



**Environmental
Protection**

Fiscal Year 2011 Water Rate Proposal

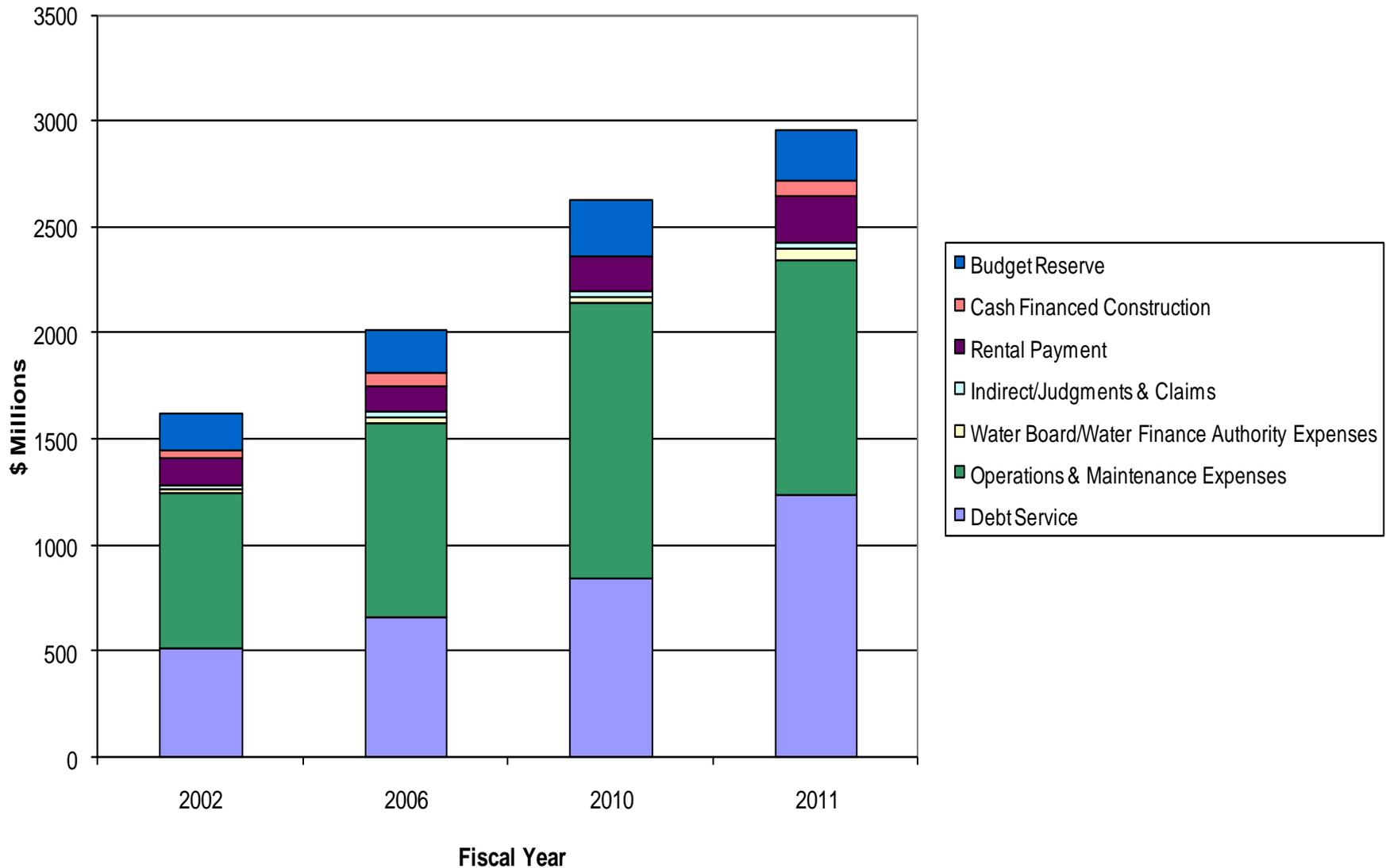
to the New York City Water Board
April 9, 2010

Financial Outlook through FY 2010

(\$ in Millions)

	FY 10 Forecast (May 2009)	FY 10 Revised (March 2010)	Change	%
Consumption (MG)	375,171	360,013	(15,158)	-5%
Revenue	\$2,735	\$2,625	(\$110)	-4%
Operations & Maintenance	\$1,264	\$1,358	\$94	7%
Debt Service (net)	\$1,018	\$837	(\$181)	-18%
Rental Payment	\$194	\$169	(\$25)	-13%

Debt Service is Fastest-Growing Cost to Run the Utility



Capital Commitments FYs 2006—2010 (in billions)

FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total
\$1.8	\$3.7	\$3.1	\$2.2	\$3.2	\$14.0

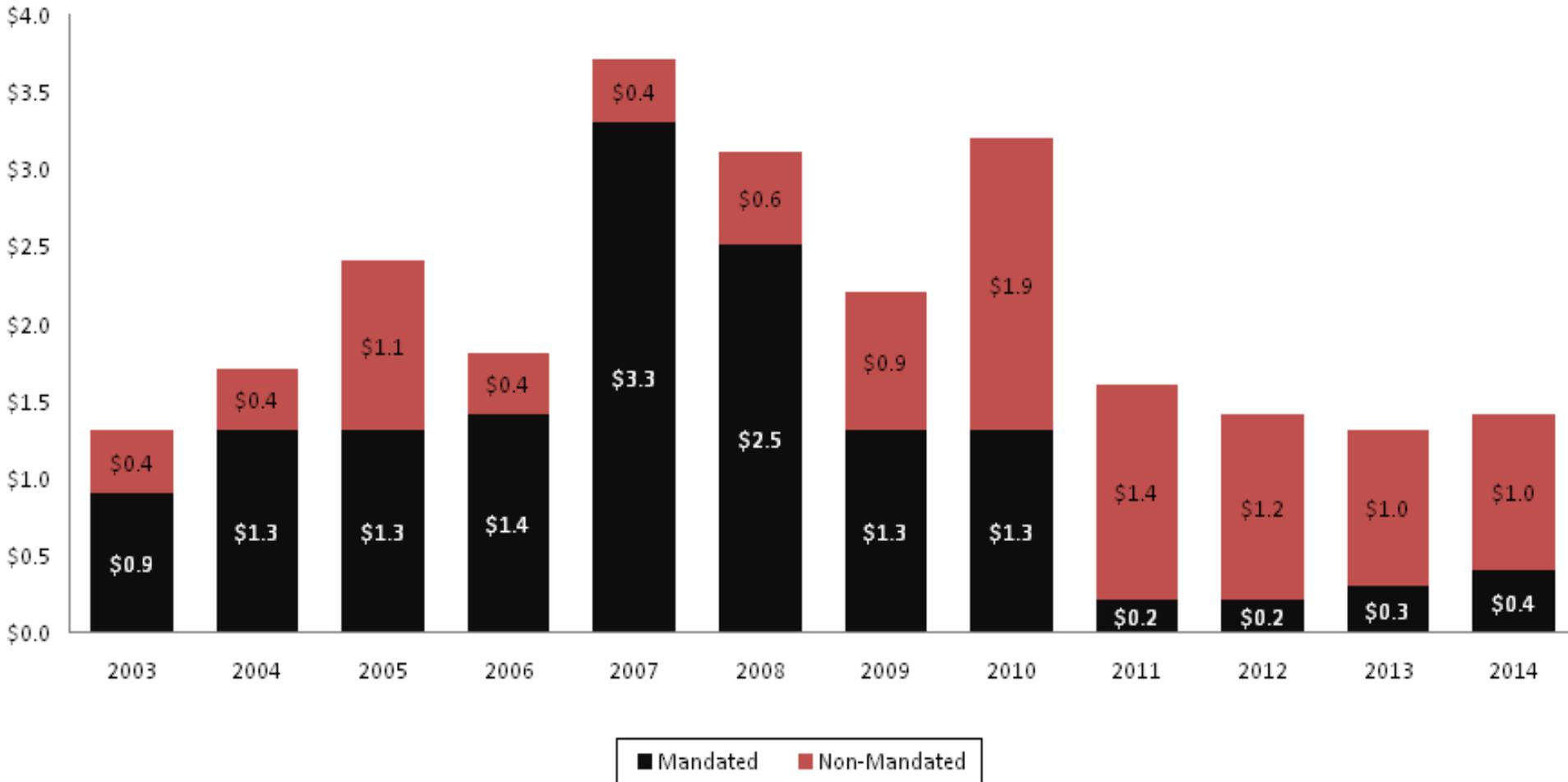
- ❖ DEP has one of the largest construction programs in the region
 - \$11 billion currently in construction and \$3 billion in design and planning
 - Capital work will generate approximately 5,000 jobs for each of the next four years

Projected Capital Commitments FYs 2011—2014 (in billions)

FY 2011	FY 2012	FY 2013	FY 2014	Total
\$1.6	\$ 1.4	\$1.3	\$ 1.4	\$ 5.7

- ❖ We are planning to make \$5.7 billion in capital commitments between FY 2011 and FY 2014.
- ❖ But the pace of capital commitments has increased debt service (net) obligations by 65% between FY 2006 and FY 2010, and we expect debt service (net) to increase by \$395 million or 47% in 2011 alone

Legal Mandates Have Dictated Pace of Capital Investment



- Of \$19 billion in capital commitments for the years FY 2003 to FY 2010, \$13 billion, or 69%, has gone to legal mandates

Cost:	\$2.8 billion
Rate Impact:	5%
Homeowner cost:	\$33/year
Completion date:	2011

- The plant will be able to supply about 30% of the City's drinking water, at a capacity of 290 million gallons per day



Cost:	\$1.6 billion
Rate Impact:	3%
Homeowner cost:	\$18/year
Completion date:	2012

- The Catskill/Delaware Watershed Ultraviolet Treatment Facility is a public health investment to reduce *giardia* and *cryptosporidia*



Cost:	\$5 billion
Rate Impact:	8%
Homeowner cost:	\$48/year
Completion Date:	2014

- The Newtown Creek Wastewater Treatment Plant is the last plant to achieve secondary treatment and is part of DEP's long-term commitment to improving the quality of New York's waterways



Cost:	\$427 million
Rate Impact:	1%
Homeowner cost:	\$6/year
Completion date:	2011

➤ When completed in 2011, this storage tank will have the capacity to hold 1.78 billion gallons of stormwater every year

➤ Will reduce CSO events from 61 to 21 per year, and by over 2.0 bgy



Mandate	Cost (\$ Billions)	Debt Service Impact* (\$ Millions)	Household Cost (\$/year)
Croton Filtration Plant	\$2.8	\$90	\$33
Ultraviolet Disinfection Plant	\$1.6	\$44	\$18
Newtown Creek Treatment Plant	\$5.0	\$144	\$48
All Other	\$7.1	\$206	\$78
Total	\$16.5	\$483	\$177

*Debt Service Impact is net of any surplus for the years in question.

➤ Between FY 2002 and FY 2011, legal mandates will have added 24% to the water rate, increasing the average annual cost of water from \$639 to \$816

Other Critical Infrastructure Investments

Cost:	\$5 billion
Rate Impact:	9%
Homeowner cost:	\$68/year
Completion date:	2013

- City Water Tunnel No. 3 will provide the City with critical supply capacity to City Water Tunnel No.1 (1917) and City Water Tunnel No. 2 (1936)



Cost:	\$273 million
Rate Impact:	0.55%
Homeowner cost:	\$4/year

- The Bluebelt system is an ecologically sound and cost-effective stormwater management system that preserves streams, ponds, and other wetlands
- Areas where the system has been built out have seen a substantial decline in instances of flooding



OLD DEP METER



NEW DEP AMR METER



- ❖ Customers will be able to track their daily water use and manage their accounts more easily

Financial Outlook for FY 2011

(\$ in Millions)

	FY 2010 Revised (March 2010)	FY 2011 (March 2010)
Consumption (MG)	360,013	356,413
Operations & Maintenance	\$1,358	\$1,188
Debt Service (net)	\$837	\$1,231
Rental Payment	\$169	\$220

Rate Increase Necessary to Address Shortfall in FY 2011

FY 2011 Rate Model	Cost/(Revenue) (in millions)
Debt Service (net)**	\$1,231
Expenses and Reserve	\$1,688
FY 2011 Revenue Requirement	\$2,952
Upstate and Other Non-City Revenue	(\$144)
In-City Revenue Need	\$2,808
FY 2011 Revenue at FY 2010 Rate	(\$2,486)*
FY 11 Shortfall at Current Rate	\$322
Increase Required	12.9%

*Assumes 1% drop in consumption from FY 2010.

**Debt service is net of any surplus carryover from FY 2010

- ❖ 12.9% general rate increase, 1.4% below the 14.3% forecast
- ❖ 1% discount for Direct Debit subscribers
- ❖ Increased fee for service termination from \$500 to \$1,000 (actual cost \$2,700)
- ❖ Sewer charge for stormwater pilot for parking lots registered with Department of Consumer Affairs

- To be implemented January 2011
- Applied to approximately 350 stand-alone parking lots licensed by Consumer Affairs that currently have no water service
- Parking lots will be billed a sewer charge for stormwater not to exceed \$0.05 per square foot based on the property size and DEP's budgeted expenditures for stormwater
- Estimated additional revenue < \$0.5 million
- Credit program will be in place when we implement this charge

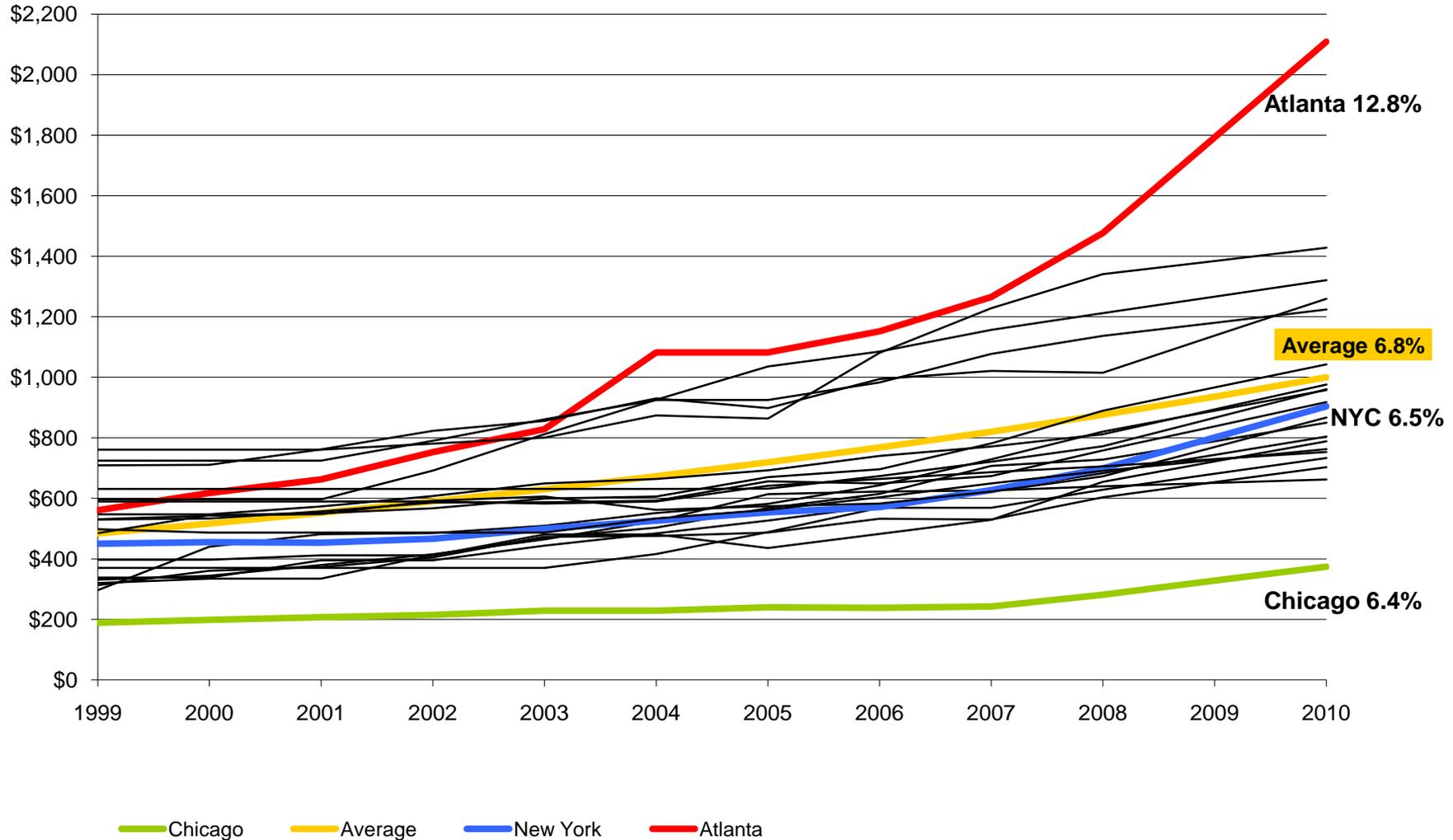
Calculation for Average Parking Lot	
Area of Average Parking Lot	14,500 sq. ft.
Charge per ft ²	\$0.05
Average Charge per year	\$725

		With Direct Debit Discount	Without Direct Debit Discount
Single Family Home	Per year	\$85	\$93
	Per quarter	\$21	\$23
	Per month	\$7	\$8
Multi-Family Unit	Per year	\$56	\$61
	Per quarter	\$14	\$15
	Per month	\$4.65	\$5

Average Increase for Annual Water and Sewer Bills:

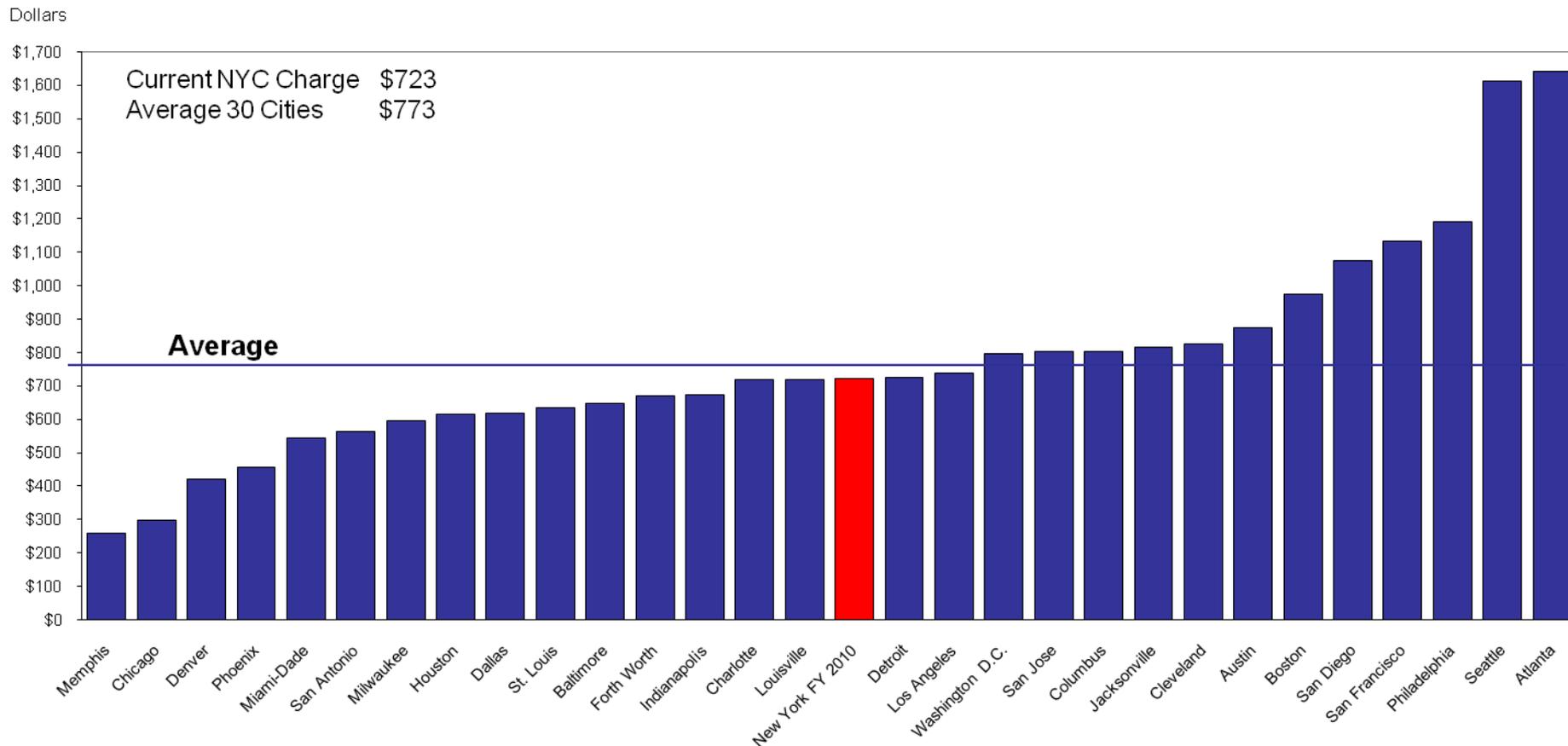
- Single Family Home direct debit subscriber: \$723/year to \$808/year
- Single Family Home without direct debit: \$723/year to \$816/year
- Multiple Family Unit direct debit subscriber with metered billing: \$470/year/dwelling unit to \$526/year/dwelling unit
- Multiple Family Unit without direct debit: \$470/year/dwelling unit to \$531/year/dwelling unit

Rate Increase of Various Cities over Time



Annual Water/Wastewater Charge Comparison

Residential Charges for Single-Family Homes

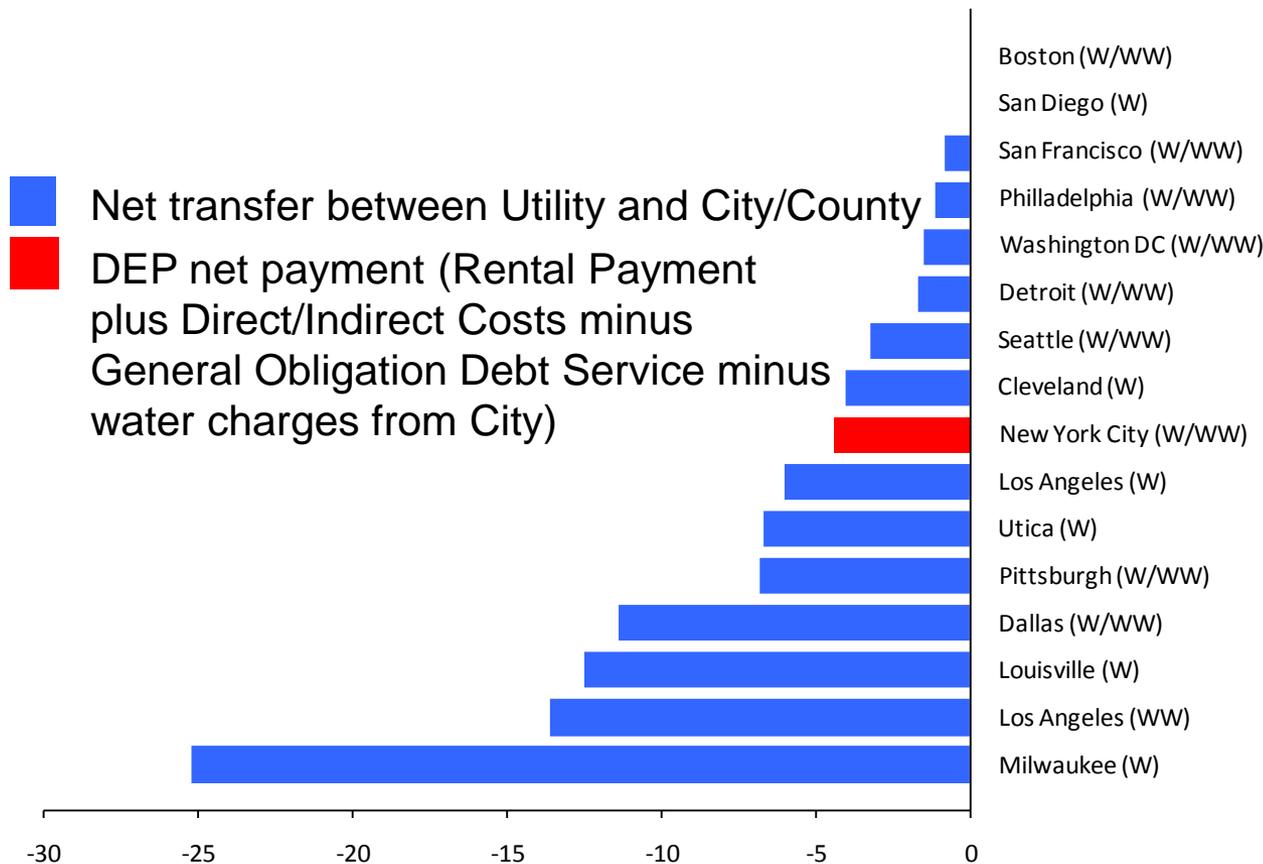


Annual Charges for all Cities Based on Consumption of 80,000 Gallons per year

Borough Rate Hearing Schedule

Borough	Date	Location	Time
Staten Island	May 4	Wagner High School	8 pm
Bronx	May 6	PS 14	7 pm
Manhattan (I)	May 7	22 Reade Street	2 pm
Queens	May 11	Edison High School	7 pm
Manhattan (II)	May 12	PS 124	7 pm
Brooklyn	May 13	PS 102	7 pm

Rental Payment to NYC is Below Average for Large Utilities



Footnote:

1. Payments from Boston & San Diego to Utility exceed Utilities' payments to their respective cities.

Other fees are changing for specialized services DEP provides.

The fees are proposed to cover DEP's actual costs of providing such services:

- ❖ Backflow Prevention Plan Review: New fee \$350
- ❖ Backflow Exemption Approval Fee: New fee \$100
- ❖ Hydrant Flow Test Fees: Increase fee from \$250 to \$500

