

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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

NOTICE ESTABLISHING PROCEEDING CONCERNING
RATE IMPACTS DUE TO A CHANGE IN THE TAX LAW

(Issued May 25, 2017)

New York American Water Company (NYAW) and Suez Water
New York Inc. (SWNY) (collectively, the Companies), currently
are deemed qualified New York Manufacturers (QNYM), which makes
them subject to a zero percent State Income Tax (SIT) rate on
their business income bases. The current SWNY rate plan, which
covers the period from February 1, 2017, through January 31,
2020, reflects a zero percent SIT rate on SWNY's business income
base for all three rate years.¹ Similarly, the current NYAW rate
plan, which covers the period from April 1, 2017, through
March 31, 2021, also reflects a zero percent SIT rate on NYAW's
business income base.²

The recently enacted state law, effective on
January 1, 2018, has changed the definition of QNYM to exclude

¹ Case 16-W-0130, Suez Water New York, Inc. - Rates, Order
Establishing Rate Plan (issued January 24, 2017) (SWNY Rate
Plan).

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).

the water utilities.³ As a result, the water utilities will be subject to the current SIT rates on their business income bases beginning in January 2018. The change of status will materially impact these companies' costs of service.

Although the SWNY Rate Plan and the NYAW Rate Plan include provisions for the Companies to seek deferral treatment for changes in operating expenses due to legislative actions, the Commission is concerned that cost deferrals could build up and be significant rate drivers in the Companies' next rate filings. Accordingly, the Commission is instituting this proceeding to examine the options for SWNY and NYAW to collect the incremental costs associated with the tax law change, with due regard for minimizing or mitigating the impacts on ratepayers.

This matter has been assigned to Administrative Law Judge Michelle L. Phillips, who will conduct procedures as necessary to develop a record and bring recommendations to the Commission. Any person interested in requesting party status in this proceeding is encouraged to become a registered user of the Commission's Document and Matter Management (DMM) System and request party status through the DMM System. To become a registered user and apply for party status or subscribe to the service list, please go to www.dps.ny.gov, click "Search" then enter "17-W-0232" then click on the "Request for Party Status" in the upper right hand corner of the page.

(SIGNED)

KATHLEEN H. BURGESS
Secretary

³ New York Tax Law §210(1)(a)(vi)(2017).