



**Department of
Public Service**

Public Service Commission

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March 14, 2016

Suzana Duby
Corporate Counsel
New York American Water Company, Inc. – Long Island Water Corporation
167 J.F. Kennedy Parkway
Short Hills, New Jersey 07078

Re: Case 14-W-0489-New York American Water Company, Inc., P.S.C. No. 1, f/k/a Long Island Water Corporation, System Improvement Charge (SIC) Surcharge – South Tank Roof Replacement (Plant 11); Portable Iron Filtration Plant (Plant 2); and, Caustic Conversion Program (Plant 8).

Dear Ms. Duby,

In Case 14-W-0489, the Commission approved a two year rate stay-out period starting April 1, 2015 for New York American Water Company, Inc. (the Company), and allowed the SIC surcharge to be extended to recover the revenue requirement associated with specific capital projects placed in service in the current rate plan and beyond. The total amount of carrying costs to be recovered through the SIC, less approved SIC projects established in Case 11-W-0200, is capped at 2.5% of \$56,390,000 in operating revenues, which is \$1,409,750 in revenue requirement. The projects to be included in the extended SIC include: (1) System Wide Well Replacement, (2) New Well 20-2 Valley Stream, (3) New Merrick Office Building, (4) Caustic Conversion Program, (5) Plant 11, South Tank Roof Replacement, and (6) 3-Portable Iron Filtration Plants.

By letter dated January 15, 2016 (January Letter), the Company requested recovery of carrying charges for expenditures totaling \$2,936,438, less \$105,000 of retired assets, made for the South Tank Roof Replacement (Plant 11), Portable Iron Filtration Plant (Plant 2), and Caustic Conversion Program (Plant 8). The Company provided updates to its January Letter on February 26, 2016 and March 9, 2016 to provide final invoices, update accounting accruals with actual invoices, update estimated retirements with actual retirements, and removal of expenditures based on Staff's review. After evaluating the Company's updated submissions, vendor invoices, reports from the Company's bookkeeping and accounting system, and method for calculating the surcharge, Department of Public Service Staff (Staff) agrees with the SIC surcharge calculation. Staff's initial review found that four expenditures totaling \$684.29 did not have invoices,

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therefore these expenditures were removed in the Company's updated SIC calculation filing made on March 9, 2016. As a result of Staff's adjustments and Company updates to the SIC calculation, the SIC yields a surcharge of 0.64%, to recover a total annual revenue requirement of \$317,115.

The Company may institute the resulting SIC surcharge of 0.64% and combine it with the existing SIC surcharge of 5.99% found in the System Improvement Charge - Statement No. 9, for a new SIC surcharge rate totaling 6.63%, to become effective on March 15, 2016. 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. 10 with the Secretary of the Commission that reflects the resulting 6.63% SIC surcharge, as described herein, with an effective date of March 15, 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
Frank X. Simpson, Director Rates & Regulation, NYAW