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CONTACT:

deppressoffice@dep.nyc.gov, (718) 595-6600

Department of Environmental Protection Proposes Lowest Water Rate Increase in Nine Years

3.35% proposed change is less than half the increase anticipated

Minimum charge to be frozen for the first time, will remain flat at \$1.27 per day for roughly 25% of all single-family homeowners, many of them seniors

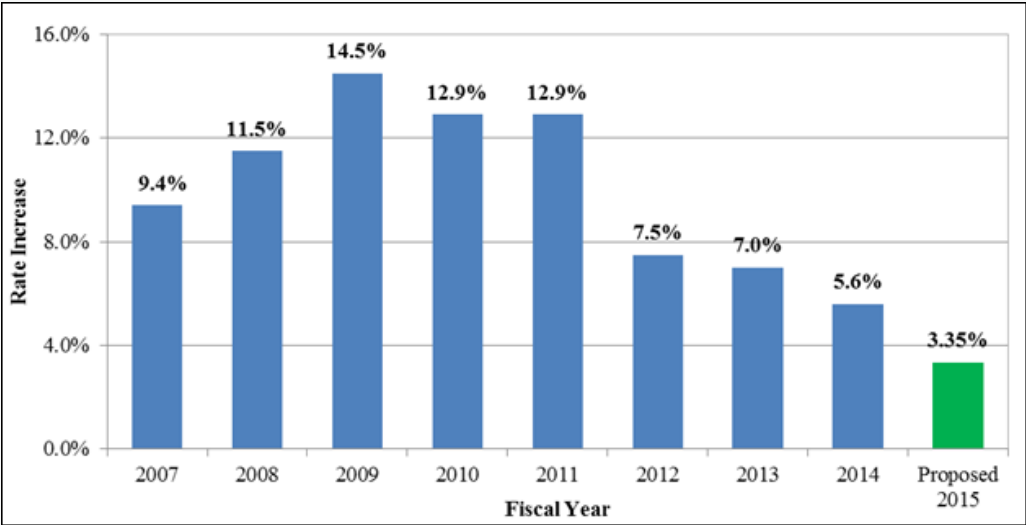
City to cut “rent payment” to reduce rates, redirect to water and sewer system

New York City Department of Environmental Protection (DEP) Commissioner Emily Lloyd today proposed a 3.35% increase in the Fiscal Year 2015 (FY15) water rate to the New York City Water Board. The proposal for FY15 represents the lowest increase in nine years and is less than half the published projection of 7.8% anticipated for this spring. The significant reduction was achieved through internal cost-cutting measures and by redirecting part of the excess rental payment that had been adding to ratepayers' bills.

The proposal also recommends freezing the minimum charge for the first time ever for customers that use fewer than 100 gallons per day, which a quarter of all single-family homeowners do, many of them seniors. Their charge for minimum consumption will be held constant at \$1.27 per day.






In addition, DEP is making extensive improvements to its customer service policies to expand leak forgiveness, extend the deadlines to appeal charges, and halt lien sales during the appeals process.

“By cutting costs, refinancing higher interest debt, and reducing the rental payment, we are able to deliver the lowest rate increase in nearly a decade, and the 25 percent of single family homeowners who use the least water will not receive any increase at all,” said **DEP Commissioner Lloyd**. “In addition, we have put together a package of six initiatives to provide relief for customers who experience a leak or unusually high bill, and to make the appeals process easier and fairer.”



What the Proposed Rate Would Mean for an Average Customer:

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If the 3.35% water rate increase is adopted by the Board:

- A typical single-family homeowner will see an increase from \$992/year to \$1,025/year for water and sewer bills—less than \$3/month (based on an average consumption of 80,000 gallons of water per year).
- A typical multi-family unit with metered billing will see an increase from \$645/year/unit to \$666/year/unit—less than \$2/month (based on an average consumption of 52,000 gallons of water per year).

Rates are Lower Than Previously Projected Because:

The Rental Payment is being returned to the water and sewer system.

- The City will return an additional 10% (\$22 million) of the FY14 Rental Payment to the water and sewer system. When combined with the \$14 million that will be returned as part of the rental return pilot initiated in FY12, a total of \$36 million, or 16.4% of the FY14 Rental Payment, will be returned to the system.

DEP has taken aggressive operational cost saving measures.

- More than 75 cost saving initiatives implemented through March 2014 are projected to save \$69.4 million per year. DEP anticipates additional cost saving initiatives implemented by the end of FY14 will produce recurring annual cost benefits of \$85.4 million.

Revenue collections are higher than planned.

- Collections are strong; as of April 21, revenues were \$166 million or 6% ahead of projections.
- Strong collections are due, in large part, to DEP’s substantial completion of the installation of the wireless meter reading system. (Over 820,000 automated meter reading (AMR) devices have been installed on 96% of properties citywide.) This has resulted in a 79% reduction in estimated bills since 2009 and a 49% reduction in billing disputes since 2011, which have been accompanied by improved revenue collection.

Debt service savings have been achieved in the low interest rate environment.

- Actual debt service payments are \$153 million lower than projected for Fiscal Year 2014 (FY14) due to continued low interest rates.
- Since 2009 the Water Finance Authority has taken advantage of lower rates in the financial markets to refinance and buy back over \$7.9 billion of higher-cost debt, achieving over \$2.3 billion of debt service savings.

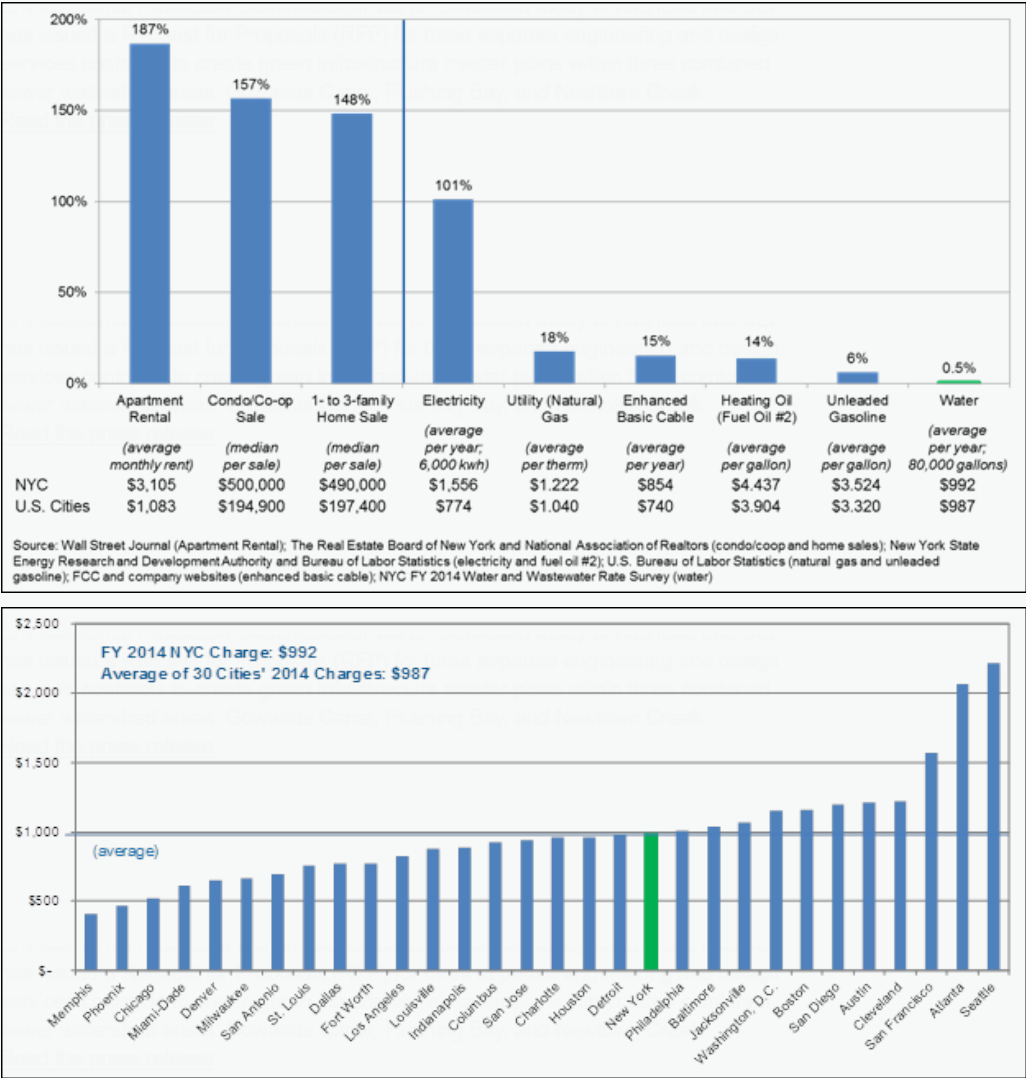
Regulatory and policy advances have enabled DEP to moderate its capital budget.

- Since 2000, 61% of DEP’s capital spending has been for projects mandated by federal and state regulators. In many cases, these were necessary investments for the long-term protection of the City’s water supply. However, being required to build them all at once during a heated construction market drove up capital program costs. The debt service associated with these unfunded mandates, like the \$3.2 billion Croton Water Filtration Plant and \$1.6 billion Ultraviolet Disinfection Facility, cost the average homeowner \$265 this year on their water bill.
- DEP has been successfully working with regulators to reduce future mandates, and in the next 10-year Capital Improvement Plan, the percentage of mandated projects is 17%.
 - DEP eliminated or deferred a \$3.4 billion mandate for handling combined sewer overflows by replacing costly gray infrastructure projects with green infrastructure projects in an amended consent order with the NYS Department of Environmental Conservation, and DEP has been implementing Green Infrastructure solutions citywide, installing more than 200 right-of-way bioswales and 12 stormwater greenstreets.
 - DEP also deferred \$1.6 billion for the construction of a Hillview Reservoir cover and is evaluating incremental monitoring alternatives.
- DEP has also been at the forefront of developing policies related to sustainability. Even before Hurricane Sandy, DEP was evaluating climate risk and the potential impact for the city’s water and wastewater system. In October 2013, DEP published the [NYC Wastewater Resiliency Plan](#), which

recommends \$315 million of protective measures to avoid a potential \$1.1 billion of projected damage without protection.

NYC Water Rates are Average Compared to Other Big U.S. Cities

While other costs in NYC are higher for residents, NYC water rates are average.



Additional Rate Proposals

DEP is proposing progressive changes to the water and wastewater rate schedule for FY15.

- Freezing the minimum charge.** Customers who use less than approximately 100 gallons per day are billed at the minimum water charge of \$0.49 per day, plus wastewater charges of 159% of water charges. DEP proposes to freeze the minimum charge at the FY14 rate, benefitting ratepayers by \$2.1 million.
- Creation of a low-income assistance program.** 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), to identify homeowners who would be eligible to receive an annual credit on their DEP bill.
- Expanding the leak forgiveness program.** Already, DEP has enrolled 201,000 customers in the Leak Notification Program and sent 54,000 notifications, saving customers \$45 million in leak-related charges. Now, the Board is asked to extend the leak forgiveness program to include leaks of maintainable fixtures, such as toilets and faucets. As the wireless meter reading network has enabled customers to track their consumption on a daily basis and be notified of leaks through the leak notification program, customers can now be aware of leaks sooner. To encourage a quick response to such leaks, DEP proposes that the Water Board extend partial forgiveness of leak-related charges to any customer who, within 60 days, fixes a leak that resulted in a high bill.

Extending the deadline for Customers to file an appeal with the Water Board. Currently, customers have 30 days to file an appeal with the Water Board. DEP proposes that they be given 60 days to appeal to the Water Board, which will match the amount of time that the Water Board has to respond.

- **Halting the lien sale process for customers with a pending appeal.** DEP proposes to exclude from the lien sale any customer who has a pending appeal on the date the 90-day lien sale list is published. This would allow billing questions to be settled without the time pressure of the lien sale process.
- **Suspending interest for customers with a “catch-up” bill after AMR installation.** DEP proposes to grant customers who are issued a “catch-up” bill after the installation of AMR 90 days interest free to pay their bill. When AMR devices are installed and an actual meter reading is obtained, DEP may issue a bill for the actual consumption of the property. In such an instance, if the customer requests, s/he may be given 90 days interest free to pay the bill.

The Water Board is responsible for establishing the rate following the proposal and subsequent public hearings. The New York City Water Board has scheduled five public hearings for the upcoming FY15 water rate proposal:

Brooklyn

Wednesday, May 14 at 7:00 p.m.
Visitor Center at Newtown Creek
329 Greenpoint Avenue

Bronx

Thursday, May 15 at 7:00 p.m.
Hutchinson Metro Center
Conference Center, 1200 Waters Place

Manhattan

Friday, May 16 at 1:30 p.m.
NYC Department of City Planning
22 Reade Street - Spector Hall

Staten Island

Monday, May 19 at 7:30 p.m.
Joan and Alan Bernikow JCC
1466 Manor Road

Queens

Tuesday, May 20 at 7:00 p.m.
Bayswater Jewish Center
2355 Healy Avenue
Far Rockaway

Information on the hearings can also be found by visiting www.nyc.gov/nycwaterboard. Following the five public hearings, the Water Board will formally adopt a FY15 water rate on May 23, 2014, and the new rate will become effective on July 1, 2014.

DEP manages New York City's water supply, providing more than one billion gallons of water each day to more than nine million residents, including eight million in New York City. The water is delivered from a watershed that extends more than 125 miles from the city, comprising 19 reservoirs and three controlled lakes. Approximately 7,000 miles of water mains, tunnels and aqueducts bring water to homes and businesses throughout the five boroughs, and 7,500 miles of sewer lines and 96 pump stations take wastewater to 14 in-city treatment plants. DEP has nearly 6,000 employees, including almost 1,000 in the upstate watershed. In addition, DEP has a robust capital program, with a planned \$14 billion in investments over the next 10 years that will create up to 3,000 construction-related jobs per year. This capital program is responsible for critical projects like City Water Tunnel No. 3; the Staten Island Bluebelt program, an ecologically sound and cost-effective stormwater management system; the city's Watershed Protection Program, which protects sensitive lands upstate near the city's reservoirs in order to maintain their high water quality; and the installation of more than 820,000 Automated Meter Reading devices, which will allow customers to track their daily water use, more easily manage their accounts and be alerted to potential leaks on their properties. For more information, visit nyc.gov/dep, like us on Facebook at facebook.com/nycwater, or follow us on Twitter at twitter.com/nycwater.