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

Revenue and Production Cost Reconciliation Adjustment Clause and Property Tax Clause #1

Applicable to all Metered Customers in Service Classification 1-E.

Commission Opinion No. ____ in Case 04-W-0665 directed that the rates applicable to all metered customer accounts, as defined above, be subject to automatic adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (operating revenues less production costs) for the preceding rate year and the net revenue target as estimated in the most recent rate case (the Differential). The Differential will be added or subtracted, as the case may be, to the RAC balance as of April 30, 2005. One third of the RAC balance shall be recovered (or refunded) during the ensuing year. In the approved Joint Proposal, target levels for revenues (which include $100,000 for late payment charges), production costs and property taxes were set for future years as follows, with the levels from the third rate year carrying forward for all future years until new target levels are set in the next rate proceeding :

Year Ending	April 30, 2006	April 30, 2007	April 30, 2008
Revenues	$20,077,159	$20,355,507	$20,633,870
Production Costs	$1,531,870	$1,531,870	$1,531,870
Property Taxes	$5,967,000	$5,967,000	$5,967,000

Prior to July 1, 2006, the surcharge/credit for the year ending April 30, 2006 is calculated as follows: The actual net revenues for the year ended April 30, 2006 of $ was compared to the target levels set forth above. The difference, including accrued interest, results in a surcharge/credit to customers of $. The amount to be surcharged/refunded to customers derived from the calculation described above, during the ensuing year ending April 30, 2007 is: $.

In accordance with the property tax mechanism set forth in the Joint Proposal approved by the Commission in Case 04-W-0665, the PSC has permitted the company to reconcile property taxes each year. For the rate year ended April 30, 2006, such reconciliation resulted in a surcharge/credit to customer of $. As a result, the net surcharge/credit, including all applicable taxes, is $.

The surcharge or credit will be billed to the customers or refunded to the Company as a percentage of metered customers bills based on total revenues from the Company's metered customers

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

Issued By: Vincent Bohn, President, New York , NY

Cancelled by supplement No. 10 effective 02/04/2010