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March 6, 2017

New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223
Attention: Ms. Kathleen H. Burgess, Secretary

Re: New York American Water Company
Case Number 16-W-0259

Dear Ms. Burgess,

I am writing to express my shock and disappointment regarding many of the terms of the Joint Proposal set to be considered by the Public Service Commission as determinative of the above rate case involving New York American Water.

Initially, I have read both the Joint Proposal as well as the Staff Statement in Support of the proposal, which was apparently negotiated by Commission Staff, New York American Water and the organizations and individuals who registered as parties to the proceeding.. Making these documents available to the public is certainly admirable, and is required by law. In reality, however, if the idea behind public accessibility is to provide the opportunity for public input, there was no attempt to provide the information in a way that can be understood by people who are unfamiliar with terminology used by the Commission in this industry; and no discernable attempt to notify the public of the opportunity to provide input. For the foregoing reason, I would respectfully request that the Commission extend the deadline for public comment on the Joint Proposal.

Moreover, as the Commission is aware, my district contains communities which are serviced by New York American Water. These include, Merrick, North Merrick, Bellmore, Wantagh and Seaford, whose residents have been living with water rates which are substantially higher than those charged in neighboring communities covered by public water districts. These areas fall within Service Area 2.

During Public Hearings conducted in Oceanside in July of 2016 and in Wantagh in October 2016, I spoke on behalf of overburdened ratepayers and made clear the impact that higher rates will have upon our communities, and the particularly devastating effects those increased rates will have on homeowners on fixed incomes.

The Joint Proposal's negotiated Base Rate increases of 10.20% in Rate Year 1; 9.29% in Rate Year 2, 8.53% in Rate Year 3 and another 7.88% in Rate Year 4 reflect that these pleas have fallen on deaf ears. The simple fact is that if the Joint Proposal is adopted by the Commission, the average customer in Service Area 2

who receives a water bill of \$100 today, will be paying \$141.01 for the very same amount of water in April of 2021. .

Even more disturbing is the fact that within Service Area 2, the Joint Proposal appears to provide more annual revenue than New York American Water even requested in its initial filing. According to the Staff Statement in Support, New York American Water requested additional annual revenue of \$2.7 million. Amazingly, the Joint Proposal to be considered by the Commission provides New York American Water with nearly \$3.1 million in annual revenue. That's nearly \$1.5 million in additional revenue being seized from Ratepayers over the life of the Rate Plan which New York American Water already conceded through its initial filing that it did not need.

In the face of already high rates for a service which the consumer has no choice but to subscribe, it is outrageous enough that the parties to this Rate Proceeding somehow negotiated what equates to a 41% rate increase over the lifespan of the Joint Proposal, but to ask my constituents to effectively subsidize ratepayers in other service areas adds insult to injury. Additionally, the Joint Proposal is silent as to protections against artificially inflated Base Rents and surcharges created by New York American Water's movement from a bi-monthly billing schedule to a monthly billing schedule in Service Area 2.

Finally, while other portions of the plan are objectionable, I must ask that the Commission pay specific attention to the Earnings Sharing Mechanism contained in the Joint Proposal. Obviously the provision is designed to incentivize New York American Water to pursue efficiencies in its operation which would provide a savings to ratepayers.

The Joint Proposal, however, provides New York American Water's shareholders a windfall from those efficiencies, allowing the company to retain 100% of profits which exceed 9.1% up to 9.75%. The Company doesn't share those savings with the ratepayers at all. Truly incentivizing efficient performance in a way that will benefit ratepayers requires that the ratepayers and the Company benefit from the very first dollar. The tiered structure currently proposed is a disincentive that is ultimately harmful to consumers.

As stated in my July 13, 2016 letter to the Commission and as emphasized in my comments at both Public Hearings on the issue, my constituents are relying upon you to protect them. Water is a basic necessity of life. In most jurisdictions, a home is considered uninhabitable if it does not have running water. Unlike most utilities, however, consumers don't have a choice but to deal with New York American Water. They have a monopoly in the truest sense of the word. The absence of competition for these services prevents market forces from demanding a better quality product at a reasonable price. That's why your role in scrutinizing New York American Water and protecting consumers is critically important.

The Joint Proposal represents a clear failure on the part of the Staff and the parties to do that and I respectfully urge the Public Service Commission to reject it.

Very truly yours,



Steven D. Rhoads
Legislator – 19th District