

PSC NO:3 WATER STATEMENT TYPE: SURC
COMPANY: RAINBOW WATER COMPANY, INC. STATEMENT No. 2
 INITIAL EFFECTIVE DATE: 10/01/2005

2003 DWSRF EMERGENCY CAPITAL IMPROVEMENT SURCHARGE

STATEMENT NO. 2

Rainbow Water Company, Inc. was authorized to surcharge the bills of all of its customers, quarterly for a 20 year period, to repay an Emergency Environmental Facilities Corporation loan used to cover the costs of the temporary pumping facilities and the replacement of its pumping station, pumping equipment and hydropneumatic tank estimated to cost about \$300,000. The initial surcharge was \$56.25 per quarter effective September 1, 2003. The surcharge was to be adjusted to reflect the actual costs of financing the necessary work net of insurance reimbursements. The total costs for the resulting financing (principle, interest and administrative fees) is \$337,442. The company is proposing a levelized surcharge over the 20 year recovery period to become effective October 1, 2005. If the company experiences any undercollections/overcollections or changes in the levelized annual loan payments and associated charges required, it will file a new surcharge statement to become effective January 1 of the following year. The calculation of the surcharge for all succeeding periods is shown below:

Annual debt service funding required	\$16,872
Prior periods under (over) recovery	\$0
Total estimated funding required during the next year.	\$16,872
Quarterly surcharge	\$47.93

Note: Any new statements the company files with the Commission will be audited by Water Rates Staff of the Department of Public Service.

Issued in compliance with the Order dated September 10, 2003 in C. 03-W-1026.

Issued By: Joseph Maggi, President, 21 Troon Drive, Hilton Head, SC 29928
(Name of Officer, Title, Address)