

STATE OF NEW YORK

Public Service Commission

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14071/13-W-0303

UNITED WATER DIRECTED TO DISCONTINUE PURSUIT OF DESALINATION PLANT

— Water Company Told to Explore Other Options for Water Sources—

Albany, NY—11/13/14—The New York State Public Service Commission (Commission) today determined that due to changed circumstances there was no longer an immediate need for a new water supply source in United Water New York’s (UWNY) service territory. The Commission also found that because a new water source could be required at some future time, UWNY should commence work immediately to identify and develop alternatives to meet the region’s water supply needs, including greater conservation efforts or other supply alternatives.

“The Commission has an obligation to make certain that there is adequate water supply to serve communities,” said Chair Audrey Zibelman. “Our determination today is that changed circumstances obviated the immediate need to develop a new source of supply. At the same time, because this need can arise again in the near future, it is crucial that the company, in conjunction with the local community and the Commission, explore and adopt all reasonable actions to defer the need for new supply and explore opportunities for alternative sources.”

The Commission recognized the interests of UWNY customers and communities most affected by the decision to pursue a long-term water supply source and required UWNY to further explore whether significant conservation measures can be identified and executed to produce reductions in water usage and whether smaller increments of supply can be identified to complement conservation measures to ensure adequate supply.

The order also calls upon the Rockland County Joint Task Force on Water Resource Management to report to the Commission its plans for adopting conservation options and the demand reductions associated with those measures. While UWNY studies conservation and additional supply options, the Commission directed UWNY to discontinue pursuing a permit for its proposed long-term water supply facility.

UWNY is a private investor-owned water company that provides drinking water and water for fire protection to the residents and businesses in Rockland County, excluding the Villages of Suffern, Nyack and South Nyack. It also serves a small portion of Orange County in parts of the Towns of Tuxedo, Warwick and Monroe. UWNY is required to provide a safe and adequate supply of water to satisfy the needs for domestic and firefighting water use of a quality that complies with safe drinking water standards.

The Commission is required to ensure that safe and adequate water service is provided to the customers of UWNY. Commission regulations require water companies with surface supplies to maintain a regularly updated projection of future demand that takes into consideration forecasted growth or decline in both the number of customers and in system usage for at least a 10-year period into the future. When a projection shows that demand will outstrip supply, the utility must act to control future demand, and, where necessary, secure additional supply.

In January 2007, UWNY submitted to the Commission a project description for a long-term major water supply project, including a description of a desalination facility, the Haverstraw project, and an explanation of the reasons for its selection of this project, when compared with other options. The Haverstraw project involves the construction and operation of a new water intake, intake pumping station and water treatment facility in the Town of Haverstraw. The project was proposed to collect and treat water from the Hudson River and deliver up to 7.5 million gallons a day of potable water for the use of UWNY customers.

On July 19, 2013, the Commission instituted this proceeding to assess the projected demand for, and the requirement to secure, a new long-term water supply source in UWNY's service territory. The Commission directed UWNY to file a report with the most recent information regarding the

projected demand for and need to secure a new water supply source. Public statement hearings and a public comment period were established to allow the public a chance to comment on UWNY's development of, and need for, a new long-term water supply source and to respond to the UWNY report, which the Commission required UWNY to submit.

Department of Public Service staff submitted a report on the need for a long-term water supply source that included an updated forecast of need. The Commission found that staff's forecast to be a reasonable projection of future demand for planning purposes. It found that while the need for new supply is delayed from the date originally forecasted, there is still a strong likelihood that need for a long-term water supply source remains. Additional supply may be needed by approximately 2020, and by approximately 2035, approximately 5 million gallons per day may be needed, absent a reduction in water usage in UWNY's territory resulting from conservation or other measures.

Meanwhile, in a related item, the Commission denied UWNY's request to implement a surcharge to recover carrying charges on development costs related to the long-term water supply until the company is able to identify exactly how it will develop a long-term water supply source. In addition, the Commission rejected party requests that it commence a prudence investigation into UWNY's pursuit of the desalination project because the parties making the request failed to demonstrate that UWNY's decisions were unreasonable.

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.ny.gov and entering Cases Number 13-W-0303 [In the Matter of the Examination of United Water New York, Inc.'s Development of a New Long-Term Water Supply Source] and 13-W-0246 [United Water New York, Inc. - Petition for Implementation of a Long-Term Water Supply Surcharge]. 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). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.