

# Crystal Water Supply Co. Inc

P.O. Box 432 Monticello, N.Y. 12701

February 16, 2010

Ms. Janet DelVecchio  
Utility Analyst  
Department of Public Service  
Office of Gas and Water  
Water Rates Section  
Three Empire State Plaza  
Albany, New York 12223

Dear Ms. DelVecchio,

I am submitting a request for a rate increase for a rate increase for Crystal Water Supply Co., Inc. As background, Crystal Water was formed in 1986 to accommodate the construction of 150 homes by the owners of Kutsher's Country Club on an adjacent piece of land to the resort hotel property north of Monticello. A new system was created, with two wells developed with a dual pumping system, chlorination contact tank and new line connecting into the existing hotel water system and new line connecting to the Hidden Ridge development. Crystal Water then installed all of the water lines connecting into the units at Hidden Ridge.

Due to the unique relationship between Kutsher's Country Club and Hidden Ridge a non-standard business model was created. Since Kutsher's had a large support staff, all of the labor for operating the company was supplied. Items such as insurance and bookkeeping costs were absorbed by Kutsher's. At no time during the past 25 years of operation has an individual management fee been paid and there has never been a request of the Public Service Commission for a rate increase.

In the past two years a number of things have occurred that have severely affected the finances of Crystal Water Supply Co. In 2008 the main well was struck by lightning. The piping and pump were replaced and the pump promptly hit by another lightning strike. Insurance did not cover the loss. During the past couple of years the company started to experience operational problems. The wells were no longer producing at their original capacities, putting a strain on the system during the peak season. A solution to the problem has been developed which entails adding two developed wells to the system and a pumping station to deliver the water. The design has been approved by the Department of Health. The details of the new system, its design, cost estimate and the DOH background have been included in this submission.

During the last three years the status of Kutsher's Country Club, the water company's single commercial customer and largest water user has changed. From the creation of Crystal Water in 1986 through 2006, Kutsher's operated year round and had 400 rooms. In 2007 the hotel ceased operating for three to four months during the winter season. Kutsher's also downsized its room inventory to 228 rooms. This move helped the hotel, but affected the amount of water used. For 2010 Kutsher's will either be leased out for an even smaller operation or will not reopen. That decision is still up in the air and could happen in the next month.

We are requesting a rate increase from our customers at Hidden Ridge of \$20 per month which would put their rate at \$40 per month per unit. A rate increase at Kutsher's Country Club which we request would be from \$.70 per thousand gallons to \$.90 per thousand gallons. We also request a one time assessment from our customers amounting to \$50,000 to help defray the necessary investment in our infrastructure.

We are most anxious to start the rate review process since our cash reserves are depleted and we have a major outlay that we are about to embark upon. I appreciate your assistance and am available to assist with any questions.

Sincerely,



Mark Kutsher  
President

NYS DEPT OF PUBLIC SERVICE  
RECEIVED

FEB 22 2010

Water Rates Section