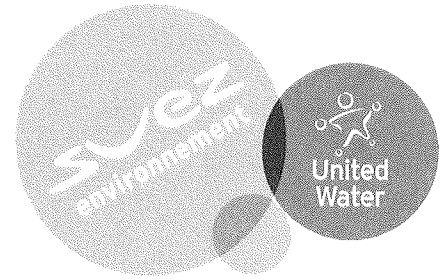


James C. Cagle
Vice President, Regulatory Business

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April 27, 2015

VIA ELECTRONIC FILING

Honorable Kathleen Burgess, Secretary
New York State Public Service Commission
3 Empire State Plaza, 19th Floor
Albany, New York 12223

Re: Case 13-W-0295 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of United Water New York Inc. for Water Service

Dear Secretary Burgess:

Ordering Paragraph 6 of the New York State Public Service Commission’s (“Commission”) Order Establishing Rates issued in Case 13-W-0295 (“Rate Order”) directs United Water New York Inc. (“UWNY” or “Company”) to “conduct a comprehensive examination of its management practices as described in the body of this order, which examination shall include an audit of the fees it is charged by United Water Management & Services Company Inc. The Company shall coordinate the scope of the examination with the staff of the Department of Public Service (DPS staff) to ensure a thorough review of the issues identified in this order. The examination shall be completed and filed on or before a date ten months after the date of this order.”¹ Pursuant to Ordering Paragraph 6, the Company, through this letter and appendix, hereby files the required report regarding the fees it is charged by United Water Management & Services Company Inc. (M&S).

Regarding the attached report, the Company believes that the results show that the overall charges allocated from M&S are reasonable and certainly are less than charges received by similarly situated utilities. While portions of the report identify some areas of improvement, the processes of allocating costs as described in the M&S intercompany agreement are principally being followed.

The Company is in the process of implementing an update to its PeopleSoft accounting system which will include process changes designed to make such allocations of M&S costs to the various Business Units more traceable. Consequently, United Water has been reviewing its internal allocation methodologies and Company’s planned methodology changes are consistent with the recommendations of the attached report.

Honorable Kathleen Burgess

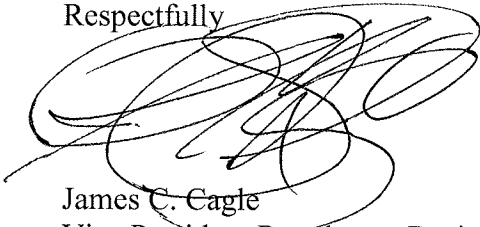
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Changes in the allocation methodologies will require approval of a new affiliate agreement by the Regulatory Commissions in several of the States which United Water provides utility service. Such approvals will likely take several months after such agreements are filed with those Commissions. Upon finalization and receipt of any required approvals of the affiliate agreements the Company will finalized a cost allocation manual documenting the revised and simplified processes consistent with the report's recommendations.

Should you have any questions about this filing, please contact me.

Respectfully

A handwritten signature in black ink, appearing to read "James C. Cagle", written over a circular scribble.

James C. Cagle
Vice President Regulatory Business

Enclosure

Cc: DMM Party List (via e-mail)
Honorable David Van Ort (via e-mail)
Honorable Rafael Epstein (via e-mail)