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John B. Rhodes, Chair

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PSC Takes Legal Action Against New York American Water

— Consent Order with Company filed with Supreme Court Will Provide Financial Relief for Customers; Process Underway to Appoint Independent Company Monitor —

ALBANY — Consistent with the August 18 agreement reached with New York American Water Company Inc., the New York State Public Service Commission (Commission) filed a legal action in State Supreme Court in Albany County against New York American Water. The legal action was filed concurrently with a proposed consent order and judgment that would resolve the litigation and ensure that customers of the private water utility will receive the financial benefits promised in an agreement recently announced by Governor Andrew M. Cuomo. On Aug. 18, Governor Cuomo unveiled an agreement that provides more than \$11 million in lowered bills and other benefits for the company's 120,000 customers on Long Island. The agreement provides for accelerated rate relief to all customers, as well as the suspension of a conservation rate in the South Shore area that surprised many customers due to the company's insufficient advance notice of rate changes.

“At Governor Cuomo's direction, we acted quickly to investigate the high bill complaints in the company's Long Island service territory,” **said Commission Chair John B. Rhodes.** “While our investigation continues, the court filing will provide for the customer refunds that have been promised. In addition, it will ensure that the company moves forward to address its past shortcomings, which includes failing to adequately inform their customers of the changes in rate design before the changes took effect so customers could have made informed decisions about water usage.”

The legal motions filed include a consent and stipulation signed by the Commission and New York American Water and a proposed consent order and judgment for the court to review and approve, which details the recently announced agreement and makes those details enforceable by court order. Those details include:

- **Suspend Highest Conservation Rate:** To address the company's insufficient notice to customers about new conservation rates that were going into effect for high-usage South Shore customers, the company has agreed to suspend the highest rate charged per gallon for high-usage customers for the remainder of the rate year ending March 31, 2019. Company shareholders will bear the estimated \$2.5 million cost of the rate suspension.
- **Bill Credits:** To expeditiously address the high-water bills that surprised many customers on Long Island this year, the company agreed to accelerate filings to the Commission that will reduce rates by approximately \$6.4 million for all customers. The bill credits should appear on bills by early 2019.

- **Water Conservation:** Company's shareholders will spend \$1 million on a new water conservation study that will include a rebate program designed to lower future water bills and consumption.
- **Internal Controls:** The company has agreed to implement new internal controls to reduce the likelihood of tax filing errors and ensure appropriate information sharing with the PSC and other stakeholders.
- **Property Sale:** To company will offer the Village of Sea Cliff \$1 million toward the sale of Sea Cliff property to the Village and credit the proceeds from the property, including the \$1 million that the company contributed, back to Sea Cliff customers. If the sale does not occur by the end of 2019, the company will credit \$1 million to customers in the Sea Cliff district.

In addition to the more than \$11 million that will be returned to customers, an important aspect of the agreement is the appointment of an independent monitor paid for by the company shareholders, but responsible to the Department of Public Service, and approved by the Commission. This monitor will be hired to oversee the company's new internal controls, tax filing accuracy, and improved customer outreach and communications. In the short-term, the independent monitor will also oversee the company's handling of more than 1,300 complaints that the company has received in recent weeks.

New York American Water has already petitioned the Commission to accelerate the allocation to ratepayers of the Town of Hempstead garbage district settlement recovery of approximately \$8 million. The company will contribute the entire company shareholder retention from the garbage settlement (anticipated to be \$1 million, based on past Commission authorizations) to a conservation study and rebate program designed in consultation with regulators. Further, the company will accelerate the payment of customer credits arising from the Federal Income Tax rate change recently approved by the Commission. This will result in an estimated savings of \$2.3 million to customers. The two petitions would provide accelerated rate relief and offset a planned surcharge that was going to take effect in November, resulting in a net benefit to customers of approximately \$6.4 million, in addition to the conservation study and rebate program.