

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 12-170

HAMPSTEAD AREA WATER COMPANY, INC.

Permanent Rate Proceeding

Order Suspending Proposed Tariff Revisions and Establishing a Prehearing Conference

ORDER NO. 25,401

August, 21, 2012

Hampstead Area Water Company, Inc. (HAWC) provides water service to approximately 3,039 customers in the communities of Atkinson, Chester, Danville, East Kingston, Fremont, Hampstead, Kingston, Newton, Nottingham, Plaistow, Salem, and Sandown. On June 14, 2012, HAWC filed a notice of intent to file rate schedules. On July 27, 2012, HAWC filed its schedules along with supporting testimony for an increase in permanent rates for all of its current franchises. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, will be posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2012/12-170.html>.

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.

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 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%.

The filing raises, *inter alia*, issues related to RSA 378 and the justness and reasonableness of rates, fares, and charges; issues regarding operating expenses, proforma adjustments, and rate of return; HAWC's proposed rate base additions including those proposed to be included in a step adjustment; the efficacy of HAWC's request for temporary rates embedded within its permanent rate petition; and HAWC's proposed return on equity. A full investigation is necessary to determine whether the proposed increase is in the public good and these and other issues will be addressed in the permanent rate proceeding.

Based upon the foregoing, it is hereby

ORDERED, that HAWC's proposed Twelfth Revised Page 19 issued in lieu of Eleventh Revised Page 19 is hereby suspended pending the Commission's investigation prior to rendering a final order in this proceeding; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rule Puc 203.15, a prehearing conference be held before the New Hampshire Public Utilities Commission located at 21 South Fruit Street, Suite 10, Concord, New Hampshire on September 18, 2012 at 10:00 a.m. at which each party will provide a preliminary summary of its position with regard to the filing; and it is

FURTHER ORDERED, that, immediately following the prehearing conference, HAWC, Staff, and any intervenors hold a technical session to review the filing and allow HAWC to provide any updates or amendments to its filing; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. R. Puc 203.12, HAWC notify all persons desiring to be heard at this hearing by publishing by August 31, 2012 a display advertisement pertaining to the prehearing conference, details of which shall be determined in consultation between HAWC and the Commission's Executive Director, and mailing, by first class mail, such display advertisement to the town clerk in all towns in which HAWC conducts operations; and it is

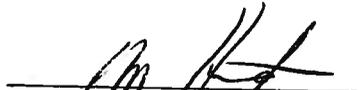
FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a petition to intervene with copies sent to HAWC and the Office of the Consumer Advocate on or before September 11, 2012 such petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 and RSA 541-A:32, I(b); and it is

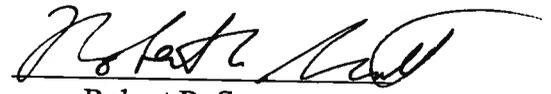
FURTHER ORDERED, that any party objecting to a petition to intervene make said objection on or before September 18, 2012; and it is

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.

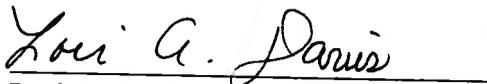
By order of the Public Utilities Commission of New Hampshire this twenty-first day of August, 2012.


Amy I. Ignatius
Chairman


Michael D. Harrington
Commissioner


Robert R. Scott
Commissioner

Attested by:


Lori A. Davis
Assistant Secretary

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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