

P.S.C. No. 1 – Water
United Water New York Inc.
Initial Effective Date: May 22, 2008

Statement Type: NWSS
Statement No. 3

NEW WATER SUPPLY SOURCE (NWSS) SURCHARGE STATEMENT

Applicable to Metered Customers

I. General Description

Purpose: To recover the investment (pre-tax return and depreciation) in new water supply projects placed in service on and after January 1, 2007

Effective: The NWSS Surcharge will become effective for bills rendered May 22, 2008.

II. Computation of the NWSS Surcharge

Calculation: The NWSS Surcharge will be updated no more than semi-annually to reflect the construction costs and related AFUDC of the preceding six (6) months and will be submitted to Staff forty-five (45) days prior to the effective date and will go into effect after the 45 day review period unless otherwise directed by the Commission. (When costs are included in the Surcharge, AFUDC will no longer be accrued).

NWSS Surcharge Amount: - The charge will be expressed as a percentage carried to two (2) decimal places, and will be applied to the total amount billed to each Customer under the Company's applicable rates and charges. The surcharge will be subject to all revenue based taxes.

Formula: The formula for the calculation of the NWSS Surcharge is as follows:

$$\text{NWSS Surcharge} = \frac{(\text{CE} - \text{AD} - \text{ADIT}) \times \text{Pre-tax ROR} + \text{D} + \text{P} + \text{PT}}{\text{PABR}}$$

Where:

CE	=	Capital Expenditures
AD	=	Accumulated Depreciation
ADIT	=	Accumulated Deferred Income Taxes
Pre-tax ROR	=	10.44 % Year One and updated annually on January 1 st of each subsequent year for changes in capital structure and debt costs
D	=	Annual depreciation on the net plant additions by asset class
P	=	Payroll Expense associated with new positions to operate the facility
PT	=	Property Taxes
PABR	=	UWNY's Projected Annual Base (Metered) Revenues

Issued in compliance with the Commission Order 06-W-0131 dated December 14, 2006.

Issued by: M.J. Pointing, V.P. & Gen. Mgr., 360 West Nyack Road, Nyack, NY 10994

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**NEW WATER SUPPLY SOURCE (NWSS) SURCHARGE STATEMENT
(Continued)**

Effective with this statement, the Surcharge is 1.39%.

III. Safeguards

Audit/Reconciliation: The NWSS will be subject to an annual audit. It will also be subject to annual reconciliations between the authorized collections and actual collections and filed with the Commission within sixty (60) days after the end of each rate year. Any over-collections or under-collections will accrue interest at the other Customer capital interest rate established by the Commission each year. Adjustments for over and under collections will be reflected in the next NWSS Surcharge filing.

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