



**Environmental
Protection**

Public Hearing on Proposed Water Rates Effective July 1, 2021 for Customers North of New York City

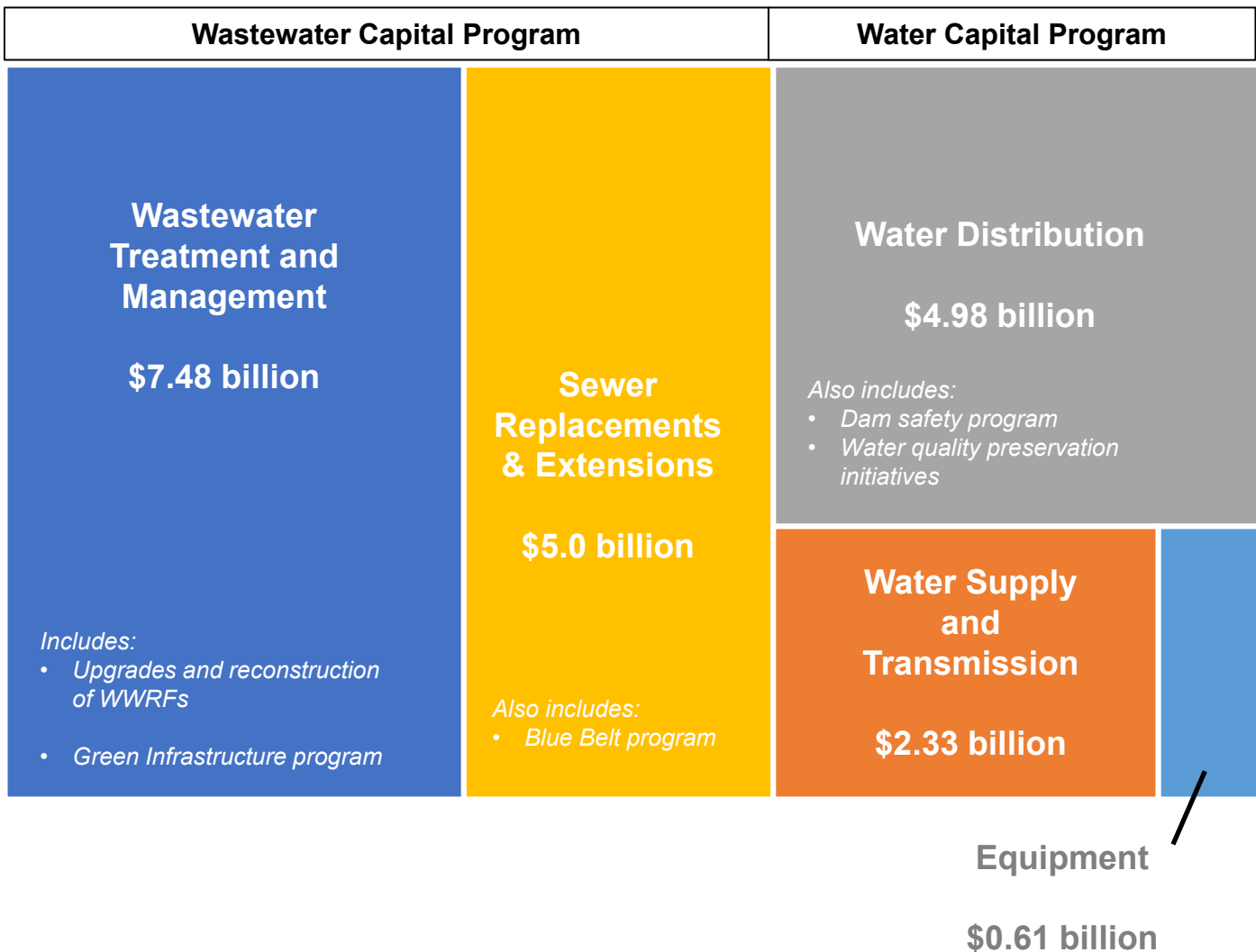
June 3, 2021

- Today's public presentation addresses proposed water rates to be charged effective July 1, 2021 for water sold by the City of New York to communities and water districts located in the counties of Westchester, Putnam, Orange, and Ulster
- A public hearing is conducted by the NYC Department of Environmental Protection and the NYC Water Board in any year in which there is a proposal to raise water rates
- The general public has an opportunity to speak today, following DEP's presentation; pre-registered speakers will speak first, then the hearing will generally be open to the public
- All members of the public with comments, questions, or concerns should feel free to present testimony, or to send questions to the Water Board at 718-595-3591 or nycwaterboard@dep.nyc.gov before 4:00pm on June 11

- DEP is a backstop for communities facing water quality or water contamination issues, and makes available the City's water system as an alternate source of water supply to communities experiencing water safety issues
- DEP pays more than \$165 million per year on water system real property located outside of the City – the agency is often among the largest taxpayers in the communities where water system assets are located
- Due to its size and relationship with the City of New York, the City's water system can issue debt for capital construction purposes on good terms, allowing cost efficient construction for the benefit of all ratepayers
- The Water Board retained a consultant at its expense for a multi-year engagement to provide detailed suggestions to wholesale water customers on techniques for reducing water consumption and identifying lost revenue
- >\$20 million investment in a new Microsoft Dynamics/UMAX billing system launching before the end of 2021, including wholesale customer bills

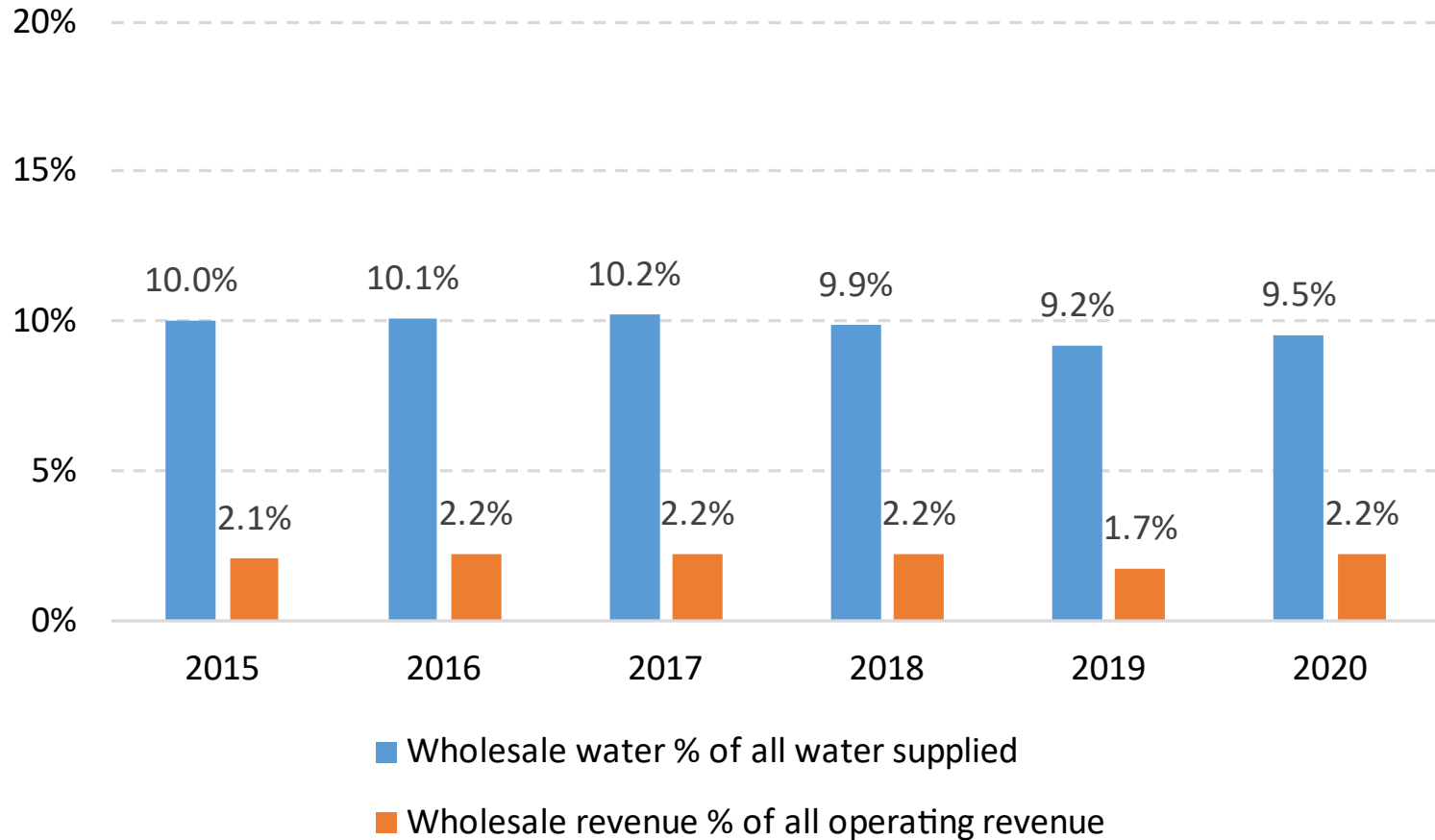
- Water supply reliability and water quality north of the City were maintained to high standards during the Covid-19 pandemic
- DEP is following CDC guidelines regarding workplace safety protocol
- After reaching a peak of 80% of office employees in a remote work format, the DEP workforce began returning to worksites the week of May 3; on a typical day at current rates, 70% of DEP personnel are on-site
- Some pandemic measures remain in place, including restrictions and deferrals of certain administrative actions, as well as new digital business processes introduced to the agency during the pandemic
- Pandemic-related incremental costs to the water supply system have been modest to-date, although the outlook may include higher inflation

Total City capital project funds, FY 2022 – FY 2031: **\$20.4 billion**



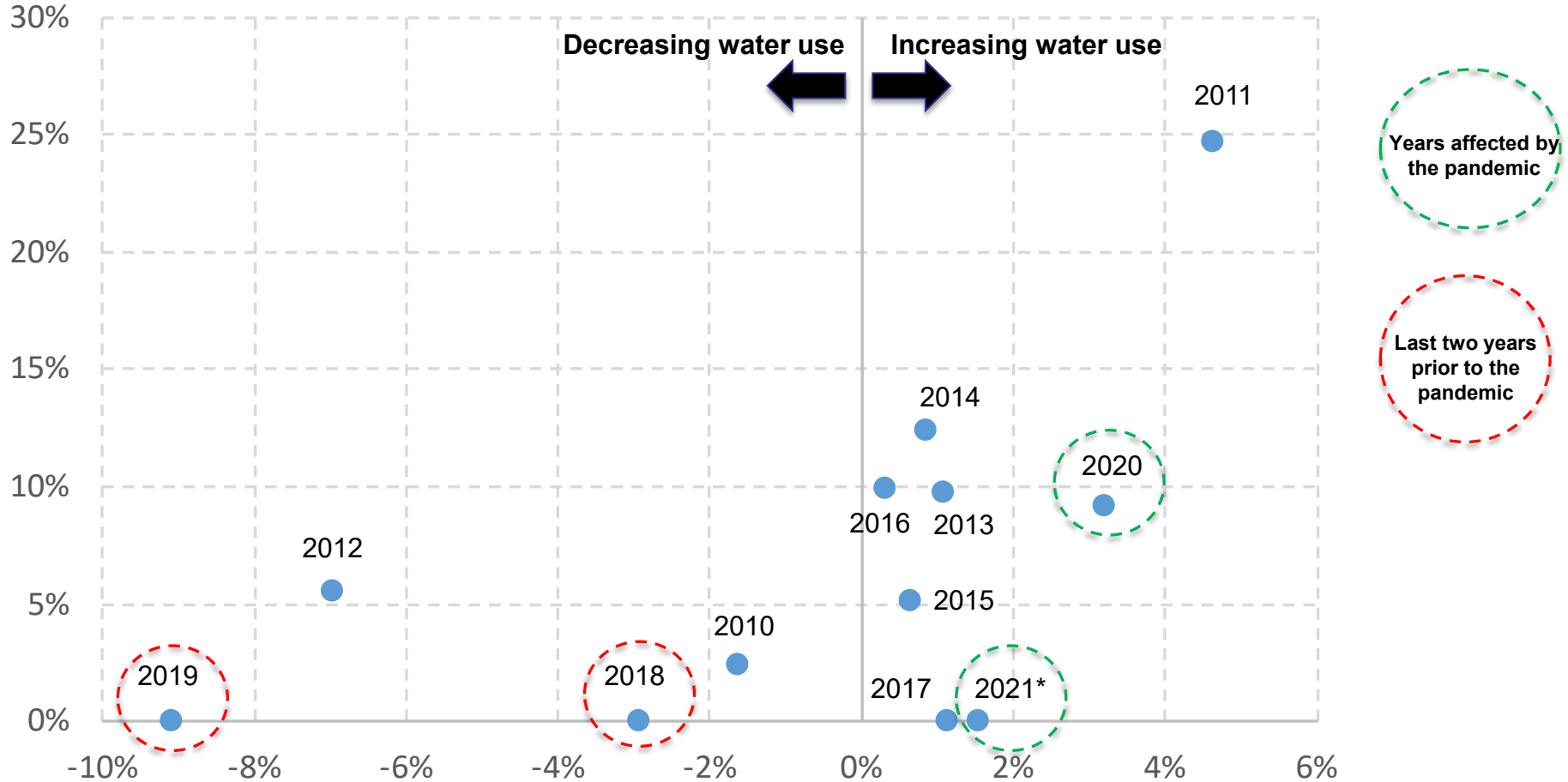
- Approximately 1/6 of sale proceeds from issuing bonds is used for water supply projects north of the City
- Major initiatives underway include:
- Significant, ongoing progress on the Delaware Aqueduct Bypass work, with the final stage scheduled for 2022-2023
- Ongoing investments in the watershed under the Filtration Avoidance Determination, across multiple investment channels
- Hiring and training of DEP police watershed security personnel

Wholesale Operations are a Small but Important Part of NYC Water Supply



Wholesale Water Consumption Is Increasing, After Declines in 2018-2019

**Regulated
rate increase**



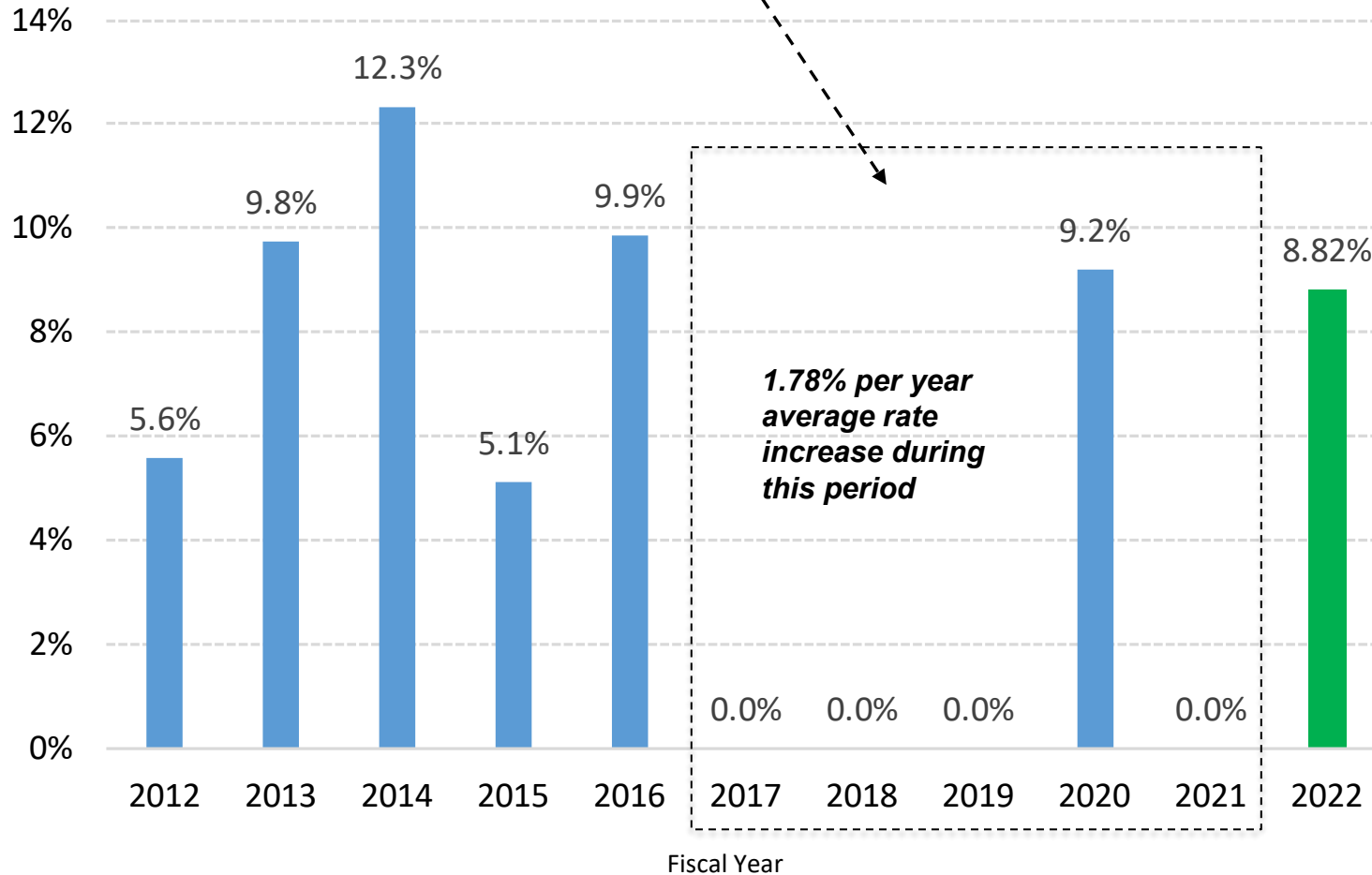
Change in water consumption vs. the year before

* Through end of April

- There are two rates –
- The **regulated rate**, sometimes referred to as the entitlement rate
 - The regulated rate is the rate chargeable on quantities of water sold to a community up to the total amount of water equal to the community's population multiplied by the rate of per capita water consumption in New York City, using decennial Federal census data as the population base
- The **excess rate**, which is the rate applicable to quantities of water not eligible for sale at the regulated rate
- Since population and per capita consumption are both variables, the thresholds shift over time, and are different from customer to customer

The Regulated Rate Has Not Changed in 4 of the Last 5 Years

Four out of five years without a rate increase is unprecedented in the history of the regulated rate.



- DEP is recommending to the Water Board:
- **An increase to the regulated rate of 8.82%**, equating to a rate per million gallons of **\$2,054.63**
- An increase of 8.82% to the regulated rate would result in an increase of just under \$1 per month to the water bill of a household using 70,000 gallons of water per year
- DEP is also recommending an **increase to the excess rate, of 2.76%**, in line with the proposed in-City rate increase, equating to a rate per million gallons of **\$5,355.07**
- Also of note: beginning in 2019, prior to the start of the pandemic, we began to see a limited number of wholesale customers becoming delinquent on their water bills; customers facing a delinquency should reach out to DEP or the Board so we can understand the issue and work through any challenges
- In the short-term, the cost of delinquencies is absorbed by customers who are current on their bills

Calculation of the Proposed Regulated Rate Effective July 1, 2021

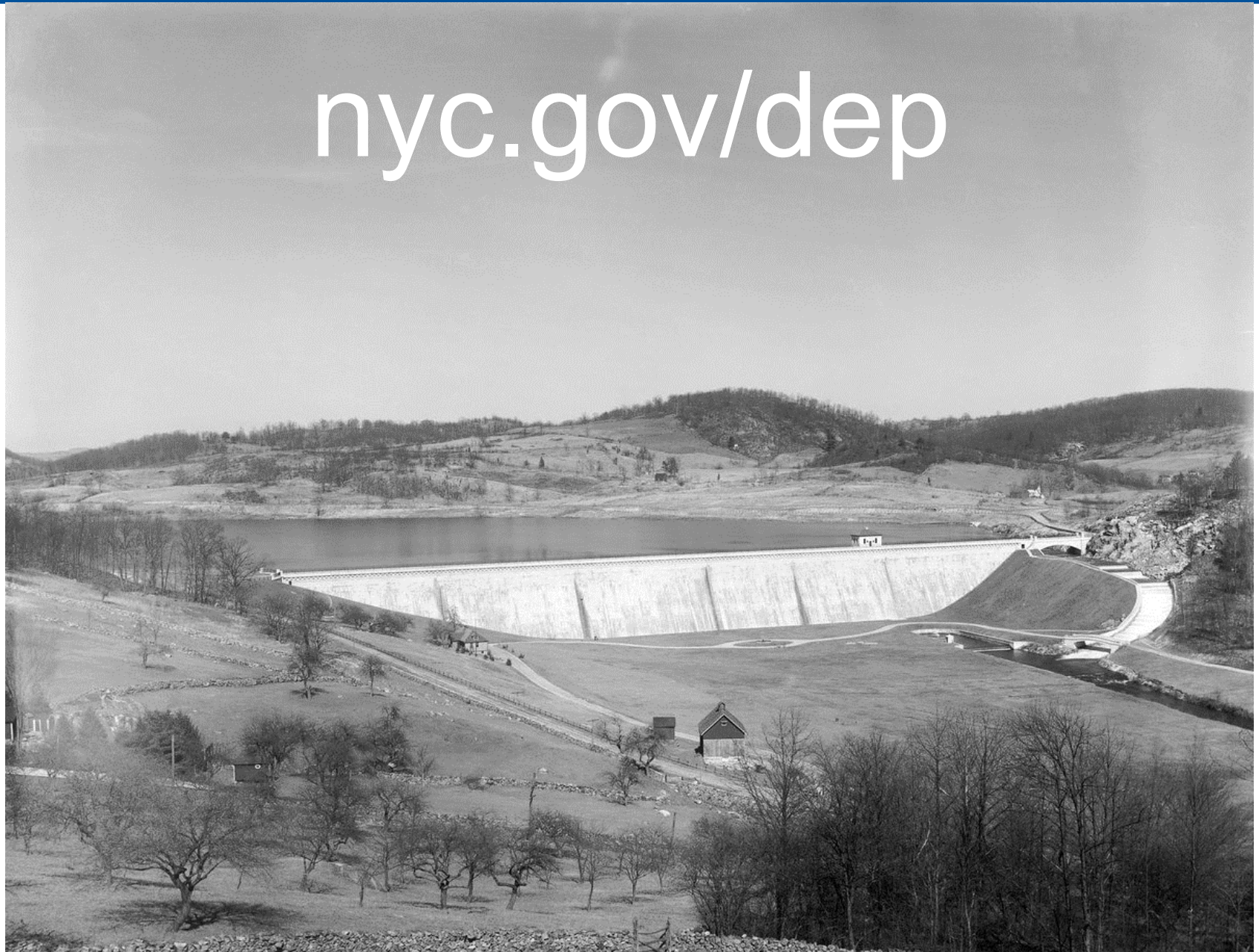
| Millions of dollars | FY 2022 |
|---|-------------------|
| Water supply O&M expenses, excluding personnel | \$291.0 |
| Debt service expense | \$231.5 |
| Water supply personnel costs | \$138.5 |
| Defeasance or cash-funded capital construction | \$50.5 |
| Other DEP expenses allocable to water supply | \$22.3 |
| City shared service costs allocable to water supply | \$1.5 |
| Phase-in of prior year expenses previously under-charged | \$68.3 |
| Total expenses for water supply | \$803.6 |
| | |
| Projected total water supply (MG) | 391,112 |
| | |
| Cost per MG of water supplied effective July 1, 2021 | \$2,054.63 |

Upcoming Water Board Schedule

| Event | Date | Location | Time |
|----------------------------------|-------------------|---|---------|
| Budget and Rate Adoption Meeting | Monday June 14 | Phone: (347) 921-5612 Access code: 323 706 678 # | 9:00 am |

Thank You

nyc.gov/dep



Croton Falls Reservoir, May 30, 1912