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John B. Rhodes, Chair

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PSC Considers Steps to Improve NY American Water's Customer Service

Independent Consultant Uncovers Problems that Led to Sharp Rise in Consumer Complaints

Steps Taken to Improve Communications and Customer Service

ALBANY — The New York State Public Service Commission (Commission) today accepted an independent auditor's final report regarding the elevated number of bill complaints and related issues at New York American Water, Inc. (NYAW). The report by PA Consulting confirmed that the predominant reason for the extensive bill complaints resulted from a failure of NYAW to properly communicate changes to rates with its customers and the pressing need for additional conservation efforts. Additional concerns were raised in the final report concerning the company's longer-than-normal bill cycles last summer and the lack of a detailed analysis of the root cause of bill complaints. NYAW has filed an implementation plan to adopt recommendations by the independent monitor, which the Commission will consider after a public comment period.

"The independent monitor's report regarding the billing issues paints a clear picture of a utility that failed to communicate to customers important aspects of its rate structure as well as the objectives of conservation," **said Commission Chair John B. Rhodes.** "As a result, customers were unaware of the impacts of higher-than-average water usage on their bills under the new rate structure, which raised valid concerns regarding high consumer bills."

While PA Consulting found that NYAW has taken steps to better address customer complaints and improve its performance, the monitor identified steps that will further improve the company's communication with its customers, produce more timely bills, and reduce customer complaints going forward. PA Consulting is an international consulting firm that is responsible for monitoring the rise in complaints by NYAW customers.

The final report includes 23 recommendations for improvement in the following areas: billing system; customer communications; complaint resolutions; management processes; and strategies to reduce complaints.

Billing System: PA Consulting reviewed the company's billing system for accuracy and reviewed tests of meters removed from service due to customer complaints to determine meter accuracy. The review of the company's billing system found that longer billing cycles during July 2018 contributed to higher customer bills and that charges were not defined in NYAW's tariff. The monitor recommended the company implement controls to limit the billing cycles to 30-to-31 days instead of the observed range of 24-to-35 days.

Customer Communications: The Commission approved a four-year rate plan on May 18, 2017, with an effective start date of April 1, 2017. This rate plan introduced an inclining block rate structure effective April 1, 2017. In 2017 and 2018, NYAW used the normal communications for rate changes: press release; bill insert; newspaper ads; and web updates. The introduction of inclining block rates, however, was not a normal occurrence. PA Consulting found the company's communications sent to customers in April 2017 and April 2018 did not outline the impact the inclining block rate structure could have on customer bills, or the need for water conservation to provide long-term protection of the Long Island Aquifer. Going forward, the company should proactively notify its customers and elected officials through numerous communications channels and meetings prior to implementing any new surcharges or change to an existing surcharge.

Complaint Resolution: The monitor found the company made several managerial and process changes during the summer of 2018 to address the high volume of customer complaints. Letters sent in response to customer complaints did not address ways for customers to conserve and, therefore, the company will now include information about conservation measures (i.e., water-saving products such as low-flow shower heads and toilet tank banks) in future customer communications.

Management Process: PA Consulting reviewed NYAW's management processes by analyzing billing exceptions, budget billing, estimated meter reading and customer satisfaction. The monitor compared NYAW's average residential water consumption to all other American Water customers nationwide and found that it was significantly higher. High-volume months were about twice the average elsewhere representing 5,000 to 6,000 gallons more. The monitor recommended the company complete a root cause analysis of billing exceptions to help balance billing accuracy with efficient management of the billing process and reduce the number of estimated bills.

Strategies to Reduce Complaints: The monitor recommends the company develop a comprehensive complaint reduction strategy with objectives, goals, targets and initiatives. NYAW should introduce an initiative to categorize complaints by cause to enable root cause analysis. The company should also report internally on the status of meeting its objectives and develop a strategy to facilitate management review and decision making.

In conjunction with the report, NYAW submitted an interim implementation plan in which they accepted all recommendations made by PA Consulting. The company's implementation plan will now be released for public comment. During the public comment period, the company is expected to continue its efforts to implement the final report's recommendations. The Commission will consider public comments and any recommended changes to the plan and either approve or modify the implementation plan at a later date.

NYAW 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. American Water has about 124,000 customers systemwide, including about 120,000 on Long Island.

Today's decision may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 16-W-0259 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.