



**Department of
Public Service**

Public Service Commission

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Three Empire State Plaza, Albany, NY 12223-1350
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June 5, 2015

Frank X. Simpson
New York American Water Company, Inc. – Long Island Water Corporation
1025 Laurel Oak Road
Voorhees, NJ 08043

Re: Case 11-W-0200 – New York American Water Company, Inc., f/k/a Long Island Water Corporation, System Improvement Charge (SIC) Surcharge – SIC Reconciliation Mechanism for the Rate Year ended March 31, 2015.

Dear Mr. Simpson,

The Commission's order in Case 11-W-0200 adopted a multi-year rate plan for New York American Water Company, Inc. (the Company) which provided that a SIC surcharge may be initiated to recover the revenue requirement associated with specific capital projects. The order further prescribed that an annual audit and reconciliation between authorized collections and actual collections related to the SIC surcharge was to be conducted.

On May 1, 2015, Staff received a letter and attachments from the Company explaining that its annual reconciliation identified an under-collection in the amount of \$242,483. 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 disagreed with the calculation of the SIC annual reconciliation surcharge. During Staff's review, it was determined that the wrong interest rate was used for the months of January through March of 2015. The error was corrected and the Company was notified of Staff's findings. After further evaluating the Company's submission and method for calculating the surcharge, including Staff's correction of the interest rates for the months of 2015, the SIC surcharge calculation yields a surcharge increase of 0.49%, to recover an under-collection of \$242,454. As a result of this year's under-collection, the current SIC rate of 4.10% will be increased to 4.59% to become effective on July 1, 2015.

The Company may institute the resulting year's under-collection of 0.49% and combine it with the existing SIC surcharge of 4.10% found in the *System Improvement Charge – Statement No. 6*, for a new SIC surcharge rate totaling 4.59% to become effective on July 1, 2015. Finally, it should also be noted that the SIC surcharge is subject to an annual audit and

reconciliation, which should be filed with the Commission within 60 days of the end of each rate year.

Please file the *System Improvement Charge - Statement No. 7* with the Secretary of the Commission reflecting the resulting 4.59% SIC surcharge, as described herein, with an effective date of July 1, 2015. If you have any questions, please contact Eric Burton at (518) 473-0275.

Sincerely,

Bruce E. Alch
Chief, Gas and Water Rates
Office of Electric, Gas and Water

cc: Joseph Lochner, Chief, Office of Accounting, Audit and Finance
Dante DeStefano, Manager Rates & Regulation, NYAW
Suzana DUBY, Esq., NYAW