



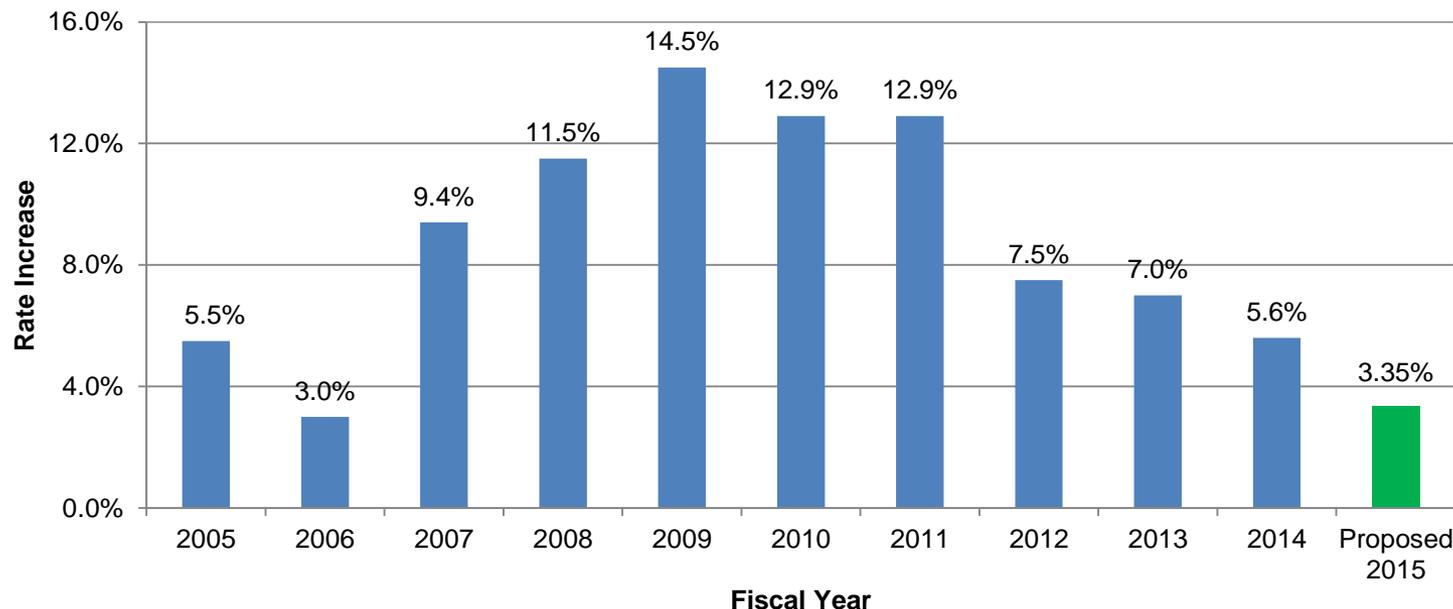
# **FY 2015 Water Rate Proposal to the New York City Water Board**

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April 23, 2014

# FY 2015 Rate Proposal Summary

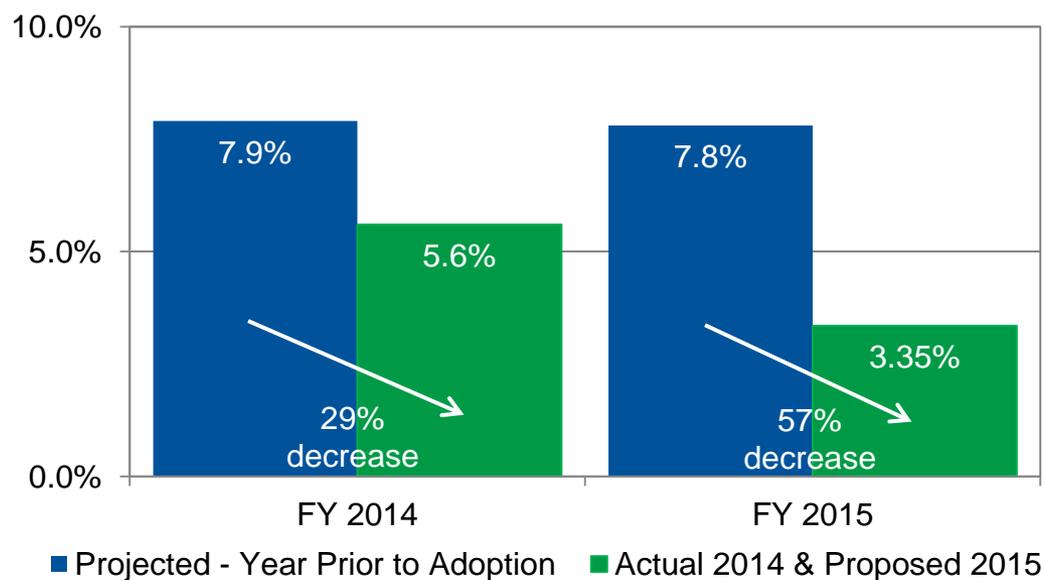
- Proposing **3.35%** rate increase
- Lowest since FY 2006, nine years ago



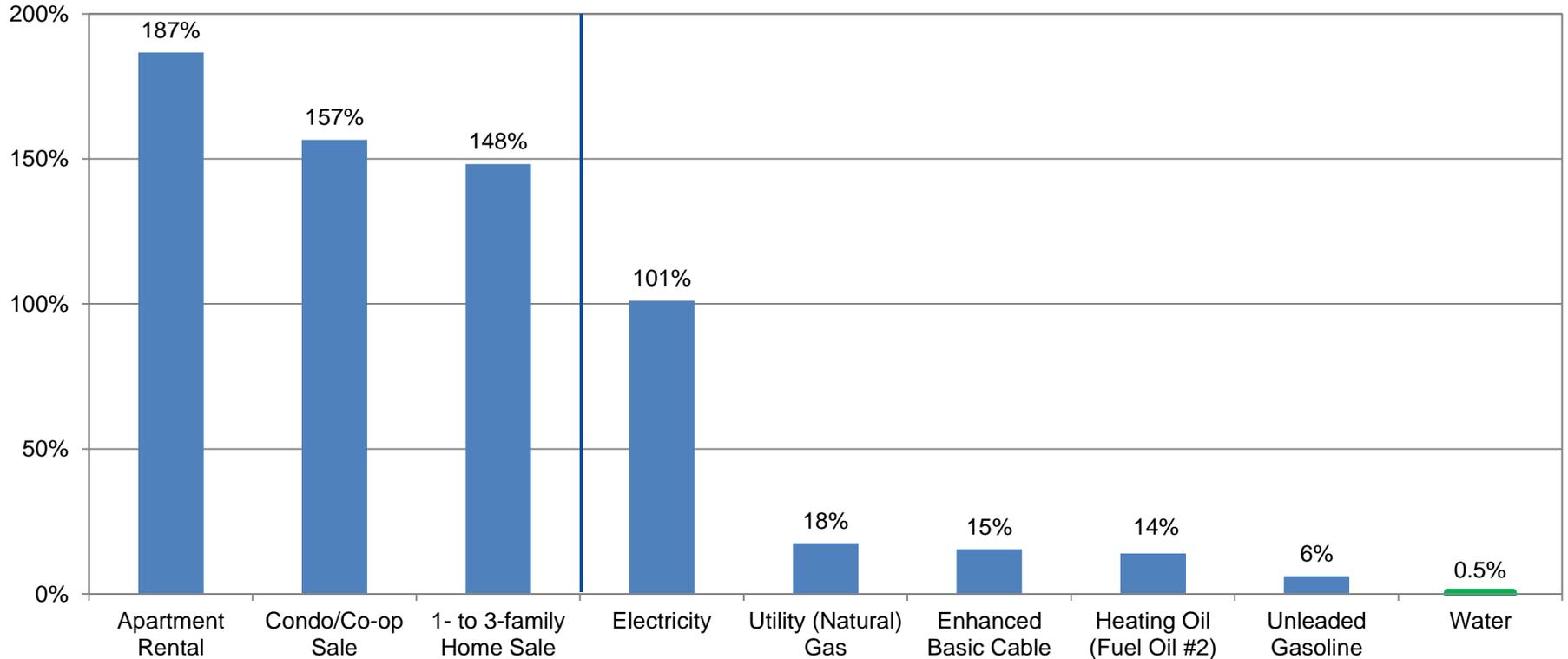
Water and Sewer Charges	FY 2014	FY 2015 (3.35% Increase)
Combined Water & Sewer Rate (per hundred cubic feet)	\$9.27	\$9.58 (\$0.31)
Average Annual Single Family Charge (80,000 gal)	\$992	\$1,025 (\$33)
Average Annual Multi-family Metered Charge (52,000 gal)	\$645	\$666 (\$21)
Multi-family Conservation Program – Residential Unit	\$944	\$976 (\$32)

# FY 2015 Rate Proposal Summary

- Proposing 3.35% rate increase
- 57% lower than last year's projection of FY 2015 rate increase due to:
  - Return of additional 10% of the rental payment (\$22 million) to the System
  - Strong revenues that are \$166 million ahead of plan, partially resulting from completion of wireless meter reading device initiative
  - Low interest rates that resulted in debt service of \$153 million less than projected
  - Regulatory negotiations that have enabled us to better control our capital budget
  - Operational cost savings, including \$34 million from the *OpX* program



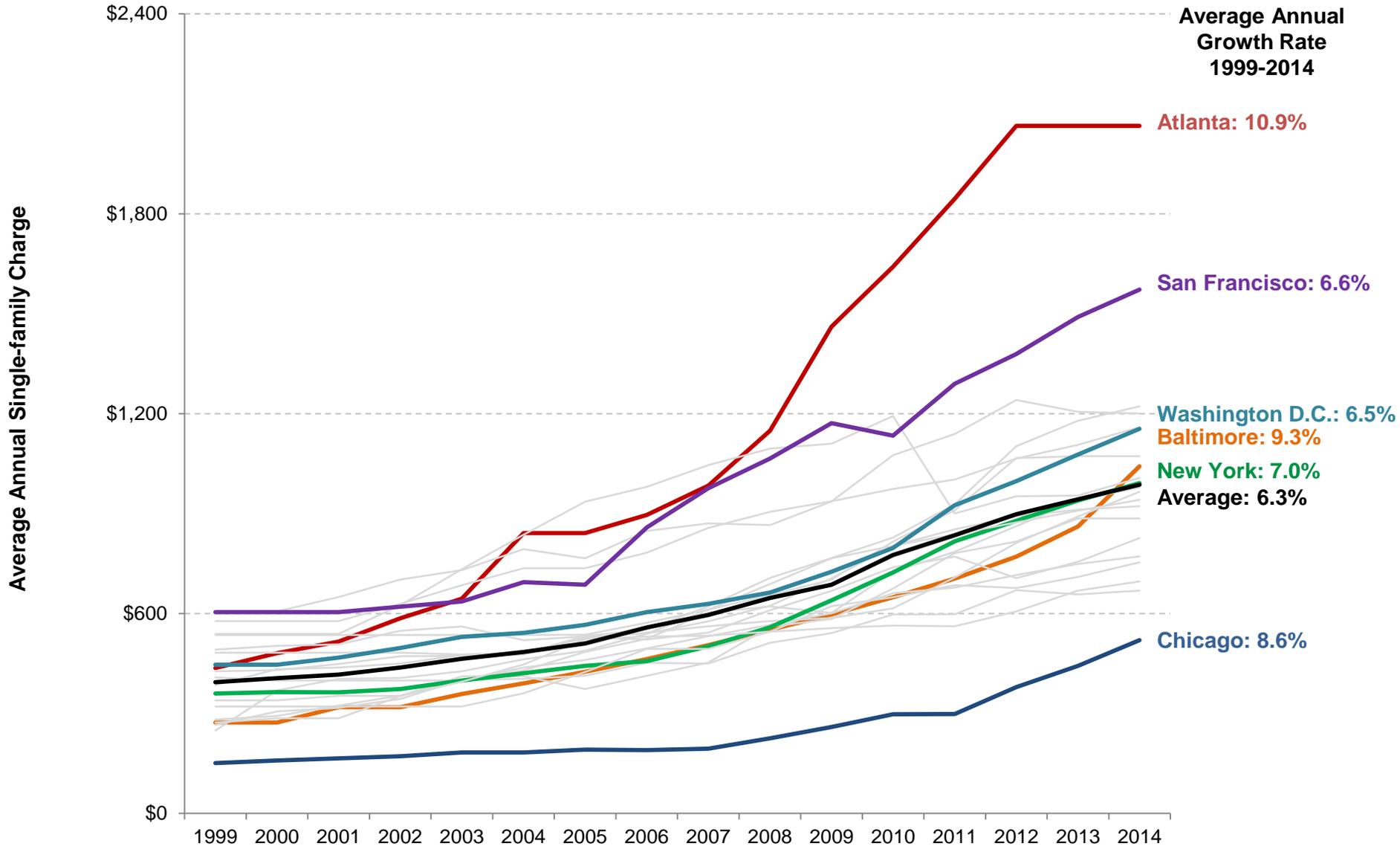
## 2014 Survey



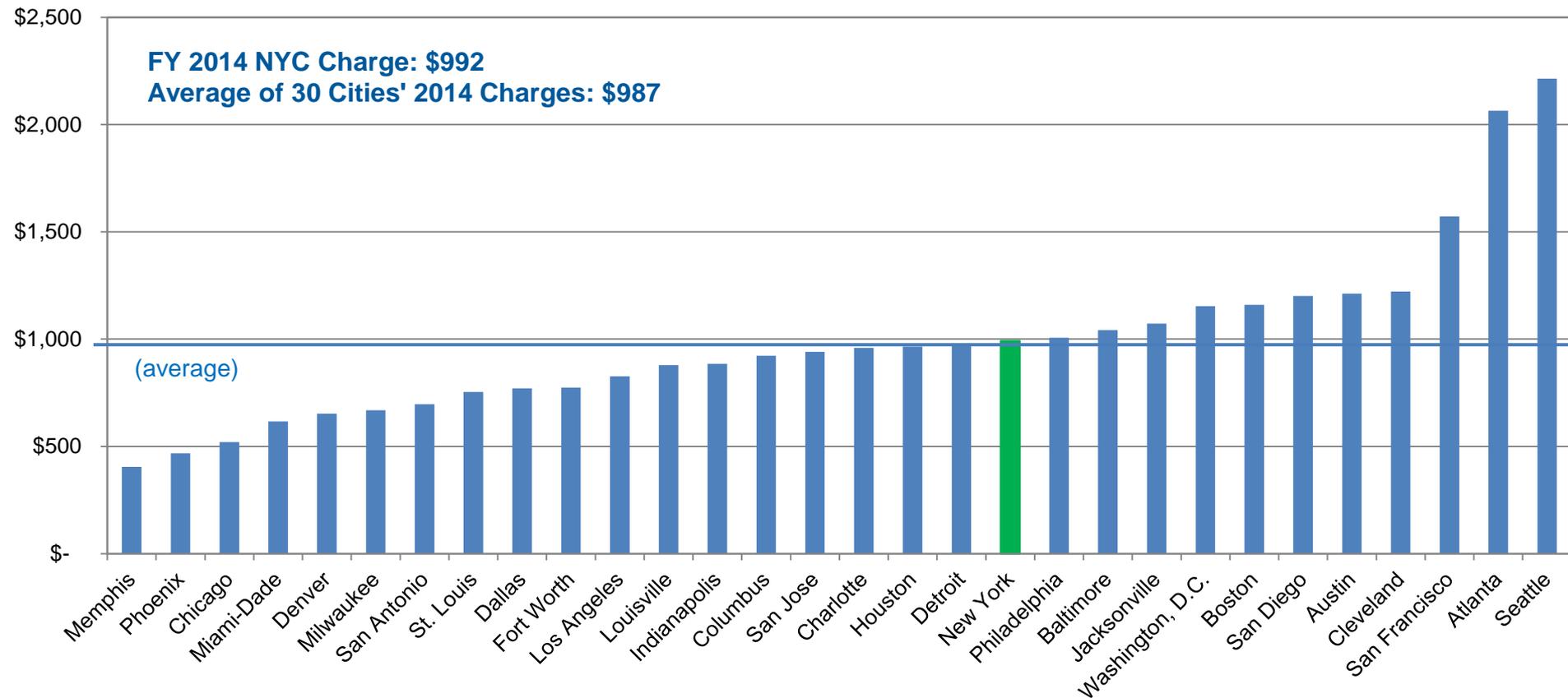
	<i>(average monthly rent)</i>	<i>(median per sale)</i>	<i>(median per sale)</i>	<i>(average per year; 6,000 kwh)</i>	<i>(average per therm)</i>	<i>(average per year)</i>	<i>(average per gallon)</i>	<i>(average per gallon)</i>	<i>(average per year; 80,000 gallons)</i>
NYC	\$3,105	\$500,000	\$490,000	\$1,556	\$1.222	\$854	\$4.437	\$3.524	\$992
U.S. Cities	\$1,083	\$194,900	\$197,400	\$774	\$1.040	\$740	\$3.904	\$3.320	\$987

Source: Wall Street Journal (Apartment Rental); The Real Estate Board of New York and National Association of Realtors (condo/coop and home sales); New York State Energy Research and Development Authority and Bureau of Labor Statistics (electricity and fuel oil #2); U.S. Bureau of Labor Statistics (natural gas and unleaded gasoline); FCC and company websites (enhanced basic cable); NYC FY 2014 Water and Wastewater Rate Survey (water)

# Rate Trends in Major Cities



# Average Annual Residential Charges



***Our mission is to protect public health and the environment by supplying clean drinking water, collecting and treating wastewater, and reducing air, noise, and hazardous materials pollution.***

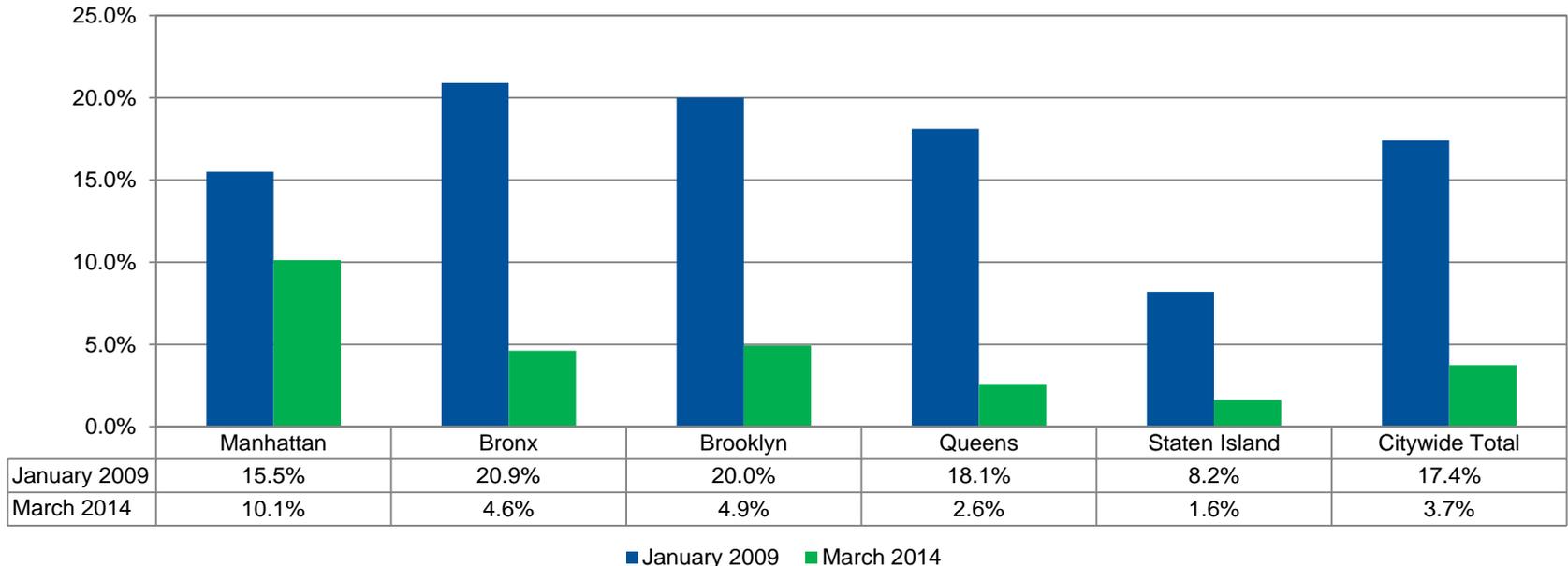
DEP will accomplish this mission by:

- Serving nine million people daily
- Operating the safest, highest-performing water utility at the lowest possible cost
- Building capital projects on time and on budget
- Delivering clean waters, clean air and a sustainable quality of life for all New Yorkers



- Substantially completed automated meter reading (AMR) installation
  - 79% reduction in estimated bills since 2009; only 3.7% estimated citywide
  - 49% reduction in billing disputes since 2011
- Enrolled 204,000 customers in Leak Notification Program; 57,000 notifications sent, saving customers \$47 million in leak-related charges
- Offered the Service Line Protection Program
  - 139,500 customers have signed up to date

**Estimated Bills: January 2009 vs. March 2014**



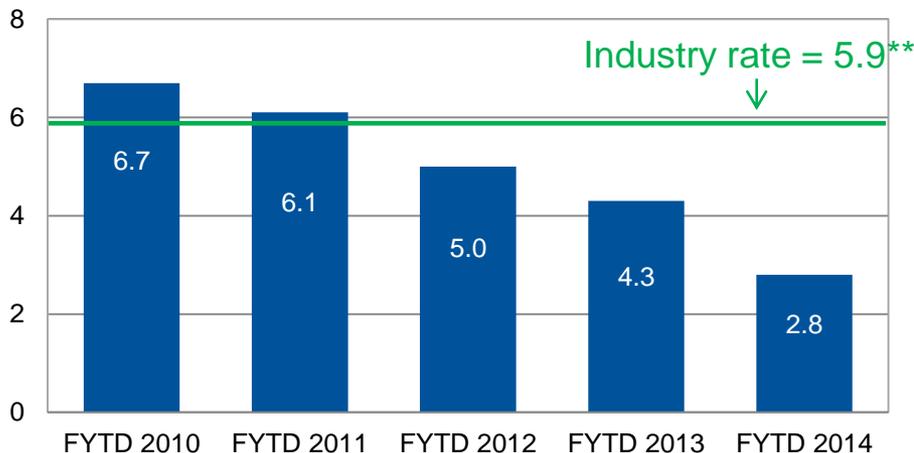
- Investment in DEP's operations and maintenance has improved service citywide
- Compared to this time last year:
  - Leak complaint resolution on City infrastructure is 10.7% faster
  - Time to restore water after water main break is 7.0% faster
  - Sewer backup complaints are down 33.8%
  - Catch basin complaints are down 32.5%



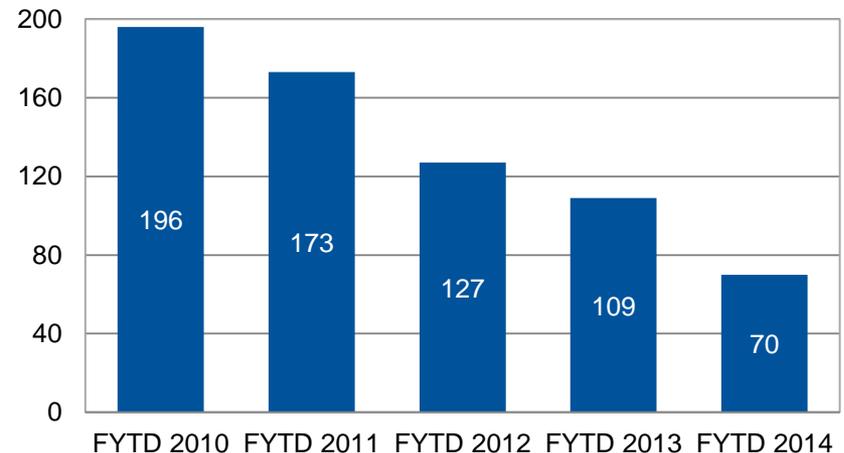
Source: DEP preliminary Mayor's Management Report metrics, February 2014

- DEP activated Accident Review Board; by focusing on defensive driving and safe equipment operation, preventable vehicle accidents decreased by 33% since 2012
- BWSO and BWT added electrical safety and equipment safety programs
- From FY 2010 to 2014, workplace injury rates\* have declined by 58% and total recordable injuries have declined by 64%
- DEP's FY 2014 year to date injury rate of 2.8 is 53% below the 5.9 average for public water and wastewater utilities\*\*
- Professional development opportunities were expanded for safety staff at DEP by the addition of a worker forum and advanced training for safety auditors

### Injury Incident Rate\* - DEP



### Recordable Injuries - DEP



Data is for the July to December period of each fiscal year

\*The injury rate calculation represents the number of reportable injuries per 100 employees over one-year period

\*\* Industry rate taken from Bureau of Labor Statistics (BLS) data for NAICS Code 2213, (Local, Government, Utilities: Water Sewage and other systems)

- Completed climate risk assessment and adaptation study that assessed at-risk facilities and suggested measures to protect critical equipment
- Presented key initiatives in *A Stronger, More Resilient New York*:
  - Reduce CSOs using green and grey infrastructure
  - Build out storm sewers and Bluebelts
  - Harden pumping stations and wastewater treatment plants
  - Explore alternatives for Rockaway Wastewater Treatment Plant
  - Develop cogeneration facilities at North River

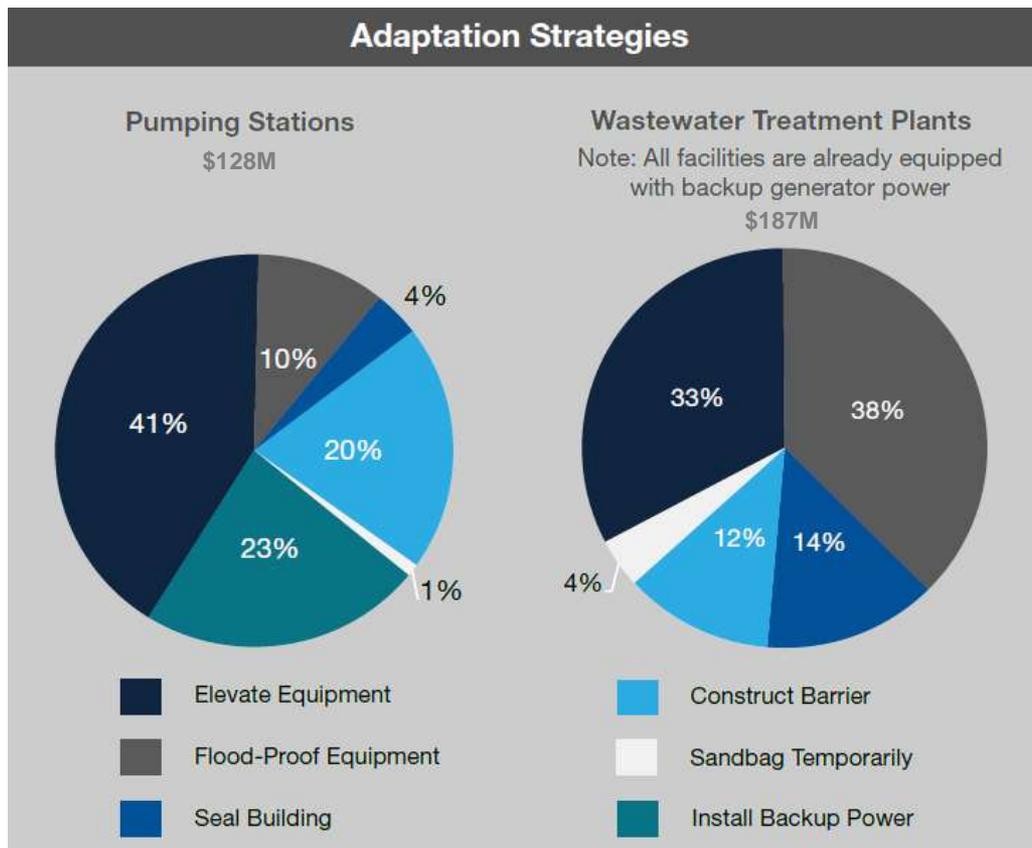


Cogeneration at North River Wastewater Treatment Plant



Bluebelts

- Published *NYC Wastewater Resiliency Plan* in October 2013
  - Recommended protective measures estimated to cost \$315 million versus \$1.1 billion of projected damage without protection
  - Plan to adopt wastewater facility design standards for storm surge/sea level rise



# Green Infrastructure

- Continued implementation of *NYC Green Infrastructure Plan* and to date have:
  - Installed 203 right-of-way bioswales and 12 stormwater greenstreets
  - Committed \$11.5 million in grants and secured \$5.7 million in private matching funds



# Capital Project Completions

- Catskill/Delaware Ultraviolet Light Disinfection Facility complete and operating for a year (\$1.6B)
- City Water Tunnel No. 3, Stage 2 Manhattan Section activated October 2013 (\$4.7B)
- Newtown Creek Wastewater Treatment Plant upgrades completed (\$5.0B)



Newtown Creek Wastewater Treatment Plant



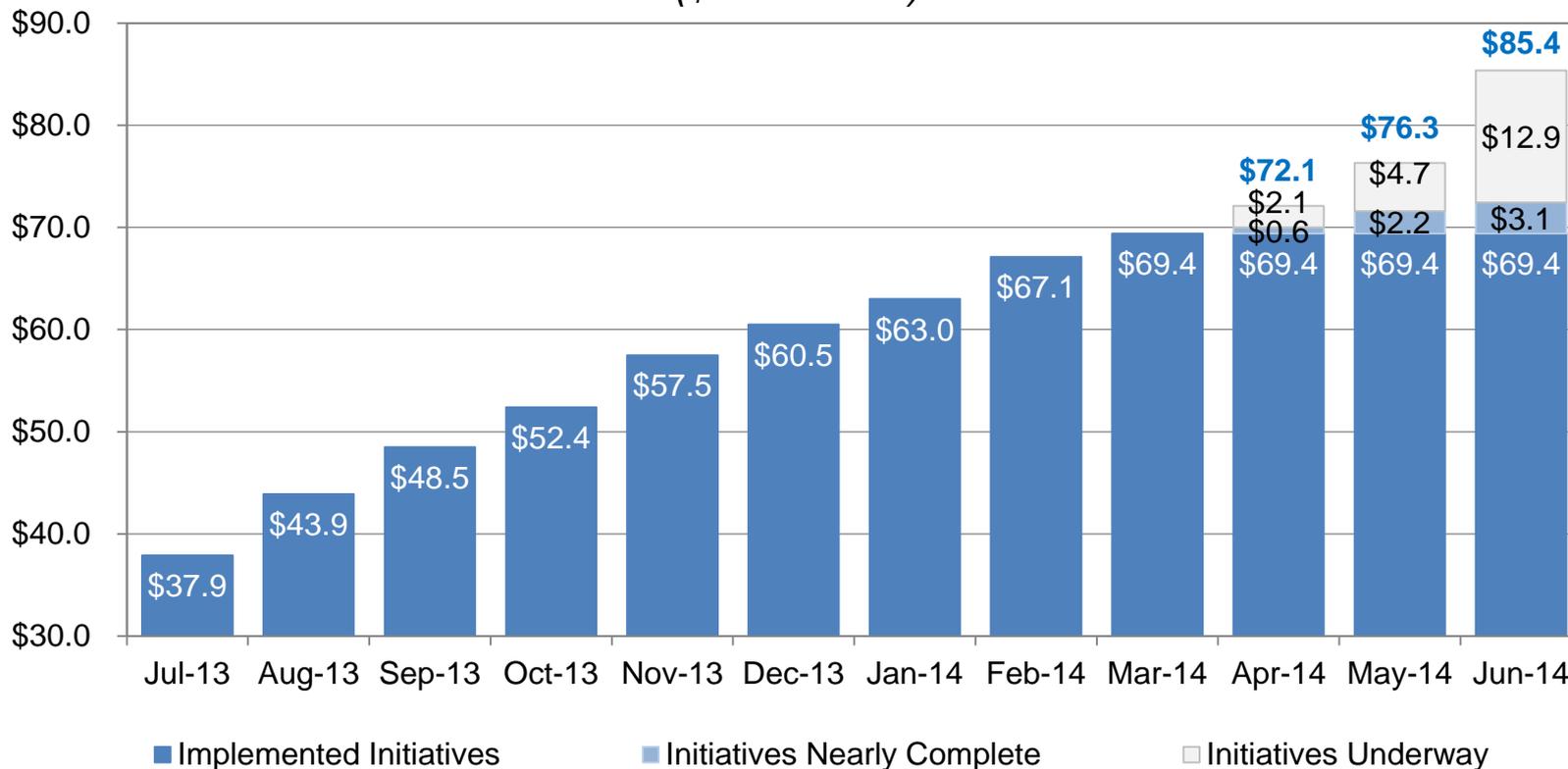
Catskill/Delaware Ultraviolet Light Disinfection Plant



City Water Tunnel No. 3

# Rate Mitigation – OpX Cost Savings

**Annual Impact of OpX Initiatives**  
(*\$ in millions*)



April to June 2014 numbers are preliminary

- Completion of Croton Filtration Plant (\$143M)
- *Water For the Future*, including construction of shafts and tunnels for Delaware Aqueduct repair (\$1.0B)
- Asset management and state of good repair projects (\$2.3B)
- Completion of sewer connections in Queens (\$340M) and Staten Island (\$427M)
- Citywide water main and sewer contracts (\$307M)
- Continued implementation of green infrastructure projects (\$488M)
- North River cogeneration project (\$181M)
- Installation of bluebelts in southeast Queens to naturally control stormwater (\$20M)



Bluebelt



Sewer Connections



Shaft Connections for Delaware Tunnel Repair –  
*Water for the Future*

# Croton Filtration Plant

- \$3.2 billion investment due to consent decree from federal and state regulators
- Underground, vertically stacked Dissolved Air Flotation (DAF) to reduce footprint
- Two-plant structure with 235,000 cubic yards of concrete, nearly four times that in the Empire State Building; 27,000 tons of steel, 29% more than that in the Chrysler Building; and 1,799 miles of wire, enough to stretch from New York City to Santa Fe, New Mexico
- Capacity to filter 290 MGD
- Startup testing for Plant A commenced in December 2013
- Startup testing for Plant B to begin in summer 2014
- Target for operation of Plant A and Plant B in 2015

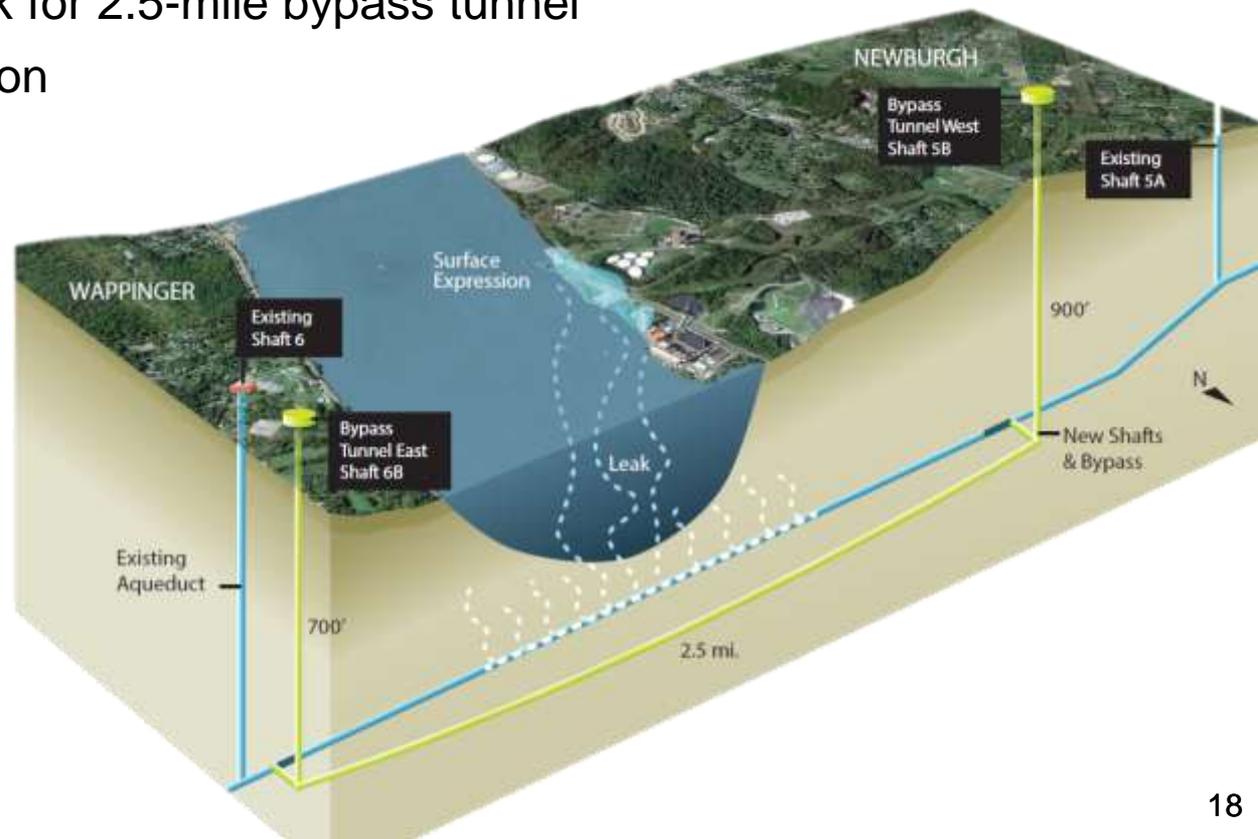


Croton Filtration Plant



Pump Station inside Croton Filtration Plant

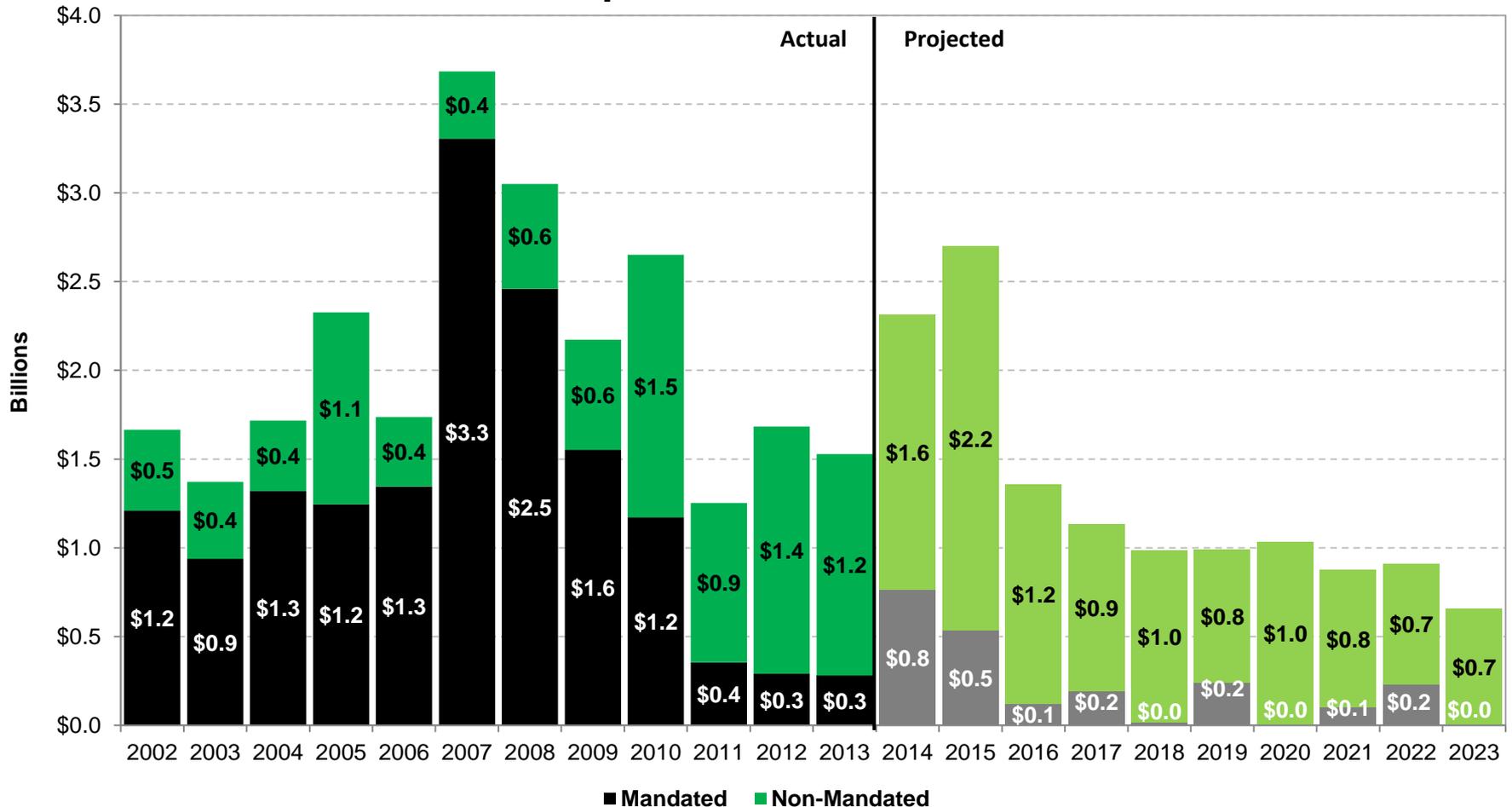
- DEP will ensure the dependability of our water by repairing leaks in the Delaware Aqueduct through the \$1.7 billion *Water for the Future* program
- The program concludes by connecting the Rondout-West Branch Tunnel bypass to the Delaware Aqueduct beginning in 2021
  - Anticipated duration of Delaware Aqueduct shutdown is 6 to 10 months
- In FY 2015, DEP will:
  - Proceed with design work for 2.5-mile bypass tunnel
  - Continue shaft construction
  - Plan for optimization of Catskill Aqueduct capacity
  - Implement water conservation programs in-city and upstate



# Capital Outlook

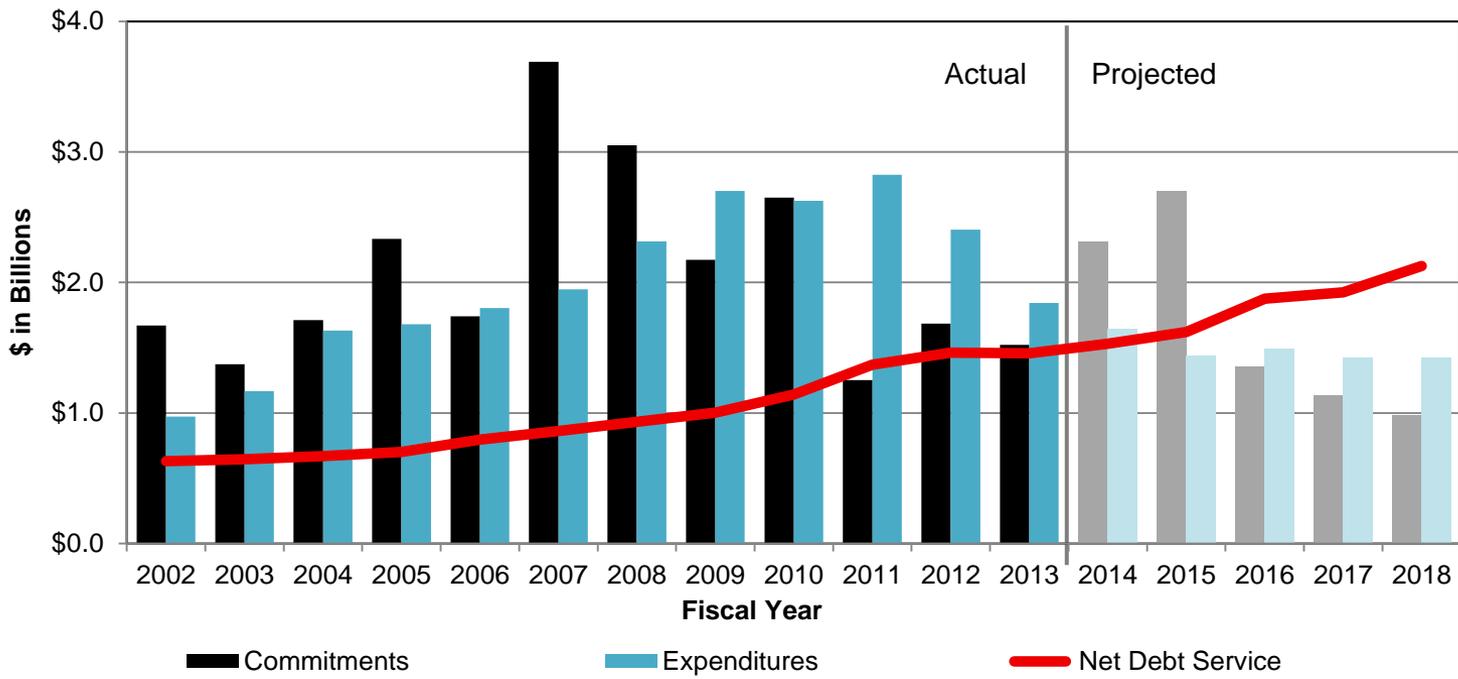
- From FY 2002 to 2013, \$15.5 billion (62%) of capital commitments were mandated
- DEP has been successful working with regulators to moderate future mandates; as a result, the capital spending projections and required rate increases have fallen
- \$2.2 billion (17%) of FY 2014 to 2023 Capital Improvement Plan is mandated

## Capital Commitments



# Past Capital Costs, Current Debt Service

- DEP's capital commitments are tied to the System's debt service. Capital commitments result in expenditures; and debt is issued as expenditures are incurred
- From FY 2002 to 2014, commitments will total \$27.2 billion, but, because of the lag effect, expenditures funded by debt issuance will total \$25.6 billion
- Annual debt service increased by 132% from FY 2002 to 2013, but the Authority has seized opportunities in the low interest rate environment to refinance and buyback \$7.9 billion of higher-cost debt over the past six years



# FY 2014 Forecast vs. Plan

- The FY 2014 forecast includes using \$400 million to buy back debt to achieve an average of \$106 million in debt service savings in each of the next four years

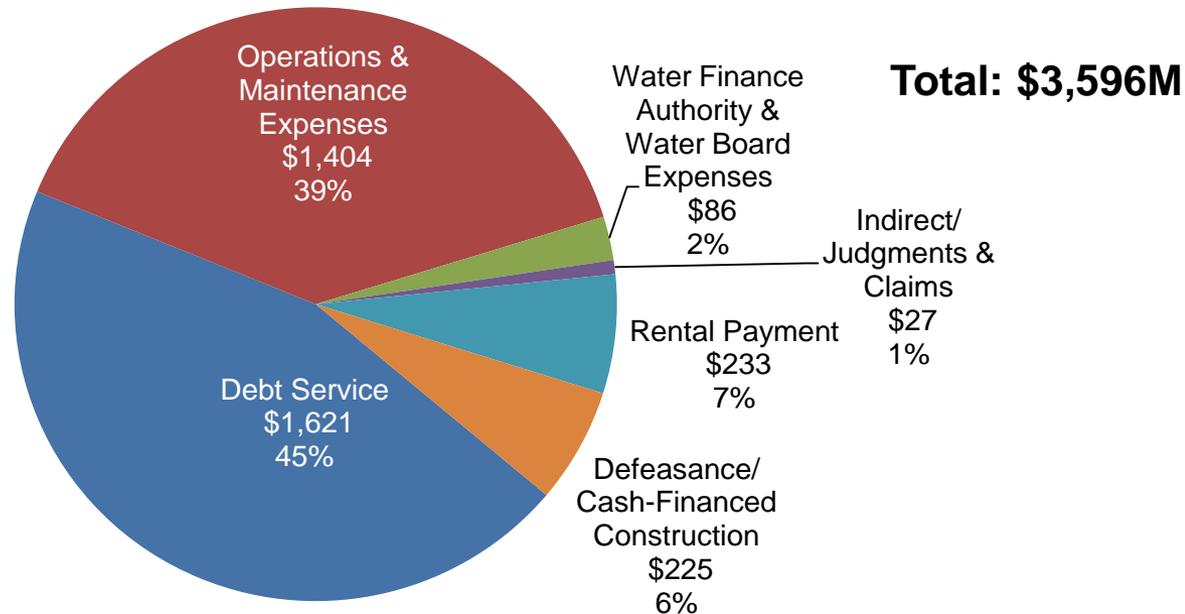
Financial Outlook through 2014 (\$M)	FY 2014 Plan	FY 2014 Forecast	Change	%
Revenue & Prior-year Carryforward	\$4,203	\$4,568	\$365	9%
Debt Service*	\$1,684	\$1,531	(\$153)	-9%
Cash-Financed Construction or Debt Defeasance**	\$225	\$625	\$400	178%
Operations & Maintenance***	\$1,486	\$1,497	\$11	1%
Rental Payment	\$241	\$219	(\$22)	-9%
Year-End Cash on Hand	\$567	\$696	\$130	23%

\* Debt Service does not include \$400M of cash retirement of bonds in FY 2014 Forecast

\*\* Savings from debt defeasance will be realized from FY 2015 through 2019

\*\*\* Operations & Maintenance includes Water Finance Authority & Water Board Expenses and Indirect Expenses

# Financial Outlook for FY 2015



Total System Costs (\$M)	FY 2014 Forecast	FY 2015	\$ Change	% Change
Debt Service*	\$1,531	\$1,621	\$90	6%
Debt Defeasance or Cash-financed Capital Construction	\$625	\$225	(\$400)	-64%
Operations & Maintenance (O&M)**	\$1,497	\$1,517	\$20	1%
Rental Payment	\$219	\$233	\$13	6%
FY 2013 O&M Underspending & Rental Reduction	(\$153)	\$0	\$153	-100%
Net Total System Costs	\$3,719	\$3,596	(\$123)	-3%
Year-End Cash on Hand	\$696	\$818	\$122	18%
<b>Total System Costs</b>	<b>\$4,415</b>	<b>\$4,414</b>	<b>(\$1)</b>	<b>0%</b>

\* Debt Service does not include the cash retirement of bonds in FY 2014

\*\* Operations & Maintenance is the sum of the chart's "Operations & Maintenance Expenses", "Water Finance Authority & Water Board Expenses" and "Indirect/Judgments & Claims"

# Proposed Rate Increase

Revenue Requirement (\$M)	FY 2014 Forecast	FY 2015	\$ Change	% Change
<b>Total System Costs</b>	<b>\$4,415</b>	<b>\$4,414</b>	<b>(\$1)</b>	<b>0%</b>
Less: Prior-year Carryforward Revenue	\$750	\$696	(\$54)	-7%
Less: Upstate & Other Non-City Revenue	\$190	\$206	\$16	9%
Revenue Need	\$3,475	\$3,512	\$37	

Rate Calculation	FY 2015
Prior-year Revenue	\$3,475
Consumption Decrease & Other Non-Recurring Revenue	(\$77)
<b>Net Revenue at Prior Year's Rate</b>	<b>\$3,398</b>
Revenue Need	\$3,512
<b>Revenue Need Less Net Revenue at Prior Year's Rate</b>	<b>\$114</b>
<b>Rate Increase Required</b>	<b>3.35%</b>

# Rental Payment Return

- The Water Board leases the water and sewer system from the City and pays the City an annual rental payment that is calculated at 15% of annual debt service
- An additional 10% of the FY 2014 Rental Payment (\$22 million) will be returned to the System in FY 2015
- In total, \$36 million or 17% of the FY 2014 Rental Payment will be returned to the System, helping keep the proposed rate increase at the lowest level in nine years

	FY 2011	FY 2012	FY 2013	FY 2014
Gross Rental Payment	\$196	\$208	\$208	\$219
Capped Rental Payment		\$196	\$199	\$205
Residual Payment to be Returned in Following Year		\$12	\$9	\$14
<b>Additional 10% of Gross Payment to be Returned in FY 2015</b>				<b>\$22</b>
<b>Total Payment to be Returned in Following Year</b>		<b>\$12</b>	<b>\$9</b>	<b>\$36</b>
Return as % of Gross Payment		6%	4%	17%
<b>Net Rental Payment</b>		<b>\$196</b>	<b>\$199</b>	<b>\$183</b>

## Overview

- The City will fund a Home Water Assistance Program (HWAP) to assist low-income homeowners
- DEP will partner with the NYC Human Resources Administration (HRA), which administers the Federal Home Energy Assistance Program (HEAP)
  - Customers will also be selected from the pre-screened population of one- to four-family Federal HEAP recipients
  - DEP will also work with HRA to review the potential eligibility of properties on the annual lien sale list

## Relief

- Eligible customers will receive a credit on their DEP bill each fiscal year
- Approximately 18,000 customers would qualify
  - 75% of the customers are single-family homeowners
  - 61% of eligible customers are over 60 years old
- Credit given by the City will be related to a portion of the minimum charge incurred by homeowners

## Leak forgiveness

- Extend program to include leaks of maintainable plumbing fixtures (e.g., toilets)
- Encourage quick response rates to reduce the amount of wasted water

Current Program	Proposed Program
Maintainable fixtures do not qualify (e.g., toilets, faucets)	No restrictions
Must be undetectable, non-preventable leak	No restrictions
Proof of repair by Licensed Master Plumber is required	Data provided by automated meter reading system is sufficient to prove repair, if available
No specific time requirement	Customer must fix leak within 60 days of high bill issuance date
Customer must request forgiveness within 18 months of high bill issuance date	Customer must request forgiveness within 90 days of high bill issuance date
Reduction must exceed annual threshold of \$821	No minimum reduction
High bill must be issued at consumption of 200%+ of the average daily flow (ADF)	
Forgiveness calculation is one-half of high bill amount, but not less than 150% of property's typical bill	
One forgiveness can be granted in a two-year period	

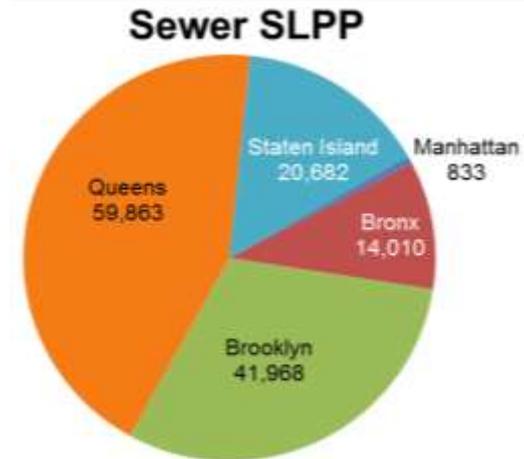
## Minimum Charge

- Freeze minimum charge at FY 2014 rate of \$1.27 per day
- Customers who use less than approximately 100 gallons per day for a bill period receive a minimum bill
- 42% of those receiving minimum bills are one- to three-family homeowners
- In FY 2013, DEP issued 554,460 bills at the minimum charge totaling approximately \$61.5 million
- Freezing the minimum charge will benefit ratepayers by \$2.1 million ( $\$61.5 \text{ million} \times \text{the percentage of the rate increase}$ )

## Service Line Protection Program (SLPP)

- Approximately 139,500 or 21% of eligible customers have enrolled in at least one of the Service Line Protection Programs to date

Borough	Total Eligible Customers	Enrolled in Water SLPP		Enrolled in Sewer SLPP	
		Number of Customers	% of Eligible	Number of Customers	% of Eligible
Manhattan	18,176	827	5%	833	5%
Bronx	63,128	14,010	22%	14,010	22%
Brooklyn	210,639	41,777	20%	41,968	20%
Queens	265,679	59,685	22%	59,863	23%
Staten Island	103,415	21,081	20%	20,682	20%
<b>Citywide Total</b>	<b>661,037</b>	<b>137,380</b>	<b>21%</b>	<b>137,356</b>	<b>21%</b>
<b>Single Program</b>		2,136		2,112	
<b>Both Programs</b>		135,244		135,244	



- FY 2015 Proposed Fees:
  - \$4.49/month or \$53.88/year for Water SLPP (no change)
  - \$8.47/month or \$101.64/year for Sewer SLPP (6.0% increase based on the U.S. Bureau of Labor Statistics Plumbing Producer Price Index)
  - Combined, this is an aggregate increase of approximately 3.8%
  - Sales tax is no longer charged pursuant to State law enacted in October 2013

## **Deadline for Filing an Appeal with the Water Board**

- Customers will be given 60 days to appeal to the Water Board (an increase of 30 days); this is to give each customer the same amount of time to file an appeal that the Water Board has to respond

## **Halted Lien Sale Process for Customers with Pending Appeal**

- Customers who have a pending appeal on the date that the 90-day lien sale list is published will be excluded from the lien sale

## **Interest Suspended for Customers with a Catch-up Bill after AMR Installation**

- Customers issued a “catch-up” bill for service upon the installation of an AMR device will be able to request 90 days interest free to pay their bill

## **Multiple-family Conservation Program (MCP)**

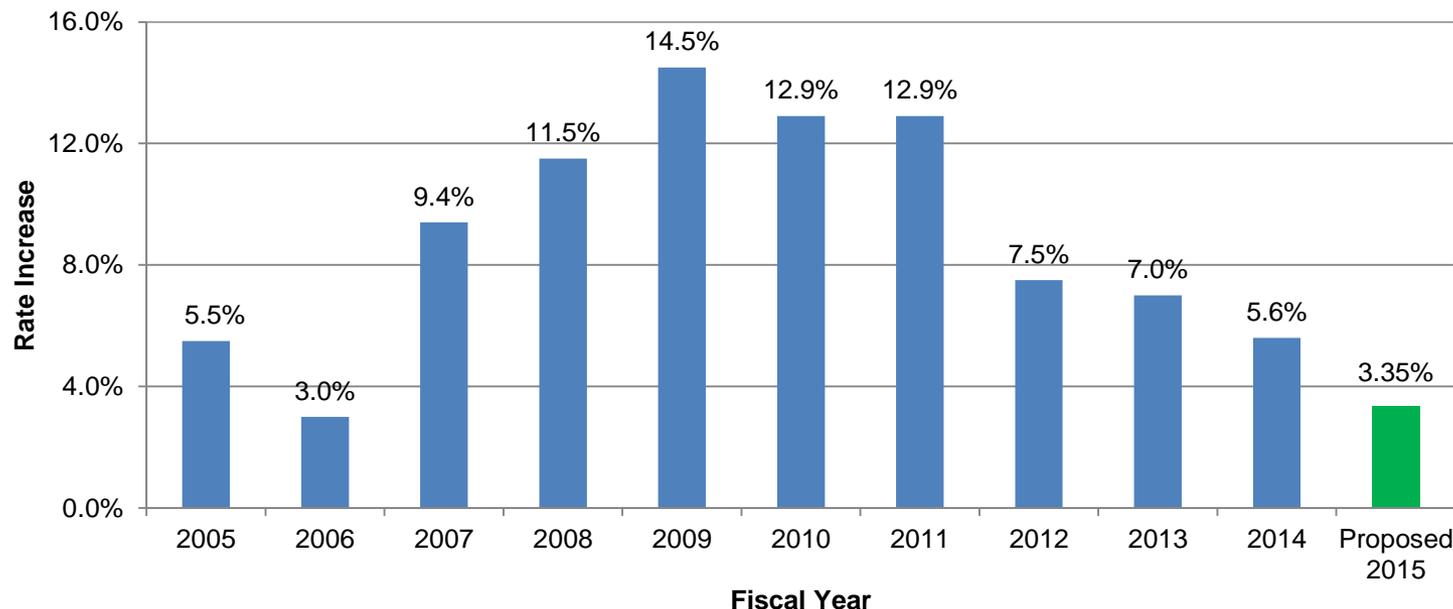
- Properties automatically enrolled in the MCP in FY 2013 will be given until June 30, 2016 to have a meter and automated meter reading device installed (aligning date with deadline for high-efficiency fixture installation)

## **Toilet Replacement Program**

- Toilet vouchers in the value of \$125 per fixture will be available to properties that were automatically enrolled in the MCP
- To ensure toilets are installed as “vouched-for”, customers who fail to submit an Installation Confirmation Form will be charged a \$50 administrative fee
- If DEP finds that all toilets have not been installed at a property or is denied access to perform an inspection, customers may be charged a \$250 installation enforcement fee plus a fee equal to the full value of the redeemed voucher

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# Borough Rate Hearing Schedule

Borough	Date	Location	Time
Brooklyn	May 14	Visitor Center at Newtown Creek 329 Greenpoint Avenue	7:00 pm
Bronx	May 15	Hutchinson Metro Center Conference Center, 1200 Waters Place	7:00 pm
Manhattan	May 16	NYC Department of City Planning 22 Reade Street, Spector Hall	1:30 pm
Staten Island	May 19	Joan and Alan Bernikow JCC 1466 Manor Road	7:30 pm
Queens	May 20	Bayswater Jewish Center 2355 Healy Avenue Far Rockaway	7:00 pm