Received: 05/03/2005
Status: CANCELLED
Effective Date: 05/01/2005

PSC NO: 12 WATER STATEMENT TYPE: SIC
COMPANY: **NEW YORK WATER SERVICE CORPPORATION** STATEMENT NO: 1
INITIAL EFFECTIVE DATE: 05/01/05

System Improvement Charge (SIC) Clause # 1

The SIC surcharge will apply to costs associated with the construction of two iron removal facilities to treat the water from the company's Jerusalem Avenue Pump Station Well #5 and the Newbridge Road Well #1.

When the Company has incurred actual expenditures for the iron removal facilities and they have been placed in service, then the amount of those expenditures (net of the associated (1) retirements, (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 surcharge will be assessed semi-annually for the applicable facilities placed in service during the six-month period ending 60 days prior to the effective date of each SIC surcharge ("SIC Period"). The first six months of the SIC surcharge will be the six-month period ending October 31, 2006. The Company will provide Staff with detailed project information regarding the SIC (such as in service dates, actual paid expenditures and retirements). During the 60-day interval between the end of the SIC Period and the SIC surcharge assessment, the Company will provide Staff with data within 15 calendar days, and Staff will have the balance of the 60 days to verify such data.

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

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

Where:

NRB = the cost of the applicable iron removal facilities, net of associated (1) retirements, (2) ADIT and (3) accumulated depreciation reserve

Pre-tax ROR = 10.94%

D = the annual depreciation expense on the net additions

AR = projected annual metered and fire protection revenues

A reconciliation between authorized collections and actual collections related to the SIC surcharge will be conducted annually and filed with the Commission within 60 days of the end of each rate year. Any undercollections or overcollections will accrue interest at the customer deposit interest rate established by the Commission each year. Adjustments of undercollections and overcollections will be reflected in the next SIC surcharge filing

Issued in Compliance with Order dated April 26, 2005 in Case 04-W-0665

Issued By: Vincent Bohn, Vice President - Utilities, New York, NY

Cancelled effective 06/30/2007.