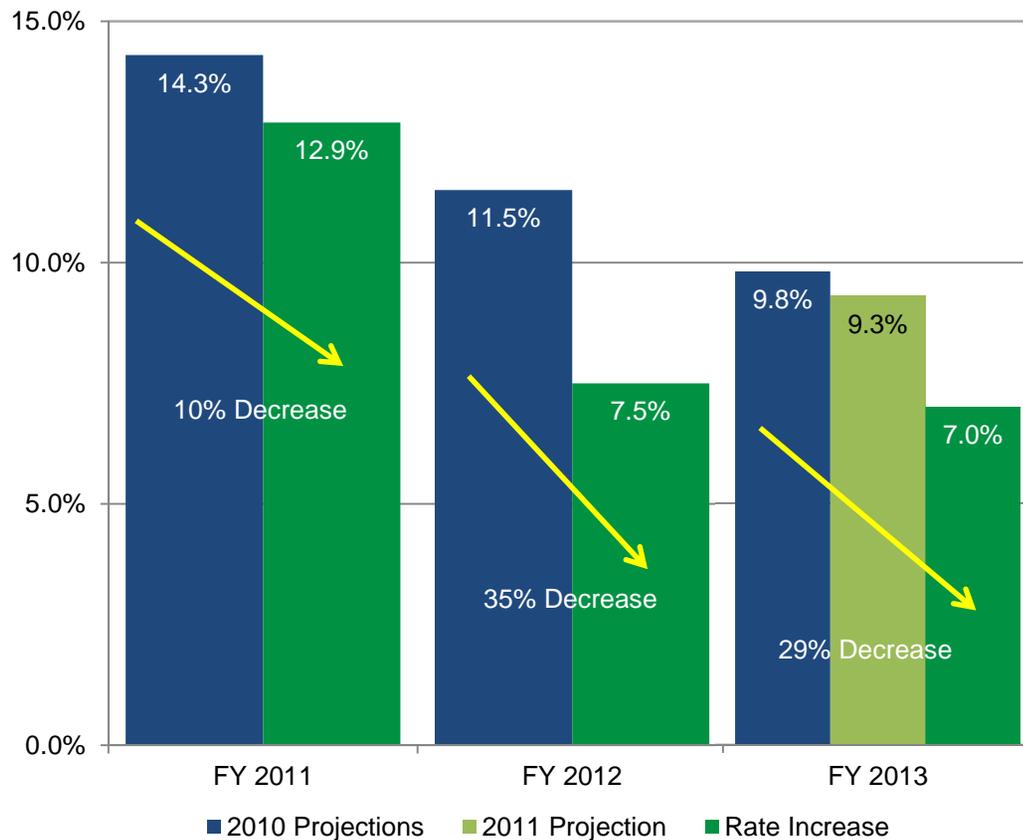




FY 2013 Water Rate Proposal to the New York City Water Board

March 30, 2012

FY 2013 Rate Proposal Summary



- ❖ Proposing **7%** rate increase
- ❖ Lowest rate increase in 7 years
- ❖ 29% lower than 2010 projection of FY 2013 rate increase

	FY 2012	FY 2013 (7% Increase)
Combined Water & Sewer Rate (per hundred cubic feet)	\$8.21	\$8.78 (\$0.57)
Average Annual Single Family Charge (80,000 gal)	\$877	\$939 (\$62)
Average Annual Multi-family Charge (52,000 gal)	\$571	\$610 (\$39)

Changes in Rate Structure, FY 2013

- ❖ Expiration of frontage-based charges for Tax Class 2 multi-family properties
 - Conversion to Multi-family Conservation Program (MCP) with metering and conservation requirements,
 - or customer can opt for immediate meter-based billing
- ❖ Service Line Protection Program will allow customers to opt-in to insurance for water or sewer service line repairs, or both
- ❖ Rental Payment from water system to general fund to be capped at FY 2011 amount and adjusted for inflation in 3-year pilot through FY 2015

Multi-family Conservation Program

- ❖ End of frontage for Tax Class 2 multi-family properties
 - 30,455 frontage accounts (3.5% of DEP's customers)
 - Billed \$750M in FY 2012 (24.5% of in-City revenues)
- ❖ Conversion to an affordable Multi-family Conservation Program (MCP)
 - The 30,455 accounts (with 908,745 units) will be billed on per-unit charges:

Unit Type	Unit Count	Charge Per Unit
Dwelling	889,760	\$894.15
Low-use Commercial	11,284	\$736.13
Lodger/ SRO	7,701	\$253.56
Total	908,745	-

- ❖ FY 2013 charges will total \$803M, a 7% increase for the average apartment building
- ❖ DEP will provide a web-based tool to enable customers to evaluate whether the MCP or metered charges are more economical for them
- ❖ For each property, participants will be required to have:
 - Approved meter and wireless reading device by January 2014
 - Water efficient fixtures in 70% of the building's units by June 2015
- ❖ DEP will launch a fixture replacement program in 2013 to support the installation of more efficient toilets in public and private buildings

Service Line Protection Program

- ❖ Building owners, not DEP, are responsible for repairs to their service lines
- ❖ Building owners pay an average of \$3,750 to fix each water service line leak
- ❖ Water Board issued RFP for contractor who will offer Service Line Protection policies to all water and sewer customers with service lines of 2" or less
- ❖ Coverage will spare homeowners the costs of unexpected service line repairs, minimize overall disruption to the local community and reduce the expense to DEP of shutting down water service on service line leaks that have not been repaired
- ❖ Customers will be able to opt in to the program for either water or sewer coverage, or both

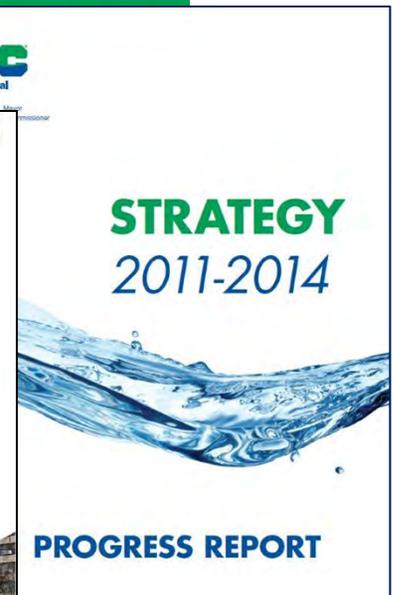
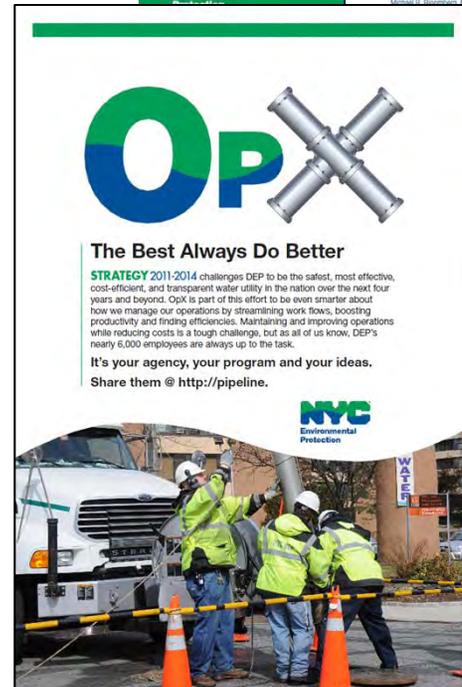
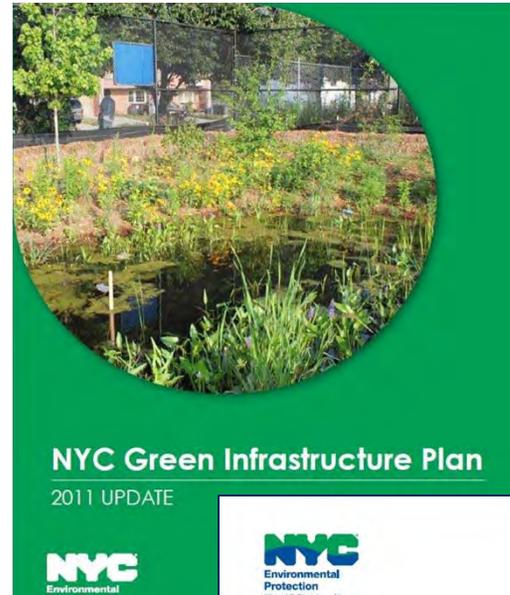
Capped Rental Payment Pilot

- ❖ Many municipal systems make payments to their general funds for city services provided to the water and wastewater systems, such as police, fire and sanitation
- ❖ NYC's Rental Payment is based on required debt service coverage ratio for bonds
- ❖ Proposal is to cap Rental Payment at FY 2011 amount for FY 2012 and increase it each year in line with projected inflation for a 3-year pilot period through FY 2015
- ❖ Amount of gross rental calculation over the capped amount will be returned to the water system in each following year
- ❖ Returned funding of \$98M will be used for partial mitigation of future rate increases, green infrastructure, and other programs

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Gross Rental Payment	\$196	\$210	\$231	\$257	\$270
Capped Rental Payment		\$196	\$199	\$205	\$211
Residual Payment to be Returned		\$14	\$32	\$52	\$59
Returned Rental Payment (1-year Lag)			\$14	\$32	\$52
Returned Payment as % of Gross Payment			6%	13%	19%

FY 2012 Highlights

- ❖ Addressed billions of dollars in unfunded Federal mandates, including:
 - Eliminated and deferred \$3.4B for handling combined sewer overflows by replacing costly gray infrastructure projects with environmentally-sound green projects
 - Deferred \$1.6B construction of Hillview Reservoir cover to 2023
- ❖ Settled long-standing labor issues through productivity gains
- ❖ Reducing operating costs and transforming our management of the complex water and sewer system through OpX; initiatives already implemented will result in \$5M of savings in FY 2013, with more to come



DEP's Mission

DEP must supply, deliver, and treat the water 9 million New Yorkers need every day; protect and improve the waters that surround us, the air we breathe, and New Yorkers' overall quality of life.

The screenshot shows the NYC DEP website. At the top, there is a navigation bar with links for 'Residents', 'Business', 'Visitors', 'Government', and 'Office of the Mayor'. Below this is a banner for 'Fall Foliage' at Cannonsville Reservoir. The main content area features a large graphic of water splashing with the text 'STRATEGY 2011-2014'. To the left of this graphic is a sidebar with 'CUSTOMER SERVICES' (including 'Ways to Pay Your Bill', 'Account Information', 'Customer Assistance', 'Water Rates', 'Property Managers and Trade Professionals') and 'WATER UTILITIES' (including 'Drinking Water', 'Wastewater'). To the right of the graphic is a quote from Mayor Michael R. Bloomberg: 'This plan lays out the distinct strategies and initiatives needed to carry out DEP's vital mission...'. Below the quote is a small graphic of water splashing with the text 'Initiative 32 Develop and implement a plan to repair the Delaware Aqueduct. Water for the Future Program.'

- ❖ 100 Strategies and Initiatives to achieve this mission in 4 core areas:
 - Serving 9 million customers
 - Operating the safest, highest-performing water utility at the lowest possible cost
 - Building capital projects on time and on budget
 - Delivering clean waters, clean air and a sustainable quality of life for all New Yorkers

- ❖ Of the plan's 100 initiatives, **63 have been fully or partially achieved** in the first year and 36 are on track*

Customer Service:

- ❖ Launched Leak Notification Program alerting customers to deviations from normal consumption rates
 - 135,000 customers enrolled: *My DEP Account* holders of small properties have been automatically enrolled; large buildings added this year
 - In FY 2012 YTD, approximately \$10M in leak-related charges have been avoided by DEP's customers as a result of early leak detection
- ❖ Launched online Water and Sewer Permitting System

Worker Safety: Ensure safe conditions for DEP's nearly 6,000 employees

- ❖ Reduced total recordable workplace injuries and illnesses by 42%
- ❖ Developed EH&S Performance Metrics to evaluate compliance with regulations, provide risk assessments and foster continuous improvements
- ❖ Implemented Training Tracking and Reporting System and computer-based training

* One initiative (#33: Pressurize the Catskill Aqueduct) was deferred to redirect capital resources to *Water for the Future*

Operations: Manage System of 19 reservoirs, 295 miles of aqueducts, 6,600 miles of water mains, 7,400 miles of sewers, 965 water quality monitoring stations, 109,000 fire hydrants, 144,000 catch basins & 14 in-City wastewater treatment plants

- ❖ Managed System in preparation for, during and after Hurricane Irene and Tropical Storm Lee
- ❖ Quickly addressed fire at North River Wastewater Treatment Plant and restored full-treatment operations
- ❖ Certified Newtown Creek Wastewater Treatment Plant meets federal Clean Water Act standards for secondary treatment two years ahead of schedule
- ❖ Improved repair time of high-priority fire hydrants to 5.9 days in 2011 from 7.5 days in 2010 through partnership with New York City Fire Department
- ❖ Launched H2OStat real-time performance assessments based on 200+ indicators
- ❖ Created Capacity, Management, Operations and Maintenance (CMOM) group to enhance the capabilities of sewer maintenance crews by providing additional engineering, investigative and analytical support

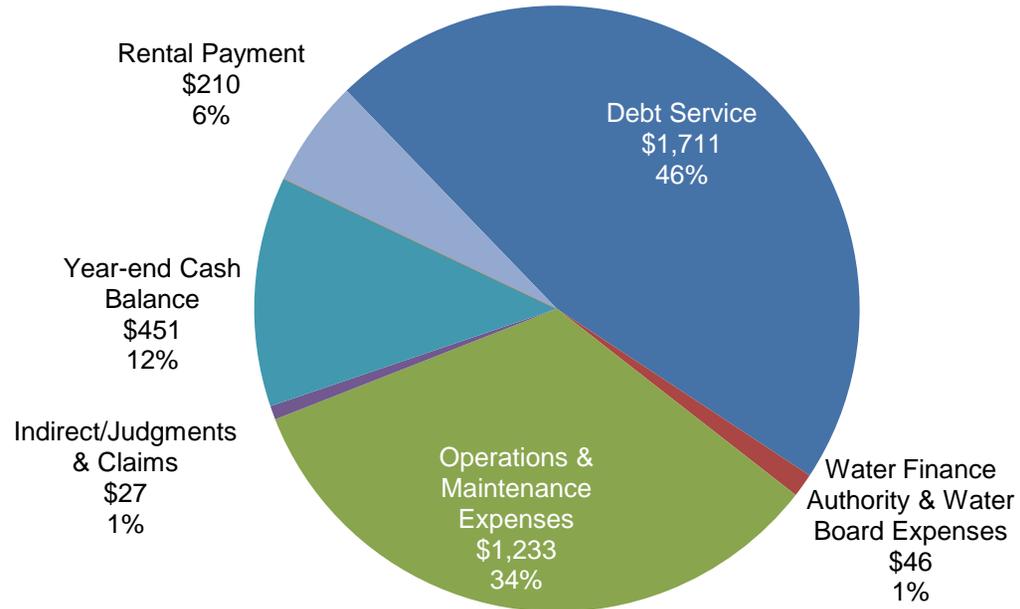
Capital: Current projects total \$11B in construction and \$3B planning and design

- ❖ Completed Project Management Information System to manage and control project schedules and budgets and make data viewable online
- ❖ Created internal Project Controls Division to maintain and expand control systems and support project teams in budget and schedule management
- ❖ Developed a 10-year capital plan prioritizing funding for critical assets
- ❖ Completed vertical asset business cases

Sustainability: Promote public health, economic development and quality of life in New York City through sustainable environmental policy and regulation enforcement

- ❖ Signed a draft consent agreement with New York State Department of Environmental Conservation to adopt the NYC Green Infrastructure Plan into Clean Water Act compliance
- ❖ Established the Office of Green Infrastructure and awarded \$3.8M in Green Infrastructure grants
- ❖ Encouraged ecological restoration of oysters and mussels in Jamaica Bay

FY 2012 Budget



Total: \$3,679M

Financial Outlook through 2012 (\$M)	FY 2012 Plan	FY 2012 Forecast	Change	%
Consumption (MG)	370,685	371,378	693	0%
Revenue*	\$3,231	\$3,266	\$35	1%
Operations & Maintenance**	\$1,280	\$1,307	\$27	2%
Debt Service & Debt Retirement***	\$1,652	\$1,711	\$59	4%
Rental Payment	\$237	\$210	(\$27)	-11%

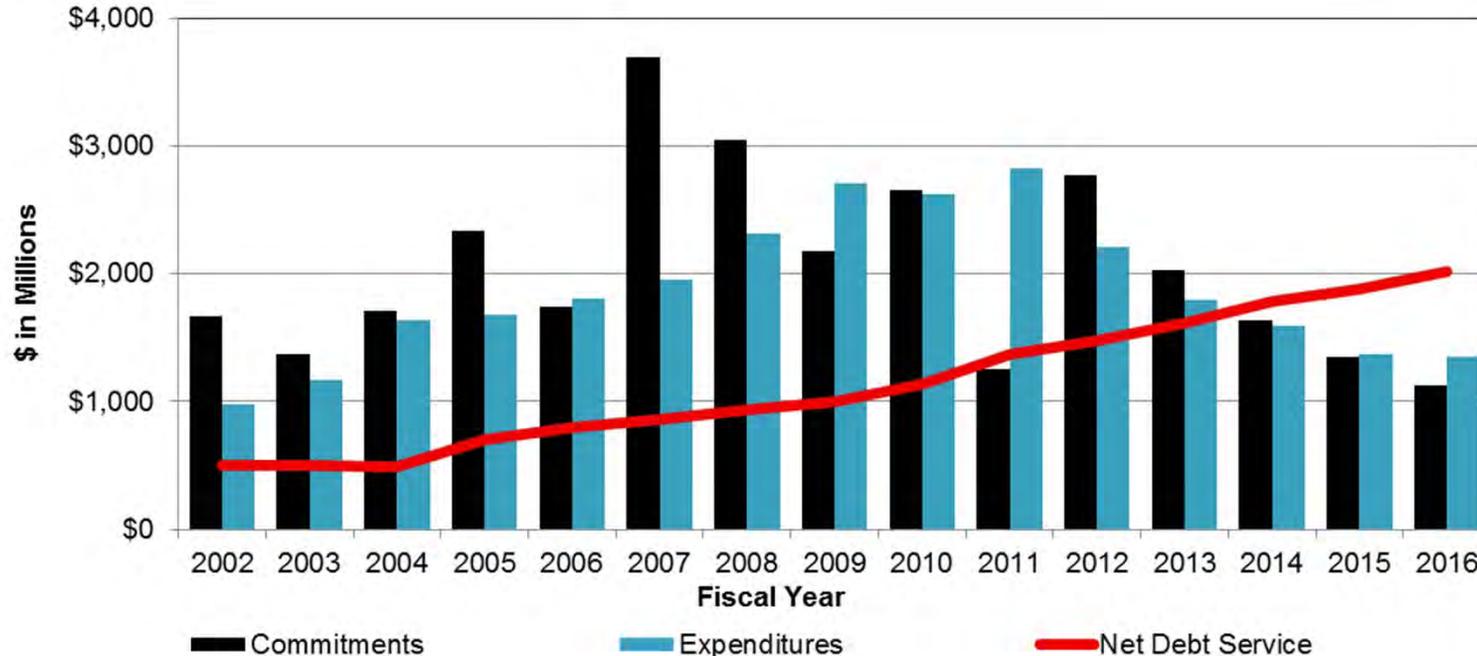
* Revenue is FY 2012 Revenue only and does not include funds carried forward from the prior year

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

*** Debt Service includes \$235M of cash retirement of bonds in FY 2012 Forecast

Past Capital Costs, Current Debt Service

- ❖ There is a time lag between commitments and expenditures; debt is issued as expenditures are incurred
- ❖ From \$24.4B of commitments made from FY 2002 to 2012, expenditures have totaled \$21.9B and net debt issuance is projected to total \$19.2B in the same period
- ❖ Annual net debt service increased by 176% between FY 2002 and FY 2011 and is projected to increase by \$107M or 8% in 2012
- ❖ In future years, even though annual commitments and expenditures decrease, annual net debt service continues to rise



Legal Mandates Cost Homeowner \$253 This Year



Croton Filtration Plant



Catskill/Delaware UV Disinfection Facility



Newtown Creek Wastewater Treatment Plant

Mandate	Capital Cost (\$B)	Annual Debt Service Impact (\$M/year)	Annual Household Cost (\$/year)
Croton Filtration Plant	\$3.2	\$160	\$48
Ultraviolet Disinfection Plant	\$1.6	\$80	\$24
Newtown Creek Treatment Plant	\$5.0	\$250	\$75
All Other	\$7.1	\$355	\$106
Total	\$16.9	\$845	\$253

- ❖ The annual cost for typical commercial and industrial customers is \$3,160 and \$316,003, respectively

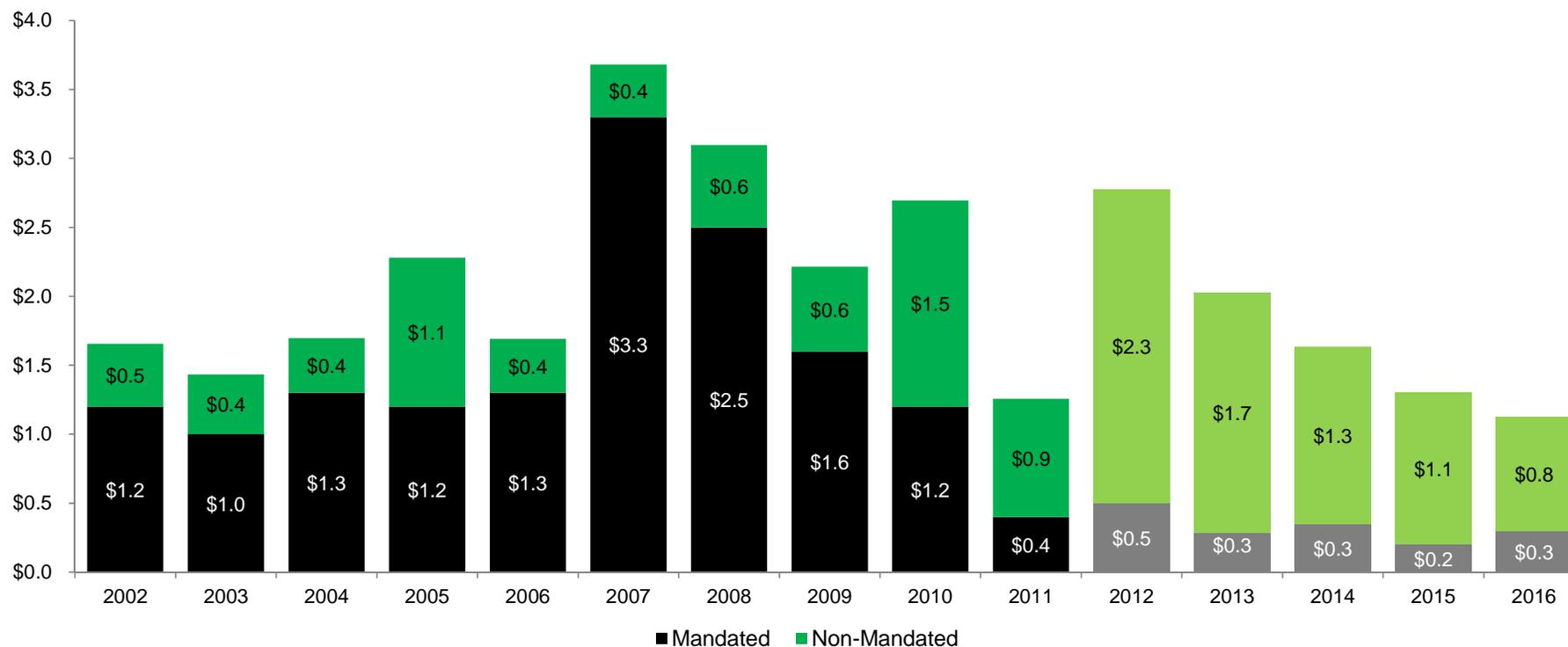
Capital Outlook

- ❖ \$15B (69%) of capital commitments for FY 2002 to 2011 were driven by mandates
- ❖ DEP has been successful working with regulators to reduce future mandates

Capital Outlook FYs 2007—2016

(\$ in billions)

FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
\$3.7	\$3.1	\$2.2	\$2.7	\$1.3	\$2.8	\$2.0	\$1.6	\$1.3	\$1.1	\$21.8



DEP's Capital Priorities 2012-2016

- ❖ Initiate Green Infrastructure related projects (\$187M)
- ❖ Complete sewer connections in Queens (\$396M) and Staten Island (\$380M)
- ❖ Bring Bluebelts to southeast Queens to naturally control stormwater (\$29M)
- ❖ Initiate Staten Island siphon construction (\$250M)
- ❖ Complete connections to City Water Tunnel No. 3 (\$898M)
- ❖ Complete repairs to the Manhattan Pump Station (\$227M)
- ❖ Continue planning for Delaware Aqueduct repair – *Water for the Future* (\$2.1B*)



Staten Island Bluebelt



Connections to Water Tunnel No. 3



Shaft Connections for Delaware Tunnel Repair –
Water for the Future

* \$2.1B is the total projected cost for *Water for the Future*, including design and construction, as well as alternative sources and conservation measures

Significant Reductions

- ❖ OpX initiatives regarding chemical usage, sludge processing, vehicle maintenance and re-negotiating DEP contracts for \$10M in savings in FY 2013

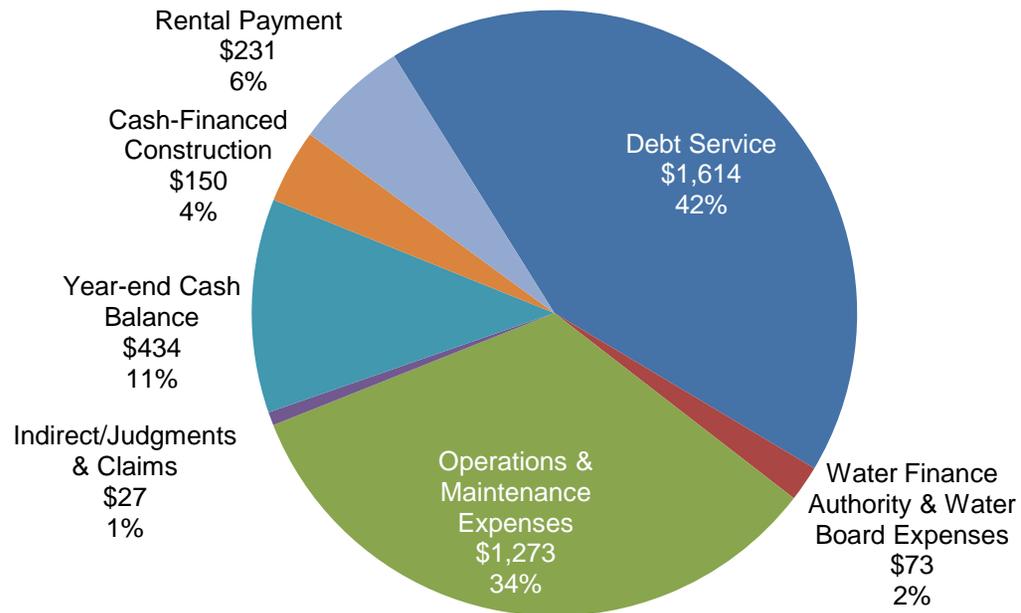
Self-Funded Items

- ❖ Reduced various contracts, including maintenance services and meter reading, to self-fund new needs such as secondary treatment at the Newtown Creek wastewater treatment plant and shaft maintenance for City Water Tunnel No. 3 connections

New Needs

- ❖ Croton Water Filtration Plant and Catskill/Delaware UV Disinfection Plant, including security for both facilities (59 positions; \$16.1M)
- ❖ Costs for chemicals and watershed property taxes (\$15.6M)
- ❖ Heat, light and power increase as a result of changes to NYPA's rate structure (\$7.7M)
- ❖ Fixture program for water conservation (\$10.0M)
- ❖ Capacity Management and Operations Maintenance (CMOM) for a system-wide sewer cleaning program to reduce sewer back-ups and combined sewer overflows (\$4.8M)

Financial Outlook for FY 2013



Total: \$3,802M

Financial Outlook through 2013 (\$M)	FY 2012 Forecast	FY 2013	Change	%
Consumption (MG)	371,378	365,807	(5,571)	-2%
FY Revenue*	\$3,266	\$3,350	\$84	3%
Operations & Maintenance**	\$1,307	\$1,373	\$67	5%
Debt Service & Debt Retirement***	\$1,711	\$1,614	(\$97)	-6%
Rental Payment	\$210	\$231	\$21	10%

* FY Revenue is current year revenue only and does not include revenue carried forward from prior year

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

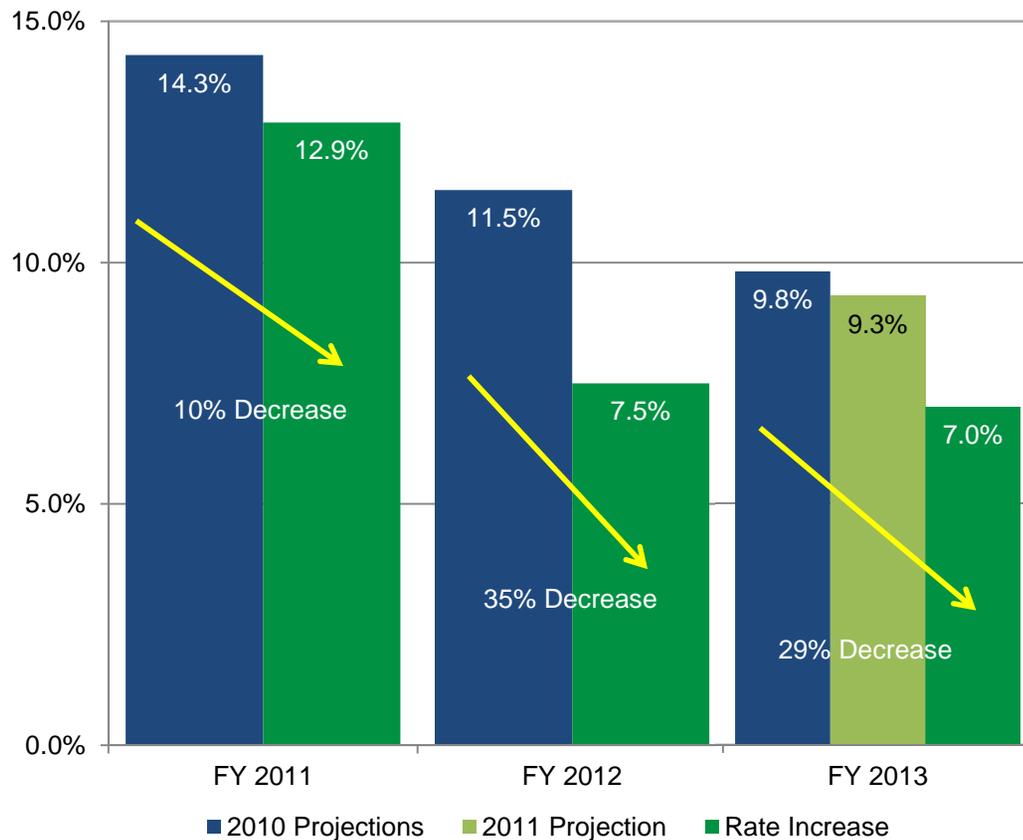
*** Debt Service includes \$235M of cash retirement of bonds in FY 2012 Forecast

Proposed Rate Increase

Rate Model - Cost/(Revenue) (\$M)	FY 2012 Forecast	FY 2013
Debt Service	\$1,476	\$1,614
Cash-financed Debt Retirement or Capital Construction	\$235	\$150
Operations & Maintenance	\$1,307	\$1,373
Rental Payment	\$210	\$231
Total System Costs	\$3,227	\$3,368
Cash on Hand	\$452	\$434
Revenue Requirement	\$3,679	\$3,802
Prior-year Carryforward Revenue*	(\$413)	(\$452)
Upstate & Other Non-City Revenue	(\$199)	(\$208)
In-City Revenue Need	\$3,067	\$3,142
Prior-year Revenue		\$3,067
Consumption Decrease & Frontage Conversion		(\$130)
Net Revenue at Prior Year's Rate		(\$2,937)
Additional Revenue Required		\$205
Rate Increase Required		7%

* Includes carryforward of \$36.3M as offset to Operations & Maintenance in FY 2012 Forecast

FY 2013 Rate Proposal Summary



- ❖ Proposing **7%** rate increase
- ❖ Lowest rate increase in 7 years
- ❖ 29% lower than 2010 projection of FY 2013 rate increase

	FY 2012	FY 2013 (7% Increase)
Combined Water & Sewer Rate (per hundred cubic feet)	\$8.21	\$8.78 (\$0.57)
Average Annual Single Family Charge (80,000 gal)	\$877	\$939 (\$62)
Average Annual Multi-family Charge (52,000 gal)	\$571	\$610 (\$39)

Borough Rate Hearing Schedule



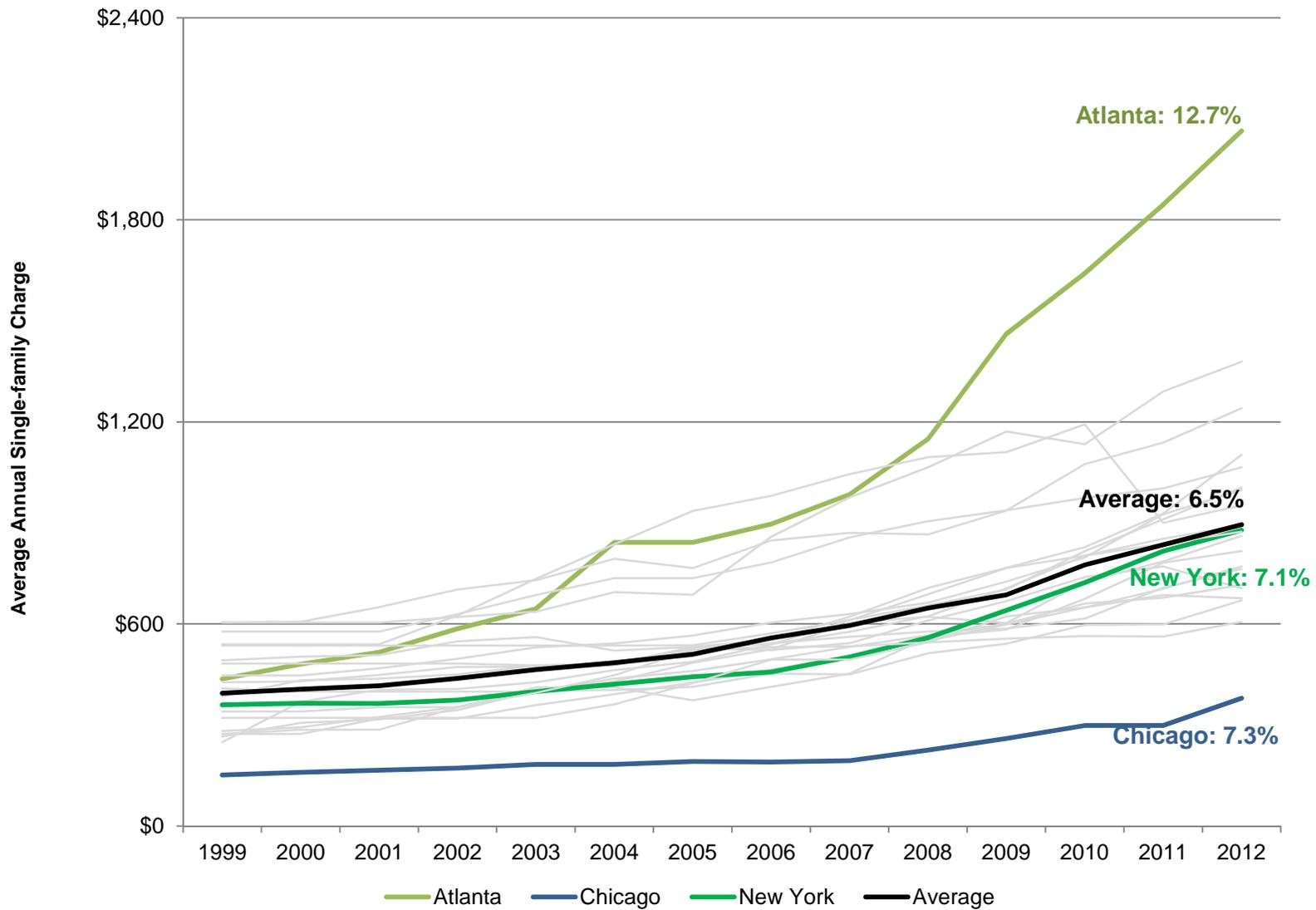
Borough	Date	Location	Time
Staten Island	April 23	New Dorp High School 465 New Dorp Lane	7:30 pm
Brooklyn	April 24	P.S. 222 Kathryn R. Snyder School 3301 Quentin Road	7:00 pm
Bronx	April 25	Riverdale YM-YWHA 5625 Arlington Avenue	7:00 pm
Queens	April 26	Christ the King High School 68-02 Metropolitan Avenue Middle Village	7:00 pm
Manhattan	April 27	City Planning Department - Spector Hall 22 Reade Street, 1st Floor	1:30 pm



**Environmental
Protection**

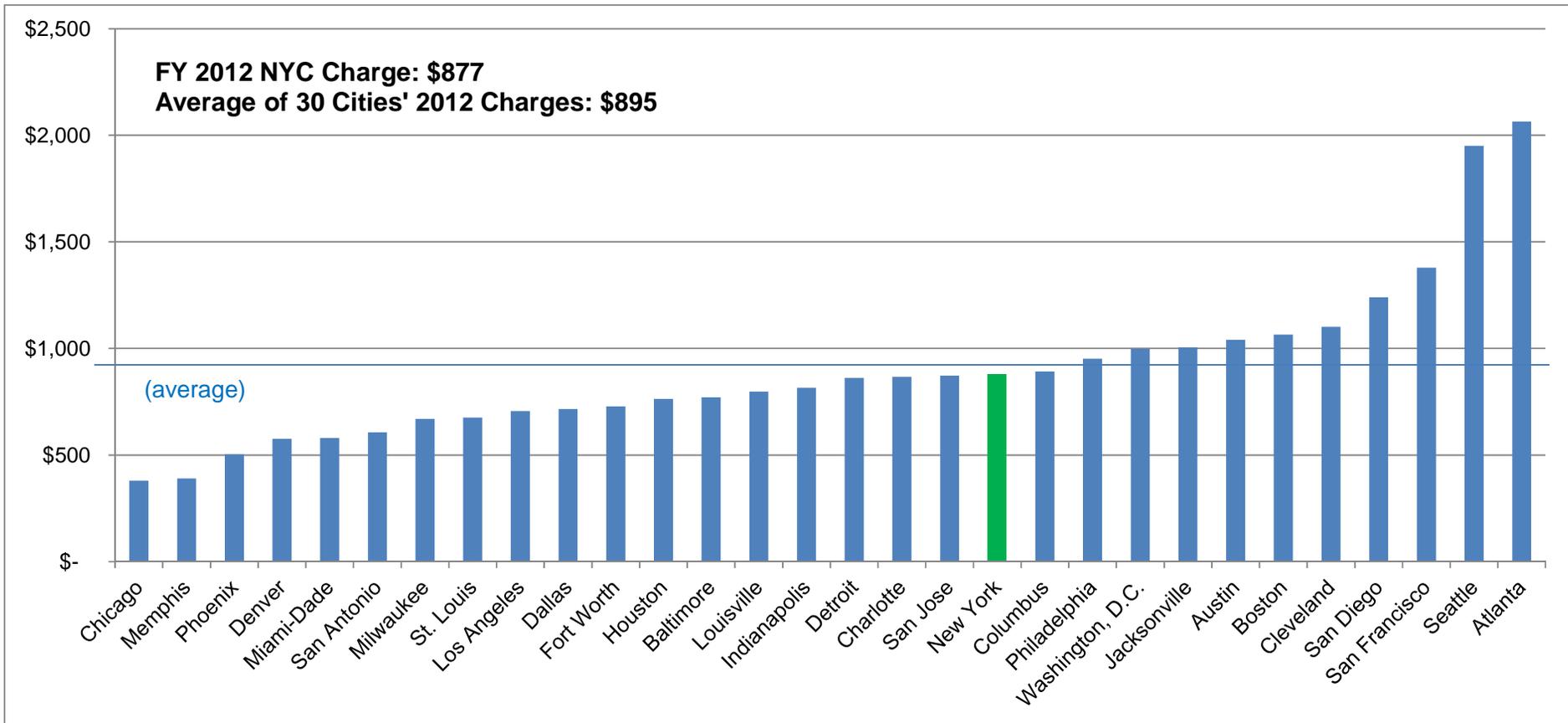
Appendix

Rate Trends in Major Cities



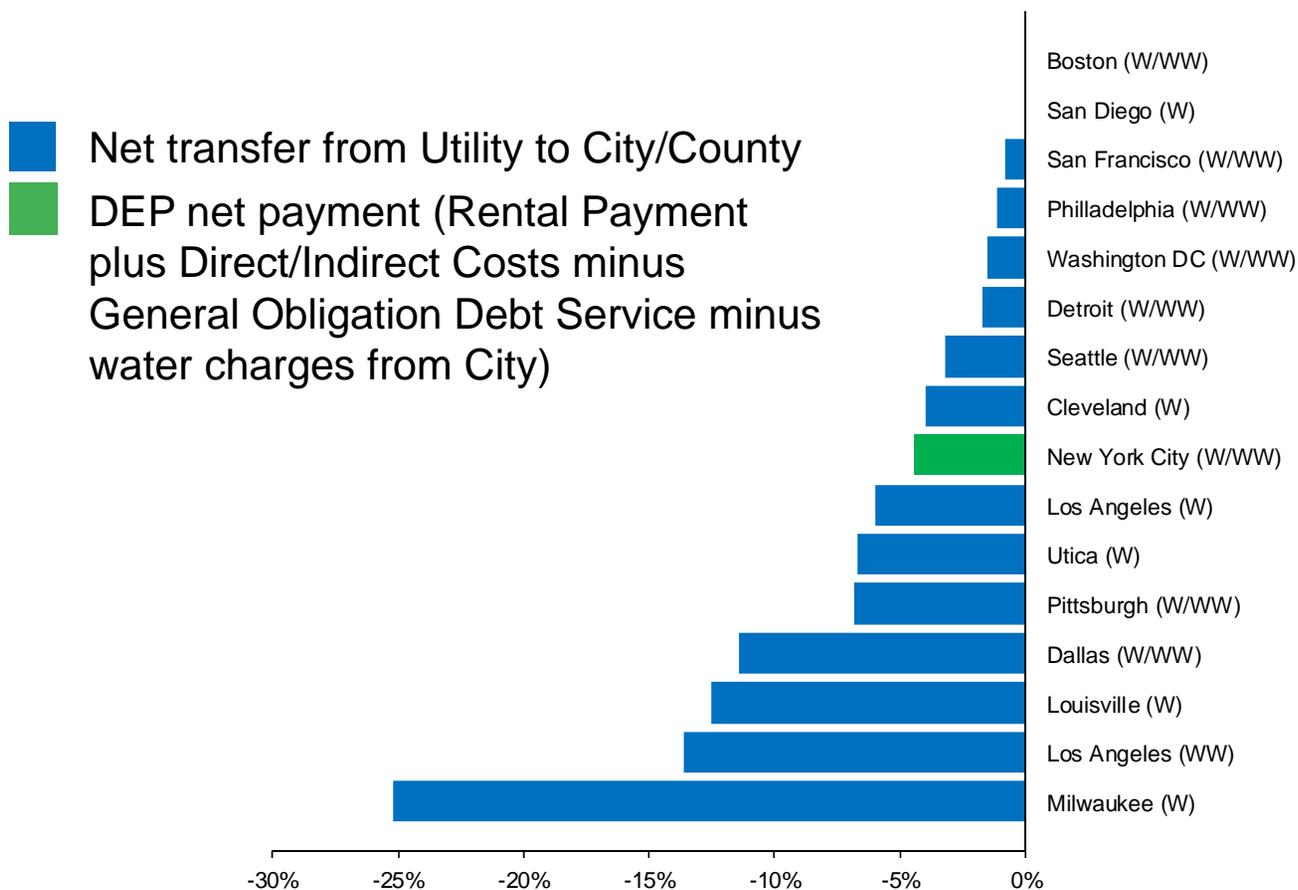
All estimates based on consumption of 80,000 gallons per year

Annual Water/Wastewater Charges



All estimates based on consumption of 80,000 gallons per year at rates in effect February 1, 2012

Annual Intergovernmental Payments



Note: Payments from Boston and San Diego to Utility exceed Utilities' payments to their respective cities.