

P.S.C. NO: 2 WATER
COMPANY: Sunrise Ridge Water Company
Rainbow Water Company, Inc.
INITIAL EFFECTIVE DATE: January 1, 2009

STATEMENT TYPE: SCIS
STATEMENT NO. 1

Issued in compliance with Commission Order dated December 16, 2008 in Case 08-W-0874.

SOURCE CAPACITY IMPROVEMENT SURCHARGE

STATEMENT NO. 1

Sunrise Ridge Water Company and Rainbow Water Company, Inc. (the companies) are authorized to establish a Source Capacity Improvement Surcharge (SCIS), which will be used to pay for improvements necessary to meet New York State Department of Health source capacity requirements as described in the Commission Order in Case 08-W-0874, issued December 16, 2008, unless otherwise directed by the Commission.

This SCIS is subject to the following conditions:

1. The SCIS of \$30 per customer per quarter will be collected from all customers for six years beginning January 1, 2009.
2. Proceeds from the SCIS will be deposited into a separate interest-bearing Certificate of Deposit established in a bank and will be under the control of the companies' owners.
3. The companies' owners will have access to the funds in this account solely for the purposes noted above any associated revenue taxes.
4. Proceeds from the SCIS will remain in the account and continue to accrue interest until sufficient funds are accumulated to pay for the improvements described in the Commission order in Case 08-W-0874 in cash.
5. A complete accounting of the account must be submitted to the Secretary to the Commission by March 1st of each year. In addition, the companies' owners may be required to submit, at Staff's request, additional SCIS information.
6. Should it become necessary to make the described improvements prior to the end of the sixth year or prior to accruing enough cash to completely pay for the improvements, the companies' owners will be allowed to use all proceeds deposited in the account plus accrued interest to that point in time and, after consultation with Staff of the Department of Public Service, adjust the SCIS to provide adequate cash flow to complete the improvements or make other arrangements.
7. Any funds remaining after the described improvements are made will be returned to ratepayers.

Issued By: Joseph Maggi, President, 21 Toon Drive, Hilton Head Is., SC 29928
(Name, Title, Address)