

PSC No: 12 Water
COMPANY: NEW YORK WATER SERVICE CORPORATION
 INITIAL EFFECTIVE DATE: 3/15/2009

Statement Type: DISC
 Statement No. 2

Distribution Improvement System Charge (DISC)

The DISC surcharge will apply to costs associated with the new elevated tank at DeMott Ave. Station. When the Company has incurred actual expenditures for the DeMott Station elevated tank and they 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 DISC.

Effective Date: The DISC will become effective for bills rendered on and after December 31, 2010.

The DISC surcharge will be assessed semi-annually for the applicable facilities placed in service during the six-month period ending 60 days prior to the effective date of each DISC surcharge ("DISC Period"). The Company will provide Staff with detailed project information regarding the DISC (such as in-service dates, actual paid expenditures and retirements). During the 60-day interval between the end of the DISC Period and the DISC surcharge assessment, the Company will provide the Director of the Office of Gas and Water with data within 15 calendar days, and the Director will have the balance of the 60 days to verify such data. Any dispute regarding the verification of the data will be addressed pursuant to the Rate Plan's dispute resolution provision and the disputed portion of the DISC surcharge will not go into effect until the dispute resolution process has been completed. When costs are included in the surcharge, AFUDC will no longer be accrued.

The formula for calculation of DISC Surcharge is as follows:

$$\text{DISC} = \frac{(\text{NRB} \times \text{Pre-Tax ROR}) + \text{D}}{\text{AR}}$$

Where:

NRB	=	the cost of the eligible plant, net of associated retirements, accumulated deferred income taxes and accumulated depreciation reserve
Pre-tax ROR	=	10.94%
D	=	annual depreciation on the net plant additions by asset class
AR	=	projected annual metered and fire protection revenues

Issued by: Matthew Snyder, President, Aqua New York, Inc.

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(continued)

Effective with this statement, the DISC surcharge is _____%

Safeguards

Audit/Reconciliation: The DISC will be subject to an annual audit. It will also be subject to annual reconciliation between the authorized collections and actual collections and filed with the Commission within sixty (60) days after the end of each rate year. Any over-collections or under-collections will accrue interest at the other customer capital interest rate established by the Commission each year. Adjustments for over and under collections will be reflected in the next DISC surcharge filing.

Customer Notice

Customers shall be notified of changes in the DISC by including appropriate information of the first bill they receive following any change.

Issued by: Matthew Snyder, President, Aqua New York, Inc.