

FISHERS ISLAND WATER WORKS CORPORATION  
FISHERS ISLAND  
NEW YORK 06390

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AREA CODE 631/788-7251

April 3, 2006

New York State Public Service Commission  
Attn: Ms. Jaclyn Brilling  
3 Empire State Plaza  
Albany, NY 12223-1350

Dear Ms. Brilling,

Attached you will find our application for a rate increase. This application is somewhat unique for two reasons:

- The percentage increase requested.
- The two classes of service, with one bearing a greater proportion of the increase.

Accordingly, we believe a bit of background is appropriate.

Fishers Island is located in Long Island Sound, nine miles long, 1.5 miles wide, and 3 miles from the Connecticut shore, opposite New London, Mystic and Stonington. It has no local government, but is part of the Town of Southold in Suffolk County. There is a year round population of 265, and a peak summer population of approximately 3,000. The infrastructure used on a daily basis by 265 must also support a "peak load" for two months of 3,000. The year round population supports the school, volunteer fire department, ambulance squad and EMT's, health services and many other critical functions for the Island, not to mention most of the services to the seasonal community.

Like most isolated, seasonal communities, and especially Island communities, the year round population has been declining steadily. Island living is inconvenient and expensive. Fishers Island is fortunate in that it has a wealthy seasonal population that, over the years, has been willing, and pro-active, in supporting many community undertakings with private funding. Over the past ten years, the issue of the declining resident population has been a focus of the efforts and has led, among other things, to two significant initiatives for affordable housing for residents.

The Water Company is owned 40% by the Fishers Island Utility Company and 60% by the Fishers Island Development Corporation. Both stockholder companies are owned by seasonal ratepayers. The directors of both the operating companies (Fishers Island Telephone, Fishers Island Water Works and Fishers Island Electric) and the holding companies have never been compensated and the water company has not paid a dividend in at least 30 years. The three operating utility companies on the Island have made it a policy to structure rates that put a disproportionate share on the seasonal residents. Our

seasonal customers in the community understand the situation here, and are supportive of it. In addition, the F.I. Ferry District, a New York State chartered tax district, has a rate structure that does the same.

As shown below, the new rates are structured to increase year round and seasonal residents:

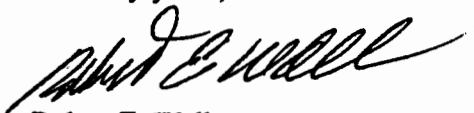
	Current rates	Proposed rates	Percentage increase	Number of Customers
Class 1 (year round)	\$ 7.00	\$ 7.70	10.00%	200
Class 2 (seasonal)	\$ 8.20	\$ 9.84	20.00%	416
Hydrants	\$ 241.00	\$ 253.05	5.00%	146
Connect/Disconnect	\$ 95.00	\$ 104.50	10.00%	270

Although both year round and seasonal residents will experience rate increases, seasonal residents will receive an increase of twice that of year round residents. This is justifiable due to the cost of providing water service under maximum demand conditions than under average demand conditions. The extra demand during summer months when seasonal residents are on-island, accounts for approximately 17% higher operating costs.

We are requesting a 17.7% rate increase to produce additional annual revenues of \$91,169. The increase will result in an annual revenue requirement of \$606,067. This increase provides an average annual bill of \$658.70 for year round residents and an average annual bill of \$974.48 for seasonal customers. The company's last increase of \$88,172 or 20.8% was effective July 1, 2004 (Case 03-W-1810).

As noted above, Fishers Island is an unusual place. However, the two classes of rates are designed to protect and promote the long term interests of the community, and are supported by our rate payers. Our goal is to increase the year round population, while making it more affordable to live on Island. Enclosed please find all of the information you have requested from our company, including revenue requirements, details of operating expenses, tax returns and financial statements.

Sincerely yours,



Robert E. Wall  
President