

STATE OF NEW YORK

Public Service Commission

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NEW RATES SET FOR UNITED WATER NY CUSTOMERS — Effort to Spread Out Rates Over 3 Years Eases Ratepayer Impact —

Albany, NY—07/15/10—The New York State Public Service Commission (Commission) today voted to approve a new three-year rate plan that establishes new rates for customers of United Water New York Inc. The plan also includes provisions that will enable United Water to move ahead with plans to improve the overall reliability of the water system.

“The decision to raise rates, especially in these hard economic times, is certainly not something done lightly and without significant consideration and review,” said Commission Chairman Garry Brown. “However, this plan allows for the continuation of improvements to system infrastructure, while ensuring a safe and adequate supply of water to meet customer needs.”

In September 2009, United Water, a water company that operates in areas throughout Rockland County and in a portion of Orange County, filed for a \$17.8 million rate increase. Adjusting the rate request amount for the surcharge revenues the company already collects and is rolling into base rates, the incremental \$14.4 million rate increase request amounted to 23.9 percent.

Several months ago, Department of Public Service staff entered into settlement discussions with active parties in the proceeding to arrive at a three-year rate plan which the Commission has now approved that will increase annual revenues each year of the rate plan by \$6.37 million beginning September 2010 through August 2013. The approved rate increase for the first year is roughly one-third the amount the company originally sought. Increases in the first two years of the rate plan reflect certain offsetting refunds.

As a result of the new revenue requirements, the average United Water residential customer will see the following increases in quarterly bills: \$12.17 (9.01 percent) in the first year; \$11.27 (7.65 percent) in the second year; and \$15.48 (9.76 percent) in the third year.

During the next three years, United Water will provide outreach and education to customers to increase their awareness and understanding of such water service matters as service quality, system improvements, water conservation and customer rights. The company will provide its outreach and education plan to Department of Public Service staff for annual review. The plan will include a detailed budget, specified outreach campaigns and program goals. Criteria for measuring the company's achievements will also be provided.

Throughout this case, water customers, concerned citizens and local officials provided comments about United Water, its rates for water service and its plans for new water supplies. On April 22, 2010, a public statement hearing was held in the Town of Ramapo. The town hall hearing was well attended and the public provided heart-felt and well-reasoned comments. Since the hearing, the public has continued to correspond and provide comments by internet, telephone and mail.

The primary drivers of the rate increases are significant capital expenditures, increased real estate taxes, and higher employee-related expenses such as medical benefits and pension costs. The rate increases are necessary to recover prudently-incurred costs and they will benefit customers by enabling the company to build and maintain safe and reliable water facilities. The three-year rate plan provides certainty for customers and allows the company to concentrate on its operations and maintenance activity rather than on rate proceedings.

As part of the agreement, United Water commits to enhancing its distribution and transmission plant by spending about \$5.5 million a year on construction projects. Further, a hydrant maintenance program will continue to improve the water system's hydrants and provide adequate water supplies to fight fires.

Today's decision expresses support for the company's efforts to implement a new, long-term water supply source and expresses confidence that the environmental review being conducted by the state Department of Environmental Conservation will properly consider various alternatives, such as the proposed construction of a desalination plant in Haverstraw, Rockland County. United Water will not be allowed to recover costs for the new water supply source until significant construction has begun and the Commission approves the terms of any surcharge.

The Commission's decision today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.state.ny.us and entering Case Number 09-W-0731 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).