

United Water Bethel Inc.

Statement of Reasons

in Support of Supplement No. 50 to Tariff Water – Pa. P.U.C. No. 3

Overview

United Water Bethel Inc. (“UW Bethel”) provides domestic water service and fire protection to 2,342 residential customers, 73 commercial customers and 1 sale-for-resale customer. The Company’s service area includes developments in Bethel and Concord Townships, Delaware County, Pennsylvania.

Purchased Water is UW Bethel’s sole source of supply. Water is purchased through agreements with Chester Water Authority and with United Water Delaware. Additionally, United Water Delaware occasionally purchases water from UW Bethel.

UW Bethel’s distribution system consists of approximately forty (40) miles of water main, varying in sizes from two inches (2”) to twelve inches (12”) in diameter, 196 hydrants and over 2,300 services. There are no storage tanks or booster stations in UW Bethel’s distribution system.

Employees of United Water Delaware provide the labor required to manage, operate and maintain UW Bethel’s distribution system and customer service support.

Customers of United Water Bethel currently receive quarterly billing from the Company.

Benefits for the Change

Billing customers on a monthly basis will bring significant benefits to the customers and to UW Bethel including:

- 1) The Customer will have more-timely information to make personal decisions around water conservation and household / business budgeting. Also, by having consumption information monthly rather than quarterly, the customer will be better able to see and judge the possibility of a leak on their property, resulting in faster investigation and repairs -- which saves money for the customer.

2) The amount of the average bill will be divided by three, making it easier for customers to budget their payments; the likelihood of getting high bills which generate questions to the Company will also be significantly reduced; and, monthly billing will provide better alignment with other bill schedules. When the Company moves to monthly billing the meter reads will be based upon actual meter reads each month.

3) Moving to monthly billing will improve overall customer payment track records and result in lower uncollectible expense and improve apparent losses (shorter time to pick up zero meter reads and increase the chance of detecting meter tampering, etc.). There will also be a benefit in monitoring and detecting physical losses of water as UW Bethel will have the information available to reconcile between water production and water consumption more-frequently thereby detecting issues more quickly.

The Effect of the Change

The change from quarterly billing to monthly billing results in no increases to the small residential or small commercial customers and minimal increases to large residential and commercial customers. Since the current quarterly rates and more specifically the rate blocks were not divisible by 3 we needed to establish new rate blocks that were close to what the divisible by 3 would be. In doing so and trying to develop rates that would produce the same overall revenue requirement, we kept the first block rate unchanged and increased the second and third block rates. In doing so a customer that uses up to what was the quarterly first block (34,000 gallons) will see no change in their bill under the proposed monthly rates and first rate block (11,000 gallons). Customers at the new second block of 51,000 gallons per month would see an increase of \$0.66 per month. Overall these rates produce \$259 less than current rates. When developing rates, the overall objective is to get to the overall revenue requirement as close as possible. In this case when applying the proposed rates to the billing determinants, the result was slightly under.