

P.S.C. No. 1 – Water
United Water New York Inc.
Initial Effective Date: March 1, 2008

Statement Type: UIRP
Statement No. 2

UNDERGROUND INFRASTRUCTURE RENEWAL PROGRAM STATEMENT (UIRP)

Applicable to all Metered Customers

I. General Description

Purpose: To recover the fixed costs (depreciation and pre-tax return) of rehabilitating and replacement of the various components of the Company's distribution system; i.e., Transmission and Distribution mains, valves, hydrants. The costs of extending facilities to serve new Customers are not recoverable through the UIRP.

Eligible Property: The UIRP eligible property will consist of the following:

- ✍ main cleaning and relining (account 343) projects;
- ✍ mains and valves (account 343) installed as replacements for existing facilities that have worn out, or are in deteriorated condition.; and
- ✍ services (account 345) and hydrants (account 348) installed as in-kind replacements for Customers in connection with main replacement, and main cleaning and relining.
- ✍ Hydrant work done in connection with the hydrant inspection program.

Effective Date: The UIRP will become effective for bills rendered on and after January 24, 2008.

II. Computation of the UIRP Surcharge

Calculation: The UIRP Surcharge will be updated no more than semi-annually to reflect the construction costs and related AFUDC of the preceding six (6) months and will be submitted to Staff forty-five (45) days prior to the effective date. The Surcharge will go into effect after the 45 day review period unless otherwise directed by the Commission. (When costs are included in the Surcharge, AFUDC will no longer be accrued).

UIRP Surcharge Amount: The charge will be expressed as a percentage carried to two decimal places, and will be applied to the total amount billed to each Customer under the Company's otherwise applicable rates and charges. The surcharge is subject to all revenue based taxes.

Formula: The formula for calculation of UIRP Surcharge is as follows:

$$\text{UIRP} = \frac{(\text{NRB} \times \text{Pre-Tax ROR}) + \text{D}}{\text{PABR}}$$

Where:

NRB = the cost of the eligible plant, net of associated retirements, accumulated deferred income taxes and accumulated depreciation reserve

Pre-tax ROR = 10.44 % Year One and updated annually on January 1st of each subsequent year for changes in capital structure and debt costs

D = Annual depreciation on the net plant additions by asset class

PABR = UWNY's Projected Annual Base (Metered) Revenues

Issued in compliance with the Commission Order 06-W-0131 dated December 14, 2006.

Issued by: M.J. Pointing, V.P. & Gen. Mgr., 360 West Nyack Road, Nyack, NY 10994

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(Continued)**

Effective with this statement, the surcharge is 1.58%.

III. Safeguards

Audit/Reconciliation: The UIRP will be subject to an annual audit. It will also be subject to annual reconciliation between the authorized collections and actual collections and filed with the Commission within sixty (60) days after the end of each rate year. Any over-collections or under-collections will accrue interest at the other Customer capital interest rate established by the Commission each year. Adjustments for over and under collections will be reflected in the next UIRP surcharge filing.

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