

P.S.C. No. 2 – Water  
SUEZ Water New York Inc.  
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## 23.8 SYSTEM IMPROVEMENT SURCHARGE (SIC) – OWEGO-NICHOLS

APPLICABLE TO USE OF SERVICE FOR OWEGO AND THE VILLAGE AND PARTS OF THE TOWN OF NICHOLS, TIOGA COUNTY, NEW YORK (F/K/A SUEZ WATER OWEGO-NICHOLS)

### Applicable to all Metered Customers and Fire Protection Customers

#### I. General Description

Purpose: To recover the carrying costs (i.e., return and depreciation expense) associated with the construction of specific reviewed and approved projects placed in service in Rate Year one and beyond.

Effective Date: The SIC will become effective for bills rendered on and after XX/XX/20XX.

#### II. Computation of the SIC Surcharge

Calculation: When the Company has incurred actual expenditures for projects listed below and the new facilities have been placed in service, then the amount of those expenditures (net of the associated (1) retirements, including cost of removal and any related tax benefits, (2) accumulated deferred income taxes ("ADIT"), and (3) accumulated depreciation reserve / accumulated amortization, i.e., the net rate base ["NRB"]) will constitute the incremental rate base investment subject to the SIC.

The SIC filing will be made within 30 days after the project has been placed into service. The Company will provide Staff with the detailed project information regarding the SIC (such as in-service dates, actual expenditures incurred, retirements, etc.). Staff will have 60 days to analyze and verify such data.

Formula: The formula for the calculation of the SIC Surcharge is as follows:

SIC surcharge =  $((NRB \times \text{PRE-Tax ROR}) + D) / GF / AR$

Where:

NRB = The cost of the specific approved facilities listed above, net of associated (1) retirements, including cost of removal and any related tax benefits, (2) ADIT and (3) accumulated depreciation reserve / accumulated amortization.

Pre-tax ROR = 8.16%

D = Annual depreciation / amortization on the net additions

GF = Gross-up factor before income taxes (98.95%)

AR = SWON's Projected Annual Base (Metered) and Fire Protection Revenues

Effective with this statement, the Surcharge is X.XX%