

GENERAL RATE FILING

**DIRECT TESTIMONY & EXHIBITS
OF THOMAS G. LIPPAI**

June 2011

**Submitted to:
State of Rhode Island and Providence
Plantations Public Utilities Commission**

RIPUC Docket No.

Submitted by:

United Water Rhode Island Inc.

UNITED WATER RHODE ISLAND INC.
THOMAS G. LIPPAI

1 **Q. Please state your name and business address.**

2 A. Thomas G. Lippai. My business address is 200 Old Hook Road, Harrington Park,
3 New Jersey 07640.

4
5 **Q. Please summarize your educational background and other qualifications.**

6 A. I graduated from Saint Peter's College, Jersey City, New Jersey, with a Bachelor
7 of Science Degree in Accounting in 1976.

8
9 **Q. By whom are you employed and in what capacity?**

10 A. Since April of 2004, I have been employed by United Water Management and
11 Services Inc. ("UWM&S") as a Rate Analyst. In April of 2006, I was promoted to
12 the position of Regulatory Specialist. Subsequently, in October of 2009, I was
13 promoted to my current position of Senior Regulatory Specialist.

14
15 **Q. Please describe your qualifications and work experience.**

16 A. I am a Certified Public Accountant in the State of New Jersey and a member in
17 the New Jersey Society of Certified Public Accountants and the American
18 Institute of Certified Public Accountants since 1983. I joined UWM&S in April of
19 2004 in the Regulatory Business Department. My duties primarily consist of, but
20 are not limited to, the preparation and presentation of testimony and exhibits in
21 support of the Company's request for a change in rates presented before state
22 regulatory commissions.

23

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1 **Q. What experience did you have prior to joining UWM&S?**

2 A. Prior to joining UWM&S, I was employed for nearly twenty-eight years at
3 Elizabethtown Water Company ("EWC") where I gained extensive knowledge of
4 public utility accounting as well as the regulatory process. During my tenure at
5 EWC, I held various positions and my responsibilities varied depending on the
6 title I held. Briefly describing my regulatory experience, my responsibilities
7 included revenue bill analyses, cost of service studies, tariff design, the analysis
8 of various operation and maintenance expenses, book and tax depreciation,
9 federal income tax analyses and the preparation of testimony relating to these
10 items.

11
12 **Q. What regulatory agencies have you previously appeared and presented
13 expert witness testimony?**

14 A. I have testified, on numerous occasions, before the New York State Public
15 Service Commission ("NYPSC"), the New Jersey Board of Public Utilities
16 ("NJBPU") and the Delaware Public Service Commission ("DPSC). I have also
17 testified before the Connecticut Department of Public Utility Control ("DPUC").

18
19 **Q. What is your assignment in this proceeding?**

20 A. I was requested to analyze the expenses for United Water Rhode Island
21 ("United" or "the Company") and to develop adjustments to the recorded book
22 amounts to reflect known and measurable changes, and to perform normalizing

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1 calculations in order to develop amounts that fairly represent the Company's
2 going operations into the rate year.

3
4 **Q. Describe generally the approach you have taken in preparing the**
5 **adjustments.**

6 A. My schedules cover the operating results of the historic test year, consisting of
7 the twelve months ending December 31, 2010 through the end of the rate year
8 ending December 31, 2012. I made normalizing and annualizing adjustments to
9 operating expenses to conform expenses to the level used for revenues and rate
10 base.

11 For expenses that can be independently analyzed, such as labor, power and
12 chemicals, I made adjustments to normalize the expenses based upon known
13 and measurable changes. For the purpose of projecting other expenses where
14 such information is not available, I used the Blue Chip Financial Forecast's
15 estimated increases to the GDP Price Index to reflect inflationary trends. I
16 increased certain expenses from the test year to the rate year by 3.327% which
17 is the resulting amount of the increase in the GDP price index. See Exhibit 4
18 Schedule 23 for the computation of that index.

19
20 **Q. What Schedules are you sponsoring?**

21 A. I am sponsoring Exhibit 4 Schedule 1 through Schedule 23. Company Witness
22 Mr. Obioma Ugboaja will address in his testimony operating revenues which
23 appears on Exhibit 1 Schedule 1. Additionally, Company Witness Mr. Timothy

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1 Michaelson will discuss the depreciation adjustment, Exhibit 4 Schedule 22, in
2 his testimony. I will address all other operation and maintenance ("O&M")
3 adjustments as well as the adjustments for all taxes, including income taxes,
4 payroll taxes and property taxes.

5 Specifically, the schedules I will discuss are as follows:

6 Schedule 1, "Summary of Utility Proposed Adjustments at Current and
7 Proposed Rates";

8 Schedule 2, "Wages and Salaries";

9 Schedule 3, "Fringe Benefits Transferred";

10 Schedule 4, "Power Expense";

11 Schedule 5, "Chemical Expense";

12 Schedule 6, "Pension Expense";

13 Schedule 7, "PEBOP Expense";

14 Schedule 8, "Employee Health and Welfare Expenses";

15 Schedule 9, "Tank Painting Amortization";

16 Schedule 10, "Transportation/Vehicle Expenses";

17 Schedule 11, "Insurance Expense";

18 Schedule 12, "Customer Information/Billing Expense";

19 Schedule 13, "Rate Case Expense";

20 Schedule 14, "Rent Expense";

21 Schedule 15, "Outside Services Expense";

22 Schedule 16, "Regulatory Commission Expense";

23 Schedule 17, "Other Operation and Maintenance Expenses";

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- 1 Schedule 18, "Property Tax Expense";
- 2 Schedule 19, "Payroll Tax Expense";
- 3 Schedule 20, "Gross Receipts Tax Expense";
- 4 Schedule 21, "Federal Income Tax Expense";
- 5 Schedule 23, "Inflation Adjustment Rate";

6 The adjustments to O&M, taxes and depreciation are summarized on Exhibit 4
7 Schedule 1 by each category of expense. The schedules following Exhibit 4
8 Schedule 1, namely Exhibit 4 Schedule 2 through Exhibit 4 Schedule 22, show
9 the computation of the individual adjustments. The grand total of the
10 adjustments to O&M, taxes and depreciation expense as shown on Exhibit 4
11 Schedule 1 amounts to \$92,935. Interest expense reflects a \$33,699 adjustment
12 from the test year to the rate year.

13

14 **Q. How have you organized your adjustments?**

15 A. The adjustments are summarized on Exhibit 4 Schedule 1. I will explain the
16 reasoning behind each adjustment on Exhibit 4 Schedules 2 through 22, except
17 for the items previously mentioned that will be addressed by other Company
18 Witnesses. I will also briefly explain Exhibit 4 Schedule 23, which has no
19 adjustment associated with it but provides details on percentage used to inflate
20 costs. Details of each adjustment are shown on work papers that follow the
21 schedule or are on the schedule itself.

22

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1 Q. Please explain the adjustment on Exhibit 4 Schedule 2, Wages and
2 Salaries.

3 A. The \$(16,658) adjustment to wages and salaries is comprised of several
4 components. Since the test year is the twelve months ending December 31,
5 2010, an adjustment was made for pay increases that became effective April 4,
6 2011. Additionally, a projected salary increase of 2.7% was applied to the April
7 2011 hourly rates to properly reflect salaries and wages in the rate year.

8 To compute total annual wages and salaries, amounts related to overtime pay
9 and incentive compensation were also added. The normalization adjustment for
10 overtime pay is based upon a three year historical average percentage utilizing
11 the calendar years 2008, 2009 and 2010 for these costs. The amount of
12 incentive compensation was determined by applying to employees' base pay a
13 target percentage determined by each employee's eligibility in accordance with
14 the Company's Short Term Incentive Plan (STIP) guidelines.

15 Normalization adjustments for labor charges billed to United from other business
16 units outside Rhode Island (labor transferred in) and conversely, labor charges
17 billed (transferred out) for work performed by United employees in Rhode Island
18 for other business units, and for capitalized labor, were also computed. The
19 normalization adjustment for labor transferred in and labor transferred out and
20 capitalized, was also based upon a three year historical average percentage
21 utilizing the calendar years 2008, 2009 and 2010 for these costs. The
22 percentages of labor transferred in and transferred out /capitalized, was 1.44%
23 and 22.53%, respectively.

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1 Exhibit 4 Schedule 2A and Exhibit 4 Schedule 2B provide support for the wages
2 and salaries adjustments.

3
4 **Q. Please explain the fringe benefits transferred adjustment.**

5 A. Exhibit 4 Schedule 3 reflects an adjustment for fringe benefits transferred in and
6 either transferred out to other business units or capitalized. Fringe benefits
7 transferred was normalized based upon the same three year historical average
8 percentage utilizing the calendar years 2008, 2009 and 2010 as used for wages
9 and salaries. The percentage of 22.53% representing labor either transferred out
10 or capitalized was netted with the labor transferred in percentage of 1.44%,
11 resulting in a net fringe benefits transferred or capitalized of 21.09%. This
12 percentage, 21.09%, was applied to the normalized fringe benefits costs,
13 including payroll taxes, health and welfare costs, worker's compensation,
14 pension, PEBOP, 401k and other employee benefits costs. Exhibit 4 Schedule
15 3A provides the computation for this adjustment.

16
17 **Q. Please explain the adjustment on Exhibit 4 Schedule 4, Power Expense.**

18 A. An average kilowatt per hour ("kWh") usage per million gallons ("mg") was
19 computed using three years of historical kWh and total water production for the
20 calendar years 2008, 2009 and 2010, respectively. This three year kWh average
21 was applied to total rate year water produced to determine rate year kWh usage.
22 Total rate year water produced was computed by using the billed volume
23 determined by the adjusted level of volumetric sales provided by Company

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1 Witness Ugboaja and adjusted for a non-revenue water percentage. The non-
2 revenue water percentage was determined using historical non-revenue
3 percentages utilizing the calendar years 2008, 2009 and 2010, respectively. The
4 power costs were calculated by applying projected distribution and commodity
5 unit prices per kWh to total rate year kWh usage. The price for transmission and
6 distribution of power provided to United by National Grid is governed by tariff
7 rates. Although National Grid is not currently seeking rate relief, the inflation rate
8 per the GDP was applied to current rates in effect for this service for the rate
9 year. In the Company's continuing effort to control power costs, it recently
10 signed a contract with Constellation New Energy for the commodity portion of
11 power costs. The contract became effective in May of 2011 and will be valid
12 through December 2013. The contract price for the commodity portion of the
13 power costs is based on the rate established per the agreement. Other lighting
14 and heating costs also reflect the rate year distribution and commodity prices
15 based upon the current contract with Constellation New Energy and the projected
16 rate year distribution costs. The total rate year power expense decreased from
17 the test year resulting in a \$28,439 adjustment.

18
19 **Q. Chemical expense reflects an increase of \$4,867. Please explain.**

20 **A.** An average chemical usage per mg was computed using the historic amount of
21 chemicals used and total water production for the calendar years 2008, 2009 and
22 2010, respectively. The three year average usage per mg was applied to the
23 rate year total water production to determine rate year chemical usage. The

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1 chemical expense was calculated by applying projected chemical prices to the
2 rate year chemical usage. The rate year projected chemical unit prices were
3 determined by applying the inflation rate per the GDP Price Index for 2012 to the
4 2011 chemical unit prices. The Company's Procurement Department provided
5 the 2011 chemical unit prices which were based on bid prices. The rate year
6 chemical expense reflects an increase of \$4,867 from the test year. Exhibit 4
7 Schedule 5A provides support for the computation of this adjustment.

8
9 **Q. Please explain the adjustment on Exhibit 4 Schedule 6, Pension Expense**
10 **and Exhibit 4 Schedule 7, PEBOP Expense.**

11 A. The rate year amounts for both pension and PEBOP reflect the level of costs
12 determined by the Company's actuary, Aon Consulting, Inc., based on the
13 current employee complement. In an effort to contain costs for these benefits,
14 the Company no longer provides pension and PEBOP benefits for new hires.
15 Aon's projections result in a decrease in rate year pension and PEBOP costs
16 from the test year by \$27,227 and \$12,436, respectively.

17
18 **Q. Please explain the adjustment to Employee Health and Welfare expenses**
19 **as shown on Exhibit 4 Schedule 8.**

20 A. The Company recognizes the need to balance cost management with its desire
21 to provide comprehensive, yet affordable, health care for its employees. In order
22 to achieve this, employees contribute approximately 20%-25% to the health
23 benefit costs of the Company. The company strives to educate its employees to

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1 become informed consumers of the healthcare system and provides them with
2 tools to maintain and improve their health. It is the policy of the Company to
3 review its health benefits costs annually and adjust employee contributions if
4 necessary.

5 Employee health and medical costs, which cover the cost of providing medical,
6 dental and vision care to employees was computed based on actual 2011 unit
7 costs and projecting a ten percent increase for new rates effective January 2012.
8 The ten percent increase is based on information obtained from outside HR
9 consulting firms hired by the Company. These rates were applied to the existing
10 employee plan participants at December 31, 2010. Exhibit 4 Schedule 8A
11 provides support for the computation of this adjustment.

12 Rate year life insurance and 401k expenses were adjusted by applying the
13 base wage increase effective April 2011 of 2.53% and the projected wage
14 increase effective April 2012 of 2.7% to the test year amounts. Other employee
15 benefits were adjusted by applying the inflationary rate per the GDP to the three
16 year average of each of these individual expense amounts. Exhibit 4 Schedule 8
17 provides support for the computation of these adjustments.

18
19 **Q. How was the \$38,574 adjustment to Tank Painting Amortization calculated?**

20 **A.** Tanks store potable water for delivery to customers. In order to ensure that
21 these structures are protected from corrosion that could lead to potential
22 structural damage and poor aesthetic conditions, both the interior and exterior of
23 the tanks must be maintained.

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1 The Company completed painting both the interior and exterior of the Sherman
2 and Howland Clearwell Tanks in 2008. The total deferred costs, which will be
3 amortized to expense, are \$140,812 and \$94,924, respectively. United expects
4 to paint both the interior and exterior of the Boston Neck Tank in the fourth
5 quarter of 2012. The estimated tank painting cost is \$150,000 and will be
6 deferred for amortization to expense. Exhibit 4 Schedule 9A provides details
7 regarding the painting of both of these tanks.

8 The Company is requesting an amortization period of ten years for the deferred
9 portion of the expenditures. The proposed amortization of these tanks results in a
10 \$38,574 adjustment.

11
12 **Q. Please explain the adjustment to Transportation/Vehicle expenses as**
13 **shown on Exhibit 4 Schedule 10.**

14 **A.** There are a number of components noted below comprising transportation /
15 vehicle costs. Rate year leasing costs are based upon the current fleet of
16 vehicles and projected costs for replacement leases. To compute rate year costs
17 for fuel a three year average was computed utilizing actual costs for the calendar
18 years 2008, 2009 and 2010, respectively. A three year historical average cost
19 adjusted by the inflationary rate of 3.327% discussed previously, was applied to
20 maintenance and repair and other miscellaneous costs. The periods used were
21 calendar years 2008, 2009 and 2010, respectively. The rate year insurance
22 amount reflects anticipated market increases. Depreciation expense is
23 determined based upon the Company's depreciation schedules utilizing

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1 depreciation rates approved by the Rhode Island Public Utilities Commission
2 (PUC). Exhibit 4 Schedule 10A and Exhibit 4 Schedule 10B provide the
3 computation and support for these adjustments. Transportation / Vehicle
4 expenses were reduced by 22.53% representing the amount of labor either
5 transferred out or capitalized and generally follow the accounts to which labor is
6 charged. The net transportation / vehicle expense of \$53,998 results in a \$12,257
7 reduction to test year expense as the Company has been successful in
8 managing these costs.

9
10 **Q. Please explain the Insurance expense adjustment.**

11 A. The insurance expense adjustment is reflected on Exhibit 4 Schedule 11 and is
12 comprised of adjustments for general corporation, property and worker's
13 compensation insurance. The rate amounts are determined by additions and
14 increases in insurable values of assets as well as related liability and general
15 industry increases due to market conditions, the Company's historical loss
16 experience rate and increased payroll amounts. The rate year adjustment
17 amounts to \$256 over the test year amount.

18
19 **Q. How were Customer Information/Billing expenses computed for the rate
20 year?**

21 A. An average cost per customer for billing, printing, processing and postage was
22 computed using the actual expense and number of bills processed for the 2010
23 calendar year. An increase in the number of bills for customer growth, as

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1 provided by Company Witness Ugboaja, was added in the rate year. The total
2 rate year number of bills was then applied to the average test year billing and
3 postage costs to compute the total customer information/billing expense,
4 resulting in a \$659 increase in the rate year.

5 The Company plans to replace its current Customer Information System (CIS).
6 Please refer to the testimony of Company Witness Knox for further details.

7
8 **Q. Please explain the adjustment shown on Exhibit 4 Schedule 13, Rate Case**
9 **expense.**

10 A. The projected costs associated with the filing of this case to a fully adjudicated
11 application are expected to be \$320,500. The proposed costs include amounts
12 for outside legal services and expert consultants as well as costs for the services
13 of the Management and Services Company personnel to prepare the filing. This
14 includes preparation of testimony and related exhibits, responding to discovery
15 requests, participation at hearings and settlement discussions and final rate
16 implementation of tariffs and other items ordered by the Commission at the
17 conclusion of this rate proceeding. The Company proposes to amortize the costs
18 over a three year period, resulting in a rate year expense of \$106,833.

19
20 **Q. Please explain how the Rent expense adjustment was calculated.**

21 A. United leases a property at 17 Arnold Street, Wakefield, Rhode Island. This
22 property is the site of the Company's office and operations center. The current
23 lease commenced in January 2009 and terminates in December 2011. The

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1 Company plans on renewing the lease upon its expiration. The rate year lease
2 expense was computed by applying a 4% increase to the 2011 actual payment
3 per the terms of the lease. The projected 4% increase is consistent with past
4 increases.

5 The Company also leases a transmission line that provides water to the Indian
6 Lake Shore Development which was experiencing water quality issues. The
7 Development received a loan from Farmer's Home Association in order to tie into
8 UWRI's water system. The line was subsequently turned over to UWRI who in
9 turn pays this annual loan payment to the Indian Lake Shore Development who
10 in turn pays Farmers Home Administration. The last installment on the loan is
11 due in March 2012. This line will then be recorded on the books of UWRI in
12 utility plant. The loan payment is recorded in the test year amount however no
13 amount is reflected in the rate year lease expense. As a result, there is a \$4,864
14 reduction to rate year lease expense as shown on Exhibit 4 Schedule 14.

15
16 **Q. Please explain the Outside Services expense adjustment.**

17 **A.** United does procure additional professional and technical support in areas where
18 this may be required such as accounting associated with external audit functions,
19 legal, engineering and information technology (software and hardware
20 maintenance). The rate year amounts were determined taking into consideration
21 the needed professional and technical support to meet anticipated requirements
22 for the period. Outside Services is comprised of several components which were
23 adjusted as follows:

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1 The Management and Services (M&S) Fees adjustment represents the increase
2 in the M&S expense for services provided by United Water Management and
3 Services ("UWM&S") employees. These services include administration,
4 accounting, tax, communications, customer service oversight, finance, human
5 resources, information systems, legal, procurement, technical services and other
6 general services necessary in the proper conduct of business. The total test year
7 M&S expense was determined by applying the projected wage increase of 2.7%
8 to the 2011 budget amount. The accounting and auditing, information systems
9 and management fee components of outside services were adjusted by applying
10 an inflationary factor of 3.327% per the GDP to the test year amounts. The
11 management fee represents the Research and Innovation Alliance described in
12 detail in the testimony of Company Witness Knox.

13 The legal and temporary help components were adjusted based upon
14 professional and non-professional support needed to meet anticipated
15 requirements for the period.

16 The other component of outside services was adjusted based upon a three year
17 historical average and further adjusted by an inflationary rate of 3.327% per the
18 GDP. The periods used were calendar years 2008, 2009 and 2010, respectively.

19 The \$3,140 increase to total test year costs is reflected on Exhibit 4 Schedule 15.
20 Exhibit 4 Schedule 15A shows the computation of each of these adjustments.

21

22 **Q. Please explain the adjustment to Regulatory Commission expense as**
23 **shown on Exhibit 4 Schedule 16.**

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1 A. The PUC Assessment Fee was calculated based on the most current
2 Assessment in accordance with Section 39-1-23 of the general Laws of the State
3 of Rhode Island. This assessment rate was applied to the total rate year
4 revenues provided by Company Witness Ugboaja.

5
6 **Q. Please explain how the \$1,705 adjustment to Other Operation and
7 Maintenance expenses shown on Exhibit 4 Schedule 17 was calculated.**

8 A. For other operation and maintenance expenses not specifically adjusted and not
9 noted in the above testimony, a 3.327% inflation factor per the GDP was applied
10 to a three year average of these costs. The periods used were calendar years
11 2008, 2009 and 2010, respectively. Prior to applying the GDP factor, an
12 adjustment was made to reduce other operations and maintenance expenses per
13 the books for non-recoverable items. The adjustment reflects a reduction for the
14 lobbying portion of the National Association of Water Company dues. The total of
15 these reduction adjustments for the three years amounts to \$1,900. The
16 computation of the O&M expense adjustment is shown on Exhibit 4 Schedule
17 17A.

18
19 **Q. Please explain how the rate year Property Tax amount was calculated.**

20 A. Property Taxes, as shown on Exhibit 4 Schedule 18, were adjusted by
21 calculating a three year historical average percentage change in actual property
22 taxes paid from the 2007 through 2010 periods. This average increase, 6.15%,
23 was applied to the test year property tax amount resulting in a \$23,522

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1 adjustment. This accounts for adjustments to the town's mil rates as well as to
2 increases in utility plant additions.

3

4 **Q. Please explain the adjustment to Payroll Tax expense as shown on Exhibit**
5 **4 Schedule 19.**

6 A. Payroll taxes were calculated using the current statutory Federal and State tax
7 rates which were applied to the taxable rate year payroll base. Exhibit 4
8 Schedule 19A provides the computation of the rate year payroll tax amount.

9

10 **Q. Please explain the \$380 adjustment to Gross Receipts Tax shown on**
11 **Exhibit 4 Schedule 20.**

12 A. The current gross receipts tax rate of 1.25% was applied to the rate year
13 operating revenues provided by Company Witness Ugboaja, resulting in a \$380
14 increase.

15

16 **Q. Please explain how the Federal Income Tax amount was calculated as**
17 **shown on Exhibit 4 Schedule 21.**

18 A. Federal income taxes were calculated using the current statutory tax rate of 35%
19 and adjusted accordingly for changes in taxable operating income in the rate
20 year.

21

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1 **Q. Please explain the computation of the Inflationary Factor as shown on**
2 **Exhibit 4 Schedule 23.**

3 A. Exhibit 4 Schedule 23 shows the computation of the inflationary factor. The
4 amounts were based on the Blue Chip Financial Forecast's estimate of increases
5 to the GDP Price Index per the December 1, 2010 (Volume 29, No. 12) issue
6 resulting in an inflationary rate of 3.327% which covers the periods 2011 and
7 2012. This rate was utilized to forecast certain expenses from the test year to
8 the rate year as noted in the above testimony.

9

10 **Q. How was Interest expense calculated?**

11 A. Interest expense was calculated by applying the weighted cost of debt to the rate
12 year rate base amount. Please refer to Exhibit 4 Schedule 21 for the
13 computation.

14

15 **Q. Mr. Lippai, does this conclude your direct testimony?**

16 A. Yes it does.

United Water Rhode Island, Inc.
 Summary of Utility Proposed Adjustments at Current and Proposed Rates
 For the Test Year Ending December 31, 2010 and Rate Year at Present and Proposed Rates

Line No.	Elements of Operating Income	Schedule Number	Test Year 12/31/2010	Adjustments	Rate Year	
					Present Rates	Proposed Rates
1	Operating Revenues	Exh 1 Sch 1	\$ 2,910,449	\$ (52,147)	\$ 2,858,302	\$ 4,077,004
2						
3	Operation and Maintenance Expenses:					
4	Wages and Salaries	Exh 4 Sch 2	\$ 552,561	\$ (16,658)	\$ 535,903	\$ 535,903
5	Fringe Benefits Transferred	Exh 4 Sch 3	(53,510)	(25,641)	(79,151)	(79,151)
6	Power Expense	Exh 4 Sch 4	216,464	(28,439)	188,025	188,025
7	Chemical Expense	Exh 4 Sch 5	60,710	4,867	65,577	65,577
8	Pension Expense	Exh 4 Sch 6	126,294	(27,227)	99,067	99,067
9	PEBOP Expense	Exh 4 Sch 7	78,430	(12,436)	65,994	65,994
10	Employee Health and Welfare Expense	Exh 4 Sch 8	113,318	31,769	145,087	145,087
11	Tank Painting Amortization	Exh 4 Sch 9	-	38,574	38,574	38,574
12	Transportation/Vehicle Expense	Exh 4 Sch 10	66,255	(12,257)	53,998	53,998
13	Insurance Expense	Exh 4 Sch 11	57,945	256	58,201	58,201
14	Customer Information/Billing Expense	Exh 4 Sch 12	53,857	659	54,516	54,516
15	Rate Case Expense	Exh 4 Sch 13	-	106,833	106,833	106,833
16	Rent Expense	Exh 4 Sch 14	28,006	(4,864)	23,142	23,142
17	Outside Services Expense	Exh 4 Sch 15	297,498	3,140	300,638	300,638
18	Regulatory Commission Expense	Exh 4 Sch 16	6,940	368	7,308	10,447
19	Other Operation and Maintenance Expense	Exh 4 Sch 17	211,667	1,705	213,372	213,372
20						
21						
22	Total Operation and Maintenance Expenses		\$ 1,816,435	\$ 60,648	\$ 1,877,083	\$ 1,880,222
23						
24	Taxes:					
25	Property Tax Expense	Exh 4 Sch 18	\$ 247,500	\$ 23,522	\$ 271,022	\$ 271,022
26	Payroll Tax Expense	Exh 4 Sch 19	48,773	7,673	56,446	56,446
27	Gross Receipts Tax Expense	Exh 4 Sch 20	35,349	380	35,729	50,963
28	Federal Income Tax Expense	Exh 4 Sch 21	16,047	(96,303)	(80,257)	339,858
29			\$ 347,669	\$ (64,729)	\$ 282,939	\$ 718,288
30						
31						
32	Depreciation/Amortization Expense	Exh 4 Sch 22	\$ 413,616	\$ 97,016	\$ 510,632	\$ 510,632
33						
34	Inflation Rate Computation	Exh 4 Sch 23				
35						
36	Interest Expense (a)	Refer to Exh 4 Sch 21	\$ 289,660	\$ 33,699	\$ 323,359	\$ 323,359
37	(a) calculated to synchronize for ratemaking					

United Water Rhode Island, Inc.
Summary of Adjustments to Operation and Maintenance Expenses
For the Test Year and Rate Year
At Present and Proposed Rates

Line No.	Account No.	Description	Test Year		Adjusted Test		Rate Year	
			12/31/2010	Book	Year	Per	Present Rates	Proposed Rates
			Per Books	Adjustments (a)	Books	Adjustments		
38	652	Maintenance of Water Treatment Equipment	\$ 3,509		\$ 3,509	\$ 1,012	\$ 4,521	\$ 4,521
39		Total Maintenance	\$ 3,509	\$ -	\$ 3,509	\$ 1,012	\$ 4,521	\$ 4,521
40		Total Water Treatment Expenses	\$ 157,582	\$ -	\$ 157,582	\$ 8,321	\$ 165,903	\$ 165,903
41								
42		Transmission and Distribution Expenses						
43	660	Operation Supervision and Engineering	\$ 104,167		\$ 104,167	\$ (5,971)	\$ 98,196	\$ 98,196
44	662	Transmission and Distribution Lines Expenses	69,696		69,696	(10,732)	58,964	58,964
45	663	Meter Expenses	40,764		40,764	(2,350)	38,414	38,414
46	665	Miscellaneous Expenses	89,309		89,309	(6,273)	83,036	83,036
47	666	Rents	-		-	-	-	-
48		Total Operation	\$ 303,936	\$ -	\$ 303,936	\$ (25,326)	\$ 278,610	\$ 278,610
49								
50	670	Maintenance Supervision and Engineering	\$ 2,604		\$ 2,604	\$ (156)	\$ 2,448	\$ 2,448
51	671	Maintenance of Structures and Improvements	13,333		13,333	(169)	13,164	13,164
52	672	Maintenance of Dist. Reservoirs & Standpipes	-		-	38,574	38,574	38,574
53	673	Maintenance of Trans. & Distribution Mains	32,786		32,786	(839)	31,947	31,947
54	674	Maintenance of Fire Mains	-		-	-	-	-
55	675	Maintenance of Services	7,560		7,560	3,230	10,790	10,790
56	676	Maintenance of Meters	-		-	-	-	-
57	677	Maintenance of Hydrants	5,281		5,281	(880)	4,401	4,401
58	678	Maintenance of Miscellaneous Plant	-		-	805	805	805
59		Total Maintenance	\$ 61,564	\$ -	\$ 61,564	\$ 40,564	\$ 102,128	\$ 102,128
60		Total Transmission & Distribution Expenses	\$ 365,500	\$ -	\$ 365,500	\$ 15,238	\$ 380,738	\$ 380,738
61								
62		Customer Accounts Expenses						
63	901	Supervision	\$ -		\$ -	\$ -	\$ -	\$ -
64	902	Meter Reading Salaries	115,605		115,605	(6,448)	109,157	109,157
65	903	Customer Records & Coll. Expenses-Labor	174,958	\$ 22,676	197,634	(6,186)	191,448	191,448
66	904	Uncollectible Accounts	22,676	(22,676)	-	-	-	-
67	905	Miscellaneous Customer Account Expense	17,352		17,352	(3,468)	13,884	13,884
68		Total Customer Accounts Expenses	\$ 330,591	\$ -	\$ 330,591	\$ (16,102)	\$ 314,489	\$ 314,489
69								
70		Administrative and General Expenses						
71	920	Administrative and General Salaries	\$ 179,551		\$ 179,551	\$ (11,710)	\$ 167,841	\$ 167,841
72	921	Office Supplies and Other Expenses	28,154		28,154	2,060	30,214	30,214
73	922	Administrative Expenses Transferred	(288,497)		(288,497)	(4,413)	(292,910)	(292,910)
74	923	Outside Services Employed	255,209		255,209	3,140	258,349	258,349

United Water Rhode Island, Inc.
Summary of Adjustments to Operation and Maintenance Expenses
For the Test Year and Rate Year
At Present and Proposed Rates

Line No.	Account No.	Description	Test Year		Adjusted Test		Rate Year	
			12/31/2010 Per Books	Book Adjustments (a)	Year Per Books	Adjustments	Present Rates	Proposed Rates
75	924	Property Insurance	45,601		45,601	(1,301)	44,300	44,300
76	925	Injuries and Damages	12,344		12,344	1,557	13,901	13,901
77	926	Employee Pension and Benefits	300,366		300,366	(7,894)	292,472	292,472
78	928	Regulatory Commission Expenses	6,940		6,940	107,201	114,141	117,280
79	930	Miscellaneous General Expenses	47,685		47,685	24,125	71,810	71,810
80	931	Rents	21,500		21,500	(4,864)	16,636	16,636
81		Total Operation	\$ 608,853	\$ -	\$ 608,853	\$ 107,902	\$ 716,755	\$ 719,894
82								
83	932	Maintenance of General Plant	\$ 9,102		\$ 9,102	\$ 200	\$ 9,302	\$ 9,302
84		Total Administrative and General Expenses	\$ 617,955	\$ -	\$ 617,955	\$ 108,102	\$ 726,057	\$ 729,196
85								
86								
87		Total Operation and Maintenance Expenses	\$ 1,816,435	\$ -	\$ 1,816,435	\$ 60,648	\$ 1,877,083	\$ 1,880,222
88								
89	408	Taxes:						
90		Property taxes	\$ 247,500		\$ 247,500	\$ 23,522	\$ 271,022	\$ 271,022
91		Payroll taxes & other	48,773		48,773	7,673	56,446	56,446
92		Gross Receipts Tax	35,349		35,349	380	35,729	50,963
93		Federal income tax	16,047		16,047	(96,303)	(80,257)	339,858
94		Total Taxes	\$ 347,669	\$ -	\$ 347,669	\$ (64,729)	\$ 282,939	\$ 718,288
95								
96	403	Depreciation/Amortization Expense	\$ 413,616	\$ -	\$ 413,616	\$ 97,016	\$ 510,632	\$ 510,632
97								
98	430;431	Interest Expense (b)	\$ 289,660	\$ -	\$ 289,660	\$ 33,699	\$ 323,359	\$ 323,359

100 **Reference:**
101 (a) Refer to "Exhibit 4 Schedule 1B" for explanation of book adjustments
102 (b) calculated to synchronize for ratemaking

United Water Rhode Island, Inc.
 Historical Test Year Operation and Maintenance Expenses by Cost Element
 For the Twelve Months Ended December 31, 2010

Exh 4 Sch 2 Exh 4 Sch 2 Exh 4 Sch 2 Exh 4 Sch 3 Exh 4 Sch 4

Line No.	Account No.	Description	Test Year Per Books 12/31/2010	Book Adjustments	Ref	Adjusted Test Year Per Books 12/31/2010	Supervisory / Direct Labor	Labor Transferred In	Labor Transferred Out	Fringe Benefits	Power
1		Source of Supply Expenses									
2		<u>Operation</u>									
3	600	Operation Supervision and Engineering	\$ 3,135			\$ 3,135	\$ 3,135				
4	601	Operation Labor and Expenses	3,978			3,978	2,133			\$ 1,337	
5	602	Purchased Water	-			-					
6	603	Miscellaneous Expenses	-			-					
7	604	Rents	-			-					
8		Total Operation	\$ 7,113	\$ -		\$ 7,113	\$ 5,268	\$ -	\$ -	\$ 1,337	\$ -
9											
10		<u>Maintenance</u>									
11	614	Maintenance of Wells and Springs	\$ -			\$ -					
12	616	Maintenance of Supply Mains	-			-					
13	617	Maintenance of Miscellaneous Water Source Plant	-			-					
14		Total Maintenance	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15		Total Source of Supply Expenses	\$ 7,113	\$ -		\$ 7,113	\$ 5,268	\$ -	\$ -	\$ 1,337	\$ -
16											
17		Pumping Expenses									
18		<u>Operation</u>									
19	620	Operation Supervision and Engineering	\$ -			\$ -					
20	621	Fuel for Power Production	1,666	\$ (1,567)	(a)	99					
21	623	Fuel or Power Purchased for Production	213,550	1,567	(a)	215,117				\$ 215,117	
22	624	Pumping Labor and Expenses	90,984			90,984	\$ 32,452			\$ 21,060	
23	626	Miscellaneous Expenses	2,539			2,539					
24	627	Rents	-			-					
25		Total Operation	\$ 308,739	\$ -		\$ 308,739	\$ 32,452	\$ -	\$ -	\$ 21,060	\$ 215,117
26											
27		<u>Maintenance</u>									
28	630	Maintenance Supervision and Engineering	\$ -			\$ -					
29	631	Maintenance of Structures and Improvements	-			-					
30	632	Maintenance of Power Production Equipment	3,573			3,573					
31	633	Maintenance of Pumping Equipment	25,382			25,382	\$ 6,595			\$ 4,178	
32		Total Maintenance	\$ 28,955	\$ -		\$ 28,955	\$ 6,595	\$ -	\$ -	\$ 4,178	\$ -
33		Total Pumping Expenses	\$ 337,694	\$ -		\$ 337,694	\$ 39,047	\$ -	\$ -	\$ 25,238	\$ 215,117
34											
35		Water Treatment Expenses									
36		<u>Operation</u>									
37	640	Operation Supervision and Engineering	\$ -			\$ -					
38	641	Chemicals	60,710			60,710		\$ -		\$ -	
39	642	Operation Labor and Expenses	64,671			64,671	\$ 27,451	21		17,639	

United Water Rhode Island, Inc.
 Historical Test Year Operation and Maintenance Expenses by Cost Element
 For the Twelve Months Ended December 31, 2010

			Exh 4 Sch 5	Exh 4 Sch 6	Exh 4 Sch 7	Exh 4 Sch 8	Exh 4 Sch 9	Exh 4 Sch 10	Exh 4 Sch 11	Exh 4 Sch 12	Exh 4 Sch 13
Line No.	Account No.	Description	Chemicals	Pension	PEBOP	Employee Health & Welfare	Tank Painting Amortization	Transportation	Insurance	Customer Information / Billing	Rate Case Expenses
1		Source of Supply Expenses									
2		<u>Operation</u>									
3	600	Operation Supervision and Engineering									
4	601	Operation Labor and Expenses						\$ 508			
5	602	Purchased Water									
6	603	Miscellaneous Expenses									
7	604	Rents									
8		Total Operation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 508	\$ -	\$ -	\$ -
9											
10		<u>Maintenance</u>									
11	614	Maintenance of Wells and Springs									
12	616	Maintenance of Supply Mains									
13	617	Maintenance of Miscellaneous Water Source Plant									
14		Total Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15		Total Source of Supply Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 508	\$ -	\$ -	\$ -
16											
17		Pumping Expenses									
18		<u>Operation</u>									
19	620	Operation Supervision and Engineering									
20	621	Fuel for Power Production									
21	623	Fuel or Power Purchased for Production									
22	624	Pumping Labor and Expenses						\$ 5,877			
23	626	Miscellaneous Expenses									
24	627	Rents									
25		Total Operation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,877	\$ -	\$ -	\$ -
26											
27		<u>Maintenance</u>									
28	630	Maintenance Supervision and Engineering									
29	631	Maintenance of Structures and Improvements									
30	632	Maintenance of Power Production Equipment									
31	633	Maintenance of Pumping Equipment						\$ 1,387			
32		Total Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,387	\$ -	\$ -	\$ -
33		Total Pumping Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,264	\$ -	\$ -	\$ -
34											
35		Water Treatment Expenses									
36		<u>Operation</u>									
37	640	Operation Supervision and Engineering									
38	641	Chemicals	\$ 60,710					\$ -			
39	642	Operation Labor and Expenses						5,435			

United Water Rhode Island, Inc.
 Historical Test Year Operation and Maintenance Expenses by Cost Element
 For the Twelve Months Ended December 31, 2010

Exh 4 Sch 14 Exh 4 Sch 15 Exh 4 Sch 16 Exh 4 Sch 17

Line No.	Account No.	Description	Rents	Outside Services	Regulatory Commission	Other O&M	Adjusted Test Year Per Books 12/31/2010
1		<u>Source of Supply Expenses</u>					
2		<u>Operation</u>					
3	600	Operation Supervision and Engineering				\$ -	\$ 3,135
4	601	Operation Labor and Expenses				-	3,978
5	602	Purchased Water				-	-
6	603	Miscellaneous Expenses				-	-
7	604	Rents				-	-
8		Total Operation	\$ -	\$ -	\$ -	\$ -	\$ 7,113
9							
10		<u>Maintenance</u>					
11	614	Maintenance of Wells and Springs				\$ -	\$ -
12	616	Maintenance of Supply Mains				-	-
13	617	Maintenance of Miscellaneous Water Source Plant				-	-
14		Total Maintenance	\$ -	\$ -	\$ -	\$0	\$ -
15		Total Source of Supply Expenses	\$ -	\$ -	\$ -	\$0	\$ 7,113
16							
17		<u>Pumping Expenses</u>					
18		<u>Operation</u>					
19	620	Operation Supervision and Engineering				\$ -	\$ -
20	621	Fuel for Power Production				99	99
21	623	Fuel or Power Purchased for Production				-	215,117
22	624	Pumping Labor and Expenses				31,595	90,984
23	626	Miscellaneous Expenses				2,539	2,539
24	627	Rents				-	-
25		Total Operation	\$ -	\$ -	\$ -	\$ 34,233	\$ 308,739
26							
27		<u>Maintenance</u>					
28	630	Maintenance Supervision and Engineering				\$ -	\$ -
29	631	Maintenance of Structures and Improvements				-	-
30	632	Maintenance of Power Production Equipment				3,573	3,573
31	633	Maintenance of Pumping Equipment				13,222	25,382
32		Total Maintenance	\$ -	\$ -	\$ -	\$ 16,795	\$ 28,955
33		Total Pumping Expenses	\$ -	\$ -	\$ -	\$ 51,028	\$ 337,694
34							
35		<u>Water Treatment Expenses</u>					
36		<u>Operation</u>					
37	640	Operation Supervision and Engineering				\$ -	\$ -
38	641	Chemicals				-	60,710
39	642	Operation Labor and Expenses				14,125	64,671

United Water Rhode Island, Inc.
 Historical Test Year Operation and Maintenance Expenses by Cost Element
 For the Twelve Months Ended December 31, 2010

Exh 4 Sch 14 Exh 4 Sch 15 Exh 4 Sch 16 Exh 4 Sch 17

Line No.	Account No.	Description	Rents	Outside Services	Regulatory Commission	Other O&M	Adjusted Test Year Per Books 12/31/2010
40	643	Miscellaneous Expenses				28,692	28,692
41		Total Operation	\$ -	\$ -	\$ -	\$ 42,817	\$ 154,073
42							
43		<u>Maintenance</u>					
44	652	Maintenance of Water Treatment Equipment				\$ 3,509	\$ 3,509
45		Total Maintenance	\$ -	\$ -	\$ -	\$ 3,509	\$ 3,509
46		Total Water Treatment Expenses	\$ -	\$ -	\$ -	\$ 46,326	\$ 157,582
47							
48		<u>Transmission and Distribution Expenses</u>					
49		<u>Operation</u>					
50	660	Operation Supervision and Engineering				\$ -	\$ 104,167
51	662	Transmission and Distribution Lines Expenses				15,457	69,696
52	663	Meter Expenses				-	40,764
53	665	Miscellaneous Expenses				13,736	89,309
54	666	Rents				-	-
55		Total Operation	\$ -	\$ -	\$ -	\$ 29,193	\$ 303,936
56							
57		<u>Maintenance</u>					
58	670	Maintenance Supervision and Engineering				\$ 6	\$ 2,604
59	671	Maintenance of Structures and Improvements				2,153	13,333
60	672	Maintenance of Dist. Reservoirs & Standpipes				-	-
61	673	Maintenance of Trans. & Distribution Mains				1,190	32,786
62	674	Maintenance of Fire Mains				-	-
63	675	Maintenance of Services	\$ 6,506			1,054	7,560
64	676	Maintenance of Meters				-	-
65	677	Maintenance of Hydrants				1,550	5,281
66	678	Maintenance of Miscellaneous Plant				-	-
67		Total Maintenance	\$ 6,506	\$ -	\$ -	\$ 5,953	\$ 61,564
68		Total Transmission & Distribution Expenses	\$ 6,506	\$ -	\$ -	\$ 35,146	\$ 365,500
69							
70		<u>Customer Accounts Expenses</u>					
71		<u>Operation</u>					
72	901	Supervision				\$ -	\$ -
73	902	Meter Reading Salaries				293	115,605
74	903	Customer Records & Coll. Expenses-Labor		\$ 42,289		10,425	197,634
75	904	Uncollectible Accounts				-	-
76	905	Miscellaneous Customer Account Expense				10,353	17,352
77		Total Customer Accounts Expenses	\$ -	\$ 42,289	\$ -	\$ 21,071	\$ 330,591
78							

United Water Rhode Island, Inc.
 Historical Test Year Operation and Maintenance Expenses by Cost Element
 For the Twelve Months Ended December 31, 2010

Exh 4 Sch 2 Exh 4 Sch 2 Exh 4 Sch 2 Exh 4 Sch 3 Exh 4 Sch 4

Line No.	Account No.	Description	Test Year Per Books 12/31/2010	Book Adjustments	Ref	Adjusted Test Year Per Books 12/31/2010	Supervisory / Direct Labor	Labor Transferred In	Labor Transferred Out	Fringe Benefits	Power
79		Administrative and General Expenses									
80		<u>Operation</u>									
81	920	Administrative and General Salaries	\$ 179,551			\$ 179,551	\$ 253,853	\$ 12,348	\$ (86,650)		
82	921	Office Supplies and Other Expenses	28,154			28,154					
83	922	Administrative Expenses Transferred	(288,497)			(288,497)				\$ (288,497)	
84	923	Outside Services Employed	255,209			255,209					
85	924	Property Insurance	45,601			45,601					
86	925	Injuries and Damages	12,344			12,344					
87	926	Employee Pension and Benefits	300,366			300,366					
88	928	Regulatory Commission Expenses	6,940			6,940					
89	930	Miscellaneous General Expenses	47,685			47,685					
90	931	Rents	21,500			21,500					
91		Total Operation	\$ 608,853	\$ -		\$ 608,853	\$ 253,853	\$ 12,348	\$ (86,650)	\$ (288,497)	\$ -
92											
93		<u>Maintenance</u>									
94	932	Maintenance of General Plant	\$ 9,102			\$ 9,102	\$ 4,420			\$ 2,884	
95		Total Administrative and General Expenses	\$ 617,955	\$ -		\$ 617,955	\$ 258,273	\$ 12,348	\$ (86,650)	\$ (285,613)	\$ -
96											
97		Total Operation and Maintenance Expenses	\$ 1,816,435	\$ -		\$ 1,816,435	\$ 626,842	\$ 12,369	\$ (86,650)	\$ (53,510)	\$ 216,464

99 **References:**
 100 (a) Accounts 621 and 623:
 101 Account 621 - \$1,567 charged incorrectly,
 102 transfer to account # 623.
 103 (b) Accounts 903 and 904:
 104 Transfer Direct Labor, \$14,206 and Fringe Benefits
 105 Transferred, \$8,470. Amounts incorrectly charged
 106 to Uncollectible Account #904. Transfer to a/c#
 107 903 Customer Records & Coll Expenses-Labor.

United Water Rhode Island, Inc.
 Historical Test Year Operation and Maintenance Expenses by Cost Element
 For the Twelve Months Ended December 31, 2010

Exh 4 Sch 5 Exh 4 Sch 6 Exh 4 Sch 7 Exh 4 Sch 8 Exh 4 Sch 9 Exh 4 Sch 10 Exh 4 Sch 11 Exh 4 Sch 12 Exh 4 Sch 13

Line No.	Account No.	Description	Chemicals	Pension	PEBOP	Employee Health & Welfare	Tank Painting Amortization	Transportation	Insurance	Customer Information / Billing	Rate Case Expenses
79		<u>Administrative and General Expenses</u>									
80		<u>Operation</u>									
81	920	Administrative and General Salaries									
82	921	Office Supplies and Other Expenses						\$ 1,813			
83	922	Administrative Expenses Transferred									
84	923	Outside Services Employed									
85	924	Property Insurance							\$ 45,601		
86	925	Injuries and Damages							12,344		
87	926	Employee Pension and Benefits		\$ 126,294	\$ 60,754	\$ 113,318					
88	928	Regulatory Commission Expenses									
89	930	Miscellaneous General Expenses			17,676						
90	931	Rents									
91		Total Operation	\$ -	\$ 126,294	\$ 78,430	\$ 113,318	\$ -	\$ 1,813	\$ 57,945	\$ -	\$ -
92		<u>Maintenance</u>									
94	932	Maintenance of General Plant						\$ 52			
95		Total Administrative and General Expenses	\$ -	\$ 126,294	\$ 78,430	\$ 113,318	\$ -	\$ 1,865	\$ 57,945	\$ -	\$ -
96											
97		Total Operation and Maintenance Expenses	\$ 60,710	\$ 126,294	\$ 78,430	\$ 113,318	\$ -	\$ 66,255	\$ 57,945	\$ 53,857	\$ -

98
 99 **References:**
 100 (a) Accounts 621 and 623:
 101 Account 621 - \$1,567 charged incorrectly,
 102 transfer to account # 623.
 103 (b) Accounts 903 and 904:
 104 Transfer Direct Labor, \$14,206 and Fringe Benefits
 105 Transferred, \$8,470. Amounts incorrectly charged
 106 to Uncollectible Account #904. Transfer to a/c#
 107 903 Customer Records & Coll Expenses-Labor.

United Water Rhode Island, Inc.
 Historical Test Year Operation and Maintenance Expenses by Cost Element
 For the Twelve Months Ended December 31, 2010

Exh 4 Sch 14 Exh 4 Sch 15 Exh 4 Sch 16 Exh 4 Sch 17

Line No.	Account No.	Description	Rents	Outside Services	Regulatory Commission	Other O&M	Adjusted Test Year Per Books 12/31/2010
79		<u>Administrative and General Expenses</u>					
80		<u>Operation</u>					
81	920	Administrative and General Salaries				\$ -	\$ 179,551
82	921	Office Supplies and Other Expenses				26,341	28,154
83	922	Administrative Expenses Transferred				-	(288,497)
84	923	Outside Services Employed		\$ 255,209		-	255,209
85	924	Property Insurance				-	45,601
86	925	Injuries and Damages				-	12,344
87	926	Employee Pension and Benefits				-	300,366
88	928	Regulatory Commission Expenses			\$ 6,940	-	6,940
89	930	Miscellaneous General Expenses				30,009	47,685
90	931	Rents	\$ 21,500			-	21,500
91		Total Operation	\$ 21,500	\$ 255,209	\$ 6,940	\$ 56,350	\$ 608,853
92							
93		<u>Maintenance</u>					
94	932	Maintenance of General Plant				\$ 1,746	\$ 9,102
95		Total Administrative and General Expenses	\$ 21,500	\$ 255,209	\$ 6,940	\$ 58,096	\$ 617,955
96							-
97		Total Operation and Maintenance Expenses	\$ 28,006	\$ 297,498	\$ 6,940	\$ 211,667	\$ 1,816,435
98							
99		References:					
100		(a) Accounts 621 and 623:					
101		Account 621 - \$1,567 charged incorrectly,					
102		transfer to account # 623.					
103		(b) Accounts 903 and 904:					
104		Transfer Direct Labor, \$14,206 and Fringe Benefits					
105		Transferred, \$8,470. Amounts incorrectly charged					
106		to Uncollectible Account #904. Transfer to a/c#					
107		903 Customer Records & Coll Expenses-Labor.					

Exh 4 Sch 17

Line No.	Account No.	Description	Other O&M	Rate Year Operation and Maintenance Expenses	Adjustments
1		<u>Source of Supply Expenses</u>			
2		<u>Operation</u>			
3	600	Operation Supervision and Engineering		\$ 2,990	\$ (145)
4	601	Operation Labor and Expenses		3,759	(219)
5	602	Purchased Water		-	-
6	603	Miscellaneous Expenses		-	-
7	604	Rents		-	-
8		Total Operation	\$ -	\$ 6,749	
9					
10		<u>Maintenance</u>			
11	614	Maintenance of Wells and Springs		\$ -	-
12	616	Maintenance of Supply Mains		-	-
13	617	Maintenance of Miscellaneous Water Source Plant		-	-
14		Total Maintenance	\$ -	\$ -	
15		Total Source of Supply Expenses	\$ -	\$ 6,749	
16					
17		<u>Pumping Expenses</u>			
18		<u>Operation</u>			
19	620	Operation Supervision and Engineering		\$ -	-
20	621	Fuel for Power Production	\$ 648	747	648
21	623	Fuel or Power Purchased for Production		185,457	(29,660)
22	624	Pumping Labor and Expenses	(14,696)	72,889	(18,095)
23	626	Miscellaneous Expenses	2,121	4,660	2,121
24	627	Rents		-	-
25		Total Operation	\$ (11,927)	\$ 263,753	
26					
27		<u>Maintenance</u>			
28	630	Maintenance Supervision and Engineering		\$ -	-
29	631	Maintenance of Structures and Improvements	\$ 43	43	43
30	632	Maintenance of Power Production Equipment	(2,342)	1,231	(2,342)
31	633	Maintenance of Pumping Equipment	(6,579)	18,121	(7,261)
32		Total Maintenance	\$ (8,879)	\$ 19,395	
33		Total Pumping Expenses	\$ (20,806)	\$ 283,147	
34					

United Water Rhode Island, Inc.
Rate Year Adjustments to Operation and Maintenance Expenses

			Exh 4 Sch 2	Exh 4 Sch 3	Exh 4 Sch 4	Exh 4 Sch 5	Exh 4 Sch 6	Exh 4 Sch 7	Exh 4 Sch 8	
Line No.	Account No.	Description	Adjusted Year	Test Payroll	Fringe Benefits	Purch Power	Chemicals	Pension	PEBOP	Employee Health & Welfare
35		<u>Water Treatment Expenses</u>								
36		<u>Operation</u>								
37	640	Operation Supervision and Engineering	\$ -							
38	641	Chemicals	60,710				\$ 4,867			
39	642	Operation Labor and Expenses	64,671	\$ (729)	\$ (1,593)					
40	643	Miscellaneous Expenses	28,692							
41		Total Operation	\$ 154,073	\$ (729)	\$ (1,593)	\$ -	\$ 4,867	\$ -	\$ -	\$ -
42										
43		<u>Maintenance</u>								
44	652	Maintenance of Water Treatment Equipment	\$ 3,509							
45		Total Maintenance	\$ 3,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
46		Total Water Treatment Expenses	\$ 157,582	\$ (729)	\$ (1,593)	\$ -	\$ 4,867	\$ -	\$ -	\$ -
47										
48		<u>Transmission and Distribution Expenses</u>								
49		<u>Operation</u>								
50	660	Operation Supervision and Engineering	\$ 104,167	\$ (1,565)	\$ (3,254)					
51	662	Transmission and Distribution Lines Expenses	69,696	(752)	(1,620)					
52	663	Meter Expenses	40,764	(626)	(1,266)					
53	665	Miscellaneous Expenses	89,309	(1,015)	(2,273)	\$ 1,220				
54	666	Rents	-							
55		Total Operation	\$ 303,936	\$ (3,958)	\$ (8,414)	\$ 1,220	\$ -	\$ -	\$ -	\$ -
56										
57		<u>Maintenance</u>								
58	670	Maintenance Supervision and Engineering	\$ 2,604	\$ (40)	\$ (83)					
59	671	Maintenance of Structures and Improvements	13,333	(160)	(429)					
60	672	Maintenance of Dist. Reservoirs & Standpipes	-							
61	673	Maintenance of Trans. & Distribution Mains	32,786	(460)	(962)					
62	674	Maintenance of Fire Mains	-							
63	675	Maintenance of Services	7,560							
64	676	Maintenance of Meters	-							
65	677	Maintenance of Hydrants	5,281	(54)	(116)					
66	678	Maintenance of Miscellaneous Plant	-							
67		Total Maintenance	\$ 61,564	\$ (714)	\$ (1,590)	\$ -	\$ -	\$ -	\$ -	\$ -
68		Total Transmission & Distribution Expenses	\$ 365,500	\$ (4,672)	\$ (10,004)	\$ 1,220	\$ -	\$ -	\$ -	\$ -

United Water Rhode Island, Inc.
Rate Year Adjustments to Operation and Maintenance Expenses

			Exh 4 Sch 9	Exh 4 Sch 10	Exh 4 Sch 11	Exh 4 Sch 12	Exh 4 Sch 13	Exh 4 Sch 14	Exh 4 Sch 15	Exh 4 Sch 16
Line No.	Account No.	Description	Tank Painting	Transportation	Insurance	Customer Information / Billing	Rate Case Expenses	Rent	Outside Services	Regulatory Commission
35		<u>Water Treatment Expenses</u>								
36		<u>Operation</u>								
37	640	Operation Supervision and Engineering								
38	641	Chemicals								
39	642	Operation Labor and Expenses		\$ (537)						
40	643	Miscellaneous Expenses								
41		Total Operation	\$ -	\$ (537)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42										
43		<u>Maintenance</u>								
44	652	Maintenance of Water Treatment Equipment								
45		Total Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
46		Total Water Treatment Expenses	\$ -	\$ (537)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47										
48		<u>Transmission and Distribution Expenses</u>								
49		<u>Operation</u>								
50	660	Operation Supervision and Engineering		\$ (1,152)						
51	662	Transmission and Distribution Lines Expenses		(554)						
52	663	Meter Expenses		(461)						
53	665	Miscellaneous Expenses		(747)						
54	666	Rents								
55		Total Operation	\$ -	\$ (2,913)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
56										
57		<u>Maintenance</u>								
58	670	Maintenance Supervision and Engineering		\$ (29)						
59	671	Maintenance of Structures and Improvements		(118)						
60	672	Maintenance of Dist. Reservoirs & Standpipes	\$ 38,574							
61	673	Maintenance of Trans. & Distribution Mains		(339)						
62	674	Maintenance of Fire Mains								
63	675	Maintenance of Services								
64	676	Maintenance of Meters								
65	677	Maintenance of Hydrants		(40)						
66	678	Maintenance of Miscellaneous Plant								
67		Total Maintenance	\$ 38,574	\$ (525)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
68		Total Transmission & Distribution Expenses	\$ 38,574	\$ (3,438)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Exh 4 Sch 17

Line No.	Account No.	Description	Other O&M	Rate Year Operation and Maintenance Expenses	Adjustments
35		<u>Water Treatment Expenses</u>			
36		<u>Operation</u>			
37	640	Operation Supervision and Engineering		\$ -	-
38	641	Chemicals		65,577	4,867
39	642	Operation Labor and Expenses	\$ 3,823	65,634	963
40	643	Miscellaneous Expenses	1,479	30,171	1,479
41		Total Operation	\$ 5,302	\$ 161,382	
42					
43		<u>Maintenance</u>			
44	652	Maintenance of Water Treatment Equipment	\$ 1,012	\$ 4,521	1,012
45		Total Maintenance	\$ 1,012	\$ 4,521	
46		Total Water Treatment Expenses	\$ 6,314	\$ 165,903	
47					
48		<u>Transmission and Distribution Expenses</u>			
49		<u>Operation</u>			
50	660	Operation Supervision and Engineering		\$ 98,196	(5,971)
51	662	Transmission and Distribution Lines Expenses	\$ (7,806)	58,964	(10,732)
52	663	Meter Expenses	3	38,414	(2,350)
53	665	Miscellaneous Expenses	(3,458)	83,036	(6,273)
54	666	Rents		-	-
55		Total Operation	\$ (11,261)	\$ 278,610	
56					
57		<u>Maintenance</u>			
58	670	Maintenance Supervision and Engineering	\$ (4)	\$ 2,448	(156)
59	671	Maintenance of Structures and Improvements	538	13,164	(169)
60	672	Maintenance of Dist. Reservoirs & Standpipes		38,574	38,574
61	673	Maintenance of Trans. & Distribution Mains	922	31,947	(839)
62	674	Maintenance of Fire Mains		-	-
63	675	Maintenance of Services	3,230	10,790	3,230
64	676	Maintenance of Meters		-	-
65	677	Maintenance of Hydrants	(672)	4,401	(880)
66	678	Maintenance of Miscellaneous Plant	805	805	805
67		Total Maintenance	\$ 4,819	\$ 102,128	
68		Total Transmission & Distribution Expenses	\$ (6,441)	\$ 380,738	

United Water Rhode Island, Inc.
Rate Year Adjustments to Operation and Maintenance Expenses

			Exh 4 Sch 2	Exh 4 Sch 3	Exh 4 Sch 4	Exh 4 Sch 5	Exh 4 Sch 6	Exh 4 Sch 7	Exh 4 Sch 8	
Line No.	Account No.	Description	Adjusted Year	Test Payroll	Fringe Benefits	Purch Power	Chemicals	Pension	PEBOP	Employee Health & Welfare
69										
70		Customer Accounts Expenses								
71		<u>Operation</u>								
72	901	Supervision	\$ -							
73	902	Meter Reading Salaries	115,605	\$ (1,628)	\$ (3,544)					
74	903	Customer Records & Coll. Expenses-Labor	197,634	(1,480)	(3,172)					
75	904	Uncollectible Accounts	-							
76	905	Miscellaneous Customer Account Expense	17,352	(107)	(253)					
77		Total Customer Accounts Expenses	\$ 330,591	\$ (3,215)	\$ (6,969)	\$ -	\$ -	\$ -	\$ -	\$ -
78										
79		Administrative and General Expenses								
80		<u>Operation</u>								
81	920	Administrative and General Salaries	\$ 179,551	\$ (6,746)						
82	921	Office Supplies and Other Expenses	28,154							
83	922	Administrative Expenses Transferred	(288,497)		\$ (4,413)					
84	923	Outside Services Employed	255,209							
85	924	Property Insurance	45,601							
86	925	Injuries and Damages	12,344							
87	926	Employee Pension and Benefits	300,366				\$ (27,227)	\$ (12,436)	\$ 31,769	
88	928	Regulatory Commission Expenses	6,940							
89	930	Miscellaneous General Expenses	47,685							
90	931	Rents	21,500							
91		Total Operation	\$ 608,853	\$ (6,746)	\$ (4,413)	\$ -	\$ (27,227)	\$ (12,436)	\$ 31,769	
92										
93		<u>Maintenance</u>								
94	932	Maintenance of General Plant	\$ 9,102	\$ (117)	\$ (261)					
95		Total Administrative and General Expenses	\$ 617,955	\$ (6,864)	\$ (4,674)	\$ -	\$ (27,227)	\$ (12,436)	\$ 31,769	
96										
97		Total Operation and Maintenance Expenses	\$ 1,816,435	\$ (16,658)	\$ (25,641)	\$ (28,439)	\$ 4,867	\$ (27,227)	\$ (12,436)	\$ 31,769

United Water Rhode Island, Inc.
Rate Year Adjustments to Operation and Maintenance Expenses

		Exh 4 Sch 9	Exh 4 Sch 10	Exh 4 Sch 11	Exh 4 Sch 12	Exh 4 Sch 13	Exh 4 Sch 14	Exh 4 Sch 15	Exh 4 Sch 16	
Line No.	Account No.	Description	Tank Painting	Transportation	Insurance	Customer Information / Billing	Rate Case Expenses	Rent	Outside Services	Regulatory Commission
69										
70		Customer Accounts Expenses								
71		<u>Operation</u>								
72	901	Supervision								
73	902	Meter Reading Salaries		\$ (1,198)						
74	903	Customer Records & Coll. Expenses-Labor		(1,089)		\$ 659				
75	904	Uncollectible Accounts								
76	905	Miscellaneous Customer Account Expense		(78)						
77		Total Customer Accounts Expenses	\$ -	\$ (2,366)	\$ -	\$ 659	\$ -	\$ -	\$ -	\$ -
78										
79		Administrative and General Expenses								
80		<u>Operation</u>								
81	920	Administrative and General Salaries		\$ (4,964)						
82	921	Office Supplies and Other Expenses								
83	922	Administrative Expenses Transferred								
84	923	Outside Services Employed						\$ 3,140		
85	924	Property Insurance			\$ (1,301)					
86	925	Injuries and Damages			1,557					
87	926	Employee Pension and Benefits								
88	928	Regulatory Commission Expenses					\$ 106,833			\$ 368
89	930	Miscellaneous General Expenses								
90	931	Rents						\$ (4,864)		
91		Total Operation	\$ -	\$ (4,964)	\$ 256	\$ -	\$ 106,833	\$ (4,864)	\$ 3,140	\$ 368
92										
93		<u>Maintenance</u>								
94	932	Maintenance of General Plant		\$ (86)						
95		Total Administrative and General Expenses	\$ -	\$ (5,050)	\$ 256	\$ -	\$ 106,833	\$ (4,864)	\$ 3,140	\$ 368
96										
97		Total Operation and Maintenance Expenses	\$ 38,574	\$ (12,257)	\$ 256	\$ 659	\$ 106,833	\$ (4,864)	\$ 3,140	\$ 368

Exh 4 Sch 17

Line No.	Account No.	Description	Other O&M	Rate Year Operation and Maintenance Expenses	Adjustments
69					
70		Customer Accounts Expenses			
71		<u>Operation</u>			
72	901	Supervision		\$ -	-
73	902	Meter Reading Salaries	\$ (77)	109,157	(6,448)
74	903	Customer Records & Coll. Expenses-Labor	(1,104)	191,448	(6,186)
75	904	Uncollectible Accounts		-	-
76	905	Miscellaneous Customer Account Expense	(3,031)	13,884	(3,468)
77		Total Customer Accounts Expenses	\$ (4,211)	\$ 314,489	
78					
79		Administrative and General Expenses			
80		<u>Operation</u>			
81	920	Administrative and General Salaries		\$ 167,841	(11,710)
82	921	Office Supplies and Other Expenses	\$ 2,060	30,214	2,060
83	922	Administrative Expenses Transferred		(292,910)	(4,413)
84	923	Outside Services Employed		258,349	3,140
85	924	Property Insurance		44,300	(1,301)
86	925	Injuries and Damages		13,901	1,557
87	926	Employee Pension and Benefits		292,472	(7,894)
88	928	Regulatory Commission Expenses		114,141	107,201
89	930	Miscellaneous General Expenses	24,125	71,810	24,125
90	931	Rents		16,636	(4,864)
91		Total Operation	\$ 26,185	\$ 716,755	
92					
93		<u>Maintenance</u>			
94	932	Maintenance of General Plant	\$ 664	\$ 9,302	200
95		Total Administrative and General Expenses	\$ 26,849	\$ 726,057	
96					
97		Total Operation and Maintenance Expenses	\$ 1,705	\$ 1,877,083	60,648

United Water Rhode Island, Inc.
Wages and Salaries Expense
Various Account Numbers
For the Rate Year

Exhibit 4 (Lippai)
Schedule 2
Page 1 of 1

Purpose and Description: To normalize Historical Test Year salaries for pay increase effective April 2011 and projected pay increase effective April 2012. See "Exhibit 4 Schedule 2A Page 3 of 4" and "Exhibit 4 Schedule 1C" for account number allocation.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Rate Year Payroll Expense	\$ 535,903
2		
3	Historical Test Year Per Books	<u>552,561</u>
4		
5	Payroll Adjustment	<u>\$ (16,658)</u>

United Water Rhode Island, Inc.
Wages and Salaries Expense Workpapers
Various Account Numbers
For the Rate Year

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Overtime:

Year	Overtime
2008	\$ 65,085
2009	71,612
2010	<u>60,102</u>
	<u>196,799</u>
Average (3 Yr)	<u>65,600</u>
Overtime with 2.7% Increase	<u>\$ 67,371</u>

Employee ID	Job Title	FLSA	Projected 2012 Base Salary Reflecting 2.7% Increase	Overtime Allocation as a Percentage of Base Pay	Rate Year Overtime with 2.7% Increase
0000000023	Equipment Operator	N	\$ 50,349	14.97%	\$ 10,085
00001174822	Service Person	N	46,782	13.91%	9,370
00000000193	Utility Person	N	48,341	14.37%	9,682
00000002868	Meter Reader	N	45,180	13.43%	9,049
00000000039	Production Chief	N	54,942	16.33%	11,005
00000000035	Sr Customer Service Rep	N	47,508	14.12%	9,516
00000000033	Sr Customer Service Rep	N	43,257	12.86%	8,664
			<u>\$ 336,360</u>	<u>100.00%</u>	<u>67,371</u>
					<u>\$ 67,371</u>

Labor Capitalized/Transferred Out:

	Rate Year
Total Labor	\$ 679,093
Capitalized/Transferred Out Rate (See "Exhibit 4 Schedule 2B")	<u>-22.53%</u>
Rate Year Capitalized/Transferred Out	<u>\$ (152,968)</u>

United Water Rhode Island, Inc.
Wages and Salaries Expense Workpapers
Various Account Numbers
For the Rate Year

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Labor Transferred in:	
	Rate Year
Total Labor	\$ 679,093
Transferred in Rate (See "Exhibit 4 Schedule 2B")	<u>1.44%</u>
Rate Year Transferred In	<u>\$ 9,778</u>

Account Number	Historical Test Year Labor Costs	Allocation %	Rate Year Adjustment
600	\$ 3,135	0.50%	\$ (83)
601	2,133	0.34%	(57)
624	32,452	5.18%	(862)
633	6,595	1.05%	(175)
642	27,451	4.38%	(729)
660	58,901	9.40%	(1,565)
662	28,309	4.52%	(752)
663	23,557	3.76%	(626)
665	38,194	6.09%	(1,015)
670	1,496	0.24%	(40)
671	6,027	0.96%	(160)
673	17,321	2.76%	(460)
677	2,021	0.32%	(54)
902	61,265	9.77%	(1,628)
903	55,699	8.89%	(1,480)
905	4,013	0.64%	(107)
920	253,853	40.50%	(6,746)
932	4,420	0.71%	(117)
Total	\$ 626,842	100.00%	\$ (16,658)
Payroll Adjustment (Exhibit 4 Schedule 2)			<u>\$ (16,658)</u>

United Water Rhode Island, Inc.
Wages and Salaries Expense Workpapers
Various Account Numbers
For the Rate Year

[-----Payroll Taxes-----]

Line No.	Proforma Year Labor	FICA	Medicare	State Unemployment	Federal Unemployment	Total Payroll Taxes
1	\$ 67,491	\$ 4,184	\$ 979	\$ 418	\$ 56	
2	86,495	5,363	1,254	418	56	
3	114,649	6,863	1,662	418	56	
4	61,441	3,809	891	418	56	
5	57,088	3,539	828	418	56	
6	58,991	3,657	855	418	56	
7	55,133	3,418	799	418	56	
8	67,045	4,157	972	418	56	
9	57,974	3,594	841	418	56	
10	52,787	3,273	765	418	56	
11	-					
12	<u>\$ 679,093</u>	<u>\$ 41,859</u>	<u>\$ 9,847</u>	<u>\$ 4,180</u>	<u>\$ 560</u>	<u>\$ 56,446</u>

United Water Rhode Island, Inc.
Expense and Transferred In Percentages

Exhibit 4 (Lippai)
Schedule 2B
Page 1 of 1

Line
No.

1			12 Mos End	[-----Calendar Year-----]			
2			12/31/2010	2010	2009	2008	3 Yr Avg
3							
4	Gross Payroll	(a)	\$ 626,842	\$ 626,842	\$ 569,455	\$ 617,733	\$ 604,677
5	-Capitalized	(b)	(86,650)	(86,650)	(148,974)	(172,992)	(136,205)
6	-Transferred to Other BU's	(c)	-	-	-	-	-
7	Net Payroll	(d)	<u>\$ 540,192</u>	<u>\$ 540,192</u>	<u>\$ 420,481</u>	<u>\$ 444,741</u>	<u>\$ 468,471</u>
8							
9	Expense Rate	(d) / (a)	<u>86.18%</u>	<u>86.18%</u>	<u>73.84%</u>	<u>72.00%</u>	<u>77.47%</u>
10							
11							
12	Capitalized/Transferred Out	(b) & (c)	<u>\$ (86,650)</u>	<u>\$ (86,650)</u>	<u>\$ (148,974)</u>	<u>\$ (172,992)</u>	<u>\$ (136,205)</u>
13							
14	Capitalized/Transferred Out Rate	(b) & (c) / (a)	<u>13.82%</u>	<u>13.82%</u>	<u>26.16%</u>	<u>28.00%</u>	<u>22.53%</u>
15							
16							
17	Transferred in	(c)	<u>\$ 12,369</u>	<u>\$ 12,369</u>	<u>\$ 12,491</u>	<u>\$ 1,259</u>	<u>\$ 8,706</u>
18							
19	Transferred in Rate	(c) / (a)	<u>1.97%</u>	<u>1.97%</u>	<u>2.19%</u>	<u>0.20%</u>	<u>1.44%</u>
20							

United Water Rhode Island, Inc.
Fringe Benefits Transferred Expense
Various Account Numbers
For the Rate Year

Exhibit 4 (Lippai)
Schedule 3
Page 1 of 1

Purpose and Description: To adjust fringe benefits transferred out/capitalized based on Rate Year fringe benefits amount of \$375,382. See "Exhibit 4 Schedule 3A" and "Exhibit 4 Schedule 1C" for account number allocation.

Line No.	Description	Amount
1	Rate Year Fringe Benefits Transferred Out	\$ (79,151)
2		
3	Test Year Fringe Benefits Transferred Out Per Books	<u>(53,510)</u>
4		
5	Test Year Adjustment to Fringe Benefits Transferred Out	<u>\$ (25,641)</u>

United Water Rhode Island, Inc.
 Fringe Benefits Transferred Allocation
 For the Test Year Ended 12/31/2010 and Rate Year

Line No.	Acct No.	Account Description	Test Year Per Books	Fringe Benefits Capitalized (14.11%)	Rate Year Amount	Fringe Benefits Capitalized (21.09%)
1	70251	FICA Taxes	\$ 44,704	\$ (6,309)	\$ 51,706	\$ (10,902)
2	70252	Federal Unemployment Taxes	573	(81)	560	(118)
3	70253	State Unemployment Taxes	3,496	(493)	4,180	(881)
4	91460	Worker compensation	12,343	(1,742)	13,900	(2,931)
5	91500	Employee Pension Cost	126,294	(17,824)	99,067	(20,889)
6	91550	Post Retirement Health Care Accrued	60,754	(8,574)	60,881	(12,837)
7	91700	Employee Group Health & Life	88,952	(12,554)	122,599	(25,851)
8	91800	Employee 401K	12,589	(1,777)	13,257	(2,795)
9	91850	Other Employee Benefits	11,778	(1,662)	9,232	(1,947)
10	92056	Amortization of OPEB Costs	17,676	(2,495)	- (a)	-
11		Total Fring Benefit Costs Subject to Allocation	<u>\$ 379,159</u>	<u>\$ (53,510)</u>	<u>\$ 375,382</u>	<u>\$ (79,151)</u>
12						
13		Fringe Benefits transferred to various accounts	\$ 234,987		\$ 213,759	
14		Fringe benefits related to A&G salaries	90,662		82,472	
15		Fringe benefits Capitalized/Transferred Out	53,510		79,151	
16						
17		Total Fringe Benefits Allocated	<u>\$ 379,159</u>		<u>\$ 375,382</u>	

18
 19 Reference:
 20 (a) fully amortized September 2012

21
 22
 23 Fringe Benefits Allocated by PSC A/C#
 24 For the Period 1/1/2010 - 12/31/2010

	A/C#	Test Year Per Books	% to Total	Rate Year Amount	Adjustment
25					
26	601	\$ 1,337	0.41%	\$ 1,216	\$ (121)
27	624	21,060	6.47%	19,157	(1,903)
28	633	4,178	1.28%	3,801	(377)
29	642	17,639	5.42%	16,046	(1,593)
30	660	36,023	11.06%	32,769	(3,254)
31	662	17,936	5.51%	16,316	(1,620)
32	663	14,019	4.30%	12,753	(1,266)
33	665	25,160	7.73%	22,887	(2,273)
34	670	918	0.28%	835	(83)
35	671	4,753	1.46%	4,324	(429)
36	673	10,652	3.27%	9,690	(962)
37	677	1,279	0.39%	1,163	(116)
38	902	39,235	12.05%	35,691	(3,544)
39	903	35,118	10.78%	31,946	(3,172)
40	905	2,796	0.86%	2,543	(253)
41	932	2,884	0.89%	2,623	(261)
42					
43		<u>234,987</u>		<u>213,759</u>	<u>(21,228)</u>
44					
45	920	<u>90,662</u>	<u>27.84%</u>	<u>82,472</u>	<u>(8,190)</u>
46					
47		325,649		296,231	(29,418)
48					
49		<u>379,159</u>	<u>100.00%</u>	<u>375,382</u>	<u>(3,777)</u>
50					
51					
52		<u>\$ (53,510)</u>		<u>\$ (79,151)</u>	<u>\$ (25,641)</u>
53					
54	% Capitalized	<u>-14.11%</u>		<u>-21.09%</u>	<u>-21.09%</u>
55					

**United Water Rhode Island, Inc.
Purchased Power Expense
Account Number 623
For the Rate Year**

**Exhibit 4 (Lippai)
Schedule 4
Page 1 of 1**

Purpose and Description: To adjust cost of power to reflect Rate Year production based upon revenue projections and projected price changes. The transmission/distribution of power is provided to United Water Rhode Island, Inc. by National Grid. To determine Rate Year transmission/distribution costs, the inflation rate was applied to current 2010 unit costs. The Rate Year commodity portion of the power is based upon a contract price established with Constellation New Energy. The contract is valid from May 2011 through December 2013.

Line No.	Description	<u>Amount</u>		
1	Rate Year Power Costs:			
2	- Commodity/Distribution	\$ 185,457		
3	- Other - lighting	<u>2,567</u>	\$ 188,025	
4				
5				
6	Test Year Historical Power Costs Per Books:			
7	- Commodity/Distribution	215,117		
8	- Other - lighting	<u>1,347</u>	<u>216,464</u>	
9				
10	Power Cost Adjustment		<u>\$ (28,439)</u>	
11				
12				
13	Summary:			
14		Account	Test Year	
15	Power Costs	a/c# 623	\$ 215,117	
16	Other - lighting	a/c# 665	1,347	
17			<u>\$ 216,464</u>	
18			\$ (29,660)	
19			<u>\$ 188,025</u>	
20	Historical Information:			
21	Transmission/Distribution:			
22		kWh	Production	
23	2008	1,674,800	(MG)	
24	2009	1,547,953	1,105.32	
25	2010	<u>1,708,944</u>	1,045.75	
26	Three Year Average	<u>1,643,899</u>	1,128.95	
27			<u>1,093.34</u>	
28	Rate Year	1,696,296	1,503.07	
29				
30				
31	Other - lighting:			
32		kWh		
33	2008	23,457		
34	2009	22,121		
35	2010	<u>24,866</u>		
36	Three Year Average	<u>23,481</u>		
37				
38	Rate Year	23,481		
39				
40				
41	Total Historical Information:			
42		kWh		
43	2008	1,698,257		
44	2009	1,570,074		
45	2010	<u>1,733,810</u>		
46				
47	Rate Year			
48	Transmission/Distribution	1,696,296		
49	Other - lighting	<u>23,481</u>		
50	Total	<u>1,719,777</u>		
51				
52				
53	Rate Year:			
54		Current Unit Price \$/kWh	Rate Year Unit Price \$/kWh	
55	Commodity (Constellation New Energy) (a)	\$ 0.126	\$ 0.06800	
56			Rate Year kWh	
57	Distribution (National Grid) (b)	\$ 0.0400	\$ 0.04133	
58			Rate Year Cost	
59	Other - lighting	\$ 0.16588	\$ 0.10933	
60			1,696,296	
61	Rate Year Power Costs		<u>23,481</u>	
62			<u>\$ 188,025</u>	
63	(a) Rate Year unit cost based upon contract executed with Constellation new Energy to be effective May 2011 through December 2013.			
64	(b) Rate Year unit cost determined by applying inflation rate to current 2010 unit costs.			

United Water Rhode Island, Inc.
Chemical Expense
Account Number 641

Exhibit 4 (Lippai)
Schedule 5
Page 1 of 1

Purpose and Description: To adjust chemical costs to reflect Rate Year production based upon revenue projections and projected price changes. The Company's Procurement Department provided the projected prices based upon bid prices.

Line No.	Description	Amount
1	Rate Year Chemical Expense (See "Exhibit 4 Schedule 5A")	\$ 65,577
2		
3	Adjusted Test Year Chemical Expense Per Books	<u>60,710</u>
4		
5	Adjustment	<u>\$ 4,867</u>

**United Water Rhode Island, Inc.
Chemical Costs
For the Rate Year**

Line
No.

Chemical Usage				
Chemical Name	2008	2009	2010	Total
Lime (pounds)	106,350	110,350	115,050	331,750
Sodium Hypochlorite (gallons)	6,001	6,203	7,971	20,175
Nalco C-9 (pounds)	25,191	28,374	27,185	80,750
Chemical Expense				

Average Usage Per MG	Rate Year Unit Cost	Rate Year Costs
101.14	\$ 0.15	\$ 17,430
6.15	\$ 1.48	10,247
24.62	\$ 1.36	37,900
		<u>\$ 65,577</u>

Production(MG) (Subject to Chemical Treatment)					
	2008	2009	2010	Total	Rate Year
Production(MG) (Subject to Chemical Treatment)	1,105.32	1,045.75	1,128.95	3,280.02	1,128.558

	Test Year Unit Costs (a)	2011 Unit Costs (b)	Rate Year Unit Costs (c)
Inflation Rate			1.800%
Lime	\$ 0.14	\$ 0.15	\$ 0.15
Sodium Hypochlorite	1.33	1.45	1.48
C-9	1.32	1.34	1.36

References:

- (a) Test Year units costs based upon purchases at or as close to December 31, 2010.
- (b) 2011 chemical unit costs based on bid prices received by the Company's Procurement Department.
- (c) The projected rate year unit costs based upon inflation rate applied to 2011 unit prices using GDP Price Index for 2012.

Non-Revenue Water %:	NRW %
2008	5.44%
2009	10.09%
2010	<u>10.15%</u>
Three Year Average	<u>8.56%</u>

Computation of Water Subject to Chemical Treatment:

Billed Consumption (MG) (Per Witness Ugboaja - Exhibit 1 Schedule 5)	Rate Year 1,031.953
Non-revenue water %	<u>8.56%</u>
Total Production Subject to Chemical Treatment (MG)	<u><u>1,128.56</u></u>

United Water Rhode Island, Inc.
Pension Expense
Part of Account Number 926
For the Rate Year

Exhibit 4 (Lippai)
Schedule 6
Page 1 of 1

Purpose and Description: To reflect the level of costs determined by the Company's Actuary based on their March 2011 update.

Line No.	Description	Amount
1	FAS 87 net periodic pension costs per Aon March 2011 projections	
2	for the Rate Year	\$ 99,067
3		
4	Test Year Pension Costs Per Books	126,294
5		
6	Pension Adjustment	\$ (27,227)

United Water Rhode Island, Inc.
PEBOP (Retiree Medical) Expense
Part of Account Number 926
For the Rate Year

Exhibit 4 (Lippai)
Schedule 7
Page 1 of 1

Purpose and Description: To reflect the level of costs determined by the Company's Actuary based on their March 2011 update.

Line No.	Description	Amount
1	FAS 106 net periodic PEBOP costs per Aon March 2011 projections	
2	for the Rate Year	\$ 60,881
3		
4	Amortization of Initial Transition Obligation	5,113
5		
6		
7	Test Year PEBOP Costs Per Books	<u>78,430</u>
8		
9	PEBOP Adjustment	<u>\$ (12,436)</u>

United Water Rhode Island, Inc.
Employee Health and Welfare Expenses
Part of Account Number 926
For the Rate Year

Purpose and Description: To adjust employee health and welfare expenses. Rate year medical costs based on actual 2011 unit costs projected at a 10% increase. Life insurance and 401k adjusted for projected wage increase. Other benefits adjusted utilizing inflation rate applied to three year average. See references below.

Line No.	Description	Medical	Life	401k	Other	Total
1	Rate Year Amount					
2	- Medical	\$ 118,851 (a)				\$ 118,851
3	- Life, 401k & Other		\$ 3,749 (b)	\$ 13,257 (b)	\$ 9,232 (c)(d)	26,237
4						
5	Historical Test Year Per Books	<u>85,392</u>	<u>3,560</u>	<u>12,589</u>	<u>11,778</u>	<u>113,319</u>
6						
7	Rate Year Adjustment	<u>\$ 33,459</u>	<u>\$ 189</u>	<u>\$ 668</u>	<u>\$ (2,546)</u>	<u>\$ 31,769</u>
8						
9						
10	References:					
11	(a) Based on 2011 actual unit costs projecting a 10% increase for new rates January 2012.					
12	See "Exhibit 4 Schedule 8A".					
13						
14						
15	<u>Life and 401k:</u>					
16	(b) Based upon projected wage increase of 2.7%.					
17		Life	401k			
18	Historical Test Year Per Books	\$ 3,560	\$ 12,589			
19	Base Wage Increase April 2011	2.53%	2.53%			
20	Projected Wage Increase April 2012	2.70%	2.70%			
21	Rate Year Adjustment (b)	<u>189</u>	<u>668</u>			
22	Rate Year Amount	<u>\$ 3,749</u>	<u>\$ 13,257</u>			
23						
24						
25	<u>Other Benefits:</u>					
26		2010	2009	2008	3 Yr Avg	Rate Year
27	Long/Short Term Disability	\$ 3,283	\$ 3,391	\$ 2,672	\$ 3,115 (c)	\$ 3,219
28	Benefit Administration Fee	359	381	488	409 (c)	423
29	Medical Open Enrollment	609	682	538	610 (c)	630
30	Employee Achievement Recognition	5,527	2,943	125	2,865 (c)	2,960
31	Sub-Total	<u>9,778</u>	<u>7,397</u>	<u>3,823</u>	<u>6,999</u>	<u>7,232</u>
32						
33	Medical Waiver	<u>2,000</u>	<u>1,500</u>	<u>2,000</u>		<u>(d) 2,000</u>
34						
35	Total Other Benefits	<u>\$ 11,778</u>	<u>\$ 8,897</u>	<u>\$ 5,823</u>		<u>\$ 9,232</u>
36						
37	Inflation Rate				3.327%	
38						
39	(c) Based upon inflation rate applied to three year average.					
40	(d) Two employees opted out of medical coverage and will receive \$1,000 each annually.					

**United Water Rhode Island, Inc.
Medical Benefits
For the Rate Year**

Line No.		Test Year Number of Participants	Projected New Employees	Proforma Year Number of Participants	Employer Actual 2011 Monthly Costs	Employer Projected 2012 Monthly Costs	Total Rate Year
1						10.00%	
2							
3	<u>PPO</u>						
4	EE	2		2	\$ 418.02	\$ 459.82	\$ 11,036
5	EE+Child(ren)	1		1	752.44	827.68	9,932
6	EE+Spouse	2		2	877.84	965.62	23,175
7	Family	4		4	1,254.06	1,379.47	66,214
8							
9							
10	<u>Dental PPO</u>						
11	EE	2		2	31.64	34.80	835
12	EE+Child(ren)	1		1	69.61	76.57	919
13	EE+Spouse	3		3	66.11	72.72	2,618
14	Family	3		3	93.13	102.44	3,688
15							
16							
17	<u>Vision Basic</u>						
18	EE	1		1	1.10	1.21	15
19	EE+Child(ren)	0		0	1.71	1.88	-
20	EE+Spouse	1		1	1.83	2.01	24
21	Family	1		1	2.93	3.22	39
22							
23							
24	<u>Vision Enhanced</u>						
25	EE	1		1	1.73	1.90	23
26	EE+Child(ren)	1		1	2.70	2.97	36
27	EE+Spouse	3		3	2.89	3.18	114
28	Family	3		3	4.62	5.08	183
29							
30							
31	Rate Year Expense						<u>\$ 118,851</u>

**United Water Rhode Island, Inc.
 Tank Painting Amortization
 Part of Account Number 672
 For the Rate Year**

Purpose and Description: To adjust annual tank painting amortization costs. This adjustment includes the actual expensed costs (\$94,924) of painting the Howland Aerator tank, (\$140,812) of painting the Sherman tank and the projected expensed cost (\$150,000) of painting the Boston neck tank. The Howland Aerator and the Sherman tanks were painted in 2008. The Boston Neck tank is expected to be painted in October 2012. The costs are being amortized over a ten year period. See "Exhibit 4 Schedule 9A" for tank information.

Line No.	Description	Amount						
1	Rate Year Tank Painting Amortization	\$					38,574	
2								
3	Test Year Tank Painting Amortization Per Books						-	
4								
5	Rate Year Adjustment	\$					38,574	
6								
7								
8								
9								
10	<u>Amortization Schedule:</u>							
			Begin	End	Monthly		Test Year	Rate Year
			Amortization	Amortization	Amortization	Cost	Amortization	Amortization
11							Per Books	
12								
13								
14	<u>Projected:</u>							
15								
16	Howland Aerator Tank		01/01/12	12/31/21	\$ 791	\$ 94,924 (a)	\$ -	\$ 9,492
17								
18	Sherman Tank		01/01/12	12/31/21	1,173	140,812 (a)	-	14,081
19								
20	Boston Neck Tank		10/01/12	09/30/22	1,250	150,000 (b)	-	15,000
21								
22	Total Tank Painting Amortization						\$ -	\$ 38,574
23								
24	Reference:							
25	(a) Howland Aerator and Sherman tanks painted in 2008.							
26	(b) Boston Neck tank projected to be painted in October 2012.							

**United Water Rhode Island, Inc.
Transportation/Vehicle Expenses
Various Account Numbers
For the Rate Year**

**Exhibit 4 (Lippai)
Schedule 10
Page 1 of 1**

Purpose and Description: To normalize transportation costs based upon current fleet of vehicles.
See "Exhibit 4 Schedule 10A" for computation of adjustments and account number allocation.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Rate Year Transportation Expense	\$ 54,072
2		
3	Historical Test Year Per Books	<u>66,329</u>
4		
5	Rate Year Transportation Adjustment	<u>\$ (12,257)</u>

United Water Rhode Island, Inc.
 Transportation/Vehicle Expenses
 For the Rate Year

Line No.	Description	Test Year Per Books	Adjustment	Rate Year
1	Description			
2	Leases	\$ 36,383	\$ (3,359) (a)	\$ 33,024
3	Fuel	26,929	(2,364) (b)	24,565
4	Maintenance & Repair	8,572	(3,501) (c)	5,071
5	Insurance	4,062	138 (d)	4,200
6	Depreciation	1,569	- (e)	1,569
7	Other-Registration, plates, tolls, mileage, etc.	1,700	(336) (g)	1,364
8				
9	Total Costs	79,215	(9,422)	69,793
10	Capitalized/Transferred Out	(12,886)	(2,835)	(15,721) (h)
11	Net Transportation Expense	<u>\$ 66,329</u>	<u>\$ (12,257)</u>	<u>\$ 54,072</u>

References:

15 (a) Adjustment based upon actual leased vehicles and projected costs for replacement leases.

17 (b) Based upon three year average

18 Fuel:

19 Year

20 2008 \$ 28,909

21 2009 17,858

22 2010 26,929

23 3 Year Average \$ 24,565

25 (c) Based upon three year average inflated

26 Maintenance & Repair:

27 Year

28 2008 \$ 4,079

29 2009 2,071

30 2010 8,572

31 3 Year Average 4,907

32 Apply inflation rate 3.327% \$ 5,071

34 (d) Based upon Company history and anticipated market increases.

36 (e) Based upon depreciation worksheets

38 (f) Based upon three year average inflated

39 Other Misc:

40 Year

41 2008 \$ 867

42 2009 1,392

43 2010 1,700

44 3 Year Average 1,320

45 Apply inflation rate 0.03327 \$ 1,364

47 (h) Based upon Labor Capitalized/Transferred Out (See "Exhibit 4 Schedule 2B")

48 3 year average 22.53%

49

50

51

52

53

United Water Rhode Island, Inc.
 Transportation/Vehicle Expenses
 For the Rate Year

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Transportation Expense Adjustment Account Number Allocation:				
Account Number	Historical Test Year Labor Costs	Allocation %	Rate Year Adjustment	
600	\$ 3,135	0.50%	\$ (61)	
601	2,133	0.34%	(42)	
624	32,452	5.18%	(635)	
633	6,595	1.05%	(129)	
642	27,451	4.38%	(537)	
660	58,901	9.40%	(1,152)	
662	28,309	4.52%	(554)	
663	23,557	3.76%	(461)	
665	38,194	6.09%	(747)	
670	1,496	0.24%	(29)	
671	6,027	0.96%	(118)	
673	17,321	2.76%	(339)	
677	2,021	0.32%	(40)	
902	61,265	9.77%	(1,198)	
903	55,699	8.89%	(1,089)	
905	4,013	0.64%	(78)	
920	253,853	40.50%	(4,964)	
932	4,420	0.71%	(86)	
Total	\$ 626,842	100.00%	(12,257)	
Transportation Expense Adjustment			\$ (12,257)	

United Water Rhode Island, Inc.
Transportation Expenses - Vehicle Lease Costs
Various Account Numbers
For the Rate Year

Exhibit 4 (Lippai)
Schedule 10B
Page 1 of 1

Line No.	Lease Number	Vehicle Type	Current Monthly Lease Amount	Proforma Monthly Lease Amount	Lease Start Date	Lease End Date	Proforma Year Lease Costs
1	34343	Ford F-150	\$ 395		1/2/09	1/2/13	
2	34343	Ford F-150		\$ 360	6/1/10	6/1/14	\$ 4,320
3	34741	Ford F-350	587		2/28/09	2/28/13	
4	34741	Ford F-350		587	2/28/09	2/28/13	7,044
5	34759	Ford F-150	328		4/2/09	4/2/13	
6	34759	Ford F-150		328	4/2/09	4/2/13	3,936
7	34779	Ford Escape	397		2/1/06	2/1/10	
8	34779	Ford Escape		397	2/1/06	2/1/10	4,764
9	33820	Ford F-350	489		12/2/05	12/2/10	
10	33820	Ford F-150		360	6/1/10	6/1/14	4,320
11	34447	Ford F-150	340		3/2/08	3/2/13	
12	34447	Ford F-150		360	6/1/10	6/1/14	4,320
13	33825	Ford F-150	37		3/1/06	3/1/11	
14	33825	Ford F-150		360	6/1/10	6/1/14	4,320
15							
16	Annual Costs						\$ 33,024

Notes:

19 Vehicle leases 34343, 33820, 34447 and 33825 will be replaced in June 2011.

20 Each replacement vehicle will be a Ford F-150.

21 The estimated monthly lease costs is \$360.

**United Water Rhode Island, Inc.
Insurance
Account Numbers 924 and 925
For the Rate Year**

**Exhibit 4 (Lippai)
Schedule 11
Page 1 of 1**

Purpose and Description: To reflect changes based upon known and anticipated factors based on market trends and Company history.

Line No.	Description	A/C#	Test Year Per Books	Adjustments	Rate Year
1	General Corporate Insurance	924	\$ 42,397	\$ (997) (a)	\$ 41,400
2					
3					
4	Property	924	3,204	(304) (b)	2,900
5					
6					
7	Workers Compensation (Injuries & Damages)	925	12,343	1,557 (c)	13,900
8					
9					
10					

References:

- 12 (a) Rate Year amount based upon claims history and market changes.
- 13
- 14 (b) Rate Year amount based upon market changes and increases in insurable values.
- 15
- 16 (c) Rate Year amount based upon Company history, market rate changes and wage increases
- 17 in addition to medical costs claims that have been increasing between 4% and 6% per year.

United Water Rhode Island, Inc.
Customer Information/Billing Expense
Account Number 903
For the Rate Year

Exhibit 4 (Lippai)
Schedule 12
Page 1 of 1

Purpose and Description: To reflect costs for implementing new Customer Care and Billing System.

Line No.	Description	Amount	
1	Rate Year Customer Information/Billing Expense	\$	54,516
2			
3	Historical Test Year Per Books		53,857
4			
5	Rate Year Adjustment	\$	659
6			
7			
8			
9			
10		Per Fin'l Stmt	
11		12 Mos End	
12		12/31/2010	Rate Year
13	Customer Information System:		
14	- Fees		
15	- Billing (a)	\$ 37,442	\$ 37,900
16			
17	- Postage	16,415	16,616
18			
19	Total	\$ 53,857	\$ 54,516
20			
21	Number of bills	38,467	38,938
22	Estimated Cost per Bill	\$ 0.973	\$ 0.973
23			
24	Avg Postage Rate	\$ 0.43	\$ 0.43
25			
26			
27	References:		
28	(a) Fee for notifications included in "Billing Fee" for 12 Months Ended 12/31/2010		

United Water Rhode Island, Inc.
Rate Case Expenses
Account Number 928
For the Rate Year

Purpose and Description: To adjust rate case expenses based upon estimated cost for current filing (\$320,500) amortized over a three year period..

Line No.	Description	Amount
1	Legal	\$ 55,000
2	Internal Costs-Printing, MFR's, Testimony, Discovery, Hearings, Briefs, etc.	200,000
3	Cost of Service and Rate Design	40,000
4	Rate of Return	<u>25,500</u>
5	Total Estimated Rate Case Expenses	\$ 320,500
6		
7	Amortization Period (3 Years)	<u>3</u>
8		
9	Rate Year Estimated Rate Case Expenses	\$ 106,833
10		
11	Historical Test Year Rate Case Expense Per Books	<u>-</u>
12		
13	Rate Case Expense Adjustment	<u><u>\$ 106,833</u></u>

United Water Rhode Island, Inc.
Rent Expense
Account Number 931
For the Rate Year

Exhibit 4 (Lippai)
Schedule 14
Page 1 of 1

Purpose and Description: To normalize rent expense based upon current agreements and projecting a 4% increase in office rent.

Line No.	Account Number	Description	Amount
1		Rate Year Rent Expense:	
2			
3	931	Office - 17 Arnold Street, Wakefield, RI	\$ 23,142
4			
5		Historical Test Year Rent Expense Per Books (a)	<u>28,006</u>
6			
7		Rent Expense Adjustment	<u>\$ (4,864)</u>

References:

(a) UWRI leases a transmission line that provides water to the Indian Lake Shore Development which was experiencing water quality issues. The Development received a loan from Farmer's Home Administration in order to tie into UWRI's water system. The line was subsequently turned over to UWRI who in turn pays this annual loan payment to the Indian Lake Shore Development who in turn pays Farmers Home Administration. The last installment on the loan is in March 2012. This line will then be recorded on the books of UWRI in utility plant.

Office - 17 Arnold Street, Wakefield, RI			
Per lease Agreement (1/1/09 - 12/31/11):			
- 2010	\$	21,500	
- 2011		22,252	
Projected			
- 2011 lease payment	\$	22,252	
Projected increase (a)		4.00%	
Rate Year Rent Expense			
	\$	23,142	
Reference:			
(a) Projected 4% increase is consistent with past increases.			

**United Water Rhode Island, Inc.
Outside Services
Account Number 923
For the Rate Year**

**Exhibit 4 (Lippai)
Schedule 15
Page 1 of 1**

Purpose and Description: To normalize costs related to Outside Service expense. See "Exhibit 4 Schedule 15A" for computation and explanation of adjustments.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Rate Year Outside Services Expense	\$ 300,638
2		
3	Historical Test Year Per Books	<u>297,498</u>
4		
5	Outside Services Adjustment	<u>\$ 3,140</u>

United Water Rhode Island, Inc.
Outside Services
Account Number 923
For the Rate Year

Line No.	Description	Test Year Per Books	Adjustment	Rate Year
1	M & S Fees:	\$ 213,485	\$ 18,980 (a)	\$ 232,465
2				
3	Accounting & Auditing	5,403	180 (b)	5,583
4	Legal	688	1,512 (c)	2,200
5	Information Systems	14,686	489 (b)	15,175
6	Temporary Help	42,289	(22,929) (d)	19,360
7	Other	5,720	4,403 (e)	10,123
8	Mgmt Fee (R&I Alliance)	15,227	507 (b)	15,734
9				
10	Total	\$ 297,498	\$ 3,140	\$ 300,638

References:

14	(a)	Based on projected wage increase applied to 2011 Budget.		
15				
16		2011 Budget		\$ 226,353
17		Projected 2012 wage increase		2.70%
18				
19		Rate Year M&S Fees		<u>\$ 232,465</u>
20				
21	(b)	Adjustment based on applying inflation rate		
22		Inflation Rate of	3.327%	
23				
24	(c)	Based upon projected projects		
25				
26	(d)	1 Temp for 5 months at \$22 per hour	\$ 19,360	
27				
28		22 weeks or 880 hours	880	
29		Rate per hour	\$ 22	
30				
31		Temp is in Customer Service Rep area while training of current employees in new billing system		
32				
33	(e)	Based upon three year average inflated		
34		Other - Outside Services:		
35		Year		
36		2008	\$ 15,695	
37		2009	7,976	
38		2010	5,720	
39		3 Year Average	<u>9,797</u>	
40		Apply inflation rate	3.327%	<u>\$ 10,123</u>

United Water Rhode Island, Inc.
Regulatory Commission Expense
Part of Account Number 928
For the Rate Year

Exhibit 4 (Lippai)
Schedule 16
Page 1 of 1

Purpose and Description: Rate Year adjustment based upon assessment rate per the most recent Division of Public Utilities Statement.

Line No.	Description	Rate Year
1	Current Year Assessment:	
2	Revenue Reported to PUC	
3	Fiscal year 2009	\$ 2,694,102
4	Assessment	\$ 6,939.64
5		
6	Assessment Rate	0.25759%
7		
8	Revenues	<u>\$ 2,858,302</u>
9		
10	Assessment	\$ 7,363
11		
12	Test Year Amount Per Books	<u>6,995</u>
13		
14	Adjustment	<u><u>\$ 368</u></u>

United Water Rhode Island, Inc.
Other Operation and Maintenance Expenses
Various Account Numbers
For the Rate Year

Exhibit 4 (Lippai)
Schedule 17
Page 1 of 1

Purpose and Description: To apply a 3.327% inflation factor per the Blue Chip Financial Forecast to Operation and Maintenance Expenses not specifically adjusted.
See "Exhibit 4 Schedule 17A" for computation.
See "Exhibit 4 Schedule 17A" and "Exhibit 4 Schedule 1C" for account number allocation.

Line No.	Description	Amount
1	Rate Year Other Operation and Maintenance Expenses	\$ 213,372
2		
3	Historical Test Year Operation and Maintenance Expenses Per Books	<u>211,667</u>
4		
5	Other Operation and Maintenance Expenses Adjustment	<u><u>\$ 1,705</u></u>

United Water Rhode Island, Inc.
Other Operation and Maintenance Expenses
Various Account Numbers
For the Rate Year

Exhibit 4 (Lippal)
Schedule 17A
Page 1 of 1

Line No.	Account Number	Account Description	2010	2009	2008	3 Year Average	Inflation Adjustment (b)	Other O&M Rate Year	Other O&M Test Year Per Books	Adjustment
1	621	Fuel for Power Production	\$ 99	\$ -	\$ 2,070	\$ 723	\$ 24	\$ 747	\$ 99	\$ 648
2	624	Pumping Labor and Expenses	31,595	8,954	8,516	16,355	544	16,899	31,595	(14,696)
3	626	Miscellaneous Expenses	2,539	4,635	6,355	4,510	150	4,660	2,539	2,121
4	631	Maintenance of Structures and Improvements	-	-	125	42	1	43	-	43
5	632	Maintenance of Power Production Equipment	3,573	-	-	1,191	40	1,231	3,573	(2,342)
6	633	Maintenance of Pumping Equipment	13,222	6,064	-	6,429	214	6,643	13,222	(6,579)
7	642	Operation Labor and Expenses	14,125	16,773	21,212	17,370	578	17,948	14,125	3,823
8	643	Miscellaneous Expenses	28,692	29,048	29,859	29,200	971	30,171	28,692	1,479
9	652	Maintenance of Water Treatment Equipment	3,509	6,065	3,552	4,375	146	4,521	3,509	1,012
10	662	Transmission and Distribution Lines Expenses	15,457	3,541	3,217	7,405	246	7,651	15,457	(7,806)
11	663	Meter Expenses	-	-	9	3	0	3	-	3
12	665	Miscellaneous Expenses	13,736	9,602	6,503	9,947	331	10,278	13,736	(3,458)
13	670	Maintenance Supervision and Engineering	6	-	-	2	0	2	6	(4)
14	671	Maintenance of Structures and Improvements	2,153	3,518	2,142	2,604	87	2,691	2,153	538
15	673	Maintenance of Trans. & Distribution Mains	1,190	1,950	2,992	2,044	68	2,112	1,190	922
16	675	Maintenance of Services	1,054	4,593	6,790	4,146	138	4,284	1,054	3,230
17	677	Maintenance of Hydrants	1,550	290	710	850	28	878	1,550	(672)
18	678	Maintenance of Miscellaneous Plant	-	712	1,626	779	26	805	-	805
19	902	Meter Reading Salaries	293	-	334	209	7	216	293	(77)
20	903	Customer Records & Coll. Expenses-Labor	10,425	7,437	9,201	9,021	300	9,321	10,425	(1,104)
21	905	Miscellaneous Customer Account Expense	10,353	8,948	1,959	7,087	236	7,322	10,353	(3,031)
22	921	Office Supplies and Other Expenses	26,341	28,717	27,401	27,486	914	28,401	26,341	2,060
23	930	Miscellaneous General Expenses (a)	30,009	58,167	68,998	52,391	1,743	54,134	30,009	24,125
24	932	Maintenance of General Plant	1,746	1,519	3,733	2,333	78	2,410	1,746	664
25										
26		Total Operation and Maintenance Expenses	\$ 211,667	\$ 200,533	\$ 207,304	\$ 206,501	\$ 6,870	\$ 213,372	\$ 211,667	\$ 1,705

Reference:

(a) less lobbying portion of National Association of Water Company dues

	930	Miscellaneous General Expenses	Total Before Adjustment	Lobbying Cost Adjustment	Net
37	2010	\$ 30,009	\$ (611)	\$ 29,398	
38	2009	\$ 58,794	\$ (627)	\$ 58,167	
39	2008	\$ 69,660	\$ (662)	\$ 68,998	

(b) Apply Inflation Rate to 3 Year Average Amount Per Books 3.327%

United Water Rhode Island, Inc.
Property Tax Expense
Part of Account Number 408
For the Rate Year

Exhibit 4 (Lippai)
Schedule 18
Page 1 of 1

Purpose and Description: To adjust property tax expense by applying three year average percentage change.

Line No.	Description	Amount
1	Rate Year Property Tax Expense	\$ 271,022
2		
3	Historical Test Year Property Tax Expense Per Books	<u>247,500</u>
4		
5	Property Tax Adjustment	<u>\$ 23,522</u>
6		
7		
8		
9		
10		
11	Actual Municipal Property Taxes:	
12		Amount Change % Change
13		
14	2007	\$ 201,576
15	2008	205,351 \$ 3,775 1.87%
16	2009	215,212 9,861 4.80%
17	2010	240,538 25,326 11.77%
18		
19	Three year average increase	6.15%
20		
21	2011 Projected	255,325 14,787 6.15%
22	2012 Projected	271,022 15,696 6.15%

United Water Rhode Island, Inc.
Payroll Tax Expense
Part of Account Number 408
For the Rate Year

Exhibit 4 (Lippai)
Schedule 19
Page 1 of 1

Purpose and Description: To reflect increase in payroll tax expense related to Rate Year salaries and wages.
See "Exhibit 4 Schedule 19A" for computation of amounts.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Rate Year Payroll Tax Expense	\$ 56,446
2		
3	Test Year Payroll Tax Expense Per Books	<u>48,773</u>
4		
5	Rate Year Adjustment	<u><u>\$ 7,673</u></u>

United Water Rhode Island, Inc.
Payroll Tax Worksheet
Part of Account Number 408
For the Rate Year

Line No.	Employee ID	Job Title	Total Rate Year Labor (a)	Rate Year Payroll Taxes				
				FICA	Medicare	State Unemploy	Federal Unemploy	
1	00001175154	Supervisor Office	\$ 67,491	\$ 4,184	\$ 979	\$ 418	\$ 56	
2	00000000024	Superintendent	86,495	5,363	1,254	418	56	
3	00000000003	Manager UWRI	114,649	6,863	1,662	418	56	
4	00000000023	Equipment Operator	61,441	3,809	891	418	56	
5	00001174822	Service Person	57,088	3,539	828	418	56	
6	00000002868	Utility Person	58,991	3,657	855	418	56	
7	00000000039	Meter Reader	55,133	3,418	799	418	56	
8	00000000035	Production Chief	67,045	4,157	972	418	56	
9	00000000033	Sr Customer Service Rep	57,974	3,594	841	418	56	
10	00001175249	Sr Customer Service Rep	52,787	3,273	765	418	56	
11	Total Rate Year		\$ 679,093	\$41,859	\$ 9,847	\$ 4,180	\$ 560	\$56,446
12								
13	References:							
14	(a) Rate Year Labor per "Exhibit 4 Schedule 2A Page 4".							

United Water Rhode Island, Inc.
Gross Receipts Tax
Part of Account Number 408
For the Rate Year

Exhibit 4 (Lippai)
Schedule 20
Page 1 of 1

Purpose and Description: To reflect change in gross receipts tax expense related to Rate Year Revenues.

<u>Line</u>	<u>Description</u>	<u>Amount</u>
1	Total Rate Year Revenues at Present rates	\$ 2,858,302
2		
3	Gross Receipts Tax Rate	<u>1.25%</u>
4		
5	Rate Year Gross Receipts Tax	\$ 35,729
6		
7	Test Year Gross Receipts Tax Expense Per Books	<u>35,349</u>
8		
9	Rate Year Adjustment	<u>\$ 380</u>

United Water Rhode Island, Inc.
Federal Income Tax Expense
Part of Account Number 408
For the Rate Year

Exhibit 4 (Lippai)
Schedule 21
Page 1 of 1

Purpose and Description: To reflect Federal Income expense based upon Rate Year changes in taxable income at present and proposed rates.

Line No.	Description	[-----Rate Year-----]	
		At Existing	At Proposed
		Rates	Rates
1	Revenues	\$ 2,858,302	\$ 4,077,004
2			
3	Operating Expenses:		
4	Operation and Maintenance	1,877,083	1,880,222
5	Depreciation and Amortization	510,632	510,632
6	Taxes other than income	363,196	378,430
7	Operating Expenses Before Income Taxes	2,750,911	2,769,284
8			
9	Operating Income Before Income Taxes	107,391	1,307,720
10			
11	Interest Expense	323,359 (a)	323,359 (a)
12			
13	Excess of Tax Depreciation Over Book	238,531	238,531
14			
15	Federal Taxable Income	\$ (454,499)	\$ 745,830
16			
17	Federal Income Tax Rate	35.00%	35.00%
18			
19	Federal Income Tax Current	\$ (159,075)	\$ 261,041
20			
21			
22	Deferred Federal Income Tax:		
23	Excess of Tax Depreciation Over Book	\$ 238,531	\$ 238,531
24	Deferral Base Federal Income Tax	238,531	238,531
25			
26	Federal Income tax Rate	35.00%	35.00%
27			
28	Deferred Federal Income Tax	\$ 83,486	\$ 83,486
29			
30			
31	Amortization of Flow-Through Tax	\$ -	\$ -
32			
33			
34	Amortization of ITC	\$ (4,668)	\$ (4,668)
35			
36			
37	Total Federal Income tax	\$ (80,257)	\$ 339,858
38			
39	Reference:		
40	(a) Interest Expense		
41	Rate Base	\$ 11,073,931	\$ 11,073,931
42	Weighted Cost of Debt	2.9200%	2.9200%
43			
44	Interest Expense	\$ 323,359	\$ 323,359

**United Water Rhode Island, Inc.
Depreciation and Amortization Expense
Part of Account Number 403 and 404
For the Rate Year**

**Exhibit 4 (Lippai)
Schedule 22
Page 1 of 1**

Purpose and Description: To adjust Rate Year depreciation expense based upon projected capital expenditures at current approved depreciation rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Rate Year Depreciation/Amortization Expense	\$ 510,632
2		
3	Historical Test Year Depreciation Expense Per Books	<u>413,616</u>
4		
5	Adjustment	<u>\$ 97,016</u>

United Water Rhode Island, Inc.
Depreciation and Amortization Expense
Part of Account Number 403
For the Rate Year

Exhibit 4 (Lippai)
Schedule 22A
Page 1 of 1

Line No.	Description	Test Year Depreciation / Amortization	Adjustment	Rate Year Depreciation / Amortization	
1	Depreciation Expense	\$ 413,616	\$ 97,016	\$ 510,632	(a)
2					
3	Total	<u>\$ 413,616</u>	<u>\$ 97,016</u>	<u>\$ 510,632</u>	
4					
5					

References:

7 (a) Per Company Witness Michaelson "Exhibit 3 Schedule 3".

**United Water Rhode Island, Inc.
Inflation Adjustment Rate
For the Rate Year**

**Exhibit 4 (Lippai)
Schedule 23
Page 1 of 1**

Purpose and Description: Computation of Inflation factor applied to certain expenses based on Blue Chip Financial Forecasts.

Line No.	Description	Inflation Factor	
1	Inflation Adjustment		<u>3.327%</u>
2			
3	From: Blue Chip Financial Forecasts December 1, 2010 (Volume 29, No. 12)		
4			
5		GDP	
6		Price	
7		Index	Compounded
8			
9	2011	1.500%	1.500%
10	2012	1.800%	1.827%
11		<u>3.300%</u>	<u>3.327%</u>
12			

Source:

- 14 Blue Chip Financial Forecasts December 1, 2010 (Volume 29, No. 12)
- 15 2011 is an average of the 4 quarters
- 16 2012 Long range Forecast December 1, 2010