

# STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

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December 18, 2007

Caryl D. Jersey  
Regulatory Specialist  
United Water  
200 Old Hook Road  
Harrington Park, New Jersey 07640

RE: Case 04-W-1221 United Water New Rochelle Revenue and Property Tax  
Reconciliation for the second rate year ended August 31, 2007

Dear Ms. Jersey:

The Rate Order issued in Case 04-W-1221 established a four-year rate plan, under which the Commission allowed United Water New Rochelle (UWNR or the company) to reconcile annual revenues. The reconciliation formula is based on the difference between target and actual metered revenues, net of production costs (purchased water, power and chemicals) and property taxes. According to the Rate Order, UWNR is required to submit documentation annually to the Commission. The documentation, used to substantiate either a surcharge or a refund to customers, is subject to Staff's review. The attached schedules are a side-by side comparison of the company's filing and Staff's adjustments.

The company submitted the results of its *Reconciliation Adjustment Clause* (RAC) on October 15, 2007, for the second rate year ended August 31, 2007. A net revenue under-collection of \$307,424 and a property tax over-collection of \$334,228 were reported. Based on the company's filing, one third of the total revenue under-collection plus one half of the uncollected 2006 RAC balance results in a total revenue under-collection of \$309,662. This amount offset by a \$376,888 total property tax over-collection, including accrued interest plus and uncollected 2006 balance results in a total over-collection of \$67,227 to be refunded to all metered customers.

Staff has reviewed the company's filing which included verifying the actual monthly consumption and associated revenues, production data and associated expenses, including copies of the water bills from the New York City Water Board and Westchester Joint Water Works. During its investigation, Staff reviewed the methodology used to calculate

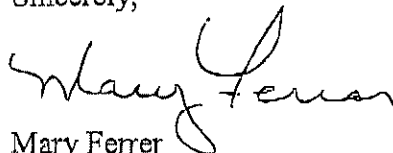
unbilled metered revenues and related volumes with United Water. Conversations resulted in the company correcting an accounting error by adjusting unbilled metered revenues from \$230,750 to \$202,667 and accrued sales volumes from 86,952 TG to 84,927 TG. These adjustments increased the net revenue under-collection of \$307,424 filed by the company to \$337,321. Adding accrued interest yields the total revenue under-collection of \$370,069.

Staff reduced the property tax reconciliation by \$17,378 for a rental property listed under New Rochelle School Tax. This change resulted in reducing the actual property tax allowed from \$5,072,377 to \$5,054,999 and total property tax over-collection increased from \$376,888 to \$395,918. Adding accrued interest and uncollected 2006 balance to the difference between actual property tax and the targeted property tax yields a property tax over-collection of \$351,606.

In conclusion, Staff has determined that one third of the revenue under-collection plus one half of the uncollected 2006 balance equals \$320,760 which added to the property tax over-collection of \$395,918 results in a total over-collection, or credit, of \$75,158. The credit should be refunded to all metered customers starting with the January 1, 2008 billing and continuing through August 31, 2008, at a rate of 0.446%. Based on our discussions, I understood the company agrees with Staff's analysis and final calculations. The company should file a revised *Revenue, Production Cost and Property Tax Reconciliation Adjustment Clause Statement* containing the updated credit information for all metered customers, as outlined above.

If you have any questions, please call me at (518) 486-2643.

Sincerely,



Mary Ferrer  
Junior Engineer  
Water Rates Section  
Office of Electricity, Gas and Water

cc: Arthur Gordon, Chief, Water Rates Section  
Basil Bailey, Public Utility Auditor 2