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February 23, 2016

Honorable Kathleen H. Burgess
Secretary Public Service Commission
NYS Public Service Commission
3 Empire State Plaza
Albany, New York 12223-1350

RE: Rolling Meadows Water Corp.
Filing to Increase Rate and Eliminate Surcharge

Dear Secretary Burgess:

Enclosed for filing is a rate increase request for Rolling Meadows Water Corp. (the "Company") including 11th Revised Tariff Leaf No. 12 to become effective on June 1, 2016.

Rolling Meadows Water Corp. is seeking a $169,841 increase, a 34.05% increase in total operating revenues. The increase will help bring the Company toward earning a rate of return that is comparable to those granted to other water corporations and allow the Company to continue to improve service as it has in the past.

The Company provides metered water service to 1,060 customers in the Towns of Hurley, Ulster, and Marbletown in Ulster County. The Company serves these customers through six systems. Fire protection is not provided. The Company interconnected the Rolling Meadows, Elmendorf, and Hurley water systems. Leewood Knolls, High Ridge, and Hillside Acres water systems operated independently because the distance between the systems makes interconnection uneconomical. Five systems distribute well water from pump houses, treatment systems, and storage facilities owned and operated by the Company. Water is purchased from the City of Kingston and distributed to the customers in Hillside Acres.

All of the customers are charged a single tariffed rate. Customers in the Hillside Acres system pay an additional Purchased Water Surcharge because they are supplied with water purchased from the City of Kingston.

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Reasons for the Increase

The need for the increase is driven by revenues that are less than projected, a significantly larger rate base than included in the Company's last rate decision, and higher taxes. In addition, expenses have increased and the Company's cost of labor needs to reflect the expertise of its management, staff, and operators.

In this filing, the Company is requesting that the allowances for Supervision and Labor be increased to reflect the experience of its owners, operators, and employees. The requested increase would not increase the amounts the Company will pay to its management and employees to the level paid by other utilities, but it would be a step towards recognizing that the owners and employees of this utility have engineered and maintained the Company efficiently and have been able to accomplish improvements at earned rates of return that have been consistently less than the level granted. The Company has provided excellent service and improved service on a number of systems that were in poor condition when they were acquired. The suggested increase for base salaries is only about 11% more than the Commission granted in 2013. However, the Company is also requesting an employee benefits package that is comparable to those provided by other water utilities. The proposed employee benefits package would allow the Company to implement a much needed and deserved retirement plan for its employees.

Another driver of the increase is the Company's proposed elimination of its surcharge account. In the past, the Company has had a surcharge that it was allowed to use to pay for repairs and replacements. By eliminating this account, it is necessary to increase the allowance for Repairs and Maintenance to reflect the average level of repairs incurred in the recent past.

The increase in Operation and Maintenance expenses incurred by the Company are listed in Schedule 1 and explained in Schedule 2, which are attached. Although most expenses have increased, some have decreased, such as its Insurance expense and Transportation expense.

Another reason the increase might appear large is because in the past Real Estate Taxes for the Company have been understated. The projected increase over the actual is small but is nearly 25% more than what was allowed in 2013.

Although not specifically provided for in the proposed tariff, the Company is requesting a revenue reconciliation and tax reconciliation tariff provisions. These tariff provisions have been allowed for larger companies and should be allowed to a company

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like Rolling Meadows which does not have the level of net income that permits large companies to absorb unexpected drops in revenue and increases in taxes.

The Company is requesting an 11.5% pre-tax rate of return. Considering the rates of return that have been allowed by the Commission and the exemplary performance of the owners and managers in this Company, the 11.5% pre-tax rate of return should be granted.

The Company's filing is based upon historic periods that ended December 31, 2014. It is available to supplement the filing and expects to provide the 2015 updated data within the next few months.

Respectfully submitted,

Albert A. Natoli

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Enclosures

CC: Mr. Jeffrey Vogt
Mr. Eric Burton