



Fiscal Year 2014 Upstate Rate Presentation

May 10, 2013

Upstate Rate

- Wholesale water is sold to approximately 40 customers north of New York City (the “City”), which distribute water to their retail customers in 70 communities
- Upstate communities entitled to quantities of water equal to the per capita consumption in the City times the population of the upstate community. This consumption is billed at the “Entitlement Rate”
- The Entitlement Rate =
 - The capital and operating costs of supplying and treating water
 - Excluding any in-City costs
 - Divided by the forecast consumption in-City and upstate
- Excess consumption above the entitled quantities is billed at an Excess Rate, which is equal to the in-City rate

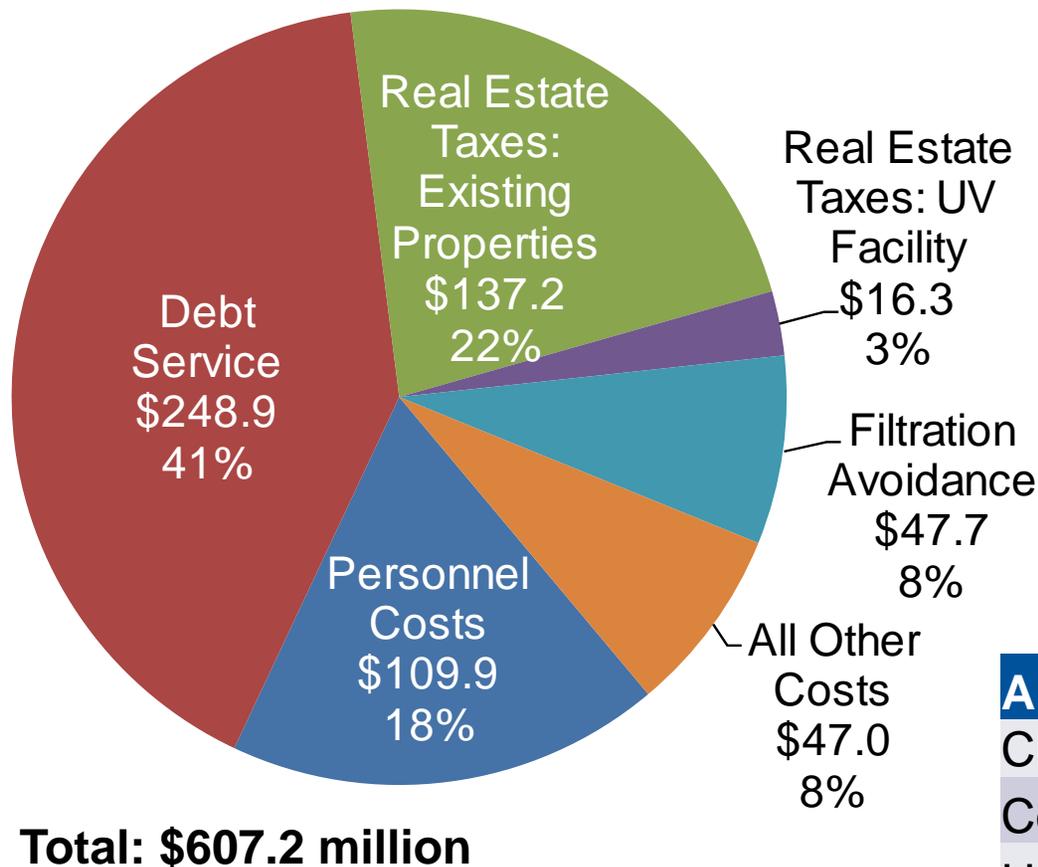
Calculating the Upstate Rate

- Gather costs of supplying and/or treating water
- Reconcile final costs and consumption for prior fiscal years, as applicable
 - FY 2012 Cost of Service and Consumption reconciled in FY 2014 rate; FY 2013 costs will be reconciled in FY 2015 rate
- Forecast consumption based on ten-year regression analysis
- Divide Net Cost of Service by Consumption to calculate Entitlement Rate

	Enacted FY 2013	FY 2013 Currently Projected	Proposed FY 2014
Cost of Service	\$554,536,079	\$564,235,884	\$607,165,016
Reconciliation	(\$10,209,738)	(\$19,379,766)	(\$2,736,842)
Net Cost of Service	\$544,326,341	\$544,856,118	\$604,428,174
Consumption (MG)	408,561	408,459	403,825
Entitlement Rate/MG	\$1,332.30	\$1,333.93	\$1,496.76
Change in Rate	9.8%		12.3%

The change in the Reconciliation amount from “Enacted FY 2013” to “FY 2013 Currently Projected” is due to the recognition of federal subsidy payments for the System’s Build America Bonds

FY 2014 Cost of Service



All Other Costs	
Chemicals	\$6.4
Contractual Services	\$6.5
Hillview Reservoir	\$15.0
Supplies and Materials	\$3.0
Other OTPS Costs*	\$11.2
Other Costs (Revenues)**	\$5.0
Total	\$47.0

Dollars in millions

* Other OTPS Costs includes all other DEP OTPS costs incurred in the provision of water supply north of the City (e.g., fuel, telecom, maintenance and repairs, etc.)

** Other Costs (Revenues) includes Judgment and Claims, Miscellaneous Revenue and the upstate water supply share of DEP OTPS and City Central Service Costs

Components of Water Service Costs

Cost Component	(\$ Millions)	% of Total
Debt Service	\$248.9	41%
Property Taxes	\$153.6	25%
Direct Personnel Expenses	\$109.9	18%
Filtration Avoidance	\$47.7	8%
All Other Costs*	\$53.0	9%
Less: Miscellaneous Revenues	(\$6.0)	-1%
Less: Credit for FY 2012 Reconciliation	(\$2.7)	0%
Net Cost of Service	\$604.4	100%

* All Other Costs are as outlined on the prior slide, except for Miscellaneous Revenues which are shown separately above

Calculation of FY 2014 Rate

Net Cost of Service*	\$604,428,174
Estimated Consumption (MG)	403,825
Proposed Unit Rate for FY 2014 (\$ per MG)	\$1,496.76
Current Unit Rate for FY 2013 (\$ per MG)	\$1,332.30
Proposed % Change	12.3%
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Last Year's Rate Projection for FY 2014	\$1,476.05
Last Year's Projected % Increase	10.8%
Incremental Increase in Rate	1.5%

* Net Cost of Service is net of Miscellaneous Revenues and Reconciliation

Filtration Avoidance Cost Impact on Rate



- Determination for FY 2014 that certain filtration avoidance costs should be expensed rather than capitalized
- Without this \$23.5 million of additional expense in FY 2014, the proposed rate increase would be 8.0%, or 26.1% below the projections from May 2012

	Projected in May 2012	Projected in May 2013	Incremental Filtration Avoidance (FAD) Expense	May 2013 Projections without FAD
FY 2014 Cost of Service	\$595,956,750	\$607,165,016	\$23,521,917	\$583,643,099
Less FY 2012 Reconciliation Credit	-	(\$2,736,842)		(\$2,736,842)
FY 2014 Net Cost of Service	\$595,956,750	\$604,428,174		\$580,906,257
FY 2014 Consumption	403,751	403,825		403,825
FY 2014 Rate	\$1,476.05	\$1,496.76		\$1,438.51
Increase from FY 2013 Rate	10.8%	12.3%		8.0%

Comparison to in-City Rate

	Entitlement Rate	in-City Water Rate	Net Excess Charge
FY 2013 Rate per MG	\$1,332.30	\$4,532.09	\$3,199.78
Charge per Average Single-family Household (80,000 gallons)	\$106.58	\$362.57	\$255.98
% of in-City Charge	29.4%	100.0%	70.6%

Proposed FY 2014 Rate per MG	\$1,496.76	\$4,786.10	\$3,289.34
Proposed Charge per Average Single-family Household (80,000 gallons)	\$119.74	\$382.89	\$263.15
% of in-City Charge	31.3%	100.0%	68.7%

	Entitlement Rate	in-City Water Rate
FY 2010 Rate Increase	2.4%	12.9%
FY 2011 Rate Increase	24.7%	12.9%
FY 2012 Rate Increase	5.6%	7.5%
FY 2013 Rate Increase	9.8%	7.0%
FY 2014 Proposed Rate Increase	12.3%	5.6%
Five-Year Average Rate Increase	11.0%	9.2%
Five-Year Compound Rate Increase	66.3%	54.8%

Upstate Rate Comparison



	FY 2013 Rate					Proposed FY 2014 Rate	
	Total Water Charges	NYC Water Supply Portion	Local Utility Portion	NYC Water Supply % of Total	Local Utility % of Total	Water Supply Cost Increase	NYC Water Supply Increase as % of Total Charges
Carmel	\$640.00	\$106.58	\$533.42	17%	83%	\$13.16	2.1%
Harrison	\$552.00	\$106.58	\$445.42	19%	81%	\$13.16	2.4%
Mamaroneck	\$686.00	\$106.58	\$579.42	16%	84%	\$13.16	1.9%
New Rochelle	\$587.00	\$106.58	\$480.42	18%	82%	\$13.16	2.2%
New York City	\$362.57	\$106.58	\$255.98	29%	71%	\$13.16	3.6%
White Plains	\$213.00	\$106.58	\$106.42	50%	50%	\$13.16	6.2%
Yonkers	\$248.00	\$106.58	\$141.42	43%	57%	\$13.16	5.3%

Calculations assume average annual usage of 80,000 gallons
 Total increase in NYC in-City water rate for FY 2014 is 5.6%, which is \$20.32 per 80,000 gallons