

**STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE
90 CHURCH STREET, NEW YORK, NY 10007-2919**

Internet Address: <http://www.dps.state.ny.us>

PUBLIC SERVICE COMMISSION

GARRY A. BROWN

Chairman

PATRICIA L. ACAMPORA

MAUREEN F. HARRIS

ROBERT E. CURRY JR.

JAMES L. LARocca

Commissioners



PETER McGOWAN

General Counsel

JACLYN A. BRILLING

Secretary

August 19, 2009

Mr. Kevin H. Doherty
Manager of Rates
United Water
200 Old Hook Road,
Harrington Park, NJ 07640

Re: United Water New York, Inc. (UWNY) – Case 06-W-0131
New Water Supply Source Surcharge (NWSS)
2.95% surcharge effective August 22, 2009

Dear Mr. Doherty:

Staff has completed its review of United Water New York's (UWNY) submission to increase the NWSS surcharge to 2.95% and the company may file Surcharge Statement No. 5 to its electronic tariff schedule P.S.C. No. 1 – Water, containing the 2.95% surcharge, effective August 22, 2009.

However, since the time of the Commission's Order in Case 06-W-0311 there have been some changes in Federal Tax regulations which could have some impact on these types of mechanisms. UWNY states that it does not believe these tax law changes impact this filing. Since the NWSS surcharge is based, in part, on the following two company tax assumptions: (1) the capital improvement projects costs can not be taken as a current tax deduction but must be depreciated over a 25 year tax life; and, (2) the capital projects costs do not qualify for bonus tax depreciation, the company will need to provide the Secretary of the Commission with the actual 2008 and/or 2009 tax return information within 30 days of filing its income tax returns covering the capital projects costs. To the extent either assumption was incorrect, the company will true-up the actual surcharged amounts to correctly reflect the actual tax consequences in its subsequent filing.

The NWSS surcharge will remain in place until the Commission issues a decision in UWNY's next general rate case, at which time all costs previously collected through the NWSS will be accounted for and included in base rates.

If you have any questions, please contact me at 212-417-3141.

Sincerely,

James Evensen
Chief, Water Rates Section
Office of Electric, Gas and Water

cc: M. Gennari, United Water
M. Pointing, United Water
M. Scott, Deputy Director, Office of Electric, Gas and Water
J. Lochner, Chief, Office of Accounting and Finance