

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

06066/06W0131;06W0244

PSC Seeks Public Comment on a Merger and New Rate Plan for United Water New York and United Water South County

Albany, NY – 10/27/06 –The New York State Public Service Commission (Commission) is seeking public comment on the proposed merger of United Water New York and United Water South County and a three-year rate plan for the merged company (the Company). The date, location and times for the hearings are as follows:

Monday, October 30, 2006

Ramapo Town Hall

237 Route 59

Council Room

Suffern, NY

3:00 p.m. **and** 7:30 p.m.

Commission proceedings concerning these matters have been pending since January 30, 2006. On September 29, 2006, following a period of negotiations, United Water New York and United Water South County, Department of Public Service Staff, Rockland County, Rockland County Legislator Jaffee, the Town of Ramapo, the Rockland County Fire Chiefs' Association, and the Woodlands at Tuxedo Park Homeowners' Association jointly filed a proposal for a merger and a three-year rate plan for United Water New York and United Water South County. The key terms of the Joint Proposal are as follows:

- Base rates would be increased to generate additional annual revenue of approximately \$9.8 million (23.0%) during 2007, \$1.1 million (2.1%) during 2008, and \$1.0 million (1.8%) during 2009. The base rate revenue increases are said to be needed primarily to reflect increased Company investment in plant of approximately \$50 million since rates were last set by the Commission in May 2000, as well as increased investment in plant of approximately \$23 million expected to be made in the next two years.
- The new revenue levels in all three years would be based in part on a cost of common equity of 9.6%. Equity earnings above 10.75% over three years would be shared with ratepayers.
- Customers would be subject to a surcharge, intended to generate additional annual revenues of approximately \$0.6 million, \$1.2 million, and \$1.9 million in the years 2007 through 2009 for infrastructure projects such as a new pump station at the Spring Valley reservoir, and main replacements in Haverstraw, Orangetown, Sloatsburg, Ramapo, and Clarkstown.
- Customers would also be subject to a second surcharge expected to generate additional annual revenues of approximately \$0.71 million, \$0.94 million, and \$1.1 million in the years 2007 through 2009, to recover costs associated with short- and medium-term projects to augment the Company's water supply. There would be another Commission proceeding to consider the Company's long-term water supply plans before any related costs could be recovered.
- The Company would undertake an enhanced fire hydrant maintenance program.
- The Company would be liable to credit customers up to a maximum of \$750,000, except for reasons beyond the control of the Company, for failure to meet performance milestones for peak and average day water supply and other construction commitments.
- The proposed base rate increases and surcharge increases compounded over three years are projected to result in bill increases of 26.4% for average residential single family customer, 42.9% for average residential multi-family customer, 36.8% for average non-residential customer, 52.9% for medium large non-residential customer, and 63.1% for large non-residential customer.

The Commission may adopt the terms of the Joint Proposal, adopt them subject to modifications, or reject them and adopt other terms.

Public Statement Hearings

It is not necessary to make an appointment in advance or to provide written materials in order to speak. Speakers will be called in the order in which they sign up at the door, on a first-come, first-served basis. Persons will be called to speak after completing a request card. All comments at the hearings will be transcribed and become party of the Commission's formal record.

Each hearing session will remain open for at least one hour. The afternoon session will end as necessary to start the evening session timely. The evening session is not expected to go beyond 10:00 p.m.

Disabled persons who may require special accommodations should contact the Department of Public Service's Human Resource Management Office at (518)-474-2520.

Other Ways to Comment

Interested persons not wishing to attend or who are unable to attend the public statement hearings may comment (in English or Spanish) on the United Water New York and United Water South County merger and rate cases by mailing their written statements to: Honorable Jaclyn A. Brillling, Secretary, New York State Public Service Commission, Three Empire State Plaza, Albany, New York 12223-1350. Statements should reference "Cases 06-W-0131 and 06-W-0244, October 2, 2006 – Joint Proposal for Proposed Merger and 3-Year Rate Plan for United Water New York."

Other alternatives available for submitting comments for consideration include:

Toll-free Opinion Line: Interested persons may call a special toll-free Opinion Line at 1-800-335-2120. This phone line is set up to receive comments about the proceeding from in-state callers, 24 hours-a-day. Callers should select English or Spanish and press "1" to leave comments about the United Water New York and United Water South County merger and rate cases.

Internet: Comments also may be submitted via the "PSC Comment Form," in the "Contact Us" file, accessed through the homepage of the Commission's Consumer Web site. The Web site address is <http://www.AskPSC.com> and comments are downloaded regularly. Many libraries offer free internet access.

Copies of the Joint Proposal may be viewed at the following locations:

United Water New York
Customer Service
360 West Nyack Road
West Nyack, NY 10994

Tuxedo Park Library
227 Route 17
Tuxedo Park, NY 10987

Finkelstein Memorial Library
24 Chestnut Street
Spring Valley, NY 10977

Electronic versions of the Joint Proposal are available by visiting the Commission's <http://www.dps.state.ny.us> Web site and accessing the "What's New" section of the homepage. Many public libraries offer free Internet access. Also, the Joint Proposal is available at the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).