

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

REDACTED

ATKINSON AREA WASTEWATER RECYCLING, INC.

DOCKET NO. DW 20-071

Request for Change in Rates, and

DOCKET NO. DW 20-091

Petition to Approve Transfer of Ownership

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this ___ day of September 2021, by and between Atkinson Area Waste Water Recycling, Inc. (AAWWR or the Company) and the New Hampshire Department of Energy (Energy) (together, the Settling Parties), and is intended to resolve all outstanding issues in the above-captioned dockets, unless otherwise stated. AAWWR and Energy agree to this joint submission to the New Hampshire Public Utilities Commission (Public Utilities Commission) to seek its approval and resolution of all matters at issue in these dockets. This Settlement Agreement shall become effective only upon the order of the Public Utilities Commission. This Settlement Agreement proposes new permanent rates for AAWWR and the transfer of ownership of the sewer utility from Atkinson Farm, LLC to the owners of Atkinson Farm, LLC, which are individual revocable trusts for named individuals.

I. BACKGROUND AND PROCEDURAL HISTORY

AAWWR is a regulated sewer utility and provides sewage services in the Town of Atkinson within its franchise area. Currently AAWWR is wholly owned by Atkinson Farm, LLC (AF), although this Settlement Agreement proposes a change in ownership (described in

more detail below). AAWWR's sole customer, currently, is a commercial customer, Atkinson Concessions, Inc., d/b/a The Atkinson Resort & Country Club (ACI). ACI is also wholly owned by AF. AF also owns the real property upon which ACI and AAWWR's wastewater treatment facility are located. AAWWR's customer, ACI, is served by The Hampstead Area Water Company, Inc. (HAWC). It is anticipated that HAWC will also be the serving water utility for AAWWR's future customers.

AAWWR's prior and first rate proceeding before the Public Utilities Commission occurred in Docket No. DW 07-131. In that proceeding, the Public Utilities Commission approved a Stipulation Agreement filed by AAWWR and the Public Utilities Commission Staff recommending an annual base rate charge of \$108.00 for residential customers, based on an anticipated, and initial, residential customer base of 128 units in a future development known as Atkinson Heights, and an annual base rate charge of \$3,000 for commercial customers, based on one anticipated commercial facility. See Order No. 24,899 (September 25, 2008).¹ The Public Utilities Commission further approved a sewer consumption rate of \$11.91 per hundred cubic feet (ccf) of water consumption for both residential and commercial customers. See id.

1. Docket No. DW 20-071

Beginning in 2021, AAWWR anticipates commencing residential service to the first units in the Atkinson Heights development. The first two buildings of Atkinson Heights are currently under construction by Lewis Builders Development, Inc. (LBDI), an affiliate of AF. AAWWR anticipates supplying service to 64 new residential customers, which represents half of the one hundred and 128 residential customers AAWWR anticipated serving in AAWWR's prior and

¹ Order No. 24,899 is available on the Commission website at the following link: [STATE OF NEW HAMPSHIRE \(nh.gov\)](http://STATE OF NEW HAMPSHIRE (nh.gov)).

first rate proceeding filed in 2007. In Docket No. DW 20-071, AAWWR has proposed both increased commercial and residential rates.

On May 11, 2020, AAWWR filed a notice of intent to file rate schedules pursuant to RSA 378:3 and New Hampshire Code of Administrative Rules Puc 1604.05

On July 13, 2020, AAWWR filed a petition seeking approval of a permanent rate increase and proposed tariff revisions, with a proposed effective date of December 1, 2020. With the Petition, AAWWR submitted documents including the testimonies of Harold J. Morse, President of AAWWR, and Stephen P. St. Cyr, Consultant to AAWWR, in addition to a proposed tariff with revisions, rate schedules, supporting testimony, a billing agreement between AAWWR and its serving water utility, a Management Services Rental Agreement among AAWWR, HAWC, and LBDI, and other related exhibits.

Based on a revised initial customer base consisting of 64 residential units and 1 commercial facility, AAWWR initially requested approval of an annual revenue requirement from measured metered service of \$116,120.00. AAWWR based its determinations on a 2019 test year, adjusted for estimated increases in certain operating expenses resulting from anticipated 2020 plant additions. AAWWR proposed to increase its annual base rate charge to residential customers from \$108.00 to \$210.15, representing a 94.6 percent increase. Additionally, AAWWR proposed to increase the annual base rate charge to commercial customers from \$3,000.00 to \$5,837.42, also representing a 94.6 percent increase. Finally, AAWWR proposed to increase its sewer consumption charge assessed to all customers from \$11.91 to \$16.87 per ccf, representing a 41.6 percent increase. On an average per customer basis, AAWWR anticipated that this would result in annual average revenues of \$53,415 from its commercial customer and \$979.77 per residential customer. AAWWR did not submit a filing

requesting temporary rates.

On August 6, 2020, AAWWR submitted additional documentation relative to its rate filing to bring its petition into compliance with Puc 1604.01. AAWWR also submitted a motion for confidential treatment and protective order, pursuant to RSA 91-A:5, IV and New Hampshire Code of Administrative Rules, Puc 203.08, concerning aspects of the Management / Service / Rental Agreement included in its supplemental filing.

On August 12, 2020, the Public Utilities Commission issued Order No. 26,393, suspending AAWWR's proposed tariff and scheduling a prehearing conference on September 17, 2020. AAWWR and Staff formulated a procedural schedule that was filed with the Public Utilities Commission on September 21, 2020. The Public Utilities Commission approved the proposed procedural schedule by way of a Secretarial Letter issued on December 4, 2020. The schedule has been extended to address the Settling Parties discussions, including a pending motion to consolidate the two dockets referenced herein. That motion was filed on August 24, 2021.

2. Docket No. DW 20-091

On June 4, 2020, AAWWR submitted a petition for the Public Utilities Commission to approve a stock ownership transfer from AF to three revocable trusts. With the petition, AAWWR submitted documents including the testimony of Christine Lewis Morse, the Vice President and sole Director of AAWWR. AAWWR seeks approval of the transfer of ownership to provide for estate planning and to assure an orderly business transition by transferring 50 voting shares from AF to the Christine Lewis Morse Family Revocable Trust, and 25 non-voting shares each to named trusts for Jonathan T. Morse and Elizabeth A. Morse, Christine Lewis Morse's adult children. These three family trusts are the current owners of AF and hold

ownership percentages identical to the proposed voting and non-voting share transfer. Following the transfer (if approved) AF will not hold any AAWWR shares. If the proposed stock transfer is approved, AAWWR states it will change its tax filing status from an S corporation to that of a C corporation. The revenue requirement in Docket No. DW 20-071 is premised upon AAWWR promptly seeking this change, if the transfer of ownership is approved. This Settlement Agreement further specifies a timeframe in which AAWWR will seek the change in tax status. See Section II, para. 8.

Staff propounded several rounds of discovery on AAWWR in Docket No. DW 20-071 and Docket No. DW 20-091. See Hearing Exhibit 1 (DR 20-071 Redacted), Hearing Exhibit 2 (DR 20-071 Confidential), Hearing Exhibit 3 (DR 20-091 Redacted), and Hearing Exhibit 4 (DR 20-091 Confidential). AAWWR and Staff also held technical sessions and settlement discussions regarding both dockets, which led to agreement on the terms described herein. Due to the related nature of Docket No. DW 20-071 to the substance of Docket No. DW 20-091, this Settlement Agreement has been structured to resolve matters in both dockets. The procedural schedule has been extended to address the Settling Parties discussions, including a pending motion to consolidate the two dockets referenced herein. That motion was filed on August 24, 2021.

II. TERMS OF SETTLEMENT AGREEMENT: REVENUES, RATES, AND TARIFF REVISIONS

1. Annual Revenue Requirement

The Settling Parties agree and recommend an overall revenue requirement of \$78,645.00, which represents an increase of \$14,834.00, or 23.25 percent, in AAWWR's pro forma test year annual revenues. The schedules supporting this annual revenue requirement and incorporating the provisions of this Settlement Agreement are contained in **Attachment A**.

In deriving the agreed upon revenue requirement, the Settling Parties acknowledge that certain prospective assumptions utilized in the establishment of AAWWR's existing rates approved in Docket No. DW 07-131 did not materialize. Namely, the rates established in Docket No. DW 07-131 assumed that AAWWR would serve 128 residential customers comprised of four condominium buildings containing 32 units each, and 1 commercial customer. However, during the intervening period between Docket No. DW 07-131 and the instant docket, AAWWR served no residential customers and one commercial customer. Current plans relative to the Atkinson Heights development include construction of two initial condominium buildings containing 32 units each. As such, the Settling Parties have agreed upon certain adjusting parameters relative to the establishment of the revenue requirement in the instant proceeding.

- a. Excess Capacity Factor – Existing Rate Base: In Docket No. DW 07-131, a rate base was established based on an assumption of AAWWR serving 129 total customers (128 residential customers and 1 commercial customer). For purposes of the instant rate proceeding, the Settling Parties agree on a projected 3-year average customer base of approximately 44 total customers (43 residential customers and 1 commercial customer). As such, the Settling Parties agree the existing rate base, and related expenses, should be reduced by a factor of 66.15 percent as calculated in Note 1 of Schedules 2A and 3A of **Attachment A**.
- b. Capacity Factor – New Rate Base: With regard to the establishment of the new rate base to service two future residential condominium buildings, the Settling Parties agree on a projected 3-year average residential customer base of approximately 43. As such, the Settling Parties agree that new rate base,

and related expenses, should be reflected based on a capacity factor of 66.67 percent as calculated in Note 2 of Schedules 2A and 3A of **Attachment A**.

- c. Projected Residential Usage: Based on the agreed upon 3-year average residential customer base of 43, the Settling Parties further agree that total projected annual usage by AAWWR's residential customers should be established at 2,098 ccf as indicated in the 'Calculation of Total Residential Volumetric Usage (ccf)' included in Pro Forma Adjustment # 10 on Schedule 3A of **Attachment A**.
- d. Capacity Factor – Operating Expenses: Based on the agreed upon 3-year average residential customer base of approximately 43, the Settling Parties agree that projected marginal increases in operating expenses resulting from AAWWR's anticipated service to two residential condominium buildings should be reflected based on a capacity factor of 66.67 percent as calculated in Note 2 of Schedule 3A of **Attachment A**.

Therefore, in accordance with RSA 378:28, the Settling Parties agree and recommend that the Public Utilities Commission approve permanent rates for AAWWR resulting from the recitals above.

The Settling Parties acknowledge that a major portion of the agreed to revenue requirement is prospective in nature, as necessitated by the Atkinson Heights Condominiums which were constructed subsequent to the 2019 test year in this proceeding. The Settling Parties therefore agree that the historical method is not fully applicable here. The Settling Parties further acknowledge that the Public Utilities Commission traditionally uses the historical test year methodology for determining a utility's revenue requirement. See *Pennichuck Water Works, Inc.*

Order No. 24,371 (September 17, 2004) *citing Re EnergyNorth Natural Gas, Inc.*, Report and Order No. 20,776 (March 1, 1993). Using that method, “the Public Utilities Commission examines a thirteen point average of the utility’s rate base during the twelve month test year with pro rata modifications to operation and maintenance expenses for known and measurable changes in the twelve months following the test year. This methodology produces just and reasonable rates to both utilities and customers, absent extraordinary circumstances.” *Id.* at 8-9. As such, the Settling Parties agree that AAWWR’s future rate case filings will be based strictly on the historical test year methodology and supporting documentation inclusive of pro forma adjustments for known and measurable revenue and expense changes that occur within the twelve months subsequent to the test year.

The Settling Parties agree and recommend approval of a Cost of Common Equity in this proceeding of 10.13 percent, which is based upon the formulaic approach for deriving a cost of common equity for small water utilities as previously proposed by the Public Utilities Commission Staff on November 4, 2019² in Docket No. IR 19-005, *Investigation to Determine a Method for Setting a Generic Return on Equity for Small Water Utilities*, which the Settling Parties agreed to use. The calculation of the proposed 10.13 percent Cost of Common Equity is based on a calculated baseline Return on Equity of 9.63 percent (**Attachment B**) plus an additional 50 basis points in recognition of rate case expense savings realized by not litigating cost of common equity during the course of this rate proceeding.

The Settling Parties agree that the foregoing revenue requirement represents a reasonable compromise of all issues relating to the revenue requirement pending before the Public Utilities

² A copy of the Public Utilities Commission Staff’s (now Energy) November 4, 2019 recommendation letter along with the portion of the proposed rule changes specific to the calculation of a “Generic Return on Equity” are included in Attachment B to this Settlement Agreement.

Commission for purposes of permanent rates, including cost of capital, pro forma adjustments, capital additions to rate base, and operating expenses. As the sums expressed above are the result of compromise and settlement, they are liquidations of all revenue requirement issues. The Settling Parties agree that the revenue requirement recommended to the Public Utilities Commission in this Settlement Agreement results in permanent rates for AAWWR's customers that are just and reasonable.

2. Commercial and Residential Rates

The Settling Parties agree and recommend, based on the annual revenue requirement proposed in Section II.A.1, above, an annual base charge for Commercial customers of \$3,697.43, an increase of \$697.43; and an annual base charge for Residential customers of \$133.11, an increase of \$25.11. The Settling Parties also agree and recommend a volumetric charge for both Commercial and Residential customers of \$14.68 per hundred cubic feet (ccf) of water consumed, an increase of \$2.77. All proposed rates are representative of an approximate increase of 23.25 percent. The calculations supporting these increases are contained in Schedules 4 and 5 of **Attachment A**.

3. Effective Date for Dockets No. DW 20-71 and DW 20-091

The Settling Parties agree and recommend an effective date for the rates proposed in Section II.A.2, above, as of service rendered on October 1, 2021. Any rate increase would be billed retroactively back to October 1, 2021, following a Public Utilities Commission order approving the rates, and resolving any proposed tariff revisions and billing and management agreements as applicable.

The transfer of ownership, as requested in Docket No. DW 20-091, and described in this Settlement Agreement, shall be effective upon the date of the Public Utility Commission's order approving the Settlement Agreement.

4. Rate Case Expenses

The Settling Parties agree and recommend the Public Utilities Commission approve AAOWR's recovery of its reasonable rate case expenses for this proceeding, limited to expenses in Docket No. DW 20-071. AAOWR's rate case expenses may include, but are not limited to, legal and consultant expenses, incremental administrative expenses such as copying and delivery charges, and other expenses allowed under New Hampshire Administrative Rules, Puc 1906.01. AAOWR agrees to file its final rate case expense request, and proposal for surcharge recovery, pursuant to Puc 1905.02, and supporting documentation, no later than thirty (30) days from the date of the Public Utilities Commission's order approving permanent rates in this proceeding, and resolving tariff revisions and billing and management agreements, as applicable. The Settling Parties agree that Energy will review AAOWR's proposal and provide a statement for the Public Utilities Commission's consideration prior to the issuance of an order on rate case expense recovery. AAOWR's filing shall address, but not be limited to, the number of customers to be charged, the time period over which AAOWR will recover the expenses, and the allocation of payments per customer.

The resulting surcharge shall be reflected as a separate item on customer bills. Upon receipt of the Public Utilities Commission's order approving recovery of rate case expenses, AAOWR agrees to file, within fifteen (15) days of that order, a compliance tariff supplement including the approved surcharge relating to rate case expense recovery.

5. Service Agreements Between AAOWR and Related Companies

AAWWR has elected to contract with its related entities for management, customer service, and other services related to its operations. These specific services are specified in Schedule A of each of the agreements. Originally these services were submitted by AAWWR in a single three-way agreement among AAWWR, HAWC and LBDI, as an exhibit to this rate case. For clarity, as a term of settlement, AAWWR has replaced that agreement (Exhibit 5 to the petition) with individual service and/or management and service agreements. Another related entity, Atkinson Concessions, Inc., (ACI) will also provide additional services related to AAWWR's operations. Therefore, a service agreement with ACI has been added.

Upon Public Utilities Commission review and approval, AAWWR will execute three separate service agreements:

- A management/services agreement with LBDI that provides management, accounting, legal, payroll, real estate, tax, and truck repair and maintenance services to AAWWR; See **Attachment C**, Exhibit 5a;
- A services agreement with HAWC that provides customer service, and equipment maintenance and repair services to AAWWR; See **Attachment C**, Exhibit 5b; and
- A services agreement with Atkinson Concessions, Inc. for accounting, office, and equipment repair and services, including landscaping services, to AAWWR. See **Attachment C**, Exhibit 5c.

The Settling Parties agree that these service agreements, including the management and service agreement, can only be amended or canceled in writing, after prior review and approval from the Public Utilities Commission.

AAWWR states that given the related nature of these companies it will be able to take advantage of economies of scale and the related entities' respective expertise and equipment.

Given the prospective nature of additional services, Energy supports the attached agreements. The Settling Parties agree that protections are in place to prevent duplication of services, or double billing, and each agreement avoids any profits or markup by utilizing the same labor burden and overhead expense calculations used by the related entity LBDI. These calculations, contained in Exhibits 1 and 2 of each of these service agreements, are the subject of AAWWR's pending motion for protective order before the Public Utilities Commission.

For the above reasons the Settling Parties agree and recommend that the Public Utilities Commission approve these three service agreements as submitted.

6. Billing and Disconnect/Reconnect Agreement Between AAWWR and HAWC

AAWWR has elected to contract with its serving water utility, HAWC, to enable AAWWR to discontinue customers' water service for nonpayment of sewer bills. Accordingly, AAWWR has executed a contract, "Billing and Disconnect/Reconnect Agreement" (hereinafter Billing Agreement) with HAWC, and submits the contract with this Settlement Agreement for the Public Utilities Commission's approval, as required by Puc 703.03(f). See **Attachment C**, Exhibit 6. This attached Billing Agreement fully replaces the billing agreement filed as Exhibit 6 with the company's original petition.

Given the related nature of these two companies, HAWC's customer base of approximately 3,400 households, AAWWR's significantly smaller customer base, related economies of scale, and the provisional nature of AAWWR serving additional customers, HAWC will bill AAWWR customers for sewer services by including AAWWR sewer charges and information as part of HAWC's water bills. For the same reasons, upon request from AAWWR, HAWC will provide written notice to AAWWR's customers if AAWWR intends to request termination of water service due to nonpayment of sewer charges. Accordingly, the

Settling Parties ask the Public Utilities Commission to waive Puc 703.03(g)'s requirement that the sewer company itself provide written notice to its customers.

The Settling Parties agree that the attached Billing Agreement compensates HAWC in a manner that is fair and reasonable, based on the actual cost to the serving water utility for providing such services, and thus complies with PUC 703.03 requirements regarding compensation. Specifically, AAWWR shall compensate HAWC for disconnection and reconnection charges, consistent with HAWC's charges for those services in HAWC's own tariff. AAWWR shall also charge its customers the same fee that HAWC's customers are charged for disconnection and reconnection of service. When AAWWR receives payment from its customers for disconnection and reconnection, that payment shall be transferred to HAWC. If AAWWR's customers have not paid AAWWR for disconnection and reconnection within 90 days, AAWWR shall nonetheless compensate HAWC for those services (and shall continue to attempt to recoup those fees from its own customers).

The Settling Parties have also agreed to a \$10.00 per customer per year charge for billing and notice of disconnection services. AAWWR explains that the \$10.00 charge saves AAWWR, and by extension its customers, from the expense of hiring its own employees to provide these services that it could not do without much greater expense, and provides further economies of scale since HAWC already bills AAWWR's customers because the customers are also HAWC water customers. Energy does not dispute that there are economies of scale in this arrangement. The Settling Parties agree that, as AAWWR has only had one customer to date, support for the actual cost of billing and notice is prospective in nature and indeterminate at this time. Consistent with the historical method as discussed above, in AAWWR's next rate case, the Settling Parties agree that AAWWR shall provide additional support and information regarding

this charge.

The Settling Parties further agree that the billing agreement “contains specific provisions regarding responsibilities involving notice of termination, termination and reconnection,” including but not limited to the specific timing and notice requirements for sewer customers. See Puc 703.03. The billing agreement can only be amended or canceled in writing, after prior review and approval from the Public Utilities Commission. For the above reasons, the Settling Parties agree and recommend that the Public Utilities Commission approve the attached Billing Agreement as submitted.

7. Tariff Revisions

AAWWR proposed revisions to its Tariff as part of its request for a change in rates in Docket No. DW 20-071. As part of this Settlement Agreement, AAWWR submits the attached revised Tariff to replace its earlier proposed revisions provided with the initial request for change in rates. The Settling Parties agree that the revised AAWWR Tariff, see **Attachment D**, is consistent with Public Utilities Commission requirements, with the exception of Puc 703.03(g). The Settling Parties agree that consistent with AAWWR’s existing process, and the expectation of future residential customers, it is reasonable for AAWWR to direct HAWC to provide sewer customers with notice of AAWWR’s intent to request HAWC to discontinue water services due to the customer’s failure to pay sewer charges, notwithstanding Puc 703.03 (g), which requires AAWWR to give notice directly to its customers. AAWWR and HAWC are related companies, and the prospective nature of additional customers, economies of scale, and staffing, make such an arrangement appropriate for both entities at this time. For the same reasons, Energy and AAWWR agree that it is reasonable for AAWWR’s sewer charges to be included in the serving water utility (HAWC)’s monthly bill to customers. See **Attachment E** (sample AAWWR bill).

8. Transfer of Company Ownership

AAWWR filed a petition to transfer the ownership of the Company in Docket No. DW 20-091 seeking to remove the current corporate owner, AF, and in its place have the three family trusts who own AF become the Company's direct owners. AAWWR states that the proposed ownership transfer will not change the management of the Company or otherwise change AAWWR's duty to provide reasonably safe and adequate sewer service. RSA 374:1. The Settling Parties agree that for the reasons identified, the transfer is in the public good, and recommend that the Public Utilities Commission allow the Company to transfer ownership (shares) from AF to the three family trusts that currently own AF – namely the Christine (Lewis) Morse Revocable Family Trust of 2000; the Elizabeth A. Morse 2016 Trust; and the Jonathan T. Morse 2016 Trust. Upon such transfer, the respective trusts will own all of the outstanding shares of AAWWR. See RSA 374:30. The Settling Parties further agree that should any of these Trusts exercise the option to revoke, such action shall be considered a transfer of ownership that will require the Company to file a new transfer of ownership petition with the Public Utilities Commission. The Settling Parties agree that the Company will file for a change in corporate tax reporting status within thirty (30) days of the Public Utilities Commission's approval of the transfer of ownership; AAWWR shall also file a copy of that application with the Public Utilities Commission and the Department of Energy in Docket No. DW 20-091, within the following two business days.

9. Motions for Confidential Treatment

On August 31, 2020 in docket DW 20-071, AAWWR filed a Motion for Protective Order and Confidential Treatment (Motion) in accordance with N.H. Admin. R. Puc 203.08 and RSA 91-A:5, concerning a "Management/ Services /Rental Agreement" among AAWWR, HAWC

and LBDI, and a “Billing Services Agreement” between AAWWR and HAWC. The agreements were filed with AAWWR’s July 13, 2020 rate case petition as Exhibit 5 and Exhibit 6. (The equivalent updated agreements are attached to this Settlement Agreement as Attachment C.) The information at issue includes LBDI’s financial information. AAWWR states that this financial information falls within the RSA 91-A:5, IV exemption because it relates to confidential, commercial or financial information of LBDI, a private company, that is not otherwise available to the public³. The Settling Parties agree and recommend that the Public Utilities Commission grant AAWWR’s August 31, 2020 motion and protect LBDI’s confidential and financial information. That information appears in the three service agreements between AAWWR and related entities as Exhibit 1 and Exhibit 2 to those agreements. See Attachment C.

On December 2, 2020 in docket DW 20-091, AAWWR filed a Motion for Confidential Treatment and Protective Order in response to Public Utility Commission Staff’s (now Energy’s) data request 2-5 regarding ownership of private companies related to AAWWR. Those companies are LBDI, ACI, and AF. AAWWR provided this information subject to it being protected from public disclosure pursuant to RSA 91-A:5(IV) because the information responding to this data request contains records pertaining to the respective private company’s confidential, commercial, or financial information that is not otherwise publicly available.

The Settling Parties agree and recommend that the Public Utilities Commission grant AAWWR’s December 2, 2020 motion as it relates to AF, LBDI and ACI and protect AF’s, LBDI’s and ACI’s confidential and financial information. See hearing exhibit #TBD (DW 20-091).

Finally, AAWWR responded to Public Utility Commission Staff’s (now Energy’s) data

³ This same information was referenced in AAWWR’s response to data request 1-2 in Docket DW 20-091 and is included in the Settling Parties recommendation that the Public Utilities Commission grant AAWWR’s motion.

request TS 1-1 and TS 1-2 by providing information it reserved the right to designate as confidential pursuant to Puc 203.08(d)(2) and generally on the basis that the information is not available to the public, that being information and AAWWR's outside counsel's legal opinion regarding the three individual trusts receiving shares of AAWWR. On September 21, 2021 AAWWR filed a motion for confidential treatment. The Settling Parties agree and recommend that the Public Utilities Commission grant AAWWR's September 21, 2021 motion to protect information about the trusts from public disclosure. See Hearings Exhibits 3-4 (DW 20-091).

III. GENERAL PROVISIONS

A. The Settling Parties enter into this settlement to avoid further expense and uncertainty in resolving the matters at issue in this proceeding. By its execution of this Settlement Agreement, no Settling Party shall be deemed to have accepted or consented to the fact, principles, methods or theories employed in arriving at the terms of the settlement, and except to the extent expressly set forth in this Settlement Agreement, no Settling Party shall be deemed to have agreed that such terms are or would be acceptable for resolving the matters at issue in any different proceeding or context. The Settling Parties acknowledge that the Public Utilities Commission traditionally uses a historical test year method of determining a utility's revenue requirement. The Settling Parties also agree that the historical test year method, with documentation to support known and measurable changes, shall be used in AAWWR's next rate case.

Each Settling Party shall be free to take the same or a different position in any of the issues resolved hereby in any such different proceeding or context, including any subsequent request for change in rates.

B. This Settlement Agreement is expressly conditioned upon the Public Utilities Commission's acceptance of all its provisions, without change or condition. If the Public Utilities Commission does not accept this Settlement Agreement in its entirety, without change or condition, or if the Public Utilities Commission makes any findings that are contrary to the terms of this Settlement Agreement in adjudicating those aspects of this matter that have not been agreed upon, the Settling Parties agree that any party hereto, at its sole option, exercised within fifteen (15) days of such Public Utilities Commission order, may withdraw from this Settlement Agreement, in which event the Settlement Agreement shall be deemed to be null and void and without effect and shall not be relied upon by any of the Settling Parties to this proceeding or the Public Utilities Commission for any purpose.

The Public Utilities Commission's acceptance of this Settlement Agreement shall not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding, but such acceptance does constitute a determination that the provisions set forth herein in their totality are just and reasonable under the circumstances. The Public Utilities Commission's approval of the recommendations in this Agreement shall not constitute a determination or precedent with regard to any specific adjustments but shall rather constitute only a determination that the rates resulting from this Settlement Agreement, the Billing Agreement, the Tariff, and the transfer of ownership are consistent with RSA 378: 5-11 and RSA 374:30, result in just and reasonable rates and are consistent with the public interest. See RSA 374:2; RSA 378:7; RSA 378:28.

For the purposes of this Settlement Agreement, the Settling Parties agree that this Settlement Agreement and attachments should be admitted as a full exhibit, together with additional exhibits -- AAWWR's response to data requests in Docket No. DW 20-071 and No.

DW 20-091. The Settling Parties' agreement to admit all testimony and data responses without challenge does not constitute agreement by the Settling Parties that the testimony and responses are accurate or what weight, if any, should be given to the views of any witness, except testimony and data responses are binding upon the party submitting the testimony or providing the data responses.

The discussions that produced this Settlement Agreement have been conducted on the understanding that all offers of settlement relating thereto are and shall be confidential, 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 proceedings or otherwise.

C. The Settling Parties agree that within thirty (30) days of any Public Utilities Commission order approving this Settlement Agreement in full or in part, AAWWR shall file fully executed copies of: i) the Billing Agreement between AAWWR and HAWC, ii) the Management / Services Agreement between AAWWR and LBDI; iii) the Services Agreement between AAWWR and HAWC; and iv) the Services Agreement between AAWWR and ACI. See **Attachment C**. AAWWR, HAWC, LBDI and ACI are related parties. Any changes to these four agreements, including cancellation, shall be made in writing, and changes are subject to the review and approval of the Public Utilities Commission, in advance, and shall become effective only upon such Public Utilities Commission approval.

D. This Settlement Agreement may be executed by facsimile and in multiple counterparts, including an electronic signature in PDF, authorized by an explicit statement in an accompanying email that shall be included with the electronic signature page. Each signature, of

Atkinson Area Waste Water Recycling, Inc.
By its Attorney,

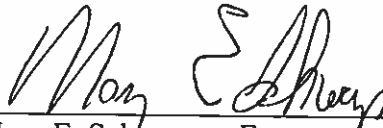


Date: September 21, 2021

Anthony S. Augeri, Esq., General Counsel

The New Hampshire Department of Energy,
by:

Date: September 21, 2021



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

Index of Attachments

| <u>Attachment</u> | <u>Description</u> |
|-------------------|---|
| A. | Revenue Requirement: Supporting Schedules |
| B. | Cost of Common Equity Calculation |
| C. | Company Agreements with Related Entities <ol style="list-style-type: none">1. Management/Services Agreement Between AAWWR and LBDI - Exhibit 5a2. Services Agreement Between AAWWR and HAWC – Exhibit 5b3. Services Agreement Between AAWWR and ACI – Exhibit 5c4. Billing Agreement Between AAWWR and HAWC pursuant to PUC 703.03 – Exhibit 6 |
| D. | AAWWR Revised Tariff |
| E. | Sample AAWWR Bill |

Attachment A
(Revenue Requirement: Supporting Schedules)

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
REVENUE REQUIREMENT

| | | |
|---|----|----------------------|
| Pro Forma Rate Base (Schedule 2) | \$ | 36,495 |
| Rate of Return (Schedule 1A) | x | <u>8.38%</u> |
| Operating Income Requirement | | 3,058 |
| Less: Operating Income (Schedule 3) | | <u>(7,758)</u> |
| Revenue Deficiency (Surplus) Before Income Tax Effect | | 10,817 |
| Divided by Tax Factor (Schedule 1B) | ÷ | <u>72.92%</u> |
| Revenue Deficiency (Surplus) (Tax Effected) | | 14,834 |
| Add: Total Metered Sales (Schedule 3) | | <u>63,810</u> |
| Proposed Annual Revenue Requirement | \$ | <u><u>78,645</u></u> |
| Percent Increase/Decrease in Proposed Revenues | | <u><u>23.25%</u></u> |

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
WEIGHTED AVERAGE COST OF CAPITAL

| | Capital Structure | | | | Cost Rate | Weighted Average Cost of Capital |
|------------------------------------|-----------------------|--------------------------|--------------------------------|----------------|-----------------|--|
| | Balance @ 12/31/19 | Pro Forma Adjustments | Pro Forma Capital Structure | Percent | | |
| Long-Term Debt | | | | | | |
| Note Payable - Atkinson Farm, Inc. | \$ 128,000 | \$ (64,000) | \$ 64,000 | 37.79% | | |
| | | | - | 0.00% | | |
| Total Long-Term Debt | <u>128,000</u> | <u>(64,000)</u> | <u>64,000</u> | <u>37.79%</u> | <u>5.50% a</u> | <u>2.08%</u> |
| Common Equity | | | | | | |
| Common Stock | 2,000 | | 2,000 | 1.18% | | |
| Additional Paid-in Capital | 159,200 | 125,000 | 284,200 | 167.82% | | |
| Retained Earnings | (180,856) | | (180,856) | -106.80% | | |
| Total Common Equity | <u>(19,656)</u> | <u>125,000</u> | <u>105,344</u> | <u>62.21%</u> | <u>10.13% b</u> | <u>6.30%</u> |
| Total Capitalization | <u>\$ 108,344</u> | <u>\$ 61,000</u> | <u>\$ 169,344</u> | <u>100.00%</u> | | <u>8.38%</u> |

a: Wall Street Journal Prime Rate as of 12/31/20 was 3.25%. Therefore, interest rate on Note Payable is 2.25% above prime, or 5.50%.

b: Staff's calculated baseline ROE as of 05/04/21 was 9.63%. Therefore, the cost of common equity is 0.5% above baseline, or 10.13%.

**DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
EFFECTIVE TAX FACTOR**

| | | |
|---|---|----------------------|
| Taxable Income | | 100.00% |
| Less: NH Business Profits Tax | | <u>-7.70%</u> |
| Federal Taxable Income | | 92.30% |
| Federal Income Tax Rate | x | <u>21.00%</u> |
| Effective Federal Income Tax Rate | | 19.38% |
| Add: NH Business Profits Tax | | <u>7.70%</u> |
| Effective Income Tax Rate | | <u><u>27.08%</u></u> |
| Percent of Income Available if No Income Tax | | 100.00% |
| Less: Effective Income Tax Rate | | <u>-27.08%</u> |
| Percent Used as a Divisor in Determining Revenue Requirement | | <u><u>72.92%</u></u> |
| Tax Multiplier (Effective Tax Rate ÷ Tax Divisor) | | <u><u>37.14%</u></u> |

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
PRO FORMA RATE BASE

| | Actual Rate Base 12/31/19 | Pro Forma Adj's to Rate Base | Adj # | Pro Forma Rate Base |
|---|---------------------------------|------------------------------------|----------|------------------------|
| Utility Plant in Service | \$ 1,241,340 | \$ (677,145) | 1,2 | \$ 564,195 |
| Less: Accumulated Depreciation | <u>(485,391)</u> | <u>318,762</u> | 3,4 | <u>(166,629)</u> |
| Net Utility Plant in Service | <u>755,949</u> | <u>(358,383)</u> | | <u>397,566</u> |
| Contributions in Aid of Construction (CIAC) | (1,071,537) | 564,820 | 5,6 | (506,717) |
| Less: Accumulated Amortization - CIAC | <u>400,444</u> | <u>(262,570)</u> | 7,8 | <u>137,874</u> |
| Net Contributions in Aid of Construction | <u>(671,093)</u> | <u>302,250</u> | | <u>(368,843)</u> |
| Net Utility Plant in Rate Base | 84,856 | (56,132) | | 28,724 |
| Cash Working Capital | <u>5,055</u> | <u>2,716</u> | 9 | <u>7,771</u> |
| Total Rate Base | <u>\$ 89,911</u> | <u>\$ (53,416)</u> | | <u>\$ 36,495</u> |
| | | | | |
| Total Operating and Maintenance Expense | \$ 40,998 | \$ 22,033 | | \$ 63,031 |
| Lead/Lag Factor (Monthly) | x 12.33% | 12.33% | | 12.33% |
| Cash Working Capital | <u>\$ 5,055</u> | <u>\$ 2,716</u> | | <u>\$ 7,771</u> |

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
PRO FORMA ADJUSTMENTS - RATE BASE

| <u>Adj #</u> | | | |
|--------------|--|----------------|------------------|
| | <u>Utility Plant in Service</u> | | |
| 1 | To reduce existing Utility Plant in Service by projected excess of total capacity: | | |
| | Utility Plant in Service @ 12/31/19 | \$ 1,241,340 | |
| | Excess Capacity Factor (Note 1) | <u>-66.15%</u> | \$ (821,145) |
| 2 | To reflect new Utility Plant in Service at anticipated 3-Yr Average percentage of 2-new residential building capacity: | | |
| | New Utility Plant in Service | 216,000 | |
| | Projected 3-Yr Avg 2-new Residential Bldg Capacity (Note 2) | <u>66.67%</u> | <u>144,000</u> |
| | Total Pro Forma Adjustments - Utility Plant in Service | | <u>(677,145)</u> |
| | <u>Accumulated Depreciation</u> | | |
| 3 | To reduce existing Accumulated Depreciation by projected excess of total capacity: | | |
| | Accumulated Depreciation @ 12/31/19 | (485,391) | |
| | Excess Capacity Factor (Note 1) | <u>-66.15%</u> | 321,086 |
| 4 | To reflect new Accumulated Depreciation at anticipated 3-Yr Average percentage of 2-new residential building capacity: | | |
| | New Accumulated Depreciation | (3,485) | |
| | Projected 3-Yr Avg 2-Residential Bldg Capacity (Note 2) | <u>66.67%</u> | <u>(2,323)</u> |
| | Total Pro Forma Adjustments - Accumulated Depreciation | | <u>318,762</u> |
| | <u>Contributions in Aid of Construction (CIAC)</u> | | |
| 5 | To reduce existing CIAC by projected excess of total capacity: | | |
| | CIAC @ 12/31/19 | (1,071,537) | |
| | Excess Capacity Factor (Note 1) | <u>-66.15%</u> | 708,820 |
| 6 | To reflect new CIAC at anticipated 3-Yr Average percentage of 2-new residential building capacity: | | |
| | New CIAC | (216,000) | |
| | Projected 3-Yr Avg 2-Residential Bldg Capacity (Note 2) | <u>66.67%</u> | <u>(144,000)</u> |
| | Total Pro Forma Adjustments - CIAC | | <u>564,820</u> |

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
PRO FORMA ADJUSTMENTS - RATE BASE

| <u>Adj #</u> | <u>Accumulated Amortization - CIAC</u> | | |
|--------------|--|----------------|--------------------|
| 7 | To reduce existing Accumulated Amort-CIAC by projected excess of total capacity: | | |
| | Accumulated Amortization-CIAC @ 12/31/19 | 400,444 | |
| | Excess Capacity Factor (Note 1) | <u>-66.15%</u> | (264,893) |
| 8 | To reflect new Accumulated Amort-CIAC at anticipated 3-Yr Average percentage of 2-new residential building capacity: | | |
| | New Accumulated Amortization-CIAC | 3,485 | |
| | Projected 3-Yr Avg 2-Residential Bldg Capacity (Note 2) | <u>66.67%</u> | <u>2,323</u> |
| | Total Pro Forma Adjustments - CIAC | | <u>(262,570)</u> |
| | <u>Cash Working Capital</u> | | |
| 9 | To adjust Cash Working Capital relative to total Operation and Maintenance (O&M) Expense Pro Forma Adjustments: | | |
| | Total Pro Forma Adjustments - O&M Expenses (Schedule 3) | 22,033 | |
| | Lead / Lag Factor (Monthly Billing) | <u>12.33%</u> | <u>2,716</u> |
| | Total Pro Forma Adjustments - Rate Base | | <u>\$ (53,416)</u> |

Note 1: Calculation of Excess Capacity Factor for Existing Rate Base:

| | Projected Commercial Customers | Projected Residential Customers | <u>Total</u> |
|---|--------------------------------------|---------------------------------------|----------------|
| <u>Projected 3-yr Avg Customers:</u> | | | |
| Year 1 | 1 | 21 | 22.00 |
| Year 2 | 1 | 43 | 44.00 |
| Year 3 | 1 | 64 | 65.00 |
| 3-Yr Average | <u>1</u> | <u>43</u> | <u>43.67</u> |
| Projected Customers Reflected in Current Rate Base per DW 07-131: | | | ÷ 129 |
| Projected 3-Yr Avg Percentage of Full Capacity | | | 33.85% |
| Less: Full Capacity Percentage | | | -100.00% |
| Excess Capacity Percentage | | | <u>-66.15%</u> |

Note 2: Calculation of Percentage of Capacity Factor for New Rate Base:

| | Projected Residential Customers |
|---|---------------------------------------|
| <u>Projected 3-yr Avg Customers:</u> | |
| Year 1 | 21.00 |
| Year 2 | 43.00 |
| Year 3 | 64.00 |
| 3-Yr Average Residential Occupancy | <u>42.67</u> |
| Full Occupancy of 2 New Residential Buildings | ÷ 64 |
| Projected 3-Yr Avg Percentage of Full Capacity of 2-New Buildings | <u>66.67%</u> |

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
OPERATING INCOME STATEMENT

| | Actual Operating Income 12/31/19 | Pro Forma Adjustments to Operating Income | Adj # | Pro Forma Operating Income | Revenue Deficiency (Schedule 1) | Operating Income Requirement |
|--|---|--|----------|----------------------------------|---------------------------------------|------------------------------------|
| Utility Operating Revenues | | | | | | |
| Metered Rate Revenues - Residential | \$ - | \$ 29,634 | 10 | \$ 29,634 | \$ 6,889 | \$ 36,524 |
| Metered Rate Revenues - Commercial | 34,173 | 3 | Rnd Adj | 34,176 | 7,945 | 42,121 |
| Total Metered Sales | 34,173 | 29,637 | | 63,810 | 14,834 | 78,645 |
| Other Operating Revenues (CIAC Tax Recovery) | - | 72,034 | Per Co | 72,034 | - | 72,034 |
| Total Operating Revenues | 34,173 | 101,671 | | 135,844 | 14,834 | 150,679 |
| Utility Operating Expenses | | | | | | |
| Operation and Maintenance Expenses: | | | | | | |
| Sludge Removal | - | 5,273 | 11 | 5,273 | | 5,273 |
| Purchased Power | 9,648 | 4,481 | 12 | 14,129 | | 14,129 |
| Chemicals | - | 1,676 | 13-14 | 1,676 | | 1,676 |
| Contractual Services | 27,943 | 9,126 | 15-29 | 37,069 | | 37,069 |
| Insurance | - | 4,200 | 30 | 4,200 | | 4,200 |
| Regulatory Commission | 52 | 132 | 31 | 184 | | 184 |
| Miscellaneous | 3,355 | (2,855) | 32-35 | 500 | | 500 |
| Total Operation and Maintenance Expenses | 40,998 | 22,033 | | 63,031 | | 63,031 |
| Depreciation Expense | 57,226 | (35,150) | 36-38 | 22,076 | | 22,076 |
| Amortization of CIAC | (47,111) | 28,051 | 39-41 | (19,060) | | (19,060) |
| Amortization - Other | 100 | (100) | 42 | - | | - |
| Property Tax Expense | 15,631 | (7,228) | 43-44 | 8,403 | | 8,403 |
| Income Tax Expense - Operations | - | (2,882) | Sch 3B | (2,882) | 4,018 | 1,136 |
| Income Tax Expense - CIAC Tax | - | 72,034 | Per Co | 72,034 | | 72,034 |
| Total Operating Expenses | 66,844 | 76,759 | | 143,603 | 4,018 | 147,620 |
| Net Operating Income (Loss) | \$ (32,671) | \$ 24,913 | | \$ (7,758) | \$ 10,817 | \$ 3,058 |

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
PRO FORMA ADJUSTMENTS - RATE BASE

Adj #

Utility Operating Revenues:

Metered Rate Revenues - Residential

- 10 To reflect current residential revenues in pro forma test year at anticipated 3-Yr Avg residential occupancy:

Calculation of Total Residential Volumetric Usage (ccf):

| | | | |
|---|---|--------------|------------|
| 3-Yr Average Residential Occupancy - Rounded (See Note 2) | | 43 | Customers |
| Projected Daily Gallon Usage per Residential Occupant | x | 100 | Gallons |
| Projected Daily Gallon Usage - Residential | | 4,300 | Gallons |
| Annual Number of Days | x | 365 | Days |
| Projected Total Annual Gallon Usage - Residential | | 1,569,500 | Gallons |
| Hundred Cubic Foot (ccf) conversion factor | ÷ | 748.00 | Cubic Feet |
| Projected Total Annual CCF Usage - Residential | | <u>2,098</u> | CCF |

Calculation of Total Annual Base Rate Residential Revenues:

| | | | |
|---|----|-----|----------|
| Current Annual Base Rate per Residential Customer | \$ | 108 | |
| 3-Yr Average Residential Occupancy | x | 43 | \$ 4,644 |

Calculation of Total Annual Volumetric Residential Revenues:

| | | | |
|--|----|-------|------------------|
| Current Volumetric Rate per ccf | \$ | 11.91 | |
| Projected Total Annual CCF Usage - Residential | x | 2,098 | 24,990 |
| | | | <u>\$ 29,634</u> |

Utility Operating Expenses:

Sludge Removal Expense

- 11 To record annual Sludge Removal Expense adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage:

| | | | |
|---|---|--------|--------------|
| Annual Budgeted Sludge Removal Expense per Company | | 7,910 | |
| Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x | 66.67% | <u>5,273</u> |

Purchased Power Expense

- 12 To record annual increase in Purchased Power Expense adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage:

| | | | |
|---|---|----------------|--------------|
| Annual Budgeted Purchased Power Expense per Company | | 16,370 | |
| Less: Test Year Purchased Power Expense | | <u>(9,648)</u> | |
| Increase in Annual Purchased Power Expense per Company | | 6,722 | |
| Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x | 66.67% | <u>4,481</u> |

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ATKINSON AREA WASTEWATER RECYCLING, INC.
PRO FORMA ADJUSTMENTS - RATE BASE

| <u>Adj #</u> | | | | |
|--------------|---|--------------|-----------------|----------------|
| | <u>Chemical Expense</u> | | | |
| 13 | To reclassify test year Chemical Purchases originally recorded as Contractual Service Expenses. | | | 1,028 |
| 14 | To record annual increase in Chemical Expense adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage: | | | |
| | Annual Budgeted Chemical Expense per Company | | 2,000 | |
| | Less: Test Year Chemical Expense | | (1,028) | |
| | Increase in Test Year Chemical Expense per Company | | <u>972</u> | |
| | Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x | <u>66.67%</u> | <u>648</u> |
| | Total Pro Forma Adjustments - Chemical Expense | | | <u>1,676</u> |
| | <u>Contractual Service Expense: Testing</u> | | | |
| 15 | To reduce test year Contractual Service Expense: Testing for charges actually incurred during 2018: | | | |
| | Per Company filing | | (7,805) | |
| | Per Audit Issue # 3 | | <u>(415)</u> | (8,220) |
| 16 | To record annual increase in Contractual Service Expense: Testing adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage: | | | |
| | Annual Budgeted Contractual Service Expense: Testing per Company | | 15,000 | |
| | Less: Test Year Contractual Service Expense: Testing | (19,295) | | |
| | Pro Forma Adj # 15 | <u>8,220</u> | <u>(11,075)</u> | |
| | Increase in Test Year Contractual Service Expense: Testing per Company | | 3,925 | |
| | Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x | <u>66.67%</u> | <u>2,617</u> |
| | Total Pro Forma Adjustments - Contractual Service Expense: Testing | | | <u>(5,603)</u> |
| | <u>Contractual Service Expense: Operations</u> | | | |
| 17 | To reduce test year Contractual Service Expense: Operations for material purchases. | | (1,837) | |
| | To reduce test year Contractual Service Expense: Operations per Audit Issue # 3 | | <u>(682)</u> | (2,519) |
| 18 | To reclassify test year Legal charges recorded under Contractual Service Expense: Operations. (See Adj # 21) | | | (121) |
| 19 | To record annual increase in Contractual Service Expense: Operations adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage: | | | |
| | Annual Budgeted Contractual Service Expense: Operations per Company | | 17,600 | |
| | Less: Test Year Contractual Service Expense: Operations | (7,620) | | |
| | Pro Forma Adj # 17 | 2,519 | | |
| | Pro Forma Adj # 18 | <u>121</u> | <u>(4,980)</u> | |
| | Increase in Test Year Contractual Service Expense: Operations per Company | | 12,620 | |
| | Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x | <u>66.67%</u> | <u>8,413</u> |
| | Total Pro Forma Adjustments - Contractual Service Expense: Operations | | | <u>5,773</u> |

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ATKINSON AREA WASTEWATER RECYCLING, INC.
PRO FORMA ADJUSTMENTS - RATE BASE

| <u>Adj #</u> | | | | |
|--------------|---|---------|----------------|----------------|
| | <u>Contractual Service Expense: Chemicals</u> | | | |
| 20 | To reclassify test year Chemical Expenses recorded under Contractual Service Expense. (See Adj # 13) | | | <u>(1,028)</u> |
| | <u>Contractual Service Expense: Legal</u> | | | |
| 21 | To reclassify test year Legal charges recorded under Contractual Service Expense: Operations. (See Adj # 18) | | | 121 |
| 22 | To record annual increase in Contractual Service Expense: Legal adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage: | | | |
| | Annual Budgeted Contractual Service Expense: Legal per Company | | 2,000 | |
| | Less: Test Year Operations Expense | | | |
| | Pro Forma Adj # 21 | (121) | <u>(121)</u> | |
| | Increase in Test Year Contractual Service Expense: Legal per Company | | 1,879 | |
| | Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x | <u>66.67%</u> | 1,253 |
| 23 | To reduce annual Contractual Service Expense: Legal to \$500 per Staff. | | | <u>(874)</u> |
| | Total Pro Forma Adjustments - Contractual Service Expense: Legal | | | <u>500</u> |
| | <u>Contractual Service Expense: Outside Accounting</u> | | | |
| 24 | To reclassify test year Outside Accounting charges recorded under Miscellaneous Expense. (See Adj # 32) | | | <u>2,056</u> |
| | <u>Contractual Service Expense: Permitting & Reporting</u> | | | |
| 25 | To reclassify test year Permitting & Reporting charges recorded under Miscellaneous Expense. (See Adj # 33) | | | 1,183 |
| 26 | To record annual increase in Contractual Service Expense: Permitting & Reporting adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage: | | | |
| | Annual Budgeted Contractual Service Expense: Permitting & Reporting per Company | | 1,500 | |
| | Less: Test Year Operations Expense | | | |
| | Pro Forma Adj # 25 | (1,183) | <u>(1,183)</u> | |
| | Increase in Test Year Contractual Service Expense: Permit'tg & Report'g per Co | | 317 | |
| | Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x | <u>66.67%</u> | <u>211</u> |
| | Total Pro Forma Adjustments - Contractual Service Expense: Permitting & Reporting | | | <u>1,394</u> |
| | <u>Contractual Service Expense: Billing</u> | | | |
| 27 | To record annual Contractual Service Expense: Billing adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage: | | | |
| | Annual Budgeted Contractual Service Expense: Billing per Company | | 650 | |
| | Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x | <u>66.67%</u> | <u>433</u> |

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ATKINSON AREA WASTEWATER RECYCLING, INC.
PRO FORMA ADJUSTMENTS - RATE BASE

| <u>Adj #</u> | | | |
|--------------|---|-----------------|----------------|
| | <u>Contractual Service Expense: Management</u> | | |
| 28 | To record Annual Budgeted Contractual Service Expense: Management per Company. | | <u>5,000</u> |
| | <u>Contractual Service Expense: Audit</u> | | |
| 29 | Annual Budgeted Contractual Service Expense: Audit per Company: | 1,500 | |
| | To reduce annual Contractual Service Expense: Audit to \$600 per Staff. | <u>(900)</u> | <u>600</u> |
| | <u>Insurance Expense</u> | | |
| 30 | To record annual Insurance Expense adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage: | | |
| | Annual Budgeted Insurance Expense per Company | 6,300 | |
| | Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x <u>66.67%</u> | <u>4,200</u> |
| | <u>Regulatory Commission Expense</u> | | |
| 31 | To record annual increase in Regulatory Commission Expense adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage: | | |
| | Annual Budgeted Regulatory Commission Expense per Company | 250 | |
| | Less: Test Year Regulatory Commission Expense | <u>(52)</u> | |
| | Increase in Annual Regulatory Commission Expense per Company | 198 | |
| | Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x <u>66.67%</u> | <u>132</u> |
| | <u>Miscellaneous Expense</u> | | |
| 32 | To reclassify test year Outside Accounting charges recorded under Miscellaneous Expense. (See Adj # 24) | | (2,056) |
| 33 | To reclassify test year Permitting & Reporting charges recorded under Miscellaneous Expense. (See Adj # 25) | | (1,183) |
| 34 | To record annual increase in Miscellaneous Expense adjusted for 3-Yr Average Projected Residential Building Occupancy Percentage: | | |
| | Annual Budgeted Miscellaneous Expense per Company | | 2,000 |
| | Less: Test Year Miscellaneous Expense | (3,355) | |
| | Pro Forma Adj # 32 | 2,056 | |
| | Pro Forma Adj # 33 | <u>1,183</u> | <u>(116)</u> |
| | Increase in Test Year Contractual Service Expense: Legal per Company | | 1,884 |
| | Projected 3-Yr Avg Residential Bldg Occupancy Percentage (Note 2) | x <u>66.67%</u> | <u>1,256</u> |
| 35 | To reduce annual Miscellaneous Expense to \$500 per Staff. | | <u>(872)</u> |
| | Total Pro Forma Adjustments - Miscellaneous Expense | | <u>(2,855)</u> |

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
PRO FORMA ADJUSTMENTS - RATE BASE

| <u>Adj #</u> | | | | | | | | |
|--------------|---|-------|--------------|-------|--|-------------------------|----------------|-----------------|
| | <u>Depreciation Expense</u> | | | | | | | |
| 36 | To extend the depreciation lives of Existing Utility Plant in Service per Audit Issue # 2: | | | | | | | |
| | Treatment and Disposal Equipment | | | | | | 355,325 | |
| | Extension of Service Life from 15.02 years: | 6.59% | to 20 years: | 5.00% | | <u>-1.59%</u> | (5,650) | |
| | Outfall Sewer Lines | | | | | | 17,065 | |
| | Extension of Service Life from 40 years: | 2.50% | to 50 years: | 2.00% | | <u>-0.50%</u> | <u>(85)</u> | |
| | Total Reduction in Annual Depreciation Expense | | | | | | | (5,735) |
| 37 | To reduce Depreciation Expense on existing Utility Plant in Service by projected excess of total capacity: | | | | | | | |
| | Test Year Depreciation Expense | | | | | | 57,226 | |
| | Less: Pro Forma Adj # 35 | | | | | | <u>(5,735)</u> | |
| | Test Year Depreciation Expense - Adjusted | | | | | | 51,491 | |
| | Excess Capacity Factor (Note 1) | | | | | | <u>-66.15%</u> | (34,061) |
| 38 | To reflect Depreciation Expense on new Utility Plant at anticipated 3-Yr Average percentage of 2-new residential building capacity: | | | | | | | |
| | New Depreciation Expense | | | | | | 6,970 | |
| | Projected 3-Yr Avg 2-Residential Bldg Capacity (Note 2) | | | | | | <u>66.67%</u> | <u>4,647</u> |
| | Total Pro Forma Adjustments - Depreciation Expense | | | | | | | <u>(35,150)</u> |
| | <u>Amortization - CIAC</u> | | | | | | | |
| 39 | To extend the amortization lives of Existing CIAC per Audit Issue # 2: | | | | | | | |
| | Treatment and Disposal Equipment - CIAC: | | | | | | 355,325 | |
| | Extension of Service Life from 15.02 years: | 6.59% | to 20 years: | 5.00% | | <u>-79.00% = -1.59%</u> | (280,707) | |
| | Outfall Sewer Lines | | | | | | 17,065 | |
| | Extension of Service Life from 40 years: | 2.50% | to 50 years: | 2.00% | | <u>-79.00% = -0.50%</u> | (13,481) | |
| | Total Reduction in Annual Depreciation Expense | | | | | | | <u>67</u> |
| | Total Reduction in Annual Depreciation Expense | | | | | | | 4,531 |
| 40 | To reduce Amortization on existing CIAC by projected excess of total capacity: | | | | | | | |
| | Test Year Amortization-CIAC | | | | | | (47,111) | |
| | Less: Pro Forma Adj # 38 | | | | | | <u>4,531</u> | |
| | Test Year Depreciation Expense - Adjusted | | | | | | (42,580) | |
| | Excess Capacity Factor (Note 1) | | | | | | <u>-66.15%</u> | 28,167 |
| 41 | To reflect Amortization on new CIAC at anticipated 3-Yr Average percentage of 2-new residential building capacity: | | | | | | | |
| | New Amortization-CIAC | | | | | | (6,970) | |
| | Projected 3-Yr Avg 2-Residential Bldg Capacity (Note 2) | | | | | | <u>66.67%</u> | <u>(4,647)</u> |
| | Total Pro Forma Adjustments - Amortization-CIAC | | | | | | | <u>28,051</u> |

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
PRO FORMA ADJUSTMENTS - RATE BASE

| <u>Adj #</u> | | | | | | | | |
|--------------|---|--------|----|---------|---|-----------|----|--------------------------|
| | <u>Amortization Expense - Other</u> | | | | | | | |
| 42 | To eliminate test year Amortization Expense - Other. | | | | | | | <u>(100)</u> |
| | <u>Property Tax Expense</u> | | | | | | | |
| 43 | To reflect Property Tax Expense on existing Utility Plant in Service net of projected excess of total plant capacity: | | | | | | | |
| | 2020 Municipal Property Taxes Billed (Staff 2-9) | | | | | | | 10,275 |
| | 2020 State Utility Property Tax Billed (Staff 3-3) | | | | | | | 4,989 |
| | Total 2020 Property Taxes Billed | | | | | | | <u>15,264</u> |
| | Less: Excess Capacity (Note 1) | 15,264 | x | -66.15% | = | | | <u>(10,097)</u> |
| | Pro Forma Property Tax Expense on existing plant | | | | | | | 5,167 |
| | Less: Test Year Property Tax Expense | | | | | | | <u>(15,631)</u> (10,464) |
| 44 | To reflect new Property Tax Expense at anticipated 3-Yr Average percentage of 2-new residential building capacity: | | | | | | | |
| | New Utility Plant | | | | | | | 216,000 |
| | Less: Accumulated Depreciation | | | | | | | <u>(3,485)</u> |
| | Net New Utility Plant | | | | | | | 212,515 |
| | Property Tax Rate: | State | \$ | 6.60 | + | Municipal | \$ | 16.24 = <u>22.84</u> |
| | Anticipated Billed Property Taxes on New Plant | | | | | | | 4,854 |
| | Projected 3-Yr Avg 2-Residential Bldg Capacity (Note 2) | | | | | | | <u>66.67%</u> 3,236 |
| | Total Pro Forma Adjustments - Property Tax Expense | | | | | | | <u>(7,228)</u> |

Note 1: Calculation of Excess Capacity Factor for Existing Rate Base:

| | Projected Commercial Customers | Projected Residential Customers | Total |
|---|--------------------------------------|---------------------------------------|----------------|
| <u>Projected 3-yr Avg Customers:</u> | | | |
| Year 1 | 1 | 21 | 22.00 |
| Year 2 | 1 | 43 | 44.00 |
| Year 3 | 1 | 64 | 65.00 |
| 3-Yr Average | <u>1</u> | <u>43</u> | <u>43.67</u> |
| Projected Customers Reflected in Current Rate Base per DW 07-131: | | | ÷ 129 |
| Projected 3-Yr Avg Percentage of Full Capacity | | | 33.85% |
| Less: Full Capacity Percentage | | | -100.00% |
| Excess Capacity Percentage | | | <u>-66.15%</u> |

Note 2: Calculation of Percentage of Capacity Factor for New Rate Base:

| | Projected Residential Customers |
|---|---------------------------------------|
| <u>Projected 3-yr Avg Customers:</u> | |
| Year 1 | 21.00 |
| Year 2 | 43.00 |
| Year 3 | 64.00 |
| 3-Yr Average Residential Occupancy | <u>42.67</u> |
| Full Occupancy of 2 New Residential Buildings | + 64 |
| Projected 3-Yr Avg Percentage of Full Capacity of 2-New Buildings | <u>66.67%</u> |

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
PRO FORMA INCOME TAX PROVISION

Income Tax Expense:

To reflect the Income Tax Effect of Pro Forma Adjustments to Operating Revenue and Expenses:

Utility Operating Revenues:

| | |
|---|-------------------|
| Total Pro Forma Adjustments to Operating Revenues | <u>\$ 101,671</u> |
|---|-------------------|

Utility Operating Expenses:

| | |
|---|---------------|
| Total Pro Forma Adjustments to Operation and Maintenance Expenses | 22,033 |
| Total Pro Forma Adjustments to Depreciation Expense | (35,150) |
| Total Pro Forma Adjustments to Amortization of CIAC | 28,051 |
| Total Pro Forma Adjustments to Amortization - Other | (100) |
| Total Pro Forma Adjustments to Property Tax Expense | (7,228) |
| Total Pro Forma Adjustments to Income Tax Expense - CIAC Tax | <u>72,034</u> |
| Total Pro Forma Adjustments to Operating Expenses | <u>79,640</u> |

| | | |
|--|-----------------|----------|
| Marginal Revenue (Expense) subject to Income Tax Expense | \$ 22,031 | |
| Effective Income Tax Rate (Schedule 1B) | x <u>27.08%</u> | \$ 5,967 |

To reflect Pro Forma Income Tax Provision Relative to Test Year Net Operating Income (Loss):

| | | |
|--|-----------------|----------------|
| Unadjusted Test Year Net Operating Income (Loss) | \$ (32,671) | |
| Effective Income Tax Rate (Schedule 1B) | x <u>27.08%</u> | <u>(8,848)</u> |

| | | |
|---------------------------------|--|---------------------------------|
| Net Income Tax Provision | | <u><u>\$ (2,882)</u></u> |
|---------------------------------|--|---------------------------------|

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
REPORT OF PROPOSED RATE CHANGES

| Service Class | Annual Gallons | Annual CCF | Number of Customers | Present Revenues | Proposed Revenues | Proposed Change | % Change |
|---------------|------------------|--------------|---------------------|------------------|-------------------|------------------|---------------|
| Commercial | 1,958,000 | 2,618 | 1 | \$ 34,176 | \$ 42,121 | \$ 7,945 | 23.25% |
| Residential | 1,569,500 | 2,098 | 43 | 29,634 | 36,524 | 6,889 | 23.25% |
| Total | 3,527,500 | 4,716 | 44 | \$ 63,810 | \$ 78,645 | \$ 14,834 | 23.25% |

| | Current Rates | % Increase | Proposed Rates | Basis of Measurement | Proposed Revenues |
|----------------------------------|---------------|------------|----------------|----------------------|-------------------|
| Commercial | \$ 3,000.00 | 1.2325 | \$ 3,697.43 | 1 Customer | \$ 3,697 |
| Residential | \$ 108.00 | 1.2325 | \$ 133.11 | 43 Customers | 5,724 |
| Total Revenues From Base Charges | | | | | 9,421 |
| Volumetric | \$ 11.91 | 1.2325 | \$ 14.68 | 4,716 CCF | 69,224 |
| | | | | | <u>\$ 78,645</u> |

DW 20-071 / DW 20-091
ATKINSON AREA WASTEWATER RECYCLING, INC.
REVENUE REQUIREMENT AND RATE COMPARISON

| | (1) Per Current Tarriff (DW 07-131) | (2) Proposed Per Company's Original Rate Filing | (3) Amended Per Company's Response to Staff 1-7 | (4) Proposed Per Settlement (Schedule 4) |
|---|---|---|---|--|
| CUSTOMER RATE COMPARISON: | | | | |
| Annual Charge for AAWW Commercial Customer | \$ 34,176.18 | \$ 49,997.13 | \$ 50,704.00 | \$ 42,121.31 |
| Annual Increase for AAWW Commercial Customer | \$ - | \$ 15,820.95 | \$ 16,527.83 | \$ 7,945.13 |
| Percent Increase | 0.00% | 46.29% | 48.36% | 23.25% |
| Average Annual Charge for AAWW Residential Customers | \$ 689.17 | \$ 1,033.35 | \$ 1,022.45 | \$ 849.39 |
| Average Annual Increase for AAWW Residential Customers | \$ - | \$ 344.18 | \$ 333.28 | \$ 160.22 |
| Percent Increase | 0.00% | 49.94% | 48.36% | 23.25% |
| COMPARISON OF TARIFFED RATES: | | | | |
| Annual Fixed Charge - Commercial | \$ 3,000.00 | \$ 5,837.42 | \$ 4,450.18 | \$ 3,697.43 |
| Annual Fixed Charge - Residential | \$ 108.00 | \$ 210.15 | \$ 160.21 | \$ 133.11 |
| Volumetric Charge per CCF | \$ 11.91 | \$ 16.87 | \$ 17.67 | \$ 14.68 |
| DETAILED REVENUE/AVERAGE CUSTOMER RATE CALCULATIONS: | | | | |
| Number of Customers: | | | | |
| Commercial (Current) | 1 | 1 | 1 | 1 |
| Residential (Projected) | 43 | 43 | 43 | 43 |
| Total | 44 | 44 | 44 | 44 |
| Annual Consumption (ccf): | | | | |
| Commercial (Current) | 2,618 | 2,618 | 2,618 | 2,618 |
| Residential (Projected) | 2,098 | 2,098 | 2,098 | 2,098 |
| Total | 4,716 | 4,716 | 4,716 | 4,716 |
| Total Annual Revenues - AAWW: | | | | |
| Commercial | \$ 34,176 | \$ 49,997 | \$ 50,704 | \$ 42,121 |
| Residential | 29,634 | 44,434 | 43,965 | 36,524 |
| Total | \$ 63,810 | \$ 94,431 | \$ 94,669 | \$ 78,645 |
| Percent Increase above Current | 0.00% | 47.99% | 48.36% | 23.25% |
| Average Annual Consumption per AAWW Customer (ccf): | | | | |
| Commercial (Current) | 2,618 | 2,618 | 2,618 | 2,618 |
| Residential (Projected) | 49 | 49 | 49 | 49 |
| Charge per Average Customer: | | | | |
| Commercial - Annual | \$ 34,176.18 | \$ 49,997.13 | \$ 50,704.00 | \$ 42,121.31 |
| Commercial - Monthly | \$ 2,848.01 | \$ 4,166.43 | \$ 4,225.33 | \$ 3,510.11 |
| Percent Increase above Current | 0.00% | 46.29% | 48.36% | 23.25% |
| Residential - Annual | \$ 689.17 | \$ 1,033.35 | \$ 1,022.45 | \$ 849.39 |
| Residential - Monthly | \$ 57.43 | \$ 86.11 | \$ 85.20 | \$ 70.78 |
| Percent Increase above Current | 0.00% | 49.94% | 48.36% | 23.25% |

Attachment B
(Cost of Common Equity Calculation, and
November 4, 2019 Recommendation Letter regarding “Generic Return on Equity”)

CHAIRMAN

STATE OF NEW HAMPSHIRE

TDD Access: Relay NH
1-800-735-2964

COMMISSIONERS
Kathryn M. Bailey
Michael S. Giarmo

Tel. (603) 271-2431

EXECUTIVE DIRECTOR
Debra A. Howland

FAX No. 271-3878



Website:
www.puc.nh.gov

PUBLIC UTILITIES COMMISSION
21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

NH PUC 4NOV19AM11:56

November 4, 2019

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH 03301

Re: IR 19-005 Investigation to Determine a Method for Setting a
Generic Return on Equity for Small Water Utilities
Commission Staff Report on Technical Session

Dear Ms. Howland:

Commission Staff (Staff) met with representatives of Lakes Region Water Company, Abenaki Water Company, Hampstead Area Water Company and the Office of Consumer Advocate at a technical session held at the Commission's offices on October 1, 2019. The parties reviewed written comments from the water companies and discussed further changes and clarifications to the draft rule N. H. Code of Admin. Rules, Puc 610.

As a result of discussions held at the technical session, Staff has further revised its suggested rule and submits the attached rule for the Commission's consideration. Changes to calculating the generic return on equity (ROE) include, using the minimum number of quarters that total at least 10 rate cases, using a weighted average of the prior ROEs and updating the ROE before hearing.

Staff believes that these changes further clarify and improve the rule and recommends that the Commission adopt this draft rule as its initial proposal.

Very truly yours,

A handwritten signature in black ink, appearing to read "F. Anne Ross".

F. Anne Ross

cc: Service List
Stakeholder List

Attachments

~~b. The rate impact on the average customer's annual bill;~~

~~e. The capital additions and the federal or state mandates that necessitated the need for rate relief; and~~

~~d. The customers' right to participate in the review of the requested rate increase;~~

~~(5) A copy of the notice required in (4), along with an affidavit of mailing, shall be filed with the commission within 15 days of the acceptance of the petition as referred to in (b) below.~~

~~(b) Failure to comply with any of the provisions and requirements set forth in (a) shall result in the immediate rejection of the petition if the utility has failed to respond to any notice issued by the commission required by RSA 541-A:29.I.~~

~~Puc 610.03-Generic Return on Equity.~~

(a) At least once during any 12 month period following the adoption of these rules the commission shall establish a generic return to be applied to the equity invested in the small water distribution system using the discounted cash flow methodology. A small water distribution system may elect to use the generic rate of return in any rate proceeding and, if it elects to use the generic rate of return, it shall update the calculation before a final hearing in the rate case.

(b) For the purposes of this section, the commission shall assume that the return on equity for regulated gas and water utilities as published by the Regulatory Research Associates for recent calendar years DCI model is based on the concept that are representative of what value stockholders currently value place on a share of stock for water distribution systems at the present value of the expected cash flow from that share of stock and that cash flow will grow at the same rate from the present to perpetuity.

(c) For purposes of this section, the commission shall assume that the value placed on utility preferred stock plus 350 basis points as published by Value Line is representative of what value stockholders place on a share of stock for water distribution systems.

(de) For the purposes of this section, the generic return on equity, rounded down to 2 decimal places, shall be derived as follows: sample of companies used in computing k shall consist of non-California water utilities listed in the most current issue of Value Line Investment Survey or other recognized financial source that have consistent data for at least a 10 year period of time.

(1) The baseline return on equity will be calculated using the average of the weighted average of the authorized return of water utility rate cases during the most recent calendar quarters with a total minimum of 10 observations and the weighted average of the median authorized return on equity for gas utilities during the most recent calendar quarters with a total minimum of 10 observations. Observations are the number of rate cases in the quarter used to calculate the average water and median gas returns on equity and weighted by the number of observations in a quarter divided by the total observations over the number of quarters with a minimum of 10 observations. Following that calculation, the resulting return will be averaged with an amount resulting from adding 350 basis points to the value of the preferred utility stock as most recently reported by Value Line. The result of the 2 calculations shall yield the baseline return on equity for this section.

(2) For purposes of this section, the authorized average return of equity for water utilities and the number of cases will be as reported by the Regulatory Research Associates, 'RRA Water Advisory: Major Rate Case Decisions.' The median of authorized return on equity for gas utilities will be as reported by the Regulatory Research Associates, 'RRA Regulatory Focus: Major Rate Case

Decisions. Utility preferred stock values will be the Value Line estimated yield on "Utility A" preferred stocks published weekly.

(3) Rate Case Expense Savings Adder: 50 basis points will be added to the baseline return on equity;

(4) Capital Structure Adder will be added to the baseline return on equity for a balanced capital structure:

- a. For a capital structure with equity of 35 to 40 percent, the adder will be 10 basis points;
- b. For a capital structure with equity of 40 to 44 percent, the adder will be 15 basis points;
- c. For a capital structure with equity of 45 to 55 percent, the adder will be 25 basis points; and
- d. For a capital structure with equity of 56-60 percent, the adder will be 10 basis points.

(5) An Exemplary Performance Adder of up to 50 basis points shall be added to the baseline return on equity if the commission determines that a small water utility substantially exceeds utility performance of similarly situated small water utilities in a rate filing in any of the following areas:

- a. Development of an Asset Management Program for achieving and maintaining the desired level of service at the lowest appropriate cost to customers;
- b. Reduction in system leaks and unaccounted for water;
- c. Cost containment initiatives;
- d. Improved water quality;
- e. Improved customer service.

(6) A Non-compliance Deduction: up to 50 basis points may be deducted from the baseline return on equity when a small water utility files for a rate increase if the commission determines that the utility has repeatedly not complied with regulatory requirements within the past 2 years.

- a. Staff or any party to the rate proceeding may request a deduction for non-compliance;
- b. There will be no deduction for non-compliance of an acquired utility if the acquired utility was materially out of compliance when acquired and the acquiring utility has implemented an approved plan to achieve compliance. Compliance plans must be approved by the by the regulatory authority with jurisdiction.

(d) For the purposes of this section cash flow shall be measured using both dividends and earnings, with a 3:1 weighting of dividends to earnings, reflecting the view that investors discount that which they receive, but are also concerned with the source of the cash flow.

Puc 610.034 Eligibility Right to Challenge Use of the Generic Return on Equity. The commission staff, the office of consumer advocate, a customer or other interested party, may challenge the generic return on equity used by a small water distribution system in a rate filing with the commission. A small water system shall not be eligible for rate relief pursuant to this section within 2 years after the issuance of a final order under Puc 610 or Puc 1600.

Baseline ROE
 Minimum Number of Quarters w/ at Least 10 Observations
 Calculated on 05/04/2021
 (Based on most recent publications)

| | 1st Quarter 2021 | Number of of Rate Observations* |
|--|---------------------|---------------------------------------|
| Gas median ROE (Note 1) | 9.74 | 10 |
| Water average ROE (Note 2) | 9.35 | 12 |
| Average of Gas/Water | 9.541 | |
| Average (rounded down) | 9.54 | |
| Utility A Preferred Stock (Note 3) | 6.22 | |
| Adder: 350 basis points | 3.50 | |
| | 9.72 | |
| Baseline ROE | 9.63 | |
| (Average of Gas/Water & Preferred Stock) | <u>9.63</u> | |

* Number of observations indicates the number of ROE datapoints available, not the number of rate cases completed during the period.

Notes (Source Document)

- 1) Most recent source: RRA Regulatory Focus, Major Rate Case Decisions, Jan-Mar 2021 (04/28/2021)
 Weighted average ROE of 1 quarter, ending 1st quarter 2021 **
 Weighted by # of observations in the quarter as percent of total observations
- 2) Most recent source: RRA Water Advisory, Major Rate Case Decisions — January – March 2021, 04/28/2021
 Weighted average ROE of 9 quarters ending 1st quarter 2021 **
 Weighted by # of observations in the quarter as percent of total observations
- 3) Value Line Selection & Opinion (May 7, 2021)
 (p. 485) Preferred Stock - Utility A

1) Most recent source: RRA Regulatory Focus, Major Rate Case Decisions, Jan-Mar 2021 (04/28/2021)
 Weighted average ROE of 1 quarter, ending 1st quarter 2021 **
 Weighted by # of observations in the quarter as percent of total observations

Median authorized ROEs by quarter, January 2021-March 2021

| Year | Period | ROE (%) | Number of Observations * | Weighted ROE (%) |
|------|-----------------------------|---------|--------------------------|------------------|
| | Quarter | | | |
| 2021 | 1 | 9.74 | <u>10</u> | 9.74 |
| | | | 10 | |
| | Weighted Average Median ROE | | | 9.74 |

* Number of observations indicates the number of ROE datapoints available, not the number of rate cases completed during the period.
 **Based on minimum number of quarters with at least 10 observations

2) Most recent source: RRA Water Advisory, Major Rate Case Decisions — January – March 2021, 04/28/2021
 Weighted average ROE of 9 quarters ending 1st quarter 2021 **
 Weighted by # of observations in the quarter as percent of total observations

| Year | Quarter | ROE (%) | Number of Observations * | Weighted ROE |
|------|---------|---------|--------------------------|--------------|
| 2019 | 1 | 9.57% | 3 | 2.39% |
| 2019 | 2 | 9.70% | 2 | 1.62% |
| 2019 | 3 | 9.80% | 1 | 0.82% |
| 2019 | 4 | NA | 0 | NA |
| 2020 | 1 | 8.48% | 2 | 1.41% |
| 2020 | 2 | 9.50% | 1 | 0.79% |
| 2020 | 3 | 8.80% | 1 | 0.73% |
| 2020 | 4 | 9.50% | 2 | 1.58% |
| 2021 | 1 | NA | 0 | NA |
| | | | 12 | |

Weighted Average ROE of 9 quarters. 9.35%

* Number of observations indicates the number of ROE datapoints available, not the number of rate cases completed during the period.

**Based on minimum number of quarters with at least 10 observations

Attachment C

Four Agreements

1. Management/Services Agreement Between AAWWR and LBDI (Exhibit 5a)
2. Services Agreement Between AAWWR and HAWC (Exhibit 5b)
3. Services Agreement Between AAWWR and ACI (Exhibit 5c)
4. Billing and Disconnect/Reconnect Agreement Between AAWWR and HAWC pursuant to PUC 703.03 (Exhibit 6)

REDACTED

MANAGEMENT / SERVICE AGREEMENT

This Management/Service Agreement (“Agreement”) is made as of this ___ day of _____ 2021 by and between Atkinson Area Wastewater Recycling, Inc. (“AAWWR”) on the one hand, and Lewis Builders Development, Inc. (“LBDI”) on the other hand, both New Hampshire corporations, and all of 54 Sawyer Avenue, Atkinson, New Hampshire. AAWWR and LBDI are related parties.

WHEREAS, AAWWR, a New Hampshire public utility sewer company, operates a system in Atkinson, New Hampshire and has need of certain management, professional, construction, and other services; and

WHEREAS, LBDI has the management, services, equipment, and facilities necessary to AAWWR’s daily operations.

NOW THEREFORE, the parties agree as follows:

1. Services

LBDI will provide, on an as needed basis, those services as set forth on Schedule A at the hourly or other fair market rate as set forth on Schedule A.

2. Parts and Supplies

A. LBDI will provide AAWWR with office supplies at LBDI’s cost, plus overhead.

B. LBDI may, at its discretion, provide operating, repair & replacement parts and supplies with the balance outstanding totaling not more than \$1,000.00 in the aggregate at any one time. Such parts or supplies shall be furnished to AAWWR at LBDI’s direct cost plus the then applicable overhead factor as set forth below.

3. Labor Burden

For all labor costs set forth on Schedule A (see section 1) and Exhibits 1 and 2 thereto, which rates constitute the gross pay hourly/salary payments, at fair market rates, to the individual concerned, LBDI will add a Labor Burden cost which represents the indirect cost of such labor, such as workers compensation insurance, employee benefits, employer paid payroll taxes, etc. Such Labor Burden shall be calculated in accordance with Exhibit 1 to Schedule A and shall be calculated on or before April 1st of the following year as of December 31st of the previous year and shall apply to the following 12 months beginning April 1. The Labor Burden for 2021 is forty-two percent (42%) of the direct labor rate paid to each employee of LBDI.

4. Overhead Expense

For all costs (labor, materials & services) set forth on Schedule A, LBDI will add an Overhead expense factor (General & Administrative) multiplier calculated on or before April 1st of the following year as of December 31st each year to be applied to the following 12 months beginning April 1, in accordance with the formula set forth on Exhibit 2 to Schedule A. For 2021, this factor is fourteen percent (14%).

5. Billing Procedure and Content

- A. LBDI will bill AAWWR monthly, in arrears, for the actual cost of all items set forth in Sections 1 through 4 above incurred and/or consumed in the previous month, except Schedule A.II (Management) will be billed in advance on a monthly basis.
- B. No supply material cost, labor charge, overhead or labor burden charged to AAWWR shall include any profit or mark up for LBDI, or for any person or entity related to either LBDI or AAWWR.
- C. In the event any employee of AAWWR or any equipment belonging to AAWWR is used by LBDI in any or for any work or project other than AAWWR's operations,

LBDI shall pay to AAOWR the cost of such, including the then Labor Burden and overhead rates.

- D. The Agreement may be cancelled at any time by any party upon ninety (90) days of notice to the other, without penalty, and will otherwise automatically renew from year to year until and unless such notice is given.

This Agreement and any amendment or changes thereto, including cancelation, are subject to the prior written approval of the New Hampshire Public Utilities Commission.

ATKINSON AREA WASTE WATER RECYCLING, INC.

By: _____
Christine Lewis Morse, Vice President

LEWIS BUILDERS DEVELOPMENT COMPANY, INC.

By: _____
Christine Lewis Morse, President

STATE OF NEW HAMPSHIRE
ROCKINGHAM COUNTY

This instrument was acknowledged before me this ____ day of _____, 2021 by Christine Lewis Morse as Vice President of Atkinson Area Waste Water Recycling, Inc. and by Christine Lewis Morse as President of Lewis Builders Development, Inc.

Notary Public
My commission expires:

SCHEDULE A

II. Services (to be billed out as used)

LBDI

| <u>Services</u> | <u>To be Billed at Actual Rate paid to Employee</u> | |
|--|---|--------------|
| 1. Accounting | + Burden | Hourly Basis |
| | + G&A | |
| 2. Legal Advice | + Burden | Hourly Basis |
| | + G&A | |
| 3. Legal Secretary | + Burden | Hourly Basis |
| | + G&A | |
| 4. Truck Repair & Maintenance | + Burden | Hourly Basis |
| | + G&A | |
| 5. Payroll Services / Real Estate / Tax Service | + Burden | Hourly Basis |
| | + G&A | |
| 6. Mailing Costs (actual) | | |

II. Management

1. Christine Lewis Morse \$5,000 per year
and Harold Morse

Exhibits 1 and 2 (2021 Labor Burden & Overhead) submitted as confidential

LEWIS BUILDERS DEVELOPMENT INC.

9/1/2021

Labor Burden & Overhead
FOR THE YEAR 2021

REDACTED

| | | <u>Per Trial Balance 12/31/20</u> |
|-------------------------------------|--|---|
| 1-10-4100 | 401 K Expense | |
| 1-10-4140 | Builders Risk Insurance | |
| 1-10-4220 | Equipment Expense - Fuel | |
| 1-10-4221 | Unleaded Gas | |
| 1-10-4222 | Diesel Fuel | |
| 1-10-4280 | Health Insurance | |
| 1-10-4300,5300 | Holiday\Vacation\Sick | |
| 1-10-4320 | Life Insurance - Field | |
| 1-10-4350 | Misc Tools | |
| 1-10-4360 | Consumable Supplies | |
| 1-10-4365 | Recycling Charges | |
| 1-10-4370 | Permit, approval, etc | |
| 1-10-4380 | Misc Utilities | |
| 1-10-4400 | Payroll Taxes | |
| 1-10-4420 | Employee Disability Insurance | |
| 1-10-4440 | Purchase Discounts | |
| 1-10-4475 | Travel, Books, Plans, Estimating, Misc | |
| 1-10-4485 | Cell Phones, Pagers | |
| 1-10-4500 | Workers Comp Insurance | |
| 1-10-4510 | Safety | |
| 1-10-5280 | Engineering & Other Payroll | |
| 1-90-5420 | Real estate Taxes (Misc Land) | |
| | Porton of Officers salary assigned to Labor Burden - 10% | |
| | 401k - field included in G & A | n/a |
| | Life Insurance - Field included in G & A | n/a |
| | 1/2 of Insurance in Account 1-90-5160 | |
| | Less: G & A Workers Compensation | n/a |
| Adjusted Indirect Overhead | | |
| Total Direct Labor 1-10-4040 | | |
| Labor Burden % | | <u>42%</u> |

LEWIS BUILDERS DEVELOPMENT INC.

9/1/2021

Labor Burden & Overhead
FOR THE YEAR 2021

REDACTED

| | <u>Per Trial Balance 12/31/20</u> |
|--|---|
| Revenue (all 3000 accts) | ██████████ |
| G & A Expenses: | ██████████ |
| 1-90-5280 Admin Payroll | ██████████ |
| 1-90-5285 Extended FMLA pay | ██████████ |
| 1-90-5300,4300 Holiday\Vacation\Sick | ██████████ |
| 1-90-5320 Marketing Payroll | ██████████ |
| 1-90-5340 Officer's Salary | ██████████ |
| 1-90-5120 Misc Employee Benefits | ██████████ |
| 1-90-5140 Health Insurance | ██████████ |
| 1-90-5220 Marketing Misc | ██████████ |
| 1-90-5221 Advertising - Online | ██████████ |
| 1-90-5225 Advertsing - Print | ██████████ |
| 1-90-5230 Marketing - Software | ██████████ |
| 1-90-5232 Marketing - Community | ██████████ |
| 1-90-5234 Marketing - Customer App | ██████████ |
| 1-90-5236 Marketing - Branding | ██████████ |
| 1-90-5237 Marketing - Signage | ██████████ |
| 1-90-5238 Marketing - HAWSCO | ██████████ |
| 1-90-4400 Payroll Taxes | ██████████ |
| 1-90-4440 Purchase Discounts | ██████████ |
| 1-90-4500 Workers Comp - Admin | ██████████ |
| 1-90-5520 Utilities - Heat, Elec | ██████████ |
| 1-90-5521 Utilities - Oil | ██████████ |
| 1-90-5522 Utilities - Kerosene | ██████████ |
| 1-90-5523 Utilities - Propane | ██████████ |
| 1-90-5000 Accounting Fees | ██████████ |
| 1-90-5001 Accounting - Year End Work | ██████████ |
| 1-90-5002 Accounting - 401K | ██████████ |
| 1-90-5180 Legal | ██████████ |
| 1-90-5200 Life Insurance - Admin | ██████████ |
| 1-90-5245 Misc Exp - Soda | ██████████ |
| 1-90-5400 Professional Development | ██████████ |
| 1-90-5260 Office Expenses | ██████████ |
| 1-90-5261 Office Exp - Copier | ██████████ |
| 1-90-5430 Rent | ██████████ |
| 1-90-5480 Telephone | ██████████ |
| 1-90-4100 401 K Expense - Admin | ██████████ |
| 1-90-5380 Postage | ██████████ |
| Less Postage billed to HAWC | ██████████ |
| see comment Misc | ██████████ |
| 1-90-4040 Admin OT Payroll | ██████████ |
| 1-90-5060 Depreciation | ██████████ |
| 1-90-5050 Computer Expense - Misc | ██████████ |
| 1-90-5051 Computer Maint & Service Contracts | ██████████ |
| 1-90-5160 1/2 of Insurance | ██████████ |
| Less: ██████████ salary included in Labor Burden | ██████████ |
| Less: Wages - Property Manager | ██████████ |
| Less: Burden for above wages - as above | ██████████ |
| Adjusted G & A expenses | ██████████ |
| Overhead % | <u>14%</u> |

REDACTED

SERVICES AGREEMENT

This Services Agreement (“Agreement”) is made as of April ___, 2021 by and between Hampstead Area Water Company, Inc. (“HAWC”) on the one hand, and Atkinson Area Waste Water Recycling, Inc. (“AAWWR”) on the other hand (, all New Hampshire corporations, and all of 54 Sawyer Avenue, Atkinson, New Hampshire. AAWWR and HAWC are related parties.

WHEREAS, AAWWR, a New Hampshire public utility sewer company, operates a system in Atkinson, New Hampshire and has need of certain professional, administrative, sewer plant related serves, and other related services, and

WHEREAS, HAWC, a New Hampshire public utility water company, has the services and facilities necessary to AAWWR’s daily operations.

NOW THEREFORE the parties agree as follows:

1. Services

HAWC will provide, on an as needed basis, those services as set forth on Schedule A at the hourly or other fair market rate as set forth on Schedule A, unless the services are already addressed in the Billing and Disconnect/Reconnect Agreement between AAWWR and HAWC.

2. Parts and Supplies

- a.** HAWC will provide AAWWR with office supplies at HAWC’s cost, plus overhead.
- b.** HAWC may, at its discretion, provide operating, repair & replacement parts and supplies with the balance outstanding totaling not more than \$1,000.00 in the aggregate at any one time. Such parts or supplies shall be furnished to AAWWR at HAWC’s direct cost plus the then applicable overhead factor as set forth below.

3. Labor Burden

For all labor costs set forth on Schedule A (see section 1) and Exhibits 1 and 2 thereto, which rates constitute the gross pay hourly/salary payments, at fair market rates, to the individual concerned, HAWC will add a Labor Burden cost which represents the indirect cost of such labor, such as workers compensation insurance, employee benefits, employer paid payroll taxes, etc. Such Labor Burden shall be calculated in accordance with Exhibit 1 to Schedule A and shall be calculated on or before April 1st of the following year as of December 31st of the previous year and shall apply to the following 12 months beginning April 1. The Labor Burden for 2021 is forty-two percent (42%) of the direct labor rate paid to each employee of HAWC.

4. Overhead Expense

For all costs (labor, materials & services) set forth on Schedule A, HAWC will add an Overhead expense factor (General & Administrative) multiplier calculated on or before April 1st of the following year as of December 31st each year to be applied to the following 12 months beginning April 1, in accordance with the formula set forth on Exhibit 2 to Schedule A. For 2021, this factor is fourteen percent (14%).

5. Billing Procedure and Content

A. HAWC will bill AAWWR monthly, in arrears, for the actual cost of all of the items set forth in Sections 1 through 4 above incurred and/or consumed in the previous month.

B. No supply material cost, labor charge, overhead or labor burden HAWC charges to AAWWR shall include profit, mark up, or additional labor burden or additional overhead from a related company for the same service, part, or supply.

C. In the event any employee of AAWWR or any equipment belonging to AAWWR is used by HAWC in any or for any work or project other than AAWWR's operations, HAWC shall pay to AAWWR the cost of such, including the then Labor Burden and overhead rates.

D. This Agreement may be cancelled at any time by any party upon ninety (90) days of notice to the other, without penalty, and will otherwise automatically renew from year to year until and unless such notice is given.

This Agreement and any amendment or changes thereto, including cancelation, are subject to the prior written approval of the New Hampshire Public Utilities Commission.

ATKINSON AREA WASTE WATER RECYCLING, INC.

By: _____
Christine Lewis Morse, Vice President

THE HAMPSTEAD AREA WATER COMPANY, INC.

By: _____
Christine Lewis Morse, Vice President

STATE OF NEW HAMPSHIRE
ROCKINGHAM COUNTY

This instrument was acknowledged before me this ____ day of _____, 2021 by Christine Lewis Morse as Vice President of Atkinson Area Waste Water Recycling, Inc. and by Christine Lewis Morse as Vice President of The Hampstead Area Water Company, Inc.

Notary Public
My commission expires:

SCHEDULE A

I. Services (to be billed out as used)

HAWC

| <u>Services</u> | <u>To be Billed at</u> <u>Actual Rate paid</u> <u>to Employee</u> | |
|---|---|--------------|
| 1. Customer Services, Maintenance and Repair | + Burden | Hourly Basis |
| 2. Billing Service (separate agreement) | + G&A | |
| 3. Mailing Costs Actual | | |

Exhibits 1 and 2 (2021 Labor Burden & Overhead) submitted as confidential

LEWIS BUILDERS DEVELOPMENT INC.

9/1/2021

Labor Burden & Overhead
FOR THE YEAR 2021

REDACTED

**Per Trial
Balance
12/31/20**

| | | |
|-------------------------------------|---|------------|
| 1-10-4100 | 401 K Expense | |
| 1-10-4140 | Builders Risk Insurance | |
| 1-10-4220 | Equipment Expense - Fuel | |
| 1-10-4221 | Unleaded Gas | |
| 1-10-4222 | Diesel Fuel | |
| 1-10-4280 | Health Insurance | |
| 1-10-4300,5300 | Holiday/Vacation/Sick | |
| 1-10-4320 | Life Insurance - Field | |
| 1-10-4350 | Misc Tools | |
| 1-10-4360 | Consumable Supplies | |
| 1-10-4365 | Recycling Charges | |
| 1-10-4370 | Permit, approval, etc | |
| 1-10-4380 | Misc Utilities | |
| 1-10-4400 | Payroll Taxes | |
| 1-10-4420 | Employee Disability Insurance | |
| 1-10-4440 | Purchase Discounts | |
| 1-10-4475 | Travel, Books, Plans, Estimating, Misc | |
| 1-10-4485 | Cell Phones, Pagers | |
| 1-10-4500 | Workers Comp Insurance | |
| 1-10-4510 | Safety | |
| 1-10-5280 | Engineering & Other Payroll | |
| 1-90-5420 | Real estate Taxes (Misc Land) | |
| | Portion of Officers salary assigned to Labor Burden - 10% | |
| | 401k - field included in G & A | n/a |
| | Life Insurance - Field included in G & A | n/a |
| | 1/2 of Insurance in Account 1-90-5160 | |
| | Less: G & A Workers Compensation | n/a |
| Adjusted Indirect Overhead | | |
| Total Direct Labor 1-10-4040 | | |
| Labor Burden % | | 42% |

LEWIS BUILDERS DEVELOPMENT INC.

9/1/2021

Labor Burden & Overhead
FOR THE YEAR 2021

REDACTED

| | <u>Per Trial Balance 12/31/20</u> |
|--|---|
| Revenue (all 3000 accts) | [REDACTED] |
| G & A Expenses: | [REDACTED] |
| 1-90-5280 Admin Payroll | [REDACTED] |
| 1-90-5285 Extended FMLA pay | [REDACTED] |
| 1-90-5300,4300 Holiday\Vacation\Sick | [REDACTED] |
| 1-90-5320 Marketing Payroll | [REDACTED] |
| 1-90-5340 Officer's Salary | [REDACTED] |
| 1-90-5120 Misc Employee Benefits | [REDACTED] |
| 1-90-5140 Health Insurance | [REDACTED] |
| 1-90-5220 Marketing Misc | [REDACTED] |
| 1-90-5221 Advertising - Online | [REDACTED] |
| 1-90-5225 Advertsing - Print | [REDACTED] |
| 1-90-5230 Marketing - Software | [REDACTED] |
| 1-90-5232 Marketing - Community | [REDACTED] |
| 1-90-5234 Marketing - Customer App | [REDACTED] |
| 1-90-5236 Marketing - Branding | [REDACTED] |
| 1-90-5237 Marketing - Signage | [REDACTED] |
| 1-90-5238 Marketing - HAWSCO | [REDACTED] |
| 1-90-4400 Payroll Taxes | [REDACTED] |
| 1-90-4440 Purchase Discounts | [REDACTED] |
| 1-90-4500 Workers Comp - Admin | [REDACTED] |
| 1-90-5520 Utilities - Heat, Elec | [REDACTED] |
| 1-90-5521 Utilities - Oil | [REDACTED] |
| 1-90-5522 Utilities - Kerosene | [REDACTED] |
| 1-90-5523 Utilities - Propane | [REDACTED] |
| 1-90-5000 Accounting Fees | [REDACTED] |
| 1-90-5001 Accounting - Year End Work | [REDACTED] |
| 1-90-5002 Accounting - 401K | [REDACTED] |
| 1-90-5180 Legal | [REDACTED] |
| 1-90-5200 Life Insurance - Admin | [REDACTED] |
| 1-90-5245 Misc Exp - Soda | [REDACTED] |
| 1-90-5400 Professional Development | [REDACTED] |
| 1-90-5260 Office Expenses | [REDACTED] |
| 1-90-5261 Office Exp - Copier | [REDACTED] |
| 1-90-5430 Rent | [REDACTED] |
| Rent paid by HAWC | [REDACTED] |
| 1-90-5480 Telephone | [REDACTED] |
| 1-90-4100 401 K Expense - Admin | [REDACTED] |
| 1-90-5380 Postage | [REDACTED] |
| Less Postage billed to HAWC | [REDACTED] |
| see comment Misc | [REDACTED] |
| 1-90-4040 Admin OT Payroll | [REDACTED] |
| 1-90-5060 Depreciation | [REDACTED] |
| 1-90-5050 Computer Expense - Misc | [REDACTED] |
| 1-90-5051 Computer Maint & Service Contracts | [REDACTED] |
| 1-90-5160 1/2 of Insurance | [REDACTED] |
| Less: [REDACTED] salary included in Labor Burden | [REDACTED] |
| Less: Wages - Property Manager | [REDACTED] |
| Less: Burden for above wages - as above | [REDACTED] |
| Adjusted G & A expenses | [REDACTED] |
| Overhead % | <u>14%</u> |

REDACTED

SERVICES AGREEMENT

This Services Agreement (“Agreement”) is made as of this ___ day of _____ 2021 between Atkinson Concessions, Inc. (“ACI”) of 85 Country Club Drive, Atkinson, NH on the one hand, and Atkinson Area Wastewater Recycling, Inc. (“AAWWR”) of 54 Sawyer Ave, Atkinson, NH on the other hand (together with ACI the “parties”). AAWWR and ACI are related parties.

WHEREAS, AAWWR, a New Hampshire public utility sewer company, operates a system in Atkinson, New Hampshire and has need of certain services including landscaping, mowing, weed clearing including chemical spraying, and emergency phone backup and after hours phone services, mailing services, and other related services; and

WHEREAS, ACI, a privately held company, has the services, equipment, and facilities necessary to AAWWR’s daily operations.

NOW THEREFORE, the parties agree as follows:

1. Services

ACI will provide, on an as needed basis, those services as set forth on Schedule A at the hourly or other fair market rate as set forth on Schedule A.

2. Labor Burden

For all labor costs set forth on Schedule A (see section 1) and Exhibits 1 and 2 thereto, which rates constitute the gross pay hourly/salary payments, at fair market rates, to the individual concerned, ACI will add a Labor Burden cost which represents the indirect cost of such labor, such as workers compensation insurance, employee benefits, employer paid payroll taxes, etc. Such Labor Burden shall be calculated in accordance with Exhibit 1 to Schedule A and shall be calculated on or before April 1st of the following year as of December 31st of the previous year and shall apply to the following

12 months beginning April 1. The Labor Burden for 2021 is forty-two percent (42%) of the direct labor rate paid to each employee of ACI.

3. Overhead Expense

For all costs (labor, materials & services) set forth on Schedule A, ACI will add an Overhead expense factor (General & Administrative) multiplier calculated on or before April 1st of the following year as of December 31st each year to be applied to the following 12 months beginning April 1, in accordance with the formula set forth on Exhibit 2 to Schedule A. For 2021, this factor is fourteen (14%).

4. Billing Procedure and Content

A. ACI will bill AAWWR monthly, in arrears, for the actual cost of all of the items set forth in Sections 1 through 3 above incurred and/or consumed in the previous month.

B. No supply material cost, labor charge, overhead or labor burden ACI charges to AAWWR shall include any profit, mark up, or additional labor burden or additional overhead from a related company for the same service, part, or supply.

C. If any employee of AAWWR or any equipment belonging to AAWWR is used by ACI in any or for any work or project other than AAWWR's operations, ACI shall pay to AAWWR the cost of such, including the then Labor Burden and overhead rates.

D. The Agreement may be cancelled at any time by any party upon ninety (90) days of notice to the other, without penalty, and will otherwise automatically renew from year to year until and unless such notice is given.

This Agreement and any amendment or changes thereto, including cancellation, are subject to the prior written approval of the New Hampshire Public Utilities Commission.

ATKINSON AREA WASTE WATER RECYCLING, INC.

By: _____
Christine Lewis Morse, Vice President

ATKINSON CONCESSIONS, INC.

By: _____
Christine Lewis Morse, President

STATE OF NEW HAMPSHIRE
ROCKINGHAM COUNTY

This instrument was acknowledged before me this ____ day of _____,
2021 by Christine Lewis Morse as Vice President of Atkinson Area Waste Water Recycling, Inc.
and by Christine Lewis Morse as President of Atkinson Concessions, Inc.

Notary Public
My commission expires:

SCHEDULE A

I. Services (to be billed out as used)

ACI

| <u>Services</u> | <u>To be Billed at Actual Rate paid to Employee</u> | |
|-----------------------------------|---|--------------|
| 1. Accounting and Office Labor | + Burden + G&A | Hourly Basis |
| 2. Repairs & Maintenance | + Burden + G&A | Hourly Basis |
| 3. Mailing Costs (actual) | | |

Exhibits 1 and 2 (2021 Labor Burden & Overhead) submitted as confidential

LEWIS BUILDERS DEVELOPMENT INC.

9/1/2021

Labor Burden & Overhead
FOR THE YEAR 2021

REDACTED

| | | <u>Per Trial Balance 12/31/20</u> |
|-------------------------------------|--|---|
| 1-10-4100 | 401 K Expense | |
| 1-10-4140 | Builders Risk Insurance | |
| 1-10-4220 | Equipment Expense - Fuel | |
| 1-10-4221 | Unleaded Gas | |
| 1-10-4222 | Diesel Fuel | |
| 1-10-4280 | Health Insurance | |
| 1-10-4300,5300 | Holiday\Vacation\Sick | |
| 1-10-4320 | Life Insurance - Field | |
| 1-10-4350 | Misc Tools | |
| 1-10-4360 | Consumable Supplies | |
| 1-10-4365 | Recycling Charges | |
| 1-10-4370 | Permit, approval, etc | |
| 1-10-4380 | Misc Utilities | |
| 1-10-4400 | Payroll Taxes | |
| 1-10-4420 | Employee Disability Insurance | |
| 1-10-4440 | Purchase Discounts | |
| 1-10-4475 | Travel, Books, Plans, Estimating, Misc | |
| 1-10-4485 | Cell Phones, Pagers | |
| 1-10-4500 | Workers Comp Insurance | |
| 1-10-4510 | Safety | |
| 1-10-5280 | Engineering & Other Payroll | |
| 1-90-5420 | Real estate Taxes (Misc Land) | |
| | Porton of Officers salary assigned to Labor Burden - 10% | |
| | 401k - field included in G & A | n/a |
| | Life Insurance - Field included in G & A | n/a |
| | 1/2 of Insurance in Account 1-90-5160 | |
| | Less: G & A Workers Compensation | n/a |
| Adjusted Indirect Overhead | | |
| Total Direct Labor 1-10-4040 | | |
| Labor Burden % | | <u>42%</u> |

LEWIS BUILDERS DEVELOPMENT INC.

9/1/2021

Labor Burden & Overhead
FOR THE YEAR 2021

REDACTED

| | <u>Per Trial Balance 12/31/20</u> |
|--|---|
| Revenue (all 3000 accts) | [REDACTED] |
| G & A Expenses: | [REDACTED] |
| 1-90-5280 Admin Payroll | [REDACTED] |
| 1-90-5285 Extended FMLA pay | [REDACTED] |
| 1-90-5300,4300 Holiday\Vacation\Sick | [REDACTED] |
| 1-90-5320 Marketing Payroll | [REDACTED] |
| 1-90-5340 Officer's Salary | [REDACTED] |
| 1-90-5120 Misc Employee Benefits | [REDACTED] |
| 1-90-5140 Health Insurance | [REDACTED] |
| 1-90-5220 Marketing Misc | [REDACTED] |
| 1-90-5221 Advertising - Online | [REDACTED] |
| 1-90-5225 Advertsing - Print | [REDACTED] |
| 1-90-5230 Marketing - Software | [REDACTED] |
| 1-90-5232 Marketing - Community | [REDACTED] |
| 1-90-5234 Marketing - Customer App | [REDACTED] |
| 1-90-5236 Marketing - Branding | [REDACTED] |
| 1-90-5237 Marketing - Signage | [REDACTED] |
| 1-90-5238 Marketing - HAWSCO | [REDACTED] |
| 1-90-4400 Payroll Taxes | [REDACTED] |
| 1-90-4440 Purchase Discounts | [REDACTED] |
| 1-90-4500 Workers Comp - Admin | [REDACTED] |
| 1-90-5520 Utilities - Heat, Elec | [REDACTED] |
| 1-90-5521 Utilities - Oil | [REDACTED] |
| 1-90-5522 Utilities - Kerosene | [REDACTED] |
| 1-90-5523 Utilities - Propane | [REDACTED] |
| 1-90-5000 Accounting Fees | [REDACTED] |
| 1-90-5001 Accounting - Year End Work | [REDACTED] |
| 1-90-5002 Accounting - 401K | [REDACTED] |
| 1-90-5180 Legal | [REDACTED] |
| 1-90-5200 Life Insurance - Admin | [REDACTED] |
| 1-90-5245 Misc Exp - Soda | [REDACTED] |
| 1-90-5400 Professional Development | [REDACTED] |
| 1-90-5260 Office Expenses | [REDACTED] |
| 1-90-5261 Office Exp - Copier | [REDACTED] |
| 1-90-5430 Rent | [REDACTED] |
| Rent paid by HAWC | [REDACTED] |
| 1-90-5480 Telephone | [REDACTED] |
| 1-90-4100 401 K Expense - Admin | [REDACTED] |
| 1-90-5380 Postage | [REDACTED] |
| Less Postage billed to HAWC | [REDACTED] |
| see comment Misc | [REDACTED] |
| 1-90-4040 Admin OT Payroll | [REDACTED] |
| 1-90-5060 Depreciation | [REDACTED] |
| 1-90-5050 Computer Expense - Misc | [REDACTED] |
| 1-90-5051 Computer Maint & Service Contracts | [REDACTED] |
| 1-90-5160 1/2 of Insurance | [REDACTED] |
| Less: [REDACTED] salary included in Labor Burden | [REDACTED] |
| Less: Wages - Property Manager | [REDACTED] |
| Less: Burden for above wages - as above | [REDACTED] |
| Adjusted G & A expenses | [REDACTED] |
| Overhead % | <u>14%</u> |

**BILLING AND DISCONNECT/RECONNECT
AGREEMENT**

This Agreement is made this ____ day of _____ 2021 by and between The Hampstead Area Water Company, Inc. (“HAWC”) located at 54 Sawyer Avenue, Atkinson, New Hampshire 03811 and Atkinson Area Waste Water Recycling, Inc. (“AAWWR”), located at 54 Sawyer Avenue, Atkinson, New Hampshire 03811, both being New Hampshire corporations, and being related companies.

WHEREAS, AAWWR, a New Hampshire public utility sewer company, operates waste water treatment in Atkinson, New Hampshire, and has need of certain billing, collections of charges, and other administrative notice services, including disconnection and reconnection of water service and notices of same, and whereas HAWC has the billing, collection of charges, equipment, labor, and administrative service facilities necessary to fulfill AAWWR’s needs, now therefore the parties agree as follows:

1. Billing and Notice Services

HAWC will provide, on an ongoing basis, sewer billing and on an as needed basis disconnection and reconnection services including notices for disconnection and reconnection for AAWWR to its customers. The rate for all but the disconnection and reconnection charges and excluding office supplies and postage costs will be \$10 per customer, per year, billed monthly. The rate for disconnection and reconnection will be the then rate authorized by HAWC’s tariff for disconnection and/or reconnection, which currently is \$45 for each service. These charges may be amended when more than 65 customers are served, if reviewed and approved by the Public Utilities Commission. HAWC shall provide separate line items showing AAWWR customer sewer bill charges for base and usage, and disconnection and reconnection charges in the HAWC water bill sent to the same customer. If there is a partial payment of any bill, priority shall be first to any past due HAWC charges, then past due AAWWR

charges, then to HAWC's current water charges, and then to AAWWR's current sewer charges.

2. Billing Procedure and Content

- A. HAWC will bill AAWWR for services on a monthly basis.
- B. This Agreement may be cancelled by either party with thirty (30) days of notice provided to the other, without penalty, and will automatically renew annually until cancelled. Such cancellation shall require written approval from the New Hampshire Public Utilities Commission, in advance, to become effective and final.

3. Disconnect/Reconnect Services

AAWWR and HAWC agree to the following specific provisions:

- A. Notice. Upon request from AAWWR, HAWC shall send AAWWR Customers notice(s) of disconnection of water services due to nonpayment of AAWWR sewer bills as outlined in Puc 703.03 (a)-(f) and (i) –(k) and to be carried out pursuant to the terms of HAWC's tariff and Puc 1203.11. Said notice(s) shall comply with all standards set forth in the Service Provisions Terms & Conditions contained in HAWC's tariff including all minimum notice timeframes and Puc 1203.11. HAWC shall inform AAWWR if such customers are currently disconnected by HAWC due to failure to pay a water bill, or other water-related reason. In such instances disconnection of water services for failure to pay a sewer bill will not occur.
- B. Disconnection of Water Service due to failure to pay a sewer bill. AAWWR shall contact HAWC one working day prior to the chosen disconnection day to confirm the need for disconnection. HAWC will perform all work to disconnect water service of a customer for nonpayment of sewer bill or other sewer related reason. Such disconnection shall comply with all disconnection provisions set forth in the Service Provisions Terms & Conditions contained in HAWC's tariff and Puc 1203.11.

- C. Reconnection of Water Service due to failure to pay a sewer bill. When the cause for disconnection for sewer related reasons has been removed, AAWWR shall inform HAWC. Upon receipt of such notice, HAWC shall cause sewer-related water service to be restored on the day of the request, if possible and shall attempt to provide reconnection even during other than regular business hours. See Puc 1203.13. HAWC services shall comply with all reconnection of service provisions set forth in the Service Provisions Terms & Conditions contained in HAWC's tariff and Puc 1203.11.

- D. Customer conferences. AAWWR shall attend any customer conferences, including disconnection conferences, or "conferences to mediate complaints other than disconnection conferences." See Puc 1203.16 and 1203.17. If invited to attend by AAWWR, HAWC shall also attend.

4. **HAWC charges to AAWWR**

- A. HAWC shall charge AAWWR \$10.00 per customer, per year, for billing services and for providing customers with notice(s) of: (i) AAWWR's intent to disconnect the customer's water service due to the customer's failure to pay sewer charges; and (ii) reconnection of water service.

- B. HAWC shall charge AAWWR \$45.00 for each disconnection and \$45.00 for each reconnection if such is not paid to HAWC by the AAWWR customer within ninety days of the service rendered.

5. **Amendment including cancellation**

This Agreement and any amendment or changes thereto, including cancellation of this Agreement, shall be made in writing, are subject to the prior approval of the New Hampshire Public Utilities Commission, and shall become effective only upon such approval. See Puc 703.03(f).

THE HAMPSTEAD AREA WATER COMPANY, INC.

By: _____
Christine Lewis Morse, Vice President

ATKINSON AREA WASTE WATER RECYCLING, INC.

By: _____
Christine Lewis Morse, Vice President

STATE OF NEW HAMPSHIRE
ROCKINGHAM COUNTY

This instrument was acknowledged before me this ____ day of _____ 2021
by Christine Lewis Morse as Vice President of The Hampstead Area Water Company, Inc., and
by Christine Lewis Morse as Vice President of Atkinson Area Waste Water Recycling, Inc.

Notary Public
My commission expires:

Attachment D
(AAWWR Revised Tariff)

**NHPUC
SUPPLEMENT NO. 1**

ATKINSON AREA WASTE WATER RECYCLING, INC.

Issued:

Issued by: _____

Christine Lewis Morse

Effective:

Title: Vice President

Authorized by NHPUC Order #24,889 in Docket DW 07-131

and Authorized by NHPUC Order # _____ in Docket DW 20-071

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SERVICE AREA

The territory authorized to be served by this Company and to which this tariff applies is as follows:

A limited area of Atkinson NH described as follows:

BEGINNING at a point common to the Towns of Atkinson and Salem, New Hampshire and the City of Haverhill, Massachusetts; thence Northeasterly along the State Line of New Hampshire and Massachusetts to the centerline of North Broadway; thence Northwesterly along the centerline of North Broadway to the centerline intersection of North Broadway and Providence Hill Road; thence Northwesterly along the centerline of Providence Hill Road to the Salem, New Hampshire town line; thence Southwesterly, Easterly, and Southeasterly along the Salem and Atkinson town line to the point of beginning, This area containing approximately 1100 acres.

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DEFINITIONS

"Arrearage" means any amount due to the utility for Utility Service which remains unpaid after the due date printed on the original bill.

"CIAC" means Contributions in Aid of Construction as defined in 26 CFR §1.118.2.

"Current bill" means the amount of money due to the utility for Utility Service, including all applicable state and federal taxes, rendered in the most recent billing period.

"Commission" means the New Hampshire Public Utilities Commission.

"Company" means the New Hampshire public sewer utility, Atkinson Area Waste Water Recycling, Inc. (AAWWR)

"Customer" means any person, firm, partnership, corporation, cooperative marketing association, tenant, governmental unit, or a subdivision of a municipality, or the State of New Hampshire, who has contracted for electric, gas, sewer or water service, from a utility.

"Disconnection" means a technological function which occurs when a Customer is physically or effectively separated or shut off from a Utility Service.

"Due date" means the date no less than 25 calendar days from the bill date when the bill is sent electronically or via first class mail.

"Financial hardship" means a residential Customer has provided AAWWR with evidence of current enrollment of the Customer or the Customer's household in the Low Income Home Energy Assistance Program, the Electric Assistance Program, the Neighbor Helping Neighbor Program, the Link-Up and Lifeline Telephone Assistance Programs, their successor programs or any other federal, state or local government program or government funded program of any social service agency which provides financial assistance or subsidy assistance for low income households based upon a written determination of household financial eligibility.

"Holding tanks" means a series of tanks owned by AAWWR that receive the sewage discharge from the premises served through the outflow pipe and are connected to the main by the service pipe.

"Late payment" means any payment made to the Company or its authorized agent after the due date printed on the bill.

"Main" means a sewage pipe owned, operated, or maintained by a utility which is used to transport sewage from the service pipe to the point of disposal.

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“Medical emergency” means a situation where a residential Customer of AAWWR or member of the Customer’s household has a physical or mental health condition that would become a danger to the Customer’s or household member’s physical or mental health in the absence of utility service as certified to the utility by a licensed physician, advanced practice registered nurse, physician’s assistant or mental health practitioner as defined in RSA 330-A:2, VII.

“Meter” means a device installed by the utility to measure the amount of use.

“Outflow pipe” means the Customer-owned pipe which takes the sewage discharge from the premises served to the first holding tank. The Customer shall own the service outflow pipe to the point of connection with the first holding tank.

“Septic pumping” means the removal of sludge and scum from a septic or holding tank system for transport to appropriate disposal facilities.

“Service pipe” means the utility-owned pipe used to transport sewage from the holding tanks to the main.

“Serving water utility” means the New Hampshire public water utility providing water service to AAWWR Customers. Currently, The Hampstead Area Water Company, Inc. (HAWC) is AAWWR’s Serving water utility.

“Sewage” means ground garbage, human or animal excretions and all other waterborne waste normally disposed of by residential, industrial, or commercial facilities through a sanitary sewage disposal system excluding solid waste, industrial waste and septic pumping.

“Sewage disposal service”, herein a/k/a “sewer service” means the collection, transportation, treatment, and disposal of sewage including but not limited to the active processing of sewage to remove impurities and its ultimate discharge in the environment. This definition does not include septic pumping.

“Sewer Utility” means any “public utility” as defined in RSA 362.2 owning, operating or managing any plant or equipment or any part of the same for the furnishing of sewage disposal for the public except: municipal corporations operating within their corporate limits; municipal corporations which are except pursuant to RSA 362:4, to the extent of such exemptions; any landlord supplying sewage disposal service to its tenants which service is included in a rental fee; any association of residents supplying sewage disposal service to themselves; or any other entity otherwise exempt from regulation by statute or commission order.

“Tariff” means the current schedule of rates, charges, terms and conditions filed by a utility and either approved by the commission or effective by operation of law.

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“Termination” means a bookkeeping function which occurs when a Customer account is closed permanently.

“Utility service” means the provision of electric, gas, water, or sewer service in accordance with the terms and conditions of a tariff filed with and approved by the commission, or by a rural electric cooperative for which a certificate of deregulation is on file with the commission in accordance with its terms and conditions of service.

“Water Utility” means any “public utility” as defined in RSA 362:2 owning, operating or managing any plant or equipment or any part of the same for supplying of water to the public, or engaged in the transmission or sale of water ultimately sold to the public within New Hampshire.

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TERMS AND CONDITIONS

1. Application for Service

Application for sewer service shall be made by the prospective owner of a residential or commercial dwelling in the Service Area, or his agent, at the time the prospective owner executes a Purchase and Sale or a tenant executes a lease for the dwelling, in accordance with Puc 1203.01. Applications for service shall be made by any tenant or an owner of a residential or commercial dwelling in the Service Area at the commencement of the tenancy or ownership. By making application for sewer service, the Customer consents to the sharing of service and billing information by and between AAWWR and the Serving water utility. 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 Customer shall provide all information required by the Company in the application for service reasonably necessary to conduct business and the Company may require updated Customer information as it deems fit. The Company may refuse to render service:

- a. Where the applicant fails to make any deposit or to execute any agreement as is required by the provisions of this Tariff.
- b. 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.

2. Service Pipe

A. Location. 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) For an Individual Customer or Group of Customers:

- a) The Outflow pipe, Holding tanks, and Service pipe will be installed by the Company or a representative of the Company at the Customer's expense from the existing main to the premises served (the "main-to-end"). For services installed by the Company at the time application for service is made a deposit will be required based upon the estimated cost

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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 in accordance with the Rate Schedule –GM on Original pages 17 and 18 of this tariff to recover the costs of State and Federal taxes on CIAC payments. Thereafter, the main-to-end shall be owned and maintained by the Utility. Customers shall not otherwise be charged by the utility for CIAC payments or state and federal taxes on CIAC payments that are chargeable to a Developer. See section 2, B(2), "For Developers", below.

- b) All Service pipes, Mains, and Holding tanks shall be owned and maintained by the Company.
- c) The Customer for the premises served will own and maintain the Outflow pipe from the premises served to the first Holding tank.

2) For Developers

Developers will be responsible for the cost of installation of Outflow pipes, holding tanks, service pipes and new mains from the existing main to the premises served, to be installed per Company specifications, and shall pay any fees to the Company in accordance with the Rate Schedule –GM on Original pages 17 and 18 of this tariff to recover the costs of State and Federal taxes on CIAC payments.

C. Joint Use of Service Pipe Trench. No service pipes shall be laid in the same trench with gas pipe, water pipe, or any other facility of a public utility, nor within three (3) feet of any open excavation or vault.

D. Thawing. When it becomes necessary to thaw a frozen service pipe and it cannot be determined where it is frozen and the Company at the Customer's request undertakes to thaw the same, one-half of the cost thereof shall be paid by the Customer.

3. Winter Construction.

Ordinarily no new service pipes or extensions of mains will be installed during winter conditions (when frost is in the ground) unless the Customer shall (i) present evidence satisfactory to the Company that no governmental law, ordinance, or regulation will be violated thereby, and (ii) defray all extra expense incurred by such installation.

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4. Maintenance of Plumbing.

Customers shall maintain the plumbing and fixtures within their own premises in good repair, free from leaks and protected from freezing, and at their own expense. Any relocation of the service pipe on Customer's premises due to change in grade, relocation of grade, or due to action or inaction of the Customer, shall be at the Customer's expense.

5. Meters.

A. Use of Meters. All sewer service rates will be calculated on the basis of metered water consumption as measured by the water meter of the Serving water utility, at the designated tariff rate.

6. Cross-connections.

Cross-connection of any service pipe with that of any third-party outflow or distribution pipe is prohibited except this section shall not prohibit a utility which has received all federal, state, and municipal approval in connection therewith from (1) discharging treated effluent from a sewage treatment facility in accordance with such approvals; or (2) transmitting sewage from one sewer system to another, in accordance with such approvals, for treatment.

7. Tampering.

All gates, valves, shut-offs, holding tanks, and pipes are the property of the Company and shall not be opened or closed or tampered with in any way by any person other than an authorized person or agent of the Company.

8. Company Liability.

A. The Company will not be responsible for any damage caused by shut-offs in the mains or service pipes, because of shortage of water supply, setting or removing meters by the Serving water utility, repairs, construction, or for other reasons beyond the control of the Company.

Interruptions of Service: The Company shall use all reasonable means to avoid interruptions to service. Should interruption of service occur, the utility shall re-establish service within the shortest time practicable, consistent with safety. Advanced notice of interrupted service shall be given whenever practicable.

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B. The Company will not be responsible for damage caused by discharge of effluent, which may be occasioned by periodic cleaning of mains, holding tanks, or service pipes, or any other cause except if due to lack of reasonable care on the part of the Company.

9. Payment for Service.

A. Bills. Bills for sewer service will be rendered monthly in accordance with the "Terms of Payment" specified in the applicable rate schedule and are due and payable at the office of the Company or its designee upon presentation. AAWWR charges shall be included in the Serving water utility's bill. If a Customer makes a partial payment for water and sewer services, priority shall be to the Serving water utility's past charges, then to AAWWR's past charges, then to the Serving water utility's current charges, and then to AAWWR's current charges.

B. Deposits. AAWWR may require a deposit or a written guarantee or direct debit account as provided for in Puc 1203.03(i) from a Customer in the following circumstances:

1. New residential service:

- a) The Customer has an undisputed overdue balance, incurred within the last three (3) years, on a prior account with the Company or any similar type of utility, as described in Puc 1203.03(c);
- b) AAWWR has successfully obtained judgment against the Customer during the past two (2) years for non-payment of a delinquent account for utility service;
- c) The utility has disconnected the Customer's water for failure to pay a sewer bill within the last 3 years because the Customer interfered with, or diverted, the service of AAWWR situated on or about the Customer's premises; or
- d) The Customer is unable to provide satisfactory evidence to AAWWR that he or she intends to remain in the location for which the service is being requested for a period of 12 consecutive months, as described in Puc 1203.03(d), unless he or she provides satisfactory evidence that he or she has not been delinquent in his or her similar utility service accounts for a period of 12 months, as described in Puc 1203.03(b), in which case no deposit shall be required.

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- 2) Existing residential service:
- a) The Customer has received four (4) water disconnect notices within a twelve (12) month period if billed monthly;
 - b) The Customer water service has been disconnected for non-payment of a delinquent sewer account;
 - c) When the sewer utility has had the Customer's water service disconnected because the Customer interfered with, or diverted, the service of the sewer utility situated on, or delivered on or about, the Customer's premises; or
 - d) The Customer has filed for bankruptcy and listed AAWWR as a creditor under the filing, the filing has been accepted, in which case the deposit requirement shall be in accordance with 11 U.S.C. 366.

3) The Customer's account will be credited annually with interest equal to the prime rate on all deposits from the date of deposit to the date of termination. Deposits, plus any accrued interest, less any amount due the Company, will be refunded within sixty (60) days of termination of water service. When a deposit is applied against an account which has been terminated, interest shall cease to accumulate on the balance at the date of termination. In lieu of a cash deposit, the Company will accept an irrevocable written guarantee of a responsible party as security for a Customer service account. The receipt of a deposit by the Company shall not relieve the Customer from the prompt payment of sewer service bills nor constitute a waiver or modification of the practices of the Company for the discontinuance of water service for non-payment of any sum due for sewer service rendered. The above provisions concerning service deposits are separate and apart from the terms and conditions of deposits for main pipe extensions, service installation, special contracts, and other special provisions.

AAWWR shall comply with all other requirements regarding deposits as stated in Puc 1203.03.

10. Disconnection of Water Service – For Unpaid Sewer Bill.

Customer Sewage disposal service shall not be disconnected due to nonpayment. Customer water service may be disconnected for nonpayment of sewer utility bill under the following circumstances:

A. Disconnection of Water Service With Notice.

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- 1) The Company has elected to have the Serving water utility, HAWC, disconnect water service to Sewage disposal service Customers after appropriate notice if a sewer bill remains unpaid. Notice to Customers shall be provided by HAWC, on AAWWR's behalf, consistent with HAWC's tariff for disconnecting water customers, and consistent with Puc 703.04 and 1203.11. Disconnection, with notice, shall occur when a Customer:
- a. Fails to pay an arrearage after proper demand; or
 - b. Fails to pay a deposit request, establish a direct debit account, or provide an acceptable third-party guarantee in lieu of the deposit per Puc 1203.03; or
 - c. Fails to pay a sewer bill and fails to enter into a payment arrangement for payment of the bill on or before the due date printed on the sewer bill; or
 - d. Refuses access to the premises for a necessary inspection or repair or replacement of AAWWR property, including but not limited to the reading of the Serving water utility meters.

Notice of Disconnection of Service shall not be sent to a residential Customer if any of the conditions outlined in Puc 1203.11 exist.

- 2) Customer is responsible for all water service disconnection and reconnection fees stated in Section 13, entitled Miscellaneous Charges. The Company shall not charge for reconnection of water service due to a sewer-related cause when the cause for disconnection was not in compliance with a commission-approved billing agreement and tariff.

The Company will cause the Serving water utility to restore service upon the Customer's request when the cause for disconnection has been removed and either the Customer has demonstrated Financial hardship, or the Customer has paid the reconnection fee. The Company, through the Serving water utility, shall endeavor to reconnect water service during regular business hours on the day of the request. When the Customer request that water service be reconnected at other than regular business hours, the Company, through the Serving water utility, shall attempt to make the reconnection, provided, however, that the Company, through the Serving water utility, shall be under no obligation to do so unless a Medical emergency exists. The Company, through the Serving water utility, shall reconnect water service within the shortest time practicable, consistent with safety.

- 3) When a Customer cannot pay a bill in full, the Company shall continue to serve

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the Customer if the Customer pays a reasonable portion of the arrearage as agreed to by the Customer and AAWWR, pays the balance of the arrearage in reasonable installments as agreed to by the Customer and AAWWR, and pays the current bill and all future bills by the due date printed on the bill, except for a Medical emergency and consistent Puc 1203.07 and Puc 1204.04.

4) Disconnection and Reconnection Fees. Disconnection and reconnection fees owed by the Customer shall be as allowed under the tariff of the Serving water utility, which currently is a flat fee of \$45 for disconnection, and \$45 for reconnection.

5) Medical Emergency. No service will be disconnected when the Company is advised that a medical emergency exists at the location or would result from the disconnection, in accordance with procedures set forth in Commission Rules §703.03 and §1203.11.

B. Disconnection of Water Service Without Notice.

Water service may be disconnected without notice if AAWWR notifies the Commission of the disconnection within 48 hours of the disconnection and one of the following conditions exists:

- 1) The Customer has obtained utility service in an unauthorized manner or used utility service fraudulently;
- 2) The Customer has clearly abandoned the property as demonstrated by the fact; that the service address premises have been unoccupied and vacant for a period of 60 calendar days;
- 3) A condition dangerous to the health, safety, or utility service of others exists; or
- 4) Clear and present danger to life, health or physical property exists.

AAWWR shall comply with all other requirements regarding disconnection of water service as stated in Puc 1203.11.

C. Accounts Involving Landlord - Tenant Relationships.

If AAWWR seeks to discontinue water service of a Sewage disposal service Customer who is a tenant of a landlord-residential tenant relationship, the Company, through the Serving water

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utility, shall notify the landlord of the notice to discontinue water service. Thereafter Company, through the Serving water utility, shall follow the procedure set forth in Puc 1203.12.

11. Customer Termination of Sewer Account.

- A. The Customer shall provide reasonable notice of intent to terminate sewer service as follows:
- 1) The Customer shall provide notice at least 4 business days in advance of the termination date; and
 - 2) Until the later of the expiration of the notice period or the requested sewer service termination, the Customer shall be responsible for all charges incurred for sewer service.
- B. The Customer requesting sewer service termination shall make a reasonable effort to provide the Company, through the Serving water utility, with access to the water meter.
- C. If the Customer is unable to provide the Company, through the Serving water utility, with access to the water meter, the Company, through the Serving water utility, shall send a written request for access to the water meter to the property owner, advising the property owner that failure to provide access to the water meter within 10 calendar days from the postmarked date of the request shall result in the transfer of responsibility for the sewer service to the property owner.

12. Customer Appeals. If a Customer disputes a disconnection (by the Serving water utility), or a bill or other matter with AAWWR, the Customer must request a conference with the Company prior to the scheduled date of water disconnection. The conference and appeals process shall comply with the procedures in Puc 1203.16 and 1203.17.

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13. Miscellaneous Charges.

A. Service Calls.

The Customer will be charged for all service calls except for calls that are due to a lack of reasonable care and maintenance of the sewer equipment and facilities by AAWWR. Effective until otherwise approved by the Commission, the hourly charge, not including materials, equipment use, or transportation, will be as follows:

| | |
|------------------------------|------------------|
| During regular working hours | \$50.00 per hour |
| Off regular hours & weekends | \$75.00 per hour |

B. Disconnect/Reconnect for Unpaid Sewer Bill

The Customer will be charged a flat rate, including materials, equipment use, and transportation, as follows for disconnection and reconnection service calls consistent with the Serving water utility's tariff, which is currently:

| | |
|--|----------------|
| Disconnection of water service for unpaid sewer bill | \$45 flat rate |
| Reconnection of water service for unpaid sewer bill | \$45 flat rate |

C. Penalty for Bad Checks.

Whenever a check or draft presented for payment is not accepted by the institution on which it is written, AAWWR will impose a charge of \$5.00 or the processing fee, whichever is greater, and also consistent with the Serving water utility's tariff if applicable.

14. Right of Access.

For the purpose of enforcing the provisions of this tariff, an authorized Company representative shall have the right and be permitted access to Customer's premises at any time to inspect the plumbing, fixtures, and/or appliances supplying service and the sources and nature of effluent, if any.

15. Main Pipe Extensions.

A. General Terms.

Main pipe extensions will be made upon petition of prospective Customers, subject to the following terms and conditions:

- 1) Main pipe extensions shall be laid by the Company or its authorized

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representative and shall be the property of the Company. Main pipe extensions on private property may be installed by the Customer at the Customer's option. Inspection of such work shall be provided by the Company, and the cost of said inspection will be paid by the Customer. The Customer shall pay the Company a fee in accordance with the Rate Schedules - GM on Original Pages 17 and 18 of this Tariff to recover the cost of any state and federal taxes on CIAC payments. Customers shall not otherwise be charged by the utility for CIAC payments or state and federal taxes on CIAC payments that are chargeable to a Developer. (See Section 15(C), "For Developers" below.)

- 2) Highways or streets in which an extension is to be made must have been laid out, lines and grades established, rough-graded, and approved by the municipality. In addition, an extension on private property may be made if:
 - a) Access along a public highway or street is not feasible; and
 - b) The prospective Customer(s) provide without expense to the Company, the necessary permits, consents, and easements, providing the Company with suitable legal rights for the construction, maintenance, and operation of pipelines and equipment, including the right to excavate whenever necessary; and
 - c) The prospective Customer(s) pays all expenses for the Main Pipe extension including, but not limited to, any fee in accordance with the Rate Schedules - GM on Original Pages 17 and 18 of this Tariff to recover the cost of any state and federal taxes on CIAC payments.
- 3) The size of pipe shall be determined by the Company in accordance with conditions surrounding the extension, including the possibility of future expansion and pressure and flow rate. If, in the opinion of the Company, a pipe smaller than eight inches (8") in diameter is sufficient or necessary based on the above conditions, the Company may, in its sole discretion, install such smaller pipe; and the cost will be based upon the size of the pipe to be installed.
- 4) The entire estimated construction cost, to be advanced by the Customer, (Customer advance) shall be based on the average cost of 8-inch (8") pipe installed during the previous year plus ten percent (10%). Where it is anticipated that abnormal costs will be encountered, the required Customer advance will be

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based on one Hundred fifty percent (150%) of the previous yearly average cost of 8-inch pipe. The Customer advance will be adjusted to the actual cost, when the actual costs are known.

- 5) Special contracts will be negotiated whenever in the opinion of the Company, conditions surrounding the extension, the regular extension plan should not be used or is not feasible. Each special contract shall be submitted to the Public Utilities Commission for approval.
- 6) All main pipe extensions will comply with the specifications and standards set forth by the Company for Main, and Service Installations at the time extension is sought, consistent with state and federal regulations.
- 7) The Company may refuse to render service in any 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 refused 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.
- 8) Specific Terms regarding Credits and Refunds
 - a. For each Customer served from the main pipe extension at the regular filed and published tariff rates including the Customer advance provisions of Section 15 (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 following paragraph. For the purpose of this Section 15(B), "For an Individual Customer or Group of Customers" below, each service connection of a permanent nature will be considered as one Customer.
 - b. 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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B. For an Individual Customer or Group of Customers.

- 1) For each customer served at the regular filed and published tariff rates, the Company will, at its own expense, extend its main a distance not to exceed twenty-five (25) feet. For the purpose of this section, each service connection installed to serve premises improved with structures of a permanent nature will be considered as one customer.
- 2) For extensions averaging more than twenty-five (25) feet per customer, the customer or customer group will be required to make a "Customer advance for Construction" to be deposited with the Company in advance of construction. The Customer Advance will be the construction cost as defined in Section 15(A)(4) above.

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C. For Developers.

Extensions requested to provide sewer service to a prospective housing development or for the other purposes of a speculative nature, as determined by the Company, will be treated as a "developer" extension, subject to terms and conditions set forth below:

- 1) For extensions installed by the Company, the Company may require the developer to advance the entire estimated construction cost as defined in Section 15(A)(4). The Company may require the installation of larger pipe in anticipation of future development. Additional cost to install the larger pipe will be paid for by the Company. The developer's advance will be adjusted to the actual main extension cost when the actual costs are known. The Developer shall pay the Company a fee in accordance with the Rate Schedules - GM on Original Pages 17 and 18 of this Tariff to recover the cost of any state and federal taxes on CIAC payments.
- 2) For extensions installed by the developer, the Company may require payment in advance of construction of a main pipe extension fee of three dollars (\$3.00) per foot to defray the Company's costs of engineering, inspection, and administration associated with main extensions.
- 3) The developer will not receive any pro-rata refunds for subsequent Customers connected to the main or lateral extensions of new mains.

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GENERAL SERVICE - METERED

RATE SCHEDULE - GM

AVAILABILITY:

This schedule is available to all sewer service in the Company's following franchise areas:

Town of Atkinson: Atkinson Core System

CHARACTER OF SERVICE:

Receiving and transporting of sewage from the Customer's premises, subject to the Terms and Conditions of this Tariff. The Company will make every effort to maintain normal outflow but shall not be liable for the failure of either the outflow or the distribution system when such failure is due to the elements, natural causes, breaks, leaks, unusual or concurrent droughts, or waste or unlawful use of water or unauthorized discharge of effluent.

RATES: Sewer Rates (Annual Rate-billed monthly in arrears)

- | | |
|----------------|------------|
| i. Residential | \$133.11 |
| ii. Commercial | \$3,697.43 |

All Consumption - \$14.68 per 100 cubic feet of consumption of water service as metered by the Serving water utility.

- iii. Contributions in Aid of Construction (CIAC) payments Tax

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

Current Effective Tax Rate: Current BPT Rate + (Current Federal Tax Rate * (1-Current BPT Rate))

Plant or Equipment Tax Cost: ((CIAC-[CIAC*(1/Tax Life)*.5]) / (1-Current Effective Tax Rate)) - CIAC Value

Land or Cash Tax Cost: ((CIAC)/(1-Current Effective Tax Rate)) - CIAC value

CIAC Tax Rate: Tax Cost/CIAC value

Issued:

Issued by: _____

Christine Lewis Morse

Effective:

Title: Vice President

Authorized by NHPUC Order #24,889 in Docket DW 07-131

and Authorized by NHPUC Order # _____ in Docket DW 20-071

Examples of proposed formulas based upon 1) \$1,000 of plant and equipment contributions and 2) \$1,000 of cash or land contributions:

Effective Tax Rate (as of 1/1/2020): $.077 + (.21 * (1 - .077)) = 27.08\%$

1) Contributed Plant or Equipment example:

Tax Cost: $(\$1,000 - [\$1,000 * (1/25) * .5]) / (1 - .2708) - \$1,000 = \$343.94$

2) Contributed Land or Cash example:

Tax Cost: $(\$1,000 / 1 - .2708) - \$1,000 = \$371.37$

CIAC Tax Rate: $\$371.37 / \$1,000 = 37.14\%$

The above examples describe how this calculation is made based on proforma property value of \$1,000 and using for example purposes only, tax rates effective as of January 1, 2020. 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, 2020 can be found at <http://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>

TERMS OF PAYMENT:

Bills under this rate are net and will be rendered monthly and are due and payable upon presentation. All accounts Twenty-Five (25) days past due will be assessed a late fee of Ten Dollars (\$10.00) per month at the discretion of the Company, through the Serving water utility.

Issued:

Issued by: _____

Christine Lewis Morse

Effective:

Title: Vice President

Authorized by NHPUC Order #24,889 in Docket DW 07-131

and Authorized by NHPUC Order # _____ in Docket DW 20-071

Attachment E
(Sample AAWWR Bill)

**SAMPLE WATER BILL
INCLUDING SEWER**



SAMPLE CUSTOMER
Longview Dr
Atkinson, NH 03811

| | |
|------------------------|---------------------------|
| Account Number | AMOUNT DUE |
| 13-131071-00 | \$109.54 |
| Due Date | After Due Date Pay |
| 8/29/2021 | \$129.54 |
| Account Name | |
| SAMPLE CUSTOMER | |
| Service Address | |
| Longview Drive | |
| Amount Enclosed | |
| | |

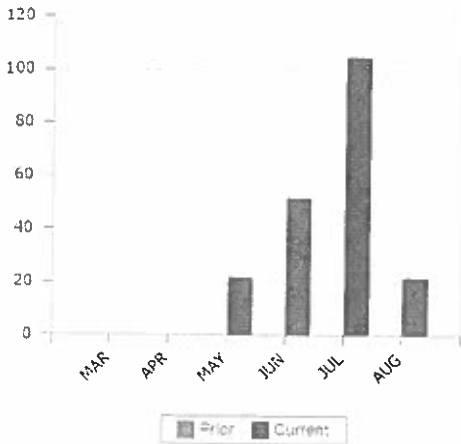
Check here if you are filling out any information on the back.
Please return this portion with your payment.

CUSTOMER ACCOUNT INFORMATION - RETAIN FOR YOUR RECORDS

| | | | | | | |
|---------------------|-------------------------|-----------|------------------------|------------------|---------------------|-----------------------|
| Account Name | | | Service Address | | | Account Number |
| SAMPLE CUSTOMER | | | Longview Drive | | | 13-131071-00 |
| Status | Meter Read Dates | | | Bill Date | Penalty Date | Due Date |
| | From | To | # Days | | | |
| Active | 7/2/2021 | 8/2/2021 | 31 | 8/4/2021 | 8/31/2021 | 8/29/2021 |

APPROXIMATE DATE OF NEXT METER READING: 09/02/2021

CONVERTED USAGE IN GALLONS: 22



| CURRENT READING | PREVIOUS READING | CUBIC FOOT USAGE |
|-----------------|------------------|------------------|
| 27 | 24 | 3 |

| | |
|-------------------------|-----------------|
| PREVIOUS BALANCE | \$13.11 |
| PAYMENTS THROUGH 8/3/21 | (\$13.11) |
| ADJUSTMENTS | \$0.00 |
| PENALTIES | \$0.00 |
| PAST DUE AMOUNT | \$0.00 |
| BASE CHARGE - 5/8" | 10.00 |
| CUBIC FOOT USAGE | 0.18 |
| RES. SEWER BASE | 9.00 |
| RES. SEWER USAGE | 0.36 |
| SEWER DISCONN. FEE | 45.00 |
| SEWER CONNECT FEE | 45.00 |
| CURRENT BILL | \$109.54 |
| AMOUNT DUE | \$109.54 |

If you are a residential customer and believe that a medical emergency exists in your home or would exist if your service were to be disconnected, you may be protected from disconnection. Please contact us at 603-362-4299 for more information.

SEE REVERSE SIDE FOR MORE INFORMATION

PAYMENT TYPE: (SELECT ONE OPTION)

Enroll in Auto Pay* (Recurring Monthly Payments)
(Checking/Savings Account Only)

- OR -

One-Time Payment in the amount of \$ _____
(Credit/Debit Payment Only)

More payment options are available on our MyHAWC Portal at www.hampsteadwater.com.

PAYMENT METHOD: (SELECT ONE OPTION)

Credit/Debit Payment:

Name on Credit/Debit Card: _____

Credit Card #: _____

Exp Date: _____ / _____ Security Code: _____

Mailing Address the Credit Card/Bank Statement is sent to: _____

Checking/Savings Account Information:

Name on Bank Acct: _____

Name of Bank: _____

Routing/ABA #: _____

Checking/Savings Acct #: _____

CHANGE OF ADDRESS FORM:

To update your mailing address, please complete the information below & return to HAWC or log into your MyHAWC account on HAWC's website:
www.hampsteadwater.com.

(To Cancel Water Service/Close an Account please call our office or email customerservice@hampsteadwater.com)

Updated Mailing Address: _____ City: _____ State: _____ Zip: _____

Contact #: _____ Email: _____

Please refer to the instructions and rules with payment.

EXPLANATION OF CHARGES:

Base Charge- For availability of water provided to the water service location. The cost is determined by the meter size for the water service.

Water Usage Charge- For water supplied that has passed through the water meter at the water service location.

Previous Reading/Current Reading- Previous Reading is the water meter reading from the prior billing period. The Current Reading is the water meter reading for this billing period. The difference of water usage between the Current Reading less the Previous Reading is the amount of water used for the billing period.

Estimated Meter Reading- If we are unable to obtain a reading from the remote meter the water bill will be estimated. The estimation will be based upon the average usage history. When an actual reading is obtained billing will be adjusted (if necessary) to reflect actual usage. If the bill is estimated, it will be clearly indicated.

Fire Protection Fee- Charge for availability of water and water pressure provided by HAWC to the water service location for interior water sprinkler systems intended to aid in case of fire.

Sewer Usage and Base Charges (if applicable) - HAWC is not your sewer provider. We provide billings services for Atkinson Area Waste Water Recycling, Inc. (AAWWR). Your sewer bill is based on your water use, as most water ends up flowing into the sewer system. You can visit your sewer utility's website (www.atkinsonareawastewater.com) for rate information or call us at 603-362-4299.

Final Bill- Issued upon request of the customer of record due to sale/foreclosure/title transfer/vacancy/end of occupancy. The Customer of Record is responsible for all charges until HAWC and AAWWR are properly notified. The final water and sewer bill will include water usage and a prorated base charge for the number of days water service was provided during the billing period.

WATER QUALITY:

Water analysis and treatments are performed as required and directed by the United States Environmental Services Agency's Safe Drinking Water Act & the New Hampshire Department of Environmental Services' Drinking Water & Groundwater Bureau. All water tests are performed by an independent laboratory that is accredited in accordance with the National Environmental Laboratory Accreditation Conference & the New Hampshire Environmental Laboratory Accreditation Program. Water Quality Reports are produced for and distributed to water customers on a yearly basis. To view the most recent water quality report for your water system, please visit our website at www.hampsteadwater.com.

PAYMENT INFORMATION:

Payment Options and Payment Delivery Methods-

Auto Pay (Recurring Monthly Payments)- Payment is directly deducted from your savings or checking account. To enroll with a credit card, log in or create an account on the MyHAWC portal on our website.

One-Time Payments- One-time payments can be made by logging into your account on MyHAWC, by phone or mail.

Mail/Drop-Off- Visit our office at 54 Sawyer Ave Atkinson, NH. After-hours drop box located on the front of the building (mail slot just below the window as you walk up the stairs)

Check Processing- HAWC reserves the right to process check payments electronically. Electronic transfers are processed on the day the check is received. Financial Institutions do not send customers copies of electronically processed checks.

Returned Payments- Payments that are returned for non-sufficient funds or that are unable to be processed are subject a service fee of \$5.00 or the processing fee, whichever is greater.

Overdue Accounts- Any account that remains unpaid after the due date will be assessed a \$10.00 late fee.

Non-Payment- Accounts 60 days past due by \$100.00 or more will be subject to water service disconnected at the expense of the customer. If water service is disconnected for non-payment, the total past due amount, a disconnection fee, a reconnection fee, and a deposit may be required to restore the water service.

For additional information, please refer to HAWC's website, <https://www.hampsteadwater.com/water-disconnect-policy>, or contact customer service.

BILL DELIVERY OPTIONS

Paperless E-Billing- An email containing a pdf file of the water bill will be sent to the email address(es) on file with HAWC. To enroll please complete and return the form located on the payment stub (above); visit our website or call our office

BILLING INFORMATION: IMPORTANT NOTICE - YOUR RIGHTS

NH Public Utilities Commission Order No. 14,411, dated 8/20/80, provides that you may bring any complaint, problem, concern, or comment to the attention of the Consumer Assistance Department at the Public Utilities Commission by calling 800-852-3793. Applicable rates, rules, and regulations under which service is provided are on file at the respective offices of Hampstead Area Water Co., Inc. and AAWWR. Copies are available upon request.

PLEASE CONTACT HAWC FOR QUESTIONS OR CONCERNS:

Office Hours - Monday through Friday 8:00 am - 4:30 pm

Mailing Address - 54 Sawyer Avenue Atkinson, NH 03811

Website - www.hampsteadwater.com **Email -** customerservice@hampsteadwater.com **Phone # -** 603-362-4299 **Fax # -** 603-362-4936