

PSC NO: 2 - WATER  
 COMPANY: NEW YORK AMERICAN WATER COMPANY, INC.  
 INITIAL EFFECTIVE DATE: June 1, 2013  
 Issued in compliance with Order in Case 09-W-0237 issued and effective  
 January 29, 2010, and Case 11-W-0472 issued and effective April 20, 2012.

STATEMENT TYPE: RRC2  
 STATEMENT NO: 3  
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## Revenue and Production Cost Reconciliation Adjustment Clause and Property Tax Clause

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

Pursuant to the terms and conditions of the Commission's Order (the order) in Case 09-W-0237 issued and effective January 29, 2010 and the provisions of the Amended Joint Proposal (JP) contained therein, the existing RAC will continue with a modification 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) plus the actual revenue from late payment charges for the preceding rate year and the net revenue targets as included in the table below. The production costs have been modified in the current rate case as follows: (1) if actual costs are less than the target for each year, 100% of the difference will be deferred and refunded through the RAC or (2) if actual costs exceed the target levels below, 90% will be deferred and recovered through the RAC. 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 Joint Proposal as amended, target levels for revenues (which include 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	January 31, 2011	January 31, 2012	January 31, 2013
Revenue Target	\$24,743,587	\$25,132,740	\$25,622,843
Production Costs	\$ 2,306,054	\$ 2,345,256	\$ 2,389,816
Property Taxes	\$ 8,044,267	\$ 8,181,020	\$ 8,336,459

Prior to April 1 of each rate year, the surcharge/credit for each rate year is calculated as follows: The actual net metered revenues plus actual revenue from late payment charges for each rate year was compared to the target levels set forth above. The difference (with the production cost modification described above), 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.

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In accordance with the property tax mechanism set forth in the JP approved by the Commission (subject to one modification in the order) in Case 09-W-0237, the PSC has permitted the company to reconcile property taxes each year. 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 and modification in the order. The surcharge/credit will be reflected on bills annually and included as part of the RAC calculation

The overall surcharge or credit (from the RAC and PTR) will be billed to the customers or refunded to the Company based on the provisions in the Joint Proposal.

For the rate year ended January 31, 2013 a one-time credit of \$13.62 per metered customer will be reflected on their bills beginning June 2013.

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For purposes of computing the monthly variances and the appropriate carrying charges provided for by the JP, the following monthly targets will apply.

	<u>RATE YEAR 1 (ENDING JANUARY 31, 2011)</u>			<u>RATE YEAR 2 (ENDING JANUARY 31, 2012)</u>			<u>RATE YEAR 3 (ENDING JANUARY 31, 2013)</u>		
	Metered Revenues plus LPC	Production Costs	Property Taxes	Metered Revenues plus LPC	Production Costs	Property Taxes	Metered Revenues plus LPC	Production Costs	Property Taxes
Feb	\$1,088,718	\$120,108	\$661,313	\$1,105,840	\$122,150	\$672,555	\$1,127,404	\$124,471	\$685,334
Mar	\$1,311,410	\$152,441	\$661,313	\$1,332,035	\$155,032	\$672,555	\$1,358,009	\$157,978	\$685,334
Apr	\$1,336,154	\$150,337	\$661,313	\$1,357,167	\$152,892	\$672,555	\$1,383,632	\$155,797	\$685,334
May	\$1,880,513	\$142,274	\$661,313	\$1,910,087	\$144,693	\$672,555	\$1,947,334	\$147,442	\$685,334
Jun	\$2,226,923	\$224,049	\$661,313	\$2,261,946	\$227,858	\$672,555	\$2,306,054	\$232,187	\$685,334
Jul	\$3,290,897	\$310,140	\$661,313	\$3,342,653	\$315,413	\$672,555	\$3,407,835	\$321,405	\$685,334
Aug	\$3,414,615	\$273,556	\$679,398	\$3,468,317	\$278,207	\$690,948	\$3,535,963	\$283,493	\$704,076
Sept	\$3,068,205	\$274,758	\$679,398	\$3,116,469	\$279,429	\$690,948	\$3,177,241	\$284,738	\$704,076
Oct	\$2,152,692	\$192,234	\$679,398	\$2,186,547	\$195,502	\$690,948	\$2,229,185	\$199,217	\$704,076
Nov	\$2,301,154	\$180,425	\$679,398	\$2,337,344	\$183,492	\$690,948	\$2,382,922	\$186,979	\$704,076
Dec	\$1,484,615	\$130,550	\$679,398	\$1,507,964	\$132,770	\$690,948	\$1,537,369	\$135,292	\$704,076
Jan	<u>\$1,187,692</u>	<u>\$155,182</u>	<u>\$679,399</u>	<u>\$1,206,371</u>	<u>\$157,819</u>	<u>\$690,949</u>	<u>\$1,229,895</u>	<u>\$160,817</u>	<u>\$704,077</u>
Total	\$24,743,587	\$2,306,054	\$8,044,267	\$25,132,740	\$2,345,256	\$8,181,020	\$25,622,843	\$2,389,816	\$8,336,459