

**STATE OF NEW HAMPSHIRE**  
**THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**  
**HAMPSTEAD AREA WATER COMPANY, INC**  
**DW 08-065**  
**PETITION FOR APPROVAL PERMANENT RATES**

The Petitioner, Hampstead Area Water Company, Inc. (HAWC), respectfully petitions the N.H. Public Utilities Commission (Commission) for approval of permanent rates. In support of this Petition, HAWC says:

1. HAWC is presently franchised in most areas of Hampstead and Atkinson, New Hampshire, and has franchised satellite systems in various towns in Rockingham County (see Schedule A, attached). HAWC has been granted a system wide, consolidated rate in Docket DW-05-112, by Order No. 24,734.
2. That HAWC is proposing an increase in revenue by \$167,193, an 13.77% increase. This would result in average annual revenue of \$483.42 on a per customer basis.
3. That HAWC is operating at a net deficit during this time period. In fiscal year 2007, the net loss amount to \$7,438.
4. That the current rates do not allow HAWC to meet its operation expenses and earn its authorized rate of return.
5. In 2007 the Commission approved the expansion of the franchise areas to include the Coopers Grove system and the Black Rocks Village system and a franchise request for the acquisition of the Sargent Woods system is presently pending. There are developer requests to expand the system to the Fours Seasons and the Irongate developments that are presently under construction

6. That on March 4, 2008 the Company filed a petition requesting PUC approval to finance the purchase and installation of SCADA, the development of a water system model and a system wide geographic information system (GIS) and the construction of additional wells amounting to \$165,329. The Company's request is subject to PUC docket DW 08-033, which was granted by the Commission's Order 24,864 on June 20, 2008.
7. That in 2006 the Company sought and received permission from the PUC to finance three projects and to receive related step increases (Docket DW 06-104). The three projects consist of (1) a hydrology study, (2) a new billing software system and (3) three vehicles. The hydrology study is ongoing. The new billing software system went into service in 2007 and is reflected in the 2007 plant in service balance. Two of the three vehicles went into service in 2007 and are reflected in the 2007 plant in service balance. The new billing system and two of the three vehicles are in service and reflected in test year rate base,
8. That in support of its request for a rate increase, the Company provides the following information, as more completely detailed in the Pre-Filed Testimony of Stephen P. St. Cyr and the Financial Exhibits attached thereto. The Company made three adjustments to its rate base, including an adjustment for cash working capital, which increases due to increased proforma operating and maintenance expenses. The Company adjusted the rate of return to reflect its proforma capital structure, its proforma cost of debt, and a 9.75% cost of equity. The net of the adjustments to the capital structure and the adjustments to the cost rates results in a rate of return of 6.28%. As such, the rate of return of 6.28% when multiplied by the rate base of \$3,797,775 results in an operating income requirement of \$238,490. The Company increased its revenue by \$167,193 in order to

allow the Company to recover its costs and to earn a fair and reasonable return on its investment. The Company has determined that if the proposed revenue is approved, the average annual amount for a residential customer will increase from \$424.92 to \$483.42, an increase of \$58.50 or 13.77%.

9. That during the twelve months ending December 31, 2007, the Company operating revenues amounted to \$1,268,877, an increase of \$192,100 or 18%. The increase in operating revenue in 2007 compared to 2006 was due to increased consumption and increased number of customers. The Company had 2,858 customers at December 31, 2007. The Company's operating expenses consist of operation and maintenance expenses, depreciation and amortization expenses, and taxes. Total 2007 operating expenses amounted to \$1,101,627, an increase of \$127,090 or 13%. Operation and maintenance expenses increased \$85,791. The Company's net operating income amounted to \$167,250. The Company reviewed a number of expense accounts in its preparation of the rate filing. In its review, the Company determined that certain expenses needed to be adjusted in order to reflect what would be considered normal and reoccurring. (See Pre-Filed Testimony of Stephen P. St. Cyr and attached Exhibits)
10. That the Company's overall rates of return are 4.81% and 6.28% for 2007 actual and 2007 proformed, respectively. The Company's overall capital structure is more weighted to debt than it would prefer. However, with the recent amounts of additional paid in capital, the recent rate increases, and the proposed rate increase, earnings should continue to improve, adding to retained earnings while increasing the equity portion of the capital structure. The Company is proposing that the weighted average rate of return be 6.28%. (See Pre-Filed Testimony of Stephen P. St. Cyr and attached Exhibits)

11. That the Company has applied the proposed rate increase to all its metered customers.

The Company is not proposing to change its fire protection rates. It will however be changing its billing cycle from quarterly to monthly. The switch to a monthly billing cycle will allow the Company to continue to receive payments more timely, to reduce accounts receivable, and improve cash flow. The switch to a monthly billing cycle will reduce the amount of the billings to approximately 1/3 of the quarterly billings and allow customers to more easily afford the smaller, more frequent billings. It will also allow customers to more quickly respond to water usage.

12. That the Company has not yet determined whether to file a separate petition for consideration of temporary rates. The Company reserves the right to file for temporary rate if it determines that temporary rates are appropriate.

13. That, in summary, the Company is requesting a permanent revenue increase of \$167,193, effective July 1, 2008. The permanent revenue increase of \$167,193 enables the Company to earn a 6.28% proforma rate of return on its investment, reflected in a proforma rate base of \$3,797,775. The average annual amount for a residential customer will increase from \$424.92 to \$483.42, an increase of \$58.50 or 13.77%.

14. It would be in the public good for HAWC to have an increased in rate established.

HAWC provides the following in support:

A. The rate filing schedules for are attached in the Financial Exhibits (submitted collectively and attached to the Pre-Filed Testimony of Stephen P. St. Cyr) As can be seen by the Pre-Filed Testimony of Stephen P. St Cyr and the attached Exhibits, the rate increase is warranted due to the need for increased revenue.

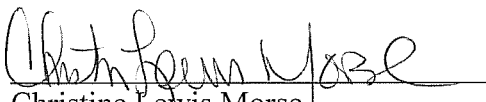
- B. The proposed rate will be billed to the customer on a monthly basis, a change that will benefit both the Company and its customers.
- C. HAWC is requesting this system wide rate increase be effective as of July 1, 2008
- D. For all the reasons set out hereinabove, it would be in the public good for HAWC to have a new system wide rate increase.

WHEREFORE your Petitioner prays:

- A. That the Commission find that it would be in the public good for the HAWC to be permitted to charge the system wide rate increase as proposed;
- B. That the Commission, by appropriate order, grant the HAWC permission to charge the system wide rate increase as proposed, effective July 1, 2008.
- C. That the Commission make such further findings and orders as may be appropriate on the circumstances.

Dated the 24<sup>th</sup> day of June, 2008.

Respectfully submitted,  
HAMPSTEAD AREA WATER COMPANY, INC.

  
Christine Lewis Morse  
Vice President

## Schedule A

### HAWC System History

Company	Year	Docket	Order	Franchise Area
Walnut Ridge Water Company	1977	DE 76-179	12,827	1,826 Acres
Lancaster Farms-Salem	1984	DR 84-267	17,312	144 Acres
Bricketts Mill-Hampstead	1985	DE 85-149	17,848	80 Acres
Squire Ridge-Hampstead	1985	DE 85-274	17,967	140 Acres
Kent Farm-Hampstead	1987	DE 86-198	18,560	1,700 Acres
Kent Farm-Hampstead	1987	DE 86-198	18,598	Supp Order
Woodland Pond-Hampstead	1987	DE 87-211	18,980	701 Acres
Bryant Woods-Atkinson	1988	DE 87-226	19,230	2,340 Acres
Hampstead Area Water Company	1989	DE 89-047	19,717	Hampstead Merger*
Hampstead Area Water Company	1989	DE 89-047	19,751	1,650 Bryant Woods Merger**
Walnut Ridge Water Company	1990	DE 90-129	19,992	55 Acres
HAWC-Bricketts Mill Extension	1990	DE 90-049	19,783	1,246 Acres
HAWC-Hampstead	1991	DE 91-121	20,224	1,350 Acres
HAWC-Hampstead	1991	DE 91-144	20,320	370 Acres
HAWC-Rainbow Ridge-Plaistow	1993	DE 92-129	20,774	152 Acres
HAWC-Stoneford-Sandown	1996	DE 96-201	22,551	3,483 Acres
HAWC-Colby Pond-Danville	1998	DE 97-154	22,854	177 Acres
HAWC-Oak Hill-Chester	2000	DW 00-059	23,577	
HAWC-Walnut Ridge & Lancaster	2002	DW 01-204	23,954	Atkinson Merger***
HAWC-Camelot Court- Nottingham	2004	DW 02-198	24,296	44 Acres
HAWC-Cornerstone-Sandown	2004	DW 02-198	24,296	188 Acres
HAWC-Lamplighter-Kingston	2004	DW 02-198	24,296	13.66 Acres
HAWC-Maplevale-East Kingston	2004	DW 03-150	24,299	107 Acres
HAWC-Dearborn Ridge-Atkinson	2005	DW 04-055	24,501	541 Acres
HAWC-Hampstead Expansion	2005	DW 04-062	24,520	238 Acres
HAWC-Mill Woods-Sandown	2005	DW 05-063	24,544	35 Acres
HAWC-Waterford Village- Sandown	2005	DW 05-070	24,545	90.37 Acres
HAWC-Atkinson Expansion	2005	DW 05-092	24,592	333 Acres
HAWC-Autumn Hills-Sandown	2006	DW 06-016-	24,608	33.68 Acres
HAWC - Cooper Grove-Kingston	2008	DW-07-133	24,831	211 Acres
HAWC - Black Rocks Village	2008	DW-07-134	24,856	391 Acres

\*Merged Bricketts Mill, Kent Farm, Squire Ridge and Woodland Pond into HAWC

\*\*Merged Bryant Woods into Walnut Ridge with requirement that the Bryant Woods rates apply

\*\*\*Merged Lancaster Farms and Walnut Ridge into HAWC