

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on April 18, 2013

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman  
Patricia L. Acampora  
Maureen F. Harris  
James L. Larocca  
Gregg C. Sayre

CASE 12-W-0445 - Minor Rate Filing of Rolling Meadows Water Corporation to Increase its Annual Revenues by about \$87,307 or 19.48%.

ORDER APPROVING RATE AND SURCHARGE

(Issued and Effective April 19, 2013)

BY THE COMMISSION:

INTRODUCTION

On October 4, 2012, Rolling Meadows Water Corporation (Rolling Meadows or the Company) filed a letter and proposed tariff amendments requesting authority for an \$87,307, or 19.48%, increase in its annual base revenues. Rolling Meadows provides metered water service to 1,071 customers in the Towns of Hurley, Ulster and Marbletown in Ulster County. The Company serves these customers through six systems: the interconnected Rolling Meadows, Elmendorf and Hurley water systems and the independently operated Leewood Knolls, High Ridge and Hillside Acres systems. Hillside Acres purchases its water from the City of Kingston; the other five systems distribute well water from pump houses. Fire protection service is not provided.

In this Order, we authorize a \$34,291, or 7.60%, increase in base revenues, effective May 1, 2013, with an average estimated \$26.81 annual residential bill increase. This

rate increase will result in an average estimated \$379.61 base rate annual residential bill, excluding any surcharges.<sup>1</sup>

We authorize the Company to increase the maximum balance in its Escrow Account for extraordinary repairs and capital improvements (Escrow Account) from \$30,000 to \$40,000, as well as its annual surcharge from \$28.00 to \$40.00. The additional funding will assist the Company, as it requests, to maintain its water systems by repairing certain water mains and replacing a storage tank.

Rolling Meadows maintains its water plant in generally good condition; its service is safe and adequate; and, operation and management of the system is effective. The rate increase is necessary to maintain a viable water system and provide safe and adequate service to the Company's customers at just and reasonable rates.

PUBLIC COMMENTS AND CUSTOMER NOTIFICATION

In accordance with the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on October 24, 2012. The public comment period in conformance with SAPA expired on December 8, 2012. The Company complied with the statutory and regulatory requirements for newspaper publication of its proposed tariff amendments as required by Public Service Law §89-c(10)(b) and 16 NYCRR §720-8.1. Helen B. Delaney, a customer of the Company's Hillside Acres system, submitted comments on December 10 and 13, 2012.

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<sup>1</sup> An Escrow Account Surcharge, when required, for extraordinary repairs and capital improvements and, for customers who reside in Hillside Acres subdivision, the Purchased Water Surcharge (PWS). The PWS varies quarterly, based on the actual cost of water supplied by the City of Kingston. Staff estimates that, in 2012, an average usage customer's PWS was \$265.44.

PETITION

On October 4, 2012, Rolling Meadows filed a letter and proposed tariff amendments effective February 1, 2013 and postponed to May 1, 2013,<sup>2</sup> requesting authority to increase its annual base revenues by \$87,307, or 19.48%, and to earn an 11.5% pre-tax rate of return. For its residential customers, this requested increase equates to an average annual bill increase of approximately \$14.77 in its metered service charge for a 5/8 inch meter service connection,<sup>3</sup> and an increase of \$1.21 per thousand gallons over a base quarterly usage allowance of 10,000 gallons.

The Company's filing suggests the rate increase is needed to pay for increased operating expenses and provide a reasonable return on its investment in utility plant. The Company determined its proposed revenue increase for the rate year by using our last rate order allowances as a base.<sup>4</sup> Rolling Meadows made several adjustments based on actual expenditures incurred from 2009 through 2011, others based on inflation, and in some cases no adjustments to certain expenses it deemed reasonable or unable to calculate for a rate year ending December 31, 2013.

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<sup>2</sup> To allow additional time for the Department of Public Service (DPS) Staff (Staff) to complete its review, the Company agreed to an initial postponement of the effective date to April 1, 2013 (Case 12-W-0445, supra, Untitled Order (issued January 3, 2013) and a subsequent postponement to May 1, 2013 (Case 12-W-0445, supra, Untitled Order (issued February 20, 2013)).

<sup>3</sup> The vast majority of the Company's customers receive service under this size connection (99%).

<sup>4</sup> Case 08-W-0993, Rolling Meadows Water Corporation - Rates, Untitled Order (issued December 16, 2008) (2008 Rate Order).

The Company requests additional funding to finance the replacement of water mains in the Hurley system and water storage tank in the High Ridge system. It submitted a \$76,000 cost estimate for replacement of two segments of water main for its Hurley system and a \$23,000 cost estimate for replacement of a water storage tank for its High Ridge water system.

The Company filed a background summary, stating that it was established in 1956 and that members of the Vogt family own all of the Company's stock and operate the water systems. It notes that, in 1974, it began acquiring its five water systems (Elmendorf, Leewood Knolls, High Ridge, Hillside Acres and Hurley). It explains that Rolling Meadows, Elmendorf and Hurley are interconnected systems and that Leewood Knolls, High Ridge and Hillside Acres are independent systems, because of their distance from each other.<sup>5</sup>

#### COMMENTS

Because Hillside Acres customers pay an extra PWS for Kingston water, Ms. Delaney argues that it is unfair for the Company to charge Hillside Acres customers the same base rate charged the customers of the other systems, who obtain their

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<sup>5</sup> The Vogt family owns the Windemere Highlands, Inc. (Windemere) water system in Red Hook, Dutchess County, and operates it independently of its Rolling Meadows water systems. A portion of Rolling Meadows's expenses are allocated to Windemere.

water from wells.<sup>6</sup> She states that a base rate increase would result in an undue hardship to customers who live on a pension and social security and use less than the minimum 10,000 gallons of water.<sup>7</sup>

BACKGROUND

Rolling Meadows maintains its water plant in generally good condition and continues to meet the Ulster County Department of Health's (UCDOH) safety standards. The base rates of the six Rolling Meadows systems are the same and are contained in a common tariff; however, Hillside Acres customers pay a PWS for water purchased from Kingston. About 202 customers residing in Hillside Acres pay approximately \$265<sup>8</sup> per year in purchased water costs, in addition to base rates. This PWS varies quarterly based on the cost of water delivered to the Company's Hillside Acres storage facility.

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<sup>6</sup> The Commission considered similar comments raised by Hillside Acres customers in previous rate cases, most recently in 2006 (Case 06-W-0302, Rolling Meadows Water Corporation - Rates, Order Approving Rates, an Escrow Account and Restoration of Service (issued November 29, 2006) (2006 Rate Order)). The Commission explained in its 2006 Rate Order that Hillside Acres customers incur costs incremental to their purchased water charges that need to be recovered in base rates. These costs include, but are not limited to, taxes, electricity, water testing, maintenance of a water storage reservoir and chlorination.

<sup>7</sup> The minimum charge for service recovers fixed costs incurred for providing service.

<sup>8</sup> Estimate based on 2012 PWS costs. Quarterly volumetric rate varies based on actual cost.

Rate History

After an approximately nine-year hiatus in rate review from 1991<sup>9</sup> to 2000, the Commission authorized a 3% rate increase for Rolling Meadows.<sup>10</sup> In its 2006 Rate Order, the Commission authorized an annual revenue increase of \$58,008, or 12.4%. In 2008,<sup>11</sup> the Commission authorized an increase in tariff rates to produce additional annual revenues of \$62,783 or 13.4%.

Financing of System Improvements

In the past, the Company financed repairs and capital improvements to its six systems by obtaining loans and recovering the principle and interest in rates from its entire customer base. Past improvements financed through base rate increases include: construction of an interconnection between Hillside Acres' water system and the City of Kingston through a \$286,000 loan (1991 Rate order), paid in full in the third quarter of 2000; installation of a Hurley water system six inch diameter water main on Russel Road through a \$89,402 loan with an 8.5% interest rate with the construction company, paid over five years (May 1, 2002 through April 1, 2007). The main was about 60 years old, undersized, and in need of constant repairs.

In its 2006 Rate Order, the Commission authorized a maximum \$41,000 Escrow Account for a capital improvement study to pay for a hydraulic analysis of its entire distribution system, including evaluation of the need for installation of a back-up capacity water storage tank and establishment of priorities for water main upgrades. The Company funded the

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<sup>9</sup> Case 91-W-0630, Rolling Meadows Water Corporation - Rates, Untitled Order (issued September 11, 1991) (1991 Rate order).

<sup>10</sup> Case 99-W-1360, Rolling Meadows Water Corporation - Rates, Untitled Order (issued June 28, 2000) (2000 Rate Order).

<sup>11</sup> 2008 Rate Order.

study through a \$12.92 per customer annual charge. The Staff reports that the Company accumulated sufficient funds for the study by 2009 and contracted with the New York Rural Water Association (NYRWA) to map its entire distribution system. In 2011, the NYRWA completed GIS mapping of the system; the Company has now contracted with an engineer to carry out the hydraulic analysis. The Company's objective is to prioritize its water system upgrades, including replacement of small-sized water mains.

In its 2008 Rate order, the Commission authorized an annual per customer \$28 surcharge to fund a maximum \$30,000 interest-bearing escrow account to cover the cost of extraordinary repairs and/or capital improvements in excess of the amount allowed for repairs in base rates. The Company requested the additional funds to repair approximately \$25,000 in water main damage caused on August 5, 2008, by the Ulster County Department of Public Works while excavating for installation of a new bridge on Route 209.

#### DISCUSSION

##### Rate Increase after Adjustments

The DPS Staff reviewed the Company's books and records and, as a result of its review, proposed a series of adjustments to the Company's requested increase in annual revenues. We adopt the Staff's adjustments and authorize a \$34,291 annual base revenue increase. Appendix B provides a comparison of the Company's existing rates, to its projected income statement for the rate year ending April 30, 2014, including before and after Staff's adjustments. An explanation of each Staff adjustment is set forth in Appendix B. Adjustments that require additional explanation relate to insurance, purchased power, transportation and depreciation expense and plant balances.

Insurance: The Company requests \$30,319 for insurance expense which includes coverage for general liability, property and vehicle, employee health, workers compensation and disability. The Company's forecast is based on 2011 actual expenses plus a 6% annual increase. Staff made several downward adjustments totaling \$4,095, resulting in a rate year allowance of \$26,224.

Rolling Meadows requests health insurance coverage for its three full-time employees plus one spouse, with no employee contributions. Because ratepayers should pay health insurance costs only for full-time employees, Staff recommends limitation of the rate year allowance to three single coverage policies, resulting in a downward adjustment of \$1,361. Staff further reduced the Company's health insurance premiums to reflect an employee contribution of 20%, which is the average contribution according to Employer Health Benefits 2012 Annual Survey.<sup>12</sup> This results in a downward adjustment of \$2,152.

Staff adjusted the Company's other insurance expenses to reflect the latest known premiums (2012/2013) plus annual inflation at 2%; and, it updated workers compensation to reflect Staff's rate year labor forecast at the most recent rates per type of labor. Rolling Meadows owns two vehicles, a 2011 GMC Acadia and a 2013 GMC Sierra. As described in the transportation account discussion, Staff proposes to allocate 70% and 87% of these vehicles to business use, respectively, and adjusted vehicle insurance to reflect these allocations. These adjustments result in a \$582 reduction to other insurance expense for the rate year.

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<sup>12</sup> Employer Health Benefits 2012 Annual Survey by The Henry J. Kaiser Family Foundation reports that premium contributions by covered workers average 18% for single coverage and 28% for family coverage (<http://ehbs.kff.org/pdf/2012/8345.pdf>).

Purchased Power: The Company requests the allowance for purchased power expense authorized in the 2008 Rate Order. Based upon its review of the Company's power bills for 2009, 2010 and 2011, Staff found that these costs, on average, were \$952 less than our prior granted allowance and that the Company included costs for the entire Vogt residence, instead of power costs related to the Company's office, in addition to costs for purchased power related to the operation of its water supply systems. Staff recommends an allowance for purchased power for the office based on the percentage of office space per total square footage of the Vogt residence (18%). Staff calculated a three-year average of electric supply costs per thousand gallons supplied for the bills related to the water supply system, and applied that average cost to its projected rate year forecast of sales volumes. Staff recommends a rate year allowance for purchased power costs of \$27,531. This amount is \$5,029 less than the Company's request.

Transportation: The Company requested an increase of \$1,967 in its transportation expense allowance. The Company forecast this amount based on the three-year average of transportation costs and its plans to lease a new 2013 GMC Sierra pickup truck and plow blade, at an estimated \$300 additional vehicle expense. Staff reviewed the Company's actual transportation expenses from 2009 through 2011 and found that actual transportation related costs were on average \$1,633 less than allowed in our 2008 Rate Order; and, the Company does not allocate any vehicle costs to personal use, or Windemere, per its general ledger.

The Company leases two vehicles, a 2011 GMC Acadia with a monthly payment of \$655 and a 2005 GMC Sierra pickup with a monthly payment of \$457. The Company's owner and operator owns a backhoe for which the Company pays fuel costs,

registration and repairs costs through the transportation expense account. Staff derived an estimated rate year vehicle allowance by including 12 months of estimated recurring payments for the Company's vehicles, including fuel, registration and other annually recurring items, resulting in a total transportation cost of \$17,146. Staff allowed an additional \$300 per month for the increase in pickup truck lease payments, and reduced the allowance for the GMC Acadia by 20% based on the Company's mileage log for personal use. These adjustments resulted in a recommended expense of \$17,779, prior to any allocation to Windemere. Staff's final recommended transportation expense allowance is \$15,430, after allocating 13.4% of the cost of the GMC Acadia and 2013 Sierra to Windemere based on the number of customers.

Depreciation Expense & Plant Balances: The Company historically depreciates its plant accounts by vintage year and stops recording depreciation expense to the reserve, once all of the plant in a specific vintage group is fully depreciated. This method is sometimes used for very small and difficult to track accounts (e.g., small tools).

Typically, plant assets of large accounts are grouped, rather than singled out, because they are similar to one another and the life of each item is not dependent upon the lives of the others. This method is beneficial because it allows the utility to recover depreciation expense on the property over its useful life. We direct Rolling Meadows to change the depreciation method it uses for all accounts and adopt the broad group method and whole life technique. Staff made the appropriate adjustments to the plant accounts and will supply the Company with a spreadsheet to enable it to track depreciation expense using this recommended method and technique.

In its filing, the Company states that it did not propose to update its depreciation expense allowance because it does not know how to calculate it. Rolling Meadows also did not update the linking period or rate year for estimated plant additions. Staff developed a three-year average of plant additions and included them in its proposed average rate year rate base and depreciation expense allowance. Staff recommends a rate year depreciation expense allowance of \$24,340. This is a reduction of \$1,044 from the allowance authorized in the 2008 Rate Order.

#### Rate of Return

Rolling Meadows requested a pre-tax rate of return of 11.5%. At this time, pre-tax returns for small water companies, such as Rolling Meadows, are set at a level between 10.5% and 11.5%. In determining a proper rate of return for Rolling Meadows, it is necessary to consider the overall operational conditions as well as the daily management quality of the Company. While Rolling Meadows maintains its water plant in generally good condition and the Company provides good service to its customers, deficiencies prevail in the Company's accounting methods and record keeping. Balancing these considerations, we authorize a pre-tax return of 11%. This is within range of pre-tax returns recently granted for water companies of this size.

#### Rate Design

The Company allocated its proposed rate increase across the board to all billing components. This method of allocation is reasonable for a small company, in the absence of a fully-allocated cost of service study. This is the method we adopt to allocate our authorized revenue increase, after

adjustments. This increase would result in an increase from \$88.20 to \$94.90, or 7.60%, instead of the proposed \$105.38, or 19.48%, in an average residential customer's quarterly bill, based on usage of 48,000 gallons per year, excluding surcharges.

Escrow Account and Surcharge

We determine that an increase in the maximum balance of the Escrow Account for extraordinary repairs and capital improvements from \$30,000 to \$40,000 and the associated annual surcharge from \$28 to \$40 is reasonable and necessary for the maintenance of the water system. The Hillside Acres storage tank is 52 years old, well-beyond its useful life, and in very poor condition. The Hurley system water mains are well-beyond their useful lives, deteriorated, and undersized (2 inch) galvanized steel pipe. Hurley customers periodically experience short durations of no water service due to main breaks and shutdowns due to emergency repair work. The Staff advises that the Company's cost estimates for replacement of the water mains (approximately \$76,000, to be replaced in stages) and water storage tank (approximately \$23,000) are reasonable, based on the costs of comparable projects at other water systems. Use of the Escrow Account to pre-fund the repairs is necessary, because the Company does not have the cash available, nor has it had the opportunity for reasonably priced financing, to complete these projects. The projects are needed and will improve service quality and reliability.

Given the immediate need demonstrated for these projects, it is necessary to approve the surcharge increase. The completion of the Company's hydraulic study would establish a more systematic plan for selection and prioritization of main replacements and other capital improvement projects for the six water systems. The Company is directed to provide for

completion of the engineering portion of its hydraulic study as expeditiously as possible.

CONCLUSION

We determine that Rolling Meadows requires a \$17,566 increase in its revenues in order to recover increased costs and earn an adequate rate of return. We find that it is necessary and reasonable to increase the limit and associated surcharge to enable the Company to improve service quality and reliability.

The Commission orders:

1. Rolling Meadows Water Corporation is directed to file a cancellation supplement, effective on not less than one day's notice, on or before April 29, 2013, cancelling the tariff amendment listed in Appendix A

2. Rolling Meadows Water Corporation is directed to file amendments to its tariff schedule, P.S.C. No. 4 - Water, on not less than one day's notice, to become effective on May 1, 2013, establishing the authorized rates set forth in Appendix C, as well as amendments to its Escrow Account for Capital Improvements Statement No. 1 to become effective on May 1, 2013, in accordance with the discussion in the body of this Order.

3. The requirement of Public Service Law §89-c(10) and 16 NYCRR 720-8.1 regarding newspaper publication of the tariff amendments directed in Clause Nos. 1 and 2 be completed within six weeks of the date of this order, and proof that notice to the public of the changes proposed in the amendments and their effective date has been published once a week for four successive weeks in a newspaper having circulation in the area affected by the amendments.

4. The Secretary to the Commission may extend deadlines set forth in this Order and Ordering Clauses for good cause shown.

5. This proceeding is closed upon compliance with Ordering Clauses 1, 2 and 3.

By the Commission,

(SIGNED)

JEFFREY C. COHEN  
Acting Secretary

SUBJECT: Filing by ROLLING MEADOWS WATER CORPORATION

Amendment to Schedule P.S.C. No. 4 - Water

Ninth Revised Leaf No. 12

Issued: October 4, 2012    Effective: February 1, 2013\*  
\*Postponed to May 1, 2013.

NEWSPAPER PUBLICATION: October 18, 25, and November 1, 8, 2013

SAPA: 12-W-0445 - STATE REGISTER - October 24, 2012

**Rolling Meadows Water Corporation**  
**Income Statement and Rate of Return Computation**  
**For the Rate Year End April 30, 2014<sup>1</sup>**

	Commission C. 08-W-0993	Company Forecast	Adj No.	Staff Adjustment	As Adjusted by Staff	Revenue Requirement	Rate Year After Rate Increase
<b>Operating Revenues</b>							
Metered Sales	\$461,894	\$448,219	1	3,121	\$451,340	\$34,291	\$485,631
Purchased Water Surcharge	65,434	65,434			65,434		65,434
Misc Revenue	4,608	3,652			3,652		3,652
<b>Total Operating Revenue</b>	<b>\$531,936</b>	<b>\$517,305</b>		<b>\$3,121</b>	<b>\$520,426</b>	<b>\$34,291</b>	<b>\$554,717</b>
<b>Operating &amp; Maintenance(O&amp;M)</b>							
Operators' Salary	\$92,168	\$103,148	2	(4,235)	\$98,913		\$98,913
Office Salaries	12,000	12,984	3	30,400	43,384		43,384
Officer Salary	0	0			0		0
Office Expenses	10,920	11,798	4	(3,893)	7,905		7,905
Rent	11,700	12,000	5	(3,000)	9,000		9,000
Power Purchase	32,560	32,560	6	(5,029)	27,531		27,531
Purification Chemicals	3,125	3,814			3,814		3,814
Testing	6,510	6,510	7	(1,010)	5,500		5,500
Transportation	20,042	22,009	8	(6,579)	15,430		15,430
Meter Reading, Billing & Collecting	33,100	37,461	9	(30,400)	7,061		7,061
Insurance	22,656	30,319	10	(4,095)	26,224		26,224
Materials	18,450	18,450			18,450		18,450
Repairs and Maintenance	22,356	33,825			33,825		33,825
Accounting	6,831	6,831	11	(1,131)	5,700		5,700
Professional Fees & Special Services	NA	2,531			2,531		2,531
Regulatory Expense	1,552	878	12	(319)	559		559
Purchased Water	65,434	65,434			65,434		65,434
Rate Case Expense	500	1,100			1,100		1,100
Miscellaneous	3,650	2,319			2,319		2,319
<b>Total Operating &amp; Maintenance</b>	<b>363,554</b>	<b>403,971</b>		<b>(29,291)</b>	<b>374,680</b>		<b>374,680</b>
Amortizations	805	805	13	(805)	0		0
Depreciation	25,384	25,384	14	(1,044)	24,340		24,340
<b>Other Taxes:</b>							
Property Taxes(General)	18,251	23,474	15	(536)	22,938		22,938
Property Taxes(School)	46,833	65,240	16	(5,381)	59,859		59,859
Payroll Taxes	9,247	10,257	17	1,076	11,333		11,333
NYS Franchise Tax	0	312			312		312
Other Taxes	639	0			0		0
<b>Total Other Taxes</b>	<b>\$74,970</b>	<b>\$99,283</b>		<b>(\$4,841)</b>	<b>\$94,442</b>		<b>\$94,442</b>
<b>Total Operating Revenue Deductions</b>	<b>\$464,713</b>	<b>\$529,443</b>		<b>(\$35,981)</b>	<b>\$493,462</b>	<b>\$0</b>	<b>\$493,462</b>
<b>Operating Income</b>	<b>\$67,223</b>	<b>(\$12,138)</b>		<b>\$39,102</b>	<b>\$26,964</b>	<b>\$34,291</b>	<b>\$61,255</b>
<b>Rate Base</b>	<b>\$611,128</b>	<b>\$653,644</b>	<b>18</b>	<b>(96,784)</b>	<b>556,860</b>		<b>556,860</b>
<b>Rate of Return( Pre-Tax)</b>	<b>11.00%</b>						<b>11.0%</b>

<sup>1</sup> For its rate increase proposal, the Company used an effective rate year for the 12-months ending December 31, 2013. Since rates are not expected to go into effect until May 1, 2013, Staff updated the rate year to the 12 months ending April 30, 2014.

**Rolling Meadows Water Corporation**  
**Rate Base Computation**  
**For the Rate Year End April 30, 2014**

	Company	Staff	As Adjusted
	Forecast	Adjustment	by Staff
Net Plant in service:	653,644	14,733	668,377
Cash Working Capital Allowance	-	61,849	61,849
Accum Deferred Income Taxes	-	(173,366)	(173,366)
Total Rate Base	653,644	(96,784)	556,860

**Rolling Meadows Water Corporation  
Explanation of Staff Adjustments  
For the Rate Year End April 30, 2014**

1	<u>Metered Sales</u> Adjust to reflect rate year sales forecast at current rates	3,121
2	<u>Operators' Salary</u> Adjust to reflect two operator positions, based on U.S. Department of Labor statistics median salary and 75% salary	(4,235)
3	<u>Office Salary</u> Reclassify Office Clerk's salary from Meter Reading, Billing & Collecting expense	30,400
4	<u>Office Expense</u> a. Allocate portion of internet, cell phone and waste management costs to personal use b. Adjust to reflect three-year average of actual costs Total	(3,202) <u>(691)</u> (3,893)
5	<u>Rent</u> Adjust office in home allowance from \$500 per month to \$250 per month	(3,000)
6	<u>Power Purchased</u> Adjust to reflect three year average cost multiplied by Staff's sales forecast and office size	(5,029)
7	<u>Testing</u> Adjust to reflect three year average of actual cost	(1,010)
8	<u>Transportation</u> Adjust to reflect the Company's purchase of new truck and plow, business usage on certain vehicles and allocating costs between two businesses	(6,579)
9	<u>Meter Reading, Billing and Collecting</u> Reclassify the Office Clerk's salary to Office Salary expense	(30,400)
10	<u>Insurance</u> a. Limit health insurance coverage to individual policies b. Impute 20% employee contribution towards health insurance costs c. Adjust to reflect latest known premiums plus 2% inflation Total	(1,361) (2,152) <u>(582)</u> (4,095)

**Rolling Meadows Water Corporation**  
**Explanation of Staff Adjustments**  
**For the Rate Year End April 30, 2014**

11	<u>Accounting</u> Staff updated accounting expense to reflect 2011 actual accounting services provided by CPA firm. The services included updating the depreciation schedules, preparing the tax return, preparing the PSC annual report, preparing an equalization and assessment report, and preparing annual information returns (FORM 1099).	(1,131)
12	<u>Regulatory Expense</u> Adjust to reflect latest known assessment from NYDPS	(319)
13	<u>Amortizations</u> Remove expired amortization from previous rate case 08-W-0993	(805)
14	<u>Depreciation</u> Adjust to reflect rate year calculation of monthly depreciation expense by plant account	(1,044)
15	<u>Property Taxes(General)</u> Staff updated general property tax expense to reflect eight months of 2013 actual bills, plus four months of forecasted expense by applying the 2% New York State property tax cap increase to the latest known actuals.	(536)
16	<u>Property Taxes(School)</u> Staff updated school property tax expense to reflect two months of 2012-2013 actual bills, plus ten months of forecasted expense by applying the 2% New York State property tax cap increase to the latest known actuals.	(5,381)
17	<u>Payroll Taxes</u> Staff updated the payroll tax expense by applying the FICA, FUTA and NYS Unemployment Tax rates to its updated labor forecast.	1,076
18	<u>Rate Base</u> Staff updated the Company's 2011 net plant for estimated additions through the rate year, tracking depreciation expense associated with the Company's plant in service, included an allowance for working capital (1/5 of O&M less Purchased Water Surcharge), and reduced rate base to reflect accumulated deferred income taxes.	(96,784)

**PSC NO: 4 – WATER**  
**COMPANY: Rolling Meadows Water Corporation**  
**INITIAL EFFECTIVE DATE: May 1, 2013**

**LEAF: 12**  
**REVISION: 10**  
**SUPERSEDING REVISION: 8**

(Issued in compliance with Commission Order issued and effective May XX, 2013 in Case 12-W-0445)

**GENERAL INFORMATION**

Applicable to use of Service for:

General household, commercial, and industrial users.

Character of Service

Continuous.

Rate:

Per 1,000 Gallons - \$6.67

Minimum Charge Per Quarter:

<u>SIZE OF METER</u>	<u>WATER ALLOWANCE GALLONS</u>	<u>CHARGE</u>
5/8 inch	10,000	\$81.56
3/4 inch	12,000	\$97.92
1 inch	21,000	\$171.30
2 inch	63,000	\$513.79
4 inch	198,000	\$1,614.00

Terms of Payment

Bills shall be rendered quarterly in arrears, and are due and payable upon receipt. Bills not paid within 23 days of mailing are delinquent and the late payment charge becomes applicable and service may be discontinued after proper notice as required by law.

Late Payment Charge

A late payment charge to be computed at the rate of 1 1/2 percent per month, compounded monthly, may be applied to all balances left unpaid 23 days following mailing of the bill.

Term

Terminable by the customer upon 10 days' written notice to the Company.

Issued By: Jeffrey M. Vogt, President, PO Box 540, Hurley, NY 12443

**PSC NO: 4 - WATER**  
**COMPANY: Rolling Meadows Water Corporation**  
**INITIAL EFFECTIVE DATE: May 1, 2013**

**STATEMENT TYPE: ESCI**  
**STATEMENT NO. 2**

(Issued in compliance with Commission Order issued and effective December 16, 2008 in Case 08-W-0993, amended in compliance with Commission Order issued and effective May XX, 2013 in Case 12-W-0445)

**ESCROW ACCOUNT FOR CAPITAL IMPROVEMENTS**  
**STATEMENT NO. 2**

The company will establish a replenishable, interest-bearing escrow account with a maximum balance of \$40,000, not including account interest, for the purpose of making extraordinary repairs and/or plant replacements not included in base rates.

The account will be subject to the following conditions:

1. The account will be funded commencing May 1, 2013 by means of a quarterly customer surcharge of \$10.00.
2. The account will be established in a bank, in a separate account, and will be under the control of the company.
3. The water company will have access to the funds in this account solely for the purposes noted above and any taxes associated with the account.
4. Once the account has reached the maximum balance, the company will be permitted to resume the customer surcharge to bring the balance in the account back to the approved level only when the balance is reduced below the maximum level by the removal of money from the account for the purposes noted above and any taxes associated with the account. The unit customer surcharge in this case will be determined by dividing the difference between the maximum level and the balance in the account at the end of the previous quarter by the number of customers at that time of billing for that quarter. The company may not charge a unit customer charge greater than \$10.00 quarterly unless approved by the Commission.
5. This account shall bear interest and such interest shall remain in the account and be used to cover expenses or reduce payments by customers needed to replenish the account to its approved level.
6. A customer terminating service will not be entitled to a refund of payments made to the escrow account.
7. The company must submit copies of all bank statements and a complete accounting of the revenues and expenses (including supporting invoices) for the account by January 30 of each year, to the Chief of the Tariffs, Electric Supply, and Small Utility Rates Section.

Issued By: Jeffrey M. Vogt, President, P.O. Box 540, Hurley, NY 12443  
(Name of Officer, Title, Address)