STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY

DOCKET NO. 26-08-14

APPLICATION OF THE JEWETT CITY WATER COMPANY TO AMEND ITS RATE SCHEDULES

TESTIMONY OF

DELORIS DRAKES

ON BEHALF OF

THE JEWETT CITY WATER COMPANY

OCTOBER 23, 2026

I. INTRODUCTION

Q. Please state your name, business address and your position with The Jewett City Water Company?

A. My name is Deloris Drakes. I am the Treasurer and Chief Financial Officer of the Jewett City Water Company ("JCWC" or the "Company"). I am providing this testimony on behalf of the Company in this proceeding. My business address is 481 Taylor Road, Enfield, Connecticut 06083.

Q. Please describe your educational background.

A. I have a Bachelor of Arts Degree in Accounting from Georgia State University, 1984; Masters of Arts Degree in Accounting/Finance from the University of Chicago Graduate School of Business, 1994; Certified Public Accountant ("CPA") issued by the Board of Accountancy from the State of Georgia, 1988.

Q. What is your business/professional background?

A. I was hired by Jewett City Water Company in September 2024 as Controller after having previously worked on a contract basis with Company from January 2024 to August 2024. I was promoted to my current role as Chief Financial Officer June 2026. With 40+ years of professional work experience prior to assuming the role at JCWC, I held positions in public and privately held companies with responsibilities for external & internal auditing, general ledger accounting, treasury, financial planning and analysis and payroll. I have held positions with Arthur Anderson & Company, Philip Morris, Inc., Otis Elevator Company, etc.

Q. Have you previously testified before the Public Utilities Regulatory Authority ("PURA" or the "Authority") or other regulatory agencies?

A. No. I have not testified before the Public Utility Regulatory Authority or any other regulatory agencies.

Q. Is Jewett City affiliated with any other companies?

A. JCWC is a small investor-owned water company and is a wholly-owned subsidiary of The Avery-Dewing Corporation ("Avery-Dewing"). The Hazardville Water Company ("Hazardville") is also a wholly-owned subsidiary of Avery-Dewing.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to support the Company's request for approval to amend rate schedules and to address the Company's financial exhibits in support of the request. My testimony is divided into nine sections designed and structured to support the Company's requests:

I. Introduction

II. Executive Summary

III. Current Cost Environment and Need for Rate Relief

IV. Structure of the Filing

V. Standard Filing Requirement Schedules

VI. Capital Structure

VII. Financing Strategy

VIII. Overall Revenue Requirement, Rate Design and Bill Impacts

IX. Conclusion

I will testify regarding the impact of the Company's capital investment program, particularly the effects of rate base growth and regulatory lag as they relate to the need for rate relief in this case with inflationary pressures and the Company's limited access to capital needed for an aging infrastructure system.

II. EXECUTIVE SUMMARY

Q. Please summarize the Company's rate relief request and the primary drivers supporting this application.

A. In this proceeding, JCWC seeks PURA's approval of an increase in base rates of approximately $820,923 or 37.0% over currently authorized revenues. This request is primarily driven by continued capital investment needs associated with significantly aged infrastructure and regulatory compliance specifically relating to PFAS, with sustained inflationary pressures where annual average CPI increased 63.1 points (24.38%) from 258.8 in 2020 to 321.9 in 2025, which resulted in the Company having to rely on short-term borrowing to meet current operating obligations. JCWC continues to invest in infrastructure and has incurred significant cost in maintenance & repair of mains and distributions necessary to maintain system reliability, safety, and water quality.

The structure of this filing is consistent with the Authority's Standard Filing Requirements and long-standing ratemaking principles. The Company proposes a capital structure consistent with the Authority's authorization for Class A investor-owned water utilities, maintains strong credit quality, and supports access to capital at reasonable cost for the benefit of rate payers. JCWC respectfully submits that the requested rate relief is reasonable, necessary, and consistent with ensuring safe, reliable, and financially sustainable water service to customers and a return on investment to owners.

III. CURRENT COST ENVIRONMENT AND NEED FOR RATE RELIEF

Q. Please explain the current cost inflation and increased interest rate environments as it relates to the filing of this application.

A. The chart below showing the Company's six-year trend of operating revenue, operating & maintenance expenses and return on equity is indicative of the current cost environment and the need for rate relief. Since the last rate case and the full effect of the rate increase in 2022, operating revenue has been relatively flat at $2.2M with operating & maintenance expenses increasing 22% from $1.4M in 2022 to $1.8M in the test year. Return on Equity in 2022 is 4.00% compared to *negative* 4.42% in the test year.

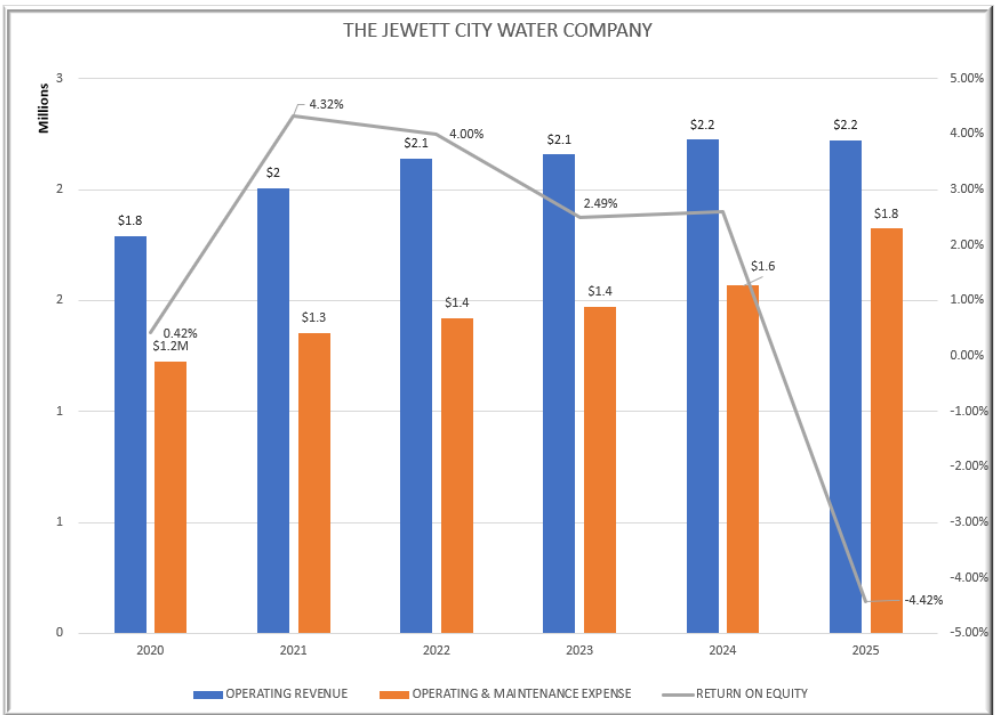


Chart 1

Since the Company's last rate case, the primary driver of the Company's need for rate relief has been continued investment in critical utility infrastructure and the associated regulatory lag for capital additions that are outside the WICA mechanisms. Additionally, inflation has increased both *(i)* direct operating costs, such as chemicals, energy and contract labor & materials needed for repairs of increased breaks in mains & services; and *(ii)* indirect costs, including payroll and employee benefits. At the same time, interest

expense associated with new debt acquired for utility infrastructure in 2022 increased from $75,600 since the last rate case to $116,700 in the test year.

These macro & micro economic pressures affect all components of the Company's cost of service and are reflected in the rate year projections included in this filing.

JCWC recognizes that customers are challenged with the same economic pressures as is the Company; and therefore, prudently manages and controls operating costs to the extent possible. In so doing, the Company submits this request for rate relief from a balanced perspective of ratepayer and investors and to recover costs for capital investments made outside of WICA since the last rate case and to mitigate inflationary pressures.

Q. Has JCWC underearned during the period since its last rate filing?

A. Yes. Refer to Chart 2 below. It demonstrates that JCWC has consistently earned lower than its authorized rate of return of 9.94% since the last rate case Docket No. 20-10-31 and 10.0% since the rate case Docket No. 10-05-10. Since 2022, when the increased rate was in effect for the full year, the Company's achieved ROE is significantly lower than authorized return with a *negative* ROE 4.42% in the test year. These operating results are consistent with delayed recovery of investments in plant utility and rising costs.

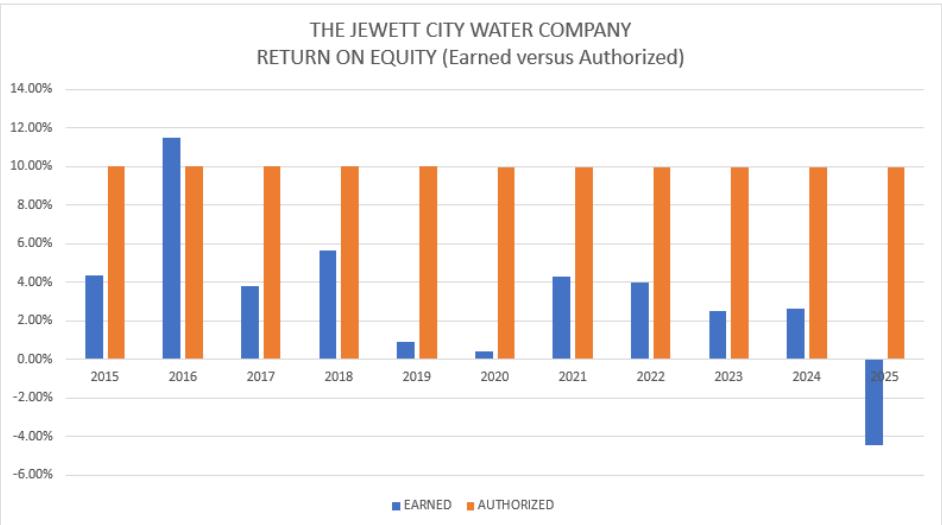


Chart 2

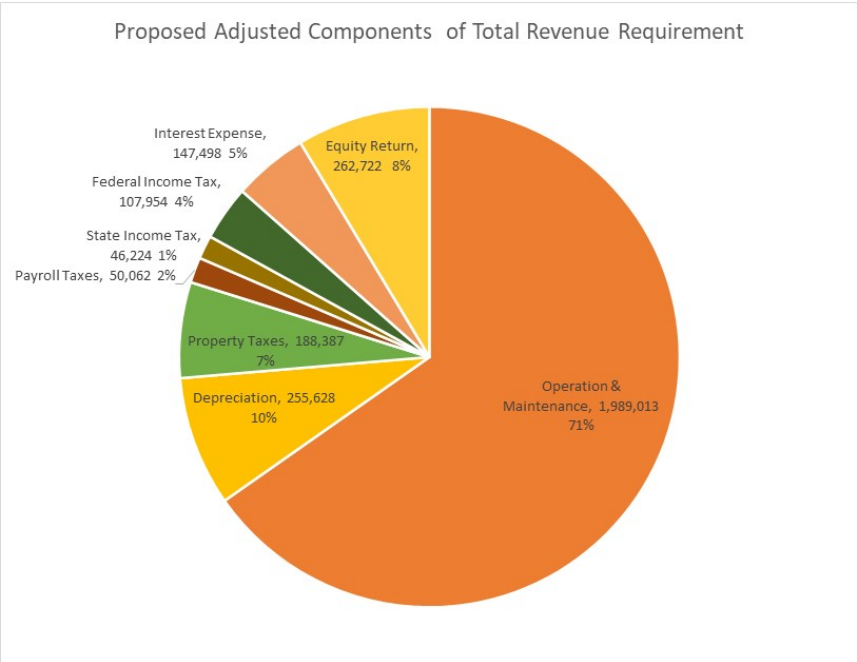
Q. What are the implications if a public utility consistently underearns its authorized rate of return?

A. Consistent underearning indicates that the revenues produced by existing rates are not keeping pace with the Company's cost of service, including the opportunity to earn the authorized return on rate base. The major contributing factor is rising cost to maintain and repair transmission & distribution mains which would be better remediated with a replacement of an aged infrastructure which can only be afforded through State and Federal grant programs given the economic strain to the ratepayer and investors.

Q. Please summarize the revenue requirement in this case.

A. The revenue requirement is comprised of the on-going operation and maintenance expenses, depreciation, and taxes, as well as a return on the overall rate base requested in this case. The total revenue requirement requested in this case is $3,043,378, an increase of $820,923, or 37.0% over currently authorized revenues. See Chart 3 below for components of total required revenue.

Chart 3



Operating & Maintenance Expenses: Since 2020, operating & maintenance expense has increased at a year-over-year average of about $120,000. This increase is largely attributed to inflation and an increase in cost to repair service & main breaks. The water infrastructure in Jewett City, Connecticut, dates back to the late 19th century, with the Jewett City Water Company established in 1894 and its primary reservoir constructed in 1899. The oldest part of the 27-mile underground network is over 130 years old, while other sections of the water mains have been replaced or upgraded. The distribution network is a mix of historical and modern materials, requiring more frequent and unpredictable maintenance & repairs, and it lies beneath dense suburban and wooded sections. This creates a hurdle for detecting slow and subtle leaks. which leads to the production of non-revenue water. Despite the Company's efforts to minimize the production of non-revenue water by hiring engineers to detect the leaks, the unidentified leaks increase the production of a high percentage of water that is not sold. This cost is reflected in the Company's proforma estimates. The Company acknowledges this is a cost for which the ratepayer should not be burdened. However, the cost of non-revenue water is far less costly than the alternative of using debt and/or equity to replace or upgrade the infrastructure given the economically depressed area of Jewett City with few ratepayers to absorb the cost. JCWC services about 2,000 residential customers in Jewett City, Connecticut. where the median household income is approximately $55,530, which is notably lower than Connecticut State median household income of $95,781. Jewett City's poverty rate is at an estimated 13.9%, compared to Connecticut's state rate of about 10.2%.

Equity Return: The Company finances its rate base with 55.4% equity. JCWC's ability to earn a reasonable return on investments lowers the cost of raising capital to contribute to financing its rate base.

Interest Cost: The Company finances its rate base with 44.6% debt. In the test year and proforma year, the Company also financed the rate base using short-term borrowing at a higher interest rate than would be for long-term debt.

Depreciation: The Company invests in infrastructure and recaptures the cost of its investments through depreciation over the duration of the underlying assets using a depreciation methodology as authorized by PURA.

Property and Payroll Taxes: The Company pays property taxes in its jurisdictions of operations. The Company must pay payroll taxes for every employee engaged in providing service to its customers.

IV. STRUCTURE OF THE FILING

Q. Please describe the test year and other key dates used by the Company for purposes of this filing.

A. The Company used calendar year 2025 as its test year. The use of a calendar test year reflects the most recent information that was independently audited. In addition, the Company is proposing a 12-month rate year (the "Rate year") from June 1, 2027 through May 31, 2028, for the Authority's consideration and approval.

The period is consistent with the approximately 270-day statutory timeline for water utility rate cases set forth on C.G.S. §16-19(a), as amended by Public Act 23-102. The proposed Rate year is based on traditional ratemaking methodologies the Authority has historically applied in water company rate case proceedings.

Rate base calculations for the proposed Rate year reflect plant utility expected to be in service on or before February 28, 2027. The Company is not reflecting the costs of any WICA projects beyond those already incorporated in its most recently adjudicated WICA filing in Docket No.20-10-31 WI04. The Company expects to resume WICA filing, including recovery of qualifying projects completed during the pendency of this proceeding, at the conclusion of this general rate case.

Q. How is the rate application organized?

A. The revenue increase for the Rate year is supported by testimony, schedules, exhibits, and data presented in a manner consistent with the Authority's Standard Filing Requirements. Detailed information pertaining to the Company operations is reflected in the following schedules:

SECTION B: Calculation of Rate Base: Plant Utility

SECTION C: Operations Revenue, Expenses & Proforma Adjustments

SECTION D: Rate of Return

SECTION E: Revenue Rates & Consumption by Meter Size

SECTION F: Forecast Financial Data

SECTION G: Six-Year Historical Financial Statements

The above treatment is consistent with the approach utilized in the Company's most recent general rate case in Docket No. 20-10-31.

Q. How will WICA and Revenue Adjustment Mechanism ("RAM") charges be reflected when new rates in this case become effective?

A. Common WICA and RAM surcharges currently apply to all JCWC rate divisions. When new base rates approved in this proceeding become effective on June 1, 2027, the current WICA charge of 3.20% will be reset to zero and incorporated into base rates.

The Revenue Adjustment Mechanism operates independently of the general rate case cycle and is updated annually each April 1. That mechanism will remain in effect following implementation of new rates and will reflect the updated monthly revenue targets resulting from this rate case.

V. STANDARD FILING REQUIREMENT SCHEDULES

Q. Please summarize the various groups of Standard Filing Requirement Schedules.

A. The Standard Filing Requirement ("SFR") schedules have prefixes beginning with "A" through "H" and are summarized below.

"A" Schedules. The "A" Schedules summarize the revenue requirement increase proposed in the filing, as well as the derivation of the income tax gross-up factor as applied to the operating income deficiency. I am the witness responsible for these schedules.

"B" Schedules. The "B" Schedules are the rate base schedules that begin with Utility Plant in Service ("UPIS") and make various additions and subtractions to reflect the Company's overall investments. A more detailed discussion of the individual "B" Schedules is provided below. The responsible witness for these schedules is either Mr. Robert Sherwood or me.

"C" Schedules. The "C" Schedules represent operating income and expense details and the associated pro forma adjustments. A more detailed discussion of the individual "C" Schedules is provided below. The witnesses for these schedules are Robert Sherwood and me, and may include A. Forum, independent auditor, depending on the subject matter addressed.

"D" Schedules. The "D" Schedules reflect the Company's capitalization. I am the witness responsible for these schedules.

"E" Schedules. The "E" Schedules are generally referred to as the revenue schedules and detail tariff rates, billing determinants, and rate-design-related information. Mr. Robert Sherwood and I are the witnesses responsible for these schedules.

"F" Schedules. There is one "F" Schedule which details the Company's five-year budgeted expenditure program for the years 2026 through 2030. Mr. Robert Sherwood is the responsible witness for this schedule. Refer to his testimony for a detailed discussion.

"G" Schedules. The "G" Schedules primarily consist of historical financial and operational data, in many cases providing up to five years of historical information. I am

the witness for the majority of these schedules; and A. Forum is the witness for federal and state tax related data.

Supplemental Information Schedules "H" – "X". The "H" – "X" Schedules are Supplemental Filing Requirements and include various customer service documents as well as the Company's Rules and Regulations. Mr. Robert Sherwood is the responsible witness for these schedules. Refer to his testimony for a detailed discussion.

Rate Base

Q. Please provide further discussion of the Rate Base "B" Schedules.

A. The Company is requesting a return on approximately $5.612 million of rate base investment. The proposed rate base, as shown on Schedule B-1.0, was developed beginning with actual rate base as of December 31, 2025, calculated using traditional ratemaking methodologies. The detailed rate base schedules are summarized below.

Schedule B-1.0 summarizes total rate base and references the supporting schedules.

Schedule B-2.0 summarizes gross UPIS for each period, separately identifying plant utility by major property groupings.

Schedule B-2.1 provides a detailed presentation by account of historical additions by account, including balances for each period.

Schedule B-2.2 provides a detailed presentation by account of historical retirements by account, including balances for each period.

Schedule B-2.3 provides a detailed presentation by account of proforma plant utility additions by account expected to be in service no later than February 28, 2027.

Schedule B-2.4 provides a detailed presentation by account of proforma plant utility retirements by account to be removed from service no later than February 28, 2027.

Schedule B-3.0 summarizes the depreciation reserve for each period by major category.

Operating Income

Q. Please summarize the Company's adjustments to test year revenues and expenses in the various "C" Schedules.

A. As shown on Schedule C-1.1, the Company has made pro forma adjustments to produce a pro forma utility operating loss of $188,915 at existing rates. This level of operating loss is below the required operating income calculated on Schedule A-1.0. The resulting deficiency represents the revenue increase requested in this proceeding.

Proforma adjustments for revenue are reflected in Schedules C-2.0 through C-2.10. Proforma adjustments for operating maintenance and expenses are reflected in Schedules C-3.1 through C-4.20. Each adjustment reflects known and measurable changes necessary to present expenses and revenues indicative of the Rate year. Detailed narratives for operating and maintenance expense schedules are provided below.

What methodology was used to calculate proforma adjustments for operating and maintenance expenses?

The company estimated proforma adjustments are based on known data or are estimated dependent upon whether the increase in cost is driven by price, volume or both. Additionally given the year over year fluctuation in spending, the Company applied rolling (or moving) averages rather than standard averages to calculate adjustments where appropriate. Standard averages give a single static summary of a dataset while rolling average helps to smooth out anomalies giving a better perspective of long-term financial trends. The resulting rolling average amount was then adjusted for Consumer Price Index (CPI) or for Product Price Index (PPI), as appropriate, to derive the proforma adjustment. Each schedule will indicate the method used to calculate the adjustment and the rationale for having done so.

Q. Please discuss the pro forma revenue and expense adjustments.

A. The Company has made numerous adjustments to revenue, operating and maintenance expenses, depreciation and property, and payroll & income taxes to reflect the level of expense that will be incurred during the rate year. These adjustments are detailed below.

Schedule C-2.0 - Operating Revenue: Test year operating revenues are adjusted through five known and measurable items to present revenues representative of the Rate year. These adjustments *(i)* normalize WICA revenue to the final annual authorized levels from Docket No. 20-10-31; *(ii)* remove the annual RAM entry reflected in the test year; *(iii)* recognize no movement in customer growth in the Rate year; *(iv)* assume minimal to no fluctuation of usage per customer between rate year and test year and *(v)* adjust miscellaneous tariff rates to better reflect the cost of the associated activities. See the following schedules for test year actual based on current rates and proforma year based on proposed rates by class:

Schedule C-2.1: Residential Revenue

Schedule C-2.2: Commercial Revenue

Schedule C-2.3: Industrial Revenue

Schedule C-2.6: Private Fire Revenue

Schedule C-2.7: Public Fire Revenue

Schedule C-2.8: Late Fee Revenue

Schedule C-2.9: Other Revenue

Schedule C-3.0: Inflation Adjustment: The various “C” schedules update certain O&M expenses based on known and measurable events. This schedule applies an inflation adjustment to those O&M expenses that are not adjusted elsewhere in the case. JCWC is using an annual estimated inflation amount between the Test Year and the Proforma Year

at 3.40% CPI and 5.40% PPI, respectively, as published by the U. S. Bureau of Labor & Statistics.

Schedules C-3.1 through C-3.1a: Total Target Employee Compensation ("TTEC"): TTEC includes both base pay and variable compensation. This schedule adjusts compensation expense for known and measurable changes expected in the Rate year that are not reflected in the test year. The starting point is a listing of total wages for all active employees as of 12/31/2025 adjusted for annual merit/promotion adjustments effective January 1, 2026. The schedule also incorporates allocations between affiliates and the capitalized portion of payroll to arrive at the level of pro forma expense which is then compared to the total payroll expense recorded in the test year. Allocation of affiliate payroll is based on hours worked.

Schedule C-3.3 through C-3.3b: Employee Benefits: The purpose of this schedule is to adjust for known and measurable changes to employee benefits expense in the rate year that are not reflected in the test year. The starting point is the proforma medical and dental cost per employee based on the latest projection from Anthem, our medical insurance carrier. Adjustments to pension, profit sharing, dental and life insurance were made to reflect known and measurable changes for the rate year. The allocation of affiliate overhead employee benefits is charged monthly at 50% and trued-up at the end of the year based on actual cost.

Since 2020 and until 2024, year-over-year medical expenses have been on a downward trend with a 9.0% increase between 2024 and test year. The downward trend in years prior to 2024 is attributed to fewer employees carrying family plans and/or employees opting not to participate in the plan given alternative health coverage. With the turnover in its workforce and aside from the impact of increased premiums, the Company is experiencing a higher level of employee participation in the plan; thus, higher health cost.

In an effort to lower the cost, the Company is offering alternative plans with lower premiums with higher deductibles.

Schedule C-4.0: Operations – Source of Supply Expense: The purpose of this schedule is to reflect known and measurable adjustments to source of supply expense and includes expenses incurred in the operation of water source facilities. Such expenses include cost for labor, materials and hired suppliers. Cost of internal labor has been removed and is reflected in Schedule C-1.2 @ line 25 as Payroll Expense. The remaining expenses are the costs of materials and services provided by suppliers for removal of vegetation clutter that could hinder easy access to the source of water supply. The test year adjustment to derive proforma expense for rate year is based on a six-year rolling average of expenses adjusted for 3.40% CPI.

Schedule C-4.1: Maintenance - Source of Supply Expense: The purpose of this schedule is to reflect known and measurable adjustments to maintenance source of supply expense and includes cost incurred in the maintenance of structures and improvements not qualifying for capitalization as utility plant. Such expenses include cost for labor, materials and hired suppliers. Cost of internal labor has been removed and is reflected in Schedule C-1.2 @ line 25 as Payroll Expense. The remaining expenses are the costs of materials and services provided by suppliers to maintain reservoir facilities where raw water is gathered and stored before it is treated and distributed to consumers. The test year adjustment to derive proforma expense for rate year is based on a six-year rolling average of expenses adjusted for 3.40% CPI..

Schedule C-4.2: Operations - Pumping: The purpose of this schedule is to reflect known and measurable adjustments to pumping expenses and includes expenses incurred in the operation of power production and pumping. Such expenses include cost of labor, supplies and energy sources. Cost of internal labor has been removed and is reflected in

Schedule C-1.2 @ line 25 as Payroll Expense. The remaining expenses are the costs of supplies and energy sources needed to operate and maintain the pumping system. The test year adjustments to derive proforma expenses for rate year are as follows:

- Electricity – Six-year rolling average of kilowatt hours times 15% increase over test year average kilowatt hour rate. Average kilowatt hour rate is calculated dividing total cost for the test year by kilowatt hours used for the test year. The 15% is based on the Eversource Docket No. 25-25-10 where Eversource has requested an average 11% increase across all customer classes including commercial, industrial, etc. When bundled with distribution, the rate could be as high as 18%; thus, the justification for 15% increase.
- Fuel – Six-year rolling average of usage times average price per unit adjusted for CPI. Average price per unit is calculated by dividing total cost by number of units purchased in the test year. The company used 3.40% CPI published by the U. S Bureau of Labor & Statistics.
- Transportation – Six-year rolling average increased by 3.40% CPI for inflationary pressures.
- Telephone lines for Remote Communication - As this is an expense driven by change in price rather than volume of usage, the adjustment is based on average year-over-year percentage change in price; applying this average increase to the expense in test year.

Schedule C-4.3: Maintenance - Pumping Expense The purpose of this schedule is to reflect known and measurable adjustments to pumping expenses and includes expenses incurred in the maintenance of structures, improvements and equipment used in connection with the pumping systems and operations. Such expenses include cost of labor and material. Cost of internal labor has been removed and is reflected in Schedule C-1.2 @ line 25 as Payroll Expense. The remaining expenses are the costs of supplies, transportation and use of third-party suppliers for engineering, excavation and paving services. The test year adjustment to derive proforma expense for rate year is based on a

six-year rolling average of expenses adjusted for 3.40% CPI published by the U. S Bureau of Labor & Statistics.

C-4.4: Operations - Transmission & Distribution: The purpose of this schedule is to reflect known and measurable adjustments to the operations of transmission and distribution system and includes expenses incurred in maintaining structures, improvements and equipment used in connection with the operations of the transmission and distribution system. Such expenses include cost of labor and material. Cost of internal labor has been removed and is reflected in Schedule C-1.2 @ line 25 as Payroll Expense. The remaining expenses are the costs of supplies, related transportation and use of third-party suppliers relating to facility storage, meters and other miscellaneous. The test year adjustment to derive proforma expense for rate year is based on a six-year rolling average of expenses adjusted for 3.40% CPI.

Schedule C-4.5: Maintenance - Transmission & Distribution: The purpose of this schedule is to reflect known and measurable adjustments to the maintenance of transmission and distribution system and includes expenses incurred in cost of labor and material used for the *(i)* maintenance of structures, improvements and equipment used in connection with the operations of the transmission and distribution system; and *(ii)* maintenance of distribution reservoirs, tanks, standpipes, mains, services, hydrants, meters and other related plant facilities. Such expenses include cost of labor and material. Cost of internal labor has been removed and is reflected in Schedule C-1.2 @ line 25 as Payroll Expense. The remaining expenses are the costs of supplies, related transportation and use of third-party suppliers for fluid control, diving, excavation & paving for upkeep of the transmission and distribution system.

In the test year, the Company experienced a significant increase in the cost of maintenance transmission & distribution where expenses for breaks in mains and services

were about $245,000 compared to an approximate $70,000 five-year average from 2020 to 2024. The frequency and magnitude of these breaks are unpredictable. And the increase in the number of breaks is not considered an anomaly; but is considered the onset of increased occurrences given the age of the infrastructure. Over the years, a portion of the system has been replaced or repaired, but there are remaining portions which were installed more than 130 years ago, thus making the system more vulnerable to breaks. Consequently, the test year adjustment to derive proforma expense for the rate year is based on a six-year rolling average of expenses adjusted for 3.40% CPI; and not adjusting the increase of expenses in the test year as an isolated incident.

Schedule C-4.6: Operations - Water Treatment: The purpose of this schedule is to reflect known and measurable adjustments to operations water treatment and includes expenses incurred in the operations of water treatment facilities. Such expenses include the cost of labor and material. Cost of internal labor has been removed and is reflected in Schedule C-1.2 @ line 25 as Payroll Expense. The remaining expenses are the costs of chemicals and other supplies, related transportation and use of third-party suppliers for laboratory testing.

The expense for operations water treatment, excluding payroll, has increased from $70,000 in 2020 to about $155,000 in the test year. About 70% of this increase is due to the cost of chemicals. The remaining 30% increase is due to fuel driven by volume and required laboratory testing. The more than $60,000 increase in chemicals is driven by a mix of price and volume where approximately $50,000 of increase is due to price and $10,000 due to volume. See the Producer Price Index (PPI) chart below sourced by the U. S Bureau of Labor Statistics showing that PPI value of chemicals and allied products for water treatment at August 2026 is 253.453 with a 1985 base year value of 100.



The increasing PPI for water-treating compounds reflects rising wholesale costs for chemical producers: inflationary pressure for raw material, rising cost of energy needed for production, volatile freight, shipping & global supply chain and regulatory pressures of stricter environmental rules and emerging containment mandates.

JCWC is a small company and does not have adequate resources *(i.e. cash flow and personnel)* for a formal competitive bid process, and acknowledges it potentially pays a premium for sole sourcing the purchase of chemicals. However, this premium is more than offset *(i)* by the cost of hiring additional personnel to implement & administer a formal competitive bid process, and *(ii)* by the cost of carrying adequate volumes of chemicals in inventory to mitigate delivery lead time, but subject to expired shelf life due to unpredictable need. Additionally, the selection of suppliers for chemicals should not be based solely on price, but instead, pricing commensurate with consistent quality and service, particularly considering the shelf life of some water-treating chemicals given stringent chemical specifications needed to properly treat water. Taking these factors into consideration, the test year adjustment to derive proforma expense for the rate year is

based on a six-year rolling average of usage times an average price across all chemicals adjusted for August 5.40% PPI.

We did not adjust the $10,000 increase in expense due to volume because spreading the cost of treating non-revenue water due to undetected leaks is a lesser burden on the economically challenged ratepayers than would be the high cost of structural upgrade. The Company continues, however, to conduct systemwide leak detections annually. Any leaks found in the appurtenances of the aging systems are immediately repaired in an effort to minimize cost to the benefit of the ratepayer. See Order #3 submitted with this filing.

Schedule C-4.7: Maintenance - Water Treatment: The purpose of this schedule is to reflect known and measurable adjustments to maintenance water treatment and includes expenses incurred in the maintenance of water treatment plant. Such expenses include cost of labor and material. Cost of internal labor has been removed and is reflected in Schedule C-1.2 @ line 25 as Payroll Expense. The remaining expenses are the costs of repairs & maintenance, supplies, related transportation and use of third-party suppliers for excavation and paving. The test year adjustment to derive proforma expense for rate year is based on a six-year rolling average of expenses adjusted for 3.40% CPI.

Schedule C-4.8: Maintenance – Customer Accounts: The purpose of this schedule is to reflect known and measurable adjustments to customer account expenses and includes expenses incurred maintaining customer accounts. Such expenses include cost of labor and material. Cost of internal labor has been removed and is reflected in Schedule C-1.2 @ line 25 as Payroll Expense. The remaining expenses include cost incurred for the reading of meters, keeping records of customers' accounts as it relates to customer applications, contracts, orders, customer accounting, credit investigations and collections of receivables. This account also reflects a reserve for uncollectible accounts. In the test year, the expense is reflective of accounts written off mostly relating to COVID. The

expense is to replenish the reserve for covering future collection risk. The test year adjustment to derive proforma expense for rate year is based on a six-year rolling average of expenses.

Schedule C-4.10: Operations - Administration & General-Salary Expenses: This account includes allocation of affiliate wages relating to general administration of utility operations. This expense is reflected in Schedule C-1.2 @ line 25 as Payroll Expense.

Schedule C-4.11: Operations - Administration & General-Office Supplies & Other Expenses: This schedule includes expenses incurred for office supplies, utilities, professional fees, postage, technology. The test year adjustment to derive proforma expense for rate year is based on a six-year rolling average of expenses, having removed utilities pertaining to the administrative office being closed in Jewett City at 91A Slater Avenue.

Schedule C-4.12: Operations - Administration & General-Outside Services: This schedule includes expenses incurred for temporary labor for which the proforma adjustment is based on a six-year rolling average adjusted for 3.40% CPI and professional services relating to independent auditing for which the proforma adjustment is based on the known auditor engagement letter.

Schedule C-4.13 Operations - Administration & General - Insurance: This schedule adjusts for known and measurable changes to property, workers' compensation injuries & damages and director/officer liability insurance based on insurance carrier invoice. See Schedule C-4.16 Administration & General-Director Fees & Expense where board of director expenses are discussed in further detail.

Schedule C-4.14 Operations - Administration & General-Employee Benefit: This schedule includes cost related to employee benefit plans. See Schedule C-3.3 for calculation of proforma adjustment based on known premiums.

Schedule C-4.15 Operations - Administration & General-Regulatory & Commission Expense: This schedule includes all expenses includible in utility operating expenses incurred in connection with formal cases before the regulatory commissions, regulatory commission fees and deferred debits. Expenses include amortization of deferred debits approved by the regulatory commission in the last rate case along with a request to approve the amortization over a three-year period of deferred expenses incurred since the last rate case, including expenses relating to this rate case. The expense also includes payments made to the Department of Environmental Protection (DEEP) for annual assessment based on the Company's annual revenue. The DEEP adjustment is based on known 2026 expenses.

Schedule C-4.16 Operations - Administration & General-Director Fees & Expense: This schedule includes expenses relating to the Board of Directors and Officers of the Company. Such cost includes director fees, reimbursement for out-of-pocket expenses and meetings expenses. The Company acknowledges that the regulatory commission does not consider expenses related to members of the Board of Directors to benefit the ratepayer. If JCWC were a large company where board members took an independent arms-length posture from day-to-day operations and more relegated to focusing on governance, regulatory compliance and risk management, the Company would be more inclined to agree with the regulatory commission. However, the members of the board are not independent and arms-length, but are hands-on and intricately involved in providing expertise in areas otherwise lacking and making decisions regarding the finances and strategic operations of the Company. The Finance Committee meets every other week for updates from Robert Sherwood, CEO and me as CFO to discuss matters with operational and financial implications, and are immediately accessible should the

need arise. Given this level of involvement, which does benefit the ratepayer, the Company requests approval of the expenses relating to the Board of Directors, including the Board of Directors Insurance at Schedule C-4.13a: Operations - Admin & General Insurance Expense.

Schedule C-4.17 Operations - Administration & General-Rent: This schedule includes expense incurred by an affiliate for rent, allocating a portion to JCWC based on utilization of space and the Mass Formula. The proforma adjustment is based on a known amount from the lease agreement.

Schedule C-4.18 Operations - Administration & General-Maintenance: This schedule includes affiliate allocable cost assignable to customer accounts, sales & administration and general functions of labor, materials and maintenance of property. Cost of internal labor has been removed and is reflected in Schedule C-1.2 @ line 25 as Payroll Expense. Other expenses related to maintenance of property are cost for waste disposal, janitorial services, maintenance & repairs and shredding of documents. The test year adjustment to derive proforma expense for rate year is based on a six-year rolling average of expenses adjusted for the 3.40% CPI.

Schedule C-4.20 - Interest Expense: This schedule includes interest expense on outstanding long-term and short-term debt. Since the last rate case, interest expense increased from $75,600 to $116,700 in the test year with a proforma adjustment of $26,622. This adjustment is based on debt amortization schedules for long-term debt and monthly invoices in the rate year for short-term debt of $450K at an annual rate of 6.5%. The increase in interest expense is driven by the addition of long-term debt in 2022 and the short-term carried in the test year.

C-3.23: Depreciation Expense: The Company calculates rate year depreciation expense based on plant-in-service as of December 31, 2026, using updated depreciation rates approved by the Authority. See Schedule B-3.0 for detail supporting the calculation of proforma depreciation expense assuming proforma plant additions and retirements shown at Schedule B-2.3: Proforma Plant Additions and Schedule B-2.4: Proforma Plant Retirements, respectively.

Schedule C-4.19: Taxes other than Income Taxes: Property and Payroll Taxes

C-4.19a Property Taxes: This schedule utilizes the Company's most recent tax bills received from municipalities in our service territory. The proforma adjustment is based on the jurisdictions' Declaration of Personal Property tax assessment dated November 2025. The resulting calculations reflect property tax expenses indicative of the rate year.

C-4.19b: Payroll Taxes: This schedule reflects the employer payroll tax expense corresponding to the TTEC adjustments in Schedule C-3.1 – Payroll Charged by Position.

G-3.0: State Income Taxes: The pro forma state tax schedules incorporate the effect of the various revenue and expense pro forma adjustments.

G-4.0: Federal Income Taxes: The pro forma federal tax adjustment incorporates the pro forma state taxable income.

VI. CAPITAL STRUCTURE

Q. Please describe the Company's pro forma capital structure.

A. For pro forma purposes, the Company is requesting a capital structure composed of 44.6.0% debt and 55.4% equity, which reflects the capital structure the Company has maintained over the past several years.

The Company's requested capital structure supports the maintenance of a strong credit profile, which directly benefits customers by lowering the cost of debt and improving access to capital. JCWC has consistently employed prudent financial management practices designed to balance affordability for customers with the need to attract capital to fund ongoing infrastructure investment.

Q. Please state the return on equity ("ROE") being requested by the Company and the resulting return on rate base ("ROR").

A. The Company is requesting a return on equity of 10.0%. Because the Small Water Company ROE formula approved in Docket No. 13-01-29 relies on the allowed ROE average of Aquarion Water Company and Connecticut Water Company, and because Aquarion Water Company is no longer a regulated entity, the Company instead looked to Connecticut Water Company's requested ROE in its current rate case as an appropriate, logical benchmark. The Company believes that it faces the same challenges and risks as other water companies, if not more so, given that the Company readily depends upon banks for funding with no access to the marketplace. This limitation dictates that the Company must maintain a stable or rising ROE indicative of a strong core operation turning owner investments into net income which accrues to the capacity for carrying the burden of debt at a lesser cost to the benefit of ratepayers.

When combined with the Company's proposed capital structure and cost of debt, the requested ROE results in an overall return on rate base of 7.24% percent, which the Company believes is reasonable, supports financial stability, and is consistent with returns authorized for similarly situated utilities.

VII. FINANCING STRATEGY

Q. Please provide an overview of the recent financing activities by the Company.

A. The Company has actively financed its capital expenditure program using a combination of new debt issuances, internally generated funds derived from net income and operating cash flows.

As of the end of the test year, the Company's current average cost of debt, including a Line of Credit was 3.99% . The financings reflect the Company's ongoing efforts to prudently manage its capital structure while maintaining access to capital at reasonable cost.

Q. Please provide an overview of any pro forma financing activity included and reflected in this rate application.

A. No proforma financing activity is included and reflected in this rate application.

Q. Does the Company anticipate any filings with the Authority associated with long term debt during the pendency of this proceeding?

A. The Company does not anticipate any filings with the Authority associated with long-term debt during the pendency of this proceeding.

VIII. OVERALL REVENUE REQUIREMENT, RATE DESIGN AND BILL IMPACTS

Q. Please comment on the overall revenue requirement and the resultant rate design.

A. The culmination of the pro forma rate base, operating income, and capital structure yields an overall revenue requirement of $3,043,378, representing an increase of $820,923 or 37.0%, over currently authorized revenues. Refer to Schedule A-1.0 for a detailed calculation of the required increase.

The impact of the proposed increase varies by customer class, system, and level of consumption. JCWC made significant progress toward rate equalization as part of the

Company's two most recent general rate cases. The Company is continuing incremental progress toward rate equalization consistent with prior Authority direction.

Q. Did the Company perform a new cost-of-service or rate design study as part of this filing?

A. No, the Company did not perform a new cost-of-service or rate design study as part of this filing. The rate design work was performed internally by Robert Sherwood and me having consulted with Cathy Pedemonti, Access Utility Consultants.

Q. Please describe the detailed steps utilized towards rate design and the overall impacts of the customer rate design.

A. Consistent with previous rate cases, the revenue structure consists of residential, commercial and industrial customers where all customers are billed monthly, and base customer rates reflect WICA surcharge amounts as being reset with the effective date of this decision. Across revenue classes, customers are billed at the same meter and one-tier consumption rate, eliminating from the prior rate case the three-tier declining commodity block consumption rates as declining tier rates are counter-intuitive to water conservation. In accordance with Avery PFT, P.4 Order No. 14 of the 2000 Rate Case Decision, the Company has gradually increased fire protection revenue to be 12% of total revenue. Refer to Table 1 below which reflects the impact of the proposed rate design by customer class, respectively.

Revenue by Customer Class							
					% of Total Revenue		Delta bwt
Customer Class	Current Rates	Adjustment for WICA/RAM	Current Rates w/o WICA/RAM	Proforma	Test Yr	Proforma Yr	Test Yr & Proforma Yr
Residential	1,531,895		1,531,895	1,989,508	67.3%	65.4%	29.9%
Commercial	273,786		273,786	417,253	12.0%	13.7%	52.4%
Industrial	60,299		60,299	79,968	2.6%	2.6%	32.6%
Private Fire	134,865		134,865	152,843	5.9%	5.0%	13.3%
Public Fire	250,462		250,462	367,743	11.0%	12.1%	46.8%
Late Fees/Other Revenues	22,853		22,853	32,683	1.0%	1.1%	43.0%
M&J Revenue, *net of expenses*	1,452		1,452	3,380		0.1%	132.8%
RAM	(128,042)	128,042	-				
WICA	74,887	(74,887)	-				
	2,222,456	53,155	2,275,611	3,043,378			

Table 1

Q. Please provide further discussion of the Revenue "E" Schedules.

A. The "E" Schedules are the revenue and rate design schedules. They present the Company's existing and proposed tariff rates, billing determinants (e.g. customer counts, usage, meter equivalents, and fire-protection billing units), and the resulting revenues by rate group and customer class. The "E" Schedules also support the bill impact tables included in this filing by showing how the overall revenue requirement increase is translated into updated rate components (e.g., service charges and volumetric rates) for each of the Company's rate groups.

IX. CONCLUSION

Q. Does this conclude your testimony?

A. Yes. In conclusion, the Company's requested rate relief is driven primarily by continued infrastructure investment needs and the regulatory lag associated with non-WICA capital investments, with sustained inflationary pressures.

The proposed capital structure and requested return on equity are conservative, reflect the Company's actual financial practices, and support continued credit strength and access to capital at reasonable cost.

The filing is consistent with the Authority's Standard Filing Requirements, prior decisions, and long-standing ratemaking principles. For these reasons, The Jewett City Water Company respectfully requests that the Authority approve the proposed rate increase and associated tariff changes.