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Three Empire State Plaza, Albany, NY 12223-1350
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July 15, 2016

Frank X. Simpson, Director of Rates & Regulation
New York American Water Company, Inc. –
Long Island Water Corporation
1025 Laurel Oak Road
Voorhees, New Jersey 08043

Re: Case 11-W-0200 – New York American Water Company, Inc., f/k/a Long Island Water Corporation, Revenue and Property Tax Reconciliation Mechanism for the Rate Year Ended March 31, 2016

Dear Mr. Simpson,

I am in receipt of your letter and attachments dated June 1, 2016, detailing the calculation of the Revenue, Production and Property Tax (RPT) Reconciliation for the rate year ended March 31, 2016. The June 1, 2016 submission reports a total revenue and property tax under-collection of \$8,617,819, which includes interest. The total under-collection is comprised of \$3,062,303 in revenue and production costs, \$5,548,283 in property taxes and, \$7,232 in various other reconcilable items. The resulting monthly surcharge amounts to \$9.89 or an annual increase of \$118.63 per customer.

Staff of the Department's Gas and Water Rates Section and the Office of Accounting, Audits and Finance have reviewed the Company's workpapers and calculations and disagrees with the Company's calculation of the RPT surcharge. Staff found that the Company: 1) did not include the months of June and July in its interest calculation; 2) used an incorrect calculation for Other Customer Capital Rate in calendar years 2015 and 2016; and 3) did not include interest to the property tax amount that is receiving deferral treatment. Staff corrected these errors and calculated a total under-collection of \$8,635,422.

As per the Company's June 1, 2016 letter and workpapers, and along with corrections made by Staff, there will be a resulting annual increase of \$118.87 per customer (a 5.3% increase for an average residential customer's bill) or a monthly surcharge of \$9.91 per customer. The Revenue and Production Cost Reconciliation Adjustment Clause and Property Tax Clause,

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specifies that if a \$4.00 per customer per month surcharge limit is inadequate to fully recover any deferred costs prior to the end of the following rate year, the limit can be waived. Because the resulting surcharge is \$9.91 per customer, the \$4.00 limit is waived. Staff has also set an effective date of November 1, 2016, rather than July 15, 2016, to allow for the current RPT to expire and allow a twelve-month collection period for ease of company billing procedures.

Please file the *Revenue and Production Cost Reconciliation Adjustment Clause and Property Tax Clause - Statement No. 5* (PSC No. 1 – Water) as discussed above with the Secretary to the Commission that reflects the resulting refund in this letter with an effective date of November 1, 2016. If you have any questions please contact Eric Burton at (518) 473-0275.

Sincerely,



Michael J. Rieder
Chief, Gas and Water Rates
Office of Electric, Gas and Water

cc: Tim Canty, Chief, Office of Accounting, Audit and Finance
Dante M. DeStefano, Manager Rates & Regulation, NYAW