

BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

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Proceeding On Motion Of The Commission As To The
Rates, Charges, Rules And Regulations Of **United Water** Case 13-W- _____
New Rochelle Inc. For Water Service

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Proceeding On Motion Of The Commission As To The
Rates, Charges, Rules And Regulations Of **United Water** Case 13-W- _____
Westchester Inc. For Water Service

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**EXHIBIT
TO ACCOMPANY THE
TESTIMONY OF KEVIN H. DOHERTY**

United Water New Rochelle Inc.
United Water Westchester Inc.
200 Old Hook Road
Harrington Park, NJ 07640

November 27, 2013

UNITED WATER NEW ROCHELLE
OPERATING INCOME PER BOOKS AND AS ADJUSTED AT
EXISTING RATES FOR THE 12 MONTHS ENDED JUNE 30, 2013 AND OCTOBER 31, 2014

LINE NO.	DESCRIPTION	(BASE YEAR)		(TEST YEAR)		(BRIDGE PERIOD)
		(1) JUNE 30, 2013 PER BOOKS	(2) BASE PERIOD ADJUSTMENTS	(3) JUNE 30, 2013 AS ADJUSTED AT EXISTING RATES	(4) BRIDGE PERIOD ADJUSTMENTS	(5) OCTOBER 31, 2014 AS ADJUSTED AT EXISTING RATES
1	OPERATING REVENUES	<u>\$44,980,579</u>	<u>\$2,253,435</u>	<u>\$47,234,014</u>	<u>\$70,602</u>	<u>\$47,304,616</u>
	OPERATING EXPENSES:					
2	OPERATION AND MAINTENANCE	\$23,264,700	(\$2,405,395)	\$20,859,305	\$873,651	\$21,732,956
3	DEPRECIATION	5,087,949		5,087,949	322,416	5,410,365
4	TAXES OTHER THAN INCOME	<u>7,349,401</u>	<u>1,517,043</u>	<u>8,866,444</u>	<u>757,630</u>	<u>9,624,074</u>
5	OPERATING EXPENSES BEFORE INCOME TAXES	<u>35,702,050</u>	<u>(888,351)</u>	<u>34,813,699</u>	<u>1,953,697</u>	<u>36,767,395</u>
6	OPERATING INCOME BEFORE INCOME TAXES	<u>9,278,529</u>	<u>3,141,786</u>	<u>12,420,315</u>	<u>(1,883,095)</u>	<u>10,537,221</u>
	INCOME TAXES:					
7	STATE INCOME TAX	856,314	(172,598)	683,716	(179,023)	504,693
8	FEDERAL INCOME TAX	<u>2,850,584</u>	<u>(333,686)</u>	<u>2,516,898</u>	<u>(668,955)</u>	<u>1,847,943</u>
9	TOTAL INCOME TAXES	<u>3,706,898</u>	<u>(506,284)</u>	<u>3,200,614</u>	<u>(847,978)</u>	<u>2,352,635</u>
10	OPERATING INCOME	<u>\$5,571,631</u>	<u>\$3,648,071</u>	<u>\$9,219,701</u>	<u>(\$1,035,116)</u>	<u>\$8,184,585</u>
11	RATE BASE			<u>\$160,634,655</u>	<u>\$6,833,299</u>	<u>\$167,467,954</u>
12	RATE OF RETURN			<u>5.74%</u>		<u>4.89%</u>

UNITED WATER NEW ROCHELLE
OPERATING INCOME AS ADJUSTED AT EXISTING
AND PROPOSED RATES TWELVE MONTHS ENDING OCTOBER 31, 2015

LINE NO.	DESCRIPTION	(RATE YEAR)				
		(1) OCTOBER 31, 2014 AS ADJUSTED AT EXISTING RATES	(2) ADJUSTMENTS	(3) OCTOBER 31, 2015 AS ADJUSTED AT EXISTING RATES	(4) ADJUSTMENTS BASED ON PROPOSED RATES	(5) OCTOBER 31, 2015 PRO FORMA PROPOSED RATES
1	OPERATING REVENUES	\$47,304,616	\$312,267	\$ 47,616,883	\$12,590,861	\$60,207,744 26.44%
	OPERATING EXPENSES:					
2	OPERATION AND MAINTENANCE	21,732,956	1,465,985	23,198,941	126,834	23,325,776
3	DEPRECIATION	5,410,365	219,105	5,629,470	-	5,629,470
4	TAXES OTHER THAN INCOME	9,624,074	705,611	10,329,685	89,899	10,419,584
5	OPERATING EXPENSES BEFORE INCOME TAXE	36,767,395	2,390,701	39,158,096	216,733	39,374,830
6	OPERATING INCOME BEFORE INCOME TAXES	10,537,221	(2,078,434)	8,458,787	12,374,128	20,832,915
	INCOME TAXES:					
7	STATE INCOME TAX	504,693	(183,523)	321,169	1,067,887	1,389,057
8	FEDERAL INCOME TAX	1,847,943	(674,503)	1,173,440	3,957,184	5,130,624
9	TOTAL INCOME TAXES	2,352,635	(858,026)	1,494,609	5,025,072	6,519,681
10	OPERATING INCOME	\$8,184,585	(\$1,220,408)	\$6,964,177	\$7,349,057	\$14,313,234
11	RATE BASE	\$167,467,954	\$1,719,208	\$169,187,162		\$169,187,162
12	RATE OF RETURN	4.89%		4.12%		8.46%
13	REQUIRED RATE OF RETURN			8.46%		
14	REQUIRED NET OPERATING INCOME			\$14,313,234		
15	OPERATING INCOME DEFICIENCY			\$7,349,057		
16	GRCF			1.7133		
17	REVENUE DEFICIENCY			\$12,590,861		

UNITED WATER WESTCHESTER
OPERATING INCOME PER BOOKS AND AS ADJUSTED AT
EXISTING RATES FOR THE 12 MONTHS ENDED JUNE 30, 2013 AND OCTOBER 31, 2014

LINE NO.	DESCRIPTION	(BASE YEAR)		(TEST YEAR)		(BRIDGE PERIOD)
		(1) JUNE 30, 2013 PER BOOKS	(2) BASE PERIOD ADJUSTMENTS	(3) JUNE 30, 2013 AS ADJUSTED AT EXISTING RATES	(4) BRIDGE PERIOD ADJUSTMENTS	(5) OCTOBER 31, 2014 AS ADJUSTED AT EXISTING RATES
1	OPERATING REVENUES	\$13,323,047	\$901,418	\$14,224,465	\$695,070	\$14,919,535
	OPERATING EXPENSES:					
2	OPERATION AND MAINTENANCE	\$8,539,337	(\$898,537)	\$7,640,800	\$585,197	\$8,225,997
3	DEPRECIATION	1,047,061	-	1,047,061	95,303	1,142,364
4	TAXES OTHER THAN INCOME	1,848,750	152,827	2,001,577	170,197	2,171,774
5	OPERATING EXPENSES BEFORE INCOME TAXES	11,435,148	(745,710)	10,689,438	850,696	11,540,135
6	OPERATING INCOME BEFORE INCOME TAXES	1,887,899	1,647,128	3,535,027	(155,626)	3,379,400
	INCOME TAXES:					
7	STATE INCOME TAX	270,873	(44,299)	226,574	(22,279)	204,295
8	FEDERAL INCOME TAX	473,339	364,157	837,495	(83,256)	754,239
9	TOTAL INCOME TAXES	744,211	319,858	1,064,069	(105,534)	958,534
10	OPERATING INCOME	\$1,143,687	\$1,327,270	\$2,470,958	(\$50,092)	\$2,420,866
11	RATE BASE			\$32,486,041	\$3,661,643	\$36,147,684
12	RATE OF RETURN			7.61%		6.70%

UNITED WATER WESTCHESTER
OPERATING INCOME AS ADJUSTED AT EXISTING
AND PROPOSED RATES TWELVE MONTHS ENDING OCTOBER 31, 2015

LINE NO.	DESCRIPTION	(RATE YEAR)				
		(1) OCTOBER 31, 2014 AS ADJUSTED AT EXISTING RATES	(2) ADJUSTMENTS	(3) OCTOBER 31, 2015 AS ADJUSTED AT EXISTING RATES	(4) ADJUSTMENTS BASED ON PROPOSED RATES	(5) OCTOBER 31, 2015 PRO FORMA PROPOSED RATES
1	OPERATING REVENUES	\$14,919,535	\$112,302	\$ 15,031,837	\$1,762,080	\$16,793,917 11.72%
	OPERATING EXPENSES:					
2	OPERATION AND MAINTENANCE	8,225,997	294,172	8,520,169	17,750	8,537,920
3	DEPRECIATION	1,142,364	63,274	1,205,638	-	1,205,638
4	TAXES OTHER THAN INCOME	2,171,774	148,940	2,320,714	12,581	2,333,295
5	OPERATING EXPENSES BEFORE INCOME TAXE	11,540,135	506,386	12,046,521	30,332	12,076,853
6	OPERATING INCOME BEFORE INCOME TAXES	3,379,400	(394,084)	2,985,316	1,731,748	4,717,064
	INCOME TAXES:					
7	STATE INCOME TAX	204,295	(39,174)	165,121	149,450	314,571
8	FEDERAL INCOME TAX	754,239	(144,465)	609,775	553,804	1,163,579
9	TOTAL INCOME TAXES	958,534	(183,639)	774,896	703,254	1,478,150
10	OPERATING INCOME	\$2,420,866	(\$210,445)	\$2,210,420	\$1,028,494	\$3,238,914
11	RATE BASE	\$36,147,684	\$2,137,351	\$38,285,035		\$38,285,035
12	RATE OF RETURN	6.70%		5.77%		8.46%
13	REQUIRED RATE OF RETURN			8.46%		
14	REQUIRED NET OPERATING INCOME			\$3,238,914		
15	OPERATING INCOME DEFICIENCY			\$1,028,494		
16	GRCF			1.7133		
17	REVENUE DEFICIENCY			\$1,762,080		

UNITED WATER NEW ROCHELLE AND WESTCHESTER COMBINED
OPERATING INCOME PER BOOKS AND AS ADJUSTED AT
EXISTING RATES FOR THE 12 MONTHS ENDED JUNE 30, 2013 AND OCTOBER 31, 2014

LINE NO.	DESCRIPTION	(BASE YEAR)		(TEST YEAR)		(BRIDGE PERIOD)
		(1) JUNE 30, 2013 PER BOOKS	(2) BASE PERIOD ADJUSTMENTS	(3) JUNE 30, 2013 AS ADJUSTED AT EXISTING RATES	(4) BRIDGE PERIOD ADJUSTMENTS	(5) OCTOBER 31, 2014 AS ADJUSTED AT EXISTING RATES
1	OPERATING REVENUES	\$58,303,626	\$3,154,853	\$61,458,479	\$765,672	\$62,224,151
	OPERATING EXPENSES:					
2	OPERATION AND MAINTENANCE	\$31,804,037	(\$3,303,932)	\$28,500,105	\$1,458,847	\$29,958,953
3	DEPRECIATION	6,135,010	-	6,135,010	417,719	6,552,729
4	TAXES OTHER THAN INCOME	9,198,151	1,669,871	10,868,022	927,827	11,795,848
5	OPERATING EXPENSES BEFORE INCOME TAXES	47,137,198	(1,634,061)	45,503,137	2,804,393	48,307,530
6	OPERATING INCOME BEFORE INCOME TAXES	11,166,428	4,788,914	15,955,342	(2,038,721)	13,916,621
	INCOME TAXES:					
7	STATE INCOME TAX	1,127,187	(216,898)	910,289	(201,302)	708,988
8	FEDERAL INCOME TAX	3,323,923	30,471	3,354,394	(752,211)	2,602,182
9	TOTAL INCOME TAXES	4,451,109	(186,427)	4,264,683	(953,513)	3,311,170
10	OPERATING INCOME	\$6,715,318	\$4,975,341	\$11,690,659	(\$1,085,208)	\$10,605,451
11	RATE BASE			\$193,120,696	\$10,494,942	\$203,615,638
12	RATE OF RETURN			6.05%		5.21%

UNITED WATER NEW ROCHELLE AND WESTCHESTER COMBINED
OPERATING INCOME AS ADJUSTED AT EXISTING
AND PROPOSED RATES TWELVE MONTHS ENDING OCTOBER 31, 2015

LINE NO.	DESCRIPTION	(RATE YEAR)				
		(1) OCTOBER 31, 2014 AS ADJUSTED AT EXISTING RATES	(2) ADJUSTMENTS	(3) OCTOBER 31, 2015 AS ADJUSTED AT EXISTING RATES	(4) ADJUSTMENTS BASED ON PROPOSED RATES	(5) OCTOBER 31, 2015 PRO FORMA PROPOSED RATES
1	OPERATING REVENUES	\$62,224,151	\$424,569	\$ 62,648,720	\$14,352,941	\$77,001,661 22.9%
	OPERATING EXPENSES:					
2	OPERATION AND MAINTENANCE	29,958,953	1,760,158	31,719,110	144,585	31,863,695
3	DEPRECIATION	6,552,729	282,379	6,835,108	-	6,835,108
4	TAXES OTHER THAN INCOME	11,795,848	854,551	12,650,399	102,480	12,752,879
5	OPERATING EXPENSES BEFORE INCOME TAXE	48,307,530	2,897,087	51,204,617	247,065	51,451,682
6	OPERATING INCOME BEFORE INCOME TAXES	13,916,621	(2,472,518)	11,444,103	14,105,876	25,549,979
	INCOME TAXES:					
7	STATE INCOME TAX	708,988	(222,697)	486,290	1,217,337	1,703,627
8	FEDERAL INCOME TAX	2,602,182	(818,968)	1,783,215	4,510,989	6,294,203
9	TOTAL INCOME TAXES	3,311,170	(1,041,665)	2,269,505	5,728,326	7,997,831
10	OPERATING INCOME	\$10,605,451	(\$1,430,853)	\$9,174,598	\$8,377,550	\$17,552,148
11	RATE BASE	\$203,615,638	\$3,856,559	\$207,472,197		\$207,472,197
12	RATE OF RETURN	5.21%		4.42%		8.46%
13	REQUIRED RATE OF RETURN			8.46%		
14	REQUIRED NET OPERATING INCOME			\$17,552,148		
15	OPERATING INCOME DEFICIENCY			\$8,377,550		
16	GRCF			1.7133		
17	REVENUE DEFICIENCY			\$14,352,941		

UNITED WATER NEW ROCHELLE
STATE INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED 12 MONTHS ENDING JUNE 30, 2013

(TEST YEAR)

LINE NO.	<u>DESCRIPTION</u>	<u>AS ADJUSTED AT EXISTING RATES</u>
1	OPERATING REVENUES	\$ 47,234,014
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	20,859,305
4	DEPRECIATION	5,087,949
5	TAXES OTHER THAN INCOME	8,866,444
6	OPERATING EXPENSES BEFORE INCOME TAXES	34,813,699
7	OPERATING INCOME BEFORE INCOME TAXES	12,420,315
8	INTEREST EXPENSE (1)	4,497,770
9	EXCESS OF TAX DEPRECIATION OVER BOOK	2,750,481
10	STATE TAXABLE INCOME	\$ 5,172,064
11	STATE INCOME TAX RATE	7.10%
12	MTA TAX	1.53%
13	TOTAL STATE INCOME TAX RATE	8.63%
14	PRO FORMA STATE INCOME TAX CURRENT	\$ 446,349
15	DEFERRED STATE INCOME TAX:	
16	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 2,750,481
17	STATE INCOME TAX RATE	8.63%
18	DEFERRED STATE INCOME TAX	\$ 237,367
19	TOTAL STATE INCOME TAX	\$ 683,716
20	RATE BASE	\$ 160,634,655
21	WEIGHTED COST OF DEBT	2.80%
22	INTEREST EXPENSE (1)	\$ 4,497,770

UNITED WATER NEW ROCHELLE
FEDERAL INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED 12 MONTHS ENDING JUNE 30, 2013

(TEST YEAR)

LINE NO.	<u>DESCRIPTION</u>	AS ADJUSTED AT EXISTING RATES
1	OPERATING REVENUES	\$ 47,234,014
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	20,859,305
4	DEPRECIATION	5,087,949
5	TAXES OTHER THAN INCOME	8,866,444
6	OPERATING EXPENSES BEFORE INCOME TAXES	34,813,699
7	OPERATING INCOME BEFORE INCOME TAXES	12,420,315
8	STATE INCOME TAX	446,349
9	INTEREST EXPENSE (1)	4,497,770
10	EXCESS OF TAX DEPRECIATION OVER BOOK	2,077,836
11	FEDERAL TAXABLE INCOME	\$ 5,398,360
12	FEDERAL INCOME TAX RATE	35.00%
13	PRO FORMA FEDERAL INCOME TAX CURRENT	\$ 1,889,426
14	DEFERRED FEDERAL INCOME TAX:	
15	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 2,077,836
16	DEFERRED STATE INCOME TAXES	237,367
17	DEFERRAL BASE FEDERAL INCOME TAX	\$ 1,840,469
18	FEDERAL INCOME TAX RATE	35.00%
19	DEFERRED FEDERAL INCOME TAX	\$ 644,164
20	AMORTIZATION OF FLOW-THROUGH TAX	\$ -
21	AMORTIZATION OF ITC	\$ (16,692)
22	TOTAL FEDERAL INCOME TAX	\$ 2,516,898
23	RATE BASE	\$ 160,634,655
24	WEIGHTED COST OF DEBT	2.80%
25	INTEREST EXPENSE (1)	\$ 4,497,770

UNITED WATER NEW ROCHELLE
STATE INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED PERIOD ENDING OCTOBER 31, 2014

(BRIDGE PERIOD)

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AS ADJUSTED AT EXISTING RATES</u>
1	OPERATING REVENUES	\$ 47,304,616
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	21,732,956
4	DEPRECIATION	5,410,365
5	TAXES OTHER THAN INCOME	9,624,074
6	OPERATING EXPENSES BEFORE INCOME TAXES	36,767,395
7	OPERATING INCOME BEFORE INCOME TAXES	10,537,221
8	INTEREST EXPENSE (1)	4,689,103
9	EXCESS OF TAX DEPRECIATION OVER BOOK	2,613,292
10	STATE TAXABLE INCOME	\$ 3,234,826
11	STATE INCOME TAX RATE	7.10%
12	MTA TAX	1.53%
13	TOTAL STATE INCOME TAX RATE	8.63%
14	PRO FORMA STATE INCOME TAX CURRENT	\$ 279,165
15	DEFERRED STATE INCOME TAX:	
16	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 2,613,292
17	STATE INCOME TAX RATE	8.63%
18	DEFERRED STATE INCOME TAX	\$ 225,527
19	TOTAL STATE INCOME TAX	\$ 504,693
20	RATE BASE	\$ 167,467,954
21	WEIGHTED COST OF DEBT	2.80%
22	INTEREST EXPENSE (1)	\$ 4,689,103

**UNITED WATER NEW ROCHELLE
FEDERAL INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED PERIOD ENDING OCTOBER 31, 2014**

(BRIDGE PERIOD)

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AS ADJUSTED AT EXISTING RATES</u>
1	OPERATING REVENUES	\$ 47,304,616
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	21,732,956
4	DEPRECIATION	5,410,365
5	TAXES OTHER THAN INCOME	<u>9,624,074</u>
6	OPERATING EXPENSES BEFORE INCOME TAXES	<u>36,767,395</u>
7	OPERATING INCOME BEFORE INCOME TAXES	10,537,221
8	STATE INCOME TAX	279,165
9	INTEREST EXPENSE (1)	4,689,103
10	EXCESS OF TAX DEPRECIATION OVER BOOK	2,059,397
11	FEDERAL TAXABLE INCOME	<u>\$ 3,509,555</u>
12	FEDERAL INCOME TAX RATE	35.00%
13	PRO FORMA FEDERAL INCOME TAX CURRENT	<u><u>\$ 1,228,344</u></u>
14	DEFERRED FEDERAL INCOME TAX:	
15	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 2,059,397
16	DEFERRED STATE INCOME TAXES	225,527
17	DEFERRAL BASE FEDERAL INCOME TAX	<u>\$ 1,833,870</u>
18	FEDERAL INCOME TAX RATE	35.00%
19	DEFERRED FEDERAL INCOME TAX	<u><u>\$ 641,854</u></u>
20	AMORTIZATION OF FLOW-THROUGH TAX	<u>\$ -</u>
21	AMORTIZATION OF ITC	<u><u>\$ (22,256)</u></u>
22	TOTAL FEDERAL INCOME TAX	<u><u>\$ 1,847,943</u></u>
23	RATE BASE	\$ 167,467,954
24	WEIGHTED COST OF DEBT	<u>2.80%</u>
25	INTEREST EXPENSE (1)	<u><u>\$ 4,689,103</u></u>

**UNITED WATER WESTCHESTER
STATE INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED 12 MONTHS ENDING JUNE 30, 2013**

(TEST YEAR)

LINE NO.	<u>DESCRIPTION</u>	AS ADJUSTED AT EXISTING RATES
1	OPERATING REVENUES	\$ 14,224,465
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	7,640,800
4	DEPRECIATION	1,047,061
5	TAXES OTHER THAN INCOME	2,001,577
6	OPERATING EXPENSES BEFORE INCOME TAXES	10,689,438
7	OPERATING INCOME BEFORE INCOME TAXES	3,535,027
8	INTEREST EXPENSE (1)	909,609
9	EXCESS OF TAX DEPRECIATION OVER BOOK	692,678
10	STATE TAXABLE INCOME	\$ 1,932,739
11	STATE INCOME TAX RATE	7.10%
12	MTA TAX	1.53%
13	TOTAL STATE INCOME TAX RATE	8.63%
14	PRO FORMA STATE INCOME TAX CURRENT	\$ 166,795
15	DEFERRED STATE INCOME TAX:	
16	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 692,678
17	STATE INCOME TAX RATE	8.63%
18	DEFERRED STATE INCOME TAX	\$ 59,778
19	TOTAL STATE INCOME TAX	\$ 226,574
20	RATE BASE	\$ 32,486,041
21	WEIGHTED COST OF DEBT	2.80%
22	INTEREST EXPENSE (1)	\$ 909,609

UNITED WATER WESTCHESTER
FEDERAL INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED 12 MONTHS ENDING JUNE 30, 2013

(TEST YEAR)

LINE NO.	<u>DESCRIPTION</u>	<u>AS ADJUSTED AT EXISTING RATES</u>
1	OPERATING REVENUES	\$ 14,224,465
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	7,640,800
4	DEPRECIATION	1,047,061
5	TAXES OTHER THAN INCOME	2,001,577
6	OPERATING EXPENSES BEFORE INCOME TAXES	10,689,438
7	OPERATING INCOME BEFORE INCOME TAXES	3,535,027
8	STATE INCOME TAX	166,795
9	INTEREST EXPENSE (1)	909,609
10	EXCESS OF TAX DEPRECIATION OVER BOOK	599,907
11	FEDERAL TAXABLE INCOME	\$ 1,858,715
12	FEDERAL INCOME TAX RATE	35.00%
13	PRO FORMA FEDERAL INCOME TAX CURRENT	\$ 650,550
14	DEFERRED FEDERAL INCOME TAX:	
15	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 599,907
16	DEFERRED STATE INCOME TAXES	59,778
17	DEFERRAL BASE FEDERAL INCOME TAX	\$ 540,129
18	FEDERAL INCOME TAX RATE	35.00%
19	DEFERRED FEDERAL INCOME TAX	\$ 189,045
20	AMORTIZATION OF FLOW-THROUGH TAX	\$ -
21	AMORTIZATION OF ITC	\$ (2,100)
22	TOTAL FEDERAL INCOME TAX	\$ 837,495
23	RATE BASE	\$ 32,486,041
24	WEIGHTED COST OF DEBT	2.80%
25	INTEREST EXPENSE (1)	\$ 909,609

**UNITED WATER WESTCHESTER
STATE INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED PERIOD ENDING OCTOBER 31, 2014**

(BRIDGE PERIOD)

LINE NO.	<u>DESCRIPTION</u>	AS ADJUSTED AT EXISTING <u>RATES</u>
1	OPERATING REVENUES	\$ 14,919,535
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	8,225,997
4	DEPRECIATION	1,142,364
5	TAXES OTHER THAN INCOME	<u>2,171,774</u>
6	OPERATING EXPENSES BEFORE INCOME TAXES	<u>11,540,135</u>
7	OPERATING INCOME BEFORE INCOME TAXES	<u>3,379,400</u>
8	INTEREST EXPENSE (1)	1,012,135
9	EXCESS OF TAX DEPRECIATION OVER BOOK	653,749
10	STATE TAXABLE INCOME	<u>\$ 1,713,516</u>
11	STATE INCOME TAX RATE	7.10%
12	MTA TAX	1.53%
13	TOTAL STATE INCOME TAX RATE	<u>8.63%</u>
14	PRO FORMA STATE INCOME TAX CURRENT	<u><u>\$ 147,876</u></u>
15	DEFERRED STATE INCOME TAX:	
16	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 653,749
17	STATE INCOME TAX RATE	8.63%
18	DEFERRED STATE INCOME TAX	<u><u>\$ 56,419</u></u>
19	TOTAL STATE INCOME TAX	<u><u>\$ 204,295</u></u>
20	RATE BASE	\$ 36,147,684
21	WEIGHTED COST OF DEBT	<u>2.80%</u>
22	INTEREST EXPENSE (1)	<u><u>\$ 1,012,135</u></u>

**UNITED WATER WESTCHESTER
FEDERAL INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED PERIOD ENDING OCTOBER 31, 2014**

(BRIDGE PERIOD)

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AS ADJUSTED AT EXISTING RATES</u>
1	OPERATING REVENUES	\$ 14,919,535
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	8,225,997
4	DEPRECIATION	1,142,364
5	TAXES OTHER THAN INCOME	<u>2,171,774</u>
6	OPERATING EXPENSES BEFORE INCOME TAXES	<u>11,540,135</u>
7	OPERATING INCOME BEFORE INCOME TAXES	3,379,400
8	STATE INCOME TAX	147,876
9	INTEREST EXPENSE (1)	1,012,135
10	EXCESS OF TAX DEPRECIATION OVER BOOK	583,035
11	FEDERAL TAXABLE INCOME	<u>\$ 1,636,353</u>
12	FEDERAL INCOME TAX RATE	35.00%
13	PRO FORMA FEDERAL INCOME TAX CURRENT	<u><u>\$ 572,724</u></u>
14	DEFERRED FEDERAL INCOME TAX:	
15	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 583,035
16	DEFERRED STATE INCOME TAXES	<u>56,419</u>
17	DEFERRAL BASE FEDERAL INCOME TAX	\$ 526,616
18	FEDERAL INCOME TAX RATE	35.00%
19	DEFERRED FEDERAL INCOME TAX	<u><u>\$ 184,316</u></u>
20	AMORTIZATION OF FLOW-THROUGH TAX	<u><u>\$ -</u></u>
21	AMORTIZATION OF ITC	<u><u>\$ (2,800)</u></u>
22	TOTAL FEDERAL INCOME TAX	<u><u>\$ 754,239</u></u>
23	RATE BASE	\$ 36,147,684
24	WEIGHTED COST OF DEBT	<u>2.80%</u>
25	INTEREST EXPENSE (1)	<u><u>\$ 1,012,135</u></u>

UNITED WATER NEW ROCHELLE WESTCHESTER COMBINED
STATE INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED 12 MONTHS ENDING JUNE 30, 2013

(TEST YEAR)

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AS ADJUSTED AT EXISTING RATES</u>
1	OPERATING REVENUES	\$ 61,458,479
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	28,500,105
4	DEPRECIATION	6,135,010
5	TAXES OTHER THAN INCOME	<u>10,868,022</u>
6	OPERATING EXPENSES BEFORE INCOME TAXES	<u>45,503,137</u>
7	OPERATING INCOME BEFORE INCOME TAXES	15,955,342
8	INTEREST EXPENSE (1)	5,407,379
9	EXCESS OF TAX DEPRECIATION OVER BOOK	3,443,159
10	STATE TAXABLE INCOME	<u>\$ 7,104,803</u>
11	STATE INCOME TAX RATE	7.10%
12	MTA TAX	<u>1.53%</u>
13	TOTAL STATE INCOME TAX RATE	<u>8.63%</u>
14	PRO FORMA STATE INCOME TAX CURRENT	<u>\$ 613,145</u>
15	DEFERRED STATE INCOME TAX:	
16	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 3,443,159
17	STATE INCOME TAX RATE	8.63%
18	DEFERRED STATE INCOME TAX	<u>\$ 297,145</u>
19	TOTAL STATE INCOME TAX	<u>\$ 910,289</u>
20	RATE BASE	\$ 193,120,696
21	WEIGHTED COST OF DEBT	<u>2.80%</u>
22	INTEREST EXPENSE (1)	<u>\$ 5,407,379</u>

UNITED WATER NEW ROCHELLE AND WESTCHESTER COMBINED
FEDERAL INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED 12 MONTHS ENDING JUNE 30, 2013

(TEST YEAR)

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AS ADJUSTED AT EXISTING RATES</u>
1	OPERATING REVENUES	\$ <u>61,458,479</u>
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	28,500,105
4	DEPRECIATION	6,135,010
5	TAXES OTHER THAN INCOME	<u>10,868,022</u>
6	OPERATING EXPENSES BEFORE INCOME TAXES	<u>45,503,137</u>
7	OPERATING INCOME BEFORE INCOME TAXES	15,955,342
8	STATE INCOME TAX	613,145
9	INTEREST EXPENSE (1)	5,407,379
10	EXCESS OF TAX DEPRECIATION OVER BOOK	2,677,743
11	FEDERAL TAXABLE INCOME	<u>\$ 7,257,075</u>
12	FEDERAL INCOME TAX RATE	35.00%
13	PRO FORMA FEDERAL INCOME TAX CURRENT	<u>\$ 2,539,976</u>
14	DEFERRED FEDERAL INCOME TAX:	
15	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 2,677,743
16	DEFERRED STATE INCOME TAXES	<u>297,145</u>
17	DEFERRAL BASE FEDERAL INCOME TAX	\$ 2,380,598
18	FEDERAL INCOME TAX RATE	35.00%
19	DEFERRED FEDERAL INCOME TAX	<u>\$ 833,209</u>
20	AMORTIZATION OF FLOW-THROUGH TAX	<u>\$ -</u>
21	AMORTIZATION OF ITC	<u>\$ (18,792)</u>
22	TOTAL FEDERAL INCOME TAX	<u>\$ 3,354,394</u>
23	RATE BASE	\$ 193,120,696
24	WEIGHTED COST OF DEBT	<u>2.80%</u>
25	INTEREST EXPENSE (1)	<u>\$ 5,407,379</u>

UNITED WATER NEW ROCHELLE AND WESTCHESTER COMBINED
STATE INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED PERIOD ENDING OCTOBER 31, 2014

(BRIDGE PERIOD)

LINE NO.	<u>DESCRIPTION</u>	<u>AS ADJUSTED AT EXISTING RATES</u>
1	OPERATING REVENUES	\$ 62,224,151
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	29,958,953
4	DEPRECIATION	6,552,729
5	TAXES OTHER THAN INCOME	11,795,848
6	OPERATING EXPENSES BEFORE INCOME TAXES	48,307,530
7	OPERATING INCOME BEFORE INCOME TAXES	13,916,621
8	INTEREST EXPENSE (1)	5,701,238
9	EXCESS OF TAX DEPRECIATION OVER BOOK	3,267,041
10	STATE TAXABLE INCOME	\$ 4,948,342
11	STATE INCOME TAX RATE	7.10%
12	MTA TAX	1.53%
13	TOTAL STATE INCOME TAX RATE	8.63%
14	PRO FORMA STATE INCOME TAX CURRENT	<u>\$ 427,042</u>
15	DEFERRED STATE INCOME TAX:	
16	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 3,267,041
17	STATE INCOME TAX RATE	8.63%
18	DEFERRED STATE INCOME TAX	<u>\$ 281,946</u>
19	TOTAL STATE INCOME TAX	<u>\$ 708,988</u>
20	RATE BASE	\$ 203,615,638
21	WEIGHTED COST OF DEBT	2.80%
22	INTEREST EXPENSE (1)	<u>\$ 5,701,238</u>

UNITED WATER NEW ROCHELLE AND WESTCHESTER COMBINED
FEDERAL INCOME TAXES BASED ON REVENUES AT EXISTING RATES
AS ADJUSTED PERIOD ENDING OCTOBER 31, 2014

(BRIDGE PERIOD)

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AS ADJUSTED AT EXISTING RATES</u>
1	OPERATING REVENUES	\$ 62,224,151
2	OPERATING EXPENSES:	
3	OPERATION AND MAINTENANCE	29,958,953
4	DEPRECIATION	6,552,729
5	TAXES OTHER THAN INCOME	11,795,848
6	OPERATING EXPENSES BEFORE INCOME TAXES	48,307,530
7	OPERATING INCOME BEFORE INCOME TAXES	13,916,621
8	STATE INCOME TAX	427,042
9	INTEREST EXPENSE (1)	5,701,238
10	EXCESS OF TAX DEPRECIATION OVER BOOK	2,642,432
11	FEDERAL TAXABLE INCOME	\$ 5,145,909
12	FEDERAL INCOME TAX RATE	35.00%
13	PRO FORMA FEDERAL INCOME TAX CURRENT	\$ 1,801,068
14	DEFERRED FEDERAL INCOME TAX:	
15	EXCESS OF TAX DEPRECIATION OVER BOOK	\$ 2,642,432
16	DEFERRED STATE INCOME TAXES	281,946
17	DEFERRAL BASE FEDERAL INCOME TAX	\$ 2,360,486
18	FEDERAL INCOME TAX RATE	35.00%
19	DEFERRED FEDERAL INCOME TAX	\$ 826,170
20	AMORTIZATION OF FLOW-THROUGH TAX	\$ -
21	AMORTIZATION OF ITC	\$ (25,056)
22	TOTAL FEDERAL INCOME TAX	\$ 2,602,182
23	RATE BASE	\$ 203,615,638
24	WEIGHTED COST OF DEBT	2.80%
25	INTEREST EXPENSE (1)	\$ 5,701,238

United Water New Rochelle, Inc
Impact of Monthly Billing
Rate Year Ending October 31, 2015

Exhibit KHD-3
Schedule 1

	Account Number	Monthly Billing Impact		
		Pro Forma Amount	Current Costs (1)	Increase
Labor (includes overheads) - 1 position	Various	\$79,079	\$0	\$79,079
Printing and Postage (includes CC&B)				
Fees and reports	50405	66,412	28,462	37,950
Postage	90450	154,647	66,277	88,370
Other (CC&B IT)	50405	168,973	168,973	0
Televox	50410	4,386	4,386	0
Toll Free number	90250	23,359	8,019	15,340
Payment processing	50410	<u>133,896</u>	<u>47,304</u>	<u>86,592</u>
Total increased costs		<u>\$630,752</u>	<u>\$323,421</u>	<u>\$307,331</u>
Projected savings				
Cash working capital reduction				83,733
Write-off reduction (.3%)				
Non-revenue water reduction (increased water sales 0.5%)				<u>257,497</u>
Total savings				<u>341,230</u>
Net increase costs of implementing monthly billing				<u>(\$33,899)</u>

Notes: (1) These represent current costs annualized which may be different than test year actual

United Water Westchester, Inc
Impact of Monthly Billing
Rate Year Ending October 31, 2015

Exhibit KHD-3
Schedule 2

	<u>Account Number</u>	<u>Monthly Billing Impact</u>		
		<u>Pro Forma Amount</u>	<u>Current Costs</u> (1)	<u>Increase</u>
Labor (includes overheads) - 1 position	Various	\$14,098	\$0	\$14,098
Printing and Postage (includes CC&B)				
Fees and reports	50405	25,860	11,083	14,777
Postage	90450	60,218	25,808	34,410
Other (CC&B IT)	50405	66,885	66,885	0
Televox	50410	1,265	1,265	0
Toll Free number	90250	9,099	3,122	5,977
Payment processing	50410	<u>52,140</u>	<u>18,076</u>	<u>34,064</u>
Total increased costs		<u>\$229,565</u>	<u>\$126,239</u>	<u>\$103,326</u>
Projected savings				
Cash working capital reduction				27,083
Write-off reduction (.3%)				
Non-revenue water reduction (increased water sales 0.5%)				<u>102,671</u>
Total savings				<u>129,754</u>
Net increase costs of implementing monthly billing				<u>(\$26,428)</u>

Notes: (1) These represent current costs annualized which may be different than test year actual