

KNOLLS WATER COMPANY, INC.
P.O. BOX 424
PLEASANTVILLE, NY 10570
(203) 570-0684

May 8, 2008

Jaclyn A. Brillling
Secretary to the Commission
NYS Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Knolls Water Company, Inc.
Application to Increase Rates and file Fourth Revised Leaf No. 12 and to increase the surcharge related to its Escrow Account For Major Renovations

Dear Secretary Brillling:

Knolls Water Company, Inc. (the company) provides water service to 79 customers. No fire protection service is provided.

The enclosed Fourth Revised Leaf No. 12 to Tariff Schedule P.S.C. No. 3 – Water, filed by Knolls Water Company, Inc., is transmitted electronically for filing in compliance with the requirements of the Public Service Commission of the State of New York.

P.S.C. No. 3 – Water
Leaf No. 12 Revision 4
Superseding Leaf No. 12 Revision 3

ESCROW ACCOUNT FOR MAJOR RENOVATIONS
Statement No. 3

Effective date: August 1, 2008

The company's last rate increase went into effect August 1, 2005. The current rates do not generate enough revenue to pay our operating expenses and provide profit and an increase in rates is needed.

The company is requesting an increase in annual revenue over the level allowed in its 2005 rates of \$17,874 or 30.42%. The company is proposing to increase its current flat rates across the board by about 30.42%.

The Orange County Department of Health is requiring that the company drill an additional well as well as replace its existing storage tank which is in poor condition. In order to be able to accomplish this work in a reasonable period of time the company requests to be allowed to increase the surcharge related to its escrow account for renovations from the current level of \$25 per quarter to \$100. Once these projects are complete the company will cancel this escrow account. The company is also requesting that it be allowed an automatic increase beginning January 1, 2010 and for every year thereafter based on 5% per year or the CPI of Greater New York which ever is greater. This will allow the company to keep up with inflation and we will not have to apply for new rates as often. This will also result in a savings related to the costs as well as the time of both the company and Staff of the Department of Public Service.

By this letter, it is requested that the Staff of the Water Rates Section file the attached leaf as well as any other leaves required by the Commission electronically.

Knolls Water Company, Inc. also requests waiver of newspaper publication since it plans to individually notify its customers of the tariff filing.

Very truly yours,

Andrew Sferra, President
Knolls Water Company, Inc.

Enclosure