



Fiscal Year 2017 Upstate Rate Proposal

April 8, 2016

Upstate Rate

- Wholesale water is sold to approximately 40 customers north of New York City (the “City”), which distribute water to their retail customers in 70 communities
- Upstate communities entitled to daily quantities of water that is equal to the per capita consumption in the City multiplied by the population of the upstate community. This consumption is billed at the Entitlement Rate
- The Entitlement Rate =
 - The capital and operating costs of supplying and treating water
 - Excluding in-City costs
 - Divided by the forecast consumption in-City and upstate
- Excess consumption above the entitled quantities is billed at an Excess Rate, which is equal to the in-City rate

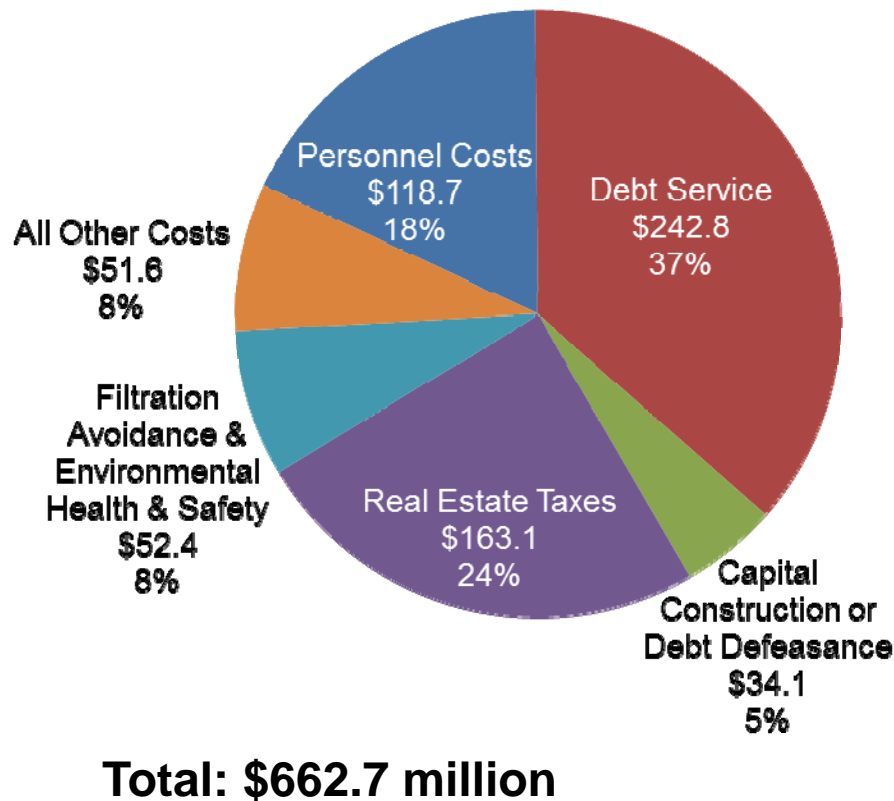
Calculating the Upstate Rate

- Gather costs of supplying and/or treating water
- Reconcile final costs and consumption for prior fiscal years, as applicable:
 - Propose to spread FY 2014 reconciliation over the four years FY 2016-FY 2019
 - Propose to spread FY 2015 reconciliation over the four years FY 2017-FY 2020
- Forecast consumption based on ten-year regression analysis
- Divide Net Cost of Service by Consumption to calculate Entitlement Rate

	Enacted FY 2016	FY 2016 Currently Projected	Proposed FY 2017
Cost of Service	\$669,443,446	\$711,244,838	\$662,651,862
Prior Years' Reconciliation	\$10,958,585	\$10,172,039	\$21,071,599
Net Cost of Service	\$680,402,031	\$721,416,877	\$683,723,461
Consumption (MG)	393,525	395,475	390,582
Entitlement Rate/MG	\$1,728.99	\$1,824.18	\$1,750.52
Change in Rate	9.87%		1.25%

The increase in the Cost of Service in the current FY 2016 projection is primarily due to the use of funds pay down debt and reduce debt service in future years

FY 2017 Cost of Service



All Other Costs (\$ Millions)	
Chemicals	\$4.3
Contractual Services	\$5.1
Energy Costs	\$5.7
Supplies & Materials	\$3.7
Hillview Reservoir	\$12.1
UV Facility	\$6.9
Other OTPS Costs*	\$9.7
Other Costs**	\$13.7
Miscellaneous Revenues	-\$9.7
Total	\$51.6

* Other OTPS Costs includes costs incurred in the provision of water supply north of the City (e.g., telecom, maintenance and repairs, etc.)

** Other Costs includes Judgment and Claims and the upstate water supply share of DEP OTPS and City Central Service Costs

Calculation of FY 2017 Rate



FY 2017 Cost of Service	\$662,651,862
Plus: Reconciliation for Prior Years' Cost of Service*	\$21,071,599
Net Cost of Service	\$683,723,461
Estimated Consumption (MG)	390,582
Proposed Unit Rate for FY 2017 (\$ per MG)	\$1,750.52
Current Unit Rate for FY 2016 (\$ per MG)	\$1,728.99
Proposed % Change	1.25%
 	
Last Year's Rate Projection for FY 2017	\$1,808.62
Last Year's Projected % Increase	4.61%
% Change from Projected Increase	-73%

* Includes four-year phasing of FY 2014 and FY 2015 reconciliation

Comparison to in-City Rate



	Entitlement Rate	Net Excess Charge	in-City Water Rate
FY 2016 Rate per MG	\$1,728.99	\$3,364.59	\$5,093.58
Charge per Average Single-family Household (80,000 gallons)	\$138.32	\$269.17	\$407.49
% of in-City Charge	33.9%	66.1%	100.0%
Proposed FY 2017 Rate per MG	\$1,750.52	\$3,450.01	\$5,200.53
Proposed Charge per Average Single-family Household (80,000 gallons)	\$140.04	\$276.00	\$416.04
% of in-City Charge	33.7%	66.3%	100.0%

	Entitlement Rate	in-City Water Rate
FY 2016 Rate Increase	9.87%	2.97%
FY 2017 Proposed Rate Increase	1.25%	2.10%
Five-year Average Rate Increase (FY 2013-FY 2017 Proposed)	7.67%	4.20%

Upstate Rate Comparison



- NYC water supply costs comprise between 17% and 56% of residential water charges in the upstate communities
- For the volume of water consumed by the average single-family home, the proposed cost increase is \$1.72 per year

	FY 2016 Rate					Proposed FY 2017 Rate	
	Total Water Charges	NYC Water Supply Portion	Local Utility Portion	NYC Water Supply % of Total	Local Utility % of Total	Water Supply Cost Increase	NYC Water Supply Increase as % of Total Charges
New Rochelle	\$828	\$138	\$690	17%	83%	\$2	0.2%
Carmel Dist. 1	\$682	\$138	\$544	20%	80%	\$2	0.3%
Harrison	\$641	\$138	\$503	22%	78%	\$2	0.3%
Mamaroneck	\$638	\$138	\$500	22%	78%	\$2	0.3%
New York City	\$407	\$138	\$269	34%	66%	\$2	0.4%
Yonkers	\$357	\$138	\$219	39%	61%	\$2	0.5%
White Plains	\$294	\$138	\$156	47%	53%	\$2	0.6%
Scarsdale	\$249	\$138	\$111	56%	44%	\$2	0.7%

Calculations assume average annual usage of 80,000 gallons
 Total increase in NYC in-City water rate for FY 2017 is 2.1%, which is \$8.56 per 80,000 gallons