

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE
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December 22, 2011

Mr. William M. Varley
President
Long Island American Water
733 Sunrise Highway
Lynbrook, NY 11563

RE: Case 07-W-0508 - Long Island Water Corporation (LIWC) – Distribution
System Improvement Charge (DSIC) Surcharge filing

Dear Mr. Varley:

This letter is in response to LIWC's DSIC surcharge filing received on October 17, 2011, in accordance with the terms of the Joint Proposal (JP) approved by the Commission in Case 07-W-0508.

The company's submission shows that LIWC incurred a total capital cost of \$5,771,717 for water main, hydrant and service line replacements and capitalized water main repairs during the six month period April 1, 2011 through September 30, 2011. In accordance with the terms of the JP, carrying costs associated with \$2,789,031 of this amount qualifies to be recovered through the DSIC surcharge mechanism. This DSIC filing also includes an annual reconciliation between authorized and actual collections related to the DSIC surcharge. The result of the reconciliation was an undercollection of \$60,891, which is included in the calculation for the updated DSIC surcharge. Subsequent to discussions with Staff, the company submitted a revised surcharge calculation to account for the effects of cost of removal on accumulated deferred income taxes. Staff has completed its review of the company's revised submission and finds that the company proposal to recover an additional 0.83% surcharge, for an updated total surcharge of 3.27%, from all metered customers is proper.

The company, therefore, should file Distribution System Improvement Charge Statement No. 7, as described in the JP, to become effective December 23, 2011.

If I can be of further assistance, please let me know.

Sincerely,

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

cc: John Casillo, Financial Manager, Long Island American Water
John Watkins, Senior Manager Rates & Regulation, American Water