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PSC NO: 3 WATER STATEMENT TYPE: MRP
COMPANY: **HERITAGE HILLS WATER WORKS CORP.** STATEMENT NO: 6
INITIAL EFFECTIVE DATE: January 1, 2016

(Issued in compliance with Commission Order in C. 08-W-1201 issued and effective November 13, 2009)

Meter Replacement Program Surcharge (MRP)

The MRP surcharge will apply to costs associated with the replacement of 176 customer meters annually beginning in calendar year 2010. Before the end of each calendar year, beginning in 2010, the company will file an MRP surcharge statement as an amendment to its tariff schedule. The statement will go into effect on January 1 of the following year on not less than three days notice. The company will be entitled to recover the annual revenue requirement associated with capital expenditures for the replacement of 176 customer meters per year during the previous calendar year(s).

The annual revenue requirement will be computed as follows. The pre-tax rate of return (pre-tax ROR) will be applied to the cumulative capital expenditures made during the previous calendar year(s), net of the associated retirements, accumulated deferred income taxes ("ADIT"), and accumulated depreciation reserve, i.e., the net rate base (NRB). An allowance for an annual depreciation accrual will be computed by applying the annual depreciation rate of 2.86% to the cumulative capital expenditures made during the previous calendar year(s). These two amounts will be added and the total divided by the average number of metered customers (ANC) during the most recent calendar year as indicated in the below formula. The result will be divided by four to determine the quarterly surcharge for each customer. The MRP surcharge will be updated annually to reflect meter replacements made during the most recent calendar year.

$$\text{MRP quarterly surcharge} = \frac{(\text{NRB x Pre-tax ROR}) + \text{D})}{(4 \text{ x ANC})}$$

Where:
NRB = the cost of the applicable meter replacements net of associated retirements, ADIT and accumulated depreciation reserve
Pre-tax ROR = 11.63%
D = the annual depreciation accrual on the net additions
ANC = average number of customers during the most recent calendar year

Effective with this statement, the quarterly MRP surcharge for the period January 1, 2016 to December 31, 2016 is $2.93/customer.

At the time of the company's next rate proceeding the NRB and the annual depreciation accrual associated with the meter replacements made since 2010 will be included in base rates and the MRP surcharge will recommence.

The Company will provide Staff with detailed meter replacement information for each rate year (such as number of meters replaced, in-service dates, actual paid expenditures and retirements) by January 31 of the following year. Staff will then have 60 days to review the information provided by the Company and, if necessary, will notify the Commission of any improprieties in the company's annual filings.

Any adjustments to the company's filing, will accrue interest at the customer deposit interest rate established by the Commission each year and will be reflected in the next annual MRP surcharge filing.

Issued by: Keith J. Sorensen, President, Southbury, Connecticut 06488

Cancelled by Doc. Num. 7 effective 01/01/2017