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Via Electronic Filing

December 8, 2016

Mr. Michael Worden
Director of the Office of Electric, Gas and Water
New York State Department of Public Service
Three Empire Plaza
Albany, New York 12223-0948

**SUBJECT: United Water New York Inc.
Case No. 13-W-0295
Order Establishing Rates, Issued and Effective June 26, 2014
Second Submission of the Revenue, Production Cost and Property Tax
Reconciliation for the 12 Months ended May 31, 2016**

Dear Mr. Worden:

Pursuant to Ordering Clause No. 12 of the above mentioned Order and in accordance with page 111 of the Recommended Decision dated April 8, 2014 please find the second submission of the Revenue, Production Cost and Property Tax Reconciliation for the 12 months ended May 31, 2016.

The attached Reconciliation for the 12 months ended May 31, 2016 results in a net Revenue under-collection of \$3,676,050. As stated in the tariff, the current net Revenue under-collection with interest plus the remaining balance from the prior Revenue under-collection from Case No. 09-W-0731 with interest combine for a total recovery of \$4,587,997.

The unrecovered Property Tax under-collection from Case No. 09-W-0731 as adjusted with accrued interest is \$886,319. The second year reconciliation results in a surcredit of (\$237,323) for a total recovery of \$661,329 for all property taxes through May 31, 2016.

The total recovery of \$5,249,326 is to be surcharged to all metered customers for a 12 month period commencing 45 days from the date of this filing or January 27, 2017 at 6.981%, an increase of .05% over the current surcharge. 6.101% of the total surcharge reflects the revenue portion. The remaining .88% reflects the recovery of the total property tax under-collection.

A complete set of workpapers is available for Staff for review.



Please contact me at (201) 767-2888 for any questions or further information relating to the above reconciliations.

Very truly yours,

A handwritten signature in black ink, appearing to read "Caryl D. Jersey". The signature is fluid and cursive, written over a white background.

Caryl D. Jersey
Senior Regulatory Specialist

Enclosures

cc: James C. Cagle (w/enc)
Gary S. Prettyman (w/enc)
Kevin Doherty (w/enc)
Tim Michaelson (w/enc)
Alina Rocha (w/enc)
George Graham (w/enc)
Elena Goldfarb (w/enc)
Sandy Chung (w/enc)
Andrew Timbrook-NYSPSC (w/enc)

REVENUE, PRODUCTION COST AND PROPERTY TAX RECONCILIATION ADJUSTMENT STATEMENT

Applicable to all Metered Customers:

According to the terms and conditions of the Commission's Order issued in Case 013-W-0295, issued and effective June 26, 2014, the existing Reconciliation will recommence with the modifications described below. The rates applicable to all metered customer accounts is subject to automatic adjustment by way of a surcharge or a credit based on the difference between the actual net revenues (operating revenues less production costs) for the preceding rate year and the net revenue target as estimated in the most recent rate case. The then-current Rate Year's net revenue variance plus any prior net revenue variances will be recovered or refunded annually through a percentage surcharge or surcredit to be applied to all metered customers' bills. This surcharge or surcredit will be based on the projected revenues from metered water sales for the next succeeding Rate Year and will be recovered or refunded during the succeeding Rate Year.

The accumulated net revenue variance will accrue interest net of income tax from the end of each Rate Year at the Other Customer Capital Rate then in effect and will be subject to any applicable local taxes.

Production costs will include the cost of sludge removal, power, chemicals and purchased water. If actual costs are less than the target for each year, 100% of the difference will be deferred and refunded through the Reconciliation; if actual costs exceed the target levels shown below, 95% of the difference for power and chemicals and 100% for purchased water and sludge removal will be deferred and recovered through the Reconciliation.

In accordance with the terms set forth in the above mentioned order, the Property Tax Reconciliation is modified as follows:

Following the 2 year rate plan, there will be no reconciliation between the allowed Rate Year 1 expense and actual expense. For Rate Year 2, a partial reconciliation is allowed, with any differences between the allowed expense and actual expense to be shared 50-50 between shareholders and ratepayers.

Target levels for Revenue, Production Costs and Property Taxes are listed below:

<u>Year Ending</u>	<u>May 31, 2015</u>	<u>May 31, 2016</u>
Revenue Target	\$ 67,997,390	\$ 71,718,494
Production Cost	\$ 5,089,711	\$ 5,089,711
Property Tax Cost		\$ 21,721,911

**REVENUE, PRODUCTION COST AND PROPERTY TAX RECONCILIATION
ADJUSTMENT STATEMENT
(continued)**

In accordance with the terms set forth in Section VI of the Joint Proposal approved by the Commission in Case 09-W-0731, the Company is required to defer any actual revenues above the estimated antenna site rental revenues included in the Company's revenue requirement. The amount netted to the Revenue and Production Cost Surcharge for the RY ended May 31, 2014 is **(\$0)**.

A net surcharge or credit of **6.981%** which is based on the Company's total metered sales revenues will be billed to all metered customers over the 12 month period following the effective date of the surcharge.

In the event of any disagreement over the proper net surcharge or surcredit amounts between the Company and Staff, Staff's calculated surcharge or surcredit will be temporarily placed in effect. The differences will be resolved through the Dispute Resolution Process.

If the Dispute Resolution Process results in an amount ultimately resolved in the Company's favor, then the Company will be allowed to recover carrying charges on the determined net of tax amount. Carrying charges will be applied at the then-current Other Customer Capital rate. The accumulated net revenue variance will accrue interest net of income tax from the end of each Rate Year at the Other Customer Capital rate then in effect.

The reconciliation will be submitted to the Director of the Office of Electric, Gas and Water within 60 days after the end of the term of each Rate Year. At the end of Year Three, any remaining balances will be reconciled in a similar manner as described above. In addition, reconciliation amounts from prior rate plans will be recovered or refunded in the manner described above. If a new rate plan does not immediately begin upon the completion of the final rate year of this rate plan, the Company will use monthly revenue, production cost and property tax expense targets from the final rate year to do a partial revenue, production cost and property tax reconciliation. The monthly levels will be calculated by using the monthly averages of metered revenue for the most recent 5 years applied to the third rate year target.

The reconciliation will continue beyond the end of the Rate Plan at the third year target levels and all other administrative provisions remain in effect.

The submitted net surcharge or credit will go into effect 45 days after submittal unless Staff submits a letter to the Company indicating the submitted Reconciliation amounts should be adjusted.

The reconciliations will continue beyond the end of the Rate Plan at the second rate year targets until new target levels are set in the next rate proceeding.

Filed in compliance with Commission Order in Case 13-W-0295, issued June 26, 2014

SUEZ Water New York
Property Tax and Revenue Reconciliation Summary
12 Months Ended May 31, 2016 - Rate Year 2

Line No.	<u>Description</u>	<u>Amount</u>
1	Total Property Tax Expense RY 2	\$ 21,247,265
2	Target RY 2 - Case No. 013-W-0295	21,721,911
3	Variance for RY 2	(474,646.13)
4	Variance for RY 2 less 50% sharing	(237,323)
5	Balance from Case No. 09-W-0731 (adjusted)	792,053
6	Interest (current and balance)	<u>106,600</u>
7	To be recovered from customers	<u>\$ 661,329</u>
8	<u>Description</u>	<u>Amount</u>
9	Target Metered Revenues RY 2 - Case No. 13-W-0295	\$ 71,718,493
10	Actual Sales	69,361,534
11	Change in Unbilled Metered Sales	(315,574)
12	Total Actual Metered Revenue	\$ 69,045,960
13	Variance Target and Actual Metered Revenue <i>Under-collected/(Over-collected)</i>	\$ 2,672,533
14	<u>Production Costs</u>	
15	Target MG for Production Costs RY 2 - Case No. 13-W-0295	5,089,711
16	<u>Actual</u>	
17	Power Costs	3,497,314
18	Chemical Costs	848,012
19	Sludge Removal	1,584,430
20	Purchased Water	<u>209,036</u>
21	Total Actual Production Costs	6,138,792
22	Variance Target and Actual Production Costs RY 1 <i>Under-collected/(Over-collected)</i>	\$ 1,049,081
	<i>Less 5% of Under Collected Power and Chemicals</i>	7,088
23	Antenna (Over)/Under Collection:	-
24	Levelizing Surcharge (Over)/Under Collection:	(38,476)
25	To be recovered from Customers:	\$ 3,676,050
	Prior Period Balance	\$ 89,604
26	Estimated Interest	<u>822,342</u>
27	Total to be recovered	4,587,997
36	Revenue to be Recovered from Customers	\$ 4,587,997
37	Property Tax to be Recovered from / (Refunded to) Customers	<u>661,329</u>
38	Total amount of surcharge/(surcredit)	\$ 5,249,326
39	Estimated Revenue Feb 17 through Jan 18 (JP Case 16-W-0130)	\$ 75,198,291
40	Surcharge	0.06981