

HAMPSTEAD AREA WATER COMPANY, INC.

Petition for Permanent and Temporary Rates

STIPULATION AGREEMENT ON TEMPORARY RATES

I. BACKGROUND

On June 25, 2008, Hampstead Area Water Company (HAWC) filed with the New Hampshire Public Utilities Commission (Commission) a Petition including financial schedules and supporting testimony for an increase in permanent rates for all of its current franchises.. This filing was docketed by the Commission as DW 08-065

In its original Petition, HAWC proposed to increase its annual revenue by \$167,193, or by 13.77%. HAWC stated that its currently effective rates do not allow it to earn its last allowed rate of return of 6.28%. HAWC stated its overall rate of return for the year ending 2007 was 4.81% and thus it needs a 13.77% increase to raise its overall rate of return to 6.28%.

In support of its request for permanent rate relief, HAWC stated the rate increase is needed because it has financed three projects, consisting of a hydrology study, a new billing software system, and the acquisition of three vehicles. It stated the hydrology study is ongoing, the software system went into service in 2007, and two of the three vehicles are in service. HAWC also stated that it has made additions to its rate base and that its operating and maintenance expenses have increased. HAWC seeks a 9.75% return on equity. In order to improve cash flow, HAWC proposed to change to a monthly billing cycle. HAWC stated that if the proposed revenue is approved, the average annual bill amount for a residential customer will increase from \$424.92 to \$483.42, which is an annual increase of \$58.50 or 13.77%. HAWC proposed no increase to its fire protection rates.

DW 08-065 Hampstead Area Water Company
Temporary Rate Stipulation

Although not requested in its initial petition for permanent rates, HAWC subsequently filed a petition for temporary rates pending the decision on the proposed permanent rates. On July 25, 2008, the Commission issued its Order No. 24,879 scheduling a Pre-Hearing Conference for this docket for September 3, 2008. Subsequently the Commission approved a procedural schedule for this proceeding which incorporated consideration of the Company's request for temporary rates.

In its Petition for Temporary Rates, the Company requested a temporary revenue increase of \$85,356, effective July 1, 2008. The Company stated that a temporary revenue increase of \$85,356 would enable it to earn a 6.22% proforma rate of return on its investment, reflected in a proforma rate base of \$3,666,443. The Company stated that, if its proposed temporary revenue increase were approved, the average annual bill amount for a residential customer would increase from \$424.92 to \$454.78, an increase of \$29.87 or 7.03%. HAWC proposed to allocate its proposed temporary revenue increase as follows:

<u>Meter Size</u>	<u>Quarterly Base Charge</u>	<u>Consumption Rate</u> (per 100 cubic feet)
5/8" meter	\$25.00	\$4.13
3/4 " meter	\$50.00	\$4.13
1" meter	\$75.00	\$4.13
1 ½" meter	\$150.00	\$4.13
2" meter	\$250.00	\$4.13

II. PARTIES AND SCOPE OF THE STIPULATION

A. This Stipulation is entered into by HAWC, the Office of the Consumer Advocate (OCA), and the Staff of the New Hampshire Public Utilities Commission (Staff), representing all of the full participants in this Docket.

DW 08-065 Hampstead Area Water Company
Temporary Rate Stipulation

B. This Stipulation constitutes HAWC, OCA and Staff's recommendation to the Commission with respect to temporary rates in this Docket.

C. Under this Stipulation, HAWC, OCA and Staff agree to this joint submission to the Commission as resolution of the issues specified herein only.

D. This Stipulation shall not be deemed an admission by HAWC, OCA or Staff that any allegation or contention in this proceeding by HAWC, OCA or Staff, other than those specifically agreed to herein, is true and valid. This Stipulation shall not be deemed to foreclose any Party from taking any position in any future proceedings or in the permanent rate phase of this proceeding.

E. HAWC, OCA and Staff agree that all supporting documentation should be admitted as full exhibits for the purpose of consideration of this Stipulation, and be given whatever weight the Commission deems appropriate.

III. STIPULATED TERMS

A. Temporary Customer Rate – HAWC, OCA and Staff agree that the following temporary rate is just and reasonable. HAWC, OCA and Staff agree that HAWC's current effective rates shall be the temporary rates. Specifically, those temporary rates are as follows:

<u>Meter Size</u>	<u>Quarterly Base Charge</u>	<u>Consumption Rate</u> (per 100 cubic feet)
5/8" meter	\$25.00	\$3.71
3/4 " meter	\$50.00	\$3.71
1" meter	\$75.00	\$3.71
1 1/2" meter	\$150.00	\$3.71
2" meter	\$250.00	\$3.71

B. Effective Date - HAWC, OCA and Staff agree that the effective date for these temporary rates shall be September 1, 2008, on a service-rendered basis.

DW 08-065 Hampstead Area Water Company
Temporary Rate Stipulation

C. Reconciliation - Hampstead, OCA and Staff agree that temporary rates will be subject to reconciliation pursuant to RSA 378:29 after the final determination of rates in this docket.

IV. MISCELLANEOUS

A. This Stipulation is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept the Stipulation in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Stipulation, and Hampstead, OCA or Staff is unable to agree with said changes, conditions or findings, the Stipulation shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

B. Hampstead, OCA and Staff agree that the Commission's acceptance of the Stipulation does not constitute continuing approval of, or precedent for, any particular issue in this proceeding other than those specified herein.

C. This Stipulation may be executed in multiple counterparts, which together shall constitute one agreement.

IN WITNESS WHEREOF, the signatories below have executed this Stipulation, each being fully authorized to do so, as of the day indicated below.

HAMPSTEAD AREA WATER COMPANY

By its Attorney,

Date: November 20, 2008

By:


Robert C. Levine, Esq.

DW 08-065 Hampstead Area Water Company
Temporary Rate Stipulation

Date: November 20, 2008

By: Marcia A.B. Thunberg
Marcia A.B. Thunberg, Esq.

OFFICE OF CONSUMER ADVOCATE
By its Attorney,

Date: November 20, 2008

By: Rorie E.P. Hollenberg
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