

**ARBOR HILLS WATERWORKS, INC.
13 CARRIAGE COURT
MAHOPAC, NEW YORK 10541**

May 22, 2003

Janet Hand Deixler, Secretary
State of New York Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

Dear Secretary Deixler:

By this letter the Arbor Hills Waterworks, Inc. is formally requesting the Department of Public Service to electronically file, First Revised Leaf No. 12 and Escrow Statement No. 1, on its behalf, since it does not have the capability to make the electronic filing itself. We are seeking a rate increase designed to produce an increase of revenue of \$10,310 or 18.20% and requesting the establishment of a \$10,000 escrow account. We are asking that the 18.20% rate increase and \$10,000 escrow account be filed on May 28, 2003 with a November 1, 2003 effective date.

Enclosed is a copy of my accountant's letter to Julia Brzezinska of the New York City Water Rates Section of the Department of Public Service. This letter gives the details of our rate request and includes a pro forma income statement showing the need for the increase. The Federal Income Tax returns referred to in the letter have been provided to Staff of the Water Rates Section in New York City.

Over the last few years the company has incurred expenses for repairs, maintenance and improvements that were not covered in its rates. Future improvements are contemplated. An engineering study will be necessary to determine what improvements, if any, are required to meet the lawn sprinkling needs for June, July and August. We may have to purchase and install a third booster pump to alleviate the tremendous strain on the other two in the summer months only. A number of trees on the pumphouse grounds (some dead) must be cut and removed that are hazardous to the pumphouse, generator and to the highway (Route 138). A new alert system is needed when pressure or storage levels are low. Accordingly, the company is requesting that it be allowed to establish a replenishable escrow account in the amount of \$10,000 to cover the costs of extraordinary repairs, emergency maintenance or costs related to major improvements. Small companies, such as ours, are not able to borrow funds to cover such costs and timely repairs and continue to provide safe and adequate service to its customers. The statement details how this account will be funded and maintained.

We are also requesting waiver of the requirement of newspaper publication of the proposed changes since we will notify our customers of the proposed changes individually by mail.

Sincerely,

Dorothy Boniello, President
Arbor Hills Waterworks, Inc.