**PSC NO: 1 WATER**                          **STATEMENT NO. 2**
**COMPANY: JAMES V. LETTIERE, JR.**          **STATEMENT TYPE:  PWA**
**D/B/A LETTIERE WATER SYSTEM**                   **(Page 1 of 2)**
**(SOUTHSIDE WATER INC.)**
**INITIAL EFFECTIVE DATE: 07/01/06**

## PURCHASED WATER ADJUSTMENT STATEMENT NO. 2

### Applicable to all Metered Customers

I.  General Description

Purpose:    To recover any increases in the cost of water purchased from the City of
            Watertown (City) beyond the approved July 1, 2005 average rate of
            $3.96/Ccf.

II.  Computation of the Purchased Water Adjustment Surcharge

Calculation:  As early as possible after notification of the City's rates increase, the
            Company shall make a compliance filing to be effective on the same date of
            the City's rates increase.

Surcharge Amount:  The charge will be expressed in dollars per Ccf carried to four (4)
            decimal places, applied to the total Ccf used by each customer.

$$\text{PWAS}_{[\text{Statement \#2}]} = \$3.96/\text{Ccf} \times \% \text{ Inc}_{[\text{Statement \#2}]}$$

$$\text{PWAS}_{[\text{Statement \#2}]} = \$3.96/\text{Ccf} \times 6\% = \mathbf{\$0.2376/Ccf}$$

*Where*:

$\text{PWAS}_{[\text{Statement \#2}]}$ = Surcharge for Purchased Water Adjustment Statement No. 2

$\% \text{ Inc}_{[\text{Statement \#2}]}$ = Percentage rates increase imposed by the City above overall
            average City rate.

Ccf                = 100 cubic feet

General Formula for Purchased Water Adjustment Statement No. "N":
$$\text{PWAS}_{[\text{Statement \#N}]} = (\$3.96/\text{Ccf} + \text{PWAS}_{[\text{Statement \#N-1}]}) \times \% \text{ Inc}_{[\text{Statement \#N}]} + \text{PWAS}_{[\text{Statement \#N-1}]}$$

General Formula for Purchased Water Adjustment Statement No. 3:
$$\text{PWAS}_{[\text{Statement \#3}]} = (\$3.96/\text{Ccf} + \$0.2376/\text{Ccf}) \times \% \text{ Inc}_{[\text{Statement \#3}]} + \$0.2376/\text{Ccf}$$

Issued By:  <u>James V. Lettiere, Jr., 16115 Heaslip Lane, Clayton, NY 13624</u>
                    (Name of Officer, Title, Address)

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**COMPANY:  JAMES V. LETTIERE, JR.**           **STATEMENT TYPE:   PWA**
**D/B/A LETTIERE WATER SYSTEM**                              **(Page 2 of 2)**
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Purchased Water Adjustment Statement Surcharge (PWAS) Provisions:

1.      If the City of Watertown (City) increases the cost of water beyond the July 1, 2005 average rate, Lettiere will be allowed to file for a PWAS that would automatically go into effect on July 1 of each year, or on the same date that the City increases its rates.  To effectuate this surcharge, the company will make a compliance filing for a surcharge using the following methodology.

2.      The surcharge would be calculated by taking the average cost of water built into base rates of $3.96/Ccf, times the City's percentage rates increase.  The resulting calculation would yield the surcharge to recover the increased cost of purchased water.  The methodology is shown on page 1.

3.      The company's compliance filing will include a cover letter setting forth the details of the surcharge calculation, and a copy of the City's notice regarding the effective date of the rates increase.  The company will make a compliance filing as early as possible after notification from the City of the rates increase.  Staff will have 90 days to verify the company's calculations.  If Staff agrees with the company's filing, the PWAS will continue in effect until the next City rates increase.  However, if Staff believes that the compliance filing does not correctly reflect the City's rates increase and proposes a methodology to retroactively correct the error, Staff will discuss its proposal with the company to resolve any issues if the company disagrees with Staff's conclusion.  If there is any unresolved disagreement, the matter would be handled through the dispute resolution procedure.

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