owed to the previous owner of Rosebrook since the date of purchase. There is a reduction of $143,135 in Revenue compared to the 2015 Annual Report total revenue of $413,227. The reason for the reduction is because prior to the Abenaki purchase the Company reported revenue from other contracts they managed. Abenaki did not take on these contracts from Resort Waste Services and Omni Mount Washington Hotel Waste Water. Below is the detail of the general ledger operating revenues for the test year ending September 30, 2017:

461-03-01-00 Metered Sales: Resident	$ 90,756
461-03-01-00 Metered Sales Commercial	$ 1,083
461-03-03-00 Metered Sales Hotel	$178,253
	$270,092

Billing Process

Abenaki has described the billing process in the following manner. Meters are read by the technician in the field at the end of the quarter in March, June, September, and December. A report is prepared and sent to the billing department for data entry into the billing system if the meter is a manual read. If the meter is an electronic read, the data file is shared and downloaded to the billing system for import and review. Bills are prepared, reviewed, and printed. The bills are mailed out within 24 hours of review. Some customers receive emailed copies of bills.

Audit reviewed the Billing User Manual the Company uses during the billing process. The user manual is mainly how to use the software within the billing system in a step by step manner. This includes meter reading, cash customers, invoice cloud, manual adjustments, and aged books. The Company needs to develop detailed procedures for internal control for billing. They currently state they do not have a detailed office procedures user manual.

During the test year the Company billed Quarterly. Commission Order 25,934 authorized the Company to bill monthly. Rosebrook transitioned to monthly billing on October 1, 2017 and the bills were mailed to customers in November 2017. At the time of the transition there were 406 meters that were completed. There were seven that still needed to be changed over. On November 1, 2017 five other customers were transferred to monthly billing. Currently only two meters have not been changed because they are portable water meters

Billing Summary

Audit reviewed the Rosebrook Billing Summary for the test year ending 9/30/2017 which tied to the test year general ledger balance of $270,092 for revenue billed. The billing summary was broken out into 399 residential, 3 Commercial, and 16 accounts associated with the Omni Mount Washington Hotel. The billing summary consisted of two spreadsheets one for 2016 fourth quarter charges and the three billing quarters during the test year. The billing summary shows customers' balances by quarter, the meter fee, usage fee, other charges, gallons used, and total amount billed. The billing summary broke out the Omni Mount Washington hotel and the 16 associated accounts by month. The billing summary shows the base charge, gallons used, usage fee, and total amount billed.

Audit tied the 2016 billing summary of $74,811 to the general ledger for revenue in accounts 461. There was $74,811 in 4th quarter 2016 billed invoices plus 3rd quarter 2016 adjustments. There was also ($6,243) subtracted for 4 days of water usage. The 2016 billing summary tie in to the GL is summarized below:

Account	Quarter	Amount
461-03-01-00 Metered Sales-Resident	4th quarter	$24,720
461-03-02-00 Metered Sales-Commercial	4th Quarter	$298
461-03-03-00 Metered Sales-Hotel	October 2016	$15,962
	November 2016	$13,446
	December 2016	$19,336
	3rd Quarter Adj.	$ 3,859
	Total	$52,602
Total 4th quarter 2016 Billed Invoices		$74,811
	Less: Beginning Balance on GL	$ (6,243)
	2016 ending GL Balance	$68,569

With the $6,243 beginning balances subtracted from the 2016 general ledger the $68,569 matches Rosebrook October-December 2016 revenue on the Filing schedule 1.

Audit reviewed the billing summary for the three quarters during 2017 which totaled $197,986 plus adjustments of $379.15, and $3,160 for 2016 unbilled revenue. The January-September 2017 Billing Summary tied to the GL is seen below:

461-03-01-00 Metered Sales-Resident	1st quarter	$24,684
	2nd Quarter	$18,587
	3rd Quarter	$24,309
	Total	$67,580
461-03-02-00 Metered Sales-Commercial	1st Quarter	$268
	2nd Quarter	$218
	3rd Quarter	$327
	Total	$813

461-03-03-00 Metered Sales-Hotel	January 2017	$14,006
	February 2017	$15,802
	March 2017	$15,061
	April 2017	$12,421
	May 2017	$11,249
	June 2017	$13,029
	July 2017	$17,013
	August 2017	$16,515
	September 2017	$14,496
	Total	$129,593
Total amount billed		$197,985
Total Adjustments		$379
2016 Revenue Unbilled		$3,160
Total 9/30/2017 GL ending balance		$201,524
Billing Summary Test Year Total		$270,092

Tariff Review

Audit reviewed thirty-four customer billing histories. Nineteen were monthly invoices related to the Omni Mount Washington Hotel and fifteen were quarterly invoices that were metered residential and commercial customers. Audit was not able to review 3 residential customers from the 3rd quarter 2016 billing period. Rosebrook stated they did not have those invoices because of the acquisition from Rosebrook. Rosebrook is not in compliance with PUC Rule 607.05 preservation of records which states all records must be preserved for two years. **(Audit Issue #24)** Audit was able to review proof of payment for those three invoices by reviewing the customer billing account history in the billing module.

The metered customer classes tested were 5/8 inch, 1 inch, 2 inches, 3 inches, and 6 inches. Below is a minimum monthly charge by meter size on the 1st revised pages 9, 10, and consumption charge of $5.33 per thousand gallons used.

Meter Size	Monthly Charge
5/8	$ 17.19
1”	$ 51.76
2”	$ 167.18
3”	$ 354.70
6”	$1,113.75

The meters are read quarterly and bills issued in April 1, July, October, and January 1. Customers are to pay the bills within 30 days. Audit reviewed the invoices and not all the digits are present on the bill form for water usage consumption. The bills are missing the second “3” and instead show 0.0053 rather than .00533 the consumption charge per gallon of water used on the water bills.

Rosebrook said the reason for the missing digit was due to the billing system limitations of only four digits. The Rosebrook bill presentation is not in compliance with the tariff as the bill is supposed to include all digits on a customer's bill. **(Audit Issue #25).** As a result, Audit's review of thirty-four invoices found 100% were not correct based on the bills' presentation of the incorrect tariff. This resulted in a $109 difference between the customer consumption if calculated using the rate presented on the bill and the actual consumption charge. Rosebrook stated the bills are calculated correctly by going into the Billing IT system and manually adding the extra 3.

Operation and Maintenance Expenses (O&M)

The filing schedule 1 shows the Operations and Maintenance expense ending balances as of December 2016 and September 2017 resulting in the total combined balances as of September 30, 2017 of $212,574. However, the general ledger for the period January 1, 2017 through September 30, 2017 totals $212,874, a difference of $300.

Acct #	Account Name	Charge	
623	Fuel/Power Purchased for Pumping	$	24,042
624	Pumping Labor & Expenses	$	21,739
626	Pumphouse Heat Fuel	$	1,726
631	Maint. of Structures & Improvements	$	1,748
633	Maint. of Pumping Equipment	$	19,030
641	Chemicals	$	7,296
642	Treatment Expense	$	21,903
652	Maint. of Water Treatment Equipment	$	5,325
663	Meter Expenses	$	1,550
664	Emergency Call	$	300
673	Maint of T&D Mains	$	488
675	Maint. of Services	$	4,330
676	Maint. of Meters	$	1,603
677	Maint. of Hydrants	$	10,066
902	Meter Reading Expenses	$	5,961
903	Customer Records & Collection Expenses	$	3,526
920	General & Administartive Expenses	$	35,688
921	Office Supplies & Expenses	$	14,204
923	Outside Services Employed	$	11,355
924	Property Insurance Expense	$	893
926	On-Call Pay	$	8,401
928	Regulatory Commission Expense	$	1,906
930	Miscellaneouse General Expenses	$	4,952
934	Vehicle Maint. Expense	$	4,241
950	Maint. of General Plant	$	601
	General Ledger	$	212,874
	Filing Schedule 1	$	212,574
		$	300

The filing schedule 1, column (b) reports the December 2016 O&M balance of $59,300. The general ledger reports operation & maintenance expenses totaling $63,566, a difference of $4,266 which, per the purchase and sales agreement, represents accounts which had beginning balances that were not be carried over at the time of the acquisition. The result is a decrease of the ending O&M balance from the general ledger of $4,266 to the filing amount of $59,300.

New England Service Company (NESC)

Audit reviewed the scope of services and the hourly and weekly rates from the two NESC management agreements that were in effect for the test-year. Invoices for the months of October, 2016 and April, July and September of 2017 were tested to verify that the charges agreed to the service agreements and the lease agreement. Each amount was traced to the general ledger accounts without exception.

Audit requested a sample of timesheets for other labor that is to be billed at cost and was provided with supporting documentation for the additional salaried employees which shows the duration, or time charged to a particular task, and the account number. The individual charges were traced to the general ledger with no exceptions noted.

The September NESC invoice contained third quarter overhead charges to AWC-Rosebrook. Audit reviewed two service company employee's overhead allocations for July, August and September 2017. The Company provided the total third quarter labor dollars for the company's Controller and the Administrative Director which showed the allocation percentages between the six affiliate companies.

The actual total NESC payroll expense of $17,612 is allocated to Abenaki at 13.4042% based on the total percentage of payroll resulting in Abenaki receiving $2,361 in payroll overhead of which AWC-Rosebrook was allocated $723 for the Controller. The total Abenaki non-payroll accounts consisting of pension and benefits accounts totaled $1,492 for the third quarter resulting in total billable overhead of $3,853. The amount actually billed to Abenaki totaled $3,217, a difference of $636 which was adjusted in November, 2017 per the Company.

The Controller's overhead was charged to account 186-17-13-03, Deferred Rate Case and account 920-00-01-03-00, Administration and General Salaries Expense on the NESC invoice and agreed with the general ledger with no exceptions.

The Administrative Director's overhead was charged to account 186-16-09-03, Deferred Pressure Study, 186-17-13-03, Deferred Rate Case, 186-17-16-03, Deferred Cap Study/Streamline Rate, 334-17-02-03, Install Meters and account 347-17-15-03, Website Design. The accounts were traced to the general ledger with no exceptions. The amount actually billed to Abenaki for the Administrative Director totaled $2,217, while the total billable was $3,332, a difference of $922 which was adjusted in November, 2017 per the Company.

Insurance Allocations

Audit reviewed the insurance allocations for General, Property and Directors and Officers (D&O) Insurance and verified the premiums charged corresponded to the premiums expensed.

General Property Insurance, account 924-03-00-00 totaled $893 at the end of the test-year. Abenaki's share of the total 2017 premium total of $21,576 was $2,904 or 14%. Rosebrook was allocated 41% using the rate base method or $1,190 which results in 12 monthly charges of $99.23. The total monthly charges for the 9 months ending September 30, 2017 were $893 which agrees with the general ledger balance for the test-year. There were no expenses allocated to Rosebrook from October through December 2016.

General Liability Insurance, account 930-01-03-00 totaled $1,198 at the end of the test-year. Rosebrook was allocated 41% of $1,838 using the rate base method or $754 which results in 12 monthly charges of $62.80. The total monthly charges for the 9 months ending September 30, 2017 were $565 which agrees with the general ledger. One invoice from NESC, which was booked for January 2017 in the amount of $633, was included in the overall balance for the test-year, $1,198.

Director's and Officer's Insurance (D&O), account 930-02-03-00 totaled $517 at the end of the test-year. Abenaki's share of the total 2017 premium total of $18,500 was $1,680 or 9%. Rosebrook was allocated 41% using the rate base method or $689 which results in 12 monthly charges of $57. The total monthly charges for the 9 months ending September 30, 2017 were $517 which agrees with the general ledger balance for the test-year.

Rt. 302 - Rosebrook

Account 623-01-03-00, Rt. 302 Rosebrook consists of direct charges for electric service from EVERSOURCE at the RT. 302 pump house in Bretton Woods NH.

Account	Description	Date	Source	Amount
623-01-03-00	RT. 302 - ROSEBROOK	11/17/16	EVERSOURCE	$ 1,944
623-01-03-00	RT. 302 - ROSEBROOK	12/16/16	EVERSOURCE	$ 1,992
623-01-03-00	RT. 302 - ROSEBROOK	03/20/17	EVERSOURCE	$ 2,383
623-01-03-00	RT. 302 - ROSEBROOK	06/12/17	EVERSOURCE	$ 1,867
623-01-03-00	RT. 302 - ROSEBROOK	08/15/17	EVERSOURCE	$ 2,215
				$ 10,402

Audit reviewed the EVERSOURCE invoices and the Abenaki Accounts Payable Approval for Payment form for the above transactions with no exceptions noted. One non-electric charge was for a reconnection fee with the purchase of AWC-Rosebrook on October 3, 2016 in the amount of $14 which is considered immaterial.

Pump House Heat Fuel

Account 623-03-00-00, Pump House Heat Fuel consists of direct charges for propane to heat the pump house in Bretton Woods NH. Audit reviewed the NESC purchase order, the vendor invoices and the Abenaki AP Approval for Payment form for the transactions listed below and tied the actual Franconia Gas invoices to the services company bills with no exceptions noted.

Account	Description	Date	Source	Amount
626-03-00-00	PUMPHOUSE HEAT FUEL	11/28/16	FRANCONIA GAS	$ 272
626-03-00-00	PUMPHOUSE HEAT FUEL	02/02/17	FRANCONIA GAS	$ 404
626-03-00-00	PUMPHOUSE HEAT FUEL	02/17/17	FRANCONIA GAS	$ 217
626-03-00-00	PUMPHOUSE HEAT FUEL	03/08/17	FRANCONIA GAS	$ 310
626-03-00-00	PUMPHOUSE HEAT FUEL	03/28/17	FRANCONIA GAS	$ 322
626-03-00-00	PUMPHOUSE HEAT FUEL	04/26/17	FRANCONIA GAS	$ 202
				$ 1,726

Maintenance of Pumping Equipment

The Company provided the invoices shown below that were directly charged to account 633-03-00-00, Maintenance of Pumping Equipment throughout 2017. Southworth Milton provided an oil change to the pump house generator under their service contract with NESC. Laviolette Controls performed maintenance on the control panel and troubleshooting the flowmeter, radio communication systems and tank telemetry. Audit reviewed the NESC purchase order, the vendor invoices and the Abenaki AP Approval for Payment form with no exceptions noted.

Account	Description	Date	Source	Amount
633-03-00-00	MAINTNANCE OF PUMPING EQUIPMENT	02/02/17	LAVIOLETTE CONTROLS	$ 340
633-03-00-00	MAINTNANCE OF PUMPING EQUIPMENT	05/30/17	SOUTHWORTH MILTON	$ 1,075
633-03-00-00	MAINTNANCE OF PUMPING EQUIPMENT	06/07/17	LAVIOLETTE CONTROLS	$ 255
633-03-00-00	MAINTNANCE OF PUMPING EQUIPMENT	08/10/17	LAVIOLETTE CONTROLS	$ 298
633-03-00-00	MAINTNANCE OF PUMPING EQUIPMENT	08/10/17	LAVIOLETTE CONTROLS	$ 400
633-03-00-00	MAINTNANCE OF PUMPING EQUIPMENT	09/18/17	LAVIOLETTE CONTROLS	$ 425
				$ 2,793

Maintenance of Hydrants

Account 677-03-00-00, Maintenance of Hydrants consists of a direct charge for repair of a leaky hydrant at River's Edge in Bretton Woods NH.

Account	Description	Date	Source	Amount
677-03-00-00	MAINTENANCE OF HYDRANTS - RBW	11/28/16	DODGE CONTRACTING, INC.	$ 4,403

The work was performed over a three-day period from November 8th through 10, 2016 and involved moving equipment to the site, excavation, repair, fill, labor and repaving. Audit reviewed the NESC purchase order, the vendor invoices and the Abenaki AP Approval for Payment form with no exceptions noted

Office Expenses

Charges to account 921-01-03-00, Printing and Supplies were for the design and printing of water bills and envelopes. The charge for water bills of $276 was a direct charge to Rosebrook. The charge for the envelopes for $491 was customer based allocation of 60% to AWC-Rosebrook per the Company's allocation percentages.

Account	Description	Date	Source	Amount
921-01-03-00	PRINTING & SUPPLIES	12/16/16	KRIS SQUIRES	$ 276
921-01-03-00	PRINTING & SUPPLIES	03/03/17	KRIS SQUIRES	$ 164
921-01-03-00	PRINTING & SUPPLIES	05/30/17	KRIS SQUIRES	$ 287
921-01-03-00	PRINTING & SUPPLIES	05/30/17	KRIS SQUIRES	$ 491
				$ 1,218

Audit reviewed the invoices, the accounts payable approval for payment form and the payment stub from NESC to Rosebrook for the transactions listed below and tied Kris Squires invoices to the service company bills with no exceptions noted with the invoicing. However, AWC-Rosebrook paid Connecticut sales taxes listed on the invoices. The allocated amount of the sales tax resulted in AWC-Rosebrook paying $66 which is considered immaterial.

Account 921-04-03-00, Rent is a customer based allocation and totaled $7,794 for the test-year. Abenaki has two lease agreements with New England Service Company of Connecticut. Abenaki signed a lease agreement on 1/5/2017 for space in the Plainville, Connecticut facility. Abenaki rents space from NESC on a month to month basis. The lease states that the monthly rent for Abenaki is $273.25. NESC is responsible for all liability insurance, taxes, and utilities.

The second lease agreement was signed on December 1, 2016 between NESC and Abenaki for the Gilford, NH property. The initial lease term was December 1, 2016 to December 31, 2017. The initial rent is $13,000 to be paid in $1,000 dollar monthly installments. The lease will continue on a year to year basis with each party giving 30 days' written notice of changes.

The first renewal term began on January 1, 2018 and the monthly rent increased by the Consumer Price Index.

Professional Services – Technical Support

Account 923-01-03-00, Technical Support consists of charges allocated to the three systems to establish bar coding on customers' bills, general ledger technical support and the annual software and support fee from Northern Data Systems.

Account	Description	Date	Source		Amount
923-01-03-00	PROFESSIONAL SVCS TECH SUPPORT	04/26/17	NORTHERN DATA SYSTEMS	$	542
923-01-03-00	PROFESSIONAL SVCS TECH SUPPORT	06/19/17	NORTHERN DATA SYSTEMS	$	449
923-01-03-00	PROFESSIONAL SVCS TECH SUPPORT	10/01/17	NORTHERN DATA SYSTEMS	$	63
923-01-03-00	PROFESSIONAL SVCS TECH SUPPORT	10/01/17	NORTHERN DATA SYSTEMS	$	294
				$	1,347

Audit reviewed the NESC purchase order, the vendor invoices and the Abenaki AP Approval for Payment form with no exceptions noted.

Accounting Services

Account 923-02-03-00, consisted of charges from Stephen St Cyr & Associates Accounting firm for financial services throughout the test-year and Dworkin, Hillman, Lamorte & Sterczala, P.C. for procedures related to the tax accruals for the six-month period ending June 30, 2017.

Account	Description	Date	Source		Amount
923-02-03-00	PROFESSIONAL SVCS ACCOUNTING	01/19/17	STEPHEN ST CYR & ASSOCIATES	$	125
923-02-03-00	PROFESSIONAL SVCS ACCOUNTING	03/10/17	STEPHEN ST CYR & ASSOCIATES	$	47
923-02-03-00	PROFESSIONAL SVCS ACCOUNTING	04/24/17	STEPHEN ST CYR & ASSOCIATES	$	1,344
923-02-03-00	PROFESSIONAL SVCS ACCOUNTING	06/23/17	STEPHEN ST CYR & ASSOCIATES	$	810
923-02-03-00	PROFESSIONAL SVCS ACCOUNTING	07/06/17	STEPHEN ST CYR & ASSOCIATES	$	234
923-02-03-00	PROFESSIONAL SVCS ACCOUNTING	07/06/17	DWORKKEN, HILLMAN, LAMORTE	$	1,913
923-02-03-00	PROFESSIONAL SVCS ACCOUNTING	07/31/17	STEPHEN ST CYR & ASSOCIATES	$	34
923-02-03-00	PROFESSIONAL SVCS ACCOUNTING	08/28/17	DWORKKEN, HILLMAN, LAMORTE	$	228
				$	4,734

Although the other expenses sampled by Audit used the rate base allocation method which charged AWC-Rosebrook 41%, the tax accruals used the customer based method with AWC-Rosebrook being charged 60%.

Audit reviewed the NESC purchase order, the vendor invoices and the Abenaki AP Approval for Payment form with no exceptions noted.

On-Call Pay

Account 926-05-03-00, On Call Pay totaled $8,401 for the test-year. Audit reviewed the months of April, July and September which showed On-Call charges totaling $2,558.

April 2017	$ 840
July 2017	$ 822
September 2017	$ 896
Total	$2,558

April 2017 costs were charged to account 926-05-03-00, On Call Pay for 4 weeks at $240 per week which corresponds to the management agreement in effect for April 2017. July costs were charged to account 926-05-03-00 for a total of 8 hours, 6 hours at $112 per hour, double time or $224 per hour and 2 hours at the regular pay rate of $75, double time or $150 per hour. The July 2017 rates are consistent with the agreement in effect July, 2017.

September 2017 costs were charged to account 926-05-03-00 for a total of 8 hours at $112 per hour totaling $896. The timesheet shows the 8 hours as overtime, the NESC invoice shows the rate as $112 per hour and described the work as On Call-Overtime which is consistent with the agreement for emergency or unplanned jobs.

Regulatory Expenses

The Company's general ledger account 928-03-00-00, Regulatory Expense reflected an expense of $945 for the Public Utilities Commission annual assessment. Audit determined that the amount of PUC assessment associated with the test year October 1, 2016 through September 30, 2017 was $1,322. Therefore, account 928-03-00-00, Regulatory Expense is understated by $377 **(Audit Issue #26)**.

State Fiscal Year 2017 due 01/15/2017	$ 377
State Fiscal Year 2017 due 04/15/2017	$ 377
State Fiscal Year 2018 due 08/15/2017	$ 191
	$ 945
Total NHPUC Assessment	$1,322
(Understated) account 928-03-00-00	($ 377)

Miscellaneous General Expenses $4,952

The Miscellaneous General Expenses included within the total O&M for the test year included:

930-01-03-00 Gen Liab Insurance-RBW	$1,197
930-02-03-00 D&O Insurance –RBW	$ 517
930-03-03-00 RWC Assoc. Dues/Education	$ 842
930-04-03-00 Board Exp-RBW	$ 450
930-05-03-00 Invoice Cloud/Sage Fees-RBW	$1,551
930-06-03-00 Banking Fees-RWC	$ 211
930-07-03-00 Misc. Corporate Exp-RBW	$ 184
	$4,952

General Liability Insurance and the D&O Insurance were discussed within the Insurance Allocations portion of this report.

Account 930-05-03-00, Invoice Cloud/Sage Fees totaled $1,551 for the test year. The service provided is described as a third party online billing/payment vendor. Audit reviewed Customer Based allocation to the September 2017 standard journal entry. Costs ranged from $89 - $179 for Sage fees and $37 - $52 for Invoice Cloud fees which is used to process customer invoice payments.

Audit Issue #1, Page 4

Continuing Property Records

Background

Audit requested the Continuing Property Records for additions and retirements prior to the acquisition date for the years 2013 through September 30, 2016 and for the test-year October, 2016 through September 2017. Also requested was a sample of prior years' work orders for additions and retirements to Plant in Service.

Issue

The Company responded that they do not have access to any of the AWC-Rosebrook's records. From the last rate case, AWC-Rosebrook was cited for not maintaining property records. The Company maintains a depreciation schedule that records additions and retirements along with the depreciation expense and accumulated depreciation. The additions are listed individually however no specific identifier or location of the asset is used. Audit did however verify that additions and retirements for 2014, 2015, 2016 and 9 months in 2017 are carried forward on the depreciation schedule though no pre-acquisition work orders were available.

Recommendation

The Company should use asset locations and an identifier for all additions, retirements and any transfers or adjustments going forward. Also, retirements should be kept separate from those relating to construction per the Uniform System of Accounts for Water Utilities section 1, part e (19). Audit also discussed with the Company that there may be more records stored locally. The Company should make an effort to locate those Plant records.

Company Comment

As noted, the Company has a depreciation schedule that records additions and retirements along with the depreciation expense and accumulated depreciation. The Company will undertake an effort in 2018 to add an "identifier" and location to the assets reflected on depreciation record.

Audit Comment

The Audit staff concurs with the Company's comments.

Audit Issue #2, Page 7

Meter Change Log

Background

The Company maintains the Meter Change Log which shows among other pertinent data, the meter location, the customer's name, the date the meter was changed and the installer's initials for all the meter installations in 2017. Audit matched 193 meters, or 47% of the total meters installed, from the Meter Change Log to the installation sheets with only minor differences in the meter size between the installer's sheet and the Log.

Issue

One development named Fairway Village did not list the meter sizes for all 50 meters installed in that location.

Recommendation

The Company should perform a review of the meter change log and reconcile all differences in meter sizes for all locations.

Company Comment

The Company is in the process of updating the meter change log. The meter change log is a working document to track when meters are changed. During the meter change process, each location has a separate meter change form. The meter change form is scanned to the system folder and available for operator access. The meter change form contains all the necessary information that the operator may need.

Audit Comment

The Audit staff concurs with the Company's comments.

Audit Issue #3, Page 8

Meter Retirements

Background

Account 334-03-00-00, Meters on the 2016 and 2017 general ledgers show total meter retirements for the test-year of $12,758.

Issue

The Depreciation Report shows total test-year meter retirements of $33,318 rather than the general ledger amount of $12,758, a difference of $20,560.

Also, the beginning meter balance as of the end of August 2016 and up until the acquisition was $51,953. Although the Company's testimony states that 100% of the meters were replaced, only $33,318 was shown retired on the depreciation report and only $12,758 were actually shown on the general ledger.

Recommendation

The Company must reconcile the meter retirements with how many were actually scrapped to how many were posted to the general ledger and the depreciation report.

Company Comment

The difference of $20,560 was for meters retired and recorded in October and November 2017.

Audit Comment

The Company provided the entries showing the October and November retirements totaling $20,560. However, the Company did not address why 100% of the replaced meters were not retired. The table below shows the remaining meters to be retired:

Acquisition Balance - Meters	$ 51,953
2016 Meter Retirements	$ (608)
2017 Beginning Balance	$ 51,345
1/1/17 - 9/30/17 Retirements	$ (12,150)
Test-Year Ending Balance	$ 39,195
October/November Retirements	$ (20,560)
Meters Yet To Be Retired	$ 18,635

The filing should be adjusted by $18,635.

Audit Issue #4, Page 9

Retirements of Fixed Capital

Background

Account 343-03-00-00, shows 2017 Meters retired of $12,150 and $608 representing total 2016 retirements, for a total of $12,758.

Issue

The meters were debited to accumulated depreciation for $608 in 2016 and $11,627 in 2017, not the total amount of $12,150 for 2017. The difference of $523 was not identified.

Recommendation

The Company should post an entry to reconcile the accumulated depreciation for meter retirements to agree with the pant retirement.

Company Comment

The difference of $523 is cash and was posted incorrectly at the time of the entry. The Company corrected the transaction in November 2017.

Audit Comment

After clarifying with the Company, the adjusted journal entry had the effect of:

131-02-00-00 Cash	$ 522.94	
108-03-00-00 Accum. Dep.	$11,627.06	
334-03-00-00 Meters		$12,150.00
To Record Scrapped Meters		

The Company projects monthly depreciation and reconciles the account at the end of the year. The Audit staff concurs with the Company's comments.

Audit Issue #5, Pages 10 and 11

Posting CIAC

Background

The account 271-03-00-00, CIAC balance at the end of the test-year totaled $446,331 and account 272-03-00-00, Accumulated Amortization of CIAC totaled $176,537 on the general ledger and schedule 3 of the filing.

Issue

The Company posted the amortization of $2,377 to account 271-03-00-00, CIAC in error rather than to account 272-03-00-00, Accumulated Amortization of CIAC.

Recommendation

The filing schedule 3, line 10 should be $448,708 rather than $446,331 and the amortization of CIAC should be $178,914 rather than $176,537.

The Company should post an entry to debit CIAC for $2,377 and debit the Accumulated Amortization of CIAC for the same amount.

Company Comment

So Noted

Audit Comment

The Audit staff concurs with the Company’s comments.

Audit Issue #6, Page 12

Acquisition Adjustment

Background

Audit requested and was provided with the initial journal entry which booked the Rosebrook system to the general ledger of Abenaki.

Issue

Two accounts were reviewed which were part of the original entry of $1,927,887

114-03-01-00 Acquisition Premium	$36,234	debit
183-03-00-00 Preliminary Survey	$25,342	debit

Per the direct testimony of Mr. St. Cyr, page 2, line 38, the Company states that it is seeking recovery of its 10% acquisition premium and to amortize these costs over an eight-year period. The basis of the $36,234 was requested but not provided, and could not be determined through a review of the complete journal entry.

The $25,342 booked to the Preliminary Survey account should have been booked to account 186. Rosebrook, prior to the acquisition by Abenaki, had reflected this as a Miscellaneous Deferred Debit on the annual reports from 2011 through 2015.

Recommendation

The basis of the "10%" acquisition premium must be provided prior to the determination of whether such a premium should be amortized and recovered through rates.

The $25,342 should be moved from account 183 to account 186.

Company Comment

See below the calculation of Rosebrook purchase price including the 10% premium.

	12/31/2015	8/31/2016
Property, Plant & Equipment	$ 1,355,885	$ 1,357,653
Accumulated Depreciation	(623,109)	(651,590)
Net Acquisition Adjustment	(16,855)	(14,608)
Net Plant	$ 715,921	$ 691,455
Less:		
CIAC	$ (296,307)	$ (285,770)
SRF		
Plus:		
Plant M&S	$ 3,718	$ 5,408
Net Deferred Assets / Liabilities	(56,409)	(56,409)
Prepayments	16,990	7,660
Total	$ 383,913	$ 362,344
10% Premiun	$ 38,391	$ 36,234
Total Purchased Price	$ 422,304	$ 398,578

The Company will transfer the $25,342 from account 183 to account 186 in 2018.

Audit Comment

Audit verified the 2015 balances to the Rosebrook Water Company 2015 PUC annual report, and verified the 8/2016 figures to the Abenaki/Rosebrook general ledger. The entries were posted on 12/2/2016 with an effective date of October 2016.

Audit Issue #7, Page 13

Internal Controls and Procedures

Background

Audit requested a copy of the Company's procedures manual that is supposed to document office policies such as disbursements, authorizations, internal controls, and approvals.

Issue

Rosebrook does not have any formal procedures as to how various procedures within the Company are done. This results in ineffective internal controls where there are not the appropriate checks and safeguards to make processes more efficient.

Audit asked Rosebrook the allocation policy and they stated they have a customer based and a rate based allocation. Each account is not formally written down and the type of allocation is decided on an ad hoc basis. Rosebrook took quite a long time to provide requested information for the Audit due to the fact there were various discrepancies that needed to be corrected.

Rosebrook is managed from Connecticut by New England Service Company. The Company included Connecticut sales tax in the Kris Squires office supplies invoices in account 921-01-03-00. The Company needs to exercise better oversight between states as New Hampshire based ratepayers should not pay taxes related to Connecticut purchases.

Rosebrook is required to keep customer records for up to 2 years. Audit asked for three customer invoices and the Company stated they did not have them as a result of the merger. Rosebrook is also reminded Continuing Property Records must be kept on all property, plant, and equipment. See also Audit Issue # 12.

Recommendation

The Company should develop an Internal Controls and Procedures Manual as this will make processes more efficient. This will make information more readily available as well as improve accuracy. This will improve the day to day functioning of the Company to have the appropriate procedures in place.

Company Comment

The Company strongly disagrees with the characterization that "this results in ineffective internal controls where there are not appropriate checks and safeguards to make the process more efficient." The Company also strongly disagrees with the characterization that certain allocations are "decided on an ad hoc basis." The Company has now established a NH office. It is also in the process of documenting procedures and strengthening its internal controls.

Audit Comment

Audit appreciates the Company is working on documenting procedures to better strengthen internal controls. Formal procedures will improve checks and safeguards to make the process more efficient. This will improve the day to day management of the Company going forward.

Audit Issue #8, Pages 18, 19, and 20

Preliminary Survey and Investigation Charges

Background

Audit reviewed account 183 Preliminary Survey and Investigation Charges to the general ledger, Filing Schedule 2-1, and 2016 Annual Report. There were due diligence charges in the Filing for two water systems that do not have any relationship to Rosebrook. There were purchase and due diligence costs related to Rosebrook that should be in account 186 Miscellaneous Deferred Debits. Refer to Audit Issue #7.

Issue

$25,342 worth of costs related to the purchase of Rosebrook Water in account 183-03-00-00. This is an account associated with Preliminary Survey and Investigation Charges. The amount had been included on the Rosebrook Balance Sheet in the Miscellaneous Deferred Debits account 186 since 2011. Refer to Audit Issue #7

There were $51,931 test year Due Diligence costs for Rosebrook Water that should not have been booked to account 183-15-09-00 but rather account 186 Miscellaneous Deferred Debits.

Rosebrook included $12,143 test year Due Diligence Small Water #1 in general ledger account 183-15-11-00 costs that should have been removed from Filing Schedule 2-1.

General ledger account 183-17-07-00 contained $947 test year Due Diligence costs for Small Water #2. The $947 should be removed from the Filing Schedule 2-1.

Recommendation

As noted in Audit Issue #7, Rosebrook should reclassify the $25,342 from account 183-03-00-00 to account 186 Miscellaneous Deferred Debits. The $51,931 Due Diligence for Rosebrook Water should be moved from account 183-15-09-00 and booked to account 186 Miscellaneous Deferred Debits.

Rosebrook included $12,143 test year Due Diligence Small Water #1 in general ledger account 183-15-11-00 costs that should be removed from Filing Schedule 2-1. General ledger account 183-17-07-00 contained $947 test year Due Diligence costs for Small Water #2. The $947 should be removed from Filing Schedule 2-1.

Company Comment

As noted in the Company response to audit issue #7, the Company will transfer the $25,342 from account 183 to account 186 in 2018. Also, the Company will transfer the $51,931 Due Diligence for Rosebrook Water from account 183 to account 186 in 2018.

Schedule 2-1 of the permanent rate filing reflects AWC's balance sheet (and not a Rosebrook only balance sheet). The Company has since provided a Rosebrook only balance sheet in response to Staff data request 1-5. In any event, AWC – Rosebrook is not seeking recovery of any non-Rosebrook related due diligence costs.

Audit Comment

Audit concurs with the Company.

Audit Issue #9, Page 20

Adjustments after Test Year

Background

Audit reviewed the Miscellaneous Deferred Debit account 186 and there were adjustments made in November 2017 after the test year, which impacted the test year ending balance.

Issue

Audit reviewed the Miscellaneous Deferred Debits account 186 and there was a $3,831 variance between the general ledger and Filing Schedule 2-1 test year total. Abenaki indicated that $2,976 in adjustments were made to account 186-17-13-03, Rosebrook Rate Case, in November 2017 after the test year, for months included within the test year.

Audit asked the Company if there were further adjustments made after the test year which would impact the balances in the general ledger from January through September 2017. The Company has not responded.

This brings into question the integrity of the costs in the Filing vs. general ledger, if adjustments were made after the test year ended 9/30/2017.

Recommendation

Abenaki should not make adjustments after the test year as this brings into question the integrity of the account balances in the filing vs. general ledger. The magnitude of the adjusting entries done, and thus the impact on the integrity of the account balances reflected in the filing vs. general ledger, cannot be determined at this point.

Company Comment

FYI, the Company had its outside auditors conduct a mid-year review and made certain adjustments knowing that Abenaki was preparing a rate case so that there was an increase level of comfort as it pertained to the "integrity of the account balances" in the GL, the F/S and the rate filing.

With respect to acct. 186, Misc. Def. Dr., the Company is seeking recovery of $51,931 of due diligence costs related to its purchase of Rosebrook.

The Company is not specifically aware of any other adjustments that were made after the test year that pertained to the test year.

Audit Comment

Audit appreciates the clarification that there were not additional adjustments made after the test year. The Company is reminded the data in the Filing, as of the test-year, must be a true reflection of the balances in the general ledger for the same period.

Audit Issue #10, Pages 21 and 27

Other-Accounts Receivable

Background

Rosebrook booked $2,686 of CoBank Patronage to account 141-03-00-00, Accounts Receivable Rosebrook Water Customers.

Issue

Rosebrook booked a debit $2,686 to account 141-03-00-00, Rosebrook Water Customer Accounts Receivable, when the entry should be debited to account 142 Other-Accounts Receivable per PUC Uniform System of Accounts.

Recommendation

This is a repeat audit issue. In the Abenaki Audit Report of DW 15-199, issued 9/22/2015, this was Audit Issue #10, which stated, among other items: "*Audit noted the following errors related to where accounting entries are posted: #141-03, Other Accounts Receivable should be booked to account #142*." The Company failed to address the issue in its response to the 2015 report.

The Company should adjust the books so the $2,686 is debited to the appropriate account.

See also Audit Issue #15.

Company Comment

As of the closing of 2017 financials, the Company has setup specific 142 accounts for the CoBank patronage for each system. This should not be an issue going forward.

Audit Comment

Audit concurs with the Company.

Audit Issue #11, Page 21

Accounts Receivable Aging Report and GL

Background

The Rosebrook Accounts Receivable aging report for the test year ending 9/30/2017 does not match the accounts receivable test year balance of $34,302.

Issue

The Accounts Receivable Aging Report and the Accounts Receivable Account Balances should match one another. Rosebrook had an aging report for the test ending 9/30/2017 balance of ($3,322) and the Accounts Receivable account 141-03-00-00 had a balance of $34,302. This is a difference of $37,624.

Recommendation

The Company should closely monitor the accounts receivable account and the aging report in the future as they should mirror one another.

Company Comment

The Company agrees.

Audit Comment

Audit concurs with the Company.

Audit Issue #12, Page 22

Separate Accounts Receivable Accounts

Background

In the prior audit of Abenaki in DW 15-199 the Company was told to maintain separate Accounts Receivable general ledger sub-accounts for each division.

Issue

The Company did eventually separate the accounts for Accounts Receivable by Company division in late July 2017. Prior to this change the Accounts Receivable for the entire Company were placed into account 141-01-00-00 that was for Lakeland Management.

Recommendation

Audit appreciates that the Company did make the change in late July 2017 to separate the accounts receivable accounts by Company division but it should have been done much sooner as it was an issue in the prior Abenaki audit report in DW 15-199. The Company needs to adhere to accounting for each division separately.

Company Comment

The Company does "adhere to accounting for each division separately," specifically plant, A/D, CIAC, A/A of CIAC and other rate base items and revenue and expenses. It has recently started to separately [account for] other non-rate related accounts including A/R.

Audit Comment

Audit appreciates the Company has begun separating non-rate case related accounts.

Audit Issue #13, Page 24

Incorrect Investment Account

Background

The 2016 Annual Report and Filing Schedule 2-1 list account 124 Utility Investments for the Patronage Dividend Distribution of $3,210.

Issue

Rosebrook recorded $3,210 to account 125-01-00-00 in CoBank Investment while the 2016 Annual Report and Filing Schedule 2-1 reflect the balance in account 124 Utility Investments, the incorrect account.

Recommendation

Rosebrook should ensure the accuracy of its accounts according to the general ledger correspond to the correct accounts in the Filing and Annual Report.

Company Comment

The Company will correct this going forward.

Audit Comment

Audit appreciates the Company is making the correction to the CoBank patronage investment account. The Company is reminded the Filing and general ledger accounts must be in compliance with the PUC chart of accounts.

Audit Issue #14, Page 25

Unamortized Debt Discount and Expense

Background

On the Filing Schedule 2-1 and 2016 Annual Report the Company provided a note that changed the Presentation of Unamortized Debt 181 on the Balance Sheet from an asset to a net deduction of account 224 Long Term Debt. Rosebrook stated the change was made due to ASU 2015-3 from FASB.

Issue

Abenaki included Note 1 on the 2016 Annual Report and Filing Schedule 2-1 that did not separate the account balances for Account 181 on the balance sheet. Audit verified that the balances on the general ledger were:

	9/30/2017	12/31/2016
181-03-00-00 Unamortized Debt Exp 400K Loan	$ 2,442	$ 2,539
181-01-00-00 Unamortized Debt Exp 300K Loan	$12,882	$14,504
	$15,324	$17,043

These general ledger balances should have been reflected on the 2016 Annual Report and Filing Schedule 2-1 in account 181, rather than netted against the 224 Long Term Debt.

Recommendation

Abenaki should continue to reflect the Unamortized Debt Balances in account 181on the asset side of the balance sheet, rather than as a deduction of the net Long Term Debt on all Annual Reports and Filings, to be consistent with the PUC Chart of Accounts.

The 2016 Annual Report and Filing Schedule 2-1 should be adjusted to show the $15,324 test year general ledger balance and $17,043 12/31/2016 general ledger balance of account 181 on the asset side of the balance sheet, rather than netted against the Long term Debt.

Company Comment

Rosebrook does continue to reflect the unamortized debt balance in account 181. For reporting purposes, it does net the unamortized debt balance against long term debt as required by FASB. It does so to substantially keep all of its financial reports (audited F/S, PUC Annual Report and internal F/S) consistent with one another. The PUC should consider updating its chart of accounts and its accounting practices to be consistent with the accounting profession. The Company disagrees that its 2016 PUC Annual Report and Filing Schedule 2-1 should be adjusted.

Audit Comment

Audit appreciates the response. The Company is reminded they must be in compliance with the PUC chart of accounts which as of this point in time has not made this change.

Audit Issue #15, Page 28

Accounting for Divisions Separately

Background

Audit reviewed the Filing Schedule 2-1 that is the balance sheet of the Company. The balance sheet is not broken out by Company Division. Audit reviewed the chart of accounts and general ledger and throughout much of the test year there were several instances of general ledger accounts that were not accounted for by Company Division.

Issue

Abenaki in a prior audit issue in DW 15-199 was told to account for each division separately. The Filing Schedule 2-1 does not break out each division separately. The general ledger reflects one consolidated balance for the following accounts.

Audit noted that the following accounts are not specific to a division of Abenaki:
231-00-00-00 Accounts Payable
231-01-00-00 Accounts Payable All Vendors
231-06-00-00 Accrued AP
231-04-00-00 Accounts Payable-NESC
232-01-00-00 CoBank Line of Credit
282-00-00-00 Accumulated Deferred Income Tax
282-01-00-00 Accumulated Deferred Income Tax Recoverable
211-00-00-00 Other Paid In Capital
215-00-00-00 Retained Earnings
141-01-00-00 Accounts Receivable-LMC This account was used for all three divisions until late July 2017.
125-01-00-00 CoBank Investment
131-02-00-00 Farmington Bank Checking Account
131-03-00 FSB Money Market Line of Credit
237-01-00-00 Accrued Interest
236-12-01-00 Accrued Federal Corporate Income Tax
236-12-02-00 Accrued NH Corporate Income Tax
409-01-00-00 Federal Corporate Income Tax Expense
409-02-00-00 NH Corporate Income Tax Expense
410-00-00-00 Deferred Income Tax- There is no breakout during 2016.
419-02-00-00 Dividend Income

Refer also to Audit Issue #10.

Recommendation

The Company should refile Schedule 2-1 breaking out each division of Abenaki. This was audit issue # 17 in the prior Abenaki Audit Report issued 9/22/2015 that stated

Abenaki Divisions must be accounted for separately. The Company agreed with the issue in the prior report, stating "*the Company agrees to work with the PUC recommendation and do this wherever possible*".

Because the Company does not have consolidated rates, rather individual tariffs for each of the Belmont, Bow, and Carroll divisions, the utility must reflect the books and records of each division as stand-alone entities.

Company Comment

The Company has filed a Rosebrook only balance sheet in response to Staff data requests 1-5. The Company has recently started separating the above mentioned accounts.

Audit Comment

Audit appreciates the Company is separating the above accounts by Company division.

Audit Issue #16, Page 29

Interest Expense on Filing, Loan Statements, and GL Does Not Match

Background

Audit reviewed the Interest Expense in Account 427 as part of the $400,000 issuance of debt in the acquisition of Rosebrook, as well as the $300K loan for Lakeland and White Rock. The interest expense on the $400K loan was overstated on the general ledger compared to the loan statements. The interest expense on the 300k loan was understated compared to the loan statements.

Issue

Audit reviewed the test year ending Interest Expense in account 427 on Filing Schedule 1 $13,596, general ledger account 427-03-00-00, 400K CoBank Loan $13,499, and the actual 400K CoBank Loan Statements interest expense charges of $12,285. The general ledger is overstated by $1,214 because of the inclusion of an extra payment from February 2017.

The test year general ledger interest expense for the 300K CoBank loan in account 427-01-00-00 is $7,546. The interest expense per the loan statements was $8,428. The general ledger is understated by $882. The 300K CoBank loan is for the Lakeland and White Rock divisions of Abenaki.

Recommendation

The Company should reduce the Filing Schedule 1 account 427 and general ledger account 427-03-00-00 Interest Expense on the $400K loan by $1,214 as it is overstated. This will accurately reflect the interest expense of $12,285 per the loan statements.

Rosebrook should increase the general ledger account 427-01-00-00 CoBank 300K Interest Expense by $882 because the account is understated compared to the interest expense per the CoBank Loan statements of $8,428.

Company Comment

The interest is not adjusted on a month to month basis and instead reconciled at the end of the year.

Audit Comment

Audit appreciates the response by the Company. Audit reiterates the Company should reduce the Filing Schedule 1 account 427 and general ledger account 427-03-00-00 Interest Expense on the $400K loan by $1,214 as it is overstated. This will accurately reflect the interest expense of $12,285 per the loan statements. Audit reiterates Rosebrook should increase the general ledger account 427-01-00-00 CoBank 300k Interest Expense by $882 because the account is understated compared to the interest expense per the CoBank Loan statements of $8,428.

Audit Issue #17, Page 30

Other Interest

Background

During December 2016 and year end close 2016 there was $908 worth of interest on a line of credit in account 427-04-00-00, Interest on Line of Credit. This was not included in the filing. The year-end balance was zero.

The Company stated that there was no interest on Customer Deposits. The account was used for interest accrued on short term lines of credit. Rosebrook did not know for which division of the Company the interest on the line of credit was.

Issue

Audit reviewed general ledger account 427-04-00-00 Interest on CoBank Line of Credit which had a test year-end balance of zero. In December 2016 there was $908 of interest on a short term CoBank Line of Credit that the Company stated was not for interest on customer deposits. Per the PUC Chart of Accounts account 427.4 is for Interest on Customer Deposits.

Recommendation

The Company should use account 427-05-00-00 for Other Interest on lines of credit. Rosebrook is reminded that account 427-04-00-00 is for interest on customer deposits. The accounts should be broken out by Company Division.

Company Comment

So noted.

Audit Comment

Audit concurs with the Company.

Audit Issue #18, Page 32

Other Paid in Capital

Background

Audit reviewed the general ledger account 211-00-00-00 that is the Other Paid in Capital Account for all divisions of Abenaki. The general ledger account 211-00-00-00 reflects that there was a $209,101 equity infusion for Rosebrook on 12/1/2016 when per the 2016 Annual Report F-33 the equity should have been $250,000. This is a difference of $40,898.

Issue

Audit reviewed account 211-00-00-00 Other Paid in Capital Account which had a $589,521 balance for all three divisions of the Company. The 2016 GL balance was broken out between $209,101 of equity for Rosebrook and $380,419 of equity for Lakeland/White Rock.

The 2016 Annual Report F-33 stated there was $250,000 of equity related to Rosebrook and $339,521 of equity related to Lakeland/Whiterock. There was a difference of $40,898. The Other Paid in Capital GL Account 211-00-00-00 should be broken out into separate accounts reflecting the $339,521 for Lakeland/White Rock and $250,000 for Rosebrook.

Recommendation

The Company should separate the Other Paid in Capital general ledger account 211-00-00-00 balance of $589,521 by each Company Division. There should be an account balance of $250,000 for Rosebrook and $339,521 for White Rock/Lakeland.

Company Comment

As of 1/1/18, the Company has separated Other Paid in Capital and identified the appropriate amount applicable to each system.

Audit Comment

Audit appreciates the Company has separated the Other Paid in Capital Account as appropriate. The response to Staff Data request 1-5 that breaks out the balance sheet still shows the incorrect $209,101 Other Paid in Capital equity allocation for Rosebrook.

Audit Issue #19, Page 33

Retained Earnings

Background

Audit reviewed the general ledger retained earnings account 215. The general ledger and Filing Schedule 2-2 do not appear to match.

Issue

1st Issue

There is a $9,924 difference between the 2016 detailed general ledger and Filing Schedule 2-2.

215-00-00-00 Retained Earnings	($60,936)	Account 215	$65,231
215-01-00-00 RE-LMC	$114,875		
215-02-00-00 RE-WRWC	$6,872		
215-03-00-00 RE-Rosebrook	($5,504)		
Total	$55,307		

2nd Issue

There is a $120,533 difference between Filing Schedule 2-2 and the 2017 detailed GL.

215-00-00-00 Retained Earnings	($63,528)	Account 215	$47,234
215-03-00-00 RE-Rosebrook	($9,771)		
Total	($73,299)		

3rd Issue

Audit reviewed the 2016 Retained Earnings adjusting entries and the spreadsheet states the information is from the summary trial balance. The summary trial balance is not a complete year reflection of year end adjusting entries. The 2017 adjusting entries did not contain any adjustments for retained earnings. Rosebrook stated the 2017 adjustments were a draft and they were still working on closing out 2017 with Auditor Dworken, Hillman, Lamorete, and Sterczala. Rosebrook is reminded when filing rate cases with the Commission the GL, Filing, Annual Reports must be accurate.

Recommendation

1. Rosebrook should explain the $9,924 difference between the 2016 detailed general ledger and Filing Schedule 2-2.

2. Rosebrook should explain the $120,533 difference between Filing Schedule 2-2 and the 2017 detailed GL.

3. Rosebrook is reminded that the general ledger, adjusting entries, filing, and annual reports must be an accurate and true description of costs when filed with the Commission to facilitate the ratemaking process.

Company Comment

1. The $9,924 are adjustments made during year end closing and final audit review from the Company's outside auditors. Oddly enough, the amounts are reflected in the F/S balances but do not appear in the GL. The Company has asked its technical support team to review and resolve.

2. It appears as though the GL provided does not include any balance forward for accounts that did not have any transactions for the current year.

3. The Company does not need a reminder that "the general ledger, adjusting entries, filing, and annual reports must be an accurate and true description of costs when filed with the Commission to facilitate the ratemaking process."

Audit Comment

Audit reiterates the general ledger, adjusting entries, filing, and annual reports must be an accurate and true representation of account balances when filed with the Commission.

Audit Issue #20, Pages 33, 34, and 35

Accounts Payable

Background

The Filing Schedule 2-2 reflects test year balances:

231 Accounts Payable	$ 16,697
233 Accounts Payable Associated Companies	$208,581
	$225,278

Issue

The $225,278 agrees with general ledger account 231-04-00-00 Accounts Payable-NESC. The Accounts Payable-NESC should be booked to account 233 not 231.

Audit was unable to determine the accuracy of the Filing Schedule 2-2 Accounts Payable test year balance of $16,69, nor the $208,581 because the general ledger is not broken out separately by each Company Division.

The Accounts Payable aging report should be broken out by each Company division. The aging report for test year ending 9/30/2017 indicated Abenaki owed payments by November 1, 2017 and December 1, 2017 but did not indicate what was current, 30 days due, or 60 days for example even though there were no late fees and Rosebrook states they pay their invoices to New England Service Company, the Parent, within 30 days.

Recommendation

Rosebrook should separate the aged payables listing by Company division. The aged payables should indicate whether payments are current, 30 days, 60 days, 90 days, and 120 days overdue.

The 231-04-00-00 Accounts Payable-NESC should be moved to account 233 Accounts Payable to Associated Companies to be in compliance with the PUC Chart of Accounts.

Each division should have an Accounts Payable general ledger account as well as an Accounts Payable to Associated Companies.

Company Comment

The Company has since separated payable by system. At the end of each fiscal year, the A/P to Associated Companies are transferred to account 233. Each system now has a separate A/P account and A/P to Associated Companies account.

Audit Comment

Audit appreciates the Company has separated the accounts payable accounts by the appropriate water and sewer system.

Audit Issue #21, Page 37

Account 282 Accumulated Deferred Income Taxes

Background

On Filing Schedule 2-1 and the 2016 Annual Report Abenaki started using account 190, a Deferred Debit Asset account, to reflect a $9,500 tax refund during the test year and $10,300 on 12/31/2016. Prior to this change the test year amount of $9,500 and 2016 year-end total of $10,300 was reflected on the balance sheet as a liability (debit balance) in account 282.

Issue

Rosebrook should adjust the Filing Schedule 2-1 and 2016 Annual Report and reflect the $9,500 test year refund and 2016 yearend total of $10,300 as net reductions to Accumulated Deferred Income Taxes account 282 rather than the use of account 190.

Each figure was verified to general ledger account 282-01-00-00 Deferred Income Tax Recoverable. The Company does not have a general ledger account 190.

Recommendation

Rosebrook should adjust the Filing Schedule 2-1 and 2016 Annual Report to reflect the $9,500 test year tax refund and 2016 yearend total of $10,300 as a reduction to the tax liability in account 282 Accumulated Deferred Income Taxes rather than account 190.

Company Comment

The Company disagrees with adjusting the filing schedule 2-1 and the 2016 PUC Annual Report. The $9,500 and the $10,300 are related to income taxes recoverable and more properly reflected as a deferred tax asset rather than as a reduction to a deferred tax liability related book and tax depreciation timing differences.

Audit Comment

Audit reiterates the Company must be in compliance with the PUC chart of accounts. Rosebrook should adjust the Filing Schedule 2-1 and 2016 Annual Report to reflect the $9,500 test year tax refund and 2016 yearend total of $10,300 as a reduction to the tax liability in account 282, Accumulated Deferred Income Taxes, rather than account 190.

Audit Issue #22, Pages 40, and 41

Account 282 Accumulated Deferred Income Taxes Calculations and Income Tax Expenses

Background

Audit was not able to verify the $10,626 Filing Schedule 1 Income Tax Expense to the general ledger test year total of $35,416. Audit requested why there was no federal or state Income Tax expense on Filing Schedule 1a and how they were proformed.

Audit asked the Company to provide the $97,877 calculation for Accumulated Deferred Income taxes and never received an answer.

Issue

Audit was not able to verify the 9/30/2017 Filing Schedule 1 Income Tax Expense $10,626 to the general ledger total of $35,416. This is a difference of $24,790. Since the Company does not allocate taxes by division, Audit asked for how the calculation of the Deferred Income Tax amount was calculated for 2016 for account 410-00-00-00. Audit asked why there was no income tax expense during 2016 on Filing Schedule 1A for account 409-01-00-00 Federal Income Tax. Audit asked how the ($5,500) loss on the Filing Schedule 1 was determined for 2016. Audit also asked how the NH Corporate Income tax expense was calculated and allocated among the three divisions during the test year. Rosebrook needs to explain how the State Income tax and Proformed Amounts were determined on Filing Schedule 1A.

Below is the 9/30/2017 GL Income Tax Expense

409-02-00-00 NH Corporate Income Tax	$3,590
409-01-00-00 Federal Corporate Income Tax	0
410-00-00-00 Deferred Income Tax	15,700
410-03-00-00 Deferred Income Tax-RBW	$16,126
	$35,416

Audit is waiting for the Company to provide the breakdown of the $97,877 figure used to calculate the 9/30/2017 Accumulated Deferred Income Taxes for account 282-03-00-00 for Rosebrook. There is a beginning balance of $81,751 from the purchase of Rosebrook as well as $16,126 in taxes deferred during the year. Audit also needs to verify how the ($9,500) accumulated deferred income tax recoverable is allocated among the three Abenaki Divisions.

Recommendation

Rosebrook should adjust the filing as the GL does not reflect the ($5,500) loss for 2016. There is a $24,790 difference between the GL and Filing Schedule 1 during the test year. The Company should explain the reason for the variance.

Rosebrook should explain why there was no federal income tax expensed during the test year and how the proformed total was determined on Filing Schedule 1A.

Rosebrook should explain how the state income tax was determined during the test year and explain how the proformed figure on Filing Schedule 1A was determined. Rosebrook should explain how the corporate income tax was allocated among the three divisions.

Rosebrook should provide the calculations that break out the $97,877 in Accumulated Deferred Income Taxes in account 282-03-00-00 for the test year ending 9/30/2017 as well as how the ($9,500) deferred income tax recoverable figure was calculated and allocated among the three divisions during the test year.

Company Comment

The 2016 GL and I/S reflect $2,500 and $15,700 of state business taxes and deferred taxes, respectively. The Company allocated such taxes to Rosebrook based on the 2016 pre-tax income (loss). Rosebrook's 2016 pretax loss amounted to ($9,441). As such, the Company allocated $756 and $4,745 of the state business taxes and the deferred taxes, respectively, resulting in Rosebrook's 2016 net loss of ($3,940).

The 9/30/17 G/L shows total deferred income taxes of $28,100, of which $16,126 was attributed to Rosebrook.

The proforma adjustments 9 & 10 to federal and state taxes are shown Schedule 1A, 2 of 3 and 3 of 3 and further supported by Schedules 1B and 1C.

Audit Comment

Audit appreciates the explanation of how Rosebrook allocated taxes during the test year. Audit is still unable to verify the $24,790 difference between the GL and Filing Schedule 1 as the taxes are not allocated based each Company Division.

Audit realizes that $16,126 was allocated to Accumulated Deferred Income Taxes during the test year for Rosebrook. The test year ending balance for account 282 was $97,877. Audit is still not able to verify how the figure was determined. Audit also still does not know how the ($9,500) deferred income tax recoverable figure was calculated and allocated among the three divisions during the test year.

Audit reviewed Filing Schedule 1A for Federal Income Taxes and realizes actual taxes paid were zero during the test year because the Company is losing money. Audit reviewed the proformed total on Schedule 1B that was for the income tax computation for temporary rates. Audit is not able to verify the $12,506 proformed income tax expense as income taxes are not allocated by Company division.

Audit appreciates the explanation by the Company as to how State Income Taxes were allocated based on Filing Schedule 1A for Rosebrook. Audit is still not able to verify why there was $2,500 worth of state business taxes charged during 2016 when Rosebrook reported a pretax loss of ($9,441) during 2016. Audi is not able to determine a logical relationship between the state income tax expense on the GL and filing as the Company does not allocate taxes by Company division.

Audit Issue #23, Pages 38 and 39

State Education Tax

Background

Rosebrook included State Education Tax in the tax expense for the town of Bethlehem in the 2016 second issuance and 2017 first issuance. The State Education Tax is not assessed on utilities, as they pay the State Utility Property Tax.

Issue

Rosebrook included $308 in State Education Tax that should be removed from the 2016 second issuance. Rosebrook included $316 in State Education tax in the 2017 first issuance from account 408-04-00-00 Bethlehem Property Tax Expense.

Recommendation

Rosebrook should reduce property tax expense account 408-04-00-00 Bethlehem Property Tax Expense by $624 as a result of the over expense of the state education tax.

Bethlehem Property Taxes	$4,699
State Education Tax over Expensed	($624)
Total Revised Property Tax Expense	$4,075

The Company should contact the town of Bethlehem to ensure the municipal level education tax is not assessed on utility property.

Company Comment

The Company agrees

Audit Comment

Audit concurs with the Company.

Audit Issue #24, Page 44

Preservation of Customer Records

Background

Audit tested customer bills as part of a review of revenue and the billing system. Audit was not provided with 3 customer invoices because the Company stated they were lost because of the transfer of ownership when Abenaki purchased the Company.

Issue

Audit was not able to test the accuracy of 3 customer bills because the Company did not have the records because of the transfer of ownership. The Company is reminded they must keep customer records for two years under PUC rule 607.05 that requires all records must be maintained for two years.

Recommendation

Going forward the Company should maintain customer records for 2 years in accordance with PUC rule 607.05.

Company Comment

The Company can't be held responsible for "not having record because of the transfer of ownership." The Company worked with the information that it was provided and has since established its own records.

Audit Comment

Audit realizes the Company had to work with the records it was provided by the prior ownership group, but reiterates customer records must be maintained for 2 years in accordance with PUC rule 607.05.

Audit Issue #25, Page 45

Bill Presentation Does Not Match Tariff

Background

Rosebrook per the Company tariff is allowed to bill $5.33 per thousand gallons of water used. Audit reviewed the customer invoices and the bills presentation shows $.0053 which is missing the extra three. The Totals on the customers' bills are correct because the Company corrects this in the IT billing system.

Issue

Rosebrook customers per the Company tariff are supposed to be able to calculate their bill correctly that shows $5.33 per thousand gallons of water consumed. The customer bill is missing the extra 3 and instead only shows .0053.

Recommendation

The Company should adjust the presentation on customer bills to reflect the tariff language of $5.33 per thousand for consumption charges. The bill presentation should be changed from $.0053 per thousand gallons of water used to $.00533 per thousand gallons of water used. This change would enable customers to calculate the bill they get each month.

Company Comment

On 4/30/18 the Company requested that the billing software company adjust the printed amount to reflect the correct amount of .00533 per thousand gallons. A target completion date for implementation is for bills issued to the customers after 7/1/18.

Audit Comment

Audit appreciates the Company is making changes to customer bill presentation.

Audit Issue #26, Page 51

Regulatory Expense

Background

The Company's general ledger and the rate filing reflected an expense of $945 for the Public Utilities Commission annual assessment.

Issue

Audit determined that the amount of PUC assessment associated with the test year October1, 2016 through September 30, 2017 was $1,322. Therefore, account 928-03-00-00, Regulatory Expense is understated by $377.

Recommendation

The Company should post an adjustment to reflect the total NHPUC assessment that pertains to the test-year.

Company Comment

The Company agrees.

Audit Comment

Audit concurs with the Company.