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October 15, 2003

Hon. Jaclyn A. Brillling
Acting Secretary
NYS Public Service Commission
Executive Office, 14th Floor
Three Empire State Plaza
Albany, New York 12223-1350

RE: Rate Application by Rural Atlantic Water Company

Dear Secretary Brillling:

By this letter, Rural Atlantic is formally requesting that the Department of Public Service electronically file the First Revised Leaf 12 superseding Original Leaf No. 12 and Escrow Account Statement No. 1 since it does not have the capability to make the electronic filing itself. Supporting documentation for a rate increase for Rural Atlantic Water Company, Inc. ("Rural Atlantic" or the "Company") is attached.

The rate proposed would increase customer rates to \$184 per quarter. In addition, the Company is proposing a \$100 per quarter surcharge to fund the escrow account for repairs, to amortize advances made for extraordinary repairs, and for the replacement of the Company's pressure tank. Supporting documentation is available to the Staff of the Department of Public Service.

Rural Atlantic serves 23 customers in a subdivision known as Hillside Acres, Town of Warwick, Orange County. No fire protection is provided. Rural Atlantic has no rate base, its last rate increase was granted by order of the Commission in Case 96-W-0784, effective November 26, 1996. The increase was phased in over two years and provided a repair allowance of only \$500 per year and an operating cushion of \$430 per year. Repairs over the last 2-3/4 years were in excess of \$18,000, while gross revenue was less than \$10,000 per year. In addition, the Company now needs to replace its pressure tank, at a cost of approximately \$9,000.

The surcharge is designed to generate enough funds to repay advances made by the owners to assure continued service and to protect the customers' interests. It will provide the repayment of a new advance needed to purchase the replacement tank. Also, it would provide a fund for extraordinary expenses. Rural Atlantic and other small companies are not able to

borrow funds to cover such costs. In order to make timely repairs and continue to provide safe and adequate service to its customers, approval of the requests are needed.

We are also requesting waiver of the requirement of newspaper publication of the proposed changes since we will notify our customers of the proposed changes individually by mail.

The fiscal situation at the Company and the need for the tank is critical. The Company requests that the Commission act promptly on this filing in order to assure uninterrupted service. The Company's owners will work with the Commission and its Staff in order to reasonably accommodate the needs of the customers. Thank you for your attention to this matter.

Very truly yours,

Albert A. Natoli

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Enclosures