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November 30, 2015

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 – System Wide Well Replacement, Phase 1; New Merrick Office Building; Caustic Conversion Program (Plant 10 and 20); and, Portable Iron Filtration Plants (Plant 16).

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 September 30, 2015, the Company requested recovery of total expenditures of \$7,113,048, less \$388,714 of retired assets, made for Phase 1 of the System Wide Well Replacement, New Merrick Office Building, Caustic Conversion Program (Plant 10 and 20), and Portable Iron Filtration Plant (Plant 16). After evaluating the Company's submission, vendor invoices, reports from the Company's bookkeeping and accounting system, and method for calculating the surcharge, Staff of the Department's Gas and Water Rates Section and the Office of Accounting, Audits and Finance disagrees with the SIC surcharge calculation. Staff review found an error in the Company's proposed SIC calculation filing for the New Merrick Office Building portion of the SIC calculation. The SIC calculation improperly accounted for the cap of \$4.3 million as approved in Case 14-W-0489 and included unsubstantiated O&M savings. As a result of Staff's adjustments to the SIC calculation of the

New Merrick Office Building, the SIC yields a surcharge of 1.40%, to recover a total annual revenue requirement of \$700,355.

The Company may institute the resulting SIC surcharge of 1.40% and combine it with the existing SIC surcharge of 4.59% found in the *System Improvement Charge – Statement No. 8*, for a new SIC surcharge rate totaling 5.99%, to become effective on December 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. 9* with the Secretary of the Commission that reflects the resulting 5.99% SIC surcharge, as described herein, with an effective date of December 1, 2015. 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
Durgesh Chopra, Manager Rates & Regulation, NYAW
Frank Simpson, Director Rates & Regulation, NYAW