

**Granite State Electric Company
DE 13-063
Permanent Rates
Revenue Requirement**

**Attachment GWS-1
Schedule 1**

<u>Line #</u>		<u>Revenue Requirement</u>	
1	Rate Base (Sched. 2)	68,034,002	
2			
3	Rate of Return	<u>7.92%</u>	
4			
5	Operating Income Requirement	5,389,994	
6			
7	Operating Income (Sched. 3)	<u>405,187</u>	
8			
9	Revenue Deficiency Before Taxes	4,984,807	
10			
11	Gross Revenue Conversion Factor (Sched. 1A)	<u>1.6559</u>	
12			
13	Revenue Deficiency	8,254,359	
14			
15	Test Year Operating Revenue (Sched. 3)	<u>26,614,980</u>	
16			
17	Revenue Requirement	<u><u>34,869,339</u></u>	
18			
19	Percentage Increase to Distribution Service Revenues	<table border="1" style="display: inline-table;"><tr><td style="text-align: center;">31.01%</td></tr></table>	31.01%
31.01%			
		<table border="1" style="display: inline-table;"><tr><td style="text-align: center;">9.46%</td></tr></table>	9.46%
9.46%			

**Attachment GWS-1
Schedule 1A**

**Granite State Electric Company
DE 13-063
Effective Tax Factor**

1	Taxable Income	100.00%
2		
3	Less: NH Business Profits Tax	<u>8.50%</u>
4		
5	Federal Taxable Income	91.50%
6		
7	Federal Income Tax Rate	<u>34.00%</u>
8		
9	Effective Federal Income Tax Rate	31.11%
10		
11	Add: NH Business Profits Tax	<u>8.50%</u>
12		
13	Effective Tax Rate	<u><u>39.61%</u></u>
14		
15		
16	Percent of Income Available if No Tax	100.00%
17		
18	Effective Tax Rate	<u>39.61%</u>
19		
20	Percent Used as a Divisor in Determining	
21	the Revenue Requirement	<u><u>60.39%</u></u>
22		
23	Gross Revenue Conversion Factor	<u><u>1.6559</u></u>

**Granite State Electric Company
DE 13-063
Permanent Rates
Cost of Capital**

**Attachment GWS-1
Schedule 1B**

<u>Component</u>	<u>Balance</u>	<u>Proforma Adjs.</u>	<u>Adjusted Balances</u>	<u>Weighted Component Ratio</u>	<u>Cost Rate</u>	<u>Average Cost Rate</u>
Common Equity				55.00%	9.55%	5.25%
Long-Term Debt				45.00%	5.95%	2.67%
				<u>100.00%</u>		7.92%

**Granite State Electric Company
DE 13-063
Permanent Rates
Rate Base
End of Year December 31, 2012**

**Attachment GWS-1
Schedule 2**

<u>Line #</u>		<u>Schedule RR-5 (CU)</u>		<u>Schedule RR-5 (CU)</u>		<u>Adj#</u>	<u>Adjusted Rate Base</u>
		<u>Test Year Dec. 31, 2012</u>	<u>Proforma Adjustments</u>	<u>Pro Forma RB</u>	<u>Staff Adjustments</u>		
1	Utility Plant in Service	134,515,402	4,877,431	139,392,833	0		139,392,833
2							
3	Less: Accumulated Depreciation	55,447,764	214,938	55,662,702	(1,121,643)	JJC	54,541,059
4							
5	Net Plant in Service	79,067,638	4,662,493	83,730,131	1,121,643		84,851,774
6							
7	Plus: Materials & Supplies	415,932	90,845	506,777			506,777
8	Cash Working Capital	0	5,137,517	5,137,517	(489,682)	1	4,647,835
9	Prepayments	1,927,205	(1,168,400)	758,805			758,805
10							
11	CWIP	9,379,107	(9,379,107)	0			0
12	Deferred Tax Debit	231,612	(231,612)	0			0
13	Unamortized Debt Expense	0	0	0			0
14							
15	Less: Accumulated Deferred Income Taxes	0	21,183,915	21,183,915	888,566	JJC	22,072,481
16	Other Deferred Credits	21,042,739	(21,042,739)	0	0		0
17	Deferred Tax Credit	0		0			0
18	Customer Deposits	667,231	(8,523)	658,708			658,708
19							
20	Other Rate Base Items	28,064,224	(28,064,224)	0			
21							
22	TOTAL RATE BASE	97,375,748	(29,085,141)	68,290,607	(256,605)		68,034,002

**Granite State Electric Company
DE 13-063
Permanent Rates
Rate Base Adjustments**

**Attachment GWS-1
Schedule 2A**

PROFORMA ADJUSTMENTS TO RATE BASE:

Adj. #

CASH WORKING CAPITAL ALLOWANCE

1	Total Adjustments to Operation & Maintenance Expenses	(3,971,865)
	X 45 days/365 days	<u>12.33%</u>
	Cash Working Capital allowance adjustment	<u><u>(489,682)</u></u>

**Granite State Electric Company
DE 13-063
Permanent Rates
Operating Income Statement
Year Ended December 31, 2012**

**Attachment GWS-1
Schedule 3**

Line #		Schedule RR-2 (CU)		GSEC Adjusted Distribution Operating Income			Schedule RR-2 (CU)		Staff Adjusted	Staff Adjusted Distribution Income Statement	PROOF		
		TY Ended 31-Dec-12 Total Company	Adjustments	Operating Income	Normalizing Adjustments	Test Year Normalized	Known and Measurable Adjustments	Test Year At Current Rates			Staff Adjustments	Adj #	Revenue Deficiency
1	Distribution Revenue	23,869,650		23,869,650	0	23,869,650	1,137,564	25,007,214	72,132	2	25,079,346	8,254,359	33,333,705
2	Flow-Through Revenue	52,354,371	(52,354,371)	0	0	0	0	0			0		0
3	Other Operating Revenue	2,002,514		2,002,514	0	2,002,514	(460,372)	1,542,142	(6,508)	2	1,535,634		1,535,634
4	Total Operating Revenues	<u>78,226,535</u>	<u>(52,354,371)</u>	<u>25,872,164</u>	<u>0</u>	<u>25,872,164</u>	<u>677,192</u>	<u>26,549,356</u>	<u>65,624</u>		<u>26,614,980</u>	<u>8,254,359</u>	<u>34,869,339</u>
5													
6	Operating Expenses:												
7	Purchased Power	36,983,140	(36,983,140)	0	0	0	0	0	0		0		0
8	Transmission	15,622,966	(15,627,749)	(4,783)		(4,783)		(4,783)			(4,783)		(4,783)
9	Distribution	5,319,666		5,319,666	(1,197,253)	4,122,413	2,447,326	6,569,739			6,569,739		6,569,739
10	Customer Accounting	1,322,827		1,322,827	(118,338)	1,204,489	1,128,438	2,332,927			2,332,927		2,332,927
11	Customer Service & Information	174,901		174,901	(146,535)	28,366	101,122	129,488			129,488		129,488
12	Administrative & General	11,947,898		11,947,898	(2,621,817)	9,326,081	3,601,658	12,927,739	(1,728,579)	3	11,199,160		11,199,160
13	Operation and Maintenance Expenses	71,371,398	(52,610,889)	18,760,509	(4,083,943)	14,676,566	7,278,544	21,955,110	(1,728,579)		20,226,531	0	20,226,531
14													
15	Depreciation	4,867,174		4,867,174	316,017	5,183,191	339,515	5,522,706	(2,243,286)	JJC	3,279,420		3,279,420
16	Amortization	0		0		0		0			0		0
17	Taxes Other than Income	3,166,041		3,166,041	137,992	3,304,033	287,466	3,591,499			3,591,499		3,591,499
18	Federal & State Income Tax	(774,408)		(774,408)	1,108,184 *	333,776 *	(2,857,181) *	(2,523,405) *	1,599,249	4	(924,156)	3,269,551	2,345,396
19		0		0		0		0			0		0
20													
21	Total Operating Expenses	<u>78,630,205</u>	<u>(52,610,889)</u>	<u>26,019,316</u>	<u>(2,521,750)</u>	<u>23,497,566</u>	<u>5,048,344</u>	<u>28,545,910</u>	<u>(2,372,616)</u>		<u>26,173,294</u>	<u>3,269,551</u>	<u>29,442,846</u>
22													
23													
24	Net Operating Income	(403,670)	256,518	(147,152)	2,521,750	2,374,598	(4,371,152)	(1,996,554)	2,438,240		441,686	4,984,807	5,426,493
25													
26	Less: Interest on Customers' Deposits	36,499		36,499		36,499	(15,051)	21,448	0		36,499	0	36,499
27													
28	Net Operating Income	<u>(440,169)</u>	<u>256,518</u>	<u>(183,651)</u>	<u>2,521,750</u>	<u>2,338,099</u>	<u>(4,356,101)</u>	<u>(2,018,002)</u>	<u>2,438,240</u>		<u>405,187</u>	<u>4,984,807</u>	<u>5,389,994</u>

* Adjustments to income taxes in Attachment Staff 3-4.3

**Granite State Electric Company
DE 13-063
Permanent Rates
Income Statement Adjustments**

**Attachment GWS-1
Schedule 3A**

Adj#	PROFORMA ADJUSTMENTS TO REVENUES:		Reference
	<u>DISTRIBUTION REVENUE</u>		
2	Cross Border Sales	72,132	RR-3-15 (CU)
	Adjust 15:Forfeited Discounts	(6,508)	
	Total Adjustments to Distribution Revenue		
		65,624	
3	<u>O&M EXPENSES - ADMINISTRATIVE & GENERAL</u>		
	Adjust 03:Pensions and Benefits	(1,257,620)	JJC Testimony
	Adjust 04:Property and Liability Insurance	(6,677)	
	Adjust 05:Lease Veh (correction in Staff 3-24 (\$252,288-\$106,896))	(145,392)	
	Adjust 06:General Inflation	(55,235)	
	Adjust 08:Non-Recurring Costs	(11,310)	
	Adjust 09:REP/VMP expenses	(390,000)	SEM Testimony
	Adjust 10: Major Storm Fund	770,859	
	Adjust 13:Support Costs	(84,553)	
	Adjust 14:Property Taxes	(79,282)	
	Adjust 16:Rate Case Expense	(378,124)	
	Adjust 20:Bad Debt Expense	(91,245)	
	Total Adjustments to Distribution Expenses		
		(1,728,579)	
JJC	Adjust 11 & 12:Depreciation Expense/Amort of Reserve	(2,243,286)	JJC Testimony
		(2,243,286)	
		4,037,489	

Granite State Electric Company
DE 13-063
Proforma Adjustments to Income Taxes
(\$000s)

Attachment GWS-1
Schedule 3B

Adj #

INCOME TAXES

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

Total proforma adjustments to Distribution Revenue	72,132	Schedule 3A
Total proforma adjustments to Other Operating Revenue	(6,508)	Schedule 3A
Total proforma adjustments to Transmission expenses		Schedule 3A
Total proforma adjustments to Distribution expenses	0	Schedule 3A
Total proforma adjustments to Customer Accounting expenses	0	Schedule 3A
Total proforma adjustments to Customer Service expenses	0	Schedule 3A
Total proforma adjustments to Administrative & General Expenses	(1,728,579)	Schedule 3A
Total proforma adjustments to Depreciation expenses	(2,243,286)	Schedule 3A
Total proforma adjustments to Amortization expenses	0	Schedule 3A
Total proforma adjustments to Return on Customers' Deposits		Schedule 3A
Increase in Income Subject to New Hampshire Business Profits Tax	<u>4,037,489</u>	
New Hampshire Business Profits Tax @ 8.5%	<u>343,187</u>	
4 Increase to New Hampshire Business Profits Tax		343,187
Amount Subject to Federal Income Tax	3,694,302	
Federal Income Tax @ 34%	1,256,063	
4 Increase to Federal Income Tax		<u>1,256,063</u>
Total Adjustments to Current Income Taxes (to Schedule 3)		<u><u>1,599,249</u></u>

Granite State Electric Company
Step Adjustment- 2013

Schedule GWS-1
Schedule 4

Line #	Description	UG							Total
		Substation	OH Conductors	OH Conductors	UG Conduits	UG Conductors	Structures	Fleet	
	FERC Account	362	364	365	366	367	390	392	
1	Deferred Tax Calculation								
2	Capital Spending	3,755,000	837,500	925,000	325,000	237,500	1,382,500	1,714,500	9,177,000
3									
4	Tax method	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS5	
5	Tax Depr. Rate, 20-year MACRS	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	20.00%	
6									
7	Annual Tax Depreciation- Year 1	140,813	31,406	34,688	12,188	8,906	51,844	342,900	622,744
8									
9	Book Depreciation Rate- Year 1	1.40%	1.63%	1.60%	1.00%	1.59%	0.84%	3.75%	
10	Annual Book Depreciation	52,570	13,609	14,754	3,250	3,764	11,613	64,294	163,854
11									
12	Tax over (under) Book	88,243	17,797	19,934	8,938	5,142	40,231	278,606	458,890
13	Deferred Tax Balance @ 39.61%	<u>34,953</u>	<u>7,049</u>	<u>7,896</u>	<u>3,540</u>	<u>2,037</u>	<u>15,935</u>	<u>110,356</u>	<u>181,766</u>
14									39.61%
15	Rate Base Calculation								
16	Plant in Service	3,755,000	837,500	925,000	325,000	237,500	1,382,500	1,714,500	9,177,000
17	Accumulated Depreciation	(52,570)	(13,609)	(14,754)	(3,250)	(3,764)	(11,613)	(64,294)	(163,854)
18	Deferred Tax Balance	(34,953)	(7,049)	(7,896)	(3,540)	(2,037)	(15,935)	(110,356)	(181,766)
19	Rate Base	<u>3,667,477</u>	<u>816,841</u>	<u>902,350</u>	<u>318,210</u>	<u>231,699</u>	<u>1,354,952</u>	<u>1,539,850</u>	<u>8,831,380</u>
20									
21	Revenue Requirement Calculation								
22	Return on Rate Base @ 11.36%	416,753	92,822	102,539	36,160	26,329	153,970	174,981	1,003,553
23	Depreciation Expense	52,570	13,609	14,754	3,250	3,764	11,613	64,294	163,854
24	Property Tax, Insurance @ 2.51%	94,080	20,983	23,175	8,143	5,950	34,638	42,956	229,926
25	Annual Revenue Requirement	<u>563,403</u>	<u>127,414</u>	<u>140,468</u>	<u>47,552</u>	<u>36,044</u>	<u>200,221</u>	<u>282,231</u>	<u>1,397,333</u>
26	Less: Leased vehicles in rates (including CWC and return)							(108,651)	(108,651)
27		<u>563,403</u>	<u>127,414</u>	<u>140,468</u>	<u>47,552</u>	<u>36,044</u>	<u>200,221</u>	<u>173,580</u>	<u>1,288,682</u>
28	Annual kWh Delivered								924,629,419
29	Rate per kWh								\$ 0.00139
30									
31	Rate of Return Calculation	Portion	After-Tax Cos	WACC	Pre-Tax	Bad Debt			
32	Equity	55.0%	9.55%	5.25%	8.69%	8.69%			
33	Debt	45.0%	5.95%	2.67%	2.67%	2.67%			
34		<u>100.0%</u>		<u>7.92%</u>	<u>11.36%</u>	<u>11.36%</u>			
35	Bad Debt adder								-
36									
37	2013 Capital Projects	Substation s,	Towers, Fix	UG Conduits	Conductors, De	Structures	Fleet	Total	
38	04381 Michael Ave Substation	2,900,000						2,900,000	
39	04384 Hanover Sub-New 6L2 Regs	350,000						350,000	
40	04383 Craft Hill Sub- New 11L1 Regs	255,000						255,000	
41	1L4 Replacement Regulators	250,000						250,000	
42	11255 Michael Ave Getaway		237,500	237,500	237,500	237,500		950,000	
43	11484 Enfield Supply (Staff 6-31 & Staff 7-xx)		600,000	600,000				1,200,000	
44	7L1 Line Regulator Upgrade - Canaan			87,500	87,500			175,000	
45	Other Capital Improvements (Estimated)					400,000		400,000	
46	Capital improvements to existing buildings					400,000		400,000	
47	Security Conversion GSE					82,500		82,500	
48	9 Lowell Rd. Salem Build Out					500,000		500,000	
49	Replacement Vehicles						1,714,500	1,714,500	
50	Total	<u>3,755,000</u>	<u>837,500</u>	<u>925,000</u>	<u>325,000</u>	<u>237,500</u>	<u>1,382,500</u>	<u>1,714,500</u>	<u>9,177,000</u>
51									
52									
53									
54	Municipal taxes								3,105,076
55	Injuries and Damage (Insurance expense in Staff's Adj to RR-3-04)								376,580
56	Maintenance of General Plant								10,769
57									<u>3,492,425</u>
58	Plant at Cost								139,392,833
59	As % of Plant Cost								2.51%

**Granite State Electric Company
DE 13-063
Staff's Adjustment to Test Year
Property and Liability Insurance RR-3-04**

**Attachment GWS-2
Schedule 04**

Description	Annual Premium*	Projected Increase	Fee**	Annual Test Year Cost	Capitalized	Test Year O&M
Property Insurance:		1.90%			30.40%	
1 All Risk	\$ 51,712	\$ 983	\$ 3,702	\$ 56,396	-	\$ 56,396
2						
3						
4 Liability Insurance:	110,868	2,106	7,937	120,911	36,757	84,154
5 Comprehensive General	138,173	2,625	9,891	150,690	45,810	104,880
6 Umbrella	61,955	1,177	4,435	67,567	20,540	47,027
7 Excess	119,622	2,273	8,563	130,458	39,659	90,799
8 Auto	430,618	8,182	30,827	469,627	142,767	326,860
9						
10 Total Property and Liability Expense for 2013	<u>\$ 482,330</u>	<u>\$ 9,164</u>	<u>\$ 34,529</u>	<u>\$ 526,023</u>	<u>\$ 142,767</u>	383,257
11						
12 Total Prop & Liab in Test Year Acct 925***						427,811
13 Non-Recurring Costs in Test Year						<u>(28,716)</u>
14						399,095
15						
16 Company's Adjustment to Test Year						(15,838)
17 Staff's Adjustment to Test Year						<u>(22,515)</u>
18 Adjustment to Test Year						<u>(6,677)</u>
19						
20						
21						
22 Worker Comp	<u>\$187,548</u>		<u>\$ 13,426.12</u>			
23 Total	<u>\$ 669,878</u>		<u>\$ 47,955</u>			

* Staff 3-23.1

**Staff 5-14 & Staff 6-33

***Schedule RR-3-04

Granite State Electric Company
 DE 13-063
 Staff's Adjustment to Test Year
 Property and Liability Insurance RR-3-04

Attachment GWS-2
 Schedule 04A

Annual Premium*	Fee**	Test Year Cost	Capitalized	Test Year O&M	Premium
			30.40%		
51,712	3,702	55,414	-	55,414	7.72%
					16.55%
110,868	7,937	118,805	36,117	82,688	20.63%
138,173	9,891	148,064	45,012	103,053	9.25%
61,955	4,435	66,390	20,183	46,208	17.86%
119,622	8,563	128,185	38,968	89,217	64.28%
430,618	30,827	461,445	140,279	321,166	
482,330	34,529	516,859	140,279	376,580	72.00%
				427,811	
				(28,716)	
				399,095	
				(22,515)	

187,548	13,426				28.00%
669,878	47,955				100.00%

Granite State Electric Company
DE 13-063
Staff's Adjustment to Test Year
Leased Vehicle RR-3-05

Attachment GWS-2
Schedule 05

	<u>Company's Proposal</u>	<u>Staff's Adjustment*</u>	<u>Adjustment To Test Year</u>
1 Annual cost for leased vehicles	\$ 252,288	\$ 106,896	\$ (145,392)
2			
3 Adjustment to O&M			<u><u>\$ (145,392)</u></u>

* Staff 3-24

Granite State Electric Company
DE 13-063
Non-Recurring Costs
Staff's adjustment of RR-3-08

Attachment GWS-2
Schedule 08

		<u>Labor</u>	<u>Non-Labor</u>	<u>Total</u>	
1	TSA Invoices, July-November 2012	\$ 872,531	\$ 1,171,253	\$ 2,043,784	
2	Less: Capitalized portion of HR	(31,938)	2,962	(28,976)	
3	Less: Capitalized portion of Operations	(99,679)	(201,316)	(300,995)	
4	TSA Invoices charged to P&L- Account 923	<u>\$ 740,913</u>	<u>\$ 972,900</u>	<u>\$ 1,713,813</u>	
5					
6	<u>Disposition of TSA Costs Charged to P&L:</u>				
7					
8	Customer Service	135,634	205,673	341,307	
9	Non-Labor	-	720,090	720,090	1,061,397
10	Transition	2,510	12,076	14,586	
11	Not Ongoing	-	35,061	35,061	
12	Labor	602,769	-	602,769	
13		<u>\$ 740,913</u>	<u>\$ 972,900</u>	<u>\$ 1,713,813</u>	
14					
15	Removed from P&L- Account 923		38.07%	652,416	
16	Remaining TSA in P&L- Acct 923		61.93%	1,061,397	
17			<u>100.00%</u>	<u>1,713,813</u>	
18					
19					
20	TSA Invoices charged to P&L- Account 923, through November 2012			\$1,713,813	
21	Accrual for December		340,729		
22	Less: Portion capitalized (estimated)	16.15%	<u>(55,011)</u>	285,718	176,951
23	Total TSA Costs to P&L in Test Year			\$ 1,999,531	
24	TSA Costs in Test Year to be Normalized Out	38.07%		761,183	
25	TSA Costs in Test Year to be Normalized Out-O&M; RR-3-08 (CU) & Staff 1-7			394,275	394,275
26	TSA Expenses in Test Year			<u>\$ 844,073</u>	844,073
27					
28	Staff's Calculation of TSA Expenses			832,762	
29	Adjustment to Test Year			<u>\$ (11,310)</u>	

Granite State Electric Company
DE 13-063
Non-Recurring Costs
Staff's Calculation to RR-3-08 Based on DR 3-29 & DR 5-4

Attachment GWS-2
Schedule 08A

		<u>Labor</u>	<u>Non-Labor</u>	<u>Total</u>	
1	TSA Invoices, July-November 2012	\$ 872,531	\$ 1,171,253	\$ 2,043,784	
2	Less: Capitalized portion of HR (Staff 3-28 for correction)	(31,938)	(2,962)	(34,900)	
3	Less: Capitalized portion of Operations	(99,679)	(201,316)	(300,995)	16.43%
4	TSA Invoices charged to P&L- Account 923 (July-Nov 2012)	<u>\$ 740,914</u>	<u>\$ 966,975</u>	<u>\$ 1,707,889</u>	
5					
6	<u>Disposition of TSA Costs Charged to P&L:</u>				
7					
8	Customer Service	135,634	205,672	341,306	
9	Non-Labor	-	714,165	714,165	1,055,471
10	Transition	2,510	12,076	14,586	
11	Not Ongoing	-	35,062	35,062	
12	TSA Costs (TSA Terminations*)	602,770	-	602,770	3.68%
13		<u>\$ 740,914</u>	<u>\$ 966,975</u>	<u>\$ 1,707,889</u>	
14					
15	Removed from P&L- Account 923		38.20%	652,418	
16	Remaining TSA in P&L- Acct 923		61.80%	1,055,471	
17			<u>100.00%</u>	<u>1,707,889</u>	
18					
19					
20	TSA Invoices charged to P&L- Account 923, through November 2012			\$ 1,707,889	
21	Actual for December per: Staff 5-4		332,216		
22	Less: Portion capitalized (estimated)	16.43%	(54,600)	277,616	171,566
23	Total TSA Costs to P&L in Test Year			\$ 1,985,505	
24	TSA Costs in Test Year to be Normalized Out-Customer	38.20%		758,468	
25	TSA Costs in Test Year to be Normalized Out-O&M			394,275	Staff 1-7
26	Expenses in Revenue Requirement			<u>\$ 832,762</u>	832,762
27					
28					
29	* Terminations submitted quarterly for Pool A Escrow Funds Release				
30					
31					

Granite State Electric Company
DE 13-063
Staff's Adjustment to Test Year
Major Storm Fund RR-3-10

Attachment GWS-2
Schedule 10

	<u>Company's Proposal</u>	<u>Staff's Adjustment</u>	<u>Adjustment To Test Year</u>
1 Proposed in Base Rates	\$ 1,600,000	\$ 1,500,000	-
2 Currently in Base Rates		120,000	-
3 Proposed in SRA (Until balance = \$0)	<u>1,200,000</u>	<u>-</u>	<u>-</u>
4			
5 Annual Storm Funding	\$ 2,800,000	\$ 1,380,000	\$ (1,420,000)
6			
7 Storm Costs in Test Year O&M	<u>2,190,859</u>	<u>-</u>	<u>(2,190,859)</u>
8			
9 Adjustment to O&M	<u><u>\$ 609,141</u></u>	<u><u>\$ 1,380,000</u></u>	<u><u>\$ 770,859</u></u>

**Granite State Electric Company
DE 13-063
Staff's Adjustment to Test Year
Support Costs RR-3-13**

**Attachment GWS-2
Schedule 13**

<u>Description</u>	<u>Annual Amount</u>
1 Liberty Costs	\$ 724,589
2 Algonquin Costs	522,636
3 Total Support Costs	<u>1,247,225</u>
4	
5 <u>Costs in Test Year</u>	
6 Account 920	58,227
7 Account 921	10,103
8 Account 923	562,185
9 Total Test Year Costs	<u>630,515</u>
10	
11 Company Adjustment to Test Year	\$ 616,710
12 Staff's Adjustment to Test Year	<u>532,157</u>
13	
14 Staff's Adjustment to Revenue Req'd	<u><u>\$ (84,553)</u></u>

**Granite State Electric Company
DE 13-063
Staff's Adjustment to Test Year
Support Costs RR-3-13**

**Attachment GWS-2
Schedule 13A**

Description	3 Percent Correction*	1.90% Inflation	Staff's Adjustments**	Staff's Adjustment to Test Year
1 Liberty Costs	\$ 702,695	\$ (13,102)	\$ (14,553)	\$ 675,040
2 Algonquin Costs	522,636	(9,745)	(25,259)	487,632
3 Total Support Costs	1,225,331	(22,847)	(39,812)	1,162,672
4				
5 Costs in Test Year				
6 Account 920	58,227	-	-	58,227
7 Account 921	10,103	-	-	10,103
8 Account 923	562,185	-	-	562,185
9 Total Test Year Costs	630,515	-	-	630,515
10				
11 Adjustment to Test Year	\$ 594,816	\$ (22,847)	\$ (39,812)	\$ 532,157

17 * Staff 5-5 includes Company's 3% correction.

18 ** Staff 5-7 & 5-8 includes auditing costs & fees.

Granite State Electric Company
DE 13-063
Staff's Adjustment to Test Year
Property Taxes RR-3-14 (CU)

Attachment GWS-2
Schedule 14

	Company's Proposal	Staff's Adjustment	Adjustment To Test Year
1 Property tax expense for 2013	\$ 3,184,358	\$ 3,105,076	(79,282)
2		-	-
3 Property tax expense in test year	2,778,746	2,778,746	-
4			
5 Adjustment in Property tax expense	\$ 405,612	\$ 326,330	\$ (79,282)
6			
7			
8			
9			

Granite State Electric Company
Docket DE 13-063
Schedule RR-3-15

Attachment GWS-2
Schedule 15

Line	Description	Reference	Actual	Adjustment	Total	Staff's Adjustment*	Staff's Test Year Adjustment
1							
2	Forfeited discounts	RR-3-15 (CU)	\$ 117,251	\$ 17,588	\$ 134,839	\$ 11,080	\$ 128,331
3							
4	Adjustment to test year			17,588		11,080	(6,508)
5	(*) Increase by estimated total bill increase of 9.45%.						

**Granite State Electric Company
DE 13-063
Staff's Adjustment to Test Year
Rate Case Expense RR-3-16**

**Attachment GWS-2
Schedule 16**

Line #	Company's Proposal	Staff's Rate Case Adjustment	Staff's Depr Study Adjustment*	Staff's Adjustment To Test Year
1 Rate Case Expense	\$ 300,000	\$ -	\$ -	(300,000)
2				
3 Depreciation Study	90,000	-	-	(90,000)
4				
5	390,000	-	-	(390,000)
6 PUC Staff Audit # 31	(11,876)	-	-	11,876
7 Annual Recovery	\$ 378,124	\$ -	\$ -	(378,124)
8				
9				
10				
11				

**Granite State Electric Company
DE 13-063
Staff's Adjustment to Test Year
Bad Debt Expense RR-3-20**

**Attachment GWS-2
Schedule 20**

<u>Line #</u>	<u>Total</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	
1	Bad Debt Expense	2,217,846	326,926	445,905	376,043	530,092	538,880
2							
3	Total Revenue	432,042,534	78,226,534	83,244,000	82,899,000	83,886,000	103,787,000
4	Less: Forfeited discounts	(745,251)	(117,251)	(118,000)	(143,000)	(136,000)	(231,000)
5	: Rental revenue	(1,533,642)	(283,642)	(324,000)	(401,000)	(312,000)	(213,000)
6		<u>429,763,641</u>	<u>77,825,641</u>	<u>82,802,000</u>	<u>82,355,000</u>	<u>83,438,000</u>	<u>103,343,000</u>
7							
8							
9	Charge Offs as % of Revenue	0.52%	0.42%	0.54%	0.46%	0.64%	0.52%
10							
11	<u>Adjustment for test year 2012</u>						
12	Revenue subject to Bad Debt Expense		77,825,641				
13	Liberty's Bad Debt Ratio		0.54%				
14	Liberty's Calculated Bad Debt Expense		418,171				
15	Bad Debt Expense per Books		326,926				
16	Staff's Adjustment to Liberty's RR-3-20		<u>(91,245)</u>				

Granite State Electric d/b/a Liberty Utilities

DE 13-063

Staff Data Requests, Set No. 3 - Permanent Distribution Rates

Date Request Received: 06/21/13
Request No. Staff 3-24

Date of Response: 07/08/13
Witness: ChristiAne G. Mason/
Dr. Michael R. Schmidt

REQUEST:

Reference Mason/Schmidt Testimony, pages 31 of 63, lines 1 - 5 and Schedule RR-3-05, Leased Vehicles. Regarding the \$252,288 adjustment for leased vehicles on line 4 of Schedule RR-3-05, please provide:

- a. a schedule supporting the calculation of the adjustment
- b. documentation supporting the cost of the 2013 leased vehicles

RESPONSE:

- a. Since Schedule RR-3-05 was filed, the Company has leased three trucks. The following trucks were leased:

1 @ Rental 45' Bucket Truck - \$2,508.00 / month
1 @ Rental 55' Material Handler - \$3,550.00 / month
1 @ Rental 60' Material Handler - \$2,850 / month

The total annual lease expense for these vehicles is \$106,896, which is less than the amount in the revenue requirement on Schedule RR-3-05. However, the four additional trucks that were not leased will be purchased, therefore the Company's total costs will reflect the cost of seven trucks.

The \$252,288 on Schedule RR-3-05, Leased Vehicles was applied to reduce the step adjustment (Attachment CGM/MRS-5, line 26, which includes bad debt expense, cash working capital and return). If the permanent revenue requirement is reduced (to reflect three trucks instead of seven), the step adjustment should be increased by the same amount.

- b. See Attachment Staff 3-24.

Granite State Electric d/b/a Liberty Utilities

DE 13-063

Staff Data Requests, Set No. 5 - Permanent Distribution Rates

Date Request Received: 07/19/13
Request No. Staff 5-5

Date of Response: 08/02/13
Witness: ChristiAne G. Mason
Dr. Michael R. Schmidt

REQUEST:

Reference Attachment CGM/MRS-2, Schedule RR-3-13, Algonquin/Liberty Support Costs. What percentage of Algonquin's total costs is allocated to other companies? What percentage of Algonquin's total costs remains with Algonquin? What percentage was allocated to Granite State?

RESPONSE:

APUC allocates approximately 92% of its costs and approximately 8% is unallocated and remains at APUC. Liberty receives approximately 51.8% of APUC allocation, which in turn allocates 11.8% to Granite State. Therefore, approximately 5.4% of APUC costs are allocated to Granite State.

Please note that RR3-13 had incorrectly identified LUC costs as APUC costs and vice-versa. In addition, please see Staff 5-7 which corrects a calculation error in RR3-13 and reduces the LUC costs by 3%.

Please see Attachment Staff 5-5 for a revised Schedule RR-3-13 which incorporates these changes.

Granite State Electric Company
Adjustment to Test Year
Adjustment 13
Algonquin / Liberty Support Costs
Schedule RR-3-13

Line	Description	Annual Amount
1	Liberty Support Costs - Rate Year	702,695
2	Algonquin Support Costs - Rate Year	522,636
3	Support Costs for GSE - Rate Year	1,225,331
4		
5	Costs incurred by GSE - Test Year	
6	Account 920	58,227
7	Account 921	10,103
8	Account 923	562,185
9		630,515
10	Adjustment	616,709
11		
12		
13	This adjustment reflects the cost of support services provided by Liberty / Algonquin,	
14	which acquired Granite State Electric in 2012	
15		

Granite State Electric d/b/a Liberty Utilities

DE 13-063

Staff Data Requests, Set No. 5 - Permanent Distribution Rates

Date Request Received: 07/19/13
Request No. Staff 5-7

Date of Response: 08/02/13
Witness: ChristiAne G. Mason
Dr. Michael R. Schmidt

REQUEST:

Reference response to Staff 3-6. For each allocated cost listed for LUC, please identify the specific service and cost associated with that service. In addition, explain how Granite State benefited from that service.

RESPONSE:

Strategic Management Costs

Salaries & Benefits	\$ 332,195
Professional services	\$ 86,967
Legal	\$ 2,002
	<u>\$ 421,164</u>

LUC Financial Control

Audit	\$ 14,553
	<u>\$ 14,553</u>

Administrative Costs

Rent	\$ 25,161
Computer Software	\$ 35,653
Office Supplies	\$ 25,487
Telephone	\$ 16,881
Internet	\$ 27,941
Recruitment	\$ 16,881
Seminar and Courses	\$ 16,765
travel/meals/accomodation	\$ 58,640
Licenses, Permits & Fees/Regulatory Commission Exp	\$ 15,470
Dues/memberships	\$ 8,980
Communication	\$ 5,768
Postage/Couriers	\$ 1,984
Heat/Light	\$ 2,388
Property taxes	\$ 4,700
Other Miscellaneous Admin	\$ 4,280
	<u>\$ 266,978</u>

\$ 702,695

Liberty Utilities operates its utilities as locally centric operations with strategic support from the Corporate Head Office.

Corporate functions include determining strategy and direction, establishing Policies/Standards/Systems, Monitoring and analysis of performance, trends, industry developments and support and assistance to operating Units

Business unit functions include service delivery, day to day operations, direct interaction with Customers/Regulators/Employees, compliance with local requirements, ensure corporate policies, standards and targets are met, analysis of local performance, and continuous improvement of operation.

The following is a summary of functions common to all functional areas and corporate duties. In addition, the specific duties of each functional area are outlined below.

Function	Corporate Duties	Local Duties
Strategic Direction	<ul style="list-style-type: none"> • Monitor Industry Trends and Corporate Direction • Develop Business strategy • Investigate emerging technologies, processes, practices • Seek executive approval for changes in strategy and major investments • Develop standard organization structures for implementation by Operating Units 	<ul style="list-style-type: none"> • Contribute ideas based on local performance, local conditions, local needs • Implement operating team in accordance with organizational charts developed by Corporate
Policy and Standards	<ul style="list-style-type: none"> • Establish an appropriate framework for the division of responsibility between the Corporate and Local levels • Establish appropriate corporate policy and standards for functional area • Provide input to Operating Units on local policy matters • Monitor Industry standards and trends • Communicate Policy & Standards to Operating Units 	<ul style="list-style-type: none"> • Provide input to Corporate office on matters of corporate policy • Develop appropriate local policies and standards • Ensure compliance with both local and corporate policy and standards
Systems/technology	<ul style="list-style-type: none"> • Responsible for selecting suitable systems and tools for each functional area • Maintain relationships with major IT vendors 	<ul style="list-style-type: none"> • Provide input/feedback to corporate group in terms of local needs, gaps in requirements, performance of enhancement opportunities

	<ul style="list-style-type: none"> • Monitor Industry trends • Develop business cases for any new technology investments • Ensure effective plans are in place to support the roll out of new technologies 	<ul style="list-style-type: none"> • and proposed platform changes • Support and implement the roll-out of new technologies
Budgeting/Resource Plans	<ul style="list-style-type: none"> • Develop budget for Corporate level expenses • Provide input to Operating Units regarding appropriate allocations of Corporate Budget • Review and provide comment on local Operating Unit plans and budgets • Provide comment on variances between operating units 	<ul style="list-style-type: none"> • Develop local budgets and staffing plans for approval by local executive team and corporate team including allocation of Corporate budgets
Performance Standards and Reporting	<ul style="list-style-type: none"> • Develop an appropriate Scorecard for tracking and evaluating local Operating Unit performance • Work with Local Operating group management to agree on appropriate performance standards • Develop appropriate tracking and reporting mechanisms • Monitor local Operating Unit performance and provide collaborative support assistance to address variances 	<ul style="list-style-type: none"> • Work with Corporate to agree on appropriate local targets • Communicate Performance Standards to local team • Monitor, analyze and take corrective actions as needed • Provide variance explanations for any deviation from plan • Provide feedback to local teams on performance • Create an appropriate environment to ensure standards are met or exceeded
Staff Management	<ul style="list-style-type: none"> • Manage Corporate employees • Provide support/assistance to local teams on staff issues as requested • Provide input to local teams on matters of productivity standards 	<ul style="list-style-type: none"> • Manage Local employees within the context of Corporate Policy • Create a culture/environment that will promote excellence
Process Improvement	<ul style="list-style-type: none"> • Facilitate an environment of continuous improvement involving representatives of the local Operating Units to identify process improvements • Evaluate and determine appropriate implementation of potential process improvements for roll out to Operating Units • Work with IT and or Technology 	<ul style="list-style-type: none"> • Analyze local processes and participate in Corporate led evaluation process • Provide feedback to the corporate group if systems or corporate standards are interfering with performance • Implement process improvements as determined by Corporate.

Vendors to implement system related improvements		
Interaction with regulatory/government/community groups	<ul style="list-style-type: none"> • Support Local Operating units as needed 	<ul style="list-style-type: none"> • Primary responsibility rests with local Operating Units for maintaining effective/positive working relationships
Regulatory and Rate Case	<ul style="list-style-type: none"> • Overall rate case strategy and functional area specific strategy for rate cases • Develop regulatory outreach strategy and key Liberty Utilities themes for regulatory communications 	<ul style="list-style-type: none"> • Ensure local operating units are operating within limits of corporate rate case strategies • Mitigate risks of cost recovery by demonstrating financial prudence in decision making • Local witnesses for functional areas • Ensure constant and consistent communications with regulatory agencies
Strategic Implementation	<ul style="list-style-type: none"> • Identify systems requirements and develop implementation plans for new systems, data, or process integration • Ensure new utilities are integrated seamlessly in to current Liberty Utilities systems • Identify and address process gaps to ensure continued utility operations 	<ul style="list-style-type: none"> • Assist head office with data requirements • Identify process gaps to ensure seamless transition to Liberty Utilities processes

Finance Functional Operating Model

Head Office Functions	
Function	Description
1 Financial Strategy	Develop overall strategy for finance departments of each major utility, or geographically close utilities to ensure consistency across the Liberty Utilities portfolio.
2 Consolidated Financial Reporting	Develop consolidated financial reporting package for Liberty Utilities on a monthly/quarterly/annual basis
3 Long Term Model	Develop overall Liberty Utilities long term model and maintain financial forecast model (Clarity) to ensure it captures all utilities
4 Financial/ERP systems	Maintain, develop, and implement any upgrades necessary to improve the functionality or reporting of the ERP system.
5 Maintenance of Uniform Systems of Accounts	Ensure that all utilities are using the same system of accounts for similar utility types (i.e. NARUC/FERC) and ensure consistent application of standards in the field
6 Financing	Provide equity and debt financing for each utility in the optimal capital structure
7 Cost Allocation Strategies	Develop and maintain cost allocation strategies to ensure recovery of all shared costs between business units

8	Rate Regulated Accounting Standards	Develop standards for rate regulated accounting. Provide subject matter expertise for complex rate accounting matters to other groups within Head office and field operations
9	Fixed Asset Maintenance	Develop capitalization policies, and input to capital budgeting
10	Audit Management	Management of business specific audits if necessary and corporate audits
11	General Accounting	Monthly/Quarterly/Yearly reporting cycles. Responding to audit and compliance.
12	Strategic Implementation	Management of new system and process implementations

Information Technology Functional Operating Model

Head Office Functions		
Function	Description	
1	IT Strategic Alignment	Develop overall strategy for It with the Liberty Utilities portfolio.
2	Policies, standards	Develop rate case strategy both on an overall portfolio of utilities basis and on a case by case basis.
3	Security	Ensure IT Systems Security

4	Disaster Recovery	Ensure IT Systems backup and recovery systems operations , validate
5	Systems Design	Develop IT Designs for Telecom / Network
6	Vendor Selections	Vendor Standards and Selection
7	Sox Audit	Sox reporting for IT systems
8	Budget/Resource Planning/Timelines	Corporate budgets/project plans/time management
9	Help Desk	Provide Help Desk Support - local support first responder , corporate IT to provides assistance if Local IT not able to resolve
10	On Call IT	After hours support process / system - primary local , if no response then to corporate on call system
11	Hosting Services, Network/Servers / Systems	Provide administrative management of hosting systems , services, responsible for ensuring all hosted systems are available 24/7/365
12	Systems Administration / Moves/Adds/changes	Moves/ Add/ Changes on network - user accounts / telecom/ computers
13	Systems Deployment	Application and Systems Deployment
14	Great Plains ERP Admin	Administration and Support of ERP Systems
15	Customer Service Systems Support	Administration of CIS Systems

16	Website Management	Admin of Websites
17	Network Routers / Switches	Moves/ Add/ Changes on network - user accounts / telecom/ computers

Regulatory and Governmental Affairs Functional Operating Model

Head Office Functions	
Function	Description
1	<p>Regulatory and Governmental Policies and Strategies</p> <p>Develop overall strategies and policies for regulatory and governmental affairs and ensure consistency across the Liberty Utilities portfolio.</p>
2	<p>Rate Case Strategy</p> <p>Development of overall rate case policies and strategies relating to:</p> <ul style="list-style-type: none"> - Capital structure - Asset capitalization - Cost of capital analysis
3	<p>Compliance oversight support</p> <p>Development and maintenance of a regulatory filing system to be used by the local regulatory manager track the requirement for and completion of all day to day filings at all field facilities are being accurately and timely completed</p>
4	<p>Rate Case Study Support</p> <p>Potential resource available to local regulatory function for completion of specific studies.</p>
5	<p>Regulatory Research</p> <p>Regulatory research and advisory function on new regulatory environments</p>

6	Decision database	Maintain a database of decisions from across the country in order to provide recommendations on regulatory best practices. Field operations will maintain databases for their own jurisdictions. Head office will provide research for jurisdictions with no current operations
7	Strategic Implementation	Develop regulatory framework for major implementations, including transition activities, system changes, and other strategic projects.

Environmental, Health, Safety, & Security Functional Operating Model

Head Office Functions		
Function	Description	
1	EHSS Strategy	Develop overall strategy for EHSS of each major utility, or geographically close utilities to ensure consistency across the Liberty Utilities portfolio.
2	Policies/Standards	Development of EHSS corporate policies and standards across each utility/region. Also provide review and guidance to local field operations on proposed utility or region specific procedures.
3	Strategic Implementation	Development and implementation of integration plans for new facilities/new utilities

4	EHSS Research	Environmental, Health, Safety and Security research and advisory function on best practices
5	Corporate Security Compliance	Monitor and manage corporate compliance national program such as NERC/CFATS
6	Corporate Communications	Generate and submit Environmental and Health & Safety documentation for Board of Directors and Senior Management
7	Auditing	Develop auditing protocols and compliance programs for each utility. Conduct internal audits of business units.
8	Performance Management	Monitor and report on corporate and local performance data
9	EHSS support to other business units	Provide EHSS support and analysis to other functional units within the business. For field units requiring support, field staff will provide the service and head office will provide direction/guidance for company integration

Human Resources Functional Operating Model

Head Office Functions		
Function	Description	
1	Human Resources Strategy/Management	Develop overall strategy and management for all HR functions for utility Company to ensure consistency across the Liberty Utilities portfolio.

2	Human Resources Strategy Support	Develop, update, analyze, measure and communicate HR policies, programs and processes on an overall Company basis
3	Payroll/Benefits Management	Develop /update administer payroll and benefits program and processes on overall Company basis
4	Payroll Support	Provide payroll & benefits administration and analysis for all utility companies and locations
5	Strategic Implementation - Strategy/Management	Provide overall strategy, design, implementation and management of strategic activities/migration to best practices related to all HR functions

Customer Service Functional Operating Model

Head Office Functions	
Function	Description
1 Customer Care Strategy	Develop overall strategy for Customer Care based on industry trends and Corporate Direction
2 Policy and Standards	Research Industry Practices. Identify gaps in current processes.
3 Systems & Technology	Evaluate new technologies, produce business cases, manage vendor relations.
4 Performance Monitoring	Establish Performance Scorecards

5	Budgets & Business Plans	Review/approve local budgets and Business Plans. Prepare Corporate Customer Care Budget and Business Plan
---	-------------------------------------	---

Head Office Functions	
Function	Description
Administration	Administrative costs incurred by LUC such as rent, recruitment and general office costs are required to house all the services mentioned above. Without these administrative costs, the employees of LUC could not perform their work and provide the necessary services to the regulated utilities. These administrative costs also include training for corporate employees.

Finally, Professional Services and legal costs are incurred by LUC for the benefit of the utilities it owns. These services may include consulting and other similar services for program development and design. For example, outside consultants may be used in the development of HR or customer service programs which are for the benefit of all utilities.

Granite State Electric d/b/a Liberty Utilities

DE 13-063

Staff Data Requests, Set No. 5 - Permanent Distribution Rates

Date Request Received: 07/19/13
Request No. Staff 5-8

Date of Response: 08/02/13
Witness: ChristiAne G. Mason
Dr. Michael R. Schmidt

REQUEST:

Reference response to Staff 3-6. For each allocated cost listed for APUC, please identify the specific service and cost associated with that service. In addition, explain how Granite State benefited from that service.

RESPONSE:

Please see below for the breakout of costs by service and a description of the benefits of each of these services.

Strategic Management Costs	
Benefits and Incentives	\$ 120,402
Legal	\$ 40,082
Other Professional Services	\$ 27,643
Directors' Fees	\$ 36,489
Directors Insurance	\$ 11,748
Travel	\$ 29,716
	<u>\$ 266,081</u>

1. APUC STRATEGIC MANAGEMENT COSTS

Strategic management decisions are critical for any public utility. The need for strategic management is even more pronounced for APUC and its operating utilities such as the Company, because APUC, as a publicly traded company, depend on access to capital funding through public sales of units. APUC seeks to hire talented strategic managers that aid in running each utility owned by the company as efficiently and effectively as possible. This ensures the long term health of each utility and ensures that rates are kept as low as possible without compromising the level of service. It also facilitates each regulated utility's access to

necessary capital funding at reduced costs. The costs included in Strategic Management Costs fall into the following categories.

a. Board of Directors

The Board of Directors provides strategic oversight on all Company (i.e., Granite State Electric) affairs including high level approvals of strategy, operation and maintenance budgets, capital budgets, etc. In addition, the Board of Directors provides corporate governance for the Company and ensures that capital and costs are incurred prudently, which ultimately protects ratepayers.

b. General Legal Services

General legal services involve legal matters that enable APUC to provide capital funding to the Company, , including review of audited financial statements, annual information filings, Sedar filings, review of contracts with credit facilities, incorporation, tax issues of a legal nature and market compliance, . Additionally, the services ensure that the Company and the other APUC subsidiaries remain compliant in all aspects of operations and prevents those entities from being exposed to unnecessary risks.

c. Professional Services

Professional Services including strategic plan reviews, capital market advisory services, ERP System maintenance, benefits consulting, and other similar professional services provided to the Company and other APUC subsidiaries. By providing these services at a parent level, the subsidiaries are able to benefit from economies of scale. Additionally, some of these services improve APUC's access to capital which benefits the Company.

Access to Capital Markets

Investor Relations	\$ 34,498
Escrow & Transfer Agent Fees	\$ 8,293
Licenses/Fees & Permits	\$ 33,863
	<u>\$ 76,654</u>

2. ACCESS TO CAPITAL MARKETS

One of APUC's primary functions is to ensure Granite State Electric and its other utility subsidiaries have access to quality capital. APUC is listed on the Toronto Stock Exchange, a leading financial market. In order to allow its subsidiaries to have continued access to those capital markets, APUC incurs the following costs. These services and costs are a prerequisite to the subsidiaries continued access to those capital markets.

a. License and Permit Fees

In connection with APUC's participation in the Toronto Stock Exchange, APUC incurs certain license and permit fees such as Sedar fees, annual filing fees, licensing fees, etc.

These licensing and permit fees are required in order to sell units on the Toronto Stock Exchange, which in turn provides funding for utility operations.

b. Escrow Fees

In connection with the payment of dividends to unit holders, APUC incurs escrow fees. Escrow fees are incurred to ensure continued access to capital and ensure continuing and ongoing investments by shareholders. Without such escrow fees, APUC's subsidiaries would not have a readily available source of capital funding.

c. Unitholder Communications

Unit holder communication costs are incurred to comply with filing and regulatory requirements of the Toronto Stock Exchange and meet the expectations of shareholders. These costs include items such as news releases and unit holder conference calls. In the absence of shareholder communication costs, investors would not invest in the units of APUC, and in turn, APUC would not have capital to invest in its subsidiaries. With such communications services, the subsidiaries would not have a readily available source of capital funding.

APUC Financial Controls

Audit	\$ 50,518
Tax Services	\$ 44,920
	<u>\$ 95,438</u>

3. APUC FINANCIAL CONTROLS

Financial control costs incurred by APUC include costs for audit services and tax services. These costs are necessary to ensure that Granite State Electric and other subsidiaries are operating in a manner that meets audit standards and regulatory requirements, which have strong financial and operational controls, and financial transactions are recorded accurately and prudently. Without these services, the regulated utilities would not have a readily available source of capital funding.

a. Audit Fees

Audits are done on a yearly basis and reviews are performed quarterly on all facilities owned by APUC on an aggregate level. These corporate parent level audits reduce the cost of the standalone audits significantly for utilities which must perform its own separate audits. Where standalone audits are not required, ratepayers receive benefits of additional financial rigor, as well as access to capital, and financial soundness checks by third parties. Finally, during rate cases, the existence of audits provides staff and intervenors additional reliance on the company records, thus reducing overall rate case costs. The aggregate audit is necessary for the regulated utilities to have continued access to capital markets and unit holders.

b. Tax Services

Taxes are paid on behalf of the regulated utilities at the parent level as part of a consolidated United States tax return. Tax services such as planning and filing are provided by third parties. Filing tax returns on a consolidated basis benefits each regulated utility by reducing the costs that otherwise would be incurred by such utility in filing its own separate tax return.

Administrative Costs	
IT Services	\$ 16,738
Office Expenses	\$ 24,395
Rent and Property Taxes	\$ 27,436
Training	\$ 6,911
HR Recruitment	\$ 2,073
Dues and Memberships	\$ 3,455
Other Admin Costs	\$ 3,455
	<u>\$ 84,463</u>

4. APUC ADMINISTRATIVE COSTS

Administrative costs incurred by APUC such as rent, depreciation of office furniture, depreciation of computers, and general office costs are required to house all the services mentioned above, that ensure APUC provides access to capital for Granite State Electric and other utility subsidiaries. Without these administrative costs, the employees of APUC could not perform their work and provide the necessary services to the regulated utilities including Granite State Electric. These administrative costs also include training for corporate employees.