

STATE OF NEW YORK

Public Service Commission

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12018/11-W-0082

NEW RATES SET FOR UNITED WATER OWEGO-NICHOLS

— Rates Levelized to Moderate Increases; Resolution of Hydrant Use Issues —

Albany, NY—03/15/12—The New York State Public Service Commission (Commission) today established a three-year rate plan for United Water Owego-Nichols Inc. (UWON). The rate plan sets forth the rates, terms and conditions of the company’s water service for the current period through Jan. 31, 2015.

“The rate plan approved by the Commission provides certainty for both ratepayers and shareholders and enables UWON to more efficiently manage its resources,” said Commission Chairman Garry Brown. “The rate plan also allows the company to focus on completing the substantive repairs needed for the company’s facilities damaged in the wake of Tropical Storm Lee which caused the worst flooding in the Owego-Nichols area in the last 40 years.”

Under the levelized rate plan, intended to more smoothly spread the total rate increase over three years, the average residential customer would pay approximately \$53 more per year for water service in the first year and another \$43 per year more for service in second year, increases of 17.6 percent and 12.13 percent, respectively. In the third year, residential customers would pay nominally more in base rates plus the one-time surcharge of approximately \$38.

Given the timing of the Tropical Storm Lee flooding and the three-year term of the rate plan, the plan provides for a temporary storm surcharge to enable recovery of costs related to the storm, which will lessen the amount of interest ratepayers would pay if such recovery costs were postponed until after the expiration of the rate plan. The surcharge would be recovered as

percentage of all customer bills not to exceed 10 percent of total base rate revenue in a given rate year. Storm costs incurred by the company would be reduced by any insurance compensation and/or funds received from any other source of disaster recovery aid.

Other various surcharges to collect revenues for costs incurred by the company, include the continuation of the 1.27 percent pension and other post employment benefits (OPEB) surcharge applied to all customers' bills. Earnings achieved by UWON above a return on equity of 9.6 percent would be shared between ratepayers and shareholders pursuant to an earnings sharing mechanism.

The Villages of Owego and Nichols will receive a measure of rate relief under the rate plan with their cost for public fire protection service being halved. In addition, the villages will be able to share in any revenues that are received from hydrant use by other persons, businesses or entities that purchase a hydrant use permit.

UWON serves approximately 1,669 service connections, 130 fire hydrants, and three wholesale connections in the Village of Owego and the Village of Nichols and parts of the Town of Nichols, Tioga County.

The Commission's decision, when issued, may be obtained by going the Commission's www.dps.ny.gov Web site and entering Case 11-W-0082 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).