

PSC No: 1 – Water
UNITED WATER NEW ROCHELLE INC.
Initial Effective Date: November 1, 2006

Statement Type: DIPS
Statement No. 1

DELAWARE INTERCONNECTION PROJECT (DIP) SURCHARGE STATEMENT

Applicable to all Customers

I. General Description

Purpose: To recover the pre-tax return on costs already incurred in connection with the DIP and when construction commences the DIP surcharge will be used to recover the pre-tax return on the construction costs. When the DIP is placed in service, the DIP surcharge will be expanded to recover depreciation, property taxes and prudently and reasonably incurred costs of additional personnel assigned to the operation of the facility. In addition, the DIP surcharge will be used to recover the capital-related costs of the Metz Reservoir construction once the project is placed in service.

Effective: The DIP Surcharge will become effective August 28, 2005.

II. Computation of the DIP Surcharge

Calculation: Until construction commences, the DIP surcharge will be updated annually. After construction commences the DIP surcharge will be updated semi-annually to reflect the construction costs of the preceding six (6) months and will be submitted to Staff forty-five (45) days prior to the effective date.

DIP 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 DIP Surcharge is as follows:

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

Where:

CE	=	Capital Expenditures
AD	=	Accumulated Depreciation
ADIT	=	Accumulated Deferred Income Taxes
ROR	=	10.94 % Year One and updated annually on September 1 st of Years Two, Three and Four for changes in capital structure and debt costs
D	=	Depreciation Expense
P	=	Payroll Expense associated with new positions to operate the facility
PT	=	Property Taxes
PABR	=	UWNR's projected annual metered and fire protection revenues

Issued in compliance with the Commission Order in Case 04-W-1221 dated August 24, 2005.

Issued by: M.J. Pointing, V.P. & Gen. Mgr., 225 Palmer Ave., New Rochelle, NY 10801

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DELAWARE INTERCONNECTION PROJECT (DIP) SURCHARGE STATEMENT (Continued)

Effective with this statement, the surcharge is 4.12%.

III. Safeguards

Audit/Reconciliation: The DIP 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 of 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 DIP surcharge filing.

Customer Notice: Customers shall be notified of changes in the DIP by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

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