

STATE OF NEW YORK

Public Service Commission

William M. Flynn, Chairman

Three Empire State Plaza, Albany, NY 12223

Further Details: (518) 474-7080

<http://www.dps.state.ny.us>

FOR RELEASE: IMMEDIATELY

05043/04W1221

PSC Seeks Public Comment on New Rate Proposal for United Water New Rochelle

Albany, NY – 6/27/05 – The New York State Public Service Commission is seeking public comment on a Joint Proposal regarding United Water New Rochelle Inc.'s pending rate case. The Joint Proposal, if approved by the Commission, would increase revenues by approximately \$5 million over four years and would include additional surcharges to cover higher operating expenses, water purchase costs, property taxes and the cost of the company's plan to continue extensive improvements to the water system infrastructure.

On September 30, 2004, the company filed a \$12.7 million, three-year plan that would increase base rates by \$8.4 million (41 percent) in the first year, \$1.9 million (6.5 percent) in year two, and \$2.4 million (7.8 percent) in the final year of the rate plan. On June 10, 2005, following a period of negotiations, the City of New Rochelle, the Town of Eastchester, Department of Public Service Staff, and United Water New Rochelle, Inc. jointly filed a revised rate plan. Under the terms of the Joint Proposal, base rates would increase by \$2.96 million (13.6 percent), \$742,000 (3 percent), \$540,000 (2 percent), and \$780,000 (3 percent) respectively over a four-year period. In addition to the proposed base rate increases, the Joint Proposal recommends four separate surcharges to cover the costs of expanding and improving water plant infrastructure and to recover purchased water costs.

The first proposed surcharge would begin recovery of approximately \$40 million in costs associated with the Delaware Interconnection Project (DIP), which will provide a new source of water supply. The DIP would allow United Water New Rochelle to secure a new source of supply that complies with the Safe Drinking Water Act and the United States Environmental Protection Agency's surface water treatment rule.

The Joint Proposal recommends continuing the surcharge associated with the company's Long Term Main Renewal Program (LTMRP), which is a 27-year program for systematically reinforcing and replacing aged distribution mains, cleaning and relining of other mains, and the replacement of valves, hydrants and service lines. The LTMRP benefits customers by improving service generally, increasing water pressure and eventually reducing leak repair and maintenance costs.

A Purchased Water Adjustment Surcharge would be implemented to recover the increased cost of water purchased from the New York City Water Board, and the fourth surcharge would be implemented to recover increases in purchased water costs from prior years. If approved, all surcharges, in addition to the base rate increases, could result in aggregate bill impacts of approximately 18 percent in the first year, 11 percent in the second year, 14.5 percent in the third year, and 18 percent in the final year of the rate plan.

The Joint Proposal also contains a provision to allow the company to reconcile property taxes to a level set in the Joint Proposal to ensure that customers pay no more or less than the actual cost. A property tax target level is set annually based on an estimate of 6.9 percent in expected annual increases. The company will only be allowed to recover from customers 85 percent of property taxes above that target level, with shareholders bearing the remaining 15 percent. If property taxes in any year of the rate plan are less than target level, the company would return to customers the full amount of the decreased level, unless the company proves that it was responsible for any portion of the decrease. In that event, the company will be allowed to retain 15 percent of the decrease, subject to Commission approval.

Under New York State Public Service Law, the Commission may adopt, amend, or reject the terms of the Joint Proposal. To help guide the decision-making process, the Commission encourages public comment on the Joint Proposal. All comments should be received by **Friday, July 15, 2005**. All statements and comments received by the Administrative Law Judge or the Commission will be placed in the public case file and made available for inspection in the Commission's file room.

Options for Submitting Comments

Members of the public may submit comments to the Commission by mailing their written statements to the Honorable Jaclyn A. Brillings, Secretary, New York State Public Service

Commission, Three Empire State Plaza, Albany, New York 12223-1350. These letters should reference "Case 04-W-1221 – United Water New Rochelle Water Rates."

Other alternatives available for submitting comments for consideration by the Commission include:

Toll-free Opinion Line: Interested persons may call a special toll-free Opinion Line at 1-800-335-2120 to voice their opinion. This phone line is set up to receive comments about the proceeding from in-state callers, 24 hours a day. Callers should press “3” to leave comments on the United Water New Rochelle rate proposal.

The Internet: Comments may also be submitted via the “PSC Comment Form” in the “Consumer Assistance” file accessed through the homepage of the Commission’s Web site. Many libraries offer free Internet access. The Web site address is <http://www.dps.state.ny.us> and comments are downloaded regularly.

Copies of the Joint Proposal may be viewed at the New York State Department of Public Service, Central Files –14th Floor, Three Empire State Plaza, Albany, NY, or at the following library:

New Rochelle Public Library
One Liberty Plaza
New Rochelle, New York 10801

In addition, the proposal may also be viewed at the company office's located at 2523 Palmer Avenue, New Rochelle, New York.