

PSC No. 1 - WATER
COMPANY: LONG ISLAND WATER CORPORATION d/b/a
LONG ISLAND AMERICAN WATER
INITIAL EFFECTIVE DATE: APRIL 1, 2012

STATEMENT TYPE: SIC
STATEMENT No.: 3

GENERAL INFORMATION **SYSTEM IMPROVEMENT CHARGE (SIC)**

The SIC mechanism will apply to costs associated with the construction of specific reviewed and approved projects. The mechanism will allow recovery of carrying costs (i.e., return and depreciation expense) on specific projects placed in service in Rate Year Two, Rate Year Three and beyond. The use of the SIC mechanism is approved for the following projects:

- Iron removal facilities at Plant 15
- Storage tank rehabilitation at Plant 13
- Plant 5 common suction well rehabilitation, Phase 2 and
- Business transformation EAM/CIS

System Improvement Charge

When the Company has incurred actual expenditures for projects listed above and the new facilities have been placed in service, then the amount of those expenditures (net of the associated (1) retirements, including cost of removal and any related tax benefits, (2) accumulated deferred income taxes ("ADIT"), and (3) accumulated depreciation reserve, i.e., the net rate base ["NRB"]) will constitute the incremental rate base investment subject to the SIC.

The SIC filing will be made within 30 days after the project has been placed into service. The Company will provide Staff with detailed project information regarding the SIC (such as in-service dates, actual expenditures incurred, retirements, etc.). Staff will have 60 days to analyze and verify such data.

The formula for the calculation of the SIC surcharge is as follows:

$$\text{SIC surcharge} = ((\text{NRB} \times \text{Pre-tax ROR}) + D) / \text{AR}$$

Where:

NRB	=	the cost of the specific approved facilities listed above, net of associated (1) retirements, including cost of removal and any related tax benefits, (2) ADIT and (3) accumulated depreciation reserve
Pre-tax ROR	=	10.14%
D	=	the annual depreciation expense on the net additions
AR	=	LIAW's projected annual metered revenues.

Effective with this statement, the SIC surcharge is X.XX%.

Issued in compliance with Commission Order issued and effective March 20, 2012 in Case 11-W-0200.

Issued by: William M. Varley, President, 733 Sunrise Highway, Lynbrook, NY

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SYSTEM IMPROVEMENT CHARGE (SIC) – (cont'd.)

Safeguards

A reconciliation between authorized collections and actual collections related to the SIC surcharge will be conducted annually and filed with the Secretary to the Commission within 60 days of the end of each rate year. Any under collections or over collections will accrue interest at the customer deposit interest rate established by the Commission each year. Adjustments of under collections and over collections, as well as updates related to accumulated depreciation reserve, will be reflected in the next SIC surcharge filing.

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