

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

----- X  
In the Matter of the Joint Petition, pursuant to Public :  
Service Law Sections 89-h and 108 by :  
AQUA NEW YORK, INC., NEW YORK WATER :  
SERVICE CORPORATION, AQUA NEW YORK OF :  
SEA CLIFF and LONG ISLAND WATER CORPORATION :  
d/b/a LONG ISLAND AMERICAN WATER :  
for Approval of a Plan to Merge NEW YORK WATER :  
SERVICE CORP. AND AQUA NEW YORK OF SEA CLIFF :  
into AQUA NEW YORK, INC. and then to merge :  
AQUA NEW YORK into LONG ISLAND WATER :  
CORPORATION which is to be renamed :  
NEW YORK AMERICAN WATER COMPANY. :  
----- X

CASE NO.  
12-W-\_\_\_\_\_

JOINT PETITION OF  
AQUA NEW YORK, INC., NEW YORK WATER SERVICE CORPORATION,  
AQUA NEW YORK OF SEA CLIFF, INC. and  
LONG ISLAND WATER CORPORATION d/b/a  
LONG ISLAND AMERICAN WATER

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          Verley A. Brown

Voorhees, New Jersey 08043

May 11, 2012

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of the Joint Petition, pursuant to Public :  
Service Law Sections 89-h and 108 by :  
AQUA NEW YORK, INC., NEW YORK WATER :  
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JOINT PETITION OF  
AQUA NEW YORK, INC., NEW YORK WATER SERVICE CORPORATION,  
AQUA NEW YORK OF SEA CLIFF, INC. and  
LONG ISLAND WATER CORPORATION d/b/a  
LONG ISLAND AMERICAN WATER

**INTRODUCTION**

1. On April 20, 2012, in Case 11-W-0472, the Public Service Commission of the State of New York (“the Commission”) approved the purchase by American Water Works Company, Inc. (“AWW”) of the outstanding shares of Aqua New York, Inc. (“Aqua NY”). Aqua NY, in turn, owns all the outstanding shares of New York Water Service Corporation (“NYWS”) and Aqua New York of Sea Cliff, Inc. (“Sea Cliff”). AWW also owns Long Island Water Corporation d/b/a Long Island American Water (“LIAW”)(Aqua NY, NYWS, Sea Cliff and LIAW are sometimes hereinafter referred to in the aggregate as “the AWW subsidiaries”). This verified Joint Petition, pursuant to Public Service Law §§ 89-h and 108,

and the Commission's regulations at 16 NYCRR Parts 18 and 31, is submitted on behalf of the AWW Subsidiaries and seeks approval for the following: 1) the merger of Aqua NY's subsidiaries, NYWS and Sea Cliff with and into Aqua NY; and then 2) the merger of Aqua NY with and into LIAW, with LIAW as the surviving corporation and to rename LIAW as "New York American Water Company.". Draft Plans of Merger for each of these mergers are attached hereto as Exhibit A (such mergers shall sometimes hereinafter be referred to as the "Mergers"). As demonstrated herein, the Commission has previously determined that it is in the public interest for AWW to acquire Aqua NY and its operating utility subsidiaries. Aqua NY and its subsidiaries operate predominantly in Nassau County, on New York's Long Island. LIAW operates entirely in Nassau County, as well. In order to facilitate operating efficiencies and avoid the cost and expense of creating, filing and adhering to various operating agreements, it is necessary and desirable to merge the AWW Subsidiaries together into one corporate entity.

2. Following the Mergers, although consolidated into one company, the rates charged to the customers of the former, individual subsidiaries would not change, but the AWW subsidiaries would continue as separate rate districts within NYAW. Under the Joint Proposal approved in Case 11-W-0472, the AWW Subsidiaries are permitted to file their first rate case following the expiration of the rate moratorium in April 2015 in both a consolidated and individual rate district fashion so that the Commission could determine what form was most advantageous to consumers.

With respect to the proposed mergers, the Joint Applicants therefore respectfully show the following pursuant to Parts 18 and 31 of the Commission's Rules and Regulations (16 NYCRR Parts 18 and 31.1).

## THE COMPANIES

3. Aqua NY is a New York corporation and a waterworks corporation under the PSL (*see* PSL § 2(27)) and, by itself and through its utility subsidiaries, serves more than 50,000 in four counties across New York State in Nassau, Westchester, Ulster and Washington counties. Aqua NY, formerly known as Kingsvale Water Company, Inc., was acquired by Aqua America in 2003 along with Cambridge Water Works Company, Dykeer Water Company, Inc., Waccabuc Water Works, Inc. and Wild Oaks Water Company, Inc.

*See Case 06-W-0700, Aqua New York, Inc., et. al, Order Approving Stock Sale and Accounting Treatment*, issued December 15, 2006, at 2, fn. 1, *citing* Case 02-W-1447, Philadelphia Suburban Corporation et.al, *Order Authorizing Stock Transfer*, issued March 11, 2003. In 2007, the Commission approved Aqua NY's request to merge Cambridge, Dykeer, Waccabuc and Wild Oaks into Aqua NY. Case 07-W-0711: Aqua New York, Inc., et al., *Order Authorizing Merger and Transfer of Franchises, Works and Systems*, issued Sept. 25, 2007. Although these companies were merged into Aqua NY, water utility service is supplied to approximately 1275 customers in total through separate rate districts which correspond to the former companies. A certified copy of Aqua NY's Certificate of Incorporation was filed in Case 11-W-0472, in which AWW's acquisition of Aqua NY was approved.

4. Aqua NY also owns two public utility subsidiaries, NYWS and Sea Cliff:
  - i. NYWS provides water service to approximately 45,000 customers in the Towns of Hempstead and Oyster Bay, Nassau County, New York. Its 21 square-mile service territory includes all of the communities of Merrick,

Bellmore, Wantagh, Seaford and East Massapequa and portions of North Merrick, North Bellmore, Levittown, and Massapequa Park. NYWS is a wholly owned subsidiary of Aqua NY. A certified copy of NYWS's amended Certificate of Incorporation in the name of Woodhaven Water Supply Company, filed with the Secretary of State on February 28, 1888, was filed with the Commission on June 9, 2006 in Case 06-W-0700 - *Joint Petition of Aqua New York, Inc. and New York Water Service Corporation for Approval of: (1) the Acquisition by Aqua New York Inc. of the Stock of New York Water Service Corporation; (2) the Accounting Treatment of New York Water Service Corporation's Pension and OPEB's Expense; (3) the NYWS Acquisition Incentive Account.*

- ii. Sea Cliff provides general water service to approximately 4,300 customers in the Town of Oyster Bay, Nassau County, New York. Sea Cliff is a wholly owned subsidiary of Aqua NY. A certified copy of Sea Cliff's Certificate of Incorporation was filed on February 8, 2007 in Case 07-W-0177 - *Joint Petition of Aqua New York, Inc. and Aquarion Water Company of Sea Cliff, Inc for Approval of the Acquisition By Aqua New York, Inc of the Stock of Aquarion Water Company of Sea Cliff, Inc.**

5. LIAW is a New York corporation with its principal place of business at 733 Sunrise Highway, Lynbrook, NY 11563. LIAW provides water utility service under the assumed name "Long Island American Water" in the incorporated Villages of Atlantic Beach, Cedarhurst, East Rockaway, Hewlett Bay Park, Hewlett Harbor, Hewlett Neck, Island Park, Lawrence, Lynbrook, Malverne, Valley Stream, and Woodsburgh and in

unincorporated areas of Baldwin, Hewlett, Oceanside, Roosevelt, Woodmere and adjacent territory in the Town of Hempstead. LIAW is the largest water supplier in Nassau County, providing water service to more than 74,000 customers. LIAW is a wholly-owned subsidiary of AWW. A certified copy of LIAW's Restated Certificate of Incorporation was filed with the Commission on August 5, 2009 in Case 09-W-0596, *In the Matter of the Application of Long Island Water Corporation d/b/a Long Island American Water, for Authority, Under Section 89-f of the Public Service Law, to Issue and Sell Up To \$20,000,000 Aggregate Principal Amount of Long-Term Debt.*

6. AWW is a Delaware corporation headquartered at 1025 Laurel Oak Road, Voorhees, New Jersey 08043. AWW is the largest investor-owned water and wastewater utility holding company in the United States.

## **THE MERGERS AND TRANSFERS**

7. As previously indicated, this Joint Petition seeks authority for the merger of each of NYWS and Sea Cliff with and into Aqua NY in a first step and then the merger of Aqua NY with and into LIAW with the surviving corporation to be renamed "New York American Water Company" in accordance with the draft Plans of Merger attached hereto as Exhibit A. In the first step, NYWS and Sea Cliff will each merge with and into Aqua NY, with all assets and liabilities of NYWS and Sea Cliff vesting in Aqua NY without further action or deed under NY BCL §906 specifically including but not limited to all franchises, consents, permits, contracts, licenses and certificates of NYWS and Sea Cliff. At the time those mergers are consummated, the shares of NYWS and Sea Cliff will be canceled and NYWS and Sea Cliff will cease to separately exist, having both merged into Aqua NY as the

surviving entity. In the second step, which will happen immediately after the first step, and thus be virtually simultaneous to it, Aqua NY will merge with and into LIAW, with all assets and liabilities of Aqua NY (including those merged in from NYWS and Sea Cliff) vesting in LIAW without further action or deed under NY BCL §906 specifically including but not limited to all franchises, consents, permits, contracts, licenses and certificates of Aqua NY. At the time the merger is consummated, the shares of Aqua NY will be canceled and it will cease to separately exist, having merged into LIAW as the surviving entity. LIAW will then be renamed New York American Water Company. LIAW, then known as New York American Water Company (hereinafter referred to as “NYAW”) will remain a “water-works corporation” as defined in Section 2(27) of the Public Service Law. Should the Commission approve this Joint Petition, NYAW will file with the Commission new tariff leaves that will substitute the name of NYAW in place of each of Aqua NY, NYWS, Sea Cliff and LIAW. The rates currently charged by the four former entities will not be affected by the approval of this Joint Petition.

8. As noted previously, pursuant to the Joint Proposal approved in Case 11-W-0472, upon the expiration of the rate moratorium in that case and the expiration of LIAW’s three year rate plan approved in Case 11-W-0200, NYAW is obligated to file its next general rate filing on both a consolidated and a separate rate district basis. This will mean that the books and records of all of the AWW Subsidiaries for which this merger authority is being requested will continue to be kept on a separate basis, as will the rate districts within Aqua NY, unless and until the Commission relieves NYAW of that obligation in a future rate or other proceeding. Accordingly, as no property or consents are being transferred (but will vest in NYAW as a matter of law) and the books and records of the merged subsidiaries will

continue to be maintained separately, the detailed property information sought in 16 NYCRR §31.1 is unnecessary and redundant because the information remains separate and readily available to Staff.

## **THE PROPOSED MERGERS ARE IN THE PUBLIC INTEREST**

9. The AWW Subsidiaries are now operating under the common ownership of AWW. Many significant functions for the AWW subsidiaries are performed by the American Water Works Service Corporation (“AWWSC”) and financing of the companies is effectuated by American Water Capital Corporation (“AWCC”). Moreover, operation and maintenance functions and construction activities will be increasingly integrated between and among the AWW Subsidiaries as the ownership changes take effect. Because, at present, the AWW Subsidiaries are all legally separate entities, optimally effective management will be constrained to some extent and costs will be increased because services performed by employees of one subsidiary on behalf of another subsidiary will have to be done through legally binding agreements. Moreover, due to the constraints of Section 110 of the Public Service Law, those agreements would, in most cases, also need to be filed with the Commission. The Mergers will eliminate those constraints, permitting maximum management flexibility in many areas such as labor, contracting, bargaining for goods and services and a host of other areas.

Moreover, as described above, the books and records for the AWW Subsidiaries will continue to be kept on a separate basis until at least the next general rate filing is concluded because existing rates and charges are based upon the revenue, expenses and rate base of each subsidiary (or rate district) within that next general rate filing. Other than continuing to maintain books and records on a separate rate district basis, maintaining separate corporate

entities and operating each subsidiary on a stand-alone basis serves no useful purpose in light of the efficiencies and cost control, sharing of resources and capital improvement programs that are possible by combining these companies.

## **REGULATORY REQUIREMENTS**

10. None of the municipal consents or franchises held by Aqua NY, NYWS or Sea Cliff requires that the approval of the municipality be secured as a condition to the transfer.

11. The AWW Subsidiaries hold certain permits from the Department of Environmental Conservation (“DEC”). Subsequent to receiving the authorization of the Commission to merge, NYAW will make any necessary filings with, and submit any necessary applications to, the DEC in order to effectuate the required permit amendments.

12. Unless addressed elsewhere in this petition, the information required in 16 NYCRR Parts 18 and 31 is included in Exhibit B.

## **NOTICE**

13. Notice of the proposed Transaction will be provided to customers of the affected utilities as soon as practicable after the filing. A draft form of notification for publication in the New York State Register pursuant to the provisions of the New York State Administrative Procedure Act is attached hereto as Exhibit C.

## **STATE ENVIRONMENTAL QUALITY REVIEW ACT**

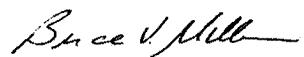
14. Under the State Environmental Quality Review Act (“SEQRA”), the Mergers do not meet the definition of either Type I or Type II actions and, therefore, the Mergers are appropriately classified as an “unlisted” action requiring SEQRA review. Accordingly, it is proper for the Commission, as lead agency, to conduct an environmental assessment and to determine the significance of the actions proposed. To facilitate such assessment, attached

hereto as Exhibit D is a completed Short Environmental Assessment Form describing the potential impact of the Mergers. There are no plans to change the physical operations of the water-works utilities in connection with the Mergers and, therefore, no action is proposed that would result in a potentially significant adverse environmental impact. Accordingly, the Joint Applicants respectfully submit that the Mergers will have no potentially significant adverse environmental impact based on the criteria for determining significance listed in 6 NYCRR Section 617.7(c) and request that the Commission issue, pursuant to SEQRA, a determination of nonsignificance for the Mergers.

## **CONCLUSION**

For all of the above reasons, the merger of NYWS and Sea Cliff with and into Aqua NY and the subsequent merger of Aqua NY with and into LIAW, with LIAW the surviving corporation (to be renamed New York American Water Company), is in the public interest and should be approved as expeditiously as possible.

Respectfully submitted,



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by  
Bruce V. Miller  
bmiller@cullenanddykman.com

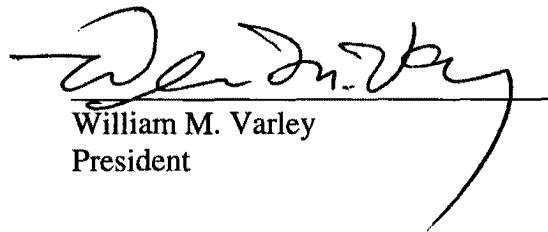
Verley A. Brown  
vbrown@cullenanddykman.com

May 11, 2012

STATE OF NEW YORK ) ss.:  
COUNTY OF NASSAU )

**VERIFICATION**

William M. Varley, being duly sworn, deposes and says, that he is the President of Aqua New York, Inc., named in the foregoing Petition, that he has read said Petition and knows the contents thereof; and that the same is true to his knowledge and belief.



William M. Varley  
President

Sworn to before me this  
10<sup>th</sup> day of May, 2012



Diane Lucas Rolling

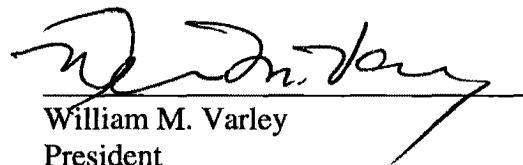
(Notary Public)

**DIANE LUCAS ROLLING**  
Notary Public, State of New York  
No. 01RO4704635  
Qualified in Nassau County  
Commission Expires Dec. 31, 2013

STATE OF NEW YORK ) ss.:  
COUNTY OF NASSAU )

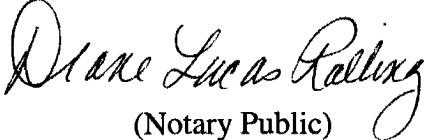
**VERIFICATION**

William M. Varley, being duly sworn, deposes and says, that he is the President of New York Water Service Corporation, named in the foregoing Petition, that he has read said Petition and knows the contents thereof; and that the same is true to his knowledge and belief.



William M. Varley  
President

Sworn to before me this  
10<sup>th</sup> day of May, 2012



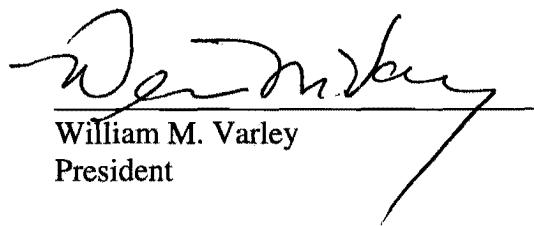
Diane Lucas Rolling  
(Notary Public)

DIANE LUCAS ROLLING  
Notary Public, State of New York  
No. 01RO4704635  
Qualified in Nassau County  
Commission Expires Dec. 31, 2013

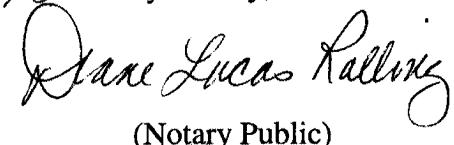
STATE OF NEW YORK ) ss.:  
COUNTY OF NASSAU )

**VERIFICATION**

William M. Varley, being duly sworn, deposes and says, that he is the President of Aqua New York of Sea Cliff, Inc., named in the foregoing Petition, that he has read said Petition and knows the contents thereof; and that the same is true to his knowledge and belief.

  
\_\_\_\_\_  
William M. Varley  
President

Sworn to before me this  
10<sup>th</sup> day of May, 2012

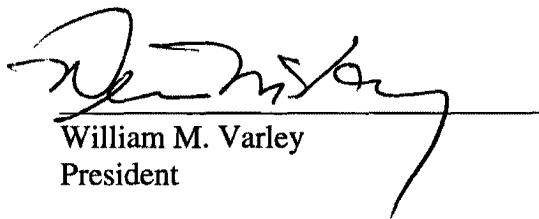
  
(Notary Public)

DIANE LUCAS ROLLING  
Notary Public, State of New York  
No. 01RO4704635  
Qualified in Nassau County  
Commission Expires Dec. 31, 2013

STATE OF NEW YORK ) ss.:  
COUNTY OF NASSAU )

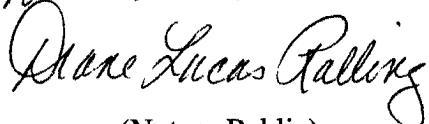
**VERIFICATION**

William M. Varley, being duly sworn, deposes and says, that he is the President of Long Island Water Corporation d/b/a Long Island American Water, named in the foregoing Petition, that he has read said Petition and knows the contents thereof; and that the same is true to his knowledge and belief.



William M. Varley  
President

Sworn to before me this  
10<sup>th</sup> day of May, 2012



Diane Lucas Rolling

(Notary Public)

DIANE LUCAS ROLLING  
Notary Public, State of New York  
No. 01R04704635  
Qualified in Nassau County  
Commission Expires Dec. 31, 2013

## **EXHIBIT A**

**PLAN OF MERGER  
OF  
AQUA NEW YORK, INC.  
AND  
NEW YORK WATER SERVICE CORPORATION**

- (1) The names of the New York corporations proposing to merge are:
  - (A) Aqua New York, Inc. ("ANY");
  - (B) New York Water Service Corporation ("NYWSC");
- (2) NYWSC will be merged with and into ANY and the Surviving Corporation is to be ANY;
- (3) The general terms and conditions of the proposed merger are as follows:
  - (i) The following represents the pre-merger status of the issued and outstanding common stock of ANY and NYWSC entitled to vote on the Plan of Merger:
    - (a) ANY- 1,000 shares of common stock, par value \$100, held by American Water Works Company, Inc. ("AWK"); and
    - (b) NYWSC- 1,837,235 shares of common stock, par value \$2.00, held by ANY.
  - (ii) The common stock of NYWSC will be surrendered and cancelled upon the merger with no consideration in cash, stock, or any combination thereof, given in exchange. The issued and outstanding common stock of ANY will remain issued and outstanding.
  - (iii) The Boards of Directors of ANY and NYWSC have approved this Plan of Merger.
  - (iv) AWK, as the sole shareholder of all the outstanding shares of ANY, shall execute a written consent to the proposed merger.
  - (v) ANY, as the sole shareholder of all the outstanding shares of NYWSC, shall execute a written consent to the proposed merger.
  - (vi) ANY shall assume all of the liabilities and obligations of NYWSC.
  - (vii) All of the estate, property, rights, permits, privileges, franchises of NYWSC shall vest in and be held and enjoyed by ANY.

**PLAN OF MERGER  
OF  
AQUA NEW YORK, INC.  
AND  
AQUA NEW YORK OF SEA CLIFF, INC.**

- (1) The names of the New York corporations proposing to merge are:
  - (A) Aqua New York, Inc. ("ANY");
  - (B) Aqua New York of Sea Cliff, Inc. ("ANYSC");
- (2) ANYSC will be merged with and into ANY and the Surviving Corporation is to be ANY;
- (3) The general terms and conditions of the proposed merger are as follows:
  - (i) The following represents the pre-merger status of the issued and outstanding common stock of ANY and ANYSC entitled to vote on the Plan of Merger:
    - (a) ANY- 1,000 shares of common stock, par value \$100, held by American Water Works Company, Inc. ("AWK"); and
    - (b) ANYSC- 499 shares of common stock, par value \$50, held by ANY.
  - (ii) The common stock of ANYSC will be surrendered and cancelled upon the merger with no consideration in cash, stock, or any combination thereof, given in exchange. The issued and outstanding common stock of ANY will remain issued and outstanding.
  - (iii) The Boards of Directors of ANY and ANYSC have approved this Plan of Merger.
  - (iv) AWK, as the sole shareholder of all the outstanding shares of ANY, shall execute a written consent to the proposed merger.
  - (v) ANY, as the sole shareholder of all the outstanding shares of ANYSC, shall execute a written consent to the proposed merger.
  - (vi) ANY shall assume all of the liabilities and obligations of ANYSC.
  - (vii) All of the estate, property, rights, permits, privileges and franchises of ANYSC shall vest in and be held and enjoyed by ANY.

**PLAN OF MERGER  
OF  
LONG ISLAND WATER CORPORATION  
AND  
AQUA NEW YORK, INC.**

- (1) The names of the New York corporations proposing to merge are:
  - (A) Aqua New York, Inc. (“ANY”);
  - (B) Long Island Water Corporation (“LIWC”);
- (2) ANY will be merged with and into LIWC and the Surviving Corporation is to be LIWC;
- (3) The general terms and conditions of the proposed merger are as follows:
  - (i) The following represents the pre-merger status of the issued and outstanding common stock of LIWC and ANY entitled to vote on the Plan of Merger:
    - (a) LIWC- 225,000 shares of common stock, without par value, held by American Water Works Company, Inc. (“AWK”); and
    - (b) ANY- 1000 shares of common stock, par value \$100, held by AWK.
  - (ii) The common stock of ANY will be surrendered and cancelled upon the merger with no consideration in cash, stock, or LIWC combination thereof, given in exchange. The issued and outstanding common stock of LIWC will remain issued and outstanding.
  - (iii) The Boards of Directors of LIWC and ANY have approved this Plan of Merger.
  - (iv) AWK, as the sole shareholder of all the outstanding shares of LIWC and ANY, shall execute a written consent to the proposed merger.
  - (v) LIWC shall assume all of the liabilities and obligations of ANY.
  - (vi) All of the estate, property, rights, permits, privileges, franchises of ANY shall vest in and be held and enjoyed by LIWC.