

# STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

THREE EMPIRE STATE PLAZA, ALBANY, NY 12223-1350

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

## PUBLIC SERVICE COMMISSION

**GARRY A. BROWN**

*Chairman*

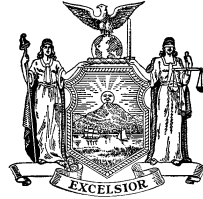
**PATRICIA L. ACAMPORA**

**MAUREEN F. HARRIS**

**ROBERT E. CURRY JR.**

**JAMES L. LARocca**

*Commissioners*



**PETER McGOWAN**

*General Counsel*

**JACLYN A. BRILLING**

*Secretary*

September 30, 2009

Jaclyn A. Brillling, Secretary  
NYS Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223

Re: Case 09-W-0237 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York Water Service Corporation for Water Service.

Dear Secretary Brillling:

Enclosed please find for filing in the above-referenced case, a copy of the Joint Proposal entered into by New York Water Service Corporation (NYWS), the Department of Public Service (Staff), the New York Consumer Protection Board, Local 355 of the Utility Workers Union of America, and New York Water Service Corporation.

Included are the original signatures of NYWS and Staff. The original signatures of the parties will be filed under separate cover.

Sincerely,

Joseph Dowling  
Assistant Counsel

Enclosure

cc: Active Parties via e-mail

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

**CASE 09-W-0237: PROCEEDING ON MOTION OF  
THE COMMISSION AS TO THE RATES,  
CHARGES, RULES AND REGULATIONS OF NEW  
YORK WATER SERVICE CORPORATION**

**JOINT PROPOSAL**

Dated: September 30, 2009

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**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

**CASE 09-W-0237: PROCEEDING ON MOTION OF  
THE COMMISSION AS TO THE RATES, CHARGES,  
RULES AND REGULATIONS OF NEW YORK  
WATER SERVICE CORPORATION**

**JOINT PROPOSAL**

**THIS JOINT PROPOSAL** is made as of September 30, 2009, by and among New York Water Service Corporation (“NYWS” or the “Company”), and Staff of the New York State Department of Public Service (“Staff”) (collectively referred to as the “Parties”) and sets forth the terms of a Rate Plan for the three-year period from February 6, 2010 through February 5, 2013.

**I. PROCEDURAL HISTORY**

NYWS is currently operating under a multi-year rate plan adopted by the Public Service Commission (“Commission”) in Case 04-W-0665<sup>1</sup> and subsequently extended through December 31, 2009 in Case 06-W-0700<sup>2</sup>. On March 9, 2009, NYWS filed with the Commission revisions to its tariffs for water service, which would increase base rates by about \$6.0 million, or 27%. By excluding from the \$6 million proposed base rate increase the projected roll-ins to base rates of approximately \$2.8 million, the average annual impact on customers of the proposed rates would be approximately 12.8%. The roll-ins are associated with existing

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<sup>1</sup> Case 04-W-0665, *New York Water Service Corporation*, Order Determining Revenue Requirement and Rate Plan (issued April 26, 2005).

<sup>2</sup> Case 06-W-0700, *Aqua New York, Inc. and New York Water Service Corporation*, Order Rescinding Order Issued December 15, 2006 and Approving Stock Sale and Accounting Treatment (issued December 20, 2006).

adjustment clauses and surcharges which had previously been approved by the Commission in Cases 04-W-0665 and 06-W-0700.

By Order issued in this proceeding on April 7, 2009, the revised tariffs were suspended by the Commission through August 5, 2009. The tariffs were further suspended through February 5, 2010, by Order issued July 22, 2009.

Staff filed its direct testimony on July 22, 2009. NYWS filed its rebuttal testimony on August 12, 2009. Public statement hearings were held before Administrative Law Judge Gerald L. Lynch on September 1, 2009 in Merrick, New York.

On August 4, 2009, NYWS notified the Commission and interested parties that the parties intended to enter into settlement negotiations. Representatives of NYWS, Staff, and the Utility Workers Union of America participated in all settlement negotiations. The parties conducted settlement negotiations in accordance with 16 NYCRR §3.9 and the Commission's Settlement Guidelines as set forth in Opinion 92-2.<sup>3</sup> A settlement conference was held on August 19, 2009 at the Commission's offices in Albany. The parties conducted further settlement negotiations on August 26 and September 14, 2009. In addition to scheduled meetings, the parties held numerous phone conferences and exchanged data through formal information requests, as well as informal data exchanges. An agreement in principle on the major terms of the Joint Proposal was reached on September 14, 2009. This Joint Proposal formalizes the agreement in principle. Attached hereto as Appendix A to this Joint Proposal are income statements and associated schedules, developed jointly by the Parties, setting forth in detail the revenue requirements for the Company for the three-year term of this Rate Plan.

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<sup>3</sup> Case 90-M-0255, et al., *Proceeding on Motion of the Commission Concerning Procedures for Settlement and Stipulation Agreements*, Opinion, Order and Resolution Adopting Settlement Procedures and Guidelines (issued March 24, 1992).

## **II. TERM**

This Joint Proposal covers the three-year period from February 6, 2010 through February 5, 2013 (the “Rate Plan”).

## **III. EFFECTIVE DATE**

The proposed Effective Date of the Rate Plan is February 6, 2010, which coincides with the Commission’s July 22, 2009 Order suspending rates through February 5, 2010. The Company’s filing in this proceeding was based on a forecast rate year for the twelve months ending December 31, 2010. As a result, the Rate Year One revenue requirement and rate design in this Joint Proposal are based upon the agreed upon forecasts for the twelve months ending December 31, 2010. However, because the Effective Date of the Rate Plan is February 6, 2010, the year ending February 5, 2011 is technically Rate Year One. Moreover, because most of the Company’s records are kept on a monthly basis, for administrative purposes, this Joint Proposal designates Rate Year One as the twelve months ending January 31, 2011. Similarly, Rate Years Two and Three are the twelve months ending January 31, 2012 and the twelve months ending January 31, 2013, respectively.

## **IV. BASE RATE INCREASES**

### **A. Option One**

1. For Rate Year One, base rates will increase by approximately 17.68%, or an annual increase of \$3,996,815. This amount is inclusive of the roll-ins noted in Section I and is supported by the revenue requirement calculations and schedules contained in Appendix A.

2. The percentage and dollar increases to base rates for the balance of the

Rate Plan are:

Rate Year Two: 1.57 % \$ 418,325

Rate Year Three: 1.95 % \$ 526,842

**B. Option Two**

As an alternative to the above proposed rate increases which are reflected in Appendix A, this Joint Proposal provides the Commission with the option to increase base rates in a manner that will reduce the Rate Year One increase, but will further increase rates in Years Two and Three. This option, which also includes the roll-ins noted in Section I, is designed to reduce the Rate Year One bill impacts upon customers. The rate increases associated with this option are as follows:

Rate Year One: 15.04% \$3,400,000

Rate Year Two: 4.16% \$1,082,025

Rate Year Three: 4.00% \$1,082,025

On a net present value basis, the rate increases under either option are equal.

**V. REVENUE REQUIREMENTS**

The Parties agree upon the revenues, expenses and rate base adjustments set forth in Appendix A and agree that such revenues, expenses and rate base, as adjusted, provide an appropriate basis for calculating the revenue requirements for each of the three years of the Rate Plan per Option One.

**VI. REVENUE ADJUSTMENT CLAUSE (“RAC”) AND PROPERTY TAX RECONCILIATION (“PTR”)**

a. For the Rate Plan period, the existing RAC will be continued, but will be modified as noted herein. For administrative purposes, the difference in the level of actual costs associated with production costs (fuel, power and chemicals) versus the level of costs included in base rates for each of the three years ending January 31, 2011, 2012, and 2013 will be treated in the following manner:

- 1) If actual costs are less than the amounts included in base rates for each of the three years, 100% of the difference will be deferred and refunded through the RAC.
- 2) If actual costs are greater than the amounts included in base rates for each of the three years, 90% of the difference will be deferred and recovered through the RAC.

For purposes of reconciliation under the RAC, the target metered revenues (based on the rate design described below) and production cost levels will be as follows:

<b>Year</b>	<b>Metered Revenues</b>		<b>Production Costs</b>
	<b>Option One</b>	<b>Option Two</b>	
<b>Year One:</b>	<b>\$24,653,973</b>	<b>\$24,064,188</b>	<b>\$2,306,054</b>
<b>Year Two:</b>	<b>\$25,071,908</b>	<b>\$25,081,941</b>	<b>\$2,345,256</b>
<b>Year Three:</b>	<b>\$25,559,568</b>	<b>\$26,084,000</b>	<b>\$2,389,816</b>

Actual metered revenues for Rate Years One, Two and Three will be determined on a year ending January 31, 2011, January 31, 2012 and January 31, 2013 basis, respectively.

b. For the Rate Plan period, the existing PTR will continue and will be updated for new target levels for each of the three years ending January 31, 2011, 2012, and 2013. The difference in the level of actual property taxes versus the level of property taxes included in base rates for each of the three years ending January 31, 2011, 2012, and 2013 will be treated in the following manner:



- 1) If actual taxes are less than the amounts included in base rates, 100% of the difference will be deferred and refunded through the RAC subject to the following provision: NYWS shall be allowed to retain 15% of such variance if it can successfully demonstrate that the reduction in property tax expense was a result of Company intervention and action.
- 2) If actual taxes are greater than the amounts included in base rates, 85% of the difference will be deferred and recovered through the RAC.

For administrative purposes of reconciliation under the PTR, the property tax expense levels will be as follows:

**Year Ending**

**January 31, 2011:** \$8,044,267

**January 31, 2012:** \$8,181,020

**January 31, 2013:** \$8,336,459

With regard to any property tax refunds received by the Company, the Company will be permitted, consistent with Commission precedent, to request such sharing of the net proceeds as it believes is warranted under the circumstances. Carrying charges at the Commission's Other Customer Deposit rate will be accrued on the ratepayers' ultimately determined net-of-tax share of such refunds from the day the refund was received by the Company until the day the ratepayers' share is fully returned to them.

c. The RAC and PTR reconciliations will be submitted to the Director of the Office of Electric, Gas and Water within 60 days following the completion of each Rate Year. The submitted net surcharge or surcredit will go into effect 30 days after submittal unless Staff submits a letter to the Company indicating the submitted RAC amounts should be adjusted.

Carrying charges at the Commission's Other Customer Deposit rate then in effect will be accrued on the net-of-tax balances from the month of incurrence until the amounts are either fully returned to or recovered from customers. If the net amount is a surcredit, the Company will pass back the full amount owed customers on a per customer fixed credit basis in the first month administratively practical. If the net amount is a surcharge, the amount will be collected from customers at a fixed rate of not more than \$5.00 per customer per month, beginning in the first month administratively practical. The \$5.00 per customer per month charge may be increased only to ensure that the surcharge does not extend beyond four months. In the event of any disagreement over the proper net surcharge or surcredit amounts, Staff's amount will be temporarily placed in effect. The differences will be resolved through the Dispute Resolution Process set forth in Section XXI below, and the Company will be allowed to include carrying charges, at the Other Customer Capital rate then in effect, on any net of tax amounts ultimately resolved in the Company's favor.

The RAC and PTR will continue beyond the term of this Rate Plan at the Rate Year Three monthly target levels established herein until new target levels are set in the Company's next rate proceeding.

d. The Joint Proposal in Case 04-W-0665 allowed the RAC and PTR reconciliation mechanisms to continue until new base rates were set. For the pre-Rate Plan period May 1, 2009 – February 5, 2010, the net surcharge or surcredit RAC and PTR amounts, including applicable carrying charges at the Other Customer Capital rate then in effect, will be combined with the Rate Year One RAC and PTR amounts noted above.

## **VII. THE DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (“DSIC”) AND THE SYSTEM IMPROVEMENT CHARGE (“SIC”)**

The current DSIC and SIC mechanisms will terminate upon the effectiveness of new base rates.<sup>4</sup> These amounts are included in Rate Year One rate base and income statements included in Appendix A. In addition, the new SIC mechanism that was proposed by the Company in this case is being eliminated and corresponding adjustments to plant-in-service and related depreciation are reflected in Rate Years Two and Three in Appendix A.<sup>5</sup> These adjustments are discussed in Section VIII, Rate Base, below.

## **VIII. RATE BASE**

The Rate Base for the three rate years, as reflected in Appendix A, includes capital expenditures relating to two new iron removal/filtration plant facilities, automated meters, a new well, a new tank and infrastructure improvements. Rate Year Two plant-in-service includes the impact of capital expenditures of approximately \$1.5 million for the DeMott Well and \$1 million for infrastructure improvements. In Rate Year Three, the rate base includes the construction of a new tank projected to cost \$2 million and \$1 million for infrastructure improvements. The DeMott Well Project was included in Rate Year One rate base in the Company’s filing. However, in order to help address the Rate Year One impact on ratepayers, the project was moved to Rate Year Two rate base. The new tank was included in a SIC mechanism in the Company’s filing. In recognition of the elimination of the SIC mechanism, it is now included in rate base in Rate Year Three.

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<sup>4</sup> The SIC, approved in Case 04-W-0665, was established to provide for recovery of the revenue requirements associated with two iron removal/filtration plant facilities installed in 2006. The DSIC, approved in Case 06-W-0700, was established to provide for recovery of the revenue requirements associated with infrastructure improvements and the DeMott Well project.

<sup>5</sup> The new SIC proposed in the instant filing was to provide for recovery of the revenue requirement associated with a new elevated storage tank, now scheduled for 2012.

As mentioned above, the cost of the DeMott Well is reflected in Rate Year Two plant-in-service effective January 1, 2011, with a revenue requirement impact of \$201,669. To the extent the actual in-service date slips beyond January 1, 2011, NYWS will establish a deferred credit for ratepayers equal to the effect of the overstated revenue requirement (return on net plant less accumulated depreciation and federal deferred income taxes, plus depreciation expense). The calculation will be determined on a daily basis at a rate of \$553 per day.

As discussed above, the cost associated with the new storage tank has been reflected in Rate Year Three plant-in-service effective January 1, 2012, with a revenue requirement impact of \$249,959. To the extent that the actual in-service date slips beyond January 1, 2012, NYWS will establish a deferred credit for ratepayers equal to the overstated revenue requirement using the same methodology as set forth above for the DeMott Well, with a daily rate of \$685.

Capital expenditures on infrastructure improvements in Rate Years Two and Three of \$1 million in each year represent all capital expenditures other than those relating to the DeMott Well and the new tank. Infrastructure improvements are comprised of replacement of the Company's aging mains, services, and hydrants, and treatment plant/well upgrades. This level of capital expenditure for Rate Years Two and Three is intended to provide an incentive for the Company to hold down capital spending to the maximum extent possible.

#### **IX. RETURN ON EQUITY, EARNINGS SHARING AND OVERALL RATE OF RETURN**

The return on equity reflected in new rates will be 10.3% plus a 20 basis point stay-out premium, or a total of 10.5%. The stay-out provision is discussed below in Section X.

A deadband of 100 basis points will apply before earnings sharing commences. As a result, the Company will be permitted to retain 100% of the earnings attributable to an achieved return on equity up to and including 11.5%. Earnings between 11.5% and 12.0% will be shared

50/50 between ratepayers and shareholders. Earnings above 12.0% will be shared 75/25 between ratepayers and shareholders, respectively.

The Company will submit to the Director of Accounting and Finance a filing with its earnings calculation and supporting documentation within 90 days after the end of Rate Year Three. The Company's actual return on equity for earnings sharing purposes will be calculated on an aggregate basis for the three-year period ending January 31, 2013. The customers' share of aggregate earnings in excess of 11.5% will be reflected in rates made effective subsequent to February 6, 2013, as determined by the Commission. Any earnings to be shared with customers will include carrying charges computed at the Other Customer Capital rate then in effect on the net of tax balance.

The capital structure used in determining the overall Rate of Return as reflected in Appendix A is based on the consolidated Aqua America structure, with certain modifications. The debt-to-equity ratios, cost of debt, return on equity, and overall rate of return are reflected in the table below.<sup>6</sup>

	<b>RATIO</b>	<b>COST</b>	<b>WEIGHTED AVERAGE COST</b>
<b>Long Term Debt</b>	53.2%	5.53%	2.940%
<b>Common Equity</b>	46.8%	10.50%	4.914%
<b>Total</b>			7.854%

#### **X. STAY-OUT PROVISION**

The Company will receive a 20 basis point return on equity stay-out premium in return for the Company's commitment not to file for a base rate increase that would go into effect prior

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<sup>6</sup> The three-year earnings calculation will be made with the capital structure used to set rates as shown in the table below.

to February 6, 2013. Should the Company file for rate relief to become effective prior to February 6, 2013, the Company will establish a deferred credit for the benefit of ratepayers equal to the revenue requirement effect of the stay-out premium for the period February 6, 2010 up to the date new rates next take effect, if before February 6, 2013.

#### **XI. TANK PAINTING**

The Company will continue to amortize the costs for painting the interiors of the DeMott, Morton and Bernard tanks at an annual rate of \$89,268 as set forth in Appendix A.

#### **XII. PENSIONS AND OPEBS**

The Commission's Statement of Policy on the accounting and ratemaking treatment for pensions and post-retirement benefits other than pensions (OPEBs)<sup>7</sup> requires utilities to defer the difference between pension/OPEB amounts actually incurred versus the amounts included in rates. NYWS hereby affirms that it will continue to comply with the Commission's Policy Statement.

For each of the three rate years, the target amount of O&M expense reflected in base rates for pensions will be \$709,683 and the target amount of O&M expense reflected in base rates for OPEBs will be \$185,374.

As a result of the Commission's December 15, 2006 Order in Case 06-W-0700, the Parties agree that the base rates for each of the three rate years include : 1) a three-year amortization of a \$613,537 regulatory asset relating to actuarially developed pension expense which exceeded the levels approved in rates; and, 2) a 15-year amortization of a regulatory asset

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<sup>7</sup> Case 91-M-0890, Statement of Policy and Order Concerning the Accounting and Ratemaking Treatment for Pensions and Postretirement Benefits Other Than Pensions (issued September 7, 1993).

relating to unfunded pension and OPEB liabilities at the time of the acquisition of NYWS by Aqua New York (at an annual amortization amount of \$765,933).

### **XIII. PUBLIC COMMENTS AND CUSTOMER COMPLAINTS**

A Customer Service Incentive Mechanism (“CSIM”) will be put in place, effective January 1, 2011. The calculation of the complaint rates and associated amounts will be in accordance with the chart below.

<b>PSC Annual Complaint Rate</b>	<b>Proposed Amount</b>
<3.7	None
≥ 3.8	Equivalent to 20 BP <sup>8</sup>
≥ 4.5	Equivalent to 25 BP
> 5.3	Equivalent to 30 BP

Escalated complaints will be calculated on the basis of a 12-month rolling average. The first annual measurement period shall be January 1, 2011 through December 31, 2011. Thereafter, measurements shall continue on an annual basis until modified by the Commission. For purposes of the CSIM, escalated complaints that will be counted in the PSC’s Annual Complaint Rate are those that the Commission’s Office of Consumer Services determines involve a situation where the Company’s actions were deemed to be not in compliance with the Commission’s regulations, the Company’s tariff or industry standards.

Examples of complaints that would generally not be considered escalated complaints may include, but are not limited to, complaints involving water quality where the water supplied is in compliance with water quality standards, complaints involving a minor disruption to a customer’s water service due to necessary system maintenance, and complaints involving water shut offs in which the Company has complied with applicable regulations.

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<sup>8</sup> Each basis point listed in this chart is equal to \$3,200 in terms of the potential deferred credit due customers.

If it is determined that the Company has exceeded the PSC Annual Complaint Rate, as outlined in the table above, a deferred liability will be reflected on the Company's books to be returned to ratepayers in future rates, as determined by the Commission.

If during any year the CSIM is in effect, it is determined by the Company that the number of escalated Commission complaints is increasing due to circumstances or events beyond the Company's control, the Company may notify the Commission of such circumstances and request that the Commission waive or amend the complaint thresholds and associated amounts set forth in the CSIM.

The Company will submit a report to the Secretary no later than November 2, 2009 to address the complaints received concerning the water service line protection program currently offered by Home Service, Inc. The report will address the frequency, content and logos of Home Service, Inc.'s marketing materials and marketing techniques. The Company will work with the DPS Office of Consumer Services ("OCS") regarding these materials and develop correspondence to mail to customers so that customers can take steps to notify the Commission of complaints regarding Home Service, Inc.'s water service line protection program. The agreed-upon letter of correspondence will be delivered to customers no later than 30 days after the Commission's Order approving this Joint Proposal.

The Company's goal is to provide and maintain adequate system pressures throughout its distribution system in compliance with Part 503 of 16 NYCRR. In order to continue to ensure such compliance on a going forward basis, especially during peak periods of usage, the Company will be installing two new facilities, the DeMott Well and an elevated storage tank, both of which are included in the Rate Plan. The new facilities will address capacity and pressure problems, and will ensure there is increased distribution system pressure during peak periods, which



usually occur during the summer months. The Company will also attempt to identify and systematically replace piping in those areas where undersized piping is causing pressure problems.

#### **XIV. RATE DESIGN**

Under Option One, the overall base rate increase of 17.68% for Rate Year One will be allocated in such a manner that fire service customers receive an increase of 14.2% and metered customers 17.97%. In Rate Years Two and Three, the percentage increase in rates for fire service and metered customers will be equal. Under Option Two, the overall base rate increase of 15.04% for Rate Year One will be allocated in such a manner that fire service customers receive an increase of 14.2% and metered customers 15.11%. In Rate Years Two and Three, the percentage increase in rates for fire service and metered customers will be equal. The Company will be authorized to institute monthly billing for both metered and fire service customers.

#### **XV. ACCOUNTING, REGULATORY, LEGISLATIVE OR TAX MANDATES**

Unless the Commission permits NYWS to recover such cost increases through a surcharge or directs NYWS to return such cost decreases through a credit, NYWS will defer the incremental costs or savings resulting from accounting, regulatory, legislative or tax mandates (excluding mandates regarding real property taxes), as long as the incremental cost of each mandate exceeds 1% of actual utility operating income, with any such deferrals to be reflected in the next base rate change, or in a manner to be determined by the Commission. In the case of any such requirements imposed by the Commission itself, the Company will defer the full revenue requirement effect of the increase or decrease.

NYWS retains the right to petition the Commission for authorization to defer extraordinary expenses not otherwise addressed by the Rate Plan.

## **XVI. TARIFFS AND REGULATORY FILINGS**

The Company will file electronically Cancellation Supplement No. 10 to its P.S.C. No.

12 – Water tariff schedule announcing the cancellation of the following pending tariff leaves:

- Leaf No. 82, Revision 6,
- Leaf No. 83, Revision 6,
- Leaf No. 84, Revision 6,
- Leaf No. 85, Revision 6,
- Distribution System Improvement Charge Statement No. 3,

and the cancellation of the following effective leaves:

- System Improvement Charge Statement No. 2
- Revenue and Production Cost Reconciliation Clause and Property Tax Clause No. 1,

on less than one day notice, to become effective February 5, 2010;

The Company will also file electronically the following revised tariff amendments to its P.S.C. No. 12 – Water tariff schedule:

- Leaf No. 82, Revision 7 Superseding Revision 4,
- Leaf No. 83, Revision 7 Superseding Revision 4,
- Leaf No. 84, Revision 7 Superseding Revision 4,
- Leaf No. 85, Revision 7 Superseding Revision 4,
- Revenue and Production Cost Reconciliation Clause and Property Tax Clause No. 2, containing the new revenues and property tax target levels set forth in Section VI above, to become effective February 6, 2010

## **XVII. RESERVATION OF COMMISSION AUTHORITY**

The Parties hereby acknowledge that the Commission, pursuant to its statutory authority, reserves the authority to act on the level of NYWS' base rates in the event of unforeseen circumstances, that, in the opinion of the Commission, render NYWS' return on equity unreasonable or insufficient for the provision of safe and adequate service at just and reasonable rates.

Nothing in this Joint Proposal shall be construed to limit the Commission's authority to address NYWS' customer service, reliability and/or safety measures in accordance with the Public Service Law.

#### **XVIII. PROVISIONS NOT SEPARABLE**

The Parties intend this Joint Proposal to be a complete resolution of all the issues in Case 09-W-0237. It is understood that each provision of this Joint Proposal is in consideration and support of all other provisions, and is expressly conditioned upon their acceptance by the Commission. In the event the Commission does not approve this Joint Proposal in its entirety and according to its terms, the Parties will be free to pursue their respective positions in this proceeding without prejudice.

#### **XIX. ENTIRE AGREEMENT**

This Joint Proposal sets forth the entire agreement of the Parties and supersedes any prior or contemporaneous written documents or oral understandings among the Parties concerning the matters addressed herein. In the event of any conflict between this Joint Proposal and any other document addressing the same subject matter, this Joint Proposal will control.

#### **XX. PROVISIONS NOT PRECEDENT**

The terms and provisions of this Joint Proposal apply solely to, and are binding only in the context of the matters that are the subject of this proceeding; none of the terms and provisions of this Joint Proposal, and none of the positions taken herein by any Party, or any methodology or principle underlying any provision herein, may be cited or relied upon by any other party in any fashion as precedent in any other proceeding before this Commission, or

before any other regulatory agency or court of law for any purpose except in furtherance of ensuring the effectuation of the purposes and results of this Joint Proposal.

## **XXI. DISPUTE RESOLUTION**

In the event of any disagreement over the interpretation of provisions in this Joint Proposal or the implementation of any of the provisions of this Joint Proposal, which cannot be resolved informally among the Parties, such disagreement will be resolved in the following manner: the Parties shall promptly convene a conference and in good faith will attempt to resolve such disagreement. If any such disagreement cannot be resolved by the Parties, the matter may be submitted to an Administrative Law Judge (“ALJ”) designated by the Chief ALJ for a determination on an expedited basis using such procedures as the ALJ decides are appropriate under the circumstances. Within 30 days after the ALJ’s decision, any Party may petition the Commission for relief from the ALJ’s determination of the disputed matter.

## **XXII. FURTHER ASSURANCES**

The Parties recognize that certain provisions of this Joint Proposal require that action be taken to fully effectuate the Joint Proposal. Accordingly, the Parties agree to cooperate with each other in good faith in taking such actions.

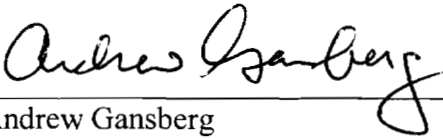
The Parties agree that the pre-filed testimony and exhibits submitted in this proceeding should be admitted into the record as evidence in support of this Joint Proposal.

## **XXIII. EXECUTION**

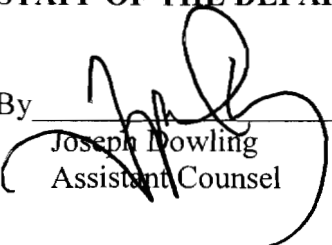
This Joint Proposal is being executed in counterpart originals, and shall be binding on each Party when the counterparts have been executed.

**IN WITNESS WHEREOF**, the Parties have affixed their signatures below as evidence of their agreement to be bound by the provisions of this Joint Proposal on the day and year first written above.

**NEW YORK WATER SERVICE CORPORATION**

By  \_\_\_\_\_  
Andrew Gansberg  
Attorney for New York Water Service Corporation

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**

By  \_\_\_\_\_  
Joseph Dowling  
Assistant Counsel

Case 09-W-0237

**APPENDIX A  
TO JOINT PROPOSAL**

**New York Water Service  
Case 09-W-0237  
Operating Income, Rate Base & Rate of Return  
For the Rate Year Ending December 31, 2010**

Exhibit \_\_\_\_ (SP-1)  
Schedule 1

Base rate increase per Staff's pre-filed case					3,538,286	
DeMott well - move in-service date from RY 1 to RY 2					(191,943)	
Staff settlement concessions					<u>650,472</u>	
Staff's settlement offer 9-2-09					<u>\$3,996,815</u>	
	Per Company Profile	Adj. No.	Staff Adjustments	As Adjusted by Staff	Base Rate Increase Required	As Adjusted By Staff After Increase
<b><u>Operating Revenues</u></b>	<u>\$22,304,211</u>	(1)	<u>\$297,395</u>	<u>\$22,601,606</u>	<u>\$3,996,815</u>	<u>\$26,598,421</u>
<b><u>Deductions</u></b>						
Operations & Maintenance Exp.	12,453,567	(2)	(785,388)	11,668,179	13,589	11,681,768
Depreciation	2,044,532	(3)	(35,868)	2,008,664		2,008,664
Taxes Other Than Income Taxes						
Property Taxes	8,152,775	(4)	(108,508)	8,044,267		8,044,267
Payroll Taxes	<u>256,045</u>	(5)	<u>(18,891)</u>	<u>237,154</u>		<u>237,154</u>
Total Other Taxes	<u>8,408,820</u>			<u>8,281,421</u>		<u>8,281,421</u>
Total Deductions	<u>22,906,919</u>		<u>(821,256)</u>	<u>21,958,264</u>	<u>13,589</u>	<u>21,971,853</u>
<b><u>Operating Income Before Income Taxes</u></b>	<u>(602,708)</u>		<u>1,118,651</u>	<u>643,342</u>	<u>3,983,226</u>	<u>4,626,568</u>
Income Taxes						
State Income Taxes	(171,109)		120,975	(50,135)	343,752	293,618
Federal Income Taxes	<u>(609,095)</u>		<u>435,479</u>	<u>(173,616)</u>	<u>1,237,421</u>	<u>1,063,805</u>
Total Income Taxes	<u>(780,204)</u>		<u>556,454</u>	<u>(223,750)</u>	<u>1,581,173</u>	<u>1,357,423</u>
<b><u>Utility Operating Income</u></b>	<u>\$177,496</u>		<u>\$562,197</u>	<u>\$867,092</u>	<u>\$2,402,053</u>	<u>\$3,269,145</u>
<b><u>Rate Base</u></b>	<u>\$46,331,014</u>	(6)	<u>(\$4,689,005)</u>	<u>\$41,642,009</u>		<u>\$41,642,009</u>
<b><u>Rate of Return</u></b>	<u>0.38%</u>			<u>2.08%</u>		<u>7.85%</u>

New York Water Service  
Case 09-W-0237  
Operations & Maintenance Expenses  
For the Rate Year Ending December 31, 2010

Exhibit \_\_\_\_ (SP-1)  
Schedule 2

	Per Company Profile	Adj. No.	Staff Adjustments	As Adjusted by Staff	Base Rate Increase Required	As Adjusted By Staff After Increase
Labor	\$3,557,483	2a	\$ (246,934)	\$3,310,549		\$3,310,549
Employee Benefits	1,051,795	2b	12,931	1,064,726		1,064,726
Pensions	829,069	2c	(119,386)	709,683		709,683
OPEBs	216,558	2d	(31,184)	185,374		185,374
Purchased Power	1,623,631		-	1,623,631		1,623,631
Chemicals	682,423			682,423		682,423
Customer Operations	247,389			247,389		247,389
Management Fees - Aqua Amer	996,264	2e	(162,666)	833,598		833,598
Accounting	101,469			101,469		101,469
Legal	11,769			11,769		11,769
Lab Testing	34,225			34,225		34,225
Information Technology	34,532			34,532		34,532
Outside Services	18,134			18,134		18,134
Leases	89,748			89,748		89,748
Supplies	643,155	2f	(16,078)	627,077		627,077
Transportation	314,124	2g	(6,410)	307,714		307,714
Insurance	337,046	2h	(43,011)	294,035		294,035
Bad Debt Expense	84,630			84,630	13,589	98,219
PSC Assessment	80,336			80,336		80,336
Amortization Tank Painting	89,268			89,268		89,268
Data Lines	21,458			21,458		21,458
Office Supplies	39,871			39,871		39,871
Dues	31,728			31,728		31,728
Bond Trustee Fees	12,668			12,668		12,668
Utilities	68,790			68,790		68,790
Uniforms	27,515			27,515		27,515
Mail and Postage	22,827			22,827		22,827
Communications	10,749			10,749		10,749
Licenses and Permits	12,021			12,021		12,021
Meals	5,087			5,087		5,087
Rate Case Expense	48,333	2i	-	48,333		48,333
Other Expenses	139,027	2j	(83,000)	56,027		56,027
Amortz. Pension Reg Asset	204,512			204,512		204,512
Amortz. of Pension/OPEB Reg Asset	765,933			765,933		765,933
Inflation Adjustment	-	2k	(11,932)	(11,932)		(11,932)
Austerity Savings	-	2l	(77,718)	(77,718)		(77,718)
<b>Total O&amp;M Expense</b>	<b>\$12,453,567</b>		<b>(785,388)</b>	<b>\$11,668,179</b>	<b>\$13,589</b>	<b>\$11,681,768</b>



New York Water Service  
Case 09-W-0237  
State Income Tax  
For the Rate Year Ending December 31, 2010

Exhibit \_\_\_\_ (SP-1)  
Schedule 3

	Per Company Profile	Adj. No.	Track Staff Adjustments	As Adjusted by Staff	Base Rate Increase Required	As Adjusted By Staff After Increase
Operating Income Before Income Taxes	<u>(\$602,708)</u>		<u>\$1,246,050</u>	<u>\$643,342</u>	<u>\$3,983,226</u>	<u>\$4,626,568</u>
<u>Adjustments to Taxable Income</u>						
Total Interest	(1,380,020)		155,745	(1,224,275)		(1,224,275)
Excess Tax Depreciation	-		(220,424)	(220,424)		(220,424)
Other						
Total Adjustments	<u>(1,380,020)</u>		<u>(64,679)</u>	<u>(1,444,699)</u>		<u>(1,444,699)</u>
New York State Taxable Income	<u>(1,982,728)</u>		<u>1,181,370</u>	<u>(801,358)</u>	<u>3,983,226</u>	<u>3,181,868</u>
New York State Income Tax at 7.1%	(140,774)		83,877	(56,896)	282,809	225,913
MTA Tax	(30,336)		18,075	(12,261)	60,943	48,683
Total NYSIT Payable	<u>(171,109)</u>		<u>101,952</u>	<u>(69,157)</u>	<u>343,752</u>	<u>274,595</u>
<u>Deferred Taxes That Increase (Decrease) NYS Income Taxes</u>						
Other						
Excess Tax Depreciation	-		19,023	19,023		19,023
Total Deferred SIT			<u>19,023</u>	<u>19,023</u>		<u>19,023</u>
Total State Income Taxes	<u>(\$171,109)</u>		<u>\$120,975</u>	<u>(\$50,135)</u>	<u>\$343,752</u>	<u>\$293,618</u>

New York Water Service  
Case 09-W-0237  
Federal Income Tax  
For the Rate Year Ending December 31, 2010

Exhibit \_\_\_\_ (SP-1)  
Schedule 4

	Per Company Profile	Adj. No.	Track Staff Adjustments	As Adjusted by Staff	Base Rate Increase Required	As Adjusted By Staff After Increase
Operating Income Before F.I.T.	(\$602,708)		\$1,246,050	\$643,342	\$3,983,226	\$4,626,568
Adjustments that Increase (Decrease)						
<u>Taxable Income</u>						
Interest on Total Debt	(1,380,020)		155,745	(1,224,275)		(1,224,275)
Non Deductible Expense	20,164			20,164		20,164
Bonus Depreciation	-		(2,342,500)	(2,342,500)		(2,342,500)
Excess Tax Depreciation	-		(220,424)	(220,424)		(220,424)
New York State Income Taxes	171,109		(120,975)	50,135	(343,752)	(293,618)
Total Adjustments	(1,188,747)		(2,528,154)	(3,716,901)	(343,752)	(4,060,653)
Taxable Income	(1,791,455)		(1,282,104)	(3,073,559)	3,639,474	565,915
Current FIT rate @ 34%	(609,095)		(435,915)	(1,045,010)	1,237,421	192,411
Deferrals that Increase (Decrease)						
<u>Income Tax Expense</u>						
Excess Tax Depreciation	-		74,944	74,944		74,944
Bonus Depreciation	-		796,450	796,450		796,450
Total Deferred FIT			871,394	871,394		871,394
Total Federal Income Tax Expense	(\$609,095)		\$435,479	(\$173,616)	\$1,237,421	\$1,063,805

New York Water Service  
Case 09-W-0237  
Rate Base  
For the Rate Year Ending December 31, 2010

Exhibit \_\_\_\_ (SP-1)  
Schedule 5

	Per Company Profile	Adj. No.	Staff Adjustments	As Adjusted by Staff
<u>PLANT IN SERVICE:</u>				
Plant in Service	\$79,768,279	8a	(\$1,541,415)	\$78,226,864
less: Accumulated Depreciation	<u>32,851,293</u>	8b	<u>(94,367)</u>	<u>32,756,926</u>
Net Plant in Service	<u>46,916,986</u>		<u>(1,447,048)</u>	<u>45,469,938</u>
ADD:				
Tank Painting	355,882		-	355,882
Non - Interest Bearing CWIP	-			-
Deferred Debt Expense	1,099,284			1,099,284
Deferral - Rate Case Expense	96,667	8c	-	96,667
Materials & Supplies	298,028			298,028
Prepayment	2,127,255	8d	(53,677)	2,073,578
Cash Working Capital Allowance	1,413,653	8e	(104,215)	1,309,438
Total	<u>5,390,769</u>		<u>(157,892)</u>	<u>5,232,877</u>
DEDUCT:				
Deferred FIT&SIT (Depr & OPEB/Pen)	6,339,853	8f	541,450	6,881,303
Earnings Base Capitalization	<u>(363,113)</u>	8g	<u>2,542,615</u>	<u>2,179,502</u>
	<u>5,976,740</u>		<u>3,084,065</u>	<u>9,060,805</u>
Total Rate Base	<u>\$46,331,014</u>		<u>(\$4,689,005)</u>	<u>\$41,642,009</u>

New York Water Service  
Case 09-W-0237  
Cash Working Capital Allowance  
For the Rate Year Ending December 31, 2010

Exhibit \_\_\_\_ (SP-1)  
Schedule 6

	Per Company Profile	Staff Adjustments	As Adjusted by Staff
Operations & Maintenance Exp.	\$12,453,567	(\$785,388)	\$11,668,179
Less: Non-Cash Expenses:			
Uncollectibles	84,630	-	84,630
Amtz. Rate Case Expenses	-	48,333	48,333
Amtz. Pension Reg Assets	204,512		204,512
OPEB Regulatory Asset	765,933		765,933
Amtz. Tank Painting	89,268	-	89,268
Total	<u>1,144,343</u>	<u>48,333</u>	<u>1,192,676</u>
Net Oper. & Maint. Expense	\$11,309,224	(833,721)	\$10,475,503
Rate	<u>12.50%</u>		<u>12.50%</u>
Cash Working Capital Allowance	<u>\$1,413,653</u>	<u>(\$104,215)</u>	<u>\$1,309,438</u>

New York Water Service  
Case 09-W-0237  
Capital Structure  
For the Rate Year Ending December 31, 2010

Exhibit \_\_\_\_ (SP-1)  
Schedule 7

	Amount (\$000's)	Ratio	Cost Rate %	Weighted Average Ratio	Pre Tax Ratio <u>0.600930</u>
Long Term Debt		54.30%	5.55%	3.01%	3.01%
Common Equity		<u>45.70%</u>	10.30%	<u>4.71%</u>	<u>7.84%</u>
Total		100.00%		7.72%	10.85%

	Amount (\$000's)	Ratio	Cost Rate %	Weighted Average Ratio	Pre Tax Ratio <u>0.600930</u>
Long Term Debt		53.20%	5.53%	2.94%	2.94%
Common Equity		<u>46.80%</u>	10.50%	<u>4.91%</u>	<u>8.17%</u>
Total		100.00%		7.85%	11.11%

Note: Revised Capital Structure reflects the removal of restricted funds in LTD and a ROE stay out premium of 20 basis points

New York Water Service  
Case 09-W-0237  
Explanation of Staff Adjustments  
For the Rate Year Ending December 31, 2010

Exhibit \_\_\_\_ (SP-1)  
Schedule 8  
Page 1 of 3

	<u>Amount</u>	
<b><u>Adj. 1 Operating Revenues</u></b>		
a. To reflect Staff's pro forma operating revenues at current base rates		<u>\$297,395</u>
<b><u>Adj. 2 Operation And Maintenance Expenses</u></b>		
<b><u>a Labor</u></b>		
(1) To reflect Staff's customer service labor expense adjustment	(40,039)	
(2) To reflect HTY capitalized labor percentage of 16.4%	(170,274)	
to reach settlement use capital labor percentage or 14.4%	72,228	
(3) To adjust 1% productivity to track staff's labor adjustments	4,000	
(4) To impute bonus pay efficiencies and savings	(79,180)	
(5) To adjust sick leave bank to reflect HTY plus forecasted union increases	(33,669)	
(6) Limit management pay increases to inflation	(35,281)	
concede adjustment to mngt pay increase	<u>35,281</u>	(246,934)
<b><u>b Employee Benefits</u></b>		
(1) To adjust medical costs to reflect 2009 premiums plus inflation	(236,959)	
update for latest known premiums plus inflation	140,978	
(2) To reflect HTY capitalized labor percentage of 16.4%	(28,446)	
to reach settlement use capital labor percentage or 14.4%	1,684	
(3) To correct for an error	12,290	
(4) To reclassify capitalized amounts for pension and OPEB	<u>123,384</u>	12,931
<b><u>c Pension</u></b>		
To reflect HTY capitalized labor percentage of 16.4%	(135,967)	
to reach settlement use capital labor percentage or 14.4%	<u>16,581</u>	(119,386)
<b><u>d OPEB</u></b>		
To reflect HTY capitalized labor percentage of 16.4%	(35,515)	
to reach settlement use capital labor percentage or 14.4%	<u>4,331</u>	(31,184)
<b><u>e Management Fees - Aqua America</u></b>		
To reflect GDP deflator to forecast rate year	(54,769)	
To remove incentive related compensation	(188,464)	
concession to reach settlement	<u>80,567</u>	(162,666)
<b><u>f Supplies</u></b>		
Normalize over 3 years and adjust inflation to reflect GDP deflator of 3.16%		(16,078)
<b><u>g Transportation</u></b>		
Adjust inflation to reflect GDP deflator of 3.16%		(6,410)

**New York Water Service  
Case 09-W-0237  
Explanation of Staff Adjustments  
For the Rate Year Ending December 31, 2010**

Exhibit \_\_\_\_ (SP-1)  
Schedule 8  
Page 2 of 3

<b>h Insurance</b>			
To adjust rate year forecast based on GDP deflator			(\$43,011)
<b>i Rate Case Expense</b>			
To remove internal charges and reduce legal cost	(10,000)		
agree to use Company's estimate of rate case expenses	<u>10,000</u>	-	
<b>j Other Expenses</b>			
To reflect savings associated with the switch from quarterly to monthly billing			(83,000)
<b>k Inflation Adjustment</b>			
Adjust inflation to reflect Staff's GDP deflator			(11,932)
<b>l Austerity Savings</b>			
To impute austerity savings in the rate year		<u>(77,718)</u>	
<b>Total O&amp;M Expense Adjustments</b>			<b><u><u>(785,388)</u></u></b>
 <b><u>Adj. 3 Depreciation</u></b>			
To reflect Staff's depreciation for the rate year	7,032		
move in service date of DeMott well from beginning of RY 1 to RY 2	(42,900)		(35,868)
 <b><u>Adj. 4 Property Taxes</u></b>			
To reflect Staff's property tax expense for the rate year	(217,016)		
in lieu of update to school taxes and to reach settlement concede 50% of Staff adjustment	<u>108,508</u>		(108,508)
 <b><u>Adj. 5 Payroll Taxes</u></b>			
Track Staff's labor adjustments	(27,115)		
track concessions to labor adjustments	<u>8,224</u>		(18,891)

New York Water Service  
Case 09-W-0237  
Explanation of Staff Adjustments  
For the Rate Year Ending December 31, 2010

Exhibit \_\_\_\_ (SP-1)  
Schedule 8  
Page 3 of 3

Adj. 6 Rate Base

<b>a</b>	<b>Plant in Service</b> To reflect slippage of the Demott well project and Company updates move in service date of DeMott well from beginning of RY 1 to RY 2	(41,415) <u>(1,500,000)</u>	(1,541,415)
<b>b</b>	<b>Accumulated Depreciation</b> To reflect Staff's accumulated depreciation move in service date of DeMott well from beginning of RY 1 to RY 2	60,405 <u>33,962</u>	94,367
<b>c</b>	<b>Prepayments</b> To reflect HTY prepayments plus GDP		(53,677)
<b>d</b>	<b>Cash Working Capital Allowance</b> To reflect Staff's cash working capital allowance for rate year		(104,215)
<b>e</b>	<b>Deferred Rate Case Expense</b> To reflect Staff's reduction to rate case costs agree to use Company's estimate of rate case expenses	(20,000) <u>20,000</u>	-
<b>f</b>	<b>Accumulated Deferred FIT and SIT</b> To reflect bonus depreciaition on 2009 plant adds move in service date of DeMott well from beginning of RY 1 to RY 2	(796,450) <u>255,000</u>	(541,450)
<b>g</b>	<b>EBCap</b> To reflect Staff's EBCap adjust to reflect 13 month average of OPEB internal reserve (net of tax) adjust to reflect 13 month average of Pension internal reserve (net of tax)	(2,880,874) 277,787 <u>60,472</u>	(2,542,615)
	<b>Total Rate Base Adjustments</b>		<b><u><u>(\$2,146,390)</u></u></b>



New York Water Service  
Case 09-W-0237  
Additional Revenue Requirement  
For the Rate Year Ending December 31, 2010

Exhibit \_\_\_\_ (SP-1)  
Schedule 9

	Rate Year Revenue Requirement <u>Increase</u>
Rate Base	\$41,642,009
Rate of Return	<u>7.85%</u>
Required Return	3,268,898
Income Available for Return	<u>867,092</u>
Deficiency	2,401,806
Gross Up Factor	<u>60.0930%</u>
Additional Revenue Requirement	<u><u>\$3,996,815</u></u>

Proof

		100.0000%	\$3,996,815
Less:			
Uncollectibles		<u>0.3400%</u>	<u>13,589</u>
		99.6600%	3,983,226
N Y State Income Taxes @	7.10%	7.0800%	282,809
MTA Tax (9.50% @ 17%)		<u>1.5300%</u>	<u>60,943</u>
		91.0500%	3,639,474
F.I.T. @	34.00%	<u>30.9570%</u>	<u>1,237,421</u>
Retention Factor		<u><u>60.0930%</u></u>	<u><u>\$2,402,053</u></u>

New York Water Service  
Case 09-W-0237  
Operating Income, Rate Base & Rate of Return  
For the Rate Year Ending December 31, 2011

Exhibit \_\_\_\_ (SP-1)  
Schedule 1

	As Adjusted By Staff After RY 1 Increase	Adj. No.	Staff Adjustments	As Adjusted by Staff	Base Rate Increase Required	As Adjusted By Staff After Increase
<b><u>Operating Revenues</u></b>	<u>\$26,598,421</u>			<u>\$26,598,421</u>	<u>\$418,325</u>	<u>\$27,016,746</u>
Total Revenues	26,598,421		-	26,598,421	418,325	27,016,746
<b><u>Deductions</u></b>						
Operations & Maintenance Exp.	\$11,681,768	(1)	186,525	11,868,293	1,422	11,869,715
Depreciation	2,008,664	(2)	50,618	2,059,282		2,059,282
Taxes Other Than Income Taxes						
Property Taxes	8,044,267	(3)	136,753	8,181,020		8,181,020
Payroll Taxes	237,154	(4)	4,032	241,186		241,186
Total Other Taxes	8,281,421			8,422,206		8,422,206
Total Deductions	21,971,853		237,143	22,349,781	1,422	22,351,203
<b><u>Operating Income Before Income Taxes</u></b>	<u>4,626,568</u>		<u>(237,143)</u>	<u>4,248,640</u>	<u>416,903</u>	<u>4,665,543</u>
Income Taxes						
State Income Taxes	293,618		(33,516)	260,102	35,979	296,081
Federal Income Taxes	1,063,805		(120,649)	943,156	129,514	1,072,670
Total Income Taxes	1,357,423		(154,165)	1,203,258	165,493	1,368,751
<b><u>Utility Operating Income</u></b>	<u>\$3,269,145</u>		<u>-\$82,979</u>	<u>\$3,045,382</u>	<u>\$251,410</u>	<u>\$3,296,792</u>
<b><u>Rate Base</u></b>	<u>\$41,642,009</u>	(5)	<u>\$355,009</u>	<u>\$41,997,018</u>		<u>\$41,997,018</u>
<b><u>Rate of Return</u></b>	<u>7.85%</u>			<u>7.25%</u>		<u>7.85%</u>

New York Water Service  
Case 09-W-0237  
Operations & Maintenance Expenses  
For the Rate Year Ending December 31, 2011

Exhibit \_\_\_\_ (SP-1)  
Schedule 2

	As Adjusted By Staff After RY 1 Increase	Adj. No.	Staff Adjustments	As Adjusted by Staff	Base Rate Increase Required	As Adjusted By Staff After Increase
Labor	\$3,310,549		\$ -	\$3,310,549		\$3,310,549
Employee Benefits	1,064,726		-	1,064,726		1,064,726
Pensions	709,683		-	709,683		709,683
OPEBs	185,374		-	185,374		185,374
Purchased Power	1,623,631		-	1,623,631		1,623,631
Chemicals	682,423		-	682,423		682,423
Customer Operations	247,389		-	247,389		247,389
Management Fees - Aqua Amer	833,598		-	833,598		833,598
Accounting	101,469		-	101,469		101,469
Legal	11,769		-	11,769		11,769
Lab Testing	34,225		-	34,225		34,225
Information Technology	34,532		-	34,532		34,532
Outside Services	18,134		-	18,134		18,134
Leases	89,748		-	89,748		89,748
Supplies	627,077		-	627,077		627,077
Transportation	307,714		-	307,714		307,714
Insurance	294,035		-	294,035		294,035
Bad Debt Expense	98,219		-	98,219	1,422	99,641
PSC Assessment	80,336		-	80,336		80,336
Amortizaton Tank Painting	89,268		-	89,268		89,268
Data Lines	21,458		-	21,458		21,458
Office Supplies	39,871		-	39,871		39,871
Dues	31,728		-	31,728		31,728
Bond Trustee Fees	12,668		-	12,668		12,668
Utilities	68,790		-	68,790		68,790
Uniforms	27,515		-	27,515		27,515
Mail and Postage	22,827		-	22,827		22,827
Communications	10,749		-	10,749		10,749
Licenses and Permits	12,021		-	12,021		12,021
Meals	5,087		-	5,087		5,087
Rate Case Expense	48,333		-	48,333		48,333
Other Expenses	56,027		-	56,027		56,027
Amortz. Pension Reg Asset	204,512		-	204,512		204,512
Amortz. of Pension/OPEB Reg Asset	765,933		-	765,933		765,933
Inflation Adjustment	(11,932)	1a	186,525	174,593		174,593
Austerity Savings	(77,718)		-	(77,718)		(77,718)
<b>Total O&amp;M Expense</b>	<b>\$11,681,768</b>		<b>186,525</b>	<b>\$11,868,293</b>	<b>\$1,422</b>	<b>\$11,869,715</b>

New York Water Service  
Case 09-W-0237  
Rate Base  
For the Rate Year Ending December 31, 2011

Exhibit \_\_\_\_ (SP-1)  
Schedule 5

	As Adjusted By Staff After RY 1 Increase	Adj. No.	Staff Adjustments	As Adjusted by Staff
<b><u>PLANT IN SERVICE:</u></b>				
Plant in Service	\$78,226,864	5a	\$2,397,917	\$80,624,781
less: Accumulated Depreciation	32,756,926	5b	2,055,404	34,812,330
Net Plant in Service	<u>45,469,938</u>		<u>342,513</u>	<u>45,812,451</u>
<b>ADD:</b>				
Tank Painting	355,882		-	355,882
Non - Interest Bearing CWIP	-			-
Deferred Debt Expense	1,099,284			1,099,284
Deferral - Rate Case Expense	96,667		-	96,667
Materials & Supplies	298,028			298,028
Prepayment	2,073,578		-	2,073,578
Cash Working Capital Allowance	1,309,438	5c	23,315	1,332,753
Total	<u>5,232,877</u>		<u>23,315</u>	<u>5,256,192</u>
<b><u>DEDUCT:</u></b>				
Deferred FIT&SIT (Depr & OPEB/Pen)	6,881,303	5d	10,819	6,892,122
Earnings Base Capitalization	2,179,502		-	2,179,502
	<u>9,060,805</u>		<u>10,819</u>	<u>9,071,624</u>
 Total Rate Base	 <u>\$41,642,009</u>		 <u>\$355,009</u>	 <u>\$41,997,018</u>

New York Water Service  
Case 09-W-0237  
Cash Working Capital Allowance  
For the Rate Year Ending December 31, 2011

Exhibit \_\_\_\_ (SP-1)  
Schedule 6

	By Staff After RY 1 Increase #REF!	Staff Adjustments	As Adjusted by Staff
Operations & Maintenance Exp.	\$11,400,633	\$186,525	\$11,587,158
Less: Non-Cash Expenses:			
Uncollectibles	84,630	-	84,630
Amtz. Rate Case Expenses	48,333	-	48,333
Amtz. Pension Reg Assets	204,512		204,512
OPEB Regulatory Asset	765,933		765,933
Amtz. Tank Painting	89,268	-	89,268
Total	<u>1,192,676</u>	<u>-</u>	<u>1,192,676</u>
Net Oper. & Maint. Expense	\$10,207,957	186,525	\$10,394,482
Rate	<u>12.50%</u>		<u>12.50%</u>
Cash Working Capital Allowance	<u>\$1,275,995</u>	<u>\$23,315</u>	<u>\$1,299,310</u>

New York Water Service  
Case 09-W-0237  
Capital Structure  
For the Rate Year Ending December 31, 2011

Exhibit \_\_\_\_ (SP-1)  
Schedule 7

	Amount (\$000's)	Ratio	Cost Rate %	Weighted Average Ratio	Pre Tax Ratio 0.600930
Long Term Debt		54.30%	5.55%	3.01%	3.01%
Customer Deposits			4.85%		
Common Equity		<u>45.70%</u>	10.30%	<u>4.71%</u>	<u>7.84%</u>
Total		100.00%		7.72%	10.85%

	Amount (\$000's)	Ratio	Cost Rate %	Weighted Average Ratio	Pre Tax Ratio 0.600930
Long Term Debt		53.20%	5.53%	2.94%	2.94%
Customer Deposits			4.85%		
Common Equity		<u>46.80%</u>	10.50%	<u>4.91%</u>	<u>8.17%</u>
Total		100.00%		7.85%	11.11%

Note: Revised Capital Structure reflects the removal of restricted funds in LTD and a ROE stay out premium of 12 basis points

\* L.T.D + Customer Deposits 3.01%

New York Water Service  
Case 09-W-0237  
Explanation of Staff Adjustments  
For the Rate Year Ending December 31, 2011

Exhibit \_\_\_\_ (SP-1)  
Schedule 8  
Page 1 of 3

<b><u>Adj. 1 Operation And Maintenance Expenses</u></b>		
<b>Inflation Adjustment</b>		
Use GDP of 1.7% to forecast all cost components for RY 2 , other than pension expense which remains at RY 1 level		186,525
<b><u>Adj. 2 Depreciation</u></b>		
To reflect depreciation on \$1.5 million DeMott well and \$1.0 million of RY 2 CAPEX		50,618
<b><u>Adj. 3 Property Taxes</u></b>		
Use GDP of 1.7% to forecast RY 2 property tax expense		136,753
<b><u>Adj. 4 Payroll Taxes</u></b>		
Use GDP of 1.7% to forecast RY 2 payroll tax expense		4,032
<b><u>Adj. 5 Rate Base</u></b>		
<b><u>a Plant in Service</u></b>		
To reflect \$1.5 million DeMott well and \$1.0 million of RY 2 CAPEX		2,397,917
<b><u>b Accumulated Depreciation</u></b>		
track changes in accumulated depreciation		(2,055,404)
<b><u>c Cash Working Capital Allowance</u></b>		
To reflect Staff's cash working capital allowance for rate year		23,315
<b><u>d Accumulated Deferred FIT and SIT</u></b>		
To reflect accumulated deferred taxes on RY 2 CAPEX		<u>(10,819)</u>
<b>Total Rate Base Adjustments</b>		355,009

New York Water Service  
Case 09-W-0237  
Additional Revenue Requirement  
For the Rate Year Ending December 31, 2011

	Rate Year Revenue Requirement <u>Increase</u>
Rate Base	\$41,997,018
Rate of Return	<u>7.85%</u>
Required Return	3,296,766
Income Available for Return	<u>3,045,382</u>
Deficiency	251,384
Gross Up Factor	<u>60.0930%</u>
Additional Revenue Requirement	<u><u>\$418,325</u></u>

Proof

		100.0000%	\$418,325
Less:			
Revenue Taxes			
MTA Surcharge Tax			
GRT Surcharge Tax			
Uncollectibles		<u>0.3400%</u>	<u>1,422</u>
		99.6600%	416,903
N Y State Income Taxes @	7.10%	7.0800%	29,600
MTA Tax (9.50% @ 17%)		<u>1.5300%</u>	<u>6,379</u>
		91.0500%	380,924
F.I.T. @	34.00%	<u>30.9570%</u>	<u>129,514</u>
Retention Factor		<u><u>60.0930%</u></u>	<u><u>\$251,410</u></u>



**New York Water Service  
Case 09-W-0237  
Operating Income, Rate Base & Rate of Return  
For the Rate Year Ending December 31, 2012**

Exhibit \_\_\_\_ (SP-1)  
Schedule 1

	As Adjusted By Staff After RY 2 Increase	Adj. No.	Staff Adjustments	As Adjusted by Staff	Base Rate Increase Required	As Adjusted By Staff After Increase
<b><u>Operating Revenues</u></b>	<u>\$27,016,746</u>			<u>\$27,016,746</u>	<u>\$526,842</u>	<u>\$27,543,588</u>
Total Revenues	27,016,746		-	27,016,746	526,842	27,543,588
<b><u>Deductions</u></b>						
Operations & Maintenance Exp.	\$11,869,715	(1)	212,041	12,081,757	1,791	12,083,548
Depreciation	2,059,282	(2)	53,605	2,112,887		2,112,887
Taxes Other Than Income Taxes						
Property Taxes	8,181,020	(3)	155,439	8,336,459		8,336,459
Payroll Taxes	241,186	(4)	4,583	245,769		245,769
Total Other Taxes	<u>8,422,206</u>			<u>8,582,228</u>		<u>8,582,228</u>
Total Deductions	<u>22,351,203</u>		<u>265,646</u>	<u>22,776,872</u>	<u>1,791</u>	<u>22,778,663</u>
<b><u>Operating Income Before Income Taxes</u></b>	<u>4,665,543</u>		<u>(265,646)</u>	<u>4,239,874</u>	<u>525,051</u>	<u>4,764,925</u>
Income Taxes						
State Income Taxes	296,081		(39,010)	257,070	45,312	302,382
Federal Income Taxes	1,072,670		(140,427)	932,243	163,111	1,095,354
Total Income Taxes	<u>1,368,751</u>		<u>(179,437)</u>	<u>1,189,314</u>	<u>208,423</u>	<u>1,397,736</u>
<b><u>Utility Operating Income</u></b>	<u>\$3,296,792</u>		<u>-\$86,208</u>	<u>\$3,050,561</u>	<u>\$316,628</u>	<u>\$3,367,189</u>
<b><u>Rate Base</u></b>	<u>\$41,997,018</u>	(5)	<u>\$896,694</u>	<u>\$42,893,712</u>		<u>\$42,893,712</u>
<b><u>Rate of Return</u></b>	<u>7.85%</u>			<u>7.11%</u>		<u>7.85%</u>

New York Water Service  
Case 09-W-0237  
Operations & Maintenance Expenses  
For the Rate Year Ending December 31, 2012

Exhibit \_\_\_\_ (SP-1)  
Schedule 2

	As Adjusted By Staff After RY 2 Increase	Adj. No.	Staff Adjustments	As Adjusted by Staff	Base Rate Increase Required	As Adjusted By Staff After Increase
Labor	\$3,310,549		\$ -	\$3,310,549		\$3,310,549
Employee Benefits	1,064,726		-	1,064,726		1,064,726
Pensions	709,683		-	709,683		709,683
OPEBs	185,374		-	185,374		185,374
Purchased Power	1,623,631		-	1,623,631		1,623,631
Chemicals	682,423		-	682,423		682,423
Customer Operations	247,389		-	247,389		247,389
Management Fees - Aqua Amer	833,598		-	833,598		833,598
Accounting	101,469		-	101,469		101,469
Legal	11,769		-	11,769		11,769
Lab Testing	34,225		-	34,225		34,225
Information Technology	34,532		-	34,532		34,532
Outside Services	18,134		-	18,134		18,134
Leases	89,748		-	89,748		89,748
Supplies	627,077	2f	-	627,077		627,077
Transportation	307,714	2g	-	307,714		307,714
Insurance	294,035	2h	-	294,035		294,035
Bad Debt Expense	99,642		-	99,642	1,791	101,433
PSC Assessment	80,336		-	80,336		80,336
Amortization Tank Painting	89,268		-	89,268		89,268
Data Lines	21,458		-	21,458		21,458
Office Supplies	39,871		-	39,871		39,871
Dues	31,728		-	31,728		31,728
Bond Trustee Fees	12,668		-	12,668		12,668
Utilities	68,790		-	68,790		68,790
Uniforms	27,515		-	27,515		27,515
Mail and Postage	22,827		-	22,827		22,827
Communications	10,749		-	10,749		10,749
Licenses and Permits	12,021		-	12,021		12,021
Meals	5,087		-	5,087		5,087
Rate Case Expense	48,333		-	48,333		48,333
Other Expenses	56,027		-	56,027		56,027
Amortz. Pension Reg Asset	204,512		-	204,512		204,512
Amortz. of Pension/OPEB Reg Asset	765,933		-	765,933		765,933
Inflation Adjustment	174,593	1a	212,041	386,634		386,634
Austerity Savings	(77,718)		-	(77,718)		(77,718)
<b>Total O&amp;M Expense</b>	<b>\$11,869,716</b>		<b>212,041</b>	<b>\$12,081,757</b>	<b>\$1,791</b>	<b>\$12,083,548</b>

New York Water Service  
Case 09-W-0237  
Rate Base  
For the Rate Year Ending December 31, 2012

Exhibit \_\_\_\_ (SP-1)  
Schedule 5

	As Adjusted By Staff After RY 2 Increase	Adj. No.	Staff Adjustments	As Adjusted by Staff
<u>PLANT IN SERVICE:</u>				
Plant in Service	\$80,624,781	5a	\$2,979,167	\$83,603,948
less: Accumulated Depreciation	<u>34,812,330</u>	5b	<u>2,086,087</u>	<u>36,898,417</u>
Net Plant in Service	<u>45,812,451</u>		<u>893,080</u>	<u>46,705,531</u>
ADD:				
Tank Painting	355,882		-	355,882
Non - Interest Bearing CWIP	-			-
Deferred Debt Expense	1,099,284			1,099,284
Deferral - Rate Case Expense	96,667			96,667
Materials & Supplies	298,028			298,028
Prepayment	2,073,578			2,073,578
Cash Working Capital Allowance	<u>1,332,753</u>	5c	<u>26,505</u>	<u>1,359,258</u>
Total	<u>5,256,192</u>		<u>26,505</u>	<u>5,282,697</u>
DEDUCT:				
Deferred FIT&SIT (Depr & OPEB/Pen)	6,892,122	5d	22,891	6,915,013
Earnings Base Capitalization	<u>2,179,502</u>		-	<u>2,179,502</u>
	<u>9,071,624</u>		<u>22,891</u>	<u>9,094,515</u>
Total Rate Base	<u>\$41,997,018</u>		<u>\$896,694</u>	<u>\$42,893,712</u>

New York Water Service  
Case 09-W-0237  
Cash Working Capital Allowance  
For the Rate Year Ending December 31, 2012

Exhibit \_\_\_\_ (SP-1)  
Schedule 6

	As Adjusted By Staff After RY 2 Increase	Staff Adjustments	As Adjusted by Staff
Operations & Maintenance Exp.	\$11,400,633	\$212,041	\$11,612,674
Less: Non-Cash Expenses:			
Uncollectibles	84,630	-	84,630
Amtz. Rate Case Expenses	48,333	-	48,333
Amtz. Pension Reg Assets	204,512		204,512
OPEB Regulatory Asset	765,933		765,933
Amtz. Tank Painting	89,268	-	89,268
Total	<u>1,192,676</u>	<u>-</u>	<u>1,192,676</u>
Net Oper. & Maint. Expense	\$10,207,957	212,041	\$10,419,998
Rate	<u>12.50%</u>		<u>12.50%</u>
Cash Working Capital Allowance	<u>\$1,275,995</u>	<u>\$26,505</u>	<u>\$1,302,500</u>

New York Water Service  
Case 09-W-0237  
Capital Structure  
For the Rate Year Ending December 31, 2012

Exhibit \_\_\_\_ (SP-1)  
Schedule 7

	<u>Amount</u> <u>(\$000's)</u>	<u>Ratio</u>	<u>Cost</u> <u>Rate %</u>	<u>Weighted</u> <u>Average</u> <u>Ratio</u>	<u>Pre Tax</u> <u>Ratio</u> <u>0.600930</u>
Long Term Debt		54.30%	5.55%	3.01%	3.01%
Customer Deposits			4.85%		
Common Equity		<u>45.70%</u>	10.30%	<u>4.71%</u>	<u>7.84%</u>
Total		100.00%		7.72%	10.85%

	<u>Amount</u> <u>(\$000's)</u>	<u>Ratio</u>	<u>Cost</u> <u>Rate %</u>	<u>Weighted</u> <u>Average</u> <u>Ratio</u>	<u>Pre Tax</u> <u>Ratio</u> <u>0.600930</u>
Long Term Debt		53.20%	5.53%	2.94%	2.94%
Customer Deposits			4.85%		
Common Equity		<u>46.80%</u>	10.50%	<u>4.91%</u>	<u>8.17%</u>
Total		100.00%		7.85%	11.11%

Note: Revised Capital Structure reflects the removal of restricted funds in LTD and a ROE stay out premium of 12 basis points

\* L.T.D + Customer Deposits 3.01%

New York Water Service  
Case 09-W-0237  
Explanation of Staff Adjustments  
For the Rate Year Ending December 31, 2012

Exhibit \_\_\_\_ (SP-1)  
Schedule 8  
Page 1 of 3

**Adj. 1 Operation And Maintenance Expenses**

**Inflation Adjustment**

Use GDP of 1.9% to forecast all cost components for RY 3 , other than pension expense which remains at RY 1 level 212,041

**Adj. 2 Depreciation**

To reflect depreciation on \$2.0 million Tank and \$1.0 million of RY 3 CAPEX 53,605

**Adj. 3 Property Taxes**

Use GDP of 1.9% to forecast RY 3 property tax expense 155,439

**Adj. 4 Payroll Taxes**

Use GDP of 1.9% to forecast RY 3 payroll tax expense 4,583

**Adj. 5 Rate Base**

**a Plant in Service**

To reflect \$2.0 million Tank and \$1.0 million of RY 3 CAPEX 2,979,167

**b Accumulated Depreciation**

track changes in accumulated depreciation (2,086,087)

**c Cash Working Capital Allowance**

To reflect Staff's cash working capital allowance for rate year 26,505

**d Accumulated Deferred FIT and SIT**

To reflect accumulated deferred taxes on RY 3 CAPEX (22,891)

**Total Rate Base Adjustments**

896,694

New York Water Service  
Case 09-W-0237  
Additional Revenue Requirement  
For the Rate Year Ending December 31, 2012

	Rate Year Revenue Requirement <u>Increase</u>
Rate Base	\$42,893,712
Rate of Return	<u>7.85%</u>
Required Return	3,367,156
Income Available for Return	<u>3,050,561</u>
Deficiency	316,595
Gross Up Factor	<u>60.0930%</u>
Additional Revenue Requirement	<u><u>\$526,842</u></u>

Proof

		100.0000%	\$526,842
Less:			
Revenue Taxes			
MTA Surcharge Tax			
GRT Surcharge Tax			
Uncollectibles		<u>0.3400%</u>	<u>1,791</u>
		99.6600%	525,051
N Y State Income Taxes @	7.10%	7.0800%	37,279
MTA Tax (9.50% @ 17%)		<u>1.5300%</u>	<u>8,033</u>
		91.0500%	479,739
F.I.T. @	34.00%	<u>30.9570%</u>	<u>163,111</u>
Retention Factor		<u><u>60.0930%</u></u>	<u><u>\$316,628</u></u>