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May 2, 2012

Betty McCauley
Chief of Docketing
The Public Utilities Commission of Ohio
180 E. Broad Street, 11th Floor
Columbus, Ohio 43215

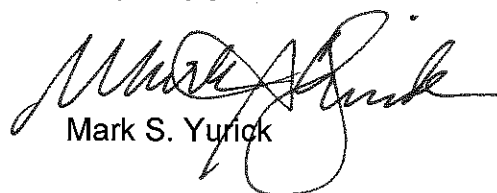
Re: In the Matter of the Joint Application of American Water Works Company, Inc.,
Ohio American Water Company and Aqua Ohio, Inc. for Approval of the Purchase
of Common Stock of Ohio American Water Company by Aqua Ohio, Inc.
PUCO Case No. 11-5102-WS-ATR

Dear Ms. McCauley:

Pursuant to the Commission's February 14, 2012 Finding and Order in the above-referenced case, please be advised that the New York State Public Service Commission approved the transfer of all the capital stock of Aqua New York, Inc. to American Water Works Company, Inc. on April 20, 2012 in New York Public Service Commission Case No. 11-W-0472. Attached hereto is a copy of the Order Approving Stock Acquisition dated April 20, 2012.

Do not hesitate to contact me with any questions or concerns. Thank you for your assistance.

Very truly yours,



Mark S. Yurick

Enclosures

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STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on April 19, 2012

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman
Patricia L. Acampora
Maureen F. Harris
Robert E. Curry, Jr.
James L. Larocca

CASE 11-W-0472 - Joint Petition of Aqua Utilities, Inc., Aqua
New York, Inc. and American Water Works
Company, Inc. for Approval of a Stock Purchase
Agreement under which Aqua Utilities, Inc. Will
Sell and American Water Works Company, Inc.
Will Acquire 100% of the Issued and Outstanding
Capital Stock of Aqua New York, Inc.

ORDER APPROVING STOCK ACQUISITION

(Issued and Effective April 20, 2012)

BY THE COMMISSION:

By a petition filed on September 1, 2011, pursuant to
Public Service Law (PSL) §89(h), American Water Works Company,
Inc. (American Water), Aqua Utilities, Inc. (Aqua Utilities),
and Aqua New York, Inc. (Aqua NY) (collectively, Petitioners)
seek Commission approval for American Water to acquire 100% of
the issued and outstanding capital stock of Aqua NY, currently a
wholly-owned subsidiary of Aqua Utilities. By this order we
find that approval of the proposed acquisition in accordance
with the material terms, conditions, and provisions of a Joint
Proposal is in the public interest. We also find, after
environmental review of the transaction in accordance with the
requirements of the State Environmental Quality Review Act

(SEQRA), that the proposed stock transfer will not have a significant effect on the environment. In addition, this order denies a motion by the Willows Homeowners Association, Inc. (The Willows) to consolidate this proceeding with Case 10-W-0652.

BACKGROUND AND PROCEDURAL HISTORY

American Water declares that it is the largest investor-owned water and wastewater utility company in the United States. Among other things, American Water already owns Long Island Water Corporation, d/b/a Long Island American Water (LIAW), which provides water service to about 74,000 customers in Nassau County. Aqua NY, by itself and through its utility subsidiaries, serves more than 50,000 customers in four New York State counties: Nassau, Ulster, Washington, and Westchester. Aqua NY has two wholly-owned subsidiaries currently providing water service in Nassau County: New York Water Service Corporation (NYWS), serving about 45,000 customers in the Towns of Hempstead and Oyster Bay; and Aquarion Water Company of Sea Cliff, Inc. (Sea Cliff), serving about 4,300 customers in the Town of Oyster Bay. Aqua NY itself provides water service directly to five separate rate districts outside Long Island: Cambridge, with about 475 customers in the Village of Cambridge, Towns of Jackson and White Creek, Washington County; Kingsvale, with about 220 customers in the Town of Ulster, Ulster County; Dykeer, with about 120 customers in the hamlet of Lincolndale, Town of Somers, Westchester County; Waccabuc, with about 80 customers in the Town of Lewisboro, Westchester County; and Wild Oaks, with about 190 customers in several developments also located in Westchester County.

Under the proposed stock transfer, American Water would pay Aqua Utilities \$42.2 million for all of the stock of Aqua NY, which would then become a wholly-owned subsidiary of

American Water. In addition, American Water would assume \$28.8 million of long-term debt, current liabilities, and regulatory and other non-current liabilities of Aqua NY. As part of the overall transaction, American Water would also sell its currently owned subsidiary, Ohio American Water Company, to Aqua Ohio Inc., for \$88.6 million.¹

In addition to the Petitioners, parties to the case are the trial staff of the Department of Public Service (Staff), the Utility Intervention Unit of the Department of State's Division of Consumer Protection (UIU), the Water Authority of Southeast Nassau County (WASENC),² and The Willows, members of which are customers of Aqua NY's Dykeer district.

Notice of rulemaking in this proceeding appeared in the *New York State Register* on October 26, 2011. In addition, a Commission notice inviting comment on the proposed acquisition issued on February 2, 2012. After a period during which the parties engaged in some discovery, American Water filed a notice of impending settlement negotiations on January 5, 2012. On

¹ The Ohio Public Utility Commission recently approved this sale. *Public Utility Commission of Ohio*, Docket No. 11-5102-WS-ATR et al., *American Water Works Company, Inc., Ohio American Water Company, and Aqua Ohio Inc. - Purchase of Common Stock of Ohio American Water Company by Aqua Ohio Inc.*, Finding and Order (February 14, 2012).

² WASENC was created by L. 1991, ch. 491, §1 (eff. July 19, 1991), codified in Public Authorities Law §§1174-a et seq., to investigate and possibly take over water service in the territory of NYWS. Although created in 1991, WASENC's original board decided in April 1997 to cease pursuing a takeover, but the board was reconstituted in 2010. <http://www.wasenc.org>. Correspondence in this case indicates that WASENC only earlier this year obtained funding toward a study of the feasibility of a takeover.

February 8, 2012, The Willows filed its motion to consolidate this proceeding with Case 10-W-0652.³

On February 14, 2012, American Water, Aqua Utilities, Aqua NY, Staff, and UIU submitted a Joint Proposal intended to resolve all issues in this proceeding (Joint Proposal).⁴ Notice inviting comments on the Joint Proposal issued February 15, 2012. That notice was also published in *Newsday*, Nassau County edition, on February 17, 2012, covering Aqua NY's subsidiaries' service areas on Long Island, while the same notice was mailed directly to Aqua NY's customers in upstate counties for delivery on the same date. American Water, Aqua Utilities and Aqua NY jointly (Aqua Utilities/Aqua NY), Staff, and UIU submitted statements in support of the Joint Proposal on February 22, 2012, while The Willows submitted a statement in opposition on the same date. The period for receipt of public comments closed February 24, 2012.

SUMMARY OF COMMENTS RECEIVED

About 135 persons and organizations submitted comments on the proposed acquisition and the Joint Proposal. More than 90 of those comments came from customers on Long Island who consider Aqua NY rates too high and urge the Commission not to approve American Water's acquisition of Aqua NY pending completion of WASENC's study of the feasibility of taking over NYWS's water supply system.⁵ Nassau County Legislator Dave

³ Case 10-W-0652, *Aqua New York, Inc. - Petition to Reduce Rates and Require Compliance with Merger Order*. A decision on The Willows' December 20, 2012, petition for rehearing of our Order Resolving Complaint (issued November 21, 2011) (Willows Complaint Order) in that case remains pending.

⁴ A copy of the Joint Proposal is attached to this order as Attachment I.

⁵ See *supra* n. 2.

Denenberg also wrote expressing concern over the potential impact of the proposed transaction on a possible future WASENC takeover. The East Bay Civic Association, Inc. opined that the proposed stock transfer might involve transaction costs that would make a future WASENC purchase of the NYWS supply system more expensive. New York State Senator Charles J. Fuschillo, Jr. and Assembly Member David G. McDonough sent a letter jointly expressing their concerns over high rates of Aqua NY, whether there will be any savings resulting from consolidated operations of the proposed new American Water system on Long Island, and, if so, what percentage of the savings will be passed on to customers.

The Town of Somers, Westchester County, and about 30 customers in Aqua NY's Dykeer district commented that we should not approve any transfer of Aqua NY to American Water until we have resolved an issue concerning the proper level of rate base related to capital expenditures in the Dykeer district, which The Willows is challenging through its petition for rehearing of the Willows Complaint Order. Several other commenters opposed the proposed transfer saying that Aqua NY's rates are too high. One opposed transfer on the ground that Aqua NY's water was not safe, without providing any detail. Two others suggested that the company was dragging its feet on installing ultraviolet treatment units on supply wells for Aqua NY's Wild Oaks district; and that the Commission should not approve the proposed American Water purchase or any related rate increase until this issue is resolved. One commenter supported the proposed stock transfer.

ENVIRONMENTAL QUALITY REVIEW

Under the State Environmental Quality Review Act (SEQRA), Article 8 of the Environmental Conservation Law, and

relevant implementing regulations (6 NYCRR Part 617 and 16 NYCRR Part 7), we must determine whether the proposed transfer will have a significant impact on the environment. The proposed action requests approval of transfer of all of the capital stock of Aqua NY to American Water. Because the proposed action does not meet the definitions of Type I or Type II actions contained in 6 NYCRR §§617.4 and 617.5 and 16 NYCRR §7.2, it is classified as an "unlisted" action for SEQRA review. Consistent with 6 NYCRR §617.6(a)(3), American Water submitted a completed short-form environmental assessment form (EAF) describing and disclosing the likely impacts of the proposed action. Other than our 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 the petition, and based upon the criteria for determining significance listed in 6 NYCRR §617.7(c), we find that American Water's acquisition of all of the outstanding stock of Aqua NY will result in no adverse changes to the operation or configuration of Aqua NY's water systems' production or distribution facilities or other water company assets, including those of NYWS and Sea Cliff. We therefore determine as lead agency that the proposed stock transfer to American Water will not have a significant impact on the environment and we make a negative declaration pursuant to SEQRA. Because no significant adverse environmental impacts have been identified, 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 in the Commission's files. A Notice of Determination of Non-Significance for this unlisted action is attached to this order as Attachment II.

TERMS OF THE JOINT PROPOSAL, SUMMARY OF PARTIES' COMMENTS, AND
DISCUSSION OF TERMS

1. Approval of Joint Proposal in Case 11-W-0200

On November 28, 2011, LIAW, Staff, and UIU submitted a Joint Proposal in Case 11-W-0200, the LIAW rate case, intended to resolve all issues in that proceeding (LIAW Rate JP). The terms of the LIAW Rate JP provided for a comprehensive three-year rate plan. Among other things, the revenue requirement reflected under the LIAW JP recognized synergy savings of about \$901,000 over the course of the rate plan as a result of American Water's acquiring Aqua NY, which would inure to the benefit of LIAW ratepayers. American Water's agreement to the Joint Proposal in this proceeding is expressly conditioned on the Commission making no material change to the terms of the LIAW Rate JP, particularly with regard to the rate plan or synergy savings. The parties to the Joint Proposal before us in this case agree that they consider the level of synergy savings set forth in the LIAW Rate JP to be appropriate, requiring no further adjustment here. At our March 15, 2012 session, we found the LIAW Rate JP in the public interest and approved it with no material changes, in particular with respect to the rate plan or the projected synergy savings recognized in the revenue requirement.⁶ Thus, our action on the LIAW Rate JP in Case 11-W-0200 does not affect American Water's agreement to the Joint Proposal in this proceeding.

⁶ Case 11-W-0200, *Long Island Water Corporation d/b/a Long Island American Water - Water Rates*, "Order Determining Revenue Requirement and Rate Design" (issued March 20, 2012) (LIAW Rate Order).

2. Rate Increase Moratorium

Rate increments for the third year of a three-year rate plan for NYWS went into effect on February 6, 2012,⁷ and NYWS would be free to file for a rate increase to go into effect early in 2013. Aqua NY could file at any time now for new rates for its Sea Cliff subsidiary or the service districts it serves directly, which, if approved, could also go into effect early next year. Under the provisions of the Joint Proposal, American Water would be precluded from filing for rate increases for NYWS, Sea Cliff, or Aqua NY until April 2014, for rates that would become effective no earlier than April 1, 2015. That is the same date when new rates could first become effective for LIAW after the expiration of the three-year rate plan we approved in the LIAW Rate Order. Thus, the Joint Proposal here would guarantee customers of NYWS, Sea Cliff, and Aqua NY's upstate service districts an additional two-year period without rate increases beyond what otherwise could prevail.⁸ Supporters of the Joint Proposal maintain that this moratorium clearly

⁷ Case 09-W-0237, *New York Water Service Corp. - Water Rates*, Order Establishing Three-Year Rate Plan (issued January 29, 2010) (2010 NYWS Rate Order).

⁸ The Willows erroneously suggests that approval of the Joint Proposal would result in a "rate freeze" that would harm its members, customers of the Dykeer district, by locking in unreasonably high rates for them and precluding the relief its petition for rehearing of the Willows Complaint Order seeks. The Willows' Statement in Opposition, pp. 2-5. The proposed moratorium would, in fact, ensure that Dykeer customers would be protected against rate increases Aqua NY might otherwise seek over the period it remains in effect--a benefit for The Willows members. The moratorium would in no way interfere with our power to require a rate decrease or a rate refund for Dykeer customers, if we decide such a result just and reasonable when we act on the pending petition for rehearing in Case 10-W-0652. Thus, the proposed moratorium poses no prospect of harm to The Willows members.

provides substantial positive benefits to customers of Aqua NY and its subsidiaries, and we agree.

3. Consolidated Rates

The Joint Proposal commits American Water, once the rate increase moratorium expires, to consider establishing and proposing consolidated, uniform rates for the same rate classifications for customers of all its subsidiary territories -- LIAW, NYWS, Sea Cliff, and Aqua NY's five upstate districts (or any merged or consolidated territories that might then be in effect). Any rate filings for the operating utilities would have to include schedules demonstrating revenue requirements on individual system bases as well as a consolidated basis. We would be free to decide whether to continue individual system rates or consolidated, uniform rates for all of American Water's subsidiary companies and districts. Any rate filing also would have to include conversion to monthly billing and elimination of the currently applicable minimum usage allowances for NYWS and Sea Cliff.

Staff states that this provision anticipates the integration of resources and potential resulting savings to consumers from common ownership of LIAW and the several Aqua NY companies and districts. UIU suggests that, because current rates for Aqua NY's upstate customers are substantially higher than those for NYWS and LIAW customers, consolidated rates would benefit customers of the small, higher rate upstate service areas without materially affecting those in the larger, lower rate areas in Nassau County. Staff adds that the Joint Proposal recognizes our authority to make the determination of whether consolidated rates should be instituted for the involved operating companies, but guarantees we will have the information necessary to make a reasoned decision on the issue.

We concur that, given the characteristics of the service areas involved here, the consolidated rates information requirement holds the potential for additional positive consumer benefit, with no significant downside risk of detriment to other customers from the mere provision of that information for our consideration. In addition, we find that conversion to more frequent, monthly billing and elimination of minimum usage billing for NYWS and Sea Cliff would provide positive benefits for customers of those operating utilities.

4. Revenue, Production Cost, and Property Tax Reconciliations

The Joint Proposal provides that NYWS's existing revenue and production cost reconciliation mechanism established in Case 09-W-0237 would continue in operation through the rate moratorium, and beyond if NYWS decides voluntarily not to file for rate relief to be effective by April 1, 2015. For Sea Cliff, a new revenue and production cost reconciliation mechanism would be instituted, as part of an overall revenue, production cost, and property tax reconciliation clause, based on the same principles as the similar mechanism that has been in effect for LIAW under its prior rate plan and was continued under the LIAW Rate Order.

The Joint Proposal here also includes provisions for the property tax level for Rate Year 3 of NYWS's current rate plan to continue to apply for purposes of its property tax reconciliation clause during the rate moratorium period and potentially beyond. A new property tax reconciliation mechanism for Sea Cliff would be established as part of the revenue, production cost, and property tax reconciliation clause mentioned above. Under the property tax mechanisms, in the cases of both NYWS and Sea Cliff, the company would absorb 15% of any property tax variance above the established target level.

In the case of a variance below the target level for either NYWS or Sea Cliff, the company's customers would receive 100% of the variance as the default condition. If the company could successfully demonstrate that the property tax reduction was the direct result of its efforts, however, the company would be allowed to retain a 15% share of the variance. Any customer share of a variance, whether increase or reduction, would be deferred for recovery from or pass back to customers in the next 12 months through the revenue, production cost, and property tax reconciliation clause.

Staff notes that the revenue and production cost reconciliation mechanisms would help to ensure the operating companies' financial integrity during the moratorium period. American Water observes that the revenue reconciliation provisions also would help protect consumers against weather vagaries influencing water consumption. We agree that the property tax reconciliation provisions would, as Joint Proposal supporters maintain, provide incentive for the companies to seek to hold down increases or obtain reductions in property taxes, which would produce customer benefits. In addition, we find that, as Staff contends, the reconciliation provisions in the Joint Proposal will help maintain the operating utilities' financial integrity during the rate increase moratorium and, thus, their ability to provide safe and adequate service.

5. Earnings Sharing

The Joint Proposal provides for an earnings sharing mechanism for each of the operating companies that American Water would acquire. For NYWS, the new mechanism proffered in the Joint Proposal would become effective and replace the extant earnings sharing mechanism at the end of the current rate plan on January 31, 2013. For the other operating companies, the

mechanism would become effective upon completion of American Water's purchase of Aqua NY stock. Under the Joint Proposal's earnings sharing provisions, the operating companies would retain 100% of earnings for an achieved return on equity (ROE) of 10.2% or less. Achieved earnings above the 10.2% ROE level would be shared equally between the operating company and its customers. The earnings sharing mechanism for each of the acquired operating companies would continue until the particular company's rates are reset in a rate case.

In analyzing the reasonability of the earnings sharing mechanism, Staff maintains that the proposed 50%-50% sharing between company and customers is typical for savings from consolidations. Staff contends that the acquisition will eventually produce savings through consolidation of the several companies' resources, but that predicting when and where the savings will occur is difficult. It declares that the earnings sharing mechanism helps ensure that any significant over-earnings due to consolidation savings or synergies (not otherwise accounted for in the synergy savings recognized in the LIAW Rate Order) will be captured and shared with customers. American Water and Aqua Utilities/Aqua NY agree. We find that the proposed earnings sharing mechanisms are reasonable and constitute a positive benefit for customers of NYWS, Sea Cliff, and Aqua NY.

6. Capital Improvements

a. Cambridge System Improvement Charge

Aqua NY currently has a System Improvement Charge (SIC) mechanism in place for its Cambridge district. The SIC is intended to provide for a new storage tank and related main improvements that have not yet been implemented. Under the Joint Proposal this SIC would remain in place to allow funding

if the company determines the tank and mains are needed before the rate moratorium expires in 2015. This provision appears reasonable as a precaution to provide for continued safe and adequate water service to Cambridge customers.

b. NYWS Distribution System Improvements

The order establishing NYWS's current three-year rate plan included the cost of a new storage tank, expected to increase pressure on a large portion of its system, in rate base and base rates effective January 1, 2012. If the tank was not in service by that date, NYWS was required to establish a deferred credit for customers of \$685 for each subsequent day that the actual in-service date slipped.⁹ That tank has not been placed in service. Under the Joint Proposal here, the deferral requirement from the 2010 NYWS Rate Order would be superseded. Instead, NYWS would be required to make capital improvements during Rate Year 3, which commenced February 6, 2012, amounting to \$4.9 million, including \$901,000 added to rate base under the 2010 NYWS Rate Order. For any shortfall from the \$4.9 million in capital expenditures for Rate Year 3, the Joint Proposal here would require NYWS to record a regulatory liability for the revenue requirement impact of the under-spending. As Staff asserts, this element of the Joint Proposal would thus help ensure additional capital improvements to the water supply system that would confer positive benefits on NYWS consumers. The deferral provision both obviates any incentive NYWS might otherwise have to defer those system improvements and protects ratepayers in the event of any shortfall in required NYWS capital spending.

⁹ 2010 NYWS Rate Order, Attachment I, pp. 8-9.

c. Capital Expenditure Plans

The Joint Proposal includes a requirement for American Water to file, after one year of operating the companies it would acquire,¹⁰ an engineering analysis of infrastructure needs for each service territory of those companies -- NYWS, Sea Cliff, and the Cambridge, Dykeer, Kingsvale, Waccabuc, and Wild Oaks districts. The analysis must take the form of a five-year capital expenditure plan for each separate service area, for use as a guide and reference in rate cases, with recommendations for future capital projects, prioritized on the basis of need and importance. Staff declares that this provision would provide transparency to customers and make information available to them concerning the strategy for addressing each system's needs. We find that this requirement would be beneficial in establishing a comprehensive, coordinated capital plan important to maintain safe and adequate service in each service area.

7. Billing Changes to Tariffs

NYWS and Sea Cliff currently bill their meter charges in advance. Pursuant to the provisions of the Joint Proposal, that advance billing would be eliminated and both meter and consumption charges billed to those companies' customers in arrears going forward. For the first billing after the acquisition for each NYWS and Sea Cliff customer, then, the bill would not include a meter charge, because the customer would have already paid that charge in its last prior bill. The Joint Proposal includes revised tariff leaves reflecting these changes in meter charge billings for NYWS and Sea Cliff, as well as

¹⁰ We construe this provision as requiring submission of the plan on the date one year from the date of completion of American Water's purchase of the Aqua NY stock.

revisions for all Aqua NY operating subsidiaries and service districts to bill in rate increments per 100 gallons.¹¹

8. Sea Cliff 2007-2008 Over-Earnings

Sea Cliff had overearnings during the period May 2007 through December 2008. The customer share, including interest accrued through December 31, 2011, amounts to \$239,000. The Joint Proposal would require Sea Cliff to book a deferred credit in that amount before the proposed acquisition is completed. The deferred credit, including additional interest accruing from January 1, 2012, would be used to help offset any surcharges in Sea Cliff's annual filing related to the Property Tax Reconciliation mechanism.

9. Renaming and Merger of Companies

The Joint Proposal would recognize discretion in American Water, after acquiring the Aqua NY stock, to change the names of Aqua NY and its subsidiaries to names reflecting the new American Water ownership. Additional language in the Joint Proposal, would have permitted American Water to merge Aqua NY, NYWS, and Sea Cliff into a single American Water subsidiary. American Water, Aqua NY, and Staff all indicate in their statements in support, however, that the latter provision was an artifact of an earlier draft of the Joint Proposal, one that was supposed to be removed from, but inadvertently remained in, the final signed document. All agree that this merger language should not be included in any approval of the Joint Proposal. Although we find the renaming provision reasonable, we concur that granting pre-approval to a merger of the companies would not be acceptable and we will not approve that element of the Joint Proposal.

¹¹ See Appendix B of the Joint Proposal.

10. Affiliate Services and Inter-company Agreements

Aqua NY, NYWS, and Sea Cliff all currently obtain services from Aqua America and its subsidiaries. Upon transfer of the Aqua NY stock to American Water, these three operating water companies will begin receiving those services from American Water affiliates. PSL §110(3), however, demands that agreements with affiliates be filed with the Commission before they can become effective. In order to provide adequate time for American Water and the companies being acquired to complete new agreements, the Joint Proposal would require the new agreements to be filed within 60 to 90 days after the stock purchase transaction closes. In the interim, the terms of the Joint Proposal would provide authorization for American Water affiliates to supply and charge for services to the acquired companies pending filing of the new agreements. We find this aspect of the Joint Proposal reasonable.

11. Closing Journal Entries

The Joint Proposal would require American Water to file the journal entries for Aqua NY, NYWS, and Sea Cliff within 60 days after the completion of American Water's purchase of Aqua NY's stock. The filing would have to include the proposed regulatory treatment of pensions and other post-employment benefits with regard to the transfer in ownership from Aqua Utilities to American Water. The Joint Proposal reflects the proposed delegation of authority to review and approve the filing to the Department of Public Service's Director of Accounting and Finance. We find these provisions reasonable and will approve them.

12. Goodwill

Under the terms of the Joint Proposal, no additional goodwill would be allowed on the books of American Water or any of its new affiliates in New York as a result of the proposed transaction. Goodwill currently on the books of Aqua NY would remain unchanged. The Joint Proposal recognizes that goodwill and transaction costs must be excluded from rate base, expenses, and capitalization in determining Aqua NY, NYWS, or Sea Cliff rates and earned returns for New York regulatory reporting purposes. We find these provisions are just and reasonable for protection of ratepayer interests.

13. Relocation of Books and Records

The Joint Proposal would permit the books and records of Aqua NY, NYWS, and Sea Cliff to be relocated to the offices of American Water Works Service Company's Shared Service Center in Cherry Hill, New Jersey. Additional provisions, comparable to those that applied in the case of American Water's acquisition of LIAW, impose conditions that would ensure Department of Public Service staff timely access to those books and records and assistance that might be needed in interpreting and understanding them. Our approval would be necessary for any further future relocation of the books and records. We find that these provisions reasonably balance the interests of efficiency and the need for timely regulatory access to the books and records of the regulated companies.

14. Legislative, Regulatory, or Other Governmental Actions

The Joint Proposal includes a provision for Aqua NY, NYWS, or Sea Cliff to provide notice to the Commission of any law, rule, regulation, order, or other federal, State, or local requirement that would cause it to experience an annual revenue

requirement impact greater than our materiality threshold for deferral accounting (i.e., 5% of net income available to common shareholders). In that case the affected company could petition, or we could take action at our own instance, to require deferral of the revenue requirement impact of the event. Regulatory asset deferral, however, would not be authorized if the operating company's ROE exceeded 10.2%, except for NYWS in the third year of its currently effective rate plan, when the 11.5% ROE authorized under that rate plan would provide the limit. We find that, as Staff suggests, these provisions reasonably protect the companies and their ratepayers from material financial impacts of governmental actions.

15. Other Provisions

The Joint Proposal includes a provision reserving Commission authority to act and the regulated companies to petition for relief in the event of unforeseen circumstances that affect the justness and reasonability of rates or earnings or threaten the ability of one of the companies to provide safe and adequate service at just and reasonable rates. That reservation is itself reasonable and we will approve it. The remaining provisions of the Joint Proposal -- sections I, II, III, X, and XI -- simply describe the nature of the proposed transaction and involved entities, the parties, and the procedural history of the proceeding and settlement negotiations; or affect only the interests of the signatories vis-à-vis each other or urge us to adopt the Joint Proposal. It is unnecessary for us to take action on those elements of the Joint Proposal and thus we neither approve nor disapprove them.

THE WILLOWS' CONSOLIDATION MOTION AND OPPOSITION TO JOINT
PROPOSAL

As noted earlier, The Willows has an extant motion to consolidate this proceeding with Case 10-W-0652, in which The Willows has a petition for rehearing of the Willows Complaint Order pending. The gravamen of The Willows' motion to consolidate is essentially the same as that on which it bases its opposition to the Joint Proposal. In seeking rehearing, The Willows maintains that the Commission erred in the Willows Complaint Order by failing to reduce the rate base of Aqua NY's Dykeer district water system sufficiently, resulting in overcharges that warrant refunds to The Willows and other customers of the Dykeer district. In its consolidation motion The Willows essentially argues that if a "merger" goes forward in this case before the rehearing in Case 10-W-0652 is addressed, its members will be irreparably harmed because it will no longer be possible to grant refund relief for the rate base correction it insists must be made in Case 10-W-0652.¹² In opposition to the Joint Proposal, The Willows argues that its intent is not to delay the "merger," but to "make sure that Aqua New York remains subject to PSC jurisdiction so that the customers will be able to receive a refund from the company that initiated the overcharges in the first place."¹³ The Willows maintains that "[o]nce the merger is completed, Aqua will have no presence in New York and will be beyond the reach of the Commission's jurisdiction."¹⁴

The Willows' Statement in Opposition seeks, in the alternative, to have any approval of the transaction before us

¹² Cases 10-W-0652 and 11-W-0472, The Willows' Motion to Consolidate (filed February 8, 2012), pp. 3-4.

¹³ The Willows' Statement in Opposition, p. 4.

¹⁴ *Id.*, p. 5.

here conditioned on payment of a *minimum* refund of \$485.75 to each Dykeer customer and acknowledgment by American Water that it has potential liability for a larger refund if, after this transaction is consummated, we grant *all* the relief The Willows seeks on rehearing in Case 10-W-0652.¹⁵

The Willows' belief that approval of the proposed transaction here before action on its petition for rehearing in Case 10-W-0652 will prejudice its members' ability to obtain the relief sought in the petition for rehearing is fundamentally flawed. Approval of the transaction at issue here will result only in the transfer of all outstanding stock of Aqua NY from Aqua Utilities to American Water. Aqua NY, the operating regulated water-works utility whose rate base and rates are the focus of the rehearing relief The Willows seeks in Case 10-W-0652, will remain here in New York, fully subject to the Commission's regulatory authority over water-works companies under Article 4-B of the Public Service Law. When it signed the purchase agreement with Aqua Utilities for Aqua NY stock, American Water was fully aware of the pendency of Case 10-W-0652 and the relief The Willows seeks in that proceeding.¹⁶ With full knowledge of the extent of any exposure it might have, American Water will take the Aqua NY stock subject to the impact on Aqua NY and American Water itself of any relief we might ultimately

¹⁵ UIU's statement *in support* of the Joint Proposal also recommends that we condition approval of the proposed stock transfer on "reimbursement to the Willows' customers of the overcharges they paid," even though UIU executed the Joint Proposal with no such condition.

¹⁶ See Exhibit D, Stock Purchase Agreement (dated July 8, 2011), Disclosure Schedule, Section 3.2(h), attached to the Petitioners' petition initiating this proceeding.

provide when we act on The Willows' petition for rehearing in Case 10-W-0652.¹⁷

Thus, our approval of the Joint Proposal by this order, prior to action on that petition for rehearing, will in no way prejudice the outcome of the petition for rehearing or the position of The Willows there with respect to Aqua NY's rate base, rates, or liability for refunds to Dykeer district customers. The issues The Willows raise are neither relevant nor material to the basic question in this proceeding: whether the proposed transfer of Aqua NY stock from Aqua Utilities to American Water is in the public interest. No useful purpose would be served by consolidating this proceeding with Case 10-W-0652 or otherwise delaying a decision in this proceeding until we act on the petition for rehearing. Accordingly, we deny The Willows' motion for consolidation and also find that The Willows' opposition to approval of the Joint Proposal is not well taken.

DISCUSSION OF PUBLIC COMMENTS

By far the greatest number of comments in this case opposed the transaction at issue on the ground that it might adversely affect the outcome of WASENC's eventual decision, after completing its feasibility study, on whether to take over the NYWS water supply system. WASENC itself, however, is a party to this proceeding, participated in settlement negotiations, and had an opportunity to file a statement in opposition to the Joint Proposal if it considered that approval

¹⁷ As Administrative Law Judge Epstein recently noted in denying a discovery motion by The Willows, the magnitude of the amount at issue in Case 10-W-0652 is but one half of 1% of the \$42.2 million value of the stock transaction before us here, too insignificant to affect our judgment of the public interest criterion under PSL §89(h). Case 11-W-0472, Procedural Ruling (issued February 22, 2012), pp. 8-9.

of the Joint Proposal would have a significant adverse effect on its interests in a potential future takeover of NYWS. WASENC has not opposed the Joint Proposal. Nothing in the record here suggests that approval of the subject stock transfer would have such an effect. We conclude that approval of the Joint Proposal will not have a significant adverse effect on WASENC's future ability to take over NYWS's system.

Senator Fuschillo and Assembly Member McDonagh expressed concern over rate levels and whether there would be savings from consolidation of operations on Long Island and what percentage of those savings would be passed on to customers. As noted above, the Joint Proposal in this case is tied to a separate joint proposal that we approved in the LIAW Rate Order, under which \$901,000 in projected synergy savings are being passed on to its customers on Long Island. The Joint Proposal here also recognizes that additional, currently unquantifiable savings from consolidated operations might be realized by Aqua NY, NYWS, and Sea Cliff. The earnings sharing provisions of the Joint Proposal would capture any significant over-earnings resulting from savings or synergies flowing from any consolidation of operations with American Water's existing LIAW subsidiary. In addition, the Joint Proposal not only entails no raise in rates to Long Island consumers, but ensures rates to customers of NYWS and Sea Cliff will be locked in at current levels for an additional two years beyond what otherwise could prevail. These provisions of the Joint Proposal here and the LIAW Rate Order should also help to alleviate concerns of those commenters complaining about the level of Aqua NY's rates.

Just over 20% of the comments opposing approval of the proposed transaction came from customers of the Dykeer district system. Those commenters base their opposition on the same grounds as The Willows' motion to consolidate and its statement

in opposition to the Joint Proposal; *i.e.*, that we should not approve the proposed stock transfer before we act on the pending rehearing petition in Case 10-W-0652. We have already discussed that position sufficiently above and have rejected it.

Finally, advisory staff of the Department of Public Service have looked into the concern raised by commenters with regard to installation of two ultraviolet treatment units on supply wells for Aqua NY's Wild Oaks district. They report that the units required by the Westchester County Environmental Quality Bureau have now been installed, inspected, and placed in operation. In any event, our approval of transfer of Aqua NY stock to American Water will in no way adversely affect our power to address any issue involving the provision of safe and adequate service going forward.

CONFORMANCE WITH SETTLEMENT GUIDELINES AND THE PUBLIC INTEREST

Under our settlement guidelines¹⁸ and PSL §89(h), we must find that approval of the proposed stock transfer in accordance with the provisions of the Joint Proposal is in the public interest. In weighing that question the Settlement Guidelines more specifically contemplate development of a record where settlement opponents have had an opportunity to make an evidentiary case on relevant, material issues. The record should also demonstrate a balance among protecting ratepayers, fairness to investors, and the long-term viability of the utility; consistency with sound environmental, social, and economic policies of the Commission and the State; and results within the range of reasonable results likely from a litigated proceeding. The Settlement Guidelines also envision

¹⁸ Case 90-M-0255 *et al.*, *Settlement Procedures*, Opinion 92-2 (issued March 24, 1992), Appendix B (Settlement Guidelines).

consideration of whether the settlement reflects agreement among normally adversarial parties.¹⁹

In this case, The Willows is the sole opponent of the Joint Proposal. The only issues The Willows has sought to develop on the record relate to issues that were decided in the Willows Complaint Order and that are the subject of The Willows' pending petition for rehearing. Although The Willows sought discovery of certain information related to those issues, Administrative Law Judge Epstein properly denied its motion to compel because its discovery requests were neither relevant nor material to the issues in this case.²⁰ We find that the record developed in this proceeding complies with the provisions of the Settlement Guidelines.

Next, we agree with Staff that the Joint Proposal is consistent with our goal of consolidating smaller water companies into larger entities to improve both service, benefiting consumers, and financial viability, benefiting both consumers and the water companies serving them.²¹ Approval of the proposed acquisition will combine the more than 50,000-customer systems of Aqua NY with the approximately 74,000-customer system of LIAW under a single parent, American Water. The record here indicates that American Water is the largest investor-owned water and waste-water company in the United States, with extensive technical expertise and substantial financial strength. In addition, as noted earlier, the proposed stock acquisition would not have a significant effect on the environment, and is thus consistent with State environmental

¹⁹ Settlement Guidelines, pp. 5-8.

²⁰ See *supra* n. 17.

²¹ Case 93-W-0962, *Acquisition and Merger of Small Utilities*, Statement of Policy on Acquisition Incentive Mechanisms for Small Water Companies (issued August 8, 1994).

policy. Nor is there any indication in the record of any way in which the provisions of the Joint Proposal would be inconsistent with any other social or economic policies of the State or the Commission.

The proposed acquisition, as reflected in the Joint Proposal, would provide significant tangible and intangible positive benefits for consumers, including:

- the two-year moratorium on rate increases, beyond what would otherwise be possible, for customers of NYWS, Sea Cliff, and Aqua NY's five districts;
- future conversion to monthly billing and elimination of minimum usage billing for NYWS and Sea Cliff customers;
- the potential for future consolidation of rates among American Water operating subsidiaries that would substantially reduce rates for upstate Aqua NY customers, without significantly affecting those of NYWS, Sea Cliff, and LIAW;
- reconciliation mechanisms that would give the operating utilities incentives to hold down increases or obtain reductions in property taxes, with all or the lion's share of reductions inuring to the benefit of ratepayers;
- earnings sharing mechanisms that will help to capture for customers half of any significant over-earnings flowing from consolidation savings and synergies;
- additional required capital expenditures on the NYWS system, with reconciliation protection in the event of any under-spending;
- improved capital expenditure planning and transparency; and
- elimination of advanced meter charge billing for NYWS and Sea Cliff customers; and conversion to rate increments per

100 gallons for NYWS, Sea Cliff, and all of Aqua NY's own operating districts.

The Joint Proposal's terms also would provide important benefits to American Water and the long-term viability of the operating companies in which it will invest through the proposed stock purchase, including:

- revenue and production cost reconciliation measures that will help to ensure financial integrity of the operating utilities during the rate moratorium period;
- property tax reconciliation mechanisms providing the operating utilities an opportunity to share in savings from tax reductions they obtain through their own efforts;
- earnings sharing mechanisms that provide an incentive to gain from cost savings and synergies;
- permission for American Water to consolidate books and records of Aqua NY, NYWS, and Sea Cliff at its Shared Service Center in New Jersey.

Thus, we find that the provisions of the Joint Proposal reasonably balance the interests of ratepayers, investors, and the long-term viability of Aqua NY, NYWS, and Sea Cliff.

The Joint Proposal's provisions also fall within the range of reasonable results likely from a litigated proceeding. Neither an unconditional approval nor a denial of the petition here appears on this record to have been a reasonable likely outcome if the case had been litigated. Rather, the likely outcome would have been an approval conditioned on various terms. Some of those outcomes might have been more favorable to ratepayers than the Joint Proposal; some might have been more favorable to investors and the operating utilities involved. As we have found, the Joint Proposal reasonably balances those interests and thus we also find it to be within the range of reasonable results likely from a litigated proceeding. Finally,

we note that Staff and UIU are parties normally adversarial to the operating utility companies and their parents in this proceeding, and all support the Joint Proposal.

For these reasons, we find that the Joint Proposal meets our Settlement Guidelines and, except as otherwise noted in this order, approval of its operative provisions is in the public interest.

CONCLUSION

For the reasons set forth above, pursuant to PSL §89(h) we conclude that approval of the operative provisions of the Joint Proposal, except the second sentence of Section VI, and American Water's proposed purchase of all of the issued and outstanding stock of Aqua NY from Aqua Utilities is in the public interest.

The Commission orders:

1. Except for Sections I, II, III, X, and XI and the second sentence of Section VI, the terms, provisions, and conditions of the Joint Proposal filed in Case 11-W-0472 on February 14, 2012, and attached as Attachment I (Joint Proposal) are approved in accordance with the provisions of this order and incorporated as part of this order.

2. (a) Aqua New York, Inc., Aquarion Water Company of Sea Cliff, Inc., and New York Water Service Corporation are each directed to file, on not less than one day's notice, to take effect on April 30, 2012, those tariff amendments necessary to effectuate the tariff provisions approved by this order, as contained in Appendix B of the Joint Proposal.

(b) The requirements of Public Service Law §89-c(10) and 16 NYCRR §720-8.1 that newspaper publication be completed before the effective date of the amendments are waived with

respect to ordering clause 2(a) above, *provided*, however, that Aqua New York, Inc., Aquarion Water Company of Sea Cliff, Inc., and New York Water Service Corporation shall each file with the Commission's Secretary, no later than six weeks following the effective date of the tariff amendments filed in accordance with ordering clause 2(a), proof that a notice to the public of the changes proposed by the amendments and their effective date has been published once a week for four consecutive weeks in newspapers having general circulation in the respective company's service territories.

3. The Secretary may extend any compliance deadline established under the terms, provisions, or conditions of this order, including those of the Joint Proposal approved and incorporated in it, for good cause.

4. This proceeding is continued, but shall be closed by the Secretary as soon as the compliance filings have been completed, unless the Secretary finds good cause to continue it further.

By the Commission,

Jaclyn A. Brilling
Digitally Signed by Secretary
New York Public Service Commission

(SIGNED)

JACLYN A. BRILLING
Secretary

Attachment I

Attachment II

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Case 11-W-0472: Joint Petition, pursuant to Public Service Law Section 89-h, by AQUA UTILITIES, INC., AQUA NEW YORK, INC. and AMERICAN WATER WORKS COMPANY, INC. for Approval of a Stock Purchase Agreement under which Aqua Utilities, Inc. will sell and American Water Works Company, Inc. will acquire 100% of the issued and outstanding capital stock of Aqua New York, Inc.

**JOINT PROPOSAL FOR APPROVAL OF ACQUISITION BY AMERICAN
WATER WORKS COMPANY, INC. OF AQUA NEW YORK, INC.**

Dated: February 9, 2012

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**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Case 11-W-0472: Joint Petition, pursuant to Public Service Law Section 89-h, by
AQUA UTILITIES, INC., AQUA NEW YORK, INC. and
AMERICAN WATER WORKS COMPANY, INC. for Approval
of a Stock Purchase Agreement under which Aqua Utilities, Inc.
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York, Inc.

**JOINT PROPOSAL FOR APPROVAL OF ACQUISITION BY AMERICAN
WATER WORKS COMPANY, INC. OF AQUA NEW YORK, INC.**

I. INTRODUCTION

On September 1, 2011, American Water Works Company, Inc. ("American Water" or "AWW")¹, Aqua Utilities, Inc. ("Aqua Utilities"), and Aqua New York, Inc. ("Aqua NY"), filed a joint petition pursuant to Public Service Law §89-h seeking the approval of the New York State Public Service Commission ("Commission") for American Water's acquisition of 100% of the issued and outstanding capital stock of Aqua NY.

American Water is a Delaware corporation. American Water's business address is 1025 Laurel Oak Road, Voorhees, New Jersey 08043. American Water is the largest investor-owned water and wastewater utility company in the United States. American Water's regulated businesses span 375 individual service areas and include

¹ The term "the Company" shall refer herein when describing various ratemaking mechanisms to AWW and any and all of the individual utilities formerly owned by Aqua NY that American Water is acquiring as a result of the proceeding.

approximately 45,000 miles of distribution and collection mains, 90 surface water treatment plants, 600 groundwater treatment plants and 60 wastewater treatment facilities. AWW currently owns Long Island Water Corporation, d/b/a Long Island American Water ("LIAW"). LIAW provides water service to approximately 74,000 customers in Nassau County, New York.

Aqua Utilities, doing business as Aqua Texas, provides direct water and wastewater services. Aqua Utilities' address is 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Aqua Utilities is a corporation duly organized and existing under the laws of the State of Texas and has the full right and power to sell the stock of Aqua NY. Aqua Utilities is a wholly-owned subsidiary of Aqua America, Inc. ("Aqua America").²

Aqua NY is a New York corporation with its principal executive office located at 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Aqua NY is a waterworks corporation under the Public Service Law ("PSL") (*see* PSL § 2(27)) and, by itself and through its utility subsidiaries, serves more than 50,000 customers in four counties across New York State in Nassau, Westchester, Ulster and Washington counties. Aqua NY, formerly known as Kingsvale Water Company, Inc., is a subsidiary of Aqua Utilities and was acquired by Aqua America in 2003 along with Aqua Utilities from AquaSource Inc. Cambridge Water Works Company, Dykeer Water Company, Inc., Waccabuc Water Works, Inc. and Wild Oaks Water Company, Inc. were also acquired at

² Aqua America is a Pennsylvania corporation that owns public utilities in 11 different states.

that time.³ In 2007, the Commission approved Aqua NY's request to merge Cambridge, Dykeer, Waccabuc and Wild Oaks into Aqua NY.⁴ Aqua NY, in addition to providing regulated water service, also owns two public utility subsidiaries:

- i. New York Water Service Corporation ("NYWS") provides water service to approximately 45,000 customers in the Towns of Hempstead and Oyster Bay, Nassau County, New York. Its 21 square-mile service territory includes all of the communities of Merrick, Bellmore, Wantagh, Seaford and East Massapequa and portions of North Merrick, North Bellmore, Levittown, and Massapequa Park.
- ii. Aqua New York of Sea Cliff ("Sea Cliff") provides general water service to approximately 4,300 customers in the Town of Oyster Bay, Nassau County, New York.

II. PARTIES

The parties in this proceeding are American Water, Aqua Utilities, Aqua NY, Staff of the Department of Public Service, the Utility Intervention Unit of the Department of State ("UIU"), the Water Authority of Southeastern Nassau County ("Authority") and the Willows Homeowners Association, Inc. ("Willows") which represents customers of the former Dykeer Water Company, now a separate service area of Aqua NY.

³ Case 06-W-0700, Aqua New York, Inc, et. al, *Order Approving Stock Sale and Accounting Treatment*, issued December 15, 2006, at 2, fn. 1, citing Case 02-W-1447, Philadelphia Suburban Corporation et.al, *Order Authorizing Stock Transfer* (issued March 11, 2003).

⁴ Case 07-W-0711: Aqua New York, Inc., et al., *Order Authorizing Merger and Transfer of Franchises, Works and Systems* (issued Sept. 25, 2007).

III. PROCEEDINGS AND NEGOTIATIONS

Following several rounds of discovery and pursuant to duly noticed settlement negotiations, the signatory parties have arrived at an agreement culminating in this Joint Proposal, under which they will recommend to the Commission approval of the acquisition by American Water of Aqua NY and its subsidiaries, NYWS and Sea Cliff in exchange for a rate filing moratorium and various other rate treatments and accommodations. The terms of that agreement are set forth below.

IV. TERMS OF AGREEMENT

A. Approval of Joint Proposal in LIAW's Rate Case

On April 29, 2011, in Case 11-W-0200, LIAW proposed tariff revisions designed to produce an annual revenue increase of approximately \$9,563,146 or 19.5%. Taking into account resetting of certain surcharges, however, the net impact of the proposed rate increase was approximately 13.2%. On November 28, 2011, the parties to Case 11-W-0200 filed a Joint Proposal for a comprehensive three-year rate plan. Under that Joint Proposal, LIAW's rates would increase resulting in a net impact of 2.8% in the first year, 2.6% in the second year and 2.2% in the third year of the rate plan proposed in that agreement. Additionally, the Joint Proposal recognized \$901,331 of possible synergy savings that LIAW might realize as a result of the acquisition of the Aqua companies in New York and it conferred those savings directly on LIAW's customers.

American Water's agreement in this case is based explicitly on there being no material change to the Joint Proposal in Case 11-W-0200; particularly as concerns the rate plan or potential synergy savings adopted therein. The parties to this Joint Proposal agree that, pursuant to sections III.D(b) of the Joint proposal in Case 11-W-0200, the

level of merger savings reflected in the Joint Proposal in Case 11-W-0200 is appropriate and requires no further adjustment. Should the Commission effect any such material change to the rate plan in the Joint Proposal in Case 11-W-0200, the agreement set forth herein shall not be binding on American Water and it shall be free to pursue its position in this case as if this Joint Proposal had not occurred.

B. NYWS Rate Plan

NYWS will be in the third year of a three year rate plan beginning February 6, 2012. Case 09-W-0237, *New York Water Service Corporation*, Order Establishing Three Year Rate Plan, January 29, 2010. The terms and conditions of that rate plan shall remain in effect, except as modified herein. The third year rate increase scheduled to become effective in that rate plan on February 6, 2012 shall remain in effect.

C. Rate Filing Moratorium

As explained above, NYWS will be in the third year of a three year rate plan beginning February 6, 2012 and, under normal conditions, NYWS would be free to file for a proposed rate increase in late February 2012 for rates to be effective on or after February 6, 2013. Neither Sea Cliff nor Aqua NY is under any prohibition on making a general filing.

A Joint Proposal for a three year rate plan for LIAW is pending before the Commission in Case 11-W-0200. That three year rate plan will terminate on March 31, 2015. AWW agrees to a rate filing moratorium provision for Aqua NY and its two subsidiaries, NYWS and Sea Cliff (sometimes jointly referred to herein as the “Acquired Companies”). The rate filing moratorium for the Acquired Companies will terminate at the same time that LIAW’s pending rate plan terminates – i.e. on March 31, 2015.

Therefore, AWW agrees that it will not file a general rate increase for any of the Acquired Companies (or for any successor company or companies that serve those aforementioned service areas) until April of 2014 for rates to be effective on and /or after April 1, 2015.

D. Agreement to File Consolidated Rates Upon Expiration of Rate Moratorium

AWW agrees that, upon the expiration of the rate moratorium period described immediately above, any rate filing it makes for LIAW and/or the Acquired Companies will consider establishing rates on a consolidated basis, reflecting a uniform rate per service classification for the customers of LIAW, NYWS, Sea Cliff and Aqua NY, or for the service territories of those companies if they are merged or consolidated, as a result of this proceeding or through a subsequent petition. This provision shall also include the elimination of minimum usage allowances in the territories of NYWS and Sea Cliff and converting all customers to monthly billing. The rate filing will include schedules demonstrating revenue requirements on both an individual system basis as well as on a consolidated basis and the company will propose its recommendation for either a uniform rate or individual territory rates. AWW recognizes that such responsibility to file consolidated rates shall be its own and no obligation to implement a consolidated rate structure shall be binding upon the Commission.

E. Required Cost Recovery Mechanisms

As an explicit condition for the rate moratorium provision described above, the following rate recovery mechanisms will be implemented (or continued, as the case may be) at the Acquired Companies, as indicated below:

1. Revenue Adjustment Clause ("RAC")

The existing RAC of NYWS established in Case 09-W-0237 shall continue in operation through the rate moratorium, based on the annual revenue amount of \$25,622,843 set in year three of NYWS's rate plan in that case. Actual metered revenues for rate year three and beyond will be determined on a rate year ending January 31, 2013, the 14-months ending March 31, 2014 and the 12-months ending March 31, 2015. The actual metered revenues will be compared to revenue targets of \$25,622,843 for the rate year ending January 31, 2013; \$28,108,256 for the 14-months ending March 31, 2014; and \$25,622,843 for the 12-months ending March 31, 2015. If NYWS decides voluntarily to not file for rate relief to be effective by April 1, 2015, the monthly target levels will be set using the monthly averages of metered revenue for the most recent five years applied to the rate year three target level of \$25,622,843.

The difference in the level of actual costs associated with production costs (fuel, power and chemicals) versus the level of costs included in base rates for the rate year ending January 31, 2013 for NYWS will be treated in the following manner:

- i. If actual costs are less than the amounts included in base rates, 100% of the difference will be deferred and refunded through the revenue and production cost reconciliation adjustment clause and property tax clause.
- ii. If actual costs are greater than the amounts included in base rates, 90% of the difference will be deferred and recovered through the revenue and production cost reconciliation adjustment clause and property tax clause.

The difference in the level of actual costs associated with production costs (fuel, power and chemicals) versus the level of costs included in NYWS 14-months ending March 31, 2014 and 12-months ending March 31, 2015 will be treated in the following manner:

- i. The effects of differences in the level of actual production costs (fuel, power and chemicals) versus the level of production costs (fuel, power and chemicals) in rates presented below in each rate year for the period February 1, 2013 through March 31, 2015, will be deferred and recovered or refunded through the revenue and production cost reconciliation adjustment clause and property tax clause on an annual (rate year) basis.
- ii. The target level for fuel, power and chemicals is \$2,672,265 for the 14-months ending 3/31/2014 and \$2,389,816 for the 12-month rate year ending 3/31/2015.

A RAC shall be established for Sea Cliff based upon the same principles as the Revenue, Production Costs and Property Tax Reconciliation mechanism for LIAW. Sea Cliff's RAC shall commence with completion of the purchase of Aqua NY by AWW and shall continue until rates are changed through a new rate case. The RAC shall be based on a metered revenue target amount of \$2,149,000. The metered revenue target amount is based on a five year average (2007 through 2011) of actual metered sales. Actual metered revenues will be determined on a rate year ending March 31, 2013, March 31, 2014 and March 31, 2015. If Sea Cliff decides voluntarily to not file for rate relief to be effective by April 1, 2015, the monthly target levels will be set using the monthly averages of metered revenue for the most recent five years applied to the annual target level of \$2,149,000.

The difference in the level of actual costs associated with production costs (fuel, power and chemicals) versus the level of costs included in Sea Cliff's existing base rates will be treated in the following manner:

- i. The effects of differences in the level of actual production costs (fuel, power and chemicals) versus the level of production costs (fuel, power and chemicals) in rates presented below in each rate year for the period

April 1, 2012 through March 31, 2015, will be deferred and recovered or refunded through a revenue and production costs reconciliation clause and property tax clause mechanism on an annual (rate year) basis.

- a. The target level for fuel, power and chemicals is \$217,703 for the 12-months ending 3/31/2013, \$217,703 for the 12-months ending 3/31/2014 and \$217,703 for the 12-months ending 3/31/2015. The target levels are based on a five year average (2007 through 2011) of actual fuel, power and chemical expenses.

2. Property Tax Reconciliation ("PTR")

Property taxes will remain at the rate year three level of \$8,336,459 for NYWS established in Case 09-W-0237. A PTR will be implemented for Sea Cliff based on Sea Cliff's 2011 actual property taxes of \$1,101,420. NYWS and Sea Cliff will absorb 15% of such variance where actual taxes are in excess of the target, and the remaining variance (85%) shall be deferred and fully recovered from customers in the succeeding 12-month period as part of the RPCRC Mechanism. Where the actual taxes are less than the target NYWS and Sea Cliff the full amount of the difference will be deferred and returned to ratepayers. NYWS and Sea Cliff will be allowed to retain 15% of the difference where actual taxes are less than the target only if it can successfully demonstrated that the reduction in tax was a direct result of the Company's intervention and action. The PTR Mechanism will continue beyond the term of the rate plan set out within this Joint Proposal at the target levels until new target levels are set in the NYWS's or Sea Cliff's next rate proceeding. If NYWS or Sea Cliff decides to

voluntarily not file for rate relief to be effective by April 1, 2015, the monthly target levels will remain the same until reset in the next rate case. These monthly target levels are for calculating the PTR for any period of time not equivalent to a 12-month rate year for NYWS and Sea Cliff.

3. Surcharge for Cambridge Water Service Area

The System Improvement Charge (SIC) surcharge mechanism that was approved in Case 08-W-0107 for the former Cambridge Water Company for the storage tank and associated transmission mains shall remain in place subject to the existing tariff for that service area.

F. Earnings Sharing Mechanism ("ESM")

There shall be an ESM applicable to all of the Acquired Companies for the duration of this Joint Proposal. In the case of NYWS, the ESM shall replace the earnings sharing agreement in effect for NYWS upon the expiration of the third year of the rate plan, January 31, 2013, in Case 09-W-0237. For Sea Cliff and Aqua NY, the earnings sharing agreement will become effective upon the completion of the sale of Aqua NY to AWW.

The capital structure used in determining the overall rate of return for the Acquired Companies shall be based upon a 42% equity ratio for the rate years ended March 31, 2013, March 31, 2014 and March 31, 2015, but not including the rate year ended January 31, 2013 for NYWS which is covered by Case 09-W-0237.

Each of the Acquired Companies' actual earned Return on Equity ("ROE") for earning purposes will be calculated for each such company on an aggregate basis for the

three years ending March 31, 2015, except for NYWS which will be based on the 26 months ended March 31, 2015 (February 1, 2013 to March 31, 2015).

Each of the Acquired Companies will be permitted to retain 100% of earnings attributable to an achieved ROE up to and including 10.2%. All earnings attributable to an achieved ROE above 10.2% will be shared 50%/50% between customers and shareholders. This ESM will continue beyond the end of the Rate Plan until the Acquired Companies' rates are reset in the next rate proceeding.

The sharing of revenues under this ESM will be determined in the following manner:

- i. For each of the three rate years provided for in this Joint Proposal, the earned return will be determined based upon each of the Acquired Company's regulated Net Income divided by Average Common Equity. The Common Equity ratio will be based on the lower of each Acquired Company's actual common equity ratio or a hypothetical 42.00% common equity ratio. If the 42.0% hypothetical common equity ratio is used it, will be applied to the total capital structure (long term debt, short term debt, preferred stock and common equity) at the end of June, September, December and March of each rate year. These four numbers will then be averaged to determine the Average Common Equity for this calculation. The hypothetical capital structure and cost rates used are found in Appendix A.
- ii. The aggregate achieved ROE for the three-year period ending March 31, 2015 will be the average of the achieved ROE for each of the three

rate years ending March 31, 2013, March 31, 2014, and March 31, 2015 for Aqua NY and Sea Cliff. The aggregate achieved ROE for the 26 month period ending March 31, 2015 will be the average of the achieved ROE for each of the two rate years ending March 31, 2014 (February 1, 2013 to March 31, 2014) and March 31, 2015 (April 1, 2014 to March 31, 2015) for NYWS. Any earnings to be shared with customers will include carrying charges computed at the “other customer capital rate” in effect beginning October 1, 2013 for Aqua NY and Sea Cliff (mid-point of the three rate years covered by this rate plan) and will continue until these net any over-earnings are passed back to customers, NYWS’s midpoint will be March 1, 2014.

- iii. The following items and methodologies will be included in the earnings sharing calculation:
 - a. Each Acquired Company’s total operating water revenues;
 - b. The earnings impact of the System Improvement Charge (“SIC”) surcharge revenues;
 - c. For those items subject to reconciliation (actual metered revenues, fuel, power, chemicals, pension, OPEBs and property tax), the regulated net income will only reflect the rate year target amounts set forth herein;
 - d. All other revenues and prudently incurred utility expenses considered part of the utility cost of service earnings.
- iv. The following items are excluded from the earnings sharing calculation:
 - a. All other income (*i.e.*, revenues not generated from utility assets) and deductions and related taxes;

- b. Revenues and/or expenses resulting from any audit addressing the Company's past treatment of pensions and OPEBs with respect to the Commission's Policy Statement;
 - c. All changes in accounting not contemplated in setting the revenue requirement;
 - d. Shareholder portion of property tax refunds;
 - e. Revenue requirement impacts associated with any additional IT capital above the \$1.5 million currently reflected in rates.
- v. Any earnings due customers under this earnings sharing mechanism will be reflected in the revenue requirement in each Acquired Company's next general rate case or as directed by the Commission.
- vi. Within ninety (90) days after the end of each rate year (NYWS – January 31, 2013, Aqua NY and Sea Cliff – March 31, 2013, all – March 31, 2014 and March 31, 2015) for the rate moratorium, each of the Acquired Companies will file with the Secretary to the Commission an earnings report and supporting documentation that will be used for the Earnings Sharing mechanism provided for in this Joint Proposal. In the third rate year report each Acquired Company will show the amount of any net over earnings that are to be shared with ratepayers.

G. Elimination of Advance Billing for NYWS and Sea Cliff

Currently both NYWS and Sea Cliff bill their meter charge in advance. For purposes of this settlement AWW will eliminate the advance billing protocol and align the meter charge and the consumption charge to bill in arrears for both NYWS and Sea Cliff. Therefore, the first billing after the acquisition, for each of the NYWS and Sea

Cliff customers, will not include a meter charge as the customer had already paid this amount in their prior bill. In addition all tariff leaves will be resubmitted to be billed in rate increments per 100 gallons. Please see Appendix B for the revised tariff leaves.

H. Closing Journal Entries

AWW will file with the Commission's Secretary within sixty (60) days of the completion of the acquisition the Journal Entries for each of the New York Water Companies. The filing will include the proposed regulatory treatment of Pensions and OPEBs in regard to the ownership changing from Aqua to AWW, which will be reviewed and approved by the Director of Accounting and Finance.

I. Capital Expenditures

1. NYWS Storage Tank

In Case 09-W-0237 the projected in-service date of the storage tank was January 1, 2012. The tank was included in base rates effective 2/6/2012. As part of this Joint Proposal, NYWS will not have to defer the daily rate of \$685 effective January 1, 2012 as noted on the Joint Proposal in Case 09-W-0237, section VIII Rate Base, page 9. Instead, capital improvements will be made in the distribution system at a level to reflect the \$685 daily revenue requirement, which is supported by the NYWS rate year three rates. If such capital expenditures, \$4,000,000 in the rate year ending 1/31/2013 plus the \$900,000 in base rates for the distribution system in rate year three, are not made at this level, NYWS will record a regulatory liability for the revenue requirement impact of such under spending.

2. Infrastructure Analysis

After one year of operation, the company will submit an engineering analysis of the infrastructure needs, including cost estimates, for each of the Aqua service territories (i.e., NYWS, Sea Cliff, Cambridge, Dykeer, Kingsvale, Waccabuc, and Wild Oaks). The analysis will include recommendations for future projects, prioritized based on need and importance, in the form of a five year capital expenditure plan to be used as a guide and reference for the Company's future rate filing.

J. Sea Cliff Over Earnings – from 2007 and 2008

In accordance with Case 07-W-0177, Sea Cliff was in an over-earnings situation from May 2007 through December 2008. The customer's share of those over earnings is \$239,000, which includes interest calculated through December 31, 2011.

Sea Cliff will book a deferred credit plus accumulated accrued interest on it related to those over earnings prior to the completion of the merger. The deferred credit will be used to help offset surcharges related to the Property Tax Reconciliation in Sea Cliff's annual filing.

K. Goodwill and Transaction Costs

No additional goodwill will be recorded on the books of American Water Works or any New York affiliates. The existing goodwill recorded on the books of Aqua New York will remain unchanged by the acquisition. Goodwill and transaction costs must be excluded from rate base, expenses, and capitalization in the determination of the Acquired Companies rates and earned returns for New York State regulatory reporting purposes.

V. BOOKS AND RECORDS RELOCATION

As is the case with LIAW, the Acquired Companies will become part of AWW upon completion of the acquisition of Aqua NY. In Case 04-W-0595, Petition of Long Island Water Corporation for a Waiver of the Requirements Contained in 16 NYCRR §§ 543 and 561.2, to Permit the Company to Move its Accounts, Books and Records Out-of-State,(filed in C 12776), Order issued October 24, 2005, the Commission gave LIAW permission to move its accounting books and records from its offices in Lynbrook, NY to AWW's Shared Service Center in New Jersey, as part of a corporate-wide consolidation of AWW's financial services function. Currently the books and records of the Acquired Companies are held at the offices of NYWS in Merrick, New York. It is agreed that the books and records may be relocated, and hereafter maintained at the offices of American Water Works Service Company (AWWSC) in New Jersey as the case may be, subject to the same conditions that were required of the transfer of LIAW's books and records. Those conditions are: the Acquired Companies will be required to provide the books and records and any supporting documentation (including, but not limited to board of directors' minute books, stock books, reports, correspondence, memoranda, etc.), whether electronic or hard copy format, within two (2) business days of Staff's request at a mutually convenient location within New York State or pay all costs reasonably incurred by Staff in examining the company's books and records at their out-of-state location. LIAW must also designate company personnel to assist Staff in interpreting and understanding its books and records. Finally, LIAW and the Acquired Companies must seek Commission authority before they make any future permanent move of their books and records from the location to be approved in this Joint Proposal.

VI. POST ACQUISITION RE-NAMING OF COMPANIES

Upon completion of the acquisition, American Water will be permitted immediately to rename Aqua NY and its subsidiaries, New York Water Service Corporation and Aqua New York of Sea Cliff, to names that will reflect their ownership by American Water Works Company, Inc. AWW also shall be permitted, at its discretion, to merge Aqua NY, NYWS and Sea Cliff into a company that may be named New York American Water Company or such other name as reflects AWW's ownership.

VII. FILING OF INTER-COMPANY AGREEMENTS

Under PSL § 110 (3) "[n]o management, construction, engineering or similar contract, hereafter made, with any affiliated interest, as hereinbefore defined, shall be effective unless it shall first have been filed with the commission...." The parties acknowledge that the Acquired Companies currently obtain services from Aqua America, and its subsidiaries and that upon closing those companies will begin obtaining services from AWWSC, American Water Capital Corporation ("AWCC") and, likely, LIAW or other American Water entities. AWWSC, AWCC or other American Water entities and the Acquired Companies or their successors in interest shall file within 60 to 90 days following the closing of the transaction and that such filing be deemed in compliance with the filing requirements of PSL §110(3). In the interim, such AWW company or companies that might from time to time provide services to Aqua NY, NYWS and Sea Cliff (and their successors) may charge for such services pending the merger or reorganization of the companies into New York American Water Company (or such other, similarly named entity) and the filing of an agreement(s) between the AWW companies providing such services and New York American Water Company.

VIII. LEGISLATIVE, REGULATORY OR RELATED ACTIONS

The Signatories recognize that any law, rule, regulation, order, or other requirement (or any repeal or amendment of an existing law, rule, regulation, order, or other requirement) of the State, local, or federal governments implemented after January 1, 2012 may result in a change in any of the Acquired Companies' revenues, expenses and rate base (including income or other federal or State tax expense and local property taxes) not reflected in existing rates (including surcharges). If such an event results in an annual revenue requirement impact greater than the Commission's materiality threshold for deferral accounting (5% of net income available to common shareholders), the Acquired Company would be required to file a notification with the Commission of such event. Upon notification the Company may petition for deferral or the Commission may take action to require deferral of the revenue requirement impact from the event. Any such approved deferrals will be reflected in rates in the next annual period or in a manner as otherwise directed by the Commission. No portion of a regulatory asset deferral provided for in this Section will be authorized to the extent that the Acquired Companies' earnings before sharing exceed an ROE of -10.2%, except in the case of NYWS in the third year of its existing rate plan where the 11.5% ROE authorized therein shall govern.

IX. RESERVATION OF COMMISSION AUTHORITY

The parties hereby acknowledge and agree that the Commission, pursuant to its statutory responsibility, reserves the authority to act on the level of rates for Aqua NY, NYWS or Sea Cliff (or their successors) in the event of unforeseen circumstances that, in the opinion of the Commission, establish rates which are not just and reasonable or have such a substantial impact upon the range of earnings levels or equity returns envisioned in

this Joint Proposal. Nothing shall be construed to limit the right of Aqua NY, NYWS or Sea Cliff (or their successor companies) to petition the Commission for rate relief if unforeseen circumstances render the rates produced by this agreement unreasonable or insufficient for the provision of safe and adequate service at just and reasonable rates

X. PRECEDENTIAL EFFECT

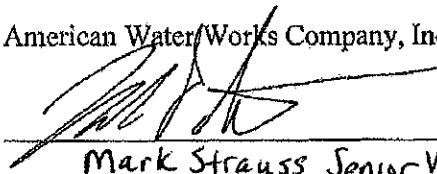
The provisions of this Joint Proposal apply solely to and are binding only in the context of and for purposes of this Joint Proposal. None of the terms and provisions of this Joint Proposal and none of the positions taken herein by any party may be referred to, cited or relied upon by any party in any fashion as precedent in any other proceeding before the Commission or any other regulatory agency or before any court of law except in furtherance of approval of this acquisition of its subsequent implementation.

XI. CONCLUSION

The Signatories believe this Joint Proposal is in the public interest and urge the Commission to adopt its terms.

The foregoing Joint Proposal in Case 11-W-0472 is Adopted and Agreed to by:

American Water/Works Company, Inc. by:



Mark Strauss, Senior Vice President of Business Development

Aqua Utilities, Inc. by:

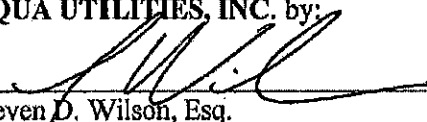
XI. CONCLUSION

The Signatories believe this Joint Proposal is in the public interest and urge the Commission to adopt its terms.

The foregoing Joint Proposal in Case 11-W-0472 is Adopted and Agreed to by:

AMERICAN WATER WORKS COMPANY, INC. by:

AQUA UTILITIES, INC. by:



Steven D. Wilson, Esq.
HARRIS BEACH, PLLC
Attorneys for Aqua Utilities, Inc.,

AQUA NEW YORK, INC. by:



Steven D. Wilson, Esq.
HARRIS BEACH, PLLC
Attorneys for Aqua New York, Inc.,

STAFF OF THE DEPARTMENT OF PUBLIC SERVICE by:

UTILITY INTERVENTION UNIT OF THE DEPARTMENT OF STATE by:

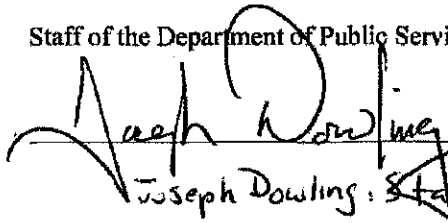
THE WILLOWS HOMEOWNERS ASSOCIATION by:

WATER AUTHORITY OF SOUTHEASTERN NASSAU COUNTY by:

¹³
Dated: February 9, 2012

Aqua New York, Inc. by:

Staff of the Department of Public Service by:


Joseph Dowling: Staff Counsel

Utility Intervention Unit of the Department of State by:

The Willows Homeowners Association by:

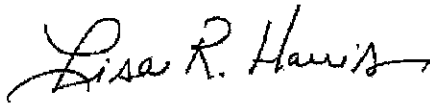
Water Authority of Southeastern Nassau County by:

Dated: February 9, 2012

Aqua New York, Inc. by:

Staff of the Department of Public Service by:

Utility Intervention Unit of the Department of State by:



Lisa R. Harris
Director, Division of Consumer Protection

The Willows Homeowners Association by:

Water Authority of Southeastern Nassau County by:

Dated: February 9, 2012

Appendix A

Capitalization for ESM

	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>	<u>Pre-tax Cost</u>
Long-Term Debt	57.11%	5.81%	3.32%	3.318%
Preferred Stock	.89%	4.50%	.04%	.067%
Common Equity	42.00%	9.65%	4.05%	6.757%
Total	100.00%		7.41%	10.14%

APPENDIX B

PSC NO: 12 -WATER
 COMPANY: NEW YORK WATER SERVICE CORPORATION
 EFFECTIVE DATE: 2/6/2012

LEAF: 82
 REVISION: 9
 SUPERSEDING REVISION: 8

Issued in Compliance with Commission Order issued January 29, 2010 in Case 09-W-0237

SERVICE CLASSIFICATION NO. 1-E

APPLICABLE TO USE OF SERVICE FOR:

General Purposes – Metered customers in territory served by the Merrick-Massapequa Plant.

CHARACTER OF SERVICE:

Continuous, except as provided in Special Provisions.

RATE:

Meters read and excess water billed monthly in arrears.

First	5,984 gallons per monthly period	\$0.4934 per 100 gallons
Next	8,976 gallons per monthly period	\$0.6265 per 100 gallons
Next	44,880 gallons per monthly period	\$0.2690 per 100 gallons
Over	59,840 gallons per monthly period	\$0.1898 per 100 gallons

Meters read and excess water billed bi-monthly in arrears.

First	11,968 gallons per bi-monthly period	\$0.4934 per 100 gallons
Next	17,952 gallons per bi-monthly period	\$0.6265 per 100 gallons
Next	89,760 gallons per bi-monthly period	\$0.2690 per 100 gallons
Over	119,680 gallons per bi-monthly period	\$0.1898 per 100 gallons

1 Cubic Foot equals 7.48 gallons.

MINIMUM CHARGE:

Monthly minimum charge payable in arrears.

Bi-Monthly minimum charge payable in arrears.

Size of Meter	Monthly Customers		Bi-Monthly Customers	
	Minimum Charge	Allowance Gallons	Minimum Charge	Allowance Gallons
5/8"	\$14.48	\$2,992	\$28.96	\$5,984
3/4"	18.10	3,740	36.20	7,480
1"	33.56	6,732	67.12	13,464
1-1/2"	70.32	12,716	140.64	25,432
2"	99.90	20,944	199.80	41,888
3"	149.25	39,644	298.50	79,288
4"	213.70	65,824	427.40	131,648
6"	332.10	129,404	664.20	258,808

A late payment charge to be computed at the rate of 1.5 percent compounded monthly shall be applied to all balances not paid within 20 days of the due date.

The above rates are subject to the State and applicable local gross revenue taxes and State income taxes as levied under Article 9A of the New York State Tax code as set forth in the current tax statements with this schedule.

Issued by: Matthew Snyder, President, Aqua New York, Inc.

PSC NO: 1 – WATER
 COMPANY: Aquarion Water Company of Sea Cliff, Inc.
 INITIAL EFFECTIVE DATE: DECEMBER 1, 2006

LEAF: 65
 REVISION: 0
 SUPERSEDING REVISION: 0

SERVICE CLASSIFICATION NO. 1

APPLICABLE TO USE OF SERVICE FOR:

Use by general customers.

CHARACTER OF SERVICE:

Continuous.

RATE:

For all quantities of water used by customers billed quarterly, the following rates shall apply: First:
 75,000 gals. per quarter @ \$ 0.4726 per hundred gals.
 All over 75,000 gals. per quarter @ \$ 0.2859 per hundred gals.

MINIMUM CHARGES, QUARTERLY:

<u>Size of Meter</u>	<u>Charge</u>	<u>Allowance</u>
5/8"	\$42.53	9,000 gals.
3/4"	56.71	12,000 gals.
1"	99.25	21,000 gals.
1-1/4"	141.78	30,000 gals.
1-1/2"	184.31	39,000 gals.
2"	297.74	63,000 gals.
3"	483.11	120,000 gals.
4"	706.11	198,000 gals.
6"	1,255.04	390,000 gals.
8"	1,941.20	630,000 gals.
10"	2,713.13	900,000 gals.
12"	3,570.83	1,200,000 gals.

TERMS OF PAYMENT:

Net cash. Subject to a late payment charge in accordance with the provisions of General Information V-N. Minimum charge payable in arrears from the date of meter installation, plus the charge for excess water used during the preceding period over the minimum allowance.

Where a premise is supplied through more than one meter at the request of the Customer, then each meter shall be treated separately, the registration shall not be combined, and the proper minimum charge applied to each meter.

Issued by: Charles V. Firlotte, Chairman of the Board and President, 325 Prospect Ave., Sea Cliff, NY 11579-1926
 (Name of Officer, Title, Address)

PSC NO. 1 -WATER
COMPANY: Aqua New York, Inc.
INITIAL EFFECTIVE DATE: December 1, 2011

ATTACHMENT I
LEAF: 12
REVISION: 2
SUPERSEDING REVISION: 1

Issued in compliance with Commission Order issued and effective November 21, 2011 in Case 10-W-0652.

SERVICE CLASSIFICATION NO. 1

Applicable to use of Service for:

Residential, small commercial, and general use.

Character of Service

Continuous.

Volumetric Rate:

\$0.55 per 100 gallons for all usage.

1 Cubic Foot equals 7.48 gallons.

Service Charge: (No Water Allowance)

Meter Size Quarterly Charge

	Cambridge	Dykeer	Kingsvale	Waccabuc	Wild Oaks
5/8"	\$57.66	\$189.83	\$69.38	\$96.44	\$53.69
3/4"	\$72.94		\$92.50		\$63.06
1"	\$118.88	\$265.79	\$161.87		\$91.18
1-1/2"		\$320.61	\$300.64		\$147.42
2"	\$290.48	\$379.67	\$485.63		\$222.50
3"	\$492.21	\$624.39	\$631.89		
4"	\$697.73	\$852.21	\$1,526.29		\$644.19
6"		\$1,518.37	\$3,006.33		
8"			\$4,856.37		

Terms of Payment

Bills shall be rendered quarterly in arrears and are due and payable upon receipt. Bills not paid within 23 days of mailing are delinquent and the late payment charge becomes applicable and service may be discontinued after proper notice as required by law.

Late Payment Charge

A late payment charge to be computed at the rate of 1 ½ percent per month, compounded monthly, may be applied to all balances left unpaid 23 days following mailing of the bill.

Term

Terminable by the customer upon 10 days' written notice to the company.

Issued By: Matthew Snyder, President, Aqua New York, Inc. 60 Brooklyn Ave., Merrick, NY 11566
(Name of Officer, Title, Address)

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 11-W-0472 - Joint Petition of Aqua Utilities, Inc., Aqua New York, Inc. and American Water Works Company, Inc. for Approval of a Stock Purchase Agreement under which Aqua Utilities, Inc. Will Sell and American Water Works Company, Inc. Will Acquire 100% of the Issued and Outstanding Capital Stock of Aqua New York, Inc.

NOTICE OF DETERMINATION OF NON-SIGNIFICANCE

PLEASE TAKE NOTICE that the New York State Public Service Commission will not prepare an Environmental Impact Statement for its action on the joint petition of Aqua Utilities, Inc., Aqua New York, Inc., and American Water Works Company, Inc., to transfer 100% of the issued and outstanding capital stock of Aqua New York, Inc. from Aqua Utilities, Inc. to American Water Works Company, Inc. The Commission has determined in accordance with Article 8 of the Environmental Conservation Law that its approval of the proposed transaction will not have a significant adverse effect on the environment. The exercise of this approval is an "unlisted action," as defined in 6 NYCRR §617.2(ak).

Based on its review of the record, the Commission finds that the proposed action will not have a significant adverse environmental impact, because there will be no changes in the operation or configuration of the water systems of Aqua New York, Inc. or its subsidiary operating companies.

The address of the Public Service Commission, the lead agency for the purposes of the environmental quality review of this action 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

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in

Case No(s). 11-5102-WS-ATR

Summary: Letter of Notification Advising the Commission of the New York Public Service Commission's April 20, 2012 Approval of the Transfer of all Capital Stock of Aqua New York, Inc. to American Water Works Company, Inc. electronically filed by Mark Yurick on behalf of Aqua Ohio, Inc.