

ORIGINAL	
N.H.P.U.C. Case No.	DW 12-170
Exhibit No.	#2
Witness	Panel
DO NOT REMOVE FROM FILE	

DW 12-170

HAMPSTEAD AREA WATER COMPANY, INC.

Petition for Permanent and Temporary Rates

STIPULATION AGREEMENT ON TEMPORARY RATES

I. BACKGROUND

On July 27, 2012, Hampstead Area Water Company (Hampstead or HAWC) filed with the New Hampshire Public Utilities Commission (Commission) a Petition including financial schedules and supporting testimony for an increase in permanent rates for all of its current franchises. This filing was docketed by the Commission as DW 12-170

Within the Petition, Hampstead applied for temporary rates pending the decision to be made in the case herein. On August 21, 2012, the Commission issued an Order of Notice (Order No. 25,401) scheduling a Pre-Hearing Conference for this docket for September 18, 2012. Subsequently the Commission approved a procedural schedule for this proceeding which incorporates consideration of the Company's request for temporary rates in this docket.

HAWC proposes to increase its annual revenue by a total of \$101,774, or 6.99%, to a total revenue requirement of \$1,663,055. The proposed revenue increase is comprised of new revenues of \$59,021 based on its 2011 test year, and new revenues of \$42,723 based on a proposed step adjustment for 2012 plant additions anticipated to be completed by September 30, 2012. HAWC states that its currently effective rates do not allow the company to meet its anticipated operating expenses and earn its proposed rate of return. HAWC proposes an overall rate of return of 4.97%, based on a cost of equity of 10.75% and a weighted average cost of debt of 3.90%. This is lower than HAWC's last authorized rate of return of 6.05%. HAWC's capital structure as of December 31, 2011 was composed of 84% debt and 16% equity.

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HAWC states that the need for a permanent increase in its revenues is due to new capital investments made in its water systems, efforts to reduce water loss, and other increases in its operating costs including property taxes. If the proposed revenue levels are approved, HAWC states that annual rates for an average customer would increase from \$479.09 to \$512.57, an increase of \$33.48 or 6.99%.

Within its petition for permanent rates, HAWC requests that its currently effective rates be established as temporary rates, effective July 1, 2012. HAWC did not separately file a petition for temporary rates, or testimony supporting the request.

HAWC is proposing a temporary rate as follows:

<u>Meter Size</u>	<u>Base Charge</u>	<u>Consumption Rate (per 100 cubic feet)</u>
5/8" meter	\$10.00	\$4.74
3/4" meter	\$20.00	\$4.74
1" meter	\$30.00	\$4.74
1 1/2" meter	\$60.00	\$4.74
2" meter	\$100.00	\$4.74

During the test year, the Company did not earn its authorized rate of return. The underlying plant that supports the test year level of revenues is used and useful and providing service to customers. The test year level of expenses is fair and reasonable.

II. PARTIES AND SCOPE OF THE STIPULATION

A. This Stipulation is entered into by Hampstead and the Staff of the New Hampshire Public Utilities Commission (Staff), representing all of the full participants in this Docket.

B. This Stipulation constitutes Hampstead and Staff's recommendation to the Commission with respect to temporary rates in this Docket.

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C. Under this Stipulation, Hampstead and Staff agree to this joint submission to the Commission as resolution of the issues specified herein only.

D. This Stipulation shall not be deemed an admission by Hampstead or Staff that any allegation or contention in this proceeding by Hampstead or Staff, other than those specifically agreed to herein, is true and valid. This Stipulation shall not be deemed to foreclose any Party from taking any position in any future proceedings.

E. Hampstead and Staff agree that all supporting documentation should be admitted as full exhibits for the purpose of consideration of this Stipulation, and be given whatever weight the Commission deems appropriate.

III. STIPULATED TERMS

A. Revenue Requirement – Hampstead and Staff agree to a revenue requirement which currently supports the existing rates for the Company.

B. Temporary Customer Rate – Hampstead and Staff agree that the following temporary rate based upon the agreed upon revenue requirement is just and reasonable. The Parities agree that the current permanent rates shall be the temporary rates. Those temporary rates are as follows:

<u>Meter Size</u>	<u>Base Charge</u>	<u>Consumption Rate</u> (per 100 cubic feet)
5/8" meter	\$10.00	\$4.74
¾" meter	\$20.00	\$4.74
1" meter	\$30.00	\$4.74
1 ½" meter	\$60.00	\$4.74
2" meter	\$100.00	\$4.74

C. Effective Date - Hampstead and Staff agree that the effective date for these temporary rates should be September 1, 2012 on a service rendered basis.

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D. Reconciliation - Hampstead and Staff agree that temporary rates will be subject to reconciliation pursuant to RSA 378:29 after the final determination of rates in this docket.

E. Completion Date – Hampstead and Staff agree that the completion date for the 2012 plant additions shall be December 31, 2012, instead of September 30, 2012.

IV. MISCELLANEOUS

A. This Stipulation is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept the Stipulation in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Stipulation, and Hampstead or Staff is unable to agree with said changes, conditions or findings, the Stipulation shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

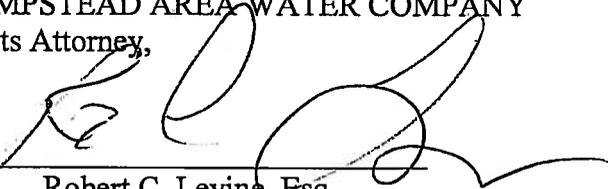
B. Hampstead and Staff agree that the Commission's acceptance of the Stipulation does not constitute continuing approval of, or precedent for, any particular issue in this proceeding other than those specified herein.

C. This Stipulation may be executed in multiple counterparts, which together shall constitute one agreement.

IN WITNESS WHEREOF, the signatories below have executed this Stipulation, each being fully authorized to do so, as of the day indicated below.

Date: October 12, 2012

HAMPSTEAD AREA WATER COMPANY
By its Attorney,

By: 

Robert C. Levine, Esq.

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STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
By its Attorney,

Date: October 15, 2012

By: *Marcia A.B. Thunberg*
Marcia A.B. Thunberg, Esq.