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Rory M. Christian, Chair

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PSC Approves Sale of Private Long Island Water Business

Regulator Greenlights Sale of New York American Water to Liberty Utilities

Strongly Supported Agreement Puts in Place Process for Future Municipalization

Agreement Provides \$23.5 Million in Direct Customer Benefits, Including Immediate 9 Percent Base Rate Reduction for Typical Customers, 2-Year Base Rate Increase Freeze

ALBANY — The New York State Public Service Commission (Commission) today approved the sale of New York American Water Company, a private water company on Long Island, to Liberty Utilities Corp. The well-supported agreement secures a process for potential municipalization in the future, while providing \$23.5 million in direct customer benefits, including an immediate base rate reduction for residential customers.

"Customers of New York American Water have long-been burdened by high rates for the water they use on a daily basis, driven largely by costs that have nothing to do with the provision of water," **Commission Chair Rory M. Christian said.** "Today's agreement includes a rate freeze that will be of immediate assistance to customers, establishes other much-needed consumer protections, and creates a pathway for future municipalization."

At its session today, the Commission adopted terms of a joint proposal agreed to by Liberty, New York American Water (NYAW), DPS staff, the Village of Sea Cliff, the Massapequa Water District, North Shore Concerned Citizens, and the Glen Head Glenwood Civic Council. The agreement provides for Liberty's acquisition of 100 percent of NY American Water's outstanding capital stock and the issuance of associated long-term indebtedness of approximately \$198 million.

The joint proposal includes a base rate freeze under the current rate plan in effect through March 31, 2023. In addition, the newly owned operating company will continue to be known as New York American Water for the near term.

The approved agreement also includes:

- **Municipalization/Municipal Transfer:** The joint proposal provides that Liberty is committed to a detailed plan to facilitate municipal acquisition of a portion or portions of the NYAW system. Liberty acknowledges the passage of legislation creating the North Shore Water Authority and South Nassau County Water Authority and the interest of certain municipalities to acquire portions of the system. As such, the joint proposal sets forth a specified timeline for municipalization negotiations to begin in which the companies and the interested municipalities

will exchange information, enter into good-faith negotiations, conduct expert valuations and appraisals, execute a purchase agreement, obtain Commission approval, and close. The joint proposal also preserves a municipality's right to pursue eminent domain proceedings;

- **Increased Public Benefits:** The joint proposal provides for Liberty's payment of a \$23.5 million positive benefit adjustment (PBA). The PBA will be used initially to write-off the make-whole surcharge the Commission allowed in its orders issued in response to NYAW's Covid-19 emergency petitions, which allowed customer recovery of the surcharges from May 1, 2021 to March 31, 2022;
- **Greater Local Control:** The joint proposal also provides that, once an opening occurs on the NYAW board of directors, an independent member who resides in NY American Water's service area would be appointed to the board. NYAW will retain its own management, operations, and Long Island headquarters, will continue to maintain its own books and records in New York, but will have capitalization, financing, and operational support from its parent company. Current NYAW employees, including management, will be retained if they remain employees for a two-year period and the current union contract will continue until it expires. In addition, new customer service positions will be based in New York, and accounting, information technology, business and community development, and local regulatory and legal services positions will be added;
- **Customer Service and Low-Income Programs:** There are several provisions of the joint proposal designed to enhance NYAW's customer service and low-income programs as well as to require associated reporting. These include modifying customer service performance incentives with negative revenue adjustments; conducting a one-year customer satisfaction survey; implementing a customer service improvement plan (including 14 new employee positions in customer service operations); and developing low-income programs designed to identify low-income customers, provide financial assistance, and manage bill payment arrearages, which will be implemented after the next rate case filing in a cost-of-service context; and
- **Enhanced Regulatory Engagement:** The joint proposal provides for enhanced communications with DPS staff. Liberty is required to promptly inform DPS staff of material facts and circumstances that may significantly impair its ability to provide reliable service, emergency preparedness, response capabilities, and protections against cybersecurity risks, or that otherwise impair its financial health and creditworthiness, compliance with applicable laws, or any other circumstances which may endanger the public health, safety, and welfare.

NYAW 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 system wide, including 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 20-W-0102 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.