

PSC NO: 2 -WATER
COMPANY: WINDOVER WATER WORKS
INITIAL EFFECTIVE DATE: 9/15/08

STATEMENT TYPE: SURC
STATEMENT NO: 1

CAPITAL SURCHARGE STATEMENT NO. 1

Windover Water Works (Windover) is required to make major water system improvements to ensure compliance with federal regulations with respect to service quality standards. Windover will, after completion of the water system improvement project, on an as soon as possible basis, transfer ownership, without cost for the new distribution system, and operation of the water system to the Town of Evans, Erie County to ensure long-term compliance with the technical, managerial and financial requirements of the Safe Drinking Water Act..

To provide the initial funding for the approved project, a capital surcharge, designed to collect \$65,000 over two quarterly billing periods, starting March 6, 2007 and ending June 5, 2007, has been established.

Windover is authorized to surcharge each of its Windover Farm property owners \$4,063 on March 6, 2007 and \$4,062 on June 5, 2007.

The funds collected via this capital surcharge will be deposited into a separate interest bearing account in a New York State bank and will be under the control of the water company, subject to the following conditions:

1. The water company will have access to the funds in this account solely for the purposes noted above and be responsible for any taxes associated with the account.
2. The company is required to submit, to the Director of the Office of Gas and Water of the Department of Public Service, all plans and contracts for work on the capital improvement project prior to beginning construction. The company must receive approval from the Director before withdrawing funds from the escrow account.
3. Any interest earned by the account shall remain in the account to cover expenses.
4. A customer terminating service will not be entitled to a refund of payments made to the account other than the refunds discussed in paragraphs 5 and 6.
5. If any customer of Windover refuses to pay the surcharge as billed, the project will be canceled and the matter referred to the Public Service Commission. In addition, funds not used before the end of the second year after the year in which the contribution was received must be returned to customers.
6. Prior to the transfer of the water system to the Town of Evans, any customer that joins and connects to the water system via the improved distribution system lines, within 10 years of April 1, 2007, will be required to pay a pro rata share of the same contribution for the capital improvement project as noted above. The contribution will be deposited in the escrow account and distributed among the original contributing customers.
7. The company must submit to the Director copies of all bank statements and a complete accounting of the surcharge revenues and expenses for the account by January 30, 2008, and annually thereafter. Water plant funded through the capital surcharge must be excluded from the company's rate base and treated as customer contributions.

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(Name of Officer, Title, Address)