

PSC No. 1 - WATER
COMPANY: LONG ISLAND WATER CORPORATION d/b/a
LONG ISLAND AMERICAN WATER
INITIAL EFFECTIVE DATE: JULY 31, 2008

STATEMENT TYPE: DSIC
STATEMENT No.: 1

GENERAL INFORMATION

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

The DSIC surcharge will apply to costs associated with: distribution and transmission mains installed as replacements or reinforcements; cleaning and lining of mains; and replaced valves, services and hydrants (whether the installations are part of the main replacement program or are located elsewhere in the system and are replaced because of age or condition).

When the Company has incurred actual expenditures for this program and the renewed/replaced system facilities 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 DSIC.

The DSIC surcharge will be assessed semi-annually for the applicable facilities placed in service during the six-month period ending 90 days prior to the effective date of each DSIC surcharge ("DSIC Period"). The first DSIC Period will be the six-month period ending September 30, 2008. During the 90-day interval between the end of the DSIC Period and the corresponding DSIC surcharge effective date, the Company will have 30 days to provide Staff with detailed project information regarding the DSIC (such as dates, actual paid expenditures, main size, length, location, replacements and retirements). Staff will have the remaining 60 days to verify such data.

The formula for the calculation of the DSIC surcharge is as follows:

$$\text{DSIC surcharge} = [(\text{NRB} \times \text{Pre-tax ROR}) + D] / \text{AR}$$

Where:

NRB = the cost of the applicable transmission and distribution 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

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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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) – (cont'd.)

Effective with this Statement the DSIC surcharge is x.xx %

A reconciliation between authorized collections and actual collections related to the DSIC surcharge will be conducted annually and filed with the Commission within 60 days of the end of each rate year. Any undercollections or overcollections will accrue interest at the customer deposit interest rate established by the Commission each year. Adjustments of undercollections and overcollections will be reflected in the next DSIC surcharge filing.

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