

NIXON PEABODY^{LLP}
ATTORNEYS AT LAW

677 Broadway 10th Floor
Albany, New York 12207-2996
(518) 427-2650
Fax: (518) 427-2666
Direct Dial: (518) 426-2657
E-Mail: agansberg@nixonpeabody.com

February 13, 2009

Via Hand Delivery

Hon. Jaclyn A. Brilling, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: Case 09-W-_____ - Proceeding on Motion of the Commission as to the Rates,
Charges, Rules and Regulations of New York Water Service Corporation

Dear Secretary Brilling:

New York Water Service Corporation ("NYW" or the "Company") hereby submits for filing with the New York State Public Service Commission (the "Commission") revisions to the following leaves of the Company's tariff, PSC No: 12 Water:

Fifth Revised Leaf No. 82 Effective March 15, 2009

Fifth Revised Leaf No. 83 Effective March 15, 2009

Fifth Revised Leaf No. 84 Effective March 15, 2009

Fifth Revised Leaf No. 85 Effective March 15, 2009

Distribution System Improvement Charge - Statement No. 2 Effective March 15, 2009

The above tariff leaves are being filed electronically and reflect an issue date of February 13, 2009 and an effective date of March 15, 2009. The Company's expectation is that the Commission will issue an order suspending the effective date of the revised tariffs and that new rates would become effective as of January 1, 2010.

This is the first base rate filing for the Company in five years. The Company has received periodic rate adjustments under the last Commission-approved base rate increase

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(Case 04-W-0665). Since that time, the Company has invested (and will invest through 2010) more than \$20 million for capital improvements throughout the system to improve water quality and reliability. These improvements include two iron removal plants, new water mains, upgrades to wells and a new state of the art radio frequency water metering system which will allow the Company to automatically read meters. In addition to the Company's major capital investments, there has been an inflationary impact on the Company's operating expenses, including salaries and benefits, transportation, chemicals and power costs, and increases in local and state taxes. All of the cost increases are detailed in the attached filing.

While the proposed tariff amendments reflect a \$5.3 million, or 23.6 percent, base rate increase, the current tariff does not include the roll-in to base rates of approximately \$3 million, with property taxes accounting for \$1.5 million and the other \$1.3 million relating to existing adjustment clauses and surcharges which have been approved for inclusion on customers' bills by the Commission by Order dated April 26, 2005 in the Company's last rate case (Case 04-W-0665) and by order dated January 22, 2007 in the acquisition proceeding (Case 06-W-0700).

The net impact of this rate request on the average monthly bill that a residential customer is paying now (including 2009 approved Distribution System Improvement Charge ("DSIC") surcharge) would result in an increase of \$3.89, or about 9.5 percent, or an increase of 13 cents per day. As mentioned above, the roll-in of the existing adjustment clauses and surcharges account for a major portion of the base rate increase, which is currently included in customer bills. In addition, the Company is assuming an additional 6 percent increase in property taxes for 2010 based on current bills for 2009, which have increased by more than 6 percent. The Company continues to pursue three property tax challenges and is doing everything possible to obtain refunds for its customers.

The main drivers behind the proposed base rate increase are provided in more detail below:

- The roll-in of (a) the Property Tax Reconciliation Clause ("PTR") to reflect increases over the level in the last rate case, (b) increases in production costs (power and chemicals) over the level approved in the last case, (c) a System Improvement Charge ("SIC") which covers the Company's construction of two iron removal plants, and (d) a DSIC, which covers the construction of a new well and infrastructure improvements. These items in total account for almost 13 percent of the total 23.6 percent increase proposed by the Company in this filing. As mentioned above, customers are currently paying, or will be paying, for these charges in their 2009 bills in accordance with previous Commission approvals.
- Capital expenditures: Since the last NYW base rate case (Case 04-W-0665), the Company has invested, and is projecting to invest through the end of 2010, approximately \$20 million. This amount includes the projected completion of an

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Automatic Meter Reading project totaling \$6 million, the construction of two iron removal plants costing \$3.6 million, and the construction of a new well which is projected to cost approximately \$1.5 million, with the remainder covering the cost of numerous infrastructure improvements, including mains, services and hydrants. The Company is requesting a return on its capital invested since the last rate case.

- Increases in operating expenses since the last rate increase: These cost increases include property taxes, as described above, depreciation relating to the additional capital investments, payroll and benefits, outside services and other increases as detailed in this filing.

The Company has prepared this rate filing using the operating results, with normalization adjustments where appropriate, for the historical test year ending December 31, 2008 and is projecting cost changes and additional capital investments through the rate year ending December 31, 2010. Although the Commission may choose to use the full 11-month suspension period, the Company believes that the proceeding might reasonably be completed well before the end of 2009 and urges the Commission to make every effort to complete the proceeding on a timely basis.

Currently, the Company is billing customers on a bi-monthly basis. The Company is proposing a switch to monthly billing of customers effective January 1, 2010 due to the fact that it is anticipating that its Automatic Meter Reading Project will be essentially completed by the end of 2009. The increased frequency of billing will result in smaller individual bills and will allow customers the opportunity to better manage their payments.

Also being proposed in this filing is a switch to an Aqua America call center and Banner customer information system in 2011. While capital expenditures will begin in 2010 for the conversion to Banner, the Company is not including any costs in this filing because the Company is of the opinion that after factoring in synergies, the impact would be revenue neutral. In other words, the customer is not being burdened with any additional costs in this filing relating to the conversion to the Banner customer information system.

In this filing, the Company is also proposing to recover through the DSIC mechanism the cost of construction of a new tank estimated to be approximately \$2 million.

Fifteen copies of the prepared written testimony and exhibits which will comprise the direct case in support of the filing are also submitted herewith. Pursuant to Section 4.5(d) of the Commission's Regulations, two copies of this filing are being served on the Consumer Protection Board.

Notice of this filing will be published in newspapers in accordance with 16 NYCRR § 720-8.1.

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We would appreciate your date-stamping two copies of this filing and returning them to our messenger. Thank you for your consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read "Andrew Gansberg". The signature is fluid and cursive, with a large, stylized "A" and "G".

Andrew Gansberg

Enclosures
cc: Consumer Protection Board (w/encls)