



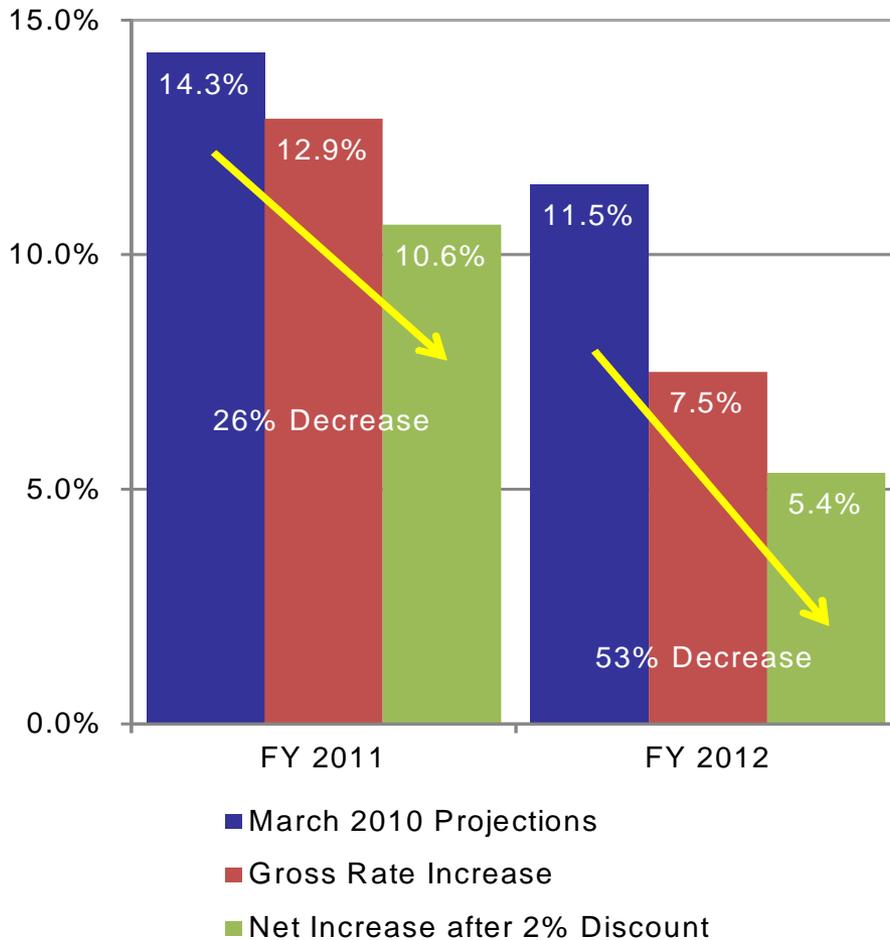
FY 2012 Water Rate Presentation

April 8, 2011

- ❖ Developed and launched 100-point Strategic Plan
- ❖ Implemented major Customer Service initiatives, including Wireless Meter Reading Online and Leak Notification
- ❖ Achieved 8% expense reduction of \$75M
- ❖ Reprioritized entire 10-year capital plan to focus on greatest needs, asset management, and state-of-good repair
- ❖ Unveiled design and timeline to repair leaks in the Delaware Aqueduct
- ❖ Proposed landmark Green Infrastructure Plan to address combined sewer overflows (CSOs)
- ❖ Strongly advocated for regulatory reform at the State and Federal levels



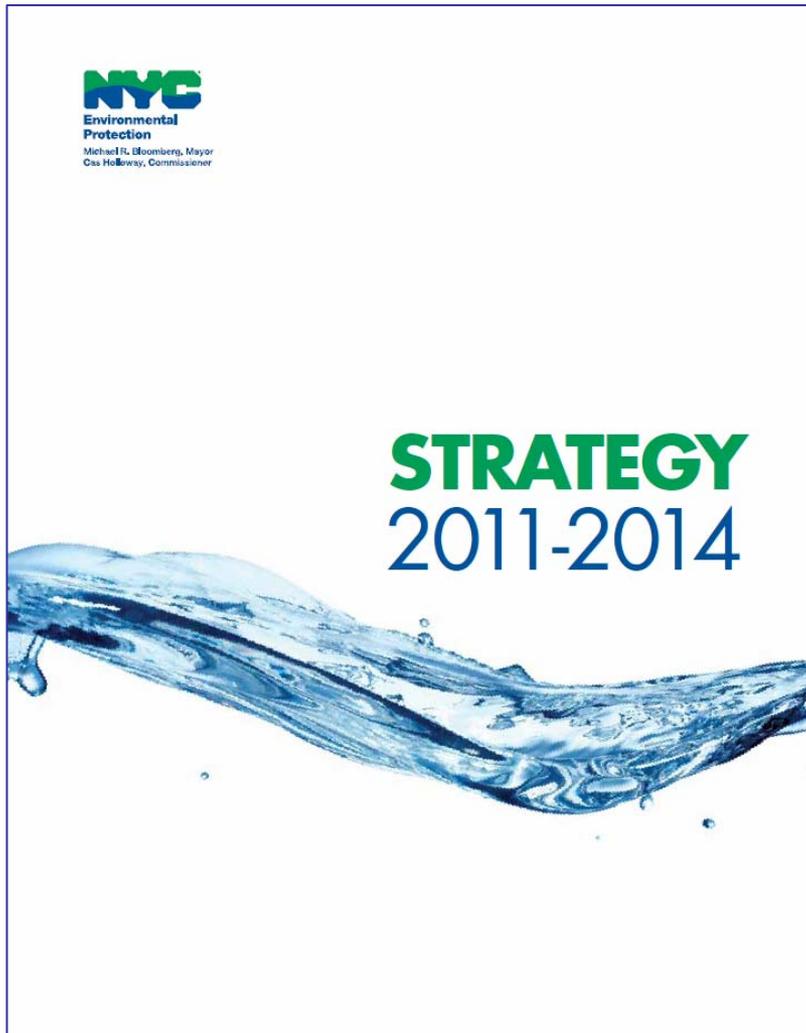
FY 2012 Rate Proposal Summary



- ❖ Proposing 7.5% rate increase; 35% lower than March 2010 projection
- ❖ Offering 2% discount for enrolling in paperless billing and direct debit
- ❖ Net increase for customers who take advantage of discount is **5.4%**

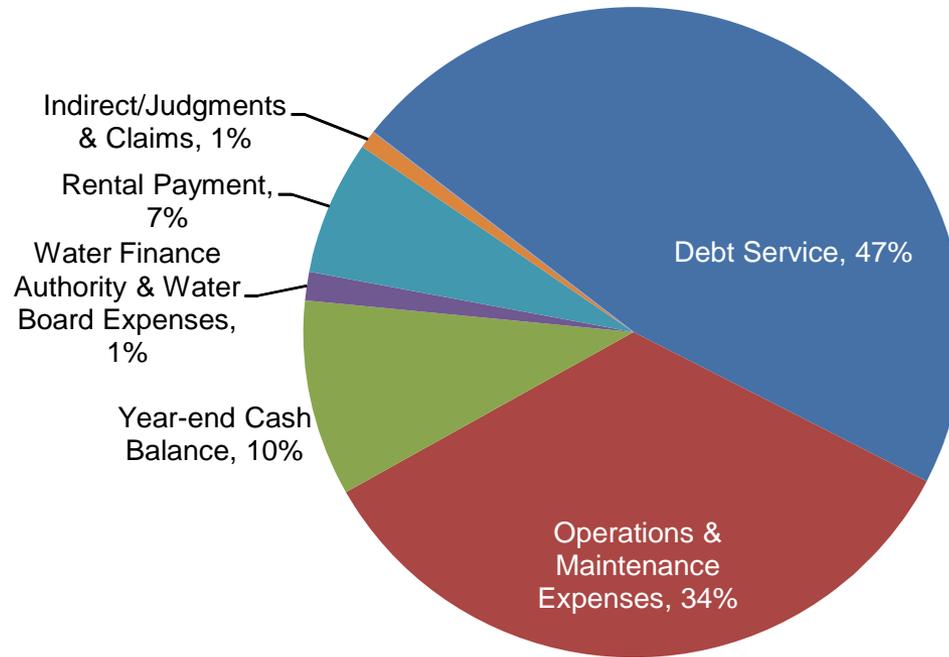
	FY 2011	FY 2012 (7.5%)	FY 2012 (5.4%)
Single Family (80,000 gal)	\$816	\$877 (\$61)	\$860 (\$44)
Multi-family (52,000 gal)	\$531	\$571 (\$40)	\$559 (\$28)

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 Yorker's overall quality of life.



- ❖ 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

FY 2011 Budget (Projected)



Financial Outlook through 2011 (\$M)	FY 2011 Plan	FY 2011 Forecast	Change	%
Consumption (MG)	356,413	379,737	23,324	7%
Revenue	\$2,952	\$3,027	\$75	3%
Operations & Maintenance	\$1,268	\$1,107	(\$161)	-13%
Debt Service & Defeasance (net) *	\$1,231	\$1,423	\$192	16%
Rental Payment	\$220	\$202	(\$18)	-8%

* Debt Service is net of prior year-end cash balances and includes \$260 million of cash defeasance of bonds in FY 2011

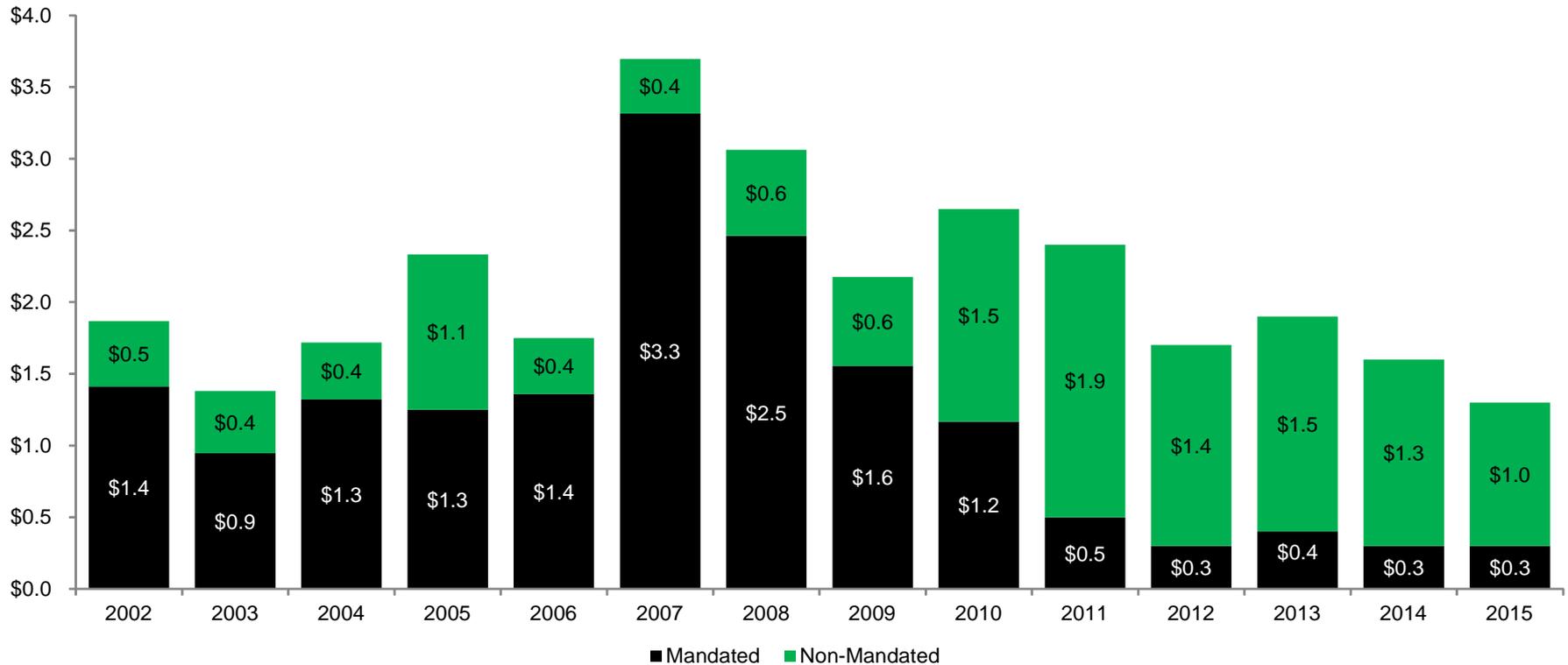
Capital Outlook

- ❖ \$14.9B (72%) of capital commitments for FY 2002 to 2010 were driven by mandates
- ❖ DEP is working with state and federal regulators to eliminate, reduce and defer future mandates

Capital Outlook FYs 2007—2015

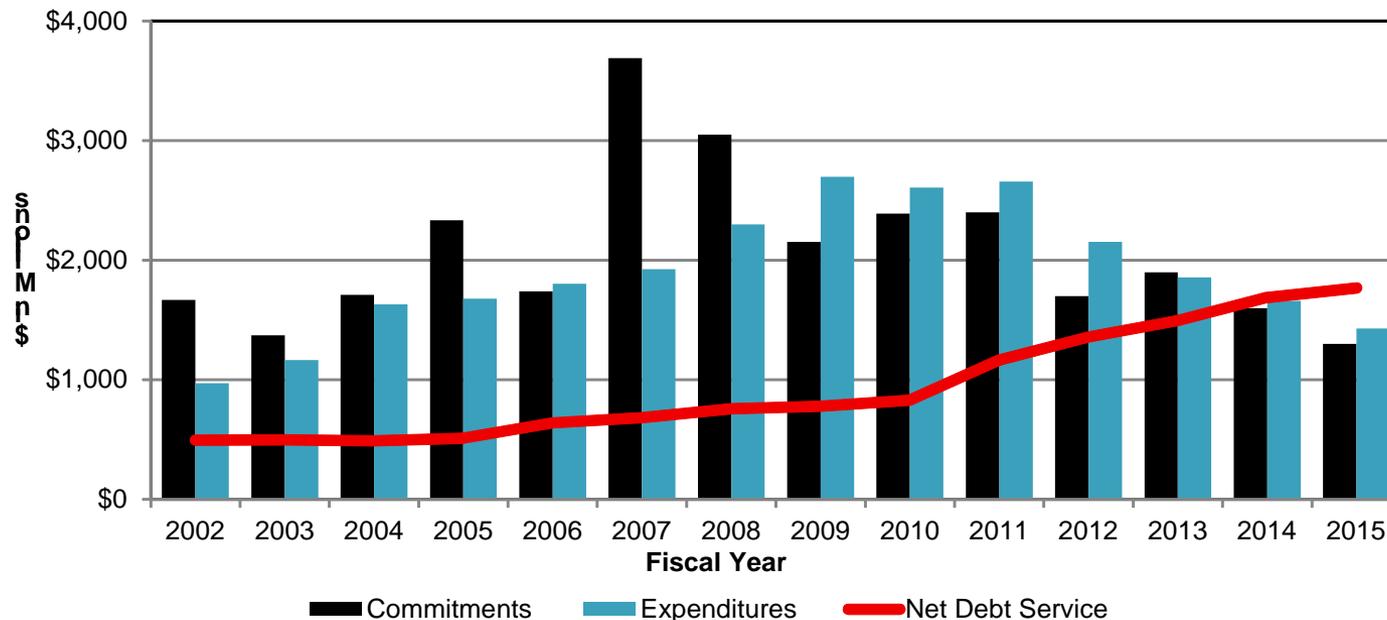
(\$ in billions)

FY	Total								
2007	2008	2009	2010	2011	2012	2013	2014	2015	
\$3.7	\$3.1	\$2.2	\$2.7	\$2.4	\$1.7	\$1.9	\$1.6	\$1.3	\$20.6



Capital Expenditures & Debt Service Impact

- ❖ There is a time lag between Commitments and Expenditures; debt is issued as Expenditures are incurred
- ❖ From \$22.5B of Commitments made from FY 2002 to 2011, Expenditures have totaled \$19.4B and net debt issuance is projected to total \$16.6B in the same period
- ❖ Annual Net Debt Service increased by 134% between FY 2002 and FY 2011 and is projected to increase by \$193 million or 17% in 2012
- ❖ In future years, even though annual Commitments and Expenditures decrease, Annual Net Debt Service continues to rise



Legal Mandates Cost Homeowner \$169 This Year



Mandate	Cost (\$B)	Annual Debt Service Impact* (\$M/year)	Annual Household Cost (\$/year)
Croton Filtration Plant	\$3.0	\$153	\$44
Ultraviolet Disinfection Plant	\$1.6	\$80	\$23
Newtown Creek Treatment Plant	\$5.0	\$144	\$42
All Other	\$7.1	\$206	\$60
Total	\$16.7	\$582	\$169

❖ The annual cost for commercial and industrial customers is \$2,108 and \$210,831, respectively

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

Critical System Investments



Critical System Investment	Cost (\$M)	Annual Debt Service Impact* (\$M/year)	Annual Household Cost (\$/year)
City Water Tunnel No. 3	\$5,000	\$250	\$72
Land Acquisition Program	\$585	\$29	\$8
Coney Island	\$137	\$7	\$2
Wireless Meter Reading	\$250	\$13	\$4
Total	\$5,972	\$299	\$86

❖ The annual cost for commercial and industrial customers is \$1,081 and \$108,141, respectively

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

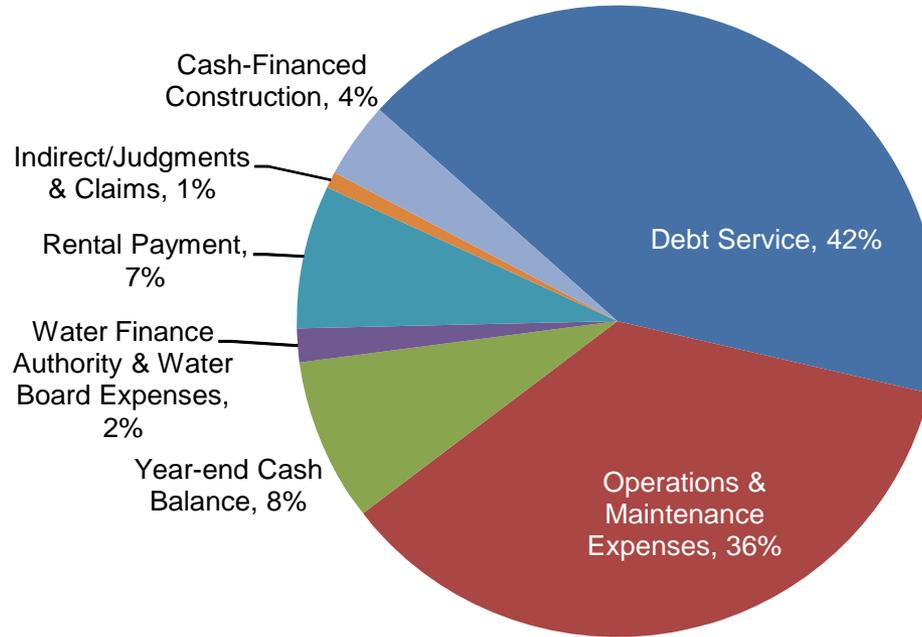
Significant Reductions

- ❖ Proposed eliminating more than 100 positions due to consolidations and efficiencies, saving \$11.4M
- ❖ Expected savings of \$42.2M from the landfilling of biosolids, space consolidation, and other reductions in supplies and contract services

New Needs

- ❖ Adding positions for mandated new facilities and programs
 - Catskill/Delaware UV disinfection plant (28; \$8.6M)
 - Designing and managing Green Infrastructure projects (23; \$5.5M)
 - English Kill Aeration facility (6; \$0.7M)
- ❖ Expected increase in fringe and pension contributions

FY 2012 Budget Forecast



Financial Outlook through 2012 (\$M)	FY 2011 Forecast	FY 2012
Consumption (MG)	379,737	370,685
Revenue	\$3,027	\$3,231
Operations & Maintenance	\$1,107	\$1,243
Debt Service & Defeasance (net)*	\$1,423	\$1,357
Rental Payment	\$202	\$237

* Debt Service is net of prior year-end cash balances and includes \$260 million of cash defeasance of bonds in FY 2011

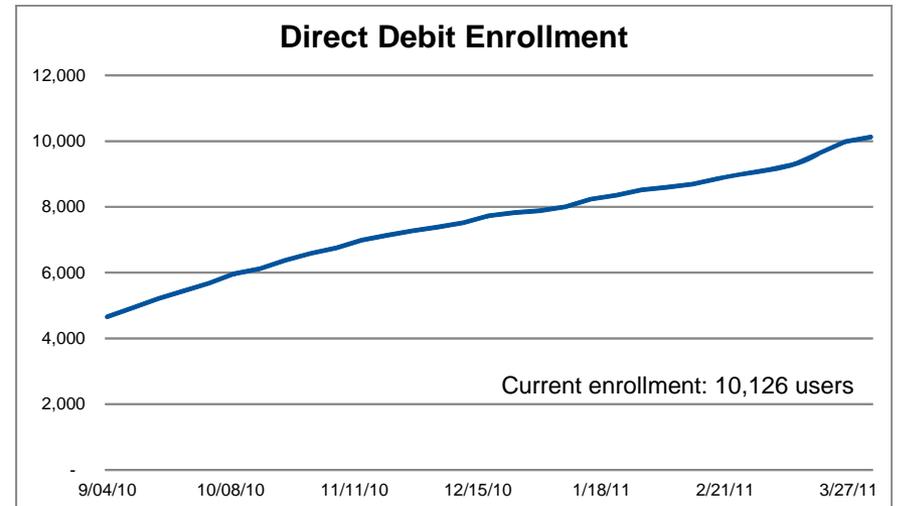
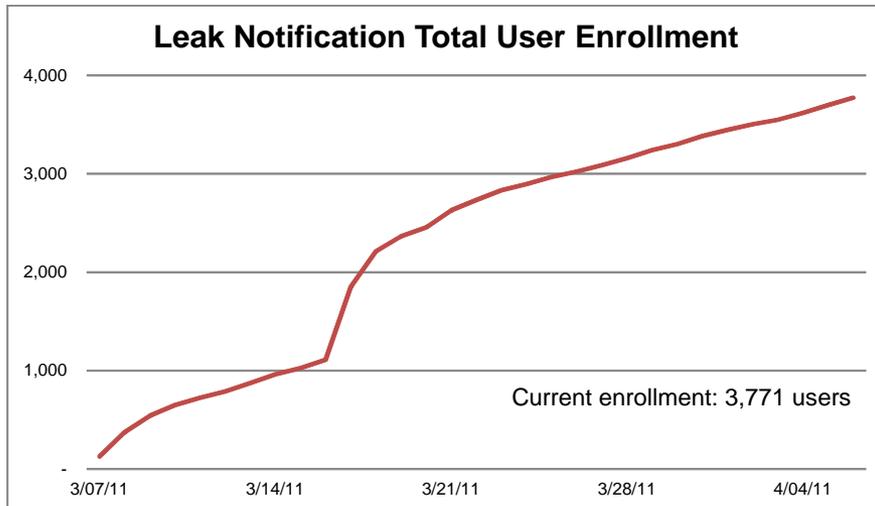
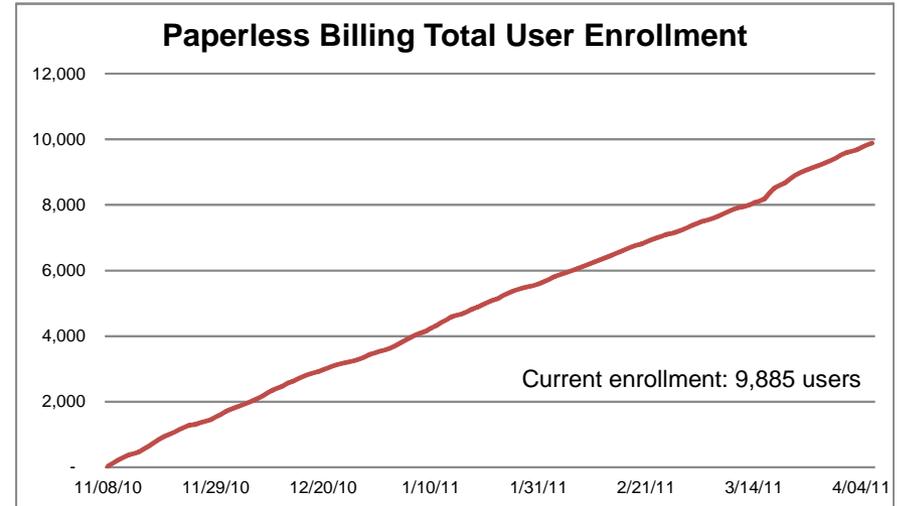
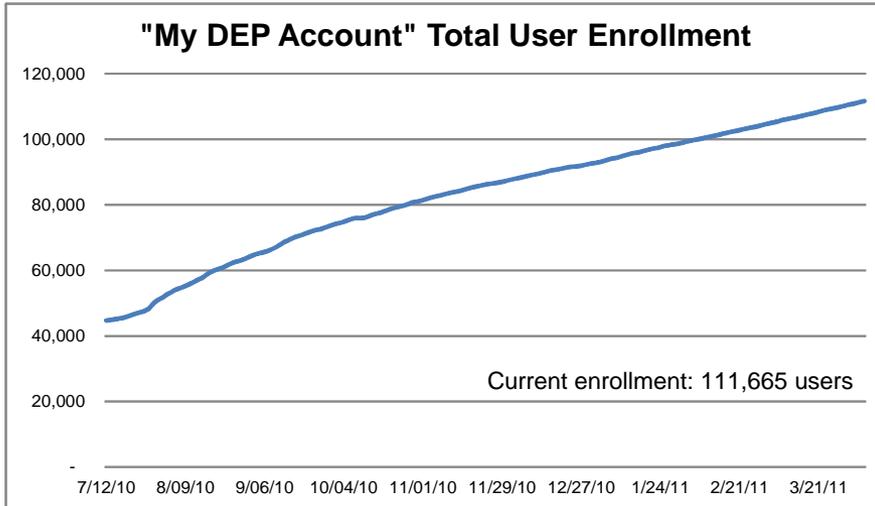
Rate Increase Necessary to Fund Expenses

Rate Model - Cost/(Revenue)	FY 2011 Plan	FY 2012
Debt Service (net of carryforward revenues)	\$1,231	\$1,357
Operations & Maintenance	\$1,268	\$1,243
Rental Payment	\$220	\$237
Year-end Cash Balance	\$234	\$269
Cash Financed Capital Construction	\$0	\$125
FY Revenue Requirement	\$2,952	\$3,231
Upstate & Other Non-City Revenue	(\$144)	(\$199)
In-City Revenue Need	\$2,808	\$3,032
Revenue at Prior Year's Rate	(\$2,486)	(\$2,821)
Additional Revenue Required	\$322	\$212
Rate Increase Required	12.9%	7.5%

\$ in millions

Direct Debit & Paperless Billing Discount

- ❖ Offering a 2% discount as an incentive for customers to take advantage of technology that increases revenue collection, decreases operating costs, and is more convenient for them



- ❖ **Reduce overhead and collect what is owed to us**
 - Paperless billing (#10)
 - Lien sale reauthorization (#12)

- ❖ **Short term investments that save \$10B plus to filter NYC Water**
 - Maintain the FAD (#25)
 - Purchase watershed lands that protect water quality (#26)
 - Prevent hydrofracking (#29)

- ❖ **Capital Savings**
 - Pilot Insourcing (#56)
 - Asset management program (#65)
 - Project controls division (#62)



Strategic Initiatives to Reduce Costs

❖ **Mandate relief**

- Advocate for regulatory reform and flexible regulations (#74 and 75)

❖ **New approaches**

- Green infrastructure (#79)

❖ **Take Advantage of Our Unique Assets**

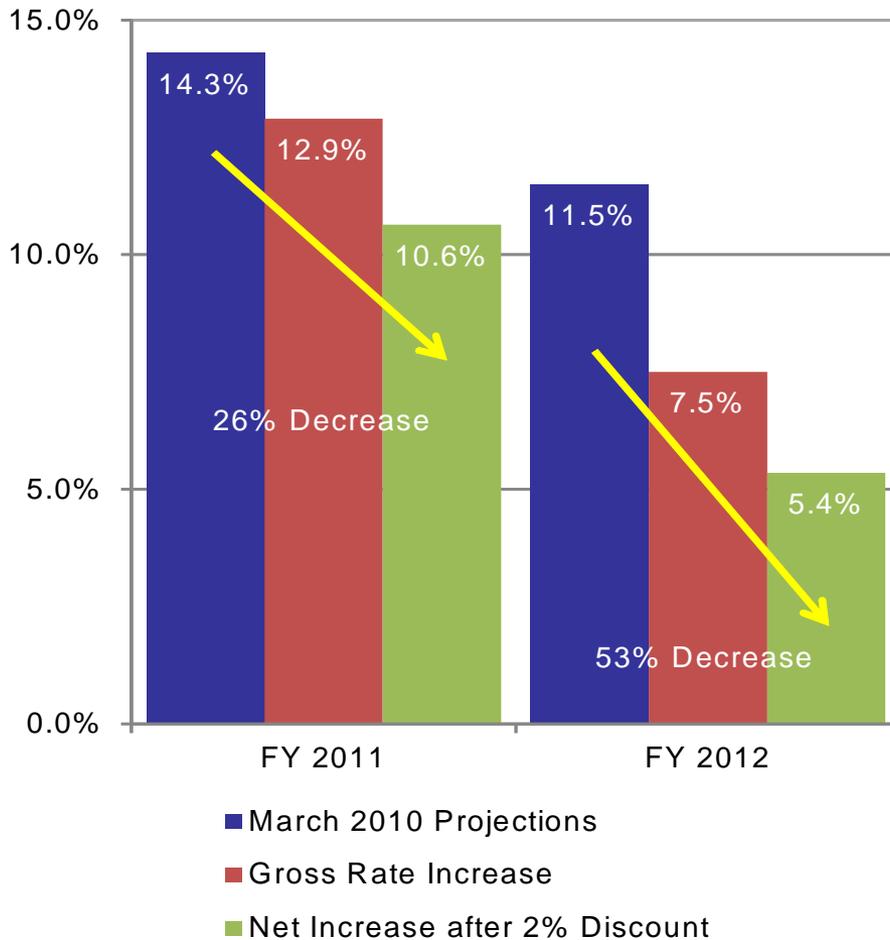
- Energy creation to lower NYC energy costs (#88)
 - Including Newtown Creek-National Grid and Wards Island Cogeneration projects

❖ **Evaluating other cost saving opportunities**

- Service Line Protection Program (#7)



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Borough Rate Hearing Schedule

Borough	Date	Location	Time
Staten Island	May 2	Wagner High School 1200 Manor Road	8 pm
Bronx	May 3	Public School 14 3041 Bruckner Blvd.	7 pm
Brooklyn	May 4	Public School 102 211 72 nd Street	7 pm
Manhattan	May 6	City Planning Commission 22 Reade Street	2 pm
Queens	May 10	PS 499 148-20 Reeves Avenue Flushing	7 pm