

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

RE: PENNICHUCK WATER WORKS, INC.

DOCKET NO. DW 08-073

PETITION FOR TEMPORARY RATES

Pennichuck Water Works, Inc. (the "Company"), pursuant to RSA 378:27, petitions the New Hampshire Public Utilities Commission (the "Commission"), to fix, determine and prescribe, effective with service rendered on or after August 1, 2008, or the date on which customers are notified, whichever is sooner, reasonable temporary rates pending the Commission's final decision on the Company's request for permanent rate relief in this docket. In support thereof, the Company states as follows:

1. On May 22, 2008, in accordance with Puc Rule 1604.05, the Company filed a Notice of Intent to file Rate Schedules with the Commission and the New Hampshire Attorney General.

2. Contemporaneous with this Petition for Temporary Rates, the Company is filing revised tariff pages to Tariff NHPUC No. 5 – Water, proposing an increase in the Company's permanent rates. The Company is proposing a permanent rate increase of 14.72% which will generate an additional amount of \$3,193,791 in annual operating revenues. The proposed rates are based on a December 31, 2007 test year. The Company is also proposing two step increases based on capital improvements that have been made in 2008. Specifically, the Company is proposing a 5.05% step increase for capital improvements that were used and useful as of May 31, 2008 and a second step increase of 5.51% for capital improvements that will be used and useful as of November 30, 2008.

3. As described in the testimony of William D. Patterson and Bonalyn J. Hartley in Support of Temporary Rates, the Company is requesting that the Commission grant it a an increase in annual operating revenue of \$2,446,978 on a temporary basis, which represents an overall increase of 11.27% and an effective increase of 11.07% for general metered customers. The Company requests that the temporary rates take effect on August 1, 2008 or the date customers are first noticed, whichever is earlier.

4. The Company has calculated its revenue deficiency for purpose of temporary rates based on the Company's actual performance during the test year and a pro forma adjustment for the annualization of significant capital improvements that were placed into service on or before December 31, 2007. Specifically, the Company expended \$7.0 million on new non-revenue producing assets primarily associated with its upgrade to the water treatment plant. The Company has also made a pro forma adjustment of \$390,072 for water revenues which reflects the annualization of the rate increases that occurred in 2007 from the Company's prior rate case, DW 06-073.

5. In DW 06-073, the Company was granted a rate increase which was predicated on a 7.89% rate of return (*see* Order 24,751 approving settlement agreement). As set forth in Mr. Patterson and Ms. Hartley's testimony in Support of Temporary Rates, as of December 31, 2007, the Company's overall rate of return was 6.64% or 125 basis points below the last allowed return of 7.89%. The Company's rate of return eroded further to 6.47% as of April 30, 2008.

6. The Company's rate of return during the test year was substantially below its allowed rate of return, as a result of the significant capital improvements briefly described above. Since December 2005 (the test year for the Company's last rate case), the Company

had a net investment of \$30.6 million in its plant in service, \$9.7 million of which were new capital investments in 2007 alone. From 2005 to 2007, the Company's operating expenses increased \$1.3 million over that same period of time.

7. Unless temporary and, ultimately, permanent rate relief is granted, the Company will not earn a reasonable rate of return on the cost of its property used and useful in the public service. The continuation of current rates will result in the confiscation of the Company's property.

8. The reports on file with the Commission and supporting documentation filed in connection with the Company's permanent rate request and with this Petition demonstrate that the Company is earning substantially below its allowed rate of return. The Company therefore requests that the Commission order a temporary rate increase, as described above. Based on Mr. Patterson and Ms. Hartley's testimony, temporary rates as proposed are just and reasonable, and therefore should be granted.

WHEREFORE, the Company respectfully requests that the Commission:

- A. Grant this Petition for Temporary Rates, allowing the Company an increase in the amount of \$2,446,978 in annual operating revenue and to be effective on August 1, 2008 on a service rendered basis, or the date on which customers are notified, whichever is sooner;
- B. Order such temporary rates to remain in effect until a determination of the Company's request for a permanent rate increase; and
- C. Grant such other relief as is just and equitable.

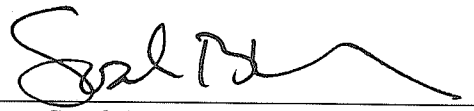
Respectfully submitted,

PENNICHUCK WATER WORKS, INC.

By Its Attorneys

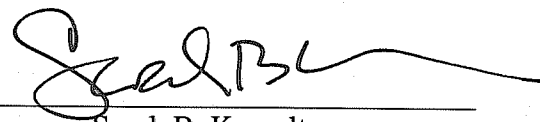
MCLANE, GRAF, RAULERSON &
MIDDLETON, P.A.

Dated: June 23, 2008

By: 
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Certificate of Service

I hereby certify that a copy of this Petition for Temporary Rates has been hand delivered to Meredith Hatfield, Esq. this 23rd day of June, 2008.


Sarah B. Knowlton