

STATE OF NEW YORK

# Public Service Commission

Garry A. Brown, Chairman

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## **NEW RATES SET FOR UNITED WATER WESTCHESTER — Higher Rates Needed to Maintain, Improve Community's Water Supply —**

Albany, NY – 12/16/10 – The New York State Public Service Commission (Commission) today authorized increases in United Water Westchester Inc. rates for water service to reflect the increase in costs of ensuring a reliable supply of clean water.

The rate plan covers the period November 1, 2010 through October 31, 2014. Since the company agreed to a 60-day extension of the maximum statutory suspension period, new rates will become effective on December 22, 2010. However, the first year of the rate plan is deemed to commence on November 1, 2010. This will be the first base rate increase for the company in more than a decade.

“Although it is difficult to approve a rate increase during these trying economic times, we find an increase to be necessary to provide for capital improvements and maintenance of United Water Westchester’s system,” said Commission Chairman Garry Brown. “The company’s aging underground infrastructure must be addressed. The capital projects included in this increase are primarily focused on maintaining and improving physical plant structure to assure continued provision of safe, reliable, and adequate water supply.”

The Commission today adopted the terms of a Joint Proposal containing a four-year rate plan, which provides levelized revenue increases of between 5 percent and 6 percent annually, approximately \$693,000 per year.

In its November 24, 2009 initial filing, United Water Westchester proposed a one-year rate case seeking to increase its annual base rates for water service by approximately \$4.1 million, or 42.8 percent. Following negotiations, staff and the company executed a Joint Proposal that mitigated the impact on customers.

Under the terms of the Joint Proposal, the estimated bill impact of these increases on the current \$568 annual bill of an average residential customer would be as follows: In rate year one, the customer would see a 5.7 percent increase to \$600; in rate year two, a 5.0 percent increase to \$630; in rate year three, a 4.8 percent increase to \$660; and in rate year four, a 4.5 percent increase to \$690. All metered rates are being raised on the same percentage basis, regardless of how much water is consumed. The company will also establish a late payment charge of 1.5 percent per month on all delinquent bills.

In addition to the above, United Water Westchester is authorized to implement in the first, second, and third years of the four-year rate plan a surcharge of approximately 2 percent to recover increases in the cost of purchased water from New York City dating back to July 1, 2008.

The biggest drivers of the rate increase are the incorporation into base rates of costs for capital projects and the cost of purchased water. United Water Westchester has no water supply within its service area, and consequently must purchase all its water from NYC and Connecticut Aquarion. Moreover, in July 2010, the New York City Water Board imposed a 25 percent increase on its water sales.

The Joint Proposal provides the company with the opportunity to retain 75 percent of earnings above 10 percent, up to and including 11 percent achieved return on equity, with 25 percent deferred for the benefit of customers. All earnings exceeding 11 percent up to and including 11.5 percent will be shared 50 percent to the company and 50 percent deferred for the benefit of customers. Earnings above 11.5 percent will be shared 25 percent to the company and 75 percent deferred for the benefit of customers.

United Water Westchester serves the municipalities of the City of Rye and the Villages of Rye Brook and Port Chester, with a customer base of slightly fewer than 12,500. Approximately 91 percent of its customers are residential. The system consists of 167 miles of water mains, 1,100 hydrants, and 1,600 main line valves. On average, 7 million gallons per day (MGD) are distributed, with a peak of just below 12 MGD.

A copy of the Commission's written decision, when issued, may be obtained by going to the Documents Search section of the Commission's Web site at [www.dps.state.ny.us](http://www.dps.state.ny.us) and entering Case 09-W-0828 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. A copy of the Commission's decision can also be obtained from the Files Office, 14<sup>th</sup> floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).