

PSC No. 3 - WATER**STATEMENT TYPE: RPCRC****COMPANY: NEW YORK AMERICAN WATER COMPANY, INC.****STATEMENT NO: 4****INITIAL EFFECTIVE DATE: NOVEMBER 1, 2016**

Issued in compliance with orders in Case 16-W-0410 dated 10/17/16 and Case 11-W-0472 dated 4/20/12

GENERAL INFORMATIONRevenue and Production Cost Reconciliation Adjustment Clause and Property Tax Clause

Applicable to all Metered Customers in Service Classification 1.

Commission Order in Case 11-W-0472, dated April 20, 2012, directed that the rates applicable to all metered customer accounts, as defined above, be subject to automatic adjustment by way of a surcharge, or credit, based on the difference between the actual net revenues (operating revenues less production costs) for the preceding rate year and the net revenue target as estimated in the most recent rate case. The difference is then surcharged (or credited) to be recovered (or refunded) over the ensuing year. Target levels for revenues, production costs and property taxes were set for future years as follows, with the levels from the third rate year carrying forward for all future years until new target levels are set in the next rate proceeding:

Year Ending	March 31, 2013	March 31, 2014	March 31, 2015
Revenues	\$2,074,430	\$2,149,000	\$2,149,000
Production Costs	\$205,817	\$217,703	\$217,703
Property Taxes	\$1,009,635	\$1,101,420	\$1,101,420

The surcharge for the year ended March 31, 2016 is calculated as follows:

The actual revenues for the year ended March 31, 2016 of \$2,118,263 and production costs of \$227,454 were compared to the target level set forth above. The difference, including accrued interest, results in a surcharge to customers of \$41,716.

Since the total number of metered customers is: 4,280

The surcharge per customer amounts to: \$9.75 for the revenue and production costs portion of this surcharge.

(continued)

Issued by: Brian K. Bruce, President, 60 Brooklyn Avenue, Merrick, NY 11566
(Name of Officer, Title, Address)

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(cont'd)

In accordance with the property tax mechanism set forth in the settlement agreement approved by the Commission in Case 11-W-0472, the PSC has permitted the company to reconcile property taxes. Actual property taxes are compared to the targets noted above, with the following stipulations: (1) if actual costs exceed the target, 85% of the difference will be deferred for recovery, and (2) if actual costs are below the target, 100% of the difference will be deferred for refund to customers. For the rate year ended March 31, 2016, such reconciliation resulted in a surcharge to customers of \$1,613,568. As a result, the net surcharge to each customer's bill amounts to \$377.02 for the property tax reconciliation portion of the surcharge.

The RAC/PTR surcharge per customer net of offsets and prior period under-recoveries is \$323.40, or \$80.85 per quarter, effective November 1, 2016.*

*NOTE: Pursuant to the Commission's order of approval in this filing, the Company is permitted to offset surcharges resulting from the Revenue and Property Tax reconciliation mechanism with funds of \$33,693 from an earnings sharing mechanism, to defer \$300,000 of excess property taxes from its Revenue, Production Costs and Property Tax Reconciliation filing, and recover \$62,485 of under-recovery of its prior year filing. Using these adjustments as an offset to the RAC/PTR surcharges for the rate year ended March 31, 2016 results in an overall net surcharge of \$80.85 per quarter per metered customer.

Any refunds due ratepayers from any net over-recovery in the rate year will be credited to customers' bills in the earliest month, as administratively practical, of the following rate year. Customer bills will be surcharged, no greater than \$4.00 per customer per month, to recover any deferral of cost recovery in the rate year beginning in the earliest month, as administratively practical, of the following rate year and continue each month thereafter, as necessary, until the entire deferral is recovered. Should the \$4.00 per customer per month surcharge limit be inadequate to fully recover any deferred costs prior to the end of the following rate year, the limit will be waived. Any credit/surcharge is subject to the applicable local gross revenue taxes as set forth in the current tax statements.

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