

THE CALLICOON WATER CO., INC.
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Callicoon, New York 12723
(845) 887-4425

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June 12, 2009

Honorable Jaclyn A. Brillling
Secretary New York State Commission
Three Empire Plaza
Albany, NY 12223

RE: Callicoon Water Company w/PSC -
2009 Rate Increase Request

Dear Secretary Brillling:

The company's most recent rate increase was effective May 25, 2006. Thanks to that increase and the escrow accounts that were established, the water company has been able to pay debt incurred in 2005 due to the multiple floods Callicoon experienced, keep current on operating bills other than repairs, and replace the Fremont Street reservoir roof. Still, cost of living increases in property taxes, chemicals and utilities have resulted in negative cash flow. Our operating loss is \$907.33 per our Profit and Loss Report for 2008.

Both the Public Service Commission and the Department of Health are requesting e-mail access for reports and updates. We are unable to provide this access because we cannot afford to replace our outdated computer, update software, add virus protection, payroll, e-mail and purchase internet access. We presently borrow occasional e-mail access from Baum Law Offices.

Also the Department of Health now requires the Callicoon Water Company to do additional testing to meet the Standard Monitoring Plan and Environmental Protection Agency requirements. These tests, not previously required, will cost \$2,310 annually.

The Capital Repairs Escrow, created to pay for the repair of the Fremont Street reservoir roof and the replacement of the Del Vue water tower, was established with a cap of \$72,000. Due to cost increases between the time of the establishment of the escrow and the actual repairs, the cost to repair the Fremont Street Reservoir roof was \$37,556.82. The balance of \$34,443.18 should be accumulated by June 30, 2009. Updated costs estimates (enclosed) to replace the Del Vue water tower total \$60,070, a difference of \$25,626.82. As an additional capital expense we request \$3,000 to buy a new computer, bringing the total needed to 28,626.82. If billing for the capital escrow is extended, it will require four more quarters starting in July 2009 to accumulate the \$28,626.82. If a cost of living increase of 3% is factored in for the delay, the amount requested is \$29,395.62.

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The company requests the approval of a rate increase of 15.54% to cover operating costs and an extension of one year for the Capital Repairs Escrow at a 17.84% increase to \$44 per customer per quarter.

To substantiate our request the following information is submitted:

1. An annual increase of \$ 17,881.49 or 15.54% is requested (see Comparison 2006 to 2008 and Requested Increase spreadsheet).
2. An additional \$29,395.62 for the Capital Fund Escrow to pay for the Del Vue water tower, including an additional \$3,000 for a new computer that is internet accessible (see copies of cost estimates for the Del Vue Tower and Escrow Account For Capital Improvements Statement No. 3).
3. Current rates and projected rates in proposed leaves, 17, 19, 21, 22 23, 24 and 25. We have a total of 168 customers (see Customer Service Class Alpha). The current number of customers served under each rate are:

Service Classification No. 1 – Domestic use in private dwellings, apartments, lodge rooms, churches and fire houses	130
Service Classification No. 2 - Flat rate service for all establishments not covered by Service Classification No. 1	33
Service Classification No. 3 - Public Fire Protection	1
Service Classification No. 4 - Private Fire Protection	0
Service Classification No. 5 – Metered service for customers where average quarterly use excess 112,000 gallons	5
Service Classification No. 6 – Domestic and Commercial Swimming Pools	4
Service Classification No. 7 – Hose connection or use of any other water connections for commercial car wash purposes other than an automatic car wash facility	2

4. Tax returns, income statements, and balance sheets for 2006, 2007 and 2008.

The company requests the approval of a rate increase of 15.54% and an increase/extension of the Capital Repairs Escrow totaling \$29,395.62 with an effective date of October 1, 2009.

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The Callicoon Water Co., Inc. also requests waiver of newspaper publication since it plans to individually notify its customers by letter of the tariff filing.

By this letter, it is requested that the Staff of the Water Rates Section file the attached leaves as well as any other leaves required by the Commission electronically.

Sincerely,

Richard S. Baum

RSB:bk
Enclosures