

DW 05-119

AQUARION WATER COMPANY OF NEW HAMPSHIRE

Petition for Permanent and Temporary Rate Increase

**Order Suspending Proposed Tariffs and
Scheduling Prehearing Conference**

ORDER NO. 24,507

August 26, 2005

Aquarion Water Company of New Hampshire (Aquarion) filed with the New Hampshire Public Utilities Commission (Commission), on July 5, 2005, a Notice of Intent to file rate schedules and, on August 5, 2005, filed a Petition for an increase in permanent rates.

Aquarion provides water service to approximately 8,700 customers in the towns of Hampton, North Hampton and Rye, New Hampshire. In support of its petition, Aquarion provided pre-filed direct testimony of Larry L. Bingaman, Senior Vice President of Operations; Linda M. Discepolo, Director of Rates and Regulation; and John F. Guastella of Guastella Associates, Inc., a consulting firm that conducted a cost of service study for Aquarion included with the petition.

Aquarion requests the Commission approve an overall increase in annual revenues of \$884,780, which represents a revenue increase of 21.23%. Aquarion asks that its proposed increase in revenue be allocated to its various customer classes in accordance with the cost of service study. Thus Aquarion seeks an increase in revenues from residential customers of 19.97%; from commercial customers of 22.48%; from industrial customers of 24.73%; from public customers of 19.44%; from seasonal customers of 32.51%; from private fire protection customers of 26.00%; and from public fire protection customers of 19.30%. Aquarion's increase in permanent rates for all customer classes is proposed for effect on September 4, 2005.

Contemporaneous with its permanent rate petition, Aquarion filed a Petition for Temporary Rates, to take effect for bills rendered on or after September 15, 2005. Aquarion requests waiver of N.H. Admin. Rules, Puc 1203.05, which requires rate changes be implemented on a service rendered basis. Aquarion proposes a temporary increase in revenues of \$457,966, or 10.99% on an annual basis. This temporary rate increase would raise all customer rates as follows: residential, 10.34%; commercial, 11.64%; industrial, 12.80%; public, 10.06%; seasonal, 16.83%; private fire, 13.46%; and public fire, 9.99%. In support of its request for temporary rates, Aquarion filed financial schedules as well as pre-filed testimony of Linda M. Discepolo.

Aquarion asserts that a permanent increase in revenues is required because it is not earning a return adequate to cover its cost of capital or a reasonable return on the actual cost of its property used and useful in the public service. In its Petition, Aquarion states that this rate filing is primarily driven by investments in water utility infrastructure such as source of supply improvements and main replacements since the last rate increase in 1999.

The filing raises, inter alia, issues related to: RSA 378 and rates, fares and charges; Aquarion's proposed return on equity; the allocation of revenues among the customer classes; treatment of costs associated with recent takeover proceedings; and Puc 1203.05 and waiver of implementation of rate changes on a service rendered basis.

Based on the foregoing, it is hereby

ORDERED, that Aquarion Water Company of New Hampshire's NHPUC NO. 1 WATER First Revised Page 12, 13, 14 and 15 be and hereby are suspended, and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.05, be held before the New Hampshire Public Utilities Commission located at 21

South Fruit Street, Concord, New Hampshire on September 27, 2005 at 10:00 at which each party and Commission Staff will provide a preliminary summary of its positions with regard to the Petition; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, Aquarion, Commission Staff and Intervenors hold a First Technical Session to review the noticed issues and determine a proposed procedural schedule for consideration of temporary and permanent rates; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.01, Aquarion notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than September 7, 2005, in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be documented by affidavit filed with the Commission on or before September 27, 2005; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to Aquarion and the Office of the Consumer Advocate on or before September 22, 2005, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.02 (a)(2); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before September 27, 2005; and it is

FURTHER ORDERED, that in addition to the legal notice required above for the Prehearing Conference, Aquarion shall publish by September 13, 2005 a display

advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between Aquarion and the Executive Director and Secretary;

By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of August, 2005.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Michael D. Harrington
Commissioner

Attested by:

Lori A. Normand
Assistant Secretary