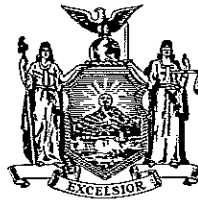


**STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE
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July 9, 2008

Mr. Kevin H. Doherty
Manager of Rates
United Water
200 Old Hook Road
Harrington Park, NJ 06740

SUBJECT: Case 04-W-1221 United Water New Rochelle – Long Term Main Renewal
Project Surcharge

Dear Mr. Doherty:

In Case 04-W-1221, the Commission authorized United Water New Rochelle (UWNR or the company) to spend up to \$2.5 million per year on Long Term Main Renewal Project (LTMRP) work. However, the Commission capped the level for such work at a cumulative \$8.0 million over the four year term of the rate plan and allowed the company to recover its LTMRP expenditures through a surcharge, subject to verification by Staff.

On June 12, 2008, the company provided documentation to support expenditures of \$1.828 million for projects completed in the spring of 2008 and calculated the resultant LTMRP surcharge would increase from 2.80% to 3.59%. The specific projects covered included the installation and replacement of 3,106 feet of old and undersized mains on Bayard Street, Woodbury Street, Madeline Avenue and Rosedale Avenue in New Rochelle.

Staff reviewed the company's filing including the vendor invoices and the method for calculating the surcharge amount and found that the company neglected to update the annual revenue figure in accordance with the specific LTMRP surcharge requirements. On July 9, 2008, the company revised its LTMRP surcharge calculation to reflect the revenue update. As a result, the company may increase the LTMRP surcharge to 3.49%, effective July 27, 2008.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink that reads "James Evensen". The signature is written in a cursive style with a long horizontal flourish at the end.

James Evensen
Utility Supervisor, Water Rates Section
Office of Electric, Gas and Water

cc: Kevin Manz, Utility Engineer 2
Mary Ferrer, Junior Engineer
M. Pointing, United Water