Sustainable Rate Structure Analysis | Frequently Asked Questions (FAQs)

Q: What is the timeline for this study?

This is a three-year study that began in August 2020 and is scheduled to finish by the end of 2023.

Q: What is the timing and implementation process for rate structure changes?

The Sustainable Rate Structure Analysis will provide rate structure recommendations and implementation options only. This study does not include scope for implementation of a new rate structure, or changes to DEP's existing rate structure.

The NYC Water Board, not DEP, is responsible for setting water and wastewater rates sufficient to cover operating NYC's water supply and wastewater systems. The Water Board also strives to set rates that are equitable and fair, that encourage conservation, and that are understandable to the City's water and sewer customers. Before any rate increase is adopted, the Water Board solicits public comment through hearings. More information on the Water Board Rate Adoption Process is available here (page 3): https://www.nyc.gov/assets/nycwaterboard/downloads/pdf/blue_book/proposed-nyc-rate-report-fy24.pdf

Q: How are sewer (wastewater) costs calculated?

Wastewater charges are levied at 159% of water charges for any meter-billed or flat-rate property that receives water service from DEP. For example, if a property has a water charge of $50, the corresponding wastewater charge would be $50 x 159% = $79.50.

Q: Can you provide more information on DEP's revenue streams?

Like water utilities around the country, DEP's budget is funded by revenue it collects through water and wastewater rates. NYC's water and wastewater system (the "System") is among the largest in the world. The water supply system delivers more than one billion gallons of high quality drinking water every day to approximately 8.8 million people in New York City and approximately one million residents in counties north of the City. The City's 14 Wastewater Resource Recovery Facilities (WRRFs) treat roughly 1.3 billion gallons of wastewater daily. Revenue from rates charged for water and wastewater service covers capital and operating expenses of the System.

Q: Can you provide more information on DEP's Parking Lot Stormwater Pilot Program, including if any parking lot owners implemented green infrastructure to waive the charge?

First initiated in 2011, DEP's Parking Lot Stormwater Pilot Program generates revenue for operation and maintenance of the City's wastewater system. The program applies a stormwater discharge charge to stand-alone parking lots that contribute runoff to the City's wastewater system, but do not receive (or pay for) City water service. Effective July 1, 2022, DEP's stormwater charge is currently $0.0730 per square foot. On July 1, 2022, DEP billed 472 accounts for $330.097.66 for FY23. Parking lot owners who implement green infrastructure practices are exempt from the stormwater discharge charge. To date, no parking lot owners have implemented green infrastructure practices to become exempt from the stormwater discharge charge.

Q: The comparative analysis report under this study compares the rate structures of 10 other cities. How were the cities selected?

DEP has been reaching out to several cities around the nation for information sharing, lessons learned, and best practices to support multiple initiatives, including integrated water management. In 2017, DEP completed an innovative and integrated stormwater management report in collaboration with Water Research Foundation and reached out to 37 cities and regional agencies to learn about their efforts on stormwater, revenues, and best practices. Building upon these efforts, DEP identified 10 water utilities utilizing additional criteria summarized below. The comparative analysis report aims to compare the rate structures, rate implementation options, customer affordability programming, and industry best practices from these 10 water utilities across the country. Criteria include the following (note that each individual city meets some, but not all criteria):

- Utility serves a large, urban population, and a population of low income customers
- Utility is in a city with a high cost of living
- Utility is in a coastal city and experiences resiliency challenges
- Utility provides water, sewer, and stormwater service to customers
- Utility has implemented, or plans to implement, a stormwater charge
- Utility has implemented affordability programming
- Utility experiences regulatory challenges

Q: Why was the comparative analysis limited to only 10 cities? Other bill comparison studies have included a greater number of cities.

The comparative analysis was limited to 10 cities to allow for a more detailed analysis of each city. Additionally, the focus of the analysis was to select cities that are most relevant and comparable to DEP in terms of services provided, size, number of customers, and more. For example, many cities have separate utilities for drinking water, stormwater, and wastewater. Conversely, DEP

provides all three services, so comparison to those utilities is not as applicable or relevant. Additionally, DEP is the largest combined water and wastewater utility in the nation. Many small and medium-sized utilities are only a fraction the size of DEP, so the services provided, budget size, challenges faced, etc. by DEP are not on the same order of magnitude as smaller utilities and thus not comparable. The comparative analysis aims to be a robust comparison of similar utilities that goes beyond comparing customer bills by also providing background on how each city arrived at their current rate structure and customer affordability program, and key lessons learned during the process.

Q: Are there good examples of cities that blend different rate structures?

Yes. Many cities throughout the country already operate using a hybridized rate structure. A comparative analysis was performed on the rate structures of several utilities throughout the country. More information can be found in the complete comparative analysis report at: https://www.nyc.gov/assets/dep/downloads/pdf/whats-new/programs-initiatives/bepa-srsa-comparative-rate-structure-analysis.pdf

Q: Can you share more information from the comparative analysis report of the 10 other cities?

The report is a deliverable under the Sustainable Rate Structure Analysis contract and is posted to DEP's website: https://www.nyc.gov/assets/dep/downloads/pdf/whats-new/programs-initiatives/bepa-srsa-comparative-rate-structure-analysis.pdf

Q: Will this study contextualize poverty, unemployment, and other social indicators in New York City?

Yes. Under this study, DEP's existing customer affordability programming will be analyzed, along with an analysis of new or additional affordability programming and how it would impact DEP's customers. Poverty, unemployment, and other social indicators will be considered as part of this analysis.

Q: Is DEP considering the co-benefits from different rate structures, such as reducing stormwater flow?

Yes. When analyzing the five rate structure options under this study, DEP will consider the co-benefits from these options. For example, a stormwater charge may help to encourage green infrastructure, which could reduce stormwater flow as a co-benefit.

Q: In cities that enacted stormwater charges, were the charges effective in promoting onsite retention? If they were effective, how large did the charge have to be?

DEP has collected information from other cities that have enacted stormwater charges on how effective their charges and credit programs have been at promoting stormwater management. DEP has learned that their charges and credit programs have not encouraged significant uptake of green infrastructure. DEP will consider these implications when studying a stormwater rate structure option under this study.

Q: What impact would stormwater charge have on rates and bills for water/wastewater service among customer types? What options are being considered to mitigate impacts on affordability, specifically for low-income households?

A detailed analysis of customer impacts is currently being conducted. Customers with low water use relative to impervious area will see a higher increase in total costs compared with customers with high water use relative to impervious area. A stormwater credit and expanded customer affordability programs are also being developed to address affordability concerns, including for low-income households.

Q: Have you looked at what must the stormwater fee be to motivate changes in behavior, i.e. install retention?

DEP has collected information from other cities that have enacted stormwater charges on the effectiveness of charges and credit programs at promoting stormwater management. DEP has learned that their charges and credit programs have not encouraged significant uptake of green infrastructure. However, some cities have demonstrated an uptake in green infrastructure when a combination of grants and stormwater fee credits have been offered. DEP will consider these implications when studying a stormwater rate structure option under this study.

Q: Would a stormwater charge require state legislation?

There is precedent for the adoption of a stormwater charge in New York State (City of Ithaca). However, DEP and the City's Law Department continue to investigate the legal requirement associated with the implementation of a stormwater charge.

Q: Is the study looking to raise additional revenue to better manage stormwater or this is meant to be a revenue-neutral approach to aligning stormwater incentives in a new way?

The study is intended to examine rate structure options that will allow DEP to fund the future costs of water, sewer, and stormwater systems. This includes

generating revenue in future years to meet the operational costs and capital investment needs of the system in a manner that provides revenue stability, alignment between use of the system and charges, and customer affordability.

Q: If the stormwater charge is built into the sewer charge, can needs be addressed by a rate increase in the water/sewer charge? What are the drawbacks of the current structure that these options improve on?

Yes, this is how stormwater infrastructure is currently funded. However, one of the objectives of the study is to evaluate rate structure options that may better correlate funding to cost of service (i.e., stormwater runoff).

Q: Aside from charging more for nonporous area, can DEP or another government agency make homeowners remove non-porous areas of their property?

DEP does not have the ability to force the removal of non-porous areas from properties within the City. However, one of the benefits of a stormwater charge is that it can provide an incentive for property owners to remove non-porous areas since this would reduce their stormwater charge. It may also encourage future development to select non-porous approaches to minimize stormwater charges.

Q: Will DEP analyze tiered rates under this study?

Yes. One of the key findings from the Comparative Analysis report was that implementing a tiered rate structure, specifically a “lifeline” rate, can be effective in providing customer affordability. A lifeline rate provides a minimum quantity of water necessary for basic indoor water needs at a reduced rate and charges a “normal rate” for water quantities used above that minimum. Given the success described by other cities, it was determined that DEP’s study should analyze this type of structure.

Q: Is DEP investigating a rate structure tiered by income?

DEP maintains a robust customer assistance program (CAP) which complements the general rate structures being evaluated in the study. DEP’s CAP is being reviewed as part of the SRSA to determine if it should be and modified and/or expanded to address those customers that have difficulty affording their water and sewer bill. We are aware that a few cities have implement rate structures based on income. However, DEP is not investigating a tiered rate structure based on income because it is beyond the scope of this study. We are mindful that it adds a significant level of additional administrative complexity to implement. The rate structures studied do not preclude the potential for income-based rates to be considered in a future phase.

Q: Will DEP consider developing a rate for buildings that undertake water submetering of residential tenants?

Water submetering can be a successful strategy for lowering demand. However, it can be expensive, due to re-piping, submeter installation, and cosmetic contracting work. Some cities have implemented conservation-driven rates with success, including Seattle, that use strategies other than submetering to promote conservation. DEP has a robust water conservation program (Water Conservation - DEP (nyc.gov)). Given the importance of these efforts, one of the criteria that DEP has identified to include in the evaluation of the rate structure options is water conservation.

Q: Is DEP investigating a policy to aid customers if they experience a leak and exceed the lifeline volume, resulting in an unexpected and significant charge?

DEP currently offers the Leak Forgiveness Program for customers. As part of the Sustainable Rate Structure Analysis, DEP is investigating the possibility of expanding this to program to be compatible with the lifeline rate option were this structure to be implemented. More information about the Leak Forgiveness Program can be found here: https://www.nyc.gov/site/dep/pay-my-bills/leak-forgiveness-program.page

Q: San Francisco has lifeline for multifamily properties. But you said we would not implement lifeline on multi-family properties. How does San Francisco do this?

San Francisco maintains a customer billing system that identifies the number of multi-family units per utility billing account. This information is currently not available within DEP's billing system. However, DEP is investigating approaches that would allow customers to opt-in and provide number of dwelling units in order to provide a lifeline volume per unit.

Q: Would the fix charge apply to domestic /fire /both?

Fixed charge would only apply to domestic meters.

Q: Did the study address how fixed rates will affect water conservation?

The study has not examined the impact of fixed rates on water conservation. However, customers would still have a significant portion of their bill that is based on usage and would still be incentivized to conserve water to reduce costs through the volumetric rate. In addition, the fixed charge could be paired with a lifeline rate to incentivize customers to conserve water through its discounted initial volume.

Q: How would a fixed charge interact with a lifeline rate?

Under the potential fixed charge and lifeline rate, a customer's bill would consist of a monthly fixed charge and a volumetric charge. The volumetric charge would be based on the lifeline rate for the quantity of water in the lifeline tier and a higher rate for volume that exceeds the lifeline quantity.

Q: Does the development investment charge require the state legislative act?

DEP is examining the ability to collect development investment charges. The lack of state enabling legislation does not necessarily mean that they cannot be implemented. However, DEP believes it will be prudent to fully examine the implications and potential challenges associated with implementing the charges.

Q: What is the proposed development charge for large properties (offices, large residential)?

The exact charges of the proposed development investment charge are still being modeled. The primary method being examined would be to follow the industry standard approach of scaling the development charges based on meter size. This results in development charges that reflects the amount of capacity in the system required. For example, a customer requiring a 6" meter can demand significantly more water from the system as compared to a smaller 1" meter and therefore the 6" metered customer would pay a higher development charge based on the capacity of the meter.

Q: Are you looking at models from other cities that provide assistance directly to renters, rather than assistance that goes through the landlord?

The study will review models from other cities. Currently, enrollment in the Multi-Family Conservation Program (MCP) and Multi-Family Water Assistance Program (MWAP) is prioritized by affordability to rent and subject to rent regulation. The study is examining a possible expansion of these programs to be compatible with the evaluated rate structures.

Q: What are the cost impacts on the various types of water customers, including those enrolled in the Multi-Family Water Assistance Program and the Multi-Family Conservation Program?

The study is currently evaluating detailed customer impacts, associated with the various rate options, including MWAP and MCP customers.

Q: Is DEP looking into customer assistance programs to help low income customers obtain high-efficiency fixtures?

The study includes developing customer assistance programs to aid low-income customers and will consider programs to help low-income customers obtain high-efficiency fixtures.

Q: What is current fee for Attributed Consumption Charge?

Information on the current Attributed Consumption Charge can be found in the following document
https://www.nyc.gov/assets/nycwaterboard/downloads/pdf/rates/fy2023_rates.pdf