

**CASE 09-W-0828 - UNITED WATER WESTCHESTER INC. RATE CASE
SUMMARY OF JOINT PROPOSAL**

Term

The Joint Proposal ("JP") covers the four years beginning November 1, 2010 through October 31, 2014.

Drivers

The rate increases over the four years are primarily the result of increased expenses related to plant investments over the last two years, resulting in additional expenses for depreciation, maintenance, property insurance and property taxes. Additionally, the United Water Westchester Inc. ("UWWC" or the "Company") has experienced increased expenses related to employees and purchased water.

Base Rate Increases (Appendix 4, Page 1)

The JP provides for the following base rate increases to earn a 10% annual equity return:

Year One - \$3.368 million (35.4%)
Year Two - \$0.337 million (2.6%)
Year Three - \$0.328 million (2.48%)
Year Four - \$0.399 million (2.94%)

Under the levelization method the ratepayer will see base rate increases as follows:

Year One - \$2.709 million (28.45%)¹
Year Two - \$0.700 million (5.73%)
Year Three - \$0.625 million (4.84%)
Year Four - \$0.399 million (2.94%)

The Company and New York State Department of Public Service Staff ("Staff") realize that the size of the Year One increase is considerable and have proposed the levelization method. Although not shown in the above levelization table, surcharges in Year Three of \$0.075 million and Year Four of \$0376 million will be required.

Bill Impacts (Appendix 1, Page 1)

Under the JP the bill impact for the annual rate increases are as follows:

Year One - \$0.798 million (6.92%)
Year Two - \$0.899 million (7.29%)
Year Three - \$0.328 million (2.48%)
Year Four - \$0.399 million (2.94%)

Under the levelization method the bill impacts are as follows:

¹ In its initial testimony, UWWC requested a base rate increase of approximately \$4.1 million (42.8%) for Year One, which included roll-ins of various surcharges.

Year One - \$0.700 million (6.07%)
Year Two - \$0.700 million (5.73%)
Year Three - \$0.700 million (5.42%)
Year Four - \$0.700 million (5.14%)

The levelization method eliminates the large spike in Year One. Instead the customers' bills will increase by a constant amount over the four-year rate plan.

Equity Ratio, Return on Equity ("ROE") and Earnings Sharing Mechanism

The Company and Staff agreed to an equity capitalization ratio of 45% and an equity return of 10.0%.

The Company will retain 75% of all earnings attributable to an ROE up to 11.0%, with the remaining 25% to be returned to ratepayers. Earnings between 11.0% and 11.5% will be shared equally between the Company and ratepayers. Ratepayers will receive 75% of earnings over 11.5%.

Underground Infrastructure Renewal Project ("UIRP")

Base rates for the each of the four years include: \$1.5 million in Year One and \$1.25 million annually in Year Two, Year Three and Year Four for UIRP costs, including, but not limited to, mains; pressure regulation and sub-metering; and \$180,000 annually for valve replacements. This is in addition to the forecasted amounts for Blanket Capital projects already built into base rates.

Revenue, Production Cost and Property Tax Cost Reconciliation ("RRC")

The JP implements an RRC, under which if production costs exceed their respective targets, recovery of purchased water costs will be at 100% of the excess amount, whereas purchased power and fixed costs will be recovered at 75% of their excess amounts. The Signatories also agreed to an 18% allowance for lost and unaccounted for water.

Property Taxes

The JP allows customers to pay only 85% of actual property taxes that exceed the specified target levels for each year of the rate plan. Likewise, customers receive 85% of any decreases in property taxes below the target levels, with the proviso that the Company will be permitted to retain the remaining 15% if it can successfully demonstrate that the reduction was attributable to the Company's efforts in aggressively pursuing property tax challenges.

Purchased Water WJWW Adjustment Surcharge ("PWWJ")

UWWC purchases approximately 40% of its water from Westchester Joint Water Works ("WJWW"). Therefore, the base rate increases includes purchased water costs from the WJWW at its current rate, which consists of 1) the New York City Water Board ("NYCWB") pass through; 2) an Excess Per Capita charge for water taken over the entitlement amount; and 3) a WJWW charge. The current WJWW rates will remain in base rates throughout the term of the rate plan until such time as the Company's base rates are changed by the New York State Public Service Commission ("Commission").

When WJWW increases the cost of water above rates effective July 1, 2010, either through the NYCWB increases automatically passed through or through an increase to the WJWW portion of the rate, UWWC will be authorized to utilize the PWWJ which will automatically go into effect on July 1 of each year or on the same date that WJWW will increase their rates to recover the incremental costs above the amounts included in base rates.

The JP also provides that the costs related to the study and eventual construction of an alternative to WJWW's Rye Lake filtration plant will be recovered through the WJWW.

Purchased Water Aquarion Connecticut Adjustment Surcharge ("PWCT")

UWWC purchases approximately 60% of its water from Aquarion Water Connecticut ("AWC"). Therefore, the base rate increases includes purchased water costs from AWC at its current rate, which will remain in base rates throughout the term of the Rate Plan until such time as the Company's base rates are changed by the Commission.

When AWC increases the cost of water above current rates, UWWC will be authorized to utilize the PWCT, which will automatically go into effect on the date of said increase, to recover the incremental increase above the amounts included in base rates. The PWCT modifies the current "On-Going" surcharge to immediately recover increases in the AWC rates above the amounts embedded in base rates through this proceeding.

Pension and Other Post-Employment Benefits ("OPEBs")

The Company will continue to be subject to the Pension Policy Statement. The amount of Pension and OPEB expenses included in base rates is in accordance with the Pension Policy Statement.

Revenue Allocation and Rate Design

In Year One, approximately \$2.1 million in revenues are collected through the existing Metropolitan Transit Authority. Income Tax Based, WJWW Purchased Water, and AWC surcharges will be rolled into base rates. Since public fire protection customers are exempt from paying the AWC Purchased Water surcharge, no revenue collected through this surcharge will be allocated to public fire protection customers.

In Years Two, Three and Four, base rates for all service classifications will increase by 7.29%, 2.48%, and 2.94%, respectively.

The Company will also establish a late payment charge ("LPC") of 1-1/2% per month on all delinquent bills beginning on the effective date of Year One.

A new deferred purchased water surcharge designed to recover an estimated \$780,000 over a three-year period will be implemented on the effective date of Year One. The surcharge is necessary to recover increases in costs of purchased water from WJWW for the period from July 1, 2008 through the Year One effective date.

Amortizations and Other Issues

The Company will amortize rate case expense over four years; and tank painting expense and deferred pension/OPEB expense over three years.

Outreach and Education ("O&E")

The Company agreed to continue its O&E program to increase awareness and understanding of water issues, policies, and initiatives such as water quality, cost, system improvements, conservation techniques, customer rights, and customer service matters.

Stay-Out Provision

With one exception, the Company will refrain from filing a rate case in which rates would go into effect before November 1, 2014. The exception is that the Company is allowed to file for temporary rates to preserve its financial integrity.