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Via FedEx

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

January 17, 2014

**SUBJECT: United Water Rhode Island Inc.
Docket No. 4434**

Dear Ms. Massaro:

Enclosed please find an original and nine (9) copies of United Water Rhode Island Inc.'s response to the Division's Fourth Set of Data Requests.

- Div. 4-7

Very truly yours,


Gary S. Prettyman
Senior Director – Regulatory Business

CERTIFICATION

I hereby certify that on January 17, 2014, I sent a copy of the within to all parties set forth on the attached Service List by electronic mail and copies to Luly Massaro, Commission Clerk, by electronic mail and FedEx.

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File an original and nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	luly.massaro@puc.ri.gov patricia.lucarelli@puc.ri.gov sharon.colbycamara@puc.ri.gov	401-780-2107

Sandra Talone

STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

DOCKET NO. 4434

Response of United Water Rhode Island, Inc.
 To The Division of Public Utilities And Carriers'
 Data Requests
 Set 4

Div. 4-7: With regard to the response to Div. 2-19, please provide a breakdown of the UWM&S incentive compensation amounts between amounts related to meeting financial goals and amounts related to non-financial goals. Also, provide documentation for the LTIP.

RESPONSE: The response to DIV-2-19 includes the following information.

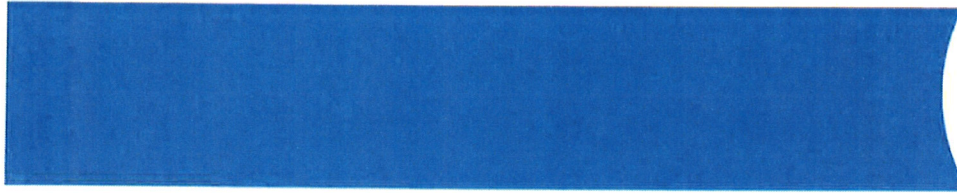
PORTION OF UWRI M&S FEES RELATED TO SELECTED ACCOUNTS				
		305 Corp M&S	987 Reg M&S	988 Non-Reg M&S
Description	Accounts	2012	2012	2012
STIP		6,979	9,136	45
LTIP		4,241	3,348	23
SERP	91600	1,594	-	-
Total		12,814	12,483	68

In order to determine the allocation percentage requested, the various categories that make up the STIP for the various salary grades and groups within M&S were determined. An average of those percentages results in an approximate overall average of 40% financial goals and 60% non-financial goals.

Regarding LTIP, that is based 100% on financial goals. Please refer to Attachment DIV 4-7 for copy of the LTIP document.

The SERP is not an incentive compensation item. It is a supplemental retirement plan.

Prepared by: Elda Gil.



Long Term Incentive Plan

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AS AMENDED EFFECTIVE JANUARY 2011



LONG TERM INCENTIVE PLAN

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LONG TERM INCENTIVE PLAN

1. OBJECTIVES

- 1.1. Provide a long-term incentive plan that will instill a strong corporate identity based on teamwork and entrepreneurial spirit among the participants, as well as to drive the achievement of United Water Inc.'s growth and financial objectives.
- 1.2. Provide a strong financial incentive to aid in retention of Key Management through capital accumulation.
- 1.3. Provide a balance with other short-term incentive plans though a longer term perspective (three year cycle).

2. DEFINITIONS

- 2.1. Base Salary: The fixed component of compensation that is in effect as of the end of the Plan Cycle (the salary in effect at the time of a qualifying termination) that is used to determine an award under the Plan.
- 2.2. Board: The Board of Directors of United Water Inc.
- 2.3. Change of Control: The consummation of any of the following events: a reorganization, merger, or consolidation of the Company with respect to which persons who were shareholders of the Company immediately prior to such reorganization, merger, or consolidation, do not immediately thereafter own, directly or indirectly, more than 50% of the combined voting power entitled to vote the Company's then outstanding voting securities; or a liquidation or dissolution of the Company or the sale of all or substantially all of the assets of the Company.
- 2.4. Chief Executive Officer or "CEO": The top officer of United Water Inc.
- 2.5. Code Section 409A: Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury regulations and other guidance issued thereunder.
- 2.6. EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization.
- 2.7. Eligible Employee: Any employee of United Water Inc in salary grade 22 through 24 (excluding expatriates).
- 2.8. Final Performance Unit Value: The value of each Performance Unit once the Performance Score has been applied.
- 2.9. Participant: An eligible employee who has been selected to participate in the Plan and who is eligible to receive an award under the Plan.
- 2.10. Performance Factor: A multiplier applied to the overall level of achievement on all performance measures to result in the Performance Score; utilized to determine the value of a Performance Unit based on overall performance.
- 2.11. Performance Measures: Corporate financial measures as established by the CEO and Board of Directors, the attainment of which will be the basis for granting an award under the Plan.



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- 2.12. Performance Score: The total of the three weighted Corporate Performance Measures achieved at the end of each Plan Cycle.
- 2.13. Performance Unit or "Unit": A single Unit of award valued at \$100 at the beginning of the Plan Cycle.
- 2.14. Plan: The United Water Resources' Long-term Incentive Plan or the "Plan" as set forth herein and as it may be amended from time to time.
- 2.15. Plan Cycle: The three-year performance period that begins on January 1 of the first year and ends on December 31 of the third year.
- 2.16. ROCE: Return on Capital Employed.
- 2.17. Target Award: The value of Performance Units that a Participant qualifies to receive, assuming that a 100% performance level is achieved on each of the assigned Performance Measures.
- 2.18. United Water: United Water Inc. or the "Company".

3. PARTICIPATION

- 3.1. Participation is limited to Eligible Employees.
- 3.2. Additional Participants or management levels may be added in the future, at the discretion of the CEO and approved by the Board
- 3.3. Eligible Employees who are hired in the first six months of the Plan Cycle may participate in the cycle which began in the year in which they are hired.

4. PERFORMANCE MEASURES

- 4.1. The CEO, in conjunction with the Board of Directors, will establish the performance measures for each Plan Cycle .
- 4.2. Performance Measures will consist of Corporate EBITDA, ROCE and Net Result. The CEO may change the Performance Measures on an as-needed basis, consistent with the Company's Medium Term Plan.
- 4.3. Each of the Corporate Performance Measures will be weighted according to the following table:

EBITDA	ROCE	Net Result
40%	20%	40%

- 4.4. Threshold performance has been established at 80% of targeted results and equates to a Performance Factor of 30%. Maximum performance has been established at 120% of targeted results and equates to a Performance Factor of 200%.
- 4.5. In calculating performance for award determination, extraordinary expenses and/or financial gains may be excluded by the Board or it's designates, at its sole and final discretion.

5. PERFORMANCE UNIT VALUATION



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- 5.1. Participants will be granted Performance Units at the beginning of each Plan Cycle with an initial value of \$100 per share.
- 5.2. Performance Units will be valued at the end of the Plan Cycle based on overall performance results.
- 5.3. The CEO may make further adjustment to the value of each Performance Unit based on extraordinary and unanticipated results, if warranted.

6. TARGET AWARDS

- 6.1. For purposes of determining the number of Performance Units each Participant is eligible to receive, Target Awards have been established as percentage of the Participant's LTIP Cycle-ending Base Salary based on Level/Grade.
- 6.2. Participants hired during the first six months of the Plan Cycle will be eligible to receive an award under the Plan at the full grant without proration.
- 6.3. Participants promoted into positions with a different LTIP level after the first six months of the cycle will receive a prorated target based on length of time in each position.
- 6.4. The threshold level of performance has been set at 80% achievement of each the Performance Measures. No awards will be earned if actual performance is below the threshold. At threshold, a participant would be eligible for 30% of the Target Award.
 - The maximum level of performance has been set at 120%. At maximum, a participant would be eligible for 200% of the Target Award.

7. AWARD CALCULATIONS

- 7.1. Each Performance Unit will be valued at \$100 as of the date of the grant.
- 7.2. A Performance Score will be calculated as the total of the three weighted Corporate performance measures and converted to Performance Factors according to the table below.



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Performance Factor Table

Perf. Score	Perf. Factor
<80%	0.0%
80%	30.0%
81%	35.8%
82%	41.3%
83%	46.5%
84%	51.4%
85%	56.0%
86%	60.3%
87%	64.4%
88%	68.2%
89%	71.8%
90%	75.2%
91%	78.4%
92%	81.4%

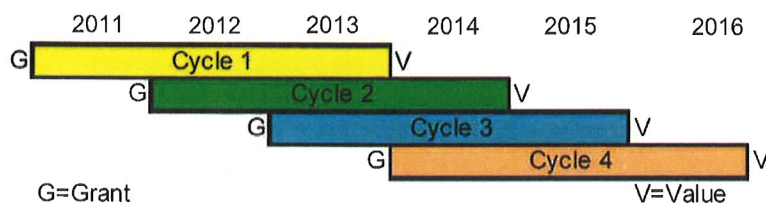
Perf. Score	Perf. Factor
93%	84.3%
94%	86.9%
95%	89.5%
96%	91.8%
97%	94.1%
98%	96.2%
99%	98.1%
100%	100.0%
101%	103.5%
102%	107.2%
103%	111.0%
104%	114.9%
105%	118.9%
106%	123.1%

Perf. Score	Perf. Factor
107%	127.5%
108%	132.0%
109%	136.6%
110%	141.4%
111%	146.4%
112%	151.6%
113%	156.9%
114%	162.5%
115%	168.2%
116%	174.1%
117%	180.3%
118%	186.6%
119%	193.2%
120% +	200.0%

- 7.3. The Performance Factor Table is based on a curvilinear schedule.
- 7.4. The Unit Value is then adjusted by the Performance Factor to result in a Final Unit Value
- 7.5. The CEO will approve a Segment Modifier to be applied to the Performance Unit Value based on overall Corporate performance, with the result being the Final Performance Unit Value.
- 7.6. The CEO will determine the final grants of awards under the Plan for each Plan Cycle.
- 7.7. An example of the award calculation is contained in *Attachment A*.

8. VESTING OF AWARDS

- 8.1. Performance Units cliff vest on the final day of the third anniversary year of the grant date.



- 8.2. If a Change of Control results in the termination of the Plan, all unvested Units immediately vest.
- 8.3. The Board shall have the right to approve accelerated vesting for an individual Participant in any instances at its sole discretion.

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9. AWARD DISTRIBUTIONS

- 9.1. Distribution will occur following the end of the Plan Cycle once the performance results have been confirmed and the payments approved by the Board.
- 9.2. Payment of the value of vested Performance Units shall be made in a lump sum or deferred pursuant to Section 9.4, if applicable, on or about June 1 of the calendar year immediately following the end of the Plan Cycle; provided, however, that in no event shall such payments be made later than the last day of the calendar year immediately following the end of the Plan Cycle..
- 9.3. Except as provided in Section 10, Participants must be actively employed by the Company as of the last day of the Plan Cycle to receive a payment under the Plan.
- 9.4. Subject to the Board's sole discretion, awards otherwise payable under the Plan may be deferred under a nonqualified deferred compensation plan established in accordance with Code Section 409A.
- 9.5. Payment of Performance Unit awards will not be made with respect to awarded in any Plan Cycle in which United Water does not meet the threshold level of Corporate financial performance.

10. SPECIAL DISTRIBUTIONS

- 10.1. Death: In the event of a Participant's death while actively employed by United Water, all of the Participant's Performance Units will automatically vest and a prorated payment, based on the number of completed months of active service in the cycle, will be made to the designate beneficiary(ies). The value of all vested Units within his/her account shall be paid out in a lump sum by March 15th of the calendar year immediately following the calendar year of the Participant's death.
- 10.2. Upon the termination of a Participant as a result of total disability (as determined by the Board in its sole discretion) while actively employed by United Water, or in the event of the Participant's retirement from the Company, all of the Participant's accrued Performance Units will automatically vest and a prorated payment, based on the number of completed months of active service in the cycle, will be made. The value of all vested Units within his/her account shall be paid out in a lump sum on the 90th day following the date of the Participant's termination or retirement, as applicable or, if earlier, March 15 of the calendar year immediately following the calendar year of such termination or retirement; provided, that , in the case of a Participant who is a "specified employee" within the meaning of Code Section 409A, payment shall not be made before the first day of the seventh (7th) month following such Participant's termination or retirement or, if earlier, the date of the Participant's death..
- 10.3. Change of Control: If a Change of Control results in the termination of the Plan, all Units shall immediately vest. If the Change of Control constitutes a "change in control: within the meaning of Code Section 409A, and payment of the value of all Performance Units within a Participant's account shall be paid in a lump sum as soon as practicable, subject to the timing and other restrictions set forth in Code Section 409A (including, but not limited to Treas. Reg §1.409A-3(i)(4)(ix)(B)); otherwise, payment shall be made in accordance with the other provisions of the Plan.



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- 10.4. Upon termination of a Participant for any other reason except for death, total disability, or retirement, all Units shall be forfeited, and the Participant will not be entitled to receive any award under this Plan.
- 10.5. Termination of the Plan: In the event of termination of the Plan by the Board, the value of each Participant's account will be established and payment shall be made in a lump sum as soon as practicable, subject to the timing and other restrictions set forth in Code Section 409A (including but not limited to, Treas. Reg. §1.409SA-3(i)(4)(ix)(A),(C) and (D).

11. GENERAL

- 11.1. The first grant of Performance Units was effective January 1, 2007. The Board will consider grants of awards under the Plan annually, and any future awards under the Plan will be at its sole and final discretion.
- 11.2. The Board has designated the Senior Vice President - Human Resources to be responsible for the implementation and on-going administration of the Plan.
- 11.3. Interpretation of all matters related to this Plan, including but not limited to eligibility, calculation and determination of Performance Unit awards, determination of Performance Unit value, as well as the resolution of any questions relating to the accounting procedures of the Plan, shall be at the sole and final determination of the Board.
- 11.4. The Plan may be amended or discontinued by the Board at any time. However, no amendment may adversely affect the value of vested Performance Units in a Participant's account on a retroactive basis without the Participant's consent.
- 11.5. The Plan may be funded through Company earnings, insurance or other methods as determined from time to time by the Board.
- 11.6. Nothing in this Plan shall be interpreted as giving any Participant the right to be retained as an employee of United Water, or of limiting United Water's rights to control or terminate the service of any Participant at any time in the course of its business.
- 11.7. This Plan shall be construed in accordance with all applicable Federal and State securities and regulatory laws. Except to the extent Federal law controls, the Plan shall be governed by and construed and administered in accordance with the laws of the State of Delaware without regard to its laws relation to the conflict of laws. In the event that any section, or portion of a section, of the Plan shall be held invalid, illegal, or unenforceable, that section, or portion of that section, shall not affect any other section hereof. This Plan shall be construed and enforced as if the invalid, illegal, or unenforceable section, or portion of the section, had never been contained herein. Notwithstanding the foregoing, this Plan is intended to comply with Code Section 409A and shall be interpreted accordingly. Moreover, and notwithstanding any other provision of the Plan to the contrary, the Company reserves the right to amend or modify the Plan prospectively or retroactively in order to comply with regulations or other guidance promulgated by the Department of Treasury or Internal Revenue Service under Code Section 409A.
- 11.8. The Company reserves the right to change or end this plan at any time, for any reason, with or without notice.



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Attachment A: Example of Award Calculation

Participant Information

Grade: 22

Base Salary: \$150,000 at Plan Cycle end

Target Award Information

Target Award: 20% of Base Salary

Targeted Unit Grant:

$(\text{Base Salary} \times \text{Target Award \%}) \div \100 Unit value

$(\$150,000 \times 20\%) = \$30,000 \div \$100 = 300 \text{ Units}$

Performance Achieved

Performance Measure	Achievement	Weighting	Score
EBITDA	105.0%	40%	42.0%
ROCE	95.0%	20%	19.0%
Net Result	110%	40%	44.0%
		Total:	105.0%

Award Calculation

Performance Score	105.0%
Performance Factor	118.9%
Performance Unit Value	$(\$100 \times 118.9\%) = \118.90
Corporate Award Earned	$(300 \text{ Units} \times \$118.90) = \$35,670$

