

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

90 CHURCH STREET, NEW YORK, NY 10007-2919

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

PUBLIC SERVICE COMMISSION

GARRY A. BROWN

Chairman

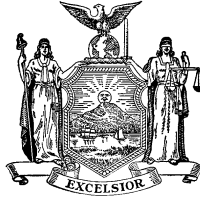
PATRICIA L. ACAMPORA

MAUREEN F. HARRIS

ROBERT E. CURRY JR.

JAMES L. LARocca

Commissioners



PETER McGOWAN

General Counsel

JACLYN A. BRILLING

Secretary

August 19, 2009

Mr. Kevin H. Doherty
Manager of Rates
United Water
200 Old Hook Road
Harrington Park, NJ 07640

Re: Case 06-W-0131 - United Water New York Inc. (UWNY)
Underground Infrastructure Renewal Program
(UIRP) Surcharge – Third Submission

Dear Mr. Doherty:

In Case 06-W-0131, the Commission allowed UWNY to spend an average of \$5.5 million per year, not to exceed \$6.0 million in any one year, on UIRP projects over the three-year rate period of the Rate Term (1/1/2007 – 12/31/2009). In addition, the company was allowed to spend an additional \$500,000 in each rate year to be used exclusively for replacing hydrants. The rate plan allows the company to recover depreciation and return related to its UIRP and hydrant replacement capital expenditures through a surcharge, subject to Staff verification.

In the company's surcharge update submission dated July 9, 2009, the company provided documentation to support additional UIRP and hydrant replacement project expenditures of \$4.1 million and calculated that the resultant surcharge related to these capital expenditures would result in the current 3.16% surcharge being increased to 4.03%.

Staff reviewed the company's filing including construction work in progress project detail reports, vendor invoices, and the method for calculating the surcharge amount and found that the company's filing and calculation of the 4.03% surcharge were properly done. As a result of Staff's review, the company may file Surcharge Statement No. 4 to its electronic tariff

schedule P.S.C. No. 1 – Water, containing the 4.03% UIRP surcharge to become effective on August 23, 2009.¹

If I can be of further assistance, please let me know.

Sincerely,

James E. Evensen
Chief, Water Rates Section
Office of Electric, Gas and Water

cc: M. Gennari, United Water
M. Pointing, United Water
M. Scott, DPS
J. Lochner, DPS

¹In calculating the required UIRP surcharge, the company did not include in its ADIT rate base offset any bonus depreciation benefits it may be entitled to take on the UIRP capital expenditures. If the company is entitled to bonus depreciation, the UIRP surcharge is overstated due to overstated carrying charges on rate base. To rectify this potential problem, if the company does take bonus depreciation on any of its UIRP capital expenditures, the company will establish a deferred ratepayer credit for the carrying charges on the deferred bonus depreciation for the entire surcharge period. The company is also required to provide notice to the Secretary as to whether bonus depreciation was taken on its 2008 and/or 2009 tax returns on UIRP capital expenditures. Such notice should be provided within 30 days of filing the tax returns.