

Last Revised 2/15/08

**Template for Calculation of Economic Factors
 Water Companies**

Company Name	United Water New York						5-Year average
	Current Year 2014	Current Year - 1 2013	Current Year - 2 2012	Current Year - 3 2011	Current Year - 4 2010	Current Year - 5 2009	
Rate Base Computation							
Working Capital							
1 Operating Expenses	23,068,231	23,004,883	22,982,600	20,816,047	19,516,989	18,288,656	
2 Plus: Maintenance Expenses	3,460,835	4,437,486	5,777,017	6,110,203	5,708,453	5,153,620	
3 Less: Purchased Water	163,522	174,824	172,784	167,206	161,630	278,873	
4 Net Operating Expenses	26,365,544	27,267,545	28,586,833	26,759,044	25,063,812	23,163,403	
5 1/7 of Net Operating Expenses	3,766,506	3,895,364	4,083,833	3,822,721	3,580,545	3,309,058	
6 Materials & Supplies	829,385	1,042,236	974,056	765,928	802,945	1,093,375	
7 Prepayments	7,115,618	6,845,890	5,937,191	5,610,728	5,186,734	4,450,534	
8 Total Working Capital	11,711,509	11,783,490	10,995,080	10,199,377	9,570,224	8,852,967	
9 Add: Net Utility Plant	369,612,354	367,004,115	338,555,170	315,101,545	288,149,977	264,028,198	
10 Rate Base at 12/31	381,323,863	378,787,605	349,550,250	325,300,922	297,720,201	272,881,165	346,536,568
11 Construction Work In Progress - CWIP	54,930,082	63,034,763	56,493,817	47,571,660	35,434,678	22,179,875	
12 Construction Work In Progress - Minor			0	0	0	0	
12a AFUDC	6,735,647	6,385,905	4,925,349	3,790,731	2,585,558	2,132,523	
AFUDC = Allowance for Funds Used During Construction							
12b Add back Minor CWIP Projects	0	0	0	0	0	0	
* If AFUDC equals \$0, then "minor projects" = CWIP otherwise Minor CWIP Projects = CWIP Minor							
13 Add: Adjustment to Rate Base (EBCAP)						(1,799,544)	
14 12/31 Adjusted Rate Base (w/o CWIP)	326,393,781	315,752,842	293,056,433	277,729,262	262,285,523	248,901,746	295,043,568
15 6/30 Rate Base (w/o CWIP)	321,073,311	304,404,637	285,392,847	270,007,392	255,593,634		287,294,364
16 Net Operating Income	19,804,336	17,140,032	16,237,911	14,825,729	11,804,699	11,198,959	15,962,541
17 Achieved Rate of Return	6.1682%	5.6307%	5.6897%	5.4909%	4.6185%		5.5562%
Achieved Rate of Return = Net Operating Income divided by the final Adjusted Rate Base							

Template for Calculation of Economic Factors
 Water Companies

Company Name	Water Ne	Current Year	Current Year - 1	Current Year - 2	Current Year - 3	Current Year - 4	Current Year - 5	5-Year average
		2014	2013	2012	2011	2010	2009	
Embedded Cost Computations								
1	Preferred Dividends	0	0	0	0	0	0	0
2	Preferred Stock	0	0	0	0	0	0	
3	Add Premium on Preferred Stock	0	0	0	0	0	0	
4	Less Reacquired Preferred Stock	0	0	0	0	0	0	
5	Less Stock Expense Preferred Stock	0	0	0	0	0	0	
6	Add: Paid In Capital, Preferred Stock	0	0	0	0	0	0	
7	Total Cost of Preferred Stock	0	0	0	0	0	0	0
8	6/30 Cost of Preferred Stock	0	0	0	0	0	0	0
9	6/30 Embedded Cost of Preferred Stock	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%		0.0000%
10	Interest on Long Term Debt (L.T.D.)	4,019,604	4,019,604	4,165,241	4,860,600	4,623,600	3,438,600	
11	Less: Premium on L.T.D.			0	0	0	0	
12	Plus: Discount & Expense on L.T.D.	131,077	138,468	169,829	176,268	170,588	153,396	
13	Cost of L.T.D.	4,150,681	4,158,072	4,335,070	5,036,868	4,794,188	3,591,996	4,494,976
14	L.T.D. per Balance Sheet	82,000,000	82,000,000	82,000,000	81,000,000	81,000,000	51,000,000	
15	Plus: Premium on L.T.D.		0	0	0	0	0	
16	Less: Debt Expense	1,966,953	2,098,030	2,236,498	2,116,305	2,276,502	2,218,332	
17	Less: Debt Recquired		0	0	0	0	0	
18	12/31 Total L.T.D.	80,033,047	79,901,970	79,763,502	78,883,695	78,723,498	48,781,668	79,461,142
19	6/30 Total L.T.D.	79,967,509	79,832,736	79,323,599	78,803,597	63,752,583		76,336,005
20	6/30 Emb. Cost of L.T.D.	5.1905%	5.2085%	5.4650%	6.3917%	7.5200%		5.8884%
21	Common Stock	13,856,490	13,856,490	13,856,490	13,856,490	13,856,490	13,856,490	
22	Add: Premium on Common Stock	6,286,958	6,286,958	6,286,958	6,286,958	6,286,958	6,286,958	
23	Add Retained Earnings	91,382,722	90,629,449	77,455,653	72,581,314	65,448,180	60,949,156	
24	Less: Reacquired Common Stock		0	0	0	0	0	
25	Less: Capital Expense		0	0	0	0	0	
26	Add: Paid in Capital, Common Stock	127,991,095	92,991,095	92,991,095	77,991,095	57,991,095	57,991,095	
27	12/31 Common Equity	239,517,265	203,763,992	190,590,196	170,715,857	143,582,723	139,083,699	189,634,007
28	6/30 Common Equity	221,640,629	197,177,094	180,653,027	157,149,290	141,333,211		179,590,650
29	% Allowable on Common Equity	9.2000%	10.2000%	10.2000%	10.2000%	10.2000%		
30	6/30 Earnings on Common Equity	20,390,938	20,112,064	18,426,609	16,029,228	14,415,988		17,874,965
	6/30 Avg % Allowable							9.9532%
31	Rate Case Reference	13-W-0295	09-W-0731	09-W-0731	09-W-0731	09-W-0731		
32	Deferred Income Tax	49,368,308	52,165,444	49,816,784	49,535,048	48,863,412	44,252,070	49,949,799
33	6/30 Deferred Income Tax	50,766,876	50,991,114	49,675,916	49,199,230	46,557,741		49,438,175

**Template for Calculation of Economic Factors
 Water Companies**

Company Name

Water Ne

Computation of Required Rate of Return

5-year averages	% of Total Cap Struc	% of Total Cap Struc	Avg. Emb. Costs	Req. Rate of return
Long Term Debt	76,336,005	25.0%	5.8884%	1.47%
Preferred Stock	-	0.0%	0.0000%	0.00%
Common Stock	179,590,650	58.8%	9.9532%	5.85%
Deferred Inc. Tax	49,438,175	16.2%	0.0000%	0.00%
Totals	305,364,830	100.0%		7.3256%

Computation of Factors

1	Required Rate of Return (Usually Modified by 95%) modified by 95 %	95%	6.9594%
2	Less achieved rate of return		5.5562%
3	Difference (line 1 - line 2)		1.4032%
4	Economic Factor (line 3 divided by line 1)		20.1628%

2014

13-W-0295 Rate Case Cap Structure			
Percent	Cost	Weighted Cost	Pre-Tax 60.30%
Long Term Debt	55.91%	5.07%	2.83%
Short Term Debt			2.83%
Customer Deposits	0.09%	1.25%	0.00%
Preferred Stock			0.00%
Common Stock	44.00%	9.20%	4.05%
			6.71%
			6.88%
			9.55%

2010, 2011, 2012, 2013

09-W-0731 Rate Case Cap Structure			
Percent	Cost	Weighted Cost	Pre-Tax 60.30%
Long Term Debt	55.00%	5.64%	3.10%
Short Term Debt			3.10%
Customer Deposits			
Preferred Stock			
Common Stock	45.00%	10.20%	4.59%
			7.61%
			7.69%
			10.71%

	2014	2013	2012	2011	2010
Long Term Debt	55.91%	55.00%	55.00%	55.00%	55.00%
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock	44.00%	45.00%	45.00%	45.00%	45.00%
	99.91%	100.00%	100.00%	100.00%	100.00%

Weighted Avg.	2014	2013	2012	2011	2010
Long Term Debt	55.96%	55.00%	55.00%	55.00%	55.00%
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock	44.04%	45.00%	45.00%	45.00%	45.00%
	100.00%	100.00%	100.00%	100.00%	100.00%

Weighted Avg. (Including Deferred Taxes)

	2014	2013	2012	2011	2010	Average
Long Term Debt	46.90%	46.10%	46.10%	46.10%	46.10%	46.26%
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock	36.91%	37.71%	37.71%	37.71%	37.71%	37.55%
	83.81%	83.81%	83.81%	83.81%	83.81%	83.81%
Deferred Taxes	16.19%	16.19%	16.19%	16.19%	16.19%	16.19%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

5 Year Avg. Deferred Tax	49,438,175	16.19%
5 Year Avg. Capitalizator	305,364,830	
Long Term Debt	141,251,226	46.26%
Preferred Stock	0	0.00%
Common Stock	114,675,429	37.55%
Deferred Taxes	49,438,175	16.19%
	305,364,830	100.00%

Line 32
 Line 15

Cost	2014	2013	2012	2011	2010	Average
Long Term Debt	5.07%	5.64%	5.64%	5.64%	5.64%	5.53%
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock	9.20%	10.20%	10.20%	10.20%	10.20%	10.00%
Deferred Taxes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Weighted Average Cost

	2014	2013	2012	2011	2010	Average
Long Term Debt	2.38%	2.60%	2.60%	2.60%	2.60%	2.56%
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock	3.40%	3.85%	3.85%	3.85%	3.85%	3.76%
Deferred Taxes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	5.77%	6.45%	6.45%	6.45%	6.45%	6.31%

**United Water New York
 Economic Obsolescence Worksheet
 Computation of Adjustments**

	2014	2013	2012	2011	2010	2009	
Net Operating Income per Annual Report	24,749,801	15,190,542	13,724,634	13,644,938	11,490,406	11,198,959	Pg 116, line 23
Adjustment to Match the Income tax Expense for AFUDC excluded from the form (Net Gross-Up only). [1]	(4,945,465)	1,949,490	2,513,277	1,180,791	314,293		Balance ties to Lines 26 & 48 on p. 216 of 2014 Annual Report minus (1,012,386) Ties to BS (18623 & 18653)
Adjusted Net Operating Income to Line 16	<u>19,804,336</u>	<u>17,140,032</u>	<u>16,237,911</u>	<u>14,825,729</u>	<u>11,804,699</u>	<u>11,198,959</u>	
Deferred Income Tax per Annual Report	50,380,694	58,123,295	53,825,145	51,030,132	49,177,705	44,252,070	(Page 115, Line 47) +(Page 115, Line 50) minus - (pg 114
Adjustment to Match the Income tax Expense for AFUDC excluded from the form (Net Gross-Up only). [1]	(1,012,386)	(5,957,851)	(4,008,361)	(1,495,084)	(314,293)	0	Balance ties to Lines 21, & 29 on p. 216 of 2014 Annual Report minus (1,012,386) Balance ties to 2014 Balance Sheet (18623 & 18653)
Adjusted Deferred Income Tax	<u>49,368,308</u>	<u>52,165,444</u>	<u>49,816,784</u>	<u>49,535,048</u>	<u>48,863,412</u>	<u>44,252,070</u>	

[1] AFUDC Income is not included in Utility Operating Income on UWNY's Annual Report, however, the tax effect of the AFUDC Equity Gross-Up is included. This adjustment corrects that mismatch. The tax effect is added to Utility Operating Income and deducted from Accumulated Deferred Income Taxes.