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Via FedEx

October 8, 2014

Kristi Izzo, Secretary
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350

**RE: In The Matter of The Petition of United Water Toms River Inc.
Distribution System Improvement Charge Calculation
Pursuant to N.J.A.C. 14:9-10.4
BPU Docket No. WR13111128**

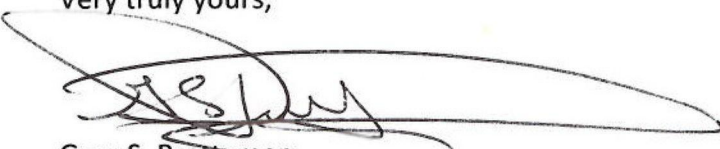
REC'D
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CASE MANAGEMENT

Dear Secretary Izzo,

Enclosed for filing please find an original and ten (10) copies, plus one additional copy, of United Water Toms River, Inc.'s Distribution System Improvement Charge calculation for the April 1, 2014 through September 30, 2014 DSIC Recovery Period. Please stamp the additional copy "filed" and return in the self-addressed, stamped envelope provided.

Please advise if you need additional information.

Very truly yours,


Gary S. Prettyman
Senior Director - Regulatory Business

Enclosures

Cc: Stefanie Brand, Esq. (two copies via FedEx)
Alex Moreau, DAG (two copies via FedEx)
Service List

OCMS Legal
Stefanie Brand
DAG
RPA
Marie Moran
M. Kammer
- WATER

SERVICE LIST
I/M/O United Water Toms River Inc.
BPU Docket No. WR13111128

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United Water Toms River Inc.
Proposed DSIC Calculation

Page 1 of 8

| | <u>4/1/14 to</u> <u>9/30/2014</u> |
|--|--------------------------------------|
| Eligible Investment (page 2) | \$2,751,155 |
| Less: Accumulated Depreciation (page 2) | (10,936) |
| Less: Deferred Tax (page 2) | <u>(5,802)</u> |
| Eligible Net Investment | \$2,734,417 |
| Pre-Tax Rate of Return (page 3) | <u>10.83%</u> |
| Pre-Tax Return on Investment | \$296,137 |
| Add: Depreciation Expense (page 2) | <u>43,743</u> |
| Revenue Recovery | \$339,880 |
| Revenue Factor (page 4) | <u>1.16887</u> |
| DSIC Revenue Requirement Recovery Amount | <u><u>\$397,276</u></u> |

United Water Toms River Inc.
Proposed DSIC Calculation

Page 2 of 8

| | <u>4/1/14 to 9/30/2014</u> |
|---|--------------------------------|
| Major Projects | \$2,108,380 |
| Blanket Projects | 1,049,775 |
| Total DSIC Plant (page 7 & 8) | <u>3,158,155</u> |
| Less: Base Spend (page 7) | <u>(407,000)</u> |
| Eligible Investment | <u>2,751,155</u> |
| <u>Accumulated Depreciation</u> | |
| Composite Depreciation Rate (match base spend year) | <u>1.59%</u> |
| Depreciation Expense | 43,743 |
| Half Year Convention | <u>10,936</u> |
| <u>Deferred Taxes</u> | |
| Eligible Investment | \$2,751,155 |
| MACRS Rate for First Year Water Plant | <u>4.00%</u> |
| Tax Depreciation First Year | 27,512 |
| Book Depreciation | <u>10,936</u> |
| Tax Depreciation Greater Than Book | 16,576 |
| Deferred Taxes at 35% | <u><u>\$5,802</u></u> |

United Water Toms River Inc.
Proposed DSIC Calculation

Page 3 of 8

Approved Capital Structure and Cost Rates

| | Capital Structure Ratio | Cost Rate | Weighted Cost of Capital | Pre-Tax Rate of Return |
|----------------|----------------------------|--------------|-----------------------------|---------------------------|
| Long Term Debt | 46.58% | 6.04% | 2.81% | 2.81% |
| Common Equity | 53.42% | 9.75% | 5.21% | 8.02% |
| Total | 100.00% | | 8.02% | 10.83% |

- 1) capital structure and ROE per current authorized return Docket WR12090830, effective May 1, 2013
- 2) Cost rate on LTD is adjusted semi-annually. Cost rate is as of September 30, 2014

United Water Toms River Inc.
Proposed DSIC Calculation

Page 4 of 8

Revenue Factor

| | |
|--|-----------------------|
| Dollar of Revenue | 1.00000 |
| Gross Receipts Tax for Municipal Use | 0.07500 |
| Franchise Tax for Municipal Use | 0.04645 |
| Gross Receipts Excise Tax for State Use | 0.00938 |
| Franchise Taxes Excise Tax for State Use | 0.00581 |
| Uncollectibles | 0.00562 |
| BPU Assessment | 0.00186 |
| Rate Payer Advocate | <u>0.00035</u> |
| Income Before Federal Taxes | <u>0.85553</u> |
| Revenue Factor | <u><u>1.16887</u></u> |

Rates per current rate case Docket WR12090830

United Water Toms River Inc.
Proposed DSIC Calculation

DSIC Base Spending Schedule

Page 5 of 8

| Line No. | Description | Account | Amount |
|----------|-------------------------------------|---------|-------------------------|
| 1 | Transmission and Distribution Mains | 343 | \$365,646 |
| 2 | Services | 345 | 381,853 |
| 3 | Hydrants | 348 | <u>67,035</u> |
| 4 | Total Annual Base Spending | | <u><u>\$814,534</u></u> |

Note 1. All Accounts and Amounts are extracted from Page 21 of the United Water Toms River 2012 Annual Report to the BPU, Page 21.
As reflected in the Foundation filing.

Note 2. Referenced Accounts are those included in the definition of "Base Spending" per 44 NJR 1723(a)

United Water Toms River Inc.
Proposed DSIC Calculation

DSIC Assessment Schedule

Page 6 of 8

| | Total Number of Meters (3) | Meter Equivalent Ratios | Equivalent 5/8" inch Meters | Annual Maximum DSIC Amount by equivalent Meter | Maximum Monthly Charge per Meter |
|-----------------------|-------------------------------|-------------------------------|-----------------------------------|--|-------------------------------------|
| Metered Sales: | | | | | |
| 5/8" | 39,724 | 1.00 | 39,724 | \$271,712 | \$0.57 |
| 3/4" | 6,187 | 1.50 | 9,281 | 62,365 | 0.84 |
| 1" | 1,412 | 2.50 | 3,530 | 23,552 | 1.39 |
| 1 1/2" | 260 | 5.00 | 1,300 | 8,923 | 2.86 |
| 2" | 251 | 8.00 | 2,008 | 13,765 | 4.57 |
| 3" | 59 | 15.00 | 885 | 6,068 | 8.57 |
| 4" | 40 | 25.00 | 1,000 | 6,850 | 14.27 |
| 6" | 7 | 50.00 | 350 | 2,396 | 28.52 |
| 8" | 3 | 80.00 | 240 | 1,642 | 45.60 |

Private Fire :

| | | | |
|-----|--------|---|---|
| 2" | 8.00 | 0 | 0 |
| 3" | 15.00 | 0 | 0 |
| 4" | 25.00 | 0 | 0 |
| 6" | 50.00 | 0 | 0 |
| 8" | 80.00 | 0 | 0 |
| 10" | 115.00 | 0 | 0 |

| | | |
|---------------|---------------|----------------------|
| <u>47,943</u> | <u>58,318</u> | <u>\$397,273</u> [1] |
| | | <u>\$397,276</u> |
| | | 6.81229 [2] |
| | | 0.5677 |

[1] Amount per Attachment B, Proof of Revenues,
 Final Order in Docket WR12090830, effective May 1, 2013
 Five percent "DSIC Cap" per 44 NJR 1723(a)
 Maximum amount of Annual DSIC Revenues

\$32,049,481
 X 5%
\$1,602,474

[2] Amount per equivalent meter (\$397,276 / 58,318)
 [3] Active meters at Dec 19, 2013

United Water Toms River Inc.
Main Replacement Projects

| Project Limits | Project Number | DSIC Category | Bid Date | DSIC Approval Date | First Day of Construction (Shovel in Ground) | Estimated Costs | Actual Costs September 30, 2014 | Engineering in-Service Date | Comments |
|---------------------------|----------------|---------------|-----------|--------------------|--|-----------------|---------------------------------|-----------------------------|--|
| Westminster Dr | C14D604 | Main Repl | 5/20/2014 | 3/19/2014 | 6/30/2014 | \$ 402,000 | \$ 391,559 | 9/15/2014 | Construction Completed. |
| Audubon Dr | C14D602 | Main Repl | 5/20/2014 | 3/19/2014 | 6/30/2014 | \$ 750,000 | \$ 768,289 | 8/15/2014 | Construction Completed. |
| Bell Drive and Bell Court | C14D603 | Main Repl | 5/20/2014 | 3/19/2014 | 6/30/2014 | \$ 685,000 | \$ 586,902 | 8/15/2014 | Construction Completed. |
| Cedar Drive and Haines Rd | C14D606 | Main Repl | 7/31/2014 | | 8/20/2014 | \$ 437,900 | \$ 361,630 | 9/15/2014 | 400 LF of main in Cedar Dr and 1350 LF of main in Haines Rd. During a leak investigation, found that a portion of Haines Dr was being served with 2-2" mains |

Total Projects \$ 2,108,380

United Water Toms River Inc.
Blanket Projects

| Project Name | Project ID | 2014 Annual Costs | Estimated 4/1/14 to 9/30/14 | Expenditure between 4/1/14 to 9/30/14 |
|------------------------------------|----------------------------|-------------------|-----------------------------|---------------------------------------|
| Hydrant Replacement | C14D501_044 | \$ 33,800 | \$ 14,000 | \$ 25,473 |
| Replacement Short Mains and Valves | C14D502_044 | \$ 101,500 | \$ 42,500 | \$ 143,744 |
| Domestic & Fire Services | C14F501_044 | \$ 676,900 | \$ 279,000 | \$ 880,558 |
| Unreimbursed Utility Relocation | | | | |
| Valve Replacements | | | | |
| | Total Blanket Expenditures | | | \$ 1,049,775 |