New York City Water Board

Report on the Cost of Supplying Water to Upstate Customers for the 2027 Rate Year

Draft of April 27, 2026

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To the Members of the New York City Water Board:

The Amawalk Consulting Group is pleased to submit its Report on the cost of supplying water to upstate customers of the Water System of the City of New York (the "City"). The Report presents the calculated regulated rate for Fiscal Year 2027 to recover the cost of service. The Report also presents the calculated cost of service and rates for Fiscal Years 2023 through 2025 (historical years); the anticipated cost of service and rate for 2026 (the current year); and the projected cost of service and rates for 2028 through 2030.

The Report shows that the cost of water supply service in 2026 is expected to be somewhat higher than the actual costs incurred in 2025. The cost of service is expected to increase further in 2027 and future years, recognizing that the rate of change in costs varies from year-to-year and the calculated unit rates are affected by prior year reconciliations. The increases in costs are primarily attributable to rising operating expenses, including the property taxes levied on watershed properties, together with the impacts of capital investments in water supply infrastructure. Significant investments have been made in the Water System in recent years to protect the quality of the water supply, to enhance the integrity of the System, and to achieve other water supply objectives. Additional capital investments will be made during the current year and in upcoming years. Projected expenses do not include most of the effects on the System of the Delaware Aqueduct shutdown (described herein), which was delayed from 2025, and then again from 2026 to 2031. In addition to the projected changes in the cost of service and the effects of reconciliation, the unit rate for water supply service is impacted by changes in upstate and in-City consumption.

We appreciate the opportunity to be of assistance to the Water Board and would be pleased to answer any questions you may have regarding the study methodology or findings. We also wish to acknowledge the assistance provided by representatives of the Office of Management and Budget, the Department of Environmental Protection, the Law Department, the Water Board and the New York City Municipal Water Finance Authority in the preparation of this Report.

Should you have any questions or comments, please do not hesitate to contact the undersigned at (551) 427-2242.

Very truly yours,

Edward J. Markus
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1.0 Introduction

1.1 Purpose

The purpose of this Report is to summarize the results of the study performed by the Amawalk Consulting Group ("Amawalk") of the cost of providing water supply service to communities north of New York City (hereinafter, "the City"). The Report presents the calculated regulated rate for Fiscal Year 2027 to recover the cost of service. The Report also presents the calculated cost of service and rates for Fiscal Years 2023 through 2025; the anticipated cost of service and rate for Fiscal Year 2026 (the current year); and the projected cost of service and rates for Fiscal Years 2028 through 2030. The proposed regulated rate for Fiscal Year 2027 is $2,193.07 per million gallons ("MG"), which represents a decline of $35.38 per MG from the current unit rate of $2,228.45, or a decrease of 1.59%. The regulated rate previously adopted by the Board for Fiscal Year 2026 was 1.60% lower than the rate for the prior year. It is noted that differences in the revenues from the rate being charged and the cost of service in any year will be recovered through the reconciliation process as described herein.

1.2 Scope

The Report presents the findings of Amawalk regarding the revenue requirements for water supply service as well as water consumption by customers and a unit rate for calculating charges to upstate customers. The revenue requirements take into consideration the operation and maintenance expenses, principal and interest on bonds, and other financial needs related to facilities north of the City. The Fiscal Year 2027 cost of service and unit rate are based, in part, on the calculated cost of service and revenues recovered for the current fiscal year and prior years, which is presented herein. All years referred to in the Report reflect the fiscal year ("FY") of the City that begins July 1 and ends June 30.

Amawalk has reviewed the books, records, financial reports, and statistical data of the City, the Board, and the New York City Municipal Water Finance Authority (the "Authority"), that were made available to it, and it has conducted such other investigations and analyses as deemed necessary to assemble and analyze the cost of water supply service and rates. We have performed analyses necessary to support our findings and conclusions.

In analyzing the projection of future operations summarized in this Report, Amawalk has reviewed certain assumptions with respect to conditions, events, and circumstances, which may occur in the future. We believe that these assumptions are reasonable and attainable, although actual results may differ from those in the forecast as influenced by the conditions, events, and circumstances that actually occur.

1.3 Background

The City, through its Department of Environmental Protection ("DEP"), is responsible for operating and maintaining dependable sources of water supply and providing water to certain communities north of the City and to in-City consumers. DEP operates and maintains the water

supply system (the "Water System" or the "System") and is responsible for planning, designing and constructing capital improvements to the System. The Capital Improvement Program (the "CIP") of DEP identifies planned commitments for design, construction, and construction-related work for the System by category of project in each year of the planning period of 2026 through 2035.

The information presented in this Report is as of April 15, 2026, unless otherwise noted. Additional information, changes in the System, or events occurring after this date are not reflected in the Report. This Section 1.3 is intended to provide background information for the reader; the information presented herein is derived from the Official Statement for the Authority's 2026 Series DD Bonds, as well as official statements for prior bond issues.

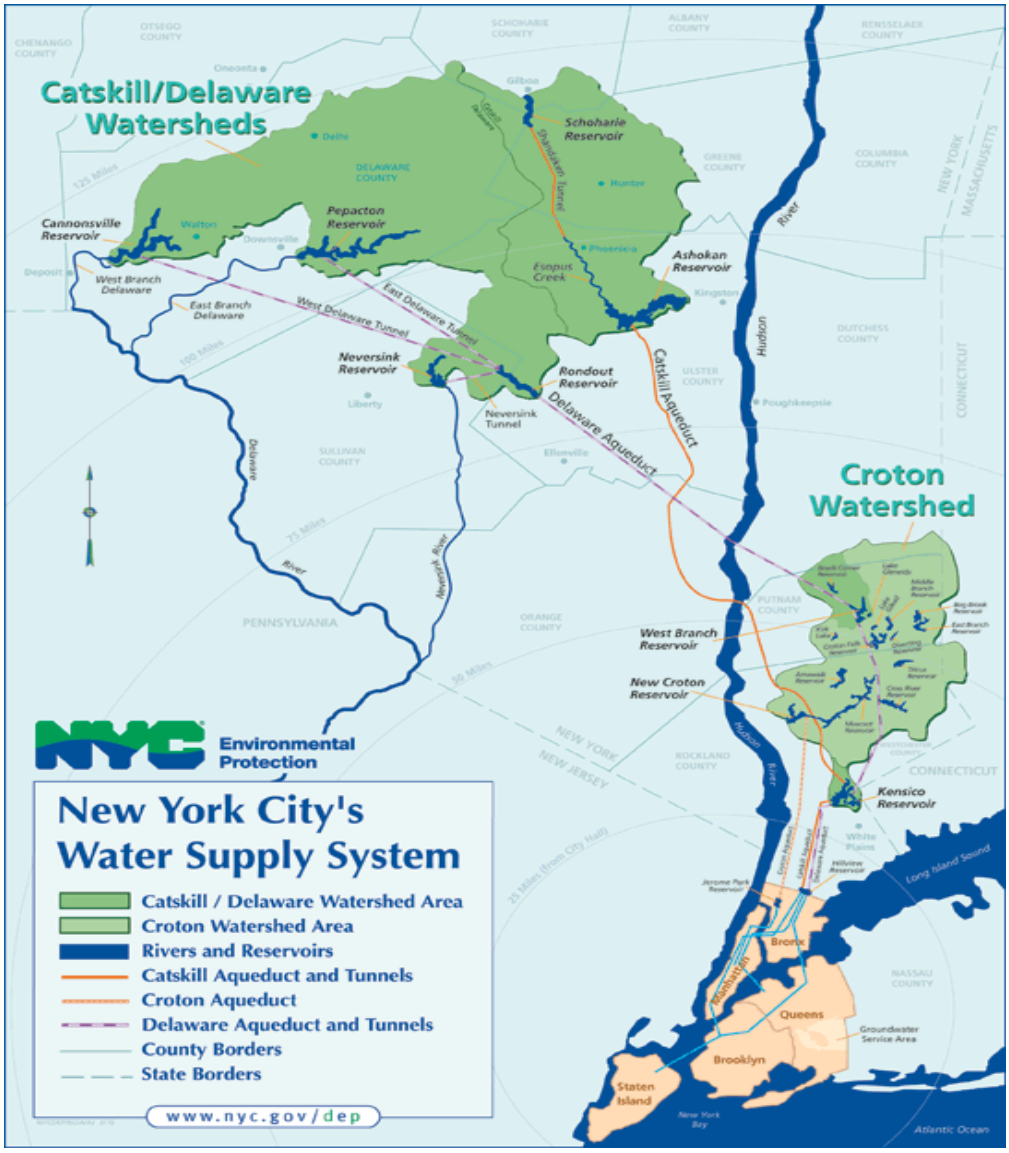
1.3.1 The Water System

Water for the System can be drawn from three upstate reservoir systems (Croton, Catskill, and Delaware) and a system of wells in Queens. The three upstate water collection systems, which benefit customers north of the City, as well as in-City consumers, include 19 storage reservoirs and three controlled lakes with a total storage capacity of approximately 570 billion gallons. They were designed and built with various interconnections to increase flexibility by permitting the exchange of water from one system to another. This feature mitigates localized droughts and takes advantage of excess water in any of the three watersheds. DEP is continuing to enhance its infrastructure to increase its operational flexibility.

The Water System furnishes water to users in portions of four of the eligible counties north of the City. The Water System provides water to nearly 90% of the residents in Westchester County and approximately 10% of the residents in Putnam, Orange, and Ulster Counties.

Water delivered from the Croton System, which accounts for approximately 10% of the total water supply to the City, must be pumped. Water from the Catskill and Delaware Systems is conveyed by gravity alone and comprises 90% of total water supply. Figure 1 provides an overview of the Water System.

Figure 1 Map of the Water System



1.3.1.1 The Croton System

The Croton System is available to supplement the Catskill and Delaware Systems. Use of the Croton System is determined by DEP's operational needs. The Croton System consists of 12 reservoirs and three controlled lakes on the Croton River, its three branches and three other tributaries. The water in the Croton System flows from upstream reservoirs through natural streams to downstream reservoirs, terminating at the New Croton Reservoir. The watershed which supplies the Croton System has an area of 375 square miles. It lies primarily within the State of New York (the "State"), approximately 45 miles north of lower Manhattan, with a small portion in the State of Connecticut.

1.3.1.2 The Catskill System

The Catskill and Delaware Systems together currently provide the vast majority of the daily water supply for the City and customers north of the City. The Catskill System watersheds occupy sparsely populated areas in the central and eastern portions of the Catskill Mountains. Water in the Catskill System comes from the Esopus and Schoharie Creek watersheds, located approximately 100 miles north of lower Manhattan and 35 miles west of the Hudson River. The Catskill System is comprised of Schoharie Reservoir (formed by the Gilboa Dam across Schoharie Creek) and Ashokan Reservoir (formed by the Olivebridge Dam across Esopus Creek) and the Catskill Aqueduct. Schoharie Reservoir water is delivered to the Esopus Creek via the Shandaken Tunnel, from which it then travels to Ashokan Reservoir.

1.3.1.3 The Delaware System

The Delaware System is located approximately 125 miles north of lower Manhattan. Three Delaware System reservoirs collect water from a sparsely populated region on the branches of the Delaware River: Cannonsville Reservoir (formed by the Cannonsville Dam on the West Branch of the Delaware River), Pepacton Reservoir (formed by the Downsville Dam across the East Branch of the Delaware River), and Neversink Reservoir (formed by the Neversink Dam across the Neversink River, a tributary to the Delaware River). Water from these three reservoirs is diverted to Rondout Reservoir, formed by the Merriman Dam across Rondout Creek, a tributary to the Hudson River.

The conditions under which the System's Pepacton, Neversink, and Cannonsville Reservoirs may be operated are set forth under the terms of a 1954 decree of the Supreme Court of the United States (the "1954 Decree"). It authorizes the System to divert 800 million gallons per day ("MGD") of water from the Delaware River Basin for use by the Water System, subject to specified conditions. A series of agreements among the parties to the 1954 Decree required the System, under certain circumstances, based on the time of year, reservoir storage, anticipated inflow and water supply demand, to release water from the three reservoirs into the tributaries of the Delaware River, in support of enhanced habitat protection and flood mitigation. A new agreement among the Decree Parties was reached in October 2017, which establishes a 10-year program. The agreement protects the available supply of drinking water for the City, and expands efforts to enhance flood attenuation and support recreational use of the upper Delaware River. The parties to the agreement have committed to pursue a number of scientific studies to refine management of the resources to advance the myriad interests connected to the Delaware River, including a study of the impacts of salinity and sea level rise, particularly the potential migration of the salt front in the lower Delaware River, and how to mitigate them. The timing of completion of such study, its conclusions, and any associated remediation costs are not yet known. Enforcement of the 1954 Decree is under the jurisdiction of a River Master appointed by the Supreme Court of the United States.

1.3.1.4 The Catskill Aqueduct

The Catskill Aqueduct, which conveys water by gravity, is 92 miles long and extends from Ashokan Reservoir to Kensico and Hillview Reservoirs. The delivery capacity of the Catskill

Aqueduct from Ashokan Reservoir to Kensico Reservoir is about 600 MGD. From Kensico Reservoir to Hillview Reservoir, the Catskill Aqueduct has a capacity of approximately 800 MGD. The Catskill Aqueduct passes under New Croton Reservoir. At this location, it is possible to transfer water from Ashokan Reservoir to New Croton Reservoir.

1.3.1.5 The Delaware Aqueduct

The Delaware Aqueduct is 85 miles long and similarly carries water by gravity from Rondout Reservoir to West Branch Reservoir, which is in the Croton System, and from West Branch Reservoir to Kensico Reservoir, and then on to Hillview Reservoir. Water enters the Delaware Aqueduct via the Rondout Reservoir, which is fed by the Neversink, Pepacton, and Cannonsville Reservoirs. The capacity of the section that delivers water from Rondout Reservoir to West Branch Reservoir is about 890 MGD. The delivery capacity of the Delaware Aqueduct from West Branch Reservoir to Kensico Reservoir is about 1,050 MGD. The Delaware Aqueduct has a capacity of approximately 2,020 MGD from Kensico Reservoir to Hillview Reservoir.

1.3.1.6 The Queens Groundwater Supply

The System also includes a number of groundwater wells in the Borough of Queens. These wells have been offline since 2007 due to the availability of higher quality water from the surface water systems. When in use, the wells are capable of providing approximately 1% of the City's daily water supply, although additional investment in the wells and the related water supply assets would be required. The wells could be used to provide more of the daily supply if required to meet water supply needs. Unlike the rest of the City's water supply, which is mainly a surface and gravity-supplied system originating in a network of upstate reservoirs, well water is pumped from extensive underground aquifers.

1.3.1.7 Long-Term System Capacity

Current demand and flow projections show that if conservation programs, including metering, toilet replacement, hydrant locking, leak detection, and public information campaigns remain effective, there will be no immediate need for the City to find additional long-term water supply sources to meet normal demand.

1.3.1.8 System Security

DEP protects the watershed, including water supply structures and facilities, through a DEP police force of approximately 200 officers and secures facilities through locks, fences, and other physical barriers to prevent access by unauthorized persons.

1.3.2 Condition of the Water System

The System has reliably served the City since 1842, and many additions and improvements have been made over the years to develop the System that exists today. On an overall basis, the co-consulting engineers to the Authority rate the condition of the water and wastewater system of

the City "Adequate", the highest rating category[1]. Nonetheless, DEP is pursuing a number of initiatives to enhance the long-term integrity of the Water System. An overview of some of these initiatives is presented in this part of the Report.

1.3.2.1 Rondout-West Branch Tunnel

The Rondout-West Branch Tunnel is a section of the Delaware Aqueduct which can convey up to 890 MGD, and typically delivers an annual average of 600 MGD, more than 50% of the City's daily water supply. The tunnel carries water 45 miles from the Delaware System under the Hudson River and into West Branch Reservoir. It has the highest pressures and the highest velocities in the Water System. A portion of the tunnel crosses a fractured rock formation, which is potentially subject to greater stress than the deep rock tunnels located in the City.

DEP regularly assesses the condition and integrity of the System's tunnels and aqueducts to determine the extent and effect of water loss and, since the early 1990s, DEP has monitored the condition of the Rondout-West Branch Tunnel. As a result of DEP's flow tests, visual observations and other analyses, it has been determined that approximately 15 MGD to 36 MGD of water is being lost from the Rondout-West Branch Tunnel and is surfacing in the form of springs or seeps in the area. This amounts to a loss of approximately 4% of the daily volume of water provided by the tunnel under peak flow conditions. The situation in the Rondout-West Branch Tunnel and the amount of water loss is stable. In the opinion of the professional engineering firm retained by DEP in conjunction with that investigation, there is very little immediate risk of failure of the Rondout-West Branch Tunnel.

To address the leak, DEP is undertaking its Water for the Future program, which includes construction of an approximately two and one-half mile long bypass tunnel. Connection of the bypass to the existing tunnel is expected to require that the tunnel be shut down for up to eight months, originally scheduled to begin in October 2024, during which periods supply augmentation and demand management practices are expected to be needed. As scheduled, on October 1, 2024, DEP shut down the Delaware Aqueduct to begin repairs to the leaking section of the tunnel. Due to a drought warning issued on November 18, 2024, the City suspended work on the Delaware Aqueduct and returned the System to normal operations. The remaining cost to complete the connection of the bypass tunnel and to implement updated water supply augmentation projects and water conservation measures is now under assessment, with $106 million included in the CIP.

1.3.2.2 The Gilboa Dam and Ashokan Reservoir

Gilboa Dam, part of the Catskill Water System, is comprised of an earthen dam and a concrete gravity dam, with the concrete portion also acting as the spillway. DEP is currently upgrading the dam to meet safety guidelines for new dams. The estimated remaining cost to complete the rehabilitation of the Dam is $39.7 million, $19.1 million of which is funded in the CIP.

[1] See letter of AECOM USA, Inc. and Macan Deve Engineers, DPC, co-consulting engineers for the New York City Municipal Water Finance Authority's Official Statement for its 2026 Series AA Bonds.

DEP will be making improvements to the structures and mechanical systems at the Ashokan Reservoir, including upgrading and stabilizing the thirteen dikes and dams that impound the Reservoir to bring them up to modern standards. The estimated remaining cost of the improvements at the Ashokan Reservoir to be performed in the years covered by the CIP is $1.24 billion, $1.06 billion of which is included in the CIP.

1.3.2.3 Kensico-Eastview Connection

The Kensico-Eastview Connection ("KEC") will connect the Kensico Reservoir to the Ultra Violet ("UV") Disinfection Facility, providing critical redundancy in the Water System. The project is estimated to cost $1.1 billion, $673 million of which is included in the CIP.

1.3.3 Water Quality and Treatment

Pursuant to the Safe Drinking Water Act (the "SDWA"), the United States Environmental Protection Agency ("USEPA") has promulgated nationwide drinking water regulations which specify the maximum level of contaminants allowed in drinking water and which govern the construction, operation, and maintenance of the System. USEPA has also promulgated filtration treatment regulations, known as the federal Surface Water Treatment Rule ("SWTR"), which prescribe guidelines concerning protection and treatment of surface water supplies. Enforcement of many of the related regulations promulgated under the SDWA, including the SWTR, has been delegated by USEPA to the New York State Department of Health ("NYSDOH").

1.3.3.1 Filtration in the Croton System

The City has constructed a full scale water treatment facility to filter Croton System water. While the facility is operational, it is anticipated that the total remaining cost to complete the Croton filtration plant will be $67 million, all of which is included in the CIP. Since the Croton Filtration Plant is located within the City and does not typically supply water to upstate customers, all capital costs of the Croton Filtration Plant after late 2004 are excluded from the cost of water supply service for the regulated rate. During the Aqueduct shutdown, the Croton Filtration Plant will have an important role in meeting the aggregate water demands of all customers; the City reserves the right to include certain costs related to the Filtration Plant in calculating the cost of service and regulated rate in future years.

1.3.3.2 Watershed Protection/Filtration Avoidance in the Catskill and Delaware Systems

With respect to the Catskill and Delaware Systems, the City believes that it will continue to be able to meet the criteria for non-filtered supplies under the SWTR.

Since 1993, DEP has operated the Catskill and Delaware Systems pursuant to a series of Filtration Avoidance Determinations ("FADs") under which the City is not required to filter water from such systems. Each FAD has required the City to take certain actions to protect the Catskill and Delaware Water supplies. Based on an analysis performed in 2007, DEP estimated that if the City were to have to filter water from the Catskill and Delaware Systems, construction

costs would be $6 billion. An updated analysis is to be performed as part of the 2017 FAD, as defined below. Given the age of the most recent cost estimate, along with increased rates of inflation in the construction industry, recent case studies from other utilities, and other factors, DEP expects that any updated estimate will significantly exceed $6 billion. To further the City's ability to comply with the FAD, on January 21, 1997, the City entered into the Watershed Memorandum of Agreement (the "MOA") with the State, watershed communities, USEPA, and several environmental groups.

In December 2017, NYSDOH issued a new FAD (the "2017 FAD"), which supersedes previous FADs. On December 29, 2022, NYSDOH, in consultation with USEPA, certified the Mid-Term Revisions to the 2017 Filtration Avoidance Determination ("Revised 2017 FAD"). The Revised 2017 FAD supersedes the 2017 FAD and provides that filtration avoidance shall remain in effect until further determination (scheduled for 2027). Changes reflected in the Revised 2017 FAD include, but are not limited to, lowering the City's land acquisition program solicitation goals and requiring that DEP evaluate opportunities for sewer connections in the Kensico Reservoir basin. DEP does not anticipate major cost differences between the 2017 FAD and the Revised 2017 FAD. The Revised 2017 FAD also continues many of the protective actions within the watershed included in previous FADs, including land acquisition; working with farmers to prevent farm runoff from reaching streams; upgrading wastewater infrastructure; and stabilizing streambanks to withstand flood events and reduce erosion. In addition, the Revised 2017 FAD continues to include a focus on acquiring lands in stream buffers and flood prone areas; resizing municipal infrastructure like bridges and culverts to better accommodate high stream flows; and expanding eligibility to small businesses to access funds to repair failing septic systems. The estimated remaining capital cost of complying with the Revised 2017 FAD is $95.2 million, all of which is included in the CIP. A new FAD is expected in 2027, the costs of which are not known at this time and are not included in the CIP.

In December 2025, NYSDEC renewed the permit that authorizes the City's watershed land acquisition program. The City expects that NYSDEC will modify that permit in conjunction with the next FAD. In connection with the permit renewal, the City entered into a side agreement with the watershed communities, renewing its commitment to other watershed protection and partnership programs.

As of 2021, high volume hydraulic fracturing ("HVHF") is banned by law in New York State. While HVHF is prohibited, low volume hydraulic fracturing is currently allowed Statewide, including in the watershed. However, the New York State Department of Environmental Conservation ("NYSDEC") has stated its belief that low volume hydraulic fracturing is not economically viable, and especially in light of the Statewide ban, it is unlikely that it will take place in the watershed in the foreseeable future.

1.3.3.3 Disinfection Requirements

The purpose of USEPA's Long Term 2 Enhanced Surface Water Treatment Rule ("LT2") is to reduce the incidence of waterborne disease by mandating certain levels of inactivation and/or the

removal of certain microorganisms from the Water System, including the Catskill and Delaware Systems. DEP is complying with such levels through the operation of its UV Facility, which provides treatment for Catskill and Delaware water.

LT2 also mandates that uncovered finished water storage facilities, which include the Hillview Reservoir, be covered or that water from such facilities be treated.

DEP's commitments to cover the Hillview Reservoir are memorialized in a federal Consent Decree (the "Hillview Consent Decree") entered in May 2019. The Hillview Consent Decree requires DEP to construct three construction projects: the Hillview Reservoir Improvement Project ("HRI"), the Kensico-Eastview Connection ("KEC"), and a cover for the Hillview Reservoir. The Hillview Consent Decree's schedule enables DEP to first construct the KEC and the HRI, which are higher priority mandated water supply infrastructure capital improvement projects that should proceed before construction of a cover takes place, with planning and design for a cover proceeding while HRI and KEC are constructed.

The Hillview Consent Decree provides that upon completion of facility planning for a concrete cover, the City must notify USEPA and NYSDOH whether DEP will construct a concrete cover or whether DEP instead intends to pursue an alternative project that achieves compliance with LT2 subject to the approval of USEPA and NYSDOH. On April 30, 2025, following completion of the Hillview Cover facility planning, DEP notified NYSDOH and USEPA that it would construct cast in place concrete tanks ("Tanks") instead of the concrete cover. NYSDOH and USEPA have accepted the proposed Tanks alternative.

When HRI and KEC construction is complete, DEP will then begin construction of the Hillview Tanks, with a milestone for completion and full operation in 2049. The Hillview Consent Decree includes stipulated penalties to enforce its milestones. The projected cost of HRI is fully funded in the CIP. The KEC is expected to cost $1.1 billion, $639 million of which is included in the CIP. The construction cost estimate for the Tanks is approximately $5.4 billion – more than a billion dollars less than the most recent estimate for a concrete cover. Of the projected construction cost, $50 million is included in the CIP.

Pursuant to USEPA and NYSDOH regulations that require water suppliers to monitor for lead and copper that may have leached from pipes into drinking water (the "Lead and Copper Rule"), DEP manages a sampling program whereby consumers who have lead service lines or copper pipes with lead solder, and have agreed to participate in the sampling program, submit samples of drinking water from their taps. To reduce the leaching of metals, DEP adds food grade orthophosphate and sodium hydroxide to the water before it enters the distribution system, which promotes the formation of a protective coating inside pipes and plumbing and minimizes corrosion. In addition, DEP manages a free residential lead and copper testing program in which residents can have their tap water tested for lead and copper by DEP at no cost. While this program is not required by USEPA and NYSDOH regulations, it provides valuable information

directly to residents regarding lead and copper within their homes and recommendations on reducing exposure to lead.

The Lead and Copper Rule Improvements ("LCRI"), which are USEPA's most recent revision to the Lead and Copper Rule, took effect on December 30, 2024. Among other things, the LCRI requires water systems to undertake a 10-year program to replace all lead service lines under their control, beginning in 2027. Water service lines in the City are owned by the property owners. The LCRI does not require water systems to pay for the cost of lead water line replacements at private properties, although DEP expects to make use of federal and State funds to pay for some private replacements as the funds become available. DEP continues to analyze the impact of LCRI on its operations, as well as the costs of any new programs required thereunder, including lead service line replacement that could be required. A Joint Resolution of Disapproval of the LCRI under the Congressional Review Act was introduced in January 2025.

1.3.3.4 Water Quality Preservation for Upstate Watersheds

The City provides for improvements to the upstate watersheds including projects undertaken pursuant to the FADs for the Catskill and Delaware watersheds such as the acquisition of environmentally sensitive property, the creation of community wastewater management systems in areas where because of historic development patterns, individual septic systems do not provide adequate treatment, and retrofits to capture and treat stormwater from developed areas.

1.3.4 Water Quality Monitoring

The System has multiple laboratories employing microbiologists, chemists, hydrologists, limnologists, and other scientists to monitor water quality. In addition to the monitoring program, DEP inspectors maintain surveillance of the watersheds.

The SDWA requires all drinking water suppliers to provide the public with an annual statement describing the sources and quality of its water supply. The most recent Drinking Water Supply and Quality Report prepared by DEP for calendar year 2025 demonstrates that the quality of the City's drinking water remains high. This report was prepared in accordance with the New York State Sanitary Code and the National Primary Drinking Water Regulations and can be found at: https://www.nyc.gov/site/dep/about/drinking-water-supply-quality-report.page

1.3.5 Governmental Regulation

The System is subject to federal, State, interstate, and municipal regulation. At the federal level regulatory jurisdiction is vested in USEPA; at the State level in NYSDEC and NYSDOH; at the interstate level in the Delaware River Basin Commission ("DRBC") and the Interstate Environmental Commission; and at the municipal level in DEP, the New York City Department of Health and Mental Hygiene ("NYCDOH"), the New York City Department of Buildings ("DOB"), the New York City Department of Small Business Services, and, to a limited degree, in municipalities and districts located in eight counties north of the City. Water quality protection regulations are enforced within the watershed areas north of the City through a network of

overlapping governmental jurisdictions including NYSDEC, NYSDOH, DEP, and local municipal police, engineers, and inspectors. The various jurisdictions maintain physical security, take water samples, monitor construction activities and wastewater treatment in the watershed, and generally oversee the physical condition of, activity on, and operation of water supply lands and facilities. Portions of the overall legislative and regulatory framework governing the watersheds may be found in the City's Administrative Code, Health Code, and Watershed Regulations. Regulatory enforcement within City limits is almost exclusively accomplished through City personnel. Provisions incorporating and augmenting the substance of the SDWA, related regulations, and the State Sanitary Code, are contained in the Health Code and the City's Building and Building Construction Codes. These provisions are enforced by personnel from DEP, NYCDOH, and DOB.

Wastewater Resource Recovery Facilities

The Water System includes six City-owned surface discharging Wastewater Resource Recovery Facilities ("WRRFs") in the watershed, one City-owned subsurface discharging WRRF in the watershed, and one additional City-owned upstate surface discharging WRRF in the City of Port Jervis.

Shandaken Tunnel SPDES Permit

As a result of the federal court's determination in 2003 that a State Pollution Discharge Elimination System ("SPDES") permit is required for the City's transfer of water through the Shandaken Tunnel, DEP applied for and obtained the Shandaken Tunnel SPDES permit in 2006. As a result of State Court litigation challenging the terms of the SPDES permit, in 2008, DEP applied for variances with respect to the permit's temperature and turbidity limits. The State has not acted on DEP's variance application. Under USEPA's Water Transfers Rule, adopted in 2008 as the State Court litigation was concluding, the Clean Water Act permit program does not apply to transfers of untreated water (such as the Shandaken Tunnel), and the City does not believe it is required to maintain a SPDES permit for this water transfer under federal law.

1.3.6 Drought Management

From time to time the Water System experiences drought conditions caused by significantly below-normal precipitation in the watershed areas. A drought watch was issued on November 2, 2024, and upgraded to a drought warning on November 18, 2024. By December 16, 2024, improved conditions allowed the warning to be downgraded back to a drought watch, which was subsequently lifted on January 3, 2025. As of April 15, 2026, the System's reservoirs were filled to 98.8% of capacity. Normal levels at this time of the year are approximately 99.9% of capacity.

Throughout even the most extreme droughts, the Water System has continued to supply sufficient amounts of water to the City and its water supply customers north of the City. To ensure adequate water supply during drought conditions, DEP, in conjunction with other City, State, and interstate agencies, maintains a Drought Management Plan. The Drought Management Plan defines various drought phases that trigger specific management and operational action.

Three defined phases are: “Drought Watch”, “Drought Warning”, and “Drought Emergency”. A Drought Emergency is further subdivided in four stages based on the projected severity of the drought and provides increasingly stringent and restrictive measures.

A Drought Watch is declared when there is less than a 50% probability, based on the existing record since 1927, that either the Catskill or Delaware Reservoir System will be filled by the following June 1. This phase maximizes the usage of water from the Croton System. In addition, during this phase, a public awareness program begins, and users, including upstate communities taking water from the System, are requested to initiate conservation measures. NYSDOH, NYSDEC, and the DRBC are advised of the Water System’s status, and discussions are held with City agencies concerning their prospective participation in the event of a declaration of a Drought Warning.

A Drought Warning is declared when there is less than a 33% probability that either the Catskill or the Delaware Reservoir System will fill by June 1. All previous efforts are continued or expanded and additional programs are initiated, including the coordination of specific water saving measures by other City agencies.

A Drought Emergency is declared when there is a reasonable probability of a shortage of City water, or an expected shortage of City water, that would threaten public health and safety absent the implementation of measures to reduce water consumption. When a Drought Emergency is declared, in addition to enforcing the water shortage emergency rules, which direct and restrict the use of City water, DEP may enhance existing System management and public awareness programs, expand its inspection force and perform additional leak and waste surveys in public and private buildings. DEP may also require communities outside of the City that are served by the System to adopt similar conservation measures. During a Drought Emergency, the Commissioner is also authorized to implement additional water conservation measures deemed necessary in his discretion, such as proposing an emergency water conservation rate structure to the Board.

The Commissioner of DEP is authorized to take additional steps, if, in the Commissioner’s discretion, it is appropriate to declare a water shortage emergency, based on a determination that there is a reasonable probability that the City could encounter a shortage of water to the extent that public health or safety could be jeopardized. The additional steps available to the Commissioner include presenting a proposal for a water conservation rate to the Water Board and issuing operational restrictions on the consumption of water drawn from the City’s water supply.

1.3.7 Pending Litigation and Other Matters

The following paragraphs describe certain legal proceedings and claims against the Water System. No assurances are provided that the following information is complete or identifies all of the potential litigation against the System. The ultimate outcome of these proceedings and

other claims is unpredictable and could result in substantial judgments that would have to be borne by all customers of the System.

DEP adds alum to the Catskill Aqueduct upstream of Kensico Reservoir when necessary to control turbidity levels. The diversions of water containing alum into Kensico Reservoir are authorized under a SPDES permit for the Catskill Influent Chamber ("Catalum SPDES Permit"). Among other things, the Catalum SPDES permit requires DEP to take measures to reduce the use of alum. One such measure is DEP's use of the Ashokan Release Channel to release water from the Ashokan Reservoir through a release channel into the lower Esopus Creek. This release of water from the west basin of Ashokan Reservoir helps prevent the transfer of turbid water to the east basin but can result in an increase in both flow and turbidity in the lower Esopus Creek, which some stakeholders have opposed. NYSDEC served the City with an administrative complaint in February 2011, alleging a number of violations of the Catalum SPDES Permit. DEP and NYSDEC executed an administrative consent order in October 2013, which requires, among other things, that DEP seek a modification of the Catalum SPDES Permit to incorporate a protocol for operating the Ashokan Release Channel. Currently, NYSDEC is in the process of conducting an environmental review of the proposed modifications to the Catalum SPDES Permit.

On June 30, 2015, upstate communities sought review from NYSDEC of Entitlement and Excess Rates for Fiscal Years 2015 and 2016. On August 18, 2016, they filed another petition with NYSDEC seeking review of the Entitlement and Excess Rate for Fiscal Year 2017 and seeking to determine whether the New York Public Service Commission or NYSDEC has jurisdiction to review the Excess Rate. On February 9, 2018, the NYSDEC administrative law judge ("ALJ") ruled that NYSDEC has jurisdiction to review the Excess Rate. The parties did not appeal the NYSDEC ruling and accordingly will participate in NYSDEC's review of both the Entitlement Rate and Excess Rate for Fiscal Years 2015-2017. During a preliminary issues conference with the ALJ held on March 5, 2019, the parties identified certain legal issues to be resolved prior to proceeding with the rate review, including whether a newly joined upstate petitioner may raise additional issues to be litigated at the hearing, and the applicable standard of review for the Excess Rate. The issues were briefed, and a decision was issued by the ALJ on October 7, 2019. The ALJ rejected the newly-joined petitioner's attempts to raise additional issues and determined that the standard of review for the Excess Rate is whether the proposed Excess Rate would serve the Board's economic and public policy goals. The upstate communities appealed the ALJ's decision to the NYSDEC Commissioner on December 13, 2019. The NYSDEC Commissioner issued a decision on February 28, 2023 affirming the NYSDEC ALJ's decision.

On April 27, 2023, the upstate communities filed Article 78 petitions in Supreme Court in Albany and Putnam County seeking further review of the administrative decision; the cases have been consolidated in Albany County. On August 2, 2024, a decision was issued in the Albany County proceeding holding that the NYSDEC should employ a "fair and reasonable" standard in adjudicating the pending Excess Rate challenge. The Board filed an appeal of that decision on July 3, 2025. The upstate communities have filed additional petitions with NYSDEC seeking

review of the Entitlement Rate and Excess Rate applicable to wholesale upstate customers for Fiscal Years 2020, 2022, 2023, 2024, 2025 and 2026. On January 4, 2024, the ALJ granted the Board's motion to dismiss the Fiscal Year 2020 and 2022 challenges. That decision was appealed to the NYSDEC Commissioner, who upheld the dismissal of the Fiscal Year 2020 and 2022 challenges on July 29, 2024. On September 15, 2023, the Town of Carmel filed an additional Article 78 petition in Putnam County challenging the rates set by the Water Board for Fiscal Year 2024. The Court dismissed that petition on April 4, 2024. The Town of Carmel filed an appeal of that dismissal on December 17, 2024. Most recently, the Town of Carmel filed a third Article 78 petition on March 7, 2025 challenging the NYSDEC Commissioner's decision affirming the entitlement rates for Fiscal Years 2015 and 2016. The Court dismissed that petition on September 15, 2025, and the deadline to file a notice of appeal has passed. Any potential monetary liability related to the legal proceedings for Fiscal Years 2015-2017 and Fiscal Years 2023, 2024. 2025 and 2026 cannot be estimated at this time. The Board believes it has meritorious defenses in these pending legal matters and the Law Department, in its capacity as attorneys for the Board, is vigorously pursuing such defenses.

1.3.8 Climate Change: Storms, Strategic Planning and Resiliency

The City is directly affected by rising sea levels, inland flooding, and exposed to intensifying coastal storms. Two prior storms have significantly affected the City's financial plan and climate planning.

Superstorm Sandy

On Monday, October 29, 2012, Hurricane Sandy hit the Mid-Atlantic East Coast as a tropical storm ("Sandy"). The City continues to expend funds to address the impact of Sandy on the System, but anticipates that the costs to the System relating to the storm will continue to largely be paid from non-City sources, primarily the federal government. There is no assurance that if the City were to experience a similar storm in the future that the federal government would pay the costs.

Post-Tropical Cyclone Ida

On September 1, 2021, Hurricane Ida hit the Mid-Atlantic East Coast as a post-tropical cyclone ("Ida"), bringing significant rainfall and resulting in severe flooding in parts of the City, including primarily inland areas. Rainfall from Ida exceeded the previous record for the most single-hour rainfall in the City and for the first time the National Weather Service declared a flash flood emergency in the City. Ida resulted in the deaths of 13 people in the City. On April 20, 2023, the City released PlaNYC: Getting Sustainability Done ("PlaNYC 2023"). Building on prior recommendations released closely after Ida hit the City, PlaNYC 2023 includes measures to address flooding caused by extreme rainfall. The total costs of implementing all of PlaNYC 2023's recommendations, including those relating to extreme rainfall, would be substantial and in some cases would require State and federal funding alongside additional City funding. DEP continue to review the effects of climate change, including the increased flooding and heavy rain events.

Strategic Planning and Resiliency

DEP has been engaged in an ongoing review of the effects of climate change on the System, including the impact of rising sea levels and changes to the intensity and frequency of precipitation events throughout the System, including the impact on the System's water supply assets. Since 2007, the City has been engaged in strategic planning for climate change, recognizing the challenges that it presents for City operations and infrastructure. Among other things, the City created the New York City Panel on Climate Change (the "NPCC"), a body of more than a dozen leading independent climate and social scientists. Since 2008, NPCC has analyzed climate trends, developed projections, explored key impacts, issued reports (the "NPCC Reports") and advised on response strategies for the City. The NPCC has determined that the City is already experiencing the impacts of climate change and projects dramatic impacts on the City in the future.

Climate change is causing more extreme heat, extreme rainfall, coastal storm surge, and chronic tidal flooding. NPCC projections form the basis for the City's and DEP's climate resiliency planning, which involves coordination and cooperation among multiple public and private stakeholders, and expansion of ongoing maintenance and development of municipal infrastructure as well as specific initiatives such as those described below.

In October 2013, DEP released two studies summarizing certain climate-related impacts on the System's water and sewer assets. The second study, the Phase I Assessment of the Climate Change Integrated Modeling Project, summarized the prospective effects of climate change on the quantity and quality of water in the System's water supply.

Building on NPCC's recommendations and the City's strategic planning, the City has developed PlaNYC 2023 which addresses some of the risks identified in the NPCC Reports. Among other things, PlaNYC2023 includes measures to address the biggest risks to the City associated with climate change, including extreme heat and flooding from extreme rainfall, coastal storms and tidal flooding due to sea level rise. PlaNYC 2023 also describes measures to reduce economy-wide greenhouse gas emissions and initiatives to transition away from polluting fossil fuels to clean energy. One of PlaNYC 2023 initiatives was the creation of a new Bureau of Coastal Resilience, led by an Assistant Commissioner at DEP, to coordinate the City's coastal resiliency work.

In June 2025, DEP released a strategic document titled "Deliver, Engineer, Protect: DEP's Long-Range Vision". The vision's focus included investments in infrastructure reliability and resilience. The strategic vision was designed to be comprehensive in scope, with potential initiatives addressing each part of the System's asset base included in the plan.

DEP is in the process of implementing infrastructure projects to protect the System from flooding associated with extreme rainfall, storm surge, and tidal flooding due to sea level rise. Such projects include structural upgrades and improvements to the Ashokan Reservoir. A portion

of the cost of completing such projects is included in the CIP. The total cost of these projects is expected to be substantial. These projects and initiatives are in various stages of feasibility review, design, construction and implementation. Some projects are expected to require additional funding to the extent that they are in the planning stages or current funding does not provide for the costs of construction. In addition to such projects, DEP expects that additional resiliency projects will be identified and implemented in the coming years, addressing the risks identified in the NPCC Reports and PlaNYC 2023, as well as other risks the DEP may identify.

The City, including DEP, is also taking steps to integrate climate resiliency in to capital planning through the NYC Climate Resiliency Design Guidelines, which translate future-looking climate change projections into technical guidance to inform the design of roads, buildings, water and sewer systems, hospitals, public housing, and other pieces of critical public infrastructure. Starting in 2027, all City projects, including those overseen by DEP, will be required to meet a stringent set of requirements that will certify their preparedness for extreme weather threats.

Despite the planning efforts described above, the magnitude of the impact on the System's operations or financial condition from environmental risks is indeterminate and is unpredictable. There can be no assurance that the System will not encounter more frequent and intense climate impacts such as hurricanes, tropical storms, cloudbursts, droughts, heatwaves or catastrophic sea level rise in the future or that such risks will not have an adverse effect on the operation or financial condition of the System.

1.3.9 Site of the Former Mt. Kisco Wastewater Treatment Plant

The City operated a wastewater treatment plant in the Village of Mt. Kisco for several decades, which was decommissioned in the 1960s. Elevated radiation levels have been detected at various locations throughout the site. Based on DEP's operation of the Mt. Kisco wastewater treatment plant, DEP signed an order of consent with NYSDEC. Pursuant to this order, DEP conducted a preliminary environmental study at the site, and DEP submitted its findings to NYSDEC in late 2019. Upon its review of DEP's findings, NYSDEC indicated that further investigations and other actions are required at the site, and that such requirement will be set forth in a new or amended order between NYSDEC and DEP. Accordingly, DEP will likely be required to fund remedial design and remedial action at the site, along with waste disposal. The contaminated material is considered TENORM (technically enhanced naturally occurring radioactive material) and needs to be disposed of at a waste facility permitted to receive the material. The costs to DEP for remedial design, remedial action and waste disposal could be significant.

1.4 Water Demand Management

Drought situations have necessitated measures to reduce water use by all customers and, at times, have required the use of the Hudson River as an alternative source of supply. DEP has implemented programs to reduce water use to achieve several goals, including the avoidance of the cost and implementation considerations associated with developing new sources of water supply.

Since 1988, the basis for service charges for residential properties in the City has been in a continuous process of transition from a flat-rate basis of annual billing to a meter-based billing system that relies on the actual measurement of usage. Approximately 99% of all accounts have meters installed. Unmetered properties which have not taken steps to install a meter are required to pay a surcharge doubling their annual water and sewer charge. Commercial accounts are required by the Board and the City to have meters installed for all water services, and substantially all of these accounts are in compliance with this requirement.

DEP completed a program in the 1990s to replace older toilets in the City, as part of which over 1.3 million toilets were replaced. DEP offered vouchers towards the cost of toilet replacement under a second program that began in 2014 and ran through June 2019. Over 13,000 toilets were retrofitted in the most recent program. Significant long-term reductions in water use have been achieved due to the metering and toilet retrofit programs as well as other initiatives.

DEP's Water for the Future program consists of repair and replacement of portions of the Rondout-West Branch Tunnel, described in Section 1.3.2.1, as well as water supply augmentation projects required to ensure an adequate water supply to the City and its water supply customers north of the City during the shutdown of the Rondout-West Branch Tunnel. Water supply augmentation includes rehabilitation of the Catskill Aqueduct, and demand management measures to encourage in-City and upstate water conservation, including retrofits on City-owned facilities.

Additional information concerning water demand management initiatives is provided in Section 4.8.2 of this Report.

1.5 The Roles of the Authority, the Board, and the City in the Water System

Through mid-1985, capital improvements to the water and sewer system of the City were financed through general obligation bonds of the City. In 1984, State law authorized the creation of the Authority and the Board. The Authority's function is to issue revenue bonds, the proceeds of which are used to finance capital improvements to the water and sewer system, including the Water System. The Board sets rates and charges to meet the annual revenue requirements of the water and sewer system. The revenue requirements include debt service (principal and interest) on the debt obligations of the Authority as well as the operation and maintenance expenses of the City. Under an agreement between the Authority, the Board, and the City, the City operates and maintains the water and sewer system and is responsible for implementing capital improvements to the System.

The Authority issued its first revenue bonds in December 1985. As of March 19, 2026, the Authority had approximately $190 million in principal outstanding for its First Resolution revenue bonds and $35.0 billion in principal outstanding for its Second Resolution revenue bonds for the water and sewer system of the City, not including $11 million in draws on bond

anticipation notes issued to the New York State Environmental Facilities Corporation ("NYSEFC")[2]. As shown in 4.2.2.3 of this Report, the Authority no longer has First Resolution bonds outstanding as of April 17, 2026. In addition, the Authority currently has a $600 million commercial paper program, none of which is currently outstanding. Included within the Second Resolution debt are loans obtained by the Authority at below market interest rates from the state revolving fund ("SRF"). The SRF program is administered by NYSEFC. Tables 5A and 5B in the Appendix to this Report show the original amounts of debt issued by the Authority and NYSEFC, which differ from the amounts noted above as being outstanding.

As of June 30, 2025 (the end of Fiscal Year 2025), the net capital assets of the water and sewer system for accounting purposes (i.e., original cost less depreciation) were $35.0 billion[3]. The preceding figures for outstanding debt and net asset value clearly demonstrate that the Authority is amortizing the cost of the assets over the long-term life of the assets.

A portion of the proceeds of the Authority's bonds and the SRF loans has been used to finance capital improvements for water supply projects in upstate regions. Section 4.2.2 of the Report provides information concerning previous capital investments in the Water System. Under the CIP, additional capital improvements are ongoing and planned for the future to preserve the Water System for all customers.

1.6 Additional Information on the Water System, the Board, and the Authority

It is noted that much of the background information on the System, as well as outstanding litigation and other matters presented in this Section, was sourced from the information provided in the Official Statement for the Authority's 2026 Series DD Bonds and prior official statements.

Information on the System and its operations and maintenance is available on DEP's website: https://www.nyc.gov/site/dep/index.page
Information on the Board and past reports on the cost of service are available on the Board's website: https://www.nyc.gov/site/nycwaterboard/index.page

Information on the Authority, the Reports of the Co-Consulting Engineers, Financial Statements, Official Statements for Authority bonds and other data are available on the Authority's website: https://www.nyc.gov/site/nyw/index.page

[2] Source: Official Statement of the New York City Municipal Water Finance Authority for the Series 2026 DD Bonds, dated March 19, 2026, page vi
[3] Source: Combining Financial Statements Together With Report of Independent Certified Public Accountants, New York City Water and Sewer System, A Component Unit of the City of New York, June 30, 2025 and 2024, page 14

2.0 The Sale of Water to Customers North of the City

2.1 Background

The New York State Water Supply Act of 1905 ("The Act") and subsequent amendments granted the City permission to develop the Catskill and Delaware watershed systems. In return for these development rights, the City was required, upon request, to furnish supplies of fresh water to municipalities and water districts in eight counties directly north of the City in which City water supply facilities and watersheds are located. The Act limits the quantity of water that may be taken or received to the quantity calculated by multiplying the number of inhabitants in the municipality or water district as shown by the last United States, State, or official municipal census by the daily per capita consumption in the City.

Water is supplied to customers north of the City (hereinafter, "upstate customers") on a wholesale basis, i.e., the City delivers water to one or more central locations, and the upstate customers (typically municipalities or water districts) are responsible for distributing the water to individual users such as residential buildings and commercial properties. For the period of 1985 through 2025 inclusive, the City provided an average of 42,100 MG per year of water to upstate customers, or 115.3 MGD. This represented approximately 9.07% of all water supplied to both in-City and upstate customers. The percentage of the annual water supply being used by upstate customers has generally increased from 1985 to the present time, although there may be fluctuations from year to year. In 2025, the percentage of the annual water supply being used for upstate customers was 9.57%.

2.2 Rates and Charges for Upstate Customers

The regulated rate for water service to upstate municipalities and water districts is determined on the basis of the actual total cost of water to the City less the capital and operating costs incurred within the City limits in connection with the distribution and delivery of water within the City. In no event may the regulated rate exceed the rate charged to customers within the City.

Prior to 2000, the rates adopted by the Board were based on historical costs and did not reflect the increasing actual cost of service. In order to utilize rates that more appropriately reflected the cost of water supply, the rates adopted by the Board since 2000 have been developed based on the anticipated cost of service in the upcoming fiscal years.

The historical water rates charged to upstate customers for the period of 2016 through 2026 are provided in the table on the following page. The reconciliation of revenues and costs from prior years was used by the Board for the first time in setting the 2010 rate based on the actual revenues and costs for 2008. Sections 4.6 and 4.7 of this Report provide information concerning the calculation of the annual reconciliation.

Historical Billing Rates and Computed Actual Costs ($) Per Million Gallons

Fiscal Year	Adopted Rate Billed to Upstate Customers		Computed Actual Unit Cost to the Board	
	Including effects of reconciliation		Excluding the effects of reconciliation	Including the effects of reconciliation
2016	1,728.99		1,769.49	1,794.55
2017	1,728.99		1,862.60	1,914.52
2018	1,728.99		1,846.08	1,914.27
2019	1,728.99		1,830.75	1,947.65
2020	1,888.06		1,837.63	1,977.12
2021	1,888.06		1,734.95	1,900.85
2022	2,054.63		1,828.82	2,001.69
2023	2,083.48		1,810.04	1,934.91
2024	2,224.32		2,002.36	2,068.65
2025	2,264.80		2,125.34	2,099.99
2026 (Current)	2,228.45		N/A	N/A

(a) The computed actual cost to the Board shown above for 2016 through 2025 includes the upstate share of the costs of defeasance of certain Authority bonds in those years as well as the resulting benefits of defeasance in those years. The basis for this cost is explained in Section 4 of the Report.

(b) The rates adopted by the Board are generally based on the projected cost and consumption for each respective year and the effects of the reconciliation for certain years prior to the rate year. The computed actual cost to the Board is shown for those years both excluding and including the effects of the cost reconciliation.

(c) The regulated rate of $1,750.52 per MG that was adopted by the Board for 2017 was not implemented.

(d) There was no action taken by the Board for the regulated rate in 2018 and 2019. The unit rate that was used in 2018 and 2019 for billing purposes is the same as the regulated rate that was adopted on July 1, 2015 of $1,728.99 per MG.

(e) There was no change for the regulated rate in 2021. The unit rate for 2021 for billing purposes is the same as the regulated rate that was adopted on July 1, 2019 of $1,888.06 per MG.

(f) There are minor changes to the Computed Actual Unit Cost to the Board in 2024 compared to the prior Report due to the inclusion of a Hillview project that increased certain upstate capital costs in the proceeds of 2024 bonds of NYSEFC. The net changes are an increase of $0.03 per MG in 2024 for both the Unit Cost excluding reconciliation and including reconciliation.

The cost to the Board per MG for 2025, using actual cost of service and excluding the reconciliation, is $2,125.34. After application of the reconciliation, the net computed cost to the Board is $2,099.99 per MG, which is lower than the unit rate that was adopted by the Board effective July 1, 2024 of $2,264.80. The actual costs for 2025 were lower than the projected costs at the time when the Report for 2025 rates was prepared (the Amawalk Report of May 2024). A combination of factors impacted the actual cost per MG as summarized below.

- Other Than Personal Services costs for facilities north of the City were lower than anticipated;
- Debt service costs were lower than anticipated reflecting, in part, lower than assumed interest rates on debt as well as the effects of refunding of certain outstanding bonds;
- Cash used for defeasance of debt was greater than anticipated;

- Personnel Services costs were higher than anticipated;
- Water consumption was higher than the projected demand, which serves to decrease the unit cost per MG.

The following paragraphs address the reconciliation or "true-up" of costs and revenues.

The reconciliation amount for 2018 of about $75.3 million is phased-in over four years by applying the amount due in four equal annual installments of about $18.8 million to the cost of service for 2020 through 2023. The unit cost in 2020 with the effects of reconciliation is higher than the unit rate that was charged by the Board.

The reconciliation amount for 2019 of about $87.1 million is also phased-in over four years by applying the amount due in four equal annual installments of about $21.8 million to the cost of service for 2021 through 2024. The reconciliation amount for 2020 of about $35.2 million is phased-in over four years by applying the amount due in four equal annual installments of about $8.8 million to the cost of service for 2022 through 2025.

The reconciliation amount for 2021 of about $5.1 million is also phased-in over four years by applying the amount due in four equal annual installments of about $1.3 million to the cost of service for 2023 through 2026.

The reconciliation for 2022 results in a credit of about $20.9 million; consistent with the methodology for amounts due, the credit is also proposed to be phased-in over four years by applying the credit in four equal annual installments of about $5.2 million to the cost of service for 2024 through 2027.

The reconciliation for 2023 results in a credit of about $60.3 million; consistent with the methodology for amounts due, the credit is also proposed to be phased-in over four years by applying the credit in four equal annual installments of about $15.1 million to the cost of service for 2025 through 2028. This is a change from the $34.2 million credit identified in the prior Report due to revisions of 2023 consumption data.

The reconciliation for 2024 results in a credit of about $62.5 million; once again, consistent with the methodology for amounts due, the credit is also proposed to be phased-in over four years by applying the credit in four equal annual installments of about $15.6 million to the cost of service for 2026 through 2029.

The reconciliation for 2025, as described herein, results in a credit of about $66.4 million; consistent with the methodology used in prior years, the credit is also proposed to be phased-in over four years by applying the credit in four equal annual installments of about $16.6 million to the cost of service for 2027 through 2030.

As of the date of this Report, it is estimated that the 2026 computed unit cost to the Board (with the effects of reconciliation) will be lower than the unit rate that was in effect for billing purposes. The principal reasons are projections of lower costs for other than personnel services and lower debt service in 2026. Other than personnel services costs are lower, in part, due to the delay in the Delaware Aqueduct shutdown, now planned for 2031. It is too early to tell if the full year results will be consistent with the current observations. If the reconciliation for 2026 results in a credit, the credit will be proposed to be phased-in over four years in four equal annual installments to the cost of service for 2028 through 2031.

Debt defeasance that was completed in previous years reduced debt service in multiple years beginning in 2012. The cost of defeasance together with the projected lower debt service payments that result from defeasance are incorporated in the actual and projected costs of water supply service in 2023 through 2030 as presented in this Report.

Apart from the effects of defeasance, the Authority has successfully sold bonds in recent years at average interest rates that were lower than those previously assumed, which serves to reduce the projected debt service and benefits the cost of service. Starting in 2022, the debt service reductions were less than that experienced in recent years due to increasing interest rates in the financial markets. Interest rates on variable rate debt, in particular, have risen in recent years compared to prior levels.

The calculated unit rate is affected by projections of total water use. The current estimate of the cost per MG for 2026 is based on the estimated annual costs divided by the full-year water consumption estimate that is derived from a 5-year regression analysis. A 10-year regression analysis was used in prior years, but not recently. Given the relatively flat to slow pace of decline in consumption in recent years, a 5-year regression is used to better project current and upcoming consumption patterns. If the water demand for the full year is lower than projected, the unit cost per MG (i.e., Total Costs for Facilities North of the City divided by the Total of in-City and Upstate Consumption) will be greater. The actual cost of service and the actual unit rate for the supply of water for 2026 will not be known until after the fall of 2026. It is possible that System-wide consumption in 2026 and future years will be lower than projected due to certain factors affecting demand; such reductions would serve to increase the unit rate for water supply service.

This Report again proposes that a reconciliation and "true-up" be applied towards the cost of service in 2027 to reflect the calculated difference between the 2025 computed actual cost of service and the actual costs recovered through the adopted rate of the Board, which is computed by multiplying the unit rate charged by the Board in 2025 times System-wide water consumption. The reconciliation of 2025 revenues and costs results in a credit which will be applied to the projected cost of service for 2027. The proposed "true-up" methodology for the 2025 reconciliation again spreads the amount to be reconciled over a four-year period. The calculations are presented in Sections 4.6 and 4.7 herein.

3.0 Cost of Service Methodology

3.1 Overview

This Section of the Report provides a summary of the steps that were followed to calculate the cost of service for water supply. The cost of service is calculated in accordance with the cash basis methodology used and approved by NYSDEC in 1972 and 1995. The methodology is also consistent with that used to calculate the regulated rates, which were adopted and implemented for 1993 through the current year. Pursuant to the Act, the cost of service methodology excludes all capital and operating costs incurred for transmission and distribution mains, repair yards, tunnels, shafts, and related facilities within the City in connection with the distribution and delivery of water within the City. The cost of service takes into account offsetting revenues from hydropower and permit fees. The cash basis methodology is consistent with industry guidance provided by the American Water Works Association ("AWWA").

3.2 Procedures for Calculating the Cost of Service

Several steps are required to calculate the total cost of providing water to upstate customers and the regulated rate. These steps account for the many types of costs incurred by the City in establishing and maintaining reliable sources of drinking water. The approach that is used in this Report, as required by the 1905 Act, specifically excludes costs incurred within the City that are associated with the transmission and distribution of water in the City.

The six steps that were followed in developing the cost of service and the calculated regulated rate for upstate water supply are outlined herein. The first five steps relate to the computation of the cost of service and regulated rate for 2023 through 2025. The sixth step includes the development of the projected cost of service and regulated rates for 2026 and 2027. In addition, this Report includes a preliminary projection of the regulated rate for water supply service for the years 2028 through 2030. The projections are preliminary and subject to change. Changes in System-wide water consumption as well as assumptions concerning increased costs for property taxes, watershed protection, required capital improvements, and other factors have been taken into consideration in developing the projected cost of service and rates. Nonetheless, rising commodity prices and other factors affecting operating expenses and capital costs as well as changes in consumption may result in a larger increase in the cost of water supply in future years than is currently reflected in the 2026 through 2030 projections. It is noted, for example, that the costs of chemicals were significantly higher over the past two years compared to the two prior years. The Water System costs, offsetting revenues, and related information corresponding to each of the steps can be found in Section 4.0 and the Appendix of this Report.

3.2.1 Step A

The initial step includes the determination of all direct costs and offsetting revenues that relate solely to facilities located north of the City.

The components of this analysis include the following:

1. Other Than Personal Services ("OTPS")
2. Debt Service
3. Cash-Financed Construction and Defeasance
4. Judgments and Claims
5. Miscellaneous Revenue
6. Personal Services ("PS"), which include:
    a. Field Worker Personnel
    b. Executive and Administrative Personnel

3.2.2 Step B

The second step includes the calculation of the allocation percentages to be used in Steps C and D. The allocation percentages are based upon total salaries for: employees north of the City, all Water Supply employees, and all DEP employees, depending upon which allocation methodology is most appropriate to the costs being allocated. The methodologies used in the allocation process have previously been accepted by NYSDEC in its 1995 decision and upheld by the Appellate Division of the Third Department concerning the regulated rates for 1993 and 1994.

3.2.3 Step C

The next step in the cost of service process is to determine the costs of DEP support services and other essential functions that must be allocated to the cost of supplying water. These costs fall into two categories:

1. Personal Services
2. Other Than Personal Services

The cost of support services and related functions of DEP must be shared by all customers who benefit from its services. Therefore, the costs must be allocated to facilities located north of the City using the appropriate allocation percentage calculated in Step B.

3.2.4 Step D

The fourth step involves the identification of the City's Central Service costs that must be allocated to the cost of water supply. The City's Central Service costs are those related to general City services (e.g., accounting, budgeting, personnel, legal) that are provided to the Water

System as well as to DEP as a whole and to other City agencies. Therefore, these costs are allocated first among all City departments. A portion of the DEP share is then allocated to facilities located north of the City based on personnel headcount.

3.2.5 Step E

The total cost of supplying water to both in-City and upstate customers, exclusive of in-City distribution costs, is determined by adding the cost of service elements, which are calculated in Steps A, C, and D. Dividing the total cost of service by total water consumption determines the unit cost per MG related to the supply of water. The upstate water consumption times the unit cost or regulated rate per MG results in the total costs attributable to upstate customers.

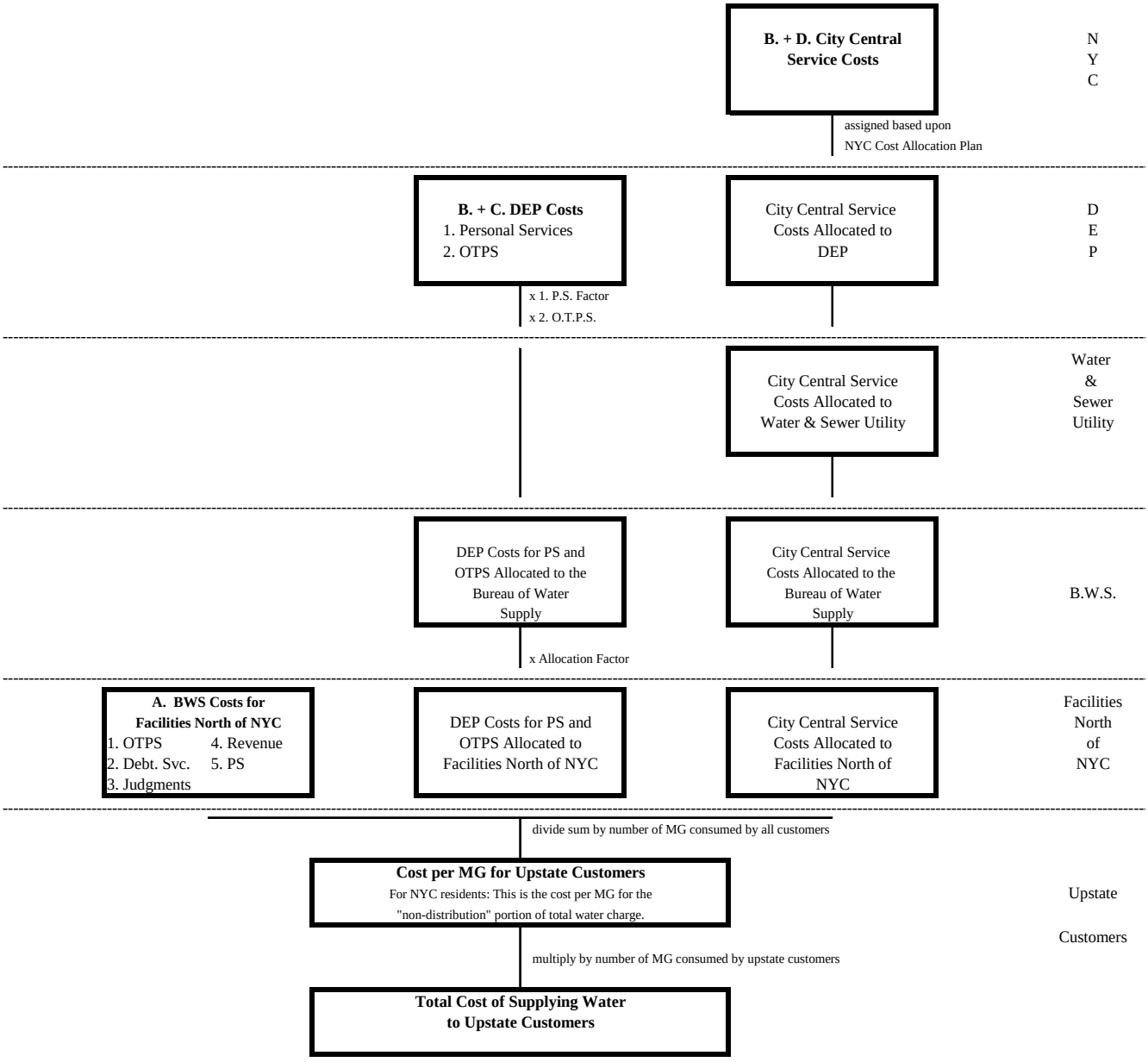
3.2.6 Step F

Steps A through E are primarily used to develop the actual cash basis cost of service for 2023 through 2025. To develop the projected cost of service for 2026 and 2027, known debt service costs are added to anticipated future debt service plus cash-financed capital and/or defeasance costs plus anticipated operation and maintenance expenses, less expected offsetting revenues. Projections of future expenses and revenues are based on historical experience as well as known or anticipated changes in programs and costs that are expected in 2026 and 2027. This is a standard and accepted practice in the industry and is consistent with the methodology used to develop water and sewer rates for in-City customers. The projected cost of service is divided by the estimated water consumption to determine the regulated rate. Step F is carried out simultaneously with the work performed in Steps A through E.

3.2.7 Graphical Overview

Figure 2 on the following page provides a graphical presentation of how various components of the cost of service are allocated in the development of the cost of providing water to upstate customers.

Figure 2 Diagram of Calculation



3.3 Computation of the Regulated Rate

The regulated rate per MG of water use is computed on the basis of the total cost of service (including the effects of prior year reconciliations) divided by the total water consumption:

Total Cost of Service *divided by* Total Water Consumption =Unit Cost of Service or Regulated Rate

The costs, and thus the revenue requirements, attributable to upstate customers are computed on the basis of the total annual quantity of water used by upstate customers multiplied by the unit rate per MG:

Upstate Consumption *multiplied by* Unit Cost of Service or Regulated Rate = Upstate Cost of Service

The total cost of service for water supply, or revenue requirements, is allocated between upstate and in-City customers as follows:

Upstate: **Total Cost of Water Supply Service *multiplied by*:** $\frac{\text{Upstate Consumption}}{\text{Total System Consumption}}$

In-City: **Total Cost of Water Supply Service *multiplied by:*** $\frac{\text{In-City Consumption}}{\text{Total System Consumption}}$

3.4 Sources of Data and Basis of Presentation

Information presented in this Report was obtained from records of the City. The City utilizes a modified accrual basis of accounting for its costs. Operation and maintenance expense information, including cost allocation factors, was provided by DEP. Debt service, defeasance, cash-financed construction and interest earnings information was obtained from the Authority. Pension and fringe benefit cost factors were provided by the New York City Office of Management and Budget. Water consumption information was provided by DEP.

4.0 Computation of the Cost of Service and the Regulated Rate

4.1 Introduction

This Section of the Report describes the individual elements of the cost of service. The most recent fiscal year for which complete information is available is 2025; thus, the costs for 2025 serve as a base for projecting costs in 2026, 2027 and subsequent years.

The anticipated cost of service for 2026 and 2027 is presented using the following components of cost: scheduled debt service payments on outstanding bonds for these years, the anticipated debt service from additional bonds of the Authority that are expected to be issued, the expected payments for cash-financed construction or defeasance, the projected benefits of defeasance in the form of reduced debt service, and projections of operating expenses and all other components of the cost of service. Additional bonds reflect the expected future issuance of debt by the Authority, the proceeds of which will be used, in part, to fund capital improvements in the Water System. The projected debt service reflects the expected portion of the bond proceeds that will be used for the Water System. The findings of each significant step of the analysis are presented in this Section, and the basis for projecting the cost of service for 2026 and 2027 is also provided. Where appropriate, we normalize the cost of service to take into consideration one-time or recurring increases or decreases in costs.

Supporting tables for each step of the analysis are referenced in this Section and presented in detail in the Appendix to the Report.

4.2 Bureau of Water Supply Costs Related to Facilities Located North of the City - Step A

BWS has the responsibility to operate and maintain the Water System of the City. This responsibility also includes the development and implementation of capital improvements to the System so that a reliable supply of quality water can be maintained for customers both within the City and in upstate communities.

BWS carries out its water supply responsibilities through personnel and equipment located at facilities throughout the watershed. BWS personnel include engineers, laboratory technicians, security personnel, water quality experts, and management and support personnel. The vast majority of BWS's costs relate solely to facilities located north of the City.

4.2.1 Other Than Personal Services Costs

By definition, OTPS costs include all operating expenses other than labor including, but not limited to: supplies, equipment, contracted maintenance and repairs, power, chemicals, real estate taxes paid to upstate communities, and other purchased goods and services. Direct OTPS costs have generally increased over the years through 2025, as illustrated in the table shown herein. In 2018, 2019, and 2021 there were small decreases in expenses relative to the prior years. The decline in 2021 was influenced, in part, by the COVID-19 outbreak; it was followed

by a more significant percentage increase in 2022. The average annual increase from 2016 to 2025 is 3.3%.

Property taxes constituted about 53.5% and 49.9% of total OTPS costs allocable to the cost of water supply and the unit rate in 2024 and in 2025, respectively. OTPS expenses include certain costs associated with filtration avoidance and environmental health and safety in the watershed. The expenses include the estimated costs associated with Hillview Reservoir, which were approved by NYSDEC for inclusion in the cost of service in April 1997. Additional information concerning these expenses is presented in this Section of this Report.

Historical OTPS Expenses

Fiscal Year	OTPS Expense ($)	Annual Increase (%)
2016	245,811,541	3.8
2017	251,744,977	2.4
2018	250,053,638	-0.7
2019	246,767,015	-1.3
2020	269,272,257	9.1
2021	256,430,933	-4.8
2022	283,236,487	10.5
2023	293,628,856	3.7
2024	305,768,521	4.1
2025	327,868,647	7.2

Changes in expenses were reviewed for each category with a particular focus on the following: property taxes, the UV Facility, FAD-related costs, Hillview expenses, contractual services, environmental health and safety programs, fuels, chemicals, and utilities.

Recent expenses and current and ongoing programs were considered in estimating the anticipated 2026 and 2027 OTPS expenses. The findings of the analysis are presented in the following categories:

1. Real Estate Taxes
2. Chemicals
3. Hillview Reservoir
4. Contractual Services
5. UV Facility
6. Filtration Avoidance
7. Other OTPS Expenses

The analysis considered the historical experience in each of these categories together with current and expected future changes so that such costs can be normalized, where appropriate, to exclude unusual increases or decreases that may have affected recent experience. Overall, OTPS

expenses are expected to increase in future years due to rising property taxes, continuing expenses related to FAD, the cost of operating and maintaining the UV Facility, and other factors. The classification of certain filtration avoidance costs and other costs previously paid for through the proceeds of debt as operating expenses instead of capital costs also contributes to the anticipated increases in the cost of service since such costs must be expensed in the year they are incurred instead of being amortized over the term of the debt.

Upcoming changes are briefly outlined herein. The estimated operating expenses for new initiatives and programs are shown herein in line 30 of Table 4B. As part of the Water for the Future Program, DEP has undertaken a series of water conservation programs both with the upstate communities and within the City in anticipation of the Delaware Aqueduct shutdown, which is now delayed to 2031. No allowance for incremental OTPS expenses associated with the Delaware Aqueduct shutdown or the bypass tunnel groundwater study are incorporated as part of the Water for the Future Program since it is anticipated to take place outside the projection period of this Report.

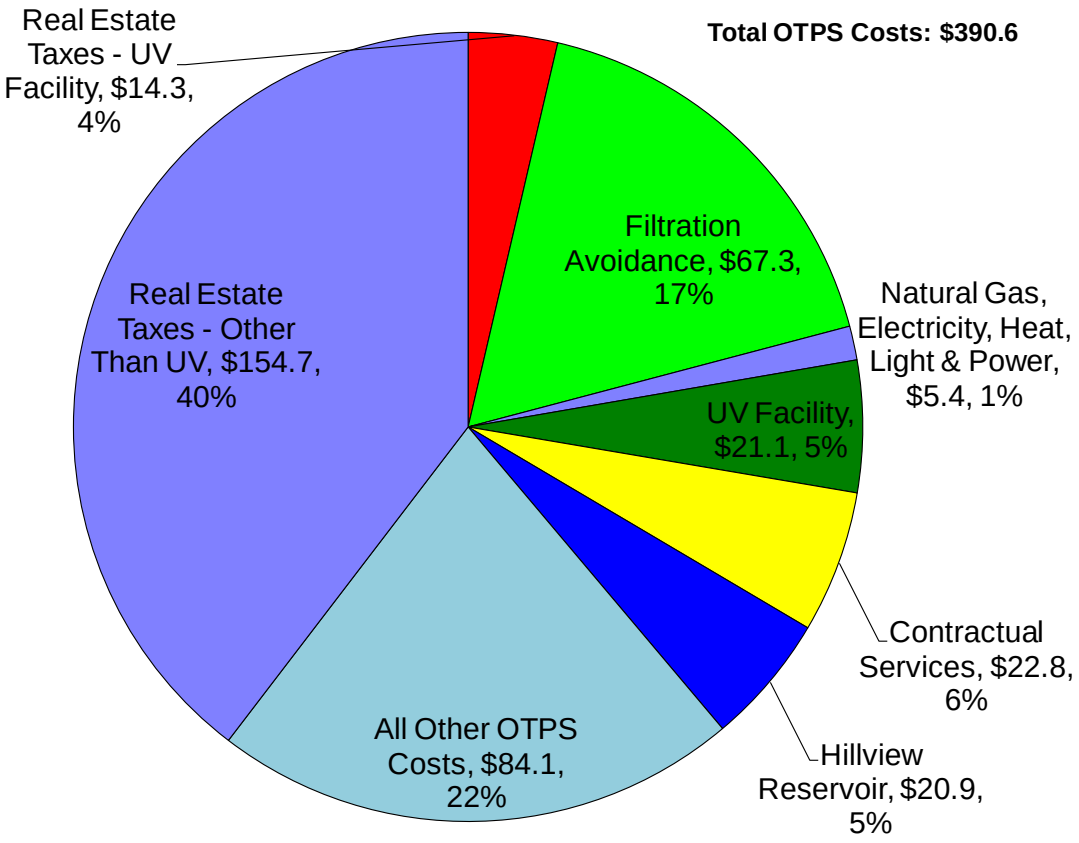
It is noted that the cost of chemicals used at Hillview Reservoir is included in the total costs for Hillview and is not included in the cost category for chemicals used at all other water supply facilities. Electricity costs for the UV facility are also reported separately from other heat, light and power costs. Electricity costs exclude treatment-related expenses within the City. The projected electricity costs in 2026, 2027 and future years currently do not include in-City treatment expenses but the City reserves the right to include such costs in the cost of water supply service and regulated rate as part of the Water for the Future program in order to supply water to all customers, in-City and upstate.

Oil prices have declined and increased in past years due to a variety of factors. At the beginning of calendar year 2026, the price of oil was somewhat low relative to the prior five-year period; at the time of this Report, the price of oil has risen significantly given the conditions in the Middle East. It is not known whether past increases or decreases are temporary or permanent and the effect such fluctuations might have on the cost of fuel oil, gasoline, chemicals and other commodities. Chemical prices increased significantly in 2024 and remained high in 2025; this experience is not unique – other water utilities have seen significant increases, not just in the Northeast U.S. but nationwide. An incremental allowance for higher annual costs (for a total increase over each prior year of 6%) is included in the projected chemical costs in 2026 through 2030.

The major components of the anticipated 2027 OTPS costs are summarized in Figure 3. Table 4A of the Appendix presents a detailed listing of historical OTPS expenses while Table 4B provides a detailed listing of the projected OTPS expenses.

Figure 3 Projected 2027 Other Than Personal Services Costs

(all amounts in millions; totals may not add due to rounding)



4.2.1.1 Real Estate Taxes

Real estate taxes for all water supply properties, including the UV Facility, have increased at the average annual rate of about 0.4% from 2016 to 2025. Real estate taxes, including the UV Facility, increased 0.1% in 2025. Based on discussion with DEP staff, this Report assumes an annual property tax increase of 1.5% per year starting in 2026. The 1.5% annual rate applies to all properties except the UV Facility where projected taxes are based on DEP's anticipated property assessment plus a 2.0% annual increase in tax rates for 2026 through 2029 and then a 2.0% increase in 2030. The overall increase in recent years reflects a combination of both increases in the local tax rates applied to water supply properties as well as taxes on newly purchased properties in the watershed. Historical property tax payments, which include property taxes for the UV Facility, are shown in the next table.

In 2023, 2024 and 2025, the City received about $4,000, $0, and $0 respectively, in refunds from upstate taxing jurisdictions (for taxes paid in prior years). Although such refunds have occasionally been reflected as amounts received in prior Reports in Table 7, the tax refunds received were used to reduce the property tax expenses; so they are not shown separately but are

reflected instead as an offset to expenses in Table 4A (this is the typical method of applying the proceeds of tax refunds). Tax refunds are not assumed to occur in future years.

Historical Property Tax Payments

Fiscal Year	Property Tax Expense ($)	Annual Increase (%)
2016	157,879,279	2.5
2017	159,563,884	1.1
2018	162,966,465	2.1
2019	165,142,095	1.3
2020	165,902,001	0.5
2021	166,662,673	0.5
2022	167,698,507	0.6
2023	161,457,248	-3.7
2024	163,456,629	1.2
2025	163,604,528	0.1

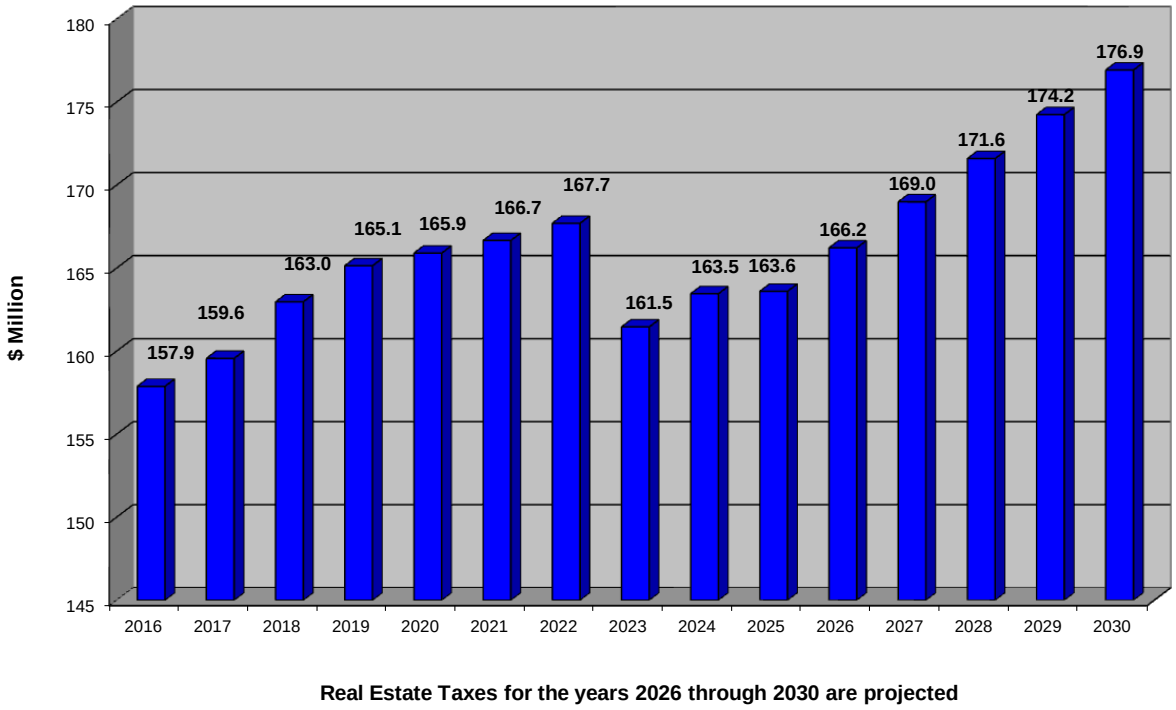
The projected real estate taxes for 2026 and 2027, including the taxes on the UV Facility, are $166.2 million and $169.0 million, respectively. Both estimates reflect an allowance for the expected increases in property tax rates and the taxes on newly-purchased land. To protect water quality in the watershed and comply with the 2017 FAD, the City is required to increase the number of acres of land that are either owned by the City or otherwise restricted in terms of land use. Increasing the number of acres owned by the City results in increased property taxes.

While the current rate consideration by the Board will only address 2027, projections for 2028 through 2030 are shown for illustrative purposes. The actual and estimated real estate taxes payable to upstate communities for watershed properties from 2016 through 2030, including the UV Facility, are summarized in Figure 4.

It is important to note that property taxes associated with the UV Facility are included in a separate line item for UV real estate taxes in Tables 4A and 4B. Section 4.2.1.5 provides additional information concerning the UV Facility.

Figure 4 **Real Estate Taxes for the Water Supply System**

(all amounts in $ millions)



Real Estate Taxes for the years 2026 through 2030 are projected

4.2.1.2 Chemicals

Multiple chemicals are used by the City to treat the water supply, including chlorine that is used for disinfection and other purposes. This part of the Report addresses the chemicals used in the watershed, except for those used at Hillview Reservoir, which are presented separately in Section 4.2.1.3. As illustrated by the following table, the total cost of chemicals has varied from year to year over the last 10 years, but has increased significantly in recent years. In addition to the increasing unit prices for chemicals, the costs in 2025 include chemicals used at the Catskill Treatment Facility, Ashokan Reservoir, and other facilities. A breakdown of the components of chemical costs for 2025 is also provided in a separate table.

Historical Chemical Costs

Fiscal Year	Chemical Costs ($)	Annual Rate of Change (%)	Chemical Costs as a % of Total OTPS
2016	3,681,482	-10.1	1.5
2017	3,649,465	-0.9	1.4
2018	2,106,988	-42.3	0.8
2019	1,996,333	-5.3	0.8
2020	2,020,930	1.2	0.8
2021	3,236,026	60.1	1.3
2022	3,801,875	17.5	1.3
2023	5,391,217	41.8	1.8
2024	9,123,650	69.2	3.0
2025	10,331,030	13.2	3.2

Components of 2025 Chemical Costs

Chemicals	2025 Costs ($)
BWS WWTP Chemical	229,825
BWS Turbity Control Chemicals	51,139
BWS Purate Catskill Treatment Facility	407,732
Ashokan CTF Sulfuric Acid	1,445,475
Fluoride	3,525,791
Alum Dechor Liquid Alum Sulfate	51,957
Alum Dechor Dry Alum Sulfate	130,207
Chlorine	4,488,904
	10,331,030

The cost of chemicals for water supply in a given year is dependent upon both the quantities of chemicals that must be used as well as the unit price per ton. Following approvals from the NYCDOH, DEP reduced the fluoride dosage from 0.8 milligrams per liter to 0.7 milligrams per liter in May 2015. Unit prices have varied over time; there were reductions from 2018 through 2020 for both chlorine and fluoride. Unit prices increased significantly starting in 2021. The quantities of chemicals used and the applicable unit prices in recent years are summarized in the following tables.

Historical Chemical Use

Fiscal Year	Chlorine (Lbs)	Fluoride (Tons)
2016	1,938	1,257
2017	1,993	1,211
2018	2,140	1,449
2019	2,373	1,220
2020	2,271	1,244
2021	2,144	1,252
2022	1,961	1,169
2023	1,860	1,263
2024	1,954	1,285
2025	1,671	1,245

Historical Unit Prices for Chemicals

Fiscal Year	Chlorine ($)/Lb	Fluoride ($)/Ton (1)
2016	499.65	2,159.29
2017	524.51	2,150.43
2018	319.37	982.43
2019	336.50	982.13
2020	336.50	1,010.22
2021	527.09	1,682.61
2022	840.79	1,842.05
2023	1,282.96	2,378.85
2024	2,158.77	2,832.34
2025	2,685.63	2,832.34

Actual chemical expenses in a given year could increase at a rate that is beyond the assumed overall allowance for inflation of 3.0% annually that we include in most projected expenses. We assume for projection purposes that chemical costs will increase by 6.0% each year for 2026 through 2030; i.e., two times the assumed rate of inflation in most other expenses other than personnel. These assumptions recognize that there is a degree of uncertainty at this time as to whether prices will stay the same, increase, or decline in future periods. Chemical addition that solely benefits in-City customers is excluded from this cost of service analysis.

4.2.1.3 Operating Expenses Associated with Hillview Reservoir

The principal expenses incurred in the operation of Hillview Reservoir are associated with chemical addition and security. Caustic soda is added for water quality purposes to adjust the pH of the water entering Hillview. Orthophosphate is added for lead and copper control. In 2023, the costs for caustic soda and orthophosphate were $7.3 million and $8.8 million, respectively. In 2024, the costs for caustic soda and orthophosphate were $6.7 million and $8.9 million, respectively. In 2025, these costs decreased to $5.2 million and $7.9 million, respectively, due to

the Delaware System operating at reduced capacity in 2025 in preparation for the planned Delaware Aqueduct shutdown, which was ultimately postponed. These costs will fluctuate due to market prices but have been higher in recent years compared to costs prior to 2023. The unit bid prices for orthophosphate effective June 1, 2023 through June 1, 2025 were $4.97 per gallon. DEP estimates that the unit bid price for orthophosphate effective June 1, 2026 will be $3.296 per gallon but this estimate is subject to change.

Chemical costs at Hillview are also assumed to increase at the rate of 6.0% compared to the prior year for 2026 through 2030; other OTPS expenses at Hillview are assumed to increase at the rate of 3.0%. Market conditions and recent and upcoming bid prices together with quantities used will dictate the actual prices for chemical costs. Future increases in expenses at Hillview could be significantly affected by fluctuations in the price of chemicals and other factors.

The non-labor expenses attributable to Hillview Reservoir in Tables 4A and 4B are exclusive of property taxes, which are included in the "Real Estate Taxes – Existing Properties" line item (line 17). Labor costs for Hillview are included in the personal services costs described in Section 4.2.5 of this Report.

4.2.1.4 Contractual Services

The City was required by the MOA to fund a number of capital projects and operating programs to support the protection of the watershed. Certain of the expenses for MOA-related programs are reflected in the "Contractual Services – General" line item of the projected OTPS expenses in Tables 4A and 4B. Examples of the components of contractual services costs in 2025 include: Dam Inspections ($1,501,266), FAD Aquatic Invasive Species Control ($2,215,647) and FAD Cat/Del Filtration Conceptual Design ($3,784,446).

Contractual services expenses are assumed to increase at the rate of 3.0% per year in 2026 and in each year thereafter. Other expenses related to filtration avoidance are addressed in Section 4.2.1.6.

4.2.1.5 UV Facility

The UV Facility provides treatment for Catskill and Delaware water. Operating expenses other than labor associated with the UV Facility are shown on line 27 of Tables 4A and 4B with the exception of property taxes (shown in line 18).

The projected operational expenses associated with the UV Facility in 2026, including property taxes, are based on DEP budgeted amounts. OTPS expenses other than taxes are then assumed to increase at the rate of 3.0% per year in 2027 through 2030 while property taxes, as noted earlier, are projected to increase based on DEP's anticipated property assessment plus a 2.0% annual increase in tax rates from 2026 through 2029 and then a 2% increase in 2030.

4.2.1.6 Filtration Avoidance

OTPS expenses in 2023 through 2025, as well as in 2026 and future years include DEP costs associated with filtration avoidance programs in the watershed. These are shown in lines 28 and 29 of Tables 4A and 4B. Included within the costs of filtration avoidance are payments for the operation and maintenance of certain wastewater treatment facilities that are not owned by DEP. The operation and maintenance of such facilities is intended to protect the water quality in the watershed.

Payments from DEP to watershed communities under the MOA and the cost of other initiatives that help support the avoidance of filtration are also included within the filtration avoidance line items. Some program costs for filtration avoidance were historically funded through the proceeds of debt and then paid back through debt service on the bonds that were issued. As a result of a decision by the New York City Office of the Comptroller, such costs are assumed to be funded as operating expenses in the current year and future years. It is assumed that the percentage of debt attributable to the Water System will be affected slightly in future years as a result of this policy. The expenses associated with program funding of filtration avoidance in both lines 28 and 29 are assumed to increase at the rate of 3.0% annually in 2026 and in each year thereafter.

4.2.1.7 Other OTPS Expenses

DEP has advised that there are cost allowances for new initiatives and programs from 2027 through 2030 at DEP facilities. New initiatives include incremental chemical cost increases at multiple facilities, Lead and Copper Rule compliance support, and other program cost increases. The estimated operating expenses for the new initiatives and programs are shown herein in line 30 of Table 4B starting in 2027. A breakdown of the projected cost allowances for new initiatives and programs is provided below.

	($ Millions)			
Descriptions	**2027**	**2028**	**2029**	**2030**
Phosphoric Acid and Sodium Hydroxide Chemicals for Hillview Reservoir - Mandate	15.32	15.32	15.32	15.32
Purate for Catskill Treatment Facility and the Croton Lake Gate House	4.15	4.15	4.15	4.15
Lead & Copper Rule Improvement Compliance Support	1.34	1.34	1.34	1.34
FAD Wastewater O&M Cost Increase	5.70	5.70	5.70	5.70
WOH Septic Repair Program V (CAT-484) Cost Increase	5.50	5.50	5.50	5.50
Stream Management Program Cost Increase	8.98	8.98	8.98	8.98
Natural Resources Management on City Owned Watershed Lands Cost Increase	1.07	1.07	1.07	1.07

Allowances for incremental OTPS expenses associated with the Delaware Aqueduct shutdown are expected to be incorporated in line 31 of Table 4B as part of the Water for the Future Program in 2031. The shutdown began in October 2024; however, the work was stopped and delayed due to the drought at the time. The shutdown is currently assumed to resume in 2031. Significant expenses associated with the shutdown are currently not included in projected costs

for 2026 through 2030. This timeframe is under review and subject to change based on weather, technical and other considerations.

DEP utilizes a comprehensive program of environmental health and safety; the water supply-related costs of this program are included in line 32 of Tables 4A and 4B. The expenses for environmental health and safety programs in the watershed and the costs of other categories of non-labor expense are assumed to increase at the rate of 3.0% annually in 2026 and each year thereafter.

The annual costs associated with performing the cost of service and rate study and related work for establishing the regulated rate for upstate customers are included in line 25 of Tables 4A and 4B. In 2025, the actual expenses for the cost of service and rate study were $88,362. The estimated cost in 2026 and each year thereafter is assumed to increase at the annual rate of 3.0%.

4.2.2 Debt Service/Capital Improvement Financing

Capital improvements to the System are financed principally through proceeds from the sale of bonds. The use of long-term bonds as a source of financing spreads the cost (in the form of debt service) over much of the life of the facilities, which enables the long-term users of the water supply system to contribute to its cost. A relatively modest portion of the capital improvements are financed on a cash basis using funds from revenues of the System. This part of the Report describes the methodology that is used to develop the annual debt service requirements (i.e., the principal and interest payments on bonds) of the Water System as well as the annual revenues raised for use in the CIP. Table 5C provides a summary of the actual debt service for 2023 through 2025, as well as the projected amounts for 2026 through 2030, with the net debt service attributable to the Water System shown in line 28. The debt service amounts are then reflected in line 2 of Tables 1A and 1B, which summarize the annual cost of water supply service and the regulated rate. Lines 3a and 3b of Table 1A and line 3 of Table 1B present the water supply portion of the amounts used (if any) for cash-financed construction and to defease Authority bonds. The costs and benefits of defeasance are described later in this section.

4.2.2.1 Historical Investments in the Water System

Prior to the formation of the Authority, the development, expansion, and upgrading of the Water System was carried out by the City with funds that were typically provided by the proceeds of General Obligation (G.O.) bonds issued by the City. Since the formation of the Authority, significant investments have been made throughout the Water System principally through the proceeds of bonds issued by the Authority. These capital costs, which are reflected in debt service on bonds of the Authority issued both to the public ("Authority Bonds") and NYSEFC ("NYSEFC Bonds") (collectively the "Bonds"), are a component of the cost of service and regulated rate.

Investments that are either complete or in progress include improvements to: dams, reservoirs, reservoir roads and bridges, City-owned and non-City wastewater treatment plants in the

watershed, agricultural programs (i.e., pollution prevention for watershed protection), security, the UV Facility, and other capital needs, including the Water for the Future Program. The latter program consists of all work related to the Rondout-West Branch Tunnel, as well as supply augmentation projects required to ensure an adequate water supply during the shutdown of the Rondout-West Branch Tunnel. Water supply augmentation includes rehabilitation of the Catskill Aqueduct, and demand management measures to encourage water conservation. Capital costs for the Croton Plant prior to the approval of the in-City site are also included in the water supply cost of service and are allocated to all water supply customers; capital costs incurred following the approval of the site are not included in the calculation of the cost of service or the regulated rate for purposes of this Report. It may be appropriate to include certain costs related to the Croton Plant during periods of Plant operation during the shutdown of the Rondout-West Branch Tunnel as the Plant enables the City to continue to provide water to all customers during the shutdown period. However, it is currently anticipated that the shutdown will occur in 2031, beyond the period of this Report.

Land purchases, improvements to wastewater treatment plants, and other investments have been instrumental in maintaining the quality and reliability of the System including the avoidance of filtration for the Catskill and Delaware Systems.

4.2.2.2 Debt Service Related to the Water System

Debt service on the Bonds is computed based on the total net debt service payable for the water and wastewater system of the City in each year times the percentage attributable to the water supply portion of the capital improvements that have been financed with the proceeds of the Bonds. This approach incorporates the savings resulting from refunding previously-issued Bonds. It also includes the actual and anticipated impacts of debt defeasance.

The current methodology for computing debt service on outstanding Bonds was first applied in 2005. This methodology begins with the calculation of the percentage of the capital investments beginning in 1986 that are attributable to the System versus other components of the water and sewer system of the City. Since improvements have been financed with the proceeds of Authority Bonds and NYSEFC Bonds, Tables 5A and 5B were prepared to illustrate the proceeds of each bond issue and the upstate portion of such proceeds for Authority Bonds and NYSEFC Bonds, respectively. Since the percentage share for the Water System changes from year to year, a cumulative percentage (beginning with the first bonds issued in 1986) is computed in each year through the end of 2025 for Authority Bonds and through the end of 2024 for NYSEFC Bonds. For example, the cumulative percentage to be used in 2026 for Authority debt reflects the sum of all Authority bond proceeds used for water supply projects from 1986 through 2025 divided by the sum of all proceeds from bonds issued from 1986 through 2025. The calculated percentage that was used in 2024 is added to the calculated percentage for 2025 and the average of the two years is applied in Table 5C to the appropriate debt service, interest earnings, etc. for 2027 through 2030. Final figures for funds used for the 2025 bond issues and the 2026 bonds issued year-to-date were not available at the time of this Report. Not all of the proceeds of the 2025 and 2026 debt issuances shown herein may have been spent at the time the

data was prepared for this Report; the figures presented are subject to change. Some upstate portion of bond proceeds were restated for 2021 Series 1 and 2023 Series 5 bonds due to inclusion of a Hillview project that was not previously included, but should have been; that change resulted in an increase of 0.02% in upstate principal for the 2024 NYSEFC Bonds.

The water supply share of debt service and net offsets are computed by multiplying the System-wide totals for each category times the applicable percentage in each year. The three percentages shown in Table 5C are: (1) line 29, which shows water supply capital costs funded through Authority Bond proceeds as a percentage of total capital costs funded through Authority Bond proceeds; (2) line 30, which shows water supply capital costs funded through both Authority Bond proceeds and NYSEFC Bond proceeds as a percentage of total capital costs funded through both Authority Bond proceeds and NYSEFC Bond proceeds; and (3) line 31, which shows water supply capital costs funded through NYSEFC Bond proceeds as a percentage of total capital costs funded through NYSEFC Bond proceeds.

Starting in the entitlement rate Report for Fiscal Year 2014, we have used the average of the percentages from the two prior historical years that were relatively complete (i.e., the current year is not used because spending of construction funds is not complete) for purposes of assigning debt service in future years. Thus, for 2027 through 2030, we use the average of the calculated percentages for 2024 and 2025. No changes in the future allocation percentages are assumed at the time of this Report for the following reasons: (1) the percentage of Authority bond proceeds used for water supply purposes is relatively unchanged from 2015 through 2026; (2) the percentage of NYSEFC bond proceeds used for water supply purposes is relatively unchanged from 2020 through 2026; (3) one of the larger projects in the System, the UV Facility, is complete and has been in operation for a number of years; and (4) the classification of certain filtration avoidance programs as operating expenses instead of capital projects results in an increase in operating expenses but also a reduction in the amount of bond proceeds that will be needed for filtration avoidance expenses in the Water System. It is recognized that the capital costs for the Water for the Future Program have been and will be incurred in the future in support of the Delaware Aqueduct shutdown; such costs may have some impact on the allocation percentages in future years; however, the planned in-City capital spending which impacts total Authority borrowing has increased compared to recent years as well. The computed percentages for 2026 through 2030 are preliminary and subject to change.

Table 5C illustrates the current projections of debt service on outstanding bonds and anticipated future bonds as of February 2026. The amounts shown are net of all refundings and the defeasance of debt that have been undertaken by the Authority prior to that date. Authority debt service is shown as First Resolution and Second Resolution. The Second Resolution debt is subordinate to the First Resolution debt. Table 5C also presents the estimated interest on commercial paper shown as “Interest on Short-Term Debt”. Historically, the Authority initially finances capital improvements through the proceeds of short-term commercial paper sales and then redeems the commercial paper with the proceeds of long-term bonds. More recently, the

proceeds of Authority debt have been deposited directly to its Construction Fund, without the use of commercial paper.

It is noted that projected debt service includes principal and interest on outstanding First Resolution bonds as of February 2026. Since that time, the remaining First Resolution debt has been extinguished using, in part, the proceeds of refunding bonds issued under the Second Resolution. Since the Second Resolution debt and debt service as of February 2026 did not include the effects of refunding the remaining First Resolution debt, this Report utilizes both the projected First Resolution debt service and the projected Second Resolution debt service as of February 2026.

Interest rates on the variable rate debt of the Authority were quite low in 2020 through part of 2022 compared to historical conditions, resulting in actual interest costs that were lower than projections. There is no assurance that such market conditions will continue in future years and actual experience in 2025 and in 2026 year-to-date has seen interest rates that are higher than in recent years, particularly for variable rate debt. Projections of future debt service payments assume that interest rates on commercial paper will be at 5.00% and variable rate debt will be at 4.25%; interest rates for future fixed rate debt are assumed to be at 6.00%, which is somewhat higher than current market rates. At the time of this Report, the Authority had no commercial paper outstanding.

The debt service on Build America Bonds ("BABs") is net of the interest subsidy payments from the U.S. Treasury for those bonds. The BABs were issued on a taxable basis, and beginning in 2010, the U.S. Treasury has generally provided interest subsidy payments in each year equal to 32% to 35% of the interest payable. Payments from the U.S. Treasury have been less than originally expected in recent years due to federal sequestration. The figures shown for "Authority Debt Service – Second Resolution" (line 3) and "NYSEFC Outstanding Debt Service" (line 6) in Table 5C of this Report reflect the application of the BABs subsidy payments so the debt service is net of such payments. At the time of this Report, there are no BABs subsidy payments starting in 2025 for NYSEFC obligations as these bonds have been refunded.

Interest earnings on available funds (i.e., the Authority's Debt Service Fund, the Debt Service Reserve Fund, the Construction Fund, and the Subordinate Debt Service Fund), together with Authority expenses related to debt, collectively form either a net offset to a portion of the debt service or a net addition. Interest earnings were generally low in 2021 and 2022 due to conditions in the financial markets that have resulted in relatively low rates of interest earnings on secure investments. That factor plus increasing Authority expenses have resulted in a net addition to debt service in 2021 and 2022. In 2023 through 2025 interest earnings were greater due to higher interest earnings rates, leading to a net offset to debt service. It is assumed that net offsets will continue in each year in 2026 through 2030; i.e., the Water Supply share of Authority expenses less the benefits of interest earnings will result in a net offset to the cost of service. Authority expenses related to debt include administrative expenses charged by NYSEFC for the low-interest loan program; liquidity fees, and other expenses related to variable rate debt; swap

payments; arbitrage rebate payments; the cost of auditors, financial advisors and consultants; and other expenses.

4.2.2.3 Cash-Financed Construction and Cash Used for the Defeasance of Bonds

Portions of the capital improvements to the Water System may be financed through cash in lieu of the proceeds of Bonds; alternatively, such cash may also be used to defease outstanding bonds. The use of cash to either pay directly for construction or to defease debt is a common practice in the industry. The amounts used for cash-financed construction in recent years are summarized below. In addition, a further release of moneys from the Debt Service Reserve Fund in 2023 was deposited directly to the Construction Fund to serve as a source of cash to pay capital costs.

- $300.00 million in 2021,
- $325.00 million in 2022,
- $425.00 million in 2023,
- $118.50 million in 2024, and
- No cash-financed construction in 2025.

In 2011 through 2022 and then in 2024 and 2025, cash from the System was used to defease Authority Bonds by paying future debt service in advance of the years in which such debt service was payable. This was done to both reduce the System's debt burden and optimize future debt service payments by stabilizing annual changes to debt service. The amounts used for defeasance in recent years are summarized below.

- $406.90 million in 2021,
- $255.26 million in 2022,
- No defeasance in 2023,
- $202.06 million in 2024, And
- $534.13 million in 2025.

See Table 5D for the amounts used in each year for 2023 through 2025 and the computed water supply share.

Since all water supply customers share in the benefit of lower future debt service due to the defeasance, the costs of the defeasance are included in the cost of service just as the defeased debt service had previously been included, and these costs are apportioned to all water supply customers. While the use of moneys for defeasance may result in a short-term increase in the cost of service (depending upon when the benefits are realized), it produces long-term reductions in debt service that are greater than the costs incurred. The table below summarizes the actual (2011 through 2025) amounts used for defeasance together with the reduction in total debt service expected to be achieved in each year based on actual results for the defeasances completed in those years.

Debt Defeasance (Rounded to $000)

Fiscal Year	Amounts Used For Defeasance ($)	Reduction in Debt Service ($)
2011	259,792,000	
2012	239,619,000	17,036,000
2013	299,991,000	44,835,000
2014	399,079,000	138,138,000
2015	802,671,000	243,044,000
2016	948,591,000	240,107,000
2017	991,951,000	296,881,000
2018	824,983,000	341,921,000
2019	675,356,000	353,262,000
2020	350,004,000	331,848,000
2021	406,897,000	626,063,000
2022	255,258,000	537,647,000
2023	0	467,627,000
2024	202,063,000	349,706,000
2025	534,133,000	283,790,000
2026		444,436,000
2027		482,949,000
2028		399,112,000
2029		389,452,000
2030		390,947,000
	7,190,388,000	6,378,801,000
2031 and Beyond		3,903,669,000
Total	7,190,388,000	10,282,472,000

Note:
The debt service amounts above exclude the effects of economic defeasance of $200.0 million in 2016 and $195 million in 2017 while Amounts Used For Defeasance included these figures. The savings in future debt service payments would be greater than the amounts shown above if the effects of economic defeasance were included.
The figures above are rounded to the nearest thousand dollars.

The annual debt service figures shown in lines 1 and 3 of Table 5C are net of the debt service reductions shown in the table above. The benefits of economic defeasance in 2023 and 2024 are shown in line 8 of Table 5C; the annual savings in line 8 are applied to offset part of the Second Resolution Authority debt service in line 3 of Table 5C. There are no further expected savings from economic defeasance after 2024.

The annual revenue requirements for cash-financed construction and/or cash defeasance in future years for the City's Water and Wastewater System as a whole are currently assumed to be $225.0 million in each year from 2026 through 2028, and $250.0 million in 2029 and 2030. These amounts are preliminary and subject to change.

The amounts projected for 2026 through 2030 are shown as annual deposits in the Cash Used for Capital Construction/Defeasance column in Table 5D. The projected amounts for each year may increase or decrease in the future, as the Board and the Authority may decide to modify the amount used for cash-financed capital contributions or the defeasance of outstanding bonds depending on financial results, market conditions, and forecasts. The water supply share of such costs in Table 5D is based on the total cash contribution in each year times the Water System capital costs as a percentage of total capital costs funded through the proceeds of both Authority Bonds and NYSEFC Bonds.

The projected debt service of the Authority that is used in Table 5C and in the calculation of the projected cost of water supply service reflects the actual impacts of the defeasance of debt that has taken place in prior years as well as the anticipated effects of the planned cash-financed construction deposits. It is important to note that, all else equal, if the prior defeasance of debt had not taken place, debt service in each year for 2023 through 2030 would be considerably higher than shown in this Report. The Authority's use of defeasance is an important part of its efforts to maintain strong credit ratings, which reduce the cost of borrowing for all debt to the benefit of all customers. The Authority's current credit ratings are shown below.

NYC Municipal Water Finance Authority Bond Ratings as of April 17, 2026

	First Resolution Bonds	Second Resolution Bonds
Standard & Poor's	*	AA+
Moody's Investors Service	*	Aa1
Fitch Ratings	*	AA+

* No First Resolution Bonds are currently outstanding. The Authority may issue such bonds in the future to the extent permitted by the Resolution.

Source: New York City Municipal Water Finance Authority website

4.2.2.4 Ongoing and Future Capital Improvements

Ongoing capital improvements in the System to be funded through the proceeds of bonds in 2026 through 2030 include: rehabilitation of the Gilboa Dam; Kensico-Eastview Tunnel, improvements to Ashokan Reservoir and related facilities; purchases of land; reconstruction or

upgrading of other water supply infrastructure, filtration avoidance measures north of the City, Lead and Copper Rule compliance support, and other projects and programs.

4.2.2.5 Capital Cost Summary

Favorable financial market conditions in 2023 through 2025 resulted in actual debt service on bonds issued and interest costs on variable rate debt that were lower than anticipated prior to the beginning of each year. There is no assurance that favorable financial market conditions will continue in the future; interest rates in 2026 and at the time of this Report are considerably higher than they were in recent years. In 2026, the Authority has refunded certain outstanding bonds using the proceeds of new bonds with resulting long-term debt service savings.

An overall net increase in debt service is projected in the upcoming years to reflect the debt service for capital improvements being funded through the proceeds of Authority bonds. Table 5C summarizes the historical and expected future annual costs attributable to debt service.

4.2.3 Judgments and Claims

Judgments and claims represent the amount of judgments rendered against the System or claims paid by the City for water supply-related matters in areas north of the City. Actual and projected judgments and claims are illustrated in Table 6. There are years in which no judgments or claims were paid for the Water System north of the City. Except for 2019, payments made in other years have ranged from $0 in 2024 to $916,350 in 2011. A payment of $1.0 million was made in 2019 as a result of the Hillview Consent Order. There may be additional expenses related to this matter. The cost of service analysis assumes that the fifteen-year (2011 through 2025) average of $200,894 will provide a reasonable allowance for judgments and claims in 2026 and in future years.

4.2.4 Miscellaneous Revenue

Miscellaneous revenues received from upstate sources are used to offset the total cost of supplying water to both in-City and upstate customers. As indicated in Table 7, miscellaneous revenues are derived from hydropower generated at upstate dams and from miscellaneous charges for permit use and related services provided in the Water System. In addition, miscellaneous revenues may include tax refunds when such refunds are made and when such refunds are not already reflected in the expense of real estate taxes paid. Miscellaneous revenues have been inconsistent over the years, declining in some years and increasing in others.

Hydropower revenues are shown for 2011 through 2025. Hydropower revenues in future years may differ from the historical experience. The City took ownership of the East Delaware (Grahamsville) and Neversink hydroelectric facilities in October 2006, which resulted in an overall increase in annual revenues (compared to historical experience) as well as increased costs for capital improvements and operation and maintenance expenses, including property taxes. The City also receives a relatively small amount of revenue from the operator of the West Delaware hydroelectric facility. No revenues are considered in the calculations for the Ashokan and

Kensico facilities because no revenues are actually expected to be received by the City in 2026 or any future year.

With the exception of 2015, hydropower revenues as illustrated in Table 7 represent gross revenues prior to the application of offsetting expenses, and the offsetting expenses are included in the historical OTPS and personal services expenses shown in the tables of this Report. The 2015 hydropower revenue is shown net of expenses; therefore, hydropower-related expenses were not included in the OTPS and personal services expenses calculations for 2015.

Table 14 shows the anticipated gross hydropower revenues by source. In 2026 and 2027, gross revenues are projected to be approximately $5.8 million and $5.9 million, respectively, which, together with other miscellaneous revenues, will be applied as a credit towards the cost of water supply service. With the construction and use of the Rondout-West Branch bypass tunnel noted in Section 1.3.2.1, which is assumed to take place in 2031 for a period of up to eight months, hydropower revenues are expected to be negatively impacted. No reduction in hydropower revenues have been assumed for this Report. As noted previously, this timeframe is under review and subject to change.

For purposes of estimating future miscellaneous revenues, the fifteen-year average (2011 through 2025) of permit/services revenues has been used, or $2,274,211. With the exception of 2013, DEP has recently used tax refunds received to reduce real estate taxes, as shown in the $0 amount for tax refunds in 2011 through 2012 and again in 2014 through 2025. In 2013, DEP paid the tax bill in full prior to settlement, resulting in tax refunds of $209,232. At this time, the projections assume no refunds in future years. In lieu of tax refunds, DEP has advised that it may continue to apply credits against property taxes due in future years.

4.2.5 Personal Service Costs

Personal services expenses directly allocable to water supply services are shown in Tables 8A, 8B, 9A, and 9B. These expenses represent salary, pension, and fringe benefit costs associated with all BWS field personnel working in water supply facilities located north of the City as well as support and administrative personnel. Field personnel, for purposes of this Report, are defined as DEP personnel with non-supervisory or non-management titles, working directly with the Water System. Thus, field personnel do not include personnel classified as management and/or administrative support. Irrespective of the “field” or “administrative support” designation, these costs are all entirely related to water supply. The methodology for classifying personnel between field personnel and support/administrative categories of cost is consistent with the City’s indirect cost plan for federal and State grant programs. Prior indirect cost plans of the City that use this methodology have been approved by the federal government. Personal Services costs in Tables 8A, 8B, 9A, and 9B are categorized based on location. The categories can vary somewhat from previous year Reports as locations have been consolidated or eliminated from a budgetary perspective. This does not necessarily indicate a physical change in location of the associated salaries.

Labor expenses for Hillview Reservoir include day-to-day operations, maintenance, and security. Security costs, in terms of both labor and non-labor expenses, have risen significantly in recent years as initiatives to protect the Water System have been implemented. Pension and fringe benefit rates that are applied to salaries and wages are expected to change in each year as summarized herein.

The source documents for the above referenced costs are DEP records, which identify salary and related costs by employee name and work location. Pension and fringe benefit factors reflect City-wide percentages of direct salary and wages. Pension and fringe benefit rates used in the Report, which are applied to salary and wage expenses, are summarized below. The rates for 2026 through 2030 are subject to change.

Pension/Fringe Benefit Rates (as a % of Salary & Wage $)

Year	Rate (%)
2023	56.18
2024	58.63
2025	54.18
2026-2030	56.79

The projected labor costs for 2026 through 2030 incorporate an assumed 3.0% per year increase from the 2025 base of personal salary and wage costs. The preceding pension and fringe benefit rates are applied to all projected labor costs related to the supply of water. The reconciliation of actual water supply costs and revenues in future reports will utilize the actual salaries and wages, as well as pension and fringe benefits of applicable personnel.

Approximately 95% of DEP's employees are members of labor unions which represent such employees in collective bargaining with the City. The majority of DEP employees who are members of unions are members of District Council 37 of the American Federation of State, County and Municipal Employees ("DC 37"). Those DEP employees who are not members of labor unions have generally received salary and benefit increases consistent with DC 37. The City has reached a labor contract settlement with DC 37 for the 2021-2026 round of collective bargaining, which has been ratified by the union. The settlement provides for annual wage increases of 3% in each year for the first four years of the settlement, commencing retroactively on May 26, 2021, followed by a 3.25% wage increase commencing on May 26, 2025. The settlement also included a $3,000 ratification bonus. The DC 37 agreement runs through November 2026.

The Report uses a 3% annual increase in salaries and wages to cover both the assumed increases in salaries and wages as well as changes in overtime, actual versus budgeted staffing levels and other factors; actual increases may differ from the assumption above. Table 8A includes provisions for retroactive payments to personnel on a one-time basis in 2024.

4.3 Calculation of Allocation Percentages - Step B

The remaining elements of the cost of service, i.e., those not directly or fully allocable to facilities north of the City, must undergo one or a series of allocations before an appropriate assignment of costs can be made. Accordingly, allocation percentages are developed for the purpose of apportioning a fair share of costs incurred by one bureau, unit, or location to the benefiting entity. For example, DEP incurs many costs in support of the Water System. The DEP cost burden must then be shared by the Water System through the use of an allocation percentage. The computation of the allocation percentages used in this Report is based on data provided by DEP as presented in Table 10. The allocation factors presented in Table 10 specifically exclude employees working within the City in the wastewater system or the water distribution system in the numerator.

4.4 Allocation of Department of Environmental Protection Costs - Step C

Expenses of DEP that are covered by Step C represent personnel and other expenditures of DEP that are allocable to management, administration, and support services needed to operate and maintain the water supply facilities located north of the City. Again, City water distribution costs are specifically excluded.

Tables 11A and 11B illustrate allocated personal services costs, while Tables 12A and 12B present the allocation of a portion of DEP OTPS costs to facilities north of the City. Examples of the services provided include executive, contracting office, legal and personnel recruiting and management. The total costs to be allocated are multiplied by allocation percentages to obtain the assigned costs for facilities located north of the City.

Allocated DEP personal services costs in 2026 through 2030 reflect the same assumptions identified in Section 4.2.5. OTPS costs in Tables 12A and 12B are assumed to increase at an annual rate of 3.0%.

4.5 Allocation of City Central Service Costs - Step D

The City incurs costs that must be distributed among all of its operating entities. Such costs include planning, budgeting, accounting, purchasing, legal services, and other related activities. A cost allocation plan is developed to distribute the City-wide costs. The plan is approved by the federal government in connection with federal aid received by the City. After the City-wide allocation process, the DEP portion of the City's costs is divided further between non-utility and water and sewer utility components. The water and sewer utility-related costs are then distributed among the various DEP water and sewer functions using headcount allocation percentages. BWS is one of the functions to which costs are allocated. This cost is then further allocated to relate to facilities located north of the City. The allocated Central Service costs were $2,475,138 in 2025. Overall City support service costs to DEP are expected to be relatively stable in future years.

Thus, such costs attributable to water supply are assumed to be $2,475,138 in 2026 and each year thereafter.

4.6 Cost of Service - Step E

The calculations of the total cost of water supply and the cost of water supply attributable to upstate customers are presented for 2023 through 2025 in Table 1A and for 2026 through 2030 in Table 1B. Additional tables are referenced to support the various categories of costs and offsetting revenues. These additional tables provide a detailed breakdown of the components of each step of the cost of service analysis.

The total cost of service (prior to reconciliation) is calculated to be $734,668,572 in 2023. The total cost of service (prior to reconciliation) is calculated to be $804,330,904 in 2024. This amount for 2024 represents a slight increase from the amounts presented in the prior Report. As noted earlier, this Report includes certain capital costs funded through the proceeds of debt that should have been included in previous calculations. The total cost of service (prior to reconciliation) is calculated to be $856,142,748 in 2025. For 2023 through 2025, after including the reconciliation amounts from prior years, the revenues generated are higher than the cost of service.

The total cost of service (excluding reconciliations) is estimated to be $857,493,437 in 2026, and $945,341,846 in 2027. Of these amounts, $667,995,924 in 2026 and $750,113,833 in 2027, or about 78% in 2026 and 79% in 2027 (excluding the effects of the reconciliation), is for debt service, defeasance/cash-financed construction, and direct out-of-pocket expenses (OTPS costs) associated with operating and maintaining the water supply facilities located north of the City. As illustrated in Table 4B, the largest item of OTPS expense for the supply of water is real estate taxes paid to upstate communities for watershed properties. Excluding the reconciliations, upstate taxes (included within OTPS expenses) will represent approximately 19% and 18% of all water supply costs in 2026 and in 2027, respectively.

Direct salary, pension costs, and fringe benefits for personnel directly and indirectly related to the water supply facilities located north of the City account for about another 21% and 20% of all costs, excluding the effects of the reconciliation, in 2026 and in 2027, respectively.

It is noted that the projected cost of service in 2026 and 2027 reflects the shift of anticipated Delaware Aqueduct shutdown expenses from 2026 to outside the forecasting period to reflect the delay in proceeding with the work.

After accounting for the reconciliation, the net total cost of water supply as presented in Table 1B (line 19) is $822,835,660 for 2026 and $892,812,826 for 2027. The amount in 2026 includes the effects of the net charges/(credits) of: $1,273,635, ($5,223,554), ($15,075,162), and ($15,632,696) that are added to the total cost of service for the 2021, 2022, 2023, and 2024 reconciliations, the recovery of which is proposed to be spread over four years for each reconciliation. In 2027, the total includes the net charges/(credits) of: ($5,223,554),

($15,075,162), ($15,632,696), and ($16,597,607) that are added to the total cost of service for the 2022, 2023, 2024, and 2025 reconciliations.

Tables 1A and 1B, which include the charges/(credits) shown above, reflect the effect of the four-year allocation or phase-in of the following reconciliations in equal annual amounts, including the proposed four-year phase-in of the 2025 reconciliation:

- $75,327,217 in 2018 (applied to the cost of service in 2020, 2021, 2022 & 2023);
- $87,065,964 in 2019 (applied to the cost of service in 2021, 2022, 2023 & 2024);
- $35,248,766 in 2020 (applied to the cost of service in 2022, 2023, 2024 & 2025);
- $5,094,539 in 2021 (applied to the cost of service in 2023, 2024, 2025 & 2026);
- $20,894,215 in 2022 (counted as a credit towards the cost of service in 2024, 2025, 2026 & 2027);
- $60,300,649 in 2023 (counted as a credit towards the cost of service in 2025, 2026, 2027 & 2028);
- $62,530,785 in 2024 (counted as a credit towards the cost of service in 2026, 2027, 2028 & 2029); and
- $66,390,429 in 2025 (counted as a credit towards the cost of service in 2027, 2028, 2029 & 2030).

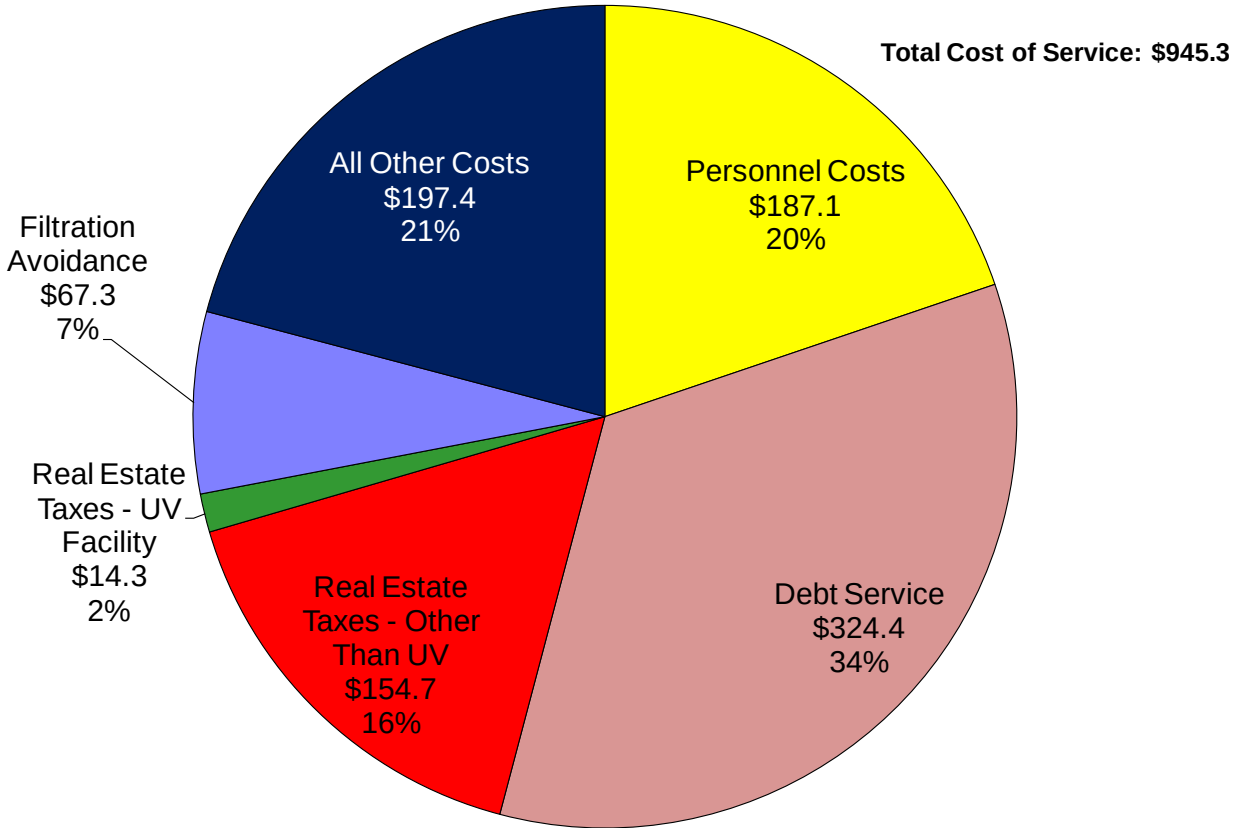
The four-year allocation or phase-in was recommended by Amawalk and adopted by the Board in prior years, at its discretion, to spread out the impact on the cost of service and rates. It is noted that the reconciliation amounts for 2024 differ slightly from the prior Report, reflecting an adjustment in debt service in 2024.

The cost of water supply service as presented herein does not take into consideration the need to maintain an operation and maintenance reserve fund, to provide working capital to pay construction costs before being reimbursed through the proceeds of commercial paper or bonds, or to ensure liquidity in operating funds. If the costs of such needs were included, the cost of service and the regulated rate would be higher than is shown in this Report. The cost of service and the regulated rate also assume that all upstate customers pay their bills for water service on a timely basis, thus avoiding the need to include an allowance in the cost of service for late payments.

The chart below illustrates the breakdown of the total cost of service for the 2027 rate year excluding the effects of the reconciliation of prior year costs.

Figure 5 **Projected 2027 Cost of Service Components**

(all amounts in $ millions; totals may not add due to rounding)



4.7 Calculation of the Regulated Rate - Step F

Table 1A presents both a net cost of service (line 19) and an actual unit rate net of the reconciliation (line 21) for 2023 through 2025. Table 1B shows the projected net cost of service (line 19) and a unit rate net of the reconciliation (line 21) for 2026 through 2030.

The 2026 rate includes the effects of the reconciliation of costs for 2021, 2022, 2023, and 2024. When the cost of service recovered (based on the adopted rate for each year and the actual quantity of water consumed) was less than the actual cost of service in each year; the reconciled amount was identified as an additional charge and recovered over a four-year period. In a similar manner, a reconciliation of the 2023 through 2025 projected and actual costs of service, consumption, and rates was prepared with the resulting computation of an over-collection of the cost of service which is then applied as a credit towards the cost of service over a four year period, as discussed in Section 4.6.

Given the potential for variations in financing and commodities costs as well as changes in water consumption, this "true-up" approach is intended to ensure that both upstate and in-City customers pay their appropriate shares of the cost of water supply service.

Table 1B summarizes the calculation of the projected 2027 regulated rate required to recover the cost of service and the upstate cost of service using that rate. An excerpt from Table 1B is provided below to show the calculation of the rate.

Summary of the Calculation of the Proposed 2027 Unit Rate

13	Total Costs Related to Facilities North of the City	$	945,341,846
14	System Usage	MG	407,107
15	Unit Rate to Recover Total Costs (line 13 divided by 14)	$/MG	2,322.10
18i	Phasing of 2024 Reconciliation for 2022	$	(5,223,554)
18j	Phasing of 2025 Reconciliation for 2023		(15,075,162)
18k	Phasing of 2026 Reconciliation for 2024		(15,632,696)
18l	Phasing of 2027 Reconciliation for 2025		(16,597,607)
19	Net Total Costs for Facilities North of the City (line 13+Sum of line 18i through 18l above)	$	892,812,826
21	Unit Rate Net of Reconciliation (line 19 / line 14)	$/MG	2,193.07
22	Upstate New York Usage	MG	38,198
23	Total Upstate Cost Including Reconciliation (line 21 x line 22)	$	83,770,156

The regulated rate per MG of water use is computed by first calculating the total cost of service in line 13 and then dividing by the total water consumption shown on line 14. After taking into account the reconciliation, the resulting unit rate, shown on line 21, is $2,193.07 per MG in 2027. The cost of service attributable to upstate customers (including the cost reconciliation) is calculated by multiplying the unit rate of $2,193.07 by the projected annual upstate water consumption shown on line 22 of Table 1B. The resulting upstate cost is approximately $83.8 million for 2027. The remaining cost of water supply, approximately $809.0 million, will be recovered from in-City water customers through rates and charges. These figures assume that the calculated rate is in effect for the entire fiscal year.

Beginning with the Report for the 2016 cost of service and rate, the reconciliation methodology uses a four-year allocation of the true-up amount instead of applying the full amount to the cost of service in the proposed rate year. We use the four-year allocation consistently, whether there are supplemental charges or credits.

A portion of the total cost of service and regulated rate in a given year is attributable to the cost of defeasance of debt. The use of defeasance produces substantial debt service savings, which reduces the cost of service in the current year and in future years for both upstate and in-City

ratepayers as outlined previously. Defeasance produces other substantial benefits as noted previously.

In recognition of the size of the reconciliation amounts, the calculations in this Report spread recovery of the reconciliation amount for these years over a four-year period so as to moderate the resulting increase (or decrease) in the regulated rate. The Board may consider whether or not to use this methodology in the reconciliation for the cost of service in any future year on a case-by-case basis. It is not recommended that a reconciliation period longer than four years be used since in-City ratepayers or, alternatively, upstate ratepayers are essentially paying for the increased costs in the year in which such moneys are spent. The four-year maximum period recognizes the need to recover such costs promptly while avoiding overly substantial fluctuations in the unit rates for water supply from year to year. As illustrated in the subparts of line 18 in Table 1B in prior reports, there are both cost of service to be recovered and credits to be applied in future years through the phasing of reconciliations.

The water consumption used in calculating the regulated rate reflects a calculated slow rate of increase in demand based on the results of a regression analysis. Water consumption data since 1985 is presented in Table 13. The use of the 10-year regression analysis was previously agreed-to by the City and representatives of upstate customers as a means to estimate future consumption. However, a 5-year regression analysis is used in this Report in estimating future water demand by both in-City and upstate customers. The results of a 5-year regression analysis reflect more recent changes in annual consumption in-City and System-wide, which resulted in a more gradual decline for the calculated 2019 rate when the change was implemented. The projected System-wide demand of 407,107 MG is used in developing the projected unit rate for 2027. The projected consumption in 2026 through 2030 shows slight increases in demand in each year. Higher projected System-wide consumption leads to a lower projected unit rate.

The upstate share of total water consumption using the 5-year regression analysis is estimated to be 38,198 MG in 2027. In Figure 6, a line graph illustrates the projected consumption for both in-City and upstate customers.

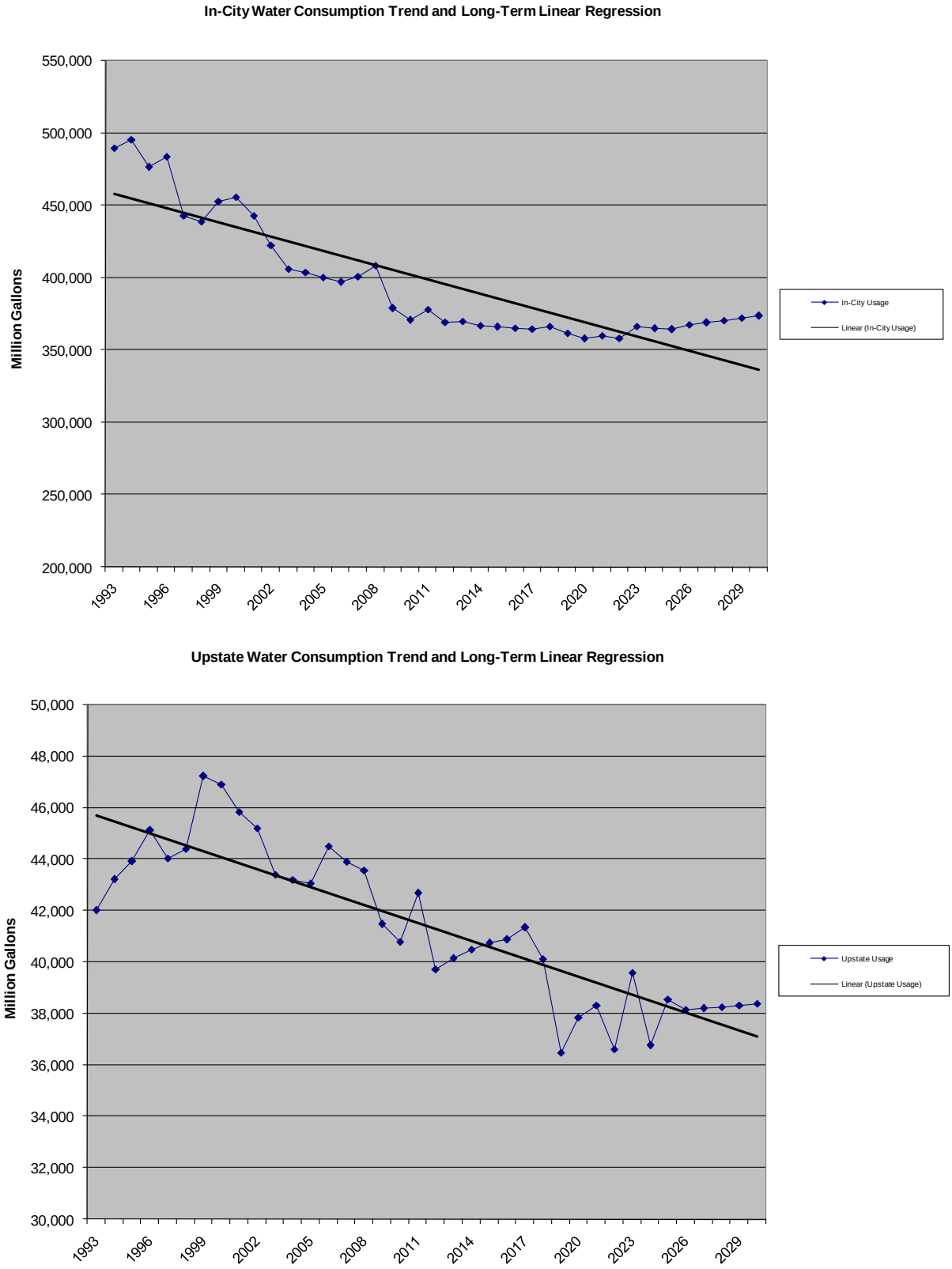
Water consumption compared to the prior year in 2023 increased 2.3% in-City and increased 8.1% in upstate communities. In 2024, water consumption decreased 0.4% in-City and decreased 7.1% in upstate communities compared to the prior year. In 2025, water consumption decreased 0.2% in-City and increased 4.9% in upstate communities compared to the prior year.

Year-to-date consumption for 2026 within the City through December 31, 2025 was 1.6% lower than the consumption during the same period in 2025. Year-to-date consumption for upstate communities through December 31, 2025 was 2.4% higher than during the same period in 2025.

The regression results show a System-wide change of a 0.66% increase in 2026 and a 0.40% annual increase in 2027, followed by an annual increase of 0.39% in 2028 through 2030. Current in-City assumptions utilize a 1.0% annual rate of decline in 2026 through 2030. The regression

shows a projected slow pace of increase in consumption each year through 2030 for in-City use and a decline in annual upstate consumption in 2026 and then a gradual increase through 2030; the combined in-City and upstate demand shows a slow rate of increase each year.

Figure 6 Comparison of Water System Consumption



4.8 Additional Issues Relating to the Cost of Service and the Regulated Rate

There are other issues relevant to the Board's deliberations on the cost of service and regulated rate for 2027. Certain of these issues are summarized herein.

4.8.1 Operating Risks

The cost of service computations are presented on the cash basis methodology as required by NYSDEC. The cost of service analysis and regulated rate calculated for 2027 reflect no allowance for the risks being borne by the City as the owner and operator of the Water System. Other large water systems are permitted to earn a premium over the cost of service to provide an allowance for such risks. Water industry rate-making guidance published by AWWA recognizes both the risks and the reasonableness of such a premium.

4.8.2 Water Demand Management Initiatives

DEP has invested and continues to invest substantial amounts of money in water demand management initiatives, and such investments will help reduce the need to develop new supplies of water in the future and ensure that the Water System has sufficient capacity during the period when the Delaware Aqueduct is shut down for repairs (referenced in a number of parts of this Report).

Approximately 810,700 accounts within the City, representing 96% of total accounts and approximately 76% of total utility service revenues, are billed on a metered basis.

Approximately 29,100 accounts, representing 3% of total accounts and approximately 24% of total utility service revenues, are billed annually through a flat-rate system. These accounts are charged for water either on a per unit charge as part of the Multiple-family Conservation Program ("MCP") or through a frontage-based billing system, which is a computation that incorporates, among other factors, the width of the front of the building, the number of stories, the number of dwelling units, and the number of water-using fixtures in the building. Flat-rate bills are normally sent annually to customers prior to the start of each Fiscal Year and are due at the end of the first month of the Fiscal Year. Currently, approximately 23,900 accounts are billed on MCP. All accounts enrolled in the MCP were required to have meters, automatic meter reading ("AMR") devices, and high-efficiency plumbing fixtures installed, or by December 31, 2018 to have taken reasonable steps to comply with MCP requirements.

The cost of service and regulated rate, as presented herein, do not include the costs of the funds invested in metering in-City customers or any of the other programs listed above even though such investments benefit the water supply for all users of the System.

4.8.3 Upstate Wastewater Treatment Plants

In addition to non-City owned plants, the City owns and operates wastewater treatment plants in the watershed and is responsible for capital improvements in those facilities. Given the absence

of a mechanism to recover the operating and capital costs of these facilities directly from the users of these systems, such costs are included within the cost of water supply service and the calculation of the regulated rate; thus assigning most of the costs to in-City customers.

5.0 Impacts on Customers of the Calculated and Proposed Regulated Rate

The Fiscal Year 2026 rate of $2,228.45 per MG represented a 1.60% decrease over the regulated rate charged in Fiscal Year 2025. The proposed regulated rate for Fiscal Year 2027 is $2,193.07 per MG including the effects of the reconciliations spread over four years. The proposed rate for 2027 would represent a 1.59% decrease over the current regulated rate for upstate customers.

The impact on a typical single family homeowner of the proposed change in the unit rate would be modest. Assuming that the change in the unit rate is passed on in its entirety to the customers of upstate communities, the decrease in charges attributable to a single family residence using 70,000 gallons of water per year would be $2.48 for the entire year, or 21 cents per month.

Prior to the effects of the reconciliation, the current estimate of the unit cost of service for 2026 is $2,114.66 per MG. After the effect of the reconciliation is taken into consideration, the preliminary calculated net unit cost of service for 2026 at the time of this Report is $2,029.19 per MG which is lower than the rate in effect during 2026 of $2,228.45 per MG. The current estimate of the unit cost of service for 2026 will change based on actual costs incurred and actual water demand and will be reflected in a future Report.

For 2028 through 2030, Figure 7 outlines the anticipated percentage change in the unit cost of water supply and the portions of the change attributable to increases or decreases in the cost of service and water consumption. The information presented in Figure 7 is preliminary and subject to change. If consumption increases at a pace that is faster than expected, the unit rate for water supply will decline in order to recover the estimated cost of service. As noted above, the unit cost of service in 2026 may differ from the unit rate that was charged by the Board. If the final results for 2026 confirm this preliminary expectation, the percentage change in the unit rate due to the cost of service and the percentage change in the calculated unit rate for water supply in 2028 may decrease from the amounts shown in Figure 7 due to the effects of the reconciliation for 2026.

Figure 7 Impact of Cost of Service and Consumption on Unit Rate

New York City Water Board
Cost of Supplying Water to Upstate Customers

	2028	*2029*	*2030*
Percentage Change in the Unit Rate due to Increase in Cost of Service (Net of Reconciliation)	7.2%	6.5%	5.9%
Percentage Change in the Unit Rate due to Fluctuations in Consumption	-0.4%	-0.4%	-0.4%
Percentage Change in the Calculated Unit Rate for Water Supply (Net of Reconciliation)	6.8%	6.1%	5.5%

All figures are projected and totals may not add due to rounding.

The potential impact of the calculated regulated rate on the actual rate schedules for upstate customers will depend to a large extent on the upstate suppliers' cost of purchased water in relation to the total cost of service experienced by these suppliers. To illustrate the potential effects on the overall charges to customers, Tables 2A and 2B present the rate structures of several upstate communities that purchase water from the City. The annual single family residential water charge is computed for each community using a 70,000 gallon per year allowance. Table 3 illustrates the computed single family charge and shows the estimated percentage change in that charge that would occur with the proposed regulated rate for 2027.

Additional rate increases are anticipated in future years based on the need to protect the water supply for all customers and to avoid the costly possibility of having to filter Catskill and Delaware System water. Future changes in rates are dependent upon whether or not the overall trend in consumption continues as well as changes in debt service for capital improvements and the costs of watershed protection.

Prior to 2008, the rates and charges of the Board that were assessed to upstate customers for water supply service were generally less than the actual cost to the City. Table 15 illustrates the charges to upstate customers versus the computed cost to the City of serving those customers. The figures shown in Table 15 do not consider the effects of the reconciliation of the cost of service from prior years.

Appendices

Table 1A Historical Cost of Service

TABLE 1A
New York City Water Board
Cost of Supplying Water to Upstate Customers
Historical Cost of Service

No.	Description		FY 2023	FY 2024	FY 2025
	Bureau of Water Supply Direct				
	Costs for Facilities North of the City				
1	Other Than Personal Services	$	293,628,856	305,768,521	327,868,647
2	Debt Service	$	223,312,674	268,811,175	264,846,536
3a	Cash Used for Capital Construction	$	66,770,616	18,567,235	0
3b	Cash Used for the Defeasance of Debt	$	0	31,669,181	82,662,386
4	Judgment and Claims	$	983	0	25,938
5	Less Miscellaneous Revenue	$	(10,546,286)	(7,944,712)	(7,982,913)
	Personal Services				
6	Field Personnel	$	107,844,033	124,430,706	122,724,514
7	Support and Administrative Personnel	$	29,287,396	34,528,448	34,643,699
8	Total Costs Directly Related to Facilities North of the City	$	710,298,273	775,830,556	824,788,808
	Upstate Share of NYC DEP Costs				
9	Personal Services	$	12,243,710	15,609,097	16,071,754
10	Other Than Personal Services	$	10,567,658	11,227,507	12,807,048
11	Total NYC DEP Costs Allocated to Facilities North of the City	$	22,811,367	26,836,604	28,878,802
12	***Upstate Share of City Central Service Costs*** [(1)]	$	1,558,931	1,663,744	2,475,138
13	Total Costs Related to Facilities North of the City	$	734,668,572	804,330,904	856,142,748
14	System Usage	MG	405,885	401,692	402,826
15	***Unit Rate to Recover the Total Costs (line 13 divided by 14)***	$/MG	1,810.04	2,002.36	2,125.34
16	Unit Rate Charged	$	2,083.48	2,224.32	2,264.80
17	Revenue Raised (line 14 times 16)	$	845,653,342	893,490,453	912,320,288
		$			
18	Cost Reconciliation for Prior Years:	$			
18d	Phasing of 2019 Reconciliation for 2017				
18e	Phasing of 2020 Reconciliation for 2018		18,831,804		
18f	Phasing of 2021 Reconciliation for 2019		21,766,491	21,766,491	
18g	Phasing of 2022 Reconciliation for 2020		8,812,192	8,812,192	8,812,192
18h	Phasing of 2023 Reconciliation for 2021		1,273,635	1,273,635	1,273,635
18i	Phasing of 2024 Reconciliation for 2022			(5,223,554)	(5,223,554)
18j	Phasing of 2025 Reconciliation for 2023				(15,075,162)
19	Net Total Costs for Facilities North of the City (line 13+ line 18s)	$	785,352,694	830,959,668	845,929,858
20	Difference in Revenue Less Net Total Costs (line 17 minus 19)	$	60,300,649	62,530,785	66,390,429
21	***Unit Rate Net of Reconciliation (line 19 / line 14)***	$	1,934.91	2,068.65	2,099.99
22	Upstate New York Usage	MG	39,581	36,758	38,543
23	Total Upstate Cost Including Reconciliation (line 21 x line 22)	$	76,586,144	76,038,772	80,939,719

Notes:
(1) Based on factors allocating a portion of central city service costs.
(2) Starting with 2016 rates, cost reconciliations for prior years are spread over a four-year period.

Table 1B Cost of Service Projections

TABLE 1B
New York City Water Board
Cost of Supplying Water to Upstate Customers
Cost of Service Projections

Line No.	Description		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
	Bureau of Water Supply Direct						
	Costs for Facilities North of the City						
1	Other Than Personal Services	$	339,726,187	390,633,052	399,549,127	408,750,366	418,248,066
2	Debt Service	$	293,017,985	324,438,228	369,042,892	397,082,034	425,671,973
3	Cash Used for Capital Construction or Debt Defeasance	$	35,251,753	35,042,553	35,042,553	38,936,170	38,936,170
4	Judgment and Claims	$	200,894	200,894	200,894	200,894	200,894
5	Less Miscellaneous Revenue	$	(8,037,063)	(8,152,320)	(8,269,882)	(8,389,796)	(8,512,107)
	Personal Services						
6	Field Personnel	$	128,546,088	132,402,471	136,374,545	140,465,782	144,679,755
7	Support and Administrative Personnel	$	36,287,061	37,375,673	38,496,943	39,651,851	40,841,407
8	Total Costs Directly Related to Facilities North of the City	$	824,992,905	911,940,551	970,437,073	1,016,697,301	1,060,066,158
	Upstate Share of NYC DEP Costs						
9	Personal Services	$	16,834,135	17,339,159	17,859,334	18,395,114	18,946,968
10	Other Than Personal Services	$	13,191,259	13,586,997	13,994,607	14,414,445	14,846,879
11	Total NYC DEP Costs Allocated to Facilities North of the	$	30,025,395	30,926,157	31,853,941	32,809,559	33,793,846
12	***Upstate Share of City Central Service Costs***	$	2,475,138	2,475,138	2,475,138	2,475,138	2,475,138
13	Total Costs Related to Facilities North of the City	$	857,493,437	945,341,846	1,004,766,152	1,051,981,999	1,096,335,142
14	System Usage	MG	405,500	407,107	408,713	410,320	411,927
15	***Unit Rate to Recover Total Costs (line 13 divided by 14)***	$/MG	2,114.66	2,322.10	2,458.36	2,563.81	2,661.48
16	Unit Rate Charged	$/MG	2,228.45				
17	Revenue Raised (line 14 times 16)	$					
18h	Phasing of 2023 Reconciliation for 2021		1,273,635				
18i	Phasing of 2024 Reconciliation for 2022		(5,223,554)	(5,223,554)			
18j	Phasing of 2025 Reconciliation for 2023		(15,075,162)	(15,075,162)	(15,075,162)		
18k	Phasing of 2026 Reconciliation for 2024		(15,632,696)	(15,632,696)	(15,632,696)	(15,632,696)	
18l	Phasing of 2027 Reconciliation for 2025			(16,597,607)	(16,597,607)	(16,597,607)	(16,597,607)
19	Net Total Costs for Facilities North of the City (line 13+line 18	$	822,835,660	892,812,826	957,460,687	1,019,751,696	1,079,737,535
20	Difference in Revenue Less Net Total Costs (line 17 minus 19)	$	N/A	N/A	N/A	N/A	N/A
21	***Unit Rate Net of Reconciliation (line 19 / line 14)***	$/MG	2,029.19	2,193.07	2,342.62	2,485.26	2,621.19
22	Upstate New York Usage	MG	38,139	38,198	38,256	38,314	38,373
23	Total Upstate Cost Including Reconciliation (line 21 x line 22	$	77,391,936	83,770,156	89,619,374	95,221,089	100,582,011

Table 2A Current Water Rates for Upstate New York Communities

TABLE 2A
New York City Water Board
Cost of Supplying Water to Upstate Customers
Current Water Rates for Upstate New York Communities

	City of White Plains	Village of Scarsdale
Current Water Rates	$2.82/Ccf - 1st 50 Ccf $3.15/Ccf - Next 100 Ccf (Rates are semi-annual; additional blocks for greater consumption) Plus fixed charge of $39.59 for residential meters 1" or less, per 6 mths	$3.99/Ccf - 1st 50 Ccf (qtrly accts); 3.0 X Base Rate for Excess Rate Tier One (51-125 Ccf) 3.5 X Base Rate for Excess Rate Tier Two (>125 Ccf) Plus service charge based on meter size: $30.00/qtr for 5/8"; $45.00/qtr for 3/4"; etc.
Avg. Annual Residential Use (Gal.)	70,000	70,000
Avg. Annual Residential Use (Ccf)	93.58	93.58
Avg. Residential Water Bill	$343	$523

	Village of Mamaroneck	Town of Harrison
Current Water Rates	$9.94/Ccf - 1st 22 Ccf per Mth $11.51/Ccf - Next 50 Ccf per Mth Plus service charge based on meter size: $19.00/mth for 5/8"; $22.66/mth for 3/4"; etc.	$7.43/Ccf - 1st 22 Ccf per Mth $8.95/Ccf - Next 50 Ccf per Mth Plus service charge based on meter size: $23.68/mth for 5/8"; $25.79/mth for 3/4"; etc.
Avg. Annual Residential Use (Gal.)	70,000	70,000
Avg. Annual Residential Use (Ccf)	93.58	93.58
Avg. Residential Water Bill	$1,180	$992

	New Rochelle Veolia Water New York Inc.	City of Mount Vernon
Current Water Rates	Consumption charge: $5.2855 / Ccf for the First 5 Ccf/mth $5.9515 / Ccf for the Next 7 Ccf/mth Cost of Water Charge: $3.3301 / Ccf Plus Facility Charge based on meter size: $17.00/mth for 5/8"; $24.87/mth for 3/4"; etc. Plus Public Fire Hydrant Charge: $7.77/mth for 5/8"; $11.98/mth for 3/4"; etc.	$4.30/Ccf - per quarter
Avg. Annual Residential Use (Gal.)	70,000	70,000
Avg. Annual Residential Use (Ccf)	93.58	93.58
Avg. Residential Water Bill	$1,198	$402

Notes:
(1) The above rates and charges reflect the rate schedules of each community in April 2026.
(2) Calculated average residential water bill excludes taxes and surcharges, if any.
(3) The calculations above assume 70,000 gallons of water use by a customer per year. Actual consumption and resulting water charges may vary by community.

Table 2B Current Water Rates for Upstate New York Communities

TABLE 2B
New York City Water Board
Cost of Supplying Water to Upstate Customers
Current Water Rates for Upstate New York Communities

	Town of Carmel	City of Yonkers
Current Water Rates	$67.30 per 1,000 cf (Water District #1) $44.90 per 1,000 cf (Water District #2)	$5.12 per Ccf
Avg. Annual Residential Use (Gal.)	70,000	70,000
Avg. Annual Residential Use (Ccf)	93.58	93.58
Avg. Residential Water Bill	$420 - $630	$479

	City of Newburgh	Village of Cornwall on Hudson
Current Water Rates	$10.18 per 1,000 Gal over Minimum Water Facility Fee of $6.85 Per Quarter Minimum charge based on meter size: $61.08/qtr for 5/8" Minimum Charge up to 6,000 gals $142.52/qtr for 3/4" Minimum Charge up to 14,000 gals	$12.00 per 1,000 Gal
Avg. Annual Residential Use (Gal.)	70,000	70,000
Avg. Annual Residential Use (Ccf)	93.58	93.58
Avg. Residential Water Bill	$740	$840

Notes:
(1) The above rates and charges reflect the rate schedules of each community in April 2026.
(2) Calculated average residential water bill excludes taxes and surcharges, if any.
(3) The calculations above assume 70,000 gallons of water use by a customer per year.
Actual consumption and resulting water charges may vary by community.

Table 3 Summary of Impacts on Upstate Customers

TABLE 3
New York City Water Board
Cost of Supplying Water to Upstate Customers
Summary of Impacts on Upstate Customers

Water System Customer	Typical Single Family Charges	Change Attributable to Proposed 2027 Regulated Rate	% Change to a Homeowner
City of White Plains	$343	($2.48)	-0.7%
Village of Scarsdale	$523	($2.48)	-0.5%
City of New Rochelle	$1,198	($2.48)	-0.2%
City of Yonkers	$479	($2.48)	-0.5%
Village of Mamaroneck	$1,180	($2.48)	-0.2%
Town of Harrison	$992	($2.48)	-0.2%
City of Mount Vernon	$402	($2.48)	-0.6%
Town of Carmel	$420 - $630	($2.48)	-0.4% to -0.6%
City of Newburgh	$740	($2.48)	-0.3%
Village of Cornwall on Hudson	$840	($2.48)	-0.3%
New York City	$473	($2.48)	-0.5%

Notes:
(1) The Typical Single Family Charge for selected communities is based on 70,000 gallons of annual water use, the average of a 5/8% & 3/4" meter and using the rate schedules of each community in April 2026.
(2) The calculations above assume 70,000 gallons of water use by a customer per year. Actual consumption and resulting water charges may vary by community.

Table 4A Historical Upstate Other Than Personal Services Costs

TABLE 4A
New York City Water Board
Historical Cost of Supplying Water to Upstate Customers
Upstate New York Other Than Personal Services Costs

Line No.	Description	FY 2023 $	FY 2024 $	FY 2025 $
	Budget			
1	Supplies and Materials - General	4,850,304	6,721,613	6,276,567
2	Automotive Supplies and Materials	721,940	699,826	699,671
3	Fuel Oil	2,026,467	1,781,662	1,730,058
4	Equipment - General	3,910,180	5,064,260	3,948,836
5	Telecommunications Equipment	1,889,069	672,990	26,146
6	Office Equipment	91,023	56,998	114,625
7	Contractual Services - General	14,928,163	13,187,701	21,453,006
8	Telephone and Other Communications	423,241	352,186	748,620
9	Office Services	190,720	113,729	77,875
10	Maintenance and Repairs - Motor Vehicles	420,599	633,301	698,690
11	Maintenance and Repairs - General	2,926,540	5,021,383	5,799,427
12	Rentals - Miscellaneous Equipment	3,839,607	3,981,549	4,311,033
13	Advertising	98,506	229,867	162,387
14	Cleaning Services	955,940	1,123,075	1,447,116
15	Licenses (1)	0	0	0
16	Chemicals	5,391,217	9,123,650	10,331,030
17	Real Estate Taxes - Existing Properties	148,287,459	150,496,499	150,198,227
18	Real Estate Taxes - UV Facility	13,169,789	12,960,130	13,406,301
19	NYS DEC Permits (1)	0	0	0
20	Motor Maintenance Supplies	336,028	587,253	1,131,901
21	Gasoline (1)	0	0	0
22	Lab and Limnology	85,455	164,001	75,672
23	Natural Gas & Electricity (2) (3)	1,771,552	1,715,176	2,160,596
24	Heat, Light & Power (2)	2,470,684	2,125,256	2,953,326
25	Upstate Cost of Service/Rate Studies	82,161	92,391	88,362
26	Hillview Reservoir	20,122,605	20,590,458	18,680,634
27	UV Facility (2)	14,782,631	12,065,081	16,484,221
28	Filtration Avoidance - O&M Payments	12,552,112	14,348,980	16,490,001
29	Filtration Avoidance - Program Funding	35,508,472	40,297,776	46,990,434
30	New Initiatives/Programs	0	0	0
31	Water for the Future	0	0	0
32	Water Supply Environmental Health & Safety	1,796,393	1,561,731	1,383,883
33	Totals	293,628,856	305,768,521	327,868,647

Notes:

(1) Actual costs were not available at the publishing of this report. The City reserves the right to include such expenses in calculating the cost of service and regulated rate at a future date.

(2) Electricity costs for the UV facility are separately tracked from the remainder of Water Supply Heat, Light & Power.

(3) Line 23 for electricity and gas excludes costs associated with the Croton Filtration Plant and Jerome Park within the limits of the City recognizing that such facilities are an integral part of the water supply system.

Table 4B Projected Upstate Other Than Personal Services Costs

TABLE 4B
New York City Water Board
Projected Cost of Supplying Water to Upstate Customers
Upstate New York Other Than Personal Services Costs

Line No.	Description	*Projected Years* FY 2026 $	FY 2027 $	FY 2028 $	FY 2029 $	FY 2030 $
1	Supplies and Materials - General	6,464,864	6,658,810	6,858,574	7,064,331	7,276,261
2	Automotive Supplies and Materials	720,661	742,281	764,549	787,485	811,110
3	Fuel Oil	1,781,960	1,835,418	1,890,481	1,947,195	2,005,611
4	Equipment - General	4,067,302	4,189,321	4,315,000	4,444,450	4,577,784
5	Telecommunications Equipment	26,931	27,739	28,571	29,428	30,311
6	Office Equipment	118,064	121,606	125,254	129,012	132,882
7	Contractual Services - General (1)	22,096,597	22,759,494	23,442,279	24,145,548	24,869,914
8	Telephone and Other Communications	771,079	794,211	818,038	842,579	867,856
9	Office Services	80,211	82,617	85,096	87,649	90,278
10	Maintenance and Repairs - Motor Vehicles	719,651	741,241	763,478	786,382	809,974
11	Maintenance and Repairs - General	5,973,410	6,152,612	6,337,190	6,527,306	6,723,125
12	Rentals - Miscellaneous Equipment	4,440,364	4,573,574	4,710,782	4,852,105	4,997,668
13	Advertising	167,259	172,276	177,445	182,768	188,251
14	Cleaning Services	1,490,530	1,535,246	1,581,303	1,628,742	1,677,605
15	Licenses (2)	0	0	0	0	0
16	Chemicals	10,950,892	11,607,945	12,304,422	13,042,687	13,825,249
17	Real Estate Taxes - Existing Properties	152,451,201	154,737,969	157,059,038	159,414,924	161,806,148
18	Real Estate Taxes - UV Facility	13,768,165	14,252,793	14,537,849	14,828,606	15,125,178
19	NYS DEC Permits (2)	0	0	0	0	0
20	Motor Maintenance Supplies	1,165,858	1,200,834	1,236,859	1,273,965	1,312,184
21	Gasoline (2)	0	0	0	0	0
22	Lab and Limnology	77,942	80,281	82,689	85,170	87,725
23	Natural Gas & Electricity	2,225,414	2,292,177	2,360,942	2,431,770	2,504,723
24	Heat, Light & Power	3,041,926	3,133,184	3,227,179	3,323,994	3,423,714
25	Upstate Cost of Service/Rate Studies	91,013	93,744	96,556	99,452	102,436
26	Hillview Reservoir	19,752,126	20,886,428	22,087,263	23,358,577	24,704,553
27	UV Facility	20,472,522	21,086,698	21,719,299	22,370,878	23,042,004
28	Filtration Avoidance - O&M Payments	16,984,701	17,494,242	18,019,069	18,559,641	19,116,431
29	Filtration Avoidance - Program Funding	48,400,147	49,852,152	51,347,716	52,888,148	54,474,792
30	New Initiatives/Programs (3)	0	42,060,000	42,060,000	42,060,000	42,060,000
31	Water for the Future (4)	0	0	0	0	0
32	Water Supply Environmental Health & Safety	1,425,400	1,468,161	1,512,206	1,557,573	1,604,300
33	Totals	339,726,187	390,633,052	399,549,127	408,750,366	418,248,066

Notes:

(1) Contractual services includes projected costs for design of a water supply connection from the Village of Kiryas Joel to the Catskill Aqueduct.

(2) Projected costs were not available at the publishing of this report. The City reserves the right to include such expenses at a future date.

(3) New initiatives include incremental chemical cost increases at multiple facilities, Lead and Copper compliance support and other program cost increases.

(4) Water for the Future includes costs related to the Delaware Aqueduct shutdown.

Table 5A Authority Bond Proceeds

Table 5A
New York City Water Board
Cost of Supplying Water to Upstate Customers
Proceeds of Authority Bonds Used for Upstate Projects

Line	Bond Issue	Total Principal ($)	Total Upstate Allocation	Upstate Principal ($)
1	1986 through 2018	31,360,192,298	16.60%	5,206,991,657
2	FY 2018 Series BB	219,555,000	15.17%	33,308,623
3	FY 2018 Series CC	338,960,000	11.70%	39,673,692
4	FY 2018 Series DD	275,000,000	19.16%	52,677,550
5	**2019 Total**	32,193,707,298	16.56%	5,332,651,522
6	FY 2019 Series BB	100,000,000	2.24%	2,240,277
7	FY 2019 Series CC	300,000,000	30.20%	90,608,571
8	FY 2019 Series DD	475,000,001	9.19%	43,668,138
9	FY 2019 Series FF	110,185,000	28.18%	31,053,799
10	**2020 Total**	33,178,892,299	16.58%	5,500,222,308
11	FY 2020 Series BB	450,000,000	22.25%	100,124,972
12	FY 2020 Series CC	376,285,000	15.62%	58,783,070
13	FY 2020 Series DD	386,955,000	14.68%	56,807,590
14	FY 2020 Series GG	439,115,000	16.65%	73,109,231
15	**2021 Total**	34,831,247,299	16.62%	5,789,047,171
16	FY 2021 Series AA	279,860,000	22.34%	62,520,517
17	FY 2021 Series BB	305,435,000	13.86%	42,325,969
18	FY 2021 Series CC	396,000,000	19.95%	79,001,119
19	**2022 Total**	35,812,542,299	16.68%	5,972,894,776
20	FY 2022 Series AA	450,000,000	13.92%	62,660,123
21	FY 2022 Series CC	500,000,000	17.92%	89,621,065
22	**2023 Total**	36,762,542,299	16.66%	6,125,175,964
23	FY 2023 Series AA	396,005,000	8.83%	34,959,748
24	FY 2023 Series CC	200,000,000	9.13%	18,257,552
25	**2024 Total**	37,358,547,299	16.54%	6,178,393,264
26	FY 2024 Series AA	477,085,000	9.06%	43,213,128
27	FY 2024 Series BB	203,775,000	6.77%	13,805,725
28	FY 2024 Series CC	400,000,000	8.79%	35,167,966
29	**2025 Total**	38,439,407,299	16.31%	6,270,580,082
30	FY 2025 Series AA	700,000,000	18.90%	132,272,226
31	FY 2025 Series BB	950,000,000	21.66%	205,752,438
32	FY 2025 Series EE	225,000,000	22.89%	51,504,068
33	**2026 Total**	40,314,407,299	16.52%	6,660,108,815
34	**2027-2030 Total**		16.43%	

Notes:
(A) The upstate portion may change after all bond proceeds are spent.
(B) The 2027-2030 upstate allocation percentage references Table 5C Line 29.

Table 5B NYSEFC Bond Proceeds

Table 5B
New York City Water Board
Cost of Supplying Water to Upstate Customers
Proceeds of NYSEFC Bonds Used for Upstate Projects

Line No.	Bond Issue	Total Principal ($)	Upstate Allocation	Upstate Principal ($)
1	1986 through 2011	6,484,298,951	9.26%	600,455,626
2	FY 2011 Series 1	478,881,733	18.80%	90,032,698
3	**2012-2014 Total**	6,963,180,684	9.92%	690,488,324
4	FY 2014 Series 2	209,380,000	16.20%	33,914,464
5	**2015-2016 Total**	7,172,560,684	10.10%	724,402,788
6	FY 2016 Series 1,2	302,210,000	27.17%	82,100,990
7	FY 2016 Series 5,6	562,965,000	20.92%	117,781,965
8	**2017 Total**	8,037,735,684	11.50%	924,285,743
9	FY 2017 Series 3,4	569,448,000	14.79%	84,205,418
10	**2018 Total**	8,607,183,684	11.72%	1,008,491,161
11	FY 2018 Series 1,2	669,436,000	12.56%	84,073,070
12	**2019 Total**	9,276,619,684	11.78%	1,092,564,231
13	FY 2019 Series 2,3	485,144,000	22.87%	110,940,996
14	**2020 Total**	9,761,763,684	12.33%	1,203,505,227
15	FY 2020 Series 2,4	161,250,000	17.79%	28,688,552
16	FY 2020 Series 5,7	263,471,000	10.86%	28,604,684
17	**2021-2022 Total**	10,186,484,684	12.38%	1,260,798,464
18	FY 2022 Series 6,7	403,775,000	13.25%	53,497,992
19	**2023 Total**	10,590,259,684	12.41%	1,314,296,456
20	FY 2023 Series 1	233,195,635	19.88%	46,359,946
21	FY 2023 Series 2	106,546,723	17.17%	18,294,707
22	FY 2023 Series 5	187,619,000	21.48%	40,296,325
23	**2024 Total**	11,117,621,042	12.77%	1,419,247,433
24	FY 2024 Series 1	42,651,100	12.79%	5,455,952
25	FY 2024 Series 3	421,010,000	10.91%	45,916,699
26	**2025 & 2026 Total**	11,581,282,142	12.70%	1,470,620,084
27	**2027-2030 Total**		12.73%	

Notes:

(A) The upstate portion may change after all bond proceeds are spent.

(B) Some upstate portion of 2023 bond proceeds were restated due to the inclusion of a Hillview project that was previously excluded. That resulted in an increase of 0.02% in upstate principal for 2024 NYSEFC Bonds.

(C) The 2027-2030 upstate allocation percentage references Table 5C Line 31.

Table 5C Debt Service

Table 5C
New York City Water Board
Cost of Supplying Water to Upstate Customers
Debt Service

Line No.	Description		Actual FY 2023 $	Actual FY 2024 $	FY 2025	FY 2026	FY 2027 $	Projected FY 2028	FY 2029	FY 2030
	System Totals - Capital-Related Costs									
1	Authority Debt Service - First Resolution (A.)	A	17,350,367	15,620,826	13,531,130	7,545,000	7,545,000	7,545,000	7,545,000	7,545,000
2	Anticipated Debt Service - First Resolution	B	-	-	-	-	-	-	-	-
3	Authority Debt Service - Second Resolution (A.)	C	1,077,332,001	1,403,026,449	1,384,402,363	1,481,255,766	1,548,574,264	1,634,060,545	1,612,630,710	1,593,393,419
4	Anticipated Debt Service - Second Resolution	D	-	-	-	22,751,250	134,582,317	318,006,221	503,194,836	674,029,991
5	Interest on Short-Term Debt	E	-	-	-	-	20,000,000	20,000,000	20,000,000	20,000,000
6	NYS EFC Outstanding Debt Service	F	461,736,754	458,543,550	440,138,323	374,671,644	361,419,264	342,426,188	336,962,721	349,067,440
7	NYS EFC Projected Debt Service	G	-	-	-	1,355,128	9,537,617	25,289,723	41,117,758	57,026,242
8	Less: Cash Released from Escrow (B.)	H	(87,370,650)	(47,145,000)	-	-	-	-	-	-
	System Totals - Interest Earnings & Expenses									
9	Debt Service Fund	I	(29,366,824)	(69,014,995)	(71,287,740)	(67,276)	(67,276)	(67,276)	(67,276)	(67,276)
10	Debt Service Reserve Fund	J	(14,277,544)	(12,991,124)	(9,367,997)	(3,248,125)	(2,598,500)	(2,598,500)	(2,598,500)	(2,598,500)
11	Construction Fund	K	(7,445,791)	(26,674,075)	(36,394,833)	(21,301,364)	(19,020,000)	(14,260,000)	(16,800,000)	(16,000,000)
12	Subordinated Debt Service Fund	L	-	-	-	(18,240,059)	(18,834,782)	(21,098,615)	(22,798,315)	(24,759,433)
13	Miscellaneous Income & Expenses	M	(24,770,831)	(45,958,696)	(41,437,130)	(41,437,130)	(41,437,130)	(41,437,130)	(41,437,130)	(41,437,130)
14	Less: Authority Debt-Related Expenses	N	42,741,664	42,061,675	39,518,044	56,100,000	58,905,000	61,850,250	64,942,763	66,891,045
	Water Supply - Capital-Related Costs									
15	Authority Debt Service - First Resolution (A.)	A x O	2,890,824	2,583,388	2,207,319	1,246,466	1,239,304	1,239,304	1,239,304	1,239,304
16	Anticipated Debt Service - First Resolution	B x O	-	-	-	-	-	-	-	-
17	Authority Debt Service - Second Resolution (A.)	C x O	179,499,231	232,033,893	225,836,101	244,709,652	254,361,012	268,402,558	264,882,602	261,722,781
18	Anticipated Debt Service - Second Resolution	D x O	-	-	-	3,758,602	22,105,814	52,234,101	82,652,250	110,712,773
19	Interest on Short-Term Debt	E x P	-	-	-	-	3,114,894	3,114,894	3,114,894	3,114,894
20	NYS EFC Debt Service	(F+G)xQ	57,303,503	58,536,512	55,889,862	47,748,817	47,230,224	46,817,584	48,137,201	51,703,841
21	Less: Cash Released from Escrow (B.)	H x Q	(10,843,071)	(6,018,412)	-	-	-	-	-	-
	Water Supply - Interest Earnings									
22	Debt Service Fund	I x O	(4,892,941)	(11,413,768)	(11,629,094)	(11,114)	(11,050)	(11,050)	(11,050)	(11,050)
23	Debt Service Reserve Fund	J x O	(2,378,847)	(2,148,485)	(1,528,191)	(536,604)	(426,817)	(426,817)	(426,817)	(426,817)
24	Construction Fund	K x P	(1,169,788)	(4,180,612)	(5,632,463)	(3,337,380)	(2,962,264)	(2,220,919)	(2,616,511)	(2,491,915)
25	Subordinated Debt Service Fund (D)	L x P	-	-	-	(2,857,751)	(2,933,417)	(3,285,997)	(3,550,716)	(3,856,150)
26	Miscellaneous Income & Expenses (D)	M x P	(3,811,266)	(7,173,642)	(6,412,809)	(6,492,140)	(6,453,613)	(6,453,613)	(6,453,613)	(6,453,613)
27	Less: Authority Debt-Related Expenses	N x P	6,715,029	6,592,301	6,115,811	8,789,437	9,174,140	9,632,848	10,114,490	10,417,925
28	Net Water Supply Debt Service		223,312,674	268,811,175	264,846,536	293,017,985	324,438,228	369,042,892	397,082,034	425,671,973

			FY 2023	FY 2024	FY 2025	FY 2026	FY 2027-30(C.)
29	Upstate Authority $ as a % of Total Authority CIP $	O	16.66%	16.54%	16.31%	16.52%	16.43%
30	Upstate Total CIP $ as a % of Total CIP $	P	15.71%	15.67%	15.48%	15.67%	15.57%
31	Upstate NYS EFC $ as a % of Total NYS EFC CIP $	Q	12.41%	12.77%	12.70%	12.70%	12.73%

(A.) Includes the estimated effects on debt service (i.e., reductions) in Fiscal Years 2026 through 2030 of the previous defeasance and refunding of certain bonds.
(B.) Starting with 2022, cash released from escrow is broken out from Line No. 3 Authority Debt Service or Line No. 6 NYS EFC Debt Service to highlight the offset to debt service.
(C.) Uses the average of the percentages applicable to Fiscal Years 2023 and 2024 for purposes of estimating future allocations.
(D.) Beginning in 2025, Line 25 is based on Line 12 (L) times Line 30 (P). Beginning in 2025, Line 26 is based on Line 13 (M) times Line 30 (P)

Table 5D Cash Used for Construction and the Defeasance of Debt

TABLE 5D
New York City Water Board
Cost of Supplying Water to Upstate Customers
Cash Used for Capital Construction and the Defeasance of Debt
All Amounts in $

	Cash Used for Capital Construction/ Defeasance	Cash Used for Capital Construction	Cash Used for the Defeasance of Debt	Upstate CIP as a % of Water/Sewer CIP (1)
FY 2023	425,000,000	425,000,000	0	15.71%
FY 2024	320,529,633	118,466,832	202,062,802	15.67%
FY 2025	534,132,883	0	534,132,883	15.48%
FY 2026	225,000,000	N/A	N/A	15.67%
FY 2027	225,000,000	N/A	N/A	15.57%
FY 2028	225,000,000	N/A	N/A	15.57%
FY 2029	250,000,000	N/A	N/A	15.57%
FY 2030	250,000,000	N/A	N/A	15.57%

	Upstate Portion of Cash Used for Capital Construction/ Defeasance	Upstate Portion of Cash Used for Capital Construction	Upstate Portion of Cash Used for the Defeasance of Debt
FY 2023	66,770,616	66,770,616	0
FY 2024	50,236,417	18,567,235	31,669,181
FY 2025	82,662,386	0	82,662,386
FY 2026	35,251,753	N/A	N/A
FY 2027	35,042,553	N/A	N/A
FY 2028	35,042,553	N/A	N/A
FY 2029	38,936,170	N/A	N/A
FY 2030	38,936,170	N/A	N/A

(1) Upstate CIP % is from Table 5C for Fiscal Years 2023 - 2030.
(2) The amounts shown for Fiscal Years 2025 through 2030 are preliminary and subject to change.

Table 6 Judgments and Claims

TABLE 6
New York City Water Board
Cost of Supplying Water to Upstate Customers
Judgments and Claims

Year	Historical Costs ($)
2011	916,350
2012	240,320
2013	526,166
2014	42,626
2015	126,319
2016	44,517
2017	5,015
2018	9,781
2019	1,024,049
2020	5,000
2021	32,808
2022	13,531
2023	983
2024	0
2025	25,938
Average (2011-2025)	200,894
Projection Years (2026-2030)	200,894

Note:
The City reached a settlement for the Hillview cover consent order and agreed to pay the Federal Department of Justice a $1 million civil penalty. This amount was paid directly by the Comptroller's Office in May 2019 and was incorporated in the 2019 cost above.

Table 7 Miscellaneous Revenue

TABLE 7
New York City Water Board
Cost of Supplying Water to Upstate Customers
Miscellaneous Revenue
All Amounts in $

Year	Hydropower	Rents (Permits)	Tax Refunds	Total
2011	8,299,784	1,568,273	0	9,868,057
2012	4,388,471	2,021,826	0	6,410,297
2013	5,540,899	3,420,571	209,232	9,170,702
2014	10,466,857	1,811,900	0	12,278,757
2015	6,307,979	1,831,585	0	8,139,564
2016	4,981,644	2,438,929	0	7,420,573
2017	4,882,340	2,533,196	0	7,415,536
2018	6,230,775	1,846,973	0	8,077,748
2019	5,985,477	2,514,131	0	8,499,608
2020	3,347,208	1,550,569	0	4,897,777
2021	4,329,270	2,644,721	0	6,973,991
2022	6,882,463	2,670,324	0	9,552,787
2023	8,225,254	2,321,032	0	10,546,286
2024	5,338,636	2,606,076	0	7,944,712
2025	5,649,855	2,333,058	0	7,982,913
Average (2011-2025)		2,274,211		
Projection Years (2026-2030)				
2026	5,762,852	2,274,211	0	8,037,063
2027	5,878,109	2,274,211	0	8,152,320
2028	5,995,671	2,274,211	0	8,269,882
2029	6,115,585	2,274,211	0	8,389,796
2030	6,237,896	2,274,211	0	8,512,107

Notes:

(1) Certain historical revenues for hydropower and rents have changed from prior reports based on updated information from the City.

(2) 2015 hydropower revenue is shown net of expenses. Hydropower revenue in other years and projected hydropower revenue for 2026 - 2030 excludes expenses which are included in Tables 4A and 4B for those years.

Table 8A Historical Upstate Direct Personal Services Costs

TABLE 8A
New York City Water Board
Historical Cost of Supplying Water to Upstate Customers
Upstate New York Field Personnel Costs

Line No.	Description	FY 2023 $	FY 2024 $	FY 2025 $
	Divisional and Sectional Offices			
1	Katonah Resource Protection	890,335	963,786	795,024
2	Carmel Section	4,202,431	4,282,604	4,425,195
3	Prattsville/Schoharie	2,606,653	3,167,889	3,345,302
4	Ashokan	6,788,831	7,738,598	7,978,953
5	Grahamsville	6,662,375	6,908,827	6,717,004
6	Port Jervis	693,829	758,800	527,400
7	E. Division Hudson River P/S	2,740,996	3,482,997	3,146,068
8	Arkville Facility (1)	616,282	2,702,198	3,555,663
	Laboratories			
9	Hawthorne	3,153,782	3,123,273	3,836,857
10	Grahamsville	1,418,245	1,341,152	1,445,774
	Other Services			
11	Downsville	4,611,018	3,576,466	3,360,921
12	Sutton Park (2)	9,618,609	9,567,309	10,577,753
13	Kingston	12,706,634	13,342,999	13,167,314
14	Watershed Security (3)	24,354,369	28,904,826	26,657,286
15	Watershed-East of Hudson	5,827,221	6,094,925	6,185,258
16	Downsville/Water Plan and Protect	242,966	244,360	241,387
17	Mahopac	1,834,821	1,910,381	2,254,557
18	IT	88,514	0	0
19	Reservoir Headquarters	0	2,203,698	2,046,591
20	Hillview Reservoir (4)	6,095,306	6,680,625	7,114,461
21	UV Facility	6,313,839	6,693,066	6,768,539
22	Direct Personnel Overtime Costs	6,376,977	8,149,051	8,577,204
23	Net Retro Payment		2,592,875	
24	**Total Personal Services Costs**	**107,844,033**	**124,430,706**	**122,724,514**

Notes:

(1) New Delaware County office space located in Arkville opened in 2023.
(2) Sutton Park expenses include costs for laboratories.
(3) Hillview, Croton, Ashokan, Schoharie, Kingston, Downsville, Neversink, Beerston & other watershed locations.
(4) Hillview Reservoir costs include overtime expenses.
(5) In December 2023, the City and LEEBA (Law Enforcement Employees' Benevolent Association) reached a labor contract agreement, covering the period October 2017 through November 2026. The estimated net retroactive payment is $2.6M in 2024. Note that while some of this cost is anticipated to be indirect, in the absence of a definitive breakdown and since it is non-recurring cost it is all included as a direct expense.
(6) Personal service costs include salary, wages and a fringe benefit rate of: 56.18% in 2023, 58.63% in 2024, and 54.18% in 2025.
(7) Upward or downward changes from year to year in a particular category of costs may reflect shifts in classifications for accounting purposes as opposed to changes in personnel functions or responsibilities.

Table 8B Projected Upstate Direct Personal Services Costs

TABLE 8B
New York City Water Board
Cost of Supplying Water to Upstate Customers
Upstate New York Field Personnel Costs

Line No.	Description	*Projected Years* FY 2026 $	FY 2027 $	FY 2028 $	FY 2029 $	FY 2030 $
	Divisional and Sectional Offices					
1	Katonah Resource Protection	832,737	857,719	883,450	909,954	937,252
2	Carmel Section	4,635,110	4,774,163	4,917,388	5,064,909	5,216,857
3	Prattsville/Schoharie	3,503,991	3,609,110	3,717,384	3,828,905	3,943,772
4	Ashokan	8,357,444	8,608,167	8,866,412	9,132,404	9,406,376
5	Grahamsville	7,035,632	7,246,701	7,464,102	7,688,025	7,918,666
6	Port Jervis	552,418	568,991	586,060	603,642	621,751
7	E. Division Hudson River P/S	3,295,305	3,394,164	3,495,989	3,600,868	3,708,895
8	Arkville Facility (1)	3,724,330	3,836,060	3,951,142	4,069,676	4,191,766
	Laboratories					
9	Hawthorne	4,018,863	4,139,429	4,263,612	4,391,520	4,523,266
10	Grahamsville	1,514,356	1,559,787	1,606,580	1,654,778	1,704,421
	Other Services					
11	Downsville	3,520,350	3,625,961	3,734,739	3,846,782	3,962,185
12	Sutton Park (2)	11,079,520	11,411,906	11,754,263	12,106,891	12,470,098
13	Kingston	13,791,921	14,205,678	14,631,849	15,070,804	15,522,928
14	Watershed Security (3)	27,921,805	28,759,459	29,622,242	30,510,910	31,426,237
15	Watershed-East of Hudson	6,478,663	6,673,023	6,873,214	7,079,410	7,291,792
16	Downsville/Water Plan and Protect	252,837	260,422	268,235	276,282	284,570
17	Mahopac	2,361,505	2,432,350	2,505,320	2,580,480	2,657,894
18	IT	0	0	0	0	0
19	Reservoir Headquarters	2,143,674	2,207,984	2,274,223	2,342,450	2,412,724
20	Hillview Reservoir (4)	7,451,944	7,675,502	7,905,767	8,142,940	8,387,228
21	UV Facility	7,089,613	7,302,301	7,521,370	7,747,011	7,979,421
22	Direct Personnel Overtime Costs	8,984,074	9,253,596	9,531,204	9,817,140	10,111,654
23	**Total Personal Services Costs**	**128,546,088**	**132,402,471**	**136,374,545**	**140,465,782**	**144,679,755**

Notes:

(1) New Delaware County office space located in Arkville opened in 2023.
(2) Sutton Park expenses include costs for laboratories.
(3) Hillview, Croton, Ashokan, Schoharie, Kingston, Downsville, Neversink, Beerston & other watershed locations.
(4) Hillview Reservoir costs include overtime expenses, which are not included in Line 22.
(5) Personal service costs include an assumed fringe benefit & pension rate of 56.79% in 2026- 2030.
(6) It is assumed that personal services costs will increase 3.0% per year in 2026 - 2030, exclusive of changes in the fringe benefit & pension rate.
(7) Upward or downward changes from year to year in a particular category of costs may reflect shifts in classifications for accounting purposes as opposed to changes in personnel functions or responsibilities.

Table 9A Historical Upstate Indirect Personal Services Costs

TABLE 9A
New York City Water Board
Historical Cost of Supplying Water to Upstate Customers
Upstate New York Support & Administrative Personnel Costs

Line No.	Description	FY 2023 $	FY 2024 $	FY 2025 $
	Divisional and Sectional Offices			
1	Katonah Resource Protection	304,597	321,171	124,684
2	Carmel Section	0	0	3,740
3	Ashokan	404,952	241,609	236,231
4	Grahamsville	4,093,955	4,361,379	4,208,675
5	Arkville Facility (1)	155,299	1,622,142	1,976,775
	Laboratories			
6	Hawthorne	747,038	868,665	1,065,357
7	Grahamsville	0	223,493	192,827
	Other Services			
8	Downsville	291,164	161,483	220,579
9	Sutton Park (2)	8,320,383	9,366,249	9,633,623
10	Kingston Office	7,865,266	9,177,569	8,638,198
11	Watershed Security (3)	1,897,990	2,072,103	1,881,926
12	East of Hudson Fleet	199,142	309,201	300,614
13	Shokan Fleet Admin.	575,445	661,478	642,904
14	Downsville Fleet Admin.	144,048	165,298	160,845
15	Grahmsville Fleet Admin.	435,714	497,751	481,649
16	IT	2,469,064	2,618,270	2,857,081
17	Reservoir Headquarters	0	0	0
18	Other	10,095	59,517	36,731
19	UV Facility	633,029	973,789	1,254,879
20	Indirect Personnel Overtime Costs	740,214	827,281	726,381
21	**Total Personal Services Costs**	**29,287,396**	**34,528,448**	**34,643,699**

Notes:
(1) New Delaware County office space located in Arkville opened in April 2023.
(2) Sutton Park expenses include costs for laboratories.
(3) Hillview, Croton, Ashokan, Schoharie, Kingston, Downsville, Neversink, Beerston & other watershed locations.
(4) Personal service costs include salary, wages and a fringe benefit rate of: 56.18% in 2023, 58.63% in 2024, and 54.18% in 2025.
(5) Upward or downward changes from year to year in a particular category of costs may reflect shifts in classifications for accounting purposes as opposed to changes in personnel functions or responsibilities.

Table 9B Projected Upstate Indirect Personal Services Costs

TABLE 9B
New York City Water Board
Cost of Supplying Water to Upstate Customers
Upstate New York Support & Administrative Personnel Costs

Line No.	Description	*Projected Years* FY 2026 $	FY 2027 $	FY 2028 $	FY 2029 $	FY 2030 $
	Divisional and Sectional Offices					
1	Katonah Resource Protection	130,599	134,517	138,552	142,709	146,990
2	Carmel Section	3,917	4,035	4,156	4,280	4,409
3	Ashokan	247,437	254,860	262,505	270,381	278,492
4	Grahamsville	4,408,318	4,540,567	4,676,784	4,817,088	4,961,601
5	Arkville Facility (1)	2,070,546	2,132,662	2,196,642	2,262,541	2,330,417
	Laboratories					
6	Hawthorne	1,115,894	1,149,371	1,183,852	1,219,367	1,255,948
7	Grahamsville	201,974	208,033	214,274	220,702	227,323
	Other Services					
8	Downsville	231,042	237,973	245,112	252,466	260,040
9	Sutton Park (2)	10,090,605	10,393,323	10,705,123	11,026,276	11,357,065
10	Kingston Office	9,047,961	9,319,400	9,598,982	9,886,951	10,183,560
11	Watershed Security (3)	1,971,198	2,030,333	2,091,243	2,153,981	2,218,600
12	East of Hudson Fleet	314,874	324,320	334,050	344,071	354,393
13	Shokan Fleet Admin.	673,401	693,603	714,411	735,843	757,918
14	Downsville Fleet Admin.	168,475	173,529	178,735	184,097	189,620
15	Grahmsville Fleet Admin.	504,496	519,631	535,220	551,276	567,815
16	IT	2,992,610	3,082,388	3,174,860	3,270,105	3,368,209
17	Other	38,474	39,628	40,817	42,041	43,303
18	UV Facility	1,314,406	1,353,838	1,394,453	1,436,287	1,479,376
19	Indirect Personnel Overtime Costs	760,838	783,663	807,173	831,388	856,329
20	**Total Personal Services Costs**	**36,287,061**	**37,375,673**	**38,496,943**	**39,651,851**	**40,841,407**

Notes:
(1) New Delaware County office space located in Arkville opened in 2023.
(2) Sutton Park expenses include costs for laboratories.
(3) Hillview, Croton, Ashokan, Schoharie, Kingston, Downsville, Neversink, Beerston & other watershed locations.
(4) Personal service costs include an assumed pension & fringe benefit rate of 56.79% in 2026- 2030.
(5) It is assumed that personal services costs will increase 3.0% per year in 2026 - 2030, exclusive of changes in the pension & fringe benefit rate.
(6) Upward or downward changes from year to year in a particular category of costs may reflect shifts in classifications for accounting purposes as opposed to changes in personal functions or responsibilities.

Table 10 Development of Allocation Factors

TABLE 10
New York City Water Board
Cost of Supplying Water to Upstate Customers
Development of Allocation Factors

Line No.	Description	2023		2024		2025		Projection Years
1	Total Salaries - Employees North of the City	123,918,932		140,709,323		140,950,167		
2		---------- =	57.71%	---------- =	57.73%	---------- =	61.03%	61.03%
3	Total Salaries - All Water Supply Employees	214,720,851		243,745,644		230,965,635		
4	Total Salaries - Employees North of the City	123,918,932		140,709,323		140,950,167		
5		---------- =	16.91%	---------- =	16.90%	---------- =	17.27%	17.27%
6	Total Salaries - All NYC DEP Employees	732,962,387		832,783,194		816,278,200		

(1) The Total Salaries exclude salaries, wages and fringe benefits for personnel assigned to Hurricane Sandy and Grant Programs.
(2) The Total Salaries - Employees North of the City on Line 1 excludes salaries for employees at the Hillview facility. The City may, at its discretion, add such costs to Line 1 in the future.

Table 11A Historical Allocation of DEP Personal Services Costs

TABLE 11A
New York City Water Board
Cost of Supplying Water to Upstate Customers
Historical Allocation of DEP Personal Services
Costs to Facilities North of the City

Line No.	Description	FY 2023 $	FY 2024 $	FY 2025 $
1	Executive	13,094,758	15,711,970	15,446,163
2	General Counsel	5,484,665	7,604,285	7,284,064
3	Communications	3,097,001	7,750,026	8,049,860
4	Env. Health & Safety	4,850,004	5,642,873	6,045,106
5	Environ. Planning	9,230,262	13,952,634	15,668,206
6	Budget Office	4,716,173	5,396,299	4,682,884
7	Facilities Mgt & Constr	7,689,664	8,149,408	9,081,160
8	Human Res & Labor Rel	14,160,345	16,269,674	16,387,347
9	Chief Contract Office	6,493,401	7,947,557	7,420,937
10	Addt'l Exec & Support	3,603,482	3,957,168	3,009,879
11	Total DEP Executive and Support Personal Services Costs	72,419,755	92,381,895	93,075,606
12	Allocation to Water Supply North of NYC (1)	16.91%	16.90%	17.27%
13	**Personal Services Costs Related to Facilities North of the City**	**12,243,710**	**15,609,097**	**16,071,754**

Notes:
(1) From Table 10.
(2) Personal service costs include salary, wages and a pension & fringe benefit rate of: 56.18% in 2023, 58.63% in 2024, and 54.18% in 2025.

Table 11B Projected Allocation of DEP Personal Services Costs

TABLE 11B
New York City Water Board
Cost of Supplying Water to Upstate Customers
Projected Allocation of DEP Personal Services
Costs to Facilities North of the City

Line No.	Description	Projected Years FY 2026 $	FY 2027 $	FY 2028 $	FY 2029 $	FY 2030 $
1	Executive	16,178,868	16,664,235	17,164,162	17,679,086	18,209,459
2	General Counsel	7,629,592	7,858,480	8,094,234	8,337,061	8,587,173
3	Public Affairs	8,431,714	8,684,665	8,945,205	9,213,562	9,489,968
4	Env. Health & Safety	6,331,862	6,521,818	6,717,473	6,918,997	7,126,567
5	Environ. Planning	16,411,445	16,903,788	17,410,902	17,933,229	18,471,226
6	Budget Office	4,905,022	5,052,173	5,203,738	5,359,850	5,520,645
7	Facilities Mgt & Constr	9,511,935	9,797,294	10,091,212	10,393,949	10,705,767
8	Human Res & Labor Rel	17,164,699	17,679,640	18,210,029	18,756,330	19,319,020
9	Chief Contract Office	7,772,958	8,006,146	8,246,331	8,493,721	8,748,532
10	Addt'l Exec & Support	3,152,656	3,247,235	3,344,652	3,444,992	3,548,342
11	Total DEP Personal Services Costs	97,490,751	100,415,474	103,427,938	106,530,776	109,726,699
12	Allocation to Water Supply North of NYC (1)	17.27%	17.27%	17.27%	17.27%	17.27%
13	**Personal Services Costs - Facilities North of the City**	**16,834,135**	**17,339,159**	**17,859,334**	**18,395,114**	**18,946,968**

Notes:

(1) From Table 10, Projection Years.

(2) Personal service costs include a pension & fringe benefit rate of 56.79% in 2026 - 2030.

(3) It is assumed that personal services costs will increase 3.0% per year in 2026 - 2030, exclusive of changes in the pension & fringe benefit rate.

(4) Upward or downward changes from year to year in a particular category of costs may reflect shifts in classifications for accounting purposes as opposed to changes in personal functions or responsibilities.

Table 12A Historical Allocation of DEP Other Than Personal Services Costs

TABLE 12A
New York City Water Board
Historical Cost of Supplying Water to Upstate Customers
Allocation of DEP Other Than Personal Services
Costs to Facilities North of the City

Line No.	Description	FY 2023 $	FY 2024 $	FY 2025 $
1	Agency Chief Contracting Officer (ACCO)/Accounting	95,540	41,549	30,707
2	Executive and Support	21,223	21,277	43,466
3	Fleet Administration	8,416,859	8,253,161	8,624,182
4	Public Affairs & Intergovernmental	191,219	172,745	309,576
5	Facilities Management and Construction	641,313	838,991	711,378
6	Management and Budget	3,939,866	3,054,676	3,620,537
7	Management Information Systems	19,766,043	23,362,795	25,577,134
8	Chief Engineer, 1st Deputy & Engineering Audit	4,011	3,600	4,129
9	Legal & Legislative	118,621	125,887	184,757
10	Environmental Assessment	1,045,306	1,004,342	946,697
11	Telephone	5,284,729	5,320,839	6,067,356
12	Lefrak Administration Rents	5,995,644	6,323,317	9,445,863
13	Facility Management Rents	520,516	616,321	593,499
14	Management and Budget Environmental Health/Safety	258,134	168,638	250,354
15	Security Services	2,022,046	1,833,086	2,216,312
16	DEP Online Store	1,004	8,218	(4,052)
17	PC Purchasing Consolidation Administration	72,429	51,086	21,343
18	LeFrak Carpet Installation	42,119	29,960	(179,338)
19	BEPA Rezoning Planning Support	373,373	219,726	157,840
20	BEPA Integrated Water Mgnt Planning	0	0	0
21	Total OTPS to be Allocated	48,809,993	51,450,215	58,621,739
22	Allocation (1)	16.91%	16.90%	17.27%
23	OTPS Allocation (line 21 X line 22)	8,252,104	8,693,169	10,122,461
24	Rents Other Than Lefrak	3,135,219	3,497,949	3,194,592
25	Lefrak Water Supply Rents	702,702	758,041	1,039,414
26	Total Rents (line 24 + line 25)	3,837,921	4,255,990	4,234,006
27	Motor Vehicle Parking	726,263	655,783	655,783
28	Allocation in Each Year	24.01%	20.46%	25.17%
29	Total Motor Vehicle Parking (line 27 X line 28)	174,360	134,152	165,048
30	Rent & Motor Vehicles Costs Allocated to Water Supply at DEP (2)	4,012,281	4,390,142	4,399,054
31	Allocation to Facilities North of NYC (1)	57.71%	57.73%	61.03%
32	OTPS Costs Related to Facilities North of the City			
32	Rent & Motor Vehicles Costs Related to Facilities North of the City (3)	2,315,553	2,534,338	2,684,587
33	**OTPS Costs Related to Facilities North of the City (4)**	**10,567,658**	**11,227,507**	**12,807,048**

Notes:
(1) From Table 10.
(2) Rent & motor vehicles costs allocated to Water Supply are equal to the sum of lines 26 and 29.
(3) Rent & motor vehicles costs allocated to north of the City are equal to line 30 X line 31.
(4) OTPS costs related to facilities north of the City are equal to sum of lines 23 and 32.
(5) LeFrak Carpet Installation costs should have been excluded because it is funded through grants. A credit that equals all costs charged for this item in prior years is provided in 2025.

Table 12B Projected Allocation of DEP Other Than Personal Services Costs

TABLE 12B
New York City Water Board
Cost of Supplying Water to Upstate Customers
Allocation of DEP Other Than Personal Services
Costs to Facilities North of the City

Line No.	Description	*Projected Years* FY 2026 $	FY 2027 $	FY 2028 $	FY 2029 $	FY 2030 $
1	Agency Chief Contracting Officer (ACCO)/Accounting	31,628	32,577	33,554	34,561	35,598
2	Executive and Support	44,770	46,113	47,496	48,921	50,389
3	Fleet Administration	8,882,907	9,149,394	9,423,876	9,706,592	9,997,790
4	Public Affairs & Intergovernmental	318,863	328,429	338,282	348,431	358,884
5	Facilities Management and Construction	732,719	754,700	777,341	800,662	824,682
6	Management and Budget	3,729,153	3,841,027	3,956,258	4,074,946	4,197,194
7	Management Information Systems	26,344,448	27,134,781	27,948,825	28,787,290	29,650,908
8	Chief Engineer, 1st Deputy & Engineering Audit	4,253	4,381	4,512	4,648	4,787
9	Legal	190,300	196,009	201,889	207,946	214,184
10	Environmental Assessment	975,098	1,004,351	1,034,482	1,065,516	1,097,481
11	Telephone	6,249,377	6,436,858	6,629,964	6,828,863	7,033,729
12	Lefrak Administration Rents	9,729,239	10,021,116	10,321,749	10,631,402	10,950,344
13	Facility Management Rents	611,304	629,643	648,532	667,988	688,028
14	Management and Budget Environmental Health/Safety	257,865	265,601	273,569	281,776	290,229
15	Security Services	2,282,802	2,351,286	2,421,824	2,494,479	2,569,313
16	DEP Online Store	(4,174)	(4,299)	(4,428)	(4,561)	(4,698)
17	PC Purchasing Consolidation Administration	21,983	22,643	23,322	24,021	24,742
18	LeFrak Carpet Installation	(184,719)	(190,260)	(195,968)	(201,847)	(207,902)
19	BEPA Rezoning Planning Support	162,575	167,453	172,476	177,650	182,980
20	BEPA Integrated Water Mgnt Planning	0	0	0	0	0
21	Total OTPS to be Allocated	60,380,391	62,191,803	64,057,557	65,979,283	67,958,662
22	Allocation (1)	17.27%	17.27%	17.27%	17.27%	17.27%
23	OTPS Allocation (line 21 X line 22)	10,426,134	10,738,918	11,061,086	11,392,918	11,734,706
24	Rents Other Than Lefrak	3,290,430	3,389,142	3,490,817	3,595,541	3,703,407
25	Lefrak Water Supply Rents	1,070,597	1,102,715	1,135,796	1,169,870	1,204,966
26	Total Rents (line 24 + line 25)	4,361,026	4,491,857	4,626,613	4,765,411	4,908,373
27	Motor Vehicle Parking	675,456	695,720	716,592	738,090	760,232
28	Allocation	25.17%	25.17%	25.17%	25.17%	25.17%
29	Total Motor Vehicle Parking (line 27 X line 28)	170,000	175,100	180,353	185,763	191,336
30	Rent & Motor Vehicles Costs Allocated to Water Supply at DEP (2)	4,531,026	4,666,957	4,806,966	4,951,175	5,099,710
31	Allocation to Facilities North of NYC (1)	61.03%	61.03%	61.03%	61.03%	61.03%
32	Rent & Motor Vehicles Costs Related to Facilities North of the City (3)	2,765,125	2,848,079	2,933,521	3,021,527	3,112,173
33	**OTPS Costs Related to Facilities North of the City (4)**	**13,191,259**	**13,586,997**	**13,994,607**	**14,414,445**	**14,846,879**

Notes:
(1) From Table 10, Projection Years.
(2) Rent & motor vehicles costs allocated to Water Supply are equal to the sum of lines 26 and 29.
(3) Rent & motor vehicles costs allocated to north of the City are equal to line 30 X line 31.
(4) OTPS costs related to facilities north of the City are equal to sum of lines 23 and 32.
(5) It is assumed that the costs as shown above will increase at the rate of 3% per year.

Table 13 Annual Water Consumption

TABLE 13
New York City Water Board
Cost of Supplying Water to Upstate Customers
Annual Water Consumption

Line No.	Fiscal Year	(A) System-Wide Consumption mg	(B) Upstate Consumption mg	Upstate as a % of Total [B]/[A]
1	1985	544,025	41,661	7.66%
2	1986	501,019	39,397	7.86%
3	1987	542,870	42,853	7.89%
4	1988	573,679	44,956	7.84%
5	1989	559,669	43,255	7.73%
6	1990	547,522	42,795	7.82%
7	1991	564,234	45,103	7.99%
8	1992	560,014	44,010	7.86%
9	1993	531,796	42,015	7.90%
10	1994	538,558	43,221	8.03%
11	1995	520,410	43,915	8.44%
12	1996	528,938	45,125	8.53%
13	1997	487,012	44,044	9.04%
14	1998	483,182	44,404	9.19%
15	1999	499,849	47,230	9.45%
16	2000	502,758	46,922	9.33%
17	2001	488,909	45,845	9.38%
18	2002	467,705	45,200	9.66%
19	2003	449,606	43,400	9.65%
20	2004	446,822	43,198	9.67%
21	2005	443,445	43,072	9.71%
22	2006	441,477	44,504	10.08%
23	2007	444,553	43,895	9.87%
24	2008	452,048	43,559	9.64%
25	2009	420,438	41,477	9.87%
26	2010	411,482	40,797	9.91%
27	2011	420,635	42,682	10.15%
28	2012	408,954	39,713	9.71%
29	2013	410,006	40,143	9.79%
30	2014	407,436	40,485	9.94%
31	2015	406,815	40,745	10.02%
32	2016	405,876	40,878	10.07%
33	2017	405,883	41,342	10.19%
34	2018	406,551	40,129	9.87%
35	2019	398,171	36,477	9.16%
36	2020 [4]	395,793	37,838	9.56%
37	2021	398,281	38,320	9.62%
38	2022	394,712	36,620	9.28%
39	2023 [4]	405,885	39,581	9.75%
40	2024	401,692	36,758	9.15%
41	2025	402,826	38,543	9.57%
Projections:				
42	2026	405,500	38,139	9.41%
43	2027	407,107	38,198	9.38%
44	2028	408,713	38,256	9.36%
45	2029	410,320	38,314	9.34%
46	2030	411,927	38,373	9.32%

Notes:
(1) Consumption projections are based on a 5-year regression analysis.
(2) Equation used to calculate System-wide Consumption:
y=m(t)+b. Where (t) is a given year.
m= 1606.847327 b= -2,849,972.89
(3) Equation used to calculate Upstate Consumption:
y=m(t)+b. Where (t) is a given year.
m= 58.34 b= -80,063.60
(4) There were minor adjustments to previously reported consumption.

Table 14 Projected Revenues From Hydroelectric Facilities

Table 14

NYC Department of Environmental Protection
Gross Revenue Estimates for Upstate Hydro-Electric Facilities
All Amounts in $

Revenues	Fiscal Year 2026	2027	2028	2029	2030
Neversink	1,038,799	1,059,575	1,080,766	1,102,382	1,124,429
West Delaware	115,898	118,216	120,580	122,991	125,451
East Delaware	4,608,155	4,700,319	4,794,325	4,890,211	4,988,016
Summary	5,762,852	5,878,109	5,995,671	6,115,585	6,237,896

Notes:

(1) Except as noted below, all figures are based on actual 2025 results reported by the New York City Office of the Comptroller, adjusted for inflation in subsequent years at the rate of 2% per year.

(2) Calendar year revenue data is used to estimate the fiscal year revenue when the fiscal year data is not available at the time of this Report.

(3) All amounts represent revenues only; offsetting expenses are included in OTPS.

Table 15 Comparison of Upstate Customer Billings vs. Cost of Service

TABLE 15
New York City Water Board
Cost of Supplying Water to Upstate Customers
Cost-of-Service Reconciliation

Fiscal Year	Rate ($) per Million Gallons (MG) Billed to Upstate Customers	Computed Cost to the Board	Upstate Consumption (MG)	Total Billed ($)	Actual Cost ($)	Over- (-) or Under- (+) payment ($)
1994 (a)	165.23	211.6	43,221	7,141,373	9,145,521	2,004,148
1995 (a)	174.18	229.87	43,915	7,649,115	10,094,741	2,445,626
1996 (a)	174.18	247.28	45,125	7,859,907	11,158,559	3,298,652
1997	227.95	309.55	44,044	10,039,830	13,633,820	3,593,990
1998	274.93	338.79	44,404	12,208,047	15,043,699	2,835,652
1999	342.97	348.31	47,230	16,198,439	16,450,646	252,208
2000	383.78	385.25	46,922	18,007,764	18,076,739	68,975
2001	414.37	414.88	45,845	18,996,834	19,020,215	23,381
2002	448.83	462.24	45,200	20,287,116	20,893,248	606,132
2003 (a)	485.71	522.99	43,400	21,079,814	22,697,766	1,617,952
2004 (a)	542.36	529.85	43,198	23,428,650	22,888,248	-540,402
2005	591.21	591.91	43,072	25,464,774	25,494,925	30,151
2006	617.79	623.47	44,504	27,494,064	27,746,847	252,782
2007	691.91	691.83	43,895	30,371,597	30,368,104	-3,493
2008	798.62	703.73	43,559	34,786,978	30,653,783	-4,133,195
2009	900.31	882.91	41,477	37,342,472	36,620,683	-721,789
2010	922.23	973.86	40,797	37,624,046	39,730,509	2,106,464
2011	1,149.72	1,121.04	42,682	49,072,562	47,848,489	-1,224,073
2012	1,213.84	1,283.45	39,713	48,205,540	50,970,046	2,764,506
2013	1,332.30	1,389.42	40,143	53,482,864	55,775,883	2,293,019
2014	1,496.76	1,604.43	40,485	60,596,628	64,955,593	4,358,965
2015	1,573.61	1,670.85	40,745	64,116,572	68,078,546	3,961,974
2016	1,728.99	1,769.49	40,878	70,677,331	72,332,828	1,655,497
2017	1,728.99	1,862.60	41,342	71,480,283	77,004,051	5,523,768
2018	1,728.99	1,846.08	40,129	69,381,804	74,080,477	4,698,673
2019	1,728.99	1,830.75	36,477	63,068,007	66,779,760	3,711,753
2020	1,888.06	1,837.63	37,838	71,440,215	69,531,990	-1,908,225
2021	1,888.06	1,734.95	38,320	72,350,961	66,483,670	-5,867,291
2022	2,054.63	1,828.82	36,620	75,239,665	66,970,583	-8,269,081
2023	2,083.48	1,810.04	39,581	82,466,552	71,643,522	-10,823,030
2024	2,224.32	2,002.36	36,758	81,760,788	73,602,049	-8,158,738
2025	2,264.80	2,125.34	38,543	87,292,045	81,916,902	-5,375,143
			Total Underpayment 1994-2025			1,079,808
			Total Underpayment 2016-2025			-24,811,818

(a)The computed cost to the Board as shown above for 2003 and 2004 does not take into consideration the upstate share of the costs of defeasance of certain Authority bonds. Including the effects of the cost of defeasance, the rate per million gallons is $549.32 in 2003 and $560.58 in 2004.

(b)The rates shown above include the costs of defeasance, where applicable.

(c) The table above does not take into account the application of credits or charges to the cost of service based on prior year reconciliations.