

TERMS AND CONDITIONS, cont.

18. APPLICATION FOR SERVICE

- A. Application for water service may be made by the owner or his agent. Whether or not a signed application for service is made by the Customer and accepted by the Company, the rendering of service by the Company and its use by the Customer shall be deemed a contract between the parties and subject to all provisions of the tariff applicable to the service. The Company may refuse to render service:
 - 1. Where the applicant fails to make any deposit or to execute any agreement as is required by the provisions of Section 33 of this Tariff.
 - 2. In any other case where the estimated revenue from the applicant is expected to be insufficient to warrant the Company making the investment necessary to supply the desired service under the applicable rate and the applicant refuses to negotiate an equitable agreement for the desired service, which agreement would usually require a contribution from the applicant for the capital cost of construction to render the desired service.

19. SERVICE PIPE

- A. Location
 - 1. Service pipe connections normally will be made only from the street which is the legal address of the premises served.
- B. Installation, Ownership and Maintenance
 - 1. Main-to-Stop:
 - a. For Single-Family Residential Owners - All service pipes within the limits of the highway including the service from the main to the curb stop (the "Main-to-Stop"), shall be installed, owned and maintained by the utility.
 - b. For Developers and Non-Residential Customers – Main-to-Stop portion of a service pipe requested to provide service to a prospective housing development or for other purposes of a speculative nature, as determined by the Company, will be treated as a "developer" main-to-stop subject to terms and conditions set forth below:
 - 1. All service pipes within the limits of the highway including the service from the main to the curb stop (the "Main-to-Stop"), shall be installed by the customer or the Company at the customer's expense. For services installed by the Company at the time application for service is made a deposit will be required based upon the estimated cost of construction. For services installed by either the Company or the Customer, the customer shall, at the time of application, pay any fees to the Company as set forth in Paragraph F of page 42-A to recover the costs of engineering, administration, inspection and State and Federal taxes on Contributions in Aid of Construction (CIAC) payments. Thereafter, the main-to-stop shall be owned and maintained by the utility.

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Issued by Donald L. Ware
 Donald L. Ware
 Title: Chief Operating Officer

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TERMS AND CONDITIONS, cont.

2. From the limits of the highway to the premises served (the "Stop-to-End"): The Stop-to-End portion of the service pipe may be installed by the Company at the Customer's expense or, at the Customer's option, this portion of the service pipe may be installed by the Customer subject to "Pennichuck Water Works, Inc., Technical Specifications for Main, Hydrant and Service Installations (Nashua, Merrimack, N.H.)". For services installed by the Company, at the time application for service is made a deposit will be required based upon the estimated cost of construction. For services installed by the Customer, at the time of application a service connection fee will be charged by the Company, as set forth in Paragraph B on Page 42 to recover the costs of engineering, administration and inspection.

3. The utility reserves the right to refuse water service to any location until such time as the utility shall decide that there is sufficient progress to show that the building will be completed and occupied.

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Title:

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TERMS AND CONDITIONS, cont.**33. MAIN PIPE EXTENSIONS**

- A. **General Terms:** Main pipe extensions will be made upon petition of prospective Customers, subject to the following general terms and conditions:
1. Generally, main pipe extensions shall be located within highways or streets which have been laid out, with lines and grades established, at least rough-graded, and approved for acceptance by, or previously accepted by, the municipality. In addition, an extension may be made on private property at the discretion of the Company if:
 - a. Access along a public highway or street is not feasible or cost effective or consistent with further development of the Company's water system as reflected in the Company's long range transmission and distribution system plans, and;
 - b. The prospective Customer provides, without expense or cost to the Company, the necessary permits, consents, and easements providing suitable legal rights for the construction, maintenance, repair, replacement and operation of pipelines, and equipment including the right to excavate whenever necessary.
 2. Main pipe extensions shall be installed by the Company or its authorized representative, and shall be the property of the Company, except that main pipe extensions on private property may be installed by the Customer at the Company's option, and, if installed by the Customer on private property, may be owned by the Customer at the discretion of the Company. For extensions installed by the Customer on private property, the Company may at its discretion require an inspection of such work, in which event it will require in advance of construction payment of an Inspection Fee as set forth in Paragraph E on Page 42, to defray the Company's costs of engineering, inspection and administration and State and Federal taxes on Contributions in Aid of Construction (CIAC) payments as set forth in Paragraph F on Page 42-A associated with the main extension.
 3. In all cases, the size and material of the pipe shall be determined by the Company in accordance with conditions surrounding the extension, including the possibility of future expansion and fire protection. Normally, main pipe extensions shall be made with ductile iron pipe of 8" inside diameter. If in the sole discretion of the Company a pipe larger or smaller than 8" in diameter and/or of different material than ductile iron is required or sufficient, the Company may install such larger or smaller pipe and/or different material pipe and the cost will be based upon the size and type of the pipe installed, provided that if a larger size is required by the Company for reasons other than the sufficiency of service to the Customer (i.e. in anticipation of future development), the Company shall pay the costs in excess of the costs of 8" pipe.

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Title:

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TERMS AND CONDITIONS, cont.

4. Unless expressly otherwise provided below, if the Company is installing the main pipe extension the Customer shall pay in advance ("Initial Customer Advance") the estimated construction cost which shall be based on the average cost of similar pipe (generally 8" ductile iron) installed during the previous year plus 10%. Where it is anticipated that abnormal costs will be encountered, the Initial Customer Advance will be based on 150% of the previous yearly average. The Initial Customer Advance will be adjusted to the actual cost, when the actual costs are known ("Customer Advance"). Additionally, the customer shall pay the Company the additional State and Federal taxes on Contributions in Aid of Construction (CIAC) payments set forth in Paragraph F on Page 42-A or the CIAC value created by the contribution of customer constructed facilities contributed to the Company. The construction cost referred to above shall include mains, and related appurtenances, and such fire hydrants as may be required by the municipality or the Company. Where applicable, construction cost will also include permits, ledge removal, disinfection, pressure testing, corrections, insurance, bonds and paving.
5. Special contracts will be negotiated whenever in the opinion of the Company this regular extension tariff should not be used or is not feasible or economical. Each special contract shall be submitted to the Commission for approval.
6. All main pipe extensions will comply with the specifications and standards set forth in the Company's "Pennichuck Water Works, Inc., Pittsfield Aqueduct Company, Inc., and Pennichuck East Utility, Inc., Technical Specifications for Main, Hydrant and Service Installations," and with the specifications and standards of PUC 606.01-.02. The referenced technical specifications can be found on the Company's website, www.pennichuck.com under the engineering tab or can be obtained by contacting the Company's Engineering Department at 603-882-5191.
7. No interest shall be paid by the Company on any amount credited or refunded pursuant to the General Terms set forth above and the Specific Terms set forth below.

B. Specific Terms regarding Credits and Refunds

1. For each Customer served from the main pipe extension at the regular filed and published tariff rates including the Customer Advance provisions of Section 33, Paragraph A.4. above, the Company will credit or refund to the original Customer a portion of the Customer Advance (if installed by the Company) or a portion of the installation cost of the main pipe extension (if installed by the Customer) in an amount computed by capitalizing the projected net operating income from such Customer in accordance with Paragraph B.2. below. For the purpose of this Paragraph B, each service connection of a permanent nature will be considered as one Customer.
2. Projected revenue will be based on historical usage of a typical comparable Customer. The refund to the original Customer as a result of the connection of the original or any additional Customer will be in an amount equal to one (1) times the estimated annual water revenues to be realized from each such Customer served from the main pipe extension.

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PITTSFIELD AQUEDUCT COMPANY, INC.

F. Contributions in Aid of Construction (CIAC) payments Tax

The formula for calculating the tax costs associated with CIAC is as follows:

- Plant or Equipment Tax Cost = $((CIAC - [CIAC \cdot (1/Tax\ Life) \cdot 5]) / (1 - Current\ Effective\ Tax\ Rate)) - CIAC\ value$
- Land or Cash Tax Cost = $((CIAC) / (1 - Current\ Effective\ Tax\ Rate)) - CIAC\ value$
- CIAC Gross Up Rate = Tax Cost/CIAC value
- Current Effective Tax Rate = Current BPT Rate + (Current Federal Tax Rate * (1 - Current BPT Rate))

EXAMPLES:

The following examples describe how this calculation is made based on pro-forma property value of \$1,000 and using, for example purposes only, tax rates effective as of January 1, 2019. **These examples are for demonstrative purposes only – actual tax rates and property values are subject to change and will be determined at the time the CIAC payment is calculated.**

Information about the Federal Corporate Tax Rate as of January 1, 2019 can be found at <https://www.irs.gov/pub/irs-pdf/p542.pdf>.

Information about the State of NH BPT rate can be found at <https://www.revenue.nh.gov/transparency/business-tax.htm>.

- Effective Tax Rate (as of 1/1/2019): $.077 + (.21 \cdot (1 - .077)) = 27.08\%$
- Contributed plant or equipment example:
 Tax Cost: $(\$1,000 - [\$1,000 \cdot (1/25) \cdot 5]) / (1 - .2708) - \$1,000 = \$343.94$
 CIAC Tax Rate: $\$343.94 / \$1,000 = 34.39\%$
- Contributed land or cash example:
 Tax Cost: $(\$1,000 / (1 - .2708)) - \$1,000 = \$371.37$
 CIAC Tax Rate: $\$371.37 / \$1,000 = 37.14\%$

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TERMS AND CONDITIONS, cont.**20. APPLICATION FOR SERVICE**

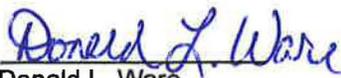
- A. Application for water service may be made by the owner or his agent. Whether or not a signed application for service is made by the Customer and accepted by the Company, the rendering of service by the Company and its use by the Customer shall be deemed a contract between the parties and subject to all provisions of the tariff applicable to the service. The Company may refuse to render service:
1. Where the applicant fails to make any deposit or to execute any agreement as is required by the provisions of Section 1, 3, and 35 of this Tariff.
 2. In any other case where the estimated revenue from the applicant is expected to be insufficient to warrant the Company making the investment necessary to supply the desired service under the applicable rate and the applicant refuses to negotiate an equitable agreement for the desired service, which agreement would usually require a contribution from the applicant for the capital cost of construction to render the desired service.

21. SERVICE PIPE

- A. Location
1. Service pipe connections normally will be made only from the street which is the legal address of the premises served.
- B. Installation, Ownership and Maintenance of Residential and Commercial Services Less Than or Equal to 2 Inch Size Meters
1. Main-to-Stop:
 - a. For Single-Family Residential Owners - All service pipes within the limits of the highway including the service from the main to the curb stop (the "Main-to-Stop"), shall be installed, owned and maintained by the utility.
 - b. For Developers – Main-to-Stop portion of a service pipe requested to provide service to a prospective housing development or for other purposes of a speculative nature, as determined by the Company, will be treated as a "developer" main-to-stop. All service pipes within the limits of the highway including the service from the main to the curb stop (the "Main-to-Stop"), shall be installed by the customer or the Company at the customer's expense. For services installed by the Company at the time application for service is made a deposit will be required based upon the estimated cost of construction. For services installed by either the Company or the Customer, the customer shall, at the time of application pay any fees to the Company as set forth in Paragraph G of page 46-A, to recover the costs of engineering, administration, inspection and State and Federal taxes on Contributions in Aid of Construction (CIAC) payments. Thereafter, the main-to-stop shall be owned and maintained by the utility.

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TERMS AND CONDITIONS, cont.

2. Stop-to-End
 - a. The Stop-to-End is from the limits of the highway to the premises served. The property owner is responsible for the installation and ownership of the stop-to-end portion of the service pipe. The ownership includes all underground pipe, the portion of the pipe before the meter, service valve and coperhorn.
 - b. The service pipe may be installed by the Company at the Customer's expense or, at the Customer's option, this portion of the service pipe may be installed by the Customer subject to the Company's "Technical Specifications for Main, Hydrant and Service Installations and Standard Detail". For services installed by the Company, at the time application for service is made a deposit will be required based upon the estimated cost of construction. For services installed by the Customer at the time of application, a service connection fee will be charged by the Company, as set forth in this tariff's rate schedules, to recover the costs of engineering, administration, and inspection. For services installed by either the Company or the Customer, the customer shall, at the time of application pay any fees to the Company as set forth in as set forth in Paragraph G on Page 46-A, to recover the costs of engineering, administration, inspection and State and Federal taxes on Contributions in Aid of Construction (CIAC) payments.
 - c. For Stop-to-End service installations where private fire protection service is being provided to a single-family residence, the Customer shall install, at the Customer's expense, two services into the foundation of the building. Each service shall be provided with a separate curb stop. One service shall be sized to provide the domestic service to the residence and one service shall be sized to provide the required fire flow for the sprinkler system to the residence. These services shall be installed in accordance with the Company's "Technical Specifications for Main, Hydrant, and Service Installations" and "Standard Details". The service providing the fire flows will be unmetered. The service providing the fire flows will have a testable double check backflow preventer installed on the service inside the building foundation in accordance with the Company's Technical Specifications.
3. The utility reserves the right to refuse water service to any location until such time as the utility shall decide that there is sufficient progress to show that the building will be completed and occupied.
4. On future installations, or re-installations, of service lines, only one customer will be supplied through one service pipe. Where more than one customer is now supplied through one service pipe and under control of one curb-cock, any violation of the rules of the Company by either or any of the customers so supplied shall be deemed a violation by all. The Company may take such action as could be taken against a single customer, except that such action shall not be taken until the innocent customer who is not in violation of the Company's rules has been given a reasonable opportunity to attach his pipe to a separately controlled service connection.

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TERMS AND CONDITIONS, cont.**35. MAIN PIPE EXTENSIONS**

- A. General Terms: Main pipe extensions will be made upon petition of prospective Customers, subject to the following general terms and conditions:
1. Generally, main pipe extensions shall be located within highways or streets which have been laid out, with lines and grades established, at least rough-graded, and approved for acceptance by, or previously accepted by, the municipality. In addition, an extension may be made on private property at the discretion of the Company if:
 - a. Access along a public highway or street is not feasible or cost effective or consistent with further development of the Company's water system as reflected in the Company's long range transmission and distribution system plans, and;
 - b. The prospective Customer provides, without expense or cost to the Company, the necessary permits, consents, and easements providing suitable legal rights for the construction, maintenance, repair, replacement and operation of pipelines, and equipment including the right to excavate whenever necessary.
 1. Main pipe extensions shall typically be installed by the Company or its authorized representative in accordance with the specifications in (6) below and under the inspection of the Company or its authorized representative. The main extension shall become the property of the Company upon completion of the main extension in accordance with the Company specifications. The customer shall pay the Company a fee in accordance the schedule of Miscellaneous Utility Service Fees in this tariff to cover the cost of the Company completing the engineering, inspection, as-builts of the main pipe extension and State and Federal taxes on Contributions in Aid of Construction (CIAC) payments. The customer is responsible for providing a topographic/physical evidence survey to the Company, at no cost to the Company, over the area where the main extension line will be installed. The survey shall be completed by a land surveyor licensed by the State of New Hampshire. The survey shall be transmitted to the Company in an electronic format acceptable to the Company.
 3. In all cases, the size and material of the pipe shall be determined by the Company in accordance with conditions surrounding the extension, including the possibility of future expansion and fire protection. Normally, main pipe extensions shall be made with ductile iron pipe of 8" inside diameter. If in the sole discretion of the Company a pipe larger or smaller than 8" in diameter and/or of different material than ductile iron is required or sufficient, the Company may require the installation of such larger or smaller pipe and/or different material pipe provided that if a larger size is required by the Company for reasons other than the sufficiency of service to the Customer (i.e. in anticipation of future development), the Company shall pay the costs in excess of the costs of 8" pipe.

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Donald L. Ware

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Title:

Chief Operating Officer

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TERMS AND CONDITIONS, cont.

4. Unless expressly otherwise provided below, if the Company is installing the main pipe extension, the Customer shall pay in advance ("Initial Customer Advance") the estimated construction cost which shall be based on the average cost of similar pipe (generally 8" ductile iron) installed during the previous year plus 10%. Additionally, the customer shall pay the Company a fee in accordance the schedule of Miscellaneous Utility Service Fees in this tariff to cover the cost of the Company completing the engineering, inspection and as-builts of the main pipe extension as well as the additional State and Federal taxes on Contributions in Aid of Construction (CIAC) payments or the CIAC value created by the contribution of customer constructed facilities contributed to the Company. Where it is anticipated that abnormal costs will be encountered, the Initial Customer Advance will be based on 150% of the previous yearly average. The Initial Customer Advance will be adjusted to the actual cost, when the actual costs are known ("Customer Advance"). The construction cost referred to above shall include mains, and related appurtenances, and such fire hydrants as may be required by the municipality or the Company. Where applicable, construction cost will also include permits, ledge removal, disinfection, pressure testing, corrections, insurance, bonds and paving.
5. Special contracts will be negotiated whenever in the opinion of the Company this regular extension tariff should not be used or is not feasible or economical. Each special contract shall be submitted to the Commission for approval.
6. All main pipe extensions will comply with the specifications and standards set forth in the Company's "Pennichuck Water Works, Inc., Pittsfield Aqueduct Company, Inc. and Pennichuck East Utility, Inc., Technical Specifications for Main, Hydrant and Service Installations," and with the specifications and standards of PUC 606.01-.02. The referenced technical specifications can be found on the Company's website, www.pennichuck.com under the engineering tab or can be obtained by contacting the Company's Engineering Department at 603-882-5191.
7. No interest shall be paid by the Company on any amount credited or refunded pursuant to the General Terms set forth above and the Specific Terms set forth below.

B. Specific Terms regarding Credits and Refunds

1. For each Customer served from the main pipe extension at the regular filed and published tariff rates including the Customer Advance provisions of Section 35, Paragraph A.4. above, the Company will credit or refund to the original Customer a portion of the Customer Advance (if installed by the Company) or a portion of the installation cost of the main pipe extension (if installed by the Customer) in an amount computed by capitalizing the projected net operating income from such Customer in accordance with Paragraph B.2. below. For the purpose of this Paragraph B, each service connection of a permanent nature will be considered as one Customer.
2. Projected revenue will be based on historical usage of a typical comparable Customer. The refund to the original Customer as a result of the connection of the original or any additional Customer will be in an amount equal to one (1) times the estimated annual water revenues to be realized from each such Customer served from the main pipe extension.

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PENNICHUCK WATER WORKS, INC.

G. Contributions in Aid of Construction (CIAC) payments Tax

The formula for calculating the tax costs associated with CIAC is as follows:

- Plant or Equipment Tax Cost = $((\text{CIAC} - [\text{CIAC} \cdot (1/\text{Tax Life}) \cdot 5]) / (1 - \text{Current Effective Tax Rate})) - \text{CIAC value}$
- Land or Cash Tax Cost = $((\text{CIAC}) / (1 - \text{Current Effective Tax Rate})) - \text{CIAC value}$
- CIAC Gross Up Rate = Tax Cost/CIAC value
- Current Effective Tax Rate = Current BPT Rate + (Current Federal Tax Rate * (1 - Current BPT Rate))

EXAMPLES:

The following examples describe how this calculation is made based on pro-forma property value of \$1,000 and using, for example purposes only, tax rates effective as of January 1, 2019. ***These examples are for demonstrative purposes only – actual tax rates and property values are subject to change and will be determined at the time the CIAC payment is calculated.***

Information about the Federal Corporate Tax Rate as of January 1, 2019 can be found at <https://www.irs.gov/pub/irs-pdf/p542.pdf>.

Information about the State of NH BPT rate can be found at <https://www.revenue.nh.gov/transparency/business-tax.htm>.

- Effective Tax Rate (as of 1/1/2019): $.077 + (.21 \cdot (1 - .077)) = 27.08\%$
- Contributed plant or equipment example:
Tax Cost: $(\$1,000 - [\$1,000 \cdot (1/25) \cdot 5]) / (1 - .2708) - \$1,000 = \$343.94$
CIAC Tax Rate: $\$343.94 / \$1,000 = 34.39\%$
- Contributed land or cash example:
Tax Cost: $(\$1,000 / (1 - .2708)) - \$1,000 = \$371.37$
CIAC Tax Rate: $\$371.37 / \$1,000 = 37.14\%$

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Title:

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TERMS AND CONDITIONS, cont.

18. APPLICATION FOR SERVICE

- A. Application for water service may be made by the owner or his agent. Whether or not a signed application for service is made by the Customer and accepted by the Company, the rendering of service by the Company and its use by the Customer shall be deemed a contract between the parties and subject to all provisions of the tariff applicable to the service. The Company may refuse to render service:
 - 1. Where the applicant fails to make any deposit or to execute any agreement as is required by the provisions of Section 33 of this Tariff.
 - 2. In any other case where the estimated revenue from the applicant is expected to be insufficient to warrant the Company making the investment necessary to supply the desired service under the applicable rate and the applicant refuses to negotiate an equitable agreement for the desired service, which agreement would usually require a contribution from the applicant for the capital cost of construction to render the desired service.

19. SERVICE PIPE

- A. Location
 - 1. Service pipe connections normally will be made only from the street which is the legal address of the premises served.
- B. Installation, Ownership and Maintenance
 - 1. Main-to-Stop:
 - a. For Single-Family Residential Owners;

All service pipes within the limits of the highway including the service from the main to the curb stop (the "Main-to-Stop"), shall be installed, owned and maintained by the utility.
 - b. For Developers and Non-Residential Customers:

Main-to-stop portion of a service pipe requested to provide service to a prospective housing development or for other purposes of a speculative nature, as determined by the Company, will be treated as a "developer" main-to-stop subject to terms and conditions set forth below:

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TERMS AND CONDITIONS, cont.

1. All service pipes within the limits of the highway including the service from the main to the curb stop (the "Main-to-stop"), shall be installed by the customer or the Company at the customer's expense. For services installed by the Company at the time application for service is made a deposit will be required based upon the estimated cost of construction. For services installed by either the Company or the Customer, the customer shall, at the time of application pay any fees to the Company as set forth in Paragraph G on Page 46-A, to recover the costs of engineering, administration, inspection and State and Federal taxes on Contributions in Aid of Construction (CIAC) payments. Thereafter, the main-to-stop shall be owned and maintained by the utility.

2. Stop-to-End:
 - a. The Stop-to-End is from the limits of the highway to the premises served. The property owner is responsible for the installation and ownership of the stop-to-end portion of the service pipe. The ownership includes all underground pipe, the portion of the pipe before the meter, service valve, and copperhorn.

 - b. The service pipe may be installed by the Company at the Customer's expense or, at the Customer's option, this portion of the service pipe may be installed by the Customer subject to the Company's "Technical Specifications for Main, Hydrant and Service Installations", and "Standard Detail". For services installed by the Company, at the time application for service is made a deposit will be required based upon the estimated cost of construction. For services installed by the Customer, at the time of application a service connection fee will be charged by the Company, as set forth in Paragraph B on Page 46 to recover the costs of engineering, administration and inspection and State and Federal taxes on Contributions in Aid of Construction (CIAC) payments set forth in Paragraph G on Page 46-A.

 - c. For Stop-to-End service installations where private fire protection service is being provided to a single-family residence, the Customer shall install, at the Customer's expense, two services into the foundation of the building. Each service shall be provided with a separate curb stop. One service shall be sized to provide the domestic service to the residence and one service shall be sized to provide the required fire flow for the sprinkler system to the residence. These services shall be installed in accordance with the Company's "Technical Specifications for Main, Hydrant and Service Installations" and "Standard Details". The service providing the fire flows will be unmetered. The service providing the fire flows will have a testable double check backflow preventer installed on the service inside the building foundation in accordance with the Company's Technical Specifications.

3. The utility reserves the right to refuse water service to any location until such time as the utility shall decide that there is sufficient progress to show that the building will be completed and occupied.

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TERMS AND CONDITIONS, cont.**33. MAIN PIPE EXTENSIONS**

- A. General Terms: Main pipe extensions will be made upon petition of prospective Customers, subject to the following general terms and conditions:
1. Generally, main pipe extensions shall be located within highways or streets which have been laid out, with lines and grades established, at least rough-graded, and approved for acceptance by, or previously accepted by, the municipality. In addition, an extension may be made on private property at the discretion of the Company if:
 - a. Access along a public highway or street is not feasible or cost effective or consistent with further development of the Company's water system as reflected in the Company's long range transmission and distribution system plans, and;
 - b. The prospective Customer provides, without expense or cost to the Company, the necessary permits, consents, and easements providing suitable legal rights for the construction, maintenance, repair, replacement and operation of pipelines, and equipment including the right to excavate whenever necessary.
 2. Main pipe extensions shall be installed by the Company or its authorized representative, and shall be the property of the Company, except that main pipe extensions on private property may be installed by the Customer at the Company's option, and, if installed by the Customer on private property, may be owned by the Customer at the discretion of the Company. For extensions installed by the Customer on private property, the Company may at its discretion require an inspection of such work, in which event it will require in advance of construction payment of an Inspection Fee as set forth in Paragraph E on Page 46, to defray the Company's costs of engineering, inspection, administration and State and Federal taxes on Contributions in Aid of Construction (CIAC) payments set forth in Paragraph G on Page 46-A associated with the main extension.
 3. In all cases, the size and material of the pipe shall be determined by the Company in accordance with conditions surrounding the extension, including the possibility of future expansion and fire protection. Normally, main pipe extensions shall be made with ductile iron pipe of 8" inside diameter. If in the sole discretion of the Company a pipe larger or smaller than 8" in diameter and/or of different material than ductile iron is required or sufficient, the Company may install such larger or smaller pipe and/or different material pipe and the cost will be based upon the size and type of the pipe installed, provided that if a larger size is required by the Company for reasons other than the sufficiency of service to the Customer (i.e. in anticipation of future development), the Company shall pay the costs in excess of the costs of 8" pipe.

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TERMS AND CONDITIONS, cont.

4. Unless expressly otherwise provided below, if the Company is installing the main pipe extension the Customer shall pay in advance ("Initial Customer Advance") the estimated construction cost which shall be based on the average cost of similar pipe (generally 8" ductile iron) installed during the previous year plus 10%. Where it is anticipated that abnormal costs will be encountered, the Initial Customer Advance will be based on 150% of the previous yearly average. The Initial Customer Advance will be adjusted to the actual cost, when the actual costs are known ("Customer Advance"). Additionally, the customer shall pay the Company the additional State and Federal taxes on Contributions in Aid of Construction (CIAC) payments set forth in Paragraph G on Page 46-A or the CIAC value created by the contribution of customer constructed facilities contributed to the Company. The construction cost referred to above shall include mains, and related appurtenances, and such fire hydrants as may be required by the municipality or the Company. Where applicable, construction cost will also include permits, ledge removal, disinfection, pressure testing, corrections, insurance, bonds and paving.
5. Special contracts will be negotiated whenever in the opinion of the Company this regular extension tariff should not be used or is not feasible or economical. Each special contract shall be submitted to the Commission for approval.
6. All main pipe extensions will comply with the specifications and standards set forth in the Company's "Pennichuck Water Works, Inc., Pittsfield Aqueduct Company, Inc., and Pennichuck East Utility, Inc., Technical Specifications for Main, Hydrant and Service Installations," and with the specifications and standards of PUC 606.01-.02. The referenced technical specifications can be found on the Company's website, www.pennichuck.com under the engineering tab or can be obtained contacting the Company's Engineering Department at 603-882-5181.
7. No interest shall be paid by the Company on any amount credited or refunded pursuant to the General Terms set forth above and the Specific Terms set forth below.

B. Specific Terms regarding Credits and Refunds

1. For each Customer served from the main pipe extension at the regular filed and published tariff rates including the Customer Advance provisions of Section 33, Paragraph A.4. above, the Company will credit or refund to the original Customer a portion of the Customer Advance (if installed by the Company) or a portion of the installation cost of the main pipe extension (if installed by the Customer) in an amount computed by capitalizing the projected net operating income from such Customer in accordance with Paragraph B.2. below. For the purpose of this Paragraph B, each service connection of a permanent nature will be considered as one Customer.
2. Projected revenue will be based on historical usage of a typical comparable Customer. The refund to the original Customer as a result of the connection of the original or any additional Customer will be in an amount equal to one (1) times the estimated annual water revenues to be realized from each such Customer served from the main pipe extension.

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Donald L. Ware

Effective: December 1, 2019

Title:

Chief Operating Officer

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PENNICHUCK EAST UTILITY, INC.

G. Contributions in Aid of Construction (CIAC) payments Tax

The formula for calculating the tax costs associated with CIAC is as follows:

- Plant or Equipment Tax Cost = $((\text{CIAC} - [\text{CIAC} \cdot (1/\text{Tax Life}) \cdot 5]) / (1 - \text{Current Effective Tax Rate})) - \text{CIAC value}$
- Land or Cash Tax Cost = $((\text{CIAC}) / (1 - \text{Current Effective Tax Rate})) - \text{CIAC value}$
- CIAC Gross Up Rate = Tax Cost/CIAC value
- Current Effective Tax Rate = Current BPT Rate + (Current Federal Tax Rate * (1 - Current BPT Rate))

EXAMPLES:

The following examples describe how this calculation is made based on pro-forma property value of \$1,000 and using, for example purposes only, tax rates effective as of January 1, 2019. ***These examples are for demonstrative purposes only – actual tax rates and property values are subject to change and will be determined at the time the CIAC payment is calculated.***

Information about the Federal Corporate Tax Rate as of January 1, 2019 can be found at <https://www.irs.gov/pub/irs-pdf/p542.pdf>.

Information about the State of NH BPT rate can be found at <https://www.revenue.nh.gov/transparency/business-tax.htm>.

- Effective Tax Rate (as of 1/1/2019): $.077 + (.21 \cdot (1 - .077)) = 27.08\%$
- Contributed plant or equipment example:
 Tax Cost: $(\$1,000 - [\$1,000 \cdot (1/25) \cdot 5]) / (1 - .2708) - \$1,000 = \$343.94$
 CIAC Tax Rate: $\$343.94 / \$1,000 = 34.39\%$
- Contributed land or cash example:
 Tax Cost: $(\$1,000 / (1 - .2708)) - \$1,000 = \$371.37$
 CIAC Tax Rate: $\$371.37 / \$1,000 = 37.14\%$

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