

P.S.C. No. 1 – Water
United Water New York Inc.
Initial Effective Date: August 31, 2010

Statement Type: NWSS
Statement No. 7

NEW WATER SUPPLY SOURCE SURCHARGE STATEMENT (NWSS) FOR SHORT AND MEDIUM-TERM WATER SUPPLY PROJECTS

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 September 1, 2010

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 on a bills-rendered basis 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 | = | 10.71% 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 |

Filed in compliance with Commission Order in Case 09-W-0731, issued July 20, 2010.

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

P.S.C. No. 1 – Water
United Water New York Inc.
Initial Effective Date: August 31, 2010

Status: CANCELLED
Effective Date: 08/31/2010
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**NEW WATER SUPPLY SOURCE SURCHARGE STATEMENT (NWSS) FOR SHORT AND
MEDIUM-TERM WATER SUPPLY PROJECTS
(Continued)**

Effective with this statement, the Surcharge is 0.00%

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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