



Rate Proposal Hearings

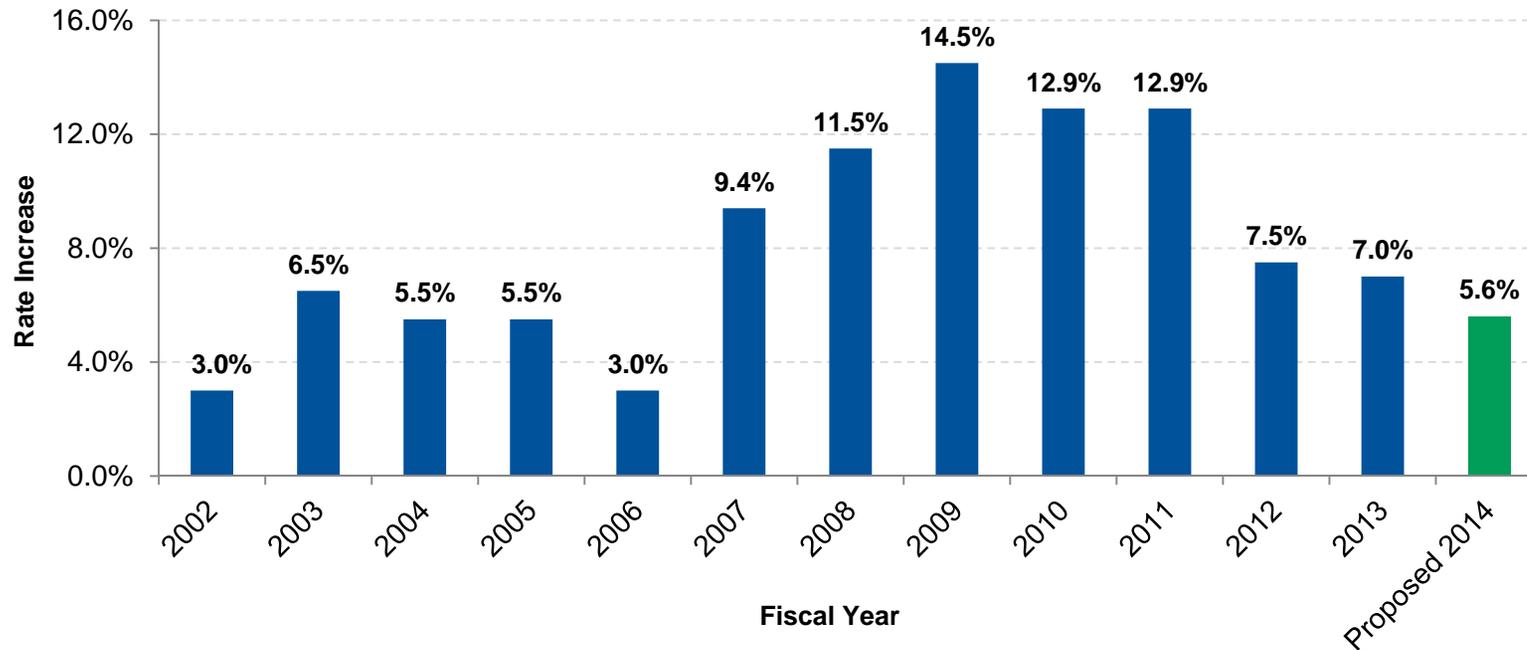
New York City, NY

April 29 – May 3, 2013

FY 2014 Rate Proposal Summary



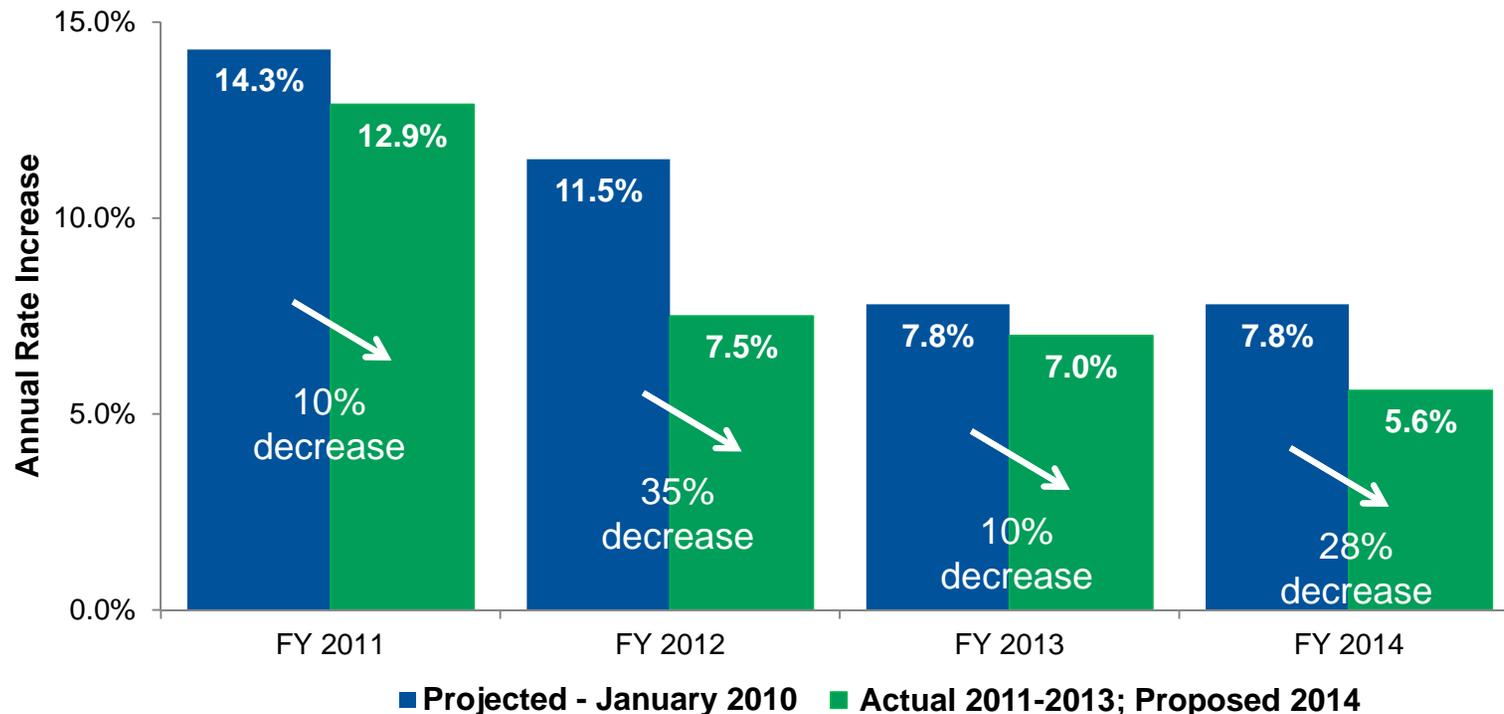
- Proposing **5.6%** rate increase
- Lowest since FY 2006, eight years ago



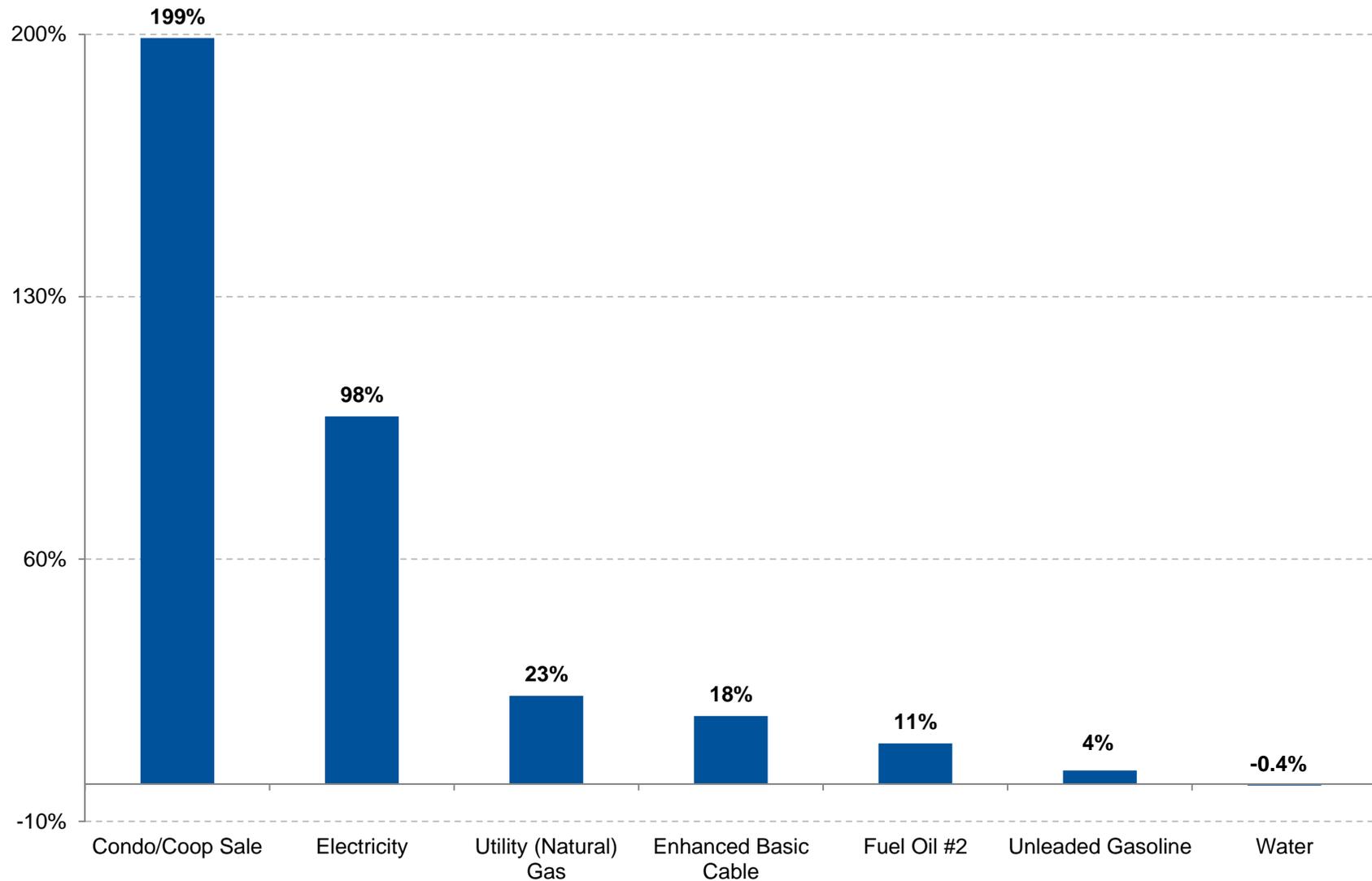
Water and Sewer Charges	FY 2013	FY 2014 (5.6% Increase)
Combined Water & Sewer Rate (per hundred cubic feet)	\$8.78	\$9.27 (\$0.49)
Average Annual Single Family Charge (80,000 gal)	\$939	\$991 (\$52)
Average Annual Multi-family Metered Charge (52,000 gal)	\$610	\$644 (\$34)
Multi-family Conservation Program – Residential Unit	\$894	\$944 (\$50)

FY 2014 Rate Proposal Summary

- Proposing **5.6%** rate increase
- 28% lower than 2010 projection of FY 2014 rate increase due to four primary factors:
 - Strong revenues due to 96% completion of wireless meter reading program
 - Low interest rates that have resulted in debt service savings of \$147M
 - Regulatory advances that have enabled us to better control our capital budget
 - Operational cost savings, including a 4% budget reduction and the *OpX* program

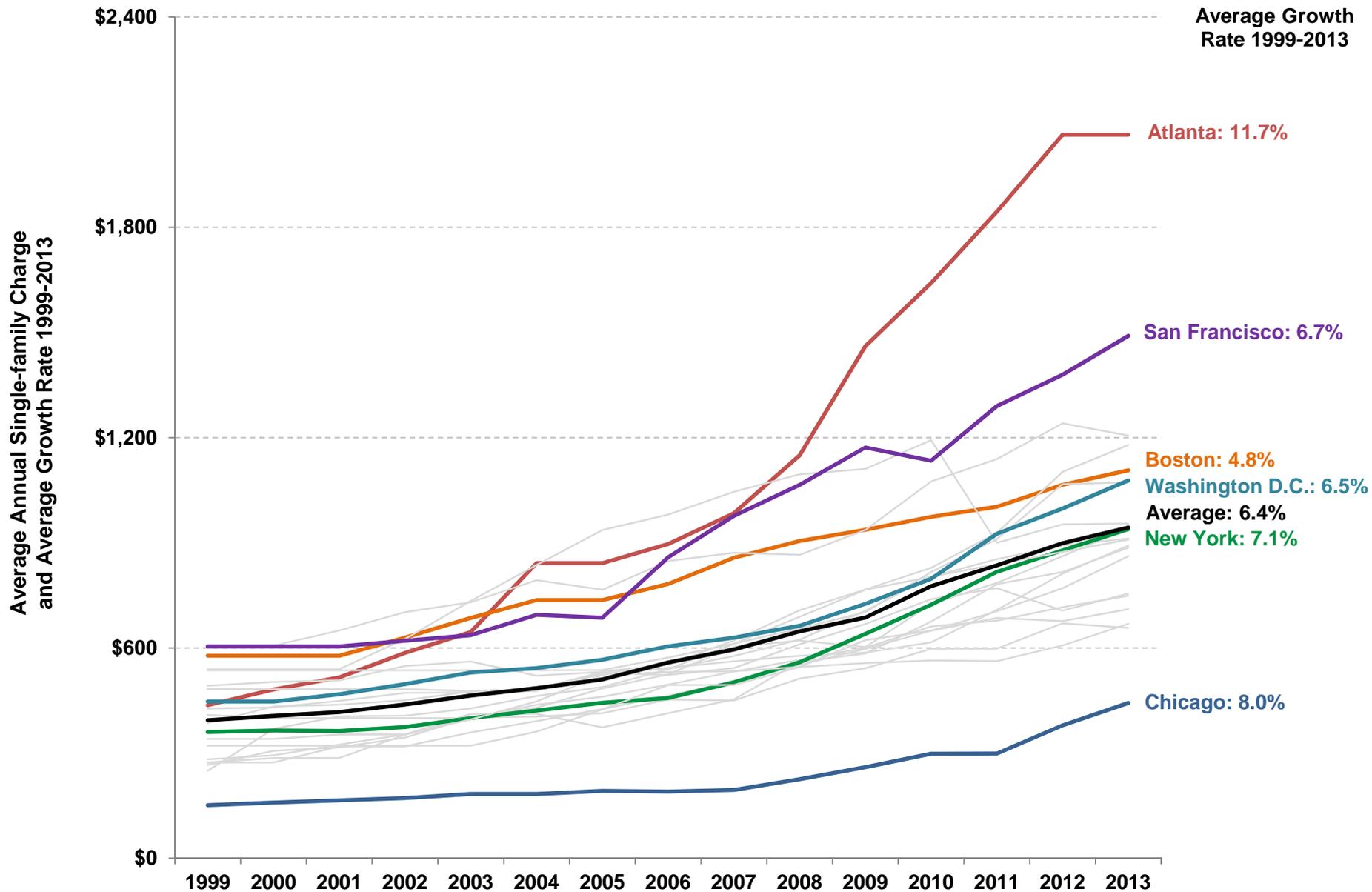


% Difference in Consumer Costs, NYC vs. US



Source: The Real Estate Board of New York and National Association of Realtors (condo/coop sale); New York State Energy Research and Development Authority and Bureau of Labor Statistics (electricity and fuel oil #2); U.S. Bureau of Labor Statistics (natural gas and unleaded gasoline); FCC and company websites (enhanced basic cable); NYC FY 2014 Water and Wastewater Rate Report (water)

Rate Trends in Major Cities



All estimates based on consumption of 80,000 gallons per year

Hurricane Sandy Impacts

Total cost of Hurricane Sandy is estimated at \$95M

Wastewater Treatment

- 10 of 14 wastewater treatment plants (WWTP) and 42 of 96 pumping stations were damaged
- One-third of NYC DEP plant facilities operated on emergency generators in the days following the storm
- All of the City's wastewater, except in the Rockaways, was treated within 3 days of the storm, and 100% was treated within 2 weeks
- Upgrades to WWTPs, totaling \$9.5B since 2002, were vital to the entire system's resiliency



Owls Head WWTP



49th Street Pumping Station

Hurricane Sandy Impacts

Water Supply

- DEP continued to deliver clean drinking water without interruption
- Completion of the \$1.6B Catskill/Delaware Ultraviolet (UV) Facility provided crucial disinfection

Water and Sewer Operations

- Cleaned nearly 200,000 linear feet of sewers
- Inspected and cleaned 6,000 catch basins
- Removed nearly 2,000 cubic yards of debris from Bluebelts, plus 11 cars and 4 boats
- Proactively shut nearly 300 service lines to homes damaged or destroyed by storm
- Provided 13 *Water-On-the-Go* fountain stations in Rockaways and lower Manhattan



Cleaning Catch Basins



Staten Island Bluebelt Clean-up

Rate Mitigation – Cost Savings

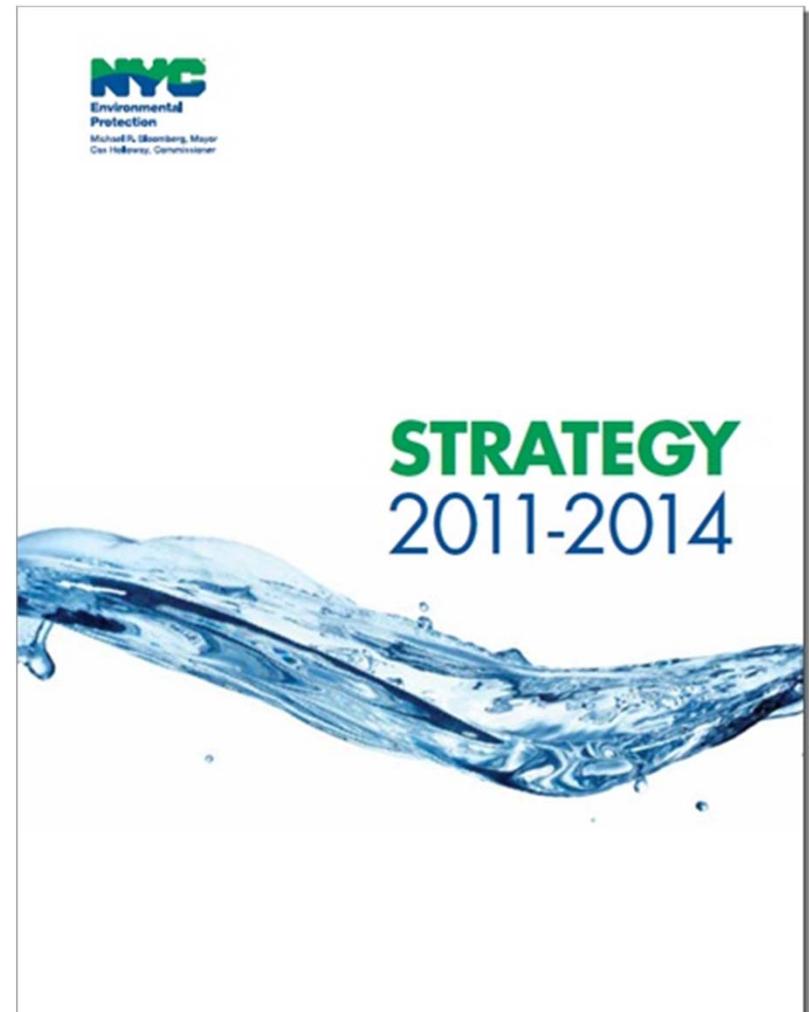
- *Operational Excellence (OpX)* is a program to review and transform DEP operations
 - Implemented 15 *OpX* initiatives that are projected to save over \$15.7M per year
- Implemented a 4% budget reduction to save \$37M, including *OpX* initiatives
 - \$5.7M in chemical savings from contract negotiations, process changes and quantity reduction, such as for fluoride dosage
 - \$1.6M of lease savings from Citywide fleet consolidation
 - \$5.5M of savings by increasing workforce effectiveness: re-aligned duties, contracted positions and reallocated personnel



DEP's Mission – Strategy 2011-2014

Our mission is to protect public health and the environment by supplying clean drinking water, collecting and treating wastewater, and reducing air, noise, and hazardous materials pollution.

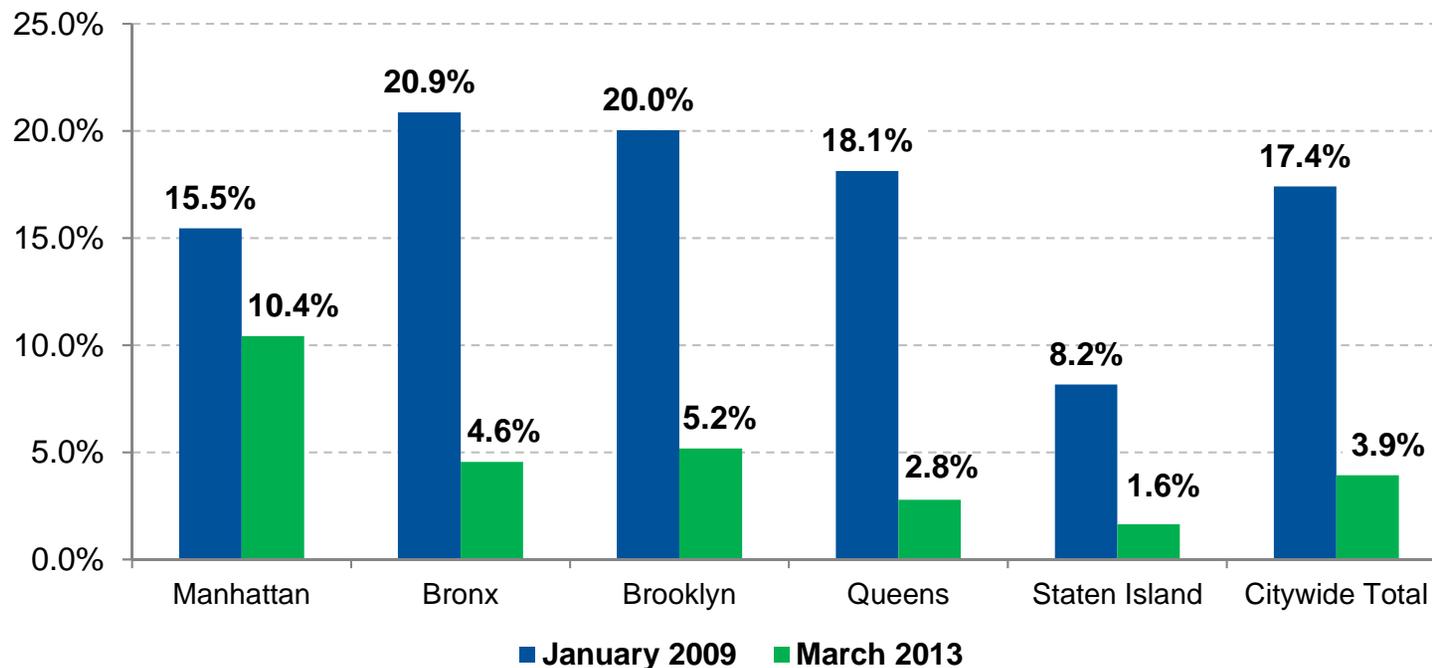
- *Strategy 2011-2014* set forth 100 strategies and initiatives to achieve this mission in four core areas:
 - Serving nine million customers
 - Operating the safest, highest-performing water utility at the lowest possible cost
 - Building capital projects on time and on budget
 - Delivering clean water, clean air and a sustainable quality of life for all New Yorkers
- Of the plan's 100 initiatives, **87 have been partially or fully achieved**, and the remaining 13 are on track



Customer Service

- Substantially completed Wireless Meter Reader installation
 - 77% reduction in estimated bills since 2009; only 3.9% estimated citywide
 - 16% reduction in billing disputes since 2008
- Enrolled 171,000 customers in Leak Notification Program; \$31M in leak-related charges avoided by more than 37,000 customers
- Launched the Service Line Protection Program
 - 86,161 customers have signed up to date

Estimated Bills: January 2009 to March 2013



Operations

- Investment in DEP's operations and maintenance has improved service citywide
- Compared to this time last year:
 - Leak complaints on City infrastructure are down 17.2%
 - Time to restore water after water main break is down 8.5%
 - Sewer backup resolution time is down 25.4%
 - Catch basin complaints are down 20.9%, and the resolution time is down 45.0%; catch basin repair backlog is eliminated



Source: DEP preliminary Mayor's Management Report metrics, February 2013

Sustainability

- Signed amended consent order with NYS Department of Environmental Conservation incorporating the *NYC Green Infrastructure Plan*, which will avoid or defer \$3.4B in gray infrastructure costs
- Awarded \$6.2M in green infrastructure grants and secured an additional \$4.2M in matching funds to support private investment in green infrastructure
- Restored wetlands in Jamaica Bay, improving wildlife habitats and increasing recreational opportunities



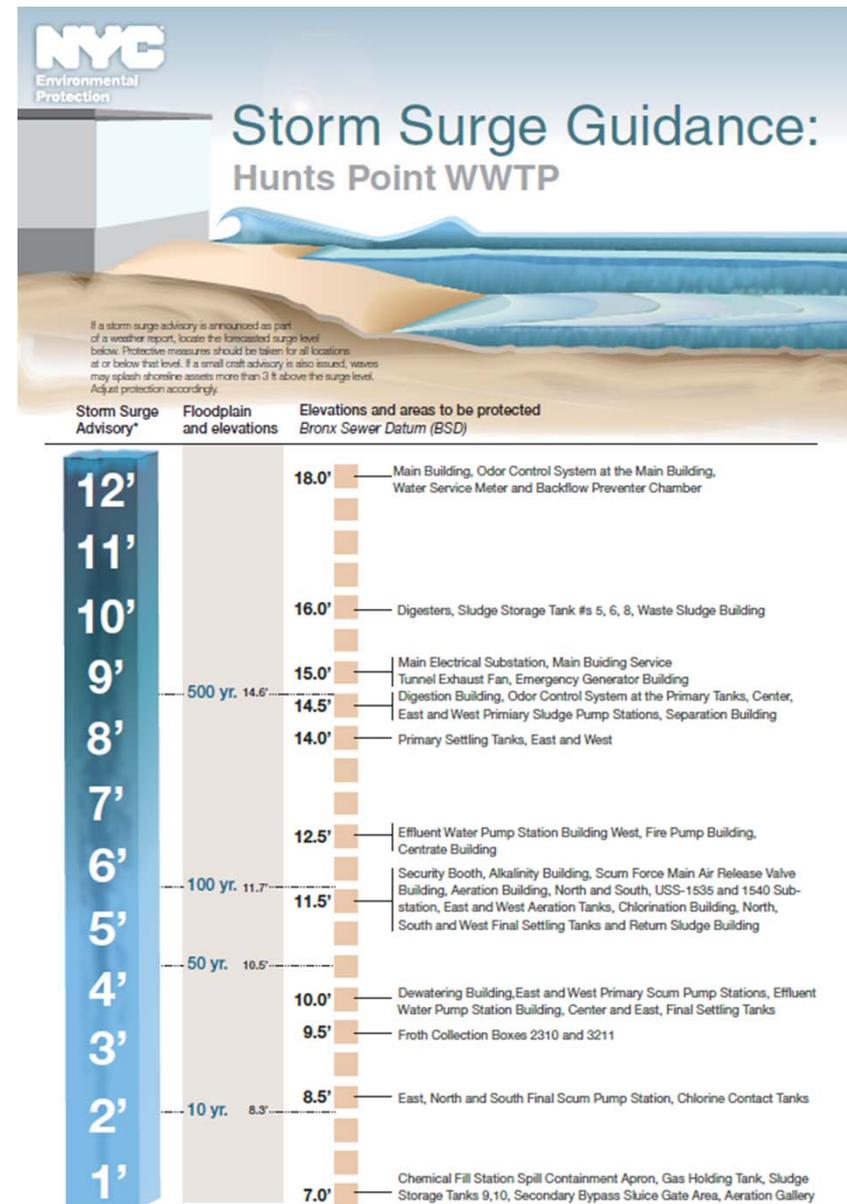
Bioswale on Dean Street in Brooklyn



Jamaica Bay

Climate Resiliency Study

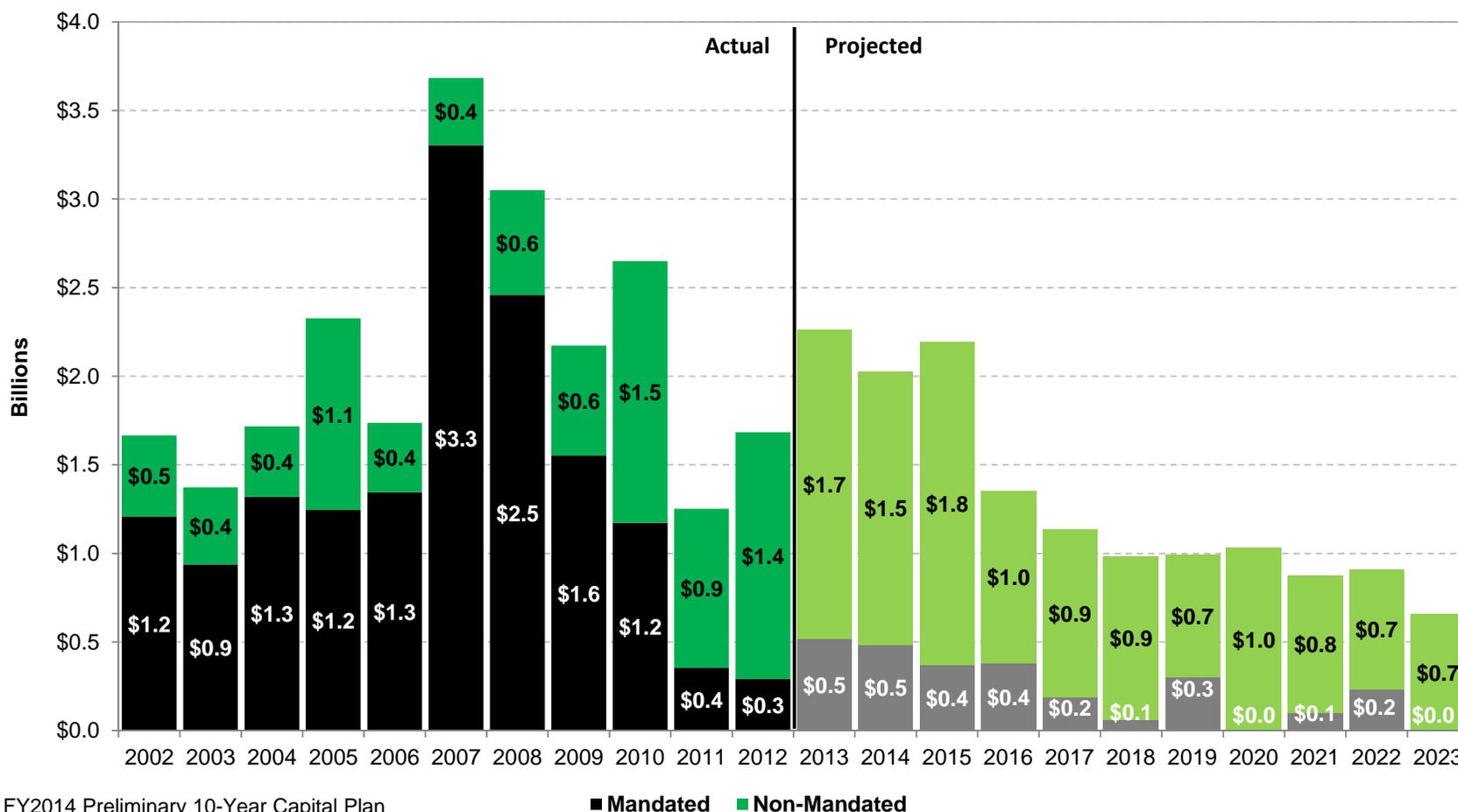
- Focused on effects of climate change and population growth on the City's wastewater and drainage systems in pilot areas since 2011
- Expanding to cover interdependencies between DEP infrastructure and electrical grid, as well as risks posed by critical infrastructure failures to surrounding communities and receiving waterbodies
- Evaluating “no action” scenarios versus targeted cost-effective strategies designed to protect critical assets on-site
- FEMA guidance is informing design of infrastructure improvements relative to flood heights for 100- and 500-year storms



Capital Outlook

- From FY 2002 to 2012, \$15.2B (65%) of capital commitments were mandated
- DEP has been successful working with regulators to reduce or defer future mandates, and the capital spending projections have fallen, along with required rate increases
- \$2.6B (18%) of the FY 2013 to FY 2023 Capital Improvement Plan is mandated

Capital Commitments



Source: FY2014 Preliminary 10-Year Capital Plan

Capital Projects Near Completion

- Four largest projects near completion:
 - Catskill/Delaware Ultraviolet Light Disinfection Facility (\$1.6B) – Online since 2012
 - Croton Filtration Plant (\$3.2B) – Plant A startup and testing Spring 2013
 - Newtown Creek WWTP (\$5.0B) – September 2013
 - City Water Tunnel No. 3 (\$4.7B) – Stage 2 Manhattan Section activation 2013



Catskill/Delaware Ultraviolet Light Disinfection Plant



Croton Filtration Plant

DEP's Capital Priorities 2013-2023

- *Water for the Future*, including construction of shafts and tunnels for Delaware Aqueduct repair (\$1.7B)
- Asset management and state of good repair projects (\$5.1B)
- Sewer connections in Queens (\$513M) and Staten Island (\$473M)
- Citywide emergency water main and sewer contracts (\$831M)
- Green infrastructure projects (\$730M)
- North River cogeneration project (\$212M)
- City Water Tunnel No. 3, Stage 2 Manhattan Section Connections (\$208M)
- Bluebelts in southeast Queens to naturally control stormwater (\$63M)



Bluebelt



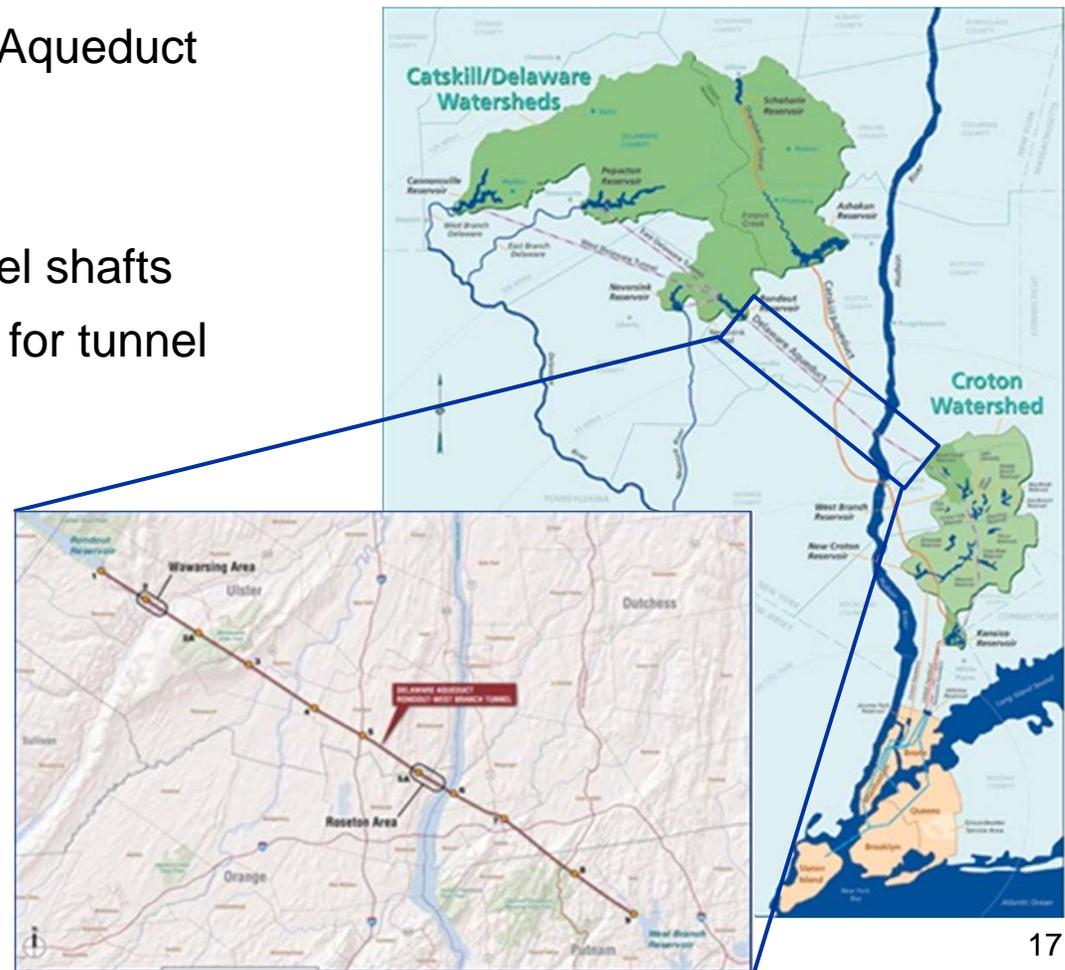
Connections to Water Tunnel No. 3



Shaft Connections for Delaware Tunnel Repair –
Water for the Future

Water for the Future

- DEP will ensure the dependability of our water by repairing leaks in the Delaware Aqueduct through the \$1.7B *Water for the Future* program
 - Cost projection reduced by \$400 million due to capital planning optimization
- The program concludes by connecting the Rondout-West Branch Tunnel bypass to the Delaware Aqueduct beginning in 2021
 - Anticipated duration of Delaware Aqueduct shutdown is 6 to 10 months
- In FY 2014, DEP will:
 - Break ground on the bypass tunnel shafts
 - Install discharge pipes to prepare for tunnel dewatering
 - Proceed with design work for 2.5-mile bypass tunnel
 - Plan for optimization of Catskill Aqueduct capacity
 - Initiate water conservation programs in the City and upstate



City Water Tunnel No. 3

- Work on Water Tunnel No. 3 began in 1970
- In 1988, Stage 1 was activated – a 16-mile tunnel that parallels Water Tunnel No. 1 from Hillview Reservoir into Manhattan and turns East to go into Queens
- DEP will activate the 8.5-mile Manhattan section of Stage 2 in 2013
- Total cost \$4.7B: \$2.4B on Stage 1, \$1.8B on Stage 2, and \$500M on connections
- Once Manhattan Stage 2 is activated and operation is stable and the Brooklyn/Queens section is completed and activated, Water Tunnel No. 1 can be shut down for inspection and repair



Capital Projects in Staten Island

Bluebelt Expansion

Cost: \$263 million

Scheduled Completion: Ongoing

Purpose: Build Bluebelts for approximately one-third of Staten Island's land area, including in the South Richmond and mid-Island areas



Sewer Expansion in Huguenot

Cost: \$51 million

Scheduled Completion: 2017

Purpose: Construct new storm and sanitary sewers to improve drainage

Capital Projects in Manhattan

City Water Tunnel No. 3, Manhattan Segment Connections

Cost: \$208 million

Scheduled Completion: 2013

Purpose: Provide critical redundancy; once Brooklyn and Queens sections are complete, DEP will inspect and repair City Water Tunnels No. 1 and 2 for the first time since 1936 and 1970, respectively



North River Cogeneration

Cost: \$212 million

Scheduled Construction: 2015-2019

Purpose: Upgrade electrical systems and install energy efficient technology at North River WWTP

Capital Projects in Brooklyn

Gowanus Flushing Tunnel

Cost: \$185 million

Scheduled Completion: 2014

Purpose: Reconstruction of the Gowanus Wastewater Pumping Station, force main, and Gowanus Canal Flushing Tunnel Pumping System

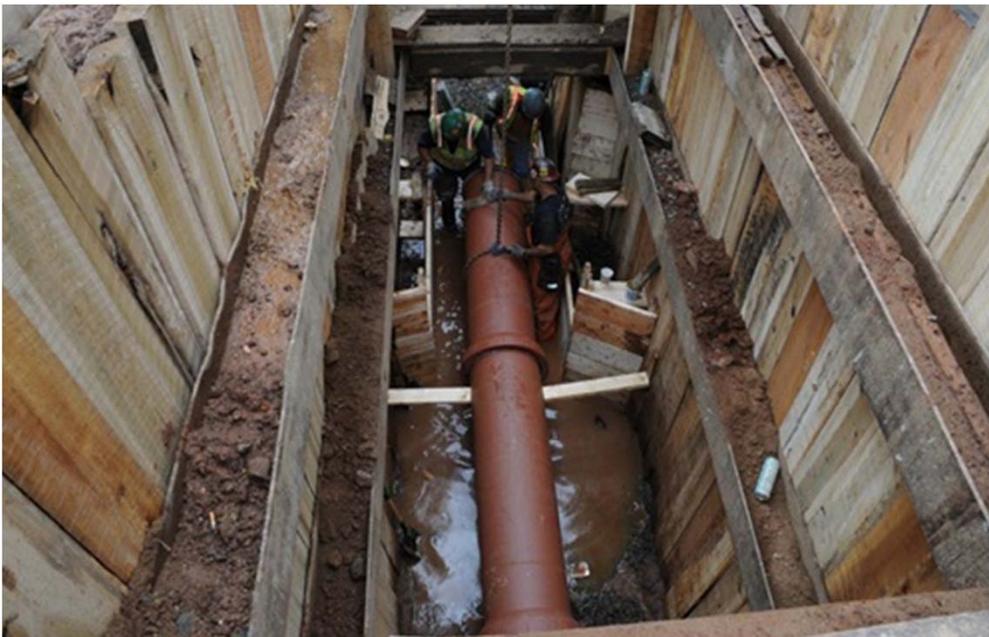


Coney Island Sewer Infrastructure

Cost: \$137 million

Scheduled Construction: 2014-2019

Purpose: Expand storm and sanitary sewers in Coney Island



Capital Projects in the Bronx

Green Infrastructure

Cost: \$50 million

Scheduled Completion: 2016

Purpose: Build bioswales and stormwater “Greenstreets”, including in the Hutchinson River and Bronx River watersheds and tributary areas



Croton Filtration Plant

Cost: \$3.2 billion

Scheduled Completion: 2013

Purpose: Filter water from Croton Watershed; reconstruct Moshulu golf course and driving range

Capital Projects in Queens

Water Delivery System Upgrade

Cost: \$40.8 million

Scheduled Completion: 2015

Purpose: Improve water quality, pressure and distribution in Forest Hills, Kew Gardens, Richmond Hill and Far Rockaway



Sewer Systems Investments

Cost: \$198 million

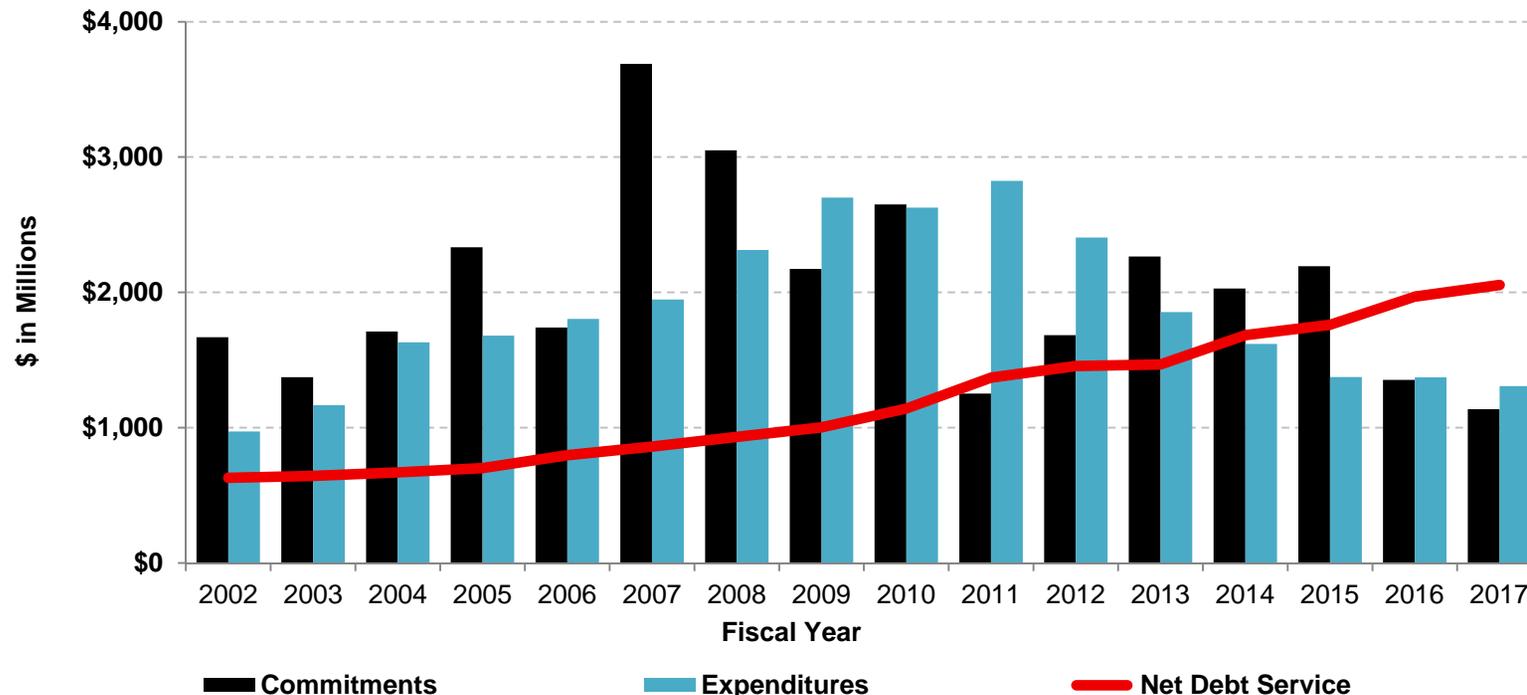
Scheduled Completion: Ongoing

Purpose: Build new and improve existing sewers in southeast Queens and the Rockaways

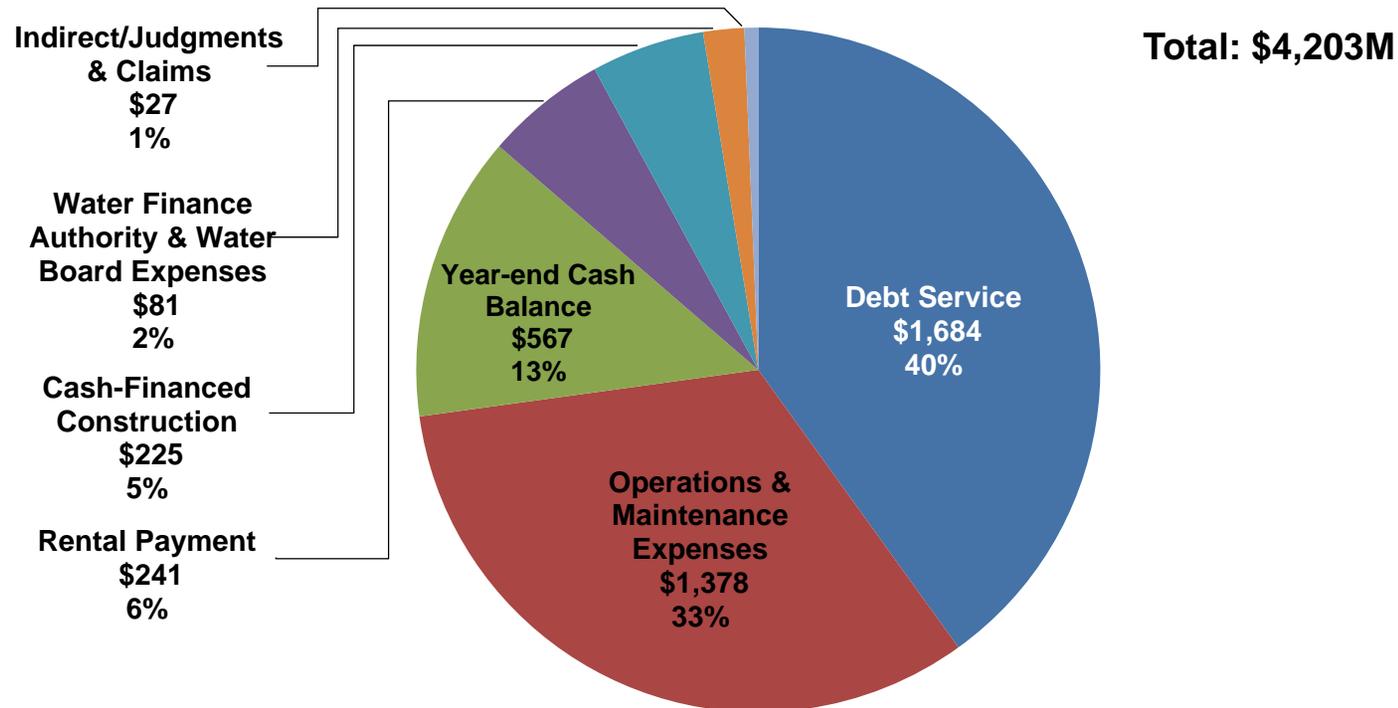


Past Capital Costs, Current Debt Service

- The System's debt service is tied to DEP's capital commitments – capital commitments result in expenditures; and debt is issued as expenditures are incurred
- From FY 2002 to 2013, commitments will total \$26.5B, but because of the lag between commitments and expenditures, debt issuance will total \$23.9B
- Annual debt service increased by 131% from FY 2002 to 2012, but the Authority has seized opportunities in the low interest rate environment to refinance and buyback \$6B of higher-cost debt in the past five years



Financial Outlook for FY 2014



Total System Costs (\$M)	FY 2013 Forecast	FY 2014	Change
Debt Service*	\$1,467	\$1,684	\$217
Debt Defeasance or Cash-financed Capital Construction	\$250	\$225	(\$25)
Operations & Maintenance**	\$1,401	\$1,486	\$85
Rental Payment	\$209	\$241	\$33
Year-End Cash on Hand	\$665	\$567	(\$98)
Total System Costs = Revenue Requirement	\$3,992	\$4,203	\$211

* Debt Service does not include the \$250M used for the cash retirement of bonds in FY 2013

** Operations & Maintenance is the sum of the chart's "Operations & Maintenance Expenses", "Water Finance Authority & Water Board Expenses" and "Indirect/Judgments & Claims"

Projected FY 2014 O&M Changes

- Despite DEP's cost saving initiatives, the O&M budget is increasing by \$85M due to:
 - \$60.8M from certain projects charged to expense budget rather than capital:
 - Toilet replacement program
 - Certain Filtration Avoidance Determination costs such as the septic and agriculture programs
 - Remediation efforts of dredging at Gowanus Canal and Flushing Bay
 - Staff positions previously funded through capital budget
 - Increases to maintenance and service contracts, such as sewer investigation and cleaning
 - Shaft maintenance for City Water Tunnel No. 3, Manhattan Stage 2 coming on-line

Rental Payment Pilot

- The Water Board leases the water and sewer system from the City and pays the City an annual rental payment that is calculated at 15% of annual debt service
- Rental Payment pilot was adopted in FY 2013 where the Rental Payment value in excess of a capped amount is returned to the System: \$12M returned in FY 2013

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Gross Rental Payment	\$196	\$208	\$209	\$241	
Capped Rental Payment		\$196	\$199	\$205	
Residual Payment to be Returned		\$12	\$10	\$37	
Returned Rental Payment (1-year Lag)			\$12	\$10	\$37

Proposed Rate Increase



Revenue Requirement (\$M)	FY 2013 Forecast	FY 2014	Change
Total System Costs	\$3,992	\$4,203	\$211
Less: Prior-year Carryforward Revenue	\$560	\$665	\$105
Less: Upstate & Miscellaneous Revenue	\$224	\$196	(\$28)
Less: Decline in Consumption from FY 2013	\$0	(\$43)	(\$43)
In-City Revenue Need	\$3,208	\$3,385	\$177

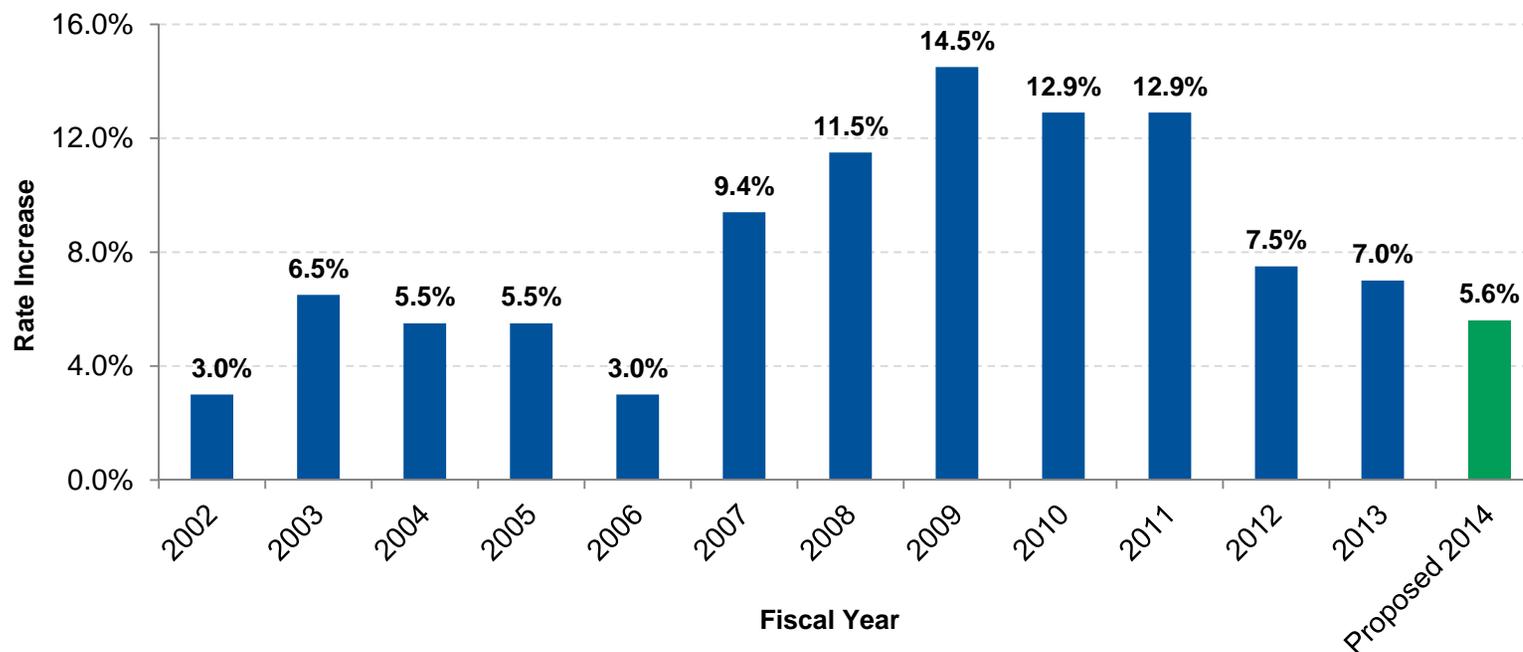
Rate Calculation	FY 2014
Prior-year Revenue	\$3,208
Consumption Decrease	(\$43)
Net Revenue at Prior Year's Rate	\$3,165
Additional Revenue Required	\$177
Rate Increase Required	5.6%

Changes in Rate Structure, FY 2014

- Service Line Protection Program, which allows residential customers to opt-in to service contracts for water and/or sewer service line coverage, will have fees of:
 - \$4.49/month or \$53.88/year + sales tax for Water Service Line contract
 - \$7.99/month or \$95.88/year + sales tax for Sewer Service Line contract
- Properties automatically enrolled in the Multi-family Conservation Program in FY 2013 will be granted until January 1, 2015 to have a meter and AMR device installed and until June 30, 2016 to have high-efficiency fixtures installed
- Manual meter reading fee will be \$25.00 for each manual reading requested by a customer

FY 2014 Rate Proposal Summary

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- Lowest since FY 2006, eight years ago



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Questions?

For more information visit www.nyc.gov/dep

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And on Twitter at [@NYCwater](https://twitter.com/NYCwater)

Please submit any testimony for the Board's consideration not given at tonight's hearing to Diane Easparro by May 3rd at 5:00 pm:

Diane Easparro
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