

Calculation of Amount to be Returned to Customers Effective June 1, 2018

		<u>Reference</u>
1 Revenue Reduction - 7/1/2017 Permanent Rates	\$ (1,256,082)	Att. 2, line 15
2 Revenue Reduction - 7/1/2017 Step Adjustment	(187,231)	Att. 2, line 31
3 Total Revenue Reduction	(1,443,313)	
4 DE 16-383 Step Adj. - Rev. Req. for Capital Additions	289,348	Att. 2, line 40
5 DE 16-383 Step Adj. - Add'l rate case expenses (annualized)	82,353	Att. 2, line 43
6 DE 18-034 REP/VMP - VMP O&M	552,414	Att. 2, line 48
7 DE 18-034 REP/VMP - Rev. Req. for Capital Additions	76,833	Att. 2, line 52
8 Amount to be returned to customers beginning June 1, 2018	\$ (442,365)	
9 Annual Base Distribution Revenues (DE 18-034, Schedule DBS-2, page 2 of 4)	\$ 41,831,737	
10 Percentage Reduction to Distribution Rates and Charges	<u>-1.06%</u>	

11 SUPPLEMENTAL INFORMATION - Impact of Tax Reform/New Hampshire Tax Rate Changes for the Period January 1 through May 31, 2018

12 Total Annual Revenue Reduction (line 3 above)	(1,443,313)	Line 3
13 Portion of Year Lower Tax Rates in Effect prior to June 1, 2018, Rate Change	5/12	
14 Reduction to Income Tax Expense 1/1/2018 - 5/31/2018	<u>(601,380)</u>	
15 Annualized Amount of Recoupment Recovery (DE 16-383 Settlement, Att. 3/Bates 029)	697,510	
16 Annualized Amount of Recoupment Recovery (DE 16-383 Settlement, Att. 4/Bates 030)	266,820	
Subtotal	964,330	
17 Portion of Year Remaining for Recovery of Recoupment and Rate Case Expenses	7/12	(20-mo. recovery ending 12/31/2018)
18 Recoupment/Rate Case Expenses Remaining to be Recovered	<u>562,526</u>	
19 Excess Amount - Record in Rate Expense Deferral for Next Rate Case	<u>(38,855)</u>	Line 14 + Line 18

Part 1 - July 1, 2017, Permanent Increase

	Proposed increase	Income Taxes
Company Rebuttal	5,685,306	3,595,535
Staff Testimony	1,196,150	2,120,309
Differences	4,489,156	1,475,226 32.86%
Settlement increase	3,750,000	A 2,959,555

Estimated Tax Calculation

Change from Rebuttal	(1,935,306)	
	32.86%	
	(635,980)	
	3,595,535	
Income Taxes for Settlement	2,959,555	A
Change from Staff Position	2,553,850	
	32.86%	
	839,246	
	2,120,309	
Income Taxes for Settlement	2,959,555	A

Revenue Reduction Per FERC Formula

Estimated Income Taxes per Settlement	A \$ 2,959,555
New Effective Tax Rate Factor	B 0.3744 = 1 / (1 - new tax rate) - 1
Old Effective Tax Rate Factor	C 0.6504 = 1 / (1 - old tax rate) - 1
Revenue Reduction	D \$ (1,256,082) A - (A * B / C)

Revenue Requirement at Lower Tax Rate

Settlement Revenue Deficiency	\$ 3,750,000
Revenue Reduction Due to Lower Tax Rate	(1,256,082) D
Revenue Deficiency After Lower Tax Rate	\$ 2,493,918

Part 2 - July 1, 2017, Step Adjustment

Revenue Requirement - As Approved	2,473,723	DE 16-383 Settlement Agreement, Attachment 1, line 26
Rate Base (as approved)	14,184,186	DE 16-383 Settlement Agreement, Attachment 1, line 19
Return Component (Incl. Taxes)	1,520,934	DE 16-383 Settlement Agreement, Attachment 1, line 22
Pre-Tax ROR (as approved)	10.72%	
Pre-Tax ROR (new tax rates)	9.40%	
Difference	-1.32%	
Reduction to Return	(187,231)	

Rate increases to be Offset

Part 3 - DE 16-383 Step Adjustment (Effective May 1, 2018, Postponed to June 1, 2018)

Revenue Requirement - Capital Additions	314,404	As filed, DE 16-383, March 16, 2018, filing, Attachment B, line 26
Reduction in Return due to tax rate changes	(25,056)	
Revised Step Adjustment Rev. Requirement	289,348	See Attachment 3
Additional Rate Case Expenses per Audit	72,058	As filed (\$48,039, annualized over recovery period of 8 months)
Revised Annualized Add'l Rate Case Expenses	82,353	(\$48,039 / 7 * 12 = \$82,353)

Part 4 - DE 18-034 Reliability Enhancement Program/Vegetation Management Program (Effective May 1, 2018, Postponed to June 1, 2018)

Vegetation Management O&M Component	552,414	As filed, DE 18-034, Schedule DBS-1, Page 2 of 14 (Bates 052), line 7
REP Capital - Revenue Requirement	166,322	As filed, DE 18-034, Schedule DBS-1, Page 3 of 14 (Bates 053), line 60
Reduction in Return due to tax rate changes	(89,489)	
Revised REP Capital Revenue Requirement	76,833	See Attachment 4