

STATE OF NEW YORK

Public Service Commission

William M. Flynn, Chairman

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FOR RELEASE: IMMEDIATELY

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**PSC Votes to Approve United Waterworks Acquisition of South County Water Corp.
– New Owner Committed to System Improvements; Rate Freeze Saves Customers \$120,000 –**

Albany, 5/05/04 – The New York State Public Service Commission today voted to approve the sale of all of the stock of South County Water Corporation (SC Water) to United Waterworks Inc. (UWW) for \$688,000. The transfer of ownership fulfills a key Commission goal of improving services to SC Water's customers, all of whom are in the towns of Tuxedo and Warwick, Orange County, through an acquisition incentive mechanism (AIM) program designed to encourage consolidation of small water companies that have struggled with securing financing and expertise needed for system improvements to serve customers.

"South County Water Corporation's customers will now benefit from the resources of a larger, well-managed water utility that has committed itself not only to making improvements to the water systems, but also to freezing current rates for another year," Commission Chairman William M. Flynn said. "The Commission's staff has estimated the current value of the rate freeze alone to be worth about \$120,000 in the coming year, and that's in addition to the stable rates from which the customers have benefited since 1998."

UWW will make a number of improvements to the five SC Water systems serving approximately 400 customers in Indian Kill, Blue Lake, Sterling Lake, Maplebrook and a small New York University housing complex, all in the towns of Tuxedo and Warwick. Most notably, UWW will install a new water filtration system at Sterling Lake, a significant source of water supplied by SC Water, with an in-service date scheduled for fall of 2004. Moreover, UWW has agreed not to seek immediate recovery of the investments SC Water made for customers to replace the Indian Kill water storage tank last year.

Under the Commission's AIM approach to water company consolidations, the Commission seeks to balance customer needs and incentives to companies when considering cost-effective mergers or stock purchases. In this particular case, SC Water customer benefits –

including a rate freeze, physical improvements to the water system, UWW's expertise and access to capital, and UWW's capability to achieve economies of scale – are balanced against the AIM incentive for UWW. UWW's AIM benefit will allow the company to recover the book value of SC Water's assets in rates even though its purchase price for those assets was \$93,000 below the book value.

UWW is headquartered in Harrington Park, New Jersey. It owns utilities in seven states, including four water-service companies in New York: United Water New Rochelle, with approximately 34,000 customers in Westchester County; United Water New York, with approximately 65,000 customers in Rockland County; and United Water Owego and United Water Nichols, with a combined total of approximately 1,600 customers in Tioga County.

The Commission will issue a written decision detailing its approval of the Acquisition by United Waterworks Inc. of the stock of South County Water Corporation (Case 02-W-0949). The decision, when available, can be obtained from the Commission's website at <http://www.dps.state.ny.us> by accessing the PSC Fileroom section from the homepage. Many public libraries offer free Internet access. The decision also will be available at the Commission's Files Office, 14th floor, 3 Empire State Plaza, Albany, NY 12223 (518-474-2500).