



November 2011

AN OPEN LETTER TO OUR CUSTOMERS

As you may know, Tidewater Environmental Services, Inc. (TESI) filed for a wastewater increase in rates in July 2011. We understand this is a substantial request, and that economic conditions continue to be challenging for many of our state's residents and for many of our customers as well. The following explanation provides the rationale behind the TESI rate request.

Rationale Behind Recent TESI Rate Filing

Our request before the Delaware Public Service Commission (PSC) is based on the significant investments and operating cost changes that have occurred since wastewater services first became regulated in Delaware as to rates and service in 2005. In forming a regulated wastewater utility in 2005, our company committed to applying its professional, technical and management expertise to a wide variety of regulatory, operational, financial and other challenges associated with numerous community on-site wastewater systems in Delaware, as well as to larger centralized wastewater systems that were in desperate need of upgrade to continue to meet acceptable regulatory and service quality standards. Wastewater service continues to become increasingly costly to provide due to rigorous regulatory oversight, compliance with state and federal environmental regulatory requirements, and the need for expensive treatment plants for even the smallest number of customers served.

The Regulatory Process At Work

Please be advised that in filing such a rate request, there is a well established regulatory process in place managed by the Delaware PSC and the Delaware Division of the Public Advocate, (which represents you, the individual TESI customer, in this rate proceeding) that we are mandated to follow.

Rates Requested Reflect Investments Made In Wastewater Improvements

This regulatory process provides that TESI, and all public utilities, must prove that its investments and expenses were prudently incurred. Even though past losses cannot be recovered by any company through a rate proceeding, it is our firm belief that this rate request is being made in order to continue to provide adequate and reliable service into the future.

Customers Have A Voice

Review of this request is a comprehensive legal process that takes place over 6-9 months and allows ample time for customers to be involved through public hearings which will be held throughout the state. The review includes intense scrutiny by attorneys, consultants, PSC staff and numerous other experts to determine the validity of our request. The process will ultimately conclude with a determination by the PSC as to the amount of the increase, if any.

Understanding the True Value of Services Provided

The value and cost of water and wastewater utility services is something that will require further communication and education for our customers into the future, as many are not aware of the technical, regulatory and other challenges associated with delivery of these services. It is only natural that many of us take these services for granted as we go about our daily lives. The fact that access to quality wastewater services on a daily basis is not generally a major concern for most residents of our state and our country, only adds to the anxiety experienced by all who are affected when significant rate requests are made, particularly when the infrastructure and operations that deliver these services are largely unseen and unnoticed by us as we use these services on a daily basis. The process established by the State of Delaware, through public hearings and other means, enables your participation in the rate setting process. Our company expects to be challenged by our customers and our regulators in justifying our request and we are grateful that the process established by our state includes appropriate checks and balances to ensure equitable treatment of all parties involved.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerard L. Esposito". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Gerard L. Esposito
President
Tidewater Environmental Services Inc.