

P.S.C. No. 1 – Water  
SUEZ WATER OWEGO-NICHOLS INC.  
Initial Effective Date: November 14, 2016

Statement Type: CSS  
Statement No. 1

### CONSTRUCTION SURCHARGE STATEMENT (CSS)

Applicable to all metered and fire protection customers

#### I. General Description

Purpose: The CSS will be used to recover the pre-tax return on five projects as they are completed and put in service. The five projects are (1) designed to track underground assets, (2) manage the Company's maintenance program, (3) performing a hydraulic analysis of the system, (4) study the Company's supply situation, and (5) the construction of a new well to replace Well No. 1. The surcharge will also recover the depreciation related to these projects.

#### II. Computation of the CSS

The formula for the calculation of the CSS is as follows:

$$\text{CSS} = \frac{((\text{CE} - \text{AD} - \text{ADIT}) \times \text{ROR}) + \text{D}}{\text{PABR}}$$

Where:

CE = Capital expenditures on the five projects  
AD = Accumulated depreciation  
ADIT = accumulated deferred income taxes  
ROR = Pre – tax rate of return of 11.02% until new base rates are established  
D = Depreciation  
PABR = SWON's projected annual billed revenues

The CSS will be a percentage, carried to two decimal places, and will be applied to the total amount billed to all metered and fire protection customers.

Effective with this statement the surcharge is 2.05%

#### III. Safeguards

Audit/Reconciliation: the CSS will be subject to an annual audit. It will also be subject to annual reconciliations between the authorized collections and actual collections and should be filed with the Commission within sixty (60) days after the end of each rate year. Any over or under collections will accrue interest at the other customer capital interest rate established by the Commission each year. Adjustments for over/under collections resulting from the surcharge will be reflected in the next year's surcharge filing until such time as these capital projects are reflected in new base rates. At that time, any remaining over or under collections will be include in the new base rates.

Customer Notice: Customers shall be notified of changes in the CSS by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.