

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

HAMPSTEAD AREA WATER COMPANY, INC.

DW 20-117

Request for Change in Rates

SETTLEMENT AGREEMENT – STEP I RATES

This Settlement Agreement for Step I Rates (*Step I Settlement Agreement*) is entered into this 25th day of January 2023, by and among the New Hampshire Department of Energy (DOE), the the intervenor Town of Atkinson¹, and the Hampstead Area Water Company, Inc. (HAWC or the Company) (together, “the Step I Settling Parties”)², in order to, among other things, allow the first of two step adjustments in rates for the Company, pursuant to RSA 378 and Order No. 26,635 (June 2, 2022) (approving Settlement Agreement on permanent rates) as subsequently revised by the Commission on June 10, 2022 and again on July 20, 2022 as the “Second Revised Order No. 26,635” (still dated June 2, 2022), available at the following link, [20-117_2022-07-20_ORDER_26635.PDF \(nh.gov\)](#). The “Second Revised Order No. 26,635” shall hereinafter be referenced as “Order No. 26,635.” The Step I Settling Parties agree to this joint submission to the

¹ A copy of the proposed Step I settlement agreement was circulated to all parties the afternoon of January 20, 2023. Of the other parties that were settling parties to the *Settlement Agreement on Permanent Rates*, intervenor Town of Hampstead did not respond with a position on this *Settlement Agreement – Step I Rates*, and the Office of the Consumer Advocate replied indicating they are taking no position. The other intervenors in this matter – none of whom joined either this or the previous *Settlement Agreement on Permanent Rates* – are Karen Steele, who filed prefiled testimony in the previous Permanent Rate portion of this docket, and Sarah Theriault and the Town of Danville, neither of whom filed prefiled testimony in the Permanent Rate Portion of this docket. *See* Secretarial Letter dated April 9, 2021, at Tab 32 of the NH-PUC’s Virtual File Room for the online docket (Virtual File Room) (Identifying other Intervenors).

² To avoid confusion with the “Step I Settling Parties”, the settling parties to the *Settlement Agreement on Permanent Rates*, which included the Town of Hampstead and the Office of the Consumer Advocate, are herein distinguished as the “Settling Parties”.

New Hampshire Public Utilities Commission (Commission) to seek its approval of this *Step I Settlement Agreement*.

I. BACKGROUND AND PROCEDURAL HISTORY³

HAWC is a regulated public utility defined by RSA 362:2 and RSA 362:4, providing water service to approximately 4,002 customers in the communities of Atkinson, Chester, Danville, East Kingston, Fremont, Hampstead, Kingston, Newton, Nottingham, Plaistow, Salem, Sandown, and Strafford.

On May 19, 2021, the DOE filed a Settlement Agreement on Temporary Rates reached with the Company and the OCA, which was approved by the Commission on January 17, 2022. *See* Tab 87⁴ and Tab 89 (Revised Order No. 26,566 Approving Temporary Rates). The Settling Parties, which included the Step I Settling Parties, and the Intervenors conducted discovery and attended multiple technical sessions including those additional technical sessions and discovery established by the amended procedural schedule approved by the Commission on October 14, 2021. The DOE also performed an audit of HAWC's books and records and completed an audit report. *See* Attachment A (DOE Final Audit Report). Discussions were held amongst all of the parties during various technical session/settlement conferences. The result of these discussions led to agreement by the Settling Parties memorialized as the Settlement Agreement on Permanent Rates filed on May 9, 2022. *See* Tab 113. On May 11, 2022, the Commission conducted a hearing on the merits of the previously filed Settlement Agreement. On June 1, 2022, the Commission

³ For the Commission's convenience and to avoid repetition, the Step I Settling Parties condensed the procedural history for this matter that was outlined in the previous *Settlement Agreement on Permanent Rates* at Tab 113 of the Virtual File Room, available at the following link: [20-117_2022-05-09_HAWC_SETTLEMENT-AGRMT.PDF \(nh.gov\)](#).

⁴ References to "Tab ____" hereinafter means the Tab number as published in the Virtual File Room.

approved the Settlement Agreement by Order No. 26,635, *see* Tab 120. As previously stated, this Order was subsequently revised on June 10, 2022, *see* Tab 124, and July 20, 2022, *see* Tab 135.

II. TERMS OF STEP I SETTLEMENT AGREEMENT

a. Overview

In summarizing the terms of the *Settlement Agreement on Permanent Rates*, Commission Order No. 26,635 at 13-14 states the following regarding Step Adjustment I:

The Settling Parties agreed on a proposed Step I adjustment based on: (1) post-test year plant additions placed in service in 2020, including plant additions related to the [Southern New Hampshire Regional Water Project] SNHRW Project; (2) the Company's purchase of Manchester Source Development Charge (MSDC) capacity credits from Manchester Water Works in 2020, which is added to rate base as a deferred debit and amortized over 39 years, the remaining life of the SNHRWP Project contract; and (3) various other operating income adjustments.

The Settling Parties further agree that the Company may file its Step I petition after June 20, 2022, and that the resulting rates, subject to Commission approval, will be effective no earlier than December 16, 2022.

Once filed, the DOE Audit Division will review and submit a report to the parties in this docket. The DOE and other parties to the docket will then review the filing and resulting calculation with the Company and submit a report to the Commission recommending a final revenue requirement increase and resulting rates.

The Settling Parties also agree that the proposed Step I adjustment, subject to review by the DOE Audit Staff and the Settling parties, will result in an increase not to exceed \$258,450 in the Company revenue requirement, utilizing a rate of return of 4.50%. The Company's rate base will increase by no greater than \$2,368,015 for a total not to exceed \$7,660,606.

On September 1, 2022, the Company filed its "Calculation of Step Adjustment and Supporting Schedules for Step I" based on the three components previously approved by the Commission in Order No. 26,635. *See* Tab 143. On October 7, 2022, the DOE filed a proposed procedural schedule on behalf of the DOE and the Company that included one round of discovery and a technical session and culminated with the submission of either a Settlement Agreement or

DOE Position Statement by January 25, 2023. On October 18, 2022, the Commission issued a Procedural Order approving the proposed procedural schedule.

The DOE Audit Division conducted an examination of the Company's proposed Step I Adjustment and issued a Final Audit Report on October 11, 2022. *See* Attachment A.⁵ On November 9, 2022, the DOE issued its first set of data requests pertaining to the Step I Adjustment to which the Company responded on November 21, 2022. On November 29, 2022, the DOE issued supplemental data requests, to which the Company responded on December 6, 2022. On December 13, 2022, the Company, DOE, and various intervening parties held a technical session and settlement conference.⁶ Based on that discussion, HAWC filed a revised Calculation of Step Adjustment and supporting schedules with the Commission on December 19, 2022. *See* Tab 158.

b. Step I Adjustment Revenue Requirement

The Step I Settling Parties agree and recommend that the Commission approve a Step I Adjustment in the Company's revenue requirement of \$258,450, which is the not-to-exceed amount for Step I contained in the *Settlement Agreement on Permanent Rates* approved by Commission Order No. 26,635 at 13-14, 20-21. The Step I Settling Parties agree that a calculation of the proposed Step I adjustment is contained in Attachment B "Step Adjustment Calculation" and would, but for the terms of the Settlement Agreement on Permanent Rates, support a Step I adjustment greater than the not-to-exceed amount of \$258,450. *See* Attachment B, Schedule 1. The Step I Settling Parties further agree that the proposed Step I Adjustment represents an

⁵ The DOE's Final Audit Report included two audit issues both of which were resolved and are reflected in Attachment B, "Step Adjustment Calculation."

⁶ The Town of Hampstead and the OCA did not attend but the remaining Settling Parties did; Intervenor Karen Steele attended briefly.

approximate 11.53% percent increase over the Company's *pro forma* 2019 test year water revenues of \$2,242,163.

The Step I Settling Parties agree that the foregoing proposed Step I Adjustment, i.e., \$258,450, represents a reasonable compromise of all issues relating to the Step I Adjustment. The sums expressed above and provided for in Attachment B are the result of compromise and settlement and are liquidations of all revenue requirement issues pertaining to Step I. The Step I Settling Parties also agree that the proposed Step I Adjustment will result in rates for HAWC's customers that are just and reasonable and serve the public interest within the meaning of RSA 374:2 and RSA 378:7. The Step I Settling Parties further agree that the proposed Step I Adjustment accurately reflects HAWC's investment in plant that is prudent, used and useful, and is based on a reasonable rate base and a just and reasonable rate of return thereon, in compliance with RSA 378:27-29, and Order No. 26,635.

c. Maximum Combined Effect of Step I Adjustment

The Step I Settling Parties agree that this proposed Step I Adjustment meets the combined effect as approved by the Commission in Order No. 26,635 at 13-14, 20-21, that is, not to exceed a total of \$258,450. The Step I Settling Parties recommend that the Commission approve the Step I Adjustment.

d. Effective Date of Step 1 Adjustment Rate Revenue Requirement Increase

The Step I Settling Parties agree and recommend the Commission approve an effective date for the rates resulting from Step I that coincides with the date of the Commission order approving this *Step I Settlement Agreement* on a service-rendered basis.

e. Resulting Rates

The Step I Settling Parties agree and recommend that the Commission approve maintaining a similar rate design after implementation of Step I as was approved for permanent rates by Order No. 26,635, including customer charges based on pipe size, volumetric charges, and private fire protection charges based on pipe size. The Step I Settling Parties further agree and recommend the Commission approve, as just and reasonable, the rates contained in the following table, which are based on the proposed increase in the Company's annual revenue requirement after implementation of Step I. The Step I Settling Parties agree that the proposed rates, shown in the following table, are based upon a monthly rate and a consumption charge per ccf of water consumed.

The Step I Settling Parties also agree that the following table shows the Proposed Step I Rates as compared to the Permanent Rate Revenue Requirement Rates. The Step I Settling Parties further agree that the proposed Step I rates presented in the following table are consistent with the *Settlement Agreement on Permanent Rates* approved by the Commission in Order No. 26,635. See Tab 113 (Settlement Agreement) and Tab 135 (Order No. 26,635) (Order No. 26,635). The Step I Settling Parties, furthermore, note that only the meter and consumption charges will be adjusted due to the Step I increase to the Company's revenue requirement and that the private fire protection rate will not be adjusted.

[continued]

STEP I			
Rate Group	Permanent Rate Revenue Requirement Rate	Proposed Step I Rate	Percentage Change
Meter Charge			
5/8 inch meter	\$11.92	\$12.89	8.1%
3/4 inch meter	\$27.87	\$30.15	8.2%
1 inch meter	\$54.45	\$58.91	8.2%
1 ½ inch meter	\$107.61	\$116.42	8.2%
2 inch meter	\$139.50	\$150.93	8.2%
Consumption Charge (per ccf)	\$6.90	\$7.72	11.9%
Private Fire Protection Charge			
1 ½ inch pipe	\$2.49	\$2.49	0%
2 inch pipe	\$5.31	\$5.31	0%
3 inch pipe	\$15.43	\$15.43	0%
4 inch pipe	\$32.87	\$32.87	0%
6 inch pipe	\$95.49	\$95.49	0%

f. Municipal Fire Protection Rate and Amended Tariff Language

The Step I Settling Parties also note that pursuant to the *Settlement Agreement on Permanent Rates*, with the increase in rates through the proposed Step I (and eventual Step II) Adjustments, the municipal fire protection rates would fluctuate. That fluctuation would make it difficult for the intervenor Towns of Hampstead and Atkinson to budget properly. As such, the Step I Settling Parties recommend, and the Company, as a Settling Party, now agrees to keep the municipal fire protection charge level. The Step I Settling Parties also recommend, and the Company, as a Settling Party, now agrees that the Company will also absorb the resulting revenue shortfall, projected to total \$56,708.00 (\$22,821 for Step I and \$33,887 for Step II).

g. Stay Out Provision

The Step I Settling Parties agree and recommend that the Commission affirm that this *Step I Settlement Agreement* does not change or modify the Stay Out Provision contained in the *Settlement Agreement on Permanent Rates* approved in Order No. 26,635 such that the earliest the Company would be able to file its next full permanent rate proceeding would be January 1, 2025, utilizing a 2024 test year. *See* Order No. 26,635 at 17.

III. MISCELLANEOUS

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

b. The Step I Settling Parties agree that the Commission's approval of this *Step I Settlement Agreement* shall not constitute continuing approval of, or precedent for, any particular principle or issue, but such acceptance does constitute a determination that the terms of this agreement are just and reasonable and consistent with the public interest.

c. This Step I Settlement Agreement shall not be deemed an admission by any of the Step I Settling Parties that any allegations or contentions in this proceeding by any other party, other than those specifically agreed to here, is true and valid. This Settlement Agreement shall not be construed to represent any concession by any Settling Party regarding positions taken with

respect to the Company's proposals in this docket, nor shall this Settlement Agreement be deemed to foreclose any Settling Party in the future from taking any position in any subsequent proceedings.

d. The pre-filed testimony and supporting documentation previously provided in this proceeding are not expected to be subject to cross-examination by the Step I Settling Parties, which would normally occur in a fully litigated case. The Step I Settling Parties agree that all such pre-filed testimony and supporting documentation should be admitted as full exhibits for the purpose of consideration of this Settlement Agreement and be given whatever weight the Commission deems appropriate. Consent by the Step I Settling Parties to admit all such pre-filed testimony without challenge does not constitute agreement by any of the Step I Settling Parties that the content of the pre-filed testimony is accurate or that the views of the witnesses should be assigned any particular weight by the Commission. The resolution of any specific issues in this Settlement Agreement did not indicate the Step I Settling Parties' agreement to such resolution for the purposes of any future proceedings, nor does the reference to any other document bind the Step I Settling Parties to the contents of, or recommendation in, that document for the purposes of any future proceeding.

e. The Step I Settling Parties agree to forego cross-examining witnesses regarding their prefiled testimony and, therefore, the admission into evidence of any witness's testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Settlement Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness, including responses to data requests, shall constitute an admission by such witness.

f. The rights conferred and the obligations imposed on the Step I Settling Parties by this Settlement Agreement shall be binding on and inure to the benefit of any successors in interest or assignees as if such successor or assignee were itself a signatory party. The Step I Settling Parties agree to cooperate in advocating that this Settlement Agreement be approved by the Commission in its entirety and without modification.

g. The discussions that produced this Step I Settlement Agreement have been conducted on the understanding that all offers of settlement and settlement discussions relating to this docket shall be confidential, shall not be admissible as evidence in this proceeding, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion and are not to be used in connection with any future proceeding or otherwise. The content of these negotiation, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

h. This *Step I Settlement Agreement* may be executed by facsimile and in multiple counterparts each of which shall be deemed an original, and all of which, taken together, shall constitute one agreement binding on all Step I Settling Parties. This Settlement Agreement may be executed by electronic signature.

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

The Hampstead Area Water Company, Inc.
By its Attorney,

Date: January 25, 2023

/s/ Anthony S. Augeri
Anthony S. Augeri, Esq.

NH Department of Energy
By its Attorney,

Date: January 25, 2023

/s/ Mary E. Schwarzer
Mary E. Schwarzer, Esq.
Staff Attorney/ Hearings Examiner

The Town of Atkinson

Date: January 25, 2023

/s/ John Apple
John Apple, Town Administrator
Its duly authorized representative

Attachment A

(DOE Audit Report for Step 1)

STATE OF NEW HAMPSHIRE

Intra-Department Communication

DATE: October 11, 2022

FROM: NH Department of Energy, Division of Enforcement Audit Staff

SUBJECT: Hampstead Area Water Company Inc.
DW 20-117 Step Adjustment I
FINAL Audit Report

TO: Tom Frantz, Director, Regulatory Division
Jayson Laflamme, Assistant Director, Gas/Water Division
Anthony Leone, Utility Analyst

Introduction

On September 1, 2022, Hampstead Area Water Company, Inc. (HAWC, Company) filed its Step 1 final cost and schedules, as contemplated by the May 6, 2022 Settlement Agreement filed in docket DW 20-117. The Settlement Agreement was approved on July 20, 2022 in the 2nd revised Order No. 26,635. The assets contemplated for inclusion in the step adjustment were reported within the filing—Summary of Changes to Calculation of Step Adjustment, Schedules 1 through 4b—totaling \$4,096,039, with \$(2,307,837) of that addition being contributed by the developer and recorded as a contribution in aid of construction (CIAC). The following depicts the year 2020 additions for the first step adjustment, as reported within the filing:

	<u>Asset</u>	<u>CIAC</u>
Atkinson Tank	\$1,597,603	\$(1,004,919)
Other Plant – Angle Pond	\$ 264,263	\$ -0-
Other Plant – Dearborn Ridge	\$ 27,533	\$ -0-
Westside Drive	\$1,314,140	\$(1,302,918)
MSDC Fee	\$ 892,500	\$ -0-
2020 Projects	\$4,096,039	\$(2,307,837)

The filing further details each proposed step increase by general ledger account, the depreciation rate, and accumulated depreciation through 2020. The amortization rate and accumulated amortization relating to the Atkinson Tank and Westside Drive projects CIAC were also included.

Audit reviewed the Settlement Agreement, noting the following as stated on page 7: *“The Settling Parties agree that the proposed Step 1 Adjustment[...]will result in an increase not to exceed \$258,450 in the Company’s revenue requirement.”* On September 1, 2022, the Company filed a Summary of Changes to the step adjustment calculation, stating that *“The*

schedules support an increase greater than the 'not to exceed \$258,450.' As such, HAWC respectfully request an increase of \$258,450, subject to DOE Audit Division and Settling Parties review and reports." Although the schedules within the filed Summary of Changes to the step adjustment support an increase greater than the "not to exceed \$258,450" amount, Audit understands that the Company is not asking that the higher figure of \$260,642 be approved for collection.

Continuing Property Records

The Sage Fixed Asset system is an all-encompassing online system which demonstrates asset, depreciation years and rate, the system and service number, copies of supporting invoices as applicable, descriptions and locations of assets, the acquisition date, the system name, town, general ledger account number for the plant, depreciation expense and accumulated depreciation, the name of the vendor, serial numbers as applicable, contribution in aid of construction detail as applicable, replacement value, warranty date as applicable, asset total for book and tax purposes, among other information, among other items. Audit was provided with complete access to the system for all assets placed into service during 2020.

Project Costs

Atkinson Tank \$1,597,603 and CIAC \$(1,004,919)

The February 4, 2019 Settlement Agreement, outlined the need for the Atkinson Tank Project as *"a necessary investment in the ordinary course of HAWC's operation, and thus it is a routine financing."* On March 29, 2019, the Commission approved the Company's petition to finance the construction of the Atkinson Tank, via Order No. 26,230 of Docket DW 18-138: *"The proposed financing will fund part of the construction of the Tank Project to be located in Atkinson [and] will become part of HAWC's Atkinson and Hampstead Core System. The Tank Project is part of the much larger Southern New Hampshire Regional Water Project [SNHRWP], supported by the DES, to 'transmit water supply from Manchester Water Works to meet domestic water demands in the towns of Windham, Salem, Atkinson, Hampstead, and Plaistow.'"* In the filed testimony of Charles Lanza, General Manager of HAWC, the Atkinson Tank was identified as being constructed by the Company, as *"a 1 Million Gallon storage tank in Atkinson ensuring the Company's Core water treatment System's storage capacity and pressure stability and enhanced fire protection."*

Audit reviewed the total cost for the Atkinson Tank, per attachment B of the filing. The following reflected the total asset additions and related CIAC, as filed:

	Asset <u>Amount</u>	CIAC <u>Amount</u>	Depreciation <u>Rate</u>	½ Year <u>Accum Dep.</u>	Amortization <u>Rate</u>	½ year <u>Accum. Amort.</u>
303 Tank Easement	\$ 50,000	\$ (31,451)	2.00%	\$ 500	2.00%	\$ 315
311 Generator	6,300	(3,963)	10.00%	315	10.00%	198
311 REPCO Control Panel	11,259	(7,082)	10.00%	563	10.00%	354
311 Pumping Material	44,582	(27,350)	10.00%	2,229	10.00%	1,368
330 Flow Meter	3,994	(2,512)	2.22%	44	2.22%	28
330 Solarbee Gridbee Electric Mixer	20,200	(12,706)	2.22%	224	2.22%	141
330 1 Million Gallon Concrete Tank	799,800	(503,088)	2.22%	8,878	2.22%	5,584
330 Tank Sitework & Engineering	661,468	(416,767)	2.22%	7,342	2.22%	4,626
Total	\$ 1,597,603	\$(1,004,919)		\$ 20,096		\$ 12,614

Audit verified the total costs filed of \$1,597,603 for the Atkinson Tank to the Fixed Asset Summary Report (Internal) for the period ended December 31, 2020. Using the Sage accounting software, Audit reviewed the general ledger and CPR information—confirming the December 2020 in-service date. The CPR was properly identified as to location, contribution amount, asset depreciation, and CIAC related information.

Audit confirmed the filed asset cost per general ledger account to the Fixed Asset Summary report and noted a variance of \$1,101 within account 311, Pumping Mat. Audit calculated an additional variance—between the filing and the Fixed Asset Summary Report—of \$(1,101) within account 330, Tank/Distribution Reservoirs/Standpipes. The Company explained the variances in the following statement: *“We originally recorded the information on the books in 2020. When we were finalizing the Step 1 submission we found that \$1,101 was incorrectly classified on the books. The filing corrected that classification. Once Step 1 is approved, we will adjust the general ledger.”* Audit acknowledged that the filed total asset cost of \$1,597,603 was not impacted by the incorrect classification on the general ledger, as the \$1,101 variance in account 330 and the \$(1,101) variance in account 330 is zeroed out.

The CIAC component of the Atkinson Tank Project was a grant from NHDES. Audit reviewed the journal entry and final disbursement amount for the grant—as well as the payoff letter—confirming that NHDES had disbursed to the Company, a total of \$1,004,919.56 for the Atkinson Storage Tank. The final grant payment was disbursed on June 22, 2020. All CIAC related assets were verified to the Fixed Asset Summary Report (CIAC) for the period ended December 31, 2020. The reports were downloads of the HAWC general ledger system. Audit verified that the CIAC Fixed Asset Summary Report rolls into the appropriate 271 Contributions in Aid of Construction account and noted the monthly amortization expense recorded on account 272 Accumulated Amortization of Contributions in Aid of Construction.

Audit sampled expenses from DN Tanks, Lewis Engineering, Steve Cummings, Town of Atkinson, and Wilson Construction. The following includes a certificate of payment and other sampled invoices that were reviewed in support of the expenses incurred:

DN Tanks, Inc. – There was a total of \$1,407,148 in expenses paid to DN Tanks for the Atkinson Tank addition. Audit reviewed the contract with DN Tanks and verified the certificate for payment, totaling \$1,407,148. Expenses included engineering design drawing, the tank site and trench excavation, pouring and reinforcement of wall slots and dome, as well as fees charged for layout, survey, casting wall panels and dome panels, road access, and electrical.

Lewis Engineering – Five invoices, totaling \$8,175, were reviewed from Lewis Engineering. Progress payments were invoiced for the design of the new tank, as well as technical services, site inspection, winterization, completion, disinfection, and startup.

Steve Cummings – There were six invoices totaling \$13,255 in expenses paid to Steve Cummings for consulting engineering services through May 2020. Specifically, review and inspection of the site was performed, as well as the layout access roadway alternative to the tank site was revised with grades and drainage calculations.

Town of Atkinson – A total of \$3,459 was paid to the Town of Atkinson for the planning board application and necessary permits. Audit reviewed the supporting E-mails, Job Cost Transaction Reports, and copies of checks for payments.

Wilson Controls, LLC – Three invoices, totaling \$32,520, were reviewed from Wilson Controls, LLC. Payments were for the base contract, as well as upgrades, and final startup.

The Company provided Job Cost Transaction Reports which summarized the employee labor for the Atkinson Tank project. Audit verified a sample of employee time sheets and to the Job Cost Transaction Reports and to the general ledger.

Other Plant \$291,796

The Other Plant additions are for a new pumphouse at the Angle Pond and Dearborn Ridge locations. The pumphouses were added for the purpose of making necessary system upgrades to incorporate a newly permitted well. The filing reflected the total asset additions as follows:

	<u>Asset Amount</u>	<u>CIAC Amount</u>	<u>Depreciation Rate</u>	<u>½ Year Accum Dep.</u>
<u>Angle Pond</u>				
307 Wells	\$ 155,501	\$ -0-	3.33%	\$ 2,589
309 Supply Mains	60,114	-0-	2.00%	601
311 Pumping Equipment	30,802	-0-	10.00%	1,540
320 Treatment Equipment	17,846	-0-	3.60%	321
Angle Pond Total (rounded)	\$ 264,263	\$ -0-		\$ 5,052
<u>Dearborn Ridge</u>				
307 Wells	\$ 27,533	\$ -0-	3.33%	\$ 458
Dearborn Ridge Total (rounded)	\$ 27,533	\$ -0-		\$ 458

Audit verified the total costs filed of \$291,796 for Angle Pond and Dearborn Ridge to the Fixed Asset Summary Report (Internal) for the period ended December 31, 2020. Using the Sage accounting software, Audit reviewed the general ledger and CPR information—confirming the October 31, 2020 in-service date for Angle Pond and the December 31, 2020 in-service date for Dearborn Ridge. The CPR was properly identified as to location, contribution amount, and asset depreciation. There was no CIAC reported for the projects.

Audit confirmed the filed asset cost per general ledger account to the Fixed Asset Summary report and noted a variance of \$(150) (rounded) within account 311, Pumping Mat. Audit calculated an additional variance (rounded)—between the filing and the Fixed Asset Summary Report—of \$150 within account 320, Treatment Equipment. Audit acknowledged that the filed total asset cost of \$291,796 was not impacted by the incorrect classification on the general ledger, as the rounded variances of \$(150) in account 311 and \$150 in account 320 is zeroed out. Refer to the Atkinson Tank project costs section of the report for the Company's explanation of variances on the plant accounts.

For the Angle Pond addition, Audit sampled expenses from Emery and Garrett Groundwater Investigations, R.E. Prescott, Sweet Electric, Ti-Sales, and Vierra Artesian Well. The following includes invoices that were reviewed in support of the expenses incurred:

Emery and Garrett Groundwater Investigations – Fifteen invoices—totaling \$119,665—were reviewed from Emery and Garrett, as well as a copy of the service contract. Progress payments were invoiced for hydrological services, including the Aquifer testing and water quality, preliminary reporting, the final report preparation, and meetings in preparation for the Public Hearing.

R.E. Prescott Co., Inc. – Audit reviewed two invoices, totaling \$18,501 in expenses paid to R.E Prescott for the Angle Pond addition. Items purchased included a submersible motor, a pump end, a transformer, a filter, as well as a 15 ft. cable and a connector.

Sweet Electric, LLC – Two invoices, in the total amount of \$4,757, were reviewed by Audit. Expenses paid were for electrical services at the Angle Pond Pump House, including the installation of an outlet for the water system.

Ti-Sales – Expenses accrued totaled \$3,067. Audit reviewed two invoices for water supplies, including one Turbine Meter ProRead Wheel, one Turbine MeterPro Coder Gallon, two Flange Kits, and two no lead bronze Flange Kits with full face gasket.

Viera Artesian Well – One invoice, totaling \$14,860, was reviewed for services rendered and items purchased from Viera Well. The description of charges were for top-hole drilling, 40' of 8" casing, one drive shoe seal, and 560' of 8" drilling.

For the Dearborn Ridge addition, Audit sampled expenses from Land and Boundary Consultants, R.E. Prescott Co., and Vierra Artesian Well. The following includes invoices that were reviewed in support of the expenses incurred:

Land and Boundary Consultants – Expenses incurred totaled \$675. Audit reviewed the invoice for Title examination; specifically, the examination of the status of the water rights deed and easement.

R.E. Prescott Co. – One invoice, totaling \$998, was reviewed for the purchase of a Yaskawa P1000 pump drive. The drive had a rated output current (Amps) of 17.5 and a nominal HP3 of 5.

Viera Artesian Well – One invoice, totaling \$7,290, was reviewed for services rendered and items purchased from Viera Well. The description of charges were for 140' of steel casing, a drive shoe seal, grout, and 465' of 6" drilling.

The Company provided Job Cost Transaction Reports which summarized the employee labor. Audit verified a sample of employee time sheets and to the Job Cost Transaction Reports and to the general ledger.

Westside Drive \$1,314,140 and CIAC \$(1,302,918)

The addition at the Westside Drive location consists of a new pump station. As part of the Southern New Hampshire Regional Water project, the Westside Drive pump station allows the Company to receive water through a connection from Salem. A description of the Westside Drive Drinking Water Treatment Facility is described on the Company's website: "[...] chloraminated water from the town of Salem will be introduced into the Hampstead Area Water Company, Inc.'s (HAWC) core water system. Treatment at this facility makes the water supplied by Salem compatible with HAWC's existing water supplies. This facility will convert the existing type of disinfection (chlorine) to monochloramine within its existing water treatment process."

The filing reflected the total asset additions and related CIAC as follows:

	Asset <u>Amount</u>	CIAC <u>Amount</u>	Depreciation <u>Rate</u>	½ Year <u>Accum Dep.</u>	Amortization <u>Rate</u>	½ year <u>Accum. Amort.</u>
303 Land Rights	\$ 23,026	\$ (22,830)	5.00%	\$ 576	5.00%	\$ 571
304 Structures – Pump Station/Site Work	580,996	(576,034)	2.50%	7,262	2.50%	7,200
310 Power Generator Equipment	80,472	(79,784)	10.00%	4,024	10.00%	3,989
311 Pumping Equipment	<u>629,646</u>	<u>(624,270)</u>	10.00%	<u>31,482</u>	10.00%	<u>31,214</u>
Total	\$1,314,140	\$(1,302,918)		\$ 43,344		\$ 42,974

Audit verified the total costs filed of \$1,314,140 for Westside Drive to the Fixed Asset Summary Report (Internal) for the period ended December 31, 2020. The general ledger and CPR information were also reviewed, confirming the December 2020 in-service date for the Westside Drive additions. Audit noted that the \$80,472 amount reported in the filing for account #310, Power Generator Equipment, was booked to the general ledger for account #311, Pumping Mat. The Company explained that, “[...]this was a mistake on the general ledger that was not spotted until after 12/31/21. The general ledger will be corrected with any other audit adjustments.” Audit acknowledged that the filed total asset cost of \$1,314,140 was not impacted by the classification of the \$80,472 within account 310, as reported on schedule B of the filing.

The CIAC component of the Westside Drive pump station was a grant from NHDES. Audit reviewed the Contractor’s Application for Payment—as well as the payment disbursements log, request for disbursement, and journal entry—verifying that NHDES had disbursed to the Company, a total of \$1,302,918 for the Westside Drive pump station. All CIAC related assets were verified to the Fixed Asset Summary Report (CIAC) for the period ended December 31, 2020. The reports were downloads of the HAWC general ledger system. Audit verified that the CIAC Fixed Asset Summary Report rolls into the appropriate 271 Contributions in Aid of Construction account and noted the monthly amortization expense recorded on account 272 Accumulated Amortization of Contributions in Aid of Construction.

Refer to the Plant Accounts section for details regarding the project costs per general ledger account.

Audit sampled expenses from Sullivan Associates and Weston and Sampson Engineers for the new pump station at Westside Drive. The following includes invoices that were reviewed in support of the expenses incurred:

Sullivan Associates— One invoice, totaling \$1,075, was reviewed by Audit. Charges were for the purchase of a combined chlorine polarizer and a sensor.

Weston and Sampson Engineers – Four invoices, totaling \$41,387, were reviewed for engineering and testing services rendered. Audit reviewed the detailed expense reports that corresponded to the invoices.

All CIAC related assets were verified to the Fixed Asset Summary Report (CIAC) for the period ended December 31, 2020. The reports were downloads of the HAWC general ledger system. Audit verified that the CIAC Fixed Asset Summary Report rolls into the appropriate 271 Contributions in Aid of Construction account and noted the monthly amortization expense recorded on account 272 Accumulated Amortization of Contributions in Aid of Construction.

MSDC Fee \$892,500

On September 28, 2020, the Commission approved Order #26,407 of Docket DW 19-147, for the financing of the Merrimack Source Development Charge (MSDC). The MSDC is related to the Southern NH Regional Water Project and for the purpose of acquiring water from Manchester Water Works (MWW)—through the Town of Derry and to the Company, as well as the towns of Windham, Plaistow, and Salem. The Company pays the one-time MSDC fee to MWW, totaling \$892,500, for 250,000 gallons of water per day from MWW. The Company has been connected to the project since August of 2020. The Company's fee of \$892,500 goes toward a portion of the project—along with other cities/towns contributing their own fee, based on the number of gallons of water from Manchester. The collected fees allow Manchester to fund the project involving the digging into the Merrimack River, for the purpose of creating a new supply.

Audit reviewed the signed agreement between MWW and the Company, as well as the towns included in the Southern NH Regional Water Project. The termination date of the agreement was noted as December 31, 2058—for a contract length of 39 years—and was verified to the filing. Audit reviewed an invoice for the in the amount of \$892,500 from MWW and verified the MSDC to general ledger account 186, Other Deferred Debits.

Plant Accounts

Tank Easement / Land Rights – Account 303 per Step Filing \$73,026

	<u>Per Filing</u>	<u>Per GL and Sage</u>	<u>Per Audit</u>
Atkinson Tank	\$50,000	\$50,000	\$50,000
West Side Drive	\$23,026	\$23,026	\$23,026

Within the Atkinson Tank summary of the filing was a total for Tank Easement of \$50,000. Audit verified that total to account 1-00-303.00 and to the Sage system. The depreciation expense and accumulated depreciation for the Atkinson Tank Easement was filed as \$500, with a depreciation rate of 2.0% applied for the first year using the ½ year convention. The filing also reflected additions to the West Side Drive development in Atkinson in the amount of \$23,026. The addition was reported as booked to account 1-00-303.00, Land Rights. The filing stated the depreciation expense and accumulated depreciation for the Westside Drive Land Rights as \$576, with a depreciation rate of 5% applied for the first year using the ½ year convention. The differing depreciation rates of 2% for the easement and 5% for the land rights were observed; additionally, Audit noted that no estimated life was reported on the CPRs for the easement and land rights. The Company explained that, *“Upon further review, HAWC believes that lives of the easement / land rights probably should be the same, the lives should probably be consistent with the approximate lives of the other assets at the Atkinson Tanks and West Side*

Drive and probably be consistent with the easement life of the Smith Mountain Tank, which is 40 years. As such, HAWC proposes to adjust the percentages to 2.5% for both amortization the tank easement and land rights and the related CIAC. " **AUDIT ISSUE #1**

The total of \$1,076 in accumulated depreciation expenses filed—\$500 for the Atkinson Tank Easement and \$576 for the Westside Drive Land Rights—was not reported within the CPR information or on the general ledger. The Company explained that they "[...] mistakenly did not record depreciation expense on the easement during 2020 and 2021. This was discovered when we were preparing the Step 1 schedules. Out thought was to correct the general ledger when the Step 1 audit is complete in case there are other adjustments that need to be made." Refer to Audit Issue #1 for details regarding the booking of the accumulated depreciation.

Of the total \$50,000 for Atkinson Tank and \$23,026 for Westside Drive, the CIAC was filed as \$31,451 and \$22,830, respectively. The totals were verified to the Fixed Asset Summary Report CIAC. No exceptions were noted.

Audit reviewed the Fixed Asset Summary report as well as the Sage system and there were no additions to the Tank Easement / Land Rights account 303, other than those noted for the Atkinson Tank and West Side Drive.

Structures and Improvements – Account 304 per Step Filing \$580,996

	<u>Per Filing</u>	<u>Per GL and Sage</u>	<u>Per Audit</u>
West Side Drive	\$580,996	\$580,996	\$580,996

Within the Westside Drive summary of the filing was a total of \$580,996 for Pump Station and Site Work. Audit verified that total to account 1-00-304.00, as well as the Sage system Continuing Property Records (CPR). The depreciation rate of 2.50% noted in Sage agrees with the PUC Small Water booklet. Of the total \$580,996, an amount of \$576,034 was reported to be CIAC. That total was verified to the Fixed Asset Summary Report CIAC. The reported 2.50% depreciation rate applied for the first year using the ½ year convention was recalculated for each without exception. The depreciation expense and accumulated depreciation was \$7,262.

Audit reviewed the Fixed Asset Summary report and the Sage system, as well as the general ledger, noting that there were no additions to the Structures-Pump Station and Site Work account 304, other than those noted for West Side Drive.

Wells, Account 307 per Step Filing \$183,034

	<u>Per Filing</u>	<u>Per GL and Sage</u>	<u>Per Audit</u>
Other Plant – Angle Pond	\$155,501	\$155,501	\$155,501
Other Plant – Dearborn Ridge	\$ 27,533	\$27,533	\$27,533

The filing reflected additions of \$155,501 that were classified as Other Plant for the Angle Pond Well in Hampstead. The addition was for a large groundwater supply well booked to account 307, Wells. The 3.33% depreciation rate was verified to the PUC Small Water Booklet and then applied for the first year using the ½ year convention. The filing reported the depreciation expense and the accumulated depreciation at \$2,589 and Audit recalculated the amount without exception.

The filing also reflected additions at Dearborn Ridge in Atkinson in the amount of \$27,533. The addition was reported as booked to account 307, Wells. The reported 3.33% depreciation rate applied for the first year using the ½ year convention was recalculated without exception. The depreciation expense and accumulated depreciation was \$458.

There was a total variance amount of \$(274) between the accumulated depreciation filed versus the amount booked to the general ledger. The \$(274) total variance consisted of the Angle Pond location—where Audit noted a variance of \$(233) between the filed depreciation of \$2,589 and the \$2,356 amount that was booked to the general ledger—and the Dearborn Ridge location, where Audit noted a variance of \$(41) between the filed depreciation of \$458 and the \$417 that was booked to the general ledger. **AUDIT ISSUE #2**

Pumping Equipment, Account 311 per Step Filing \$803,061

	<u>Per Filing</u>	<u>Per GL and Sage</u>
Atkinson Tank	\$ 62,141	\$ 61,040
Other Plant – Angle Pond	\$ 30,802	\$ 30,652
Westside Drive	\$710,118	\$710,118

The filing reflected additions to the Atkinson Tank, Angle Pond pumphouse, and Westside Drive pumpstation, in the amounts of \$62,141, \$30,802, and 710,118 respectively. The additions included materials related to a generator at Atkinson Tank and Westside Drive, as well as a pump controller and motor at the Angle Pond pump house. Audit confirmed that the additions were and booked to account 311, Pumping Equipment. A variance of \$1,101—between the filing for Atkinson Tank and the general ledger was calculated by Audit. Refer to the Atkinson Tank section of the report for details regarding the variance.

Audit noted a \$(150) variance, between the filing for the Angle Pond pumphouse and the general ledger. Refer to the Other Plant section of the report for details regarding the variance.

Audit verified the 2020 pumping equipment additions to the Sage system. The depreciation rate of 10% noted in Sage agrees with the PUC Small Water booklet. The reported 10% depreciation rate applied for the first year using the ½ year convention was recalculated. The depreciation expense and accumulated depreciation was \$40,153.

For the Pumping Material costs at Atkinson Tank—booked to account 311.00—Audit noted a variance of \$(55) between the \$2,229 accumulated depreciation filed on Schedule 3a, and the \$2,174 accumulated depreciation booked to the general ledger. **AUDIT ISSUE #2**

Of the total \$803,061, an amount of \$742,449 was reported to be CIAC and was verified to the Fixed Asset Summary Report (CIAC).

Audit verified the 2020 pumping equipment additions to the Sage system. Invoices from Wilson Controls for an MTU upgrade were reviewed in relation to the Atkinson Tank generator. The Sage system indicated the generator would be depreciated over ten years. Invoices from R.E. Prescott for the pump controller and motor at the Angle Pond pump house were reviewed. The Sage system indicated that the pumping equipment would be depreciated over ten years.

All of the pumping equipment assets are being depreciated over ten years. Audit understands that the inclusion of generators as part of the step adjustment will be discussed with the Water division of the NH PUC.

Water Treatment Equipment – Account 320 per Step Filing \$17,846

	<u>Per Filing</u>	<u>Per GL and Sage</u>
Other Plant – Angle Pond	\$17,846	\$17,996

Within the Angle Pond summary of the filing was a total of \$17,846 for treatment equipment, such as filters. Audit noted a \$150 variance, between the filing for the Angle Pond pumphouse and the general ledger. Refer to the Other Plant section of the report for details regarding the variance.

Audit verified that total to account 1-00-320.00, as well as the Sage system Continuing Property Records (CPR). The depreciation rate of 3.60% noted in Sage agrees with the PUC Small Water booklet. The reported 3.60% depreciation rate applied for the first year using the ½ year convention was recalculated for each without exception. The depreciation expense and accumulated depreciation was \$321.

Distribution Reservoirs and Standpipes, Account 330 per Step Filing \$1,485,462

	<u>Per Filing</u>	<u>Per GL and Sage</u>
Atkinson Tank	\$1,485,462	\$1,486,564

A variance (rounded) of \$1,101—between the filing for Atkinson Tank and the general ledger was calculated by Audit. Refer to the Atkinson Tank section of the report for details regarding the variance.

The filing reflected additions to the Atkinson Tank development in the amount of \$1,485,462. The total was verified to the general ledger account 1-00-330, Distribution Reservoirs and Standpipes. The 2.22% depreciation rate noted in Sage, agrees with the PUC Small Water Booklet. Audit recalculated the 2.22% depreciation rate applied for the first year using the ½ year convention without exception. The depreciation expense and accumulated depreciation was \$16,489. Audit noted a \$28 variance between the filed accumulated depreciation of \$16,489 and the \$16,517 accumulated depreciation that was booked to the general ledger. **AUDIT ISSUE #2**

The CPRs reported the depreciable life of the asset at 45 years. Audit confirmed that the life agrees with the PUC Small Water booklet.

Of the \$1,485,462 total, an amount of \$935,073 was reported to be CIAC. Audit verified the \$935,073 to the Fixed Asset Summary Report CIAC.

Audit verified on the general ledger that there were no additions to Distribution Reservoirs and Standpipes, other than those relating to Atkinson Tank.

Depreciation

Audit verified the rates included within the filing, reported on Attachment B of the Step Increase pages, and adjusted the ½ year reflection based on the actual additions booked to the general ledger. Refer to the individual accounts with the Plant Accounts section of the report for details regarding the calculation and verification of the depreciation expense.

Retirements

There were no retirements associated with the 2020 Step 1 additions, as reported on Attachment B, Schedule 1 of the filing. Audit reviewed the general ledger plant accounts, as well as the Accumulated Depreciation account 108, and verified that there were no entries recorded for the 2020 Step 1 additions.

Management Agreement between HAWC and Lewis Builders Development, Inc.

Audit reviewed the Management/Service/Rental Agreement dated July 1, 2012 between Hampstead Area Water Company, Inc. (HAWC) and Lewis Builders Development, Inc. (Lewis). The Agreement—which detailed all of the services and associated fees, along with the cost of renting office space—was signed by Christine Lewis Morse, Vice President of HAWC and President of Lewis. Office supplies are provided by Lewis “*at Lewis’ cost, plus overhead.*” For all services provided by Lewis, a labor burden then overhead is added. An exhibit of costs used to calculate the labor burden and overhead is attached to the agreement, and must be recalculated on or before April 1 of the following year as of December 31 of the previous year. Included within the rate case Audit report were the rates 2017 - 2020. The labor burden and overhead rates for 2017 through 2020 are shown below:

<u>Year</u>	<u>Labor Burden</u>	<u>Overhead</u>
2017	63%	13%
2018	67%	11%
2019	63%	11%
2020	48%	23%

Conclusion

Audit conducted a review of the \$4,096,039 in final project costs. Based on the review, Audit believes that the Company has shown that these projects were used, useful and booked to the appropriate plant accounts, as of 12/31/2020. Support for the project costs was provided in the form of the general ledger, journal entries, fixed asset summary reports, CPRs, work order detail reports, invoices, and Excel spreadsheets.

Audit Issue #1

Account #303, Tank Easement/Land Rights: Depreciation Rate and Amortization Rate

Background

The accumulated depreciation for the Atkinson Tank Easement (account #303) was filed as \$500, with a depreciation rate of 2% applied for the first year using the ½ year convention. The related accumulated amortization of CIAC was filed as \$315 at an amortization rate of 2%. The accumulated depreciation for the Westside Drive Land Rights (account #303) was filed as \$576, with a depreciation rate of 5% applied for the first year using the ½ year convention. The related accumulated amortization of CIAC was filed as \$571 at an amortization rate of 5%. The differing depreciation rates of 2% for the easement and 5% for the land rights were observed. The Company explained that, *“Upon further review, HAWC believes that lives of the easement / land rights probably should be the same, the lives should probably be consistent with the approximate lives of the other assets at the Atkinson Tanks and West Side Drive and probably be consistent with the easement life of the Smith Mountain Tank, which is 40 years. As such, HAWC proposes to adjust the percentages to 2.5% for both amortization the tank easement and land rights and the related CIAC.”*

The year 2020 total accumulated depreciation for account #303 was filed as \$1,076 with the related CIAC filed as \$886. However, Audit was not able to verify the accumulated depreciation or related CIAC—for account #303—on the general ledger.

Audit Issue

Based on the Company’s newly proposed rate of 2.5%, Audit re-calculated the total accumulated depreciation of \$913. As a result, the filing amount of \$1,076 is overstated by \$163 for the accumulated depreciation on account #303. Based on the Company’s newly proposed rate of 2.5%, Audit re-calculated the adjusted total accumulated amortization of CIAC at \$679. As a result, the filing amount of \$886 is overstated by \$207 for the accumulated amortization of CIAC on account #303. The following is a depiction of Audit’s calculations for the proposed depreciation and amortization rate of 2.5% for account #303, Tank Easement/Land Rights:

	Cost	Adjusted Depreciation Rate	Annual Depreciation Expense	½ Year Accumulated Depreciation
<u>Atkinson Tank</u>				
#303 Tank Easement	\$50,000	2.5%	\$1,250	\$625
<u>Westside Drive</u>				
#303 Land Rights	\$23,026	2.5%	\$ 576	<u>\$288</u>
				<u>\$913</u> Year 2020 Total Adjusted Accumulated Depreciation on account #303

	Cost	Adjusted Amortization Rate	Annual Amortization of CIAC	Accumulated Amortization of CIAC
<u>Atkinson Tank</u>				
#303 Tank Easement	\$31,451	2.5%	\$ 786	\$393
<u>Westside Drive</u>				
#303 Land Rights	\$22,830	2.5%	\$ 572	<u>\$286</u>
				<u>\$679</u> Year 2020 Total Adjusted Accumulated Amortization of CIAC on account #303

Audit Recommendation

The Company should adjust the depreciation expense and related CIAC calculations for the Atkinson Tank easement and the Westside Drive land rights—account #303—to reflect the proposed 2.5% percentage and book the entries to the general ledger.

Company Response

The Company agrees.

Audit Comment

Audit agrees with the Company's response. The filed depreciation and CIAC for the Atkinson Tank easement and the Westside Drive land rights should be adjusted to reflect the change in rates. Supporting journal entries for the adjustments are requested as soon as they are booked.

Audit Issue #2
Accumulated Depreciation: Filing Versus the General Ledger

Background

Attachment B, Schedule 3 of the filing stated the total accumulated depreciation of \$(137,899). Audit noted variances in the accumulated depreciation reported in the filing versus the amount on the general ledger.

Audit Issue

There was a total of \$(301) in depreciation amounts reported within the filing, Schedules 3a – 3c, that Audit was not able to tie to the general ledger:

Depreciation (rounded)

<u>Acct.</u>	<u>Filing</u>	<u>General Ledger</u>	<u>Variance</u>
307	\$(3,047)	\$ (2,773)	\$ (274)
311	\$(40,153)	\$(40,098)	\$ (55)
330	<u>\$(16,489)</u>	<u>\$(16,517)</u>	<u>\$ 28</u>
	<u>\$(59,689)</u>	<u>\$(59,388)</u>	<u>\$ (301)</u>

Audit Recommendation

The Company should provide the documentation or an explanation in support of the filed amounts versus the general ledger or adjust the accumulated depreciation on the filing schedule/s to reflect the actual amount booked to the general ledger.

Company Response

The Company booked the original amounts in 2020. In preparing the Step 1 submission in 2022, the Company reviewed the items it booked on the general ledger in 2020 and determined there should be relatively minor adjustments made to the amounts and general ledger allocations. That reallocation caused the \$301 discrepancy in depreciation expense.

The Company believes that the amounts shown on the filing are accurate and it will adjust the general ledger to those amounts.

Audit Comment

Audit understands that the Company needs to make minor adjustments, totaling \$301, to the general ledger for the accumulated depreciation. Supporting journal entries for the adjustments are requested as soon as they are booked.

Attachment B

(Step 1 Adjustment Calculations -- Rates and Schedules)

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
REVISED CALCULATION OF STEP ADJUSTMENT

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Account		Atkinson Tank (Step 1 - Sch 3a)	Other Plant (Step 1 - Sch 3b)	West Side Dr. (Step 1 - Sch. 3c)	MSDC Fee (Step 1 - Sch. 3c)	Retirements (Step 1 - Sch. 3)	Total	Staff Adj #
Additions / (Retirements)		\$ 1,597,603	\$ 291,796	\$ 1,314,140	\$ 892,500	\$ -	\$ 4,096,039	56-59, 67
Less: Accumulated Dep./ Amort. (1 Full Year)		(40,441)	(11,020)	(86,112)	(22,885)	-	(160,458)	60-62, 70
Less: CIAC**		(1,004,919)	-	(1,302,918)	-	-	(2,307,837)	63-64
Add: Accumulated Amort. of CIAC (1 Full Year)		25,384	-	85,377	-	-	110,761	65-66
Add: CIAC Tax		272,132		352,830			624,962	68-69
Less: Accumulated Amort. of CIAC Tax (1 Full Year)		(9,071)		(11,761)			(20,832)	71-72
Net Changes to Rate Base from Plant Additions		840,688	280,776	351,556	869,615	-	2,342,636	
Cash working Capital:								
Net Increase in O&M Expenses	81,393							
	x 12.33%							
Net Increase in Cash Working Capital	\$ 10,036							
Total change to Rate Base							+ \$ 10,036	73
Rate of Return (Step 1 - Sch. 2)							= \$ 2,352,671	
							x 4.50%	74-76
Increase in Net Operating Income Requirement							\$ 105,969	
Less: Revenue from New Customers	-	-	-	-	-	-	(50,526)	77
Add: Net Increase/ (Decrease) to O&M Expense	-	-	-	-	-	-	81,393	78-80
Add: Annual Depreciation Expense	40,441	11,020	86,112	-	-	-	137,574	81-83
Less: Annual Amortization of CIAC	(25,384)	-	(85,377)	-	-	-	(110,761)	84-85
Add: Amortization of Other	9,071	-	11,761	22,885	-	-	43,717	86-88
Add: Annual Property Tax Expense	17,763	3,657	14,314	-	-	-	35,735	89-91
Add: Additional income taxes*							16,370	92
Increase / (Decrease) in Net Operating Income		\$ 41,892	\$ 14,677	\$ 26,810	\$ 22,885	\$ -	\$ 259,470	
Step Increase							\$ 259,470	
2019 Test Year Water Sales Revenues							\$ 2,242,163	
% Increase in Annual Water Revenues							11.57%	

*Additional income taxes are a result of the additional equity associated with the Step 1 Rate Base additions.

* = Net Change to Rate Base * Tax Gross up Factor on Step 1 RoR - Sch. 2

*See Step 1 RoR - Sch.2

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT
RATE OF RETURN

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(a) Calculation of Rate of Return for Step 1 projects								
Staff Adj #	Amount	Weighted Average	Interest Rate	Annual Interest	Annual Amortization of Finance Cost	Total Annual Cost of Debt	Annual Cost Rate	Weighted Average Rate
DES Loan (Atkinson Tank + Atk Tank CIAC Tax)	\$ 883,214		3.38%	\$ 29,853		\$ 29,853	3.38%	
DES Loan (Westside Drive CIAC Tax)	352,830		2.96%	10,444		10,444	2.96%	
Additional Debt	74-75	\$ 1,236,044	80.5%	\$ 40,296	\$ -	\$ 40,296	3.26%	2.62%
Additional Equity	76	\$ 300,000	19.5%				9.63%	1.88%
Total		\$ 1,536,044	100.0%					4.50%

(c) Weighted Tax Effect Due to Additional Equity to Company

	Weighted Cost	Tax Multiplier	Pre-Tax Cost	Tax Gross-Up
Additional Debt	2.62%	x 1.00	2.62%	0.00%
Additional Equity	1.88%	x 1.37	2.58%	0.70%
Total	4.50%		5.20%	0.70%

(d) Calculation of Tax Multiplier and Effective Tax Rate

Taxable Income	100.00%	Income Available to FIT	100.00%
Less NHBPT	-7.70%	Less Effective Tax Rate	27.08%
Fed. Taxable Income	92.30%	Diviser for Rev Req.	72.92%
Fed. Tax Rate	21.00%		
Effective FIT Rate	19.38%	Effective Tax rate	27.08%
Add NHBPT	7.70%	Diviser	72.92%
Effective Tax Rate	27.08%	Tax Multiplier for Equity	37.14%

Annual Amortization of Finance Costs:
Account 105 (\$11,530 - \$4,026)
Account 186.2
Total Finance Costs
Annual Amortization of Finance Costs

7,504
5,408
12,912
430

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA LONG-TERM DEBT

GL Acct. #	Date of Note	Lender	Original Amount	NHPUC Docket #	NHPUC Order #	Date of Order	Purpose	Term	Interest Rate	Current Interest Rate	Actual Loan Balances				State 1 Adjusted Balance	Actual Interest Expense				Adjusted Interest Expense	Actual Finance Costs				Pro-forma Total Cost of Debt	
											Actual Balance @ 12/31/19	Company Debt Adjustment	Debt Adj per Settlement	Excess Capacity Adjustment*		Company Interest Adjustment	Interest Adj per Settlement	Excess Capacity Adjustment*	2019 Amortized Finance Costs		Company Finance Cost Adjustment	Finance Cost Adj per Settlement	Excess Capacity Adjustment*	Adjusted Amortized Finance Costs	Total Annual Debt Cost	2019 Cost Rate
232 02	03/13/19	Pentucket Bank	1,000,000	DW 18-147	25 218	02/01/19	Line of Credit	Demand	Prime	4.75%	450,000	-	-	-	450,000	11,525	-	-	-	11,525	-	-	-	-	11,525	2.56%
232 05	07/27/20	NHDES	856,578	DW 18-138	26 230	03/28/19	Atkinson / SNH Tank**	30	3.38%	3.38%	681,000	-	883,214	-	1,564,214	-	-	29,853	-	29,853	-	-	-	-	29,853	1.91%
232 06	09/05/05	NHDES	1,315,291	DW 04-132	24 437	02/25/05	SRF Loan Tank	20	3.352%	3.352%	643,586	-	-	-	643,586	22,672	-	-	-	22,672	-	-	-	-	22,672	3.52%
232 08	03/31/06	Aquarius Properties	24,000	DW 06-016	24 608	03/24/06	Autumn Hills	20	Prv 2.25%	5.50%	12,034	-	-	-	12,034	965	-	-	-	965	-	-	-	-	965	8.02%
232 11	05/24/09	NHDES	1,058,347	DW 08-088	24 937	02/05/09	Hamblehead / Atkinson Core Interconnect	20	2.864%	2.864%	681,790	-	-	-	681,790	20,302	-	-	-	20,302	-	-	-	-	20,302	2.98%
232 12	11/18/16	Ford Motor Credit	38,174	DW 16-826	25 968	11/17/16	2016 F-250	5	4.89%	4.89%	15,786	-	-	-	15,786	900	-	-	-	900	-	-	-	-	900	5.70%
232 13	05/26/12	Shreeve Realty Two, LLC	12,000	DW 07-133	24 831	03/14/08	Coopers Grove	-	0.00%	0.00%	3,000	-	-	-	3,000	-	-	-	-	-	-	-	-	-	-	0.00%
232 14	10/08/18	Ford Motor Credit	41,500	DW 18-121	26 173	09/12/18	2016 F-250	5	4.90%	4.90%	32,895	-	-	-	32,895	1,857	-	-	-	1,857	-	-	-	-	1,857	5.85%
232 16	08/02/13	NHDES	295,000	DW 11-226	25 526	06/21/13	Service Line Replacements	20	3.10%	3.10%	203,430	-	-	-	203,430	6,494	-	-	-	6,494	-	-	-	-	6,494	3.19%
232 18	10/28/14	Hillcrest Estates	34,000	DW 14-319	25 757	01/16/15	Snow's Brook Plaster	-	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
232 19	09/15/16	Pentucket Bank	2,167,000	DW 16-554	26 930	07/29/16	Refinancing TD Bank loans	15	3.25%	3.25%	1,780,905	-	-	-	1,780,905	60,895	-	-	-	60,895	-	-	-	-	60,895	3.42%
232 xx	TBD	NHDES	1,204,815	DW 19-147	26 407	09/28/20	SNH CIAC Additions	30	2.96%	2.96%	-	-	352,830	-	352,830	-	-	10,444	-	10,444	-	-	-	-	10,444	2.96%
Totals - Non-affiliated Companies			8,006,705								4,504,426	-	1,236,044	-	5,740,470	125,610	-	40,296	-	165,906	-	-	-	-	165,906	2.89%
Rounding																										0.00%
Total Notes to Non-affiliated Companies			8,006,705								4,504,426	-	1,236,044	-	5,740,470	125,610	-	40,296	-	165,906	-	-	-	-	165,906	2.89%
Amortize financing costs - 3rd Parties											4,249	-	-	-	-	4,249	-	-	-	-	-	-	-	-	4,249	
											170,155	-	-	-	-	170,155	-	-	-	-	-	-	-	-	170,155	
TOTAL NOTES PAYABLE			\$ 8,006,705								\$ 4,504,426	\$ -	\$ 1,236,044	\$ -	\$ 5,740,470	\$ 129,859	\$ -	\$ 40,296	\$ -	\$ 170,155	\$ -	\$ -	\$ -	\$ -	\$ 170,155	2.96%

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA ADJUSTMENTS TO RATE OF RETURN

Adj #

Debt

74	*To add back the NH DES Loan for the Atkinson Tank	Actual DES Loan	\$ 875,084	
		Acrued Interest	\$ 8,130	
			<u>\$ 883,214</u>	\$ 883,214
	*To add back a portion of the NH DES Loan for SNHRWP CIAC Tax			\$ 352,830
	Total Pro-forma Adjustments to Long-term Debt			<u>\$ 1,236,044</u>

Interest

75	To add back the annual intrerest associated with the DES Atkinson Tank Loan		\$ 29,853
	To add back the annual intrerest associated with the DES CIAC Tax Loan		\$ 10,444
	Total Pro-forma Adjustments to Long-term Debt Interest Expense		<u>\$ 40,296</u>

Equity

76	To add back equity for "Additonal Paid in Capital" contribution that was made in 2020 Per Bates 035 & 2020 PUC Annual Report Sch. F-1		\$ 300,000
	Total Pro-forma Adjustments to Equity		<u>\$ 300,000</u>

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA ADJUSTMENTS TO RATE BASE

Adj #

Pro-forma Adjustments to Net Utility Plant in Rate Base:

Utility Plant

56	To add Atkinson Tank: In-service date of May 2020. See Energy 4-68, 5-21, and Step 1 - Sch. 3a	\$ 1,597,603
57	To add Other Plant Additions (Dearborn Ridge and Angle Pond): In-service date of 2020. See Energy 5-7, Company Filing Bates 092, and Step 1 - Sch. 3b	\$ 291,796
58		\$ -
59	To add the West Side Drive Booster Station: In-service date of Oct. 2020 See Step 1 SNH Plant - Sch. 3c	\$ 1,314,140
Total Adjustments - Utility Plant in Service		\$ 3,203,539

Accumulated Depreciation of Utility Plant

60	To reduce Atkinson Tank by full year of depreciation expense See Energy 5-21 and Step 1 - Sch. 3a	\$ (40,441)
61	To reduce Other Plant Additions by full year of depreciation expense See Step 1 - Sch. 3b	\$ (11,020)
62	To reduce West Side Drive Booster Station by full year of depreciation expense See Step 1 SNH Plant - Sch. 3c	\$ (86,112)
Total Adjustment - Accumulated Depreciation		\$ (137,574)

CIAC

63	To add CIAC for Atkinson Tank See Energy 5-21 and Step 1 - Sch. 3a	\$ (1,004,919)
64	To add CIAC for West Side Drive Booster Station See Step 1 SNH CIAC - Sch. 3c	\$ (1,302,918)
Total Adjustments - CIAC		\$ (2,307,837)

Accumulated Amortization of CIAC

65	To add full year of Amortization of CIAC for Atkinson Tank See Energy 5-21 and Step 1 - Sch. 3a	\$ 25,384
66	To add full year of Amortization of CIAC for West Side Drive Booster Station See Step 1 SNH CIAC - Sch. 3c	\$ 85,377
Total Adjustments - Amortization of CIAC		\$ 110,761

Accumulated Amortization of Other

70	To add full year of amortization of MSDC Fee See Step 1 - Sch. 3d	\$ 892,500	
		2.56%	
		22,885	22,885
71	To add full year of amortization of Atk Tank CIAC Tax Loan. Amort. Period is 30 years. See Step 1 - Sch. 3a	\$ 272,132	
		3.33%	
		9,071	9,071
72	To add full year of amortization of West Side Drive Booster CIAC Tax Loan. Amort. Period is 30 years. See Step 1 - Sch. 3c	\$ 352,830	
		3.33%	
		11,761	11,761

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA ADJUSTMENTS TO RATE BASE

Adj #

Total Adjustments - Amortization of Other	\$ 43,717
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Net Working Capital in Rate Base:

Cash Working Capital

73 To adjust Cash Working Capital for pro-forma adj's to O&M Expenses: See Step 1 - Sch.1	\$ 10,036
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Total Adjustments - Cash Working Capital

67 To adjust Misc. Deferred Debits for the MSDC Fee See Step 1 - Sch. 3d	\$ 892,500
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68 To adjust Misc. Deferred Debits for the Deferred Tax associated with the Atkinson Tank See Step 1 Sch. 3a	\$ 272,132
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69 To adjust Misc. Deferred Debits for the Deferred Tax associated with the Westside Drive Booster See Step 1 - Sch. 3c	\$ 352,830
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Total Adjustments - Working Capital	\$ 1,517,462
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Hampstead Area Water Company

Attachment B

Step 1

Schedule 3a

Atkinson Tank

Revised by Company 9/7/2021

Per Energy S-21

Adjusted to remove CIAC Tax Allocation
from Plant, and utilize CIAC Tax rate of .2708.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Plant / Depreciation Expense / Accumulated Depreciation</u>							
		Costs	CIAC Tax allocated to Plant	Adjusted Costs	Depr Rate	Annual Depr Expense	Accum Depr
303	Tank Easement	\$ 50,000		\$ 50,000	2.50%	\$ 1,250	\$ 625
304	Building and site work						
311	Generator	6,300		6,300	10.00%	630	315
311	REPCO Control Panel	11,259		11,259	10.00%	1,126	563
311	Pumping Material	44,582		44,582	10.00%	4,458	2,229
330	Flow Meter	3,994		3,994	2.22%	89	44
330	Solarbee Gridbee Electric Mixer	20,200		20,200	2.22%	448	224
330	1 Million Gallon Concrete Tank	799,800		799,800	2.22%	17,756	8,878
330	Tank Sitework & Engineering	661,468		661,468	2.22%	14,685	7,342
	Total	\$ 1,597,603		\$ 1,597,603		\$ 40,441	\$ 20,221

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>CIAC / Amortization Expense / Accumulated Amortization</u>							
		CIAC			Amort Rate	Annual Amort of CIAC	Accum Amort of CIAC
303	Tank Easement	\$ 31,451			2.50%	\$ 786	\$ 393
311	Generator	3,963			10.00%	396	198
311	REPCO Control Panel	7,082			10.00%	708	354
311	Pumping Material	27,350			10.00%	2,735	1,368
330	Flow Meter	2,512			2.22%	56	28
330	Solarbee Gridbee Electric Mixer	12,706			2.22%	282	141
330	1 Million Gallon Concrete Tank	503,088			2.22%	11,169	5,584
330	Tank	416,767			2.22%	9,252	4,626
	Total	\$ 1,004,919				\$ 25,384	\$ 12,692

Note: 62.9% per Grant Agreement.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Calculation of CIAC Tax</u>							
		CIAC			CIAC Tax Rate 27.08%	CIAC Tax C x D	Annual** CIAC Tax Amortization
303	Tank Easement	\$ 31,451			27.08%	\$ 8,517	
311	Generator	3,963			27.08%	1,073	
311	REPCO Control Panel	7,082			27.08%	1,918	
311	Pumping Material	27,350			27.08%	7,406	
330	Flow Meter	2,512			27.08%	680	
330	Solarbee Gridbee Electric Mixer	12,706			27.08%	3,441	
330	1 Million Gallon Concrete Tank	503,088			27.08%	136,236	
330	Tank	416,767			27.08%	112,861	
	Total	\$ 1,004,919				\$ 272,132	\$ 9,071

State Utility Property Taxes and Town of Atkinson Property Taxes

State Utility Property Taxes

Total Increase in Plant	\$ 1,597,603
Total Increase in Accum Depr & Amort	20,221
Net Total Increase in Plant	\$ 1,577,382
Total Increase in Plant per Thousands	\$ 1,577
Tax Value as % of Net Book Value	49.31%
State Utility Property Tax Rate	\$ 6.60
Total Increase in State Utility Property Taxes	\$ 5,133

Town of Atkinson Property Taxes

Total Increase in Plant	\$ 1,597,603
Total Increase in Accum Depr & Amort	20,221
Net Total Increase in Plant	\$ 1,577,382
Total Increase in Plant per Thousands	\$ 1,577
Tax Value as % of Net Book Value	49.31%
Town of Atkinson Property Tax Rate	\$ 16.24
Total Increase in Town of Atkinson Property Taxes	\$ 12,630

Total State Utility and Town of Atkinson Property Taxes

	\$ 17,763
NHDRA Assessed value as of 4/1/21	\$ 7,648,300
Net Plant at 12/31/20*	\$ 15,512,104
Percent of assessed value to net plant	49.31%

*2020 HAWC PUC Annual Report Sch. F-1, Line 3

**CIAC Tax amortization period is 30 years to match the DES loan used to pay the tax.

Hampstead Area Water Company

Attachment B

Step 1

Schedule 3b

Other Plant

Modified by Energy to match % DRA Book value to updated figures in Atk Tank of 5-21

Plant / Depreciation Expense / Accumulated Depreciation

		Costs	Depr Rate	Annual Depr Expense	Accum Depr
Angle Pond					
304	Pump House and Site Work		2.50%	\$ -	\$ -
307	Wells	155,501	3.33%	5,178	2,589
309	Supply Mains	60,114	2.00%	1,202	601
311	Pumping Equipment	30,802	10.00%	3,080	1,540
320	Treatment Equipment (filtrators, etc.)	17,846	3.60%	642	321
	Total	\$ 264,263		\$ 10,103	\$ 5,052

Dearborn Ridge					
307	Wells	27,533	3.33%	\$ 917	\$ 458
320	Treatment Equipment (filtrators, etc.)		3.60%	-	-
	Total	\$ 27,533		\$ 917	\$ 458
	Total	\$ 291,796		\$ 11,020	\$ 5,510

Angle Pond

State Utility Property Taxes and Town of Hampstead Property Taxes

State Utility Property Taxes	
Total Increase in Plant	\$ 264,263
Total Increase in Accum Depr & Amort	5,052
Net Total Increase in Plant	\$ 259,211
Total Increase in Plant per Thousands	\$ 259
Tax Value as % of Net Book Value	49.31%
State Utility Property Tax Rate	6.60
Total Increase in State Utility Property Taxes	\$ 844
Town of Hampstead Property Taxes	
Total Increase in Plant	\$ 264,263
Total Increase in Accum Depr & Amort	5,052
Net Total Increase in Plant	\$ 259,211
Total Increase in Plant per Thousands	\$ 259
Tax Value as % of Net Book Value	49.31%
Town of Hampstead Property Tax Rate	19.63
Total Increase in Town of Atkinson Property Taxes	\$ 2,509
Total State Utility and Town of Hampstead Property Taxes for Angle Pond	\$ 3,352

Dearborn Ridge

State Utility Property Taxes and Town of Atkinson Property Taxes

State Utility Property Taxes	
Total Increase in Plant	\$ 27,533
Total Increase in Accum Depr & Amort	458
Net Total Increase in Plant	\$ 27,075
Total Increase in Plant per Thousands	\$ 27
Tax Value as % of Net Book Value	49.31%
State Utility Property Tax Rate	6.60
Total Increase in State Utility Property Taxes	\$ 88
Town of Atkinson Property Taxes	
Total Increase in Plant	\$ 27,533
Total Increase in Accum Depr & Amort	458
Net Total Increase in Plant	\$ 27,075
Total Increase in Plant per Thousands	\$ 27
Tax Value as % of Net Book Value	49.31%
Town of Atkinson Property Tax Rate	16.24
Total Increase in Town of Atkinson Property Taxes	\$ 217
Total State Utility and Town of Atkinson Property Taxes for Dearborn Ridge	\$ 305
Total State Utility and Town Property Taxes	\$ 3,657

NHDRA Assessed value as of 4/1/20	\$7,648,300
Net Plant at 12/31/20*	15,512,104
Percent of assessed value to net plant	49.31%

Hampstead Area Water Company

Attachment B

Step 1

Schedule 3c

SPSt. Cyr

11/2/2021

Westside Drive

Modified by Staff to remove CIAC Tax Allocation
from Plant, and utilize CIAC Tax rate of .2708.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Plant / Depreciation Expense / Accumulated Depreciation</u>								
		Costs	CIAC Tax allocated to Plant	Adjusted Costs	Depr Rate	Annual Depr Expense		Accum Depr
303	Land Rights	\$ 23,026		\$ 23,026	2.50%	\$ 576		\$ 288
304	Structures - Pump Station and Site Work	580,996		580,996	2.50%	14,525		7,262
310	Power Generator Equipment	80,472		80,472	10.00%	8,047		4,024
311	Pumping Equipment	629,646		629,646	10.00%	62,965		31,482
	Total	\$ 1,314,140		\$ 1,314,140		\$ 86,112		\$ 43,056

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>CIAC / Amortization Expense / Accumulated Amortization</u>								
		CIAC			Amort Rate	Annual Amort of CIAC		Accum Amort of CIAC
303	Land Rights	\$ 22,830		\$ 22,830	2.50%	\$ 571		\$ 285
304	Structures - Pump Station and Site Work	576,034		576,034	2.50%	14,401		7,200
310	Power Generator Equipment	79,784		79,784	10.00%	7,978		3,989
311	Pumping Equipment	624,270		624,270	10.00%	62,427		31,214
	Total	\$ 1,302,918		\$ 1,302,918		\$ 85,377		\$ 42,689

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Calculation of CIAC Tax</u>								
		CIAC	Comb Tax Rate 0.2708			CIAC Tax CxD	Annual** CIAC Tax Amortization	
303	Land Rights	\$ 22,830	0.2708			\$ 6,182		
304	Structures - Pump Station and Site Work	576,034	0.2708			155,990		
310	Power Generator Equipment	79,784	0.2708			21,606		
311	Pumping Equipment	624,270	0.2708			169,052		
	Total	\$ 1,302,918	0.2708			\$ 352,830	\$ 11,761	

State Utility Property Taxes and Town of Atkinson Property Taxes

State Utility Property Taxes

Total Increase in Plant	\$ 1,314,140
Total Increase in Accum Depr & Amort	43,056
Net Total Increase in Plant	\$ 1,271,084
Total Increase in Plant per Thousands	\$ 1,271
Tax Value as % of Net Book Value	49.31%
State Utility Property Tax Rate	\$ 6.60
Total Increase in State Utility Property Taxes	\$ 4,136

Town of Atkinson Property Taxes

Total Increase in Plant	\$ 1,314,140
Total Increase in Accum Depr & Amort	43,056
Net Total Increase in Plant	\$ 1,271,084
Total Increase in Plant per Thousands	\$ 1,271
Tax Value as % of Net Book Value	49.31%
Town of Atkinson Property Tax Rate	\$ 16.24
Total Increase in Town of Atkinson Property Taxes	\$ 10,178

Total State Utility and Town of Atkinson Property Taxes

\$ 14,314

NHDRA Assessed value as of 4/1/20

Net Plant Assessed value as of 4/1/20	\$ 7,648,300
Net Plant at 12/31/19*	\$ 15,512,104
Percent of assessed value to net plant	49.31%

*2019 HAWC PUC Annual Report, Sch. F-1, Line 3

**CIAC Tax amortization period is 30 years to match the DES loan used to pay the tax.

Attachment B
Step 1
Schedule 3d

**DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
STEP ADJUSTMENT
CALCULATION OF MSDC**

Manchester Water Works - MSDC

Original Cost	Amortization Rate	Annual Amortization
\$ 892,500	2.56%	\$ (22,885)

*Contract expires	2058
**Contract signed by HAWC -	2019
Contract length in years	39
	1
	÷ 39
Annual Amortization Rate	2.56%

*See Energy 2-18, Final SIA, page 17 of 112, Article 3, #15, Term and Termination

**See Energy 2-18, Final SIA, page 21 of 112, Signatory Pages

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

Adj #

Operating Revenue			
77	To increase Operating Revenue, net of Company's combined effective income tax rate, for additional customers per 2020 Annual Report. See Bates 159, Co. 2019 & 2020 Annual Reports Sch. A-6, and Step 1 New Cust. Rev. - Sch. 4a		
Total Adjustments - Operating Revenue			\$ 50,526
Source of Supply			
78	Purchased Water- Account 602 Staff Adjustment: to add back Company proforma for cost to purchase annual allotment of water from MWW. The Company contracted to purchase 250,000 gallons per day, or 91,250,000 gallons per year. (250,000 / 748 x \$3.05 x 365) See Bates 075, and 2020 Annual Report Sch. S-2.	Gal. Purchased from MWW in 2020 Convert to CCF + Cost per CCF x \$ Cost of 2020 Gallons	29,656,839 748 39,648 3.05 \$ 120,927
79	Well Expenses Staff Adjustment: to add back the Company's proforma adjustment of reduction in test year well expenses due to anticipated 20% reduction due to SNHRWIP. See Energy 2-10, and 3-4.		\$ (7,144)
Total Proforma Adjustments to Source of Supply			\$ 113,783
Pumping Expenses			
80	Purchased Power- Account 623 Staff Adjustment: to add back the Company's proforma adjustment of test year purchased power expense which reflected an anticipated reduction due to SNHRWIP. See Energy 2-11, 3-5.		\$ (32,390)
Total Proforma Adjustments to Pumping Expenses			(32,390)
Total Proforma Adjustments to Operating and Maintenance Expenses			\$ 81,393
Depreciation Expense			
81	Staff Adjustment: to add back full year of depreciation expense for Atk Tank. See Step 1 - Sch. 3a		\$ 40,191
82	Staff Adjustment: to add back full year of depreciation expense for Other plant addition (Dearborn Ridge and Angle Pond Wells) See Step 1 - Sch. 3b		\$ 11,020
83	Staff Adjustment: to add back full year of depreciation expense for West Side Drive Booster. See Step 1 - Sch. 3c		\$ 86,112
Total Adjustments to Depreciation Expense			\$ 137,324
Amortization Expense - CIAC			
84	Staff Adjustment: to add back full year of amortization expense of CIAC for Atk Tank. See Step 1 - Sch. 3a		\$ (25,227)
85	Staff Adjustment: to add back full year of amortization expense of CIAC for West Side Drive Booster. See Step 1 - Sch. 3c		\$ (85,377)
Total Adjustments to Amortization of CIAC			\$ (110,604)
Amortization Expense - Other			
86	Staff Adjustment: To adjust for the amortization of the 250,000 GPD fee of \$892,500 over 39 years. See Energy 2-6, 3-2, and Energy 2-18 b - page 17 and page 98, and Step 1 - Sch. 3D		22,885
87	Staff Adjustment: To adjust for the amortization of the CIAC Tax associated with the Atk Tank See Step 1 - Sch. 3a		9,071
88	Staff Adjustment: To adjust for the amortization of the CIAC Tax associated with the West Side Drive Booster See Step 1 - Sch. 3c		11,761
Total Adjustments to Amortization Expense - Other			43,717
Taxes other than Income			
89	Staff Adjustment: to add back the Co. amount of property taxes for the Atk Tank See Step 1 - Sch. 3a		\$ 17,763
90	Staff Adjustment: to add back the Co. amount of property taxes for the 'Other Plant' See Step 1 - Sch. 3b		\$ 3,657
91	Staff Adjustment: to add back the Co. amount of property taxes for the West Side Drive Booster See Step 1 - Sch. 3c		\$ 14,314
Total Adjustments to Taxes Other than Income			\$ 35,735
Income Taxes			
92	Combined State and Federal Income Taxes See Step 1 - Sch. 1		\$ 16,370
Total Adjustments to Taxes other than Income and Income Taxes			\$ 16,370
Total Proforma Adjustment to Operating Expenses			\$ 203,934

DW 20-117
HAMPSTEAD AREA WATER COMPANY, INC.
FIRST STEP ADJUSTMENT: 2020 PROJECTS
PRO-FORMA ADJUSTMENTS TO NET OPERATING INCOME

Adj #

0

DW 20-117
Hampstead Area Water Company, Inc.
Step Adjustment
Calculation of New Customer Revenue

2019 Annual Report Customer Count		3,857	
2020 Annual Report Customer Count	-	<u>3,994</u>	
2020 Additional Customers		(137)	
Projected Water Sales After Permanent Rate Increase		\$ 2,540,482	
2020 Annual Report Customer Count	÷	<u>3,994</u>	
Average Projected Annual Revenue per Customer		\$ 636	
Months in a year	÷	<u>\$ 12</u>	
Average Projected Monthly Revenue per Customer		\$ 53	
2020 Additional Customers		137	
Monthly Revenue per Customer	* \$	<u>53</u>	
Additional Monthly Revenue		\$ 7,261	
Additional Monthly Revenue		\$ 7,261	
Months in a year	* \$	<u>12</u>	
Additional Annual Revenue		\$ 87,132	
Additional Annual Revenue		\$ 87,132	
Incremental Expenses - See Step 1 - Sch. 4b	-	<u>\$ 17,843</u>	
Pre-Tax Annual New Customer Revenue		\$ 69,289	
Pre-Tax Annual New Customer Revenue		\$ 69,289	
Company's Effective Tax Rate	x	<u>27.08%</u>	
Income Taxes on New Customer Revenue		\$ 18,764	
Pre-Tax Annual New Customer Revenue		\$ 69,289	
Income Taxes on New Customer Revenue	-	<u>\$ 18,764</u>	
After-tax New Customer Revenue		\$ 50,526	<u>\$ 50,526</u>

HAWC

Incremental Expenses to offset additional revenues associated with 2020 new customers

4.27%

#69 Attachment

Pg. 1 of 2

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

Meters	570	137	78,090
Annual Depr on 137 Meters	78,090	5.00%	3,905

SPSt. Cyr
11/9/2021