



For Immediate Release: 12/27/17

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## **NY American Water Investigated for Failing to Disclose Correct Property Value Assessments**

**— Property Value Reassessment Results in 34% Reduction for Average Sea Cliff Customers; Company Scrutinized for Withholding Information from Regulator —**

**ALBANY** — The New York State Department of Public Service (DPS) today announced it was investigating New York American Water Company, Inc. after the company failed to disclose accurate property value assessments that would have lowered water bills for 4,000-plus customers in the Sea Cliff area on Long Island. With the revised property tax reassessment, the average American Water residential customer in Sea Cliff will see a reduction in their average monthly water utility bills by \$37.66 or 34 percent, decreasing the average monthly bill from \$109.71 to \$72.05.

“Ensuring that the rates we approve are just and reasonable is fundamental to what we do, and we need accurate information from the company to do that,” **said DPS CEO John B. Rhodes.** “We will hold New York American Water accountable if it failed to disclose all of the financial information that we as regulators needed when we set the company’s rates earlier this year.”

On May 18, 2017, the Public Service Commission (PSC) approved a water rate increase for 120,000 customers of American Water on Long Island. While the approved rates were substantially lower than what the company originally sought, some customers, especially in the Sea Cliff area, saw a steep increase in water bills largely because of high local property taxes. DPS is the staff arm of the PSC.

Earlier this month, however, American Water informed DPS staff that it had made a significant accounting error related to the value of its property in the Sea Cliff district dating back to 2013, and because of that mistake, its Sea Cliff properties were overvalued for property tax purposes. The purpose of the DPS investigation is to determine whether the company failed to inform DPS staff prior to or during the last rate case that there was uncertainty about the assessments given the fact that the incorrect assessments drove water bills higher than they otherwise needed to be.

No customer refunds are due since the company hadn’t yet collected from customers for the property tax surcharge. Customers would have been overcharged if the error had not been detected. The lower bills will take effect in January 2018. The company will soon notify customers of the lower bills. The company estimates that absent making the changes to the two property tax surcharges, Sea Cliff customers would have overpaid property taxes by \$4.5 million because of the incorrect assessments. These estimates are preliminary and will be thoroughly reviewed in the context of a PSC proceeding.

The company acknowledged that the incorrect information was its own fault, and proposes to reduce property tax payments that customers otherwise would have owed it by \$1.7 million to insulate customers from any overpayment related to the retrospective component of this error. Going forward, the company estimates that approximately \$2.8 million of property tax savings will be flowed through to the customers through lower bills over the next four years of the rate plan.

As part of its investigation, DPS staff will review the overpayments to ensure that any property tax overpayments are not in any way paid for by customers, and will determine whether customer refunds are due. Staff will also investigate whether other subsidiaries were affected by this error and whether appropriate controls were in place to detect this error or new controls put in place to prevent similar errors in the future.

American Water is a wholly-owned subsidiary of American Water Works Company, Inc. that provides residential and non-residential metered and other water services as well as public and private fire protection services in parts of Nassau, Putnam, Sullivan, Ulster, Washington and Westchester counties.