



# **Fiscal Year 2015 Upstate Rate Proposal**

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April 23, 2014

# 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 daily 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 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

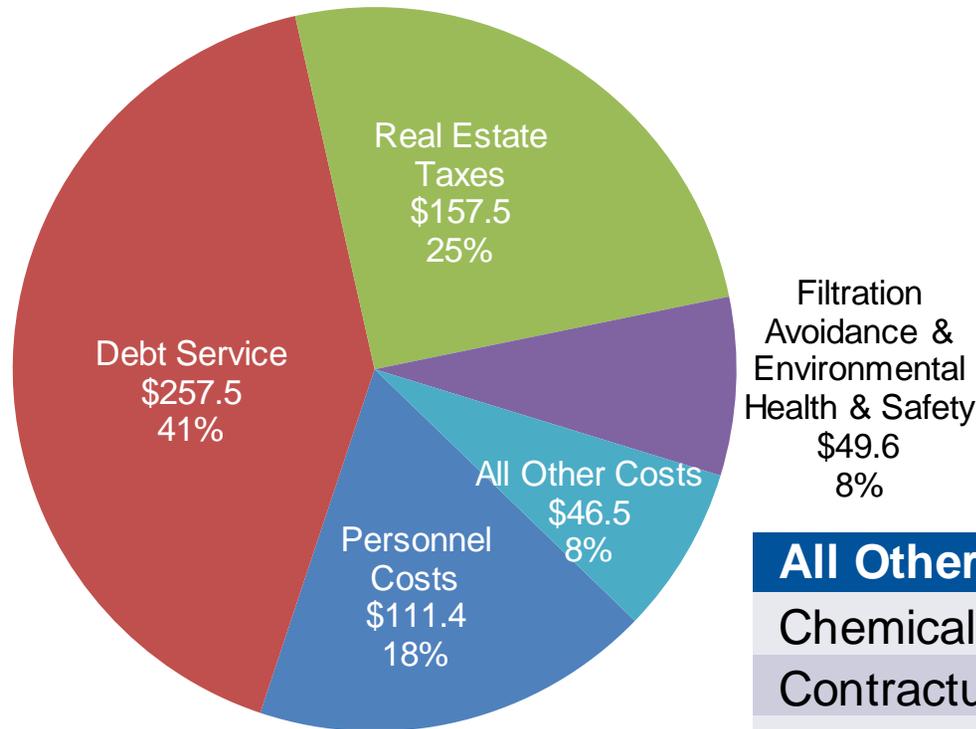
# Calculating the Upstate Rate

- Gather costs of supplying and/or treating water
- Reconcile final costs and consumption for prior fiscal years, as applicable
  - FY 2013 Cost of Service and Consumption reconciled in FY 2015 rate; FY 2014 costs will be reconciled in FY 2016 rate
- Forecast consumption based on ten-year regression analysis
- Divide Net Cost of Service by Consumption to calculate Entitlement Rate

	Enacted FY 2014	FY 2014 Currently Projected	Proposed FY 2015
Cost of Service	\$607,165,016	\$663,575,505	\$622,503,254
Reconciliation	(\$2,736,842)	(\$3,187,525)	\$4,052,236
Net Cost of Service	\$604,428,174	\$660,387,981	\$626,555,491
Consumption (MG)	403,825	403,059	398,163
Entitlement Rate/MG	\$1,496.76	\$1,638.44	\$1,573.61
Change in Rate	12.3%		5.1%

The increase in the Cost of Service in the current FY 2014 projection is primarily due to the use of funds pay down debt and reduce debt service through FY 2019  
 The increase in the Reconciliation amount in the current FY 2014 projection is due to an adjustment in the reconciliation of FY 2012 costs

# FY 2015 Cost of Service



**Total: \$622.5 million**

All Other Costs		(\$ Millions)
Chemicals		\$3.2
Contractual Services		\$9.8
Electricity, Natural Gas & Fuel Oil		\$7.6
Supplies & Materials		\$2.9
Hillview Reservoir		\$13.1
UV Facility		\$7.1
Other OTPS Costs*		\$0.7
Other Costs**		\$9.5
Miscellaneous Revenues		(\$7.3)
<b>Total</b>		<b>\$46.5</b>

\* Other OTPS Costs includes costs incurred in the provision of water supply north of the City (e.g., telecom, maintenance and repairs, etc.); it is net of projected OpX savings of \$5.2 million

\*\* Other Costs includes Judgment and Claims 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	\$257.5	41%
Property Taxes	\$157.5	25%
Direct Personnel Expenses	\$111.4	18%
Filtration Avoidance & Environmental Health & Safety	\$49.6	8%
Other Costs*	\$53.9	9%
Less: Miscellaneous Revenues	(\$7.3)	-1%
Plus: FY 2013 Reconciliation Amount	\$4.1	1%
Net Cost of Service	\$626.6	100%

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

# Calculation of FY 2015 Rate

<b>Net Cost of Service</b>	<b>\$626,555,491</b>
Estimated Consumption (MG)	398,163
Proposed Unit Rate for FY 2015 (\$ per MG)	\$1,573.61
Current Unit Rate for FY 2014 (\$ per MG)	\$1,496.76
Proposed % Change	5.1%
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Last Year's Rate Projection for FY 2015	\$1,583.73
Last Year's Projected % Increase	5.8%
Decrease from Last Year's Projection	-0.7%

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

# Comparison to in-City Rate

	Entitlement Rate	in-City Water Rate	Net Excess Charge
FY 2014 Rate per MG	\$1,496.76	\$4,786.10	\$3,289.34
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%
Proposed FY 2015 Rate per MG	\$1,573.61	\$4,946.52	\$3,372.91
Proposed Charge per Average Single-family Household (80,000 gallons)	\$125.89	\$395.72	\$269.83
% of in-City Charge	31.8%	100.0%	68.2%

	Entitlement Rate	in-City Water Rate
FY 2014 Rate Increase	12.34%	5.60%
FY 2015 Proposed Rate Increase	5.13%	3.35%
Six-year Average Rate Increase (FY 2010-FY 2015 Proposed)	9.99%	8.21%

# Upstate Rate Comparison



	FY 2014 Rate					Proposed FY 2015 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	\$642.00	\$119.74	\$522.26	19%	81%	\$6.15	1.0%
New Rochelle	\$589.00	\$119.74	\$469.26	20%	80%	\$6.15	1.0%
Harrison	\$588.00	\$119.74	\$468.26	20%	80%	\$6.15	1.0%
Mamaroneck	\$575.00	\$119.74	\$455.26	21%	79%	\$6.15	1.1%
New York City	\$382.89	\$119.74	\$263.15	31%	69%	\$6.15	1.6%
Yonkers	\$273.00	\$119.74	\$153.26	44%	56%	\$6.15	2.3%
White Plains	\$250.00	\$119.74	\$130.26	48%	52%	\$6.15	2.5%
Scarsdale	\$249.00	\$119.74	\$129.26	48%	52%	\$6.15	2.5%

Calculations assume average annual usage of 80,000 gallons  
 Total increase in NYC in-City water rate for FY 2015 is 3.35%, which is \$12.83 per 80,000 gallons