

STATE OF NEW HAMPSHIRE
THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
HAMPSTEAD AREA WATER COMPANY, INC
DW 12-170
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. The last general rate case filing by the Company was approved in Docket 08-065 by Order No. 25,000.
2. That HAWC has made a number of strides over the last eight years in response to its customers' needs, and the Company's goals in conjunction with the Public Utilities Commission (PUC) and the Department of Environmental Services (DES). HAWC has achieved improvements in the areas of its water supply, its water quality, its water pressure, leak detection, and water loss control.
3. The Company has also added to its infrastructure making several large capital improvements. Financially, the Company has restructured its affiliate arrangement and restructured its debt and equity structure. The Company has made changes to improve its cash flow and accomplished moderate growth to its customer base. (See Testimony of Harold J. Morse, Exhibit 1).

4. That HAWC is proposing an increase in revenue by \$101,774.00, a 6.99% increase. This would result in average annual revenue of \$512.57 on a per customer basis.
5. That the current rates do not allow HAWC to meet its anticipated operation expenses and earn its proposed rate of return.
6. 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 placed wells, pumphouse, and other equipment in service in June 2011 in its Settler Ridge Water System. The 2011 test year does not reflect operating and maintenance expenses associated with a full year of operation.
7. The Company acquired the assets of the Fairfield Water System in the 1st quarter 2012. The 2011 test year does not reflect any operating and maintenance expenses related to this system.
8. Company has been involved in an ongoing effort to reduce water loss. The 2011 test year reflects some expenses related to water loss, but does not reflect the anticipate increase in expenses to match the Company increased effort to further reduce water loss.
9. The net of the adjustments to the capital structure and the adjustments to the cost rates results in a proposed rate of return of 4.97%. As such, the proposed rate of return of 4.97%, when multiplied by the pro forma rate base of \$5,008,787, results in an operating income requirement of \$248,751. The Company's proposed increase of its revenue by \$59,021 is necessary in order to allow the Company to recover its expenses and to earn a fair and reasonable return on its investment.

10. The Company is also requesting a step increase of \$42,723. In 2011 the Company sought and received approval from both the DES and PUC to borrow state revolving funds to replace service lines. Also, in 2011, the Company sought and received approval from the PUC to borrow funds to make various system improvements. Among the various system improvements, the Company plans to replace 2 wells, various pumps, filters, mains, meters and a vehicle. This work is planned for 2012. This step increase would allow the Company to recover its investment in plant and reflect such costs in revenue and rates.
11. That the Company is requesting a permanent revenue increase of \$59,021, effective July 1, 2012 and a step increase of \$42,723 effective upon completion of the work anticipated on September 30, 2013. The average annual amount for a general customer will increase from \$479.09 to \$512.57, an increase of \$33.48, which results in a 6.99% proposed rate increase.
12. That the Company has applied the proposed rate increase to all its metered customers. In order to assist in cash flow, the Company is requesting to adjust its rate structure by increasing its base rate as proposed. (See Proposed Tariff Rate Change Page, Exhibit 3). The Company is not proposing to change its fire protection rates.
13. That the Company requests that its existing rate be used for consideration as temporary rates in this filing effective as of July 1, 2012.
14. That, in summary, the Company is requesting a permanent revenue increase of \$59,021, effective July 1, 2012. The permanent revenue increase of \$59,021 enables the Company to earn a proposed 4.97% rate of return on its investment, reflected in a proforma rate base of \$5,008,787. Also, the Company is requesting a step increase of \$42,723, effective upon completion of the work anticipated on September 30, 2013. The step

increase of \$42,723 enables the Company to earn a proposed 4.55% rate of return on its investment, reflected in a projected rate base of \$386,569. The average annual amount for a general customer will increase from \$479.09 to \$512.57, an increase of \$33.48 or 6.99%.

15. It would be in the public good for HAWC to have an increase in rate established. HAWC provides the following in support:

- A. The rate filing schedules 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. HAWC is requesting this system wide permanent rate increase be effective as of July 1, 2012.
- C. 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 permanent rate increase as proposed, effective July 1, 2012.
- C. That the Commission make such further findings and orders as may be appropriate on the circumstances.

Dated the 24th day of July, 2012

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	Merger**
HAWC-Bricketts Mill Extension	1990	DE 90-049	19,783	55 Acres
HAWC-Hampstead	1991	DE 91-121	20,224	1,246 Acres
HAWC-Hampstead	1991	DE 91-144	20,320	1,350 Acres
HAWC-Rainbow Ridge-Plaistow	1993	DE 92-129	20,774	370 Acres
HAWC-Stoneford-Sandown	1996	DE 96-201	22,551	152 Acres
HAWC-Colby Pond-Danville	1998	DE 97-154	22,854	3,483 Acres
HAWC-Oak Hill-Chester	2000	DW 00-059	23,577	177 Acres
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
HAWC - Sargent Woods	2008	DW-07-130	24,884	65.97 Acres
HAWC - Oak Hill Extension	2010	DW-10-204	25,166	27.851 Acres
HAWC - Fairfield Estates	2011	DW-11-218	25,318	21.97 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

**Hampstead Area Water Company
New Hampshire Public Utilities Commission
DW 12-170**

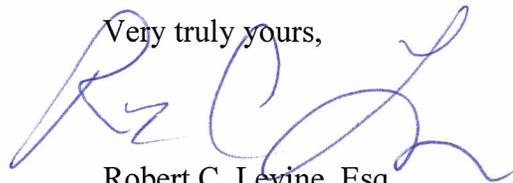
Introductory Letter

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 have a permanent revenue increase of \$59,021, effective July 1, 2012. The permanent revenue increase of \$59,021 enables the Company to earn a proposed 4.97% rate of return on its investment, reflected in a proforma rate base of \$5,008,787. Also, the Company is requesting a step increase of \$42,723, effective upon completion of the work anticipated on September 30, 2013. The step increase of \$42,723 enables the Company to earn a proposed 4.55% rate of return on its investment, reflected in a projected rate base of \$386,569. The average annual amount for a general customer will increase from \$479.09 to \$512.57, an increase of \$33.48 or 6.99%. At December 31, 2011 the Company had 3,039 customers.

In part due to capital investments in its Settlers Ridge Water System, the acquisition of the Fairfield Water System and increased effort to reduce water loss, the Company anticipates an increase in expenses beyond what is reflected in test year expenses. 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, 2012. The Company requests that its existing rate be used for consideration as temporary rates in this filing effective as of July 1, 2012.

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 exhibits, and to draft and present testimony on the merits of the case. Enclosed is his testimony, the exhibits and supporting schedules, the Testimony of Harold J. Morse, President of Hampstead Area Water Company, Inc., and the other rate filing requirements.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'R. C. Levine', is written over the typed name below.

Robert C. Levine, Esq.
General Counsel