

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 17-W-0232 - Proceeding on Motion of the Commission
Regarding the Ratemaking Impacts on Suez New
York Inc. and New York American Water Inc. of
Changes in the Definition of a Qualified New
York Manufacturer under New York State Law.

RULING REQUIRING TESTIMONY

(Issued June 1, 2017)

MICHELLE L. PHILLIPS,
Administrative Law Judge:

This proceeding was established by notice issued on May 25, 2017. As stated in that notice, a recently enacted state law has changed the definition of Qualified New York Manufacturers (QNYM) to exclude water utilities.¹ Two water companies -- New York American Water Company (NYAW)² and Suez Water New York Inc. (SWNY)³ (collectively, the Companies) -- are operating under rate plans that, due to the Companies' current QNYM status, reflect a zero percent state income tax (SIT) rate on their business income bases. Because the change of QNYM status will materially impact these companies' costs of service, the Commission wishes to examine options for NYAW and SWNY to

¹ New York Tax Law §210(1)(a)(vi)(2017).

² Case 16-W-0259, New York American Water, Inc. - Rates, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York American Water Company, Inc. for Water Services (issued May 18, 2017) (NYAW Rate Plan).

³ Case 16-W-0130, Suez Water New York, Inc. - Rates, Order Establishing Rate Plan (issued January 24, 2017) (SWNY Rate Plan).

collect the incremental costs associated with the tax law change while minimizing the associated ratepayer impacts.

To facilitate the Commission's examination of these impacts, I am requiring NYAW and SWNY to file testimony and exhibits that quantify the revenue requirement impacts of the change to their QNYM status and propose recovery mechanism options for collecting the incremental costs associated with such change. The testimony and exhibits are due June 30, 2017, and should specifically address the following issues:

- the revenue requirement impact per rate year from January 1, 2018, through the end of the rate plan;
- current SIT per rate year as of January 1, 2018;
- re-establishment of deferred SIT balance as of January 1, 2018;
- deferred tax benefits to be accrued during the remaining term of the rate plan;
- cash flow impacts and related carrying costs;
- earnings impacts without deferral;
- a projection of the resulting regulatory asset at the end of the rate plan (assuming full deferral authority is granted);
- any related federal income tax impacts to any of the items listed above;
- the proposed recovery period for any regulatory asset (revenue short-fall);
- alternatives to implementing recovery of any revenue requirement impacts; and
- proposals to mitigate ratepayer impacts.

Future procedural milestones will be considered after the required filings have been reviewed.

(SIGNED)

MICHELLE L. PHILLIPS