AMERICAN WATER WORKS ACQUISITION APPROVED
— Water Rates Frozen for Next 2 Years —


“Commission approval of American Water’s acquisition of Aqua NY not only entails no rate increase to Long Island ratepayers, but ensures rates to its other customers would be locked in at current levels for an additional two years beyond what otherwise could prevail,” said Commission Chairman Garry Brown.

American Water is the parent company of Long Island American Water (LIAW), which operates in Nassau County. Aqua NY has two subsidiaries providing service in Nassau County—New York Water Service Corp. (NYWS) and Aquarion Water Company of Sea Cliff, Inc. (Sea Cliff)—and itself serves five upstate water districts in Westchester, Ulster, and Washington Counties, as more fully described below.

The Commission noted that for customers, the American Water acquisition entails a number of benefits, chief among those are:

- A two-year moratorium on rate increases for NYWS, Sea Cliff, and all five of the Aqua NY’s upstate water district customers;
- Reconciliation mechanism providing incentives to minimize increases in or reduce property taxes, and to capture all or the lion’s share of reductions for ratepayers;
- Earnings sharing mechanism that would capture half of any significant earnings flowing from currently unquantifiable consolidation synergies and savings; and
- An additional $4 million in required capital expenditures for NYWS in 2012 (for a total of $4.9 million), with deferral for ratepayers of any under-spending amount.

The Commission also noted that approval of the terms of the Joint Proposal for the American Water acquisition would not adversely affect the ability of the Water Authority of Southeastern Nassau County to consider takeover of NYWS, if it decides to do so.

In addition, the Commission denied the Willows Homeowners Association’s petition to merge the American Water acquisition proceeding with Case 10-W-0652. It noted that approving the Aqua NY stock transfer to American Water would no prejudice the outcome of a pending petition for rehearing in that case, in which the Association seeks refunds from Aqua NY.

In a separate decision by the Commission last month approving a three-year rate plan for the Long Island American Water in Case 11-W-0200, approval of the American Water acquisition of Aqua NY will result in synergy savings of about $0.9 million that inures to the benefit of LIAW ratepayers.

**Background**

American Water is the largest investor-owned water and wastewater utility company in the United States. Among other things, American Water already owns LIAW, which provides water service to about 75,000 customers in Nassau County. Aqua NY, by itself and through its utility subsidiaries, serves more than 50,000 customers in Nassau, Ulster, Washington, and Westchester Counties.

Aqua NY has two wholly-owned subsidiaries currently providing water service in Nassau County: New York Water Service Corporation, serving about 45,000 customers in the Towns of Hempstead and Oyster Bay; and Aquarion Water Company of Sea Cliff, serving about 4,300 customers in the Town of Oyster Bay.
Aqua NY itself provides water service directly to five separate rate districts outside Long Island: Cambridge, with about 475 customers in the Village of Cambridge, Towns of Jackson and White Creek, Washington County; Kingsvale with about 220 customers in the Town of Ulster, Ulster county; Dykeer, with about 120 customers in the Hamlet of Lincolndale, Town of Somers, Westchester County; Waccabuc, with about 80 customers in the Town of Lewisboro, Westchester County; and Wild Oaks, with about 190 customers in several developments also located in Westchester County.

Under the proposed stock transfer, American Water would pay Aqua Utilities $42.2 million for all of the stock of Aqua NY, which would then become a wholly-owned subsidiary of American Water. In addition, American Water would assume $28.8 million of long-term debt, current liabilities, and regulatory and other non-current liabilities of Aqua NY. As part of the overall transaction, American Water would also sell its currently owned subsidiary, Ohio American Water Company, to Aqua Ohio, Inc., for $88.6 million.

The Commission’s decision, when issued, may be obtained by going to the Commission’s www.dps.ny.gov Web site and entering Case 11-W-0472 in the input box labeled “Search for Case/Matter Number.” Many libraries offer free Internet access. Commission orders may also be obtained from the Commission’s Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).