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December 23, 2011

Ms. Luly Massaro, Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: *United Water Rhode Island, Inc.*
Docket No. 4255

Dear Ms. Massaro:

Enclosed please find an original and nine copies of the following document:

- 1) Proposed Settlement Agreement between United Water Rhode Island, Inc. and the Division of Public Utilities and Carriers.

This Settlement Agreement is submitted for the Commission's review, and United Water and the Division request that the Commission approve this Settlement Agreement at the January 10, 2012 hearing. Please note that an electronic copy of this document has been provided to the service list. Also, please note that although the Town of South Kingstown is not a signatory to the Settlement Agreement, a copy of the Agreement was provided to South Kingstown prior to its execution.

Thank you for your attention to this matter.

Sincerely,



Joseph A. Keough Jr.

JAK/kf
Enclosures

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: UNITED WATER RHODE ISLAND, INC.

DOCKET NO.: 4255

SETTLEMENT AGREEMENT

I. INTRODUCTION

United Water Rhode Island, Inc. (hereinafter “United Water”) and the Division of Public Utilities and Carriers (hereinafter “Division”) (collectively, the “Parties”) have reached agreement on United Water’s rate application filed on June 3, 2011. Thus, the Parties jointly request that the State of Rhode Island Public Utilities Commission (hereinafter “Commission”) approve this Settlement Agreement.

II. RECITALS

1. On June 3, 2011, United Water filed a rate application pursuant to R.I.G.L § 39-3-11 and Part II of the Commission’s Rules of Practice and Procedure.
2. United Water’s proposed rates were designed to collect \$1,218,702 of additional operating revenue to support a total cost of service of \$4,077,004. The impact of this request would have resulted in a 43% increase in total cost of service. For a typical residential customer, the impact of this request would have resulted in an increase of \$6.54 per month or 34.9%. The proposed increase for non-residential customers ranged from 68.6% to 69.8%. For wholesale customers, the proposed increase was 25.9%. The proposed increase for municipal fire service was 100%, and

for private fire service customers, the proposed increase ranged from 39.5% to 61.0%.

3. United Water filed testimony and schedules from the following witnesses in support of its application:

- a. Timothy J. Michaelson, Senior Director, United Water Management & Services, Inc.;
- b. Thomas G. Lippai, Senior Regulatory Specialist, United Water Management & Services, Inc.;
- c. Obioma (Obie) N. Ugboaja, Rate Analyst, United Water Management & Services, Inc.;
- d. Stanley J. Knox, General Manager, United Water Rhode Island, Inc.;
- e. Pauline M. Ahearn, Principal, AUS Consultants; and,
- f. Christopher P.N. Woodcock, Woodcock & Associates, Inc.

4. The Town of South Kingstown filed a Motion to Intervene in this Docket on June 22, 2011. United Water did not object.

5. The Town of South Kingstown did not submit any pre-filed written testimony in this Docket. South Kingstown did submit public comment at the September 15, 2011 public hearing.

6. The Division investigated United Water's requested rate increase with assistance from its staff and outside expert consultants. The Division issued data requests and filed direct testimony from the following witnesses:

- a. Thomas S. Catlin, Principal, Exeter Associates, Inc.;
- b. Jerome D. Mierzwa, Principal, Exeter Associates, Inc.; and,

c. Matthew I. Kahal

7. The Parties engaged in settlement discussions after United Water submitted its rebuttal testimony.
8. The Parties gave due consideration to the testimony, exhibits, schedules, data requests, data responses, settlement discussions, and other documentation in this Docket and agreed to a comprehensive settlement that resolves all issues relating to United Water's application to increase rates.
9. The Parties agree that this Settlement Agreement is a just and reasonable resolution of the issues in this proceeding and jointly request its approval by the Commission.

III. TERMS OF SETTLEMENT

10. The Parties agree that the Joint Settlement Exhibits attached as Exhibit 1 (Schedules 1 – 16) and Exhibit 2 (Schedules 1 – 11) are accurate and reflect the Parties' agreement.
11. The agreed rates allow United Water to collect additional operating revenue in the rate year (Calendar Year 2012) in the amount of \$941,834 to support a total cost of service of \$3,817,598. This results in a 32.8% increase in total cost of service.
12. For a typical residential customer, the impact of this increase will result in an increase of \$4.46 per month or 23.8%. The proposed increase for non-residential customers will generally range from 53.0% to 53.9%. For wholesale customers the increase is 18.4%. The proposed increase for municipal fire service is 100% and for private fire service customers the proposed increase generally ranges from 39.5% to 62.0%.

IV. EFFECT OF SETTLEMENT

13. This Settlement Agreement is the result of a negotiated agreement. The Parties conducted the discussions that produced this Settlement Agreement with the explicit understanding that all offers of settlement and discussion relating thereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or any other proceedings.
14. The Parties' agreement to the terms of this Settlement Agreement shall not be construed as an agreement to any matter of fact or law beyond the terms hereof. By entering into this Settlement Agreement, matters or issues other than those explicitly identified in this agreement have not been settled upon or conceded by any party to this Settlement Agreement, and nothing in this Settlement Agreement shall preclude any party from taking any position in any future proceeding regarding such unsettled matters.
15. This Settlement Agreement is the product of negotiation and compromise. The making of this Settlement Agreement does not establish any principle or precedent. This Settlement Agreement shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation.
16. If the Commission rejects this Settlement Agreement, or modifies any provision herein, this Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects.

IN WITNESS WHEREOF, the Parties agree that this Settlement Agreement is reasonable, in the public interest, in accordance with applicable law and regulatory policy, and is executed by their respective representatives, each being authorized to do so.

Dated at Pawtucket, RI this 22nd day of December, 2011.

UNITED WATER
RHODE ISLAND, INC.
By its Attorney,



Joseph A. Keough, Jr. #4925
KEOUGH & SWEENEY, LTD.
100 Armistice Boulevard
Pawtucket, RI 02860
Tel: (401)-724-3600

Dated at Providence, RI this 22nd day of December, 2011.

DIVISION OF PUBLIC UTILITIES
AND CARRIERS,
By its Attorney,



Karen Lyons, #6797
Special Assistant Attorney General
150 South Main Street
Providence, RI 02903
Tel: 401-274-4400, ext. 2403

UNITED WATER RHODE ISLAND, INC.

Summary of Operating Income
 Rate Year Ended December 31, 2012

	Amount per Company at Present Rates	Division Adjustments	Amount per Division at Present Rates	Revenue Increase/ (Decrease)	Amounts After Revenue Incr. / (Decr.)
<u>Operating Revenues</u>					
Metered Sales	\$ 2,569,432	\$ 17,462	\$ 2,586,894	\$ 941,834	\$ 3,528,728
Fire Protection	252,568		252,568	-	252,568
Other Operating Revenues	36,302		36,302		36,302
Total Operating Revenues	\$ 2,858,302	\$ 17,462	\$ 2,875,764	\$ 941,834	\$ 3,817,598
<u>Operating Expenses</u>					
O&M Expense	\$ 1,877,083	(64,305)	\$ 1,812,778	2,426	\$ 1,815,204
Depreciation Expense	510,632	(8,434)	502,198	-	502,198
Property Tax	271,022		271,022	-	271,022
Payroll Rax	56,446	(692)	55,754	-	55,754
Gross Receipts Tax	35,729	218	35,947	11,773	47,720
Income before Income Taxes	\$ 107,390	\$ 90,675	\$ 198,066	\$ 927,635	\$ 1,125,701
Current Income Taxes	(159,075)	34,651	(124,423)	324,672	200,249
Deferred Federal Income Taxes	83,486	2,952	86,438		86,438
Amortization of ITCs	(4,668)	-	(4,668)	-	(4,668)
Total Operating Expenses	\$ 2,670,655	\$ (35,610)	\$ 2,635,045	\$ 338,871	\$ 2,973,916
Utility Operating Income	\$ 187,647	\$ 53,072	\$ 240,719	\$ 602,963	\$ 843,682
Rate Base	\$ 11,073,931		\$ 10,872,191		\$ 10,872,191
Rate of Return	1.69%		2.21%		7.76%

UNITED WATER RHODE ISLAND, INC.

Determination of Revenue Increase
 Rate Year Ended December 31, 2012

	<u>Amount Per Division</u>	<u>Amount per Division Source</u>
Proposed Rate Base	\$ 10,872,191	Ex. 1 (JS) Sch. 2
Required Rate of Return	<u>7.76%</u>	
Net Operating Income Required	\$ 843,682	
Net Operating Income at Present Rates	<u>240,719</u>	Ex. 1 (JS) Sch. 1 page 1
Net Income Surplus/(Deficiency)	\$ (602,963)	
Revenue Multiplier (2)	<u>1.5620102</u>	
Base Rate Revenue Increase	<u><u>\$ 941,834</u></u>	

Verification

Revenue Increase/(Decrease)		\$ 941,834
PUC Assessment	0.25759%	\$ 2,426
Gross Receipts Tax	1.25%	<u>11,773</u>
Federal Taxable Income		\$ 927,635
Federal Income Tax	35.00%	<u>324,672</u>
Net Income		<u><u>\$ (602,963)</u></u>

Notes:

(1) Per Exhibit 3 (Michaelson), Schedule 10.

(2) Calculation of Conversion Factor

Revenues	1.000000
PUC Assessment	0.002576
Gross Receipts Tax	<u>0.012500</u>
Net Federal Taxable Income	0.984924
Federal Income Tax	<u>0.344723</u>

Revenue Conversion Factor 0.6402007

Revenue Multiplier 1.56201025

UNITED WATER RHODE ISLAND, INC.

Summary of Rate Base
 Rate Year Ended December 31, 2012

<u>Description</u>	<u>Amount per Company (1)</u>	<u>Division Adjustments (2)</u>	<u>Adjusted Per Division</u>
Utility Plant in Service	\$ 22,270,513	\$ 198,000	\$ 22,468,513
Less: Accumulated Depreciation and Amortization	(6,213,068)	5,982	(6,207,086)
Net Utility Plant in Service	<u>\$ 16,057,445</u>	<u>\$ 203,982</u>	<u>\$ 16,261,427</u>
Materials and Supplies	103,664	(15,575)	88,089
Cash Working Capital	235,028	(12,866)	222,162
Deferred Tank Painting (net of Deferred Income Tax)	147,639	(57,461)	90,178
Deferred Rate Case Expense	272,756	(272,756)	-
Total Additions	<u>\$ 759,087</u>	<u>\$ (358,657)</u>	<u>\$ 400,430</u>
	-	-	-
Contributions in Aid of Construction	(3,596,531)	-	(3,596,531)
Accumulated Deferred Income Taxes	(1,534,287)	(47,066)	(1,581,353)
Unamortized ITCs	(98,414)	-	(98,414)
Unfunded FAS 106 (net of Deferred Income Tax)	(513,369)	-	(513,369)
Total Deductions	<u>\$ (5,742,601)</u>	<u>\$ (47,066)</u>	<u>\$ (5,789,667)</u>
Total Rate Base	<u><u>\$ 11,073,931</u></u>	<u><u>\$ (201,740)</u></u>	<u><u>\$ 10,872,191</u></u>

Notes:

(1) Per Exhibit 3 (Michaelson), Schedule 1, page 4 of 4.

(2) Refer to page 2 of this Schedule.

UNITED WATER RHODE ISLAND, INC.

Summary of Adjustments to Rate Base
Rate Year Ended December 31, 2012

	<u>Amount</u>	<u>Source</u>
Rate Base per Company Filing	\$ 11,073,931	Per Exhibit 3, Schedule 1, page 4
<u>Division Adjustments</u>		
Indian River Transmission Main	198,000	Response to Div. 2-30
Materials and Supplies	(15,575)	Ex. 1 (JS) Sch. 5
Cash Working Capital	(12,866)	Ex. 1 (JS) Sch. 6
Deferred Tank Painting	(57,461)	Ex. 1 (JS) Sch. 7
Deferred Rate Case	(272,756)	Refer to Testimony
Accumulated Deferred Income Taxes	(44,972)	Ex. 1 (JS) Sch. 8
CIS Amortization Changes	3,888	Ex. 1 (JS) Sch. 15
	<u>\$ (201,740)</u>	
Total Division Adjustments		
Division Adjusted Rate Base	<u>\$ 10,872,191</u>	

UNITED WATER RHODE ISLAND, INC.

Summary of Adjustments to Net Income
 Rate Year Ended December 31, 2012

	<u>Amount</u>	<u>Source</u>
Net Income per Company	\$ 187,647	Exhibit 3 (Michaelson), Schedule 10
<u>Division Adjustments</u>		
Update to Units of Service per Div. 4-9 Supplemental	11,179	See Note (1)
Incentive Compensation-Company Employees	7,166	Ex. 1 (JS) Sch. 9
Incentive Compensation-UWM&S Fees	11,895	Ex. 1 (JS) Sch. 10
Benefits Transferred Out	701	Ex. 1 (JS) Sch. 11
Corrected Medical Benefits	5,155	Ex. 1 (JS) Sch. 12
Rate Case Amortization	17,360	Ex. 1 (JS) Sch. 13
Other Outside Services	-	Ex. 1 (JS) Sch. 14
CIS Amortization	5,482	Ex. 1 (JS) Sch. 15
Interest Synchronization	<u>(5,867)</u>	Ex. 1 (JS) Sch. 4
Total Division Adjustments to Net Income	<u>\$ 53,072</u>	
Net Income Per Division	<u><u>\$ 240,719</u></u>	

Note:

(1) Reflects correction to billing determinants Supplemental Response to Div. 4-9. Revenues at present rates calculated on Schedule 11 of Settlement Exhibit 2.

UNITED WATER RHODE ISLAND, INC.

Summary of Adjustments to Net Income
Rate Year Ended December 31, 2012

	Revenues	O&M Expenses	Depreciation Expense	Taxes Other Than Oincome	Current Federal Income Taxes	Deferred Federal Income Taxes	ITC Amortization	Net Operating Income
Net Income per Company	\$ 2,858,302	\$ 1,877,083	\$ 510,632	\$ 363,197	\$ (159,075)	\$ 83,486	\$ (4,668)	\$ 187,647
<u>Division Adjustments</u>								
Update to Units of Service per Div. 4-9 Supplemental	17,462	45		218	6,020	-	-	11,179
Incentive Compensation-Company Employees		(10,332)		(692)	3,858	-	-	7,166
Incentive Compensation-UWM&S Fees		(18,301)			6,405	-	-	11,895
Benefits Transferred Out		(1,078)			377	-	-	701
Corrected Medical Benefits		(7,931)			2,776	-	-	5,155
Rate Case Amortization		(26,708)			9,348	-	-	17,360
Other Outside Services		-			-	-	-	-
CIS Amortization			(8,434)		2,952	-	-	5,482
Interest Synchronization					5,867			(5,867)
Total Division Adjustments	\$ 17,462	\$ (64,305)	\$ (8,434)	\$ (474)	\$ 37,603	\$ -	\$ -	\$ 53,072
Division Adjusted Net Income	<u>\$ 2,875,764</u>	<u>\$ 1,812,778</u>	<u>\$ 502,198</u>	<u>\$ 362,723</u>	<u>\$ (121,472)</u>	<u>\$ 83,486</u>	<u>\$ (4,668)</u>	<u>\$ 240,719</u>

UNITED WATER RHODE ISLAND, INC.

Calculation of Current Income Tax
Rate Year Ended December 31, 2012

	Amount per Company at Present Rates (A)	Division Adjustments (B)	Adjusted per Division at Present Rates (C)	Revenue Increase/ (Decrease) (D)	Amounts After Revenue Increase (E)
Operating Revenue	\$ 2,858,302	\$ 17,462	\$ 2,875,764	\$ 941,834	\$ 3,817,598
O&M Expense	1,877,083	(64,305)	1,812,778	2,426	1,815,204
Depreciation Expense	510,632	(8,434)	502,198	-	502,198
Property Tax	271,022	-	271,022		271,022
Payroll Rax	56,446	(692)	55,754		55,754
Gross Receipts Tax	35,729	218	35,947	11,773	47,720
Operating Income Before Income Taxes	\$ 107,390	\$ 90,675	\$ 198,066	\$ 927,635	\$ 1,125,701
Interest Expense	323,359	(16,763)	306,596		306,596
Excess Tax Depreciation	238,531	8,434	246,965		246,965
Current Federal Taxable Income	(454,500)	99,004	(355,496)	927,635	572,139
Federal Income Tax at 35%	\$ (159,075)	\$ 34,651	\$ (124,423)	\$ 324,672	\$ 200,249
Deferred Federal Income Tax	83,486	2,952	86,438	-	86,438
Investment Tax Credit Amortization	(4,668)	-	(4,668)	-	(4,668)
Total Federal Income Tax	\$ (80,257)	\$ 37,603	\$ (42,654)	\$ 324,672	\$ 282,019

Notes:

(1) Calculation of Interest Deduction

Rate Base	\$ 11,073,931		\$ 10,872,191	\$ 10,872,191
Weighted Cost of Debt	2.92%		2.82%	2.82%
Interest Deduction	\$ 323,359	\$ (16,763)	\$ 306,596	\$ 306,596
		-		
Federal Income Tax Effect at 35%		5,867		
Interest Synchronization Adjustment		\$ 5,867		

UNITED WATER RHODE ISLAND, INC.

Adjustment to Materials and Supplies to
Reflect Most Recent 13 Month Average Balance
Rate Year Ended December 31, 2012

	<u>Balance (1)</u>
August	\$ 101,586
September	101,027
October	108,169
November	85,305
December	86,030
January 2011	77,218
February	92,724
March	87,121
April	84,078
May	83,025
June	75,377
July	83,889
August	<u>79,871</u>
Average Balance	\$ 88,109
Balance per Company	<u>103,684</u>
Adjustment to Balance of Materials & Supplies	<u><u>\$ (15,575)</u></u>

Note:

(1) Per Exhibit 3 (Michaelson), Schedule 1 and the response to Div. 2-3.

UNITED WATER RHODE ISLAND, INC.

Cash Working Capital Analysis
Rate Year Ended December 31, 2012

	<u>Expense Amount</u>	<u>Working Capital</u>
O&M Expense per Company (1)	1,880,222	235,028
Division Adjustments (2)		
Exclude Tank Painting Amortization	(38,574)	(4,822)
Incentive Compensation-Company Employees	(10,332)	(1,292)
Incentive Compensation-UWM&S Fees	(18,301)	(2,288)
Benefits Transferred Out	(1,078)	(135)
Corrected Medical Benefits	(7,931)	(991)
Rate Case Amortization	(26,708)	(3,339)
Other Outside Services	-	-
		<u> </u>
Adjustment to Cash Working Capital		(12,866)
		<u> </u>
Cash Working Capital Per Division		<u>\$ 222,162</u>

Notes:

(1) Per Exhibit 3 (Michaelson), Schedule 1, page 4 of 4.

(2) Reflects exclusion of tank painting amortization and Division adjustments as summarized on Ex. 1 (Joint Settlement) Sch. 3.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Deferred Tank Painting Costs
Rate Year Ended December 31, 2012

	<u>Amount</u>
Average Balance Per Company	
Deferred Tank Painting	\$ 227,137
Accumulated Deferrred Income Taxes	79,498
Net Balance per Company	<u>\$ 147,639</u>
Adjustment to Reflect Amortization from Completion	
Monthly Amortization for Howland Aerator and Sherman Tanks	1,964
Months from May 2008 through January 31, 2012	45
Additional Amortization	<u>\$ 88,401</u>
Accumulated Deferred Income Tax Effect	30,940
Net Reduction in Balance	<u>\$ 57,461</u>
Adjusted Balance per Division	
Deferred Tank Painting	138,736
Accumulated Deferrred Income Taxes	48,558
Net Balance per Division	<u>\$ 90,178</u>

UNITED WATER RHODE ISLAND, INC.

Adjustment to Accumulated Deferred Income Taxes to
Reflect Federal Bonus Depreciation
Rate Year Ended December 31, 2012

	<u>Amount</u>
<u>Increase in ADIT Balance due to Bonus Depreciation (1)</u>	
December 2011	\$ 37,454
January 2012	45,598
February	45,598
March	45,598
April	45,598
May	45,598
June	45,598
July	45,598
August	45,598
September	45,598
October	45,598
November	45,598
December	45,598
	<hr/>
13 Month Average Increase	<u>\$ 44,972</u>

Note:

(1) Per response to Div. 6-1.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Company Incentive Compensation Expense
 Rate Year Ended December 31, 2012

	<u>2012 Base Salary (1)</u>	<u>Historal Incentive Payment % (2)</u>	<u>Non Financial Percentage (3)</u>	<u>Recoverable Incentive Compensation</u>	
Supervisor	\$ 64,277	5.00%	60.00%	\$ 1,928	3,214
Superintendent	\$ 78,632	7.55%	60.00%	3,562	7,863
Manager UWRI	\$ 99,695	12.45%	60.00%	7,447	14,954
Total				<u>\$ 12,938</u>	<u>26,031</u>
Amount per Company (1)				<u>26,031</u>	
Reduction in Total Eligible Incentive Compensation				\$ (13,093)	
Amount Charged to Capital at 21.09% (1)				<u>(2,761)</u>	
Adjustment to O&M Expense				\$ (10,332)	
Adjustment to FICA Taxes at 7.65%				<u>(692)</u>	
Total Adjustment to Rate Year Expense				<u>\$ (11,024)</u>	

Note:

(1) Amounts per Exhibit 4 (Lippai), Schedule 2A, page 1 of 4.

(2) Percentages per Exhibit 4 (Lippai), Schedule 2A, page 1 of 4, multiplied by historical ratio of actual bonus to target bonus for Superintendent and Manager.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Incentive Compensation included in UWM&S Fees
Rate Year Ended December 31, 2012

	<u>Amount</u>
UWM&S Incentive Compensation attributable to Meeting Corporate Financial Goals (1)	\$ (17,000)
FICA Taxes at 7.65%	<u>(1,301)</u>
Adjustment to Rate Year UWM&S Fees	<u><u>\$ (18,301)</u></u>

Note:

(1) Per response to Div. 8-1.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Include OPEB Transition Obligation
In Determination of Benefits Transferred Out
Rate Year Ended December 31, 2012

	<u>Amount</u>
OPEB Transition Obligation (1)	\$ 5,113
Percentage of Benefits Transferred Out (2)	<u>21.09%</u>
Adjustment to Operating Expense	<u>\$ (1,078)</u>

Notes:

(1) Amount per response to Div. 6-5.

(2) Per Exhibit 4 (Lippai), Schedule 3A, page 1 of 1.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Medical Benefits Expense
Rate Year Ended December 31, 2012

	<u>Amount Per Filing (1)</u>	<u>Corrected Amount (2)</u>	<u>Adjustment</u>
Medical Waiver Payments	\$ 2,000	\$ 3,000	\$ 1,000
Health, Dental and Vision Insurance	<u>118,851</u>	<u>107,800</u>	<u>(11,051)</u>
Adjustment to Operating Expense	\$ 120,851	\$ 110,800	\$ (10,051)
Amount Charged to Capital at 21.09% (3)			<u>(2,120)</u>
Adjustment to O&M Expense			<u>\$ (7,931)</u>

Notes:

(1) Per Exhibit 4 (Lippai), Schedule 8 and 8A, page 1 of 1.

(2) Per response to Div. 2-23.

(3) Per Exhibit 4 (Lippai), Schedule 3A, page 1 of 1.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Rate Case Expense
Rate Year Ended December 31, 2012

	<u>Amount</u>
Projected Rate Case Expense (1)	\$ 320,500
Settled Amortization Period -Years	<u>4</u>
Annual Amortization Expense	\$ 80,125
Amortization per Company (1)	<u>106,833</u>
Adjustment to Amortization Expense	<u><u>\$ (26,708)</u></u>

Note:

(1) Per Exhibit 4 (Lippai), Schedule 13.

UNITED WATER RHODE ISLAND, INC.

Adjustment to Outside Services Expense
Rate Year Ended December 31, 2012

	<u>Amount</u>
Increase in Other Outside Services per Company (1)	\$ 4,403
Amount Per Division (2)	<u>4,403</u>
Adjustment to Outside Services Expense	<u><u>\$ -</u></u>

Notes:

(1) Per Exhibit 4 (Lippai), Schedule 15A.

(2) Refer to testimony.

UNITED WATER RHODE ISLAND, INC.

Adjustment to CIS Amortization Expense
Rate Year Ended December 31, 2012

	<u>Amount</u>
CIS Investment (1)	\$ 472,333
Settled Amortization Period - Years	<u>8</u>
Annual Amortization Expense per Division	\$ 59,042
Amortization Expense per Company (1)	<u>67,476</u>
Adjustment to Amortization Expense	<u><u>\$ (8,434)</u></u>
Rate Year Accumulated Depreciation per Settled Amount (2)	\$ 41,877
Rate Year Accumulated Depreciation per Company (1)	<u>\$ 47,859</u>
Adjustment to Accumulated Depreciation	\$ (5,982)
Deferred Income Tax Effect of Reduction in Accumulated Depr. at 35%	<u>\$ 2,094</u>
Net Adjustment to Rate Base	<u><u>\$ 3,888</u></u>

Notes:

(1) Per Exhibit 3 (Michaelson), Schedule 3, page 13.

(2) Calculated using Excel version of Exhibit 3, Schedule 3 with 8 year life.

UNITED WATER RHODE ISLAND, INC.

Capital Structure and Rate of Return
Rate Year Ended December 31, 2012

<u>Capital Source</u>	<u>Capitalization Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Common Equity	50.13%	9.85%	4.94%
Short Term Debt	4.04%	1.10%	0.04%
Long-Term Debt	45.83%	6.07%	2.78%
Total	<u>100.00%</u>		<u>7.76%</u>