

**STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE  
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May 20, 2011

Mr. William M. Varley  
President  
Long Island Water Corporation d/b/a Long Island American Water  
733 Sunrise Highway  
Lynbrook, NY 11563

RE: Case 07-W-0508 – Long Island Water Corporation d/b/a Long Island American Water (LIWC or the company) – System Improvement Charge (SIC) Surcharge – Plant #8 Iron Removal Filter Plant.

Dear Mr. Varley:

On March 24, 2011, LIWC submitted its surcharge filing related to the construction of a new iron removal filter plant located at plant #8 in the LIWC system pursuant to the terms of Section VIII of the Joint Proposal (JP) approved by the Commission in Case 07-W-0508. The company's filing stated a total cost of \$7,570,404 for the iron removal filter plant. However, in accordance with the terms of Section VIII of the JP, the surcharge calculation properly reflected the maximum allowable capital cost to be recovered via the SIC surcharge of \$4,000,000. The company originally proposed that a 1.21% surcharge be applied to all metered customers' bills in order to recover the revenue requirement associated with the construction of the iron removal filter plant.

Staff reviewed the company's filing and found that the composite depreciation rate used in the surcharge calculation was incorrect. The company subsequently submitted a revised surcharge calculation on May 12, 2011 to reflect the proper composite depreciation rate.

As a result of the above change to the company's surcharge calculation, LIWC may file System Improvement Charge Statement No. 2 to its tariff schedule P.S.C. 1 – Water reflecting a 1.06% surcharge, to become effective May 24, 2011. It should also be noted that this surcharge is subject to an annual audit and reconciliation. The SIC surcharge will remain in place until the Commission issues a decision in LIWC's next general rate case, Case 11-W-0200, at which time all costs previously collected through the SIC will be accounted for and included in base rates.

If you have any questions, please contact me at 212-417-2321.

Sincerely,

James Evensen  
Chief, Water Rates Section  
Office of Electric, Gas and Water