

KNOLLS WATER COMPANY

P.O. Box 1283
Port Chester, New York 10573
(914) 720-1822

October 19, 2016

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

RE: Knolls Water Company – 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 for Unexpected Expenses Statement No. 5 (ESC2).

Knolls is seeking a \$26,600 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 \$10,000 to \$20,000. The Company further requests to increase the escrow account surcharge maximum from \$50 per quarter to \$100 per quarter. Also, please note that the increases have not been assessed in about 8-10 years.

The Company provides metered water service to 72 customers in the Town of Warwick in Orange County.

All of the customers are charged for three line items on a quarterly basis. First, they are charged \$198.63 for the water usage. Second, they are charged \$50 for a quarterly capital improvement surcharge. Lastly, they are charged a variable rate of \$0-\$50 for Unexpected Repairs and Expenses. 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.

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