

QUALIFIED CAPITAL PROJECT ADJUSTMENT CHARGE

In addition to the net charges provided for in this Tariff, a Qualified Capital Project Adjustment Charge ("QCPAC") surcharge of 2.30% will apply on a service rendered basis to all bills issued after April 22, 2024.

I. General Description

Purpose: To recover the fixed costs (1.1 times principal and interest plus property taxes) of Commission-approved capital expenditures needed to operate maintain, insure regulatory compliance and to replace aging infrastructure which were completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases. In addition, QCPAC provides the Company with the resources to complete essential asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

QCPAC Eligible Property will encompass all Assets acquired by the Company as part of its annual capital improvements plan. Any regulatory asset that is recovered through an amortization expense is not eligible for QCPAC treatment.

Computation of the QCPAC

The charge will be effective on a service rendered basis for all bills issued after April 22, 2024 and will be calculated to recover the fixed costs of eligible plant additions not previously reflected in the Company's rate base and placed in service between January 1, 2023 and December 31, 2023. Thereafter, the QCPAC will be updated on an annual basis to reflect eligible plant additions placed in service during the prior calendar year. Thus, changes in the QCPAC surcharge percentage will occur as follows:

<u>Effective Date of QCPAC Change</u>	<u>Date To Which QCPAC Eligible Plant Additions Reflected</u>
April 22, 2024	December 31, 2023

The QCPAC will be applied on a service rendered basis to all bills rendered after April 22, 2024. The QCPAC will be applied uniformly to all customer classes and charges with the exception that the QCPAC will not be applied against the monthly fixed contract charges associated with Anheuser-Busch, Town of Milford, Pennichuck East Utility, Merrimack Village District and Town of Hudson special contracts.

Issued: _____ Issued by: _____
Effective: April 22, 2024 Name: John J. Boisvert
Title: Chief Executive Officer

Authorize by NHPUC Oder No. in Docket No. DW 23-101 dated XXXXX, 2024

The fixed costs of eligible infrastructure system improvement projects will consist of principal and interest payments and property taxes calculated as follows:

Principal and Interest: The principal and interest expense will be based on the annual principal and interest associated with the Bonds sold on April 22, 2024 to pay for the QCPAC qualified projects that were completed and used and useful by December 31, 2023 in addition to the principal and interest associated with NHDES SRF and DWGTF loans and a CoBank term loan. The Debt Instruments Principal and interest will be multiplied by 1.1 to determine this portion of the QCPAC surcharge. The debt service revenues collected via the QCPAC surcharge shall be divided into two revenue streams with the revenues associated with 1.0 times the QCPAC principal and interest being part of the Company's Debt Service Revenue Requirement ("DSRR") and the revenues associated with 0.1 times the QCPAC principal and interest being part of the Company's 0.1 Debt Service Revenue Requirement ("0.1 DSRR").

Property Taxes: Incremental property taxes associated with the specific capital projects, as determined in the year of the granting of the QCPAC for such projects. The property tax expense will reflect an estimate of the tax expense for such projects based on the tax rate then in effect at the end of the year the QCP was used and useful times the final audited cost of the eligible QCP's.

QCPAC Surcharge Amount: The charge will be expressed as a percentage carried to two decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges.

The QCPAC Surcharge Amount approved by the Commission will be recouped back to the effective date of this tariff. The recoupment will be calculated based on actual charges incurred between the effective date of this tariff and the issued date of this tariff and shall be collected as a monthly recoupment charge on the first bill rendered after the issuance date of this tariff for a three (3) month period.

Issued:
Effective: April 22, 2024

Issued by: _____
Name: John J. Boisvert
Title: Chief Executive Officer

Authorize by NHPUC Oder No. in Docket No. DW 23-101 dated XXXXX, 2024

Formula: The formula for calculation of the QCPAC surcharge is as follows:

$$\text{QCPAC} = \frac{1.1 \times (\text{AP} + \text{AI}) + \text{PT}}{\text{BRWR}}$$

Where:

AP = the annual principal payments associated with the debt instruments issued to fund QCPAC eligible projects that were used and useful before the end of the preceding year.

AI = the annual interest payments associated with the debt instruments issued to fund QCPAC eligible projects that were used and useful before the end of the preceding year the pre-tax return rate applicable to eligible infrastructure system improvement projects.

PT = annual property taxes related to eligible infrastructure system improvement projects.

BRWR= base retail water revenues as approved by the Commission in the Company's last rate proceeding, DW 23-101, or a subsequent docket.

Annual updates: Supporting data for each annual update will be filed with the Commission and the Office of Consumer Advocate no later than the end of the February 15th of each year.

Audits: The QCPAC will be subject to audit prior to the determination by the Commission.

New Base Rates: The QCPAC charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the QCPAC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rate base would be reflected in the annual updates of the QCPAC.

Issued:
Effective: April 22, 2024

Issued by: _____
Name: John J. Boisvert
Title: Chief Executive Officer

Authorize by NHPUC Oder No. in Docket No. DW 23-101 dated XXXXX, 2024

Customer Notice: At least thirty (30) days in advance of a QCPAC filing, the Company will notify Customers of the filing by including an explanatory bill insert with the bills. Before sending, the Company will review the notice with the Commission's Consumer Services and External Affairs division. Customers shall also be notified of changes in the QCPAC by including appropriate information with the first bill they receive following any change.

Notice of Project Substitution: If, after the Company has received Commission approval for Year 1 QCPAC projects, because of changed circumstances or significant new information the Company plans to undertake projects in Year 1 that were not included on the list of approved QCPAC projects for that year or it has decided not to proceed with one or more projects that were included on the Commission-approved list, it shall notify the Commission and all parties to the proceeding in which the list of QCPAC projects was approved that the Company plans to add to or delete projects and the reason for the proposed changes, in accordance with the following schedule. The Company will submit updates for approved QCPAC projects for that year, based upon information known on a year-to-date basis, from the beginning of the year through the following effective dates, on the associated reporting dates:

Effective Date

Reporting Date

October 31

December 15

Issued:

Effective: April 22, 2024

Issued by: _____

Name: John J. Boisvert

Title: Chief Executive Officer

Authorize by NHPUC Oder No. in Docket No. DW 23-101 dated XXXXX, 2024

QUALIFIED CAPITAL PROJECT ADJUSTMENT CHARGE

In addition to the net charges provided for in this Tariff, a Qualified Capital Project Adjustment Charge ("QCPAC") surcharge of ~~4.362.30~~% will apply on a service rendered basis to all bills issued after April ~~2622~~, 2024~~3~~.

I. General Description

Purpose: To recover the fixed costs (1.1 times principal and interest plus property taxes) of Commission-approved capital expenditures needed to operate maintain, insure regulatory compliance and to replace aging infrastructure which were completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases. In addition, QCPAC provides the Company with the resources to complete essential asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

QCPAC Eligible Property will encompass all Assets acquired by the Company as part of its annual capital improvements plan. Any regulatory asset that is recovered through an amortization expense is not eligible for QCPAC treatment.

Computation of the QCPAC

The charge will be effective on a service rendered basis for all bills issued after April ~~2622~~, 2023 ~~2024~~ and will be calculated to recover the fixed costs of eligible plant additions not previously reflected in the Company's rate base and placed in service between January 1, ~~2023~~2022 and December 31, ~~2023~~2022. Thereafter, the QCPAC will be updated on an annual basis to reflect eligible plant additions placed in service during the prior calendar year. Thus, changes in the QCPAC surcharge percentage will occur as follows:

<u>Effective Date of QCPAC Change</u>	<u>Date To Which QCPAC Eligible Plant Additions Reflected</u>
April 2622 , 2024 2023	December 31, 2023 2022

The QCPAC will be applied on a service rendered basis to all bills rendered after April ~~2622~~, 2024~~2023~~. The QCPAC will be applied uniformly to all customer classes and charges with the exception that the QCPAC will not be applied against the monthly fixed contract charges associated with Anheuser-Busch, Town of Milford, Pennichuck East Utility, Merrimack Village District and Town of Hudson special contracts.

Issued: ~~September 14, 2023~~ Issued by: _____

Effective: April ~~2622~~, 2024~~2023~~ Name: ~~Larry D. Goodhue~~John J. Boisvert

Title: Chief Executive Officer
& Chief Financial Officer

Authorize by NHPUC Oder No. ~~26,875~~-in Docket No. DW 23-~~101045~~ dated ~~XXXXX~~, 2024~~August 21, 2023~~

The fixed costs of eligible infrastructure system improvement projects will consist of principal and interest payments and property taxes calculated as follows:

Principal and Interest: The principal and interest expense will be based on the annual principal and interest associated with the Bonds sold on April ~~26~~²², ~~2024~~²⁰²³ to pay for the QCPAC qualified projects that were completed and used and useful by December 31, ~~2023~~²⁰²² in addition to the principal and interest associated with NHDES SRF and DWGTF loans and a CoBank term loan. The Debt Instruments Principal and interest will be multiplied by 1.1 to determine this portion of the QCPAC surcharge. The debt service revenues collected via the QCPAC surcharge shall be divided into two revenue streams with the revenues associated with 1.0 times the QCPAC principal and interest being part of the Company’s Debt Service Revenue Requirement (“DSRR”) and the revenues associated with 0.1 times the QCPAC principal and interest being part of the Company’s 0.1 Debt Service Revenue Requirement (“0.1 DSRR”).

Property Taxes: Incremental property taxes associated with the specific capital projects, as determined in the year of the granting of the QCPAC for such projects. The property tax expense will reflect an estimate of the tax expense for such projects based on the tax rate then in effect at the end of the year the QCP was used and useful times the final audited cost of the eligible QCP’s.

QCPAC Surcharge Amount: The charge will be expressed as a percentage carried to two decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges.

The QCPAC Surcharge Amount approved by the Commission will be recouped back to the effective date of this tariff. The recoupment will be calculated based on actual charges incurred between the effective date of this tariff and the issued date of this tariff and shall be collected as a monthly recoupment charge on the first bill rendered after the issuance date of this tariff for a three (3) month period.

Issued: ~~September 14, 2023~~
Effective: April ~~26~~²², ~~2024~~²⁰²³

Issued by: _____
Name: ~~Larry D. Goodhue~~^{John J. Boisvert}
Title: Chief Executive Officer
& ~~Chief Financial Officer~~

Authorize by NHPUC Oder No. ~~26,875~~ in Docket No. DW 23-~~101045~~ dated ~~XXXXXX, 2024~~^{August 21, 2023}

Formula: The formula for calculation of the QCPAC surcharge is as follows:

$$\text{QCPAC} = \frac{1.1 \times (\text{AP} + \text{AI}) + \text{PT}}{\text{BRWR}}$$

Where:

AP = the annual principal payments associated with the debt instruments issued to fund QCPAC eligible projects that were used and useful before the end of the preceding year.

AI = the annual interest payments associated with the debt instruments issued to fund QCPAC eligible projects that were used and useful before the end of the preceding year the pre-tax return rate applicable to eligible infrastructure system improvement projects.

PT = annual property taxes related to eligible infrastructure system improvement projects.

BRWR= base retail water revenues as approved by the Commission in the Company's last rate proceeding, DW ~~22-03223-101~~, or a subsequent docket.

Annual updates: Supporting data for each annual update will be filed with the Commission and the Office of Consumer Advocate no later than the end of the February 15th of each year.

Audits: The QCPAC will be subject to audit prior to the determination by the Commission.

New Base Rates: The QCPAC charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the QCPAC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rate base would be reflected in the annual updates of the QCPAC.

Issued: ~~September 14, 2023~~

Issued by: _____

Effective: April ~~2622, 2024~~2023

Name: ~~Larry D. Goodhue~~John J. Boisvert

Title: Chief Executive Officer
& Chief Financial Officer

Authorize by NHPUC Oder No. ~~26,875~~-in Docket No. DW 23-~~101045~~ dated ~~XXXXX, 2024~~August 21, 2023

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Effective Date

Reporting Date

October 31

December 15

Issued: ~~September 14, 2023~~
Effective: April ~~26~~22, ~~2024~~2023

Issued by: _____
Name: ~~Larry D. Goodhue~~John J. Boisvert
Title: Chief Executive Officer
& ~~Chief Financial Officer~~

Authorize by NHPUC Oder No. ~~26,875~~-in Docket No. DW 23-~~101045~~ dated ~~XXXXXX, 2024~~August 21, 2023