

P.S.C. No. 1 – Water  
SUEZ WATER WESTCHESTER INC.  
Initial Effective Date: July 1, 2017

Statement Type: RRC  
Statement No. 2

**REVENUE, PRODUCTION COST AND PROPERTY TAX RECONCILIATION AND  
ADJUSTMENT CLAUSE STATEMENT**

**Applicable to All Metered Customers RATE DISTRICT 1 (the former territory of United Water New Rochelle)**

Commission Opinion in Cases 13-W-0539, 13-W-0564, and 14-W-0006 directed that the rates applicable to all metered Customer accounts (except public and private fire) be subject to automatic adjustment by way of a surcharge, or credit, based on the difference between the actual net metered water revenues (operating revenues plus the change in unbilled revenue less production costs, consisting of purchased water from the New York City Water Board (NYCWB), additional cost for excess purchased water (entitlement and excess), and purchased power and chemicals) for the preceding year, and the revenue targets shown in the table below. Metered revenues are based on metered Customers' bill-rendered base rate revenue plus the change in unbilled revenue at the beginning and at the end of each rate year.

The difference in purchased water cost will be calculated by comparing actual metered sales in million gallons (MG) in the rate years (adjusted to reflect accrued sales at the end of each year), increased by 18% for losses, to the purchased water targets allowed in this proceeding, as shown in the table below. The purchased water targets reflect the NYCWB purchased water rate of \$1,573.61 per MG and the NYCWB Excess per Capita rate of \$3,372.91 per MG, both effective July 1, 2014 plus the 9.87% increase effective July 1, 2015.

The difference in purchased power and chemical costs will be calculated by comparing the actual purchased power and chemical costs to the purchased power and chemical costs allowed in this proceeding, as shown in the table below, under the following terms: if production costs exceed their respective targets, recovery of purchased water costs will be at 100% of the excess amount, whereas purchased power and chemical costs will be recovered at 95% of their excess amounts, with the 5% difference to be absorbed by the Company. The net revenue differential will be added or subtracted, as the case may be, to any existing Adjustment Clause balance as of October 31, 2014. The balance shall be recovered or refunded during the following twelve months period from all metered customers.

In accordance with the terms set forth in Section IX of the JP, actual property taxes will be partially reconciled with the stated targets. If actual property taxes exceed the specified target levels, 80% of the variance will be recovered from ratepayers. If actual property taxes fall below the target levels, ratepayers will receive 100% of the benefit, unless the Company can demonstrate it took action to obtain the lower taxes, in which case the Company can retain 20% of the difference.

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(Continued)**

Target levels for revenues, purchased water, excess purchased water, power, chemicals and property taxes for future years updated to reflect all changes through July 1, 2015 are shown in the table below:

Targets	Rate Year Ending		
	<u>October 31, 2015</u>	<u>October 31, 2016</u>	<u>October 31, 2017</u>
Metered Revenues Facility and Consumption	\$30,143,300	\$ 33,350,000	\$34,633,009
Purchased Water	<u>15,233,576</u>	<u>15,908,339</u>	<u>15,913,482</u>
Total Reconciled Revenue	\$45,376,876	\$ 49,258,339	\$50,549,491
Purchased Water Costs			
<u>NYCWB</u> Purchased Water in MG @ \$1,573.61 per MG Eff 7/1/14 @ \$1,728.99 per MG Eff 7/1/15	6,338	6,341	6,344
<u>NYCWB</u> Excess Per Capita Purchased Water in MG @ \$3,372.91 per MG	374	374	374
Chemicals	\$200,245	\$204,561	\$209,009
Power	\$839,808	\$841,161	\$842,581
Property Tax	\$9,232,649	\$9,520,864	\$10,268,251

The amount to be surcharged/credited to metered customers derived from the calculation described above for the Rate Year ended October 31, 2016 is \$1,145,873. The net surcharge or credit will be billed to all metered customers or refunded by the Company as a percentage of all metered customer's bills based on the Company's total metered revenues at a rate of 2.849%.

**Applicable to All Metered Customers in RATE DISTRICT 2 (the former territory of United Water Westchester)**

Commission Opinion in Cases 13-W-0539, 13-W-0564, and 14-W-0006 directed that the rates applicable to all metered Customer accounts (except public and private fire) be subject to automatic adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues from water sales (operating revenues plus the change in unbilled revenue less production costs consisting of purchased water from Westchester Joint Water Works (WJWW) and Aquarion Connecticut (AWC-CT) (entitlement, excess and fixed charges), and purchased power for the preceding year), and the revenue targets shown in the table below. Revenues are based on Customers' bill-rendered base rate revenues plus the change in unbilled revenue at the beginning and at the end of each rate year.

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The difference in purchased water costs to include excess per capita costs will be calculated by comparing the actual purchased water from WJWW and AWC-CT in million gallons (MG) in the rate years, adjusted to reflect 18% for losses, to the purchased water targets allowed in this proceeding, as shown in the table below. The purchased water targets for WJWW reflect the rates in effect as of July 1, 2014, for both NYCWB rate of \$1,573.61 per MG and WJWW rate of \$450.66 per MG for a total cost of \$2,024.27 per MG, and the Excess per Capita rate of \$3,372.91 per MG in effect as of July 1, 2014 plus the 9.87% increase effective July 1, 2105. The AWC purchased water target reflects the estimated rate of \$1,782.90 per MG to take effect July 1, 2014.

The difference in purchased power will be calculated by comparing the actual purchased power costs to the purchased power costs allowed in this proceeding, as shown in the table below. If the actual purchased power cost exceeds the target purchased power as shown below, 95% of the excess will be recovered from the customers, with the 5% difference to be absorbed by the Company. The net revenue differential will be added or subtracted, as the case may be, to any existing Adjustment Clause balance as of October 31, 2014.

In accordance with the terms set forth in Section IX of the JP, actual property taxes will be partially reconciled with the stated targets. If actual property taxes exceed the specified target levels, 80% of the variance will be recovered from ratepayers. If actual property taxes fall below the target levels, ratepayers will receive 100% of the benefit, unless the Company can demonstrate it took action to obtain the lower taxes, in which case the Company can retain 20% of the difference.

Target levels for revenues, purchased water, excess purchased water, power, chemicals and property taxes for future years updated to reflect all changes through July 1, 2015 are shown in the table below:

Targets	Year Ending		
	<u>October 31, 2015</u>	<u>October 31, 2016</u>	<u>October 31, 2017</u>
Metered Revenues Facility and Consumption	\$8,325,232	\$8,800,510	\$9,277,933
Purchased Water	<u>5,470,796</u>	<u>5,529,943</u>	<u>5,529,972</u>
Total Reconciled Revenues	\$13,796,028	\$14,330,453	\$14,807,905
Purchased Water Costs			
WJWW Purchased Water in MG @ \$2,024.27 per MG Eff 7/1/14 @ \$2,179.65 per MG Eff 7/1/15	894	894	894
WJWW Excess Per Capita Purchased Water in MG @ \$3,372.91 per MG	8	8	8
Fixed Charges	\$72,337	\$72,337	\$72,337
AWC-CT Purchased Water in MG @ \$1,782.90 per MG	1,589	1,589	1,589
Fixed Charges	\$833,322	\$833,322	\$833,322
TPR Credit	(\$174,630)	(\$205,299)	(\$205,332)
WRA Surcharge	\$8,726	\$13,932	\$13,932
Power	\$29,993	\$30,023	\$30,054
Property Tax	\$2,062,208	\$2,250,230	\$2,416,297

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In the event of any disagreement over the proper net surcharge or surcredit amounts between the Company and Staff, Staff's calculated surcharge or surcredit will be temporarily placed in effect. The differences will be resolved through the Dispute Resolution Process.

If the Dispute Resolution Process results in an amount ultimately resolved in the Company's favor, then the Company will be allowed to recover carrying charges on the determined net of tax amount. Carrying charges will be applied at the then-current Other Customer Capital rate.

The accumulated net revenue variance will accrue interest net of income tax from the end of each Rate Year at the Other Customer Capital rate then in effect.

The reconciliation will be submitted to the Director of the Office of Electric, Gas and Water within 60 days after the end of the term of each Rate Year. The then-current Rate Year's net revenue variance will be recovered or refunded annually through a percentage surcharge or credit applied to all metered customers' bills. The surcharge or credit will be based on the projected revenues from metered water sales for the next succeeding Rate Year, and will be recovered or refunded during the next succeeding Rate Year. The surcharge or credit will be subject to the local village tax, if applicable. At the end of Year Three, any remaining balances will be reconciled in a similar manner as described above. In addition, reconciliation amounts from prior rate plans will be recovered or refunded in the manner described above. If a new rate plan does not immediately begin upon the completion of the final rate year of this rate plan, the Company will use monthly revenue, production cost (including but not limited to power, chemicals, and purchased water), and property tax expense targets from the final rate year to do a partial revenue, production cost and property tax reconciliation. The monthly levels will be calculated by using the monthly averages of metered revenue for the most recent 5 years applied to the third rate year target.

The reconciliation will continue beyond the end of the Rate Plan at the third year target levels and all other administrative provisions remain in effect.

The submitted net surcharge or credit will go into effect 45 days after submittal unless Staff submits a letter to the Company indicating the submitted Reconciliation amounts should be adjusted.

The amount to be surcharged/credited to metered customers derived from the calculation described above for the Rate Year ended October 31, 2016 is (\$211,621). The net surcharge or credit will be billed to all metered customers or refunded by the Company as a percentage of all metered customer's bills based on the Company's total metered revenues at a rate of (1.783%).

Filed in compliance with Commission Orders in Cases 13-W-0539, 13-W0564 and 14-W-0006 issued  
November 14, 2014