

PSC No. 3 - WATER**COMPANY: NEW YORK AMERICAN WATER COMPANY, INC.****INITIAL EFFECTIVE DATE: August 1, 2013**

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

STATEMENT TYPE: RPCRC**STATEMENT NO: 1****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, 2013¹ is calculated as follows:

The actual revenues for the year ended March 31, 2013 of \$1,942,136 were compared to the target level set forth above. The difference, including accrued interest, results in a surcharge to customers of \$127,228.

The net amount to be surcharged to customers derived from the calculation described above, during the ensuing year ended March 31, 2013 is: \$127,228.

Since the total number of metered customers is: 4,344

The surcharge per customer amounts to: \$29.29

¹ The Public Service Commission approved the acquisition of Aqua NY of Sea Cliff by American Water Works Company, Inc. in Case 11-W-0472 (order issued and effective April 20, 2012). The transaction was completed May 1, 2012. The Rate Year period for this Revenue and Production Cost Reconciliation Adjustment Clause and Property Tax Clause surcharge is May 1, 2012 through and including March 31, 2013.

Issued by: William M. Varley, President, 733 Sunrise Hwy., Lynbrook, NY 11563
(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. For the rate year ended March 31, 2013, such reconciliation resulted in a surcharge to customer of \$448,430. As a result, the net surcharge to each customer's bill amounts to \$103.23.

The RAC/PTR surcharge per customer net of offsets is \$77.42, or \$19.35 per quarter.*

*NOTE: Pursuant to the Commission's Order in Case 11-W-0472, the Company is permitted to offset future surcharges resulting from the Property Tax Clause reconciliation with overearnings, plus accrued interest, from the period May 2007 through December 2008. Pursuant to the Commission's Order in Case 10-W-0500, The Company may request that the Commission authorize the Use of MTBE settlement proceeds plus accrued interest as an offset to surcharges resulting from the reconciliation under this tariff. MTBE proceeds plus accrued interest total \$239,352. Using these MTBE proceeds as an offset to the RAC/PTR surcharges for the rate year ended March 31, 2013 results in an overall net surcharge of \$19.35 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. For sprinkler customers there will be a one time credit/surcharge. Any credit/surcharge is subject to the applicable local gross revenue taxes as set forth in the current tax statements.

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