

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on September 19, 2007

COMMISSIONERS PRESENT:

Patricia L. Acampora, Chairwoman
Maureen F. Harris
Robert E. Curry, Jr.
Cheryl A. Buley

CASE 07-W-0711 - Joint Petition of Aqua New York, Inc.,
Cambridge Water Works Company, Inc., Dykeer
Water Company, Inc., Waccabuc Water Works, Inc.
and Wild Oaks Water Company, Inc. for an Order
Approving Merger and transfer of Franchises,
Works and Systems Pursuant to PSL Sections 89-h
and 108.

ORDER AUTHORIZING MERGER AND TRANSFER OF
FRANCHISES, WORKS AND SYSTEMS

(Issued and Effective September 24, 2007)

BY THE COMMISSION:

INTRODUCTION

On June 15, 2007, Aqua New York, Inc. (Aqua NY),
Cambridge Water Works Company (Cambridge), Dykeer Water Company,
Inc. (Dykeer), Waccabuc Water Works Inc. (Waccabuc) and Wild
Oaks Water Company, Inc. (Wild Oaks) filed a joint petition
requesting that the Commission authorize the merger of
Cambridge, Dykeer, Waccubuc, and Wild Oaks (collectively
referred to as the "Four Subsidiaries") into Aqua NY.
Thereafter, the Four Subsidiaries would cease to exist and their
shares of stock cancelled. A notice of proposed rulemaking was
published in the State Register on July 11, 2007. In addition,
the environmental review conducted pursuant to the State

Environmental Quality Review Act (SEQRA)¹ disclosed that the proposed transfer will not have a significant adverse impact on the environment. A copy of the negative declaration adopted by the Commission, as lead agency, is on file in our offices.²

Aqua NY is a wholly-owned subsidiary of Aqua Utilities, Inc. which, in turn, is a wholly-owned subsidiary of Aqua America, Inc, (Aqua America). The Four Subsidiaries are wholly-owned subsidiaries of Aqua NY. Aqua America is a Pennsylvania corporation that owns public utilities in 13 different states, including the aforementioned five companies in New York. Aqua NY is a New York corporation that, along with the Four Subsidiaries, has its principal office in Bryn Mawr, Pennsylvania.

Aqua NY provides service through six water systems in Nassau, Westchester, Ulster and Washington Counties. Cambridge is a New York corporation that provides water service in portions of Washington County and fire service to the Village of Cambridge. Dykeer provides water service in the Hamlet of Lincolndale, Westchester County. Waccubuc is a New York corporation that furnishes water service in the Town of Lewisboro, Westchester County. Wild Oaks is a New York corporation that provides water service in Goldens Bridges, Westchester County and fire service to the Goldens Bridges Fire Department. The Four Subsidiaries are currently doing business as Aqua NY.

We find that the proposed transaction will not have a significant effect on the environment and grant the petition because the merger and transfer are in the public interest.

¹ Environmental Conservation Law, Article 8. The implementing regulations are contained in 6 NYCRR Part 600.

² 6 NYCRR § 617.12 (b)(2).

DESCRIPTION OF TRANSACTION

This transaction will merge the Four Subsidiaries into Aqua NY. Each of the Four Subsidiaries will transfer or assign all of its assets and liabilities to Aqua NY including all franchises, consents, permits, contracts, licenses and certificates. In addition to Commission approval, Aqua America and the Four Subsidiaries must receive permission from the Department of Environmental Conservation to transfer permits from the Four Subsidiaries to Aqua NY. When the merger is consummated, the shares of the Four Subsidiaries will be cancelled, leaving Aqua NY as the surviving entity. The consolidation of these companies is demonstrated on Appendix 1.

After the merger, Aqua NY will remain a water-works corporation as defined in Section 2(27) of the Public Service Law. The rates currently charged by each of these companies will not be affected by the merger. However, if approval is granted for this petition, then Aqua NY intends to submit to the Commission a new request which would seek authorization to consolidate the rates of Aqua NY and the Four Subsidiaries.

PUBLIC INTEREST CONSIDERATION

Aqua NY and the Four Subsidiaries are effectively operating now as one company, but keeping separate books and records in accordance with accepted accounting and ratemaking practices. Financing requirements are effectuated at Aqua America. Aqua America performs many significant functions for Aqua NY and the Four Subsidiaries. Insurance coverage is provided jointly for each company and operating and maintenance expenses are performed by outside contractors.

The books and records for Aqua NY and each of the Four Subsidiaries remain separate at this time. The petitioners state that over time the operating costs and capital costs for each subsidiary will converge. As a result of this, the petitioners state they expect that rates and charges for Aqua NY and the Four Subsidiaries would move toward system-wide uniformity. Maintaining separate corporate entities and operating each subsidiary as individual entities does not benefit the public interest. In fact, given that cost control, resource sharing, capital improvements, and operational efficiencies are implemented on a system-wide basis, treating the companies as individual entities does not serve the public interest. When the cost of administering the books and records of five separate entities is considered vis-à-vis the cost of maintaining one set of records, we conclude that this transaction is in the public interest because of the likelihood of efficiencies.

ENVIRONMENTAL QUALITY REVIEW

Under the State Environmental Quality Review Act (SEQRA), Article 8 of the Environmental Conservation Law, and its implementing regulations (6 NYCRR Part 617) and 16 NYCRR Part 7, the Commission must determine whether the proposed transfer will have a significant impact on the environment. The proposed action requests approval of the merger of the Four Subsidiaries into Aqua NY. Since the proposed action does not meet the definition of Type I or Type II actions contained in 6 NYCRR §617.4, 617.5, and 16 NYCRR §7.2, it is classified as an "unlisted" action for SEQRA review. Consistent with SEQRA (6 NYCRR §617.6(a)(3)), Aqua NY submitted a completed short-form environmental assessment form (EAF) describing and disclosing the likely impacts of the proposed actions. Other than the

Commission's approval, no other State or local permits or approvals are required. Thus, a coordinated review under SEQRA is not needed. The Commission is the appropriate agency for Lead Agency Status under SEQRA to conduct the environmental assessment.

From a review of the EAF and petition, and based upon the criteria for determining significance listed in 6 NYCRR §617.7(c), it is evident that the merger of the Four Subsidiaries into Aqua NY will result in no adverse changes to the operation or configuration of the water systems' production or distribution facilities or any other water company assets. As lead agency, we, therefore, determine that the Merger of the Four Subsidiaries into Aqua NY will not have a significant impact on the environment and has adopted a negative declaration pursuant to SEQRA. Because no significant adverse environmental impacts were found, a Public Notice Requesting Comments is not needed and will not be issued. Part 2 of the EAF has been completed and the EAF will be retained on file by the Commission. A Notice of Determination of Non-Significance for this unlisted action is attached (Appendix II).

DISCUSSION AND CONCLUSION

The petition by Aqua NY and its Four Subsidiaries for permission to merge into one entity is consistent with the Commission's policy goal of consolidating small water systems to improve the water service afforded customers.³ Accordingly, we find that the merger of the Four Subsidiaries into Aqua NY is in the public interest and authorize the stock transfer.

³ Case 93-W-0962, Proceeding to Establish a Policy to Provide Incentives for the Acquisition and Merger of Small Water Companies, Statement of Policy on Acquisition Incentive Mechanisms for Small Water Companies (issued August 8, 1994)(AIM Policy).

The Commission Orders:

1. The merger of Cambridge Water Works Company, Dykeer Water Company, Inc., Waccabuc Water Works Inc. and Wild Oaks Water Company, Inc. into Aqua New York, Inc. (Aqua NY) is approved.

2. Aqua New York, Inc. is directed to file with the Commission's Secretary within 30 days, unless otherwise provided for by the Secretary, supplements adopting the current tariff schedules of Cambridge Water Works Company, Dykeer Water Company, Inc., Waccabuc Water Works Inc. and Wild Oaks Water Company, Inc., and file a new tariff schedule (or schedules), under its own name within one year unless otherwise provided for by the Secretary.

3. Aqua New York, Inc. is directed to notify the customers of Cambridge Water Works Company, Dykeer Water Company, Inc., Waccabuc Water Works Inc. and Wild Oaks Water Company, Inc. of the stock merger by letter, within 30 days of the consummation of the acquisition, unless otherwise provided for by the Secretary, and file a copy of the letter with the Commission's Secretary within 10 days thereafter.

4. Aqua New York Inc. is directed to provide the Commission's Secretary with copies of documents showing that the merger has occurred, within 10 days of the closing.

5. Aqua New York Inc. is directed to provide the Director of Accounting & Finance with Journal Entries for each company recording the merger transaction, within 30 days of the closing.

6. Aqua New York Inc. is directed to file a letter with the Commissioner's Secretary within 10 days of this Order, stating whether it accepts the terms of this Order unless otherwise provided for by the Secretary.

7. Upon the compliance of Aqua New York Inc. with the provisions of ordering clauses 2 through 6 above, this proceeding shall be closed without further action by the Commission.

By the Commission,

(SIGNED)

JACLYN A. BRILLING
Secretary

APPENDIX I

AQUA NEW YORK - 5 SMALL COMPANIES CONSOLIDATING STATEMENTS OF INCOME AND BALANCE SHEETS

Income Statement Year to date July 2007	Cambridge	Dykeer	Kingsvale	Waccabuc	Wild Oaks	Consolidated
Utility Revenues	\$ 74,754	\$ 37,512	\$ 48,852	\$ 25,552	\$ 74,081	\$ 260,751
Operations and Maintenance	84,735	23,475	25,097	17,661	39,600	190,568
Depreciation and Amortization	28,600	12,317	8,490	1,138	2851	53,396
Taxes other than income	18,167	13,195	2,636	10,432	16,628	61,058
Federal income taxes	(24,521)	(6,182)	921	(1,778)	2,323	(29,237)
State income taxes	(3,095)	(289)	549	(246)	737	(2,344)
Total Operating Expenses	103,886	42,516	37,693	27,207	62,139	273,441
Operating Income	(29,132)	(5,004)	11,159	(1,655)	11,942	(12,690)
Interest expense	16,407	6,477	9,445	1,650	7,624	41,603
Net (Loss) income	\$ (45,539)	\$ (11,481)	\$ 1,714	\$ (3,305)	\$ 4,318	\$ (54,293)

Balance Sheets As at July 31, 2007	Cambridge	Dykeer	Kingsvale	Waccabuc	Wild Oaks	Consolidated
Assets:						
Utility plant in service	\$ 1,872,236	\$ 646,277	\$ 510,921	\$ 166,359	\$ 404,072	\$ 3,599,865
Accumulated depreciation	(362,424)	(150,040)	(204,021)	(102,354)	(95,478)	(914,317)
CWIP	36,929	(81,188)	295,992	55,645	(27,012)	280,366
Net utility plant	1,546,741	415,049	602,892	119,650	281,582	2,965,914
Current assets:						
Accounts receivable	59,173	4,623	10,296	3,925	18,524	96,541
Less reserve for uncollectible accounts	(36,911)	(949)	(3,793)	(4,380)	(12,414)	(58,447)
Affiliate notes receivable	(19,982)	(9,254)	(12,722)	(1,423)	(9,404)	(52,785)
Unbilled revenue	14,495	8,744	8,993	5,735	16,778	54,745
Total current assets	16,775	3,164	2,774	3,857	13,484	40,054
Total Assets	\$ 1,563,516	\$ 418,213	\$ 605,666	\$ 123,507	\$ 295,066	\$ 3,005,968
Liabilities and Capital						
Premium on common stock	\$ 394,976	\$ 146,394	\$ 278,251	\$ 124,883	\$ 303,607	\$ 1,248,111
Other paid in capital	(261,250)	(199,966)	(926,720)	(33,765)	(211,297)	(1,632,998)
Retained earnings	(351,292)	97,842	661,494	(164,826)	(157,153)	86,065
Total common equity	(217,566)	44,270	13,025	(73,708)	(64,843)	(298,822)
Debt outstanding	432,962	200,507	275,649	30,834	203,764	1,143,716
Total capitalization	215,396	244,777	288,674	(42,874)	138,921	844,894
Current and accrued liabilities						
Due to or from Corporate	1,085,156	214,994	250,183	189,393	10,600	1,750,326
Accounts payable	3,143	2,107	2,251	1,081	7,183	15,765
Accrued taxes	(54,631)	(20,227)	7,144	(10,839)	16,907	(61,646)
Other accrued liabilities	493	119	212	86	218	1,128
Total current and accrued liabilities	1,034,161	196,993	259,790	179,721	34,908	1,705,573
Deferred taxes	(35,482)	(23,557)	(38,378)	(13,340)	(49,022)	(159,779)
CIAC, net	349,441		95,580		170,259	615,280
Total Liabilities and Capital	\$ 1,563,516	\$ 418,213	\$ 605,666	\$ 123,507	\$ 295,066	\$ 3,005,968

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 07-W-0711 - Joint Petition of Aqua New York, Inc., Cambridge Water Works Company, Inc., Dykeer Water Company, Inc., Waccabuc Water Works, Inc. and Wild Oaks Water Company, Inc. for an Order Approving Merger and transfer of Franchises, Works and Systems Pursuant to PSL Sections 89-h and 108.

NOTICE OF DETERMINATION OF NON-SIGNIFICANCE

NOTICE is hereby given that an Environmental Impact Statement will not be prepared in connection with the approval by the Public Service Commission of the joint petition of Aqua New York, Inc., Cambridge Water Works Company, Inc., Dykeer Water Company, Inc., Waccabuc Water Works, Inc. and Wild Oaks Water Company, Inc. for permission for Cambridge Water Works Company, Inc., Dykeer Water Company, Inc., Waccabuc Water Works, Inc. and Wild Oaks Water Company to transfer the assets and stock of each of the four subsidiaries to be merged into Aqua New York with Aqua New York to be the surviving entity. This is based upon our determination in accordance with Article 8 of the Environmental Conservation Law, that such action will not have a significant adverse effect on the environment. The exercise of this approval is an Unlisted Action, as defined under 6 NYCRR Section 617.2 (ak).

Based on our review of the record, we find that the proposed action will not have a significant adverse environmental impact as there will be no changes in the operation or configuration of the water systems.

CASE 07-W-0711

The address of the Public Service Commission, the lead agency for the purposes of the Environmental Quality Review of this project is Three Empire State Plaza, Albany, New York 12223-1350. Questions may be directed to Richard Powell at (518) 486-2885 or to the address above.

JACLYN A. BRILLING
Secretary