

ARBOR HILLS WATERWORKS, INC.

P.O. Box 1283
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October 19, 2016

Kathleen H. Burgess, Secretary to the Commission
Department of Public Service
Three Empire State Plaza, 20th Floor
Albany, NY 12223

RE: Arbor Hills Waterworks, Inc. – Minor Rate Filing

Dear Secretary Burgess:

Enclosed for your review and analysis is the following:

1. Three Year Comparative Income Statement
2. Revised Tariff Leaf No. 12 to P.S.C. No. 3 – Water, containing our proposed rate, to become effective February 1, 2017.
3. Escrow Account Statement No. 5 (ESCW).

Arbor Hills is seeking a \$36,500 increase, a 45% increase in total operating revenues. The increase will help bring the Company toward earning a rate of return that is comparable to those granted to other water corporations and will allow the Company to generate the funds necessary to properly operate the system.

The Company is also requesting an increase in the escrow account maximum value, increasing the total from \$25,000 to \$50,000. The Company further requests to increase the escrow account surcharge maximum from \$150 per quarter to \$300 per quarter. Also, please note that the increases have not been assessed in about 8-10 years.

The Company provides metered water service to 67 customers in the Town of Lewisboro in Westchester County. The Company serves these customers through four operating wells from 10 gallons to 30 gallons (estimated).

All of the customers are charged for three line items on a quarterly basis. First, they are charged \$0.0055 per gallon they use. Second, they are charged \$201 for a quarterly service charge.

Lastly, they are charged a variable rate of \$0-\$150 for Emergency Repair and Water Testing. This charge is based off of the amount of money spent by the Company per quarter for anything that is not considered to be covered through base rates.

Reasons for the Increase

The need for the increase is driven by revenues that are less than projected. The Company has not applied for a rate increase in about 8-10 years, and of course with everything, expenses increase. With expenses going up and revenues remaining the same, it is becoming harder to maintain a positive bottom line.

Another driver of the increase in expenses is the Westchester County Health Department imposing mandatory testing on a more often basis. With the testing being required more frequently, costs are incurred more frequently. These costs were not considered for the current rates that are in place.

While revenue from sales have remained relatively identical, our accounting fees have increased. Unexpected Expenses has risen astronomically as well. While we do have an escrow account that is capped at \$25,000, expenses rise beyond the \$25,000, leaving us to cover balances with base rates due to the urgency of the issues. Our Real Estate taxes have also consistently increased since 2008. Lastly, there is a number of homes that are without sufficient meters. We are requesting assistance to replace all of the meters within the system. As a quick summary, from 2014 to 2015 alone, Arbor Hills has incurred an increase of \$26,462 worth of expenses, with not a single increase in rates.

Currently, the Company has had to take out a loan of approximately \$45,000 to cover expenses that were not immediately recoverable due to the ceiling placed on this line item. Another issue is that Arbor Hills is currently in a drought, which has forced us to spend about \$10,000+ to have water trucked in to the system. With all this being said, this is already \$55,000+ worth of unexpected expenses, plus the possibility of more in the upcoming months.

The Company's filing is based upon historic periods that ended December 31, 2014, December 31, 2015, and the current year up to June 2016.

Waiver of newspaper publication is requested for the proposed minor rate filing as we will individually notify our customers of the proposed rate change.

Yours truly,

William Beckford