



Department of Public Service

Three Empire State Plaza, Albany, NY 12223-1350
www.dps.ny.gov

Public Service Commission

Rory M. Christian
Chair and
Chief Executive Officer

Diane X. Burman
James S. Alesi
Tracey A. Edwards
John B. Howard
David J. Valesky
John B. Maggione
Commissioners

July 29, 2022

Mr. Chris Alario, President
Liberty Utilities (New York American Water) Corp.
60 Brooklyn Ave.
Merrick, New York 11566

Re: Case 16-W-0259 - New York American Water Company, Inc., System Improvement Charge
Surcharge Reconciliation Mechanism for the Rate Year ended March 31, 2022.

Dear Mr. Alario,

The Commission's Order in Case 16-W-0259 adopted a multi-year Joint Proposal rate plan for New York American Water Company, Inc. (now referred to as Liberty Utilities (New York American Water) Corp., Liberty Water NY, or the Company), which provided a System Improvement Charge (SIC) surcharge to recover the revenue requirement associated with specific capital projects placed in service in the current rate plan and beyond.¹ In addition, as set forth in the 2017 Rate Order, the Company is required to file annual reconciliations between authorized collections and actual collections related to the SIC surcharge.

On May 31, 2022, Staff received a letter and attachments from Liberty Water NY. In this letter, the Company requested SIC recovery of \$2,001,435 for 2022 and \$19,087,001 for 2021. Liberty Water NY stated that the total associated surcharge for 2022 is \$647,065, which include \$631,764 for SA1 and \$15,300 for SA2. The total associated surcharge for 2021 is \$2,406,528, which include \$2,134,414 for SA1 and \$272,114 for SA2.²

The Department of Public Service Staff (Staff) reviewed the Company's SIC workpapers and calculations and found that the Company had excluded after gross-up for income taxes from the SIC surcharges for Service Area 1 (SA1) Meter Compliance project, SA2 Newbridge Road Well Station Improvements project completed in 2021, and mistakenly included the 2021 SA2 projects surcharge in the 2021 SA1 projects surcharge. In addition, the Company incorrectly used \$2,912,773 in total project costs for the recovery cost to calculate the 2022 SA1 Fire Flow Improvement Phase 2 surcharge. The Fire Flow Improvement project has an authorized recovery cost of \$4,800,000 per 217 Rate Order, and the Company used \$3,170,525 in phase one of the project. Therefore, Staff corrected the error using the remaining \$1,629,475 authorized recovery cost for phase 2 of the project.

Staff corrections of the errors resulted in a total surcharge of \$525,861 for 2022, which include \$510,560 for SA1 and approximately \$15,300 for SA2, or \$121,204 lower than the total surcharge the Company proposed for 2022. For 2021, the corrections resulted in a total surcharge of \$2,381,357, which

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

² In the letter dated May 31, 2022, the Company incorrectly stated \$2,084,393 as the total revenue to be collected from the surcharge.

include \$2,108,165 for SA1 and \$273,192 for SA2 or \$25,171 lower than the total surcharge the Company proposed for 2021.

The proposed Rate Year 3 and 4 incremental surcharges of \$2,049,950 is below the 2.5% limit set in the 2017 Rate Order. However, the Company proposed via email on July 15, 2022, to collect the under-collected 2021 SIC surcharge of \$2,108,165 for SA1 and \$273,192 for SA2 beginning August 1, 2023 and collect the deferred 2021 SIC surcharge of \$1,846,535 for SA1 and \$232,100 for SA2 beginning August 1, 2022. The resulting SIC surcharge is 5.28% for SA1 and 1.28% for SA2. While Staff agrees with the calculated values, the SIC surcharge must be reduced to not exceed 2.5% of operating revenue to comply with the Company's SIC Statement. If you have any questions, please contact Stephan Smith at (212) 417-2321.

Sincerely,



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

cc: Tim Canty, Chief, Office of Accounting, Audit and Finance
Jeffrey Greenblatt, Director, Legal Services
Lisa N. Figliozzi, Senior Manager Rates & Regulation, Liberty Water NY