

PSC No: 1 – Water  
UNITED WATER NEW ROCHELLE INC.  
Initial Effective Date: February 1, 2007

Statement Type: RRC  
Statement No. 2

**REVENUE, PRODUCTION COST AND PROPERTY TAX RECONCILIATION AND ADJUSTMENT**  
**CLAUSE STATEMENT**

Commission Opinion in Case 04-W-1221 directed that the rates applicable to all metered Customer accounts, as defined above, be subject to automatic adjustment by way of a surcharge, or credit, based on the difference between the actual net metered revenues (operating revenues less production costs), and the revenue targets shown below. The Company will file this reconciliation within 60 days of the end of each rate year. Metered revenues are based on metered Customers' bill-rendered base rate revenue plus the change in unbilled revenue at the beginning and at the end of each rate year. The difference in production costs will be calculated by comparing actual metered sales in MG in the rate years (adjusted to reflect accrued sales at the end of each year), increased by 18% for losses, to the production levels allowed in this proceeding, as shown in the table below, and pricing out the difference at **\$734.68** per MG. The net revenue differential will be added or subtracted, as the case may be, to any existing Adjustment Clause balance as of August 31, 2005. One third of the Adjustment Clause balance shall be recovered (or refunded) during the ensuing year from metered Customers. Target levels for revenues, production levels and property taxes for future years are shown in the following table. Until new target levels are set in the next rate proceeding, the monthly levels from the fourth rate year will carry forward for all future years. The monthly levels will be calculated by using the monthly averages of metered revenue for the most recent 5 years applied to the fourth year target.

Year Ending	August 31, 2006	August 31, 2007	August 31, 2008	August 31, 2009
Revenue Target	\$22,711,340	\$23,391,905	\$23,887,976	\$24,603,818
Production Target MG	7,043	7,058	7,072	7,087
Property Taxes	\$5,055,737	\$5,406,605	\$5,781,823	\$6,183,082

The surcharge or surcredit for the year ending **August 31, 2006** is calculated as follows:  
The actual net metered revenues for the year ended **August 31, 2006** of **\$22,278,369** is compared to the target levels set forth above, less production costs. The difference, including accrued interest at the other Customer capital rate then in effect, results in a surcharge to Customers of **\$556,794**. The amount to be surcharged to metered Customers derived from the calculation described above, during the ensuing year ending **August 31, 2007**, is: **\$185,598**.

In accordance with the property tax mechanism set forth in the Joint Proposal approved by the Commission in Case 04-W-1221, the PSC has permitted the company to reconcile property taxes each year. For the rate year ended **August 31, 2006**, such reconciliation resulted in a surcredit to Customer of **\$223,711**. As a result, the net surcredit to metered Customers, including all applicable taxes, is **\$38,113**.

The net credit will be billed to all metered Customers as a percentage of all metered Customers bills based on the Company's total metered sales revenues, at a monthly rate of **0.26%**.

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

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