

PSC No. 5 - WATER**STATEMENT TYPE: RPCRC****COMPANY: NEW YORK AMERICAN WATER COMPANY, INC.****STATEMENT NO.: 4****INITIAL EFFECTIVE DATE: JANUARY 1, 2018****REVENUE AND PRODUCTION COST RECONCILIATION ADJUSTMENT CLAUSE AND
PROPERTY TAX CLAUSE**Applicable to all Long Island District Metered Customers in Service Classifications 1, 2 and 6.

Commission Order in Case 07-W-0508, dated March 5, 2008, 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 difference is then surcharged (or credited) to be recovered (or refunded) over the ensuing year. In the following proceeding, Case 11-W-0200, target levels for revenues, 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 (the revenue numbers below do not include net RAC adjustments for the rate year ending March 31, 2013 of (\$40,303) (\$8,977 for the Service Centers and (\$49,280) for Demutualization) from the Commission decision on 11/20/2002 in Cases 02-W-0054 and 02-W-0056):

Year Ending	March 31, 2013	March 31, 2014	March 31, 2015
Revenues	\$47,549,412	\$48,807,844	\$49,869,621
Production Costs	\$3,953,224	\$4,032,684	\$4,118,580
Property Taxes	\$11,893,414	\$12,132,472	\$12,390,893

Revenues and Production Costs Calculation

The surcharge for the year ending March 31, 2017 is calculated as follows:

The actual net Revenues for the year ended March 31, 2017 of \$46,417,761 was compared to the target level set forth above. The difference, including accrued interest, would result in a surcharge to customers of \$3,501,095.

The actual Production Costs for the year ended March 31, 2017 of \$4,142,065 was compared to the target level set forth above. The difference, including accrued interest, would result in a surcharge to customers of \$23,485.

Since the total number of metered customers is: 72,810

The combined Revenue and Production Cost surcharge per customer would amount to: \$48.41.

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INITIAL EFFECTIVE DATE: JANUARY 1, 2018

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REVENUE AND PRODUCTION COST RECONCILIATION ADJUSTMENT CLAUSE AND
PROPERTY TAX CLAUSE (CONTINUED)

(Long Island District, continued)

Property Tax Calculation

In accordance with the property tax mechanism approved by the Commission in Case 11-W-0200, the PSC has permitted the Company to reconcile property taxes. For the rate year ended March 31, 2017, such reconciliation would result in a surcharge to customers of \$8,226,741, including interest.

As a result, the net RPT surcharge to each customer's bill amounts to \$112.99.

Total RAC/RPT Surcharge

The total, net RAC/RPT surcharge per customer is \$161.60, or \$13.47 per month, to be collected over twelve months.*

* This net surcharge amount includes \$14,991 (or \$0.21 per customer) for under-recoveries from prior RAC/RPT surcharges.

Any refunds due ratepayers from any net over-recovery in the rate year will be credited to customers' bills in the earliest month, as administratively practical, of the following rate year. Customer bills will be surcharged, no greater than \$4 per customer per month, to recover any deferral of cost recovery in the rate year beginning in the earliest month, as administratively practical, of the following rate year and continue each month thereafter, as necessary, until the entire deferral is recovered. Should the \$4 per customer per month surcharge limit be inadequate to fully recover any deferred costs prior to the end of the following rate year, the limit will be waived. For sprinkler customers there will be a one-time credit/surcharge. Any credit/surcharge is subject to the applicable local gross revenue taxes as set forth in the current tax statements.

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PROPERTY TAX CLAUSE (CONTINUED)**Applicable to all Metered Customers in the Merrick District, Service Classifications 1 and 2

Pursuant to the terms and conditions of the Commission's Order (the order) in Case 11-W-0472 issued and effective April 20, 2012 and the provisions of the Joint Proposal (JP) contained therein, the existing Revenue Adjustment Clause (RAC) will continue with modifications as described below. 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 metered revenues (operating revenues less production costs) for the preceding rate year and the net revenue targets as included in the table below. The net revenue difference will be added or subtracted, as the case may be, to the RAC balance as of the dates indicated in the table below. In the approved JP, target levels for revenues, production costs and property taxes were set for future years as follows, with the levels from January 31, 2013 (the third rate year per Case 09-W-0927) carrying forward for all future years until new target levels are set in the next rate proceeding:

Year Ending	January 31, 2013	March 31, 2014	March 31, 2015
Revenue Target	\$25,622,843	\$28,108,256	\$25,622,843
Production Costs	\$ 2,389,816	\$ 2,672,265	\$ 2,389,816
Property Taxes	\$ 8,336,459	\$ 9,725,869	\$ 8,336,459

Within 60 days of the end of each rate year the surcharge/credit for each rate year is calculated as follows: The actual net metered revenues for each rate year are compared to the target levels set forth above. The difference, including accrued interest, results in a surcharge/credit to customers. The amount to be surcharged/refunded to customers derived from the calculation described above during the ensuing year per the table above will be based on the provisions in the JP as approved by the Commission.

In accordance with the property tax mechanism set forth in the JP approved by the Commission in Case 11-W-0472, the PSC has permitted the company to reconcile property taxes each year. Actual property taxes are compared to the targets noted above, with the following stipulations: (1) if actual costs exceed the target, 85% of the difference will be deferred for recovery, and (2) if actual costs are below the target, 100% of the difference will be deferred for refund to customers. For the rate years ended per the table above, such reconciliations will result in a surcharge/credit to customers subject to the provisions of the JP. The surcharge/credit will be reflected on bills annually and included as part of the RAC calculation.

For the rate year ended March 31, 2017 a one-time credit of \$5.43 per metered customer will be reflected on their bills beginning August 9, 2017.

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PROPERTY TAX CLAUSE (CONTINUED)**Applicable to all Metered Customers in the Sea Cliff District, Service Classifications 1, 2 and 5.

Commission Order in Case 11-W-0472, dated April 20, 2012, 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 difference is then surcharged (or credited) to be recovered (or refunded) over the ensuing year. Target levels for revenues, 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	March 31, 2013	March 31, 2014	March 31, 2015
Revenues	\$2,074,430	\$2,149,000	\$2,149,000
Production Costs	\$205,817	\$217,703	\$217,703
Property Taxes	\$1,009,635	\$1,101,420	\$1,101,420

The surcharge for the year ended March 31, 2017 is calculated as follows:

The actual revenues for the year ended March 31, 2017 of \$2,087,650 and production costs of \$203,419 were compared to the target level set forth above. The difference, including accrued interest, results in a surcharge to customers of \$48,081.

Since the total number of metered customers is: 4,305

The surcharge per customer amounts to: \$11.17 for the revenue and production costs portion of this surcharge.

In accordance with the property tax mechanism set forth in the settlement agreement approved by the Commission in Case 11-W-0472, the PSC has permitted the company to reconcile property taxes. Actual property taxes are compared to the targets noted above, with the following stipulations: (1) if actual costs exceed the target, 85% of the difference will be deferred for recovery, and (2) if actual costs are below the target, 100% of the difference will be deferred for refund to customers. For the rate year ended March 31, 2017, such reconciliation resulted in a surcharge to customers of \$1,889,137. As a result, the net surcharge to each customer's bill amounts to \$438.82 for the property tax reconciliation portion of the surcharge.

The RAC/PTR surcharge per customer net of offsets and prior period under-recoveries is \$1,392,528, or \$26.95 per month, effective November 1, 2017 – December 31, 2017.*

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PROPERTY TAX CLAUSE (CONTINUED)****(Sea Cliff District, continued)**

*NOTE: Pursuant to the Commission's order of approval in Case 17-W-0300, the Company is permitted to offset surcharges resulting from the Revenue and Property Tax reconciliation mechanism with funds of \$239,900 in Pension/OPEB credits, and to defer \$302,437 of excess property taxes from its Revenue, Production Costs and Property Tax Reconciliation filing. Using these adjustments as an offset to the RAC/PTR surcharges for the rate year ended March 31, 2017 results in an overall net surcharge of \$26.95 per month per metered customer.

Effective January 1, 2018, the RAC/PTR surcharge per customer is \$0.00 per month.

Any refunds due ratepayers from any net over-recovery in the rate year will be credited to customers' bills in the earliest month, as administratively practical, of the following rate year. Customer bills will be surcharged, no greater than \$4.00 per customer per month, to recover any deferral of cost recovery in the rate year beginning in the earliest month, as administratively practical, of the following rate year and continue each month thereafter, as necessary, until the entire deferral is recovered. Should the \$4.00 per customer per month surcharge limit be inadequate to fully recover any deferred costs prior to the end of the following rate year, the limit will be waived. Any credit/surcharge is subject to the applicable local gross revenue taxes as set forth in the current tax statements.

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