

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

SCANNED

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In the Matter of  
United Water New Rochelle, Inc.

Case 09-W-0824

May 2010

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Prepared Responsive Testimony of  
Staff Economic Rate Design  
Panel:

Kenneth Walwyn  
Senior Economist  
Office of Regulatory Economics  
State of New York  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350

Richard E. Schuler, Jr.  
Chief, Utility Programs  
Office of Regulatory Economics  
State of New York  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350

- 1   **Q.   Please state your name and business address.**
- 2   A.   My name is Kenneth Walwyn and my business
- 3       address is Three Empire State Plaza, Albany, New
- 4       York.
- 5   **Q.   Please state your name and business address.**
- 6   A.   Richard E. Schuler, Jr. I am employed by the New
- 7       York State Department of Public Service. My
- 8       business address is Three Empire State Plaza,
- 9       Albany, New York 12223.
- 10  **Q.   Mr. Walwyn and Mr. Schuler, have you previously**
- 11       **submitted testimony in this proceeding?**
- 12  A.   Yes.
- 13  **Q.   What is the purpose of your testimony?**
- 14  A.   We will respond to the fire hydrant service
- 15       class SC4 rate design proposal put forth by the
- 16       UWNR Municipal Consortium's witness, David M.
- 17       Wise.
- 18  **Q.   Please describe the Municipal Consortium's**
- 19       **position regarding rate design for the fire**
- 20       **hydrant service class.**
- 21  A.   The Municipal Consortium argues that fire
- 22       hydrant protection costs should "be treated as
- 23       general water system costs to be billed to all
- 24       classes of water users as opposed to being

1 billed exclusively to the municipalities." The  
2 Municipal Consortium contends that "treating  
3 these costs as system costs is the most  
4 equitable approach because it ensures that  
5 entities exempt from the real property tax such  
6 as colleges and hospitals bear a portion of  
7 these fire protection related costs commensurate  
8 with the benefits they receive." The Municipal  
9 Consortium indicates that transferring fire  
10 protection cost recovery from rate class SC4 to  
11 the general SC1 service class would ensure that  
12 all entities contribute to the recovery of fire  
13 hydrant costs.

14 Q. What is staff's position regarding the Municipal  
15 Consortium's rate design proposal for the fire  
16 hydrant service class?

17 A. All else equal, we would agree that those  
18 entities that benefit from fire protection  
19 should bear a portion of fire hydrant costs.  
20 However, in staff's view, there are two  
21 additional issues that must be considered  
22 regarding the Municipal Consortium's proposal.  
23 Q. What is the first additional issue that must be  
24 considered in evaluating the reasonableness of

1           **the Municipal Consortiums proposal?**

2    A.    The Municipal Consortium has not shown that  
3           their alternative rate design proposal results  
4           in a reasonably commensurate allocation of fire  
5           hydrant related water costs. In fact, although  
6           all customer locations would now be responsible  
7           for recovering at least some of the fire  
8           protection costs, some customers could pay a  
9           disproportionately large share. Examples of  
10          high volume water customers that could bear an  
11          unreasonably high proportion of cost recovery  
12          include golf courses and car washes or other  
13          entities that use a relatively high amount of  
14          water, but could logically be viewed as being a  
15          lower fire protection risk.

16   Q.    **Is this staff's only concern with the Municipal**  
17           **Consortium's fire hydrant rate design proposal?**

18   A.    No. Another issue that was not considered in  
19          the Municipal Consortium's proposal is the  
20          reasoning behind granting certain customer  
21          locations with tax-exempt status. There are  
22          other services, financed through property taxes,  
23          which benefit tax-exempt entities, such as  
24          colleges and hospitals. Such services include

1 police protection, snow plowing and electric  
2 street lighting. The Municipal Consortium has  
3 not indicated why it is reasonable to require  
4 these tax-exempt locations to now bear the costs  
5 of some municipal services and not others.  
6 Finally, the Municipal Consortium has not  
7 discussed what policy makers initially intended  
8 when granting tax-exempt status to various  
9 organizations. Thus, staff cannot evaluate how  
10 the Municipal Consortium's proposal might go  
11 against these intentions.

12 Q. Is there an analogous service which could be  
13 used to help illustrate staff's point regarding  
14 tax-exempt status?

15 A. Yes. Many municipalities hire private companies  
16 for snow-plowing. Tax-exempt entities benefit  
17 from having snow plowed from nearby municipal  
18 streets, but do not contribute to the cost of  
19 such snow plowing. However, it would be  
20 unreasonable to ask a private snow-plowing  
21 company to add the costs of plowing municipal  
22 roads to the rates it charges to all of its non-  
23 municipal customers (i.e., residential, business  
24 and tax-exempt) for removing snow from their

1           property to address this inequity.

2    Q.    Does this conclude your responsive testimony?

3    A.    Yes.

BEFORE THE

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of  
United Water New Rochelle, Inc.

Case 09-W-0824

April 2010

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Prepared Testimony of:  
Accounting Rates Panel

Gerald Wojcinski  
Public Utilities Auditor 3

Christopher Simon  
Public Utilities Auditor I

Office of Accounting and Finance  
State of New York  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350





1 Q. Please state the names of the members of Staff's  
2 Accounting Rates Panel (the Panel).

3 A. Our names are Gerald Wojcinski and Christopher  
4 Simon. Our business address is Three Empire  
5 State Plaza, Albany, New York 12223.

6 Q. Mr. Wojcinski, by whom are you employed and in  
7 what capacity?

8 A. I am employed by the New York State Department  
9 of Public Service (DPS) as a Public Utilities  
10 Auditor III in the Office of Accounting and  
11 Finance.

12 Q. Mr. Simon, by whom are you employed and in what  
13 capacity?

14 A. I am employed by the DPS as a Public Utilities  
15 Auditor I in the Office of Accounting and  
16 Finance.

17 Q. Mr. Wojcinski, please describe your educational  
18 background and experience.

19 A. I graduated from Canisius College in 1972 with a  
20 Bachelors Degree in Business Administration. My major  
21 was Accounting. From January 1973 to April 1974, I was  
22 employed as an Assistant to the Comptroller at the  
23 Wurlitzer Company. Thereafter, I joined the Staff of  
24 the Department of Public Service. Since that time I

1 have participated in numerous utility accounting  
2 examinations including rate proceedings, finance cases  
3 and a merger.

4 Q Mr. Wojcinski, have you previously testified  
5 before the Public Service Commission?

6 A. Yes. I am stationed at National Fuel Gas  
7 Distribution Corporation (NFG), and since I  
8 joined the DPS in 1974, until the present, I  
9 have testified in almost all of the NFG rate  
10 cases. More Recently, I submitted testimony in  
11 the following rate proceeding: Case 07-G-0141,  
12 National Fuel Gas Distribution Corporation - Gas  
13 Rates.

14 Q. Other than NFG, are there any other cases that  
15 you have testified in?

16 A. Yes. I have testified in Case 08-G-0609, Niagara  
17 Mohawk Power Corporation - Gas Rates and in Case  
18 08-G-1392 St Lawrence Gas Company Inc.

19 Q. Mr. Simon, please describe your educational  
20 background and experience.

21 A. I graduated from the State University of New  
22 York Institute of Technology at Utica/Rome with  
23 a Masters in Business Administration with a  
24 Concentration in Accounting. I worked for two

1 and one-half years at Warren Koch, PC, Croton-  
2 on-Hudson, New York. At Warren Koch, I worked  
3 as a Staff Accountant and as the Network  
4 Administrator. After Warren Koch, I went to  
5 LCS&Z, LLP in Latham, New York where I was  
6 employed as a Staff Accountant. In February  
7 2005, I joined the Office of Accounting and  
8 Finance in the Department of Public Service in  
9 my present position.

10 Q. Have you previously testified before the  
11 Commission?

12 A. Yes, I have filed testimony as a part of the  
13 Accounting Rates Panel for Corning Natural Gas  
14 Corporation in Cases 08-G-1137, 07-G-0772, 05-G-  
15 1359, 05-G-1268 and 04-G-1032. I have also  
16 filed testimony as a part of the Accounting  
17 Rates Panel for KeySpan Energy Delivery of New  
18 York and KeySpan Energy Delivery of Long Island  
19 in Cases 06-M-0878, 06-G-1185 and 06-G-1186.

20 Q. What is the purpose of the Panel's testimony in  
21 this proceeding?

22 A. We are responsible for examining the rate  
23 filing, supporting workpapers, Public Service  
24 Commission (PSC) annual reports and other

1       pertinent data of United Water New Rochelle  
2       (UWNR or the Company). Based on our findings, we  
3       have made certain adjustments and  
4       recommendations to the Company's filing.

5   Q.   Mr. Wojcinski, what is your role in this  
6       proceeding?

7   A.   In this proceeding, I served as the Accounting  
8       Staff team leader, and my duties included  
9       supervising Mr. Simon.

10  Q.   Mr. Simon, what was your role in this  
11       proceeding?

12  A.   I assisted Mr. Wojcinski in the audit of United  
13       Water New Rochelle (UWNR or the Company) rate  
14       filing.

15  Q.   What areas of the Company filing will the Panel  
16       address?

17  A.   We will address the following items in the  
18       Company's rate case filing; the number preceding  
19       each of the following item corresponds to the  
20       adjustment number assigned to the item in  
21       Schedule 8 of Exhibit \_\_ (ARP-2), which is  
22       described below: 3e) Labor; 3f) Pension; 3h)  
23       Employee Health Insurance; 3i) OPEBs; 3m)  
24       Outside Contractors; 3n) Outside Services M&S;

1        3o) Outside Services; 3p) Amortization of Rate  
2        Case Expense; 3t) Productivity; 3u) Austerity;  
3        3) (various) inflation adjustments; 5) Payroll  
4        Taxes; Federal Income Taxes, State Income Taxes  
5        and various Rate Base adjustments, whose  
6        specific adjustments we will discuss later in  
7        our testimony.

8                We also sponsor a number of adjustments to  
9        UWNR's operating expenses, taxes, and rate base  
10       for the rate year ending October 31, 2011. A  
11       summary of our adjustments is contained in  
12       Exhibit\_\_\_ (ARP-2), Schedule 8.

13    Q.    Did the Panel rely on information produced  
14       during the discovery phase of this proceeding?

15    A.    Yes. We relied on Company responses to numerous  
16       data information requests (IRs), and a list of  
17       these responses is included in Exhibit\_\_\_ (ARP-  
18       1). This exhibit also contains the IRs relied  
19       on by the other Staff witnesses, as well as  
20       Staff's pre-filed workpapers supporting their  
21       adjustments.

22    Q.    Is the Panel sponsoring any other exhibits in  
23       this proceeding?

24    A.    Yes. We are sponsoring Exhibit\_\_\_ (ARP-2), which

1 contains 8 schedules. This Exhibit is the  
2 calculation of Staff's rate year revenue  
3 requirement. All schedules are for the rate year  
4 period. The 9 schedules of Exhibit\_\_ (ARP-2) are:  
5 Schedule 1 - Statement of Operating Income;  
6 Schedule 2 - Operating and Maintenance  
7 (O&M) Expenses;  
8 Schedule 3 - State Income Taxes;  
9 Schedule 4 - Federal Income Taxes;  
10 Schedule 5 - Rate Base;  
11 Schedule 6 - Cash Working Capital;  
12 Schedule 7 - Capital Structure;  
13 Schedule 8 - Summary of Staff Adjustments;  
14 Schedule 9 - Calculation of Revenue  
15 Requirement

16 Q. What is Company's base rate revenue requirement  
17 request in this Case?

18 A. The Company's request is for \$30.1 million.  
19 However, the Company has not included a  
20 calculation of the revenue requirement. Staff  
21 performed the calculation, which is used as the  
22 starting point in our Exhibit. This starting  
23 point was agreed to by the Company (IR Staff-171  
24 GRW-34).

1 Q. Please explain the Company's revenue requirement  
2 calculation.

3 A. The Company's revenue requirement of \$20.9  
4 million is shown on Exhibit \_\_\_ (KHD-2), Schedule  
5 1, pages 1 and 2 and shows the bill impact to  
6 customer. The difference between the \$30.1  
7 million base rate increase and the bill impact  
8 increase of \$20.9 million is attributable to  
9 certain currently allowed surcharges being  
10 eliminated in the rate year and recovered  
11 instead through the base rate increase. We agree  
12 that the surcharges should be removed and  
13 instead rolled into the base rates increase.  
14 The forecasted surcharges for the period prior  
15 to the rate year would be about \$9.1 million  
16 The shift in the method of recovery of these  
17 surcharges to base rates represent roughly \$9.2  
18 million of the Company's base rate increase.

19

20 **Operation and Maintenance Expenses**

21 **Labor Expense**

22 Q. Please explain adjustment 3e of \$(88,059) to  
23 Labor.

24 A. This adjustment is comprised of two parts:

1	Bargaining Unit	\$(22,628)
2	Non-Bargaining Unit	<u>(65,431)</u>
3	Total	\$(88,059)
4		=====

5 Q. How did the Company forecast its rate year union  
6 pro forma labor?

7 A. The Company started with 49 full-time employees  
8 and their hourly rates at June 30, 2009. The  
9 Company forecasted the addition of 2 new  
10 employees during the rate year. The Company  
11 applied a 3.0% increase in wages from the  
12 historic test year to the bridge period, and no  
13 increase for the rate year. The Company did  
14 include a 1.5% bonus to employees during the  
15 rate year. Overtime was calculated using the  
16 average actual overtime based on the twelve  
17 months ended June 30, 2007, 2008, and 2009. The  
18 overtime was allocated to employees based upon  
19 annual salary to grand total bargaining unit  
20 salary.

21 Q. How did the Company forecast its rate year non-  
22 union pro forma labor?

23 A. The Company started with 9 full-time employees  
24 and their hourly rates at June 30, 2009. The



1 Company forecasted an additional 4 new employees  
2 during the bridge period, to which 3 are  
3 currently on the Company's payroll. The Company  
4 applied a 3.0% increase to base pay from the  
5 historic test period to the bridge period. Then  
6 the Company applied a 3.25% increase from the  
7 bridge period to the rate year. The Company  
8 also applied a requested Short Term Incentive  
9 bonus to each eligible employee during the  
10 bridge period and rate year.

11 Q. Did the Company request any part-time employees?

12 A. Yes. The Company has requested 3 part-time  
13 employees during the summer months.

14 Q. What is the total amount of labor expense for  
15 union, non-union and part-time employees?

16 A. Combining the forecasts of union, non-union and  
17 part-time pro forma labor results in total  
18 company pro forma labor of \$4,756,263.

19 Q. Did the Company charge a portion of its total  
20 pro forma labor to capital?

21 A. Yes. The Company charged 26.62%, or \$1,265,969  
22 of its pro forma labor to capital. The 26.62%  
23 is based on the three-year average of the actual

1 capitalized labor from the twelve months ended  
2 June 30, 2007, 2008, and 2009.

3 Q. Does the Company transfer a portion of its pro  
4 forma labor to other business units?

5 A. Yes. The Company charged 26.63% or \$1,266,660  
6 of its pro forma labor to other business units.  
7 The 26.63% is based on a two-year average of the  
8 actual labor transferred to other business units  
9 for the twelve months ended June 30, 2008 and  
10 2009.

11 Q. What is the total rate year labor expense  
12 requested by the Company?

13 A. Starting with the total Company labor expense of  
14 \$4,756,263, subtracting out capitalized labor of  
15 \$1,265,969 and labor transferred to other  
16 business units of \$1,266,660, the Company also  
17 forecasted a Labor from Other Business Units of  
18 \$124,733, bringing the total rate year labor  
19 expense requested by the Company to \$2,348,366.

20 Q. Are you proposing any adjustment's to the  
21 Company's forecast of rate year labor expense?

22 A. Yes. We are proposing to adjust the proposed  
23 increase to both the bargaining unit employees  
24 and the non-bargaining unit employee's annual

1 salary. The Company forecasted a 3.0% increase  
2 to the bargaining unit labor for the bridge  
3 period and a 0.0% increase into the rate year.  
4 The bargaining unit employee's current contract  
5 expires in May of 2010. In order for our  
6 proposal to stay neutral to both parties  
7 involved in negotiations, we propose to  
8 maintain the bargaining unit's current salary.  
9 When the contract is settled, the Company should  
10 make a filing that quantifies the financial  
11 impacts and explains the reasonableness of the  
12 contract terms.

13 Q. What is your position on the Company's  
14 forecasted pay raise for its non-bargaining unit  
15 employees?

16 A. We do not agree with the position the Company  
17 has taken with regard to non-bargaining unit  
18 employees. The Company has not justified why  
19 its management should be granted a pay raise  
20 greater than the general inflation rate. We  
21 asked the Company to report on the last five  
22 years of management and executive percentage pay  
23 increases versus the annual inflation rate, IR  
24 Staff-89 CGS-13. The Company reported to us

1       that over the last four years, management and  
2       executive pay increases have been an average of  
3       1.0% higher than the rate of inflation.

4   Q.   What management pay increase are you proposing?

5   A.   We are proposing to apply an inflation rate of  
6       3.0%, this is the level that the Company  
7       originally forecast and is close to the adjusted  
8       Staff level for general inflation of 2.95%.

9   Q.   Can you explain your reasoning?

10  A.   In the current economic down turn, many public  
11       and private companies are cutting costs through  
12       hiring freezes, wage and salary freezes and  
13       layoffs. It is reasonable to expect UWNR to do  
14       the same in order not to impose greater burdens  
15       to its ratepayers. Further, it is clearly  
16       within the Company's discretion to control the  
17       salary raise to its management employees.

18  Q.   What is your position on the Company's proposed  
19       bonus pay and incentive pay programs?

20  A.   We propose to eliminate the bonus pay from the  
21       Bargaining Unit Employees labor forecast and the  
22       incentive pay program from the Non-Bargaining  
23       Unit Employees labor forecast.

1 Q. How much bonus pay/incentive pay did the Company  
2 include in its rate year labor forecast?

3 A. The Company included a total of \$48,402 of bonus  
4 pay in the Bargaining Unit rate year labor  
5 forecast and \$102,833 of incentive payouts in  
6 the Non-Bargaining Unit rate year labor  
7 forecast. These amounts are before the  
8 Company's aforementioned adjustments to  
9 capitalize a portion of the labor costs and to  
10 transfer a portion to other business units.

11 Q. Did the Company justify the inclusion of either  
12 the bonus pay or incentive pay programs?

13 A. No. While the Company quantified and reflected  
14 the cost in its expense forecast, it did not  
15 quantify or reflect any projected benefits to  
16 customers from such bonus or incentive pay. The  
17 Company claims that the benefits cannot be  
18 accurately projected and captured for customers.  
19 However, allowing the cost of the bonus pay  
20 would impose an economic burden on customers  
21 without providing any measurable benefits.  
22 Consistent with past Commission practice, the  
23 costs of such a plan should be recovered through  
24 the Company's resulting operating efficiencies

1 and cost benefit savings rather than through a  
2 separate base rate expense allowance.

3 Q. What evidence do you have to conclude that the  
4 Company failed to reflect any rate year savings  
5 associated with its bonus pay?

6 A. We asked the Company to detail the potential  
7 rate year saving associated with the Company's  
8 bonus program in IR Staff-147 CGS-21. The  
9 Company outlined that incentives are based on  
10 meeting specific targets in three specific  
11 areas: Safety, Customer Service, and Compliance.  
12 The Company also stated, "These targets  
13 generally do not generate expense savings, but  
14 clearly present a benefit to the customer in  
15 ensuring quality and delivery of service and  
16 create value to the customer."

17 Q. What evidence do you have to conclude that the  
18 Company failed to reflect any rate year savings  
19 associated with its incentive pay program?

20 A. We asked the Company to detail the potential  
21 rate year saving associated with the Company's  
22 incentive pay program in IR Staff-146 CGS-20.  
23 The Company responded by stating, "The Company's  
24 incentive program is not just targeted at

1       reducing expenses. Any savings realized are  
2       inherently included in the rate year forecast  
3       and are a result of efficiencies and customer  
4       benefits achieved from the actions of each and  
5       every employee. Since the achievements are in  
6       the accomplishment of each individual employee's  
7       goals and each aid in efficiencies or delivery  
8       of customer benefit of quality of service,  
9       specific quantification by account is not  
10      possible or reasonable to quantify."

11   Q.   Why are you proposing an adjustment to remove  
12       the cost of the bonus pay/incentive pay program  
13       from the rate year forecast?

14   A.   In granting an incentive plan, a Company has an  
15       expectation that they will realize benefits from  
16       this plan, and as much, the incentive plan is  
17       self-supporting. Thus, the cost of the  
18       incentive plan would be offset by gains the  
19       Company realized from achieving the plan goals.  
20       Allowing the costs of these incentive plans  
21       would impose an economic burden on ratepayers  
22       without providing any measurable benefits.  
23       Consistent with past Commission precedent, the  
24       cost of such plans should be recovered through

1 the Company's resulting operating efficiencies  
2 and costs savings rather than a separate rate  
3 allowance. Accordingly, we have removed the  
4 cost of incentive plan from the Company labor  
5 expense.

6 Q. Can you cite any previous cases in which the  
7 Commission either denied recovery of bonus  
8 pay/incentive compensation or imputed an equal  
9 amount of cost savings?

10 A. Yes. Rate cases in which the Commission made  
11 such bonus pay/incentive compensation decisions  
12 include: Case 89-G-1050, The Brooklyn Union Gas  
13 Company - Rates, Opinion No. 90-29 (issued  
14 October 17, 1990); Cases 90-G-0737 and 91-G-  
15 0019, National Fuel Gas - Rates, Opinion No. 91-  
16 16 (issued July 19, 1991); Cases 90-S-0938 and  
17 09-G-1001, Consolidated Edison Company of New  
18 York, Inc - Steam and Gas Rates, Opinion No. 91-  
19 20 (issued October 3, 1991); and Cases 02-E-0198  
20 and 02-G-0199, Rochester Gas & Electric  
21 Corporation - Electric and Gas Rates, Order  
22 Adopting the Recommended Decision with  
23 Modifications (issued March 7, 2003). In Case  
24 07-E-0523, Consolidated Edison Company of New



1        York, Inc - Electric Rates, Order Establishing  
2        Rates for Electric Service (issued March 25,  
3        2008), the Commission reaffirmed its position on  
4        bonus or incentive pay by stating that "In this  
5        case, the Company has not shown that the  
6        variable pay payments were justified by any  
7        specific or quantified productivity that the  
8        directors and managers were able to obtain.  
9        Absent such demonstrations, we are unwilling to  
10       allow this expense as any enhancement to the  
11       base pay the Company is obligated to provide."

12    Q.    What other adjustment have you made to the  
13       Company's labor forecast?

14    A.    After removing the bonuses from the Bargaining  
15       Unit Labor forecast and holding the rate year  
16       expense to the historic level, we are proposing  
17       to reduce Rate Year labor expense by \$22,628.  
18       Adjusting the Non-bargaining unit's inflation  
19       factor and removing the incentive pay, we are  
20       recommending a reduction to rate year labor  
21       forecast of \$65,431. The total labor adjustment  
22       in the rate year is \$88,059 (Adjustment 3e).

23

24       Pension Expense

1 Q. Please explain adjustment 3f of \$(314,587) to  
2 Pensions.

3 A. This adjustment is comprised of three parts:

4 Correct Company Error \$(280,425)

5 Eliminate Estimate for Hires (27,178)

6 Pension deferral amortization (6,984)

7 Total \$(314,587)

8 =====

9 Q. Explain the rate year pension expense adjustment  
10 of \$(280,425).

11 A. This adjustment is to reflect the estimated rate  
12 year FAS 87 Net Periodic Costs. The Company  
13 agrees the amount in the original filing is  
14 incorrect (IR Staff-134 GRW-28).

15 Q. How did the Company forecast the FAS 87 rate  
16 year expense?

17 A. The Company started with the most recent  
18 forecasted FAS 87 net periodic cost, as provided  
19 by its outside actuary, and this amount was  
20 increased to reflect a Company calculated cost  
21 per employee for prospective new employees.  
22 These prospective new hires might, or might not  
23 be hired in the rate year.

24 Q. Explain your rate year pension expense

1 calculation.

2 A. We used the calendar year 2010 and 2011 FAS 87  
3 estimate, as provided by the Company's outside  
4 actuary. Our calculation relied on the same  
5 estimated FAS 87 Net Periodic Costs as the  
6 Company. The rate year allowance is for the  
7 estimated pension expense cost that will be  
8 incurred in the rate year. Eliminating the  
9 estimate for new hires reduces Pension Expense  
10 by \$27,178.

11 Q. Explain the \$(6,984) adjustment for the pension  
12 deferral amortization.

13 A. The Company's calculation of its estimated FAS  
14 87 deferral balance included the estimated  
15 pension expense for phantom employees, as  
16 discussed above. We have removed this non-  
17 expense from the calculation of the deferral  
18 balance.

19 Q. Please summarize your rate year position.

20 A. We are recommending a rate year pension expense  
21 allowance of \$580,967, which is comprised of a  
22 pension expense allowance of \$520,899 and a  
23 pension deferral amortization of \$60,068.

24 Q. Should this item be updated?

1 A. Yes. We have been informed that the Actual 2009  
2 FAS 87 Net Periodic Cost Report will be known by  
3 the time of the Brief on Exceptions, and when  
4 this actual report is available the pension  
5 expense item should be updated to include this  
6 information. When the 2009 report is available,  
7 the Company should also provide the latest FAS  
8 87 Net Periodic Cost estimate, from their  
9 actuary, for the years 2010 and 2011.

10

11 **Employee Health Insurance**

12 Q Please explain your adjustment 3h to this cost  
13 element.

14 A. Our adjustment reduces expense by \$116,082 and  
15 results from our inclusion of medical expense in  
16 the inflation pool.

17 Q. Has the Panel reviewed the operating expenses  
18 included within the Company's inflation pool and  
19 do you have any recommendations as a result of  
20 that review?

21 A. Yes, we have added employee medical/life  
22 insurance to the general inflation pool.  
23 Employee medical/life insurance is properly  
24 included as a component of the inflation pool

1 based upon the Commission's long standing  
2 practice, reaffirmed in Case 07-E-0523,  
3 regarding the use of a general inflation factor  
4 for health care costs.

5 We find no need to reconsider or change the  
6 Commission's long standing ratemaking practice  
7 in the circumstances presented in this  
8 proceeding. Moreover, the Company has not  
9 raised in this case any new arguments that the  
10 Commission has not already taken into  
11 consideration in formulating this ratemaking  
12 practice.

13 Q. What is the impact on Employee Medical/Life  
14 Insurance when included in the general inflation  
15 pool?

16 A. By including employee medical/life insurance  
17 costs in the general inflation pool, these costs  
18 will increase by an inflation rate of 2.95%,  
19 rather than 16.45% from the historic test year  
20 to the bridge period, and then 10.96% from the  
21 bridge period to the rate year as applied by the  
22 Company, which results in a decrease of \$116,082  
23 (Adjustment 3h).  
24

1 OPEB Expense

2 Q. Please explain adjustment 3i of \$(199,986) to  
3 OPEBs.

4 A. This adjustment is comprised of three parts:

5	Correct Company Error	\$ (185,777)
---	-----------------------	--------------

6 Eliminate Estimate for Hires (6,760)

7	OPEB deferral amortization	(7,349)
---	----------------------------	---------

8	Total	\$ (199,986)
---	-------	--------------

9 =====

10 Q. Explain the rate year OPEB expense adjustment of  
11 \$(185,777).

12 A. This adjustment is to reflect the estimated rate  
13 year FAS 106 Net Periodic Cost expense. The  
14 Company agrees that the amount in the original  
15 filing is incorrect (IR Staff-134 GRW-28).

16 Q. How did the Company forecast the FAS 106 rate  
17 year expense?

18 A. The Company started with the forecasted FAS 106  
19 rate year expense, as provided by its outside  
20 actuary, and increased this amount to reflect a  
21 calculated OPEB cost per employee for  
22 prospective new employees, which may or may not  
23 be hired in the rate year.

24 Q. Explain your rate year OPEB expense calculation.

- 1 A. We used the calendar 2010 and 2011 FAS 106 net  
2 periodic cost estimate, as provided by the  
3 Company's outside actuary. Our calculation  
4 relied on the same estimated FAS 106 Net  
5 Periodic Costs as the Company. Our rate year  
6 allowance is for the estimated FAS 106 cost that  
7 will be incurred in the rate year. Eliminating  
8 the new hires reduces OPEB expense by \$(6,760).
- 9 A. The Company's calculation of its estimated FAS  
10 106 deferral balance includes the estimated OPEB  
11 expense for rate year hires. As discussed under  
12 the pension cost element above, these  
13 prospective new hires might or might not be  
14 hired in the rate year. We have removed this  
15 non-expense from the calculation of the deferral  
16 balance.
- 17 Q. Please summarize your rate year position.
- 18 A. We are recommending a rate year OPEB expense  
19 allowance of \$(56,225) which is comprised of a  
20 FAS 106 net expense allowance of \$183,175 and an  
21 OPEB deferral amortization of \$(239,400).
- 22 Q. Should this item be updated?
- 23 A. Yes. We have been informed that the Actual 2009  
24 FAS 106 Net Periodic Cost Report will be known

1 by the time of the Brief on Exceptions, and when  
2 this actual report is available the OPEB expense  
3 item should be updated to include this  
4 information. Also, when the 2009 report is  
5 available the company should also provide the  
6 latest estimate, from its actuary, for years  
7 2010 and 2011.

8

9 **Outside Contractors**

10 Q. Please explain adjustment 3m2.

11 A. This adjustment reduces expense by \$66,674.

12 Q. Did you review the Company's forecasted Outside  
13 Contractors expense?

14 A. Yes. We reviewed the proposed expense and  
15 requested additional information through IRs  
16 Staff-117 CGS-7, Staff-158 CGS-24, and Staff-166  
17 CGS-29.

18 Q. Do you have a concern with the amount of Outside  
19 Contractor's the Company is requesting?

20 A. Yes. The Company requested recovery of \$165,871  
21 in the rate year expense for Outside  
22 Contractors. In IR Staff-117 CGS-7, we requested  
23 an itemized account for the Outside Contractors  
24 in the historic test year. The Company response



1 listed 16 different contractors. However, one  
2 contractor accounted for 65% of the total  
3 expense.

4 Q. Did you request further information with regard  
5 to the one contractor?

6 A. Yes. We submitted IR Staff-158 CGS-24 for  
7 further clarification on what service the  
8 contractor served and whether or not this was a  
9 recurring annual expense.

10 Q. What was the Company's response?

11 A. The Company informed us that this was an  
12 emergency service contractor and this was not a  
13 recurring annual expense amount. The Company  
14 further informed us that the contractor in  
15 question lost the contract for service in the  
16 rate year and that a new contractor was hired.

17 Q. Did you request any other information with  
18 regard to Outside Contractors?

19 A. Yes. We followed up with IR Staff-166 CGS-29.  
20 Therein, we requested that the Company show how  
21 much has been spent on emergency services for  
22 each of the twelve months ended June 30, 2004  
23 through June 2008.

24 Q. Based on the information provided by the

1           Company, what are you proposing as its rate year  
2           Outside Contractors expense?

3    A.    We propose to reduce Outside Contractors by  
4           \$66,674 (Adjustment 3m2).

5    Q.    How did you determine what should be the  
6           appropriate level of Outside Contractors in the  
7           rate year?

8    A.    Using the data provided from the Company in its  
9           response to IRs Staff-166 CGS-29 and Staff-117  
10          CGS-7, we had six years of historic emergency  
11          service expense. We used a six year average to  
12          calculate the rate year expense.

13   Q.    What was your reasoning behind using a six year  
14          average?

15   A.    During the six years, there were two abnormal  
16          expense amounts. At the extremes, in one year,  
17          there was zero expense for emergency services,  
18          and in another year, there was \$103,839.  
19          Removing the two years discussed earlier  
20          resulted in an average expense of approximately  
21          \$29,787. We concluded that it was reasonable to  
22          include the two years in question in our six  
23          year average.

24

1        **Outside Service - UWM&S**

2    Q.    Please explain your adjustment 3n.

3    A.    Adjustment 3n reduces rate year expenses by  
4        \$687,120.

5    Q.    Please explain the Company's forecast of rate  
6        year expense for Outside Service - UWM&S.

7    A.    United Water Management and Service (UWM&S)  
8        charges UWNR for service provided in  
9        administration, communication, customer service,  
10       finance, human resources, information systems,  
11       legal, procurement, technical services, and  
12       other general services necessary in the proper  
13       conduct of business (IR Staff-63 GRW-15, Part  
14       5). The costs allocated to UWNR include short-  
15       term and long-term incentive pay of UWM&S  
16       employees. The Company's rate year forecast  
17       starts with the 2010 budget amount of \$1,923,412  
18       escalated by 3.25% to arrive at a rate year  
19       expense level of \$1,985,923. The historic level  
20       for the twelve months ended June 30, 2009 is  
21       1,902,985.

22   Q.    Do you agree with the Company in its rate year  
23        forecast of UWM&S fee?

24   A.    No, we do not. UWMS fees have risen 41% over a

1 two year period from \$1,336,172 (twelve months  
2 ended June 30, 2007) to \$1,902,985 (twelve  
3 months ended June 30, 2009(test year)). The  
4 Company explains in its response to IR Staff-118  
5 GRW-26 that total UWM&S costs (before  
6 allocations) between the periods increased by  
7 \$6.6 million or 15.6%. Labor costs at United  
8 Water Management and Services have increased  
9 substantially between the two periods with the  
10 addition of 36 employees during that period.  
11 Additionally, between the two periods,  
12 substantial increases have occurred in pension  
13 and other benefit costs. The UWM&S costs are  
14 allocated to UW's affiliates based on various  
15 factors. One factor is investment in plant and  
16 service. As result of the substantial investment  
17 in UWNR's plant in service, a larger share of  
18 the UWM&S charges are allocated to UWNR.

19 Q. Does this response provide the justification for  
20 the substantial increase in UWNR's charges?

21 A. No. The response was approximately thirty-eight  
22 days late and there wasn't sufficient time to  
23 follow up with additional Interrogatories  
24 concerning the higher level of employees in the

1 service company or the appropriateness of using  
2 an allocation factor based on the investment in  
3 plant, especially when one affiliates plant  
4 costs have risen so substantially due mainly to  
5 the Delaware Interconnection Project (DIP). The  
6 Company would have to prove not only why more  
7 UWM&S costs should be allocated to UWNR simply  
8 because of the DIP project, but also prove that  
9 such higher allocation is directly proportional  
10 to the higher plant investment (i.e., a cause  
11 and effect analysis).

12 Q. Do you have any other reason for not allowing  
13 the use of the Company's budget?

14 A. Yes. The Commission's November 23, 1977  
15 Statement of Policy on Test Periods in Major  
16 Rate Proceedings (SOP) lays out criteria the  
17 major utilities must use for its rate year  
18 expense forecasts. The criteria include, but  
19 are not limited to, the ability of other parties  
20 to retrace projections back to their historical  
21 sources (i.e., a verifiable link), assumptions,  
22 and changes in activity level. Moreover, the  
23 SOP specifically states, "[o]rdinarily, the  
24 format used in presenting company budgets of

1 future operations produced for a utility's  
2 internal purposes will not meet these  
3 requirements without substantial modification".  
4 The Company's UWM&S forecast simply does not  
5 meet these Commission requirements. As such, it  
6 cannot serve as the basis for establishing the  
7 rate year UWM&S expense allowance.

8 Q. Please explain you adjustment to the Company's  
9 UWM&S Charges.

10 A. I have used the UWM&S charges of \$1,336,172 for  
11 the twelve months ended June 30, 2007 as a  
12 starting point and eliminated the Short Term and  
13 Long term Incentive plan charges of \$127,603..  
14 The UWM&S fees charged to UWNR includes  
15 allocated incentive pay for UWM&S employees. As  
16 discussed in our labor testimony, the costs of  
17 incentive plans should be recovered through the  
18 resulting operating efficiencies and costs  
19 savings rather than a separate rate allowance.  
20 Absent any quantified benefits for ratepayers,  
21 the incentive portion of the service fee to  
22 UWM&S should be removed.

23 Q. Please continue.

24 A. We then applied a 4.4% inflation factor to the

1 UWM&S charges of \$1,208,569 (twelve months ended  
2 June 30, 2007 net of Incentive pay) to increase  
3 the balance for the impact of inflation from  
4 2007 through the historic period. The historic  
5 balance was inflated by staff's 2.95% to restate  
6 the allowance in rate year dollars (\$1,298,803).  
7

8 **Outside Services**

9 Q. Please explain your adjustment 3o2.

10 A. This adjustment reduces expense by \$115,349.

11 Q. What are the issues you have with the Company's  
12 rate year forecast of outside services?

13 A. The outside service includes costs incurred for  
14 services UWNR receives from outside providers  
15 other than United Water Management and Service.  
16 We have concerns with the \$142,347 R&I Alliance  
17 fees included in the rate year expense.

18 Q. What are your concerns with the R&I Alliance  
19 fees?

20 A. Per the filed testimony of Thomas G. Lippai,  
21 page 12 lines 8 - 16; "The Outside Services  
22 Employed adjustment reflects the additional  
23 professional and technical support in areas  
24 where this may be required such as accounting

1 associated with external audit functions, legal,  
2 engineering and information technology (software  
3 and hardware maintenance). The amount for the  
4 Outside Services Employed expense is the 2010  
5 budget. Also included in the Outside Service  
6 Employed expense adjustment is the increase in  
7 the Research and Innovation expense. The Bridge  
8 period amount reflects the budget level of the  
9 expense for 2010. Per the filed testimony of  
10 Michael J. Pointing, page 32 lines 12-17; "The  
11 Alliance was created to obtain better value from  
12 research and innovation projects by means of  
13 Leverage - economies of scale and synergies  
14 between companies; Direction - the ability to  
15 steer and influence the work undertaken;  
16 Strategic input - a pool of expertise ensuring  
17 the needs of the US water industry were met; and  
18 Transparency - clear selection and funding  
19 process." Absent any quantified savings or  
20 benefits to ratepayers, we propose to remove the  
21 R&I Alliance fee from outside services. The  
22 result of this adjustment is an \$115,349  
23 reduction in Outside Service (Adjustment o2),



1 the remaining \$26,998 was removed during the  
2 resetting of the inflation rate (Adjustment 01).

3

4 **Other Operations and Maintenance Expenses**

5 Q. Have you reviewed the composition of the  
6 Company's proposed rate year Other O&M expense?

7 A. Yes. We reviewed the Company's forecasted rate  
8 year Other O&M expense of \$3,893,385, and  
9 reclassified \$3,283,147 out of Other O&M and  
10 into various expense categories. This  
11 reclassification does not reduce the Company's  
12 requested expense allowance, but simply places  
13 the costs in the proper expense category.

14

15 **Amortization of Rate Case Expense**

16 Q. Explain adjustment 3p of \$(75,000).

17 A. This is to reduce the rate year Rate Case  
18 expense Amortization from the Company's request  
19 of \$195,000 to \$120,000.

20 Q. How much did the Company request as a rate  
21 allowance for rate case expenses?

22 A. The Company requested an allowance for rate case  
23 expense of \$585,000 to be amortized over a  
24 three-year period resulting in a rate year

1 expense of \$195,000.

2 Q. What pro forma costs are included in the  
3 request?

4 A. The request includes costs for:

5	UWM&S	\$225,000
6	Legal	225,000
7	Rate of Return	25,000
8	Cost of Service/Rate Design	80,000
9	Misc	<u>30,000</u>
10	Total	\$585,000
11		=====

12 This is shown on a one-page schedule in Company  
13 Exhibit \_\_\_\_ (TGL-6), Page 24.

14 Q. Did you request the Company to provide  
15 additional evidence in support of its request?

16 A. Yes.

17 Q. What additional evidence did the Company  
18 provide?

19 A. In response to IR Staffff-61 GRW-13, the Company  
20 stated that the \$585,000 rate case costs are an  
21 estimate at this point in time and are based on  
22 contract arrangements made for cost of equity  
23 recommendations and a cost of service model.  
24 Further, the Company included actual costs from

1       the prior rate case. It provided signed letter  
2       agreements in support for the cost of equity  
3       recommendations and rate of return costs. The  
4       Company asserts that the UWM&S charge are for  
5       the expenses the UWM&S Regulatory Business staff  
6       will incur processing this rate proceeding.

7   Q.   What services does UWM&S provide UWNR?

8   A.   The services include administration,  
9       communication, customer service, finance, human  
10      resources, information services, legal  
11      procurement, technical services and other  
12      general services necessary in the proper conduct  
13      of business.

14   Q.   Was the Company able to demonstrate that its  
15      rate case outside expense requested here was  
16      incremental to the total of all outside UWM&S  
17      services currently in rates?

18   A.   No. In response to the above IR, the Company  
19      explained the accounting for the costs of the  
20      Regulatory Business Staff associated with the  
21      rate case. The Company claimed that these costs  
22      are incremental and are separate from the UWM&S  
23      outside charges to UWNR. But no study was  
24      included to prove that the UWNR rate case

1 charges were truly incremental. In light of the  
2 current rate allowance for UWM&S outside  
3 services and the lack of proof that the UWM&S  
4 rate case charges are truly incremental, we have  
5 eliminated the UWM&S rate costs from the  
6 Company's request.

7 Q. Does this adjustment have any other effects?

8 A. Yes. The lower rate case expense results in an  
9 adjustment to the rate base deferral balance.  
10 This adjustment will be addressed in the Rate  
11 Base section.

12 Q. Are there any other reasons for reducing the  
13 company's rate case expense request?

14 A. Yes. The Company's \$558,000 is unreasonably high  
15 when compared to rate case allowance of \$200,000  
16 (IR Staff-161 GRW-33) in St Lawrence Gas  
17 Company's last rate case (Case 08-G-1392). This  
18 \$200,000 was amortized over three years or  
19 \$66,700 per year. St Lawrence Gas Company not  
20 only controlled its rate case costs better than  
21 UWNR's current request, they also filed a  
22 superior rate case. St Lawrence provided a  
23 detailed FIT & SIT schedules and provided links  
24 from historic to rate year projections. In

1 summary, our recommended allowance of \$350,000  
2 to UWNR is quite reasonable, if not overly  
3 generous, when compared to St Lawrence Gas  
4 Company's \$200,000, even considering the fact  
5 that the cost of living is higher in the New  
6 York City Area.

7 Q. Did you give the Company an opportunity to show  
8 that there rate case costs are reasonable?

9 A. Yes. In response to IR Staff-161, GRW-33, the  
10 Company did not provide any studies or  
11 comparisons to show rate case expense request  
12 was reasonable.

13

14 **Productivity**

15 Q. Please explain your adjustment to productivity.

16 A. We are recommending a productivity adjustment of  
17 \$36,236.

18 Q. In the various rate cases cited under the labor  
19 adjustment, did the Commission require the  
20 utility's revenue requirement to include, at a  
21 minimum, a 1% productivity adjustment even  
22 though the Company's request for a bonus pay was  
23 rejected?

24 A. Yes, in all the cases.

1 Q. In deriving its allowed base rate increase in  
2 Case 07-E-0523, did the Commission still impute  
3 its traditional non-program specific 1% labor  
4 productivity adjustment despite not providing  
5 Con Edison recovery of its projected rate year  
6 variable (bonus) pay?

7 A. Yes. The Commission still imputed a non-program  
8 specific labor productivity adjustment in that  
9 case, but it used 2% instead of the more  
10 traditional 1% productivity adjustment.

11 Q. Did the Company reflect a productivity  
12 adjustment in its revenue requirement?

13 A. No. They did not.

14 Q. Did you ask the Company why it did not reflect a  
15 productivity adjustment?

16 A. Yes. We submitted IR Staff-12 CGS-1. The IR  
17 asked the following:

18 What level of productivity did you project in  
19 the rate case filing? If no level of  
20 productivity was projected, please explain why  
21 there should be no inclusion of productivity.

22 Q. What was the Company's response to this request?

23 A. "The Company did not include a productivity  
24 adjustment in the rate case. The productivity

1 adjustment routinely made by Staff is based in a  
2 claimed past Commission practice resulting from  
3 a 1983 and 1984 Opinion in Cases 28255 and  
4 28525. The intent of the adjustment at that  
5 time was to account for efficiency gains not  
6 specifically forecast in company operations.  
7 Throughout Mr. Pointing's testimony he provides  
8 numerous examples of efficiencies in the use of  
9 personnel, the process undertaken to lower power  
10 and chemical costs, equipment efficiencies and  
11 many other successful cost reducing efforts.  
12 The Company has taken a proactive approach now  
13 and in the past to monitor and implement  
14 efficiency elements into its operations. A good  
15 example is the acquisition of United Water  
16 Westchester which is operated from United Water  
17 New Rochelle, with costs for management offices,  
18 personnel and fringe, transport and tools shared  
19 between the two companies. This has had a net  
20 benefit to United Water New Rochelle, where  
21 previously a majority of these costs would have  
22 been paid by UWNR. To routinely impose an  
23 additional 1% reduction to the level of the  
24 Company's expenses without recognition of the

1 savings resulting from the Company's efforts is  
2 inappropriate.

3 Q. Do you agree with the Company's assessment that  
4 a productivity adjustment is unjustified given  
5 the Company's proposed cost cutting efforts?

6 A. No, we do not agree with the Company's position.  
7 In the face of current economic times and the  
8 fact that the Company is requesting a \$21  
9 million additional increase in base rates above  
10 the transferred surcharges, the Company should  
11 have been able to specifically detail all  
12 proposed cost cutting measures. The Commission  
13 has a long standing policy of imputing a 1%  
14 productivity adjustment, which is intended to  
15 capture unquantifiable and unidentified  
16 efficiencies and cost savings.

17 Q. What are you proposing as a productivity  
18 adjustment?

19 A. We are proposing a 2% adjustment comprised of a  
20 standard 1% productivity adjustment plus an  
21 additional 1% productivity adjustment to capture  
22 austerity savings.

23 Q. Describe the standard 1% productivity  
24 adjustment.



1 A. This adjustment is 1% of the total of labor  
2 expense, employee benefits expense, and labor  
3 taxes. The Commission has a long-standing  
4 policy of imputing a 1% productivity, which is  
5 intended to capture unquantifiable and  
6 unidentified efficiencies and cost savings. The  
7 standard productivity adjustment is not intended  
8 to capture savings associated with a particular  
9 program, such as the bonus pay program. In the  
10 cases we cited in the incentive pay section of  
11 our testimony, the Commission required a 1%  
12 productivity adjustment even though the  
13 Company's request for a bonus pay allowance was  
14 rejected. We propose a productivity adjustment  
15 of \$36,236 (Adjustment 3t).

16

17 **Austerity**

18 Q. Why are you recommending a 1% austerity  
19 adjustment?

20 A. We are recommending an austerity adjustment  
21 based on the current economic climate and in  
22 view of the Commission decision in the Con  
23 Edison (Con Ed) of New York, Inc. Case 08-E-  
24 0539.

1 Q. What did the Commission recommend in the above  
2 Con Ed case?

3 A. The Commission directed Con Ed to identify and  
4 implement an austerity budget.

5 Q. Did the Company provide an austerity budget in  
6 this filing?

7 A. No. There is no mention of austerity in the  
8 Company's filing.

9 Q. How did Staff calculate its 1% austerity  
10 adjustment?

11 A. Our proposed austerity adjustment is \$39,188  
12 (Adjustment 3u). We took the adjusted  
13 Operations and Maintenance expense total,  
14 removed those expenses used to calculate the 1%  
15 productivity adjustment, removed purchased  
16 water, purchased power, chemicals, and the  
17 uncollected DIP construction costs and applied  
18 1% to the remaining amount.

19 Q. Has the Commission addressed austerity  
20 adjustments in any recent major water rate  
21 cases?

22 A. Yes. In its January 29, 2010 Order in New York  
23 Water Service (NYWS) rate case 09-W-0237, the  
24 Commission discussed the austerity adjustment

1       agreed to in the Joint Proposal, stating "This  
2       austerity adjustment, which comes on top of a 1%  
3       labor productivity adjustment, and which is  
4       worth almost \$78,000 in each of the three rate  
5       years, explicitly reflects the difficult  
6       economic circumstances the Company's customers  
7       are facing today." While we realize the NYWS  
8       austerity adjustment was part of an overall rate  
9       settlement, we believe the Commission's message  
10      was clear on what is expected of all major  
11      utilities, including water companies, during  
12      these difficult economic times.

13

14       **Inflation**

15    Q.   What inflation rate did the Company use to  
16       forecast rate year expenses?

17    A.   According to the pre-filed testimony of Thomas  
18       G. Lippai on page 3 lines 13 - 21, "For expenses  
19       that can be independently analyzed, such as  
20       Labor, Power and Chemicals, we made adjustments  
21       to normalize the expenses based upon known and  
22       measurable changes. For the purpose of  
23       projecting other expenses where such information  
24       is not available, we used the Blue Chip

1 Financial Forecast's estimate of increases to  
2 the GDP Price Index to reflect inflationary  
3 trends. According to the Blue Chip Forecasts  
4 reports of June 2009, inflation increases ranged  
5 from 1.63% in 2009 to 1.90% in 2011. We have  
6 assumed a 1.6% increase to forecast certain  
7 expenses for the Bridge Period and a 1.9%  
8 increase to forecast the same expenses in the  
9 Rate Year ending October 31, 2011."

10 Q. What Company expenses fall into the above  
11 mentioned inflation pool?

12 A. Using the Company's Exhibits \_\_\_ (TGL-1),  
13 \_\_\_ (TGL-4), and \_\_\_ (TGL-6), we were able to  
14 trace this inflation calculation to Outside  
15 Services Other, Other Employee Benefits, Office  
16 Supplies, Materials, Contract Services, and  
17 Insurance.

18 Q. Do you agree with the Company's inflation pool  
19 adjustment?

20 A. No. We are proposing to use 2.95% inflation  
21 from the adjusted historic test year to the rate  
22 year.

23 Q. How was 2.95% inflation calculated?

- 1 A. Staff used the Office of Regulatory Economics  
2 (ORE) inflation calculator. The inflation  
3 calculator is based on the GDP Price Deflator.  
4 Using the base period June 30, 2009 and the Rate  
5 Year ending October 31, 2011, the calculator  
6 forecasted the Rate Year inflation to be 2.95%.  
7 We are not aware of the Commission using a  
8 different inflation factor in setting base rates  
9 in at least the past 10-20 years.
- 10 Q. What is the impact on Operations and Maintenance  
11 expense that Staff is proposing based on the  
12 modification of the inflation percentage?
- 13 A. We are proposing to reduce Outside Services by  
14 \$87,608 (Adjustment o1), reduce Other Employee  
15 Benefits by \$207 (Adjustment j), reduce Office  
16 Supplies by \$170 (Adjustment s), reduce  
17 Materials by \$1,300 (Adjustment l), reduce  
18 Contract Services by \$930 (Adjustment m), and  
19 increase Insurance by \$27,627 (Adjustment k).

20

21 **Payroll Taxes**

- 22 Q. Based on your proposed adjustments to the  
23 Company rate year labor forecast, are you

1 proposing an associated adjustment to payroll  
2 tax?

3 A. Yes. Based on the revised rate year labor  
4 forecast, the associated payroll taxes will be  
5 reduced by \$13,265 (Adjustment 5).

6

7 **Federal Income Tax (FIT)**

8 Q. What adjustments to the FIT schedule are the  
9 Panel proposing?

10 A. We are proposing adjustments to: Interest  
11 Expense; include a tax credit of \$100,000 since  
12 the first 10 million of taxable income is taxed  
13 at 34%; Deferred Tax FIT - COR; Deferred Tax FIT .  
14 Medicare Part D Subsidy; and, eliminate the  
15 Company's proposed amortization of previously  
16 flowed through tax benefits.

17 Q. Explain your adjustment 6a of \$(400,781) to  
18 Interest Expense.

19 A. This is a flow adjustment to reflect our Rate  
20 Base adjustments and Staff's recommended  
21 weighted cost of debt.

22 Q. What Federal Income Tax rate did the Company use  
23 to forecast their current and deferred FIT?

24 A. The Company utilized a 35% FIT rate which

1 represents the consolidated FIT rate.

2 Q. Does the Panel agree with the Company's use of  
3 an effective tax rate of 35%?

4 A. No. The Commission has a long history of using a  
5 utility's "stand alone" FIT rate for ratemaking  
6 purposes, starting with New York Water Service  
7 Corporation's rate case 29432 (Opinion 87-16,  
8 issued July 17, 1987). This ratemaking concept  
9 has been applied by the Commission in various  
10 rate cases.

11 Q. What FIT rate did the Panel use to forecast the  
12 Company's current FIT?

13 A. We utilized the Company's stand alone FIT rate  
14 of 35%. However, we recognize that the first 10  
15 million in Company taxable income is taxed at  
16 34%. We have included a credit of \$100,000 in  
17 deferred FIT to recognize the difference between  
18 35% and the actual rate of 34% on the first 10  
19 million in taxable income.

20 Q. Explain you adjustment 6e of \$(13,034) to  
21 Deferred Tax FIT for the amortization of the  
22 Medicare Part D Subsidy Tax Benefits?

23 A. This is to return to ratepayers the federal and  
24 state tax benefits related to the Medicare Part

1 D subsidies that the Company has received (IR  
2 Staff-6 GRW-1). This adjustment is the Deferred  
3 FIT tax rate of 35% applied against the Medicare  
4 Part D Subsidy the Company has received to date.

5 Q. Why is the Panel including the tax benefits in  
6 this proceeding?

7 A. Case 04-M-1693, Proceeding on Motion of the  
8 Commission as to the Accounting and Ratemaking  
9 Related to the Implementation of the  
10 Prescription Drug and Medicare Improvement Act  
11 of 2003 (Issued and Effective November 16, 2006),  
12 requires the tax benefits, when known, to be  
13 returned to taxpayers. Our adjustment imputes  
14 the tax benefits for the actual subsidies the  
15 Company has received to date. If the 2009  
16 subsidy is known prior to the filing of the  
17 Brief on Exceptions, the amount of the subsidy  
18 should be included as an update. If it is not  
19 known prior to the filing of the Brief on  
20 Exceptions, any actual amounts received should  
21 be deferred for future ratepayer benefit.

22 Q. Explain adjustment 6d of \$(160,601) to Deferred  
23 Tax FIT - Cost of Removal (COR).

24 A. This is to amortize the estimated COR deferred



1 tax effects over a five year period. The amount  
2 of our adjustment is based on numbers the  
3 Company provided in a response to IR Staff-84  
4 GRW-19.

5 Q. Please continue.

6 A. COR are the costs the Company incurs when it  
7 retires a plant item from service. Normally, a  
8 company is allowed a tax deduction for this  
9 expense on its FIT calculation. At June 30,  
10 2009, on its books the company had both an ADFIT  
11 and ADSIT COR balance.

12 Q. Does the Company claim a deduction on its  
13 federal tax return for COR?

14 A. Yes. However, the Company did not reflect a COR  
15 deduction in its rate year income tax forecast.  
16 Also, the Company's rate case filing did not  
17 include a detailed tax return calculation (IR  
18 Staff-9 GRW-4) for the historic year period.

19 Q. What is the Company's ratemaking policy for the  
20 tax savings associated with it's COR deduction?

21 A. It did not address this item in its filing. In  
22 response to IR Staff-84 GRW-19, the Company  
23 explained that it inadvertently failed to  
24 include this item. Attachment 2 shows both the

1 Federal and State deferred COR tax for each of  
2 the five years from 2007 through 2011. These  
3 annual deferrals are based on the annual Cost of  
4 Removal amounts taken as current tax deductions.  
5 Each year's amount is amortized over five years.

6 Q. Is the Company's recommendation consistent with  
7 Commission precedent?

8 A. Yes. In December 1971, the Commission  
9 established normalization accounting for COR,  
10 and decided that the annual deferred tax effect  
11 should be amortized over a five-year period. We  
12 recommend that one-fifth of the ADFIT-COR for  
13 each of the above five years, 2007 through 2011,  
14 be amortized in the rate year. A rate base  
15 adjustment of \$(58,712) is required to reflect  
16 the ADFIT - COR associated with the 5 year  
17 amortization of the COR tax deductions.

18 Q. Are there any other adjustments related to this  
19 cost of removal issue?

20 A. Yes. Cost of removal is also deductible for NYS  
21 income tax purposes, and the Company did not  
22 make any adjustment for this. We are proposing  
23 adjustment to the state income taxes and to rate  
24 base, the same as we did for federal income tax

1 purposes.

2 Q. Does the Panel have any other comments on this  
3 issue?

4 A. Yes. If the Commission adopts our proposal to  
5 amortize the deferred tax savings over 5 years,  
6 the Company should be ordered to continue this  
7 5-year policy until otherwise ordered by the  
8 Commission.

9 Q Please explain your adjustment to Amortization  
10 to flow-through tax of \$134,472.

11 A. Adjustment 6f eliminates the \$134,472 and is  
12 composed of three parts:

13

14 \$12,178 Eliminate amortization on non-utility  
15 plant

16 44,857 Increase amortization period from 22  
17 to 35 years

18 75,912 Amortization of utility plant over 35  
19 years

20 -----

21 \$132,947 Total

22 =====

23 Q. What does this \$132,947 represent?

24 A. In a response to IR Staff-11 GRW-6, the Company

1 explains that the amortization represents an  
2 annual amortization established in its last  
3 Case, 04-W-1221 for previously flowed through  
4 tax benefits. These benefits were flowed through  
5 to our customers prior to the adoption of tax  
6 normalization accounting made mandatory by FAS  
7 109 and PSC Case 92-M-1005 on January 15, 1993.

8 Q. Did the previous rate case result in a  
9 settlement?

10 A. Yes. The last case ended in a four year  
11 settlement. The terms of any settlement have no  
12 precedential value.

13 Q. Please explain normalization accounting and how  
14 it differs from flow through accounting.

15 A. Normalization accounting requires the  
16 recognition of the cost and the associated tax  
17 benefit at the same time for rate making  
18 purposes. This differs from flow through  
19 accounting, where tax benefits are used to  
20 reduce revenue requirements prior to recognition  
21 of the associated expense. So in latter periods,  
22 under flow through accounting, when an expense  
23 item is recognized for rate making purposes,  
24 there is no tax benefit to mitigate revenue

1 requirement impacts. The Company's income tax  
2 calculations show that there is a tax benefit  
3 for every dollar of book depreciation in their  
4 filing. But in reality there is some book  
5 depreciation that has no associated tax benefit.

6 Q. Please explain your first adjustment to reduce  
7 the amortization for non utility plant items.

8 A. We have reduced the amortization for non utility  
9 plant items by \$12,178. These items include:  
10 deferred pension costs, deferred rate case  
11 costs, deferred tank painting costs, and all  
12 other. The tax benefits for all these items have  
13 always been normalized. So at the time of the  
14 mandatory normalization requirements, there was  
15 no need to measure previous flow through tax  
16 benefits because there was none. Further, in the  
17 response to IR Staff-104 GRW-23, the Company  
18 agrees that the above cost items are off the  
19 books. This claim for recovery is nothing more  
20 than retroactive rate making.

21 Q. Please explain your adjustment of \$44,857 to  
22 increase the amortization period from 22 years  
23 to 35 years.

24 A. In response to IR Staff-104 GRW-23, the Company

1       stated that the longest remaining life of  
2       utility plant at 1993 was 35 years. We recommend  
3       that the amortization be consistent with the  
4       remaining years of the plant. This compensates  
5       the Company for the years there is no longer any  
6       tax benefits for the book depreciation expense.  
7       Also this amortization period is consistent with  
8       the amortization period used at United Water New  
9       York.

10    Q.   Please explain why you have eliminated the  
11       remaining \$75,912.

12    A.   This adjustment eliminates the adjusted annual  
13       amortization of \$75,912. In a response to IR  
14       Staff-11 GRW-6, the Company says the calculation  
15       of \$2,656,914 by vintage class is not available.  
16       The Company must be required to prove that the  
17       unamortized balance is reasonable. Without  
18       knowing the amounts by vintage year, this  
19       determination can not be made and therefore any  
20       amortization for the utility plant balance must  
21       be disallowed.

22

23       **State Income Tax (SIT)**

24    Q.   What adjustments to SIT is the Panel proposing?

1 A. We are proposing adjustments to: Interest  
2 Expense; Deferred Tax SIT for Cost of Removal;  
3 and, Deferred Tax SIT for the Medicare Part D  
4 Subsidy.

5 Q. Explain your adjustment 7a of \$(400,781) to  
6 Interest Expense.

7 A. This adjustment flows from Staff's Rate Base  
8 reductions and Staff's recommended weighted cost  
9 of debt.

10 Q. Explain your adjustment 7c of \$(39,600) to  
11 Accumulated Deferred SIT - Cost of Removal  
12 (COR).

13 A. This is to include one-fifth (20%) of the COR  
14 AD-SIT deferrals for years 2007 through 2011  
15 into this rate proceeding. The reasoning for  
16 this adjustment was discussed above in the FIT  
17 section.

18 Q. Explain adjustment 7d of (\$3,214) to ADSIT -  
19 Medicare Part D Subsidy.

20 A. This is to include the tax effects of the  
21 subsidy the Company has received to date, also  
22 explained above in the FIT section.

23

24 **Rate Base**

1        **1.    Cash Working Capital**

2    Q.    Explain Staff's Cash Working Capital Allowance  
3        adjustment of \$(1,454,976).

4    A.    Our adjustment, as shown on Schedule 6, to cash  
5        working capital tracks Staff's adjustments to  
6        O&M expenses.

7

8        **2.    Deferred Rate Case Expense**

9    Q.    Explain adjustment 8c2 of \$(111,357) to Deferred  
10        Rate Case Expense.

11   A.    This adjustment flows from our rate year expense  
12        reduction to the O&M rate case expense, as  
13        explained above.

14

15        **3.    Accumulated Deferred Income Taxes**

16   Q.    Explain adjustment 8d of \$82,429.

17   A.    This adjustment is comprised of 2 parts:

18        1. COR and Medicare Treatment        \$(73,337)

19        2. DIP related                                155,766

20                    Total                                \$ 82,429

21    =====

22   Q.    Is the Accounting Panel supporting all of the  
23        above adjustments?

24   A.    No. The Accounting Panel is supporting



1 adjustments 8d1. Staff witness Visalli is  
2 supporting all other adjustments related to the  
3 DIP project.

4 Q. Explain your adjustment for the reversal of the  
5 cost of removal.

6 A. This adjustment is for both the FIT and SIT  
7 items. The Company has a deferred FIT - COR  
8 balance of \$534,765 and a Deferred SIT - COR  
9 balance of 157,835. The Company should be  
10 reversing this amount back to the rate payers  
11 over a number of years, but it is not. Our  
12 adjustment is to reverse this amount back over 5  
13 years. Plus it includes an amount for the tax  
14 effect of the COR incurred in the bridge period  
15 and rate year.

16

17 **Earnings Base Capitalization Adjustment**

18 Q. In general terms, what does the Earnings Base  
19 Capitalization adjustment represent?

20 A. The Earnings Base Capitalization (EBCap)  
21 adjustment represents the average amount by  
22 which the historic test year earnings base (rate  
23 base + interest bearing construction work in  
24 progress) differs from the capitalization (long

1       and short term debt + preferred stock + common  
2       equity) which supports that earnings base.

3   Q.   Generally speaking, what causes earnings base to  
4       differ in amount from the capitalization which  
5       supports it?

6   A.   There are many reasons for such differences,  
7       including but not limited to: (1) the  
8       arbitrariness of the cash working capital  
9       allowance in rate base, (2) paying state and  
10      federal taxes on a quarterly basis while  
11      collecting monies for such taxes from ratepayers  
12      on a monthly or bi-monthly basis, (3) paying  
13      interest on long term debt on a quarterly or  
14      semi-annual basis while collecting monies for  
15      such interest payments from ratepayers on a  
16      monthly or bi-monthly basis, (4) the timing of  
17      when expenses are actually incurred / paid  
18      compared to when such monies are collected from  
19      ratepayers, (5) the lag in receiving and then  
20      paying invoices versus when the cost was  
21      actually incurred, and (6) the company's cash  
22      management efficiencies / inefficiencies. It  
23      should be noted that the above reasons may not  
24      all be applicable to every utility.

1 Q. What has been the Commission's ratemaking policy  
2 with regard to the EBCap adjustment?

3 A. The Commission's policy has been to reduce the  
4 projected rate year rate base by the excess  
5 historic test year (HTY) EBCap adjustment.  
6 Inherent in this policy is the assumption that  
7 beyond the HTY, every dollar of earnings base  
8 addition or reduction is matched by a dollar  
9 change in capitalization. The EBCap adjustment  
10 results in setting rates on the capitalization  
11 that supports rate base rather than on rate base  
12 itself. To do otherwise would result in  
13 providing the utility with an excess return on  
14 the portion of rate base which has no  
15 capitalization (and thus no cost of capital)  
16 supporting it.

17 Q. How much did the Company include in its rate  
18 case presentation for the EBCap adjustment?

19 A. The Company used an EBCap adjustment of \$0, as  
20 shown on Schedule 1, line 16 of Exhibit KHD-5.

21 Q. Why did the Company use an EBCap adjustment of  
22 \$0?

23 A. As shown on page WP-EB of its pre-filed  
24 workpapers, the Company actually calculated the

1 EBCap adjustment to be negative \$597,427 (i.e.,  
2 the HTY average capitalization exceeded the HTY  
3 average earnings base by \$597,427). However,  
4 because capitalization exceeded earnings base,  
5 the Company limited itself to an EBCap  
6 adjustment of \$0.

7 Q. How did the Company determine the EBCap  
8 adjustment to be negative \$597,427?

9 A. As shown on page WP-EB of the Company's pre-  
10 filed workpapers, the Company determined its  
11 total average HTY capitalization, after  
12 eliminating the portion of capitalization that  
13 supported interest bearing construction work in  
14 progress, to be \$74,810,119. This net amount  
15 was then compared to the Company's calculation  
16 of HTY rate base (\$74,212,693). The \$597,426  
17 difference represents the Company's calculated  
18 EBCap adjustment.

19 Q. Do you agree with how the Company determined its  
20 EBCap adjustment?

21 A. We disagree with the Company's computation for  
22 the following reasons: (1) the Company's  
23 calculation of HTY earnings base erroneously  
24 includes a paper credit which should have been

1 excluded; (2) the Company's calculation of HTY  
2 earnings base should have included three book  
3 balances. These book balances are earning an  
4 allowed carrying charge return (interest  
5 income); as such, they should be included in  
6 earnings base just as is interest bearing  
7 construction work in progress; and, (3) the  
8 Company did not factor in how accrued utility  
9 revenues affect the EBCap calculation. The  
10 impact of the above adjustments is to increase  
11 the EBCap from \$(597,427) to a \$9,812,040 rate  
12 base reduction or an adjustment of \$9,812,040  
13 (Adjustment 8e).

14 Q. Please summarize your adjustment.

15 A. The adjustment of \$9,812,040 is as follows:  
16 \$2,000,000 Eliminate company placeholder from  
17 Earnings base  
18 \$6,473,701 Eliminate capital that financed  
19 certain deferred assets  
20 \$1,935,766 Reduce capital for non-cash booking  
21 (\$597,427) EBCap per Company  
22 -----  
23 \$9,812,040 Total

24

- 1 Q Please explain your \$2,000,000 adjustment  
2 increasing HTY earnings base.
- 3 A. Company Exhibit KHD-3, Schedule 1 includes on  
4 line 3 an amount of \$2,000,000 for an AFUDC  
5 adjustment to the Company's historic rate base.  
6 Company witness Doherty explains, on page 6 of  
7 his testimony, that this is a "placeholder"  
8 adjustment agreed to during Staff's audit of the  
9 Delaware Interconnection Project (DIP)  
10 construction costs included in the Company's DIP  
11 surcharge. The "DIP placeholder adjustment" is  
12 a ratemaking paper entry that was not actually  
13 recorded on the Company's historic books as a  
14 reduction to DIP Interest Bearing Construction  
15 Work In Progress (IBCWIP). Since the EBCap is a  
16 calculation using the actual historic book  
17 balances, the \$2,000,000 paper entry must be  
18 removed from the EBCap measurement in order to  
19 properly match HTY earnings base to HTY  
20 capitalization that supports earnings base.
- 21 Q. Please explain your adjustment of \$6,473,701.  
22 The adjustment increases the Company's level of  
23 HTY earnings base in the EBCap adjustment for  
24 three deferred assets (A/C 14220 Customer

1       Accounts-Receiveable Manual Billing, Account  
2       18622 Deferred Purchased Water-Approved and  
3       Account 18630 Revenue Reconciliation). The  
4       Company is earning a carrying charge return on  
5       these assets (IR Staff-156 GRW-31). As such,  
6       these assets must be treated in the same manner  
7       as interest bearing construction work in  
8       progress (i.e., included in HTY earnings base).  
9       To not include these assets in HTY earnings base  
10      for EBCap purposes would provide a double  
11      recovery, once in rate year rate base as the  
12      EBCap adjustment would be understated, and again  
13      through the accrual of interest.

14    Q.   Does the Company compute its EBCap adjustment in  
15          the same manner as Staff?

16    A.   No.   Staff, as it does in all rate cases for all  
17          major electric, gas and water utilities,  
18          includes interest bearing construction work in  
19          progress in earnings base, since such assets are  
20          earning a return (i.e., AFUDC). The Company  
21          subtracts interest bearing construction work in  
22          progress from the capitalization supporting rate  
23          base. Both methodologies produce the same end  
24          EBCap result. Thus, under the Company's

- 1 methodology, the above noted three deferred  
2 assets would have to be removed from the  
3 capitalization that supports rate base.
- 4 Q. Would you please explain your EBCap adjustment  
5 related to accrued utility revenues?
- 6 A. During the HTY, the Company had an average  
7 balance of \$3,210,000 for accrued utility  
8 revenues (also known as unbilled revenues).  
9 This represents the average amount of revenue  
10 due the Company for services rendered but not  
11 yet billed. Unless properly adjusted for,  
12 accrued utility revenue creates a mismatch in  
13 the EBCap calculation - the equity component of  
14 capitalization is higher since the accrued  
15 utility revenues have been booked to retained  
16 earnings, but rate base is not higher since  
17 there is no cash on hand from the unbilled  
18 revenues to invest in plant additions. As such,  
19 to properly match rate base with the  
20 capitalization that supports rate base,  
21 capitalization must be reduced by the net of tax  
22 effect of these accrued utility revenues  
23 (\$1,936,000).
- 24 Q. What is the Company's position with respect to



1           this adjustment?

2    A.   In response to IR Staff-160 GRW-32, the Company  
3           indicated it recognized that the Commission has  
4           included unbilled revenues in calculating the  
5           EBCap adjustment. However, the Company also  
6           stated its belief that the only portion of  
7           unbilled revenues that should potentially be  
8           used is the net of taxes and expenses.  
9           According to the Company, to do otherwise would  
10          incorrectly be assuming that the gross amount of  
11          unbilled revenues is included in retained  
12          earnings or capitalization.

13   Q.   Do you agree with the Company's position that,  
14          for EBCap purposes, the unbilled revenue  
15          adjustment should be net of operating expenses,  
16          and taxes?

17   A.   I agree that the adjustment should be net-of-tax  
18          since the Company paid income taxes on the gross  
19          unbilled revenues and thus the EBCap mismatch  
20          between earnings base and capitalization  
21          (retained earnings) is on the net-of-tax amount.

22                As for operating expenses related to these  
23          unbilled revenues, I can not render an opinion  
24          at this time as to whether I agree or disagree

1 with the Company's position. The Company did  
2 not provide enough information in its IR  
3 response to make that assessment. In rebuttal,  
4 the Company should fully explain which costs it  
5 proposes to net against the unbilled revenues,  
6 why such netting is appropriate for EBCap  
7 purposes, and how such costs were accounted for  
8 during the HTY. The Company should also fully  
9 explain why the expenses it wants to net against  
10 the unbilled revenues is not a double count of  
11 the FERC cash working capital allowance  
12 adjustment. Finally, the Company should provide  
13 quantifications of each such cost along with the  
14 sources for each cost.

15

16 **SUMMARY**

17 Q. What is your revenue requirement recommendation  
18 in this proceeding?

19 A. After including all of Staff's adjustments, we  
20 recommend that the Company receive not more than  
21 \$15,636,491.

22 Q. Does this conclude the Panel's testimony?

23 A. Yes.

BEFORE THE

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of  
United Water New Rochelle, Inc.

Case 09-W-0824

April 2010

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Prepared Exhibit of:  
Accounting Rates Panel

Gerald Wojcinski  
Public Utilities Auditor 3

Christopher Simon  
Public Utilities Auditor I

Office of Accounting and Finance  
State of New York  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-6 GRW-1

Requested By: Gerald Wojcinski

Date of Request: December 16, 2009

Response Due: December 28, 2009

Witness: Thomas G. Lippai

Subject: Calculation of Medicare Act Benefits

---

The Commission's Order, Adopting Accounting for the Medicare Act Effects, Case 04-M-1693 & Case 91-M-0890, issued and Effective November 16, 2006, explains that the subsidy provided under the 2003 Medicare Act will cause reductions in the utilities rate allowance for OPEB's in three direct ways:

1. Upon implementation of the act there will be an actuarial gain that results from the reductions in The APBO.
2. Service Costs reflected in the net periodic cost accrual will be lower to reflect the subsidy.
3. The non-taxable status of the subsidy will provide a tax benefit.

A. Demonstrate and explain how each of the above three impacts are included in the Company's rate request.

B. Provide a list of all subsidies/reimbursements to date, by calendar year, and estimate all expected subsidies/reimbursements that will be received through the end of the rate year. Provide all calculations.

C. Provide a list of all deferred tax benefits that resulted from the Medicare act to date, by calendar year, and estimate all tax benefits that will be realized through the end of the rate year.

Response:

- A. United Water's prescription drug plan is actuarially equivalent to Medicare Part D's plan and as a result qualifies for the Part D subsidy provided to employers sponsoring such plans. New Rochelle is included in the



program. With respect to each of the three components of this, the Company's actuary has represented that:

1. The APBO is reduced each year for the projected future subsidy amounts expected under the Part D reimbursement program. For example, in the 2008 valuation, the APBO was reduced by \$298,101.
2. Service Costs have been reduced to reflect the subsidy and the net service costs are included in the cost estimates.
3. The Part D subsidy is a non-taxable amount to the company. As a result, the entire amount of the subsidy inures as a reduction in the obligation, service cost and the resulting annual expense that is reported for rate purposes each year.

Therefore, the Company's rate request incorporates the costs provided by the actuary which reflect the reduction in the APBO, the lower service cost is included in the NPC and the tax benefit has been reflected.

- B. Please see below for a list of the estimated subsidies to date and through 2011 from Medicare Part D cash payments:

2006	\$15,422
2007	\$ 8,842
2008	\$ 8,710
2009	\$4,267 (partial year) - Estimated for full year to be \$16,000
Historic Test Year - end of Rate Year	\$40,833

The above are computations based upon the prescription drug transactions during each period and the subsidy formula provided under the 2003 Medicare Act.

- C. Please see table below for deferred tax benefits realized through 2008, estimated at 2009 and estimated for 2010 - end of the rate year.

APBO





**CASE 09-W-0824****United Water New Rochelle**

	Benefit	Deferred Tax
2006	\$291,304	\$185,770
2007	\$307,182	\$195,896
2008	\$298,101	\$190,105
2009	\$566,000	\$360,950
2010- End of Rate Year	\$1,189,000	\$758,250



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-9 GRW-4

Requested By: Gerald Wojcinski

Date of Request: December 21, 2009

Response Due: January 6, 2010

Witness: James Linn

Subject: Federal and State Income Taxes

---

Please refer to United Water New Rochelle, Comparative Statement of Income for the Years Ending June 30, 2006, 2007, 2008, 2009 as shown in Exhibit KHD - 1, Schedule 2, Page 1 of 1.

1. For the following Accounts and amounts listed below, for the Twelve months ended June 30, 2009, show how the amounts were calculated. Provide all workpapers.

A. Account 409.1 Income Taxes - Federal \$2,100,146  
Income Taxes - Other \$ 779,857

B. Account 410.1 Provision for Deferred Income Taxes  
\$(446,155).

Response:

Please refer to the attached Excel file for the requested calculations.



United Water New Rochelle  
12 Months Ended 6/30/2009

Attachment Staff-9 GRW-4

## Description

Pretax Income - YTD Current Month	5,338,721	6,118,888	6,294,131	6,743,393	7,392,503	7,782,523	582,103	685,529	1,197,118	1,811,564	2,342,364	2,872,523
Pretax Income - YTD Prior Month	4,184,518	5,338,721	6,118,888	6,294,131	6,743,393	7,392,503	0	582,103	685,529	1,197,118	1,811,564	2,342,364
Pretax Income - MTD	1,154,203	780,167	175,243	449,262	649,109	390,021	582,103	103,426	511,589	614,446	530,800	530,159

Current Federal Effective Tax Rate	-22.83%	-22.83%	-3.20%	5.23%	5.23%	8.48%	29.46%	29.46%	44.70%	8.65%	29.46%	17.95%
Deferred Federal Effective Tax Rate	54.71%	54.71%	35.10%	29.59%	29.59%	24.48%	1.60%	1.60%	-12.50%	23.31%	1.60%	13.92%
Total Current & Deferred Federal Rate	31.88%	31.88%	31.90%	34.82%	34.82%	32.96%	31.06%	31.06%	32.20%	31.96%	31.06%	31.87%
Current State Effective Tax Rate	-7.27%	-7.27%	-1.20%	0.65%	0.65%	1.26%	10.38%	10.38%	12.16%	2.00%	10.38%	4.66%
Deferred State Effective Tax Rate	15.84%	15.84%	9.90%	4.96%	4.96%	7.98%	0.27%	0.27%	-3.03%	7.15%	0.27%	4.46%
Total Current & Deferred State Rate	8.57%	8.57%	8.70%	5.61%	5.61%	9.26%	10.65%	10.65%	9.13%	9.15%	10.65%	9.12%
Combine Rate	40.45%	40.45%	40.60%	40.43%	40.43%	42.22%	41.71%	41.71%	41.33%	41.11%	41.71%	40.99%

Current YTD @ Current Fed Effective Rate				352,679	386,628	659,958	171,488	201,957	535,112	156,700	690,060	515,618
Prior YTD @ Prior Current Fed. Effective Rate					352,679	386,628	0	171,488	201,957	535,112	156,700	690,060
Current Federal Tax			1,195,530	554,092	33,948	273,330	171,488	30,469	333,155		533,360	
Adjustments Current to Deferred Tax						24,913					82	35
Current Tax Per Ledger			1,192,793	501,164	33,948	298,243	171,487	30,462	333,106		533,442	2,100,146
Current YTD @ Current State Effective Rate				43,832	48,051	99,616	60,422	71,158	145,570	36,231	243,137	133,860
Prior YTD @ Prior Current State Effective Rate					43,832	48,051	0	60,422	71,158	145,570	36,231	243,137
Current State Tax			369,314	119,352	4,219	51,565	60,422	10,736	74,412		206,906	
Adjustment Current to Deferred Tax				16,925		334,337					60	14
Current State Tax Per Ledger			386,239	30,053	4,219	385,902	60,422	10,733	74,407		206,966	779,857
Current YTD @ Deferred Federal Eff. Rate	2,920,814	3,347,644	2,209,240	1,995,370	2,187,442	1,905,162	9,314	10,968		422,276	37,478	399,855
Prior YTD @ Prior Def Fed Eff. Rate	2,289,441	2,920,814	3,347,644	2,209,240	1,995,370	2,187,442	0	9,314	10,968		422,276	37,478
Deferred Federal Tax	631,373	426,829			192,071		9,314	1,655		571,915		362,377
Adjustment Deferred to Current		18	2,498	53,165					25	2,626		3,949
Deferred Federal Tax per Ledger	631,373	426,847			192,069		9,314	1,654		574,541		366,326
Current YTD @ Deferred State Eff. Rate	845,653	969,232	623,119	334,472	366,668	621,045	1,572	1,851		129,527	6,324	128,115
Prior YTD @ Prior Def State Eff. Rate	662,793	845,653	969,232	623,119	334,472	366,668	0	1,572	1,851		129,527	6,324
Deferred State Tax	182,860	123,578			32,196	254,377	1,572	279		165,800		121,790
Adjustments		5	4,857	67,525		10			26		766	
Deferred State Tax	182,860	123,584			32,195	254,387	1,572	279		165,008		120,568



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-11 GRW-6

Requested By: Gerald Wojcinski

Date of Request: December 21, 2009

Response Due: January 6, 2010

Witness: James Linn

Subject: Federal and State Income Taxes

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Please refer to Exhibit TGL - 8, page 2

Shown on that Exhibit is an amount of \$134,472. Please explain what that amount represents and provide calculations of that amount.

Response: This amount is an annual amortization established in the Company's prior case, 04-W-1221 and can be found on Staff Schedule 4 of Staff Exhibit RMD-1 in that case. This amount, which should be corrected to \$132,947 represents the amortization of the previously flowed-through tax benefits that were passed through to our customers prior to the adoption of tax normalization accounting made mandatory by FAS 109 and PSC Case 92-M-1005, 1/15/93. The attached Excel file shows the derivation of the corrected amount.





**United Water New Rochelle**  
**Amounts Recoverable for Previously Flowed-Through Tax Benefits**

	<b>Federal Taxes</b>
Unrecognized Temporary Differences at 12/31/1993 (see GWC file from 1993):	
Utility Plant	\$ 7,591,185
Deferred Pension Cost	263,909
Deferred Rate Case Cost	232,759
Deferred Tank Painting	170,149
Other Deferred Charges	196,500
All Other	(97,845)
Total Previously Unrecognized Temporary Differences	<u>\$ 8,356,657</u>
Current Federal Income Tax Rate	35.0%
Federal Taxes on Unrecognized Temporary Differences	<u>\$ 2,924,830</u>
Recovery Period:	
Estimated Remaining Life of Underlying Assets in 1993	35 years
Years not recovered (1993 to 2005)	<u>13 years</u>
Recovery period following 2004 rate case	22 years      22 years
<b>Annual Increase in Taxes Recoverable from Customers</b>	<b><u>\$ 132,947</u></b>
<b>Note - Annual Amount Recovered in 2004 Rate Case</b>	<b>\$ 134,472</b>
<b>Reduction from 2004 Rate Case</b>	<b>\$ (1,525)</b>

**Note -** Company recorded state income taxes on cumulative temporary differences when state income taxes were first imposed on regulated utilities in 2001. That was incorrect, and those taxes need to be reclassified to regular deferred state tax accounts.



United Water New Rochelle  
SFAS 109 Analysis

I. Property Plant & Equipment		Bal at 12-31-91	1992 Actual	Bal at 12-31-92	1993 Actual	Bal at 12-31-93
Book Basis of PP&E:						
1. Gross Plant in Serv (excl non-depr plant)		38,203,810	3,528,680	41,732,490	1,431,255	43,163,745
2. Utility Plant Acquisition Adjustment						
3. Accumulated Depreciation		9,270,671	382,297	9,652,968	403,675	10,056,643
4. CIAC (none in New York)						
5. Pre 1987 A&C * ( & Post 06/12/96)	(netted against PPE)					
6. Accum Depr on Pre 1987 A&C *				13,331	442	13,773
7. Post 1986 Customer Advances *				144,981		50,002
Net Book basis	(1+2-3-4-5+6-7)	28,933,139	3,146,383	31,947,872	1,123,001	33,070,873
Tax Basis of PP&E:						
* Allowed to Depr Contributed property						
Gross Plant		36,928,101	3,688,172	40,616,273	2,137,609	42,753,882
Accumulated Depreciation		21,995,897	1,423,956	23,419,853	1,523,226	24,943,079
Net tax basis		14,932,204	2,264,216	17,196,420	614,383	17,810,803
Book over Tax Basis - Temporary Difference		14,000,935	882,167	14,751,452	508,618	15,260,070

## Projection of Federal &amp; State Deferred Tax Balances per APB 11:

	1992		1993	
	State	Federal	State	Federal
Beginning balance		2,129,081		2,129,081
Current year expense				279,843
Prior year expense correction				1,236
IRS Audit Adjustments				
Current year Advances				91,514
Prior years Advances correction				
Other				
Ending Balance		2,129,081		2,449,701

## SFAS 109 Calculations:

	1992	1993
State Tax Rate		
State Deferred Income Tax Balance per SFAS 109 - (Dr) Cr		
State Bal on Books per APB 11 - (Dr) Cr		
State Bal on GW Books on condemnations per APB 11-(Dr) Cr		
Total State Def taxes per APB 11 - (Dr) Cr		
SFAS 109 State Def Tax adj before gross up - (Dr) Cr		
SIT Regulatory Liab (Asset) before gross up - (Dr) Cr		
SFAS 109 State Def Tax adj after gross up - (Dr) Cr		
SIT Regulatory Liab (Asset) after gross up - (Dr) Cr		
Balance of State Def Tax per SFAS 109		
Valuation Allowance (only if Def Tax Asset)		
Net State Def Tax per SFAS 109		
Temporary Difference, less State Def Tax Bal per SFAS 109	14,751,452	15,260,070
Federal Tax Rate	35%	35%
Federal Deferred Income Tax Balance per SFAS 109 - (Dr) Cr	5,163,008	5,341,025
Federal Bal on Books per APB 11 - (Dr) Cr	2,129,081	2,449,701
Federal Bal on GW Books on condemnations per APB 11-(Dr) Cr	241,740	234,409
Total Fed Def taxes per APB 11 - (Dr) Cr	2,370,821	2,684,110
SFAS 109 Fed Def Tax adj before gross up - (Dr) Cr	2,792,187	2,656,915
FIT Regulatory Liab (Asset) before gross up - (Dr) Cr	4,295,672	4,087,562
SFAS 109 Fed Def Tax adj after gross up - (Dr) Cr	4,295,672	4,087,562
FIT Regulatory Liab (Asset) after gross up - (Dr) Cr	4,295,672	4,087,562
Balance of Federal Def Tax per SFAS 109	6,424,753	6,537,263
Valuation Allowance (only if Def Tax Asset)		
Net Federal Def Tax per SFAS 109	6,424,753	6,537,263

## Reconciliation of 1993 Federal Deferred Tax Balances, Valuation Allowances &amp; Regulatory Assets &amp; Liabilities per SFAS 109

	1993			
	State		Federal	
	Def Tax	Reg Asset	Def Tax	Reg Asset
Deferred Taxes				
Beginning balance			2,129,081	
Cumulative SFAS 109 adjust			4,295,672	
Current year expense-APB 11			281,079	
Current year exp-SFAS 109 adj				208,110
Current year A&C			91,514	
Other				
Ending Balance			6,537,263	
Valuation Allowance				
Beginning balance				
Current year exp-SFAS 109 adj				
Ending Balance				
Net Def Taxes & Reg Asset/Liab			6,537,263	
Ending Balance per above			6,537,263	
Difference				



United Water New Rochelle  
SFAS 109 Analysis

## Summary of Net Deferred Taxes and Net Regulatory Assets and Liabilities

A. Def Taxes per APB 11  
 B. Add'l Def taxes due to SFAS 109  
 C. Add'l Def Taxes due to Reg Asset/Liab  
 Total Deferred Income Taxes

1993	
State	Federal
	2,449,701
	2,656,915
	1,430,647
	6,537,263

Regulatory (Asset) / Liability [ - (B + C) ]

## Analysis of Property Plant &amp; Equipment Basis Difference

		12-31-92		
		Plant	Depr	Net PP&E
Book Basis of Plant		41,732,490		
Book A&C		131,650		
		41,600,840	9,652,968	31,947,872
Basis Differences:				
1) AFUDC				
2) Overheads capitalized				
3) Deferred gain on condemnation				
4) ITC Basis reduction				
5) ADR normal retirements	206,942			
6) ACRS/MACRS normal retirements	108,943			
7) Pre-ADR Retirements	84,873			
8) Retirement % Adjustment	44,358			
9) Pre 87 A&C				
Adv ded for books	392,978	344,359		
10) Pocantico Plant		90,846		
11) Retire leasehold Improv		52,854		
12) Accum Depr on Pre 87 A&C				
All Other (1)		47,240		
Tax Basis of Plant		40,616,273	23,419,853	17,196,420

Post 1986 Net A&C:	A&C rec'd	Refunds	Net	Pre 87 A&C	Total A&C
1992					
1991	82,919	40,897	42,022		
1990	23,597	5,024	18,573		
1989	35,738	7,373	28,365		
1988	259,004	11,673	247,131		
1987	21,088	12,620	8,268		
	422,346	77,987	344,359	48,619	392,978

## Reasons for SFAS 109 adjustment on Property Plant &amp; Equipment

Amount of federal adjustment before gross up

2,792,187 (DR) / CR

1) Approximately 32% of plant was placed in service prior to 1971 (Pre-ADR Property), which was flowed through per PUC orders.

2) Error on how we record Deferred Taxes on ADR Property - Calculation compares Tax Basis of Plant, Straight Line, Tax versus Book Life. This method ignores accelerated tax depreciation and understates deferred taxes.



United Water New Rochelle  
SFAS 109 Analysis

II. Investment Tax Credit		1992	1993
Beginning balance			
Current Year Amortization		12,352	16,689
IRS Audit adjustment		37,028	
Prior year ITC Earned			
Other			
Ending Balance			

		1992	1993
SFAS 109 State Def Tax adj before gross up - (Dr) Cr			
SIT Regulatory Liab (Asset) before gross up - (Dr) Cr			
<b>SFAS 109 State Def Tax adj after gross up - (Dr) Cr</b>			< Cum Adj
<b>SIT Regulatory Liab (Asset) after gross up - (Dr) Cr</b>			< Cum Adj
Balance of State Def Tax per SFAS 109			
Valuation Allowance (only if Def Tax Asset)			< Cum Adj
Net State Def Tax per SFAS 109			

		1992	1993
SFAS 109 Fed Def Tax adj before gross up - (Dr) Cr			
FIT Regulatory Liab (Asset) before gross up - (Dr) Cr		277,348	271,549
<b>SFAS 109 Fed Def Tax adj after gross up - (Dr) Cr</b>		(426,689) < Cum Adj	(417,768) < Cum Adj
<b>FIT Regulatory Liab (Asset) after gross up - (Dr) Cr</b>		<b>426,689</b> < Cum Adj	<b>417,768</b> < Cum Adj
Balance of Federal Def Tax per SFAS 109		(426,689)	(417,768)
Valuation Allowance (only if Def Tax Asset)			< Cum Adj
Net Federal Def Tax per SFAS 109		(426,689)	(417,768)

Reconciliation of 1993 Federal Deferred Tax Balances, Valuation Allowances & Regulatory Assets & Liabilities per SFAS 109				
1993				
	State		Federal	
	Def Tax	Reg Asset	Def Tax	Reg Asset
<b>Deferred Taxes</b>				
Beginning balance				
Cumulative SFAS 109 adjust				426,689
Current year exp-SFAS 109 adj			8,921	
Ending Balance				417,768
<b>Valuation Allowance</b>				
Beginning balance				
Current year exp-SFAS 109 adj				
Ending Balance				
<b>Net Def Taxes &amp; Reg Asset/Liab</b>				417,768
Ending Balance per above				417,768
Difference				

Summary of Net Deferred Taxes and Net Regulatory Assets and Liabilities			1993
			State Federal
A. Def Taxes per APB 11			
B. Add'l Def taxes due to SFAS 109			
C. Add'l Def Taxes due to Reg Asset/Liab			
Total Deferred Income Taxes			
Regulatory (Asset) / Liability [ - (B + C) ]			417,768





V. Tank painting Expense		1992	1993
Beginning balance:			
186601	186-07 Uniontown	6,535	N/A
186601	186-10 Daisy Farms	22,795	
186601	186-12 Hillside	18,966	
186601	186-14 Villard	24,064	
186601	186-17 Beacon	38,374	
186601	186-22 Baylis	31,223	
186601	186-24 Ardsley	15,471	
186601	186-27 Uniontown	45,573	
		203,001	203,001
Current year additions			
Current Year amortization			32,852
Ending Balance		203,001	170,149

## Projection of Federal &amp; State Deferred Tax Balances per APB 11:

		1992		1993	
		State	Federal	State	Federal
Beginning balance: 283725					
283-03 Daisy Farms	0		10,498	N/A	N/A
283-04 Hillside	0		7,579		
283-07 Uniontown	0		3,018		
283-14 Villard	0		8,185		
283-17 Beacon	0		13,038		
283-22 Baylis	0		10,616		
283-24 Ardsley	0		5,261		
283-09 Hastings	0		20		
283-34 Uniontown	0		15,495		
			73,710		73,710
Current year additions					
Ending Balance			73,710		61,049

		1,992	1993
State Deferred Income Tax Balance per SFAS 109 - (Dr) Cr			
State Bal on Books per APB 11 - (Dr) Cr			
SFAS 109 State Def Tax adj before gross up - (Dr) Cr			
SIT Regulatory Liab (Asset) before gross up - (Dr) Cr			
SFAS 109 State Def Tax adj after gross up - (Dr) Cr			< Cum Adj
SIT Regulatory Liab (Asset) after gross up - (Dr) Cr			< Cum Adj
Balance of State Def Tax per SFAS 109			
Valuation Allowance (only if Def Tax Asset)			< Cum Adj
Net State Def Tax per SFAS 109			
Temporary Difference, less State Def Tax Bal per SFAS 109		203,001	170,149
Federal Deferred Income Tax Balance per SFAS 109 - (Dr) Cr		71,050	59,552
Federal Bal on Books per APB 11 - (Dr) Cr		73,710	61,049
SFAS 109 Fed Def Tax adj before gross up - (Dr) Cr			
FIT Regulatory Liab (Asset) before gross up - (Dr) Cr		2,660	3 Tanks @ 46/40%
SFAS 109 Fed Def Tax adj after gross up - (Dr) Cr		(4,092)	< Cum Adj (2,303)
FIT Regulatory Liab (Asset) after gross up - (Dr) Cr		4,092	< Cum Adj 2,303
Balance of Federal Def Tax per SFAS 109		69,618	58,746
Valuation Allowance (only if Def Tax Asset)			< Cum Adj
Net Federal Def Tax per SFAS 109		69,618	58,746

Reconciliation of 1993 Federal Deferred Tax Balances, Valuation Allowances & Regulatory Assets & Liabilities per SFAS 109				
1993				
Deferred Taxes	State		Federal	
	Def Tax	Reg Asset	Def Tax	Reg Asset
Beginning balance			73,710	
Current year expense-APB 11				
Cumulative SFAS 109 adjust				4,092
Current year exp-SFAS 109 adj			1,789	
Ending Balance			58,746	2,303
Valuation Allowance				
Beginning balance				
Current year exp-SFAS 109 adj				
Ending Balance				
Net Def Taxes & Reg Asset/Liab			58,746	2,303
Ending Balance per above			58,746	2,303
Difference				

## Summary of Net Deferred Taxes and Net Regulatory Assets and Liabilities

		1993	
		State	Federal
A. Def Taxes per APB 11			61,049
B. Add'l Def taxes due to SFAS 109			
C. Add'l Def Taxes due to Reg Asset/Liab			58,746
Total Deferred Income Taxes			
Regulatory (Asset) / Liability [ - (B + C) ]			2,303



III. Pension Expense		1992	1993
Beginning balance per analysis		174,572	219,190
Current year tax deduction		117,795	125,486
Current year book expense per SFAS 87		73,177	80,767
Book Regulatory Adjustment/Early Retire No M/No Tax			
Ending Balance - Temporary difference		219,190	263,909

Projection of Federal & State Deferred Tax Balances per APB 11:				
	1992		1993	
	State	Federal	State	Federal
Beginning balance		89,775		89,775
Current year expense				15,652
Ending Balance		89,775		105,427

	1992	1993
State Deferred Income Tax Balance per SFAS 109 - (Dr) Cr		
State Bal on Books per APB 11 - (Dr) Cr		
SFAS 109 State Def Tax adj before gross up - (Dr) Cr		
SIT Regulatory Liab (Asset) before gross up - (Dr) Cr		
<b>SFAS 109 State Def Tax adj after gross up - (Dr) Cr</b>		< Cum Adj
<b>SIT Regulatory Liab (Asset) after gross up - (Dr) Cr</b>		< Cum Adj
Balance of State Def Tax per SFAS 109		
Valuation Allowance (only if Def Tax Asset)		< Cum Adj
<b>Net State Def Tax per SFAS 109</b>		
Temporary Difference, less State Def Tax Bal per SFAS 109	219,190	263,909
Federal Deferred Income Tax Balance per SFAS 109 - (Dr) Cr	76,717	92,368
Federal Bal on Books per APB 11 - (Dr) Cr	89,775	105,427
SFAS 109 Fed Def Tax adj before gross up - (Dr) Cr		
FIT Regulatory Liab (Asset) before gross up - (Dr) Cr	13,058	13,059
<b>SFAS 109 Fed Def Tax adj after gross up - (Dr) Cr</b>	(20,089) < Cum Adj	(20,091) < Cum Adj
<b>FIT Regulatory Liab (Asset) after gross up - (Dr) Cr</b>	20,089 < Cum Adj	20,091
Balance of Federal Def Tax per SFAS 109	69,686	85,336
Valuation Allowance (only if Def Tax Asset)		< Cum Adj
<b>Net Federal Def Tax per SFAS 109</b>	69,686	85,336

Reconciliation of 1993 Federal Deferred Tax Balances, Valuation Allowances & Regulatory Assets & Liabilities per SFAS 109				
	1993			
	State		Federal	
	Def Tax	Reg Asset	Def Tax	Reg Asset
<b>Deferred Taxes</b>				
Beginning balance			89,775	
Cumulative SFAS 109 adjust				20,089
Current year expense-APB 11			15,652	
Current year exp-SFAS 109 adj				2
Ending Balance			85,336	20,091
<b>Valuation Allowance</b>				
Beginning balance				
Current year exp-SFAS 109 adj				
Ending Balance				
<b>Net Def Taxes &amp; Reg Asset/Liab</b>			85,336	20,091
<b>Ending Balance per above</b>			85,336	20,091
<b>Difference</b>				

Summary of Net Deferred Taxes and Net Regulatory Assets and Liabilities		
	1993	
	State	Federal
A. Def Taxes per APB 11		105,427
B. Add'l Def taxes due to SFAS 109		
C. Add'l Def Taxes due to Reg Asset/Liab		
Total Deferred Income Taxes		85,336
Regulatory (Asset) / Liability [ - (B + C) ]		20,091



IV. Rate Case Expense	1992	1993
Beginning balance:		
186406 Recon. & Appeal		N/A
186-92 1992	187,354	
186400 - Def Rate Case 1996 T053961 & 81	26,190	
186-93 Def Rate Case 1993		
186400 S1995-95 Def Rate Case 1995		
	213,544	213,544
Current year additions		113,425
Current Year amortization		94,210
Ending Balance *	213,544	232,759

\*Ending balance does not tie to OR3 Line 27 due to A/C 186-32

Projection of Federal & State Deferred Tax Balances per APB 11:	1992		1993	
	State	Federal	State	Federal
Beginning balance:				
283-88 2nd Stage 89			N/A	N/A
283-92 1992		59,484		
283-32 Case #509		8,905		
283720				
		68,389		68,389
Current year additions				10,942
Ending Balance		68,389		79,331

State Deferred Income Tax Balance per SFAS 109 - (Dr) Cr		
State Bal on Books per APB 11 (Dr) Cr		
SFAS 109 State Def Tax adj before gross up - (Dr) Cr		
SIT Regulatory Liab (Asset) before gross up - (Dr) Cr		
<b>SFAS 109 State Def Tax adj after gross up - (Dr) Cr</b>		< Cum Adj
<b>SIT Regulatory Liab (Asset) after gross up - (Dr) Cr</b>		< Cum Adj
Balance of State Def Tax per SFAS 109		
Valuation Allowance (only if Def Tax Asset)		< Cum Adj
Net State Def Tax per SFAS 109		
Temporary Difference, less State Def Tax Bal per SFAS 109	213,544	232,759
Federal Deferred Income Tax Balance per SFAS 109 - (Dr) Cr	74,740	81,466
Federal Bal on Books per APB 11 - (Dr) Cr	68,389	79,331
SFAS 109 Fed Def Tax adj before gross up - (Dr) Cr	6,351	2,135
FIT Regulatory Liab (Asset) before gross up - (Dr) Cr		
<b>SFAS 109 Fed Def Tax adj after gross up - (Dr) Cr</b>	9,771	< Cum Adj 3,285
<b>FIT Regulatory Liab (Asset) after gross up - (Dr) Cr</b>	(9,771)	< Cum Adj (3,285)
Balance of Federal Def Tax per SFAS 109	78,160	82,616
Valuation Allowance (only if Def Tax Asset)		< Cum Adj
Net Federal Def Tax per SFAS 109	78,160	82,616

Reconciliation of 1993 Federal Deferred Tax Balances, Valuation Allowances & Regulatory Assets & Liabilities per SFAS 109				
	1993		1993	
	State	Federal	State	Federal
Deferred Taxes	Def Tax	Reg Asset	Def Tax	Reg Asset
Beginning balance			68,389	
Current year expense-APB 11			10,942	
Cumulative SFAS 109 adjust			9,771	
Current year exp-SFAS 109 adj				6,486
Ending Balance			82,616	
Valuation Allowance				
Beginning balance				
Current year exp-SFAS 109 adj				
Ending Balance				
Net Def Taxes & Reg Asset/Liab			82,616	
Ending Balance per above			82,616	
Difference				

Summary of Net Deferred Taxes and Net Regulatory Assets and Liabilities	1993	
	State	Federal
A. Def Taxes per APB 11		79,331
B. Add'l Def taxes due to SFAS 109		2,135
C. Add'l Def Taxes due to Reg Asset/Liab		1,150
Total Deferred Income Taxes		82,616
Regulatory (Asset) / Liability [ - (B + C) ]		





VI. Other Deferred Charges	1992	1993
Beginning balance:		
186001 Legal 186-13 Surcharge Exp. Refund Cost		
Performax- & 186-30 Hepfa		
186-31 Customer Outreach		
186-60 Tax Study 89		
186020 Office Bldg Lease	78,696	66,276
186030 Purchased Water		
186000 Excess Water & 253-35 Main Cleaning Reserve	below in section VIII	
186612 Purch Water Incr	106,499	126,493
186-97 Internal Audit Fees	3,984	
186-56 PSC Audit		536
186402 Management Audit		3,195
186740 Union contract Neg.		
	189,179	196,500
Current year additions		
Current Year amortization		
Ending Balance	189,179	196,500

Projection of Federal & State Deferred Tax Balances per APB 11:				
	1992		1993	
	State	Federal	State	Federal
Beginning balance:				
283-13 Surcharge Refund Cost				
283720 Union Contract Neg.				
283725 Legal Exp. & Customer Outreach				
283-60 Tax Study 89				
283-90 Office Bldg Lease		26,756		
283-54 Purch Water inc		36,209		
283-97 Internal Audit Fees		1,355		
Management Audit				
		60,451		60,451
Current year additions				6,593
Ending Balance		60,451		67,044

	1992	1993
State Deferred Income Tax Balance per SFAS 109 - (Dr) Cr		
State Bal on Books per APB 11 - (Dr) Cr		
SFAS 109 State Def Tax adj before gross up - (Dr) Cr		
SIT Regulatory Liab (Asset) before gross up - (Dr) Cr		
<b>SFAS 109 State Def Tax adj after gross up - (Dr) Cr</b>		< Cum Adj
<b>SIT Regulatory Liab (Asset) after gross up - (Dr) Cr</b>		< Cum Adj
Balance of State Def Tax per SFAS 109		
Valuation Allowance (only if Def Tax Asset)		< Cum Adj
Net State Def Tax per SFAS 109		
Temporary Difference, less State Def Tax Bal per SFAS 109	189,179	196,500
Federal Deferred Income Tax Balance per SFAS 109 - (Dr) Cr	66,213	68,775
Federal Bal on Books per APB 11 - (Dr) Cr	60,451	67,044
SFAS 109 Fed Def Tax adj before gross up - (Dr) Cr	5,762	1,731
FIT Regulatory Liab (Asset) before gross up - (Dr) Cr		
<b>SFAS 109 Fed Def Tax adj after gross up - (Dr) Cr</b>	8,865	< Cum Adj 2,663
<b>FIT Regulatory Liab (Asset) after gross up - (Dr) Cr</b>	(8,865)	< Cum Adj (2,663)
Balance of Federal Def Tax per SFAS 109	69,316	69,707
Valuation Allowance (only if Def Tax Asset)		< Cum Adj
Net Federal Def Tax per SFAS 109	69,316	69,707

Reconciliation of 1993 Federal Deferred Tax Balances, Valuation Allowances & Regulatory Assets & Liabilities per SFAS 109				
	1993			
	State	Federal	State	Federal
	Def Tax	Reg Asset	Def Tax	Reg Asset
<b>Deferred Taxes</b>				
Beginning balance:			60,451	
Current year expense-APB 11			6,593	
Cumulative SFAS 109 adjust			8,865	
Current year exp-SFAS 109 adj				6,202
Ending Balance			69,707	
<b>Valuation Allowance</b>				
Beginning balance:				
Current year exp-SFAS 109 adj				
Ending Balance				
<b>Net Def Taxes &amp; Reg Asset/Liab</b>			69,707	
<b>Ending Balance per above</b>			69,707	
<b>Difference</b>				

Summary of Net Deferred Taxes and Net Regulatory Assets and Liabilities		
	1993	
	State	Federal
A. Def Taxes per APB 11		67,044
B. Add'l Def taxes due to SFAS 109		1,731
C. Add'l Def Taxes due to Reg Asset/Liab		932
Total Deferred Income Taxes		69,707
Regulatory (Asset) / Liability [ - (B + C) ]		



VII Other Taxable Temporary Differences			
Beginning balance:			
Prepaid Insurance	27,510		45,445
Prepaid taxes	118,672		130,977
Prepaid Miscellaneous			
Prepaid Maintenance Agreement			
Current year additions	146,182		176,422
Current year amortization			
Ending Balance	146,182		176,422
Projection of Federal & State Deferred Tax Balances per APB 11:			
Beginning balance:			
Prepaid Insurance	9,353		
Prepaid taxes	40,348		
Current year additions	49,701		49,701
Current year amortizations	49,701		
Ending Balance	146,182		176,422
State Deferred Income Tax Balance per SFAS 109 - (Dr) Cr			
1992			1993
State Bal on Books per APB 11 - (Dr) Cr			
SFAS 109 State Def Tax adj before gross up - (Dr) Cr			
SIT Regulatory Liab (Asset) before gross up - (Dr) Cr			
SIT Regulatory Liab (Asset) after gross up - (Dr) Cr			
Balance of State Def Tax per SFAS 109			
Valuation Allowance (only if Def Tax Asset)			
Net State Def Tax per SFAS 109			
Federal Deferred Income Tax Balance per SFAS 109			
1992			1993
Federal Bal on Books per APB 11 - (Dr) Cr			
SFAS 109 Fed Def Tax adj before gross up - (Dr) Cr			
FIT Regulatory Liab (Asset) before gross up - (Dr) Cr			
FIT Regulatory Liab (Asset) after gross up - (Dr) Cr			
Balance of Federal Def Tax per SFAS 109			
Valuation Allowance (only if Def Tax Asset)			
Net Federal Def Tax per SFAS 109			
Reconciliation of 1993 Federal Deferred Tax Balances, Valuation Allowances & Regulatory Assets & Liabilities per SFAS 109			
1993			
State	Federal	Reg Asset	Def Tax
Beginning balance			
Current year expense-APB 11	10,584		
Cumulative SFAS 109 adjust	2,251		
Ending Balance			
Valuation Allowance			
Beginning balance			
Current year exp-SFAS 109 adj			
Ending Balance per above			
Net Def Taxes & Reg Asset/Liab			
Difference			
Summary of Net Deferred Taxes and Net Regulatory Assets and Liabilities			
1993			
State	Federal		
A. Def Taxes per APB 11			
B. Add'l Def Taxes due to SFAS 109			
C. Add'l Def Taxes due to Reg Asset/Liab			
Total Deferred Income Taxes			
Regulatory (Asset) / Liability - (B + C)			



VIII. Other Deductible Temporary Differences	1992	1993
Beginning balance:		
MIP Accrual		
144000 Reserve for Bad Debts	(0.00)	(5.00)
Def. Vacation 242225 - 253103 Vacation Pay	(5.10)	(0.74)
VEBA Expense Cont		
253110 REV RATE BASE REC		(385.50)
168-32 Deferred PSC Case #509		
180000 Excess Water & 253-35 Main Cleaning Reserve		(70.91)
186500 Def Op & 186300 Revenue/Rate Base Reconciliation	276.275	244.849
242-03 Workers Comp		(45.95)
	262.172	(274.267)
Current year additions		
Current Year amortization		
Ending Balance	262.172	(274.267)

Projection of Federal & State Deferred Tax Balances per APB 11:	1992	1993
	State	Federal
Beginning balance:		
190-02 Tax Refunds		
190-03 TRA 86		
190-02 Other		(725)
190-05 Vacation Pay		
190-03 Workers Comp		
190-02 Rev./Rate Base Recon.		
SFAS 109 Post Retire.		
Main Cleaning Res.		
		(725)
Current year additions		(97.62)
Ending Balance		(64.54)

	1992	1993
State Deferred Income Tax Balance per SFAS 109 - (Dr) Cr		
State Bal on Books per APB 11 - (Dr) Cr		
SFAS 109 State Def Tax adj before gross up - (Dr) Cr		
SIT Regulatory Liab (Asset) before gross up - (Dr) Cr		
SFAS 109 State Def Tax adj after gross up - (Dr) Cr		
SIT Regulatory Liab (Asset) after gross up - (Dr) Cr		
Balance of State Def Tax per SFAS 109		
Valuation Allowance (only if Def Tax Asset)		
Net State Def Tax per SFAS 109		
Temporary Difference, less State Def Tax Bal per SFAS 109	262.172	(274.267)
Federal Deferred Income Tax Balance per SFAS 109 - (Dr) Cr	91.760	(95.64)
Federal Bal on Books per APB 11 - (Dr) Cr	(725)	(94.54)
SFAS 109 Fed Def Tax adj before gross up - (Dr) Cr	92.485	(1.44)
FIT Regulatory Liab (Asset) before gross up - (Dr) Cr	(92.485)	1.44
SFAS 109 Fed Def Tax adj after gross up - (Dr) Cr	142.285	(2.22)
FIT Regulatory Liab (Asset) after gross up - (Dr) Cr	(142.285)	2.22
Balance of Federal Def Tax per SFAS 109	141.560	(96.77)
Valuation Allowance (only if Def Tax Asset)		
Net Federal Def Tax per SFAS 109	141.560	(96.77)

Reconciliation of 1993 Federal Deferred Tax Balances, Valuation Allowances & Regulatory Assets & Liabilities per SFAS 109	1993
	State
	Def Tax
	Reg Asset
	Federal
	Def Tax
	Reg Asset
Deferred Taxes	
Beginning balance	(725)
Current year expense-APB 11	(95.62)
Cumulative SFAS 109 adjust	142.285
Current year exp-SFAS 109 adj	(144.513)
Ending Balance	(66.773)
Valuation Allowance	
Beginning balance	
Current year exp-SFAS 109 adj	
Ending Balance	
Net Def Taxes & Reg Asset/Liab	(66.773)
Ending Balance per above	(66.773)
Difference	2.228

Summary of Net Deferred Taxes and Net Regulatory Assets and Liabilities	1993
	State
	Federal
A. Def Taxes per APB 11	(94.54)
B. Add'l Def taxes due to SFAS 109	(1.44)
C. Add'l Def Taxes due to Reg Asset/Liab	(7.00)
Total Deferred Income Taxes	(96.773)
Regulatory (Asset) / Liability [- (B + C)]	2.228

## Reconciliation of Deferred Taxes per APB 11:

	Balance 12-31-92	Balance 12-31-93
Balances from above		
Depreciation	2,129,081	2,449,701
Pension	89,775	105,427
Rate Costs	68,389	79,331
Tank painting	73,770	61,049
Other Deferred Charges	60,451	67,044
Other Taxable Differences		49,701
Other Deductible Differences	(725)	(725)
	2,420,681	2,811,528
Balance per balance sheet	2,420,681	2,811,528
Difference		

Total for New Rochelle	1993
	State
	Federal
A. Def Taxes per APB 11	2,728,292
B. Add'l Def taxes due to SFAS 109	2,374,691
C. Add'l Def Taxes due to Reg Asset/Liab	1,278,680
Total Deferred Income Taxes	6,381,663
Regulatory (Asset) / Liability [- (B + C)]	(3,553,371)
Proof	
Total Deferred Income Taxes - Should be Zero	
Regulatory (Asset) / Liability [- (B + C)]	

United Water New Rochelle  
1993 Workpaper for Non-Normalized Deferred Taxes

Base Non-Normalized Deferred Taxes by Balance Sheet Account:

1. Property Plant &amp; Equipment

Book Basis (L)	Fed'l Base Deferred FAS 109 Taxes
	35.00%
\$ 7,591,185	\$ 2,656,915



II. Investment Tax Credit	(775,853)	(271,549)
III. Pension Expense	263,909	92,368
IV. Rate Case Expense	232,759	81,466
V. Tank painting Expense	170,149	59,552
VI. Other Deferred Charges	196,500	68,775
VII. Other Taxable Temporary Differences	176,422	61,748
VIII. Other Deductible Temporary Differences	(274,267)	(95,993)
Totals, Including ITC	\$ 7,560,804	\$ 2,653,281
Back Out ITC	775,853	271,549
Totals EXCLUDING ITC	\$ 8,356,657	\$ 2,924,830



are provided in response to part (A) which show agreements signed for these services.

3. There are no items listed in base rates for any of the items listed on page 22. The rate case expenses allowed in UWNR's Case 04-W-1221 were fully amortized in August 31, 2008. The Test Year O&M expenses in the current Case 09-W-0824, included 2 months, July and August 2008, of amortization totaling \$24,578. However, this amount was adjusted in the Bridge Period, as shown on Exhibit TGL-4, Page 20, reducing O&M expenses by the \$24,578. This current filing does not include any expenses from the prior case, only the proposed expenses and related amortization of the current case.
4. Please refer to the response to Part 3.
5. Please refer to the response to Part 4.
6. Please refer to file attached titled "STAFF-61 (GRW-13) Attachment Part 6" for the expense items compiling the Company's rate case expenses in Case 04-W-1221. Each expense category shows the individual charges comprising the total recorded in the Company's Financial Reporting System.





**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-11 CGS-1  
Requested By: Christopher Simon  
Date of Request: December 21, 2009  
Response Due: January 6, 2010  
Witness: Michael J. Pointing  
Subject: Productivity

---

What level of productivity did you project in the rate case filing?

If, no level of productivity was project, please explain why there should be no inclusion of productivity.

Response: The Company did not include a productivity adjustment in the rate case. The productivity adjustment routinely made by Staff is based in a claimed past Commission practice resulting from a 1983 and 1984 Opinion in Cases 28255 and 28525. The intent of the adjustment at that time was to account for efficiency gains not specifically forecast in company operations. Throughout Mr. Pointing's testimony he provides numerous examples of efficiencies in the use of personnel, the process undertaken to lower power and chemical costs, equipment efficiencies and many other successful cost reducing efforts. The Company has taken a proactive approach now and in the past to monitor and implement efficiency elements into its operations. A good example is the acquisition of United Water Westchester which is operated from United Water New Rochelle, with costs for management offices, personnel and fringe, transport and tools shared between the two companies. This has had a net benefit to United Water New Rochelle, where previously a majority of these costs would have been paid by UWNR. To routinely impose an additional 1% reduction to the level of the Company's expenses without recognition of the savings resulting from the Company's efforts is inappropriate.



RESPONSE:

1. The \$585,000 as shown on Exhibit TGL-6, Page 22 is the total projected rate case expenses, not the amortization. The Company is proposing a three year amortization of these expenses, or \$195,000. The \$585,000 rate case costs are an estimate at this point in time and are based on contract arrangements made for legal services, expert witness services for cost of equity recommendations, preparation of a Cost of Service Report utilized in rate design, and the Company's prior experience of internal time needed to process the rate case. "Staff 61 (GRW-13) Attachment Part 1-A" and "STAFF-61 (GRW-13) Attachment Part 1-B" are the agreements for cost of equity and cost of service/rate design services. The UWM&S component, \$225,000, is based on professional judgment using past experiences as a guide to determine the amount of hours required by the Regulatory Business staff to process the full rate proceeding. These costs include rate case and adjustment preparation including testimony, interrogatory responses, upcoming analysis of Staff's direct case, rebuttal, briefs, hearings, negotiations, statements in support, tariff implementation, etc. In addition, the company has estimated to spend \$30,000 on customer notification, transcripts and miscellaneous charges such as postage and billing inserts
2. The M&S Company charges to utilities that are provided with regulatory services are based on a level of service required. Through time reports by the individual employee performing a function the employee either directly charges to the utility for a specific task or charges to an allocation level that allocates the cost across all regulated utilities and represents work of a more general nature for the benefit of all of the utilities. The charges to UWNR are booked in the Outside Services (UWM&S) account. The rate case work being performed by UWM&S Regulatory Business employees are accumulated separately and identified specifically as rate case expense for the current proceeding and not included in the M&S expense account of UWNR nor are they included in the allocation pool for allocation to all other utilities. The separate treatment of these costs removes the potential for duplicative charges.

The legal services and rate of return costs specifically relate to the current filing and therefore are not included in the Outside Services (other). Estimates of these costs



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-61 GRW-13

Requested By: Gerald Wojcinski

Date of Request: January 5, 2010

Response Due: January 15, 2010

Witness: Thomas G. Lippai

Subject: Rate Case Amortization

---

Please refer to "United Water New Rochelle, Detail of Adjustments to Operation Maintenance Expenses, 12 Months Ended October 31, 2011, Exhibit TGL-6, Page 22, that shows amortization of Rate Case Expenses of \$585,000.

1. For each expense shown on page 22, provide all detail information that supports your request.
2. Has the Company performed a study to determine what services requested in the rate year are in fact incremental to the dollar levels currently in base rates for each expense shown on page 22? If yes, provide all information that supports your answer. If no, how can the Company justify that these requested rate case outside service costs are incremental. Provide all information that supports your answer.
3. Please provide the amount currently in base rates for each expense item shown on page 22. Include supporting documentation.
4. Please provide the amount currently in base rates for UWM&S expenses, broken down by activity. Include supporting documentation.
5. Please provide the amount currently in base rates for legal service expenses, broken down by activity. Include supporting documentation.
6. Please provide the actual amounts incurred in the last rate case for each of the expense items shown on page 22. Include supporting documentation.



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-61 GRW-13

**SUPPLEMENT 2/17/10**

Requested By: Gerald Wojcinski

Date of Request: January 5, 2010

Response Due: January 15, 2010

Witness: Thomas G. Lippai

Subject: Rate Case Amortization

---

Please refer to "United Water New Rochelle, Detail of Adjustments to Operation Maintenance Expenses, 12 Months Ended October 31, 2011, Exhibit TGL-6, Page 22, that shows amortization of Rate Case Expenses of \$585,000.

1. For each expense shown on page 22, provide all detail information that supports your request.
2. Has the Company performed a study to determine what services requested in the rate year are in fact incremental to the dollar levels currently in base rates for each expense shown on page 22? If yes, provide all information that supports your answer. If no, how can the Company justify that these requested rate case outside service costs are incremental. Provide all information that supports your answer.
3. Please provide the amount currently in base rates for each expense item shown on page 22. Include supporting documentation.
4. Please provide the amount currently in base rates for UWM&S expenses, broken down by activity. Include supporting documentation.
5. Please provide the amount currently in base rates for legal service expenses, broken down by activity. Include supporting documentation.
6. Please provide the actual amounts incurred in the last rate case for each of the expense items shown on page 22. Include supporting documentation.





**SUPPLEMENTAL RESPONSE:**

1. Please refer to file attached titled "Staff-61 (GRW-13) Supplemental Response Attachment Part 1-C" which is a copy of the agreement supporting the costs for legal services regarding this rate proceeding.



PAULINE M. AHERN  
Principal

AUS CONSULTANTS

155 Gailher Drive, Suite A  
Mt. Laurel, NJ 08054  
856.234.9200, ext. 204 • Tel  
856.234.8371 • Fax  
pahern@ausinc.com

July 16, 2009

EMAIL & FIRST CLASS MAILMr. Mark A. Gennari  
Vice President - Regulatory Business  
United Water  
200 Old Hook Road  
Harrington Park, NJ 07640Re: United Water New Rochelle, Inc.

Dear Mark:

In response to your earlier email, I am providing you with our proposed fee for a rate of return study to be filed on behalf of United Water New Rochelle, Inc. in its upcoming rate request to be filed with the New York Public Service Commission in early October 2009. I am providing you with our fee for the production of direct testimony and supporting exhibit on a ready-to-file basis which will be \$10,500 plus out-of-pocket costs for duplication, FedEx, travel, meals, lodging, telephone, fax, etc. These costs will be on a dollar-for-dollar reimbursement basis.

In addition, my billing rate is \$190 per hour for post-filing activities including responding to interrogatories, preparation of rebuttal testimony, assisting in preparation of cross-examination questions for opposing witness, attending hearings, etc. Every effort will be used to utilize our financial analyst staff whose billing rates range between \$100 - \$125, in order to minimize the composite rate post-filing. Administrative support will be billed, post-filing, at \$60 per hour. Again, out-of-pocket costs, post-filing, will be on a dollar-for-dollar reimbursement basis.

Please feel free to contact me with any questions you may have regarding this fee quote. Should you accept this quote, I will forward a list of data requests which will be necessary for the preparation of the requested rate of return study.

Sincerely,

A handwritten signature in dark ink, appearing to read "Pauline M. Ahern".

Pauline M. Ahern

ACCEPTED

United Water

A handwritten signature in dark ink, appearing to read "Mark A. Gennari".

By: Mark A. Gennari  
Title: Vice President - Regulatory Business



**GDS Associates, Inc.**

Engineers and Consultants

Charles Loy  
PrincipalPh: 512.494.0369  
Fax: 512.494.0205  
chuck.loy@gdsassociates.com

June 4, 2009

Mr. Mark Gennari  
Vice President Regulatory Business  
United Water Management and Services Company  
200 Old Hook Road  
Harrington Park, NJ 07640-1716

**RE: Letter Agreement – United New Rochelle Rate Case Services**

Dear Mark:

We have had discussions with you about providing consulting services for United New Rochelle's upcoming rate case to be filed in October of 2009. We estimate the total cost for GDS to provide these services to be \$35,000, with a not to exceed amount of \$40,000.

The work to be done by GDS includes time for preparing the cost of service model using the data that your team will provide after we provide a list of our data needs via email. The cost quoted above covers preparation of cost of service model, the associated filing requirement schedules, direct testimony, and the development of supporting work papers and exhibits. The amount quoted above covers costs up to the time of filing and does not include responding to data requests, testifying at the hearing, support for legal briefs, or travel expenses. As we discussed, GDS will bill on an hourly basis as needed after the case is filed. However, all bills for work after the filing date will be discounted by 10%, excluding travel costs. As you know, post filing costs are difficult to estimate if the proceeding is delayed, long or drawn-out, has out of the ordinary investigation from interveners, or has significant unusual issues. The pre-filing not to exceed estimate provided above assumes that the cost of service study will consist of the same customer classes (i.e. no additional or new customer classes) and the rate design will generally follow the current rate structure (i.e. no additional blocks or surcharges) as filed and approved in the last rate case.

GDS will bill United Water Company on a monthly basis using the attached fee schedule. I will perform a good portion of the work and others will assist in order to complete the assignment on time. We will work closely with you to accomplish the work in a thorough and efficient manner and will not perform work outside this Letter Agreement without your prior written approval. United Water and GDS have the right to terminate this engagement at any time after reasonable advance written notice. On termination, all fees and costs incurred prior to termination shall be paid promptly after receipt of an invoice. Thereafter, GDS will deliver any original documents



Mr. Mark Gennari  
June 4, 2009  
Page 2 of 2

belonging to United Water and deliver any other documents that have been paid for but not delivered

We are ready to start this project as soon as this letter is signed and returned.

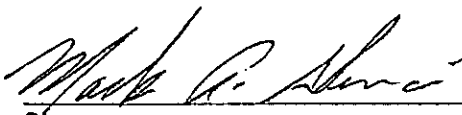
Warmest Regards,



Chuck Loy  
Principal

**THIS LETTER AGREEMENT IS ACCEPTED BY:**

Mr. Mark A. Gennari  
Vice President Regulatory Business  
United Water Management and Services Company

  
Signature





**DEWEY & LeBOEUF**

Dewey & LeBoeuf LLP  
125 West 55th Street  
New York, NY 10019-5389

tel +1 212 424 8068  
fax +1 212 649 0933  
jztato@dl.com

February 8, 2010

Robert Gerber, Esq.  
Senior Vice President & General Counsel  
United Water  
200 Old Hook Road  
Harrington Park, NJ 07640

Dear Mr. Gerber:

You have asked us to represent United Water New Rochelle in rate proceedings to be filed with the New York Public Service Commission ("the Commission"). My firm is very pleased to provide this representation and this letter sets forth the terms of our representation.

It is my firm's customary practice to bill clients for time and charges incurred and that would be the basis upon which our fees would be determined for this matter. I will be responsible for this representation and my hourly billing rate is \$695. My partner, Brian FitzGerald will take the lead on this matter and his hourly rate is \$675. He will be assisted by partners and associates whose rates range from \$385 to \$675. As has been our practice, we will provide a 20% reduction to our hourly rates for this matter.

For this representation, I would propose that we work against an estimated budget of \$225,000 and that the budget be reviewed as work progresses. As I am sure you are aware, it is difficult to determine what the actual cost of a rate proceeding may be since the number of parties and issues cannot be determined prior to making the rate filing. In making the above estimate, I have assumed that the filing may be opposed by an intervenor. I have also assumed that the filing may be opposed, at least in part, by the Commission Staff. The estimate also assumes that the Company will be required to file Initial and Reply Briefs with an Administrative Law Judge ("ALJ") in this case and also Briefs on Exceptions and Briefs Opposing Exceptions to the ALJ's Recommended Decision.

It is expected that the brief writing process will be the most time-consuming part of the representation and could likely constitute one-third to one-half of the time expended. It



February 8, 2010

Page 2

assumes that the hearing would not extend beyond two days and that there would be no oral argument at the conclusion of the hearing. The estimate includes two meetings to negotiate a settlement of the case and the preparation of a settlement agreement, also known as a Joint Proposal. The estimate makes no allowance for further proceedings at the Commission or appeals. In the event that there are further proceedings or appeals, a separate fee arrangement can be negotiated.

I would recommend that the estimated budget be monitored monthly and that adjustments be made as appropriate.

Our practice is to bill monthly for professional services and disbursements made by us in the previous month. Disbursements include items such as filing fees, telephone, telecopy and photocopy charges, messenger and carrier delivery fees, computerized legal research charges and travel expenses. Bills are due and payable when rendered. If payment is not received within a reasonable period of time, we reserve the right to terminate our representation.

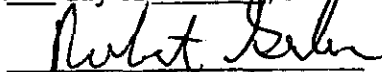
We will conduct our efforts as efficiently as possible and encourage discussion of fees and services as you believe is appropriate.

Please acknowledge your acceptance and approval of the agreement set forth herein by executing and returning to me the enclosed copy of the letter. No check for an initial retainer is required under these circumstances. We appreciate your choosing Dewey & LeBoeuf LLP to represent you and look forward to working with you.

Very truly yours,

  
Joseph A. Tato

Accepted and Agreed this  
9<sup>th</sup> day of February, 2010



Robert Gerber



United Water New Rochelle				Response to STAFF-61 GRW-13 Part 6			
Case# 09-W-0824							
Rate Case Expenses - Case# 04-W-1221							
Journal	Line #	Account	Project	Date	Journal Line Description	Component	Amount
						Consultants Total	53,046.59
						Legal Total	111,194.40
						M&S Total	271,403.65
						Misc Total	1,520.76
						Publication Total	4,252.32
						Grand Total	441,417.72



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-XX GRW-15

Requested By: Gerald Wojcinski

Date of Request: D January 6, 2010

Response Due: January 16, 2010

Witness: Thomas G. Lippai

Subject: Management and Service (M&S) Fees

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Please refer to United Water New Rochelle, Management and Service Fees, Workpapers - M&S - 1

1. Provide monthly charges for the 12 months ended (TME) June 30, 2009 (test year) that make up the \$1,902,985.
2. Provide all charges for the month of June 30, 2009.
3. Describe the methodology on how M & S Fees are charged to United Water New Rochelle from the corporate and other United Water business units for the above services provided.
4. Provide the corporate written policy regarding the calculation of actual fees charged or costs allocated among all the United Water business units.
5. M&S Fees have risen from \$1,336,172 (TME June 30, 2007) to \$1,730,358 (TME June 30, 2008) to \$1,902,985 (TME June 30, 2009). For each of the three years provide a breakdown of each year by cost component and activity.
6. For the three years shown in 5 above, provide all bonuses paid and any compensation paid that is related to performance. Provide a detail explanation of all compensation plans.
7. M&S - 1 shows \$1,923,412 for the 2010 M&S Fee Budget. Provide all calculations etc. that shows how you arrived at the 2010 M&S Fee budget.

Response:

1. Please refer to attached file titled "STAFF-63 (GRW-15) Attachment Part 1".





2. Please refer to attachment in Part 1, worksheet labeled June 2009.
3. Corporate charges (also known as M&S fees) can either be direct-charged or allocated to United Water New Rochelle (UWNR). If an employee of United Water's Management & Services Company (UWM&S) works one hour on behalf of UWNR, they will charge one hour's worth of time, plus associated overheads, to UWNR directly. If a UWM&S employee provides service that benefits a group of companies, their time and overhead is allocated among the Business Units (BUs) benefitting from the work they are performing. If UWNR is a part of this group of companies, they will receive their allocated portion of the time and overhead charge. This is done in accordance with the Management & Services Agreement dated May 15, 1974 between General Waterworks and New Rochelle whose terms and conditions were later assumed by United Water.

Generally, in the case where an employee of another BU charges UWNR, there are no allocations of time, just direct charges (an employee of another BU will charge UWNR for the number of hours worked plus a fringe overhead). In some cases, an employee of another Business Unit may charge an allocation of time to UWNR, but those instances are very rare and the dollars associated are minor.

4. See Agreements between UWNR and UWM&S (STAFF-63 (GRW-15) Attachment Part 4-A), UW New York (STAFF-63 (GRW-15) Attachment Part 4-B), UW Owego/Nichols (STAFF-63 (GRW-15) Attachment Part 4-C), and UW Westchester (STAFF-63 (GRW-15) Attachment Part 4-D).
5. Please refer to attached file titled "STAFF-63 (GRW-15) Attachment Part 5".
6. M&S charges are comprised of various and numerous elements that are an accumulation of time charges through time reporting, expenses incurred, rent, telephone, etc. for each M&S Department. These charges are then allocated to United Water New Rochelle as well as all other entities receiving M&S services. Therefore, an allocation of the Long Term Incentive Plan (LTIP) and the Short term Incentive Plan (STIP) has been utilized to determine how much of the bonuses were charged to UWNR in the M&S charges.



Please refer to attached file titled "STAFF-63 (GRW-15) Attachment Part 6". The worksheet labeled "Summary" shows the total M&S Fees and total LTIP and STIP paid to M&S employees. An allocation percentage for each bonus based upon total LTIP and STIP to grand total M&S fees was determined. Then an allocation percentage was determined based upon UWNR's M&S charges to grand total M&S charges and applied to the appropriate bonuses to compute the portion of LTIP and STIP charged to UWNR.

7. The UWM&S billing is comprised of a variety of components necessary to provide the services required by the United Water companies and is further comprised of the costs of each individual department that provides services. In addition to employee salary, benefits, payroll related taxes, pension and other employee related expenses, there are costs for office space, electricity, telephone, computer services and business expenses related to travel while visiting the various company locations, training fees for certifications and other necessary departmental expenses. Although the total M&S bill is an accumulation of each individual component, the budget compilation and subsequent billing is done in total and the individual expense item that comprises the monthly or annual budget amount and subsequent billing charge is not available on the books of the individual company receiving the services. The reasonableness and accuracy of the charges are attained through departmental budget reviews and monthly variance reviews.

The budget amounts therefore were determined by each individual department, compiled for the entire M&S company, approved by management and then processed through the allocation procedure utilizing the methods approved in the M&S Agreements filed with the Commission.



United Water New Rochelle  
Case# 09-W-0824  
M&S Fees

Response to STAFF-63 GRW-15 Part 1

MS BU	Dpt	Department Name	Project	M&S Fee
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		Accounts Payable Total		3,485
		Administration_General Total		15,913
		Commercial Development Total		3,209
		Corporate Communications Total		3,102
		Corporate Finance Total		4,066
		Creative Services Total		1,803
		Customer Accounting Total		101
		Customer Care Total		2,346
		Expat Customer Care Total		1,336
		External Affairs Total		65
		Financial Planning Total		8,975
		General Accounting Total		15,171
		Human Resources Total		9,540
		Internal Audit Total		3,466
		IT - Infrastructure Total		17,864
		IT - Service Delivery Total		15,642
		Legal Total		7,172
		Marketing Total		1,751
		Procurement Total		2,780
		Regulatory Business Total		17,811
		Scada Engineering Total		1,418
		Suez Environment Total		243
		System Reporting Total		2,562
		Taxes Total		7,999
		Technical Services Total		6,602
		Treasury Total		1,780
		Utility Accounting Total		11,235
		UWM&S Payroll Total		4,899
		Grand Total		172,336



United Water New Rochelle  
Case# 09-W-0824  
M&S Fees

Response to STAFF-63 GRW-15 Part 1

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		3,415
		Administration_General Total		10,663
		Commercial Development Total		3,161
		Corporate Communications Total		3,929
		Corporate Finance Total		3,395
		Creative Services Total		1,780
		Customer Care Total		1,952
		Expat Customer Care Total		1,336
		External Affairs Total		(209)
		Financial Planning Total		8,218
		General Accounting Total		12,521
		Human Resources Total		10,536
		Internal Audit Total		3,421
		IT - Infrastructure Total		16,326
		IT - Service Delivery Total		11,302
		Legal Total		6,139
		Marketing Total		1,169
		Procurement Total		2,542
		Regulatory Business Total		9,553
		Scada Engineering Total		1,350
		System Reporting Total		2,474
		Taxes Total		7,485
		Technical Services Total		6,874
		Treasury Total		1,900
		Utility Accounting Total		12,350
		UWM&S Payroll Total		4,702
		Grand Total		148,284





**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 1**

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		2,937
		Administration_General Total		10,558
		Commercial Development Total		3,121
		Corporate Communications Total		3,751
		Corporate Finance Total		7,376
		Creative Services Total		1,746
		Customer Accounting Total		18
		Customer Care Total		1,742
		Environmental Resources Total		139
		Expat Customer Care Total		806
		Financial Planning Total		8,321
		General Accounting Total		18,119
		Human Resources Total		11,828
		Internal Audit Total		3,889
		IT - Infrastructure Total		17,066
		IT - Service Delivery Total		15,642
		Legal Total		11,239
		Marketing Total		1,134
		Procurement Total		2,876
		Regulatory Business Total		16,205
		Scada Engineering Total		(486)
		Suez Environment Total		355
		System Reporting Total		2,562
		Taxes Total		9,649
		Technical Services Total		6,810
		Treasury Total		2,027
		Utility Accounting Total		12,441
		UWM&S Payroll Total		5,674
		Water Treatment Total		62
		Grand Total		177,607



**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 1**

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		1,841
		Administration_General Total		10,275
		Commercial Development Total		2,994
		Corporate Communications Total		3,379
		Corporate Finance Total		2,205
		Creative Services Total		1,747
		Customer Accounting Total		40
		Customer Care Total		1,011
		Environmental Resources Total		10
		Expat Customer Care Total		1,564
		External Affairs Total		2,293
		Financial Planning Total		7,699
		General Accounting Total		15,690
		Human Resources Total		10,464
		Internal Audit Total		2,612
		IT - Infrastructure Total		17,522
		IT - Service Delivery Total		10,169
		Legal Total		7,219
		Marketing Total		898
		Procurement Total		2,023
		Regulatory Business Total		8,170
		Suez Environment Total		2,138
		System Reporting Total		2,431
		Taxes Total		7,459
		Technical Services Total		6,600
		Treasury Total		1,787
		Utility Accounting Total		12,032
		UWM&S Payroll Total		4,279
		Water Treatment Total		(64)
		Grand Total		146,487



**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 1**

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MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		3,771
		Administration_General Total		9,586
		Commercial Development Total		3,158
		Corporate Communications Total		2,295
		Corporate Finance Total		633
		Creative Services Total		1,268
		Customer Accounting Total		88
		Customer Care Total		837
		Environmental Resources Total		295
		Expat Customer Care Total		1,339
		External Affairs Total		2,835
		Financial Planning Total		8,641
		General Accounting Total		14,395
		Human Resources Total		10,387
		Internal Audit Total		3,780
		IT - Infrastructure Total		17,973
		IT - Service Delivery Total		10,875
		Legal Total		5,898
		Marketing Total		1,803
		Procurement Total		6,771
		Regulatory Business Total		14,377
		Suez Environment Total		251
		System Reporting Total		2,519
		Taxes Total		6,175
		Technical Services Total		7,939
		Treasury Total		1,838
		Utility Accounting Total		13,208
		UWM&S Payroll Total		4,022
		Water Treatment Total		299
		Grand Total		157,256



United Water New Rochelle  
Case# 09-W-0824  
M&S Fees

## Response to STAFF-63 GRW-15 Part 1

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		1,302
		Administration_General Total		19,914
		Commercial Development Total		13,580
		Corporate Communications Total		14,442
		Corporate Finance Total		2,618
		Creative Services Total		(3,229)
		Customer Accounting Total		37
		Customer Care Total		843
		Customer Service Office Total		133
		Environmental Resources Total		69
		Expat Customer Care Total		2,107
		External Affairs Total		(80)
		Financial Planning Total		4,794
		General Accounting Total		6,080
		Human Resources Total		8,502
		Internal Audit Total		5,114
		IT - Infrastructure Total		2,623
		IT - Service Delivery Total		(14,274)
		Legal Total		4,757
		Marketing Total		1,365
		Procurement Total		1,481
		Regulatory Business Total		5,490
		Suez Environment Total		3,608
		System Reporting Total		(6,063)
		Taxes Total		8,396
		Technical Services Total		(9,538)
		Treasury Total		1,919
		Utility Accounting Total		3,589
		UWM&S Payroll Total		3,281
		Water Treatment Total		58
		Grand Total		82,918





**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 1**

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		2,876
		Administration_General Total		11,338
		Commercial Development Total		5,151
		Corporate Communications Total		3,318
		Corporate Finance Total		2,217
		Creative Services Total		2,499
		Customer Accounting Total		46
		Customer Care Total		999
		Customer Service Office Total		485
		Environmental Resources Total		3
		Expat Customer Care Total		1,288
		External Affairs Total		1,623
		Financial Planning Total		9,135
		General Accounting Total		14,409
		Human Resources Total		11,276
		Internal Audit Total		8,896
		IT - Infrastructure Total		19,229
		IT - Service Delivery Total		12,891
		Legal Total		6,113
		Marketing Total		991
		Procurement Total		2,412
		Regulatory Business Total		11,178
		Suez Environment Total		261
		System Reporting Total		2,567
		Taxes Total		7,978
		Technical Services Total		4,700
		Treasury Total		1,904
		Utility Accounting Total		12,160
		UWM&S Payroll Total		5,502
		Water Treatment Total		143
		Grand Total		163,588



**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 1**

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		4,134
		Administration_General Total		11,833
		Commercial Development Total		4,707
		Corporate Communications Total		3,191
		Corporate Finance Total		2,007
		Creative Services Total		3,258
		Customer Accounting Total		73
		Customer Care Total		903
		Customer Service Office Total		313
		Environmental Resources Total		38
		Expat Customer Care Total		1,931
		External Affairs Total		1,338
		Financial Planning Total		7,658
		General Accounting Total		11,287
		Human Resources Total		8,385
		Internal Audit Total		2,774
		IT - Infrastructure Total		19,105
		IT - Service Delivery Total		15,618
		Legal Total		4,645
		Marketing Total		(869)
		Procurement Total		2,031
		Quality Management Total		(181)
		Regulatory Business Total		10,685
		Scada Engineering Total		(12)
		Suez Environment Total		383
		System Reporting Total		2,413
		Systems Office Total		101
		Taxes Total		7,339
		Technical Services Total		5,735
		Treasury Total		1,515
		Utility Accounting Total		11,260
		UWM&S Payroll Total		4,695
		Water Treatment Total		116
		Grand Total		148,409



**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 1**

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		4,310
		Administration_General Total		15,927
		Commercial Development Total		4,497
		Corporate Communications Total		4,780
		Corporate Finance Total		3,363
		Creative Services Total		1,402
		Customer Accounting Total		29
		Customer Care Total		1,249
		Customer Service Office Total		481
		Engineering Total		811
		Environmental Resources Total		21
		Expat Customer Care Total		2,007
		External Affairs Total		1,512
		Financial Planning Total		9,163
		General Accounting Total		14,279
		Human Resources Total		10,639
		Internal Audit Total		5,342
		IT - Infrastructure Total		19,677
		IT - Service Delivery Total		17,843
		Legal Total		5,902
		Marketing Total		891
		Procurement Total		2,361
		Quality Management Total		501
		Regulatory Business Total		16,493
		Suez Environment Total		(12)
		System Reporting Total		2,671
		Systems Office Total		(40)
		Taxes Total		8,968
		Technical Services Total		6,762
		Treasury Total		2,068
		Utility Accounting Total		11,717
		UWM&S Payroll Total		5,821
		Water Treatment Total		91
		Grand Total		181,526



**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 1**

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		4,057
		Administration_General Total		13,624
		Commercial Development Total		2,892
		Corporate Communications Total		4,470
		Corporate Finance Total		3,225
		Creative Services Total		3,899
		Customer Accounting Total		62
		Customer Care Total		2,960
		Customer Service Office Total		(109)
		Engineering Total		863
		Environmental Resources Total		(32)
		Expat Customer Care Total		2,140
		External Affairs Total		(409)
		Financial Planning Total		10,288
		General Accounting Total		15,266
		Human Resources Total		10,988
		Internal Audit Total		2,353
		IT - Infrastructure Total		21,881
		IT - Service Delivery Total		19,404
		Legal Total		7,217
		Marketing Total		(568)
		Procurement Total		2,583
		Quality Management Total		(516)
		Regulatory Business Total		11,497
		Suez Environment Total		726
		System Reporting Total		2,964
		Taxes Total		9,874
		Technical Services Total		6,564
		Treasury Total		2,272
		Utility Accounting Total		14,121
		UWM&S Payroll Total		5,951
		Water Treatment Total		(44)
		Grand Total		180,463





**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 1**

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		4,190
		Administration_General Total		14,291
		Commercial Development Total		2,892
		Corporate Communications Total		2,364
		Corporate Finance Total		3,563
		Creative Services Total		1,161
		Customer Accounting Total		104
		Customer Care Total		757
		Engineering Total		395
		Environmental Resources Total		98
		Expat Customer Care Total		2,188
		External Affairs Total		715
		Financial Planning Total		9,588
		General Accounting Total		16,768
		Human Resources Total		9,341
		Internal Audit Total		2,023
		IT - Infrastructure Total		15,369
		IT - Service Delivery Total		17,822
		Legal Total		7,745
		Marketing Total		213
		Procurement Total		2,333
		Regulatory Business Total		12,887
		Suez Environment Total		1,613
		System Reporting Total		1,656
		Taxes Total		7,098
		Technical Services Total		4,570
		Treasury Total		2,383
		Utility Accounting Total		13,230
		UWM&S Payroll Total		5,584
		Water Treatment Total		266
		Grand Total		163,207



**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 1**

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MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		3,640
		Administration_General Total		18,588
		Commercial Development Total		3,810
		Corporate Communications Total		1,962
		Corporate Finance Total		5,453
		Creative Services Total		1,294
		Customer Accounting Total		70
		Customer Care Total		1,547
		Engineering Total		1,198
		Environmental Resources Total		144
		Expat Customer Care Total		2,284
		External Affairs Total		21
		Financial Planning Total		11,052
		General Accounting Total		18,385
		Human Resources Total		10,470
		Internal Audit Total		3,276
		IT - Infrastructure Total		17,112
		IT - Service Delivery Total		18,183
		Legal Total		6,048
		Procurement Total		2,177
		Regulatory Business Total		17,654
		Suez Environment Total		1,091
		System Reporting Total		1,741
		Taxes Total		8,059
		Technical Services Total		4,592
		Treasury Total		2,620
		Utility Accounting Total		13,349
		UWM&S Payroll Total		5,134
		Water Treatment Total		(45)
		Grand Total		180,909



A G R E E M E N T  
BETWEEN  
GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY  
AND  
THE NEW ROCHELLE WATER COMPANY

Filed with N.Y. Public Service Commission  
Regulatory Body

Date May 15, 1974



AGREEMENT

Agreement dated January 1, 1974 between GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY, a Pennsylvania corporation (hereinafter called the Service Company), and The New Rochelle Water Company corporation (hereinafter called Utility Company).

The background of this agreement is that:

1. Both Service Company and Utility Company are affiliated with General Waterworks Corporation, a Delaware corporation (hereinafter called General).
2. Service Company maintains an organization whose officers and employees are familiar with all facets of the water utility business including the development, business and property of Utility Company and are experienced in the efficient management, financing, accounting and operation of water works properties and the extension and improvement thereof. Such officers and employees are qualified to be of great aid and assistance to Utility Company through the services to be performed under this agreement.
3. Utility Company can economically secure valuable administrative and operating services of superior quality by contracting to secure the same from Service Company.
4. Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated utility companies (hereinafter referred to collectively as Utility Companies).
5. The services to be rendered under this agreement are to be rendered at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

ARTICLE I.

Service Company shall make its qualified employees available to become officers of Utility Company, and such employees may be elected by Utility Company to such positions as president, vice president, secretary, treasurer and controller.

Service Company shall furnish to Utility Company, and Utility Company shall utilize, all the following services upon the terms and conditions hereinafter set forth; provided, however, that Service Company or Utility Company, by mutual consent, may engage a non-affiliated company or person to provide such services on its behalf:





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A. ADMINISTRATIVE: Service Company shall make qualified employees available to perform or assist in the performance of Utility Company's corporate administration. In order to render such service and to promote the efficient and economic operation of Utility Company, those employees shall keep themselves informed on all aspects of Utility Company's operations and shall regularly visit Utility Company's facilities. Such administrative personnel shall make recommendations for operating expenditures and for additions to and improvements of property, plant and equipment. Such administrative personnel shall also assist Utility Company in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operations.

B. ENGINEERING: Service Company shall advise and provide engineering services to assist Utility Company in planning, operating, maintenance and construction functions.

It shall assist Utility Company in its operations by conducting distribution system surveys and hydraulic analyses, reviewing procedures for water quality control, and preparing or reviewing maps, charts, operating statistics, reports and other pertinent data.

It shall assist Utility Company in the proper maintenance and protection of its properties by periodic inspection of its structures, tanks, reservoirs, wells and electrical and mechanical equipment.

Such engineering services shall also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs and drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Utility Company's sources of supply, treatment plant, pumping stations, distribution system, and such other facilities as Utility Company may request.

C. CUSTOMER AND PUBLIC RELATIONS: Service Company shall recommend procedures to promote satisfactory customer and public relations. It shall furnish sales promotional material, including advertising copy, layouts, and scripts. It shall assist in the preparation of news and customer information releases, and in arrangements for public inspections, displays and other related services.

D. EMPLOYEE RELATIONS: Service Company shall assist Utility Company in the procurement of qualified personnel, in the establishment of appropriate rates of pay and in negotiations with bargaining units representing Utility Company's employees. It shall recommend programs for supervision of training and educational assistance, and shall advise on federal and state regulations affecting personnel.

It shall recommend and administer group insurance and pension plans for the benefit of Utility Company. It shall also assist in the establishment of accident prevention and other programs relating to employee health and welfare.



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E. ACCOUNTING: Service Company shall keep the general books of account of Utility Company, including records supplemental thereto. It shall prepare monthly financial statements and analyses of accounts of Utility Company and special accounting and financial reports as required by Utility Company. It shall prepare reports on the costs incurred for property additions and improvements and will establish continuing property records as requested.

Service Company shall prepare or assist in the preparation of Federal, state and local tax returns for and to the extent required by Utility Company.

Service Company shall keep abreast of and advise Utility Company concerning appropriate accounting theories and principles for Utility Companies and changes therein; it shall advise and assist in the establishment and maintenance of modern record keeping techniques; and it shall review accounting procedures, methods and forms and evaluate systems of internal control for receipt and disbursements of funds, materials and supplies, and other assets.

It shall conduct periodic audits of accounts, records and procedures of Utility Company and submit reports thereon.

F. CORPORATE SECRETARIAL: Service Company shall maintain documents of Utility Company such as minute books, charters, by-laws, contracts, deeds, and other corporate records, and shall administer an orderly program of records retention. It shall maintain, or arrange for the maintenance of, records of stockholders of Utility Company, prepare or arrange for the preparation of stock certificates, perform duties relating to the transfers of stock and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and keeping the minutes thereof.

Service Company shall review, and may assist in the preparation of, documents required by Utility Company such as deeds, easements, contracts, charters, franchises, trust indentures, and regulatory reports.

G. TREASURY: Service Company will coordinate financial arrangements with financial community to arrange and provide for furnishing of Utility Company's entire capital needs from other than internally generated sources.

Service Company shall assist Utility Company in cash management, collection policies, and development of temporary investment programs.

H. PURCHASING: Service Company shall endeavor to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to Utility Company.

I. INSURANCE: Service Company shall review the insurance coverage of Utility Company, recommend the types and limits of insurance adequate for its protection and assist in the placement of such insurance. It shall supervise investigation procedures and review claims and proposals for settlement at request of Utility Company.



J. DATA PROCESSING: Service Company shall make available to Utility Company electronic data processing services, including system analysis and programming, maintaining general accounting records, financial analysis and studies, area consumption patterns, engineering analysis and studies, and such other functions that may be requested by Utility Company.

K. RATES: Service Company will advise and assist in the preparation of rate schedules for Utility Company's services; will prepare, or assist in preparing, the material and exhibits required for Utility Company's rate cases and render advice with respect to the procedure therein and will, at the request of Utility Company, arrange for the employment of such witnesses as may be required.

L. GENERAL: Service Company shall keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Utility Company and shall advise Utility Company thereof to the extent that they may be important to Utility Company.

## ARTICLE II.

In consideration for the services to be rendered by Service Company as hereinabove provided, Utility Company agrees to pay to Service Company the cost thereof determined as provided in this Article II and in Article III.

The extent of service rendered by Service Company personnel for Utility Company or in common with other Utility Companies shall be based on actual time spent by such personnel as reflected in their daily time sheets or other mutually acceptable means of determination.

All costs of Service Company incurred in connection with services rendered by Service Company which can be identified and related exclusively to Utility Company, shall be charged directly to Utility Company.

All costs incurred in rendering services to Utility Company in common with similar services to other Utility Companies which cannot be identified and related exclusively to services rendered to a particular Utility Company, shall be allocated among all Utility Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Utility Companies, among the members of such group, in the manner hereinafter set forth:

1. Administrative, Purchasing, Insurance and General Services: 33-1/3% thereof in proportion to the number of employees, 33-1/3% thereof in proportion to the number of customers served, both as of the end of the preceding calendar year, and 33-1/3% thereof in proportion to operation and maintenance expenses (excluding charges under this agreement, regulatory expenses and provisions for depreciation and taxes) for the preceding calendar year.

2. Engineering Services: 40% in proportion to the sum of utility plant in service and construction work in progress accounts less the reserve for depreciation at the end of the preceding calendar year, 40% thereof in proportion to the volume of water delivered during the preceding calendar year, and 20% thereof in proportion to the total of fuel and power and chemical costs during the preceding calendar year. If any company or component of a company served is engaged in both water and sewer service, the volume of water delivered by such company or component thereof engaged in both services shall be doubled for the purposes of this paragraph.



- 5 -

3. Customer Billing and Communications Services: In proportion to the number of customers at the close of the preceding calendar year.

4. Employee Relations Services: In proportion to the number of employees at the close of the preceding calendar year.

5. Accounting and Data Processing Services: In proportion to the number of transactions processed during the preceding calendar year.

6. Treasury Services: Costs will be allocated on the basis of the proportion of the Utility Company's total capitalization to the consolidated capitalization of General at the end of the preceding year.

#### ARTICLE III.

In determining the cost to be assessed by Service Company for the rendering of services to Utility Companies as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of Service Company properly allocable thereon. Such percentage shall be calculated on the basis of budgeted costs and adjusted bills will be rendered at the end of each year to reflect actual costs. No general overhead of Service Company shall be added to costs incurred for services of non-affiliated consultants employed by Service Company.

The term "general overhead" shall include (a) salaries of secretaries and clerical personnel, (b) salaries of file clerks, messengers, telephone operators, mail clerks and other employees in the general category of office services, (c) pension and insurance premiums paid for the benefit of Service Company employees, (d) salaries paid during vacation, holidays, sickness and other authorized absences, (e) office rent, utilities, depreciation, general office supplies and other similar expenses, (f) legal, auditing and other fees for services rendered to Service Company, and (g) taxes.





-2-

## ARTICLE IV.

As soon as practicable after the last day of each month, Service Company shall render a bill to Utility Company for all amounts due from Utility Company for services and expenses for such month, computed pursuant to Articles II and III. Such bills shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall be paid by Utility Company within a reasonable time after receipt of the bill therefor.

It is understood by Utility Company that Service Company has entered or may enter into similar agreements with other Utility Companies that are affiliated with General to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

Service Company agrees to keep its books and records available at all times for inspection by representatives of Utility Company or by regulatory bodies having jurisdiction over Utility Company.

Service Company shall at any time, upon request of Utility Company, furnish any and all information required by Utility Company with respect to the services rendered by Service Company hereunder, the cost thereof, and the allocation of such cost among Utility Companies.

This agreement shall be in full force and effect as of the date first mentioned above, subject to any necessary approval of governmental regulatory agencies having jurisdiction in the premises, and shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety days' notice in writing; provided, however, that this agreement shall terminate as of the date Utility Company or Service Company ceases to be an affiliate of General.

IN WITNESS WHEREOF, SERVICE COMPANY and UTILITY COMPANY have caused these presents to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and impressed with their respective corporate seals attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

ATTEST:

GENERAL WATERWORKS MANAGEMENT  
AND SERVICE COMPANY

X.C.T. Alexander.  
Secretary

By [Signature]  
Vice President

ATTEST:

[Signature]  
Secretary

By [Signature]  
President



ADDENDUM

AGREEMENT  
BETWEEN  
GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY  
AND  
THE NEW ROCHELLE WATER COMPANY

Filed with: NEW YORK PUBLIC  
SERVICE COMMISSION

Date: June 25, 1985



ADDENDUM, dated July 1, 1985, to Agreement dated May 15, 1974 between GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY and THE NEW ROCHELLE WATER COMPANY.

ARTICLE II, Paragraph 5, is changed to read as follows:

Accounting and Data Processing Services: In proportion to the capitalization of Utility Company at the end of the preceding year.

ATTEST:

GENERAL WATERWORKS MANAGEMENT  
AND SERVICE COMPANY

Winfred L. Holmes  
Assistant Secretary

By:

Sam R. Martin  
Senior Vice President

ATTEST:

THE NEW ROCHELLE WATER COMPANY  

---

(Utility Company)

Michael J. Ford  
Assistant Secretary

By:

Donald B. Bunn  
President



## United Water Resources

200 Old Hook Road • Harrington Park • New Jersey 07640 • (201) 764-1212

February 17, 1995

Mr. John J. Kelliher  
Secretary  
Public Service Commission  
1 Empire State Plaza  
Albany, N.Y. 12223

Re: Agreements of The New Rochelle Water Company, Oswego Water Works, and Nichols Water Company with General Waterworks Management and Service Company

Dear Secretary Kelliher:

I'm writing to advise you of certain changes which have been taking place at United Water Resources. Initially, I'm pleased that, as of January 1, 1995, I was appointed Vice President and General Counsel, replacing Fred Laurino, who is retiring after over twenty years of service. After serving as a member of the New Jersey Board of Public Utilities from 1976 to 1980, I practiced public utility law in New Jersey until my appointment here. I look forward to working with you as we integrate the many utility operations which now make up the United Water family.

By letter dated May 19, 1994, we informed you that General Waterworks Management and Service Company (GWM&S) would be relocating its headquarters from King of Prussia, Pennsylvania to the offices of United Water Resources (United Water) in Harrington Park, New Jersey, following the merger of GWC Corporation with and into United Water on April 23, 1994. That relocation of GWM&S was completed in November. Since fewer employees of GWM&S elected to relocate than had originally been anticipated, we have begun to replace those functions and have commenced the process of creating a unified management and service operation. While some employees have remained at a relocated United Water Management and Services Company (UWM&S) in Wayne, Pennsylvania, our headquarters is at this office in Harrington Park.

After operating GWM&S out of Harrington Park as a separate corporation since mid-November, it was recently concluded that the operations of GWM&S could be combined with the management and service functions of United Water. Consequently, effective January 1, 1995, UWM&S has assumed the contractual obligations of GWM&S under the existing Agreement, and GWM&S will soon be merged into UWM&S.



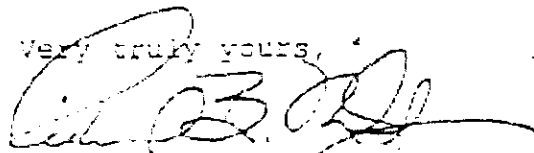


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The Agreement and the quality and level of the services provided to The New Rochelle Water Company, Owego Water Works and Nichols Water Company under the Agreement, will not be affected by this change. The Company's intent is to preserve the basic structure of the service Company organization and relationships as set forth in the Agreement, which has generally been approved in regulatory management audits. The same types of services will be provided to The New Rochelle Water Company, Owego Water Works and Nichols Water Company in the same manner as set forth in its existing Agreement with GWM&S, and the associated charges will continue to be based on time sheets kept by each employee. Those time sheets will continue to form the basis of the bills that are rendered to The New Rochelle Water Company, Owego Water Works and Nichols Water Company each month. Certain changes will occur as a matter of course, such as the employees and the name and the location of the service Company. Other changes may be made as needs and opportunities for efficiencies arise during the ongoing process of combining the two formerly separate operations.

We will continue to keep the regulatory agencies fully informed as this process continues. I look forward to working with you in my new role here.

Very truly yours,



Richard B. McGlynn  
Vice President and  
General Counsel

cc: J. E. Dwyer  
J. A. Dysard



ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS AGREEMENT is made and entered into as of January 1, 1995 between General Waterworks Management & Service Company, a Pennsylvania corporation ("GWM&S") and UWR Management & Services Company, a New Jersey corporation ("UWRM&S").


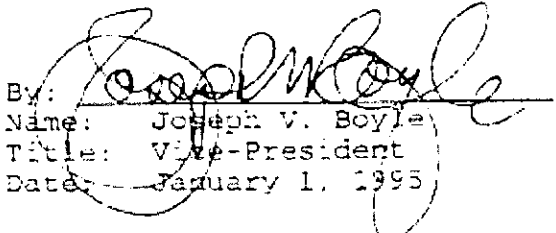
## W I T N E S S E T H

GWM&S hereby assigns to UWRM&S all of its rights, title, interest and obligations in and to the Contract attached hereto as Exhibit A, which GWM&S has entered into, and which is currently in effect, with each of the utility companies listed on Exhibit B, attached hereto. UWRM&S hereby agrees to be bound by all terms and provisions of the Contract and assumes all the obligations of GWM&S under the Contract.

GWM&S and UWRM&S agree to do such further acts and to execute and deliver any further agreements, instruments or documents as may be necessary or appropriate to carry out the purposes of this Agreement.

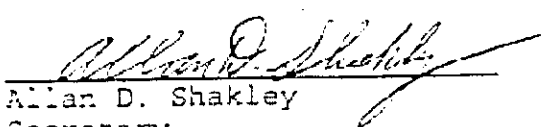
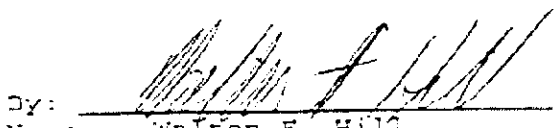
IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

ATTEST:

GENERAL WATERWORKS MANAGEMENT  
& SERVICE COMPANY  
Allan D. Shakley  
Secretary  
By: \_\_\_\_\_  
Name: Joseph V. Boyle  
Title: Vice-President  
Date: January 1, 1995

ATTEST:

UWR MANAGEMENT &amp; SERVICES COMPANY

  
Allan D. Shakley  
Secretary  
By: \_\_\_\_\_  
Name: Walton F. Hill  
Title: Vice-President  
Date: January 1, 1995



AGREEMENT

Agreement, dated December 21, 2001 between UNITED WATER NEW YORK INC. (hereinafter "UWNY"), a New York corporation, with offices at 360 West Nyack Road, West Nyack, New York 10994, and UNITED WATER NEW ROCHELLE INC. (hereinafter "UWNR"), also a New York corporation, with offices at 2525 Palmer Avenue, New Rochelle, New York 10801.

The background of this Agreement is that:

1. UWNY and UWNR are affiliated companies.
2. UWNY is a subsidiary of United Water New Jersey, a New Jersey corporation with offices at 200 Old Hook Road, Harrington Park, New Jersey 07640.
3. UWNR is a subsidiary of United Waterworks Inc. (hereinafter "UWW"), a Delaware corporation, with offices at 200 Old Hook Road, Harrington Park, New Jersey 07640.
3. UWNJ and UWW are both subsidiaries of United Water Resources Inc.
4. Due in part to their geographical proximity, UWNY and UWNR can economically obtain valuable management and operating services of superior quality by contracting to secure the same from each other on an as needed basis. Both UWNY and UWNR maintain organizations whose officers and employees are familiar with all facets of the water utility business. Such officers and employees are qualified to render the services to be performed under this Agreement.
6. The services to be rendered under this Agreement are to be rendered at their cost, as hereinafter provided.
7. Both UWNY and UWNR have Service Agreements with United Water Management and Services Inc., which are on file with the New York State Public Service Commission, and which provide for a broader scope of service functions. Services rendered pursuant to this Agreement will not be duplicative of those rendered pursuant to the Service Agreements.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:



## ARTICLE I

UWNY and UWNR shall make their respective qualified employees available to each other to furnish, and each shall utilize, as needed, general management and operations services upon the terms and conditions hereinafter set forth. In order to render such services and to promote the efficient and economic operation of UWNY and UWNR, the officers and employees of each shall keep themselves informed on all aspects of their respective operations. Such personnel may make recommendations for operating expenditures and additions to and improvements of property, plant and equipment. UWNY or UWNR, by mutual consent, may engage a non-affiliated company or person to provide such services on its behalf.

## ARTICLE II

In consideration for the services to be rendered as herein above provided, UWNY and UWNR each agree to pay the cost thereof, determined as provided in this Article II and in Article III.

The extent of service rendered shall be based on actual time spent by such personnel, as reflected in their daily time sheets or other mutually acceptable means of determination, and shall be charged directly.

In determining the cost to be assessed for the rendering of services as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead properly allocable thereto. Such percentage shall be calculated on the basis of budgeted costs and will be adjusted periodically to reflect actual costs. No general overhead shall be added to costs incurred for services of non-affiliated consultants. In addition, the utility providing service shall be reimbursed for actual travel or other expense of personnel rendering service.

The term "general overhead" shall include (a) pension and insurance, (b) salaries paid during vacation, holidays, sickness and other authorized absences, and (c) payroll-related taxes.

## ARTICLE III

As soon as practicable after the last day of each month, UWNY and or UWNR shall bill for all amounts due for services and expenses for such month, computed pursuant to Article II. Such billing shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall be paid within a reasonable time.

Both UWNY and UWNR agree to keep their books and records available for inspection by each others' representatives and by regulatory bodies having jurisdiction over each respective utility with respect to information pertaining to services rendered hereunder.

Both UWNY and UWNR shall at any time, upon request of the other, furnish any and all information required with respect to the services rendered hereunder and the cost thereof.





This Agreement shall be in full force and effect as of the date first mentioned above, subject to any necessary approval of governmental regulatory agencies having jurisdiction in the premises, and shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety days' notice in writing; provided, however, that this Agreement shall terminate as of the date UWNY or UWNR ceases to be an affiliate of UWW.

IN WITNESS WHEREOF, UWNY and UWNR have caused these presents to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

UNITED WATER NEW YORK INC.

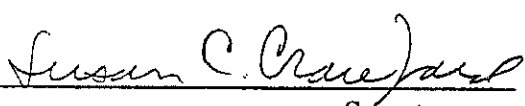
ATTEST:

\_\_\_\_\_  
, Secretary

By: 

UNITED WATER NEW ROCHELLE INC.

ATTEST:

  
\_\_\_\_\_  
, Secretary

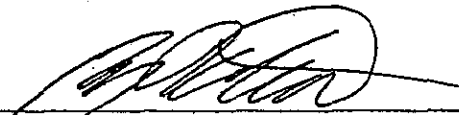
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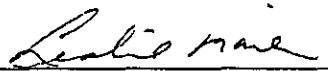
## VERIFICATION

STATE OF NEW YORK           )  
  ) ss:  
COUNTY OF                    )

I, Gary Harstead, being duly sworn, depose and state that I am the Vice President and General Manager of United Water New York, the corporation named and described in the foregoing Agreement; that I have read the foregoing Agreement and know the contents thereof to be true.

  
\_\_\_\_\_  
Gary Harstead

Sworn to before me this 18<sup>th</sup>  
Day of December, 2001

  
\_\_\_\_\_  
Notary Public


LESLIE MAIER  
Notary Public, State of New York  
Registration #01MA6060837  
Qualified In Rockland County  
My Commission Expires July 2, 2003



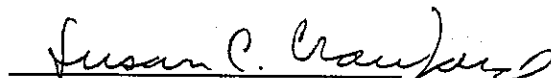
## VERIFICATION

STATE OF NEW YORK            )  
  ) ss:  
COUNTY OF                    )

I, Kevin Winn, being duly sworn, depose and state that I am the Vice President and Manager of United Water New Rochelle, the corporation named and described in the foregoing Agreement; that I have read the foregoing Agreement and know the contents thereof to be true.

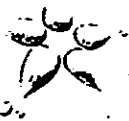
  
Kevin Winn

Sworn to before me this 14  
Day of December, 2001

  
Notary Public

SUSAN C. CRAWFORD  
Notary Public, State of New York  
No. 01CR-4602475  
Qualified in Westchester County  
Commission Expires April 30, 2002



**United Water****United Water Management & Services**  
200 Old Hook Road  
Harrington Park, NJ 07640-1799  
telephone 201 784 9434

December 23, 1997

John C. Crary, Secretary  
Public Service Commission  
3 Empire State Plaza  
New York, New York 12223

Re: United Water New Rochelle  
United Water Owego  
United Water Nichols  
Sector Agreements

Dear Mr. Crary:

United Water New Rochelle (UWNR), United Water Owego (UWO) and United Water Nichols (UWN) are subsidiaries of United Waterworks Inc. (UWW). Recently UWW was reorganized based upon the geographical sector concept in which the larger utilities provide certain operational and management support for the smaller utilities in the sector, on an as needed basis.

UWO and UWN are both located within a sector for which UWNR is the largest company. Therefore, UWNR will render services to UWO and UWN as specified in the Sector Agreements that those two companies have entered into with UWNR.

Since these Sector Agreements are agreements between affiliated interests, pursuant to Public Service Law § 110, enclosed are two copies each of the two Sector Agreements. Please file one copy of each Agreement and return the other copy of each Agreement to me stamped "filed".

Thank you.

Very truly yours,

Carl H. Grossman  
Corporate Counsel

cc: J. Dwyer





SECTOR AGREEMENT  
BETWEEN  
UNITED WATER NEW ROCHELLE INC.  
AND  
UNITED WATER OWEGO INC.



### SECTOR AGREEMENT

This Agreement, dated 27 October, 1997, between UNITED WATER NEW ROCHELLE INC. (hereinafter "UW New Rochelle"), a New York corporation, with offices at 415 Huguenot Street, New Rochelle, New York 10801, and UNITED WATER OWEGO INC. (hereinafter "Utility Company"), a New York corporation, with offices at 575 E. Main Street, Owego, New York 13827.

The background of this Agreement is that:

1. Both UW New Rochelle and Utility Company are subsidiaries of United Waterworks Inc. (hereinafter "UWW"), a Delaware corporation, with offices at 200 Old Hook Road, Harrington Park, New Jersey 07640.

2. UWW was recently reorganized based on a geographical sector concept in which the larger utilities, such as UW New Rochelle, provide certain operational and management support for smaller utilities within the sector, such as Utility Company, on an as needed basis. UW New Rochelle maintains an organization whose officers and employees are familiar with all facets of the water utility business. Such officers and employees are qualified to render the services to be performed under this Agreement.

3. Utility Company can economically obtain valuable management and operating services of superior quality by contracting to secure the same from UW New Rochelle.

4. UW New Rochelle has entered, or proposes to enter, into agreements similar to this Agreement with other affiliated utility companies (hereinafter referred to collectively as "Utility Companies").

5. The services to be rendered under this Agreement are to be rendered at their cost to Utility Company, as hereinafter provided.

6. Both UW New Rochelle and Utility Company have Service Agreements with United Water Management and Services Inc., which are on file with the appropriate regulatory agencies, and which provide for a broader scope of service functions. Services rendered pursuant to this Agreement will not be duplicative of those rendered pursuant to the Service Agreements.



NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

#### ARTICLE I

UW New Rochelle shall make qualified employees available to furnish to Utility Company, and Utility Company shall utilize, as needed, general management and operations services upon the terms and conditions hereinafter set forth: In order to render such services and to promote the efficient and economic operation of Utility Company, UW New Rochelle's employees shall keep themselves informed on all aspects of Utility Company's operations and shall regularly visit Utility Company's facilities. Such personnel may make recommendations for operating expenditures and additions to and improvements of property, plant and equipment. UW New Rochelle or Utility Company, by mutual consent, may engage a non-affiliated company or person to provide such services on its behalf.

#### ARTICLE II

In consideration for the services to be rendered by UW New Rochelle as hereinabove provided, Utility Company agrees to pay to UW New Rochelle the cost thereof, determined as provided in this Article II and in Article III.

The extent of service rendered by UW New Rochelle personnel for Utility Company shall be based on actual time spent by such personnel, as reflected in their daily time sheets or other mutually acceptable means of determination, and shall be charged directly to the Utility Company.



In determining the cost to be assessed by UW New Rochelle for the rendering of services to Utility Company as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of UW New Rochelle properly allocable thereto. Such percentage shall be calculated on the basis of budgeted costs and will be adjusted periodically to reflect actual costs. No general overhead of UW New Rochelle shall be added to costs incurred for services of non-affiliated consultants employed by UW New Rochelle.

The term "general overhead" shall include (a) pension and insurance premiums paid for the benefit of UW New Rochelle employees, (b) salaries paid during vacation, holidays, sickness and other authorized absences, and (c) payroll-related taxes.

### ARTICLE III

As soon as practicable after the last day of each month, UW New Rochelle shall render a bill to Utility Company for all amounts due from Utility Company for services and expenses for such month, computed pursuant to Article II. Such bills shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall be paid by Utility Company within a reasonable time after receipt of the bill therefor.

It is understood by Utility Company that UW New Rochelle has entered, or may enter, into similar agreements with other Utility Companies that are affiliated with UWW to which similar services are to be furnished. UW New Rochelle will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

UW New Rochelle agrees to keep its books and records available for inspection by representatives of Utility Company and by regulatory bodies having jurisdiction over Utility Company with respect to information pertaining to services rendered hereunder,

UW New Rochelle shall at any time, upon request of Utility Company, furnish any and all information required by Utility Company with respect to the services rendered by UW New Rochelle hereunder and the cost thereof.

This Agreement shall be in full force and effect as of the date first mentioned above, subject to any necessary approval of governmental regulatory agencies having jurisdiction in the premises, and shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety days' notice in writing; provided, however, that this Agreement shall terminate as of the date Utility Company or New Rochelle ceases to be an affiliate of UWW.




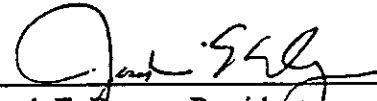


IN WITNESS WHEREOF, UW NEW ROCHELLE and UTILITY COMPANY have caused these presents to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

UNITED WATER NEW ROCHELLE INC.

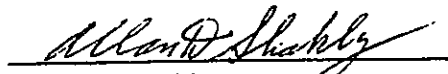
ATTEST:

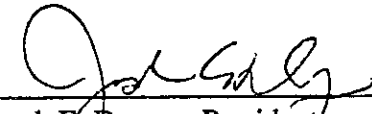
  
Allan D. Shakley  
Secretary

By   
Joseph E. Dwyer, President

UNITED WATER OWEGO INC.

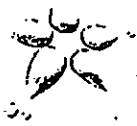
ATTEST:

  
Allan D. Shakley  
Secretary

By   
Joseph E. Dwyer, President



United Water



**United Water Management & Services**  
200 Old Hook Road  
Harrington Park, NJ 07640-1799  
telephone 201 784 9434

December 23, 1997

John C. Crary, Secretary  
Public Service Commission  
3 Empire State Plaza  
New York, New York 12223

Re: United Water New Rochelle  
United Water Owego  
United Water Nichols  
Sector Agreements

Dear Mr. Crary:

United Water New Rochelle (UWNR), United Water Owego (UWO) and United Water Nichols (UWN) are subsidiaries of United Waterworks Inc. (UWW). Recently UWW was reorganized based upon the geographical sector concept in which the larger utilities provide certain operational and management support for the smaller utilities in the sector, on an as needed basis.

UWO and UWN are both located within a sector for which UWNR is the largest company. Therefore, UWNR will render services to UWO and UWN as specified in the Sector Agreements that those two companies have entered into with UWNR.

Since these Sector Agreements are agreements between affiliated interests, pursuant to Public Service Law § 110, enclosed are two copies each of the two Sector Agreements. Please file one copy of each Agreement and return the other copy of each Agreement to me stamped "filed".

Thank you.

Very truly yours,

Carl H. Grossman  
Corporate Counsel

cc: J. Dwyer



SECTOR AGREEMENT  
BETWEEN  
UNITED WATER NEW ROCHELLE INC.  
AND  
UNITED WATER NICHOLS INC.



## SECTOR AGREEMENT

This Agreement, dated 27 October, 1997, between UNITED WATER NEW ROCHELLE INC. (hereinafter "UW New Rochelle"), a New York corporation, with offices at 415 Huguenot Street, New Rochelle, New York 10801, and UNITED WATER NICHOLS INC. (hereinafter "Utility Company"), a New York corporation, with offices at 575 E. Main Street, Owego, New York 13827.

The background of this Agreement is that:

1. Both UW New Rochelle and Utility Company are subsidiaries of United Waterworks Inc. (hereinafter "UWW"), a Delaware corporation, with offices at 200 Old Hook Road, Harrington Park, New Jersey 07640.

2. UWW was recently reorganized based on a geographical sector concept in which the larger utilities, such as UW New Rochelle, provide certain operational and management support for smaller utilities within the sector, such as Utility Company, on an as needed basis. UW New Rochelle maintains an organization whose officers and employees are familiar with all facets of the water utility business. Such officers and employees are qualified to render the services to be performed under this Agreement.

3. Utility Company can economically obtain valuable management and operating services of superior quality by contracting to secure the same from UW New Rochelle.

4. UW New Rochelle has entered, or proposes to enter, into agreements similar to this Agreement with other affiliated utility companies (hereinafter referred to collectively as "Utility Companies").

5. The services to be rendered under this Agreement are to be rendered at their cost to Utility Company, as hereinafter provided.

6. Both UW New Rochelle and Utility Company have Service Agreements with United Water Management and Services Inc., which are on file with the appropriate regulatory agencies, and which provide for a broader scope of service functions. Services rendered pursuant to this Agreement will not be duplicative of those rendered pursuant to the Service Agreements.





NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

#### ARTICLE I.

UW New Rochelle shall make qualified employees available to furnish to Utility Company, and Utility Company shall utilize, as needed, general management and operations services upon the terms and conditions hereinafter set forth: In order to render such services and to promote the efficient and economic operation of Utility Company, UW New Rochelle's employees shall keep themselves informed on all aspects of Utility Company's operations and shall regularly visit Utility Company's facilities. Such personnel may make recommendations for operating expenditures and additions to and improvements of property, plant and equipment. UW New Rochelle or Utility Company, by mutual consent, may engage a non-affiliated company or person to provide such services on its behalf.

#### ARTICLE II

In consideration for the services to be rendered by UW New Rochelle as hereinabove provided, Utility Company agrees to pay to UW New Rochelle the cost thereof, determined as provided in this Article II and in Article III.

The extent of service rendered by UW New Rochelle personnel for Utility Company shall be based on actual time spent by such personnel, as reflected in their daily time sheets or other mutually acceptable means of determination, and shall be charged directly to the Utility Company.



In determining the cost to be assessed by UW New Rochelle for the rendering of services to Utility Company as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of UW New Rochelle properly allocable thereto. Such percentage shall be calculated on the basis of budgeted costs and will be adjusted periodically to reflect actual costs. No general overhead of UW New Rochelle shall be added to costs incurred for services of non-affiliated consultants employed by UW New Rochelle.

The term "general overhead" shall include (a) pension and insurance premiums paid for the benefit of UW New Rochelle employees, (b) salaries paid during vacation, holidays, sickness and other authorized absences, and (c) payroll-related taxes.

### ARTICLE III

As soon as practicable after the last day of each month, UW New Rochelle shall render a bill to Utility Company for all amounts due from Utility Company for services and expenses for such month, computed pursuant to Article II. Such bills shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall be paid by Utility Company within a reasonable time after receipt of the bill therefor.

It is understood by Utility Company that UW New Rochelle has entered, or may enter, into similar agreements with other Utility Companies that are affiliated with UWW to which similar services are to be furnished. UW New Rochelle will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

UW New Rochelle agrees to keep its books and records available for inspection by representatives of Utility Company and by regulatory bodies having jurisdiction over Utility Company with respect to information pertaining to services rendered hereunder,

UW New Rochelle shall at any time, upon request of Utility Company, furnish any and all information required by Utility Company with respect to the services rendered by UW New Rochelle hereunder and the cost thereof.


This Agreement shall be in full force and effect as of the date first mentioned above, subject to any necessary approval of governmental regulatory agencies having jurisdiction in the premises, and shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety days' notice in writing; provided, however, that this Agreement shall terminate as of the date Utility Company or New Rochelle ceases to be an affiliate of UWW.

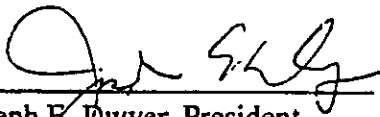


IN WITNESS WHEREOF, UW NEW ROCHELLE and UTILITY COMPANY have caused these presents to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

UNITED WATER NEW ROCHELLE INC.


ATTEST:

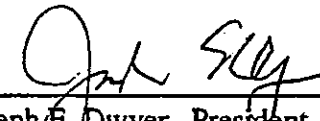
  
Allan D. Shakley  
Secretary

By   
Joseph E. Dwyer, President

UNITED WATER NICHOLS INC.

ATTEST:

  
Allan D. Shakley  
Secretary

By   
Joseph E. Dwyer, President



John T. Dillon  
Corporate Attorney – Regulated Operations

UNITED WATER  
200 Old Hook Road, Harrington Park, NJ 07640  
telephone (201) 767-2811  
facsimile (201) 767-7018  
e-mail: [john.dillon@unitedwater.com](mailto:john.dillon@unitedwater.com)



August 8, 2008

**VIA FEDERAL EXPRESS**

Honorable Jaclyn A. Brillling  
Secretary to the Commission  
New York State Public Service Commission  
Empire State Plaza  
Agency Building 3  
Albany, New York 12223-1350

Re: United Water Westchester Inc.: Sector Agreements – United Water New York Inc. – United Water Westchester Inc. and United Water New Rochelle Inc. – United Water Westchester Inc.: and Management and Services Agreement with United Management & Services Inc.

Dear Secretary Brillling:

Enclosed for filing please find one (1) original and five (5) copies each of the following intercompany agreements relating to the acquisition of United Water Westchester Inc.:

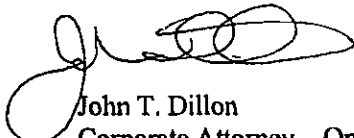
1. Sector Agreement between United Water New York Inc. and United Water Westchester Inc.
2. Sector Agreement between United Water New Rochelle Inc. and United Water Westchester Inc.
3. Management and Services Agreement between United Water Management & Services Inc. and United Water Westchester Inc.

United Water does not have a record that indicates that these agreements were previously filed. Please be advised that these agreements are consistent with those previously filed by United Water with the Commission for its other affiliates.

Should you have any questions concerning the foregoing, please contact me at (201) 767-2811.

Thank you.

Respectfully submitted,



John T. Dillon  
Corporate Attorney – Operations

Enclosures (16)

cc: Michael J. Pointing  
Mark Gennari





**AGREEMENT**

**BETWEEN**

**UNITED WATER NEW ROCHELLE INC. AND UNITED WATER WESTCHESTER INC.**

---



AGREEMENT

Agreement, dated October 18, 2007 between UNITED WATER NEW ROCHELLE INC. (hereinafter "UWNR"), a New York corporation, with offices at 2525 Palmer Avenue, New Rochelle, New York 10801 and UNITED WATER WESTCHESTER INC. (hereinafter "UW WESTCHESTER"), a New York corporation, with offices at 2525 Palmer Avenue, New Rochelle, New York 10801.

WITNESSETH:

1. WHEREAS, UWNR and UW WESTCHESTER are affiliated companies.
2. WHEREAS, UWNR is a subsidiary of United Waterworks Inc., (hereinafter "UWW"), a Delaware corporation with offices at 200 Old Hook Road, Harrington Park, New Jersey 07640.
3. WHEREAS, UW WESTCHESTER is a subsidiary of United Waterworks Inc.
4. WHEREAS, United Waterworks Inc. is a subsidiary of United Water Resources Inc.
5. WHEREAS, Due in part to their geographical proximity, UWNR and UW WESTCHESTER can economically obtain valuable management and operating services of superior quality by contracting to secure the same from each other on an as needed basis. Both UWNR and UW WESTCHESTER maintain organizations whose officers and employees are familiar with all facets of the water utility business. Such officers and employees are qualified to render the services to be performed under this Agreement.
6. WHEREAS, The services to be rendered under this Agreement are to be rendered at their cost, as hereinafter provided.
7. WHEREAS, Both UWNR and UW WESTCHESTER have Service Agreements with United Water Management and Services Inc., which are on file with the New York State Public Service Commission, and which provide for a broader scope of service functions. Services rendered pursuant to this Agreement will not be duplicative of those rendered pursuant to the Service Agreements.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:



## ARTICLE I – SERVICES AND COMPENSATION

UWNR and UW WESTCHESTER shall make their respective qualified employees available to each other to furnish, and each shall utilize, as needed, general management and operations services upon the terms and conditions hereinafter set forth. In order to render such services and to promote the efficient and economic operation of UWNR and UW WESTCHESTER, the officers and employees of each shall keep themselves informed on all aspects of their respective operations. Such personnel may make recommendations for operating expenditures and additions to and improvements of property, plant and equipment. UWNR or UW WESTCHESTER, by mutual consent, may engage a non-affiliated company or person to provide such services on its behalf.

In consideration for the services to be rendered as herein above provided, UWNR and UW WESTCHESTER each agree to pay the cost thereof, determined as provided in this Article II and in Article III.

The extent of service rendered shall be based on actual time spent by such personnel, as reflected in their daily time sheets or other mutually acceptable means of determination, and shall be charged directly.

In determining the cost to be assessed for the rendering of services as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead properly allocable thereto. Such percentage shall be calculated on the basis of budgeted costs and will be adjusted periodically to reflect actual costs. No general overhead shall be added to costs incurred for services of non-affiliated consultants. In addition, the utility providing service shall be reimbursed for actual travel or other expense of personnel rendering service.

The term "general overhead" shall include (a) pension and insurance, (b) salaries paid during vacation, holidays, sickness and other authorized absences, and (c) payroll-related taxes.

## ARTICLE II – METHOD OF BILLING AND PAYMENT

As soon as practicable after the last day of each month, UWNR and or UW WESTCHESTER shall bill for all amounts due for services and expenses for such month, computed pursuant to Article II. Such billing shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall be paid within a reasonable time.

Both UWNR and UW WESTCHESTER agree to keep their books and records available for inspection by each others' representatives and by regulatory bodies having jurisdiction over each respective utility with respect to information pertaining to services rendered hereunder.

Both UWNR and UW WESTCHESTER shall at any time, upon request of the other, furnish any and all information required with respect to the services rendered hereunder and the cost thereof.

## ARTICLE III – DURATION OF AGREEMENT

This Agreement shall be in full force and effect as of the date first mentioned above, subject



to any necessary approval of governmental regulatory agencies having jurisdiction in the premises, and shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety days' notice in writing; provided, however, that this Agreement shall terminate as of the date UWNR or UW WESTCHESTER ceases to be an affiliate of UWW.

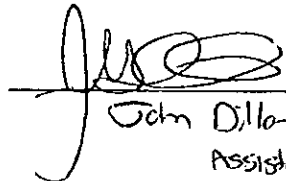
#### ARTICLE IV

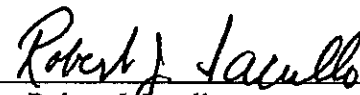
Building allocation costs will be based upon the square footage of office space utilized to provide services to UW WESTCHESTER. This allocation incorporates costs including but not limited to rent, light, heat, telephone, building maintenance services, depreciation and amortization of leasehold expenses and other miscellaneous costs

IN WITNESS WHEREOF, UWNR and UW WESTCHESTER have caused these presents to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

UNITED WATER NEW ROCHELLE INC.

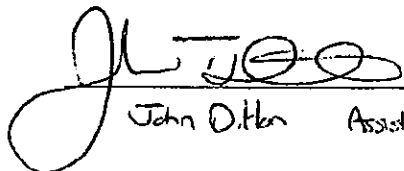
ATTEST:


  
John Dillon, Secretary  
Assistant Secretary

By:   
Robert J. Lacullo  
President  
United Water New Rochelle Inc.

UNITED WATER WESTCHESTER INC.

ATTEST:

  
John Dillon, Assistant Secretary

By:   
Michael J. Pointing  
Vice President & General Manager  
United Water Westchester Inc.





**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 5**

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		39,956
		Administration_General Total		162,514
		Commercial Development Total		53,174
		Corporate Communications Total		50,982
		Corporate Finance Total		40,120
		Creative Services Total		18,627
		Customer Accounting Total		667
		Customer Care Total		17,144
		Customer Service Office Total		1,303
		Engineering Total		3,266
		Environmental Resources Total		786
		Expat Customer Care Total		20,323
		External Affairs Total		9,705
		Financial Planning Total		103,524
		General Accounting Total		172,375
		Human Resources Total		122,356
		Internal Audit Total		46,946
		IT - Infrastructure Total		201,752
		IT - Service Delivery Total		151,118
		Legal Total		80,083
		Marketing Total		8,777
		Procurement Total		32,371
		Quality Management Total		(196)
		Regulatory Business Total		152,014
		Scada Engineering Total		2,270
		Suez Environment Total		10,656
		System Reporting Total		20,496
		Systems Office Total		61
		Taxes Total		96,479
		Technical Services Total		58,210
		Treasury Total		24,012
		Utility Accounting Total		140,686
		UWM&S Payroll Total		59,547
		Water Treatment Total		881
		Grand Total		1,902,985



**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 5**

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		32,868
		Administration_General Total		143,658
		Atlantic Division Total		1,047
		Commercial Development Total		23,258
		Corporate Communications Total		32,369
		Corporate Finance Total		34,711
		Creative Services Total		12,079
		Customer Accounting Total		645
		Customer Care Total		23,158
		Customer Service Office Total		444
		Engineering Total		821
		Expat Commercial Development Total		8,740
		Expat Customer Care Total		22,396
		Expat Engineering Total		7,874
		External Affairs Total		8,016
		Financial Planning Total		85,383
		General Accounting Total		175,216
		Human Resources Total		122,027
		Internal Audit Total		36,891
		IT - Infrastructure Total		189,864
		IT - Service Delivery Total		134,860
		Legal Total		83,987
		Marketing Total		17,452
		Procurement Total		34,263
		Quality Assurance_Qlty Control Total		(11)
		Regulatory Business Total		142,656
		Scada Engineering Total		12,793
		Suez Environment Total		2,832
		System Reporting Total		29,839
		Taxes Total		77,761
		Technical Services Total		71,558
		Treasury Total		24,094
		Utility Accounting Total		94,649
		UWM&S Payroll Total		42,160
		Grand Total		1,730,358



**United Water New Rochelle**  
**Case# 09-W-0824**  
**M&S Fees**

**Response to STAFF-63 GRW-15 Part 5**

MS BU	Dpt	Department Name	Project	M&S Fee
		Accounts Payable Total		27,282
		Administration_General Total		68,063
		Commercial Development Total		19,843
		Corporate Communications Total		17,091
		Corporate Finance Total		24,765
		Creative Services Total		7,800
		Customer Accounting Total		423
		Customer Care Total		13,667
		Customer Service Office Total		338
		Engineering Total		1,481
		Expat Accounting Total		16,942
		Expat Atlantic Division Total		159
		Expat Commercial Development Total		15,649
		Expat Customer Care Total		14,863
		Expat Engineering Total		6,032
		Expat Procurement Total		183
		Financial Planning Total		51,680
		General Accounting Total		192,955
		Human Resources Total		99,174
		Internal Audit Total		30,861
		IT - Infrastructure Total		149,765
		IT - Service Delivery Total		108,416
		IT Infrastructure Helpdesk Total		16,787
		IT Service Development Total		11,749
		Legal Total		58,636
		Marketing Total		4,917
		Procurement Total		34,599
		Regulatory Business Total		112,111
		Scada Engineering Total		1,440
		Suez Environment Total		1,373
		System Reporting Total		26,391
		Taxes Total		45,224
		Technical Services Total		62,879
		Treasury Total		13,763
		Utility Accounting Total		50,156
		UWM&S Payroll Total		28,715
		Grand Total		1,336,172



**United Water New Rochelle**  
**Case# 09-W-0824**

**Response to STAFF-63 GRW-15 Part 6**

**United Water New Rochelle**  
**STIP / LTIP in M&S Fees Calculation**

	<b>6/30/2009</b>	<b>6/30/2008</b>	<b>6/30/2007</b>
Corporate M&S Gross Costs	21,705,323	19,799,687	16,416,712
Regulated M&S Gross Costs	18,512,472	17,371,011	16,525,504
Non-Regulated M&S Gross Costs	9,202,796	8,069,547	8,441,006
	<b>49,420,591</b>	<b>45,240,245</b>	<b>41,383,222</b>
Corporate LTIP	1,035,828	786,744	569,413
LTIP%	4.8%	4.0%	3.5%
Regulated LTIP	530,375	527,676	423,180
LTIP%	2.9%	3.0%	2.6%
Non-Regulated LTIP	336,463	329,153	269,507
LTIP%	3.7%	4.1%	3.2%
Corporate STIP	1,459,681	1,219,350	1,044,859
STIP%	6.7%	6.2%	6.4%
Regulated STIP	1,252,507	1,028,735	1,047,722
STIP%	6.8%	5.9%	6.3%
Non-Regulated STIP	566,267	532,030	563,509
STIP%	6.2%	6.6%	6.7%
Corporate M&S Fees Charged to New Rochelle	921,749	792,066	546,119
STIP/LTIP %	11.5%	10.1%	9.8%
STIP/LTIP in Corporate M&S Fees Allocated to UWNR	105,976	80,252	53,700
Regulated M&S Fees Charged to New Rochelle	968,820	928,794	773,694
STIP/LTIP %	9.6%	9.0%	8.9%
STIP/LTIP in Regulated M&S Fees Allocated to UWNR	93,304	83,218	68,865
Non-Regulated M&S Fees Charged to New Rochelle	12,416	9,498	51,049
STIP/LTIP %	9.8%	10.7%	9.9%
STIP/LTIP in Non-Regulated M&S Fees Allocated to UWNR	1,218	1,014	5,038
Total M&S Fees	1,902,985	1,730,357	1,370,862
STIP/LTIP %	10.5%	9.5%	9.3%
<b>Total STIP/LTIP in Total M&amp;S Fees Allocated to UWNR</b>	<b>200,498</b>	<b>164,484</b>	<b>127,603</b>





Unit	Journal ID	Date	Sub Acct	Descr	Sum Amount	Descr	Posted
				Balance @ 12/31/2004	0.00		
00053	REV2004BTX	12/15/2005	28308	Def. FIT-Cost of Removal	(37,347.00)	Reversal tax adjustment	04/20/2006
00053	TAXADJ2005	12/15/2005	28308	Def. FIT-Cost of Removal	(36,876.00)	Tax Adjustment	04/20/2006
				Balance @ 12/31/2005	(74,223.00)		
00053	OPEN_ITEMS	01/31/2006	28308	Def. FIT-Cost of Removal	(68,432.64)	Reclassify ending 2005 balance	02/01/2006
00053	2005FBKTAX	12/15/2006	28308	Def. FIT-Cost of Removal	(13,546.00)	2005 Federal Provision to Retu	12/28/2006
00053	PROVISION	12/15/2006	28308	Def. FIT-Cost of Removal	(74,876.00) A	To record Deferred & Current F	01/05/2007
00053	TAXADJDIT	12/15/2006	28308	Def. FIT-Cost of Removal	296,979.00	To adjust both Federal and Sta	03/22/2007
				Balance @ 12/31/2006	(143,393.64)		
00053	PROVISION	06/15/2007	28308	Def. FIT-Cost of Removal	25,746.00	To record Deferred & Current F	07/03/2007
00053	PROVISION	07/01/2007	28308	Def. FIT-Cost of Removal	(25,746.00)	To record Deferred & Current F	07/03/2007
00053	2006FBKTAX	09/15/2007	28308	Def. FIT-Cost of Removal	23,530.00 B	To record the 2006 Federal Prc	09/28/2007
00053	PROVISION	12/15/2007	28308	Def. FIT-Cost of Removal	(96,660.00)	To record Deferred & Current F	01/04/2008
00053	PROVISIONF	12/31/2007	28308	Def. FIT-Cost of Removal	(96,660.00) C	To Record 2007 Provision	02/26/2008
00053	PROVIS_REV	12/31/2007	28308	Def. FIT-Cost of Removal	96,660.00	To record Deferred & Current F	02/26/2008
				Balance @ 12/31/2007	(222,928.64)		
00053	PROVISION	06/15/2008	28308	Def. FIT-Cost of Removal	(21,392.00)	To record Deferred & Current F	07/01/2008
00053	PROVISION1	06/15/2008	28308	Def. FIT-Cost of Removal	(21,392.00)	To record Deferred & Current F	07/03/2008
00053	PROVISION2	06/15/2008	28308	Def. FIT-Cost of Removal	(21,392.00)	To record Deferred & Current F	07/03/2008
00053	PROVISION3	06/15/2008	28308	Def. FIT-Cost of Removal	21,392.00	To record Deferred & Current F	07/03/2008
00053	PROVISION4	06/15/2008	28308	Def. FIT-Cost of Removal	21,392.00	To record Deferred & Current F	07/03/2008
00053	PROVISIONC	06/15/2008	28308	Def. FIT-Cost of Removal	(21,392.00)	To record Deferred & Current F	07/02/2008
00053	PROVISIONR	06/15/2008	28308	Def. FIT-Cost of Removal	21,392.00	To record Deferred & Current F	07/02/2008
00053	PROVISION	07/01/2008	28308	Def. FIT-Cost of Removal	21,392.00	To record Deferred & Current F	07/01/2008
00053	PROVISION1	07/01/2008	28308	Def. FIT-Cost of Removal	21,392.00	To record Deferred & Current F	07/03/2008
00053	PROVISION2	07/01/2008	28308	Def. FIT-Cost of Removal	21,392.00	To record Deferred & Current F	07/03/2008
00053	PROVISION3	07/01/2008	28308	Def. FIT-Cost of Removal	(21,392.00)	To record Deferred & Current F	07/03/2008

	M-3 Adj per Provision Add (Deduct)	M-3 Adj on 1120 Tax Return Add (Deduct)	Difference
2006	(234,540.00)	(167,312.00)	67,228.00
	x 31.84%		x 35.00%
	(74,876.36) A		23,529.80 B
2007	(203,855.00)	(151,628.00)	(248,335.00)
	x 31.84%		x 35.00%
	(65,859.95) C		(26,917.25) D



Unit	Journal ID	Date	Sub Acct	Descr	Sum Amount	Descr	Posted
00053	PROVISION4	07/01/2008	28308	Def. FIT-Cost of Removal	(21,392.00)	To record Deferred & Current F	07/03/2008
00053	PROVISIONC	07/01/2008	28308	Def. FIT-Cost of Removal	21,392.00	To record Deferred & Current F	07/02/2008
00053	PROVISIONR	07/01/2008	28308	Def. FIT-Cost of Removal	(21,392.00)	To record Deferred & Current F	07/02/2008
00053	2007FBKTAX	09/15/2008	28308	Def. FIT-Cost of Removal	(86,917.00)	2007 Federal Provision to Retu	09/24/2008
00053	PROVISION	09/15/2008	28308	Def. FIT-Cost of Removal	(21,392.00)	To record September 2008 Provi	10/01/2008
00053	PROVISION	10/01/2008	28308	Def. FIT-Cost of Removal	21,392.00	To record September 2008 Provi	10/01/2008
00053	DEFTAXADJ	11/15/2008	28308	Def. FIT-Cost of Removal	(1.00)	To adjust PeopleSoft deferred	11/29/2008
00053	PROVISION	12/15/2008	28308	Def. FIT-Cost of Removal	(199,321.00)	To record Deferred & Current F	01/05/2009
				Balance @ 12/31/2008	(199,287.85)		

2008	(597,752.00)	(597,752.00)	0.00
	x 31.84%		
	(199,321.25) E		

00053	PROVISION	03/15/2009	28308	Def. FIT-Cost of Removal	(47,580.00)	To record March 2009 Provision	04/07/2009
00053	PROVISION	04/01/2009	28308	Def. FIT-Cost of Removal	47,580.00	To record March 2009 Provision	04/07/2009
00053	PROVISION	04/15/2009	28308	Def. FIT-Cost of Removal	(63,441.00)	APRIL TAX PROVISION	05/04/2009
00053	PROVISION	05/01/2009	28308	Def. FIT-Cost of Removal	63,441.00	APRIL TAX PROVISION	05/04/2009
00053	PROVISION	06/15/2009	28308	Def. FIT-Cost of Removal	(95,161.00)	To record June Tax Provision	07/02/2009
00053	RCL_ROUND	06/15/2009	28308	Def. FIT-Cost of Removal	(0.35)	To adjust rounding per STWP fo	06/19/2009
00053	PROVISION	07/01/2009	28308	Def. FIT-Cost of Removal	95,161.00	To record June Tax Provision	07/02/2009
00053	PROVISION	09/15/2009	28308	Def. FIT-Cost of Removal	(34,301.00)	THRID QUARTER TAX PROVISION	10/02/2009
00053	PROVISION	10/01/2009	28308	Def. FIT-Cost of Removal	34,301.00	THRID QUARTER TAX PROVISION	10/02/2009
00053	PROVISION	11/15/2009	28308	Def. FIT-Cost of Removal	(44,144.00)	To record November tax provisi	12/02/2009
00053	PROVISION	12/01/2009	28308	Def. FIT-Cost of Removal	44,144.00	To record November tax provisi	12/02/2009
00053	PROVISIONB	12/15/2009	28308	Def. FIT-Cost of Removal	(2,935.00)	Tax Provision tax rate changes	01/05/2010
00053	PROVISIONR	12/15/2009	28308	Def. FIT-Cost of Removal	(3,780.00)	TO REVERSE PROVISIONA ENTRY RE	01/05/2010
00053	PROVISION	12/16/2009	28308	Def. FIT-Cost of Removal	(80,373.00)	TO RECORD YEAR END PROVISION	01/05/2010
00053	PROVISIONA	12/16/2009	28308	Def. FIT-Cost of Removal	3,780.00	TO RECORD THE TAX RATE CHANGE	01/05/2010
				Balance @ 12/31/2009	(581,876.00)		

(251,376.00)	not yet determined
x 31.98%	
(80,372.80) F	

2006 - 2008

FEDERAL RATE	35.00%
STATE RATE	9.03%
EFFECTIVE FED RATE	31.84%

2009

FEDERAL RATE	35.00%
STATE RATE	8.63%
EFFECTIVE FED RATE	31.98%



Unit	Journal ID	Date	Sub Acct	Descr	Sum Amount	Descr	Posted
				Balance @ 12/31/2005	0.00		
00053	OPEN_ITEMS	01/31/2006	28358	Def. SIT- Cost of Removal	(69,366.93)	Reclassify ending 2005 balance	02/01/2006
00053	2005SBKTAX	12/15/2006	28358	Def. SIT- Cost of Removal	(3,959.00)	2005 State Provision to Return	12/29/2006
00053	PROVISION	12/15/2006	28358	Def. SIT- Cost of Removal	(21,179.00) A	To record Deferred & Current F	01/05/2007
00053	TAXADJDIT	12/15/2006	28358	Def. SIT- Cost of Removal	73,319.00	To adjust both Federal and Sta	03/22/2007
				Balance @ 12/31/2006	(21,178.93)		
00053	PROVISION	06/15/2007	28358	Def. SIT- Cost of Removal	7,302.00	To record Deferred & Current F	07/03/2007
00053	PROVISION	07/01/2007	28358	Def. SIT- Cost of Removal	(7,302.00)	To record Deferred & Current F	07/03/2007
00053	2006SBKTAX	10/15/2007	28358	Def. SIT- Cost of Removal	6,136.00 B	To record the 2006 State Provi	10/19/2007
00053	PROVISION	12/15/2007	28358	Def. SIT- Cost of Removal	(27,414.00)	To record Deferred & Current F	01/04/2008
00053	PROVISIONF	12/31/2007	28358	Def. SIT- Cost of Removal	(27,414.00) C	To Record 2007 Provision	02/26/2008
00053	PROVIS_REV	12/31/2007	28358	Def. SIT- Cost of Removal	27,414.00	To record Deferred & Current F	02/26/2008
				Balance @ 12/31/2007	(42,456.93)		
00053	PROVISION	06/15/2008	28358	Def. SIT- Cost of Removal	(6,067.00)	To record Deferred & Current F	07/01/2008
00053	PROVISION1	06/15/2008	28358	Def. SIT- Cost of Removal	(6,067.00)	To record Deferred & Current F	07/03/2008
00053	PROVISION2	06/15/2008	28358	Def. SIT- Cost of Removal	(6,067.00)	To record Deferred & Current F	07/03/2008
00053	PROVISION3	06/15/2008	28358	Def. SIT- Cost of Removal	6,067.00	To record Deferred & Current F	07/03/2008
00053	PROVISION4	06/15/2008	28358	Def. SIT- Cost of Removal	6,067.00	To record Deferred & Current F	07/03/2008
00053	PROVISIONC	06/15/2008	28358	Def. SIT- Cost of Removal	(6,067.00)	To record Deferred & Current F	07/02/2008
00053	PROVISIONR	06/15/2008	28358	Def. SIT- Cost of Removal	6,067.00	To record Deferred & Current F	07/02/2008
00053	PROVISION	07/01/2008	28358	Def. SIT- Cost of Removal	6,067.00	To record Deferred & Current F	07/01/2008
00053	PROVISION1	07/01/2008	28358	Def. SIT- Cost of Removal	6,067.00	To record Deferred & Current F	07/03/2008
00053	PROVISION2	07/01/2008	28358	Def. SIT- Cost of Removal	6,067.00	To record Deferred & Current F	07/03/2008
00053	PROVISION3	07/01/2008	28358	Def. SIT- Cost of Removal	(6,067.00)	To record Deferred & Current F	07/03/2008
00053	PROVISION4	07/01/2008	28358	Def. SIT- Cost of Removal	(6,067.00)	To record Deferred & Current F	07/03/2008
00053	PROVISIONC	07/01/2008	28358	Def. SIT- Cost of Removal	6,067.00	To record Deferred & Current F	07/02/2008
00053	PROVISIONR	07/01/2008	28358	Def. SIT- Cost of Removal	(6,067.00)	To record Deferred & Current F	07/02/2008
00053	PROVISION	09/15/2008	28358	Def. SIT- Cost of Removal	(6,067.00)	To record September 2008 Provi	10/01/2008
00053	PROVISION	10/01/2008	28358	Def. SIT- Cost of Removal	6,067.00	To record September 2008 Provi	10/01/2008
00053	2007SBKTX	10/15/2008	28358	Def. SIT- Cost of Removal	(34,841.00) D	To record the 2007 State Provi	10/31/2008
00053	PROVISION	12/15/2008	28358	Def. SIT- Cost of Removal	(53,977.00) E	To record Deferred & Current F	01/05/2009
				Balance @ 12/31/2008	(131,274.92)		
00053	PROVISION	03/15/2009	28358	Def. SIT- Cost of Removal	(13,494.00)	To record March 2009 Provision	04/07/2009
00053	PROVISION	04/01/2009	28358	Def. SIT- Cost of Removal	13,494.00	To record March 2009 Provision	04/07/2009
00053	PROVISION	04/15/2009	28358	Def. SIT- Cost of Removal	(17,992.00)	APRIL TAX PROVISION	05/04/2009
00053	PROVISION	05/01/2009	28358	Def. SIT- Cost of Removal	17,992.00	APRIL TAX PROVISION	05/04/2009
00053	PROVISION	06/15/2009	28358	Def. SIT- Cost of Removal	(26,489.00)	To record June Tax Provision	07/02/2009
00053	RCL_ROUND	06/15/2009	28358	Def. SIT- Cost of Removal	(0.00)	To adjust rounding per STWP fo	06/19/2009

M-3 Adj per Provision Add (Deduct)	M-3 Adj on 1120 Tax Return Add (Deduct)	Difference
(234,849.00)	(167,312.00)	67,228.00
x 9.03%		#REF!
(21,178.96) A		#REF! B
(303,825.00)	(551,320.00)	(248,335.00)
x 9.03%		#REF!
(27,413.73) C		#REF! D
(597,757.00)	(597,757.00)	0.00
x 9.03%		
(53,977.01) E		



Unit	Journal ID	Date	Sub Acct	Descr	Sum Amount	Descr	Posted
00053	PROVISION	07/01/2009	28358	Def. SIT- Cost of Removal	26,989.00	To record June Tax Provision	07/02/2009
00053	PROVISION	09/15/2009	28358	Def. SIT- Cost of Removal	(9,728.00)	THRID QUARTER TAX PROVISION	10/02/2009
00053	PROVISION	10/01/2009	28358	Def. SIT- Cost of Removal	9,728.00	THRID QUARTER TAX PROVISION	10/02/2009
00053	PROVISION	11/15/2009	28358	Def. SIT- Cost of Removal	(5,549.00)	To record November tax provisi	12/02/2009
00053	PROVISION	12/01/2009	28358	Def. SIT- Cost of Removal	5,549.00	To record November tax provisi	12/02/2009
00053	PROVISIONB	12/15/2009	28358	Def. SIT- Cost of Removal	5,815.00	Tax Provision tax rate changes	01/05/2010
00053	PROVISIONR	12/15/2009	28358	Def. SIT- Cost of Removal	(5,815.00)	TO REVERSE PROVISIONA ENTRY RE	01/05/2010
00053	PROVISION	12/16/2009	28358	Def. SIT- Cost of Removal	(21,689.00) F	TO RECORD YEAR END PROVISION	01/05/2010
00053	PROVISIONA	12/16/2009	28358	Def. SIT- Cost of Removal	5,815.00	TO RECORD THE TAX RATE CHANGE	01/05/2010
				Balance @ 12/31/2009	(147,149.00)		

M-3 Adj per  
Provision Add  
(Deduct)

M-3 Adj on 1120  
Tax Return Add  
(Deduct)

Difference

(251,316.43) not yet determined  
x 8.63%  
(21,689.43) F





United Water New Rochelle  
Attachment 2 Staff-84 GRW-19  
Page 1

Year	COR Tax Deduction	DFIT @ 35%	RY 1 11/10-10/11	RY 2 11/11-10/12	RY 3 11/12-10/13
2006	0	0			
2007	515,123	180,293	36,059		
2008	484,288	169,501	33,900	33,900	
2009	405,085	141,780	28,356	28,356	28,356
2010	444,687	155,640	31,128	31,128	31,128
2011	445,123	155,793	31,159	31,159	31,159
2012	445,344	155,870		31,174	31,174
2013	435,608	152,463			30,493
			160,601	155,717	152,309



United Water New Rochelle  
Attachment 2 Staff-84 GRW-19  
Page 2

	<b>COR Tax Deduction</b>	<b>DSIT @ 8.63%</b>	<b>RY 1 11/10-10/11</b>	<b>RY 2 11/11-10/12</b>	<b>RY 3 11/12-10/13</b>
2006	0	0			
2007	515,123	44,455	8,891		
2008	484,288	41,794	8,359	8,359	
2009	405,085	34,959	6,992	6,992	6,992
2010	444,687	38,376	7,675	7,675	7,675
2011	445,123	38,414	7,683	7,683	7,683
2012	445,344	38,433		7,687	7,687
2013	435,608	37,593			7,519
			<u>39,600</u>	<u>38,395</u>	<u>37,555</u>



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-84 GRW-19

Requested By: Gerald Wojcinski

Date of Request: January 15, 2010

Response Due: January 25, 2010

Witness: James Linn

Subject: Accumulated Deferred Income Tax Balance

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Please refer to United Water New Rochelle (UWNR), Accumulated Deferred Income Tax Balance, WP-DIT, Page 2 and 3. Specifically, refer to account 28308 Deferred FIT - Cost of Removal \$410,510 (page 2) and refer to account 28358 Deferred SIT - Cost of Removal \$101,074 (page 3).

1. Provide the calculation of the balances by vintage year.
2. For the bridge period and the rate year provide the estimated additions to these items.
3. For the bridge period and the rate year provide the estimated reversal to these items. Identify where in the rate case filing these reversals were included in the rate case filing. If these reversals are not included in the company rate case filing fully explain why not.
4. For 1, 2 and 3 above, in your answer include an explanation and supporting calculations as to how the amounts were derived.

**Response:**

1. Cost of removal is treated as a deduction on both the Federal and State Income tax returns of the Company. For Accounting, cost of removal is charged to accumulated depreciation (a debit to a credit account). As a result, there is a timing difference that must reflect a deferred tax liability. This timing difference turns around when the pool of assets is fully depreciated. The company calculates deferred tax on the current cost of removal on an annual basis. The amount of cost of



removal that hits the retirement-work-in-process account (which is later transferred to the accumulated depreciation account) is deducted for the current year tax calculation and deferred taxes are set up on that amount. This amount never increase the tax basis of the pool of assets like it does for accounting. As a result, once the tax basis is fully recovered and the book basis continues to be depreciated, the book recovery will continue until the full original basis plus the cost of removal is recovered, at the very end of the Plant-in-service life. Previous to 2006, all information was rolled into the MACRS account balance, therefore not all of the requested information can be provided. Please see the attached calculation from 2006 to 2009.

2, 3 & 4 Please refer to Attachment 2 for the estimated additions to Cost of Removal. There are no estimated reversals included in the rate filing as the Company inadvertently failed to include this item. As shown on Attachment 2, both a Federal and State Deferred Tax is calculated based on Cost of Removal amounts taken as a tax deduction, these amounts are then amortized over five years.





**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-89 CGS-13

Requested By: Christopher Simon

Date of Request: January 20, 2010

Response Due: February 1, 2010

Witness: Michael Pointing/Thomas Lippai

Subject: Labor - Management and Executive Salaries

1. Has the company preformed a study to compare the salaries paid to its management and executives versus what similar company's are paying?
2. If so, please provide.
3. If not, how do you justify the current level of management and executive pay? As well as the requested 3.0% increase in wages?
4. Please provide all justifications for providing management and executives with pay increases above the current rate of inflation.
5. Please provide a comparison of the last fives years showing the management and executive percentage pay increases versus annual inflation.

Response:

1. Yes, see response to Part 2.

2.

Market Survey	2010 (Projected)		
	Executives	Exempt	Non-Exempt (Hourly)
World At Work Benchmark	2.70%	2.70%	2.70%
The conference Board	3.10%	3.25%	3.25%
Compensation Resources	3.00%	2.70%	3.00%
Compensation Resources Utilities	3.50%	3.30%	3.40%
Towers Perrin	3.00%	3.00%	3.00%
Watson Wyatt	3.20%	3.10%	3.00%
Culpepper	2.80%	2.80%	2.80%
Hay General Market	2.90%	3.00%	3.00%
Average	3.03%	2.98%	3.02%



3. Please refer to study in response to Part 2.
4. Outlined in the Company's response to Part 2 are the market projections for 2010 salary increases. The consulting firms that conduct these surveys and publish these results are the leading consulting firms in the compensation field. After compiling the overall survey results a recommendation is made to the Compensation Advisory Committee. The overall salary adjustment budget is submitted to and approved by the Compensation Advisory Committee, which is comprised of board members who also sit on the boards of other utilities and companies, such as PSE&G and Hackensack University Medical Center, etc.

5. United Water Salary Increase		Inflation (a)
2005	3.6%	3.3
2006	4.0%	3.3
2007	4.0%	2.9
2008	3.9%	2.1
2009	3.3%	N/A

- (a) Obtained from Bureau of Economic Analysis - Implicit Price Deflators - Gross Domestic Product



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-104 GRW-23

Requested By: Gerald Wojcinski

Date of Request: January 22, 2010

Response Due: February 2, 2010

Witness: James Linn

Subject: Follow up to Staff-11, GRW-6

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Please refer to response to GRW-6 Attachment - United Water New Rochelle Amounts Recoverable for Previously Flowed - Through Tax Benefit.

1. On that sheet you show \$8,356,657 of Total Previously Unrecognized Temporary Differences. Included in that balance is

Deferred Pension Cost	\$263,909
Deferred Rate Case Cost	\$232,759
Deferred Tank Painting	\$170,149
Other Deferred Charges	\$196,500

a. Provide the date(s) when the above charges were incurred.

**Response:** All charges were made prior to 1993, the date the company adopted Financial Accounting Standard Number 109. Please refer to the attachment to Staff-11 (GRW-6).

b. Explain why the above deferred items should be included in your calculation of \$132,947. Be sure to fully address what the Company believes is the "estimated remaining life" of each of these assets from the beginning of the rate year in this case. Include supporting information from past rate cases as to what periods of time these assets were amortized over.

**Response:** The Company believes the above amounts should be included in our calculation because the benefit to the ratepayer at the time of adoption included these amounts. At that point, it is the Company's position that the individual turn-around times are irrelevant because the Company grouped all of the benefits together and requested amortization of the entire balance of the benefits for a longer period of time. The turn-around time of deferred pension cost would occur when the amount



accrued was actually paid. Deferred Rate Case Cost, deferred tank painting and other deferred changes would be when the underlying costs were amortized off the balance sheet.

- c. To the extent these items have been fully amortized in rates prior to 2010, do you agree the costs should not be included in the Company's requested rate year tax amortization? If you disagree, explain in full

**Response:** The Company agrees that items that normally would have been fully amortized should not be included in its request. But also please refer to the answer to 1b above.

2. Also on the sheet that shows the \$8,356,657 of Total Previously Unrecognized Temporary Differences is \$7,591,185 for Utility Plant.

- a. Provide the calculation of the utility plant of \$7,591,185 by vintage year. If not available, why is it not available? If not available, provide estimates by vintage year and an explanation as to how you derived these estimates.

**Response:** The calculation of the utility plant of \$7,591,185 is not available by vintage year as stated in previous responses. The calculation of the \$7,591,185 was previously provided in the attachment to Staff-11 (GRW-6).

- b. Provide the average service life for the assets that make up the \$7,591,185. If not available provide an estimate and an explanation as to how you derived the estimate.

**Response:** The service life for the property that made up Utility Plant was primarily 50 years. The longest remaining service life of this property in 1993 was an estimated 35 years. This estimate was determined by a non-scientific method. Utility property placed in service after 1981 was required to be normalized if accelerated depreciation was claimed on the tax return. The Company reasoned that between 1980 and 1992, twelve years had expired. Taking the average service life of 50 years and subtracting the period between when most flow-through ended and when FAS 109 was adopted, the Company arrived at 38 years. This would be the longest turn-around time. Since many of the assets would have turned around earlier, the Company selected 22 years.

3. Also shown on the sheet referenced above is 35 years for the estimated remaining life of underlying Assets in 1993.





A. How did you calculate the 35 years. Provide all workpapers/analysis/calculations etc.

**Response:** Please see the response to 2b above.

4. Also on the referenced sheet above you divide the Federal Taxes on Unrecognized Temporary Differences of \$2,924,830 by 22 years or an annual \$132,947. Do you agree this result in a 100% recovery of all Federal Taxes on Unrecognized Temporary Differences if the amortization period extends for 22 years?

**Response:** Yes.

5. In United Water New York (UWNY), Exhibit JEL-4 Page 1 of 1, you divide the Federal Taxes on Unrecognized Temporary differences (Non-Normalized Deferred Taxes) by 35 years. Why did you use 22 years in UWNR and 35 years in UWNY? Please explain.

**Response:** Prior to 1994 UWNR was not a member of United Water's group. There is no explanation of why UWNY and UWNR's remaining life calculation is not the same. UWNY did have amortization schedules of AFUDC which showed an estimated remaining life of property at 35 years. See response to question 2b for UWNR's calculation.

6. In UWNY, your tax amortization methodology eliminates the "amortization to date". However, in the UWNR case, you do not eliminate the "amortization to date".

A. Fully explain why the UWNY methodology should not be used to eliminate the "amortization to date".

**Response:** Amortization to date is eliminated in both methodologies, not just in UWNY. The amortization in both methodologies is straight line. Therefore, the amortization remains the same each year until the full recovery occurs.

B. Fully explain why the UWNR methodology does not constitute retroactive ratemaking, i.e., collecting from current / future ratepayers costs that were amortized or should have been amortized in the past.

**Response:** The following is the response provided in the UWNY case responding to STAFF-126 (GRL-24), item 4, which is applicable to this interrogatory question also.



**Response:** The retroactive ratemaking doctrine prohibits the Commission from authorizing or requiring a utility to adjust current rates to make up for past errors in projections. If a utility includes an estimate of certain costs in its rates and subsequently finds out that the estimate was too low, it cannot adjust future rates to "recoup past losses." *City of Piqua v. FERC*, 610 F.2d 950, 954 (D.C. Cir. 1979) (quoting *Nader v. FCC*, 520 F.2d 182, 202 (D.C. Cir. 1975)).

In *Public Systems v. FERC*, 709 F.2d 73, 84-85 (D.C. Cir. 1983), the courts approved FERC's transition treatment of switching from flow-through to tax normalization accounting. In that case, that transition required companies to collect money from future ratepayers that they would have accumulated from past ratepayers if they had been using tax normalization all along. Both the shift to tax normalization and the shift to accrual accounting result in a sudden deficit that must be made up. To understand this parallel, a brief and schematic description of tax normalization is necessary. Tax normalization involves the accounting treatment of accelerated depreciation. For tax purposes, companies are authorized to use accelerated depreciation in certain circumstances. Under accelerated depreciation, the company pays *less* tax than it would under straight-line depreciation in the early years of the life of the equipment, and *more* tax than it would under straight-line depreciation in the later years of the life of the equipment.

This difference between accelerated and straight-line depreciation can be accounted for in two different ways. Under flow-through accounting, the company passes the difference between straight-line and accelerated depreciation directly to the ratepayers: ratepayers get the surplus between accelerated and straight-line depreciation in the early years, and they are charged for the deficit in the later years. Under tax normalization, by contrast, ratepayers are shielded from these effects of accelerated depreciation. The company charges the ratepayers the tax that they would be responsible for under straight-line depreciation throughout the life of the equipment. Thus, in the early years, the company collects more in rates than it pays in taxes to the IRS; in the later years, it collects *less* in rates than it pays in taxes. The company holds onto the surplus from the early years in a *deferred tax account*, and uses this surplus to make up for the deficit in the later years.

When the company *switches* from flow-through to tax normalization accounting, it does not have any accumulated surplus in its deferred tax account. Thus, for older equipment in its last years, the company owes more money in taxes than it can collect from its ratepayers under its new tax normalization procedure. The transition requires it to make up for this underfunding by collecting the money that it would have accumulated in its deferred tax account if it had been using tax normalization all along in much the same way that the transition from pay-as-you-go to accrual accounting requires the company to make up for money that would have been accumulated by that point if it had been using accrual accounting all along.

When FERC ordered the switch from flow-through to tax normalization accounting, it included a make-up provision, allowing utilities to collect over time that amount of money for their deferred tax account that they would have had if they had been using tax normalization all along. **The courts have upheld the make-up provision against a charge that it constituted retroactive ratemaking:**

In conclusion, the switch from flow-through to tax normalization accounting is very similar to the switch from pay-as-you-go to accrual accounting. In each case, there is a quantity of money that the company (a) planned to collect from future ratepayers under the earlier method, but (b) would have collected from past ratepayers if it had been using the new method all along. In *Public Systems*, the court held that it is not retroactive ratemaking for the company to collect this quantity of money from future



ratepayers over a set period of time because it was expected all along that this money would be collected from future ratepayers. The make-up provision changed only the timing of collection; it does not burden future ratepayers with charges that they would never have borne under the old system. By the same reasoning, the recovery of previously flowed through taxes on ADR property is not retroactive ratemaking.

7. If the requested UWNR tax amortization should be corrected as a result of your responses to the above questions, please provide a calculation of the required adjustment.

**Response:** If a longer or shorter amortization period is required, the \$2,924,830 of previous unrecovered tax benefits the flowed-through to customers, would be divided by this longer or shorter period.



## United Water New Rochelle

## Response to STAFF-117 CGS-7 Part 1

Case# 09-W-0824

## Contract Services for the Test Year by Vendor

Vendor	Test Year Amount	Services
CASTLE OIL CORP-HILLCREST DIV	274	Heating service
DIG SAFELY NEW YORK	1,460	Notify prior to road opening
FAWN	1,160	Large meter Changes
FENBAR PRECISION MACHINISTS IN	3,950	Pump Maintenance Contractors
GOOSETOWN COMMUNICATIONS INC	679	SCADA service
INDUSTRIAL CONTROLS DISTRIBUTO	11,452	SCADA service
JOKEN DEVELOPMENT CORP	103,839	Main Break contracting
KINGSNORTH, MICHAEL	1,200	Water Quality testing
KINSLEY POWER SYSTEMS	9,340	Pump Maintenance Contractors
MARIO BULFAMANTE & SONS	97	Landscapers
MONSEN ENGINEERING CO	1,640	Generator Contractors
NEPTUNE TECHNOLOGY GROUP INC	672	Meters repairs/ service
PAB CONTRACTING INC	13,100	Paving Contractor
RJM SALES INC	1,845	Batteries/Sales/Service pumping Equip
ROBERGE ELECTRIC CO INC	8,545	Electrical Contractor
STILLMAN SAFETY	964	Fire Extinguisher Service/Inspection
<b>Total</b>	<b><u>160,215</u></b>	





**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-117 CGS-7

Requested By: Christopher Simon

Date of Request: January 28, 2010

Response Due: February 8, 2010

Witness: Thomas Lippai

Subject: Contract Service

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In reference to TGL-6, Page 4 you show a rate year expense level of \$165,871.

TGL-1, page 4 shows a test year level of \$160,215 for Contract Services.

1. Please provide a break down of the test year by vendor and/or service and the amount for each.
2. What was the Contract Service amount provided in the last rate case?
3. Provide all reasons for the change in levels from last case to current case.
4. Provide your rationale behind the proposed rate year increase for each vendor/service and why it is expected to continue during the rate year.

**Response:**

1. Please refer to attached file titled "STAFF-117 (CGS-7) Attachment Part 1" which provides the vendor, amount and type of service provided.
2. The contract services amount included in the Company's last filing for the twelve month historic test year ending June 30, 2004 was \$53,432.
3. A review of the categorization of these costs in the last case versus this case have shown that there were account classification differences between the two cases which causes there to be a large variance between the two cases that in fact do not actually exist. The Company currently



codes some of the services provided in the attachment to Part 1 differently in the financial system than it did in the last case. For example, the services listed on the attachment to Part 1, such as main break contracting, water quality testing and paving contractor, totaling \$118,139, were charged in the last case as "Miscellaneous Expense" versus "Contract Services".

4. As shown in the response to Part 3 above, there is no material increase in the cost of these services. The historic test year costs totaled \$160,215 while the proposed rate year amount is \$165,871. The projected rate year amount was determined by applying a 1.60% and 1.90% increase, respectively, to the historic test year amount based upon the Blue chip Financial Forecast's estimate of increases to the GDP price Index to reflect inflationary trends. As can be seen in reviewing the services provided, i.e., main break work along with associated paving work, and meter and well work, the contract services are vital to the operations of the Company and the Company plans to continue to incur costs for these services and deems them necessary in the provision of safe and adequate service to our customers.



A G R E E M E N T  
BETWEEN  
GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY  
AND  
THE NEW ROCHELLE WATER COMPANY

Filed with N.Y. Public Service Commission  
Regulatory Body

Date May 15, 1974



A G R E E M E N T

Agreement dated January 1, 1974 between GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY, a Pennsylvania corporation (hereinafter called the Service Company), and The New Rochelle Water Company corporation (hereinafter called Utility Company).

The background of this agreement is that:

1. Both Service Company and Utility Company are affiliated with General Waterworks Corporation, a Delaware corporation (hereinafter called General).
2. Service Company maintains an organization whose officers and employees are familiar with all facets of the water utility business including the development, business and property of Utility Company and are experienced in the efficient management, financing, accounting and operation of water works properties and the extension and improvement thereof. Such officers and employees are qualified to be of great aid and assistance to Utility Company through the services to be performed under this agreement.
3. Utility Company can economically secure valuable administrative and operating services of superior quality by contracting to secure the same from Service Company.
4. Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated utility companies (hereinafter referred to collectively as Utility Companies).
5. The services to be rendered under this agreement are to be rendered at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

ARTICLE I.

Service Company shall make its qualified employees available to become officers of Utility Company, and such employees may be elected by Utility Company to such positions as president, vice president, secretary, treasurer and controller.

Service Company shall furnish to Utility Company, and Utility Company shall utilize, all the following services upon the terms and conditions hereinafter set forth; provided, however, that Service Company or Utility Company, by mutual consent, may engage a non-affiliated company or person to provide such services on its behalf:





A. ADMINISTRATIVE: Service Company shall make qualified employees available to perform or assist in the performance of Utility Company's corporate administration. In order to render such service and to promote the efficient and economic operation of Utility Company, those employees shall keep themselves informed on all aspects of Utility Company's operations and shall regularly visit Utility Company's facilities. Such administrative personnel shall make recommendations for operating expenditures and for additions to and improvements of property, plant and equipment. Such administrative personnel shall also assist Utility Company in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operations.

B. ENGINEERING: Service Company shall advise and provide engineering services to assist Utility Company in planning, operating, maintenance and construction functions.

It shall assist Utility Company in its operations by conducting distribution system surveys and hydraulic analyses, reviewing procedures for water quality control, and preparing or reviewing maps, charts, operating statistics, reports and other pertinent data.

It shall assist Utility Company in the proper maintenance and protection of its properties by periodic inspection of its structures, tanks, reservoirs, wells and electrical and mechanical equipment.

Such engineering services shall also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs and drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Utility Company's sources of supply, treatment plant, pumping stations, distribution system, and such other facilities as Utility Company may request.

C. CUSTOMER AND PUBLIC RELATIONS: Service Company shall recommend procedures to promote satisfactory customer and public relations. It shall furnish sales promotional material, including advertising copy, layouts, and scripts. It shall assist in the preparation of news and customer information releases, and in arrangements for public inspections, displays and other related services.

D. EMPLOYEE RELATIONS: Service Company shall assist Utility Company in the procurement of qualified personnel, in the establishment of appropriate rates of pay and in negotiations with bargaining units representing Utility Company's employees. It shall recommend programs for supervision of training and educational assistance, and shall advise on federal and state regulations affecting personnel.

It shall recommend and administer group insurance and pension plans for the benefit of Utility Company. It shall also assist in the establishment of accident prevention and other programs relating to employee health and welfare.



E. ACCOUNTING: Service Company shall keep the general books of account of Utility Company, including records supplemental thereto. It shall prepare monthly financial statements and analyses of accounts of Utility Company and special accounting and financial reports as required by Utility Company. It shall prepare reports on the costs incurred for property additions and improvements and will establish continuing property records as requested.

Service Company shall prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Utility Company.

Service Company shall keep abreast of and advise Utility Company concerning appropriate accounting theories and principles for Utility Companies and changes therein; it shall advise and assist in the establishment and maintenance of modern record keeping techniques; and it shall review accounting procedures, methods and forms and evaluate systems of internal control for receipt and disbursements of funds, materials and supplies, and other assets.

It shall conduct periodic audits of accounts, records and procedures of Utility Company and submit reports thereon.

F. CORPORATE SECRETARIAL: Service Company shall maintain documents of Utility Company such as minute books, charters, by-laws, contracts, deeds, and other corporate records, and shall administer an orderly program of records retention. It shall maintain, or arrange for the maintenance of, records of stockholders of Utility Company, prepare or arrange for the preparation of stock certificates, perform duties relating to the transfers of stock and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and keeping the minutes thereof.

Service Company shall review, and may assist in the preparation of, documents required by Utility Company such as deeds, easements, contracts, charters, franchises, trust indentures, and regulatory reports.

G. TREASURY: Service Company will coordinate financial arrangements with financial community to arrange and provide for furnishing of Utility Company's entire capital needs from other than internally generated sources.

Service Company shall assist Utility Company in cash management, collection policies, and development of temporary investment programs.

H. PURCHASING: Service Company shall endeavor to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to Utility Company.

I. INSURANCE: Service Company shall review the insurance coverage of Utility Company, recommend the types and limits of insurance adequate for its protection and assist in the placement of such insurance. It shall supervise investigation procedures and review claims and proposals for settlement at request of Utility Company.



J. DATA PROCESSING: Service Company shall make available to Utility Company electronic data processing services, including system analysis and programming, maintaining general accounting records, financial analysis and studies, area consumption patterns, engineering analysis and studies, and such other functions that may be requested by Utility Company.

K. RATES: Service Company will advise and assist in the preparation of rate schedules for Utility Company's services; will prepare, or assist in preparing, the material and exhibits required for Utility Company's rate cases and render advice with respect to the procedure therein and will, at the request of Utility Company, arrange for the employment of such witnesses as may be required.

L. GENERAL: Service Company shall keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Utility Company and shall advise Utility Company thereof to the extent that they may be important to Utility Company.

## ARTICLE II.

In consideration for the services to be rendered by Service Company as hereinabove provided, Utility Company agrees to pay to Service Company the cost thereof determined as provided in this Article II and in Article III.

The extent of service rendered by Service Company personnel for Utility Company or in common with other Utility Companies shall be based on actual time spent by such personnel as reflected in their daily time sheets or other mutually acceptable means of determination.

All costs of Service Company incurred in connection with services rendered by Service Company which can be identified and related exclusively to Utility Company, shall be charged directly to Utility Company.

All costs incurred in rendering services to Utility Company in common with similar services to other Utility Companies which cannot be identified and related exclusively to services rendered to a particular Utility Company, shall be allocated among all Utility Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Utility Companies, among the members of such group, in the manner hereinafter set forth:

1. Administrative, Purchasing, Insurance and General Services: 33-1/3% thereof in proportion to the number of employees, 33-1/3% thereof in proportion to the number of customers served, both as of the end of the preceding calendar year, and 33-1/3% thereof in proportion to operation and maintenance expenses (excluding charges under this agreement, regulatory expenses and provisions for depreciation and taxes) for the preceding calendar year.

2. Engineering Services: 40% in proportion to the sum of utility plant in service and construction work in progress accounts less the reserve for depreciation at the end of the preceding calendar year, 40% thereof in proportion to the volume of water delivered during the preceding calendar year, and 20% thereof in proportion to the total of fuel and power and chemical costs during the preceding calendar year. If any company or component of a company served is engaged in both water and sewer service, the volume of water delivered by such company or component thereof engaged in both services shall be doubled for the purposes of this paragraph.



3. Customer Billing and Communications Services: In proportion to the number of customers at the close of the preceding calendar year.

4. Employee Relations Services: In proportion to the number of employees at the close of the preceding calendar year.

5. Accounting and Data Processing Services: In proportion to the number of transactions processed during the preceding calendar year.

6. Treasury Services: Costs will be allocated on the basis of the proportion of the Utility Company's total capitalization to the consolidated capitalization of General at the end of the preceding year.

### ARTICLE III.

In determining the cost to be assessed by Service Company for the rendering of services to Utility Companies as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of Service Company properly allocable thereto. Such percentage shall be calculated on the basis of budgeted costs and adjusted bills will be rendered at the end of each year to reflect actual costs. No general overhead of Service Company shall be added to costs incurred for services of non-affiliated consultants employed by Service Company.

The term "general overhead" shall include (a) salaries of secretaries and clerical personnel, (b) salaries of file clerks, messengers, telephone operators, mail clerks and other employees in the general category of office services, (c) pension and insurance premiums paid for the benefit of Service Company employees, (d) salaries paid during vacation, holidays, sickness and other authorized absences, (e) office rent, utilities, depreciation, general office supplies and other similar expenses, (f) legal, auditing and other fees for services rendered to Service Company, and (g) taxes.





## ARTICLE IV.

As soon as practicable after the last day of each month, Service Company shall render a bill to Utility Company for all amounts due from Utility Company for services and expenses for such month, computed pursuant to Articles II and III. Such bills shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall be paid by Utility Company within a reasonable time after receipt of the bill therefor.

It is understood by Utility Company that Service Company has entered or may enter into similar agreements with other Utility Companies that are affiliated with General to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

Service Company agrees to keep its books and records available at all times for inspection by representatives of Utility Company or by regulatory bodies having jurisdiction over Utility Company.

Service Company shall at any time, upon request of Utility Company, furnish any and all information required by Utility Company with respect to the services rendered by Service Company hereunder, the cost thereof, and the allocation of such cost among Utility Companies.

This agreement shall be in full force and effect as of the date first mentioned above, subject to any necessary approval of governmental regulatory agencies having jurisdiction in the premises, and shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety days' notice in writing; provided, however, that this agreement shall terminate as of the date Utility Company or Service Company ceases to be an affiliate of General.

IN WITNESS WHEREOF, SERVICE COMPANY and UTILITY COMPANY have caused these presents to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and impressed with their respective corporate seals attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

ATTEST:

GENERAL WATERWORKS MANAGEMENT  
AND SERVICE COMPANY

X.C.T. Alexander.  
Secretary

By C. Robert Brown  
Vice President

ATTEST:

James M. ...  
Secretary

By ...  
President



ADDENDUM

AGREEMENT

BETWEEN

GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY

AND

NEW ROCHELLE WATER COMPANY

Filed with N.Y. PUBLIC SERV. COMMISSION

Date:



ADDENDUM, dated \_\_\_\_\_, to Agreement  
dated May 15, 1974 between GENERAL WATERWORKS MANAGEMENT  
AND SERVICE COMPANY and NEW ROCHELLE WATER COMPANY.

ARTICLE II, Paragraph 5, is changed to read as  
follows:

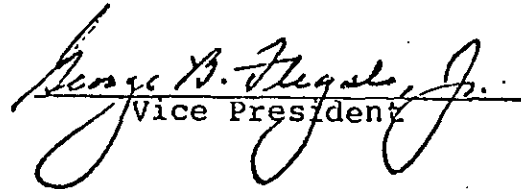
Accounting and Data Processing Services: Fifty  
percent will be based on the number of transactions  
processed during the preceding calendar year, and  
fifty percent will be based on the capitalization  
of General at the end of the preceding year.

ATTEST:

GENERAL WATERWORKS MANAGEMENT  
AND SERVICE COMPANY

  
Secretary

By:

  
Vice President

ATTEST:

NEW ROCHELLE WATER COMPANY  
(Utility Company)

\_\_\_\_\_  
Secretary

By:

  
President



ADDENDUM

AGREEMENT

BETWEEN

GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY

AND

THE NEW ROCHELLE WATER COMPANY

Filed with: NEW YORK PUBLIC  
SERVICE COMMISSION

Date: June 25, 1985





ADDENDUM, dated July 1, 1985, to Agreement dated May 15, 1974 between GENERAL WATERWORKS MANAGEMENT AND SERVICE COMPANY and THE NEW ROCHELLE WATER COMPANY.

ARTICLE II, Paragraph 5, is changed to read as follows:

Accounting and Data Processing Services: In proportion to the capitalization of Utility Company at the end of the preceding year.

ATTEST:

GENERAL WATERWORKS MANAGEMENT  
AND SERVICE COMPANY

Winifred L. Dulmes  
Assistant Secretary

By:

Samuel R. Martin  
Senior Vice President

ATTEST:

THE NEW ROCHELLE WATER COMPANY

(Utility Company)

Michael J. Ford  
Assistant Secretary

By:

Donald B. Bunker  
President



Expanded for the Response to Staff 188, GRW-26

		TME 30-Jun-07	TME 30-Jun-09	Difference 07 Vs 09	Percentage 07 Vs 09	Total 2007 Expenses	NR % of Total	Total 2009 Expenses	NR % of Total	Total Exp % Incr.
Administration General Total	400 A Administration_General	68,063	162,514	94,451	139%	3,521,887.17	1.93%	4,776,232.87	3.40%	35.62%
Corporate Communications Total	405 A Corporate Communications	17,091	50,982	33,891	198%	814,387.28	2.10%	1,513,868.40	3.37%	85.89%
Expat Commercial Development	434 A Expat Commercial Development	15,649	-	(15,649)	-100%	824,010.48				
Commercial Development	435 A Commercial Development	19,843	53,174	33,331	168%	928,741.17		2,750,551.68		
Total Commercial Development		35,492	53,174	17,682	50%	1,752,751.65	2.02%	2,750,551.68	1.93%	56.93%
Marketing Total	436 A Marketing	4,917	8,777	3,860	79%	278,692.45	1.78%	144,072.56	6.09%	-48.30%
Suez Environment	437 A Suez Environment	1,373	10,656	9,283	676%	81,719.21	1.68%	563,141.06	1.89%	589.12%
Expat Procurement	444 A Expat Procurement	183	-	(183)	-100%					
Procurement	445 A Procurement	34,599	32,371	(2,228)	-6%	1,106,235.96	2.87%	943,862.53	3.43%	
Total Procurement		34,782	32,371	(2,411)	-7%	1,106,235.96	2.98%	943,862.53	3.43%	-19.07%
Legal	610 A Legal	58,636	80,083	21,447	37%	2,513,730.00	2.33%	2,619,394.54	3.06%	4.20%
External Affairs	705 A External Affairs	-	9,705	9,705	#DIV/0!	363,660.47	0.00%	538,166.38	1.81%	47.44%
Total Allocate by A		220,354	408,262	187,908	85%	10,493,064	2.10%	13,847,290	2.95%	31.97%
System Office Total	111 B Systems Office	-	61	61	#DIV/0!	120.00	0.00%	10,155.90	0.60%	
Expat Engineering Total	204 B Expat Engineering	6,032	-	(6,032)	-100%	116,805.08	5.16%			
Engineering Total	205 B Engineering	1,481	3,266	1,785	121%	54,871.46	2.70%	63,681.18		
Scada Engineering Total	207 B Scada Engineering	1,440	2,270	830	58%	94,171.22	1.53%	354.00		
Total Engineering		8,953	5,536	(3,417)	-38%	265,845.36	3.37%	84,235.18	6.57%	-68.31%
Quality Assurance Qlty Contrl Total	211 B Quality Assurance_Qlty Control	-	(196)	(196)	#DIV/0!	987,780.32	0.00%	902,399.31	-0.02%	-8.64%
Environmental Resources Total	240 B Environmental Resources	-	786	786	#DIV/0!			10,088.61	7.79%	
Technical Services Total	245 B Technical Services	62,879	58,210	(4,669)	-7%	2,085,495.54	3.02%	1,581,791.27	3.68%	-24.15%
Expat Atlantic Division Total	298 B Expat Atlantic Division	159	-	(159)	-100%	0.00		0.00		
Atlantic Division Total	299 B Atlantic Division	-	-	-	#DIV/0!	1,237,411.88	0.00%	1,358,274.61	0.00%	9.77%
Total Allocated by B		71,931	64,397	(7,534)	-11%	4,576,656	1.57%	3,946,945	1.63%	-13.76%
Customer Service Office Total	304 D Customer Service Office	338	1,303	965	286%	6,330.76	5.34%	26,270.61	4.96%	
Expat Customer Care Total	454 D Expat Customer Care	14,863	20,323	5,460	37%	322,743.28	4.61%	453,300.35	4.48%	
Customer Care Total	455 D Customer Care	13,667	17,144	3,477	25%	365,158.54	3.74%	377,349.62	4.54%	
Customer Accounting Total	510 D Customer Accounting	423	667	244	58%	11,077.72	3.82%	13,075.58	5.10%	
Total		29,291	39,437	10,146	35%	705,310.30	4.15%	869,956.16	4.53%	23.35%
Human Resources Total	415 E Human Resources	95,174	122,356	23,182	23%	3,692,929.08	2.69%	4,249,598.33	2.88%	15.07%
IT-Service Delivery Total	425 F IT - Service Delivery	108,416	151,118	42,702	39%	1,599,499.87	6.78%	1,878,246.38	8.05%	
IT-Service Development Total	426 F IT Service Development	11,749	-	(11,749)	-100%	111,103.93	10.57%			
IT-Infrastructure Total	432 F IT - Infrastructure	149,765	201,752	51,987	35%	2,387,811.03	6.33%	2,080,295.65	9.70%	
IT Infrastructure Helpdesk Total	433 F IT Infrastructure Helpdesk	16,787	-	(16,787)	-100%	141,444.75	11.87%			
Total		286,717	352,870	66,153		4,219,859.58	6.70%	3,956,542.03	8.92%	-6.24%
General Accounting Total	500 F General Accounting	192,955	172,375	(20,580)	-11%	4,678,595.57		2,875,817.55		
Accounts Payable Total	501 F Accounts Payable	\$ 27,282	\$ 39,956	\$ 12,674	46%	642,696.45		742,676.99		
Expat Accounting Total	504 F Expat Accounting	16,942	-	(16,942)	-100%	331,292.82				
Utility Accounting Total	505 F Utility Accounting	50,156	140,686	90,530	180%	428,758.02		865,019.19		
UWM&S Payroll Total	515 F UWM&S Payroll	28,715	59,547	30,832	107%	551,177.50		692,057.16		
Taxes Total	520 F Taxes	45,224	96,470	51,255	113%	746,231.47		925,945.84		
Total Accounting		361,274	509,043	147,769		7,378,751.83	4.90%	6,101,518.53	8.34%	-17.29%
Financial Planning Total	530 F Financial Planning	51,680	103,524	51,844	100%	846,480.75	6.11%	1,463,328.53	7.07%	72.87%
Internal Audit Total	535 F Internal Audit	30,861	46,946	16,085	52%	590,489.64	5.23%	807,521.79	7.73%	2.88%
System Reporting Total	560 F System Reporting	26,391	20,496	(5,895)	-22%	602,568.41	4.38%	180,584.96	11.35%	-70.03%
Corporate Finance Total	570 F Corporate Finance	24,765	40,120	15,355	62%	444,847.02	5.57%	518,947.01	7.73%	16.66%
Treasury Total	605 F Treasury	13,763	24,012	10,249	74%	383,080.32	3.54%	531,821.94	4.52%	36.69%
Creative Services Total	725 F Creative Services	7,800	18,627	10,827	139%	230,971.47	3.38%	228,771.17	8.21%	-1.82%
Regulatory Business Total	800 F Regulatory Business	112,111	152,014	39,903	36%	1,299,721.51	8.63%	1,272,189.75	11.95%	-2.12%
Total Allocated via F		915,362	1,267,652	352,290	38%	16,000,770.53	5.72%	14,859,223.71	8.53%	-7.13%
Water Treatment	170 Water Treatment	0	881	881	#DIV/0!					
		\$ 1,336,172	\$ 1,902,104	\$ 565,932	42%	35,468,730.20	3.77%	37,773,053.19	5.04%	6.50%
Less STIP/LTIP		127,603	200,498	72,895						
Net M&S less STIP/LTIP		\$ 1,208,569	\$ 1,701,606	\$ 493,037	41%					



United Water New Rochelle Co  
M&S Fees  
Case 09-W-0824  
Staff-63 GRW-15 Part 5

Expanded for the Response to Staff 188, GRW-26

2007

	A	B	D	E	F	# of Employees	# of Customers	Oper & Maint Costs	Net Util Pln Incl CWIP	Volume of Water	Fuel, Power & Chem	Total Capitalization
990	3.68%	4.09%	4.98%	2.72%	8.15%	0.027	0.050	0.034	0.077	0.016	0.017	0.081
945	5.74%	6.02%	5.05%	5.26%	8.28%	0.053	0.050	0.069	0.080	0.053	0.035	0.083
940	6.37%	6.60%	5.48%	5.68%	8.35%	0.057	0.055	0.079	0.080	0.066	0.038	0.083
890	12.84%	16.70%	10.33%	11.60%	9.81%	0.116	0.103	0.166	0.178	0.177	0.126	0.098
820	12.78%	17.58%	9.58%	12.61%	10.20%	0.126	0.096	0.161	0.205	0.176	0.117	0.102
930	8.09%	8.39%	7.45%	7.76%	11.74%	0.078	0.075	0.091	0.113	0.075	0.045	0.117

2009

	A	B	D	E	F	# of Employees	# of Customers	Oper & Maint Costs	Net Util Pln Incl CWIP	Volume of Water	Fuel, Power & Chem	Total Capitalization
990	3.69%	4.82%	4.68%	2.79%	10.29%	0.028	0.047	0.036	0.092	0.016	0.025	0.103
945	6.38%	6.76%	5.06%	6.22%	10.52%	0.062	0.051	0.079	0.094	0.053	0.044	0.105
940	6.91%	7.28%	5.40%	6.62%	10.50%	0.066	0.054	0.087	0.094	0.065	0.046	0.105
890	14.61%	20.67%	10.29%	14.56%	13.70%	0.146	0.103	0.190	0.232	0.219	0.130	0.137
820	12.78%	17.58%	9.58%	12.61%	10.20%	0.126	0.096	0.161	0.205	0.176	0.117	0.102
930	8.80%	9.05%	7.37%	8.93%	14.03%	0.089	0.074	0.101	0.126	0.073	0.055	0.140



United Water New Rochelle Co  
M&S Fees  
Case 09-W-0824  
Staff-63 GRW-15 Part 5

Expanded for the Response to Staff 188, GRW-26

100	Production
101	Mid Atlantic South Water
110	Transmission & Distribution
111	Systems Office
112	System Maintenance Constructio
113	System Maintenance Distributio
114	Transportation
115	Mid Atlantic North
116	Lambertville
120	Collection System Maintenance
130	Wastewater Treatment & Disposa
131	WW Treatment _ Disposal Maint.
132	Milwaukee WW Treat_Disp Ops
133	Mid Atlantic South Sewer
140	Maintenance
150	Meter Installation
160	Stores
170	Water Treatment
180	General Field
200	Corporate Operations Managemen
204	Expat Engineering
205	Engineering
206	Large capital projects
207	Scada Engineering
210	Environmental Compliance
211	Quality Assurance_Qlty Control
215	Quality Management
220	SCADA
230	System Planning
235	CSB
240	Environmental Resources
244	Expat Tech Services
245	Technical Services
250	Operational Services
298	Expat Atlantic Division
299	Atlantic Division
300	Customer Service
301	Customer Service Field
302	Meter Field
303	Homer
304	Customer Service Office
305	Meter Reading
310	New Business
400	Administration_General
405	Corporate Communications





406	Government Relations
410	Corporate Office Support
415	Human Resources
416	HR - Shared Services
417	Diversity
418	Management Associate Program
420	IT- Program Management
421	Milwaukee Technical Services
425	IT - Service Delivery
426	IT Service Development
430	IFMS Project Team
431	IFMS Support
432	IT - Infrastructure
433	IT Infrastructure Helpdesk
434	Expat Commercial Development
435	Commercial Development
436	Marketing
437	Suez Environment
440	Risk Management
444	Expat Procurement
445	Procurement
446	Milwaukee Purchasing_Warehouse
447	Utility Service Group
450	Security
454	Expat Customer Care
455	Customer Care
460	Strategic Planning
465	Office of the Chairman
470	Performance Management
500	General Accounting
501	Accounts Payable
504	Expat Accounting
505	Utility Accounting
510	Customer Accounting
515	UWM&S Payroll
520	Taxes
525	Systems Accounting
530	Financial Planning
535	Internal Audit
550	Technical
560	System Reporting
565	Management Reporting
570	Corporate Finance
580	Business Reviews
600	Investor Relations
605	Treasury
610	Legal
615	Real Estate
700	UW Services Group
705	External Affairs
715	Contract Operations
720	Industrial Pretreat Prog



725	Creative Services
730	Project & Technology Develop.
735	Operations Specialists
800	Regulatory Business
820	Light Duty Surplus
950	Gen_Admin M&S



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-118 GRW-26  
Requested By: Gerald Wojcinski  
Date of Request: February 2, 2010  
Response Due: February 12, 2010  
Witness: James Cagle  
Subject: Management and Service Fee

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Please refer to attached file that shows M&S Fees by Department and amount for the twelve months ended June 30, 2007, 2008 and 2009.

1. The attached file shows that the M&S fees have risen by 41% over a two year period (twelve months ended June 30, 2007 to June 30, 2009). The increase is substantially higher than inflation rate of approx 4.5% over the same period. Please provide all reasons for the increases above inflation by department, along with the dollar amounts and % increase related to each reason.

2. As stated on page 12 of Mr. Lippai's testimony, the M&S expense forecast for the bridge period represents the "2010 budget". However, the Commission's 11/23/77 Policy Statement on Test Periods in Major Rate Proceedings (page 5) specifically states that there must be a verifiable link between the historic period and the forecast period. Please provide a detailed verifiable link between the historic period and the bridge period by cost component, and fully explain and quantify all changes.

3. Fully explain how the rate year M&S forecast was derived, and provide the basis for the forecasted increases.

**Response:**

1. M&S fees are allocated based upon the methodology described in the attached M&S affiliate agreement. One of the factors to allocate costs on is investment, which is essentially plant in service. Because the Company's investment in New Rochelle has increased substantially over the past few years, New Rochelle receives a greater portion of the M&S fee allocation. Total M&S



costs between the two periods have increased approximately \$6.6 million or 15.6%. Labor costs at United Water Management and Services (M&S) have increased substantially between the two periods with the addition of 36 employees during that period. Additionally, between the two periods, increased costs of Pensions (approximately 50%) and increases of other benefits costs (approximately 9%) as well as the benefits to additional employees have been incurred.

The attachment to the question has been expanded to show the total M&S costs by department for the periods as compared to the amounts allocated to New Rochelle.

2. The Company's budget is determined department by department based on the previous periods actual costs which are then projected based upon known changes in costs the most significant of which are personnel and pensions and benefits. The total budget amounts (less amounts which are planned to be deferred or capitalized to CWIP) are then allocated based upon the allocation factors mentioned in part 1 above.

3. Please see part 2. Above.





**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-120 GRW-21

Requested By: Gerald Wojcinski

Date of Request: February 2, 2010

Response Due: February 12, 2010

Witness: Jim Cagle

Subject: AFUDC Adjustment and EB/CAP

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Please refer to the -\$2,000,000 "AFUDC Adjustment" shown on line 3 of KHD-3 United Water New Rochelle (UWNR), Rate Base Summary (13 Mo Avg), Historic Test Year Ended 6/30/09

1. On page 6 of Company witness Doherty's pre-filed direct testimony, he notes that the -\$2,000,000 AFUDC adjustment is a "placeholder" adjustment.

a. Fully explain the Company's ratemaking proposal for how this "placeholder" adjustment should be treated in this case (e.g., is the Company proposing that there be a deferred debit or credit set up for the difference between the placeholder adjustment and the final Commission determination on the proper level of AFUDC on the DIP project? If so, how exactly would this true-up be calculated? Include a hypothetical illustration showing how the true-up amount would be determined.

b. Did the Company include any reduction in rate year book depreciation expense related to this placeholder adjustment which reduces the DIP costs in rates by \$2,000,000? If so, indicate the amount of the depreciation expense reduction and include an exhibit or workpaper reference as to where the adjustment is made. Also, include supporting workpapers showing how the depreciation expense amount was calculated. If no such depreciation expense adjustment was made, fully explain why not in light of the fact that the placeholder adjustment reduces the DIP costs in rates by \$2,000,000. Shouldn't rate year depreciation expense be based on the amount of DIP costs allowed in rate base?

2. Provide book entry necessary to eliminate the \$2,000,000 assuming the amount is correct. Provide debits and credits.

3. Assuming the average historic plant balance was overstated by \$2,000,000 as a result of improper booking of AFUDC, isn't



retained earnings overstated by like amount? If retained earnings is not overstated, what is the contra account to this \$2,000,000 reduction to DIP plant costs?

5. United Water New Rochelle, Earnings Base Capitalization Adjustment, WP-EB CAP shows no reduction to capitalization for the \$2,000,000 AFUDC reduction.

a. Why didn't the company reduce capitalization for the \$2,000,000?

b. Does the company agree that by reducing the earnings base side of the EBCap calculation by \$2,000,000 but not also reducing the capitalization side of the EBCap calculation by the same \$2,000,000, the Company has created a mismatch between HTY earnings base and capitalization, the result of which is to understate the HTY EBCap adjustment by \$2,000,000? If not explain in full and also provide a recomputation of the EBCap adjustment assuming no AFUDC disallowance.

**Response:**

1. The placeholder adjustment was included as a reduction in the calculation of the DIP surcharge primarily to reflect the ADIT impact of the equity gross-up portion of AFUDC. The ADIT was recorded on the books and records of the Company but was not included in the calculation of the surcharge.

While Staff and the Company were in the midst of discovery questions, the Company filed an update to the surcharge calculation and Staff and the Company agreed that some estimated amount should reduce the calculation while discovery and the prudence investigation continued.

At that time, the exact amount was unknown and this estimates the impact of certain estimated but not fully quantified adjustments which might have been required as a result of Staff's review in the DIP prudence investigation. Consequently, the \$2MM was based upon the judgment of Staff experts and Company experts and was mutually agreed to based on that judgment.

At the conclusion of the investigation, it was expected that any issues arising from the prudence investigation would be addressed including the issues arising from the calculation of AFUDC. Rather than making the adjustment



permanent, it was our understanding that at the conclusion of the investigation, a comprehensive computation would be made whereby the records of the Company would be adjusted to reflect any necessary changes.

The Company has been working specifically with Mr. Visalli on a full analysis and recalculation of the DIP and as of yet the full analysis is still in progress. Any necessary book adjustments will be determined at the conclusion of that analysis.

Depending upon the outcome of the aforementioned analysis, depreciation expense would not change a great deal or would in large part be offset by the amortization of a regulatory asset.

2. No entry is necessary to eliminate the \$2,000,000 placeholder as it was an estimate of an amount which most or all of was already recorded on the books of the Company but not included in the computation of the DIP surcharge.
3. As the placeholder adjustment was primarily reflecting an amount in the surcharge calculation which was already reflected on the books and records of the Company, the impact was already reflected in retained earnings. Please also see the response to part 2 above. There is no "contra account" as the amount related to the computation of the DIP surcharge.
5.
  - a. The placeholder adjustment was primarily reflected an amount in the surcharge calculation which was already reflected on the books and records of the Company. Therefore, the amounts recorded per book require no adjustment specifically for the placeholder adjustment and are already reflected in the EB Cap adjustment.
  - b. No. Please see the response to part 5 a.



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-134 GRW-28

Requested By: Gerald Wojcinski

Date of Request: February 8, 2010

Response Due: February 18, 2010

Witness: Thomas G. Lippai

Subject: Pension and OPEB Expense

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Please refer to Exhibit TGL-6, Page 4 - United Water New Rochelle, Operation and Maintenance Expenses, Rate Year One Ending October 31, 2011, at Existing Rates.

1. Under the caption "Pension" is amount of \$1,348,973 and under the caption "OPEBs" is an amount of \$533,500 for account 926 Employee Pension and Benefits. How were the above amounts calculated? If the above amounts are not correct what should they be?

**Response:**

1. The pension amount of \$1,348,973 and OPEB amount of \$533,500 are incorrect. The correct pension and OPEB amounts are \$1,068,548 and \$347,723, respectively. The calculation of the pension and OPEB amounts are specifically shown on work papers submitted to Staff labeled Pen-2 and Pen-3. Additional support can be found on work papers labeled Pen-4 through Pen-6.





**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-146 CGS-20

Requested By: Christopher Simon

Date of Request: February 16, 2010

Response Due: February 26, 2010

Witness: Michael Pointing

Subject: Incentive Pay Program

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In reference to Staff-74 CGS-9:

1. Please quantify in detail by expense account the amount of rate year savings associated with the company's incentive pay program. In addition, provide a reference to the Company's exhibits and workpapers that show the amount of rate year savings.

**Response:** The Company's incentive program is not just targeted at reducing expenses. Any savings realized are inherently included in the rate year forecast and are a result of efficiencies and customer benefits achieved from the actions of each and every employee. Since the achievements are in the accomplishment of each individual employee's goals and each aid in efficiencies or delivery of customer benefit (detailed below) of quality of service, specific quantification by account is not possible or reasonable to quantify.

The incentive program targets much more than savings, it also focuses on the creation value in service provision. As can be seen from the number of customer complaints, United Water New Rochelle provides excellent customer service, please see my pre-filed testimony at page 28. In addition United Water New Rochelle has an exemplary record for compliance with local, State and Federal water quality and Environmental standards. The following list provides the added benefits to customers of such an incentive program.

Personal performance goals include:

- Water quality compliance,
- Compliance with service standards,



- Customer contact and service (Reduction of complaints),
- Continuity of water supply,
- Unaccounted for water,
- Implementation of new projects (water supply, water treatment, booster stations, generator installation, transmission and distribution mains, etc.),
- Business systems including maintenance management, Efficiency projects, Geographic information systems, SCADA, hydraulic models etc.,
- Process improvements,
- Health and Safety, and
- Employee development and training.

The incentive compensation, or pay at risk is part of an employee's total compensation package and is designed to attract and retain top talent by offering competitive pay. Through retention of employees (and lowering turnover), customers benefit through consistency of service and increased efficiency. This in turn keeps costs down and lowers the overall revenue requirement. If these incentives were consolidated as part of base pay, fringe and benefits would apply, which would drive up the labor cost and increase the revenue requirement.

The incentive program is predominantly based on employees' achievement of goals. Employees have specific annual goals that support the attainment of departmental or organizational objectives. United Water's short term incentive plan benefits customers by motivating employees to achieve the key goals of the company which are; business efficiency, customer service satisfaction and employee development and motivation. Achievement of these goals has a positive impact on customers as detailed below.

Business efficiency goals include decreasing costs, decreasing the length of time it takes to perform work without sacrificing quality, decreasing lost time due to injury and cross training employees to insure sufficient staff knowledge to perform roles with minimum overtime.

Customer Service satisfaction goals include water quality compliance, lowered customer response time, decreased customer call abandonment rate, decreased customer complaint rates, service improvements and customer loyalty.



**CASE 09-W-0824****United Water New Rochelle**

Employee Development and Motivation benefits ratepayers and shareholders by having knowledgeable, well-rounded employees. This leads to increased productivity and creates a learning environment where efficiency is prevalent. This helps keep costs down as employees find better ways to approach day to day operational issues.



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-147 CGS-21

Requested By: Christopher Simon

Date of Request: February 17, 2010

Response Due: February 27, 2010

Witness: Michael Pointing/Thomas Lippai

Subject: Bonus Pay

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In reference to United Water Westchester Staff-29 RMD-6 question B:

1. Please quantify in detail by expense account the amount of rate year savings associated with the company's 1.5% bonus for bargain unit employees. In addition, provide a reference to the Company's exhibits and workpapers that show the amount of rate year savings.

**Response:** The Company's incentive program is not just targeted at reducing expenses. Any savings realized are inherently included in the rate year forecast and are a result of efficiencies and customer benefits achieved from the actions of each and every employee. Since the achievements are in the accomplishment of each individual employee's goals and each aid in efficiencies or delivery of customer benefit of quality of service, specific quantification by account is not possible or reasonable to quantify in every instance.

The bargaining unit incentives are based on meeting specific targets in three specific areas and are as shown below.

Safety

- Accident Frequency
- Accident Severity
- Safety Training

Customer Service

- Response Time
- Regulatory Complaints
- Actual Meter Read Rates
- Abandoned Calls





## Compliance

- Permit Violations Under Operations Control
- Sampling Violations
- Notification Violations
- Reporting Violations

These targets generally do not generate expense savings, but clearly present a benefit to the customer in ensuring quality and delivery of service and create value to the customer.

United Water New Rochelle has achieved significant savings as a result of the synergies created through the acquisition of United Water Westchester. As a result of this acquisition the UWNR employees perform services for United Water Westchester and as such, their salary and associated benefit costs are transferred out of UWNR thus providing savings to UWNR customers. Since these employees have taken on additional work, it makes achievement of the goals described above important to strive for to ensure excellent customer service.

As can be seen from the small number of customer complaints, United Water New Rochelle provides excellent customer service, please see my pre-filed testimony at page 28. In addition United Water New Rochelle has an exemplary record for compliance with local, State and Federal water quality and Environmental standards.

If these incentives were consolidated as part of base pay, certain fringe benefits along with pension benefits would be impacted which would drive up the labor cost and increase the revenue requirement.



United Water New Rochelle  
Attachment Staff-156 GRW-31

	Customer Accounts-Receiveable Manual Billing 14220	Deferred Purchased Water-Approved 18622	Revenue Reconciliation 18630
Jun-08	2,307,669	1,196,041	1,006,424
Jul-08	2,658,918	1,143,317	1,353,191
Aug-08	2,684,067	1,079,151	1,434,771
Sep-08	2,684,067	1,007,720	431,899
Oct-08	2,684,067	941,001	572,857
Nov-08	2,877,090	890,035	723,851
Dec-08	3,096,592	6,716,277	1,063,543
Jan-09	3,342,481	6,672,101	1,446,366
Feb-09	3,599,233	6,637,532	1,722,324
Mar-09	3,845,962	6,113,928	1,895,471
Apr-09	4,189,528	5,901,813	2,166,124
May-09	4,491,217	5,686,354	2,301,253
Jun-09	4,770,585	5,461,921	2,526,258
1st Mo	1,153,835	598,021	503,212
Interior	36,153,223	42,789,230	15,111,649
last Mo	2,385,293	2,730,961	1,263,129
	39,692,350	46,118,211	16,877,990
13 mo avg	3,307,696	3,843,184	1,406,499



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-156 GRW-31  
Requested By: Gerald Wojcinski  
Date of Request: March 3, 2010  
Response Due: March 13, 2010  
Witness: Kevin Doherty  
Subject: Interest and Dividend Income

---

Please refer to response to Staff-127, GRW-27

1. Your response to question 1 states that the interest income of \$352,296 in account 419.0 per Exhibit KHD-1 is comprised of the following items:

Interest on Delaware Intake project (DIP)	\$225,015
Interest on Purchased Water Deferral	58,806
Interest on Revenue Reconciliation Receivables	68,475
Total Interest Income (account 419.0)	\$352,296

The above interest amounts were calculated on deferred balances. Provide for each deferred balance the account and the monthly balance for the 13 months ended June 30, 2009.

2. Your response to question 2 states that The company did not include these items in the calculation of its revenue requirement as they represent interest compensating the Company for the use of its capital, and is not interest from investments.

For each of the three items, fully explain how they were taken into consideration in deriving the historic test year Earnings Base Capitalization (EBCap) adjustment. Be sure to explain and show how each such item was either included in historic test year rate base or removed from historic test year capitalization. If they were not taken into consideration for EBCap purposes, indicate if you agree that they should have been considered and provide the impact of such consideration on the historic test year EBCap adjustment. If you disagree that these items should not be taken into consideration for EBCap purposes,



fully explain your disagreement in light of your response to question 2 wherein you stated that the Company used its capital to support these items.

**Response:**

1. Please refer to the attached Excel file showing the requested data.
2. The referenced accounts were neither included in historic test year rate base nor removed from historic test year capitalization. The Company recognizes that Staff's position is that the thirteen-month average of these accounts must be used to reduce historic test year capitalization.





**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-158 CGS-24  
Requested By: Christopher Simon  
Date of Request: March 4, 2010  
Response Due: March 14, 2010  
Witness: Michael Pointing  
Subject: STAFF-17 CGS-7/Outside Services

---

Reference to STAFF-17 CGS-7:

1. What type of service does Joken Development provide?  
(Historic Test year expense of \$103,839)

**Response:**

Joken provided emergency service for water main and service repair, for work above and beyond what can be routinely handled by in house staff.

2. Is this an annual expense?

**Response:**

The contract was competitively re-bid in 2009, and Joken was not the successful bidder moving forward, this work will now be performed by J. Fletcher Creamer, and Raines & Welsh. This expense will not be a steady year in year out number as it is wholly dependent on the amount of breaks at a given time, and the severity of the break. In colder, harsher winters the cost may increase due to the increase in water main breaks, and in more temperate winters the amount will decrease.



3. Can the work provided by Joken be done by in house employees?

**Response:**

The outside contractor utilized for this service is for work above and beyond what can be handled by in house employees at a given time. Due to the emergency nature of water main breaks, they need to be repaired in very quick fashion which sometimes necessitates the need for additional crews, which are provided by the contractor.

4. What are the associated savings by using Joken instead of company personal?

**Response:**

Since this work is emergency based and not steady day in and day out job functions, it is more economical to have an outside contractor available for this work rather than adding additional employees on a permanent basis.



**United Water New Rochelle  
Attachment Staff-160 GRW-32**

	Unbilled Revenue
	17300
Jun-08	3,273,136
Jul-08	3,502,102
Aug-08	3,560,438
Sep-08	3,953,003
Oct-08	3,536,143
Nov-08	3,408,044
Dec-08	2,955,208
Jan-09	2,835,197
Feb-09	2,920,271
Mar-09	2,660,422
Apr-09	2,747,790
May-09	3,280,826
Jun-09	3,047,995



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-160 GRW-32  
Requested By: Gerald Wojcinski  
Date of Request: March 4, 2010  
Response Due: March 14, 2010  
Witness: Kevin Doherty  
Subject: Earnings Base Capitalization Adjustment

---

1. Please provide the monthly balances in account 173 - Accrued utility Revenues for the 13 months ended June 30, 2009.

2. Fully explain how accrued utility revenues were taken into consideration in deriving the historic test year Earnings Base Capitalization (EBCap) adjustment. If it was not taken into consideration for EBCap purposes, indicate if you agree that this should have been considered and provide the impact of such consideration on the historic test year EBCap adjustment. If you disagree that this non-cash item should not be taken into consideration for EBCap purposes, fully explain.

**Response:**

1. Please refer to the attached Excel file showing the requested data.

2. If some portion of unbilled revenues were used to reduce the Company's capitalization, the adjustment should be net of the operating expenses including income taxes that the Company would pay on the unbilled revenues before unbilled revenue is applied against capitalization. The equity portion of capitalization is not increased dollar for dollar by the unbilled revenue. Retained earnings are increased only by the unbilled revenue net of taxes and expenses.





**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-161 GRW-33  
Requested By: Gerald Wojcinski  
Date of Request: March 4, 2010  
Response Due: March 14, 2010  
Witness: Kevin Doherty  
Subject: Rate Case Expenses

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Please see attachment comparing actual St. Lawrence Rate Case Expenses to United Water New Rochelle (UWNR).

1. From the comparison of the two companies, UWNR rate case costs are more than three times the cost of St Lawrence Gas Company, even though the companies are relatively the same size when it comes to revenues.

a. Did UWNR do any studies to determine if their rate case costs are reasonable? If so please provide.

b. In these difficult economic times, does the company try to mitigate rate case costs? If so please demonstrate.

**Response:**

1a. The Company based its estimate of its rate case expense on its prior experience in New York. While it has performed no studies or made comparisons with other New York utilities' rate case expenses, the Company is of the opinion that its rate case expense estimate is reasonable and would point out that UWNR's estimate of rate case expenses is a "fully litigated" case estimate. The Company notes that in reviewing the rate case costs of St. Lawrence Gas, there is no attribution of internal time, which would imply that St. Lawrence's booked overhead expenses include these costs. Additionally, there is no indication as to the complexity of issues within the St. Lawrence case. As a result no valid comparison can be drawn from the amounts presented or compared on the attachment, or at least makes a comparison between the two companies very difficult.

1b. The Company attempts to estimate what it expects its costs for a fully litigated rate case would be and is unaware of how



to mitigate such an estimate in light of these difficult economic times. The Company requests that it be allowed to recover its prudently incurred costs.



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-166 CGS-29  
Requested By: Christopher Simon  
Date of Request: March 12, 2010  
Response Due: March 22, 2010  
Witness: Michael Pointing  
Subject: STAFF-117 CGS-7/STAFF-158 CGS-24/Outside  
Services

---

Reference Company response to question 2 of STAFF-158 CGS-24:

2. Is this an annual expense?

**Response:**

The contract was competitively re-bid in 2009, and Joken was not the successful bidder moving forward, this work will now be performed by J. Fletcher Creamer, and Raines & Welsh. This expense will not be a steady year in year out number as it is wholly dependent on the amount of breaks at a given time, and the severity of the break. In colder, harsher winters the cost may increase due to the increase in water main breaks, and in more temperate winters the amount will decrease.

1. Please provide Staff with the amounts paid to Joken (or other contractor used for emergency service) for the 12 months ended June 30, 2008, 2007, 2006, 2005, and 2004.

**Response:**

Year	Cost
6/30/2004	\$ 24,570
6/30/2005	\$ 17,281
6/30/2006	\$ 0 -
6/30/2007	\$ 42,960
6/30/2008	\$ 34,339



**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

United Water New Rochelle

Request No.: STAFF-171 GRW-34

Requested By: Gerald Wojcinski

Date of Request: March 19 2010

Response Due: March 29, 2010

Witness: Kevin Doherty

Subject: Revenue requirement calculation

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Kevin Doherty Testimony, page 2, says that the base rate increase is \$30 million. KHD-2 shows a revenue requirement of \$21 million. The \$21 million represents the bill impact to customers in the rate year. Please provide KHD-2, Schedule 1, page 2 to show the base rate increase requested by UWNR. Include an itemized reconciliation between the \$21 million and \$30 million amounts, showing every component / reason for the difference between these two amounts.

Response:

In its rate case filing, the Company included the following surcharge revenues in the calculation of its revenue requirement;

Construction Recovery Surcharge (DIPS)	\$4,569,294
Distribution System Improvement Revenue (LTMRP)	\$1,031,942
Excess Per Capita Surcharge	\$1,453,364
Purchased Water Surcharge	\$2,054,985
Total	<u>\$9,109,585</u>

Including these revenues in the calculation of the revenue requirement yields the \$21 million revenue deficiency, which is as Staff indicates, a bill impact to customers.

In order to calculate the requested base rate increase, the surcharge revenues listed above would not be included in the revenue requirement calculation. This method would yield the approximately \$30 million base rate increase.

Please refer to the attached schedule.





**Exhibit KHD- 2**  
**Schedule 1**  
**Page 2**  
**Staff-171 Attachment**

**UNITED WATER NEW ROCHELLE**  
**OPERATING INCOME AS ADJUSTED AT EXISTING**  
**AND PROPOSED RATES TWELVE MONTHS ENDING OCTOBER 31, 2011**

LINE NO.	DESCRIPTION	(1) OCTOBER 31, 2010 AS ADJUSTED AT EXISTING RATES	(2) ADJUSTMENTS	(3) OCTOBER 31, 2011 AS ADJUSTED AT EXISTING RATES	(4) ADJUSTMENTS BASED ON PROPOSED RATES	(5) OCTOBER 31, 2011 PRO FORMA PROPOSED RATES
1	OPERATING REVENUES	<u>\$37,870,084</u>	<u>(\$8,942,337)</u>	<u>\$ 28,927,747</u>	<u>\$30,132,452</u>	<u>\$59,060,199</u>
	OPERATING EXPENSES:					
2	OPERATION AND MAINTENANCE	21,224,063	5,654,920	26,878,983	171,709	27,050,692
3	DEPRECIATION	3,021,090	1,521,465	4,542,555	-	4,542,555
4	TAXES OTHER THAN INCOME	<u>6,533,169</u>	<u>131,141</u>	<u>6,664,310</u>	<u>215,146</u>	<u>6,879,456</u>
5	OPERATING EXPENSES BEFORE INCOME TAX	<u>30,778,322</u>	<u>7,307,526</u>	<u>38,085,848</u>	<u>386,855</u>	<u>38,472,703</u>
6	OPERATING INCOME BEFORE INCOME TAXES	<u>7,091,762</u>	<u>(16,249,863)</u>	<u>(9,158,101)</u>	<u>29,745,597</u>	<u>20,587,496</u>
	INCOME TAXES:					
7	STATE INCOME TAX	194,211	(1,408,974)	(1,214,764)	2,567,045	1,352,281
8	FEDERAL INCOME TAX	<u>854,144</u>	<u>(5,221,124)</u>	<u>(4,366,980)</u>	<u>9,512,493</u>	<u>5,145,513</u>
9	TOTAL INCOME TAXES	<u>1,048,354</u>	<u>(6,630,098)</u>	<u>(5,581,744)</u>	<u>12,079,538</u>	<u>6,497,795</u>
10	OPERATING INCOME	<u>\$6,043,408</u>	<u>(\$9,619,765)</u>	<u>(\$3,576,358)</u>	<u>\$17,666,059</u>	<u>\$14,089,701</u>
11	RATE BASE	<u>\$155,670,316</u>	<u>\$2,463,256</u>	<u>\$158,133,572</u>		<u>\$158,133,572</u>
12	RATE OF RETURN	<u>3.88%</u>		<u>-2.26%</u>		<u>8.91%</u>
13	REQUIRED RATE OF RETURN			<u>8.91%</u>		
14	REQUIRED NET OPERATING INCOME			<u>\$14,089,701</u>		
15	OPERATING INCOME DEFICIENCY			<u>\$17,666,059</u>		
16	GRCF			<u>1.7057</u>		
17	REVENUE DEFICIENCY			<u>\$30,132,452</u>		



CASE 09-W-0824

STAFF

WORKPAPERS



United Water New Rochelle Co  
Summary of Adjustments

**O&M Adjustment**

	Company	Adjustments	Staff
<b><u>Pension</u></b>			
Company	\$ 895,554		
Company agreed to Error		(280,425)	
Eliminate estimate for hires		<u>(34,162)</u>	
		(314,587)	
Staff			<u>\$ 580,967</u>

**OPEB**

Company	\$ 143,661		
Company agreed to Error		(185,777)	
Eliminate estimate for hires		<u>(14,109)</u>	
		(199,886)	
			<u>\$ (56,225)</u>

**Outside Services - M&S**

Company	1,985,923		
Use twelve months ended June 30, 2007 period			
inflated through rate year		(549,990)	
Eliminate long and short term incentive		<u>(137,130)</u>	
		(687,120)	
			<u>\$ 1,298,803</u>

**Amortization Rate Case Expense**

Company	\$ 195,000		
Eliminate UWM&S Charges		<u>(75,000)</u>	
			<u>\$ 120,000</u>

**State Income Tax**

Include Under Deferred State Income Tax

Include Cost of Removal	\$ -	(39,600)	<u>\$ (39,600)</u>
Include Medicare	\$ -	(3,214)	<u>\$ (3,214)</u>

**Federal Income Tax**

Include Under Deferred Federal Income Tax

Include Cost of Removal	\$ -	(160,601)	<u>\$ (160,601)</u>
Include Medicare	\$ -	(13,034)	<u>\$ (13,034)</u>
Include Amortization of Flow-Through	134,472	(134,472)	<u>\$ -</u>

**Rate Base**

Rate Case per Staff Estimate	289,529	(111,357)	<u>\$ 178,172</u>
Deferred Income Tax			
Cost of removal per staff estimate	(511,594)	(73,337)	<u>(584,931)</u>
EB/CAP Staff Estimate	-	(9,812,040)	<u>(9,812,040)</u>



United Water New Rochelle Co  
Staff Adjustment Pension & OPEB

Staff Adjustment	Company	Staff	Adjustment	Check
Pension	\$ 895,554	580,967	\$ 314,587	\$ 314,587
OPEBs	\$ 143,661	\$ (56,225)	\$ 199,886	\$ 199,886

Staff-134, GRW-28

Staff Adjustment	Pension	OPEB
Company Exh TGL-6 Page 4	\$ 1,348,973	\$ 533,500
Adj Staff 134, GRW-28	1,068,548	347,723

<b>Staff Adjustment correct amounts</b>	<b>\$ 280,425</b>	<b>\$ 185,777</b>
---	-------------------	-------------------

Adjusted Net periodic Cost	1,068,548	347,723
Per company capitalized	520,471	157,788
Company Adjusted	548,077	189,935
Eliminate hires	520,899	183,175
<b>Staff adjustment eliminates hires</b>	<b>\$ 27,178</b>	<b>\$ 6,760</b>

Staff Adjustment Deferral adjustment	Pension	OPEB
Company PEN-1	\$ 67,052	\$ (232,051)
Staff Adjusted	\$ 60,068	\$ (239,400)
<b>Adjustment</b>	<b>\$ (6,984)</b>	<b>\$ (7,349)</b>

Pension Deferral Calculation

	Adj Test Year	Bridge Period	Per Staff Rate Year	Per Company	Difference
Adjusted Pension Expense Per Actuary	\$ 1,045,263	\$ 1,174,438	\$ 1,015,562	\$ 1,068,548	\$ (52,986)
Less Capitalized (.487083)	509,130	572,049	494,663	520,471	25,808
Net Adjusted Actuarial Pension	536,133	602,389	520,899	548,077	(27,178)
2009 Annual Allowance	267,408	267,408			
Deferred Pension Exp	268,725	334,981	520,899		
Actual Deferral 12 Mos end 6/30/09	10,477				
	258,248	334,981			
<b>Cumulative Deferred Pension</b>			<b>\$ 593,229</b>		

OPEB Deferral Calculation

	Adj Test Year	Bridge Period	Per Staff Rate Year	Per Company	Difference
Adjusted Pension Expense Per Actuary	\$ 201,162	\$ 209,222	\$ 210,390	\$ 222,766	\$ (12,376)
Amortization of ITO	124,957	124,957	124,957	124,957	-
	326,119	334,179	335,347	347,723	(12,376)
Less Capitalized (.4537748)	147,985	151,642	152,172	157,788	5,616
Net Adjusted Actuarial Pension	178,134	182,537	183,175	189,935	(6,760)
2009 Annual Allowance	267,408	267,408			
Deferred OPEB Exp	(89,274)	(84,871)	183,175		
<b>Cumulative Deferred OPEB</b>			<b>\$ (174,145)</b>		

Pension & OPEB Deferral Summary

	Pension	OPEB	Total
Deferred Pension & OPEB @ June 30, 2009	485,092	(550,738)	(65,646)
Deferred Pension & OPEB adjustment Test Year-Pension/OPEB	258,248	(89,274)	168,975
Bridge Period Pension/OPEB	334,981	(84,871)	250,110
<b>Total Pension &amp; OPEB Deferred @October 31, 2010</b>	<b>1,078,321</b>	<b>(724,883)</b>	<b>353,439</b>
Allowed amortization prior rate case deferral to be netted to current rate case requested deferral (a)			
Test Year Adj	(345,430)	2,570	(342,860)
Bridge Adj	(552,688)	4,112	(548,576)
<b>Total Requested Pension/OPEB Deferral</b>	<b>180,203</b>	<b>(718,201)</b>	<b>(537,997)</b>
<b>Amortize over three years</b>	<b>\$ 60,068</b>	<b>\$ (239,400)</b>	<b>\$ (179,332)</b>





United Water New Rochelle Co  
Earnings Base Capital Adjustment

**Historic Rate Base**

	Exh KHD-3 Schedule 1	Staff Adjustments	Staff Adjusted
Utility Plant in Service	\$ 98,140,994		\$ 98,140,994
Non-Interest Bearing CWIP	1,591,059		1,591,059
AFUDC Adjustment	(2,000,000)	\$ 2,000,000	-
<b>Total Plant in Service</b>	<b>\$ 97,732,053</b>	<b>\$ 2,000,000</b>	<b>99,732,053</b>
Accumulated Depreciation	(17,801,014)		(17,801,014)
<b>Net Utility Plant</b>	<b>\$ 79,931,039</b>	<b>\$ 2,000,000</b>	<b>81,931,039</b>
Customer Advances for Construction	(507,422)		(507,422)
Prepaid Property Taxes	955,798		955,798
Other Prepayments	711		711
Deferred Tank Painting	198,339		198,339
Accumulated Deferred Income Taxes	(7,966,506)		(7,966,506)
Investment Tax Credit	(517,126)		(517,126)
Materials and Supplies	540,512		540,512
Cash Working Capital	1,577,347		1,577,347
	74,212,692	2,000,000	76,212,692
<b>Earnings Base Capitalization</b>			
<b>Total Rate Base</b>	<b>\$ 74,212,692</b>	<b>\$ 2,000,000</b>	<b>\$ 76,212,692</b>

**Earnings Base Capitalization Adjustment**

	WP-CAP	Staff Adjustments	Staff Adjusted
Common Stock	\$ 80,467,019		80,467,019
Retained Earnings	56,353,421	(8,409,467)	47,943,955
Customer Deposit	24,236		24,236
	136,844,677	(8,409,467)	128,435,210
Interest Bearing CWIP	62,034,558		62,034,558
<b>Net Capitalization</b>	<b>\$ 74,810,119</b>	<b>\$ (8,409,467)</b>	<b>\$ 66,400,652</b>
<b>Total Rate Base</b>	<b>\$ 74,212,692</b>	<b>2,000,000</b>	<b>76,212,692</b>
	\$ (597,427)	\$ 10,409,467	\$ 9,812,040

Staff-120, GRW-21

**Interest Booked Balances**

<u>Unbilled Revenues</u>			DIP		Deferred	Revenue	Total	Total
Staff-160, GRW-32			Cust Accts	Purch Water	Reconciliation			Capitalization
Unbilled Revenue	Net of Tax		Rec A/C 14220	A/C18622	A/C18630			Reduction
17300								
Jun-08	3,273,136	1,973,838	Jun-08 \$ 2,307,669	\$ 1,196,041	\$ 1,006,424	\$	4,510,134	6,483,972
Jul-08	3,502,102	2,111,915	Jul-08 2,658,918	1,143,317	1,353,191		5,155,426	7,267,341
Aug-08	3,560,438	2,147,094	Aug-08 2,684,067	1,079,151	1,434,771		5,197,989	7,345,083
Sep-08	3,953,003	2,383,827	Sep-08 2,684,067	1,007,720	431,899		4,123,686	6,507,513
Oct-08	3,536,143	2,132,443	Oct-08 2,684,067	941,001	572,857		4,197,925	6,330,368
Nov-08	3,408,044	2,055,194	Nov-08 2,877,090	890,035	728,351		4,495,476	6,550,670
Dec-08	2,955,208	1,782,115	Dec-08 3,096,592	6,716,277	1,063,543		10,876,412	12,658,527
Jan-09	2,835,197	1,709,743	Jan-09 3,342,481	6,672,101	1,446,366		11,460,948	13,170,691
Feb-09	2,920,271	1,761,046	Feb-09 3,599,233	6,637,532	1,722,324		11,959,089	13,720,135
Mar-09	2,660,422	1,604,346	Mar-09 3,845,962	6,113,928	1,895,471		11,855,361	13,459,707
Apr-09	2,747,790	1,657,033	Apr-09 4,189,528	5,901,813	2,166,124		12,257,465	13,914,498
May-09	3,280,826	1,978,476	May-09 4,491,217	5,686,354	2,301,253		12,478,824	14,457,300
Jun-09	3,047,995	1,838,069	Jun-09 4,770,585	5,461,921	2,526,258		12,758,764	14,596,833
	41,680,575	25,135,137		43,231,476	49,447,191		111,327,499	136,462,636
	3,210,001	1,935,765		\$ 3,307,696	\$ 3,843,184	\$	8,557,754	\$ 10,493,519
				\$ 3,307,696	2,317,601	848,404	\$ 6,473,701	
	Net of Tax		\$	3,307,696	2,317,601	848,404	\$ 6,473,701	

Net of Tax

**Tax Rate**

State 8.63%	1.00
	0.0863
	0.9137
Federal 34%	0.34
	0.3107
Total Tax	0.3970
reciprocal	0.6030



United Water New Rochelle Co  
Amortization of previously flowed through tax benefits

Unrecognized Temp Differences

<u>Refer to Staff-11 (GRW-6)</u>	Utility Plant	Expense	Total
Total Balance	\$ 8,356,657	\$ -	\$ 8,356,657
Deferred Expense Items	765,472	765,472	1,530,944
Net	\$ 7,591,185	\$ 765,472	\$ 8,356,657
Tax Rate	35%	35%	35%
	\$ 2,656,915	\$ 267,915	\$ 2,924,830
22 Years			22
Amortization			<u>\$ 132,947</u>
Amortization	35		
	<u>\$ 75,912</u>		

Refer to Staff - 104, GRW-23



United Water New Rochelle Co  
Cost of Removal

Staff-84 GRW-19

	COR Tax Deduction	DFIT 35%	Per Year 20%	Balance 10/11	Amort Rate Year
2006	-				
2007	515,123	180,293	36,059	36,059	36,059
2008	484,288	169,501	33,900	67,800	33,900
2009	405,085	141,780	28,356	85,068	28,356
2010	444,687	155,640	31,128	124,512	31,128
2011	445,123	155,793	31,159	155,793	31,159
2012	445,344	155,870	31,174		
2013	435,608	152,463	30,493		
			160,601	469,232	<b>160,601</b>
Balance at 10/11					

	COR Tax Deduction	DFIT 8.63%	Per Year 20%	Balance 10/11	
2006	-				
2007	515,123	44,455	8,891	8,891	8,891
2008	484,288	41,794	8,359	16,718	8,359
2009	405,085	34,959	6,992	20,975	6,992
2010	444,687	38,376	7,675	30,701	7,675
2011	445,123	38,414	7,683	38,414	7,683
2012	445,344	38,433	7,687		
2013	435,608	37,593	7,519		
			39,600	115,699	<b>39,600</b>
Balance at 10/11					

Historic balance

	WP-DIT page 2 & 3	Adjustment	Rate Year
Account 28308 Deferred FIT Cost of Removal	\$ 410,520	\$ 58,712	\$ 469,232
Account 28358 Deferred SIT Cost of Removal	\$ 101,074	\$ 14,625	\$ 115,699
	<u>\$ 511,594</u>	<u>\$ 73,337</u>	<u>\$ 584,931</u>



United Water New Rochelle Co  
Medicare Act Benefits

Staff-6 GRW-1

Response B

2006 \$ 15,422

2007 8,842

2008 8,710

Known to Date 2009 4,267

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\$ 37,241  
0.35

Federal Rate 35%

Federal Deferred Credit

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\$ 13,034

\$ 37,241  
0.0863

State Rate 8.63%

State Deferred Credit

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\$ 3,214





United Water New Rochelle Co  
Management & Services

Staff - 63, GRW-15  
Staff - 118, GRW-26

**Response to Staff 63, GRW-15, Part 6**

Long Term Incentive Plan & Short Term Incentive Plan      \$      200,498

**Company workpaper M&S 1**

	Total UWM&S Charge	STIP/LTIP Charge	Net Incentive
TME 6/30/07	1,336,172	\$ 127,603	1,208,569
TME 6/30/08	1,730,358		
TME 6/30/09	1,902,985		
TME 6/30/07	\$ 1,336,172	\$ 127,603	1,208,569
Inflation (2.34%)	1.02	1.02	
TME 6/30/08	1,367,438	130,589	1,236,850
2.00%	1.02	1.02	
TME 6/30/09	1,394,787	133,201	1,261,587
Historic to rate year 2.95%	1.0295	1.0295	
	1,435,933	137,130	1,298,803
Per Company	\$ 1,985,923		
Staff Adjustment	1,298,803		
	<u>\$ 687,120</u>		
Rate year	1,435,933		
STIP/LTIP	137,130		
	<u>1,298,803</u>		



United Water New Rochelle Co  
Rate Case Amortization

Staff-61, GRW-13

Expenses Exhibit TGL-6, Page 22

	Per Company	Staff Adjustment	As Adjusted Staff
UWM&S	\$ 225,000	(225,000)	\$ -
Legal Services	225,000		225,000
Rate of Return	25,000		25,000
Cost of Service / Rate Design	80,000		80,000
Customer Notification, Transcript & Miscellaneous	30,000		30,000
Total	\$ 585,000	\$ (225,000)	\$ 360,000
3 year amortization	3		3
	<u>\$ 195,000</u>		<u>\$ 120,000</u> <u>\$ 75,000</u>

Deferred Debits

	Company	Staff	Difference	Net of Tax 0.593905
Beg Balance	585000	\$ 360,000		
End of first year	390000	\$ 240,000		
End of second year	195000	\$ 120,000		
End of third year	0	0		
Aver Bal First year	487500	300000	187500	111,357
Aver Bal Second year	292500	180000		
Aver Bal Third year	97500	60000		
Net of Tax				
Check				
Net of Tax	\$ 289,529	\$ 178,172	<u>\$ 111,357</u>	



**United Water New Rochelle - Operations and Maintenance Expenses**

	TGL-1					TGL-4					TGL-6					102.95%	
	6/30/2009	Adjusted 6/30/2009	10/31/2010	Change	% Change	10/31/2011	Change	% Change									
Labor	4,207,053	4,142,734	4,582,254	439,520	10.61%	4,756,263	174,009	3.80%									
Super/Dir Labor Trn'frd in	145,875	145,875	120,170	(25,705)	-17.62%	124,733	4,563	3.80%									
Super/Dir Labor Trn'frd out	(2,100,437)	(2,100,437)	(2,439,973)	(339,536)	16.17%	(2,532,630)	(92,657)	3.80%									
Fringe benefits	(942,307)	(1,192,209)	(1,359,713)	(167,504)	14.05%	(1,332,050)	27,663	-2.03%									
Transportation	267,579	247,484	251,930	4,446	1.80%	254,040	2,110	0.84%									
Purchased Water	6,961,862	8,188,869	9,301,612	1,112,743	13.59%	10,547,794	1,246,182	13.40%									
Power/Fuel	1,239,227	1,208,680	1,064,867	(143,813)	-11.90%	1,130,854	65,987	6.20%									
Chemicals	293,979	308,190	299,149	(9,041)	-2.93%	344,405	45,256	15.13%									
Waste Disposal	-	-	-	-	#DIV/0!	3,798,847	3,798,847	#DIV/0!									
Tank Painting Amortization	71,335	108,387	159,183	50,796	46.87%	128,094	(31,089)	-19.53%									
Outside Services M&S	1,902,985	1,902,985	1,923,412	20,427	1.07%	1,985,923	62,511	3.25%									
Outside Services Other	244,334	220,545	308,792	88,247	40.01%	314,659	5,867	1.90%	227,051							(87,608)	
Pension	616,919	616,919	547,833	(69,086)	-11.20%	1,416,025	868,192	158.48%									
OPEBS	443,887	443,887	444,401	514	0.12%	301,449	(142,952)	-32.17%									
Empl Med/Life	469,190	441,975	514,678	72,703	16.45%	571,095	56,417	10.96%	455,013							(116,082)	
401k	77,684	71,525	81,164	9,639	13.48%	85,359	4,195	5.17%									
Other Employee Benefits	42,538	35,633	36,203	570	1.60%	36,891	688	1.90%	36,684							(207)	
Office Supplies	29,266	29,266	29,734	468	1.60%	30,299	565	1.90%	30,129							(170)	
CIS	236,628	228,751	219,288	(9,463)	-4.14%	227,118	7,830	3.57%									
Materials	224,059	224,059	227,644	3,585	1.60%	231,969	4,325	1.90%	230,669							(1,300)	
Contract Services	160,215	160,215	162,778	2,563	1.60%	165,871	3,093	1.90%	164,941							(930)	
Insurance	414,001	414,001	391,155	(22,846)	-5.52%	398,587	7,432	1.90%	426,214							27,627	
Other	3,328,273	3,372,512	4,357,501	984,989	29.21%	3,893,385	(464,116)	-10.65%									
	18,334,145	19,219,846	21,224,062	2,004,216		26,878,980	5,654,918									(178,671)	
				TGL-4 Pg 5			TGL-6 Pg 5										



UNITED WATER NEW ROCHELLE

To Adjust Payroll Expenses for Payroll Costs in Effect

	<u>Per Staff</u>	<u>Per Company</u>				
Payroll Expense for Rate Year Ending	<u>10/31/2011</u>	<u>10/31/2011</u>		53.25%		
<u>Bargaining Unit Employees:</u>				26.62%	26.63%	
Salaries & Wages	\$ 3,502,889	\$ 3,551,291	\$ (48,402)	(12,885)	(12,889)	\$ (22,628)
<u>Non-Bargaining Employees:</u>						
Salaries & Wages	\$ 1,040,069	\$ 1,180,028	\$ (139,959)	(37,257)	(37,271)	\$ (65,431)
Summer Interns (based on 2009 expense)	\$ 24,944	\$ 24,944	\$ -			
Gross Salaries & Wages	<u>\$ 4,567,902</u>	<u>\$ 4,756,263</u>	\$ (188,361)	(50,142)	(50,160)	\$ (88,059)
Labor From Other Business Units ( 3 Yr Average)	\$ 124,733	\$ 124,733	\$ -			
Labor Capitalized (3 yr Average)	(1,215,834)	\$ (1,265,969)	1,266,117	\$ 50,135	(6.61)	
			148.21			
Labor Charged To Other Business Units ( 2 Year Average)	(1,216,496)	\$ (1,266,660)	1,266,593	\$ 50,164	3.21	
			(67.16)			
			-26.6169%			
Rate Year ending October 31, 2011 Payroll Expense Charged To O&M Expense	<u>2,260,305</u>	<u>2,348,367</u>	-26.6314%	(88,062)		
					(3.39)	
					(100,302)	
					88,058.57	





1 **To Adjust Payroll Taxes for Payroll Costs in Effect**  
2 **in Rate Year Ending October 31, 2011**

		<u>Barg</u>	<u>Non-Barg</u>	<u>Total</u>	
3	FICA	\$ 290,754	\$ 217,179	\$ 63,682	\$ 280,861
4	Medicare	68,604	\$ 50,792	\$ 15,081	\$ 65,873
5	Federal Unemployment Insurance (FUI)	3,584	\$ 2,856	\$ 728	\$ 3,584
6	State Unemployment Insurance (SUI)	7,072	\$ 5,636	\$ 1,437	\$ 7,072
8	Metropolitan Commuter Transportation Mobility Tax (MCTMT)	16,086	\$ 11,910	\$ 3,536	\$ 15,446
		<u>\$ 386,100</u>			\$ 372,836 \$ (13,265)



COUNT	EMPLOYEE ID	JOB TITLE	Rate Year Calculation					Payroll Taxes - Rate Year Calculation							
			HOURLY RATE	ANNUAL AMNT 2080	Bonus 0.0%	Overtime 3 yr Avg	Total Pay	FICA 6.20%	Medicare 1.45%	FUI 0.80%	SUI-NY 1.30%	SUI-NJ 0.00%	SDI 0.00%	MCTMT 0.34%	Total Taxes
						276,128		\$ 106,800	N/A	\$ 7,000	\$ 8,500	\$ -	\$ -		
1	00000000158	Chief Operator	\$ 34.90	72,582	-	6,211	78,793	4,885	1,142	56	111	-	-	268	6,462
2	00001173402	Customer Service Rep	\$ 26.80	55,738	-	4,770	60,508	3,751	877	56	111	-	-	206	5,001
3	00000000231	Operator	\$ 32.04	66,651	-	5,704	72,354	4,486	1,049	56	111	-	-	246	5,948
4	00000000320	Meter Foreperson	\$ 34.46	71,675	-	6,134	77,809	4,824	1,128	56	111	-	-	265	6,383
5	00001174262	Utility Person	\$ 25.22	52,462	-	4,489	56,951	3,531	826	56	111	-	-	194	4,717
6	00000000301	Distribution Foreperson	\$ 33.58	69,850	-	5,977	75,827	4,701	1,099	56	111	-	-	258	6,225
7	00000000262	Distribution Foreperson	\$ 34.10	70,930	-	6,070	77,000	4,774	1,117	56	111	-	-	262	6,319
8	00001173414	Service Person	\$ 26.84	55,829	-	4,777	60,606	3,758	879	56	111	-	-	206	5,009
9	00000000266	Utility Person	\$ 32.05	66,657	-	5,704	72,361	4,486	1,049	56	111	-	-	246	5,948
10	00001173292	Meter Reader	\$ 30.05	62,494	-	5,348	67,841	4,206	984	56	111	-	-	231	5,587
11	00001173750	Customer Service Rep	\$ 26.67	55,467	-	4,747	60,213	3,733	873	56	111	-	-	205	4,978
12	00000000110	Relief Operator-Mechanic	\$ 33.68	70,052	-	5,995	76,047	4,715	1,103	56	111	-	-	259	6,243
13	00000000091	Facilities Operator	\$ 31.71	65,955	-	5,644	71,599	4,439	1,038	56	111	-	-	243	5,887
14	00001173324	Utility Person	\$ 28.84	59,990	-	5,134	65,124	4,038	944	56	111	-	-	221	5,370
15	00001173323	Utility Person	\$ 28.84	59,990	-	5,134	65,124	4,038	944	56	111	-	-	221	5,370
16	00001173366	Utility Person	\$ 27.24	56,660	-	4,849	61,508	3,814	892	56	111	-	-	209	5,081
17	00001173703	Meter Reader	\$ 24.04	49,994	-	4,278	54,273	3,365	787	56	111	-	-	185	4,503
18	00001172419	Customer Service Rep	\$ 31.37	65,256	-	5,584	70,840	4,392	1,027	56	111	-	-	241	5,827
19	00000000112	Service Person	\$ 31.58	65,680	-	5,620	71,300	4,421	1,034	56	111	-	-	242	5,863
20	00000000258	Backhoe Operator	\$ 32.97	68,575	-	5,868	74,444	4,616	1,079	56	111	-	-	253	6,115
21	00000000179	Accounts Payable/Payroll Clerk	\$ 30.49	63,426	-	5,428	68,853	4,269	998	56	111	-	-	234	5,668
22	000000002680	Operator	\$ 30.44	63,318	-	5,418	68,737	4,262	997	56	111	-	-	234	5,659
23	00000000357	Service Person	\$ 31.58	65,680	-	5,620	71,300	4,421	1,034	56	111	-	-	242	5,863
24	00000000356	Distribution Foreperson	\$ 34.10	70,930	-	6,070	77,000	4,774	1,117	56	111	-	-	262	6,319
25	00000000255	Facilities Operator	\$ 32.23	67,034	-	5,736	72,770	4,512	1,055	56	111	-	-	247	5,981
26	00000000267	Operator	\$ 32.04	66,651	-	5,704	72,354	4,486	1,049	56	111	-	-	246	5,948
27	00001172879	Operator	\$ 30.44	63,318	-	5,418	68,737	4,262	997	56	111	-	-	234	5,659
28	00000000087	Collector	\$ 30.84	64,151	-	5,490	69,641	4,318	1,010	56	111	-	-	237	5,731
29	00001172856	Collector	\$ 29.30	60,944	-	5,215	66,159	4,102	959	56	111	-	-	225	5,453
30	00000000126	Stores Clerk	\$ 33.45	69,574	-	5,954	75,528	4,683	1,095	56	111	-	-	257	6,201
31	000000002755	Customer Service Rep	\$ 31.37	65,256	-	5,584	70,840	4,392	1,027	56	111	-	-	241	5,827
32	00000000121	Service Person	\$ 31.58	65,680	-	5,620	71,300	4,421	1,034	56	111	-	-	242	5,863
33	00000000370	Relief Operator-Mechanic	\$ 33.68	70,052	-	5,995	76,047	4,715	1,103	56	111	-	-	259	6,243
34	00001173325	Utility Person	\$ 27.24	56,660	-	4,849	61,508	3,814	892	56	111	-	-	209	5,081
35	00000001653	Utility Person	\$ 32.05	66,657	-	5,704	72,361	4,486	1,049	56	111	-	-	246	5,948
36	00000000283	Backhoe Operator	\$ 32.97	68,575	-	5,868	74,444	4,616	1,079	56	111	-	-	253	6,115
37	00001172931	Meter Reader	\$ 27.04	56,244	-	4,813	61,057	3,786	885	56	111	-	-	208	5,045
38	00000000218	Customer Service Rep	\$ 31.37	65,256	-	5,584	70,840	4,392	1,027	56	111	-	-	241	5,827
39	00001173654	Utility Person	\$ 26.80	55,740	-	4,770	60,510	3,752	877	56	111	-	-	206	5,001
40	00001173754	Meter Reader	\$ 24.04	49,994	-	4,278	54,273	3,365	787	56	111	-	-	185	4,503
41	00000000216	Facilities Operator	\$ 31.71	65,955	-	5,644	71,599	4,439	1,038	56	111	-	-	243	5,887
42	00001173319	Utility Person	\$ 28.84	59,990	-	5,134	65,124	4,038	944	56	111	-	-	221	5,370
43	00000000232	Backhoe Operator	\$ 32.97	68,575	-	5,868	74,444	4,616	1,079	56	111	-	-	253	6,115
44	00001173322	Utility Person	\$ 28.84	59,990	-	5,134	65,124	4,038	944	56	111	-	-	221	5,370
45	00001174234	Utility Person	\$ 25.22	52,462	-	4,489	56,951	3,531	826	56	111	-	-	194	4,717
46	00001173401	Customer Service Rep	\$ 26.67	55,467	-	4,747	60,213	3,733	873	56	111	-	-	205	4,978
47	00001173320	Meter Reader	\$ 27.04	56,244	-	4,813	61,057	3,786	885	56	111	-	-	208	5,045
48	00000000192	Inspector	\$ 31.89	66,332	-	5,676	72,008	4,465	1,044	56	111	-	-	245	5,920
49	00000000352	Relief Operator-Mechanic	\$ 33.68	70,052	-	5,995	76,047	4,715	1,103	56	111	-	-	259	6,243
		FACILITY Operator (Leak Survey)	\$ 32.23	67,034	-	5,736	72,771	4,512	1,055	56	111	-	-	247	5,981
		FACILITY Operator (Leak Survey)	\$ 32.23	67,034	-	5,736	72,771	4,512	1,055	56	111	-	-	247	5,981
Sub-Total			50	3,226,762	-	276,128	3,502,889	217,179	50,792	2,856	5,636	-	-	11,910	288,372
Vacant Position			xxxxxx												
Sub-Total			0												
Total			50	3,226,762	-	276,128	3,502,889	217,179	50,792	2,856	5,636	-	-		288,372



COUNT	EMPLOYEE ID	JOB TITLE	Rate Year Calculation								Payroll Taxes - Rate Year Calculation								
			HOURLY RATE	ANNUAL AMNT 2080	(Non-Exempt)			Overtime 3 Yr Average	Total Pay		\$ 106,800 FICA 6.20%	N/A Medicare 1.45%	\$ 7,000 FUI 0.80%	\$ 8,500 SUI-NY 1.30%	\$ - SUI-NJ 0.00%	\$ - SDI 0.00%	MCTMT 0.34%	Total Taxes	
1	00001173722	Accountant	\$ 26.84	55,832	-	0.0%	-	55,832.44	3,462	810	56	111	-	-	190	4,628			
2	00000000139	Admin Coord	\$ 34.18	71,091	-	0.0%	-	71,090.83	4,408	1,031	56	111	-	-	242	5,847			
3	00001170156	Engineer II	\$ 39.69	82,566	-	0.0%	-	82,565.53	5,119	1,197	56	111	-	-	281	6,763			
4	00001173165	Supv Accounting	\$ 41.82	86,994	-	0.0%	-	86,993.87	5,394	1,261	56	111	-	-	296	7,117			
5	00000000189	Supv T&D	\$ 38.27	79,602	-	0.0%	-	79,601.94	4,935	1,154	56	111	-	-	271	6,527			
6	00001172887	Supv Customer Service	\$ 34.06	70,843	-	0.0%	-	70,842.74	4,392	1,027	56	111	-	-	241	5,827			
7	00000002757	Supt Operations	\$ 41.19	85,670	-	0.0%	-	85,669.86	5,312	1,242	56	111	-	-	291	7,012			
8	00000000317	Mgr UWNR	\$ 48.98	101,870	-	0.0%	-	101,870.26	6,316	1,477	56	111	-	-	346	8,306			
9	00000002702	Dir Finance	\$ 57.57	119,747	-	0.0%	-	119,747.31	6,622	1,736	56	111	-	-	407	8,932			
10		Planning Supervisor	\$ 34.62	72,010	-	0.0%	-	72,009.60	4,465	1,044	56	111	-	-	245	5,920			
11		T & D Supervisor	\$ 44.50	92,560	-	0.0%	-	92,560.00	5,739	1,342	56	111	-	-	315	7,562			
12		Planning Specialist	\$ 33.07	68,786	-	0.0%	-	68,785.60	4,265	997	56	111	-	-	234	5,662			
13		Senior Accountant	\$ 25.24	52,499	-	0.0%	-	52,499.20	3,255	761	56	111	-	-	178	4,361			
Sub-Total 13			-	1,040,069	-	-	-	1,040,069	-	63,682	15,081	728	1,437	-	-	3,536	84,463		
Vacant Positions																			
1	xxxxxxxxxx																		
2	xxxxxxxxxx																		
Sub-Total 0																			
Total 13			-	1,040,069	-	-	-	1,040,069	-	63,682	15,081	728	1,437	-	-		84,463		
Exempt		#REF!																	
Nonexempt		#REF!																	
Total		#REF!																	



**United Water New Rochelle**  
**Operation and Maintenance Expenses**  
**For the Rate Year Ended October 31, 2011**

	Per Company Filing	Adj. #2	Staff Adjustments	As Adjusted By Staff	Revenue Requirement	After Rate Increase
Purchased Water	\$ 10,547,794		\$ (2,689,526)	\$ 7,858,268		\$ 7,858,268
Purchased Power	1,130,854		(66,482)	1,064,372		1,064,372
Chemicals	344,405		(21,166)	323,239		323,239
Uncollectd DIP Construction Costs	3,798,847		(3,798,847)	-		-
Labor	2,348,366		(88,059)	2,260,307		2,260,307
Pensions	895,554		(314,587)	580,967		580,967
Amortization Deferred Pension/OPEB	-		-	-		-
401K	39,907		-	39,907		39,907
Employee Health Insurance	187,996		(116,082)	71,914		71,914
OPEBs	143,661		(199,886)	(56,225)		(56,225)
Fringe Benefits	-		-	-		-
All Other Employee Benefits	17,247		(207)	17,040		17,040
Insurance	398,587		27,627	426,214		426,214
Materials and Supplies	231,969		(1,300)	230,669		230,669
Rents	245,391		-	245,391		245,391
Postage	56,733		-	56,733		56,733
Outside Contractors	165,871		(67,604)	98,267		98,267
Outside Services - M&S	1,985,923		(687,120)	1,298,803		1,298,803
Outside Services	314,658		(202,957)	111,701		111,701
Uncollectibles	91,032		-	91,032	64,648	155,680
Regulatory Expenses	125,723		-	125,723	89,285	215,008
Amortization Rate Case	195,000		(75,000)	120,000		120,000
Customer Information System Costs	227,118		-	227,118		227,118
Amortization Tank Painting	128,094		-	128,094		128,094
Amortization Deferred Legal Fees	316,970		-	316,970		316,970
Amortization Def Purchase Water Costs/Excess Per Cap	2,185,106		(2,185,106)	-		-
Customer Records/Billing	67,195		-	67,195		67,195
Transportation	254,040		-	254,040		254,040
Supplies & Stationary	30,300		(170)	30,130		30,130
Other O&M	610,238		-	610,238		610,238
Productivity	-		36,236	36,236		36,236
Austerity	-		-	-		-
	<u>\$ 27,084,579</u>		<u>\$ (10,450,236)</u>	<u>\$ 16,634,343</u>	<u>\$ 153,933</u>	<u>\$ 16,788,276</u>

## Productivity Calculation

Labor	2,260,226
Pensions	580,967
401K	39,907
Employee Health Insurance	187,996
OPEBs	(56,225)
Fringe Benefits	-
All Other Employee Benefits	17,247
Insurance	426,214
Payroll Taxes	<u>167,239</u>
	3,623,571
1% Productivity	36,236

## Austerity Calculation

Total O&M	16,788,276
LESS ITEMS IN PRODUCTIVITY (REMOVE PR TAXES)	(3,623,571)
LESS WATER/PURC POWER/CHEMICALS	(9,245,879)
LESS UNCOLLECT DIP	-
TOTAL AMOUNT FOR AUSTERITY POOL	<u>3,918,825</u>
1% Austerity	39,188





United Water New Rochelle  
Response to DPS-15 Part A2

1,141,343

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)																									
Year	Month	Adjusted AFUDC	Accumulated AFUDC	Reported AFUDC	Total Additional Costs	Adjusted Total Additional Costs	Adjusted AFUDC Base	Total Accumulated Costs	Applied AFUDC %	Int Portion of AFUDC Rate	Equity Portion of AFUDC Rate	AFUDC rate With No Gross-up	Equity Portion with tax Gross-up	Total AFUDC Rate	Calculated Interest Portion	Calculated Equity Portion	Calculated Equity Gross-up	Calculated ADIT	Cumulative ADIT	Federal Tax Rate	State Tax Rate	Composite	Calculated Applied																				
Beginning Balance as of 3/31/2004																																											
1997	04				1,120,572	1,120,572	1,120,572	1,120,572																																			
	05				129,986	129,986	1,250,558	1,250,558																																			
	06				16,565	16,565	1,267,123	1,267,123																																			
	08				(145,065)	(145,065)	1,122,058	1,122,058																																			
1998	10				19,285	19,285	1,141,343	1,141,343																																			
	11		338,656	338,656	338,656	338,656	1,479,999	1,479,999	4.82%	4.45%	9.27%	6.85%	11.67%	139,919	198,737	69,558	69,558	69,558	35.00%	35.00%	35.00%	35.00%																					
	12	14,849	367,233	28,577	71,001	71,001	1,551,000	1,551,000	4.82%	4.45%	9.27%	6.85%	11.67%	11,807	18,770	5,870	5,870	75,427	35.00%	35.00%	35.00%	35.00%																					
	01	15,023	396,120	14,397	14,397	14,397	1,583,639	1,583,639	11.21%	4.75%	4.38%	9.13%	11.40%	5,091	8,499	2,975	2,975	78,402	35.00%	35.00%	35.00%	35.00%																					
	02	15,161	411,145	15,025	15,214	15,214	1,598,853	1,598,853	10.01%	4.75%	4.38%	9.13%	11.40%	5,953	8,444	2,955	2,955	81,358	35.00%	35.00%	35.00%	35.00%																					
	03	15,307	426,317	15,171	15,171	15,171	1,614,024	1,614,024	11.19%	4.75%	4.38%	9.13%	11.40%	6,212	8,813	3,085	3,085	84,442	35.00%	35.00%	35.00%	35.00%																					
	04	15,452	441,633	15,316	15,316	15,316	1,629,340	1,629,340	11.39%	4.75%	4.38%	9.13%	11.40%	6,273	8,859	3,115	3,115	87,557	35.00%	35.00%	35.00%	35.00%																					
	05	15,599	457,096	15,463	15,463	15,463	1,644,803	1,644,803	11.39%	4.75%	4.38%	9.13%	11.40%	6,334	8,984	3,144	3,144	90,701	35.00%	35.00%	35.00%	35.00%																					
	06	16,019	472,707	15,611	39,973	39,973	1,713,206	1,713,206	11.39%	4.75%	4.38%	9.13%	11.40%	6,393	9,070	3,175	3,175	93,876	35.00%	35.00%	35.00%	35.00%																					
	07	16,402	488,073	16,266	39,973	39,973	1,729,472	1,729,472	11.20%	4.75%	4.38%	9.13%	11.40%	6,455	9,157	3,205	3,205	97,081	35.00%	35.00%	35.00%	35.00%																					
	08	16,557	505,395	16,422	39,973	39,973	1,745,894	1,745,894	11.30%	4.75%	4.38%	9.13%	11.40%	6,517	9,244	3,235	3,235	100,420	35.00%	35.00%	35.00%	35.00%																					
	09	16,715	521,974	16,579	16,422	16,422	1,762,473	1,762,473	11.40%	4.75%	4.38%	9.13%	11.40%	6,579	9,331	3,265	3,265	103,761	35.00%	35.00%	35.00%	35.00%																					
1999	10	16,873	538,712	16,738	16,579	16,579	1,779,211	1,779,211	11.40%	4.75%	4.38%	9.13%	11.40%	6,641	9,418	3,295	3,295	107,195	35.00%	35.00%	35.00%	35.00%																					
	11	16,954	555,610	16,898	16,738	16,738	1,795,211	1,795,211	11.40%	4.75%	4.38%	9.13%	11.40%	6,702	9,505	3,325	3,325	110,420	35.00%	35.00%	35.00%	35.00%																					
	12	17,494	573,051	17,441	16,898	16,898	1,812,109	1,812,109	11.40%	4.65%	4.41%	9.06%	11.43%	6,765	9,592	3,355	3,355	113,800	35.00%	35.00%	35.00%	35.00%																					
	01	17,853	590,853	17,801	38,698	38,698	1,850,807	1,850,807	11.48%	4.65%	4.41%	9.06%	11.43%	7,092	10,348	3,622	3,622	117,421	35.00%	35.00%	35.00%	35.00%																					
	02	18,044	608,874	18,121	43,892	43,892	1,894,700	1,894,700	11.40%	4.65%	4.41%	9.06%	11.43%	7,239	10,562	3,697	3,697	121,118	35.00%	35.00%	35.00%	35.00%																					
	03	18,235	627,297	18,323	20,032	20,032	1,914,732	1,914,732	11.48%	4.65%	4.41%	9.06%	11.43%	7,389	10,752	3,763	3,763	124,881	35.00%	35.00%	35.00%	35.00%																					
	04	18,421	645,808	18,511	20,332	20,332	1,935,064	1,935,064	11.48%	4.65%	4.41%	9.06%	11.43%	7,541	10,942	3,835	3,835	128,716	35.00%	35.00%	35.00%	35.00%																					
	05	18,630	664,528	18,721	21,036	21,036	1,956,100	1,956,100	11.51%	4.65%	4.41%	9.06%	11.43%	7,693	11,132	3,907	3,907	132,623	35.00%	35.00%	35.00%	35.00%																					
	06	19,255	683,878	19,348	23,066	23,066	1,979,166	1,979,166	11.49%	4.65%	4.41%	9.06%	11.43%	7,845	11,322	3,979	3,979	136,602	35.00%	35.00%	35.00%	35.00%																					
	07	19,467	703,437	19,561	22,269	22,269	2,001,435	2,001,435	11.49%	4.65%	4.41%	9.06%	11.43%	7,997	11,512	4,051	4,051	140,653	35.00%	35.00%	35.00%	35.00%																					
	08	19,662	723,105	19,757	20,511	20,511	2,021,946	2,021,946	11.49%	4.65%	4.41%	9.06%	11.43%	8,149	11,702	4,123	4,123	144,776	35.00%	35.00%	35.00%	35.00%																					
	09	21,826	745,127	21,932	22,712	22,712	2,044,658	2,044,658	11.49%	4.65%	4.41%	9.06%	11.43%	8,301	11,892	4,195	4,195	148,941	35.00%	35.00%	35.00%	35.00%																					
2000	10	22,088	767,321	22,195	27,403	27,403	2,072,061	2,072,061	11.49%	4.65%	4.41%	9.06%	11.43%	8,453	12,082	4,267	4,267	153,196	35.00%	35.00%	35.00%	35.00%																					
	11	25,134	792,577	25,255	31,666	31,666	2,103,727	2,103,727	11.49%	4.65%	4.41%	9.06%	11.43%	8,605	12,272	4,339	4,339	157,535	35.00%	35.00%	35.00%	35.00%																					
	12	25,400	818,099	25,523	27,918	27,918	2,131,645	2,131,645	11.49%	4.65%	4.41%	9.06%	11.43%	8,757	12,462	4,411	4,411	161,946	35.00%	35.00%	35.00%	35.00%																					
	01	29,288	847,529	29,430	408,103	408,103	2,539,748	2,539,748	11.49%	4.65%	4.41%	9.06%	11.43%	9,026	13,169	4,609	4,609	166,555	35.00%	35.00%	35.00%	35.00%																					
	02	29,631	877,303	29,774	35,917	35,917	2,575,665	2,575,665	11.49%	4.65%	4.41%	9.06%	11.43%	9,178	13,359	4,681	4,681	171,236	35.00%	35.00%	35.00%	35.00%																					
	03	30,974	908,478	31,124	35,917	35,917	2,611,582	2,611,582	11.49%	4.65%	4.41%	9.06%	11.43%	9,330	13,549	4,753	4,753	176,089	35.00%	35.00%	35.00%	35.00%																					
	04	31,495	940,075	31,647	39,173	39,173	2,650,755	2,650,755	11.49%	4.65%	4.41%	9.06%	11.43%	9,481	13,739	4,825	4,825	180,914	35.00%	35.00%	35.00%	35.00%																					
	05	31,926	972,155	32,080	40,833	40,833	2,691,588	2,691,588	11.49%	4.65%	4.41%	9.06%	11.43%	9,633	13,929	4,897	4,897	185,739	35.00%	35.00%	35.00%	35.00%																					
	06	32,914	1,005,229	33,074	49,882	49,882	2,741,470	2,741,470	11.49%	4.65%	4.41%	9.06%	11.43%	9,785	14,119	4,969	4,969	190,608	35.00%	35.00%	35.00%	35.00%																					
	07	33,390	1,038,754	33,525	45,238	45,238	2,786,708	2,786,708	11.49%	4.65%	4.41%	9.06%	11.43%	9,937	14,309	5,041	5,041	195,477	35.00%	35.00%	35.00%	35.00%																					
	08	34,535	1,073,457	34,703	44,730	44,730	2,831,438	2,831,438	11.49%	4.65%	4.41%	9.06%	11.43%	10,089	14,499	5,113	5,113	200,346	35.00%	35.00%	35.00%	35.00%																					
	09	34,962	1,108,588	35,131	36,196	36,196	2,867,634	2,867,634	11.49%	4.65%	4.41%	9.06%	11.43%	10,241	14,689	5,185	5,185	205,215	35.00%	35.00%	35.00%	35.00%																					
2001	10	33,005	1,141,531	33,184	37,447	37,447	2,905,081	2,905,081	10.67%	4.32%	4.14%	8.46%	10.69%	13,286	20,845	7,296	7,296	225,976	35.00%	35.00%	35.00%	35.00%																					
	11	33,338	1,174,807	33,528	37,447	37,447	2,942,528	2,942,528	10.67%	4.32%	4.14%	8.46%	10.69%	13,438	21,035	7,368	7,368	231,344	35.00%	35.00%	35.00%	35.00%																					
	12	33,872	1,208,815	34,068	40,833	40,833	2,983,361	2,983,361	10.67%	4.32%	4.14%	8.46%	10.69%	13,590	21,225	7,440	7,440	236,712	35.00%	35.00%	35.00%	35.00%																					
	01	35,513	1,244,061	35,446	48,866	48,866	3,032,227	3,032,227	10.67%	4.32%	4.14%																																



Total from last case to \$2 Max Placeholder		Total	
4,032,007	6,773,677	4,032,007	6,773,677
12	10,498	12	10,498
10	6,704	10	6,704
10	17,561	10	17,561
09	16,239	09	16,239
08	5,000	08	5,000
07	14,148	07	14,148
06	7,465	06	7,465
05	16,844	05	16,844
04	13,545	04	13,545
03	10,829	03	10,829
02	13,539	02	13,539
01	13,130	01	13,130
12	32,776	12	32,776
11	42,507	11	42,507
10	11,171	10	11,171
09	9,742	09	9,742
08	14,232	08	14,232
07	7,108	07	7,108
06	12,697	06	12,697
05	4,887	05	4,887
04	33,350	04	33,350
03	38,802	03	38,802
02	46,176	02	46,176
01	17,501	01	17,501
12	152,116	12	152,116
11	14,445	11	14,445
10	109,113	10	109,113
09	33,353	09	33,353
08	75,649	08	75,649
07	149,919	07	149,919
06	144,193	06	144,193
05	135,114	05	135,114
04	117,149	04	117,149
03	105,828	03	105,828
02	57,837	02	57,837
01	190,177	01	190,177
12	164,904	12	164,904
11	107,946	11	107,946
10	108,945	10	108,945
09	105,897	09	105,897
08	107,438	08	107,438
07	145,072	07	145,072
06	147,120	06	147,120
05	153,252	05	153,252
04	148,001	04	148,001
03	153,220	03	153,220
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	AFDC per Filed Rates					AFDC incl. STD					AFDC incl. 6 Month Compounding				
	Account Balance	Actual Amount Surcharged	Balance Accruing AFDC	AFDC Rate w/o Equity Gross-up	AFDC w/o Equity Gross-up	Account Balance	Actual Amount Surcharged	Balance Accruing AFDC	AFDC Rate w/o Equity Gross-up	AFDC w/o Equity Gross-up	Account Balance	Actual Amount Surcharged	Balance Accruing AFDC	Monthly AFDC Rate w/o Equity Gross-up	AFDC w/o Equity Gross-up
Construction Expenditures															
1,141,343	1,410,441	0	1,410,441			1,410,441	0	1,410,441			1,410,441	0	1,410,441		
42,424	1,463,761	0	1,463,761	9.27%	10,896	1,463,761	0	1,463,761	9.27%	10,896	1,463,519	0	1,463,519	0.76%	10,654
3,752	1,478,649	0	1,478,649	9.13%	11,137	1,478,649	0	1,478,649	9.13%	11,137	1,478,163	0	1,478,163	0.74%	10,892
0	1,489,900	0	1,489,900	9.13%	11,250	1,489,900	0	1,489,900	9.13%	11,250	1,489,164	0	1,489,164	0.74%	11,001
189	1,501,424	0	1,501,424	9.13%	11,336	1,501,424	0	1,501,424	9.13%	11,336	1,500,435	0	1,500,435	0.74%	11,083
0	1,512,847	0	1,512,847	9.13%	11,423	1,512,847	0	1,512,847	9.13%	11,423	1,511,601	0	1,511,601	0.74%	11,166
0	1,524,357	0	1,524,357	9.13%	11,510	1,524,357	0	1,524,357	9.13%	11,510	1,522,851	0	1,522,851	0.74%	11,250
28,429	1,564,384	0	1,564,384	9.13%	11,598	1,564,384	0	1,564,384	9.13%	11,598	1,562,613	0	1,562,613	0.74%	11,333
24,362	1,600,649	0	1,600,649	9.13%	11,902	1,600,649	0	1,600,649	9.13%	11,902	1,598,605	0	1,598,605	0.74%	11,629
0	1,612,827	0	1,612,827	9.13%	12,178	1,612,827	0	1,612,827	9.13%	12,178	1,610,502	0	1,610,502	0.74%	11,897
0	1,625,098	0	1,625,098	9.13%	12,271	1,625,098	0	1,625,098	9.13%	12,271	1,622,487	0	1,622,487	0.74%	11,986
0	1,637,462	0	1,637,462	9.13%	12,364	1,637,462	0	1,637,462	9.13%	12,364	1,634,562	0	1,634,562	0.74%	12,075
0	1,649,920	0	1,649,920	9.13%	12,458	1,649,920	0	1,649,920	9.13%	12,458	1,646,727	0	1,646,727	0.74%	12,165
39,782	1,702,159	0	1,702,159	9.06%	12,457	1,702,159	0	1,702,159	9.06%	12,457	1,698,672	0	1,698,672	0.74%	12,163
21,257	1,736,267	0	1,736,267	9.06%	12,851	1,736,267	0	1,736,267	9.06%	12,851	1,732,475	0	1,732,475	0.74%	12,547
1,218	1,750,593	0	1,750,593	9.06%	13,109	1,750,593	0	1,750,593	9.06%	13,109	1,746,490	0	1,746,490	0.74%	12,797
1,911	1,765,721	0	1,765,721	9.06%	13,217	1,765,715	0	1,765,715	9.06%	13,211	1,761,295	0	1,761,295	0.74%	12,895
1,256	1,780,309	0	1,780,309	9.06%	13,331	1,780,250	0	1,780,250	9.02%	13,278	1,775,510	0	1,775,510	0.74%	12,959
3,426	1,797,176	0	1,797,176	9.06%	13,441	1,797,075	0	1,797,075	9.03%	13,400	1,792,011	0	1,792,011	0.74%	13,075
46,786	1,857,530	0	1,857,530	9.06%	13,569	1,857,420	0	1,857,420	9.05%	13,559	1,852,025	0	1,852,025	0.74%	13,228
2,921	1,874,476	0	1,874,476	9.06%	14,024	1,874,294	0	1,874,294	9.01%	13,953	1,868,558	0	1,868,558	0.73%	13,612
950	1,889,578	0	1,889,578	9.06%	14,152	1,889,337	0	1,889,337	9.02%	14,093	1,883,255	0	1,883,255	0.74%	13,747
207,363	2,111,207	0	2,111,207	9.06%	14,266	2,110,918	0	2,110,918	9.03%	14,218	2,104,484	0	2,104,484	0.74%	13,866
5,471	2,132,618	0	2,132,618	9.06%	15,940	2,132,257	0	2,132,257	9.02%	15,868	2,125,433	0	2,125,433	0.74%	15,478
297,472	2,446,191	0	2,446,191	9.06%	16,101	2,445,789	0	2,445,789	9.04%	16,060	2,438,567	0	2,438,567	0.74%	15,663
2,663	2,467,322	0	2,467,322	9.06%	18,469	2,466,918	0	2,466,918	9.06%	18,466	2,459,243	0	2,459,243	0.74%	18,012
382,580	2,868,531	0	2,868,531	9.06%	18,628	2,868,106	0	2,868,106	9.05%	18,608	2,859,971	0	2,859,971	0.74%	18,148
6,486	2,896,675	0	2,896,675	9.06%	21,657	2,896,117	0	2,896,117	9.01%	21,524	2,887,458	0	2,887,458	0.73%	21,001
111,218	3,029,763	0	3,029,763	9.06%	21,870	3,029,200	0	3,029,200	9.06%	21,866	3,020,003	0	3,020,003	0.74%	21,328
23,508	3,076,145	0	3,076,145	9.06%	22,875	3,075,579	0	3,075,579	9.06%	22,870	3,065,818	0	3,065,818	0.74%	22,307
13,591	3,112,961	0	3,112,961	9.06%	23,225	3,112,391	0	3,112,391	9.06%	23,221	3,102,054	0	3,102,054	0.74%	22,645
71,657	3,208,121	0	3,208,121	9.06%	23,503	3,207,546	0	3,207,546	9.06%	23,499	3,196,624	0	3,196,624	0.74%	22,913
16,809	3,249,151	0	3,249,151	9.06%	24,221	3,248,571	0	3,248,571	9.06%	24,217	3,237,044	0	3,237,044	0.74%	23,611
86,712	3,360,394	0	3,360,394	9.06%	24,531	3,359,810	0	3,359,810	9.06%	24,527	3,347,666	0	3,347,666	0.74%	23,910
10,028	3,395,793	0	3,395,793	9.06%	25,371	3,395,205	0	3,395,205	9.06%	25,367	3,382,421	0	3,382,421	0.74%	24,727
1,065	3,422,496	0	3,422,496	9.06%	25,638	3,421,903	0	3,421,903	9.06%	25,634	3,408,469	0	3,408,469	0.74%	24,984
4,504	3,451,129	0	3,451,129	8.46%	24,129	3,450,532	0	3,450,532	8.46%	24,124	3,436,515	0	3,436,515	0.69%	23,542
26,605	3,502,064	0	3,502,064	8.46%	24,330	3,501,463	0	3,501,463	8.46%	24,326	3,486,855	0	3,486,855	0.69%	23,736



[illegible]





[illegible]



Jan-00

	<u>\$ Amount</u>	<u>% of Capital</u>	
Notes Payable	10,000	1.8%	
Long-Term Debt	281,278	50.5%	
Common Equity	266,034	47.7%	
TOTAL	557,312	100.0%	
Total DIP	<u>%</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Notes Payable	1.8%	6.03%	0.11%
Rate of Return	98.2%	9.06%	8.90%
AFDC Rate			9.01%



United Waterworks  
Short Term Debt

Month	Days In Month	Weighted Avg Loan Amount	Weighted Avg Int Rate	Monthly int Paid	Year	# days	Weighted Avg Loan Amount	Weighted Avg Int Rate	Total Int on S/T debt
Jan-99	31	\$0	0.00000%	\$ -					
Feb-99	28	\$535,714	5.16000%	\$ 2,150					15,000,000.00
Mar-99	31	\$4,967,742	5.16025%	\$ 22,074					154,000,000.00
Apr-99	30	\$3,866,667	5.17000%	\$ 16,659					116,000,000.00
May-99	31	\$825,806	5.12000%	\$ 3,641					25,600,000.00
Jun-99	30	\$6,383,333	5.13417%	\$ 27,311					191,500,000.00
Jul-99	31	\$5,803,226	5.57120%	\$ 27,841					179,900,000.00
Aug-99	31	\$4,464,516	5.40410%	\$ 20,776					138,400,000.00
Sep-99	30	\$6,316,667	5.60206%	\$ 29,489					189,500,000.00
Oct-99	31	\$3,522,581	5.70000%	\$ 17,290					109,200,000.00
Nov-99	30	\$0	0.00000%	\$ -					-
Dec-99	31	\$1,500,000	5.93000%	\$ 7,660					46,500,000.00
Jan-00	31	\$10,000,000	6.03000%	\$ 51,925	1999	365	\$ 3,193,425	5.47655%	\$ 174,890
Feb-00	29	\$0	0.00000%	\$ -					310,000,000.00
Mar-00	31	\$0	0.00000%	\$ -					-
Apr-00	30	\$0	0.00000%	\$ -					-
May-00	31	\$0	0.00000%	\$ -					-
Jun-00	30	\$0	0.00000%	\$ -					-
Jul-00	31	\$0	0.00000%	\$ -					-
Aug-00	31	\$0	0.00000%	\$ -					-
Sep-00	30	\$0	0.00000%	\$ -					-
Oct-00	31	\$0	0.00000%	\$ -					-
Nov-00	30	\$0	0.00000%	\$ -					-
Dec-00	31	\$0	0.00000%	\$ -	2000	366	\$ 846,995	6.13050%	\$ 51,925
There were no short term debt from February 2000 through April 2005									
Jan-05	31	\$0	0.00000%	\$ -					
Feb-05	28	\$0	0.00000%	\$ -					
Mar-05	31	\$0	0.00000%	\$ -					
Apr-05	30	\$0	0.00000%	\$ -					
May-05	31	\$1,290,323	3.50000%	\$ 3,889					40,000,000.00
Jun-05	30	\$10,100,000	3.51073%	\$ 29,549					303,000,000.00
Jul-05	31	\$13,000,000	3.76935%	\$ 42,196					403,000,000.00
Aug-05	31	\$13,096,774	3.95788%	\$ 44,636					406,000,000.00
Sep-05	30	\$16,150,000	4.15872%	\$ 55,969					484,500,000.00
Oct-05	31	\$19,774,194	4.35889%	\$ 74,222					613,000,000.00
Nov-05	30	\$12,800,000	4.40775%	\$ 47,383					387,000,000.00
Dec-05	31	\$10,000,000	4.70226%	\$ 40,492	2005	365	\$ 8,072,603	4.19117%	\$ 338,336
Jan-06	31	\$10,064,516	4.74558%	\$ 41,128					312,000,000.00
Feb-06	28	\$12,071,429	5.01085%	\$ 47,046					338,000,000.00
Mar-06	31	\$14,161,290	5.04220%	\$ 61,487					439,000,000.00
Apr-06	30	\$18,100,000	5.30077%	\$ 79,953					543,000,000.00
May-06	31	\$22,032,258	5.41960%	\$ 102,822					683,000,000.00
Jun-06	30	\$23,233,333	5.54812%	\$ 107,418					697,000,000.00
Jul-06	31	\$30,532,258	5.77554%	\$ 151,848					946,500,000.00
Aug-06	31	\$35,541,935	5.87179%	\$ 179,710					1,101,800,000.00
Sep-06	30	\$37,100,000	5.82447%	\$ 180,073					1,113,000,000.00
Oct-06	31	\$40,912,903	5.75566%	\$ 202,775					1,268,300,000.00
Nov-06	30	\$29,183,333	5.74052%	\$ 139,606					875,500,000.00
Dec-06	31	\$27,154,839	5.77681%	\$ 135,081	2006	365	\$ 25,092,877	5.69464%	\$ 1,428,948
Jan-07	31	\$40,009,677	5.74951%	\$ 194,893					1,240,300,000.00
Feb-07	28	\$28,300,000	5.70973%	\$ 98,033					792,400,000.00
Mar-07	31	\$22,622,581	5.72800%	\$ 107,352					701,300,000.00
Apr-07	30	\$29,800,000	5.70982%	\$ 141,794					894,000,000.00
May-07	31	\$51,477,419	5.71112%	\$ 253,161					1,595,800,000.00
Jun-07	30	\$27,266,667	5.73360%	\$ 130,280					818,000,000.00
Jul-07	31	\$33,800,000	5.74519%	\$ 167,217					1,047,800,000.00
Aug-07	31	\$31,703,226	5.74902%	\$ 156,948					982,800,000.00
Sep-07	30	\$29,300,000	5.85078%	\$ 142,857					879,000,000.00
Oct-07	31	\$34,354,839	5.71976%	\$ 169,210					1,065,000,000.00
Nov-07	30	\$50,366,667	5.28481%	\$ 221,815					1,511,000,000.00
Dec-07	31	\$32,532,258	5.26002%	\$ 147,354	2007	365	\$ 34,344,932	5.62212%	\$ 1,930,913
Jan-08	31	\$37,758,065	5.25934%	\$ 167,276					1,170,500,000.00
Feb-08	29	\$45,568,966	3.68309%	\$ 135,200					1,321,500,000.00
Mar-08	31	\$47,741,935	3.55640%	\$ 146,208					1,480,000,000.00
Apr-08	30	\$50,083,333	3.31513%	\$ 138,361					1,502,500,000.00
May-08	31	\$52,500,000	3.19003%	\$ 144,216					1,627,500,000.00
Jun-08	30	\$52,350,000	3.01227%	\$ 131,410					1,570,500,000.00
Jul-08	31	\$50,935,484	3.11373%	\$ 136,572					1,579,000,000.00
Aug-08	31	\$48,903,226	3.16743%	\$ 126,125					1,516,000,000.00
Sep-08	30	\$48,266,667	3.16217%	\$ 127,189					1,448,000,000.00
Oct-08	31	\$36,516,129	3.48131%	\$ 109,468					1,132,000,000.00
Nov-08	30	\$34,583,333	3.28916%	\$ 94,792					1,037,500,000.00
Dec-08	31	\$37,435,484	1.92669%	\$ 62,109	2008	366	\$ 45,206,284	3.35999%	\$ 1,518,926
Jan-09	31	\$35,790,323	0.92117%	\$ 28,390					1,109,500,000.00
Feb-09	28	\$40,071,429	1.56335%	\$ 48,724					1,122,000,000.00
Mar-09	31	\$41,000,000	1.56376%	\$ 55,209					1,271,000,000.00
Apr-09	30	\$41,200,000	1.67626%	\$ 57,551					1,236,000,000.00
May-09	31	\$47,193,548	1.38870%	\$ 56,435					1,463,000,000.00
Jun-09	30	\$48,833,333	1.27098%	\$ 51,722					1,465,000,000.00
Jul-09	31	\$44,000,000	1.40522%	\$ 53,242					1,364,000,000.00
Aug-09	31	\$44,096,774	1.37507%	\$ 52,215					1,367,000,000.00
Sep-09	30	\$44,833,333	1.24855%	\$ 46,647					1,345,000,000.00
Oct-09	31	\$49,806,452	1.15756%	\$ 49,647					1,544,000,000.00
Nov-09	30	\$46,750,000	1.16742%	\$ 45,481					1,402,500,000.00
Dec-09	31	\$44,854,839	1.15741%	\$ 44,705	2009	365	\$ 44,053,425	1.33921%	\$ 589,969
Jan-10	31	\$23,951,613	1.21886%	\$ 25,139					742,500,000.00



Dec-09			
	\$ Amount	% of Capital	
Notes Payable		#DIV/0!	
Long-Term Debt		#DIV/0!	
Common Equity		#DIV/0!	
TOTAL		#DIV/0!	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	#DIV/0!	0.00%	#DIV/0!
AFDC Rate			#DIV/0!

Nov-09			
	\$ Amount	% of Capital	
Notes Payable	46,750	6.8%	
Long-Term Debt	292,440	42.7%	
Common Equity	345,199	50.4%	
TOTAL	684,389	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	6.8%	1.17%	0.08%
AFDC Rate	93.2%	8.10%	7.55%

Oct-09			
	\$ Amount	% of Capital	
Notes Payable	49,808	7.2%	
Long-Term Debt	292,515	42.6%	
Common Equity	344,753	50.2%	
TOTAL	687,074	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	7.2%	1.16%	0.08%
AFDC Rate	92.8%	8.10%	7.51%

Sept-09			
	\$ Amount	% of Capital	
Notes Payable	44,833	6.6%	
Long-Term Debt	292,515	42.6%	
Common Equity	343,908	50.5%	
TOTAL	681,254	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	6.6%	1.25%	0.08%
AFDC Rate	93.5%	8.10%	7.37%

Aug-09			
	\$ Amount	% of Capital	
Notes Payable	44,097	6.4%	
Long-Term Debt	292,850	42.7%	
Common Equity	345,527	50.9%	
TOTAL	682,454	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	6.4%	1.38%	0.08%
AFDC Rate	93.6%	8.10%	7.58%

Jul-09			
	\$ Amount	% of Capital	
Notes Payable	44,000	6.4%	
Long-Term Debt	292,895	42.9%	
Common Equity	345,960	50.7%	
TOTAL	682,855	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	6.4%	1.41%	0.08%
AFDC Rate	93.6%	8.10%	7.58%

Jun-09			
	\$ Amount	% of Capital	
Notes Payable	48,833	7.1%	
Long-Term Debt	293,015	42.8%	
Common Equity	342,107	50.0%	
TOTAL	683,955	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	7.1%	1.27%	0.08%
AFDC Rate	92.9%	8.10%	7.52%

May-09			
	\$ Amount	% of Capital	
Notes Payable	47,194	7.0%	
Long-Term Debt	293,295	43.6%	
Common Equity	329,221	49.2%	
TOTAL	669,710	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	7.0%	1.39%	0.10%
AFDC Rate	93.0%	8.10%	7.53%

Apr-09			
	\$ Amount	% of Capital	
Notes Payable	41,200	6.2%	
Long-Term Debt	293,400	44.3%	
Common Equity	327,246	49.4%	
TOTAL	661,846	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	6.2%	1.68%	0.10%
AFDC Rate	93.6%	8.10%	7.60%

Mar-09			
	\$ Amount	% of Capital	
Notes Payable	41,000	6.2%	
Long-Term Debt	293,875	44.4%	
Common Equity	328,839	49.4%	
TOTAL	661,314	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	6.2%	1.56%	0.10%
AFDC Rate	93.6%	8.10%	7.60%

Feb-09			
	\$ Amount	% of Capital	
Notes Payable	40,071	6.1%	
Long-Term Debt	293,770	44.5%	
Common Equity	326,693	49.5%	
TOTAL	660,524	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	6.1%	1.56%	0.09%
AFDC Rate	93.9%	8.10%	7.61%

Jan-09			
	\$ Amount	% of Capital	
Notes Payable	35,790	5.5%	
Long-Term Debt	293,925	44.8%	
Common Equity	329,566	49.6%	
TOTAL	659,281	100.0%	
Total DIP			Weighted
Notes Payable	%	Cost Rate	Cost
Rate of Return	5.5%	0.92%	0.06%
AFDC Rate	94.5%	8.10%	7.66%





Dec-08			
\$ Amount	% of Capital		
Notes Payable	5.7%		
Long-Term Debt	44.7%		
Common Equity	49.6%		
TOTAL	100.0%		
Total DIP	5.7%	Cost Ratio	1.93%
Notes Payable		Weighted Cost	0.11%
Rate of Return	94.3%		7.64%
		AFDC Ratio	7.75%

Aug-08			
\$ Amount	% of Capital		
Notes Payable	7.7%		
Long-Term Debt	40.1%		
Common Equity	52.2%		
TOTAL	100.0%		
Total DIP	7.7%	Cost Ratio	3.17%
Notes Payable		Weighted Cost	0.24%
Rate of Return	92.3%		7.48%
		AFDC Ratio	7.77%

Apr-08			
\$ Amount	% of Capital		
Notes Payable	8.2%		
Long-Term Debt	41.8%		
Common Equity	50.0%		
TOTAL	100.0%		
Total DIP	8.2%	Cost Ratio	3.32%
Notes Payable		Weighted Cost	0.27%
Rate of Return	91.8%		7.44%
		AFDC Ratio	7.71%

Nov-08			
\$ Amount	% of Capital		
Notes Payable	5.4%		
Long-Term Debt	42.9%		
Common Equity	51.7%		
TOTAL	100.0%		
Total DIP	5.4%	Cost Ratio	3.29%
Notes Payable		Weighted Cost	0.18%
Rate of Return	94.6%		7.66%
		AFDC Ratio	7.84%

Jul-08			
\$ Amount	% of Capital		
Notes Payable	8.1%		
Long-Term Debt	40.2%		
Common Equity	51.7%		
TOTAL	100.0%		
Total DIP	8.1%	Cost Ratio	3.11%
Notes Payable		Weighted Cost	0.25%
Rate of Return	91.9%		7.43%
		AFDC Ratio	7.70%

Mar-08			
\$ Amount	% of Capital		
Notes Payable	7.9%		
Long-Term Debt	42.0%		
Common Equity	50.2%		
TOTAL	100.0%		
Total DIP	7.9%	Cost Ratio	3.56%
Notes Payable		Weighted Cost	0.28%
Rate of Return	92.1%		7.46%
		AFDC Ratio	7.74%

Oct-08			
\$ Amount	% of Capital		
Notes Payable	5.7%		
Long-Term Debt	42.9%		
Common Equity	51.4%		
TOTAL	100.0%		
Total DIP	5.7%	Cost Ratio	3.48%
Notes Payable		Weighted Cost	0.20%
Rate of Return	94.3%		7.64%
		AFDC Ratio	7.84%

Jun-08			
\$ Amount	% of Capital		
Notes Payable	8.3%		
Long-Term Debt	40.4%		
Common Equity	51.3%		
TOTAL	100.0%		
Total DIP	8.3%	Cost Ratio	3.01%
Notes Payable		Weighted Cost	0.25%
Rate of Return	91.7%		7.43%
		AFDC Ratio	7.68%

Feb-08			
\$ Amount	% of Capital		
Notes Payable	7.6%		
Long-Term Debt	42.2%		
Common Equity	50.2%		
TOTAL	100.0%		
Total DIP	7.6%	Cost Ratio	3.68%
Notes Payable		Weighted Cost	0.26%
Rate of Return	92.4%		7.49%
		AFDC Ratio	7.77%

Sep-08			
\$ Amount	% of Capital		
Notes Payable	7.7%		
Long-Term Debt	40.5%		
Common Equity	51.8%		
TOTAL	100.0%		
Total DIP	7.7%	Cost Ratio	3.16%
Notes Payable		Weighted Cost	0.24%
Rate of Return	92.3%		7.48%
		AFDC Ratio	7.72%

May-08			
\$ Amount	% of Capital		
Notes Payable	8.5%		
Long-Term Debt	41.4%		
Common Equity	50.1%		
TOTAL	100.0%		
Total DIP	8.5%	Cost Ratio	3.19%
Notes Payable		Weighted Cost	0.27%
Rate of Return	91.5%		7.41%
		AFDC Ratio	7.68%

Jan-08			
\$ Amount	% of Capital		
Notes Payable	6.3%		
Long-Term Debt	42.2%		
Common Equity	50.2%		
TOTAL	98.7%		
Total DIP	6.3%	Cost Ratio	5.26%
Notes Payable		Weighted Cost	0.33%
Rate of Return	93.7%		7.99%
		AFDC Ratio	7.92%



Dec-07			
	\$ Amount	% of Capital	
Notes Payable	32,532	5.5%	
Long-Term Debt	254,785	43.2%	
Common Equity	302,847	51.3%	
TOTAL	589,164	100.0%	
Total DIP			Weighted
Notes Payable	5.5%	Cost	0.39%
Rate of Return	94.5%	AFDC Rate	7.85%

Nov-07			
	\$ Amount	% of Capital	
Notes Payable	50,367	8.2%	
Long-Term Debt	259,780	42.1%	
Common Equity	307,053	49.7%	
TOTAL	617,210	100.0%	
Total DIP			Weighted
Notes Payable	8.2%	Cost	0.43%
Rate of Return	91.8%	AFDC Rate	7.44%

Oct-07			
	\$ Amount	% of Capital	
Notes Payable	34,355	6.1%	
Long-Term Debt	228,790	40.6%	
Common Equity	302,275	53.4%	
TOTAL	565,420	100.0%	
Total DIP			Weighted
Notes Payable	6.1%	Cost	0.35%
Rate of Return	93.9%	AFDC Rate	7.61%

Sept-07			
	\$ Amount	% of Capital	
Notes Payable	28,300	5.2%	
Long-Term Debt	229,795	40.8%	
Common Equity	303,713	54.0%	
TOTAL	561,808	100.0%	
Total DIP			Weighted
Notes Payable	5.2%	Cost	0.30%
Rate of Return	94.8%	AFDC Rate	7.65%

Aug-07			
	\$ Amount	% of Capital	
Notes Payable	31,703	5.6%	
Long-Term Debt	231,795	40.7%	
Common Equity	305,445	53.7%	
TOTAL	568,943	100.0%	
Total DIP			Weighted
Notes Payable	5.6%	Cost	0.32%
Rate of Return	94.4%	AFDC Rate	7.65%

Jul-07			
	\$ Amount	% of Capital	
Notes Payable	33,800	6.0%	
Long-Term Debt	231,795	40.9%	
Common Equity	301,871	53.2%	
TOTAL	567,266	100.0%	
Total DIP			Weighted
Notes Payable	6.0%	Cost	0.34%
Rate of Return	94.0%	AFDC Rate	7.62%

Jun-07			
	\$ Amount	% of Capital	
Notes Payable	27,267	4.9%	
Long-Term Debt	231,795	41.6%	
Common Equity	298,072	53.5%	
TOTAL	557,135	100.0%	
Total DIP			Weighted
Notes Payable	4.9%	Cost	0.28%
Rate of Return	95.1%	AFDC Rate	7.70%

May-07			
	\$ Amount	% of Capital	
Notes Payable	51,477	8.8%	
Long-Term Debt	232,045	39.6%	
Common Equity	301,997	51.6%	
TOTAL	585,519	100.0%	
Total DIP			Weighted
Notes Payable	8.8%	Cost	0.50%
Rate of Return	91.2%	AFDC Rate	7.39%

Apr-07			
	\$ Amount	% of Capital	
Notes Payable	29,800	5.6%	
Long-Term Debt	229,795	43.1%	
Common Equity	273,558	51.3%	
TOTAL	533,153	100.0%	
Total DIP			Weighted
Notes Payable	5.6%	Cost	0.32%
Rate of Return	94.4%	AFDC Rate	7.65%

Mar-07			
	\$ Amount	% of Capital	
Notes Payable	22,623	4.3%	
Long-Term Debt	229,795	43.7%	
Common Equity	273,132	52.0%	
TOTAL	525,550	100.0%	
Total DIP			Weighted
Notes Payable	4.3%	Cost	0.28%
Rate of Return	85.7%	AFDC Rate	7.75%

Feb-07			
	\$ Amount	% of Capital	
Notes Payable	28,300	5.3%	
Long-Term Debt	229,795	43.3%	
Common Equity	273,120	51.4%	
TOTAL	531,215	100.0%	
Total DIP			Weighted
Notes Payable	5.3%	Cost	0.30%
Rate of Return	94.7%	AFDC Rate	7.67%

Jan-07			
	\$ Amount	% of Capital	
Notes Payable	40,010	7.7%	
Long-Term Debt	204,695	38.5%	
Common Equity	273,004	52.7%	
TOTAL	517,709	100.0%	
Total DIP			Weighted
Notes Payable	7.7%	Cost	0.44%
Rate of Return	92.3%	AFDC Rate	7.47%



Dec-06			
	\$ Amount	% of Capital	
Notes Payable	27,155	5.4%	
Long-Term Debt	204,685	40.6%	
Common Equity	272,548	54.0%	
TOTAL	504,388	100.0%	
Total DIP			Weighted
Notes Payable	5.4%	Cost Rate	0.31%
Rate of Return	94.6%	Cost	7.65%
		AFDC Rate	7.97%

Nov-06			
	\$ Amount	% of Capital	
Notes Payable	29,183	5.6%	
Long-Term Debt	224,345	42.9%	
Common Equity	269,178	51.5%	
TOTAL	522,706	100.0%	
Total DIP			Weighted
Notes Payable	5.6%	Cost Rate	0.32%
Rate of Return	94.4%	Cost	7.65%
		AFDC Rate	7.97%

Oct-06			
	\$ Amount	% of Capital	
Notes Payable	40,913	7.6%	
Long-Term Debt	224,345	41.8%	
Common Equity	270,924	50.5%	
TOTAL	536,182	100.0%	
Total DIP			Weighted
Notes Payable	7.6%	Cost Rate	0.44%
Rate of Return	92.4%	Cost	7.48%
		AFDC Rate	7.92%

Sep-06			
	\$ Amount	% of Capital	
Notes Payable	37,100	7.2%	
Long-Term Debt	224,345	43.3%	
Common Equity	256,970	49.5%	
TOTAL	518,415	100.0%	
Total DIP			Weighted
Notes Payable	7.2%	Cost Rate	0.42%
Rate of Return	92.8%	Cost	7.52%
		AFDC Rate	7.94%

Aug-06			
	\$ Amount	% of Capital	
Notes Payable	33,542	6.9%	
Long-Term Debt	224,345	43.6%	
Common Equity	254,318	49.5%	
TOTAL	512,205	100.0%	
Total DIP			Weighted
Notes Payable	6.9%	Cost Rate	0.41%
Rate of Return	93.1%	Cost	7.54%
		AFDC Rate	7.95%

Jul-06			
	\$ Amount	% of Capital	
Notes Payable	30,532	6.0%	
Long-Term Debt	224,345	44.1%	
Common Equity	253,782	49.9%	
TOTAL	508,659	100.0%	
Total DIP			Weighted
Notes Payable	6.0%	Cost Rate	0.33%
Rate of Return	94.0%	Cost	7.61%
		AFDC Rate	7.95%

Jun-06			
	\$ Amount	% of Capital	
Notes Payable	23,233	4.7%	
Long-Term Debt	224,345	45.1%	
Common Equity	250,208	50.3%	
TOTAL	497,786	100.0%	
Total DIP			Weighted
Notes Payable	4.7%	Cost Rate	0.26%
Rate of Return	95.3%	Cost	7.72%
		AFDC Rate	7.98%

May-06			
	\$ Amount	% of Capital	
Notes Payable	22,022	4.4%	
Long-Term Debt	224,350	45.1%	
Common Equity	251,486	50.5%	
TOTAL	497,873	100.0%	
Total DIP			Weighted
Notes Payable	4.4%	Cost Rate	0.24%
Rate of Return	95.6%	Cost	7.74%
		AFDC Rate	7.98%

Apr-06			
	\$ Amount	% of Capital	
Notes Payable	18,100	3.7%	
Long-Term Debt	224,380	43.6%	
Common Equity	249,762	50.7%	
TOTAL	492,242	100.0%	
Total DIP			Weighted
Notes Payable	3.7%	Cost Rate	0.19%
Rate of Return	96.3%	Cost	7.80%
		AFDC Rate	8.00%

Mar-06			
	\$ Amount	% of Capital	
Notes Payable	14,161	2.9%	
Long-Term Debt	224,380	46.0%	
Common Equity	249,420	51.1%	
TOTAL	487,961	100.0%	
Total DIP			Weighted
Notes Payable	2.9%	Cost Rate	0.15%
Rate of Return	97.1%	Cost	7.85%
		AFDC Rate	8.01%

Feb-06			
	\$ Amount	% of Capital	
Notes Payable	12,071	2.5%	
Long-Term Debt	224,380	45.9%	
Common Equity	252,559	51.6%	
TOTAL	488,810	100.0%	
Total DIP			Weighted
Notes Payable	2.5%	Cost Rate	0.12%
Rate of Return	97.5%	Cost	7.90%
		AFDC Rate	8.02%

Jan-06			
	\$ Amount	% of Capital	
Notes Payable	10,065	2.1%	
Long-Term Debt	224,380	46.1%	
Common Equity	252,443	51.8%	
TOTAL	486,888	100.0%	
Total DIP			Weighted
Notes Payable	2.1%	Cost Rate	0.10%
Rate of Return	97.9%	Cost	7.93%
		AFDC Rate	8.03%



Dec-05			
	\$ Amount	% of Capital	
Notes Payable	10,000	2.1%	
Long-Term Debt	224,380	46.1%	
Common Equity	231,920	51.8%	
TOTAL	466,300	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	2.1%	4.70%	0.10%
Rate of Return	97.9%	8.10%	7.83%
AFDC Rate 8.03%			

Nov-05			
	\$ Amount	% of Capital	
Notes Payable	12,900	2.7%	
Long-Term Debt	224,380	46.8%	
Common Equity	242,392	50.5%	
TOTAL	479,672	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	2.7%	4.41%	0.12%
Rate of Return	97.3%	8.10%	7.89%
AFDC Rate 8.00%			

Oct-05			
	\$ Amount	% of Capital	
Notes Payable	18,774	4.1%	
Long-Term Debt	224,380	46.1%	
Common Equity	242,592	49.8%	
TOTAL	486,746	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	4.1%	4.35%	0.18%
Rate of Return	95.9%	8.10%	7.77%
AFDC Rate 7.95%			

Sep-05			
	\$ Amount	% of Capital	
Notes Payable	16,150	3.4%	
Long-Term Debt	224,380	46.7%	
Common Equity	240,338	50.0%	
TOTAL	480,868	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	3.4%	4.16%	0.14%
Rate of Return	96.6%	8.10%	7.83%
AFDC Rate 7.97%			

Aug-05			
	\$ Amount	% of Capital	
Notes Payable	13,097	2.7%	
Long-Term Debt	224,380	47.0%	
Common Equity	240,000	50.3%	
TOTAL	477,477	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	2.7%	3.96%	0.11%
Rate of Return	97.3%	8.10%	7.88%
AFDC Rate 7.99%			

Jul-05			
	\$ Amount	% of Capital	
Notes Payable	13,000	2.7%	
Long-Term Debt	224,380	47.3%	
Common Equity	235,954	50.0%	
TOTAL	473,334	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	2.7%	3.77%	0.10%
Rate of Return	97.3%	8.46%	8.23%
AFDC Rate 8.33%			

Jun-05			
	\$ Amount	% of Capital	
Notes Payable	10,100	2.2%	
Long-Term Debt	224,380	47.9%	
Common Equity	234,196	50.0%	
TOTAL	468,676	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	2.2%	3.57%	0.08%
Rate of Return	97.8%	8.46%	8.28%
AFDC Rate 8.35%			

May-05			
	\$ Amount	% of Capital	
Notes Payable	1,290	0.3%	
Long-Term Debt	224,355	48.7%	
Common Equity	234,842	51.0%	
TOTAL	460,487	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	0.3%	3.50%	0.01%
Rate of Return	99.7%	8.46%	8.44%
AFDC Rate 8.45%			

Apr-05			
	\$ Amount	% of Capital	
Notes Payable	224,380	49.0%	
Long-Term Debt	233,566	51.0%	
Common Equity	457,966	100.0%	
TOTAL	915,912	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	0.0%	0.00%	0.00%
Rate of Return	100.0%	8.46%	8.46%
AFDC Rate 8.46%			

Mar-05			
	\$ Amount	% of Capital	
Notes Payable	224,380	49.1%	
Long-Term Debt	232,818	50.9%	
Common Equity	457,198	100.0%	
TOTAL	914,396	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	0.0%	0.00%	0.00%
Rate of Return	100.0%	8.46%	8.46%
AFDC Rate 8.46%			

Feb-05			
	\$ Amount	% of Capital	
Notes Payable	224,380	47.9%	
Long-Term Debt	235,414	50.2%	
Common Equity	493,794	98.1%	
TOTAL	953,588	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	0.0%	0.00%	0.00%
Rate of Return	100.0%	8.46%	8.46%
AFDC Rate 8.46%			

Jan-05			
	\$ Amount	% of Capital	
Notes Payable	227,380	49.2%	
Long-Term Debt	235,191	50.8%	
Common Equity	462,571	100.0%	
TOTAL	925,142	100.0%	
Total DIP	%	Cost Rate	Weighted Cost
Notes Payable	0.0%	0.00%	0.00%
Rate of Return	100.0%	8.46%	8.46%
AFDC Rate 8.46%			





Dec-99			
\$ Amount	% of Capital		
Notes Payable	0.3%		
Long-Term Debt	51.4%		
Common Equity	48.3%		
TOTAL	100.0%		
Total DIP			
Notes Payable	0.3%	Cost Rate	Weighted Cost
Rate of Return	99.7%	9.06%	9.04%
AFDC Rate 9.05%			

Nov-99			
\$ Amount	% of Capital		
Notes Payable	0.0%		
Long-Term Debt	51.6%		
Common Equity	48.4%		
TOTAL	100.0%		
Total DIP			
Notes Payable	0.0%	Cost Rate	Weighted Cost
Rate of Return	100.0%	9.06%	9.06%
AFDC Rate 9.06%			

Oct-99			
\$ Amount	% of Capital		
Notes Payable	0.6%		
Long-Term Debt	51.2%		
Common Equity	48.2%		
TOTAL	100.0%		
Total DIP			
Notes Payable	0.6%	Cost Rate	Weighted Cost
Rate of Return	99.4%	9.06%	9.04%
AFDC Rate 9.04%			

Sep-99			
\$ Amount	% of Capital		
Notes Payable	1.1%		
Long-Term Debt	50.6%		
Common Equity	48.3%		
TOTAL	100.0%		
Total DIP			
Notes Payable	1.1%	Cost Rate	Weighted Cost
Rate of Return	99.9%	9.06%	9.06%
AFDC Rate 9.02%			

Aug-99			
\$ Amount	% of Capital		
Notes Payable	0.8%		
Long-Term Debt	50.7%		
Common Equity	48.5%		
TOTAL	100.0%		
Total DIP			
Notes Payable	0.8%	Cost Rate	Weighted Cost
Rate of Return	99.2%	9.06%	9.03%
AFDC Rate 9.03%			

Jul-99			
\$ Amount	% of Capital		
Notes Payable	1.1%		
Long-Term Debt	50.7%		
Common Equity	48.3%		
TOTAL	100.0%		
Total DIP			
Notes Payable	1.1%	Cost Rate	Weighted Cost
Rate of Return	99.9%	9.06%	9.06%
AFDC Rate 9.02%			

Jun-99			
\$ Amount	% of Capital		
Notes Payable	1.2%		
Long-Term Debt	50.5%		
Common Equity	48.3%		
TOTAL	100.0%		
Total DIP			
Notes Payable	1.2%	Cost Rate	Weighted Cost
Rate of Return	98.8%	9.06%	9.01%
AFDC Rate 9.01%			

May-99			
\$ Amount	% of Capital		
Notes Payable	0.2%		
Long-Term Debt	51.2%		
Common Equity	48.7%		
TOTAL	100.0%		
Total DIP			
Notes Payable	0.2%	Cost Rate	Weighted Cost
Rate of Return	99.9%	9.05%	9.05%
AFDC Rate 9.05%			

Apr-99			
\$ Amount	% of Capital		
Notes Payable	0.7%		
Long-Term Debt	51.0%		
Common Equity	48.3%		
TOTAL	100.0%		
Total DIP			
Notes Payable	0.7%	Cost Rate	Weighted Cost
Rate of Return	99.3%	9.06%	9.03%
AFDC Rate 9.03%			

Mar-99			
\$ Amount	% of Capital		
Notes Payable	0.9%		
Long-Term Debt	50.8%		
Common Equity	48.3%		
TOTAL	100.0%		
Total DIP			
Notes Payable	0.9%	Cost Rate	Weighted Cost
Rate of Return	99.1%	9.06%	9.02%
AFDC Rate 9.02%			

Feb-99			
\$ Amount	% of Capital		
Notes Payable	0.1%		
Long-Term Debt	51.0%		
Common Equity	48.9%		
TOTAL	100.0%		
Total DIP			
Notes Payable	0.1%	Cost Rate	Weighted Cost
Rate of Return	99.9%	9.06%	9.06%
AFDC Rate 9.06%			

Jan-99			
\$ Amount	% of Capital		
Notes Payable	0.0%		
Long-Term Debt	51.0%		
Common Equity	49.0%		
TOTAL	100.0%		
Total DIP			
Notes Payable	0.0%	Cost Rate	Weighted Cost
Rate of Return	100.0%	9.06%	9.06%
AFDC Rate 9.06%			



# **Summary of Differences DIP Costs**

	<b>Company As Corrected</b>	<b>Staff</b>	<b>Difference</b>
Gross Plant Costs	68,118,511	70,332,168	2,213,656
AFUDC Placeholder Adjustment	(2,000,000)	0	2,000,000
Uncollected DIP Revenues *	9,139,394	0	(9,139,394)
ADIT- FAS 109	(1,069,114)	0	1,069,114
2005-10 Surcharge True-ups **	???	0	???
<b>Total</b>	<b>74,188,791</b>	<b>70,332,168</b>	<b>(3,856,623)</b>
<b>Depreciation / Amortization</b>			
Gross Plant	1,821,455	1,880,647	59,192
AFUDC Placeholder Adjustment	(53,479)	0	53,479
Uncollected DIP Revenues	244,383	0	(244,383)
<b>Total</b>	<b>2,012,359</b>	<b>1,880,647</b>	<b>(131,712)</b>
<b>Income Taxes</b>			
Book Depreciation ***	1,767,976	1,880,647	
Book on Tax Basis (ESTIMATED) ****	N/A	1,692,583	
Tax Depreciation	2,091,923	2,091,923	
Excess of Tax Over Book	323,947	399,340	
Deferred Income Tax	(323,947)	(399,340)	
Net Taxable Income	0	188,065	
Income Tax	0	65,823	65,823

\* Uncollected DIP Revenues still would need to be adjusted downward to reflect reduction in gross plant costs + amount shown taken from response to IR RAV-9

\*\* Company would need to calculate the true-up required for every surcharge to correct for over-compounding of equity gross-up component of AFUDC & to correct for not reducing each surcharge by ADIT - FAS 109

\*\*\* Not yet sure how to handle Uncollected DIP Revenues in income tax calculation

\*\*\*\* Tax Basis still needs to be determined, but will equal total construction costs including AFUDC minus the equity component of AFUDC which is not tax deductible; for this calculation, estimated tax basis to be 90% of book basis just for illustration purposes



Staff incl. STD Difference	
70,056,277	275,891
0	-
0	-
0	-
0	???
70,056,277	275,891
1,873,270	7,377
0	-
0	-
1,873,270	7,377
1,873,270	7,377
1,685,943	6,639
2,091,923	-
405,980	(6,639)
(405,980)	6,639
187,327	738
65,564	258

Staff incl. STD with semi-annual compounding Difference	
69,829,761	226,515
0	-
0	-
0	-
0	???
69,829,761	226,515
1,867,213	6,057
0	-
0	-
1,867,213	6,057
1,867,213	6,057
1,680,492	5,451
2,091,923	-
411,431	(5,451)
(411,431)	5,451
186,721	606
65,352	212

