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STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on January 12, 1994

COMMISSIONERS PRESENT:
Peter Bradford, Chairman
Lisa Rosenblum
William D. Cotter
Raymond J. O'Connor

CASE 92-W-0791 - Joint Petition of Cambridge Water Works Company, Hunter Water Supply Corporation, and Saratoga Water Services, Inc. for Authority to Issue and Sell up to $3,000,000 of Environmental Facility Corporation Bonds, up to $1,000,000 of other debt instruments and to enter into certain other agreements.

CASE 92-W-0859 - Ordinary Tariff Filing of Cambridge Water Works Company to collect an escrow surcharge to pay the annual amortization of a new loan, interest and principal.

CASE 92-W-0858 - Ordinary Tariff Filing of Hunter Water Supply Corporation to collect an escrow surcharge to pay the annual amortization of a new loan, interest and principal.

CASE 92-W-0854 - Ordinary Tariff Filing of Saratoga Water Services, Inc. to collect an escrow surcharge to pay the annual amortization of a new loan, interest and principal.

(Issued and Effective January 28, 1994)

Several divisions within the New York State Department of Public Service have been participating in a cooperative project with the New York State Environmental Facilities Corporation and First Albany Corporation (an Albany based investment banking firm) to develop a loan program to allow small water companies to take advantage of low cost tax-exempt financing. The loan structure developed combines the financing needs of several small companies into one loan pool, which obtains the needed size and economies to issue long-term debt. The debt is secured by a first mortgage, but the primary security is a customer surcharge. This Order addresses two primary issues: the loan program and the surcharges that support the new debt.

By joint petition filed August 14, 1992, Cambridge Water Works Company (Cambridge), Hunter Water Supply Corporation (Hunter), and Saratoga Water Services, Inc. (Saratoga) requested Commission authority to issue and sell not to exceed $3 million of tax-exempt debt and $1 million of other long-term debt.[1]

By separate tariff filings issued September 8, 1992 Cambridge, Hunter, and Saratoga (Petitioners) identified surcharges needed to support debt payments resulting from the above-mentioned financing petition. Each company's tariff filing provided for an annual surcharge amount to cover annual amortization of a new 20 year loan. Cambridge's provided for the collection of a surcharge of $118.25 per customer to pay for $58,192 in annual amortization costs; Hunter's provided for the

[1] Four other water companies (Lakeview Park Water Works Corporation, Merriewold Water Corporation, Rolling Meadows Water Corporation and Staatsburg Water Company) were originally included in the petition, but are not part of the final recommendation because of alternative financing that they obtained, subsequent municipal takeover, or problems that could not be overcome.

collection of a surcharge of $92.99 per customer to pay for $41,015 in amortization costs; and Saratoga's provided for the collection of a surcharge of $66.16 per customer to pay for $89,315 in amortization costs.

The original filings were based on preliminary plant financing estimates of $500,000 for Cambridge, $350,000 for Hunter, and $500,000 for Saratoga, all of which resulted in the above recited annual surcharge estimates. Notice of these prospective surcharges has been given in accordance with the State Administrative Procedure Act (SAPA). Subsequent plant financing estimates, however, consist of $708,000 for Cambridge, $513,000 for Hunter, and $550,000 for Saratoga, resulting in revised annual surcharge estimates of $81,200, $58,800 and $63,000, respectively. Such surcharges would constitute 85% of Cambridge's annual bill, 69% of Hunter's annual bill, and 13% of Saratoga's annual bill, after Saratoga's rate reduction of 11.88%, discussed below. Notice of this revision is hereby given under SAPA at Section 202(6) as an emergency declaration in the best interests of the general welfare. The instant notice also states that the once revised surcharges will be reconciled.

These latter figures constitute the best estimates of the companies and staff, and will be collected until the actual surcharges become known. These surcharges will be reconciled to actual debt costs and will allow for an automatic 10% step-up provision as discussed in staff's attached memorandum. The surcharge amounts will be based upon such items as principal, interest, and closing costs, which will be actually known shortly before the closing. Final surcharges shall be limited to the amounts necessary to finance these costs.

An issue of securities in the aggregate amount authorized, subject to the conditions imposed in this Order, is reasonably required for the purposes we specify. Such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. Since the surcharges provide the support that allows these small water companies to issue long-term debt and to obtain a private letter ruling of investment grade from a nationally recognized rating agency, it is necessary and proper to approve them with the financing. Lastly, for the reasons detailed in staff's attached memorandum, approval of the companies' requests is necessary at this time for the general welfare in that the delay resulting from compliance with the prior notice requirement of Article 2 of the State Administrative Procedure Act would in this instance be contrary to the public interest. This Order, therefore, is adopted as an emergency measure pursuant to Section 202.6 of the State Administrative Procedure Act.

Regarding Saratoga, the cost of plant was included in rate base in Saratoga's most recent rate case (Case 93-W-0120).

In order to preclude a double recovery of these costs, Saratoga has agreed to a rate reduction of 11.88% to be effectuated by taking $550,000 out of rate base. Also included in the SAPA notification is the following: should anyone or more of the companies default, the remaining company or companies must incur up to a 10% increase in its or their surcharge(s) in order to pay the principal and interest of the defaulting company or companies.

The Commission Orders:

1. Petitioners are authorized to issue and sell, not later than December 31, 1995, an aggregate amount of approximately $2.3 million of tax-exempt debt and long-term debt. The debt shall be issued under and pursuant to the terms referenced in the petition in this proceeding. Since draft documents have not been prepared for the pool, staff shall receive, review and approve documents before any issuance of debt so as to assure that the final terms comply with the intent of the attached memorandum and this Order. No material supplement to or modification of the said terms shall be executed without the authority of this Commission. The debt shall be dated, bear a rate of interest, mature and be redeemable in the manner specified in the terms discussed in the attached memorandum.

2. Prior to the issuance of any of the authorized securities, the Petitioners shall file with the Director of the Office of Accounting and Finance or his designee an executed copy of the document(s) entered into for the sale of the said securities, a statement setting forth the terms applicable to the proposed securities, such as the interest rate(s), redemption prices, the price to be paid to the Petitioners, and any initial public offering prices and the compensation to be paid to the underwriters, and an affidavit of each company's president or a vice-president stating that the proposed securities are to be sold on the most advantageous terms available. The authority granted by this Order may be abrogated by an order issued by one or more Commissioners within twenty-four hours after submission by the Petitioners of the said document(s), statement of terms and affidavit unless the Petitioners shall be advised sooner by the Director of the Office of Accounting and Finance or his designee that the conditions in this Order have been met and that such authority is not to be abrogated pusuant to this Clause 2.

3. Each petitioner shall deposit the proceeds from the sale of the securities authorized by this Order in a special fund in a responsible banking institution. The proceeds shall be applied solely and exclusively toward expenditures incurred for the purposes permitted under Public Service Law, Section 89-f, which shall be over and above the expenditures made for such

purposes through funds originating from credits to the accumulated provisions for depreciation, net salvage and accumulated deferred income taxes. The entire proceeds from the issuance of the securities authorized by this Order shall be used for the purposes specified above. In no instance shall any part of the special fund be used to pay accrued interest on any refunded obligations.

4. The Petitioners will file annually with the Director of the Office of Accounting and Finance a verified report in the form prescribed by 16 NYCRR Section 520.1, within 60 days after year end. The report shall also include the date of withdrawal of any of the deposited funds as provided in Clause 3 of this Order, the amount withdrawn, and the purposes for which such withdrawal was made.

5. If, upon examination of the expenditures made from withdrawal from the said special fund, it is determined that an expenditure is not a reasonable and proper capital charge, or has not been duly authorized by the Commission, or is in violation of any Order of the Commission or any provision of law, a sum equal to such expenditure shall, upon order of the Commission, promptly be placed in the special fund and said sum shall be subject to all of the conditions and restrictions of this Order.

6. The total costs and expenses of issuing the securities authorized by this Order, paid or to be paid by the

Petitioners and which shall be charged to Account 181 - Unamortized Debt Expense, or Account 1140 - Unamortized Debt Discount and Expense, as appropriate, shall not exceed the estimate of costs and expenses listed in the attached memorandum. Any additional amount expended must be approved as a proper and reasonable cost of issuance by the Director of the Office of Accounting and Finance or his designee, and the Petitioners shall submit a verified report showing in detail all costs and expenses. Upon approval, the Petitioners will make such adjustment of the charges to either Account 181 - Unamortized Debt Expense, or Account 1140 - Unamortized Debt Discount and Expense, as determined to be necessary and proper.

7. The Petitioners shall file tariff leaves establishing surcharges as described in the attached memorandum that will produce sufficient revenue to amortize the tax-exempt and other long-term debt as required by the documents entered into for the sale of the authorized securities. As mentioned in the attached memorandum, the surcharges will be adjusted through a reconciliation that will assure adequate cash flow to cover necessary payments and protect from under or overcollections of amounts due.

8. Should the surcharges be used for purposes other than paying the annual debt service on the bonds or other uses authorized in the documents describing the terms of the debt and

this Order, the Commission shall have the authority to instruct ratepayers to stop paying the surcharges, or to authorize that the surcharges be paid to an independent trustee.

9. Cambridge Water Works Company, Hunter Water Supply Corporation, and Saratoga Water Services, Inc. are directed to file Supplement No. 8, Supplement No. 11, and Supplement No. 9, respectively, which announce the cancellation of each company's filing entitled "Escrowed Surcharge Statement No. 1" (the companies' original tariff filings). The supplements shall be effective on January 15, 1994, on less than statutory notice.

10. Cambridge Water Works Company is directed to file Escrowed Surcharge No. 2 providing for the collection of an annual surcharge consisting of 85% of its current annual revenues, effective February 1, 1994, on less than statutory notice.

11. Hunter Water Supply Corporation is directed to file Escrowed Surcharge No. 2 providing for the collection of an annual surcharge consisting of 69% of its current annual revenues, effective February 1, 1994, on less than statutory notice.

12. Saratoga Water Services, Inc. is directed to file Third Revised Leaf No. 46 and Third Revised Leaf No. 48, setting forth a metered rate of $5.62 per thousand gallons and a private fire protection rate of $550.71 per month, respectively, to

become effective on February 1, 1994, on less than statutory notice.

13. Saratoga Water Service, Inc. is directed to file Escrowed Surcharge No. 2 providing for the collection of an annual surcharge consisting of 13% of its current revenues effective February 1, 1994, on less than statutory notice.

14. The Petitioners shall establish an account in a responsible banking institution for the sole purpose of depositing and withdrawing surcharge revenues. Each company shall place revenues from the surcharge in its separate account within five days of receipt, and the money shall be transferred to the bond trustee's escrow account monthly.

15. The Commission takes these actions (surcharge approval and rate reduction) as emergency measures as provided for under the provisions of Section 202.6 of the State Administrative Procedure Act.

16. The authority granted and the conditions imposed by this Order shall not be construed as passing upon or otherwise approving the accuracy of the books, records and accounts of the Petitioners.

17. Each petitioner shall submit to the Director of the Office of Accounting and Finance an annual financial statements (income statements and balance sheets) for each year that it is in the pool.

18. Cambridge Water Works Company, Hunter Water Supply Corporation and Saratoga Water Services, Inc. are granted permission to waive the statutory requirement of newspaper publication, but the companies are directed to individually notify their customers, no later than February 15, 1994, as to the Commission's actions in this matter.

19. The securities authorized by this Order shall not be issued unless and until there has been filed with this commission an unconditional acceptance by the Petitioners agreeing to obey all the terms, conditions and requirements of this Order. If such acceptance is not so filed within a period of 30 days from the effective date of this Order, this Order may be revoked by the Commission without further notice.

20. These proceedings are continued.

By the Commission,

(SIGNED) JOHN J. KELLIHER
Secretary

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

APPROVED BY THE COMMISSION JAN 12 1994

December 30, 1993

TO: THE COMMISSION

FROM: OFFICE OF ACCOUNTING AND FINANCE
ENERGY AND WATER DIVISION - COST PERFORMANCE
CONSUMER SERVICES DIVISION

SUBJECT: CASE 92-W-0791 - Joint Petition of Cambridge Water Works Company, Hunter Water Supply Corporation, and Saratoga Water Services, Inc. for Authority to Issue and Sell up to $3,000,000 of Environmental Facility Corporation Bonds and up to $1,000,000 of other debt instruments, and to enter into certain other agreements. (SAPA 92-W-0791 SA1)[1]

CASE 92-W-0859 - Ordinary Tariff Filing of Cambridge Water Works Company to collect an escrow surcharge to pay the annual amortization of a new loan, interest and principal.

CASE 92-W-0858 - Ordinary Tariff Filing of Hunter Water Supply Corporation to collect an escrow surcharge to pay the annual amortization of a new loan, interest and principal.

CASE 92-W-0854 - Ordinary Tariff Filing of Saratoga Water Services, Inc. to collect an escrow surcharge to pay the annual amortization of a new loan, interest and principal.

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1. Originally, the joint petition included Lakeview Park Water Works Corporation, Merriewold Water Corporation, Rolling Meadows Water Corporation and Staatsburg Water Company. They are no longer included in this joint (pooled) financing proposal because of various reasons including: alternative financing options; municipalization or the strong possibility of municipalization; or problems with prior property liens.

SUMMARY OF PROPOSED RECOMMENDATION:

It is recommended that:

1. Cambridge Water Works Company, Hunter Water Supply Corporation, and Saratoga Water Services, Inc. be granted authority to issue and sell approximately $2,300,000 of Environmental Facility Corporation Bonds and up to $215,000 of other debt instruments, and to enter into certain other agreements.[1]

2. The companies be directed to cancel their existing filings no later than January 15, 1994 and be authorized to file the necessary surcharges to support the proposed financings, as described herein, to become effective on February 1, 1994, on less than statutory notice.

3. Saratoga Water Services, Inc. be directed to decrease its base rates by 11.88%, as described herein, to become effective February 1, 1994, on less than statutory notice.

4. The Commission take these actions (surcharge approvals and rate reduction) as emergency measures as provided for under the provisions of Section 202(6) of the State Administrative Procedure Act.

5. The companies be granted permission to waive the statutory requirement of newspaper publication. However, the companies should be directed to individually notify their customers, no later than February 15, 1994, as to the Commission's actions in this matter.

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1. As explained later, the precise amount of the issuance will not be known until the interest rate is determined.

Summary

By petition filed August 13, 1992, seven small water companies requested authority to issue up to $3 million of tax-exempt debt and up to $1 million of "semi" tax-exempt debt[1] through the New York State Environmental Facilities Corporation (EFC) in a "pooled financing" program designed specifically to allow small utilities to gain access to low cost capital markets. Of the seven companies originally included in the pool, three will proceed to issue a total of approximately $2.3 million of tax-exempt debt and $215,000 of "semi" tax-exempt debt (or a tail loan). The debt will fund approximately $1.8 million of combined construction expenditures needed to comply with the Safe Drinking Water Act (SDWA), State and local health requirements, and/or to provide for improved service quality. The "semi" tax-exempt debt issued for the tail loan will help finance the estimated expenses of $225,000 associated with the issuance. The three companies in the pool are Cambridge Water Works Company (Cambridge), Hunter Water Supply Corporation (Hunter), and Saratoga Water Services, Inc. (Saratoga).

The debt will be secured by a first mortgage on the new utility construction and other assets to satisfy rating agency concerns and market requirements. However, the primary security

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1. "Semi" tax-exempt debt is exempt from state and city income taxes, but not exempt from federal income taxes.

for the rating is a customer surcharge dedicated to the payment of interest and principal, lasting 20 years. A schedule of the estimated surcharges is shown in Appendix A. The bonds will be marketed as a limited public offering and issued under an open indenture which will permit further pooled financings to be added by supplemental indenture.

Each of the companies in the pool has a proper basis and a need for the funds. In a series of public involvement meetings held with customers and local elected officials, staff found general acceptance for the pooled financing concept and the individual company proposals. We recommend approval of the issuance of long-term debt, subject to abrogation if the terms are not reasonable. Based upon current interest rates for both the tax-exempt issuance and the semi-taxable issue, the total all-in-cost of the pool would be approximately 8.5%.

Background/Discussion

In the past, several large water-works corporations regulated by the Commission have made use of tax-exempt bonds issued through the EFC. These financings were successfully executed because the individual borrowings were large enough to stand on their own and be cost effective (i.e., the issuance costs were not so large in relation to the size of the borrowings that the financings were uneconomic). Most small water companies have not been able to take advantage of low cost, tax-exempt financing because they lack credit-worthiness and because there are high transaction costs associated with very small financings. Several Divisions within this Department have been participating in a cooperative project with EFC (a public benefit agency) and First Albany Corporation (a local investment banking firm) to overcome the financing problems for small companies. The loan structure which was developed combines the financing needs of several small companies into one "loan pool," which obtains the needed size and economies to proceed; hence the name "Pooled Financing."

Company Details

Cambridge

Cambridge provides water service to 470 metered customers in the Village of Cambridge and in the Towns of White Creek and Jackson, Washington County. Both Public and Private Fire Protection Services are provided.

Hunter

Hunter provides flat rate water service to approximately 450 customers located in the Village of Hunter, Town of Hunter, Greene County. Public Fire Protection is also provided.

Saratoga

Saratoga provides metered water service to approximately 1,350 customers in the Towns of Malta and Stillwater. Private Fire Protection Service is also provided.

Rate Impacts

In order to support the various financings, on September 8, 1992, the companies filed individual surcharge statements, which were to become effective on January 3, 1993. The statements were subsequently postponed to January 15, 1994. Details of the company filings, along with our recommended proposals, are contained in Appendix B. Subsequent to the original filings, significant changes were made to the scopes of the projects and their projected costs. The estimated expenditures projected by the companies, which we have verified, are contained in Appendix C.

State Administration Procedure Act (SAPA)

The tariff filings instituting the surcharges must be approved along with the financing because the surcharges provide the backing for the pool financing. Prior notice called for under Section 202(6) of SAPA does exist for the tariffs, but the surcharge amounts were based on preliminary construction estimates. The latest estimates are different than those currently published under SAPA. The current SAPA amounts and the new estimates are as follows:

	Current SAPA		New Amounts	
Company	Plant	Surcharge	Plant	Surcharge
Hunter	$ 350,000	$41,015	$ 513,000	$58,800
Saratoga	500,000	89,315	550,000	63,000
Cambridge	500,000	58,192	708,000	81,200
	$1,350,000		$1,771,000	

Because two of the companies have already made significant capital expenditures, any delay in the financing could impact the tax-exempt status of the bonds, thus endangering the entire financing package. Additionally, it is imperative to begin the surcharge immediately to insure that there is sufficient money to meet the first payment of principal and interest. Based on the foregoing circumstances, we recommend that the Commission find that the preservation of the general welfare requires that it take these actions as emergency measures as provided for under Section 202(6) of the Administrative Procedure Act, and that compliance with the notice and comment provisions would be contrary to the public interest.

Terms of the Financing

First Albany Corporation plans a limited public offering with the following terms:

1. Companies - Saratoga, Cambridge, and Hunter;
2. Amount - $2,205,000 (both tax-exempt and taxable debt - estimated);
3. Interest rates - 6.0% tax-exempt and 9.0% taxable (estimated);
4. Issuance Costs - $225,000 (underwriting and other fees);
5. Total Debt Reserve Fund - $201,900;
6. Net Proceeds to the Companies - $1,778,100;
7. Effective Cost of Debt - approximately 8.5%, based on current interest rates;
8. Maturity - April 1, 2014;
9. Sinking Fund - Principal payments are made annually similar to a home mortgage schedule resulting in an average debt life of 13 years;
10. Security - The bonds will be secured by a separate surcharge on rates approved by the New York State Public Service Commission for each water company;

11. Debt Service Reserve Fund - Twelve months of debt service will be borrowed and placed in a special account. Funds from the account will be available to each company in the pool so it may pay interest and principal in the event of a temporary shortfall;

12. Bonds for the initial pooled financing will be issued under an "Open Indenture" that will permit additional pools to be formed. Future pools would issue by supplemental indentures, thereby saving the expenses associated with developing a financing structure; and

13. Limited Step-up Provision - In the event of a default by any of the companies in the pool, the remaining companies must pay a portion of the interest and principal of the defaulting company. The paying companies, however, will not increase their surcharges more than 10% in any year. The defaulting company is also obligated to repay the other companies if it regains its ability to do so. The open indenture structure requires that the step-up provision will apply to all companies added later by supplemental indenture to the pool program as well as to the original pool candidates in this petition.

Use of Proceeds

Of the total of $1,1771,000 in plant expenditures, approximately $1.2 million or 70% is considered either "mandated" (by the Safe Drinking Water Act) or "required" (to comply with NYS Department Of Environmental Conservation permitting procedures). The remainder ($525,200 or 30%) is to be used to fund projects that will result in better pressure, flows and reliability. Saratoga's $550,000 loan amount is already in rates. The remaining $434,000 in loan amount is used to pay issuance expenses ($225,000), supply the reserve fund ($201,900), and provide a contingency ($7,100).

Costs and Expenses

In order to execute the pooled financing, the companies will incur approximately $225,000 in issuance costs and expenses. The estimated costs of issuance are as follows:

Issuance Costs	
EFC fee	$ 15,000
Bond Counsel	40,000
Underwriter's Counsel	25,000
Special Counsel	25,000
Company Counsel	15,000
Rating Agency fee	15,000
Trustee and Counsel fees	6,000
Underwriting fee	80,000
Contingency	4,000
Total	$225,000

Because the pooled financing is considerably more complicated than either a normal tax-exempt issuance or a conventional financing, relative to its size, fees and legal services make up a greater portion of the issue. Expenses in this case are approximately 10.2% of the total proceeds of the issue. Nonetheless, this pooled financing method is more cost effective than alternative financing arrangements.

In addition to the normal costs of a tax-exempt issuance, the companies in the pool must obtain approximately $201,900 for a Debt Service Reserve Fund. However, this amount will eventually be used to repay interest and principal on the loans.

The order will require all the companies in the pool to file with the Commission a verified report showing in detail all the expenses incurred in issuing the securities. The final expenses of the pool will be allocated to each company based on its share of the total bond issue. The order will also require the companies in the pool to file annual financial statements with the Director of the Office of Accounting and Finance.

Surcharge Methodology

For small companies like these, the customer surcharge provides the credit support needed to make tax-exempt financing available. Underwriters could not market this issue without an investment grade bond rating, and an investment grade rating is not possible without the surcharge. Therefore, a surcharge is a necessary element of this financing.

A surcharge will be applied to every bill issued by each company. It will be adjusted through a reconciliation, based upon the appropriate billing cycle and service classification, in order to assure adequate cash flow to cover necessary payments and protect from under or overcollections of amounts due.

The surcharged revenues will be reset at each billing cycle based upon the estimated revenues to be collected for that billing period. Should an undercollection or overcollection arise, it will be applied to increase or decrease the amount of the surcharge to be collected for the succeeding period. This process will continue through the life of the bonds. Adjustments to the surcharges will be filed by the companies with the

Commission and will be audited to check the accuracy of the calculations.

Since the exact amount of the debt and the interest rate are not set yet, customers of the three companies are at risk to the extent that interest rates may change dramatically during the next two and a half months before the bonds are priced. For instance, a full one percent increase in interest rates over the current rates would result in a 9.2% increase in the customer surcharge to all companies. The amount of the borrowing would rise by $15,000 and the total all-in-cost would rise from 8.5% to 9.9%. Additionally, if an unanticipated issuance expense should arise, the all-in-cost of the financing would also rise (e.g., a $50,000 increase in expenses raises the all-in-cost rate 50 basis points). The changes, if any, would be reflected in the surcharge through the reconciliation process.

The surcharges are to commence on February 1, 1994, and will be collected in advance of the date the first bond payment is due. (Cambridge and Saratoga render bills on February 28 and March 31, respectively.) In order to eliminate special billings, the first bills will be pro-rated from February 1. Since Hunter bills semi-annually, it will render a special bill on March 31, 1994, pro-rated for the period from February 1 to June 30, 1994. Subsequent billings will be for the normal amounts. This method is necessary so that the companies will have sufficient funds for the first bond payment, estimated to be paid in October, 1994.

Each company will be required to place revenues from the surcharge in a separate account within five days of receipt, and the money must be transferred to a Trustee's escrow account monthly. Funds can only be distributed from the escrow account by the Trustee with certification from the company's engineer that the project was completed according to specifications.

Income Tax Implications

The Internal Revenue Code (IRC Section 168) requires that capital additions financed with tax-exempt debt be depreciated for tax purposes on a straight-line basis over 50 years. Since the Commission's authorized surcharge collection supporting the debt has a 20 year life, with amortization of the principal on a mortgage type schedule, a book versus tax timing difference is created for each of the companies. A method of tracking and accounting for any tax-timing problems was developed in Case 92-W-0696 with respect to Ocean Bay Park Water Corporation's (Ocean Bay Park) Industrial Development Agency Bonds. However, unlike the circumstances surrounding the Ocean Bay Park issuance, where the company experienced tax benefits during the first third of the loan term, the companies in this pooled financing could experience near-term tax liabilities due to the surcharge because the term of the loan is shorter. An estimate of the yearly and cumulative tax liabilities for each company, along with the annual surcharge amounts, is shown in the last two columns of the companies' tax schedules, attached as Appendix A. Since the imbalance here is in the ratepayers' favor, we have not set up the tracking mechanism we devised for the surcharge/financing that was approved for Ocean Bay Park. However, we expect that the companies will petition the Commission if and when they need additional revenue to cover any federal income tax liabilities due to the financing, or include those tax implications in their next rate filings.

Customer Meetings

In an effort to inform customers and government officials about the proposal and to receive their feedback, staff of the Department of Public Service, the Environmental Facilities Corporation and, in some instances, State and local Departments of Health, met with a total of over 250 customers of the companies under consideration for inclusion in the pool. In addition, meetings were held with 15 local elected officials. Meetings were held in Cambridge on May 27, 1993, and in Hunter on June 2 and August 13, 1993. No meeting was held in Saratoga since the construction in question was the subject of a rate investigation and this financing will trigger a slight rate reduction. In addition, letters which provided updated information on the proposal, the surcharge mechanism and the formal comment procedure were sent by staff to each of the customers of the companies considered for inclusion in the pool.

At the customer meetings, staff discussed the need for the construction projects, including detailed particulars, and described the financing proposal. The series of meetings provided a valuable opportunity to present information and receive the concerns of customers.

Customer and elected officials' concerns surfaced and were addressed with respect to the following:

- o the effect of the proposal on any future municipal acquisition (there is little or no effect because the debt can be assumed by the municipality or retired);
- o the scale of the projects (the projected costs);
- o the placement of facilities (pipes, wells, tanks, etc.);
- o the safety or quality of water after construction;
- o construction cost overruns (possible, but there is some contingency money in the estimates);
- o the allocation of the surcharge to customers (flat or usage);
- o the pool default provision and customer liability (10% maximum, but staff has screened the pool candidates); and
- o the safeguards in place for monitoring construction and managing the loan revenues and payments (a Professional Engineer signs off before the Trustee makes debt payments).

Generally, customers and officials gained an understanding and expressed acceptance of the pooled financing concept and the individual proposals. Customers appreciated that an innovative financing approach had been developed to alleviate the costs brought on by mandated water quality improvements and needed service enhancements.

Cost Impacts

As noted earlier, the financing requires annual surcharges to repay the interest and principal on the loans. The cost impacts for the three companies are as follows:

Cambridge -	\$81,200	Approximately 85% of the company's current annual revenues.
Hunter -	\$58,800	Approximately 69% of the company's annual revenues.
Saratoga -	\$63,000	Approximately 13% of the company's annual revenues. This is to be offset by a decrease in base revenues of \$65,100, resulting in a net decrease of .38%.

Although the Cambridge financing requires a surcharge of approximately 85%, other factors must also be considered to obtain a true picture of what the Cambridge customers may be facing with respect to bill impacts. First, the company recently received a rate increase of 4.3%. Second, the company's largest customer, Mary McClellan Hospital, will only be using the water system to augment its own supply and will reduce consumption by two-thirds. Taking all this into consideration, the customers could see bills rise a total of 115% by early 1994. The following table shows the current annual bills and the anticipated annual bills for typical customers, based upon the EFC Financing and an alternative financing (five years at 9% interest).

Company	Current Bill	EFC Financing	Alternative Financing
Cambridge	$ 195	$ 396	$ 656
Hunter	154	257	387
Saratoga	447	445	NA

A detailed comparison of the impacts on the various types of customers is contained in Appendix D.

Given the magnitude of this financing and the impact it will have on the Cambridge customers, we examined various options. Even if only the mandated/required improvements were to be considered, the typical Cambridge customer would see his or her annual bill go to $340 under the EFC proposal, which is $56 less than the amount needed for all improvements ($708,000 versus $461,000). If mandated/required improvements were financed by the alternative method, the annual bill would go to $490.

The additional improvements over and above the mandated/required improvements include main replacements and the looping of numerous dead-end mains, all of which will increase pressure, flows and system reliability.

Conclusion and Recommendations

We recommend that the three companies in the pool be authorized to issue tax-exempt bonds and "semi" tax-exempt debt totaling about $2.5 million. We also recommend that the companies be authorized to institute surcharges that will pay for the interest and principal on the debt. Further, for good cause shown herein, we recommend that the Commission find that the preservation of the general welfare requires that it take the actions as emergency measures as provided for under Section 202(c) of the State Administrative Procedure Act. Finally, we recommend that the companies be granted permission to waive the statutory requirement of newspaper publication, but that they be directed to individually notify their customers, no later than February 15, 1994, as to the Commission's actions in this matter.

Respectfully submitted,

BRIAN M. SUMMERS Associate Utility Financial Analyst	JOHN W. AGANSKY Associate Valuation Engineer	RON ELWOOD Associate Policy Analyst

Approved:

RICHARD L. ANSALDO Chief, Utility Finance Section	THOMAS G. DVORSKY Deputy Director Cost Performance	A. EDWIN RODGER Deputy Director Consumer Services

Cambridge Water Company
Calculation of Federal Income Tax Liability

Year	Income from Surcharge and Debt: Surcharge	Int. Income Debt Svc Reserve	Total	Tax Deductions Associated with Surcharge: Interest Expense Tax-Exempt	Interest Expense Taxable	Trustee, EFC & Rating Fees	Total Cash Deductions	Tax Depr.	Total Temp Timing Diff.	Net Taxable Income	Tax Liability Current	Tax Liability Cumulative
1994	77,566	4,174	81,740	47,736	7,736	2,280	57,752	17,631	75,383	6,357	954	954
1995	76,066	4,174	80,240	46,416	7,556	2,280	56,252	17,631	73,883	6,357	954	1,907
1996	76,567	4,174	80,741	45,098	7,376	2,280	54,754	17,631	72,385	8,356	1,253	3,160
1997	76,946	4,174	81,120	43,658	7,196	2,280	53,134	17,631	70,765	10,355	1,553	4,714
1998	77,205	4,174	81,379	42,098	7,016	2,280	51,394	17,631	69,025	12,354	1,853	6,567
1999	77,346	4,174	81,520	40,420	6,836	2,280	49,536	17,631	67,167	14,353	2,153	8,720
2000	75,366	4,174	79,540	38,620	6,656	2,280	47,556	17,631	65,187	14,353	2,153	10,873
2001	77,386	4,174	81,560	36,822	6,476	2,280	45,578	17,631	63,209	18,351	2,753	13,625
2002	77,105	4,174	81,279	34,902	6,116	2,280	43,298	17,631	60,929	20,350	3,052	16,678
2003	76,708	4,174	80,882	32,864	5,758	2,280	40,902	17,631	58,533	22,349	3,352	20,030
2004	76,187	4,174	80,361	30,704	5,398	2,280	38,382	17,631	56,013	24,348	3,652	23,682
2005	77,547	4,174	81,721	28,426	5,038	2,280	35,744	17,631	53,375	28,346	4,252	27,934
2006	76,668	4,174	80,842	25,908	4,678	2,280	32,866	17,631	50,497	30,345	4,552	32,486
2007	77,666	4,174	81,840	23,268	4,318	2,280	29,866	17,631	47,497	34,343	5,151	37,637
2008	76,367	4,174	80,541	20,510	3,778	2,280	26,568	17,631	44,199	36,342	5,451	43,088
2009	76,947	4,174	81,121	17,632	3,238	2,280	23,150	17,631	40,781	40,340	6,051	49,139
2010	77,285	4,174	81,459	14,512	2,698	2,280	19,490	17,631	37,121	44,338	6,651	55,790
2011	77,385	4,174	81,559	11,154	2,158	2,280	15,592	17,631	33,223	48,336	7,250	63,040
2012	77,187	4,174	81,361	7,676	1,440	2,280	11,396	17,631	29,027	52,334	8,083	71,124
2013	(2,774)	83,695 *	80,921	3,958	720	2,280	6,958	17,631	24,589	56,332	9,083	80,207
2014								17,631	17,631	(17,631)	(2,645)	77,562
2015								17,631	17,631	(17,631)	(2,645)	74,918
2016								17,631	17,631	(17,631)	(2,645)	72,273
2017								17,631	17,631	(17,631)	(2,645)	69,628
2018								17,631	17,631	(17,631)	(2,645)	66,983
2019								17,631	17,631	(17,631)	(2,645)	64,339
2020								17,631	17,631	(17,631)	(2,645)	61,694
2021								17,631	17,631	(17,631)	(2,645)	59,049
2022								17,631	17,631	(17,631)	(2,645)	56,405
2023								17,631	17,631	(17,631)	(2,645)	53,760
2024								17,631	17,631	(17,631)	(2,645)	51,115
2025								17,631	17,631	(17,631)	(2,645)	48,471
2026								17,631	17,631	(17,631)	(2,645)	45,826
2027								17,631	17,631	(17,631)	(2,645)	43,181
2028								17,631	17,631	(17,631)	(2,645)	40,537
2029								17,631	17,631	(17,631)	(2,645)	37,892
2030								17,631	17,631	(17,631)	(2,645)	35,247
2031								17,631	17,631	(17,631)	(2,645)	32,603
2032								17,631	17,631	(17,631)	(2,645)	29,958
2033								17,631	17,631	(17,631)	(2,645)	27,313
2034								17,631	17,631	(17,631)	(2,645)	24,669
2035								17,631	17,631	(17,631)	(2,645)	22,024
2036								17,631	17,631	(17,631)	(2,645)	19,379
2037								17,631	17,631	(17,631)	(2,645)	16,735
2038								17,631	17,631	(17,631)	(2,645)	14,090
2039								17,631	17,631	(17,631)	(2,645)	11,445
2040								17,631	17,631	(17,631)	(2,645)	8,801
2041								17,631	17,631	(17,631)	(2,645)	6,156
2042								17,631	17,631	(17,631)	(2,645)	3,511
2043								17,631	17,631	(17,631)	(2,645)	867
Total	1,458,726	163,001	1,621,727	592,382	102,186	45,600	740,168	881,559	1,621,727	(0)		

* This amount includes a return of $79,521 held by the lender in a debt service reserve fund. The income tax effects of this item are unclear at this time.

Hunter Water Company
Calculation of Federal Income Tax Liability

Year	Income from Surcharge and Debt: Surcharge	Int. Income Debt Svc Reserve	Total	Tax Deductions Associated with Surcharge: Interest Expense Tax-Exempt	Interest Expense Taxable	Trustee, EFC & Rating Fees	Total Cash Deductions	Tax Depr.	Total Temp Timing Diff.	Net Taxable Income	Tax Liability: Current	Tax Liability: Cumulative
1994	56,185	3,024	59,209	34,578	5,604	1,651	41,833	12,771	54,604	4,605	691	691
1995	55,099	3,024	58,123	33,622	5,474	1,651	40,747	12,771	53,518	4,605	691	1,381
1996	55,461	3,024	58,485	32,666	5,344	1,651	39,661	12,771	52,432	6,053	908	2,289
1997	55,735	3,024	58,759	31,624	5,212	1,651	38,487	12,771	51,258	7,501	1,125	3,415
1998	55,923	3,024	58,947	30,494	5,082	1,651	37,227	12,771	49,998	8,949	1,342	4,757
1999	56,025	3,024	59,049	29,278	4,952	1,651	35,881	12,771	48,652	10,397	1,560	6,316
2000	54,593	3,024	57,617	27,976	4,822	1,651	34,449	12,771	47,220	10,397	1,560	7,876
2001	56,055	3,024	59,079	26,672	4,692	1,651	33,015	12,771	45,786	13,293	1,994	9,870
2002	55,851	3,024	58,875	25,282	4,430	1,651	31,363	12,771	44,134	14,741	2,211	12,081
2003	55,553	3,024	58,577	23,806	4,170	1,651	29,627	12,771	42,398	16,179	2,427	14,508
2004	55,187	3,024	58,211	22,242	3,910	1,651	27,803	12,771	40,574	17,637	2,646	17,153
2005	56,169	3,024	59,193	20,590	3,648	1,651	25,889	12,771	38,660	20,533	3,080	20,233
2006	55,533	3,024	58,557	18,766	3,388	1,651	23,805	12,771	36,576	21,981	3,297	23,530
2007	56,257	3,024	59,281	16,854	3,128	1,651	21,633	12,771	34,404	24,877	3,732	27,262
2008	55,315	3,024	58,339	14,856	2,736	1,651	19,243	12,771	32,014	26,325	3,949	31,211
2009	55,737	3,024	58,761	12,772	2,346	1,651	16,769	12,771	29,540	29,221	4,383	35,594
2010	55,981	3,024	59,005	10,512	1,954	1,651	14,117	12,771	26,888	32,117	4,818	40,411
2011	56,055	3,024	59,079	8,080	1,564	1,651	11,295	12,771	24,066	35,013	5,252	45,663
2012	55,909	3,024	58,933	5,560	1,042	1,651	8,253	12,771	21,024	37,909	5,686	51,349
2013	(2,009)	60,626 *	58,617	2,868	522	1,651	5,041	12,771	17,812	40,805	6,121	57,470
2014								12,771	12,771	(12,771)	(1,916)	55,555
2015								12,771	12,771	(12,771)	(1,916)	53,639
2016								12,771	12,771	(12,771)	(1,916)	51,723
2017								12,771	12,771	(12,771)	(1,916)	49,808
2018								12,771	12,771	(12,771)	(1,916)	47,892
2019								12,771	12,771	(12,771)	(1,916)	45,976
2020								12,771	12,771	(12,771)	(1,916)	44,061
2021								12,771	12,771	(12,771)	(1,916)	42,145
2022								12,771	12,771	(12,771)	(1,916)	40,229
2023								12,771	12,771	(12,771)	(1,916)	38,313
2024								12,771	12,771	(12,771)	(1,916)	36,398
2025								12,771	12,771	(12,771)	(1,916)	34,482
2026								12,771	12,771	(12,771)	(1,916)	32,566
2027								12,771	12,771	(12,771)	(1,916)	30,651
2028								12,771	12,771	(12,771)	(1,916)	28,735
2029								12,771	12,771	(12,771)	(1,916)	26,819
2030								12,771	12,771	(12,771)	(1,916)	24,904
2031								12,771	12,771	(12,771)	(1,916)	22,988
2032								12,771	12,771	(12,771)	(1,916)	21,072
2033								12,771	12,771	(12,771)	(1,916)	19,157
2034								12,771	12,771	(12,771)	(1,916)	17,241
2035								12,771	12,771	(12,771)	(1,916)	15,325
2036								12,771	12,771	(12,771)	(1,916)	13,410
2037								12,771	12,771	(12,771)	(1,916)	11,494
2038								12,771	12,771	(12,771)	(1,916)	9,578
2039								12,771	12,771	(12,771)	(1,916)	7,663
2040								12,771	12,771	(12,771)	(1,916)	5,747
2041								12,771	12,771	(12,771)	(1,916)	3,831
2042								12,771	12,771	(12,771)	(1,916)	1,916
2043								12,771	12,771	(12,771)	(1,916)	0
Total	1,056,614	118,082	1,174,696	429,098	74,020	33,020	536,138	638,558	1,174,696	0		

* This amount includes a return of $27,602 held by the lender in a debt service reserve fund. The income tax effects of this item are unclear at this time.

Saratoga Water Company
Calculation of Federal Income Tax Liability

Year	Income from Surcharge and Debt: Surcharge	Income from Surcharge and Debt: Int. Income Debt Svc Reserve	Income from Surcharge and Debt: Total	Tax Deductions Associated with Surcharge: Interest Expense Tax-Exempt	Interest Expense Taxable	Trustee, EFC & Rating Fees	Total Cash Deductions	Tax Depr.	Total Temp Timing Diff.	Net Taxable Income	Tax Liability: Current	Tax Liability: Cumulative
1994	60,261	3,242	63,503	37,086	6,010	1,771	44,867	13,697	58,564	4,939	741	741
1994	59,095	3,242	62,337	36,060	5,870	1,771	43,701	13,697	57,398	4,939	741	1,482
1995	59,484	3,242	62,726	35,036	5,730	1,771	42,537	13,697	56,234	6,492	974	2,455
1996	59,779	3,242	63,021	33,918	5,590	1,771	41,279	13,697	54,976	8,045	1,207	3,662
1997	59,982	3,242	63,224	32,706	5,452	1,771	39,929	13,697	53,626	9,598	1,440	5,102
1998	60,091	3,242	63,333	31,402	5,312	1,771	38,485	13,697	52,182	11,151	1,673	6,774
1999	58,553	3,242	61,795	30,004	5,172	1,771	36,947	13,697	50,644	11,151	1,673	8,447
2000	60,121	3,242	63,363	28,606	5,032	1,771	35,409	13,697	49,106	14,257	2,138	10,585
2001	59,904	3,242	63,146	27,116	4,752	1,771	33,639	13,697	47,336	15,810	2,371	12,957
2002	59,593	3,242	62,835	25,532	4,472	1,771	31,775	13,697	45,472	17,363	2,604	15,561
2003	59,190	3,242	62,432	23,854	4,194	1,771	29,819	13,697	43,516	18,916	2,837	18,398
2004	60,246	3,242	63,488	22,084	3,914	1,771	27,769	13,697	41,466	22,022	3,303	21,702
2005	59,561	3,242	62,803	20,126	3,634	1,771	25,531	13,697	39,228	23,575	3,536	25,238
2006	60,337	3,242	63,579	18,076	3,354	1,771	23,201	13,697	36,898	26,681	4,002	29,240
2007	59,330	3,242	62,572	15,934	2,936	1,771	20,641	13,697	34,338	28,234	4,235	33,475
2008	59,780	3,242	63,022	13,698	2,516	1,771	17,985	13,697	31,682	31,340	4,701	38,176
2009	60,042	3,242	63,284	11,274	2,096	1,771	15,141	13,697	28,838	34,446	5,167	43,343
2010	60,122	3,242	63,364	8,666	1,678	1,771	12,115	13,697	25,812	37,552	5,633	48,975
2011	59,966	3,242	63,208	5,964	1,118	1,771	8,853	13,697	22,550	40,658	6,099	55,074
2012	(2,155)	65,021 *	62,866	3,074	560	1,771	5,405	13,697	19,102	43,764	6,565	61,639
2013								13,697	13,697	(13,697)	(2,055)	59,584
2014								13,697	13,697	(13,697)	(2,055)	57,529
2015								13,697	13,697	(13,697)	(2,055)	55,475
2016								13,697	13,697	(13,697)	(2,055)	53,420
2017								13,697	13,697	(13,697)	(2,055)	51,365
2018								13,697	13,697	(13,697)	(2,055)	49,311
2019								13,697	13,697	(13,697)	(2,055)	47,256
2020								13,697	13,697	(13,697)	(2,055)	45,202
2021								13,697	13,697	(13,697)	(2,055)	43,147
2022								13,697	13,697	(13,697)	(2,055)	41,092
2023								13,697	13,697	(13,697)	(2,055)	39,038
2024								13,697	13,697	(13,697)	(2,055)	36,983
2025								13,697	13,697	(13,697)	(2,055)	34,929
2026								13,697	13,697	(13,697)	(2,055)	32,874
2027								13,697	13,697	(13,697)	(2,055)	30,819
2028								13,697	13,697	(13,697)	(2,055)	28,765
2029								13,697	13,697	(13,697)	(2,055)	26,710
2030								13,697	13,697	(13,697)	(2,055)	24,655
2031								13,697	13,697	(13,697)	(2,055)	22,601
2032								13,697	13,697	(13,697)	(2,055)	20,546
2033								13,697	13,697	(13,697)	(2,055)	18,492
2034								13,697	13,697	(13,697)	(2,055)	16,437
2035								13,697	13,697	(13,697)	(2,055)	14,382
2036								13,697	13,697	(13,697)	(2,055)	12,328
2037								13,697	13,697	(13,697)	(2,055)	10,273
2038								13,697	13,697	(13,697)	(2,055)	8,218
2039								13,697	13,697	(13,697)	(2,055)	6,164
2040								13,697	13,697	(13,697)	(2,055)	4,109
2041								13,697	13,697	(13,697)	(2,055)	2,055
2042								13,697	13,697	(13,697)	(2,055)	0
Total	1,133,282	126,619	1,259,901	460,216	79,392	35,420	575,028	684,873	1,259,901	(0)		

* This amount includes a return of $61,779 held by the lender in a debt service reserve fund. The income tax effects of this item are unclear at this time.

CAMBRIDGE WATER WORKS COMPANY

SUBJECT OF FILING: CASE 92-W-0859 - Ordinary Tariff Filing of Cambridge Water Works Company to collect an escrow surcharge to pay the annual amortization of a new loan, interest and principal.

Escrowed Surcharge Statement No. 1
(P.S.C. No. 3 - Water)

ISSUED DATE: September 8, 1992 EFFECTIVE DATE: January 15, 1994

NATURE OF FILING:

Per Company

To establish an escrow account which would require an annual surcharge of $118.85 per customer for twenty years. This surcharge is expected to generate $58,192 annually and will be used to support the company's financing, which includes $558,400 in new plant.

Per Staff Proposal

To allow the company to surcharge its customers an amount necessary to support the financing currently estimated at $20,300 per quarter for twenty years, which is equivalent to $81,200 per year or approximately 85% of its annual revenues. The surcharge is designed to support the company's financing and allow the company to install $708,000 in new plant. The surcharge will raise a fixed amount but will be self-adjusting each billing period, based upon the previous billing.

EFFECTIVE: February 1, 1994, on less than statutory notice

PRIOR NOTIFICATION: Individual notification made the week of November 29, 1993.

STATE ADMINISTRATIVE PROCEDURE ACT: 92-W-0859 SA1
State Register: September 23, 1992

HUNTER WATER SUPPLY CORP.

SUBJECT OF FILING: CASE 92-W-0858 - Ordinary Tariff Filing of Hunter Water Supply Corp. to collect an escrow surcharge to pay the annual amortization of a new loan, interest and principal.

Escrowed Surcharge Statement No. 1
(P.S.C. No. 1 - Water)

ISSUED DATE: September 8, 1992 EFFECTIVE DATE: January 15, 1994

NATURE OF FILING:

Per Company

To establish an escrow account which would require an annual surcharge of $92.99 per customer for twenty years. This surcharge is expected to generate $41,015 annually and will be used to support the company's financing, which includes $473,700 in new plant.

Per Staff Proposal

To allow the company to surcharge its customers an amount necessary to support the financing, currently estimated at $14,700 per quarter for twenty years, which is equivalent to $58,800 per year or approximately 69% of its annual revenues. The surcharge is designed to support the company's financing and allow the company to install $513,000 in new plant. The surcharge will raise a fixed amount but will be self-adjusting each billing period, based upon the previous billing.

EFFECTIVE: February 1, 1994, on less than statutory notice

PRIOR NOTIFICATION: Individual notification made the week of November 29, 1993.

STATE ADMINISTRATIVE PROCEDURE ACT: 92-W-0858 SA1
State Register: September 23, 1992

SARATOGA WATER SERVICES, INC.

SUBJECT OF FILING: CASE 92-W-0854 - Ordinary Tariff Filing of Saratoga Water Services, Inc. to collect an escrow surcharge to pay the annual amortization of a new loan, interest and principal.

Escrowed Surcharge Statement No. 1
(P.S.C. No 3 - Water)

ISSUED DATE: September 8, 1993 EFFECTIVE DATE: January 15, 1994

NATURE OF FILING: Per Company

To establish an escrow account which would require an annual surcharge of $66.16 per customer for twenty years. This surcharge is expected to generate $89,315 annually and will be used to support the company's financing, which includes $500,000 in new plant already in base rates.

Per Staff Proposal

To allow the company to surcharge its customers an amount necessary to support the financing, currently estimated at $15,750 per quarter for twenty years, which is equivalent to $63,000 per year or approximately 13% of its annual revenues after the revenues are reduced to reflect the plant being taken out of rate base. The surcharge is designed to support the company's financing, which includes $550,000 in recently completed plant additions. The surcharge will raise a fixed amount but will be self-adjusting each billing period, based upon the previous billing.

The company will be required to file new rates based upon a new revenue requirement ($482,679) which excludes the $550,000 currently in rate base. The new metered rate will be $5.62 per thousand gallons, and the private fire protection rate will be $550.71 per month. THE NET EFFECT WILL BE TO REDUCE THE CUSTOMERS' BILLS BY .38%.

EFFECTIVE: February 1, 1994, on less than statutory notice

PRIOR NOTIFICATION: Individual notification made the week of November 29, 1993.

STATE ADMINISTRATIVE PROCEDURE ACT: 92-W-0854 SA1
State Register: September 23, 1992

CAMBRIDGE WATER WORKS COMPANY

SCOPE OF PROJECT

In order to meet the SDWA the company plans on drilling two shallow wells next to its lower reservoir, renovating its chlorinating house and electrical equipment, installing approximately 2,000 ft of 8 inch ductile iron pipe and a 74,000 gallon storage tank. In addition the company plans to loop several sections of main to increase pressure, flows, and reliability.

FINANCIAL NEEDS

Mandated Improvements:	
74,000 gallon storage tank	
2,000 ft of 8 inch DIP	
Two wells and Electrical work	
Chlorinator and building	
Propane powered generator	
Fencing	
Subtotal	$343,000
Survey, Engineering & Inspection	81,000
Contingencies	36,800
Total	$460,800
Highly Recommended Enhancements:	
Spring St. Main and R.R. Crossing	
Academy St.	
Pearl and Avenue A	
Hydrants	
Subtotal	$109,300
Survey, Engineering & Inspection	13,000
Contingencies	10,800
Total	$133,100
Enhancements:	
Washington St., Pearl Ave.	
Division/ Madison, Gilmore	
Avenue B, Myrtle Ave.	
Subtotal	$92,100
Survey, Engineering & Inspection	13,000
Contingencies	9,000
Total	$114,100

TOTAL OF ALL PROJECTS $708,000

HUNTER WATER SUPPLY CORPORATION

SCOPE OF PROJECT

The company's plans call for the metering of all customers, and it has entered into a contract with Schlumberger for such work. In order to meet the SDWA the company will be adding a 30,000 gallon tank to increase chlorine contact time and additional chlorination equipment. The company's plans also call for the installation of 4,500 ft. of 8 and 4 inch pipe which will loop the entire system directly from the storage tank, increase system reliability and significantly increase fire flows.

FINANCIAL NEEDS

Mandated Improvements:	
Chlorine contact tank and chlorination equipment	$88,000
Required Improvements:	
The metering of all customers	147,000
Highly Recommended Enhancements:	
The installation of 3,700 ft of 6 inch ductile iron pipe and 800 ft of 4 inch pipe to increase fire flows and system reliability	$278,000
TOTAL	$513,000

SARATOGA WATER SERVICES, INC.

SCOPE OF PROJECT

Staff from the Water Division and NYSDOH worked with Saratoga and developed a five point plan after it was determined that Saratoga's source capacity was insufficient during drought conditions.

1. Addition of a new well in its existing well field.

2. Rehabilitation of an existing well.

3. Creation of a recharge system for the existing well field.

4. Analysis of the capacity of its well field under drought conditions.

5. Implementation of a program to acquire a new water source.

All of the above items have been completed and the following details the costs associated with adding an additional source.

FINANCIAL NEEDS

Required Improvements:	
10,245 ft of 8, 10 and 12 inch PVC pipe	$404,800
Building at well site	17,800
Electrical work associated with wells	61,400
Meters	5,200
Hydrants and Valves	20,600
Services	58,000
Easement	27,000
Restoration	12,600
Total	$607,400
Less: Amount to be funded by equity	(57,400)
Total Construction Costs To Be Funded	$550,000

Appendix D

Company		Construction Costs
Cambridge		$708,000
Saratoga		550,000
Hunter		513,000
	Total	$1,771,000

ANNUAL BILL COMPARISONS

	Present	EFC Fin.* $	EFC Fin.* Incr.	Traditional* $	Traditional* Incr.
Cambridge: Last Increase October 1988					
Minimum (36TG)	$ 99	$ 201	103%	$ 333	236%
Typical (80TG)	195	396	"	656	"
High (300TG)	588	1,193	"	1,980	"
Hospital	6,467	13,113	"	21,762	"
Pub. Fire Prot.	2,228	4,518	"	7,820	"
Saratoga: Last Increase May 1993					
Minimum (36TG)	$ 230	$ 229	-.38%	Not Applicable	
Typical (70TG)	447	445	"	"	
High (100TG)	638	636	"	"	
Priv. Fire Prot.	7,499	7,471	"	"	
Hunter: Last Increase January 1993					
Year-round (Flat)	$ 154	$ 257	69%	$ 387	151%
Condo Complex- (185 Units)	15,624	26,092	"	39,216	"
Hunter Mt. Lodge	3,500	5,915	"	8,785	"
Melody Aparts.	2,660	4,495	"	6,675	"

* For Cambridge these figures include a 2/3 reduction in usage by the hospital.