



Department of Public Service

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Jeffrey Greenblatt
Director, Legal Services
Liberty Utilities (New York Water) Corp.
60 Brooklyn Avenue
Merrick, NY 11566

Re: Case 16-W-0259 – New York American Water Company, Inc., f/k/a New York Water Service Corporation, Revenue and Property Tax Reconciliation Mechanism for the Rate Year ended March 31, 2022

Dear Mr. Greenblatt,

I am in receipt of two (2) letters dated May 31, 2022 that were filed in Case 16-W-0259 by Liberty Utilities (New York Water) Corp. (Company) and workpapers detailing the calculation of the Revenue, Production and Property Tax Reconciliation (RACPTR), all of which were later revised, for the rate year ended March 31, 2022 (Rate Year 5 or RY5) for Service Area 1 (SA1), the Merrick district of Service Area 2 (SA2 - Merrick), and the Sea Cliff district of Service Area 2 (SA2 - Sea Cliff). The attachments to the letters show, inclusive of interest, for SA1, a total revenue and production cost under-collection of \$6,533,065 and property tax under-collection of \$3,938,153; for SA2 - Merrick, a total revenue and production cost under-collection of \$3,007,105 and property tax over-collection of \$1,171,718; and for SA2 - Sea Cliff, a total revenue and production cost under-collection of \$1,176,530 and property tax over-collection of \$101,761. These variances, along with reconciliations, as stated in the letters, result in a proposed total RACPTR surcharge of 14.32% for SA1, 5.58% for SA2 - Merrick, and 22.79% for SA2 - Sea Cliff.

On June 13, 2022, the Company filed updates to its RY5 RACPTR surcharge amounts with accompanying attachments to reflect several revisions as listed below.

- 1) Revenue transactions related to Tax Cut and Jobs Act (TCJA or Tax Act).
- 2) Property tax revisions to reflect actual property taxes for SA1 and SA2 - Sea Cliff.

The Company's revisions, inclusive of interest, for SA1 result in a total revenue and production cost under-collection of \$4,238,107 and property tax under-collection of \$3,915,287,

Case 16-W-0259

or \$8,153,393 total; for SA2 - Merrick a total revenue and production cost under-collection of \$2,202,839 and property tax over-collection of \$1,171,718, or \$1,031,121 total; and for SA2 - Sea Cliff a total revenue and production cost under-collection of \$845,605 and property tax over-collection of \$107,882, or \$737,723 total. The revised RACPTR surcharge rates, as stated in the update letters and confirmed in the updated attachments on June 13, 2022, are 11.15% for SA1, 3.14% for SA2 – Merrick, and 15.65% for SA2 - Sea Cliff.

Staff made further adjustments to the Company's June 13, 2022 update. Staff corrected the state income tax rate the Company used to calculate the interest charges applied to the net-of-tax balances of the RACPTR variances. Staff adjusted the SA2 - Merrick and SA2 - Sea Cliff property taxes for minor additions and deductions, respectively. For SA1, Staff removed property taxes associated with the upstate acquired parcels that should have been excluded from SA1 property tax reconciliation per the Company's responses to Staff's inquiries, and other property tax adjustments to SA1, SA2 - Merrick and SA2 - Sea Cliff. Staff's adjustments decrease the SA1 revenue and production cost under-collection from \$4,238,107 to \$4,237,323 and decrease the SA1 property tax under-collection from \$3,915,287 to \$3,744,614, for a total of \$7,981,937, which decreases the RACPTR surcharge rate from 11.15% to 10.92% for SA1. Staff adjustments decrease the SA2 -Merrick revenue and production cost under-collection from \$2,202,839 to \$2,202,486 and decrease the SA2 - Merrick property tax over-collection from \$1,171,718 to \$1,169,789, for a revised total of \$1,032,697, but the RACPTR surcharge rate remains unchanged at 3.14% for SA2 - Merrick. Staff's adjustments decrease the SA2 - Sea Cliff revenue and production cost under-collection from \$845,605 to \$845,554 and increases the SA2 - Sea Cliff property tax over-collection from \$107,882 to \$111,024, for a revised total of \$734,530, which decreases the RACPTR surcharge rate from 15.65% to 15.58% for SA2 - Sea Cliff.

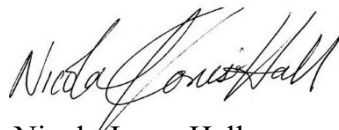
These surcharge rates were determined based on the terms of the Commission's 2017 Rate Order¹ and the 2018 Methods for Reparations Order², which modified the revenue and property tax reconciliation targets. These surcharges will be collected from all metered customers in Service Classifications 1, 2, 3, and 4. Please file a *Revenue and Production Cost Reconciliation Adjustment Clause and Property Tax Clause* statement for P.S.C. No. 5 – Water that reflects the resulting surcharges as discussed above in this letter with an effective date of November 1, 2022, with the Secretary to the Commission. If you have any questions, please contact Brian Fisher (518) 402-5014 or Brian.Fisher@dps.ny.gov.

¹ Case 16-W-0259, New York American Company, Inc. – for Water Service, Order Establishing Rates for Water Service (issued May 18, 2017) (2017 Rate Order).

² Case 16-W-0259, New York American Company, Inc. – for Water Service, Order Determining the Amount and Method for Reparations (issued August 9, 2018) (2018 Method for Reparations Order).

Case 16-W-0259

Sincerely,

A handwritten signature in black ink, appearing to read "Nicola Jones-Hall". The signature is fluid and cursive, with the first name "Nicola" being more prominent.

Nicola Jones-Hall
Chief, Downstate Rates and Tariffs
Office of Electric, Gas and Water

cc: Michael Rieder, Deputy Director, Office of Electric, Gas and Water
Tim Canty, Deputy Acting Director, Office of Accounting, Audit and Finance