

PSC No. 1 - WATER
COMPANY: LONG ISLAND WATER CORPORATION d/b/a
LONG ISLAND AMERICAN WATER
INITIAL EFFECTIVE DATE: MAY 24, 2011

STATEMENT TYPE: SIC
STATEMENT No.: 2

GENERAL INFORMATION

SYSTEM IMPROVEMENT CHARGE (SIC)

The SIC surcharge will apply to costs associated with the construction specific reviewed and approved projects. The specific projects are an iron removal facility at plant No. 8, and an iron removal facility at plant No. 15, or such other source of supply, treatment of other major system projects as mutually agreed upon by the Company and the Public Service Commission.

System Improvement Charge

When the Company has incurred actual expenditures for the plant No. 8 and plant No. 15 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 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 service dates, actual expenditures incurred and retirements). 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:

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

Where:

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

Pre-tax ROR = 10.48%

D = the annual depreciation expense on the net additions

AR = projected annual metered revenues.

Effective with this statement, the SIC surcharge is 1.06%.

Issued in compliance with the Commission Order in Case 07-W-0508 dated March 5, 2008

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 Commission within 60 days of the anniversary date of the original surcharge effective date. 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 will be reflected in the next SIC surcharge filing.

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