

**Hampstead Area Water Company**

**New Hampshire Public Utilities Commission**

**DW 08-065**

**Introductory Letter**

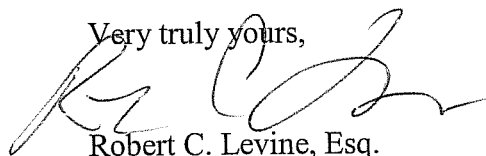
Hampstead Area Water Company ("HAWC" or "Company") respectfully requests that the Commissioners accept this filing in support of its request for an increase in the water rate that the Company charges its customers. If the rate filing is accepted as submitted, the Company would realize an annual increase in permanent revenues of \$167,193 effective July 1, 2008. The permanent revenue increase of \$167,193 would enable the Company to earn a 6.28% rate of return on its rate base of \$3,797,775. The average annual amount for a residential customer would increase from \$424.92 to \$483.42, an increase of \$58.50 or 13.77%.

During the twelve months ended December 31, 2007 the Company's net operating income amounted to \$167,259. The Company's net operating requirement based on its actual, beginning and ending average rate base times its actual rate of return of 4.81% was \$174,688. The net of the operating income requirement and the operating income is an operating income deficiency of \$7,438. In 2007 the Company experienced an increase in revenue and an increase in expenses. While the net operating income is only slight below what the net operating income requirement is, the Company has adjusted its test year expenses and added its 2008 addition to plant, which results in a need for the rate increase. At December 31, 2007 the Company had 2,858 customers. The Company has made a few proforma adjustments in its filing. The proforma adjustments are an attempt to adjust test year revenue and expenses to what the Company believes such revenue and expenses need to be in order for the Company to recover its costs and to earn a fair and reasonable return on its investment.

The Company is requesting that the proposed rate be effective for service rendered commencing July 1, 2008. The Company has not determined whether to file a separate petition for consideration of temporary rates. The Company reserves the right to file for temporary rates if it determines that temporary rates are appropriate.

With respect to the specific rate filing and its exhibits and supporting schedules, we have engaged the services of Stephen P. St. Cyr of St. Cyr & Associates to prepare the rate filing and to draft and present testimony on the merits of the case. Enclosed is his testimony, the exhibits and supporting schedules and the other rate filing requirements.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Robert C. Levine', is written over the typed name.

Robert C. Levine, Esq.  
General Counsel