

**PSC No. 3 - WATER****STATEMENT TYPE: RPCRC****COMPANY: NEW YORK AMERICAN WATER COMPANY, INC.****STATEMENT NO: 2****INITIAL EFFECTIVE DATE: August 1, 2014**

Issued in compliance with order in Case 11-W-0472 dated 04/20/2012

**GENERAL INFORMATION**Revenue 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, 2014 is calculated as follows:

The actual revenues for the year ended March 31, 2014 of \$2,022,159 and production costs of \$183,379 were compared to the target level set forth above. The difference, including accrued interest, results in a surcharge to customers of \$93,781.

The net amount to be surcharged to customers derived from the calculation described above, during the ensuing year ended March 31, 2014 is: \$93,781.

Since the total number of metered customers is: 4,298

The surcharge per customer amounts to: \$21.82

Issued by: William M. Varley, 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, 2014, such reconciliation resulted in a surcharge to customers of \$557,949. As a result, the net surcharge to each customer's bill amounts to \$129.82.

The RAC/PTR surcharge per customer net of offsets is \$74.39, or \$18.60 per quarter, effective August 1, 2014.\*

\*NOTE: Pursuant to the Commission's letter of approval in this filing, the Company is permitted to offset surcharges resulting from the Revenue and Property Tax reconciliation mechanism with overearnings, plus accrued interest, from Pension/OPEB liabilities associated with the former Aquarion Water Company of Sea Cliff, Incorporated of \$81,806 and overearnings attributable to Sea Cliff determined in Case 11-W-0472 to be \$250,211. Using these overearnings as an offset to the RAC/PTR surcharges for the rate year ended March 31, 2014 results in an overall net surcharge of \$18.60 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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