CASE 23-W-0111 – VEOLIA WATER NEW YORK INC. RATE CASE

SUMMARY OF JOINT PROPOSAL

Term: The Joint Proposal ("JP") covers the period from February 1, 2024 through December 31, 2027 (the "Rate Plan"). Rate Year 4 will reflect the 11-month period beginning February 1, 2027, and ending December 31, 2027, to allow the Company to synchronize its rate year with the calendar year in the Company's next rate case filing.

Revenue Requirements: The existing New York (Rockland/Orange), Owego-Nichols, and Heritage Hills operating units will be consolidated into one New York Rate District and be subject to a single revenue requirement. The Westchester Rate District 1 and Westchester Rate District 2 (the "Westchester Rate Districts") will together continue to be subject to a single revenue requirement. The tables below show the base rate increases listed by RY under both a non-levelized and levelized.

NEW YORK RATE DISTRICT

	Non-Levelized Base Rate Increase	Levelized Base Rate Increase
Rate Year 1	$12,149,374 (9.4%)	$8,678,019 (6.7%
Rate Year 2	$8,959,494 (6.3%)	$9,258,535 (6.7%)
Rate Year 3	$5,341,227 (3.5%)	$9,877,884 (6.7%)
Rate Year 4	$4,748,509 (3.0%)	$9,660,442 (6.7%)

WESTCHESTER RATE DISTRICTS

	Non-Levelized Base Rate Increase	Levelized Base Rate Increase
Rate Year 1	$5,155,107 (6.1%)	$4,961,865 (5.9%)
Rate Year 2	$6,057,482 (6.8%)	$5,253,693 (5.9%)
Rate Year 3	$4,253,726 (4.4%)	$5,562,684 (5.9%)
Rate Year 4	$4,666,914 (4.7%)	$5,399,027 (5.9%)

The revenue requirement impact of incremental investment and expenses needed to address per- and polyfluoroalkyl substance ("PFAS") contamination equates to approximately 7% of the overall unlevelized increase in Rate Year 1 for the New York Rate District.

Equity Ratio, Return on Equity ("ROE") and Earnings Sharing Mechanism ("ESM"): The JP proposes a 9.10% ROE and a ratemaking capital structure reflecting a common equity component of 48%. The JP includes an ESM with sharing thresholds as follows:

ESM Shared Percentages Customers/Shareholders	ESM Thresholds
50%/50%	ROE > 9.60% and ≤ 10.10%
75%/25%	ROE > 10.10% and ≤ 10.60%
90%/10%	ROE > 10.60%

Underground Infrastructure Replacement: The Company will continue a 1% underground infrastructure replacement rate for the New York Rate District, including replacement of Company-owned lead services, with an annual cap of $22 million. For the Westchester Rate Districts, the Company will continue its underground infrastructure replacement program, including replacement of Company-owned lead services, as follows: a 0.75% replacement rate in Rate Year 1 with an annual cap of $22.5 million; a 0.80% replacement rate in Rate Year 2 with an annual cap of $24 million; a 0.90% replacement rate in Rate Year 3 with an annual cap of $27 million; and a 1% replacement rate in Rate Year 4 with an annual cap of $30 million.

Revenue, Production Cost, and Property Tax Reconciliation: The JP will continue to allow the Company to defer and recover or refund the effects of any variances between actual metered revenues versus target metered revenues, and any variances between actual versus target level of production costs (purchased power, purchased water, chemicals and sludge removal) and property taxes.[1] This reconciliation mechanism ensures customers will pay no more than the actual costs for these items.

System Improvement Charge ("SIC"): The Company will continue to implement a SIC mechanism that allows the Company to recover carrying costs for specific capital improvement projects that have been fully reviewed and approved by the New York State Department of Public Service Staff ("Staff") when those projects are put in service during the Rate Plan.[2] The Company may petition for SIC treatment of capital projects not enumerated in the JP that result from new laws, rules, regulations, or standards, including those related to PFAS and lead. The SIC mechanism provides the Company financial flexibility to undertake significant construction while protecting ratepayers against the possibility of slippage in scheduled construction.

PFAS Remediation: The Company will track and quantify incremental costs related to PFAS that are in addition to chemicals and energy, during the Rate Plan and will be permitted to defer them, by individual Rate District, for recovery in its next rate case under certain conditions. To the extent the Company receives outside PFAS-related funding (e.g., through PFAS-related grants, damages, or funds through settlement), the Company shall pass back 100% of such funding (net of actual incremental costs to achieve the funding) through the SIC.

Customer Side Lead Service Line ("LSL") Replacement Program: The Company shall, while in the process of replacing the portion of a LSL that is in the public right of way, offer the property owner the option to replace the portion of the LSL that is on private property at no cost, subject to the consent of the property owner.

The Company may replace the portion of the LSL that is on public property without replacing the portion of the LSL that is on private property if: 1) for planned work, the Company offers the no cost alternative to the private property owner and the owner does not accept such offer or the Company does not receive a response from the owner within 60 days; or 2) the replacement is

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[1] For purposes of this reconciliation, the Company will have two separate targets and mechanisms: one for the New York Rate District and one for the Westchester Rate Districts.

[2] The Company will main two separate SIC mechanisms: one for the New York Rate District and one for the Westchester Rate Districts.

necessary to repair a damaged or leaking water service line and the Company offers the no cost alternative to the private property owner, but does not receive a response within 48 hours.

Water Affordability Program: Beginning in Rate Year 1, the Company will provide a monthly bill discount (set at the applicable monthly meter facility charge) for eligible low-income customers. A customer is eligible for participation if they receive Low Income Home Water Assistance Program (LIHWAP) assistance (if available), participate in another utility affordability program, or is a recipient of any of several government public assistance programs.

Arrears Reset Petition: In recognition that, for reasons outside of the Company's control, the Company's arrears balances have grown significantly, the JP supports the Company's filing of a petition with the Commission that seeks authorization of a "reset" (forgiveness and write-down) of customer arrears balances greater than 120 days and cost recovery related thereto. To the extent the Company seeks deferral authority, the amounts requested for deferral treatment need not be material to earnings or extraordinary in nature, but the Company would need to meet the other prongs of the Commission's traditional three-part deferral test.

Conservation & Efficiency Program: The Company will continue to offer rebates and other incentives to customers to promote the reduction of both indoor and outdoor water use. Customer rebates will be offered on certain water-efficient toilets, faucets and fixtures. Rebates will be doubled for Water Affordability Program customers. In addition, the Company will continue to take steps to increase awareness of water conservation practices, strategies and available programs among customers and stakeholders.

The JP further requires the Company to continue water conservation trending as part of an outcome-based approach used as a scorecard for evaluating and reporting. This trending will focus on single-family, meteorological winter (i.e., December, January, and February) consumption.

Customer Service Performance Incentive ("CSPI") Mechanism: The JP continues the CSPI Mechanism composed of a Customer Satisfaction Survey Target mechanism and PSC Complaint Rate mechanism that are each applicable to the Company in its entirety (i.e., the New York Rate District and Westchester Rate Districts combined).

For the Customer Satisfaction Survey Target, the Company will retain a consultant to conduct bi-annual surveys (conducted in June and December of each Rate Year) of overall customer satisfaction levels and customers' opinions about the Company's responses to specific issues. The Company will continue to utilize phone surveys but will also undertake an email-based survey, with the potential to move to an all email-based survey by the end of the Rate Plan if it is deemed successful and more cost effective. The following thresholds and associated NRAs will apply:

Rate Year 1	Rate Year 2	Rate Year 3	Rate Year 4	NRA (BP)
≤ 75.7%	≤ 76.0%	≤ 76.7%	≤ 77.5%	5
≤ 73.4%	≤ 74.0%	≤ 74.5%	≤ 75.5%	10
≤ 71.7%	≤ 72.0%	≤ 72.5%	≤ 73.5%	15

For the PSC Complaint Rate,[3] the following thresholds and associated NRA amounts will apply:

Rate Year 1	Rate Year 2	Rate Year 3	Rate Year 4	NRA (BP)
≥ 5.5	≥ 5.0	≥ 4.5	≥ 3.5	5
≥ 6.5	≥ 6.0	≥ 5.5	≥ 4.0	10
≥ 7.0	≥ 6.5	≥ 6.0	≥ 4.5	15

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Revenue Allocation and Rate Design Rate Design: The JP provides that all operating units (New York, Forest Park, Owego-Nichols and Westchester (RD1 and RD2)) be consolidated under one set of tariff rules and regulations. The Company will maintain three RDs: 1) New York Rate District (New York (Rockland/Orange Counties)), Owego-Nichols, and Heritage Hills); 2) Westchester RD1; and 3) Westchester RD2.

The rates of New York, Owego-Nichols and Heritage Hills will be harmonized in Rate Year 1 to reflect the consolidated revenue requirement. Public fire protection will remain separate for each operating unit within the consolidated New York District.

Westchester RD2 rates will be gradually moved towards harmonization with Westchester RD1 rates over the course of the Rate Plan. Full harmonization of rates within Westchester will not be accomplished within the scope of the Rate Plan in recognition of bill impacts to customers. Fire Hydrant revenues in Westchester will be reconciled through the RACPTR mechanism.

Costs related to the Port Chester Development Projects, which are estimated at $48 million, will be funded 80% by developers and 20% by customers.

Climate Change and the Environment: Under the JP, the Company plans to take the following actions with respect to climate change and the environment over the course of the Rate Plan: install 3-6 live electric vehicle charging stations and purchase electric vehicles where technically feasible; investigate the potential use of conduit hydropower technology at strategic locations in the transmission and distribution systems; and investigate the installation of solar roofing or panels at its facilities.

The Company will also hire a consultant to prepare and complete a greenhouse gas ("GHG") Study and Decarbonization Plan, which will be filed by the end of Rate Year 3.

As part of its next rate filing, the Company will include in testimony an assessment of the vulnerability of its water supply, water quality, and infrastructure to the effects of climate change, and how the Company intends to mitigate identified vulnerabilities.

[3] With certain exceptions, escalated complaints that will be counted in the PSC Annual Complaint Rate are those that Staff determines involve situations where the Company has not provided a reasonable level of customer service or its actions are deemed to be not in compliance with the Commission's regulations, or the Company's tariff.