

PSC No. 2 – Water
 Company: Fishers Island Water Works Corporation
 Initial Effective Date: April 24, 2019
 (Issued in compliance with Commission Order issued February 8, 2019 in Case 18-W-0566)

Statement Type: SIC
 Statement No.: 2

SYSTEM IMPROVEMENT CHARGE (SIC)

The SIC mechanism will apply to costs associated with the construction of specific reviewed and approved system improvement projects, allowing recovery of carrying costs (i.e., return and depreciation expense) on those system improvement projects that are placed in service. As described in the Order Authorizing Issuance of Securities in Case 18-W-0566, the use of the SIC mechanism is approved for the following projects:

- New ground water filtration system - \$584,942
- Installation of Aqua Guard® Preventative Well Maintenance System on the Church Well - \$12,624
- Replacement of customer meters and installation of remote meter reading system - \$170,982

The formula for the calculation of the SIC surcharge for projects approved under Case 18-W-0566 is as follows:

$$\text{SIC surcharge} = (\text{NRB} \times \text{Pre-tax ROR} + \text{D}) / \text{GF} / \text{AR}$$

Where:

| | | |
|-------------|---|---|
| NRB | = | the cost of the specific approved facilities listed above, net of associated (1) retirements, including cost of removal and any related tax benefits, (2) ADIT and (3) accumulated depreciation reserve |
| Pre-tax ROR | = | current pre-tax rate of return at 8.36% |
| D | = | the annual depreciation expense on the net additions |
| GF | = | revenue requirement gross up factor of 99.76% (2018 Rate Order) |
| AR | = | Fishers Island's projected annual metered revenues |

Effective with this statement, the SIC surcharge is 7.86%

Issued by: J. Christopher Finan, President, 161 Oriental Ave. Fishers Island, NY 06390

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GENERAL INFORMATION

System Improvement Charge

When the Company has incurred actual expenditures for projects listed above and the new facilities have been placed in service, then the amount of those expenditures (net of the associated (1) retirements, including cost of removal and any related tax benefits, (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 filing will be made within 60 days after the project has been placed into service. The Company will provide Staff with detailed project information regarding the SIC (such as in-service dates, actual expenditures incurred, retirements, etc.) and an updated statement. The statement will be filed to become effective on not less than one day’s notice.

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