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COMPANY: NEW YORK WATER SERVICE CORPORATION REVISION: 3
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STAMPS: ISSUED IN COMPLIANCE WITH COMM ORDER DATED 04/19/02 IN CASE 01-W-0817
RECEIVED: 04/30/02 STATUS: Effective EFFECTIVE: 05/01/02

SERVICE CLASSIFICATION NO. 1-E
REVENUE AND PRODUCTION COST RECONCILIATION ADJUSTMENT

The New York State Public Service Commission (the "Commission") in Case 01-W-0817 has authorized the Company to make use of a Revenue Reconciliation Clause (RAC). Under the provisions of the Clause any excess in net revenues over those allowed by the Commission (operating revenues less associated production costs, such as power and chemicals) will be returned to the Company's metered customers. Alternatively, the Company will be made whole by these customers should there be any shortfall in net revenues. This test to determine the excess or shortfall in net revenues will be to a fiscal year ending April 30.

The Company will be allowed to reimburse itself from the RAC reserve 85% of the amount that property tax expense is greater than the annual Base Amount (\$5,360,997) and shall increase the RAC reserve by 85% of the amount that annual property tax expense is less than the Base Amount.

Interest will be added to the net revenue adjustment. The interest will be calculated using the currently allowed unadjusted customer's deposit rate.

Under the provisions of the Clause, one-third of the net revenue adjustment for each year ending April 30, including interest, will either be refunded to, or collected from, the metered customers during the following twelve month period.

Any surcharge or credit to be applied will either be billed to customers or refunded to the Company as a percentage of metered customers bills based on total revenues from the Company's metered customers.

This Revenue Reconciliation Clause will remain in effect until such time as the Company seeks Commission approval to bring it to an end or until the Commission on its own motion acts to bring it to an end.

Issued by: Vincent Bohn, Vice President-Utilities, New York, NY