

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

Statement Type: RRC
Statement No. 2

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

APPLICABLE TO ALL METERED CUSTOMERS:

Commission Opinion in Case 09-W-0828 directed that the rates applicable to all Customer accounts (except public and private fire) be subject to automatic adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues from sales (operating revenues plus the change in unbilled revenue less production costs consisting of purchased water (entitlement, excess and fixed charges), and purchased power for the preceding year, and the revenue targets shown below.

Revenues are based on Customers' bill-rendered base rate revenues plus the change in unbilled revenue at the beginning and at the end of each rate year. The difference in purchased water costs to include excess per capita costs will be calculated by comparing the actual purchases from WJWW and AWC in million gallons (MG) in the rate years, adjusted to reflect 18% for losses, to the purchased water targets allowed in this proceeding, as shown in the table below. The purchased water target for WJWW reflect the rates in effect as of July 1, 2010 for both the NYCWB of \$1,149.72 per MG and WJWW of \$461.58 per MG for a total cost of \$1,611.30 Per MG and the Excess per Capita rate effective July 1, 2010 of \$2,794.13 per MG. The AWC purchased water target reflects the rate in effect as of December 12, 2007 of \$1,052.00 per MG.

The difference in purchased power will be calculated by comparing the actual purchased power costs to the purchased power costs allowed in this proceeding, as shown in the table below. If the actual purchased power cost exceeds the target purchased power as shown below, seventy-five percent (75%) of the excess will be recovered from customers.

The net revenue differential will be added or subtracted, as the case may be, to any existing Adjustment Clause balance as of October 31, 2011. 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, excess purchased water and fixed charges 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 sales revenue for the most recent 5 years applied to the fourth year target.

<u>Year Ending</u>	<u>Oct. 31, 2011</u>	<u>Oct. 31, 2012</u>	<u>Oct. 31, 2013</u>	<u>Oct. 31, 2014</u>
<u>Revenue Target</u>	\$9,635,421	\$11,910,221	\$12,483,518	\$12,850,328
<u>WJWW</u>				
Purchased Water Target	783	916	916	916
MG @ \$1,611.30 per MG				
Excess PW Target MG @	7.7	9	9	9
\$2,794.13				
Fixed Charges	\$143,178	\$167,500	\$167,500	\$167,500
Power Target	\$37,007	\$44,072	\$44,954	\$45,898
<u>AWC</u>				
Purchased Water Target	1,321.9	1,546.5	1,546.5	1,546.5
MG @ \$1,052.00 per MG				
Fixed Charges	\$1,394,031	\$1,630,837	\$1,630,837	\$1,630,837

Issued by: M.J. Pointing, V.P. and General Mgr., 2525 Palmer Ave., New Rochelle, NY 10801

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(continued)

The amount to be surcharged/credited to all Customers derived from the calculations described above for revenue and purchased water costs for the rate year ended October 31, 2011, is \$70,504.

PROPERTY TAXES

In accordance with the property tax mechanism set forth in the Joint Proposal approved by the Commission in Case 09-W-0828, 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/surcredit to all Customers of \$106,294.

Target levels for property taxes for future years are shown in the following table. Until new target levels are set in the next rate proceeding, the annual levels from the fourth rate year will carry forward for all future years.

<u>Year Ending</u>	<u>Oct. 31, 2011</u>	<u>Oct. 31, 2012</u>	<u>Oct. 31, 2013</u>	<u>Oct. 31, 2014</u>
Property Tax	\$ 1,362,636	\$ 1,622,803	\$ 1,655,259	\$ 1,690,019

The net surcharge or credit for revenue, production and property taxes 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. The result of the rate year ended October 31, 2011 is a surcharge to metered customers of 1.473%.

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-0828 dated December 17, 2010.

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