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June 29, 2009

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

RE: Emerald Green Lake Louise Marie Water Company, Inc.
Application to Increase Rates

Dear Secretary Brilling:

Emerald Green Lake Louise Marie Water Company, Inc. ("EGLLM" or the "Company"), provides water service to about 845 seasonal and all-year-round customers in real estate developments known as Lake Louise Marie and Emerald Green in Sullivan County. No fire protection service is provided.

EGLLM is wholly-owned by the Emerald Green Property Owners Association ("Emerald Green POA"). The Company was acquired from the County after a long period in which the ownership of the Company was at issue and the operation of the Company was closely supervised by the Department of Public Service ("DPS") and other regulators to ensure that service continued. Approximately 75% of the customers are members of the Emerald Green POA. Since the Company did not provide a return on rate base or cover its operating costs, it had to use short-term lines of credit to cover costs.

EGLLM continues to have many problems that developed during the extended period in which ownership was controverted. During that period, there was no planning, replacement of facilities was on an *ad hoc* basis, and repairs and maintenance were deferred. EGLLM is addressing these repair issues. In addition, the Company must assure the protection and continuation of the water supply. EGLLM believes it is essential that professional management assume the responsibilities for the management, planning, and supervision of the system in order to assure safe and adequate service.

By this letter, EGLLM is filing to increase its rates by 38.7%, to implement a seasonal rate, and to implement a rate escalator. The bill for customers who maintain annual service will increase to \$671.54 from \$454.00, a 47.92% increase. Seasonal customers will be charged \$504.45 per season.

Five copies of this letter of transmittal, the associated tables in support of the rate increase, and three proposed tariff leaves are enclosed. The Company's proposed tariff revisions are:

4th Revised Leaf 12
Original Leaf 13
Original Leaf 14, Statement No. 2

The rates are filed to become effective October 1, 2009.

The increase is necessary to fund substantial increases in operating expenses as well as the need to fairly compensate the professional management. The filing is based on a pre-tax rate of return of 11.5%. This rate of return falls within the pre-tax rates of return for small water companies as reported in the PSC's decision in Case 08-W-0081 – Minor Rate Filing of Top 'O the World Water Co., Inc., to increase its annual revenues by about \$154,732 or 241%, dated December 16, 2008. It is important to note that if the Company was to earn this full rate of return, the debt service on existing loans would only leave approximately \$9,000 of utility operating income. This remainder is small when compared to the Company's total operating expenses and provides little for unexpected repairs and replacements and increased expenses.

EGLLM is migrating from a barely adequate part-time operation to a professionally managed water supplier. In this rate application, EGLLM seeks to recover the costs it will incur to implement professional management and supervision and has contracted to have these duties performed professionally. Such improved planning and service comes with increased cost. Since the Emerald Green POA is a not-for-profit organization and approximately 75% of the customers are members of the POA, the Company is very aware of its costs and rates and determined that the cost to manage, supervise, and operate the system is cost effective and fair to the customers. Importantly, all of the funds generated through rates are used for the utility's purposes or are reinvested to improve the Company's operations.

The requested charges for labor are reasonable since they were established in a competitive environment and are less than that charged and approved by similarly sized companies. Among the tables included with this filing is a comparison of the projected labor cost with the labor cost of similar water utilities, Schedule 2, page 4. The rates for these other water utilities and the included labor costs have been approved by the Commission. The proposed labor cost for EGLLM is more than 16% less than that approved for the Fishers Island Water Company and 12% less than Aqua Water-New York, Inc.

A number of customers have demanded seasonal service. To accommodate these customers and others, the seasonal rate is being proposed. The proposed seasonal rate recognizes that there are some marginal cost savings when a customer uses no water during the off-peak season. Therefore, the proposed seasonal rate gives the seasonal customer a 20% discount from the flat annual rate.

EGLLM is also proposing a rate escalator that is included in the tariff. The rate escalator is based on the Consumer Price Index for Water and Sewer Management which is maintained by the United States Department of Labor. The index appears to track the increase in the cost of water and sewerage maintenance in urban communities and should reasonably track the increases in cost that the Company will experience. This method of automatic increases has been approved by several towns in New York State for privately owned sewerage service utilities.

The index is prepared and reported by the United States Department of Labor, Bureau of Labor Statistics, and is available to the public on the Bureau's website. Since the Consumer Price Index for Water and Sewer Maintenance is publicly available, the Department of Public Service and the customers can independently check the computation and be confident that the increase supplied was calculated accurately.

Water and Sewerage Maintenance
Price Index-All Urban Consumers¹

Web Location: <http://data.bls.gov/cgi-bin/srgate>

Series ID: CUUR0000SEHG01

Not Seasonally Adjusted

Area : U.S. city average

Item: Water and sewerage maintenance

Base Period : 1982-84=100

Data:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	305.367	307.203	308.184	308.901	310.001	310.542	314.165	315.830	316.390	316.869	318.703	319.460
2008	322.470	324.418	325.023	325.327	326.259	327.152	330.693	335.915	336.067	339.437	341.181	341.965
2009	344.374	345.232	346.222	347.420								

Each year the Company will calculate the percent increase and apply that increase to the then-existing rates. The percent increase would be calculated as follows:

1. Select "X" as the monthly index reported for the month that is three months before the anniversary of the then-current rate,
2. Select "Y" as the monthly index reported for the month that is one year and three months before X.
3. Calculate the percent increase as

$$\% \text{ Increase} = (X - Y) / Y$$

¹ At the government's web site, <http://data.bls.gov/cgi-bin/srgate>, type Series ID : CUUR0000SEHG01; select 2, Table (Rows: Year, Columns: Period); HTML Tables: Yes; Catalog: Yes; and Delimiter: Space. The table will be generated by the web site.

The Company will then keep a record of the computation of the annual increase; file the rate page of its tariff with a new page showing the new rates; send a copy of the computation to the PSC for its records and review; and notify its customers of the rate and the basis for the new rate in the first bill being sent with the new rate.

This process will avoid the cost of rate applications for the Company and minimize the cost that the PSC would incur to review the applications. Also, since the cost incurred by the utility to file rates are included in rates, future rates could be lower than they otherwise would be when compared with rate increases generated by repeated rate applications. In addition, customers would be protected from unnecessarily high rate increases since the Public Service Law allows the Commission to review the Company's rates at any time. The Company would be protected from a loss of earnings since it could apply for rates if the automatic increases do not adequately reflect the actual increases in cost that it experiences.

EGLLM will notify each customer of the proposed increase by mail and, therefore, it is requesting waiver of the statutorily required newspaper publication. The Company is also requesting that it be allowed to base its filing on a calendar 2008 base year. The enclosed supporting tables detail and explain the increase. Additional workpapers will be provided to the Staff of the Department of Public Service.

Thank you for your consideration.

Very truly yours,

/S

Albert A. Natoli
on behalf of Emerald Green
Lake Louise Marie Water Company, Inc.

AAN:khn
Enclosures

CC: Mr. James Evensen (by e-mail)
Ms. Tina Williams (by e-mail)

Emerald Green Lake Louise Marie Water Company, Inc.
Summary Income Statements

				Pro Forma		
				Year Ending		6/30/2010
				Current Rates	Rate Increase	Proposed Rates
Operating Revenue	Sch. 2	Actual 2008	Budget 2009	\$383,630	\$148,565 38.7%	\$532,195
Operating Revenue Deductions						
Total O&M Expenses	Sch. 2	\$320,249	\$411,760	\$445,957		\$448,928
Depreciation and Amortizations	Sch. 4	21,441	25,000	11,541		11,541
Total Operating Expenses		\$341,690	\$436,760	\$457,498		\$460,469
Operating Taxes	Sch. 2	14,269	27,326	23,066		23,066
Total Operating Rev. Deductions		\$355,959	\$464,085	\$480,564		\$483,535
Utility Operating Income		\$21,067	(\$80,455)	(\$96,934)	\$148,560	\$48,660
Rate Base	Sch. 4			\$423,090		\$423,090
Rate Of Return (Pre-tax)				-22.9%		11.5%

Emerald Green Lake Louise Marie Water Company, Inc.

Detailed Income Statements

	Actual 2008	Budget 2009	Pro Forma		Explanation of Adjustments Sch. 2, p. 2
			Year Ending Current Rates	6/30/2010 Proposed Rates	
Number of Customers	830	845	845	845	
Revenues					
Year-Round Customers				\$425,756	
Seasonal Customers				106,439	
Total Revenues	\$377,026	\$383,630	\$383,630	\$532,195	(1)
Operation and Maintenance					
<u>Purchased Fuel, Power & Water</u>					
Power Purchased	\$32,431	\$33,600	\$32,431	\$32,431	(2)
Gas	19,406	25,099	25,099	25,099	(3)
Licenses & Permits	1,626	1,100	100	100	(4)
Materials & Supplies	13,083	15,000	15,000	15,000	(5)
Purification, Chemicals	13,180	15,361	15,361	15,361	(6)
Repairs and Maintenance	79,921	78,000	78,000	78,000	(7)
Security	374	299	299	299	(8)
Testing of Water & Chemicals	12,114	20,480	20,480	20,480	(9)
Transportation	10,390	10,250	10,250	10,250	(10)
<u>Labor Related Expenses</u>					(11)
Office Personnel		2,426	2,426	2,426	(12)
Plant Operations Salary or Contract	\$78,960	106,040	106,040	106,040	(13)
Supervision & Management Salary or Contract	20,160	60,840	60,840	60,840	(14)
<u>Insurance, Labor Related</u>					
Health Insurance	5,091	5,928	5,928	5,928	(15)
Insurance - Workers' Compensation		6,591	6,591	6,591	(16)
Insurance - Disability	(13)	18	18	18	(17)
<u>Administration & Overheads</u>					
General Insurance	14,101	12,778	12,778	12,778	(18)
<u>Professional Fees</u>					
Accounting	2,818	700	700	700	(19)
Legal	1,285	2,400	2,400	2,400	(20)
PSC Expenses	19	0	7,673	10,644	(21)
Telephone	2,529	3,972	3,972	3,972	(22)
Office Expense	1,309	3,600	3,600	3,600	(23)
Bad Debt Expense	(16)		0	0	(24)
Rent	3,600	3,600	3,600	3,600	(25)
Miscellaneous					
Bank Charges	30	100	100	100	(26)
Cable Expense	853	0	0	0	(27)
Dues & Subscriptions	4,778	3,578	3,578	3,578	(28)
Printing	287	0			(29)
Postage & Mailing	848	0			(29)
Projected Increase in Expenses			28,694	28,694	(30)
Total O&M Expenses	\$320,249	\$411,760	\$445,957	\$448,928	
Amortizations					
Rate Case Exp.			\$2,000	\$2,000	(31)
Depreciation	\$21,441	\$25,000	\$9,541	\$9,541	(32)
<u>Operating Taxes</u>					
Property Taxes	\$8,590	\$13,239	\$13,239	13,239	(33)
Income Taxes	0	4,260			(34)
Payroll Taxes	5,679	9,826	9,826	9,826	(35)
Total Operating Taxes	\$14,269	\$27,326	\$23,066	\$23,066	
Total Operating Revenue Deductions	\$355,959	\$464,085	\$480,564	\$483,535	
Utility Operating Income	\$21,067	(\$80,455)	(\$96,934)	\$48,660	(36)
Rate Base			\$423,090	\$423,090	(37)
Rate of Return (pre-tax)			-22.9%	11.5%	(38)

Emerald Green Lake Louise Marie Water Company, Inc.

Explanation of Adjustment on Detailed Income Statement

- (1) The revenue under the proposed rates is shown on Schedule 3.
- (2) The anticipated increase in the cost of purchased power is included in the overall cost escalator shown on Schedule 2, page 3.
- (3) Budgeted for 1,400 gals @ \$2.36/gal plus tax per month from Nov-May. Also included is 4 RCC charges @ \$4.31/per month from Nov-May.
- (4) Budget for 2009 included PSC Assessment of 1,000 per year. The PSC has been estimated at 2% since the proposed rates are in excess of \$500,000.
- (5) Budgeted \$1,250 per month for materials and supplies based on prior years' expenses.
- (6) Budgeted 26- 55 gal Alum Chlorhydrate @ an avg of \$400 + tax /55 gal, and 1,100 gal Chlorine @ \$2.53 + tax/gal, based on prior years' usage.
- (7) Budgeted \$500 per month for repairs and maintenance on the plant plus \$6,000 per month for excavating and leak repairs on the mains and services all on prior years' expenses.
- (8) Budgeted based on 2008 costs of \$252 plus tax for the annual monitoring to be paid in October for November renew & \$12 plus tax for the daily tests which is paid in December for January 2009 renewal. Finally a 5% projected increase was expected in January 2009.
- (9) Budgeted \$40 per month for monthly water testing from the Town of Thompson plus \$20,000 for add'l water testing.
- (10) Budgeted \$153.26 per pay period for the truck lease that is reimbursed to operator for each pay period plus the expected charges for fuel for the truck and truck repairs.
- (11) The total cost related to labor expense is summarized on Schedule 2, page 4. Also, on that schedule, the proposed labor expenses are shown as lower than the cost incurred and allowed to similar-sized water utilities.
- (12) Budgeted \$40 per month for monthly administrative base fee, \$67.91 per pay period for small business package and \$15 per month for delivery charges.
- (13) Budgeted for one manager at \$2,100 per pay period and one full time worker at \$13/hr for 80 hrs per pay period, plus a \$200 Christmas bonus per employee, and \$2,000 per month for Richard Cain.
- (14) Spinnaker property management contract rate of \$6 per user per month. There were 845 as of 01/01/09.
- (15) The health insurance policy with Aetna for the period from 06/15/08 to 06/15/09 is for \$758 per employee less a contribution of \$264 per month.
- (16) Based on State Insurance Fund 2007 rate of \$6.14 per \$100 of wages plus/minus NYS Insurance Fund assessments/discounts.
- (17) Budget based on minimum premium of \$80 offset by employee contributions of \$1.20 per pay period for each of the two employees.
- (18) Budget based on 07/08 policy amounts for General Insurance of \$7,592.79 (prorated), D&O - \$1,399, Excess Liability -\$2000 plus 10% for possible increase in the 09/10 policies; also budgeted \$43.46 per pay period for the truck insurance that is reimbursed to contract operator for each pay period.
- (19) Budget based on \$600 paid to Cooper & Niemann for services associated with 2007 plus \$100 for possible increase
- (20) Fees for general legal representation is based upon an average of the charges for 2005 through 2008.
- (21) PSC assessment is based upon the recent changes in the law and that gross revenues are expected to exceed \$500,000 per year.
- (22) Budgeted \$210 per month for the 2 existing phone lines based on 2008 actual costs. No amount has been budgeted for cellular.
- (23) Budgeted at \$300 per month for postage, copying, printing, office supplies, and miscellaneous office expenses.
- (24) No bad debt expense is projected for the rate period.
- (25) Rent for the use of facilities to Emerald Green POA of \$300 per month.
- (26) Budgeted at \$100 for miscellaneous bank charges including NSF charges and wire transfer charges.
- (27) Cable service discontinued in 2008.
- (28) AWWA membership \$68, NY Rural Water \$210; \$25 per month for other; and \$3,000 yearly fee for 24 hour phone support for tank trident system.
- (29) This line item was incorporated into office expense
- (30) The projected increase in expenses for the rate period beyond the individual estimate for calendar 2009 was made based upon the U.S. Department of Labor Statistics' estimate of the annual increase in the Consumer Price Index-All Urban Consumers, Water and Sewerage maintenance. See Schedule 2, page. 4.
- (31) The annual amortization of rate case expense and the unamortized balance in the rate year is shown on Schedule 4.
- (32) The annual depreciation expense is shown on Schedule 4.
- (33) Budget for real estate taxes other than school taxes is based on 2008 taxes of \$4,782.52+\$14.90+\$1.11+\$1.11, plus 10% for projected increase in 2009 taxes. Budget for school tax is based on August 2009 taxes of \$7,553.98+\$23.54+\$1.81+\$1.81, plus 10% for a projected increase in the 2009-2010 school year.
- (34) The amount of Federal and State income taxes were removed from the estimates since the requested increase is based upon a pre-tax rate of return.
- (35) Payroll taxes were estimated based upon plant operations payroll - Social Security is 6.2% of wages paid and Medicare is 1.45% of wages paid, plus FUTA at 0.8% of first \$7,000 of wages paid per employee and SUTA at 9.425% of first \$8,500 of wages paid per employee.
- (36) The Revenue Deficiency is calculated on Schedule 5.
- (37) The computation of Rate Base is shown on Schedule 4 and is based upon the Rate Base calculated by Staff and adopted in PSC Case 06-W-1584.
- (38) The pre-tax rate of return requested is based upon the range of pre-tax returns recommended by the DPS's Office of Accounting and Finance pre-tax return for small water companies as reported in PSC Decision in Case 08-W-0081 - Minor Rate Filing of Top O' The World Water Co., Inc., to increase its annual revenues by about \$54, 732 or 241%, December 16, 2008, page 13.

Emerald Green Lake Louise Marie Water Company, Inc.

Percent Increase in Projected Costs and Rate Escalator

U.S. Department of Labor
 Bureau of Labor Statistics
 Data extracted on: May 29, 2009 (08:51 AM)
 Consumer Price Index-All Urban Consumers
 Web Location: <http://data.bls.gov/cgi-bin/srgate>
 Series ID CUUR0000SEHG01
 Not Seasonally Adjusted
 Area : U.S. city average
 Item : Water and sewerage maintenance
 Base Period : 1982-84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann
1998	214.3	215.1	215.7	216.0	216.7	217.1	218.2	218.7	218.7	218.7	219.0	219.4	217.300
1999	220.1	220.4	220.9	221.2	221.5	221.6	222.2	222.8	223.0	223.3	223.2	223.4	222.000
2000	224.3	225.0	225.9	226.2	226.8	226.9	227.7	228.5	228.9	229.2	230.2	230.8	227.500
2001	231.1	231.8	232.9	233.1	233.6	233.6	234.6	236.0	236.5	236.8	237.1	237.8	234.600
2002	239.1	239.6	240.9	241.3	241.6	241.5	242.1	243.6	243.7	244.5	245.3	246.2	242.500
2003	246.6	246.9	249.1	249.2	249.6	249.8	251.1	253.6	254.5	255.6	256.8	257.8	251.700
2004	259.5	262.5	263.5	264.0	266.7	267.2	269.2	271.6	272.6	273.1	273.6	273.7	268.100
2005	277.5	279.6	280.5	281.0	281.6	282.5	284.4	285.6	285.6	286.4	287.6	288.8	283.400
2006	291.2	293.6	293.8	294.3	295.0	295.9	298.2	299.7	300.2	300.8	301.7	302.5	297.200
2007	305.367	307.203	308.184	308.901	310.001	310.542	314.165	315.830	316.390	316.869	318.703	319.460	312.635
2008	322.470	324.418	325.023	325.327	326.259	327.152	330.693	335.915	336.067	339.437	341.181	341.965	331.326
2009	344.374	345.232	346.222	347.420									

Rate Escalator for Rates Effective Sept 30, 2009

Annual Increase Based Upon Most Recent Data

Index as for Mar-08 325.023

Index as for Mar-09 346.222

Percent Increase to Mid-Point of Rate Year March 2010 6.52%

Total Operation and Maintenance for uninflated rate year \$412,760

Projected Increase in Expenses to the Rate Year 27,326

\$440,085

Inflation Adjustment \$28,694

Emerald Green Lake Louise Marie Water Company, Inc.

Comparison of Combined Labor Costs and Contracted Operations

	Emerald Green Pro Forma 12 Months Ended 6/30/2010	Fishers Island Case 06-W-0446 12 Months Ended 12/31/2007	Aqua Water-NY Inc. Case 08-W-0107 12 Months Ended 11/30/2009
Number of Customers	845	616	1,113
Labor Related Expenses:			
Billing & Meter Reading	0	12,134	0
Customers Operations	0	0	13,418
Office Personnel	2,426	21,503	0
Officer Salary	0	18,595	0
Plant Operations Salary or Contract	106,040	47,839	162,218
Supervision & Management Salary or Contract	60,840	62,390	39,078
Subcontracted Labor	0	12,191	0
Insurance, Labor Related			
Medical, Life, Pension	0	40,006	0
Health Insurance	5,928	0	0
Insurance - Workers' Compensation	6,591	0	0
Insurance - Disability	18	0	0
Payroll Taxes	9,826	8,942	0
Total Labor Related Expenses	\$191,669	\$223,600	\$214,714

Emerald Green Lake Louise Marie Water Company, Inc.

Rate Base, Depreciation, and Amortizations

Year Installed	Description	Per Book Cost	Contributions	Net Utility Plant	Life	Ann Deprc %	Annual Depreciation Expense	Years In Service	Accumulated Depreciation
12/31/2003	Water System	240,179		240,179			\$4,604	6.0	\$27,643
6/30/2006	Pump House Expansion	300,000	162,906	137,094	40	2.50%	\$3,427	3.5	\$12,013
6/30/2006	Filter Unit	223,000	121,094	101,906	15	6.00%	\$6,114	3.5	\$21,433
	Total	\$763,179	\$284,000	\$479,179			\$9,541		\$61,089

Average Rate Base for Year Ending	12/31/2009
Utility Plant in Service	
	\$479,179
Less: Accumulated Depreciation	61,089
Net Plant	<u>\$418,090</u>

Amortization

Rate Case Expense	\$6,000
Amortization Period (yrs.)	3
Annual Amortization	\$2,000
Average of Amortization collected in 1st rate year	<u>1,000</u>
Unamortized Balance	<u>5,000</u>
Total Rate Base	\$423,090

Emerald Green Lake Louise Marie Water Company, Inc.**Revenue Deficiency Calculation**

Rate Base	\$423,090
Rate of Return	11.5%
Utility Operating Income Required	\$48,655
Less: Utility Operating Income at Current Rate	(96,934)
Utility Operating Income Deficiency	\$145,589
Retention Factor	98%
Additional Revenue Required	\$148,560
<hr/>	
(1) Retention Factor:	
Total	100%
Less:	
Uncollectible Rate	0%
Revenue Taxes:	
PSC Assessment	2%
Total	98%
Retention Factor	98%

Emerald Green Lake Louise Marie Water Company, Inc.

Revenue and Proposed Rates

	Current Rates	Proposed Rates	
Current Annual Flat-Rate	\$454		
Average Number of Customers in the Rate Year	845		
Base Revenue	\$383,630		
Computation of Proposed Rate			
Projected Revenue Under Current Rates		\$383,630	
Additional Revenue Required		148,560	
Total Revenue Required		\$532,190	
Average Number of Customers in the Rate Year	845		
Projected Number of Year-Round Customers	75% 634		
Percent Revenue from Year-Round Customers	80%	\$425,752	
Proposed Rate per Year-Round Customer			\$671.53
Projected Number of Seasonal Customers	25% 211		
Percent Revenue from Seasonal Customers	20%	\$106,438	
Proposed Rate per Seasonal Customer			\$504.45
	845	\$532,190	
Proposed Rate per Customer			
Year-Round	\$454	\$671.54	47.92%
Semi-Annual		\$335.77	
Seasonal Rate		\$504.45	
Revenue from Customer Classes			
Revenue from Year-Round Customers		\$425,756	
Revenue from Seasonal Customer		106,439	
Annual Revenue Under Proposed Rates		\$532,195	
Percent Increase		38.7%	