

PSC NO.1 - WATER  
COMPANY: EMERALD GREEN LAKE LOUISE MARIE  
WATER COMPANY, INC.  
INITIAL EFFECTIVE DATE: August 1, 2010

STATEMENT TYPE: RES  
STATEMENT NO: 2  
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Statement No. 1 Cancelled

(Issued in compliance with Commission Order issued and effective July 22, 2010 in Case 09-W-0537)

### RATE ESCALATOR STATEMENT

On July 1, 2011 the base rates charged by Emerald Green Lake Louise Marie Water Company, Inc. (the company) will increase by the process described below based on the percentage increase measured by the Gross Domestic Product Implicit Price Deflator index (GDP price deflator) from the 12 months ending January 31, 2011 to the 12 months ending June 30, 2012. Beginning on July 1, 2012 and continuing on July 1 of each subsequent year, the base rates charged by Emerald Green Lake Louise Marie Water Company, Inc. (the company) will increase by the process described below based on the percentage increase measured by the GDP price deflator from the current rate year (12 months ending June 30<sup>th</sup> of the current year) to the next rate year (12 months ending June 30<sup>th</sup> of the following year). The percentage increase in the GDP price deflator will be determined based on the methodology used by the Department of Public Service's Office of Regulatory Economics.

By no later than April 1 of each year, the company is authorized to submit to the Secretary of the Commission for review:

Federal Income Tax returns for the most recent year, and

A complete accounting of all surcharges and escrow accounts (receipts and disbursements) for the most recent three years, if applicable, and

A sworn statement indicating that the company has no outstanding violations issued by the New York State Department of Health.

If the company is in an over-earning position, Staff of the Department of Public Service Office of Accounting and Finance will inform the Commission, and the Commission may modify its order in this case and disallow the increase. Should the Commission determine that the company is in an over-earning position for the period, the company will remain eligible to request permission for an automatic rate escalator for the next period.

The increase in the GDP price deflator, as described above, will be applied to the levels approved by the Commission Order issued and effective January 21, 2010 in Case 09-W-0537 for Total Operation and Maintenance Expenses (\$404,609) and Operating Taxes (\$23,065) to determine the increase in revenue requirement. For each subsequent year, the increase in the GDP price deflator for that period will be applied to the Commission allowed level of Total Operation and Maintenance Expenses and Operating Taxes to determine the increase in revenue requirement for that period.

Issued By: Judith Cutler, President, PO Box 129, Rock Hill, NY 12775

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RATE ESCALATOR STATEMENT (continued)

After reviewing the above information, if appropriate, Staff of the Office of Electric Gas and Water and the Office of Accounting and Finance of the Department of Public Service will inform the company, in writing, of the increase in the GDP for that period and the associated increase in revenue requirement and base rates for the upcoming period by no later than May 15<sup>th</sup> of each year. The company will then have the option of accepting the proposed base rate increase by no later than May 30<sup>th</sup>, or in the alternative, possibly filing for a traditional rate increase. Should the company accept the proposed base rate increase based on the GDP, the company would be required to notify customers of the base rate increase along with the July 1<sup>st</sup> billing. Tariff revisions reflecting the new base rates should be filed by no later than May 31<sup>st</sup> and go into effect on July 1. Additionally, should the company accept the base rate increase based on GDP, no further base rate increase will be allowed for at least one year. However, the company retains the right to petition the Commission for authorization to defer, or recover through separate surcharge, extraordinary expenses or capital programs not otherwise addressed by the Commission Rate Order issued and effective on January 21, 2010 in Case 09-W-0537.

To compute the increase in the year-round and seasonal rates, the total increase in revenue requirement will be divided by the number of customers at the time the company files by April 1<sup>st</sup> of each year.

This tariff statement will remain in effect until the company files a traditional rate increase.

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