

PSC NO. 4 - WATER
 COMPANY: NEW YORK AMERICAN WATER COMPANY, INC.
 INITIAL EFFECTIVE DATE: October 14, 2012
 Issued in compliance with order in Case 12-W-0217 dated 08/17/2012

STATEMENT TYPE: SIC
 STATEMENT NO: 1
 SUPERSEDING REVISION:

System Improvement Charge (SIC)

The SIC surcharge will apply to costs associated with the construction of proposed major capital improvements at the New York American Water Company, Inc.'s Cambridge system.

The Cambridge System proposes installation of a new storage tank and transmission main project estimated to cost \$350,000 and to use a SIC mechanism, to recover the carrying costs of the capital investment in the project. Up to a maximum of \$350,000 in capital costs is authorized for recovery through the SIC.

Prior to commencing construction on the Cambridge system project, New York American Water Company, Inc. is required to file a detailed cost and operational justification along with the process used for awarding contracts to outside consultants, contractors, and vendors needed for each project with the Directors of the Office of Electric, Gas and Water Rates and Office of Accounting and Finance for review and approval. The Directors shall review the justification and establish a maximum allowance for the project's capital costs for the carrying costs to be recovered through the SIC surcharge.

When the Company incurs actual expenditures for a project and it is 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 SIC. The SIC will remain in place until the Commission issues a decision in the Company's next general rate case, at which time all costs previously collected through the SIC will be accounted for and included in base rates of the system benefiting from the capital improvement.

The company is required to file its request for a SIC within 30 days after the project is placed into service. The company will provide the Directors with detailed project information regarding the project, including in-service dates, actual paid expenditures, and associated retirements. Within 60 days, the Directors shall notify the company that the SIC is authorized or that further investigation or a Commission order is required. The surcharge will only apply to customers at the Cambridge system, where the improvements are made.

The formula for the calculation of the quarterly SIC surcharge is as follows:

$$\text{SIC surcharge} = [(\text{NRB} \times \text{Pre-tax ROR}) + D] / [4 \times \text{Customer Count}]$$

Where:

NRB = the cost of the applicable storage tank and transmission main projects, net of associated (1) retirements, (2) ADIT and (3) accumulated depreciation reserve

Pre-tax ROR = 10.5%

D = the annual depreciation expense on the net additions

Customer Count = number of customers over which the surcharge will be collected

Effective with this statement, the quarterly SIC surcharge is: \$XX.XX per customer.

Issued By: William M. Varley, President, 733 Sunrise Hwy., Lynbrook, NY 11563
 (Name of Officer, Title, Address)