

P.S.C. No. 1 – Water
 United Water New Rochelle Inc.
 Initial Effective Date: January 23, 2012

Statement Type: RRC
 Statement No. 7

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

Commission Opinion in Case 09-W-0824 directed that the rates applicable to all metered Customer accounts be subject to automatic adjustment by way of a surcharge, or credit, based on the difference between the actual net metered revenues (operating revenues plus the change in unbilled revenue less production costs, consisting of purchased water (entitlement and excess), additional cost for excess purchased water and purchased power and chemicals) for the preceding year, and the revenue targets shown below. 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 purchased water cost will be calculated by comparing actual metered sales in million gallons (MG) in the rate years (adjusted to reflect accrued sales at the end of each year), increased by 18% for losses, to the purchased water targets allowed in this proceeding, as shown in the table below, and pricing out the difference at \$1,149.72 per MG. The difference in purchased power and chemicals costs will be calculated by comparing the actual purchased power and chemical costs to the purchased power and chemical costs allowed in this proceeding, as shown in the table below. If the actual purchased power and chemical cost exceeds the target purchased power and chemical cost as shown below, eighty-five percent (85%) of the excess will be recovered from customers. The difference in excess purchased water costs will be calculated by comparing actual excess purchased water in MG in the rate years, adjusted to reflect 18% for losses, to the excess water purchases in MG allowed in this proceeding, as shown in the table below, and pricing out the difference at \$2,794.13 per MG. The net revenue differential will be added or subtracted, as the case may be, to any existing Adjustment Clause balance as of October 31, 2010. One third of the Adjustment Clause balance shall be recovered (or refunded) during the ensuing 12 month period from metered Customers. Target levels for revenues, purchased water, power, chemicals, excess purchased water 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	Oct. 31, 2011	Oct. 31, 2012	Oct. 31, 2013	Oct. 31, 2014
Revenue Target	\$36,804,548	\$41,055,825	\$42,983,576	\$43,354,796
Purchased Water Target MG	6,904	6,934	6,965	6,995
Chemical Target	\$335,065	\$342,908	\$351,303	\$360,263
Power Target	\$1,101,516	\$1,127,411	\$1,155,000	\$1,184,408
Excess Purchased Water Target MG	642	642	642	642
Property Tax	\$6,000,832	\$6,148,794	\$6,303,774	\$6,448,761

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

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(continued)

The amount to be surcharged/credited to metered Customers derived from the calculation described above for the rate year ended October 31, 2011 **is \$2,226,545**. (Note: refer to period of the calculation which can be multiple years the same as property below.)

In accordance with the property tax mechanism set forth in the Joint Proposal approved by the Commission in Case 09-W-0824, the PSC has permitted the company to reconcile property taxes each year. For the rate year ended October 31, 2011, such reconciliation resulted in a surcharge to Customers of **\$831,617**

The net surcharge or credit will be billed to all metered Customers or refunded by the Company as a percentage of all metered Customers bills based on the Company's total metered sales revenues at a rate of **7.366%**.

The reconciliations will be submitted to the Director of the Office of Electric, Gas and Water within 60 days following the completion of each rate year. The submitted net surcharge or credit will go into effect 45 days after submittal unless Staff submits a letter to the Company indicating the submitted Reconciliation amounts should be adjusted.

Issued in compliance with the Commission Order in Case 09-W-0824 dated October 15, 2010

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