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Gregg C. Sayre, Interim Chairman

Contact:

James Denn | James.Denn@dps.ny.gov | (518) 474-7080

<http://www.dps.ny.gov>

<http://twitter.com/NYSDPS>

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**PSC Grants Smaller New York American Water Rate Request
— Long Island Water Utility Gets Less Than Half the \$8.7 Million Requested —**

ALBANY — The New York State Public Service Commission (Commission) today announced it had lowered New York American Water Company, Inc.'s requested rate increase of \$8.7 million, and opted instead to give the Long Island water company a first-year rate increase of only \$3.63 million — a sharp reduction from what the water utility had initially requested.

“The Commission has a statutory obligation to ensure the company’s rates were just and reasonable,” said **Commission Interim Chairman Gregg C. Sayre**. “Today’s decision gives the company less than half of what it initially sought while ensuring safe and reliable service.”

American Water’s service territory is comprised of 12 water districts that are currently served under four separate service tariffs with different rates and terms of service. Those water districts currently have different rate structures and are on different billing cycles, either monthly or quarterly. The Commission’s decision today moves all metered customers to a monthly billing cycle. The company has about 124,000 customers systemwide, including about 120,000 on Long Island.

The Commission’s decision establishes two service areas for the purposes of setting rates. Service Area 1 (SA1) will consist of two Long Island districts, Lynbrook and Mill Neck Estates, and several smaller upstate water districts: Cambridge, Dykeer, Kingsvale, Waccabuc, Wild Oaks, Mt. Ebo, Lucas Estates, and Spring Glen Lake. Service Area 2 (SA2) includes the Merrick and Sea Cliff districts, both located on Long Island. Separate rates would apply to customers of SA1 and SA2 and customers of the Merrick and Sea Cliff districts. The typical residential customer in both SA 1 and SA 2 use about 4,000 gallons per month, or about 48,000 gallons annually.

With today’s four-year rate case decision, the typical annual residential bill in the first year in the largest districts will increase. For Lynbrook customers in SA1, it will go to \$465.64, up from \$456.55. The typical annual residential bill for the Merrick district will go to \$250, up from \$236.51. Annual bills for typical residential customers in Sea Cliff will be \$821.82, up from \$587.23. Meanwhile, the typical customer bills in the rest of the smaller water districts in SA1 will actually decrease.

The rate increase is effective June 1, 2017. Major drivers of the rate increases include escalating property taxes and increased spending on capital improvements to American Water’s water system. In regards to Sea Cliff customers, the increase was mostly due to higher local property taxes assessed to the utility and then passed directly onto customers. However, by the end of 2018, typical residential Sea Cliff customers could see a decrease of more than \$325 from their annual bills

because the property tax-related surcharge that resulted from the company's current rate plan is expected to end.

Today's decision includes a program to incentivize the company to provide better customer service and a program to speed up the removal of customers' lead pipe, if it exists. To improve performance, American Water will be required to maintain target customer service performance levels. If American Water fails to meet established performance targets, it would be subject to a negative financial adjustment and any dollars associated with missing the targets would be deferred for the benefit of ratepayers.

The lead-pipe removal program requires that American Water shareholders fund up to \$75,000 to replace a customer's service line that is discovered to contain lead where American Water is replacing company-owned services in the area. The Commission also directs American Water to participate in an ongoing collaborative that is considering developing programs to provide financial assistance to low-income customers.

American Water is a wholly-owned subsidiary of American Water Works Company, Inc. that provides residential and non-residential metered and other water services as well as public and private fire protection services in parts of Nassau, Putnam, Sullivan, Ulster, Washington and Westchester counties.

Today's decision may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 16-W-0259 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.