

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

New York American Water Company, Inc.
and
Liberty Utilities (Eastern Water Holdings) Corp.

Case 20-W-0102

October 2020

Prepared Exhibits of:
Staff Policy Panel

Michael Colby
Utility Engineering Specialist 3
Office of Electric, Gas and Water

Anthony Mannarino
Utility Consumer Assistance Specialist 2
Office of Consumer Services

Daniela Reinhart
Auditor 2 (Public Utilities)

Jane Wang
Supervisor, Utility Accounting and Finance

David Warnock
Associate Utility Financial Analyst

Office of Accounting, Audits and Finance

State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

Case 20-W-0102

Index of Exhibits

<u>Item</u>	<u>PDF Page Number</u>
Cover Page	1
Index of Exhibits	2
Index of IR Responses	3
SPP-1	4-107
SPP-2	108

Case 20-W-0102

Relied Upon Responses to Interrogatory Requests

Responses Located in Policy Panel Exhibits

IR No.	Exhibit No.	Page No.
DPS-1	Exhibit__ (SPP-1)	1-15
DPS-18	Exhibit__ (SPP-1)	16-20
DPS-23	Exhibit__ (SPP-1)	21-22
DPS-27	Exhibit__ (SPP-1)	23-50
DPS-37	Exhibit__ (SPP-1)	51-52
DPS-53	Exhibit__ (SPP-1)	53-65
DPS-57	Exhibit__ (SPP-1)	66-68
DPS-63	Exhibit__ (SPP-1)	69-74
DPS-83	Exhibit__ (SPP-1)	75-85
DPS-107	Exhibit__ (SPP-1)	86-93
DPS-203	Exhibit__ (SPP-1)	94-97
DPS-204	Exhibit__ (SPP-1)	98-102
DPS-207	Exhibit__ (SPP-1)	103-104

Responses Located in Accounting Panel Exhibits

IR No.	Exhibit No.	Page No
DPS-4	Exhibit__ (SAP-2)	42-184
DPS-187	Exhibit__ (SAP-2)	540-544
DPS-188	Exhibit__ (SAP-2)	545-552

**LIBERTY UTILITIES (EASTERN WATER HOLDINGS) CORP.'S
OBJECTIONS AND RESPONSES TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST
Liberty Utilities and New York American Water**

Request No.: DPS-1

Requested By: Jane Wang

Date of Request: March 27, 2020

Response Due: April 7, 2020

Witness: Liberty Utilities (Eastern Water Holdings) Corp. Panel

Subject: Section 338 (h)(10) Election

LIBERTY EASTERN GENERAL DEFINITIONS

1. “APUC” shall mean Algonquin Power & Utilities Corp. (“APUC”)
2. “AWW” shall mean American Water Works Company, Inc.
3. “CEII” shall mean critical electric infrastructure information
4. “DPS” shall mean the New York State Department of Public Service
5. “DPS Rules and Regulations” shall mean Part 16 of the DPS’s Rules and Regulations
6. “FERC” shall mean the Federal Energy Regulatory Commission
7. “Liberty Eastern” shall mean Liberty Utilities (Eastern Water Holdings) Corp.
8. “LUCo” shall mean Liberty Utilities Co.
9. “NYAW” shall mean New York American Water Company, Inc.
10. “PSC” or the “Commission” shall mean the New York Public Service Commission
11. “PSL” shall mean the New York State Public Service Law
12. “Staff” shall mean DPS Staff

LIBERTY EASTERN GENERAL OBJECTIONS

Liberty Eastern makes the following general objections (collectively, “General Objections”), which shall be incorporated by reference into the below specific responses as if expressly restated therein, without limiting or waiving any other objections to the instant information requests (individually, the “Request” and collectively, the “Requests”) proffered by Staff:

1. Liberty Eastern objects to the Requests to the extent they seek information or production of documents that is or are subject to the attorney-client privilege, constitute attorney work product, are protected under state or federal law or are proprietary or confidential, or constitute draft and/or non-final documents and/or communications containing or concerning same. The inadvertent disclosure of any information or production of any document that is confidential, privileged, was prepared in anticipation of litigation, or is otherwise irrelevant and/or immune from discovery, shall not constitute a waiver of any such privilege or of any ground for objection with respect to such information or document, the subject matter of the information or document, or of Liberty Eastern’s rights to the use of any such information or document in any regulatory proceeding or lawsuit. Liberty Eastern reserves its right to request the return of any such documents or information in the event of any inadvertent disclosure.
2. Liberty Eastern objects to the Requests to the extent they are not tailored to this particular proceeding, are not commensurate with the importance of the issues to which each Request relates, and/or seek information or documents that is or are not relevant to any matter within the PSC’s jurisdiction.
3. Liberty Eastern objects to the Requests to the extent they seek documents or information regarding matters, or from entities, over which the PSC (including Staff) has no authority or jurisdiction under the PSL.
4. Liberty Eastern objects to the Requests to the extent they seek information concerning matters that, due to federal preemption or preclusion, are not subject to regulation by the State of New York.
5. Liberty Eastern objects to Requests to the extent that they are: (a) overbroad or unduly burdensome; (b) cumulative; (c) call for the production of documents not in Liberty Eastern’s possession, custody, or control; (d) call for the review, compilation, or production of publicly-available documents that could be obtained by the requesting party in a less-burdensome manner, including on a public website; (e) call for the review, compilation, and/or production of a voluminous number of documents at great expense to Liberty Eastern; or (f) are duplicative of discovery requests already issued by Staff and responded to by Liberty Eastern.
6. Liberty Eastern objects to the Requests to the extent they seek documents and information already known to or possessed by the requesting party or which are available to those entities

from documents in their own files or from public sources including, but not limited to, the DPS website or other online sources.

7. Liberty Eastern objects to the Requests to the extent they seek sensitive, proprietary and/or competitive information, trade secret information, confidential commercial information, work product, and/or material that is the subject of confidentiality agreements with third parties. To the extent Liberty Eastern has elected to produce any confidential commercial information and/or trade secret information, such information is being produced solely to Staff via the PSC's records access officer and solely for use in the above-captioned proceeding.
8. Liberty Eastern objects to the Requests to the extent they seek information and documents that are not known or reasonably available to Liberty Eastern. Liberty Eastern further objects to all Requests to the extent they seek to compel Liberty Eastern to generate or to create information and/or documents that do not already exist.
9. Liberty Eastern objects to the Requests to the extent they seek CEII.
10. Liberty Eastern's agreement to provide information or documents in response to the Requests is not: (a) an acceptance of, or agreement with, any of the characterizations or purported descriptions of the transactions or events contained in these Requests; (b) a concession or admission that the requested material is relevant to any matter within the jurisdiction of the State of New York or any of its agencies; (c) a waiver of the objections herein; (d) an admission that any such information or documents exist; or (e) an agreement to provide information or documents pursuant to any other Request.
11. Each response reflects the information or documents Liberty Eastern located given the scope and nature of the Request at issue and as evidenced by the sponsor(s) of such response, after a reasonable, diligent search in the response period in which Staff has requested a response to be provided, particularly in light of the scope and breadth of the Requests. References to information in Liberty Eastern's possession within any response is specific to information in the individual possession of the entity on behalf of which the response is provided. Liberty Eastern reserves its right to amend or supplement the responses, including the assertion of additional objections, and any production of information and documents as additional discovery and investigations continue, in the event that additional information is identified, or in the event of error, inadvertent mistake, or omission.

DPS-1

On pages 36-37 of testimony, you indicate that Liberty Utilities (East Water Holdings) Corp. (Liberty Eastern) will make the IRS Section (h) (10) (Section 338 Election) for the acquisition of NYAW, which allows the stock purchase to be treated as an asset purchase for tax purposes. As a result, the tax basis of the asset is stepped up in an amount equal to the purchase price, generally resulting in a reset of the accumulated deferred income tax (ADIT) balance. You also indicate on page 38 of your testimony that the Commission has dealt with the issue in varying ways when acquirers utilize a Section 338 Election or when utilities are acquired in an asset sale rather than a stock sale.

DPS-1.1

Provide the case numbers of the proceedings where the Commission dealt with utility acquisitions involving the Section 338 Election.

Liberty Eastern's Response to DPS-1.1. Liberty Eastern hereby incorporates the General Objections set forth above. Subject to and without waving any of the General Objections and/or the specific objections set forth herein, Liberty Eastern provides the following response:

The Request incorrectly states that Liberty Eastern indicated in its direct testimony that the “[PSC] has dealt with utility acquisitions involving the Section 338 Election.” Page 38 of Liberty Eastern’s direct testimony refers to Section 338(h)(10) elections and states that “Commissions have dealt with this issue in varying ways when acquirers utilize a 338(h)(10) election or when utilities are acquired in an asset sale rather than a stock sale” (emphasis added). In other words, Liberty Eastern’s direct testimony explicitly refers to *other* utility commissions that have dealt with this topic, not the PSC.

To assist Staff in its review of the Section 338(h)(10) election, Liberty Eastern provides the following sample of case references from other states that have considered either Section 338 (h)(10) elections or the transfer of utilities as an asset purchase which creates the same scenario regarding deferred income taxes as the Section 338(h)(10) election does. In addition, three docket numbers where FERC addressed this topic in a consolidated order are provided:

- Massachusetts Department of Public Utilities, D.P.U. 13-07-A: *Joint Petition of New England Gas Company, Plaza Massachusetts Acquisition, Inc., The Laclede Group, Inc., and Liberty Utilities Co. pursuant to G.L. c. 164, § 96, for Approval of the Sale of the Assets of New England Gas Company.*
- Missouri Public Service Commission, File No. GM-2012-0037: *In the Matter of the Joint Application of Atmos Energy Corporation and Liberty Energy (Midstates) Corp. for Authority to Sell Certain Missouri Assets to Liberty Energy (Midstates) Corp. and, in Connection Therewith, Certain Other Related Transactions.*

Michigan Public Service Commission Case No: U-20276: *In the matter of the application of Upper Peninsula Power Company for the authority to increase retail electric rates.*

- FERC Docket Nos. EC14-68-000: *Upper Peninsula Power Company*; EL14-39-000: *Integrus Energy Group, Inc., Balfour Beatty Infrastructure Partners GP Limited*; and ES14-28-000: *Upper Peninsula Power Company*.

Name and Title of Person(s) Responsible for Response: Peter Eichler, President of Liberty Utilities Co.'s Massachusetts Operations and Jody McEachran, Senior Director, Regulatory Strategy, Liberty Utilities (Canada) Corp.

Date: April 6, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

DPS-1.2

In Case 18-G-0140, the Commission approved the stock acquisition of St. Lawrence Gas Company, Inc. (SLG) by Liberty Utilities Co (LUCo). The petition and testimony in this case did not indicate the Section 338 Election. Did LUCo made the Section 338 Election in the transaction to acquire SLG?

Liberty Eastern's Response to DPS-1.2. Liberty Eastern hereby incorporates the General Objections set forth above and further objects to this Request as seeking information that is not relevant to Case 20-W-0102 or Staff's related review. Subject to and without waving any of the General Objections and/or the specific objections set forth herein, Liberty Eastern provides the following response:

No.

Name and Title of Person(s) Responsible for Response: Peter Eichler, President of Liberty Utilities Co.'s Massachusetts Operations and Jody McEachran, Senior Director, Regulatory Strategy, Liberty Utilities (Canada) Corp.

Date: April 6, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

DPS-1.3

If your response to question 2 above is yes, provide the journal entries recording the transaction to acquire SLG, if LUCo has not submitted the journal entries in Case 18-G-0140.

Liberty Eastern's Response to DPS-1.3. Liberty Eastern hereby incorporates the General Objections set forth above and further objects to this Request as seeking information that is not relevant to Case 20-W-0102 or DPS Staff's related review. Subject to and without waving any of the General Objections and/or the specific objections set forth herein, Liberty Eastern provides the following response:

See response to DPS-1.2 above.

Name and Title of Person(s) Responsible for Response: Peter Eichler, President of Liberty Utilities Co.'s Massachusetts Operations and Jody McEachran, Senior Director, Regulatory Strategy, Liberty Utilities (Canada) Corp.

Date: April 6, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

DPS-1.4

Provide a numerical illustration of the Section 338 Election with a hypothetical long-lived asset, assuming the asset is acquired through a stock purchase where the purchase price is higher than the net book value of the asset at the date of sales transaction. In your illustration, provide:

- a. Journal entries to record the sales transaction, including reset of the ADIT
- b. Book basis of the asset post the sales transaction
- c. Tax basis of the asset post the sales transaction
- d. Tax life of the asset post the sales transaction
- e. Annual depreciation expense for tax purpose and book (or ratemaking purpose) post the sales transaction
- f. Annual ADIT post the sales transaction through the life of the asset
- g. Any other changes in cost of service elements impacted by the sales transaction

Liberty Eastern's Response to DPS-1.4. Liberty Eastern hereby incorporates the General Objections set forth above. Subject to and without waving any of the General Objections and/or the specific objections set forth herein, Liberty Eastern provides the following response:

See attachment labeled "DPS-1.4_Liberty Eastern Response_Attachment.xlsx" (the "Attachment") for Liberty Eastern's responses to sub questions (a) through (g). The Attachment also provides Liberty Eastern's assumptions underlying the hypothetical addressed in these responses.

Name and Title of Person(s) Responsible for Response: Jeff Kjanka, Tax Manager, Liberty Utilities (West Region) and Peter Eichler, President of Liberty Utilities Co.'s Massachusetts Operations

Date: April 6, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

CASE 20-W-0102

Liberty Eastern's Response to Request DPS-1.4

4/6/2020

Provide a numerical illustration of the Section 338 Election with a hypothetical long-lived asset, assuming the asset is acquired through a stock purchase where the purchase price is higher than the net book value of the asset at the date of sales transaction. In your illustration, provide

Assumptions Underlying Response:

Net book value of asset prior to sale transaction	\$ 78,990	
Fair value of asset at time of sale transaction	\$ 78,990	B
Net tax value of asset prior to sale transaction	\$ 29,400	
US federal deferred tax at time of acquisition	\$ (10,414)	
Sales price	\$ 80,000	A
Goodwill	\$ 1,010	A-B

a. Journal entries to record the sales transaction, including reset of the ADIT**Response**

Journal entries to relieve ADIT at time of sale

Dr	Deferred tax liability	\$ 10,414
Cr	Deferred tax expense	\$ (10,414)
Dr	Current tax expense	\$ 10,414
Cr	Cash	\$ (10,414)

Journal entries for purchase accounting

Dr	Goodwill	\$ 1,010
Cr	Equity	\$ (1,010)

b. Book basis of the asset post the sales transaction

Response	Day 1	\$ 78,990
-----------------	-------	-----------

c. Tax basis of the asset post the sales transaction

Response	Day 1	\$ 78,990
-----------------	-------	-----------

d. Tax life of the asset post the sales transaction

Response	25 Years
-----------------	----------

e. Annual depreciation expense for tax purpose and book (or ratemaking purpose) post the sales transaction

Response		Year 1	Year 2+	
Book	\$	1,910	\$ 1,910	See tab labeled "Example," Row 14
Tax	\$	1,580	\$ 3,160	See tab labeled "Example," Row 31

f. Annual ADIT post the sales transaction through the life of the asset

Response	See tab labeled "Example," Row 37
-----------------	-----------------------------------

g. Any other changes in cost of service elements impacted by the sales transaction

Response	None known
-----------------	------------

CASE 20-W-0102

Liberty Eastern's Response to Request DPS-1.4

338(h)10 Election

Step Up Basis Illustration

Assumptions

Sale date	12/31/2020
Sales price	\$ 80,000

Original Basis**Book**

			2010	2011	2012	2013	2014
Asset Original Cost	\$ 100,000	Asset Cost	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Asset Original Placed in-Service Date	1/1/2010	Book Depreciation	1,910	1,910	1,910	1,910	1,910
Book Depreciation Rate	1.91%	Accum Deprec	1,910	3,820	5,730	7,640	9,550
		Net Book Value	\$ 98,090	\$ 96,180	\$ 94,270	\$ 92,360	\$ 90,450

Tax - Pre sale

			2010	2011	2012	2013	2014
Asset Original Cost	\$ 100,000	Asset Cost	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Asset Original Placed in-Service Date	1/1/2010	Tax Depreciation	51,000	1,960	1,960	1,960	1,960
Tax Depreciation Rate-25Yr SL	4%	Accum Deprec	51,000	52,960	54,920	56,880	58,840
Bonus Depreciation Assumed Year 1	50%	Net Tax Value	\$ 49,000	\$ 47,040	\$ 45,080	\$ 43,120	\$ 41,160
Timing Difference			\$ (49,090)	\$ (49,140)	\$ (49,190)	\$ (49,240)	\$ (49,290)
Deferred Tax Liability	21%		\$ (10,309)	\$ (10,319)	\$ (10,330)	\$ (10,340)	\$ (10,351)

Tax - Post s. 338(h)(10) election

Fair Value	\$ 78,990	Asset Cost
In Service Date	1/1/2021	Tax Depreciation
Tax Depreciation Rate-25Yr SL	4%	Accum Deprec
		Net Tax Value

Timing Difference	
Deferred Tax Liability	21%

14

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910
32,470	34,380	36,290	38,200	40,110	42,020	43,930	45,840	47,750	49,660	51,570	53,480
\$ 67,530	\$ 65,620	\$ 63,710	\$ 61,800	\$ 59,890	\$ 57,980	\$ 56,070	\$ 54,160	\$ 52,250	\$ 50,340	\$ 48,430	\$ 46,520
\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000		
1,960	1,960	1,960	1,960	1,960	1,960	1,960	1,960	1,960	1,960		
82,360	84,320	86,280	88,240	90,200	92,160	94,120	96,080	98,040	100,000		
\$ 17,640	\$ 15,680	\$ 13,720	\$ 11,760	\$ 9,800	\$ 7,840	\$ 5,880	\$ 3,920	\$ 1,960	\$ -		
\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990
3,160	3,160	3,160	3,160	3,160	3,160	3,160	3,160	3,160	3,160	3,160	3,160
17,378	20,537	23,697	26,857	30,016	33,176	36,335	39,495	42,655	45,814	48,974	52,133
\$ 61,612	\$ 58,453	\$ 55,293	\$ 52,133	\$ 48,974	\$ 45,814	\$ 42,655	\$ 39,495	\$ 36,335	\$ 33,176	\$ 30,016	\$ 26,857
\$ (5,918)	\$ (7,167)	\$ (8,417)	\$ (9,667)	\$ (10,916)	\$ (12,166)	\$ (13,415)	\$ (14,665)	\$ (15,915)	\$ (17,164)	\$ (18,414)	\$ (19,663)
\$ (1,243)	\$ (1,505)	\$ (1,768)	\$ (2,030)	\$ (2,292)	\$ (2,555)	\$ (2,817)	\$ (3,080)	\$ (3,342)	\$ (3,604)	\$ (3,867)	\$ (4,129)

2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910
55,390	57,300	59,210	61,120	63,030	64,940	66,850	68,760	70,670	72,580	74,490	76,400
\$ 44,610	\$ 42,700	\$ 40,790	\$ 38,880	\$ 36,970	\$ 35,060	\$ 33,150	\$ 31,240	\$ 29,330	\$ 27,420	\$ 25,510	\$ 23,600

\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990	\$ 78,990
3,160	3,160	3,160	3,160	3,160	3,160	3,160	1,580	1,580	1,580	1,580	
55,293	58,453	61,612	64,772	67,931	71,091	74,251	75,830	77,410	78,990		
\$ 23,697	\$ 20,537	\$ 17,378	\$ 14,218	\$ 11,059	\$ 7,899	\$ 4,739	\$ 3,160	\$ 1,580	\$ -		

\$ (20,913)	\$ (22,163)	\$ (23,412)	\$ (24,662)	\$ (25,911)	\$ (27,161)	\$ (28,411)	\$ (28,080)	\$ (27,750)	\$ (27,420)	\$ (25,510)	\$ (23,600)
\$ (4,392)	\$ (4,654)	\$ (4,917)	\$ (5,179)	\$ (5,441)	\$ (5,704)	\$ (5,966)	\$ (5,897)	\$ (5,828)	\$ (5,758)	\$ (5,357)	\$ (4,956)

2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061
\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910	1,910
78,310	80,220	82,130	84,040	85,950	87,860	89,770	91,680	93,590	95,500	97,410	99,320
\$ 21,690	\$ 19,780	\$ 17,870	\$ 15,960	\$ 14,050	\$ 12,140	\$ 10,230	\$ 8,320	\$ 6,410	\$ 4,500	\$ 2,590	\$ 680

\$ (21,690)	\$ (19,780)	\$ (17,870)	\$ (15,960)	\$ (14,050)	\$ (12,140)	\$ (10,230)	\$ (8,320)	\$ (6,410)	\$ (4,500)	\$ (2,590)	\$ (680)
\$ (4,555)	\$ (4,154)	\$ (3,753)	\$ (3,352)	\$ (2,951)	\$ (2,549)	\$ (2,148)	\$ (1,747)	\$ (1,346)	\$ (945)	\$ (544)	\$ (143)

	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072
\$	100,000										
	680										
	100,000										
\$	-										

\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-

**JOINT PETITIONERS' RESPONSES TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

American Water Works Company, Inc.; New York American Water Company, Inc.; and Liberty
Utilities (Eastern Water Holdings) Corp.

Request No.: DPS-18

Requested By: Andrew Leung

Date of Request: April 10, 2020

Response Due: April 20, 2020

Witness: Lynda DiMenna, President, NYAW

Liberty Utilities (Eastern Water Holdings) Corp. Panel

Subject: Acquisition Benefits

JOINT PETITIONERS' INSTRUCTIONS

AWW, NYAW and Liberty Eastern (collectively, the "Joint Petitioners") hereby incorporate by reference the General Definitions provided in Liberty Eastern's response to DPS-1.

In all interrogatories, all requests for workpapers or supporting calculations shall be construed as requesting any Word, Excel or other computer spreadsheet models in original electronic format with all formulae intact and unlocked. When providing copies of documents in response to an IR, provide complete and unredacted copies of these documents. Redactions may only be made to the extent necessary to protect a recognized privilege, with adequate support.

DPS-18.1

1. Explain in detail, including all analyses and the process NYAW and LUCo used to assess whether LUCo would be a suitable future owner of the Company. In addition, provide the specific conclusions with analysis to support such conclusions in the areas of:
 - a. Whether NYAW would operate more efficiently post acquisition than NYAW under continued ownership of AWW.
 - b. Whether NYAW would achieve lower rates post acquisition than NYAW under continued ownership of AWW.
 - c. The Commission approved NYAW's rate plan extension through March 31, 2022 in its Order Postponing the Levelization Surcharge and Authorizing Amended System Improvement Surcharge Projects, issued on February 6, 2020. The petitioners in this proceeding propose to stay-out for new rates through March 31, 2023, or an effective

one-year extension. What is the quantified savings for ratepayers resulting from the additional one-year stay-out?

Joint Petitioners' Response to DPS-18.1

AWW used a bid process with an emphasis on selecting an experienced, qualified entity as measured by their stated and proven ability to continue to provide safe and adequate water service and serve the best interests of NYAW's customers consistent with the New York Public Service Law. Through this process, AWW concluded that Liberty Utilities Co. ("LUCo") / Liberty Eastern satisfied this objective based on LUCo's stated experience and qualifications, including:

- experience owning and operating utilities providing water and wastewater service to 168,000 customers across the six states over 19 years;
 - recent entry and strong interest in owning and operating utilities in the New York market;
 - financial position and access to capital markets;
 - focus on local operations and mission to provide sustainable clean energy and water solutions;
 - commitment to upholding the highest standards of service to meet customer day-to-day needs and offering employee programs that recognize superior customer support and contributions to the community; and
 - customer-driven focus.
- a. AWW did not undertake an analysis as to whether NYAW would operate more efficiently post acquisition.

LUCo did not conduct an analysis as to how NYAW would operate under continued AWW ownership. Instead, LUCo assessed NYAW's suitability for inclusion in the APUC family of utilities based on its expected fit within the APUC strategic growth plan, including the desire to expand its current customer base in New York and in the broader East Region.

As indicated on page 30 of Liberty Eastern's Direct Testimony, LUCo measures its "... performance in terms of service reliability, customer experience, and dedication to public and workplace safety." APUC's business model allows for the attainment of this goal through a local operational and shared services model. NYAW will have local management, decision-making, and operational control of its business which will be supplemented and supported by corporate shared-services (e.g., financial, strategic oversight, and administrative support services). This shared-services approach to management, service, and support is intended to ensure efficient and dependable utility services to all of LUCo's customers. To the extent that efficiency savings are realized, they will be reflected in future rates in the same manner that most other reductions in costs are reflected – that is, through lower base period costs that result in lower rate year costs than would occur in the absence of such savings measures.

- b. AWW did not undertake an analysis as to whether NYAW's rates would be lower post acquisition.

- c. Once served, please refer to the response to DPS-4.4, which will provide the projected revenue requirement for the rate year ended 03/31/23. Depending on levelization surcharge and Revenue Deferral and Make-whole Surcharge timing, the savings to customers for the additional one-year stay-out is estimated to be \$15-20 million, which is equivalent to the projected incremental revenue increase that year.

Name and Title of Person(s) Responsible for Response: Jody McEachran, Senior Director, Regulatory Strategy, Liberty Utilities (Canada) Corp.; Peter Eichler, President, Liberty Utilities (Massachusetts); John Tomac, Sr. Director, Rates and Regulatory; and Dave Weber, Manager Reg. Services

Date: April 20, 2020

Entity on Behalf of Which the Response is Provided: AWW, NYAW, and Liberty Eastern

DPS-18.2

2. Page 32 of the Joint Petition states the following:

“Finally, Liberty Eastern will immediately take measures that both benefit NYAW customers and reduce any perceived risks associated with the Transaction.”

- a. Provide and explain, in detail, the list of perceived risks associated with the Acquisition by LUCo. Provide all supporting documents and workpapers.
- b. For each perceived risk, explain how LUCo will mitigate the perceived risks associated with the Acquisition. Provide all supporting documents and workpapers.

Liberty Eastern’s Response to DPS-18.2. The above-quoted reference to “perceived risks” in the Joint Petition addresses any externally-perceived risks that may be discussed during the course of this proceeding. Liberty Eastern cannot speculate on what such perceived risks by entities or individuals external to the Transaction could be or how they would be mitigated. With that said, Liberty Eastern affirms its commitment to work with interested stakeholders during the course of this proceeding to strive to reduce any perceived risks that may arise.

Name and Title of Person(s) Responsible for Response: Jody McEachran, Senior Director, Regulatory Strategy, Liberty Utilities (Canada) Corp. and Peter Eichler, President, Liberty Utilities (Massachusetts).

Date: April 20, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

DPS-18.3

3. Explain in detail how NYAW will track the costs associated with the acquisition if the transaction was not approved by the Commission, so that ratepayers will not bear any of the costs of the transaction. In your answer, provide the same cost of service elements as in revenue requirement in the Commission's rate order in Case 16-W-0259.

AWW's and NYAW's Response to DPS-18.3

NYAW established a work order to track costs associated with the acquisition. No incremental costs incurred by AWW associated with the acquisition will be borne by customers.

Name and Title of Person(s) Responsible for Response: Chris Caligiuri – Sr Finance Manager
NYAW

Date: April 20, 2020

Entity on Behalf of Which the Response is Provided: AWW and NYAW

**LIBERTY UTILITIES (EASTERN WATER HOLDINGS) CORP.'S
RESPONSE TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

American Water Works Company, Inc.; New York American Water Company, Inc.; and Liberty
Utilities (Eastern Water Holdings) Corp.

Request No.: DPS-23

Requested By: Consumer Service Panel

Date of Request: April 14, 2020

Response Due: April 24, 2020

Witness: Liberty Utilities (Eastern Water Holdings) Corp. Panel

Subject: Local Board of Directors

LIBERTY EASTERN'S INSTRUCTION

Liberty Eastern hereby incorporates by reference the General Definitions provided in its response to DPS-1.

DPS-23.1

Provide a detailed description of the members on the East Region Board of Directors. Include the following.

- a) How each member is selected to be on the board.
- b) Does the Company plan on appointing another independent monitor to the Board of Directors as it did in the recent St. Lawrence Gas acquisition?

Liberty Eastern's Response to DPS-23.1.

- a) Attachment 5 to the Joint Petition provides detailed descriptions of the members of Liberty's East Region Board of Directors. The composition and selection process for Liberty's five East region directors, three of whom are independent senior business and community leaders and two of whom are internal management employees of LUCo, are described in Liberty Eastern's direct testimony (Attachment 1 to the Joint Petition) on pages 11 to 13.

- b) As indicated on pages 12-13 of Liberty's direct testimony and consistent with the approved Joint Proposal in Commission Cases 18-G-0133 and 18-G-0140 regarding LUCo's recent acquisition of SLG in the North Country, Liberty will appoint an independent director to the East Region Board who will represent the entirety of New York.

Name and Title of Person(s) Responsible for Response: Peter Eichler, President, Liberty Utilities (Massachusetts)

Date: April 24, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**JOINT PETITIONERS' SUPPLEMENTAL RESPONSES TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

New York American Water, Inc.
Liberty Utilities (Eastern Water Holdings) Corp.

Request No.: DPS-27

Requested By: Gregory R. Luthringer

Date of Request: April 17, 2020

Response Due: April 27, 2020

Supplemental Response: October 22, 2020

Witness: Joint Petitioners

Subject: Property Tax

JOINT PETITIONERS' INSTRUCTIONS

NYAW, and Liberty Eastern (collectively, "Joint Petitioners") hereby incorporate by reference the General Definitions provided in Liberty Eastern's Response to DPS-1.

In all interrogatories, all requests for workpapers or supporting calculations shall be construed as requesting any Word, Excel or other computer spreadsheet models in original electronic format with all formulae intact and unlocked. When providing copies of documents in response to an IR, provide complete and unredacted copies of these documents. Redactions may only be made to the extent necessary to protect a recognized privilege, with adequate support.

In the Liberty Utilities (Eastern Water Holdings) Corp. Panel testimony, page 31 of 47, the company indicates that it is aware that NYAW's property tax expense is a significant fiscal burden and if this proposed transaction is approved that it would like to address this issue.

"These property taxes, while supporting essential services provided to all residents of the municipalities within which NYAW operates, are not charged to public water systems, which results in NYAW customers effectively subsidizing the customers of municipal water systems. Following the closing of the Transaction, Liberty Eastern commits to work together with customers and other stakeholders to determine whether there is a viable solution(s) to this problem."

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-27.1

Has NYAW examined this issue in seeking any viable solution(s) addressing the local property tax expense inequity issue? If yes, fully explain how the Company has worked with other stakeholders to address this perceived problem. If no, explain why NYAW has not addressed this issue.

NYAW's Response to DPS-27.1.

Yes, NYAW has examined this issue and has been aggressively seeking viable solutions to address the property tax inequity issue.

Educating our customers, elected officials, and stakeholders about NYAW's tax burden and its connection to customer billing is a critical component of a robust communication and outreach campaign called H2O Control that started in late 2018 and is ongoing. Through communication channels such as direct mail, bill inserts, social media, through earned and paid media, and in-person meeting and events, the impacts of taxes have been clearly and repeatedly communicated.

NYAW has also continuously met and worked with elected and other governmental officials with the goal of changing the tax structure so that it is more equitable to NYAW's customers. Specifically, NYAW has identified and advocated for potential legislative changes to the New York State Real Property Tax Law and administrative changes that can be made by the New York State Office of Real Property Tax Services (ORPTS) that would reduce the property tax burden, as well as legislative changes that would allow NYAW customers to benefit from New York State grant programs that they help fund.

NYAW tracks its communication, outreach, and engagement efforts and regularly updates Staff.

An example of NYAW's communication is a mailer sent to all customers on the Rate Year 4 changes, which specifically calls out the impact of taxes on rates by service area (see DPS-027.1_Attachments 1 through 3).

In addition, the narrative of the property tax impact on rates is regularly included in media coverage on NYAW rates. (See example highlighted text in Newsday article provided as DPS-027.1_Attachment 4).

Name and Title of Person(s) Responsible for Response: Lee Mueller, External Affairs Manager; Michael Mupo, Property Tax Manager; John Dillon, NYAW Vice President & General Counsel

Date: April 27, 2020

Entity on Behalf of Which the Response is Provided: NYAW

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-27.2

If the answer to Q. 1 is yes, explain any success(es) the company has achieved in this area.

NYAW's Response to DPS-27.2.

Changing a long-existing tax structure is challenging and takes significant effort and time. NYAW's approach has been to educate our customers, elected officials, and stakeholders about NYAW's tax burden and the inequity that exists. The initial success of this education effort is best evidenced by legislation that was introduced in both the New York State Senate and Assembly in 2019 that would phase out Special Franchise taxes for NYAW and ultimately reduce the burden shouldered by our customers by approximately one-third. The Senate approved this legislation, S4230B, on June 13, 2019, 62 - 0. NYAW views the Senate's recognition of a tax structure issue that requires changes as an important step in this challenging process. NYAW continues to advocate to both the Senate, Assembly, and Executive branches of New York State government that this, or other tax relief legislation, be adopted so that customers are taxed equitably. These efforts are coordinated with Liberty Eastern and will be carried on after the close of the transaction, if necessary.

Name and Title of Person(s) Responsible for Response: Lee Mueller, External Affairs Manager; Michael Mupo, Property Tax Manager; John Dillon, NYAW Vice President & General Counsel

Date: April 27, 2020

Entity on Behalf of Which the Response is Provided: NYAW

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-27.3

Explain in detail what actions Liberty Eastern could take differently from NYAW to find a viable solution to the high property tax in customer bills.

Liberty Eastern's Response to DPS-27.3.

See Liberty Eastern's response to DPS-22.1. As noted in that response, Liberty is exploring and considering public/private partnerships options that may be available to address the property tax issues. More specifically, Liberty Eastern is evaluating the applicability of structures such as a lease/leaseback transaction similar to the ones approved by the PSC in Case 16-M-0712, *Petition of Nine Mile Point Nuclear Station, LLC for a Declaratory Ruling Regarding Lease-Leaseback Transaction and Related PILOT Agreement*, Declaratory Ruling On Pilot Agreement And Sale-Leaseback Type Transaction (Issued Feb. 21, 2017); Case 06-E-0745, *AES Greenidge LLC, Petition for an Order Providing for Lightened Regulation and Authorizing a PILOT Transaction*, Order on Regulation of a PILOT and Sale-Leaseback Transaction (Issued September 29, 2006); and Case 08-E-1153, *Niagara Mohawk Power Corporation d/b/a National Grid, Petition for a Declaratory Ruling that PSL § 70 Does Not Apply to a Lease to Empire Generating Co LLC for a Sublease to the Rensselaer County Industrial Development Agency of Certain Property or, in the Alternative, for Approval Pursuant to PSL § 70*, Declaratory Ruling on Lease and Leaseback Transactions (Issued Dec. 15, 2008).

As Liberty Eastern does not yet have final details and terms for this proposed structure, Liberty Eastern will supplement this response as appropriate.

Name and Title of Person(s) Responsible for Response: Peter Eichler, President, Liberty Utilities (Massachusetts)

Date: April 27, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

Liberty Eastern's Supplemental Response to DPS-27.3.

In light of its commitment to further supplement its response to DPS-27.3 and the Commission's *Notice Soliciting Comments* issued on July 22, 2020, Liberty submits the following to update its efforts initially described in its response to DPS-27.3. As an initial matter, though, Liberty notes that the instant filing was submitted pursuant to PSL § 89-h and must be viewed within the context of that statutory authority including namely, whether the Joint Petition meets the statutory standard for the proposed stock transaction. Therefore, this docket is not, nor should it be, a proceeding to determine whether it is feasible or appropriate for municipal entities to acquire all or part of NYAW's system through eminent domain.

Liberty Eastern has identified at least two viable solutions for addressing the high property tax on customer bills: (1) legislative change to the real property tax laws and their administration; and (2) a potential private/public partnership arrangement with a governmental economic

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

development agency. Both options are viable solutions to NYAW's property tax burdens that will benefit NYAW, its customers and local communities.

The first potential solution is legislative change to the applicable property tax laws. Liberty Eastern is committed to continuing the advocacy for legislative and regulatory changes in the State initiated by NYAW in 2018, including advocating for amendments to the New York Real Property Tax Law ("RPTL") and changes to the New York State Office of Real Property Tax Services' (the "ORPTS") administration of the RPTL, to eliminate the special franchise tax burden disproportionately placed on private water companies, including NYAW. Liberty Eastern continues to advocate for legislation that will reduce the burden of the special franchise tax assessed against NYAW's water system, which totals approximately \$25 million a year in special franchise taxes. Such legislation could, for example, amend the RPTL to gradually exclude water system property owned by water-works corporations, like NYAW, from special franchise taxes over a five-year period. More specifically, the bill could amend the definition of "special franchise," which currently includes NYAW's water mains, pipes, tanks, and related appurtenances installed through public property, to exclude any such systems involved in the transportation of water in counties of one million or more that are special assessing units and any assessing jurisdictions within such counties as well as any water system property owned by a water works corporation located in such county, such as NYAW.

Liberty Eastern continues to engage stakeholders, the community, and elected officials, to bring to light the structural inequities resulting from the existing real property tax regime impacting the NYAW service area as well as solutions to address the issue. More specifically, Liberty Eastern will outline how property taxes levied upon private water works corporations adversely affect residents receiving water services from such corporations by passing on an additional tax burden that is not shared by neighboring ratepayers receiving water from different sources. In advance of any legislative change, Liberty Eastern will engage NYAW customers through direct mail, bill inserts, social media, earned and paid media, and in-person meetings and events (to the extent permitted) to communicate the impact of real property taxes in the area. This type of legislative change takes time, however, as similar legislation passed unanimously in the Senate in 2019 (Senate Bill S4230B) and was broadly supported by local stakeholders.

Liberty Eastern has also researched a second proposed solution for the special franchise tax burden impacting the NYAW service area is a potential partnership with a public entity, such as a local economic development agency (a "Public Entity"). Liberty Eastern's research concludes that working with a Public Entity to negotiate and enter into an arrangement that would provide the benefit of a real property tax abatement for the special franchise tax assessed against the NYAW water system could create the same financial outcome for customers as Senate Bill S4230B would have allowed, thereby reducing costs for NYAW customers in those service areas. To achieve the same benefits that Senate Bill S4230B would have yielded, Liberty Eastern could propose a 20 year exemption, beginning in January of 2022, during which the special franchise tax burden would be reduced by 20% annually until it is ultimately reduced to zero. Savings achieved from such a partnership will flow through to NYAW customers on a dollar-for-dollar basis.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

The goal of any such private/public partnership is that the special franchise portion of the water system would be exempt from real property taxation, thereby reducing the costs incurred by NYAW in operating its water system and reducing rates for customers. Notably, and irrespective of which private/public partnership arrangement is ultimately pursued to completion, NYAW will retain title to, and operational control over, the water system, which will remain subject to the Commission's jurisdiction.

Importantly, the Commission is familiar with and has had exposure to private/public partnerships between jurisdictional facilities and Public Entities and has routinely ruled that such a transaction does not require regulatory review and/or approval where operational control is not surrendered. Within the context of a transaction where the Public Entity would be a passive participant in the ownership of a regulated facility while the Commission retains jurisdiction over the originally-regulated entity (i.e., NYAW), the Commission has, in the dockets cited by Liberty Eastern in its initial response, concluded that (i) a sale or lease with the Public Entity to confer the requisite level of control to establish a real property tax exemption is not a "transfer" under the PSL and (ii) the Public Entity does not become an entity regulated by the Commission as an owner of jurisdictional facilities. Accordingly, Liberty Eastern anticipates that the Commission would apply this clear precedent in considering any potential private/public partnership with a Public Entity.

The cost savings associated with the proposed solutions outlined above to the customers of NYAW are substantial. An illustration using NYAW's 2018 property taxes within Nassau County shows the cost savings and rate reductions for NYAW customers from the proposed solutions. NYAW paid total property taxes in the amount of \$37,780,174. Of that amount, \$25,956,329 were attributable to special franchise taxes, and out of this amount, (i) NYAW Service Area 1 paid \$16,389,871 in special franchise taxes,¹ (ii) NYAW Service Area 2 – South Shore paid \$6,939,285 in special franchise taxes,² and (iii) NYAW Service Area 2 – North Shore paid \$2,627,173 in special franchise taxes.³ Those property tax expenses are included in water rates and passed through to customers at cost.

¹ NYAW Service Area 1 is comprised of the Lynbrook Operations District including the following communities in Southwestern Nassau County and upstate New York: Atlantic Beach, Baldwin, Baldwin Harbor, Barnum Island, Bay Park, Cedarhurst, East Atlantic Beach, East Rockaway, Harbor Isle, Hewlett, Hewlett Bay Park, Hewlett Harbor, Hewlett Neck, Inwood, Island Park, Lakeview, Lawrence, Lynbrook, Malverne, Malverne Park-Oaks, Meadowmere, a portion of the Village of Mill Neck, North Lawrence, North Lynbrook, North Woodmere, Oceanside, Roosevelt, South Hempstead, Valley Stream, West Hempstead, Woodmere, Woodsburgh, New Vernon, Waccabuc, West Branch, Whitlock Farms, Wild Oaks, Beaver Dam Lake, Cambridge, Dykeer, Hoey DeGraw, Kingsvale, Mt.Ebo, a portion of the Town of Mamakating in Sullivan County and the Town of Rochester in Ulster County. ("SA1").

² NYAW Service Area 2 – South Shore is comprised of the Merrick Operations District, including the following communities in Southeastern Nassau County: Bellmore, Levittown, a portion of Massapequa, Massapequa Park, and Levittown, Merrick, North Bellmore, North Merrick, North Seaford, North Wantagh, Seaford, and Wantagh ("SA2–South Shore").

³ NYAW Service Area 2 – North Shore is comprised of the Sea Cliff Operations District, including the following communities: Villages of Sea Cliff, Glenwood Landing and The Glen Head-Glenwood Water District of the Village of Old Brookville, a small area in the Village of Roslyn Harbor and a small area in the City of Glen Cove, all located in the Town of Oyster Bay ("SA2–North Shore").

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

Using the 2018 property taxes and assuming a 5-year phase-in such as under Senate Bill S4230B, NYAW's property tax expenses for each of the aforementioned service areas would be reduced as follows:

**NYAW Property Tax Reductions Per Service Area
(4/1/2020–3/31/2021) (Using 2018 Property Taxes)**

Service Area	2018 Taxes (Total)	Yr 1 Reduction (20%)	Yr 2 Reduction (40%)	Yr 3 Reduction (60%)	Yr 4 Reduction (80%)	Yr 5 Reduction (100%)
SA1	\$16,389,871	\$3,277,974	\$6,555,948	\$9,833,922	\$13,111,896	\$16,389,871
SA2—South Shore	\$6,939,285	\$1,387,857	\$2,775,714	\$4,163,571	\$5,551,428	\$6,939,285
SA2—North Shore	\$2,627,173	\$525,434	\$1,050,869	\$1,576,303	\$2,101,738	\$2,627,173
	Total Savings:	\$5,191,265	\$10,382,531	\$15,573,797	\$20,765,063	\$25,956,329

In year 5, the operating expenses for SA1 will decrease by \$16,389,871 or \$219.73 per connection (based on 74,592 connections in SA1); the operating expenses for SA2 – South Shore will decrease by \$6,939,285, or \$ 153.81 per connection (based on 45,115 connections in SA2 – South Shore); and the operating expenses for SA2 – North Shore will decrease by \$2,627,173 or \$586.95 per connection (based on 4,476 connections in SA2 – North Shore). All for a total reduction in property taxes in the amount of approximately \$25,956,329, or \$209 per connection (based on 124,183 connections).

Based on those numbers, a residential customer in SA1 using 6,000 gallons of water per month will see a rate decrease in year 5 of \$10.99 per month or 23% of the current bill, a residential customer in SA2 – South Shore using 6,000 gallons per month will see a rate decrease in year 5 of \$7.55 per month or 21% of the current bill, and a residential customer in SA2 – North Shore using 6,000 gallons per month will see a rate decrease of \$36.86 per month or 65% of the current bill. Those savings are set forth in the attached chart:

RESIDENTIAL CUSTOMER SAVINGS IN YEAR 5 UNDER IDA PROJECT

Service Area	Gallons Used (Month)	Monthly Savings	% Decrease
SA1	6,000 gallons	\$10.99	23%
SA2-South Shore	6,000 gallons	\$7.55	21%
SA2-North Shore	6,000 gallons	\$36.86	65%

Thus, an abatement of special franchise tax could result in significant rate reductions for NYAW's customers. Please see "DPS-27.3_Liberty Eastern Response_Attachment.xlsx" for a demonstration of the special franchise tax savings for each year of the phase-in applicable to customers based on water usage and fire hydrant fees.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

Each of these approaches is a viable solution for NYAW's property tax issues. Toward that end, Liberty Eastern has engaged and contacted key stakeholders relating to the proposed options and their potential benefits to NYAW customers and local communities. Those benefits include, among others: (1) NYAW's repatriation of local jobs under Liberty Eastern's ownership, (2) Liberty Eastern's commitment to maintain NYAW's existing five year capital improvement plan, and, most importantly, (3) Liberty Eastern's commitment to pass any tax savings from these proposals on to NYAW's customers dollar for dollar.

Name and Title of Person(s) Responsible for Response: Peter Eichler, President, Liberty Utilities (Massachusetts)

Date: October 22, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern



Lynda DiMenna
New York American Water
President

Dear valued customer,

April 1, 2020 marks the beginning of year four of New York American Water’s approved rate plan. Your water rates are scheduled to change on April 1, 2020, and this mailer explains the changes you can expect to see on your bill.

New York American Water continues to equip our customers with tips, tools and technologies through its **H2O Control Toolbox** to help you save water and money on your bill. Starting in 2020, New York American Water will be installing AMI smart meters for our customers, connecting you with near real-time data on your water consumption.

Smart meters enable you to understand how and when you use water, so you can make informed water use decisions for your household.

Our team is committed to delivering quality drinking water and providing excellent customer service. New York American Water invested \$55 million in system improvements in 2019, and we are excited to offer new technology in 2020 and beyond that provides transparency with our customers.

Thank you for the opportunity to serve you.

Sincerely,
Lynda DiMenna

NEW RATES GO INTO EFFECT APRIL 1, 2020

On May 18, 2017, the New York State Public Service Commission (PSC) approved a four-year rate plan for New York American Water. Below are the new rates as approved for Rate Year 4 (RY4), effective April 1, 2020. With few exceptions, water service remains one of the lowest utility bills for homeowners.

WATER SERVICE CHARGE

This fixed charge represents the costs of meter reading, customer billing, accounting and maintaining the meter and service line to your property.

The Water Service Charge is based on the size of the water meter and is due with every bill. Most residential customers have 5/8” meters. Some customers also have a separate meter for a lawn sprinkler service, which has a different monthly Water Service Charge. Visit our website for more information on sprinkler service charges. These charges are the same for RY4 as they were in Rate Year 3 (RY3).

Meter Size	WATER SERVICE CHARGE
Effective 4/1/2020 (no change from RY3)	
5/8”	\$12.50
3/4”	\$14.90
1”	\$17.74
1 1/2”	\$34.51
2”	\$38.74

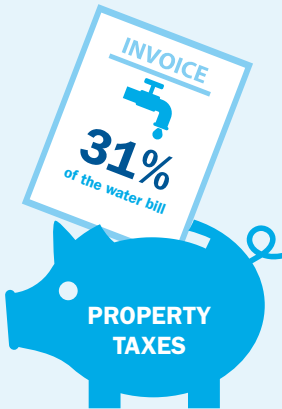
LEARN MORE: Visit newyorkamwater.com. Under Customer Service & Billing, select Your Water Rates. **Si necesita ayuda para traducir esta información, comuníquese con nosotros al 1-877-426-6999, de lunes a viernes, de 7:00 a.m. a 7:00 p.m.**

THE FACTS ON TAXES

Private water utilities are required to pay property taxes, and all private utilities pass those costs on to customers. While these taxes cause prices to be higher, the dollars go right back into the community to fund public services, such as schools, police, fire and other county, town and village operations.

Property taxes are a SIGNIFICANT portion of your bill.

In Service Area 1 (Lynbrook), property taxes made up 31 percent of the average customer's bill in 2019. New York American Water continues to pursue tax relief to reduce this burden on our customers.



WATER USAGE CHARGE

This charge represents the cost related to operating and maintaining source of supply, pumping, treatment, and transmission and distribution facilities, as well as the capital costs related to upgrading these facilities.

The Water Usage Charge is based on the amount of water you use.

The charge is based on a four-tier increasing conservation water rate structure, meaning the more you use, the more you pay.

By conserving water and keeping your water use within the lower tiers, you pay less per gallon.

WATER USAGE CHARGE RESIDENTIAL CUSTOMERS			
Tier	Gallons used per month	Cost per 100 gallons (RY3 4/1/19–3/31/20)	Cost per 100 gallons (RY4 4/1/20–3/31/21)
1	First 3,000	\$0.4605	\$0.4973
2	Next 3,000	\$0.6268	\$0.6770
3	Next 9,000	\$0.9000	\$0.9720
4	>15,000	\$1.1771	\$1.2849

WATER USAGE CHARGE NON-RESIDENTIAL CUSTOMERS			
Tier	Gallons used per month	Cost per 100 gallons (RY3 4/1/19–3/31/20)	Cost per 100 gallons (RY4 4/1/20–3/31/21)
1	First 3,000	\$0.4913	\$0.5256
2	Next 12,000	\$0.6188	\$0.6498
3	Next 19,000	\$0.6717	\$0.6986
4	>34,000	\$0.6150	\$0.6517

H2O CONTROL

It’s simple. The less water you use, the lower your water bill, leaving you with more money for the other important things in life. It also helps to protect the long-term sustainability of our drinking water supplies, and helps reduce the need for some capital investments. As you can see based on the chart to the right, by using less water, you pay less.

* NOTES: Both rate years include the approved SIC charge effective 8/1/2019; RAC/PTR effective 11/1/2019; and TCJA credit effective 2/1/2019.

RESIDENTIAL CUSTOMER BILL*			
Gallons used per month	Tier	Rate Year 3	Rate Year 4 Effective 4/1/20
4,000	2	\$34.23	\$35.72
6,000	2	\$47.26	\$48.96
8,000	3	\$66.24	\$70.13
10,000	3	\$85.22	\$90.55
12,000	3	\$104.19	\$110.96
15,000	3	\$132.66	\$141.58
18,000	4	\$170.17	\$182.43
20,000	4	\$195.19	\$209.66

Average New York American Water Customer

CONSERVE AND SAVE

The New York State Department of Environmental Conservation established a goal for all Long Island water suppliers to reduce peak season water demand by 15 percent by 2021 to help ensure the long-term sustainability of Long Island's sole-source aquifer. Our customers have responded to this call to action, and New York American Water has reduced our peak season production by approximately 12 percent since 2012. And, we want to help you keep up the great work.


Check out our **H2O Control Toolbox** for tips, tools and technologies to help you conserve water and save money on your bill. Visit nyamwater.com/conservation.



H₂O CONTROL

- ✓ Increased Notifications About Your Water Use
- 💧 Indoor Conservation Retrofits
- 🔧 **NEW:** Advanced Metering Infrastructure

YOUR RATES ARE INCREASING, BUT YOUR BILL DOESN'T HAVE TO.



- Water Use Calculator
- Smart Sprinkler Incentive Program
- Irrigation Home Assessment

UNDERSTAND YOUR WATER USE

On **MyWater**, our online self-service tool, you can view three years' worth of your water use data. You can also view and pay your bill, and submit service requests. Visit us online at myaccount.amwater.com.



Not registered? Have your account number handy to enroll.

SMART IRRIGATION TECHNOLOGY INCENTIVE PROGRAM

Get the best smart irrigation technology at a discounted price. Eligible customers can purchase a Rachio 3 Smart Sprinkler Controller for \$99, plus tax. New York American Water customers who installed a Rachio in 2019 on average saved 30 percent on their water use. This resulted in significant savings on their water bill.



DATA AT YOUR FINGERTIPS

New York American Water has been approved to install AMI smart meters for our customers. Smart meters offer customers near real-time data on their water usage. Knowing how and when you use water is the first step in conserving. New York American Water will be installing smart meters from 2020 through 2025. Stay tuned for more information on our smart meter roll out and when you can expect appointments for installation in your neighborhood.

Visit nyamwater.com/conservation to learn more about our **H2O Control Toolbox**.



New rates go into effect April 1, 2020.

Learn more about your water rates and how you can conserve and save money on your water bill.



YOUR WATER RATES

Important Information About



Service Area 1 (Lynbrook)



Lynda DiMenna
New York American Water
President

Dear valued customer,

April 1, 2020 marks the beginning of year four of New York American Water’s approved rate plan. Your water rates are scheduled to change on April 1, 2020, and this mailer explains the changes you can expect to see on your bill.

New York American Water continues to equip our customers with tips, tools and technologies through its **H2O Control Toolbox** to help you save water and money on your bill. Starting in 2020, New York American Water will be installing AMI smart meters for our customers, connecting you with near real-time data on your water consumption.

Smart meters enable you to understand how and when you use water, so you can make informed water use decisions for your household.

Our team is committed to delivering quality drinking water and providing excellent customer service. New York American Water invested \$55 million in system improvements in 2019, and we are excited to offer new technology in 2020 and beyond that provides transparency with our customers.

Thank you for the opportunity to serve you.

Sincerely,
Lynda DiMenna

NEW RATES GO INTO EFFECT APRIL 1, 2020

On May 18, 2017, the New York State Public Service Commission (PSC) approved a four-year rate plan for New York American Water. Below are the new rates as approved for Rate Year 4 (RY4), effective April 1, 2020. With few exceptions, water service remains one of the lowest utility bills for homeowners.

WATER SERVICE CHARGE

This fixed charge represents the costs of meter reading, customer billing, accounting and maintaining the meter and service line to your property. **The Water Service Charge is based on the size of the water meter and is due with every bill.** Most residential customers have 5/8” meters. Some also have a separate meter for a lawn sprinkler service, many of which are 1”. These charges are the same for RY4 as they were in Rate Year 3 (RY3).

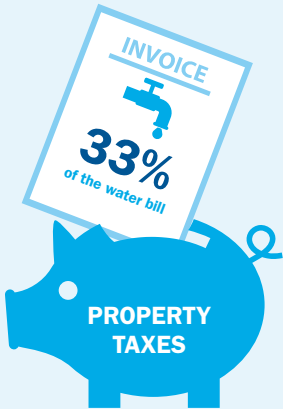
Meter Size	WATER SERVICE CHARGE
Effective 4/1/2020 (no change from RY3)	
5/8”	\$12.50
3/4”	\$14.90
1”	\$17.74
1 1/2”	\$34.51
2”	\$38.74

LEARN MORE: Visit newyorkamwater.com. Under Customer Service & Billing, select Your Water Rates. **Si necesita ayuda para traducir esta información, comuníquese con nosotros al 1-877-426-6999, de lunes a viernes, de 7:00 a.m. a 7:00 p.m.**

THE FACTS ON TAXES

Private water utilities are required to pay property taxes, and all private utilities pass those costs on to customers. While these taxes cause prices to be higher, the dollars go right back into the community to fund public services, such as schools, police, fire and other county, town and village operations.

Property taxes are a SIGNIFICANT portion of your bill. In Service Area 2: South Shore (Merrick), property taxes made up 33 percent of the average customer’s bill in 2019. New York American Water continues to pursue tax relief to reduce this burden on our customers.



WATER USAGE CHARGE

This charge represents the cost related to operating and maintaining source of supply, pumping, treatment, and transmission and distribution facilities, as well as the capital costs related to upgrading these facilities.

The Water Usage Charge is based on the amount of water you use. The charge is based on a four-tier increasing conservation water rate structure, meaning the more you use, the more you pay.

By conserving water and keeping your water use within the lower tiers, you pay less per gallon.

WATER USAGE CHARGE RESIDENTIAL CUSTOMERS			
Tier	Gallons used per month	Cost per 100 gallons (RY3 4/1/19–3/31/20)	Cost per 100 gallons (RY4 4/1/20–3/31/21)
1	First 3,000	\$0.2233	\$0.2724
2	Next 3,000	\$0.5376	\$0.5698
3	Next 9,000	\$0.6552	\$0.6552
4	>15,000	\$0.6166	\$0.7421

Please note, Rate Year 4 residential water rates now include an inclining fourth tier. Conserve water to avoid being billed in the highest tier.

WATER USAGE CHARGE NON-RESIDENTIAL CUSTOMERS			
Tier	Gallons used per month	Cost per 100 gallons (RY3 4/1/19–3/31/20)	Cost per 100 gallons (RY4 4/1/20–3/31/21)
1	First 3,000	\$0.2481	\$0.2845
2	Next 12,000	\$0.5438	\$0.5438
3	Next 19,000	\$0.5159	\$0.5809
4	>34,000	\$0.3445	\$0.3858

H2O CONTROL

It’s simple. The less water you use, the lower your water bill, leaving you with more money for the other important things in life. It also helps to protect the long-term sustainability of our drinking water supplies, and helps reduce the need for some capital investments. As you can see based on the chart to the right, by using less water, you pay less.

* NOTES: Both rate years include the approved SIC charge effective 8/1/2019; RAC/PTR effective 11/1/2019; and TCJA credit effective 2/1/2019. RY4 also includes the approved levelization surcharge of \$.008 per 100 gallons for metered customers.

RESIDENTIAL CUSTOMER BILL*			
Gallons used per month	Tier	Rate Year 3	Rate Year 4 Effective 4/1/20
4,000	2	\$25.51	\$27.57
6,000	2	\$36.63	\$39.45
8,000	3	\$50.25	\$53.15
10,000	3	\$63.88	\$66.85
12,000	3	\$77.50	\$80.55
15,000	3	\$97.94	\$101.10
18,000	4	\$117.14	\$124.43
20,000	4	\$129.94	\$139.97

Average New York American Water Customer

CONSERVE AND SAVE


The New York State Department of Environmental Conservation established a goal for all Long Island water suppliers to reduce peak season water demand by 15 percent by 2021 to help ensure the long-term sustainability of Long Island's sole-source aquifer. Our customers have responded to this call to action, and New York American Water has reduced our peak season production by approximately 12 percent since 2012. And, we want to help you keep up the great work.

Check out our **H2O Control Toolbox** for tips, tools and technologies to help you conserve water and save money on your bill. Visit nyamwater.com/conservation.



H₂O CONTROL

- ✓ Increased Notifications About Your Water Use
- 💧 Indoor Conservation Retrofits
- 🔧 **NEW:** Advanced Metering Infrastructure



YOUR RATES ARE INCREASING, BUT YOUR BILL DOESN'T HAVE TO.

- 📊 Water Use Calculator
- 🚿 Smart Sprinkler Incentive Program
- 📋 Irrigation Home Assessment

UNDERSTAND YOUR WATER USE

On **MyWater**, our online self-service tool, you can view three years' worth of your water use data. You can also view and pay your bill, and submit service requests. Visit us online at myaccount.amwater.com.



Not registered? Have your account number handy to enroll.

SMART IRRIGATION TECHNOLOGY INCENTIVE PROGRAM

Get the best smart irrigation technology at a discounted price. Eligible customers can purchase a Rachio 3 Smart Sprinkler Controller for \$99, plus tax. New York American Water customers who installed a Rachio in 2019 on average saved 30 percent on their water use. This resulted in significant savings on their water bill.



DATA AT YOUR FINGERTIPS

New York American Water has been approved to install AMI smart meters for our customers. Smart meters offer customers near real-time data on their water usage. Knowing how and when you use water is the first step in conserving. New York American Water will be installing smart meters from 2020 through 2025. Stay tuned for more information on our smart meter roll out and when you can expect appointments for installation in your neighborhood.

Visit nyamwater.com/conservation to learn more about our **H2O Control Toolbox**.



**New rates go
into effect
April 1, 2020.**

Learn more about your water rates and how you can conserve and save money on your water bill.



YOUR WATER RATES

Important Information About



Service Area 2: South Shore (Merrick)



Lynda DiMenna
New York American Water
President

Dear valued customer,

April 1, 2020 marks the beginning of year four of New York American Water’s approved rate plan. Your water rates are scheduled to change on April 1, 2020, and this mailer explains the changes you can expect to see on your bill.

New York American Water continues to equip our customers with tips, tools and technologies through its **H2O Control Toolbox** to help you save water and money on your bill. Starting in 2020, New York American Water will be installing AMI smart meters for our customers, connecting you with near real-time data on your water consumption.

Smart meters enable you to understand how and when you use water, so you can make informed water use decisions for your household.

Our team is committed to delivering quality drinking water and providing excellent customer service. New York American Water invested \$55 million in system improvements in 2019, and we are excited to offer new technology in 2020 and beyond that provides transparency with our customers.

Thank you for the opportunity to serve you.

Sincerely,
Lynda DiMenna

NEW RATES GO INTO EFFECT APRIL 1, 2020

On May 18, 2017, the New York State Public Service Commission (PSC) approved a four-year rate plan for New York American Water. Below are the new rates as approved for Rate Year 4 (RY4), effective April 1, 2020. With few exceptions, water service remains one of the lowest utility bills for homeowners.

WATER SERVICE CHARGE

This fixed charge represents the costs of meter reading, customer billing, accounting and maintaining the meter and service line to your property. **The Water Service Charge is based on the size of the water meter and is due with every bill.** Most residential customers have 5/8” meters. Some also have a separate meter for a lawn sprinkler service, many of which are 1”. These charges are the same for RY4 as they were in Rate Year 3 (RY3).

Meter Size	WATER SERVICE CHARGE
Effective 4/1/2020 (no change from RY3)	
5/8”	\$12.50
3/4”	\$14.90
1”	\$17.74
1 1/2”	\$34.51
2”	\$38.74

LEARN MORE: Visit newyorkamwater.com. Under Customer Service & Billing, select Your Water Rates. **Si necesita ayuda para traducir esta información, comuníquese con nosotros al 1-877-426-6999, de lunes a viernes, de 7:00 a.m. a 7:00 p.m.**

THE FACTS ON TAXES

Private water utilities are required to pay property taxes, and all private utilities pass those costs on to customers. While these taxes cause prices to be higher, the dollars go right back into the community to fund public services, such as schools, police, fire and other county, town and village operations.

Property taxes are a SIGNIFICANT portion of your bill. In Service Area 2: North Shore (Sea Cliff), property taxes made up 55 percent of the average customer’s bill in 2019. New York American Water continues to pursue tax relief to reduce this burden on our customers.



WATER USAGE CHARGE

This charge represents the cost related to operating and maintaining source of supply, pumping, treatment, and transmission and distribution facilities, as well as the capital costs related to upgrading these facilities.

The Water Usage Charge is based on the amount of water you use. The charge is based on a four-tier increasing conservation water rate structure, meaning the more you use, the more you pay.

By conserving water and keeping your water use within the lower tiers, you pay less per gallon.

WATER USAGE CHARGE RESIDENTIAL CUSTOMERS			
Tier	Gallons used per month	Cost per 100 gallons (RY3 4/1/19–3/31/20)	Cost per 100 gallons (RY4 4/1/20–3/31/21)
1	First 3,000	\$0.2233	\$0.2724
2	Next 3,000	\$0.5376	\$0.5698
3	Next 9,000	\$0.6552	\$0.6552
4	>15,000	\$0.6166	\$0.7421

Please note, Rate Year 4 residential water rates now include an inclining fourth tier. Conserve water to avoid being billed in the highest tier.

WATER USAGE CHARGE NON-RESIDENTIAL CUSTOMERS			
Tier	Gallons used per month	Cost per 100 gallons (RY3 4/1/19–3/31/20)	Cost per 100 gallons (RY4 4/1/20–3/31/21)
1	First 3,000	\$0.2481	\$0.2845
2	Next 12,000	\$0.5438	\$0.5438
3	Next 19,000	\$0.5159	\$0.5809
4	>34,000	\$0.3445	\$0.3858

H2O CONTROL

It’s simple. The less water you use, the lower your water bill, leaving you with more money for the other important things in life. It also helps to protect the long-term sustainability of our drinking water supplies, and helps reduce the need for some capital investments. As you can see based on the chart to the right, by using less water, you pay less.

* NOTES: Both rate years include the approved SIC charge effective 8/1/2019; RAC/ PTR effective 11/1/2019; and TCJA credit effective 2/1/2019. Both rate years also include the Incremental Property Tax Surcharge (\$0.3377 per 100 gallons in RY3 and \$0.3449 per 100 gallon in RY4.). RY4 also includes the approved levelization surcharge of \$.008 per 100 gallons for metered customers.

RESIDENTIAL CUSTOMER BILL*			
Gallons used per month	Tier	Rate Year 3	Rate Year 4 Effective 4/1/20
4,000	2	\$38.82	\$41.16
6,000	2	\$56.61	\$59.85
8,000	3	\$76.89	\$80.35
10,000	3	\$97.16	\$100.84
12,000	3	\$117.44	\$121.34
15,000	3	\$147.85	\$152.08
18,000	4	\$177.04	\$185.58
20,000	4	\$196.49	\$207.91

Average New York American Water Customer

CONSERVE AND SAVE

The New York State Department of Environmental Conservation established a goal for all Long Island water suppliers to reduce peak season water demand by 15 percent by 2021 to help ensure the long-term sustainability of Long Island's sole-source aquifer. Our customers have responded to this call to action, and New York American Water has reduced our peak season production by approximately 12 percent since 2012. And, we want to help you keep up the great work.

Check out our **H2O Control Toolbox** for tips, tools and technologies to help you conserve water and save money on your bill. Visit nyamwater.com/conservation.



H2O CONTROL

- Increased Notifications About Your Water Use
- Indoor Conservation Retrofits
- NEW: Advanced Metering Infrastructure

YOUR RATES ARE INCREASING, BUT YOUR BILL DOESN'T HAVE TO.

- Water Use Calculator
- Smart Sprinkler Incentive Program
- Irrigation Home Assessment

UNDERSTAND YOUR WATER USE

On **MyWater**, our online self-service tool, you can view three years' worth of your water use data. You can also view and pay your bill, and submit service requests. Visit us online at myaccount.amwater.com.



Not registered? Have your account number handy to enroll.

SMART IRRIGATION TECHNOLOGY INCENTIVE PROGRAM

Get the best smart irrigation technology at a discounted price. Eligible customers can purchase a Rachio 3 Smart Sprinkler Controller for \$99, plus tax. New York American Water customers who installed a Rachio in 2019 on average saved 30 percent on their water use. This resulted in significant savings on their water bill.



DATA AT YOUR FINGERTIPS

New York American Water has been approved to install AMI smart meters for our customers. Smart meters offer customers near real-time data on their water usage. Knowing how and when you use water is the first step in conserving. New York American Water will be installing smart meters from 2020 through 2025. Stay tuned for more information on our smart meter roll out and when you can expect appointments for installation in your neighborhood.

Visit nyamwater.com/conservation to learn more about our **H2O Control Toolbox**.



New rates go into effect April 1, 2020.

Learn more about your water rates and how you can conserve and save money on your water bill.

YOUR WATER RATES

Important Information About

Service Area 2: North Shore (Sea Cliff)

LONG ISLAND / POLITICS**New York American Water customers face new bill hikes, some over 6%**

North Shore Concerned Citizens executive committee member Agatha Nadel appears in an August 2018 image. NSCC is an activist group that is studying taking the water company public. Photo Credit: Howard Schnapp

By Mark Harrington

mark.harrington@newsday.com  @MHarringtonNews

Updated October 29, 2019 9:17 PM

New York American Water customers face another bill increase of up to 6.47% next month as the company reconciles property tax and other charges to recoup its costs, according to letters sent to ratepayers last week.

The hikes range from 6.47% for Lynbrook-area customers in the company's service area one, to 5.57% for Merrick and Massapequa customers in area two, and 4.78% for customers in service area two in Sea Cliff.

The increase amounts to around \$2.70 for average residential customers using around 8,000 gallons, according to one letter to a Merrick customer. For Lynbrook, that average residential increase will be \$4.08 and for Sea Cliff it's \$3.61.

While the amounts aren't overwhelming, they're the latest in a steady drum beat of increases the company has sent to customers in the past three years, all state approved.

"There seems to be no end to this madness," said Glen Head ratepayer Agatha Nadel, who sits on the executive committee of North Shore Concerned Citizens, an activist group that is studying taking the water company public. "We need a moratorium on all rate increases and surcharges until the feasibility study is completed."

The interim increase is in addition to rate hikes the company has enacted with the state's approval for the past three years, including a controversial "conservation" rate that sent bills skyrocketing in 2018 and led to

multiple investigations and protests. Thousands of customers filed complaints with the state Public Service Commission, which also probed irregularities in the company's rate-hike request filing.

Another increase is coming in April, but a company spokeswoman was not able to detail the bill impacts earlier this week. New York American Water, with Long Island operations exclusively in Nassau, from Merrick and Lynbrook to Sea Cliff, has the Island's most expensive water, according to a study released earlier this year. It has 125,000 Long Island customers.

The letter to ratepayers outlines a so-called revenue adjustment clause approved by the PSC that allows it to charge customers for property taxes and other "production costs" incurred during the year but not accounted for in the original rate.

Get the Breaking News newsletter!

Get the latest breaking news as it happens.

Sign up

By clicking Sign up, you agree to our [privacy policy](#).

The charges will appear in the next 12 monthly bills, according to the letter.

One watchdog group that has advocated for converting New York American Water to public ownership, including through a takeover by the Suffolk County Water Authority, said the increase displays the need for legislation that would exempt water utilities from property taxes, which New York American Water said

account for 33 percent to 59 percent of customer bills.

"A new monthly surcharge punishes ratepayers for conserving water, ensures [company] shareholders receive their guaranteed 9.75 percent profit, and ensures that our state and local governments get revenue from our water bills," said David Denenberg, co-director of Long Island Clean Air, Water and Soil. "There is no excuse. Our state representatives failed to amend the 1985 law that makes water utilities tax exempt in New York City, to also include their constituents in Nassau County."

The hike in November, said Denenberg, is "just another hit."

Lee Mueller, a spokeswoman for the water company, said New York American Water supports legislation that exempts it from the taxes. "It's definitely something we're continuing to push," she said.

She noted the latest surcharge will be levied on only the water usage portion of customer bills. It reflects costs for the year ending March 31, 2019, she said.

State Sen. Jim Gaughran (D-Northport) said no matter how it's levied, the increase demonstrates the need for change.

"This is just another glaring example that the only solution for the folks impacted by American Water is to have some sort of public entity taking over the system," Gaughran said. "Whether one large entity or, as I propose, a water authority for Sea Cliff and surrounding areas ... there really is no room for a private water company" in the region.

By Mark Harrington

mark.harrington@newsday.com [@MHarringtonNews](#)

Mark Harrington, an 18-year Newsday veteran, covers energy, wineries, Indian affairs and fisheries.



SPONSORED CONTENT

Your next great destination [↗](#)

BY CLEVELAND

Experience more than you ever expected
when you visit vibrant Cleveland

Didn't find what you were looking for?

Try our new Search

search newsday.com



FRANCHISE TAX PHASE-OUT SAVINGS**SA1****MONTHLY**

USAGE	Year 1	Year 2	Year 3	Year 4	Year 5
4,000	(\$1.47)	(\$2.93)	(\$4.40)	(\$5.86)	(\$7.33)
6,000	(2.20)	(4.40)	(6.59)	(8.79)	(10.99)
8,000	(2.93)	(5.86)	(8.79)	(11.72)	(14.65)
10,000	(3.66)	(7.33)	(10.99)	(14.65)	(18.32)
12,000	(4.40)	(8.79)	(13.19)	(17.58)	(21.98)
15,000	(5.50)	(10.99)	(16.49)	(21.98)	(27.48)
18,000	(6.59)	(13.19)	(19.78)	(26.38)	(32.97)
20,000	(7.33)	(14.65)	(21.98)	(29.31)	(36.63)
25,000	(9.16)	(18.32)	(27.48)	(36.63)	(45.79)
30,000	(10.99)	(21.98)	(32.97)	(43.96)	(54.95)
40,000	(14.65)	(29.31)	(43.96)	(58.61)	(73.27)
50,000	(18.32)	(36.63)	(54.95)	(73.27)	(91.59)
60,000	(21.98)	(43.96)	(65.94)	(87.92)	(109.90)

SA2 - Merrick**MONTHLY**

USAGE	Year 1	Year 2	Year 3	Year 4	Year 5
4,000	(\$1.01)	(\$2.01)	(\$3.02)	(\$4.03)	(\$5.03)
6,000	(1.51)	(3.02)	(4.53)	(6.04)	(7.55)
8,000	(2.01)	(4.03)	(6.04)	(8.06)	(10.07)
10,000	(2.52)	(5.03)	(7.55)	(10.07)	(12.59)
12,000	(3.02)	(6.04)	(9.06)	(12.08)	(15.10)
15,000	(3.78)	(7.55)	(11.33)	(15.10)	(18.88)
18,000	(4.53)	(9.06)	(13.59)	(18.13)	(22.66)
20,000	(5.03)	(10.07)	(15.10)	(20.14)	(25.17)
25,000	(6.29)	(12.59)	(18.88)	(25.17)	(31.47)
30,000	(7.55)	(15.10)	(22.66)	(30.21)	(37.76)
40,000	(10.07)	(20.14)	(30.21)	(40.28)	(50.35)
50,000	(12.59)	(25.17)	(37.76)	(50.35)	(62.93)
60,000	(15.10)	(30.21)	(45.31)	(60.42)	(75.52)

SA1**ANNUAL**

USAGE	Year 1	Year 2	Year 3	Year 4	Year 5
4,000	(\$17.58)	(\$35.17)	(\$52.75)	(\$70.34)	(\$87.92)
6,000	(\$26.38)	(\$52.75)	(\$79.13)	(\$105.51)	(\$131.88)
8,000	(\$35.17)	(\$70.34)	(\$105.51)	(\$140.68)	(\$175.84)
10,000	(\$43.96)	(\$87.92)	(\$131.88)	(\$175.84)	(\$219.80)
12,000	(\$52.75)	(\$105.51)	(\$158.26)	(\$211.01)	(\$263.77)
15,000	(\$65.94)	(\$131.88)	(\$197.82)	(\$263.77)	(\$329.71)
18,000	(\$79.13)	(\$158.26)	(\$237.39)	(\$316.52)	(\$395.65)
20,000	(\$87.92)	(\$175.84)	(\$263.77)	(\$351.69)	(\$439.61)
25,000	(\$109.90)	(\$219.80)	(\$329.71)	(\$439.61)	(\$549.51)
30,000	(\$131.88)	(\$263.77)	(\$395.65)	(\$527.53)	(\$659.41)
40,000	(\$175.84)	(\$351.69)	(\$527.53)	(\$703.38)	(\$879.22)
50,000	(\$219.80)	(\$439.61)	(\$659.41)	(\$879.22)	(\$1,099.02)
60,000	(\$263.77)	(\$527.53)	(\$791.30)	(\$1,055.06)	(\$1,318.83)

SA2 - Merrick**ANNUAL**

USAGE	Year 1	Year 2	Year 3	Year 4	Year 5
4,000	(\$12.08)	(\$24.17)	(\$36.25)	(\$48.33)	(\$60.42)
6,000	(\$18.13)	(\$36.25)	(\$54.38)	(\$72.50)	(\$90.63)
8,000	(\$24.17)	(\$48.33)	(\$72.50)	(\$96.67)	(\$120.83)
10,000	(\$30.21)	(\$60.42)	(\$90.63)	(\$120.83)	(\$151.04)
12,000	(\$36.25)	(\$72.50)	(\$108.75)	(\$145.00)	(\$181.25)
15,000	(\$45.31)	(\$90.63)	(\$135.94)	(\$181.25)	(\$226.57)
18,000	(\$54.38)	(\$108.75)	(\$163.13)	(\$217.50)	(\$271.88)
20,000	(\$60.42)	(\$120.83)	(\$181.25)	(\$241.67)	(\$302.09)
25,000	(\$75.52)	(\$151.04)	(\$226.57)	(\$302.09)	(\$377.61)
30,000	(\$90.63)	(\$181.25)	(\$271.88)	(\$362.50)	(\$453.13)
40,000	(\$120.83)	(\$241.67)	(\$362.50)	(\$483.34)	(\$604.17)
50,000	(\$151.04)	(\$302.09)	(\$453.13)	(\$604.17)	(\$755.22)
60,000	(\$181.25)	(\$362.50)	(\$543.76)	(\$725.01)	(\$906.26)

SA2 - Sea Cliff

<u>MONTHLY</u>					
USAGE	Year 1	Year 2	Year 3	Year 4	Year 5
4,000	(\$4.92)	(\$9.83)	(\$14.75)	(\$19.66)	(\$24.58)
6,000	(7.37)	(14.75)	(22.12)	(29.49)	(36.86)
8,000	(9.83)	(19.66)	(29.49)	(39.32)	(49.15)
10,000	(12.29)	(24.58)	(36.86)	(49.15)	(61.44)
12,000	(14.75)	(29.49)	(44.24)	(58.98)	(73.73)
15,000	(18.43)	(36.86)	(55.30)	(73.73)	(92.16)
18,000	(22.12)	(44.24)	(66.36)	(88.48)	(110.59)
20,000	(24.58)	(49.15)	(73.73)	(98.31)	(122.88)
25,000	(30.72)	(61.44)	(92.16)	(122.88)	(153.60)
30,000	(36.86)	(73.73)	(110.59)	(147.46)	(184.32)
40,000	(49.15)	(98.31)	(147.46)	(196.61)	(245.76)
50,000	(61.44)	(122.88)	(184.32)	(245.76)	(307.21)
60,000	(73.73)	(147.46)	(221.19)	(294.92)	(368.65)

SA1 - Lynbrook & Mill Neck

<u>QUARTERLY</u>					
Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
\$266.14	(\$12.41)	(\$24.82)	(\$37.23)	(\$49.64)	(\$62.04)

SA1 - Cambridge

<u>QUARTERLY</u>					
Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
\$217.42	(\$10.14)	(\$20.27)	(\$30.41)	(\$40.55)	(\$50.69)

SA1 - Wild Oaks

<u>QUARTERLY</u>					
Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
\$84.20	(\$3.93)	(\$7.85)	(\$11.78)	(\$15.70)	(\$19.63)

SA1 - Mt. Ebo

<u>QUARTERLY</u>					
Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
\$275.59	(\$12.85)	(\$25.70)	(\$38.55)	(\$51.40)	(\$64.25)

SA2 - Merrick

<u>QUARTERLY</u>					
Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5

SA2 - Sea Cliff

<u>ANNUAL</u>					
USAGE	Year 1	Year 2	Year 3	Year 4	Year 5
4,000	(\$58.98)	(\$117.97)	(\$176.95)	(\$235.93)	(\$294.92)
6,000	(\$88.48)	(\$176.95)	(\$265.43)	(\$353.90)	(\$442.38)
8,000	(\$117.97)	(\$235.93)	(\$353.90)	(\$471.87)	(\$589.83)
10,000	(\$147.46)	(\$294.92)	(\$442.38)	(\$589.83)	(\$737.29)
12,000	(\$176.95)	(\$353.90)	(\$530.85)	(\$707.80)	(\$884.75)
15,000	(\$221.19)	(\$442.38)	(\$663.56)	(\$884.75)	(\$1,105.94)
18,000	(\$265.43)	(\$530.85)	(\$796.28)	(\$1,061.70)	(\$1,327.13)
20,000	(\$294.92)	(\$589.83)	(\$884.75)	(\$1,179.67)	(\$1,474.59)
25,000	(\$368.65)	(\$737.29)	(\$1,105.94)	(\$1,474.59)	(\$1,843.23)
30,000	(\$442.38)	(\$884.75)	(\$1,327.13)	(\$1,769.50)	(\$2,211.88)
40,000	(\$589.83)	(\$1,179.67)	(\$1,769.50)	(\$2,359.34)	(\$2,949.17)
50,000	(\$737.29)	(\$1,474.59)	(\$2,211.88)	(\$2,949.17)	(\$3,686.46)
60,000	(\$884.75)	(\$1,769.50)	(\$2,654.25)	(\$3,539.01)	(\$4,423.76)

SA1 - Lynbrook & Mill Neck

<u>ANNUAL</u>					
Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
\$1,064.56	(\$49.64)	(\$99.27)	(\$148.91)	(\$198.54)	(\$248.18)

SA1 - Cambridge

<u>ANNUAL</u>					
Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
\$869.68	(\$40.55)	(\$81.10)	(\$121.65)	(\$162.20)	(\$202.75)

SA1 - Wild Oaks

<u>ANNUAL</u>					
Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
\$336.80	(\$15.70)	(\$31.41)	(\$47.11)	(\$62.81)	(\$78.52)

SA1 - Mt. Ebo

<u>ANNUAL</u>					
Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
\$1,102.36	(\$51.40)	(\$102.80)	(\$154.19)	(\$205.59)	(\$256.99)

SA2 - Merrick

<u>ANNUAL</u>					
Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5

\$188.71 (\$7.88) (\$15.76) (\$23.64) (\$31.52) (\$39.40)

\$754.84 (\$31.52) (\$63.04) (\$94.56) (\$126.09) (\$157.61)

SA2 - Sea Cliff

QUARTERLY

Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
\$186.34	(\$17.50)	(\$35.01)	(\$52.51)	(\$70.02)	(\$87.52)

SA2 - Sea Cliff

ANNUAL

Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
\$745.36	(\$70.02)	(\$140.04)	(\$210.05)	(\$280.07)	(\$350.09)

NOTES:

- Amount depicts elimination of state franchise tax only over a 5 year period with property tax levels as of 2018
- Does not include the effects of increases in base rates, other surcharges or surcredits

SA1 - All

QUARTERLY

Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
	4.66%	9.33%	13.99%	18.65%	23.31%

SA2 - Merrick

QUARTERLY

Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
	4.18%	8.35%	12.53%	16.70%	20.88%

SA2 - Sea Cliff

QUARTERLY

Public Fire Hydrant Fee	Year 1	Year 2	Year 3	Year 4	Year 5
	9.39%	18.79%	28.18%	37.58%	46.97%

NYAW Property Tax Summary
Tax Year 2018

Municipality	Tax Type	SF/LA	Class	Total Tax	Total	tie to tab	Diff	SF	LA Class 3	LA class 4
Long Island - Town of Hempstead School:										
Long Island - Town of Hempstead	School	LA	3	2,414,277					2,414,277	
Long Island - Town of Hempstead	School	LA	4	906,857						906,857
Long Island - Town of Hempstead	School	SF	3	7,763,586				7,763,586		
					11,084,719	11,084,719	-			
Long Island - Town of Hempstead General:										
Long Island - Town of Hempstead	General	LA	3	2,611,078					2,611,078	
Long Island - Town of Hempstead	General	LA	4	827,483						827,483
Long Island - Town of Hempstead	General	SF	3	7,629,192				7,629,192		
					11,067,753	11,067,753	-			
Long Island - Village:										
Valley Stream	Village	LA		91,757						91,757
		SF		419,882				419,882		
Lynbrook	Village	LA		86,274						86,274
		SF		127,408				127,408		
Lawrence	Village	LA		6,809						6,809
		SF		696				696		
Malverne Village	Village	LA		82,753						82,753
		SF		275,777				275,777		
Atlantic Beach	Village	LA		23,204						23,204
		SF		58,603				58,603		
East Rockaway	Village	LA		4,595						4,595
		SF		52,216				52,216		
Cedarhurst	Village	LA		979						979
		SF		14,461				14,461		
Woodsburgh	Village	LA		39						39
		SF		721				721		
Island Park	Village	LA		17,833						17,833
		SF		35,748				35,748		
Hewlett Harbor	Village	LA		412						412
		SF		8,845				8,845		
Hewlett Neck	Village	LA		38						38
		SF		292				292		
Hewlett Bay Park	Village	LA		272						272
		SF		2,446				2,446		
					1,312,059	1,312,059	-			
NYWS - School:										
NYWS-Town of Hempstead	School	LA	3	142,776					142,776	
NYWS-Town of Hempstead	School	LA	4	1,826,530						1,826,530
NYWS-Town of Hempstead	School	SF	3	3,208,456				3,208,456		
NYWS- Town of Oyster Bay	School	LA	3	200,655					200,655	
NYWS- Town of Oyster Bay	School	LA	4	12,527						12,527
NYWS- Town of Oyster Bay	School	SF	3	507,182				507,182		
					5,898,126	5,898,126	-			
NYWS - General:										
NYWS- Town of Hempstead	General	LA	3	92,681					92,681	
NYWS- Town of Hempstead	General	LA	4	1,486,948						1,486,948
NYWS- Town of Hempstead	General	SF	3	2,441,614				2,441,614		
NYWS- Town of Oyster Bay	General	LA	3	12,871					12,871	
NYWS- Town of Oyster Bay	General	LA	4	149,958						149,958
NYWS- Town of Oyster Bay	General	SF	3	782,033				782,033		
					4,966,106	4,966,106	-			
Sea Cliff - School:										
Sea Cliff - Town of Oyster Bay	School	LA	3	191,873					191,873	

NYAW Property Tax Summary
Tax Year 2018

Municipality	Tax Type	SF/LA	Class	Total Tax	Total	tie to tab	Diff	SF	LA Class 3	LA class 4
Sea Cliff - Town of Oyster Bay	School	LA	4	41,750						41,750
Sea Cliff - Town of Oyster Bay	School	SF	3	2,086,529				2,086,529		
Sea Cliff - City of Glen Cove	School			9,682						9,682
All Other Sea Cliff school	School			187,756						187,756
					2,517,590	2,517,590	-			
Sea Cliff - General:										
Sea Cliff - Town of Oyster Bay	General	LA	3	47,010					47,010	
Sea Cliff - Town of Oyster Bay	General	LA	4	36,195						36,195
Sea Cliff - Town of Oyster Bay	General	SF	3	540,644				540,644		
					623,850	623,850	-			
NYWS + Sea Cliff Village + Town + County:										
Sea Cliff - City and County				5,492						5,492
NYWS - Village of Massapequa			3	317					317	
Sea Cliff - Village of Old Brookville				44,508					0	44,508
Sea Cliff - Village of Sea Cliff			3	81,673					81,673	
Sea Cliff - Village of Sea Cliff			4	86,625						86,625
Sea Cliff - Village of Roslyn Harbor			3	63					63	
All Other NYWS and Sea Cliff				91,294						91,294
					309,971	-	309,971			
Total New York Property taxes for Tax Year 2018										
				37,780,174				25,956,329	5,795,273	6,028,572
								SF	LA Class 3	LA class 4
								68.70%	15.34%	15.96%
										100.00%

RY4 4/1/2020 - 3/31/2021						
Year 1	Year 2	Year 3	Year 4	Year 5		
SA1	16,389,871	\$3,277,974.19	\$6,555,948.37	\$9,833,922.56	\$13,111,896.74	\$16,389,870.93
SA2-Merrick	6,939,285	\$1,387,857.03	\$2,775,714.06	\$4,163,571.10	\$5,551,428.13	\$6,939,285.16
SA2-Sea Cliff	2,627,173	\$525,434.64	\$1,050,869.28	\$1,576,303.93	\$2,101,738.57	\$2,627,173.21
TOTAL		\$5,191,265.86	\$10,382,531.72	\$15,573,797.58	\$20,765,063.44	\$25,956,329.30

Calculation of Customer Credits**Private & Public Fire customers are debited a percentage of their base revenue charge.****Metered customers are debited by usage.****Service Area 1**

Revenue Deficiency		Prop. Tax Savings
\$0	\$0	\$3,277,974
By Class:		
Private Fire	2.11%	\$69,043
Public Fire	5.92%	\$193,915
Metered	91.98%	\$3,015,016
Total		\$3,277,974

Service Area 2 - Sea Cliff

Revenue Deficiency		Prop. Tax Savings
\$0	\$0	\$25,435
By Class:		
Private Fire	0.59%	\$3,081
Public Fire	6.42%	\$33,713
Metered	93.00%	\$488,640
Total		\$525,434

Service Area 2 - Merrick

Revenue Deficiency		Prop. Tax Savings
\$0	\$0	\$1,387,857
By Class:		
Private Fire	0.59%	\$8,138
Public Fire	6.42%	\$89,048
Metered	93.00%	\$1,290,671
Total		\$1,387,857

Check
YES**Debit for Private Fire Customers:**

Private Fire Revenue	\$1,480,814	Private Fire Revenue	\$33,120	Private Fire Revenue	\$199,799
Debit Percentage	4.663% *	Credit Percentage	9.302%	Credit Percentage	4.073%

Credit for Public Fire Customers:

Public Fire Revenue	\$4,159,011	Public Fire Revenue	\$358,882	Public Fire Revenue	\$2,132,423
Debit Percentage	4.663% *	Credit Percentage	9.394%	Credit Percentage	4.176%

Credit for Metered Customers:

Usage for 12 months ended 07/31/18	82,300,743	Usage for 12 months ended 07/31/18	3,976,497	Usage for 12 months ended 07/31/18	51,270,192
Debit per 100 Gallons	\$ 0.036634 *	Credit per 100 Gallons	\$ 0.122882	Credit per 100 Gallons	\$ 0.025174
Debit per 1,000 Gallons	\$ 0.36634	Credit per 1,000 Gallons	\$ 1.22882	Credit per 1,000 Gallons	\$ 0.25174

Calculation of Customer Credits

Private & Public Fire customers are debited a percentage of their base revenue charge.
Metered customers are debited by usage.

<u>Service Area 1</u>			<u>Service Area 2 - Sea Cliff</u>			<u>Service Area 2 - Merrick</u>			Check YES
Revenue Deficiency		Prop. Tax Savings	Revenue Deficiency		Prop. Tax Savings	Revenue Deficiency		Prop. Tax Savings	
\$0	\$0	\$6,555,948	\$0	\$0	\$1,050,869	\$0	\$0	\$2,775,714	
By Class:			By Class:			By Class:			
Private Fire		\$138,087	Private Fire		\$6,162	Private Fire		\$16,276	
Public Fire		\$387,829	Public Fire		\$67,426	Public Fire		\$178,096	
Metered		\$6,030,032	Metered		\$977,281	Metered		\$2,581,342	
Total		\$6,555,948	Total		\$1,050,869	Total		\$2,775,714	
<u>Debit for Private Fire Customers:</u>									
Private Fire Revenue		\$1,480,814	Private Fire Revenue		\$33,120	Private Fire Revenue		\$199,799	
Debit Percentage		9.325% *	Credit Percentage		18.605% *	Credit Percentage		8.146%	
<u>Credit for Public Fire Customers:</u>									
Public Fire Revenue		\$4,159,011	Public Fire Revenue		\$358,882	Public Fire Revenue		\$2,132,423	
Debit Percentage		9.325% *	Credit Percentage		18.788% *	Credit Percentage		8.352%	
<u>Credit for Metered Customers:</u>									
Usage for 12 months ended 07/31/18		82,300,743	Usage for 12 months ended 07/31/18		3,976,497	Usage for 12 months ended 07/31/18		51,270,192	
Debit per 100 Gallons	\$	0.073268 *	Credit per 100 Gallons	\$	0.245764 *	Credit per 100 Gallons	\$	0.050348	
Debit per 1,000 Gallons	\$	0.73268	Credit per 1,000 Gallons	\$	2.45764	Credit per 1,000 Gallons	\$	0.50348	

Calculation of Customer Credits**Private & Public Fire customers are debited a percentage of their base revenue charge.****Metered customers are debited by usage.**

<u>Service Area 1</u>			<u>Service Area 2 - Sea Cliff</u>			<u>Service Area 2 - Merrick</u>			Check
Revenue Deficiency		Prop. Tax Savings	Revenue Deficiency		Prop. Tax Savings	Revenue Deficiency		Prop. Tax Savings	
\$0	\$0	\$9,833,923	\$0	\$0	\$1,576,304	\$0	\$0	\$4,163,571	YES
By Class:			By Class:			By Class:			
Private Fire		\$207,130	Private Fire		\$9,244	Private Fire		\$24,417	
Public Fire		\$581,744	Public Fire		\$101,139	Public Fire		\$267,144	
Metered		\$9,045,048	Metered		\$1,465,921	Metered		\$3,872,011	
Total		\$9,833,922	Total		\$1,576,304	Total		\$4,163,571	
<u>Debit for Private Fire Customers:</u>									
Private Fire Revenue		\$1,480,814	Private Fire Revenue		\$33,120	Private Fire Revenue		\$199,799	
Debit Percentage		13.988% *	Credit Percentage		27.910% *	Credit Percentage		12.221%	
<u>Credit for Public Fire Customers:</u>									
Public Fire Revenue		\$4,159,011	Public Fire Revenue		\$358,882	Public Fire Revenue		\$2,132,423	
Debit Percentage		13.988% *	Credit Percentage		28.182% *	Credit Percentage		12.528%	
<u>Credit for Metered Customers:</u>									
Usage for 12 months ended 07/31/18		82,300,743	Usage for 12 months ended 07/31/18		3,976,497	Usage for 12 months ended 07/31/18		51,270,192	
Debit per 100 Gallons	\$	0.109902 *	Credit per 100 Gallons	\$	0.368646 *	Credit per 100 Gallons	\$	0.075522	
Debit per 1,000 Gallons	\$	1.09902	Credit per 1,000 Gallons	\$	3.68646	Credit per 1,000 Gallons	\$	0.75522	

Calculation of Customer Credits

Private & Public Fire customers are debited a percentage of their base revenue charge.
Metered customers are debited by usage.

<u>Service Area 1</u>			<u>Service Area 2 - Sea Cliff</u>			<u>Service Area 2 - Merrick</u>			Check
Revenue Deficiency		Prop. Tax Savings	Revenue Deficiency		Prop. Tax Savings	Revenue Deficiency		Prop. Tax Savings	
\$0	\$0	\$13,111,897	\$0	\$0	\$2,101,739	\$0	\$0	\$5,551,428	YES
By Class:			By Class:			By Class:			
Private Fire		\$276,173	Private Fire		\$12,325	Private Fire		\$32,555	
Public Fire		\$775,659	Public Fire		\$134,852	Public Fire		\$356,191	
Metered		\$12,060,065	Metered		\$1,954,562	Metered		\$5,162,682	
Total		\$13,111,897	Total		\$2,101,739	Total		\$5,551,428	
<u>Debit for Private Fire Customers:</u>									
Private Fire Revenue		\$1,480,814	Private Fire Revenue		\$33,120	Private Fire Revenue		\$199,799	
Debit Percentage		18.650% *	Credit Percentage		37.213% *	Credit Percentage		16.294%	
<u>Credit for Public Fire Customers:</u>									
Public Fire Revenue		\$4,159,011	Public Fire Revenue		\$358,882	Public Fire Revenue		\$2,132,423	
Debit Percentage		18.650% *	Credit Percentage		37.576% *	Credit Percentage		16.704%	
<u>Credit for Metered Customers:</u>									
Usage for 12 months ended 07/31/18		82,300,743	Usage for 12 months ended 07/31/18		3,976,497	Usage for 12 months ended 07/31/18		51,270,192	
Debit per 100 Gallons	\$	0.146537 *	Credit per 100 Gallons	\$	0.491529 *	Credit per 100 Gallons	\$	0.100696	
Debit per 1,000 Gallons	\$	1.46537	Credit per 1,000 Gallons	\$	4.91529	Credit per 1,000 Gallons	\$	1.00696	

Calculation of Customer Credits

Private & Public Fire customers are debited a percentage of their base revenue charge.
Metered customers are debited by usage.

<u>Service Area 1</u>			<u>Service Area 2 - Sea Cliff</u>			<u>Service Area 2 - Merrick</u>			Check
Revenue Deficiency		Prop. Tax Savings	Revenue Deficiency		Prop. Tax Savings	Revenue Deficiency		Prop. Tax Savings	
\$0	\$0	\$16,389,871	\$0	\$0	\$2,627,173	\$0	\$0	\$6,939,285	YES
By Class:			By Class:			By Class:			
Private Fire		\$345,216	Private Fire		\$15,406	Private Fire		\$40,693	
Public Fire		\$969,574	Public Fire		\$168,565	Public Fire		\$445,239	
Metered		\$15,075,081	Metered		\$2,443,202	Metered		\$6,453,353	
Total		\$16,389,871	Total		\$2,627,173	Total		\$6,939,285	
<u>Debit for Private Fire Customers:</u>									
Private Fire Revenue		\$1,480,814	Private Fire Revenue		\$33,120	Private Fire Revenue		\$199,799	
Debit Percentage		23.313% *	Credit Percentage		46.515% *	Credit Percentage		20.367%	
<u>Credit for Public Fire Customers:</u>									
Public Fire Revenue		\$4,159,011	Public Fire Revenue		\$358,882	Public Fire Revenue		\$2,132,423	
Debit Percentage		23.313% *	Credit Percentage		46.969% *	Credit Percentage		20.880%	
<u>Credit for Metered Customers:</u>									
Usage for 12 months ended 07/31/18		82,300,743	Usage for 12 months ended 07/31/18		3,976,497	Usage for 12 months ended 07/31/18		51,270,192	
Debit per 100 Gallons	\$	0.183171 *	Credit per 100 Gallons	\$	0.614411 *	Credit per 100 Gallons	\$	0.125869	
Debit per 1,000 Gallons	\$	1.83171	Credit per 1,000 Gallons	\$	6.14411	Credit per 1,000 Gallons	\$	1.25869	

Reduction in 6,000 gallon residential bill

6000 gallon customer	<u>SA1</u>	<u>MERRICK</u>	<u>SEA CLIFF</u>
Current bill	\$ 46.87	\$ 36.38	\$ 56.36
Decrease	\$ (10.99)	\$ (7.55)	\$ (36.86)
Percent	-23.4%	-20.8%	-65.4%
rounded	23%	21%	65%

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**LIBERTY UTILITIES (EASTERN WATER HOLDINGS) CORP.'S
RESPONSE TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

American Water Works Company, Inc.; New York American Water Company, Inc.; and Liberty
Utilities (Eastern Water Holdings) Corp.

Request No.: DPS-37

Requested By: Hasan Ahmed and David Warnock

Date of Request: April 27, 2020

Response Due: May 8, 2020

Witness: Liberty Utilities (Eastern Water Holdings) Corp. Panel

Subject: Acquisition Benefits

LIBERTY EASTERN'S INSTRUCTION

Liberty Eastern hereby incorporates by reference the General Definitions provided in its response to DPS-1.

DPS-37.1

Provide a complete list of all benefits that are quantifiable in this Transaction and explain how each of these benefits will be captured for NYAW ratepayers.

Liberty Eastern's Response to DPS-37.1.

The Transaction will provide quantifiable benefits for customers in the form of the one year base rate freeze, as proposed in the petition, as well as from cost savings under Liberty's ownership compared to under existing ownership.

Rate Freeze: As indicated in response to DPS-18.1, the one year stay-out under the proposal to freeze base rates for one year, will benefit customers by an estimated \$15-20 million.

Cost Savings: As identified in the revenue requirement calculation in response to DPS-4.4 under Liberty's ownership, customers will benefit from reduced Corporate Costs (even after the additional 20 local employees are included) and potentially from a reduced cost of debt, contingent on interest rates at the time of issuing new debt.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

Corporate Costs / Repatriated Employees:

AWW Service Co Costs	\$9,745,219
LU Corporate Costs	(7,106,867)
Repatriated Employees	<u>(2,317,954)</u>
Savings	\$320,398

Cost of Debt:

NYAW Debt Cost	\$9,855,424
LU Debt Cost (3.95%)	<u>(9,283,687)</u>
Savings	\$571,737

Customers will benefit from both of these cost savings when new rates are established under Liberty's ownership.

Name and Title of Person(s) Responsible for Response: Jody McEachran, Senior Director, Regulatory Strategy, Liberty Utilities (Canada) Corp.

Date: May 8, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**JOINT PETITIONERS' RESPONSES TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST
Liberty Utilities and New York American Water**

Request No.: DPS-53

Requested By: Jane Wang

Date of Request: April 27, 2020

Response Due: May 7, 2020

Witness: Joint Petitioners

Subject: Purchase Price and Goodwill

JOINT PETITIONERS' INSTRUCTIONS

AWW, NYAW, and Liberty Eastern (collectively, "Joint Petitioners") hereby incorporate by reference the General Definitions provided in Liberty Eastern's Response to DPS-1.

The Joint Petition Attachment 6 - Stock Purchase Agreement (Redacted) indicated that at the closing, the purchaser shall pay the Seller, by wire transfer of immediately available funds, an amount equal to (the "Estimated Purchase Price") the Base Amount of \$608 million, adjusted by these estimated items including closing cash, closing indebtedness, closing transaction expense, closing net working capital, closing capital expenditures, aggregate regulatory asset (QNYM) and regulatory liability (TCJA), and other upward or downward adjustment.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-53.1

In Joint Petition Attachment 10 – NYAW Financial Conditions, you provided NYAW’s balance sheet and income statement for calendar year 2019. Under a hypothetical assumption that NYAW’s balance sheet at the time of closing would remain the same, provide the calculation, in Excel format, showing each and all adjustments to the \$608 million Base Amount, resulting in the estimated payment amount to the Seller at the close of the sales transaction.

Joint Petitioners’ Response to DPS-53.1.

Please refer to file name “DPS-53.1-3_Attachment.xls”.

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director, Accounting and Reporting, Liberty Algonquin Business Services and David Weber, Manager of Regulatory Services

Date: May 7, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern, NYAW, and AWW

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-53.2

Under the same hypothetical assumption that NYAW's balance sheet at the time of closing would remain the same, provide the calculation, in Excel format, of the premium above book (or goodwill).

Joint Petitioners' Response to DPS-53.2.

Please refer to file name "DPS-53.1-3_Attachment.xls".

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director, Accounting and Reporting, Liberty Algonquin Business Services and David Weber, Manager of Regulatory Services

Date: May 7, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern, NYAW, and AWW

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-53.3

Explain how the goodwill will be recorded at the close of the sales transaction, whether on the acquired NYAW's books, or Liberty Utilities (Eastern Water Holdings) Corp., or LUCo, or elsewhere.

Joint Petitioners' Response to DPS-53.3.

Please refer to file name "DPS-53.1-3_Attachment.xls".

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director, Accounting and Reporting, Liberty Algonquin Business Services

Date: May 7, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

DPS-053 Attachment**Hypothetical Purchase Price Calculation Using 12/31/19 Balance Sheet****Hypothetical Adjusted Purchase Price:****Comment:**

Purchase Agreement Reference - Section 2.2

(a)		Base Amount	\$608,000,000	
(b)	plus	Estimated Closing Cash	(76,234)	Cash and Cash Equivalents is a credit balance at 12/31/19.
(d)	minus	Estimated Closing Indebtedness	(248,523,802)	See calculation below.
(e)	minus	Estimated Closing Transactional Expenses	0	Assumed to be zero for this hypothetical calculation.
(f)	plus or minus	Estimated Closing Net Working Capital Adjustment	0	See calculation below.
(g)	plus or minus	Estimated Closing Capital Expenditure Adjustment	0	Assumed to be zero for this hypothetical calculation.
(h)	plus or minus	Estimated Closing Adjustment for Change in QNYM asset and/or TCJA liability due to cash transactions with customers	0	No cash transactions have occurred with customers regarding the QNYM asset and TCJA liability through the 12/31/19 balance sheet date.
(i)	plus or minus	Upward Adjustment Amount minus the Downward Adjustment Amount	0	No adjustments to the QNYM asset and TCJA liability have occurred due to the actions of government authorities through the 12/31/19 balance sheet date.
		Hypothetical Adjusted Purchase Price	\$359,399,964	

**** Indebtedness:**

Long-Term Debt Per Balance Sheet	\$195,929,135
Less: Discount & Issuance Expenses	700,865
Long-Term Debt Outstanding	196,630,000
Short-Term Debt	50,071,740
Interest Accrued	1,822,062
Total Indebtedness	\$248,523,802

***** Cash Working Capital Adjustment:**

Current Assets Per Balance Sheet	\$19,661,836
Less: Cash and Cash Equivalents	(76,234)
Current Assets	19,738,070
Current Liabilities Per Balance Sheet	72,848,968
Less: Short-Term Debt	50,071,740
Less: Interest Accrued	1,822,062
Current Liabilities	20,955,166
Current Asset minus Current Liabilities = CWC	(1,217,096)
Amount is not less than Lower Net Working Capital Target	

DPS-053 Attachment**Hypothetical Goodwill Based Upon Hypothetical Purchase Price Calculation Using 12/31/19 Balance Sheet**

Hypothetical Adjusted Purchase Price	\$359,399,964
Less: Stock Holders Equity Book Value @ 12/31/19	\$166,738,113
Hypothetical Goodwill	<u>\$192,661,851</u>

DPS-053 Attachment

Goodwill will be recorded in the accounting records of Liberty Eastern, the parent of the NYAW per the following entry:

DR Net assets acquired	\$ 166,738,113.00
DR Goodwill	\$ 192,661,851.00
CR Cash	\$ (359,399,964.00)

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**JOINT PETITIONERS' SUPPLEMENTAL RESPONSES TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST
Liberty Utilities and New York American Water**

Request No.: DPS-53

Requested By: Jane Wang

Date of Request: April 27, 2020

Response Due: May 7, 2020

Supplemental Response Date: May 29, 2020

Witness: Joint Petitioners

Subject: Purchase Price and Goodwill

JOINT PETITIONERS' INSTRUCTIONS

AWW, NYAW, and Liberty Eastern (collectively, "Joint Petitioners") hereby incorporate by reference the General Definitions provided in Liberty Eastern's Response to DPS-1.

The Joint Petition Attachment 6 - Stock Purchase Agreement (Redacted) indicated that at the closing, the purchaser shall pay the Seller, by wire transfer of immediately available funds, an amount equal to (the "Estimated Purchase Price") the Base Amount of \$608 million, adjusted by these estimated items including closing cash, closing indebtedness, closing transaction expense, closing net working capital, closing capital expenditures, aggregate regulatory asset (QNYM) and regulatory liability (TCJA), and other upward or downward adjustment.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-53.1

In Joint Petition Attachment 10 – NYAW Financial Conditions, you provided NYAW’s balance sheet and income statement for calendar year 2019. Under a hypothetical assumption that NYAW’s balance sheet at the time of closing would remain the same, provide the calculation, in Excel format, showing each and all adjustments to the \$608 million Base Amount, resulting in the estimated payment amount to the Seller at the close of the sales transaction.

Joint Petitioners’ Response to DPS-53.1.

Please refer to file name “DPS-53.1-3_Attachment.xls”.

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director, Accounting and Reporting, Liberty Algonquin Business Services and David Weber, Manager of Regulatory Services

Date: May 7, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern, NYAW, and AWW

Joint Petitioners’ Supplemental Response to DPS-53.1.

Please refer to file name “DPS-53.1-3_Attachment Revised.xls”.

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director, Accounting and Reporting, Liberty Algonquin Business Services and David Weber, Manager of Regulatory Services

Date: May 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern, NYAW, and AWW

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-53.2

Under the same hypothetical assumption that NYAW's balance sheet at the time of closing would remain the same, provide the calculation, in Excel format, of the premium above book (or goodwill).

Joint Petitioners' Response to DPS-53.2.

Please refer to file name "DPS-53.1-3_Attachment.xls".

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director, Accounting and Reporting, Liberty Algonquin Business Services and David Weber, Manager of Regulatory Services

Date: May 7, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern, NYAW, and AWW

Joint Petitioners' Supplemental Response to DPS-53.2.

Please refer to file name "DPS-53.1-3_Attachment Revised.xls".

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director, Accounting and Reporting, Liberty Algonquin Business Services and David Weber, Manager of Regulatory Services

Date: May 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern, NYAW, and AWW

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-53.3

Explain how the goodwill will be recorded at the close of the sales transaction, whether on the acquired NYAW's books, or Liberty Utilities (Eastern Water Holdings) Corp., or LUCo, or elsewhere.

Joint Petitioners' Response to DPS-53.3.

Please refer to file name "DPS-53.1-3_Attachment.xls".

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director, Accounting and Reporting, Liberty Algonquin Business Services

Date: May 7, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

Liberty Eastern's Supplemental Response to DPS-53.3.

Please refer to file name "DPS-53.1-3_Attachment Revised.xls".

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director, Accounting and Reporting, Liberty Algonquin Business Services

Date: May 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

DPS-053 Attachment Revised**Hypothetical Purchase Price Calculation Using 12/31/19 Balance Sheet****Hypothetical Adjusted Purchase Price:****Comment:**

Purchase Agreement Reference - Section 2.2

(a)		Base Amount	\$608,000,000	
(b)	plus	Estimated Closing Cash	(76,234)	Cash and Cash Equivalents is a credit balance at 12/31/19.
(d)	minus	Estimated Closing Indebtedness	0	The debt excludes debt payable to American Water
(e)	minus	Estimated Closing Transactional Expenses	0	Assumed to be zero for this hypothetical calculation.
(f)	plus or minus	Estimated Closing Net Working Capital Adjustment	0	See calculation below.
(g)	plus or minus	Estimated Closing Capital Expenditure Adjustment	0	Assumed to be zero for this hypothetical calculation.
(h)	plus or minus	Estimated Closing Adjustment for Change in QNYM asset and/or TCJA liability due to cash transactions with customers	0	No cash transactions have occurred with customers regarding the QNYM asset and TCJA liability through the 12/31/19 balance sheet date.
(i)	plus or minus	Upward Adjustment Amount minus the Downward Adjustment Amount	0	No adjustments to the QNYM asset and TCJA liability have occurred due to the actions of government authorities through the 12/31/19 balance sheet date.
		Hypothetical Adjusted Purchase Price	\$607,923,766	

**** Indebtedness:**

Long-Term Debt Per Balance Sheet	\$195,929,135
Less: Discount & Issuance Expenses	700,865
Long-Term Debt Outstanding	196,630,000
Short-Term Debt	50,071,740
Interest Accrued	1,822,062
Total Indebtedness	\$248,523,802

It is anticipated that the inter company debt will be repaid by NYAW to AW prior to close.

***** Cash Working Capital Adjustment:**

Current Assets Per Balance Sheet	\$19,661,836
Less: Cash and Cash Equivalents	(76,234)
Current Assets	19,738,070
Current Liabilities Per Balance Sheet	72,848,968
Less: Short-Term Debt	50,071,740
Less: Interest Accrued	1,822,062
Current Liabilities	20,955,166
Current Asset minus Current Liabilities = CWC	(1,217,096)
Amount is not less than Lower Net Working Capital Target	

DPS-053 Attachment Revised**Hypothetical Goodwill Based Upon Hypothetical Purchase Price Calculation Using 12/31/19 Balance Sheet**

Hypothetical Adjusted Purchase Price	\$607,923,766
Net assets acquired *	<u>\$469,077,346</u>
Hypothetical Goodwill	\$138,846,420

- * Net assets acquired assumes that fair value equals book value as at December 31, 2019. It also reflects the elimination of the debt payable to American Water Corp (to be replaced by LU (Eastern Water Holdings) Corp) and the effect of the Section 338 Election.

As a result of the section 338(h)(10) election, the adjusted purchase price will be allocated among classes of assets based on fair value. There will be no value allocated to any existing goodwill on the tax records. Any residual purchase price not allocated to identifiable assets based on fair value will be allocated to goodwill. There would be no deferred taxes.

DPS-053 Attachment Revised

Goodwill will be recorded in the accounting records of Liberty Eastern, the parent of the NYAW per the following entry:

DR Net assets acquired	\$	469,077,346
DR Goodwill	\$	138,846,420
CR Cash		(\$607,923,766)

Net assets acquired assumes that fair value equals book value as at December 31, 2019. It also reflects the elimination of the debt payable to American Water Corp (to be replaced by debt to LU (Eastern Water Holdings) Corp) and the effect of the Section 338 Election.

As a result of the section 338(h)(10) election, the adjusted purchase price will be allocated among classes of assets based on fair value. There will be no value allocated to any existing goodwill on the tax records. Any residual purchase price not allocated to identifiable assets based on fair value will be allocated to goodwill. There would be no deferred taxes.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**LIBERTY UTILITIES (EASTERN WATER HOLDINGS) CORP.'S
RESPONSE TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

American Water Works Company, Inc.; New York American Water Company, Inc.; and Liberty
Utilities (Eastern Water Holdings) Corp.

Request No.: DPS-57

Requested By: Consumer Service Panel

Date of Request: May 1, 2020

Response Due: May 11, 2020

Witness: Liberty Utilities (Eastern Water Holdings) Corp. Panel

Subject: Local Board of Directors

LIBERTY EASTERN'S INSTRUCTION

Liberty Eastern hereby incorporates by reference the General Definitions provided in its response to DPS-1.

DPS-57.1

Provide a detailed description of oversight and guidance the board of directors has provided to Liberty management to better service customers in each of its North American operations for the past three years.

Liberty Eastern's Response to DPS-57.1.

In 2017, APUC and LUCo implemented a regional organizational structure for its regulated utilities. Under that structure, LUCo's utility operations are organized into three regions – Central, East and West. The Central Region includes regulated utilities in Arkansas, Illinois, Iowa, Kansas, Missouri and Oklahoma. The East Region includes regulated utilities in Georgia, Massachusetts, New Hampshire, New York and New Brunswick (Canada). The West Region includes regulated utilities in Arizona, California and Texas.

Each region has a board of directors that serves as the board of directors for each regulated utility. The regional boards provide overall governance and oversight for each utility. Each board consists of five directors—three directors are independent senior business and community leaders and two directors are internal management employees of APUC or its affiliated companies. The boards provide oversight and strategic guidance to senior management of the utilities relating to all aspects of operations. The boards' activities and oversight help utilities and

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

their management better serve customers by reviewing and monitoring the long-term strategic plans for the businesses, reviewing and approving capital and O&M budgets, reviewing financial performance of the utilities, reviewing community involvement of the utilities, monitoring progress of significant projects, providing input on performance of senior management, reviewing and approving acquisitions, assessing safety, customer service and community relations, reviewing and monitoring enterprise business risks and compliance, monitoring and evaluating employee satisfaction, providing input on management and business succession planning, and monitoring business growth opportunities. The boards also review and assess key health and safety results, operational performance for utilities, P&L impacts, account receivables, regulatory strategies, and key regulatory matters and projects for the utilities. The boards receive reports from senior management and executive leadership for the utilities and benefit customers by providing independent oversight for the operation and management of the utilities. See Corporate Governance Guidelines attached as Attachment 3 to the Joint Petition.

Name and Title of Person(s) Responsible for Response: Peter Eichler, President, Liberty Utilities (Massachusetts)

Date: May 11, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-57.2

Provide an update on the status of appointing an independent monitor for the New York service territory.

Liberty Eastern's Response to DPS-57.2.

See response to DPS-50.1.

Name and Title of Person(s) Responsible for Response: Peter Eichler, President, Liberty Utilities (Massachusetts)

Date: May 11, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**LIBERTY UTILITIES (EASTERN WATER HOLDINGS) CORP.'S
RESPONSE TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST
Liberty Utilities and New York American Water**

Request No.: DPS-63

Requested By: Jane Wang

Date of Request: May 14, 2020

Response Due: May 24, 2020

Revised Response Due Date: May 29, 2020

Witness: Joint Petitioners

Subject: Purchase Price and Goodwill – Follow-up to DPS-53

LIBERTY EASTERN'S INSTRUCTION

Liberty Eastern hereby incorporates by reference the General Definitions provided in its response to DPS-1.

In response to DPS-53, you provided the calculations of the adjusted purchase price and goodwill resulting from the sales transaction, using NYAW's December 2019 balance sheet (Attachment 10 of the petition) as the hypothetical balance sheet at the time of closing.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-63.1

Based on the same hypothetical balance sheet at the time of transaction close, provide the post-acquisition balance sheet in Excel format with all line items as in NYAW's December 2019 balance sheet in Attachment 10, and additional line items as necessary.

Liberty Eastern's Response to DPS-63.1.

Please refer to file name "DPS-63.1-3_Liberty Eastern Response_Attachment.xls".

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director,
Accounting and Reporting, Liberty Algonquin Business Services

Date: May 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-63.2

For the post-acquisition balance sheet provided above, provide supporting calculation for each line item that is different from the balance prior to the sales transaction.

Liberty Eastern's Response to DPS-63.2.

Please refer to file name "DPS-63.1-3_Liberty Eastern Response_Attachment.xls" for the supporting calculations.

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director,
Accounting and Reporting, Liberty Algonquin Business Services

Date: May 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-63.3

Provide the balance sheets of Liberty Utilities (Eastern Water Holdings) Corp. prior to and post the sales transaction.

Liberty Eastern's Response to DPS-63.3.

Please refer to file name "DPS-63.1-3_Liberty Eastern Response_Attachment.xls".

Name and Title of Person(s) Responsible for Response: Chantal Van Staveren, Senior Director,
Accounting and Reporting, Liberty Algonquin Business Services

Date: May 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

DPS-063.1 Attachment
Hypothetical post-acquisition balance sheet of NYAW
December 31, 2019

	NYAW pre-acquisition	Acquisition adjustments Note (1)	Capitalization adjustment Note (2)	NYAW post-acquisition	
Utility plant in service	555,091,901			555,091,901	
Construction work in progress	31,942,331			31,942,331	
Utility plant accumulated depreciation/ amortization	(135,058,845)			(135,058,845)	
Utility property net of accumulated depreciation	451,975,387	-	-	451,975,387	
Nonutility property net of accumulated depreciation	3,989,778			3,989,778	
	455,965,165	-	-	455,965,165	
Cash and cash equivalents	(76,234)			(76,234)	
Accounts receivable, net	10,808,677			10,808,677	
Unbilled revenues	5,890,686			5,890,686	
Materials and supplies	1,467,262			1,467,262	
Other current assets	1,571,446			1,571,446	
Total current assets	19,661,837	-	-	19,661,837	
Regulatory assets	57,383,464			57,383,464	
Operating lease right-of-use assets	400,204			400,204	
Goodwill	12,320,179			12,320,179	
Other long-term assets	2,799,031			2,799,031	
Total regulatory and other long-term assets	72,902,878	-	-	72,902,878	
Total assets	548,529,880	-	-	548,529,880	
Common stock	10,000,000			10,000,000	
Paid in capital	117,734,523	314,659,412	(259,954,664)	172,439,272	
Retained earnings	39,213,959			39,213,959	
Accumulated other comprehensive income	(210,369)			(210,369)	
Total stockholders' equity	166,738,113	314,659,412	(259,954,664)	221,442,862	46%
Long term debt	195,929,135	(195,929,135)	259,954,664	259,954,664	54%
Total capitalization	362,667,248	118,730,277	-	481,397,525	
Short term debt	50,071,740	(50,071,740)		-	
Accounts payable	7,753,484			7,753,484	
Accrued liabilities	8,313,269			8,313,269	
Taxes accrued	(513,174)			(513,174)	
Interest accrued	1,822,062	(1,822,062)		-	
Other current liabilities	5,401,588			5,401,588	
Total current liabilities	72,848,969	(51,893,802)	-	20,955,167	
Customer advances for construction	358,822			358,822	
Deferred income taxes	66,702,653	(66,702,653)		-	
Deferred investment tax credits	133,822	(133,822)		-	
Regulatory liability	37,268,429			37,268,429	
Accrued pension	5,805,916			5,805,916	
Accrued postretirement benefit expense	(2,078,354)			(2,078,354)	
Operating lease liabilities	390,394			390,394	
Other deferred credits	456,836			456,836	
Regulatory and other long term liabilities	109,038,518	(66,836,475)	-	42,202,043	
Contributions in aid of construction	3,975,144			3,975,144	
Total capital and liabilities	548,529,880	-	-	548,529,880	

Notes

(1) Acquisition adjustments: Fair value adjustments

As noted in DPS-54.3, when the acquired entity remains a separate reporting entity subsequent to the acquisition, US GAAP gives the acquired entity the option to apply pushdown accounting in their separate financial statements. In order to minimize the impact of the acquisition on its records, the utilities acquired by LUCo normally don't push down the purchase accounting entries. As such, the current accounting for Goodwill by NYAW post acquisition is not expected to change.

The entry above reflects the elimination of the long-term debt payable to American Water Corp. (replaced under note 2 below) and the effect of the Section 338 Election.

As a result of the section 338(h)(10) election, the adjusted purchase price will be allocated among classes of assets based on fair value. There will be no value allocated to any existing goodwill on the tax records. Any residual purchase price not allocated to identifiable assets based on fair value will be allocated to goodwill. There would be no deferred taxes.

(2) Capitalization adjustment adjustment

Expected capitalization		481,397,525
Debt	54%	259,954,664
Equity	46%	221,442,862

DPS-063.3 Attachment

Hypothetical post-acquisition balance sheet of LU (Eastern Water Holdings) Corp

	<i>LU (Eastern Water Holdings) Corp. Pre-acquisition Note (1)</i>	<i>Acquisition Financing Note (2)</i>	<i>New York American Water Company Inc.</i>	<i>Acquisition adjustments Note (3)</i>	<i>LU (Eastern Water Holdings) Corp. Post-acquisition</i>	
Utility plant in service			555,091,901		555,091,901	
Construction work in progress			31,942,331		31,942,331	
Utility plant accumulated depreciation/ amortization			(135,058,845)		(135,058,845)	
Utility property net of accumulated depreciation	-	-	451,975,387	-	451,975,387	
Nonutility property net of accumulated depreciation			3,989,778		3,989,778	
	-	-	455,965,165	-	455,965,165	
Cash and cash equivalents		607,923,766	(76,234)	(607,923,766)	(76,234)	
Accounts receivable, net			10,808,677		10,808,677	
Unbilled revenues			5,890,686		5,890,686	
Materials and supplies			1,467,262		1,467,262	
Other current assets			1,571,446		1,571,446	
Total current assets	-	607,923,766	19,661,837	(607,923,766)	19,661,837	
Regulatory assets			57,383,464		57,383,464	
Operating lease right-of-use assets			400,204		400,204	
Goodwill			12,320,179	126,526,241	138,846,420	
Other long-term assets			2,799,031		2,799,031	
Intercompany receivable	78,830,280	(78,830,280)	-		-	
Total regulatory and other long-term assets	78,830,280	(78,830,280)	72,902,878	126,526,241	199,429,119	
Total assets	78,830,280	529,093,486	548,529,880	(481,397,525)	675,056,121	
Common stock	60,566,116	200,814,652	10,000,000	(10,000,000)	261,380,769	
Paid in capital			117,734,523	(117,734,523)	-	
Retained earnings	18,264,164		39,213,959	(39,213,959)	18,264,164	
Accumulated other comprehensive income			(210,369)	210,369	-	
Total stockholders' equity	78,830,280	200,814,652	166,738,113	(166,738,113)	279,644,932	46%
Long term debt		328,278,834	195,929,135	(195,929,135)	328,278,834	54%
Total capitalization	78,830,280	529,093,486	362,667,248	(362,667,248)	607,923,766	54%
Short term debt			50,071,740	(50,071,740)	-	
Accounts payable			7,753,484		7,753,484	
Accrued liabilities			8,313,269		8,313,269	
Taxes accrued			(513,174)		(513,174)	
Interest accrued			1,822,062	(1,822,062)	-	
Other current liabilities			5,401,588		5,401,588	
Total current liabilities	-	-	72,848,969	(51,893,802)	20,955,167	
Customer advances for construction			358,822		358,822	
Deferred income taxes			66,702,653	(66,702,653)	-	
Deferred investment tax credits			133,822	(133,822)	-	
Regulatory liability			37,268,429		37,268,429	
Accrued pension			5,805,916		5,805,916	
Accrued postretirement benefit expense			(2,078,354)		(2,078,354)	
Operating lease liabilities			390,394		390,394	
Other deferred credits			456,836		456,836	
Regulatory and other long term liabilities	-	-	109,038,518	(66,836,475)	42,202,043	
Contributions in aid of construction			3,975,144		3,975,144	
Total capital and liabilities	78,830,280	529,093,486	548,529,880	(481,397,525)	675,056,121	

Notes

(1) LU (Eastern Water Holdings) Corp. pre-acquisition balance sheet

LU (Eastern Water Holdings) Corp. pre-acquisition balance sheet is being finalized and subject to changes.

(2) Purchase price funded by parent

		\$607,923,766
Long-term debt	54%	\$328,278,834
Equity portion	46%	\$279,644,932

(3) Acquisition adjustments: Fair value adjustments

Purchase price	607,923,766	
Net assets acquired *	469,077,346	
Hypothetical goodwill	138,846,420	-

* Net assets acquired assumes that fair value equals book value as at December 31, 2019. It also reflects the elimination of the debt payable to American Water Corp (replaced under note 2 above), elimination of existing goodwill and the effect of the Section 338 Election. As a result of the section 338(h)(10) election, the adjusted purchase price will be allocated among classes of assets based on fair value. There will be no value allocated to any existing goodwill on the tax records. Any residual purchase price not allocated to identifiable assets based on fair value will be allocated to goodwill. There would be no deferred taxes.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**LIBERTY UTILITIES (EASTERN WATER HOLDINGS) CORP.'S
RESPONSE TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST
Liberty Utilities and New York American Water**

Request No.: DPS-83

Requested By: Jane Wang

Date of Request: June 5, 2020

Response Due: June 15, 2020

Witness: Liberty Utilities (Eastern Water Holdings) Corp. Panel

Subject: Organizational Chart and Cost Allocation

LIBERTY EASTERN'S INSTRUCTION

Liberty Eastern hereby incorporates by reference the General Definitions provided in its response to DPS-1.

DPS-83.1

Provide a full organizational Chart of Algonquin Power & Utilities Corp. (APUC), including all existing subsidiaries and the acquired NYAW post the transaction.

Liberty Eastern's Response to DPS-83.1.

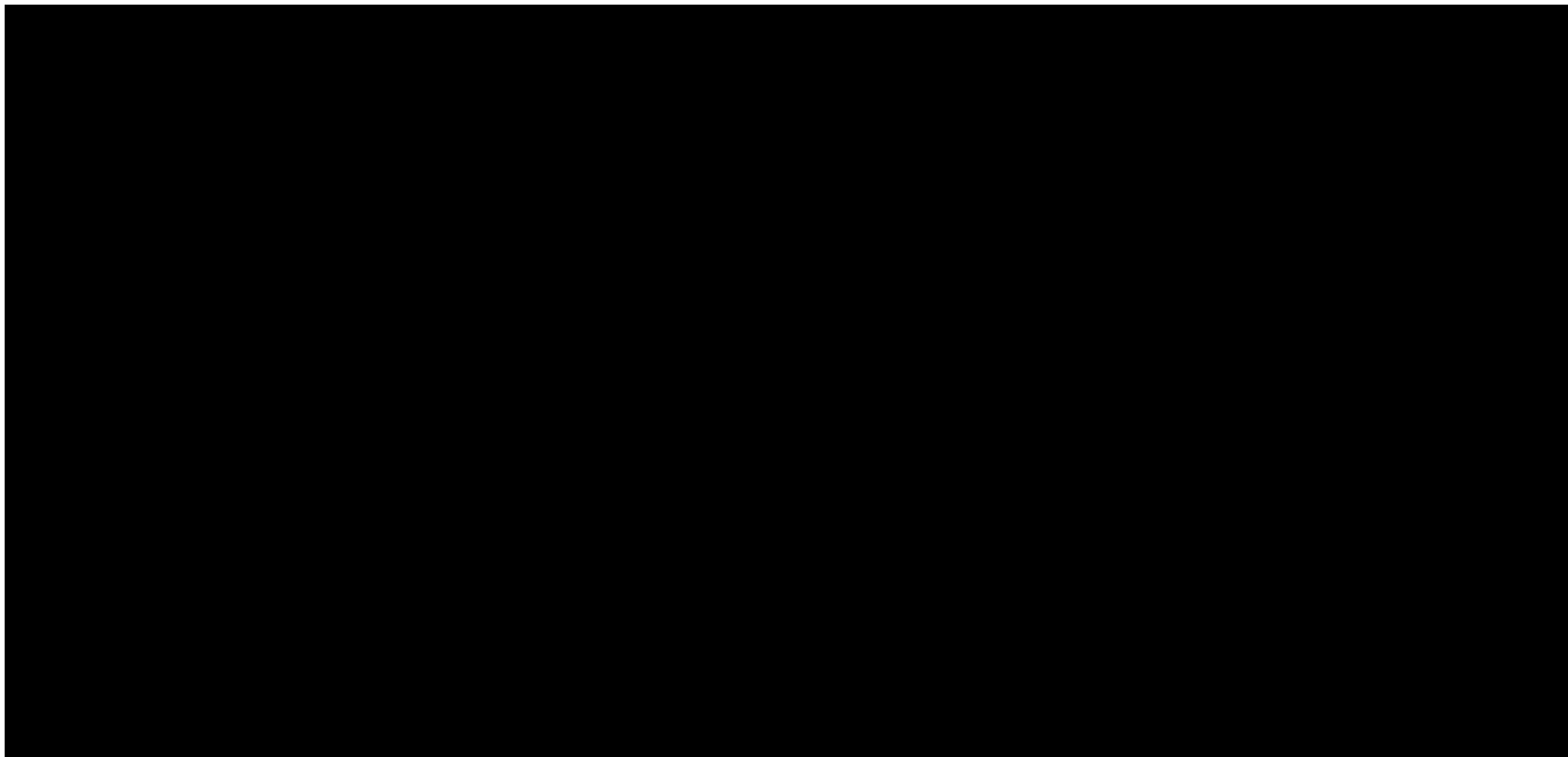
Please see "DPS-83.1_Liberty Eastern Response_CONFIDENTIAL Attachment.pdf."

Name and Title of Person(s) Responsible for Response: Peter Eichler, President, Liberty Utilities (Massachusetts)

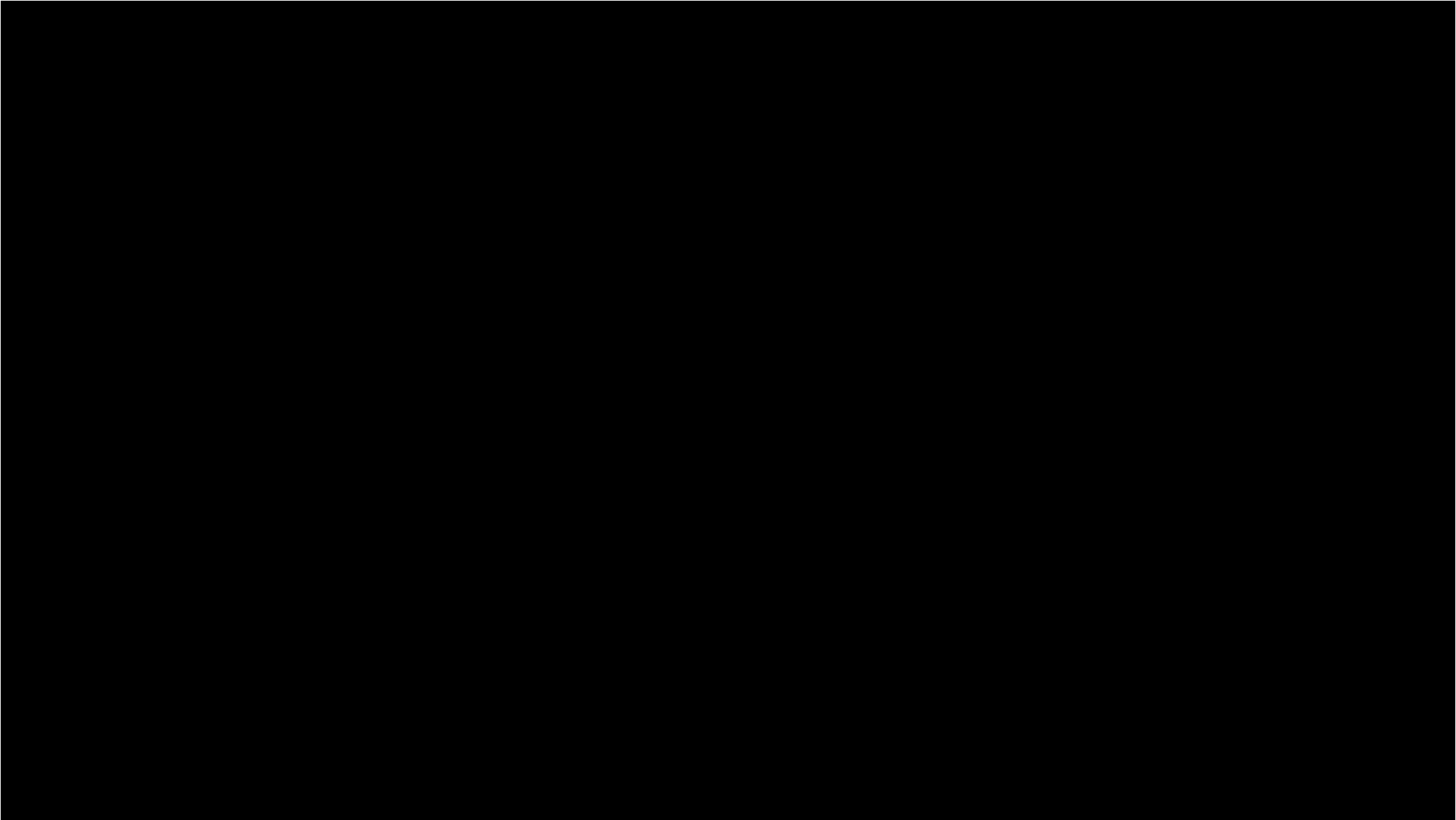
Date: June 15, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

CONFIDENTIAL SUBJECT TO PROTECTIVE ORDER IN CASE 20-W-0102

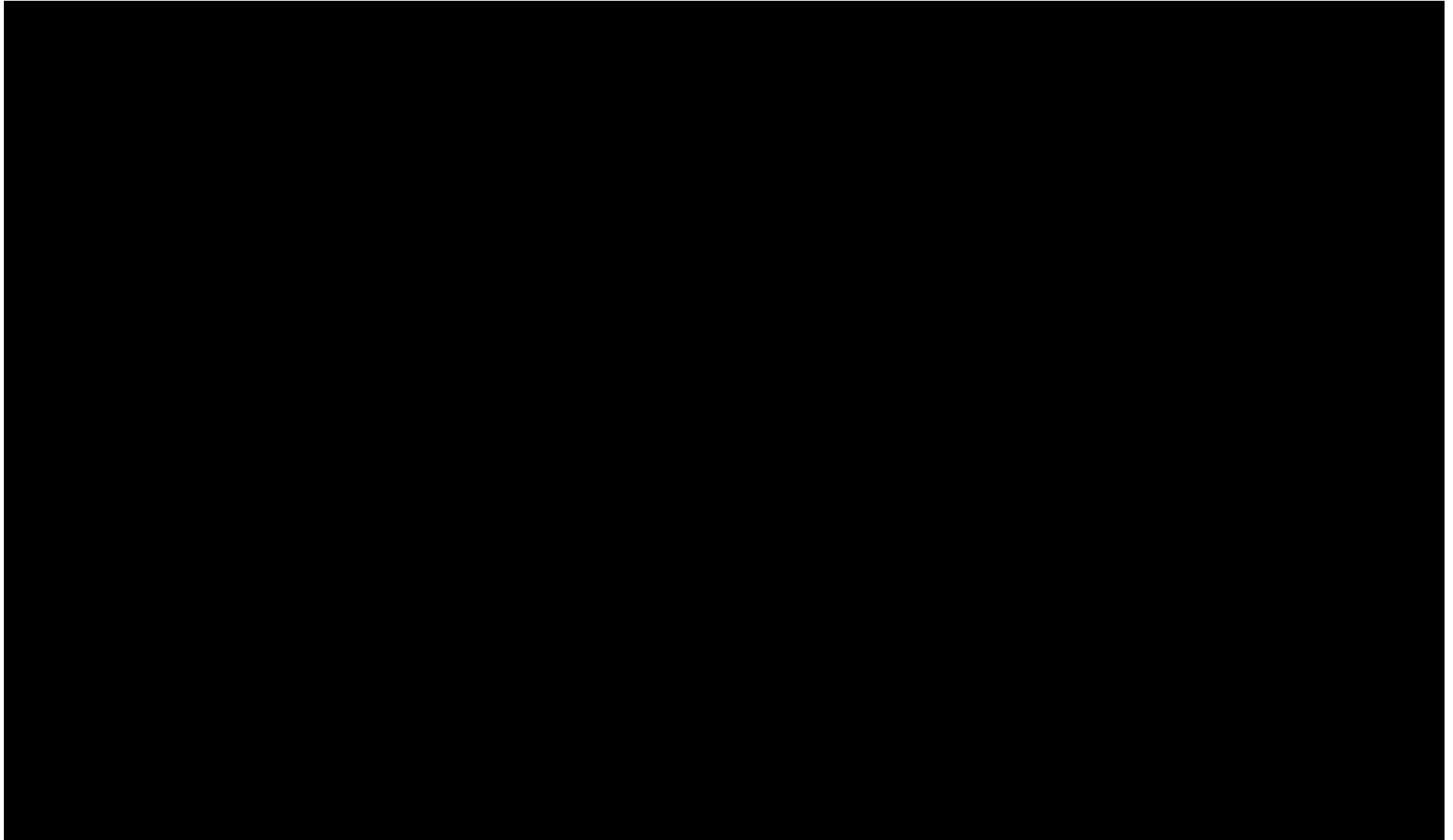


CONFIDENTIAL — CONTAINS PROTECTED INFORMATION



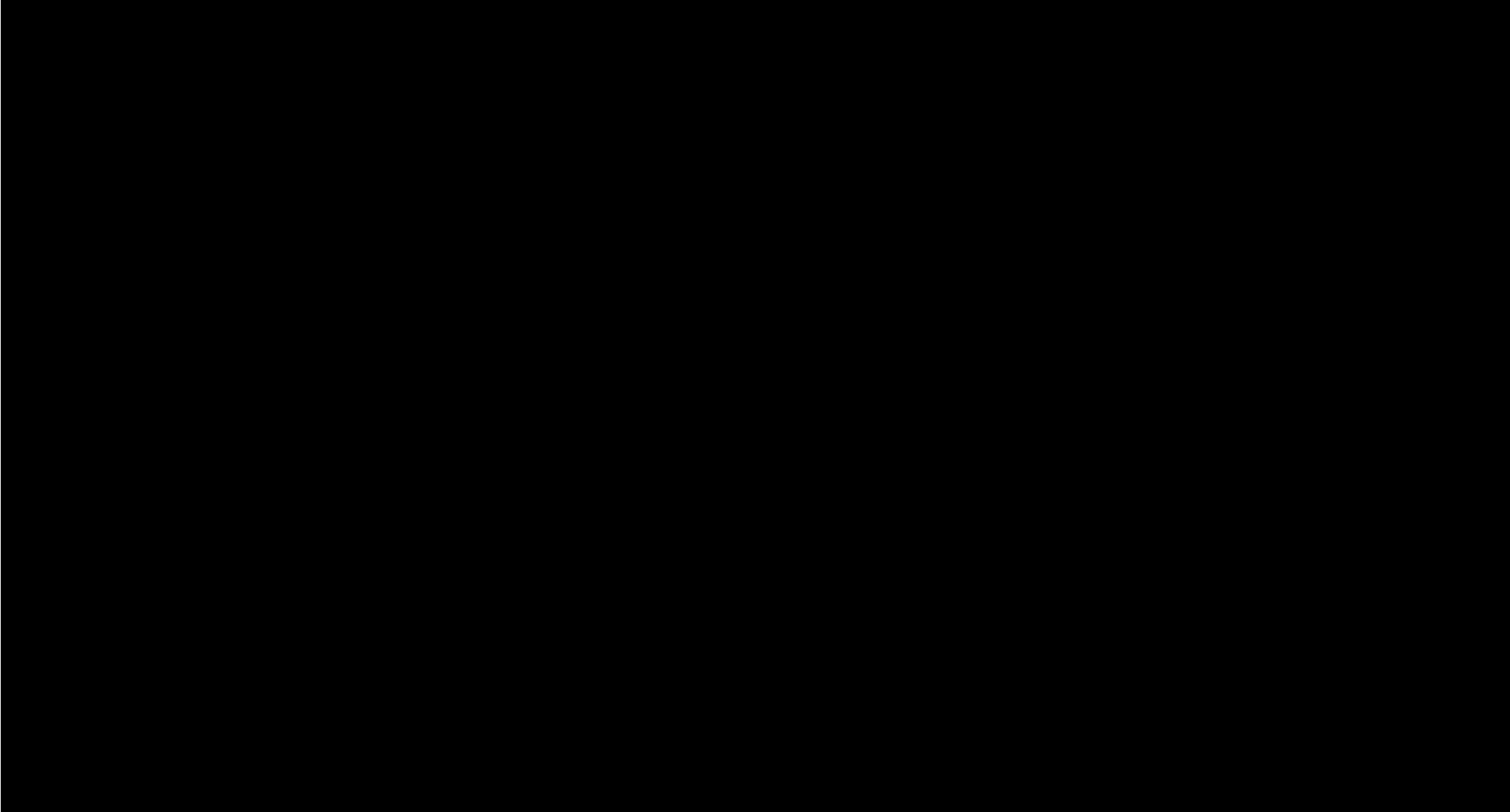
CONFIDENTIAL

CONFIDENTIAL — CONTAINS PROTECTED INFORMATION



CONFIDENTIAL

CONFIDENTIAL — CONTAINS PROTECTED INFORMATION

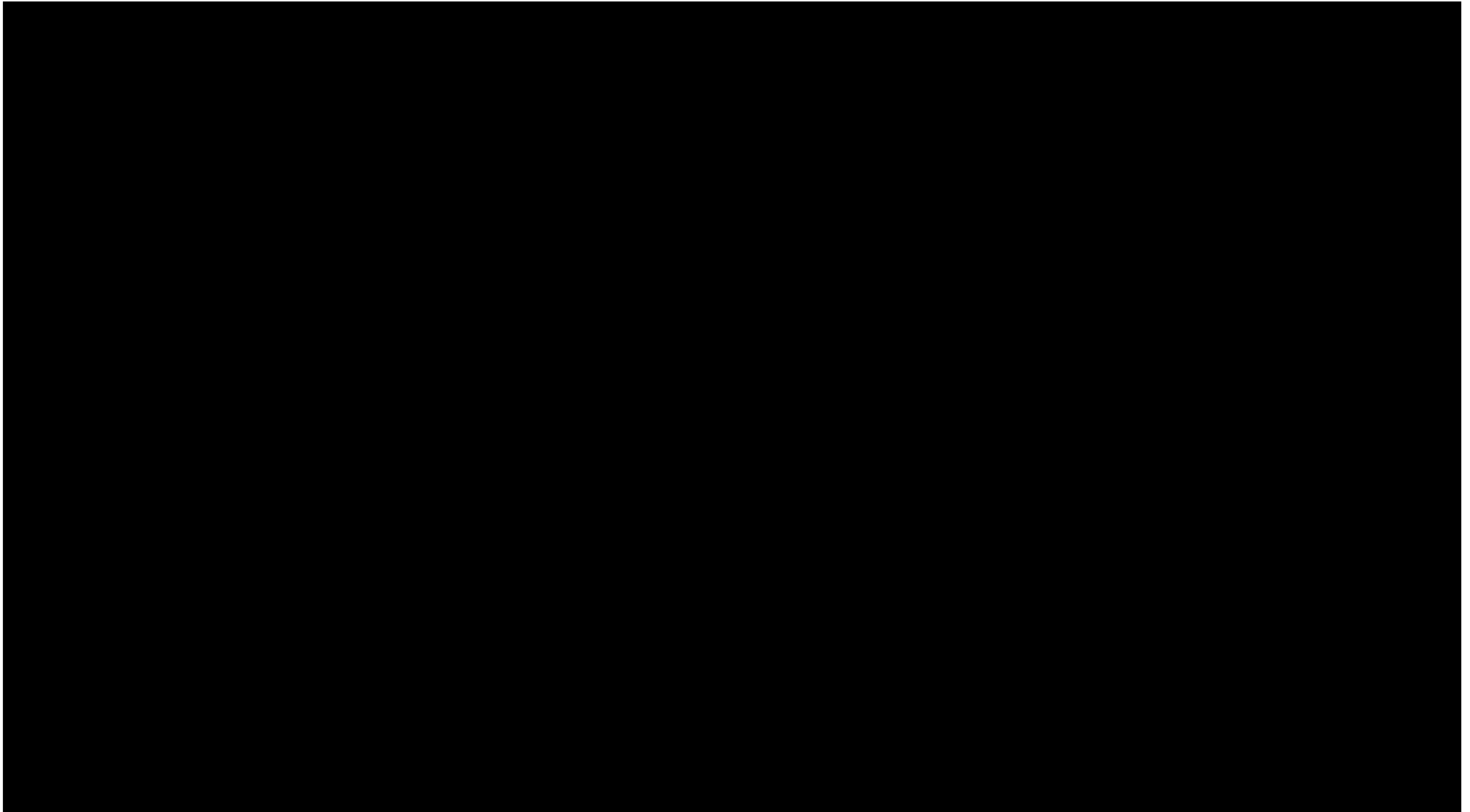


CONFIDENTIAL

CONFIDENTIAL — CONTAINS PROTECTED INFORMATION

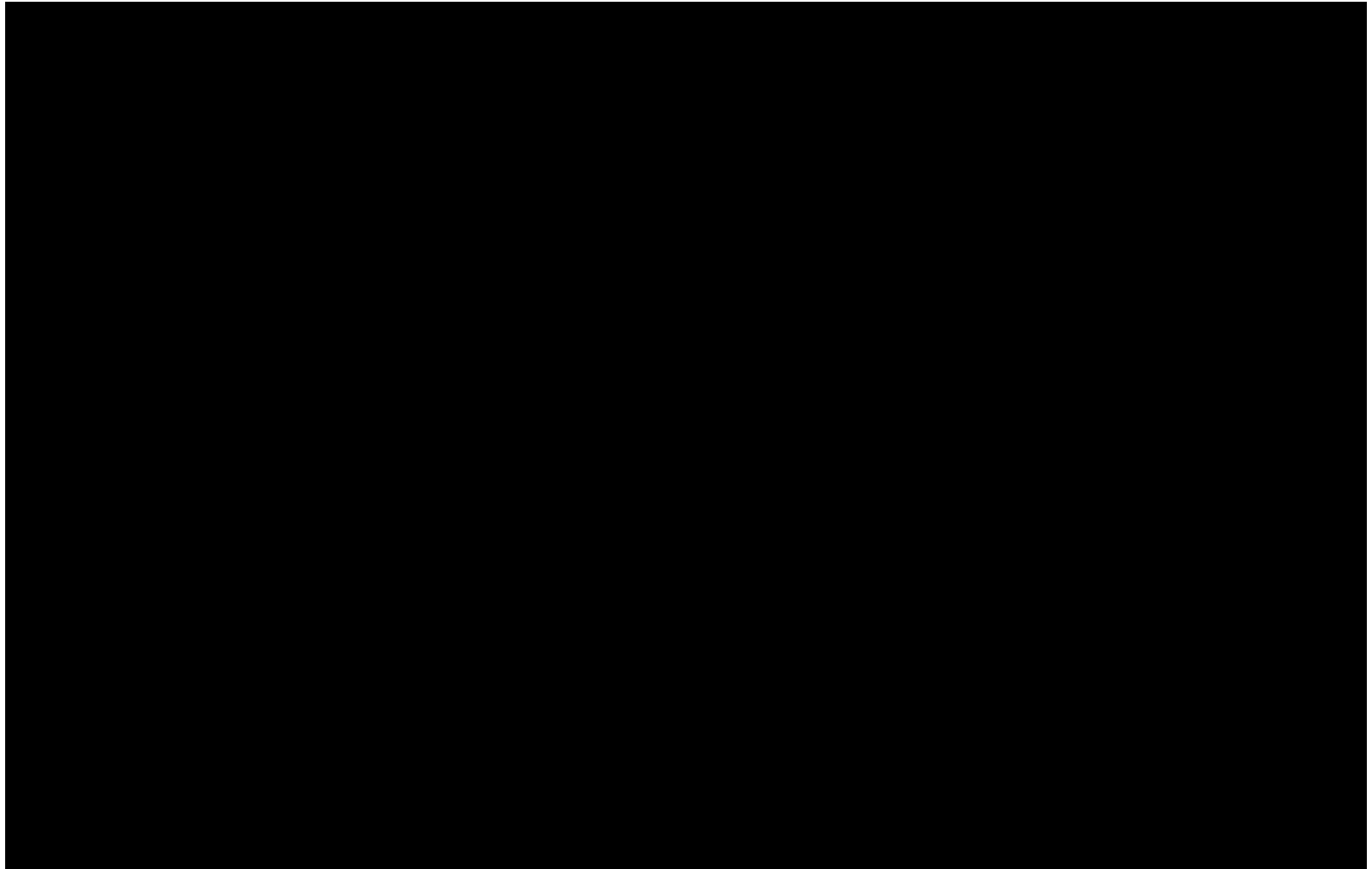
1

CONFIDENTIAL — CONTAINS PROTECTED INFORMATION



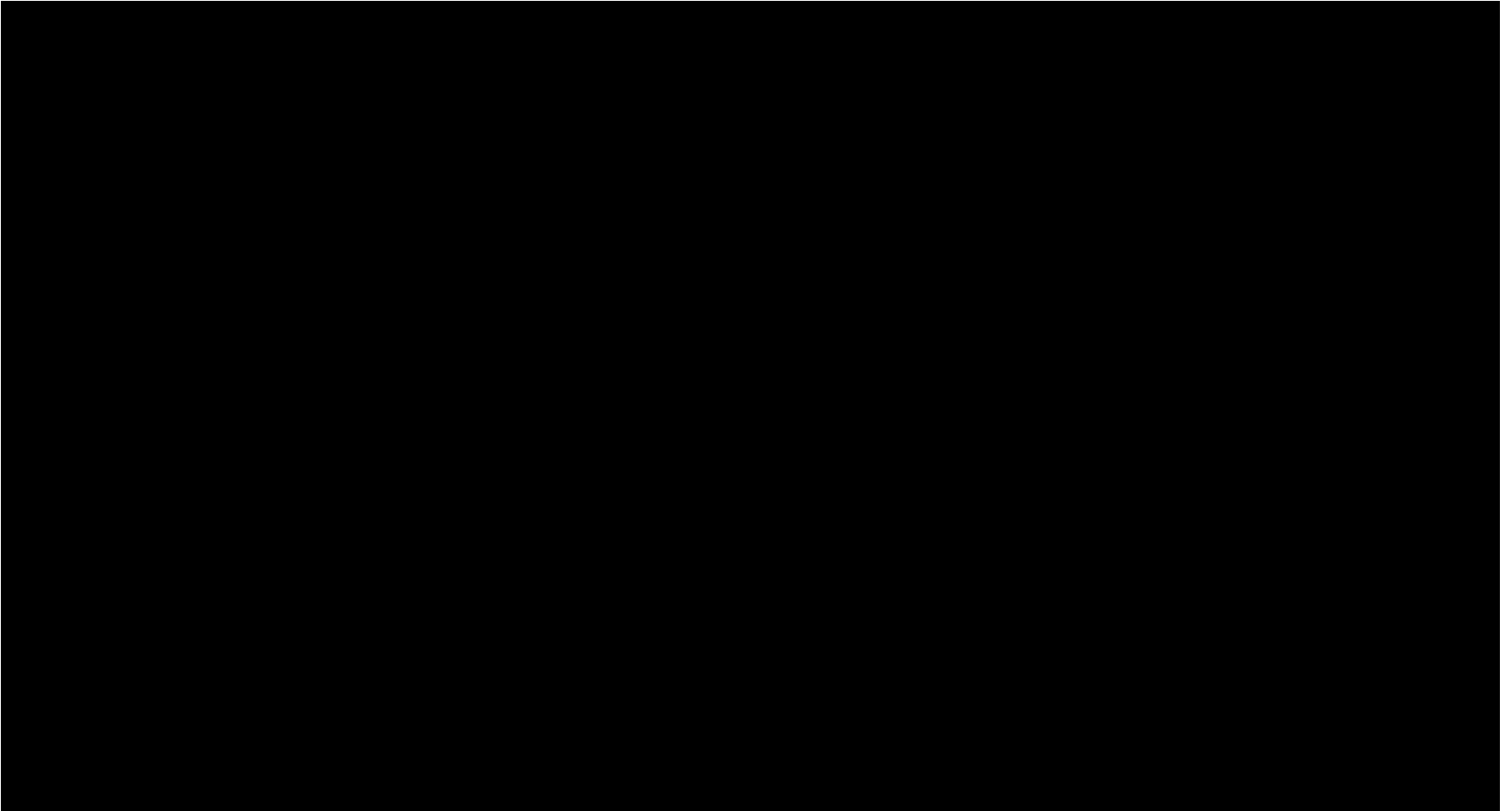
CONFIDENTIAL

CONFIDENTIAL — CONTAINS PROTECTED INFORMATION



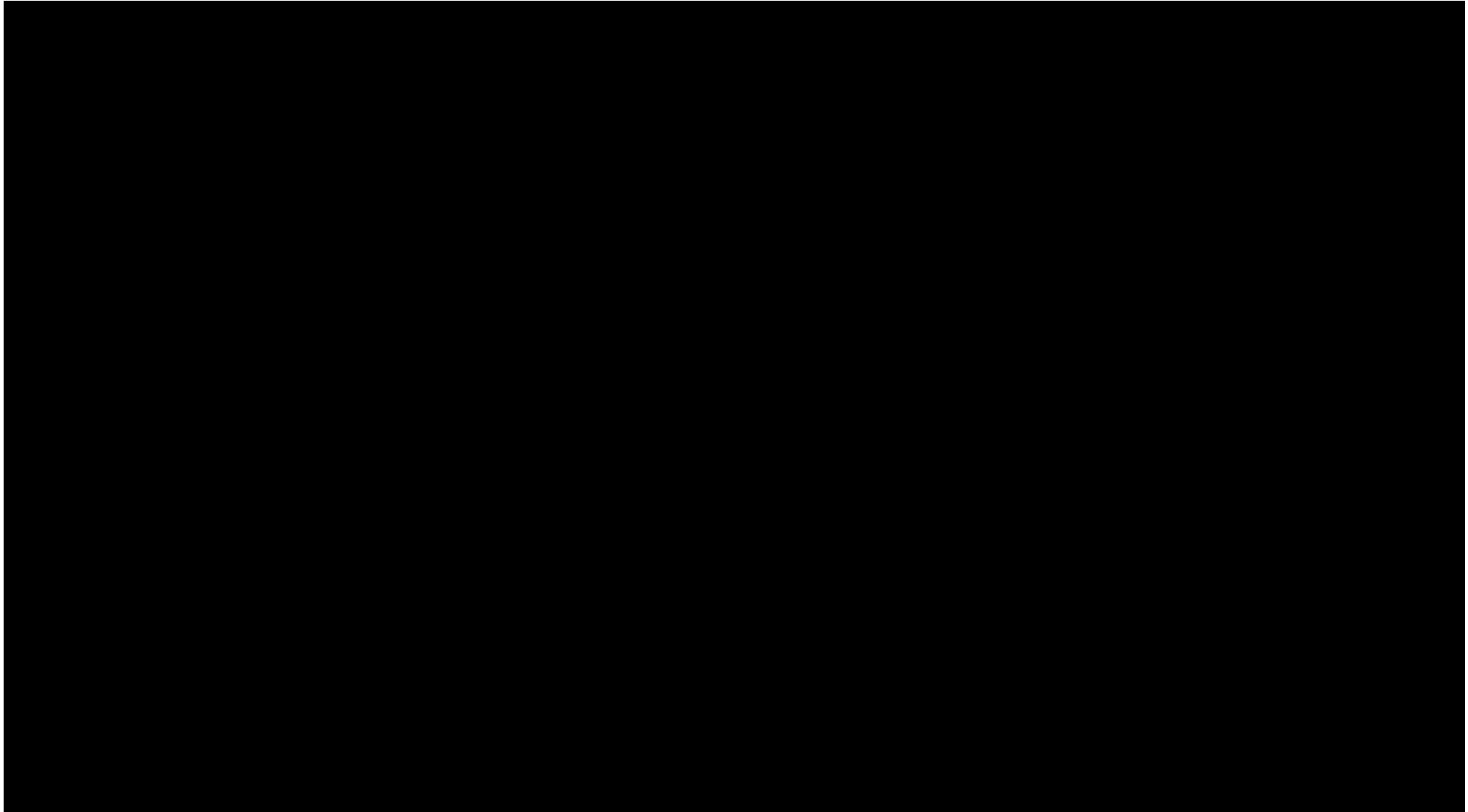
CONFIDENTIAL

CONFIDENTIAL — CONTAINS PROTECTED INFORMATION



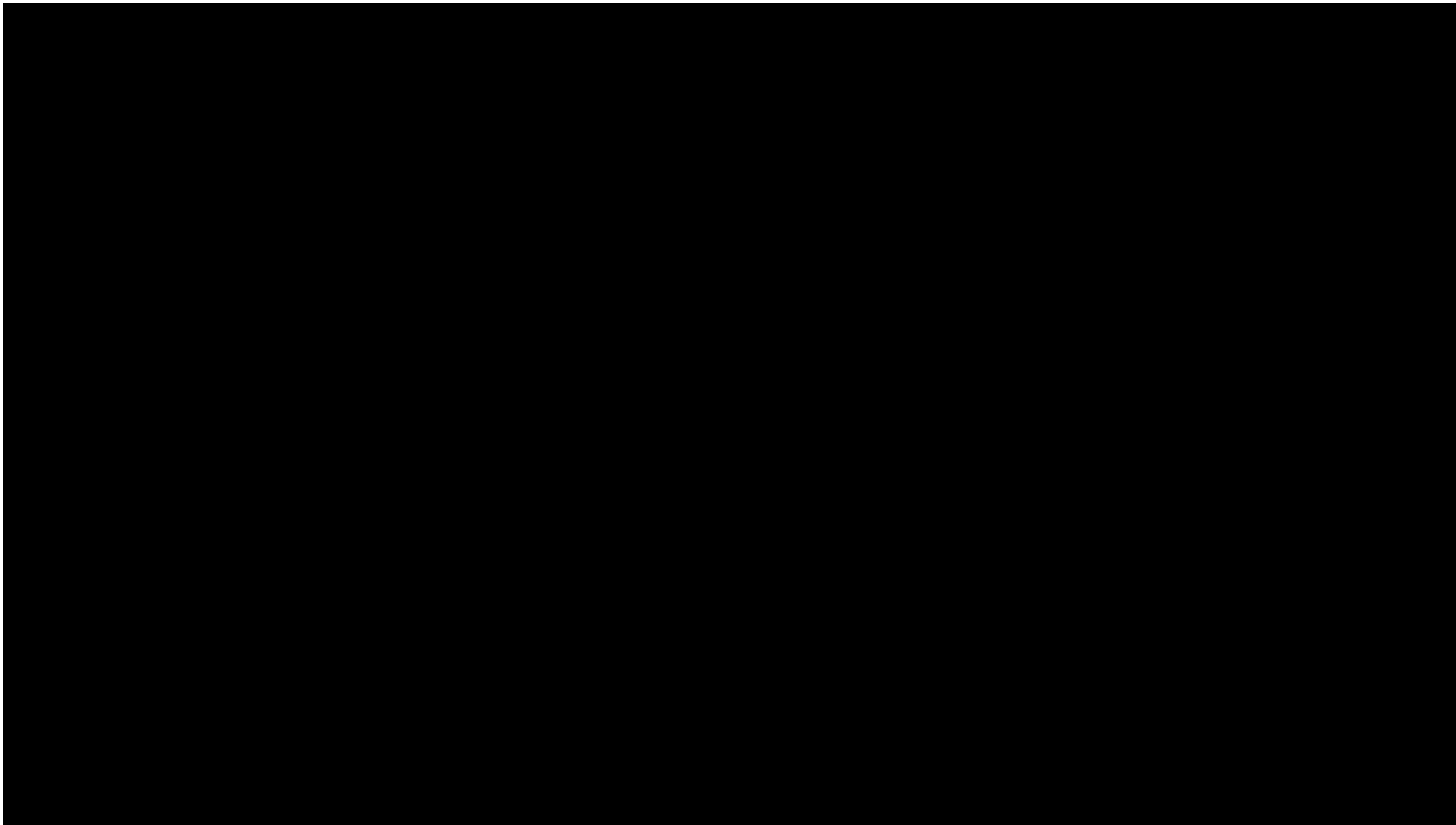
CONFIDENTIAL

CONFIDENTIAL — CONTAINS PROTECTED INFORMATION



CONFIDENTIAL

CONFIDENTIAL — CONTAINS PROTECTED INFORMATION



CONFIDENTIAL

CONFIDENTIAL — CONTAINS PROTECTED INFORMATION

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**LIBERTY UTILITIES (EASTERN WATER HOLDINGS) CORP.'S
RESPONSE TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST
Liberty Utilities and New York American Water**

Request No.: DPS-107

Requested By: Jane Wang

Date of Request: June 18, 2020

Response Due: June 28, 2020

Revised Response Due Date: June 29, 2020 (June 28, 2020 is a Sunday)

Witness: Liberty Utilities (Eastern Water Holdings) Corp. Panel

Subject: Synergy Savings

LIBERTY EASTERN'S INSTRUCTION

Liberty Eastern hereby incorporates by reference the General Definitions provided in its response to DPS-1.

On pages 35-36 of the Order Adopting the Terms of the Joint Proposal (Issued and Effective on October 18, 2019) in Liberty's acquisition of St. Lawrence Gas (SLG) in Case 18-G-0140, the Commission directed Liberty to track and report any synergy savings resulting from future mergers and acquisitions.

In testimony you recognize NYAW as a well-managed utility with a history as a successful utility operator. The acquisition, if approved, will bring roughly 125,000 customers to LUCo's operations in North America, which currently serve 168,000 water and wastewater customers, and a total of 802,700 customers taking electric, gas, water and wastewater services, based on information provided on page 8 of the Joint Petition in this proceeding.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-107.1

What is the plan of LUCO or its parent company, APUC, to streamline operations, eliminate duplicate functions, take advantage of the economy of scales, and make other organizational changes within the APUC organization post the acquisition of NYAW?

Liberty Eastern's Response to DPS-107.1.

As a result of the growth in its regulated utility companies, in 2017 Liberty Utilities was organized into three regions (East, Central, and West) for management purposes. As stated in the pre-filed testimony of Liberty Eastern, if the transaction is approved, NYAW will become part of Liberty Utilities' existing East Region, including oversight by the East Region Board of Directors. The Transaction as contemplated will ensure that all local employment will continue without impact or increase. Specifically, functions performed from shared services will in certain cases (i.e., customer service, etc.) be repatriated to the service territory to increase employment, or in the case of centralized functions (i.e. treasury, IT, risk management, etc.) will be replaced by similar corporate functions at Liberty Utilities. The net result of these changes was identified in DPS 37 and resulted in \$320K per year in efficiencies. Furthermore, as the Transaction is an addition to Liberty's existing customer base, there are no planned organizational changes to APUC's operations as a result.

Name and Title of Person(s) Responsible for Response: Jody McEachran, Senior Director, Regulatory Strategy, Liberty Utilities

Date: June 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-107.2

Provide the estimated quantitative synergy savings resulting from the above actions that LUCo or APUC will be taking post the acquisition of NYAW. Support your estimate with workpaper and all relevant documents.

Liberty Eastern's Response to DPS-107.2.

Please refer to Liberty Eastern's response to DPS-37, which provides estimated savings related to reduced corporate support costs.

Name and Title of Person(s) Responsible for Response: Jody McEachran, Senior Director, Regulatory Strategy, Liberty Utilities

Date: June 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-107.3

Are there any income tax benefits applicable to the acquisition of NYAW in US and/or in Canada? Provide an estimated level of income tax benefits, if any, with supporting documents.

Liberty Eastern's Response to DPS-107.3.

The Company does not expect any administrative income tax benefits on a recurring annual basis from synergies between SLG and NYAW as a result of the acquisition. The acquisition is expected to increase the complexity of the filing of the Company's New York income tax return.

Name and Title of Person(s) Responsible for Response: Laura Naclerio, Senior Director, Tax, Liberty Utilities

Date: June 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-107.4

How much of the above estimated synergy savings and income tax benefits will be allocated to the acquired NYAW and SLG, respectively?

Liberty Eastern's Response to DPS-107.4.

Not applicable. Please see Liberty Eastern's response to DPS-107.3.

Name and Title of Person(s) Responsible for Response: Laura Naclerio, Senior Director, Tax, Liberty Utilities

Date: June 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-107.5

If LUCo or APUC do not plan to take any of the actions referred to in question 1, explain why.

Liberty Eastern's Response to DPS-107.5.

Please see Liberty Eastern's response to DPS-107.1.

Name and Title of Person(s) Responsible for Response: Jody McEachran, Senior Director,
Regulatory Strategy, Liberty Utilities

Date: June 29, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

Proposed Rate Base Credit

SUMMARY

NPV of Rate Base Deductions under current ownership	NPV of Rate Base Deductions with RB Offset	Difference between RB offset and current proposal
1,000,000	1,000,000	0

\$14,177,491
\$14,268,083
<u>\$90,591</u>

Rate Base Offsets under Current Ownership				
	Delta of pre to post ADIT	Pre-Tax WACC (current approved)	Impact if rates filed	Net Present Value of Remaining Offset
		8.14%		
			Total NPV of ADIT to Ratepayers post first rate increase in 2023	
			(\$34,663,391)	(\$14,177,491)
Year				
2019	(69,470,884)			
2020	(69,703,323)		\$ (5,673,850)	(\$2,320,632)
2021	(67,933,194)		\$ (5,529,762)	(\$2,261,699)
2022	(63,665,314)		\$ (5,182,357)	(\$2,119,608)
2023	(60,336,022)		\$ (4,911,352)	(\$2,008,766)
2024	(57,793,701)		\$ (4,704,407)	(\$1,924,125)
2025	(55,301,587)		\$ (4,501,549)	(\$1,841,155)
2026	(52,865,612)		\$ (4,303,261)	(\$1,760,054)
2027	(50,593,720)		\$ (4,118,329)	(\$1,684,416)
2028	(48,474,166)		\$ (3,945,797)	(\$1,613,850)
2029	(46,312,773)		\$ (3,769,860)	(\$1,541,891)
2030	(44,097,127)		\$ (3,589,506)	(\$1,468,125)
2031	(41,749,066)		\$ (3,398,374)	(\$1,389,951)
2032	(39,274,687)		\$ (3,196,960)	(\$1,307,572)
2033	(36,711,357)		\$ (2,988,304)	(\$1,222,231)
2034	(34,083,752)		\$ (2,774,417)	(\$1,134,750)
2035	(31,419,305)		\$ (2,557,531)	(\$1,046,042)
2036	(28,705,854)		\$ (2,336,656)	(\$955,704)
2037	(25,936,597)		\$ (2,111,239)	(\$863,507)
2038	(23,099,451)		\$ (1,880,295)	(\$769,050)
2039	(20,185,004)		\$ (1,643,059)	(\$672,019)
2040	(17,187,087)		\$ (1,399,029)	(\$572,209)
2041	(14,059,626)		\$ (1,144,454)	(\$468,087)
2042	(10,809,212)		\$ (879,870)	(\$359,871)
2043	(7,416,033)		\$ (603,665)	(\$246,902)
2044	(3,726,420)		\$ (303,331)	(\$124,064)
2045	(3,108,014)		\$ (252,992)	(\$103,475)
2046	(3,000,188)		\$ (244,215)	(\$99,885)
2047	(2,885,497)		\$ (234,879)	(\$96,067)
2048	(2,759,044)		\$ (224,586)	(\$91,857)
2049	(2,620,266)		\$ (213,290)	(\$87,236)
2050	(2,458,182)		\$ (200,096)	(\$81,840)
2051	(2,279,190)		\$ (185,526)	(\$75,881)
2052	(2,090,104)		\$ (170,134)	(\$69,586)
2053	(1,854,540)		\$ (150,960)	(\$61,743)
2054	(1,505,131)		\$ (122,518)	(\$50,110)
2055	(1,204,114)		\$ (98,015)	(\$40,089)
2056	(875,102)		\$ (71,233)	(\$29,135)
2057	(551,745)		\$ (44,912)	(\$18,369)
2058	(171,476)		\$ (13,958)	(\$5,709)
2059	17,149		\$ 1,396	\$571
2060	17,149		\$ 1,396	\$571

[illegible]

	Plant related ADIT in Rate Base	
Protected ADIT	(28,413,921)	40.9%
Unprotected ADIT	<u>(41,056,963)</u>	59.1%
Total	<u>(69,470,884)</u>	

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**LIBERTY UTILITIES (EASTERN WATER HOLDINGS) CORP.'S
RESPONSE TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST
Liberty Utilities and New York American Water**

Request No.: DPS-203

Requested By: Srirangaram Seshadri & Michael Colby

Date of Request: August 21, 2020

Response Due: August 31, 2020

Witness: Liberty Utilities (Eastern Water Holdings) Corp.

Subject: Future Capital Expenditures

LIBERTY EASTERN'S INSTRUCTION

Liberty Eastern hereby incorporates by reference the General Definitions provided in its response to DPS-1.

DPS-203.1

Does Liberty agree with the NYAW capital spending levels from the beginning of 16-W-0259 rate case and NYAW projected spending for rate year 4, rate year 5 (4/1/2021 to 3/31/2022), rate year 6 (4/1/2022 to 3/31/2023) and rate year 7 (4/1/2023 to 3/31/2023), as provided in IR DPS-86? If not, explain.

Liberty Eastern's Response to DPS-203.1.

As stated in the Joint Petitioner's response to DPS-39.1, as well as the response to DPS-86.2, Liberty Eastern plans to adopt NYAW's capital budget without material changes.

Name and Title of Person(s) Responsible for Response: Peter Eichler, President, Liberty Utilities (Massachusetts)

Date: August 31, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-203.2

If the Commission orders a stay out for rate year 6, does Liberty commit to the complete the specific projects and the associated spending levels on each of the specific projects, as provided in IR DPS-86, for rate year 6? If not, explain.

Liberty Eastern's Response to DPS-203.2.

In its Direct Testimony, Liberty Eastern committed to a base rate freeze through rate year 6 (i.e. new base rates will not go into effect before April 1, 2023), and as stated in response to DPS-203.1 also plans to adopt NYAW's capital budget for rate year 6.

Name and Title of Person(s) Responsible for Response: Jody McEachran, Senior Director, Regulatory Strategy, Liberty Utilities

Date: August 31, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-203.3

In Liberty's prior utility acquisitions, how has it reduced capital expenditure costs and project cost overruns? How does Liberty plan to reduce capital expenditure and project cost overruns for NYAW? Explain with some examples and quantify savings achieved.

Liberty Eastern's Response to DPS-203.3.

At the completion of the Transaction, NYAW will follow the Liberty Capital Expenditures Planning and Management Policy previously described and provided in Liberty Eastern's response to DPS-178.1. As stated in Liberty Eastern's response to DPS-178.1, NYAW will also adopt and follow the same capitalization and budgeting processes as other Liberty Utilities affiliates.

In response to examples of where these policies have proven favorable for customers, Liberty takes a more holistic view of its ability to provide value to its customers. That means that in some instances, it will reduce capex to benefit customers, and in other cases where other expenses can be reduced, additional investments can be made. Several examples of this approach are provided below:

1. After the acquisition of The Empire District Electric Company, Liberty identified an opportunity to reduce long-term costs for customers by retiring a coal-fired generation facility and replacing it with the construction of 600MW wind generation. This project was put forward to the Missouri Public Service Commission and has received approval to be constructed. The project is expected to result in benefits of \$295M over its 30-year life for Liberty's customers.
2. As a second example, Liberty identified an opportunity to enhance water sustainability and increase resiliency for customers in Arizona through the reuse of high-quality effluent water by investing in the construction of an underground storage facility capable of recharging 5,000 acre-feet of effluent annually. This will provide sustainable water recharge at a fixed cost for the 99-year life of the project. This facility is constructed in partnership with the Central Arizona Water Conservation District and has received recognition of the "Water Deal of the Year" in 2017 by the Global Water Awards.
3. Additionally, with the growing customer base of its natural gas utility in New Hampshire, Liberty identified a need and opportunity to acquire additional gas supply and pipeline capacity to serve the growing demand. While initially the project was designed to save customers money by constructing a new facility at a cost of over \$400 million that would allow for lower cost fuels, ultimately, Liberty identified an enhanced solution which would save customers additional money on their bills and reduced the capital expenditure requirements to approximately \$50 million.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

These are several examples of how Liberty's holistic approach seeks to ensure that customers' bills are reduced while securing supply over the long term.

Name and Title of Person(s) Responsible for Response: Peter Eichler, President, Liberty Utilities (Massachusetts)

Date: August 31, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**LIBERTY UTILITIES (EASTERN WATER HOLDINGS) CORP.'S
RESPONSE TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST
Liberty Utilities and New York American Water**

Request No.: **DPS-204 (DPS-199 Revised)**

Requested By: Jane Wang

Date of Request: August 25, 2020

Response Due: September 5, 2020

Revised Response Due Date: September 8, 2020 (September 5 is a Saturday)

Witness: Joint Petitioners

Subject: Section 338 Election

LIBERTY EASTERN'S INSTRUCTION

Liberty Eastern hereby incorporates by reference the General Definitions provided in its response to DPS-1.

Through informal conversations with DPS staff, you indicated that it is not Liberty's intention to harm ratepayers by making the IRS Section 338 Election. You provided a draft Excel calculation that estimates the impact on ADIT and thus rate base as a result of the 338 Election. You further indicated that in accordance with IRS private letter rulings previously provided to staff in DPS-85, retaining ADIT as an offset to rate base post the sales transaction would result in a normalization violation.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-204.1

NYAW's December 2019 balance sheet indicates a total ADIT balance of \$66,702,653, offsetting rate base. Explain in detail the petitioner's proposal so that the Section 338 Election would not harm ratepayers when the roughly \$66.7 million ADIT is reset to zero.

Liberty Eastern's Response to DPS-204.1.

As previously communicated in Liberty Eastern's response to DPS-85.1, the IRS has indicated in private letter rulings that when a section 338(h)(10) election is made with respect to a 100% stock purchase of a target utility, a normalization requirement would be violated if the target's rate base were reduced for the unamortized ADIT attributable to accelerated depreciation on public utility property claimed before the transaction. Having a normalization violation would harm ratepayers as NYAW would be forced to use straight-line depreciation over the book life of the assets for tax purposes which would significantly reduce the amount of protected ADIT that could be used as a rate base offset in the future.

Liberty proposes the following in order to mitigate any harm to ratepayers as a result of the s. 338(h)(10) election:

1. Liberty proposes a 2 year rate freeze from the date of acquisition which would lock the rates to the benefit of ratepayers, effectively lowering customers' rates and charges for another two years.
2. Liberty proposes to retain the un-protected portion of the ADIT at the time of closing as a rate base offset after the rate freeze. We estimate that currently approximately 59% of the \$67 million of ADIT that exists as at 12-31-2019 is un-protected. We propose that this rate base offset be amortized over 40 years which represents the estimated average remaining life of the plant. In other words, the unprotected balance would continue to be reflected as a credit to rate base for ratemaking purposes in the same manner as if the Transaction hadn't occurred.
3. In order to mitigate any potential remaining harm to ratepayers, Liberty proposes to establish a merger credit equivalent to \$27.75 million rate base credit which would be reflected in the future ratemaking and amortize over a period of 20 years. By including this rate base credit, all benefits of the Transaction will enure to customers. Please see "DPS-204_Liberty Eastern Response_Attachment.xls" for the calculation of the rate base offset.

Lastly, please note that any amounts contained herein are indicative utilizing December 31, 2019 balances and will require updating to the actual closing date.

Name and Title of Person(s) Responsible for Response: Laura Naclerio, Senior Director, Tax, Liberty Utilities

Date: September 8, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-204.2

Explain in detail why it is not appropriate to reset the ADIT to zero by recording a regulatory liability equal to the revenue requirement effect of the ADIT balance at the time of the transaction close, *i.e.* gross up the ADIT balance by the effective income tax rate. Support your response with documents and workpapers.

Liberty Eastern's Response to DPS-204.2.

It is not appropriate to reset the ADIT to zero by recording a regulatory liability equal to the revenue requirement effect of the ADIT balance at the time of the transaction because recording such a liability in place of the protected ADIT balance would result in a normalization violation. Therefore, Liberty Eastern proposes the methodology outlined in DPS-204.1.

Name and Title of Person(s) Responsible for Response: Laura Naclerio, Senior Director, Tax, Liberty Utilities

Date: September 8, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-204.3

As shown in the attached draft calculation, you calculated the differences between the estimated ADIT balances without the Section 338 Election and the ADIT balances under the Section 338 Election, over the remaining life the assets. You then calculate the net present value (NPV) of the associated revenue requirement impact with and without the Section 338 Election, or \$34,663,391 and \$34,692,270 respectively.

- a. Explain whether Liberty can provide a rate credit to the ratepayers or establish a regulatory liability for the ADIT that exists immediately prior to the acquisition.
- b. Provide the amount of the rate credit or regulatory liability post the sales transaction by year over the remaining life of the plant assets.
- c. If the rate credit or regulatory liability provided above is different from that provided in the draft calculation, provide your calculation as an Excel attachment.
- d. Provide the proposed journal entries to record the rate credit or regulatory liability immediately post the transaction close.
- e. Since the proposed rate credit or regulatory liability was not reflected in the Joint Petitioners' response to DPS-63, update your response to DPS-63 to provide the balance sheets of NYAW and Liberty Eastern, post the sales transaction.

Liberty Eastern's Response to DPS-204.3.

- a. As an initial matter, the example provided in the draft spreadsheet has been modified, as Liberty Eastern's advisors have confirmed that continuation of the unprotected balances would not constitute a normalization violation. The purpose of the draft schedule was to provide an indicative example of how the section 338(h)(10) election works. To provide a rate credit to the ratepayers or establish a regulatory liability for the entire ADIT balance that exists immediately prior to the acquisition would result in a normalization violation. See response to DPS-204.1.
- b. Please see response to DPS-204.1.
- c. Please see response to DPS-204.1.
- d. Based on guidance from Liberty Eastern's auditors, journal entries are not required. Rather, these credits will be calculated in each future rate case consistent with any potential order issued in this docket.

This is because merger credits do not represent an obligation to transfer assets, nor an obligation to refund amounts previously collected from customers. Rather, they represent a requirement to accept a reduced return on future sales.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

- e. No update required. Please see response to DPS-204.3(d).

Name and Title of Person(s) Responsible for Response: Laura Naclerio, Senior Director, Tax,
Liberty Utilities

Date: September 8, 2020

Entity on Behalf of Which the Response is Provided: Liberty Eastern

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

**NEW YORK AMERICAN WATER COMPANY, INC.'S AND
AMERICAN WATER WORKS COMPANY, INC.'S RESPONSE TO
STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

New York American Water Company, Inc. and American Water Works Company, Inc.

Request No.: DPS-207

Requested By: Jane Wang

Date of Request: August 29, 2020

Response Due: September 16, 2020 (via extension)

Witness: Joint Petitioners

Subject: NYAW Plant Assets in East Massapequa

NYAW'S AND AWW'S INSTRUCTIONS

NYAW and AWW hereby incorporate by reference the General Definitions provided in Liberty Eastern's response to DPS-1.

In response to the Commission's Notice Soliciting Comments issued on June 22, 2020, Massapequa Water District (MWD) filed its comments indicating its interest in acquiring a portion of NYAW's system in the East Massapequa area. The MWD provided a valuation study with its comments showing the map, number of customers, and other information pertaining to the said area.

PUBLIC SERVICE COMMISSION

CASE 20-W-0102

DPS-207.1

Provide a table listing all NYAW's water production and distribution assets within the East Massapequa area, including the original cost and accumulated depreciation for each asset.

NYAW's Response to DPS-207.1:

NYAW and AWW object to this request as unduly burdensome and as calling for a special study, because the information is not available in the format requested.

NYAW and AWW also object to this request because it is not tailored to the proceeding and commensurate with the importance of the issues to which it relates and seeks information or documents that is or are not relevant to the PSC's determination in this proceeding. This is a proceeding under Part 39 of the Commission's regulations in which Liberty is seeking permission to acquire the stock of NYAW. Massapequa Water District's interest in acquiring a portion of NYAW's system in the East Massapequa area and the value of that portion of NYAW's system are not relevant to Liberty's proposed acquisition of NYAW's stock.

Even if the value of the water production and distribution assets within the East Massapequa area are relevant in this proceeding, which they are not, NYAW and AWW object to this request, because original cost less depreciation ("OCLD") is not a recognized method of valuation of a water utility.

Subject to and without waving any the foregoing objections, AWW and NYAW provide the following response:

The NYAW assets serving the East Massapequa customers are included in NYAW's overall continuing property records ("CPR") for the Merrick District. While NYAW maintains assets that are specifically identified to the East Massapequa service area, the majority of the assets making up the transmission and distribution system serving East Massapequa are not recorded on an operating unit basis, GIS data does not include original cost or depreciation on a service area-specific basis, and there are corporate assets that serve the East Massapequa area which are not reflected on an operating unit basis. Furthermore, NYAW owns real property in the East Massapequa area which would need to be valued in any subsequent taking proceeding if filed.

Name and Title of Person(s) Responsible for Response: John T. Kilpatrick, Engineering Manager

Date: September 16, 2020

Entity on Behalf of Which the Response is Provided: NYAW

Goodwill Percentage of Capitalization

	Utility Parent Co	Common Equity (in Millions)	Assets (In Million)	Goodwill (In Millions)	Goodwill / Equity	Goodwill / Assets	Fiscal Year End
1	American Water Works	\$ 6,121.0	\$ 22,682.0	\$ 1,501.0	24.52%	6.62%	12/31/2019
2	Avangrid Inc.	\$ 15,257.0	\$ 34,416.0	\$ 3,127.0	20.50%	9.09%	12/31/2019
3	Consolidated Edison Inc.	\$ 18,022.0	\$ 58,079.0	\$ 446.0	2.47%	0.77%	12/31/2019
4	Fortis Inc.	\$ 13,033.9	\$ 41,173.9	\$ 9,255.0	71.01%	22.48%	12/31/2019
5	National Fuel Gas Company (NFG)	\$ 2,139.0	\$ 6,462.2	\$ 5.5	0.26%	0.09%	9/30/2019
6	National Grid plc ²	\$ 24,354.8	\$ 83,526.1	\$ 7,760.1	31.86%	9.29%	3/31/2020
				Goodwill Average	25.10%	8.05%	

¹ Source: S&P (Capital IQ)² Totals in reported in US Currency