

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 10-090

PITTSFIELD AQUEDUCT COMPANY, INC.

**Permanent and Temporary Rate Increase Proceeding
Order Suspending Proposed Tariffs
and
Scheduling Prehearing Conference**

ORDER NO. 25,106

June 4, 2010

Pittsfield Aqueduct Company, Inc. (PAC) provides water service to approximately 650 customers in the Town of Pittsfield. On April 6, 2010, PAC filed a notice of intent to increase rates. On May 6, 2010, PAC filed schedules and materials, pursuant to N.H. Code Admin. R. Chapter Puc 1600, supporting its proposed permanent rate increase and a petition for temporary rates.

PAC seeks a permanent increase in its annual gross operating revenues of \$121,328. In addition, PAC seeks a step adjustment to recover plant additions beyond the 2009. The proposed additional revenues for the step increase total \$32,230 in gross operating revenues, which would bring the combined increase to 25.29% or total revenue increases of \$153,609. PAC proposes to collect revenues from each customer class in accordance with its most recent Cost of Service Study, dated April 2010. The proposed combined permanent and step rate increases would result in a 22.99% increase for general metered customers, 16.20% for private protection customers, and 35.78% for municipal hydrants. As a result of the proposed increase in revenue, PAC projects that an average annual residential bill for a single family home would be approximately

\$725, based on average annual usage of 71 hundred cubic feet. This would represent an increase of \$12.81 per month over current rates.

PAC also seeks approval of a Water Investment and Conservation Adjustment (WICA) surcharge to cover the replacement and rehabilitation of water mains, services and, when necessary, the replacement of water meters and fire hydrants. This WICA charge, if approved, would allow PAC to increase rates annually no more than 5 to 7.5%.

PAC also petitioned for temporary rates, which, if approved, would result in a temporary increase in annual operating revenues of \$115,289, or 18.99%. Apportioning this increase pursuant to its most recent Cost of Service Study, this increase would result in a 16.79% increase for general metered customers, a 10.37% increase for private fire protection, and a 28.967% increase for municipal hydrants. The proposed temporary increase in rates, if approved, would increase an typical annual residential bill (assuming usage of 71 hundred cubic feet) from \$571.20 to \$688.44 or a temporary monthly increase of \$9.77. In support of its request for temporary rates, PAC states that its return on investment has declined to 4.12% or 395 basis points lower than its last authorized return on investment of 8.0%. PAC states its actual rate of return for February 2010 was 2.95%. PAC states temporary rates, at the requested level, would enable it to earn its last allowed rate of return. According to PAC, the deterioration in its overall rate of return is in part due to mandated capital improvements, replacement of aging infrastructure, increased property taxes, increased liability insurance for two reservoir dams, and decreased revenue from declining sales.

PAC requests that temporary rates take effect for service on or after June 6, 2010, or the date its customers are first noticed of the proposed increase, whichever comes first. Should

temporary rates be approved, customers' bills will be reconciled with any permanent rates approved by the Commission in this proceeding.

The filing raises, *inter alia*, issues related to: RSA 378:7 and whether the proposed increased temporary, permanent, and step adjustment to rates are lawful, just, and reasonable; whether test year expenses and *pro forma* adjustments are reasonable; RSA 378:28 and whether the calculation of rate base represents prudent investment in property that is used and useful; the determination of a reasonable rate of return, including an appropriate capital structure; whether the level of revenues used for calculating the revenue requirement is reasonable; and whether the proposed rate design to recover its proposed revenue deficiency is fair and reasonable; and whether a WICA surcharge is reasonable and appropriate for PAC.

Based on the foregoing, it is hereby

ORDERED, that Pittsfield Aqueduct Company, Inc.'s NHPUC NO. 5 WATER – Proposed Eighth Revised Pages 38, 39, 40, and Proposed Second Revised Page 44 are hereby suspended; and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Code Admin. R. Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on July 14, 2010 at 10:00 at which each party and Commission Staff will provide a preliminary summary of its positions regarding the filing; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, PAC, Commission Staff, and any intervenors hold a technical session to review the issues and recommend a proposed procedural schedule for consideration of the issues raised by the filing; and it is

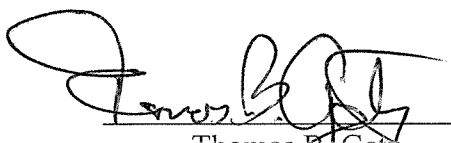
FURTHER ORDERED, that pursuant to N.H. Code Admin. R. Puc 203.12, PAC notify all persons desiring to be heard at this hearing by publishing by June 16, 2010 a display advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between PAC and the Executive Director; and it is

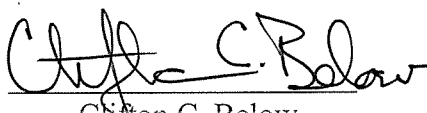
FURTHER ORDERED, that pursuant to N.H. Code Admin. R. Puc 203.12, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to PAC and the Office of the Consumer Advocate on or before July 9, 2010, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Code Admin. R. Puc 203.17 and RSA 541-A:32, I (b); and it is

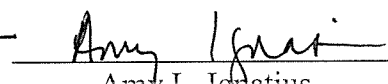
FURTHER ORDERED, that any party objecting to a petition to intervene make said Objection on or before July 14, 2010; and it is

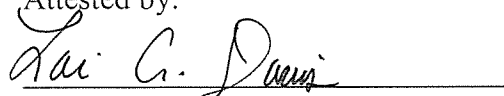
FURTHER ORDERED, that, pursuant to N.H. Code Admin. R. Puc 203.12(a)(5), each party has the right to have an attorney represent them at their own expense.

By order of the Public Utilities Commission of New Hampshire this fourth day of June 2010.


Thomas B. Gela
Chairman


Clinton C. Below
Commissioner


Amy L. Iguatius
Commissioner

Attested by:

Lori A. Davis
Assistant Secretary