



NATURAL RESOURCES DEFENSE COUNCIL

**STATEMENT OF THE NATURAL RESOURCES DEFENSE COUNCIL ("NRDC"),
BEFORE THE NEW YORK CITY WATER BOARD**

RE: THE PROPOSED FY2011 NYC WATER RATE PROPOSAL

MAY 7, 2010

Good afternoon, Chairman Moss, members of the Board and staff. My name is Eric A. Goldstein, and I am the New York City Environment Director at the Natural Resources Defense Council, ("NRDC"). As many of you know, NRDC is a national, non-profit legal and scientific organization, dedicated to protecting natural resources and environmental health and supported by 1.1 million members and activists. For 40 years we have had focused significant attention on the urban environment in general and New York City in particular. And since 1990, a top priority for our New York work has been to insure that New York's drinking water supply is kept safe and reliable via cost-effective watershed protection initiatives and through wise investments in our drinking water infrastructure. Larry Levine and I are pleased to be here to testify regarding the New York City Water Board's FY 2011 Water Rate Proposal.

NRDC has reviewed the New York City Department of Environmental Protection's 12.9% rate increase proposal and finds this proposal both meritorious and worrisome. We believe that the overall plan for capital spending is sound and indeed essential, for reasons we will outline in a moment. And we are encouraged by several innovative approaches that are set forth in the DEP proposal. But the sheer size of this increase, coming on top of significant increases in water rates over the past several years, is cause for concern. We support the Administration's PlaNYC initiative and applaud the Mayor's focus on sustainability. But part of an overall drive for sustainability must seek to insure that city residents, particularly lower-income residents, can afford to live here. And continuing, double-digit increases in water rates conflict with the notion of long-term sustainability. Thus, our support for the FY2011 water rate proposal comes with reluctance.

But NRDC does support the proposal because, simply stated, New York City's watershed lands, its reservoirs, aqueducts, tunnels, mains, and sewage treatment plants make up our most valuable capital assets. New York City would have a hard time surviving for even a single day without the 1.1 billion gallons of clean water that come to all of us from our priceless and irreplaceable upstate water supply. Equally important is the system that handles the even larger amounts of sewage and stormwater that are discharged into the rivers and bays that surround our city. The environmental health of these water resources are important not only to our region's ecology, but to the recreational needs of millions of New Yorkers. For years, however, New York City officials took these capital assets for granted and failed to provide the necessary funds for their upkeep. Under these circumstances, it is essential that New York City continue to make significant investments in projects like the Third Water Tunnel, the Croton Filtration Plant, the Catskill/Delaware Ultra-Violet Disinfection Plant, the Cat/Del Watershed Land Acquisition

Program and other water supply and sewage treatment plant projects that are outlined in DEP's Capital Program.

While we share the concern expressed by others about continued double-digit jumps in water rates, we must note that even with the proposed increases, the average water bill in New York City will still be less than the cost of cable television services for many city residents. Part of the reason for the sharp increases in the city's water rates in recent years is that the price of water has historically been under-valued here (and indeed in localities across the nation) and the infrastructure that brings water into our homes and apartments was for many years under-funded. That doesn't make the double-digit increases less painful. But it does help explain why this has occurred in recent years.

With respect to the specifics of the water rate proposal, NRDC is most encouraged by the proposed Stormwater Pilot Program for certain stand-alone parking lots. This provision would for the first time assess wastewater charges on approximately 350 stand-alone parking lots, recognizing that such facilities have not in the past paid water or sewage payments despite the fact that they generate large amounts of stormwater runoff. Significantly, the new program would also set up a credit system for parking lot operators who implement programs to capture stormwater on site and prevent it from flowing into the city's wastewater/stormwater system. NRDC, which has long supported a shift to such "green infrastructure" solutions to deal with stormwater runoff and combined sewer overflows, believes that greater reliance on such "green infrastructure" techniques (e.g., rain gardens, roadside planters, planting strips, porous pavement, etc) is essential if we are to bring down the cost of our wastewater programs and better protect our city's natural resources.

We also are pleased with the proposed 1% discount for water customers who sign up for direct debit payments. This proposal will soften the increase water ratepayers and help insure that DEP is able to collect the water rates it is owed – a benefit both to the city and its water customers. Similarly, we also endorse the proposed service termination fee increase of \$500, which brings this fee closer to covering the true costs to the city of terminating water service.

Finally, because we believe that double-digit increases in water rates are not sustainable over the long term, we have four suggestions that we believe are essential to advance in the coming year:

First, we believe that DEP must move more broadly and more aggressively in implementing green infrastructure projects. In addition to their environmental and energy-conserving benefits, these techniques can reduce the need for more costly infrastructure projects such as underground storage tunnels to capture combined sewer overflows and yield meaningful savings to water ratepayers in for years to come. To this end, we urge DEP to use the experience from the upcoming parking-lot pilot project to fundamentally restructure its water rate charges by creating a separate rate schedule to cover the expenses of stormwater runoff and to incentivize

green infrastructure investments on private property. Part of that new rate system should be a credit system that is technically sound and user-friendly – a system that provides clear procedures for obtaining credits by installing and maintaining green infrastructure retrofits in accordance with well-defined standards.

Second, we urge DEP to step-up efforts to prioritize future capital plan expenditures. This does not mean attacking “Federal mandates,” since such so-called mandates have been the primary reason for dramatic improvements in water and air quality that New Yorkers have all benefited from over the past four decades. What it does mean is identifying several big-ticket items that are not the most cost-effective solution or are less important from a public health/ecological improvement perspective and placing them further back in line, or implementing less costly alternatives. One example is advancing green infrastructure projects rather than constructing large-capacity tunnels for storing stormwater. A second example is rethinking the very expensive proposal for covering the Hillview Reservoir in Westchester County. The time has come for city, state and federal agencies to consider whether the entire project can be held off until more critical capital projects have been completed, or whether a less expensive, soft covering could be used to significantly cut costs in comparison to the project’s current design.

Third, we believe DEP must continue to accelerate efforts to collect overdue water-rate payments from those who have been receiving water and sewer service but who have been years behind in paying their water bills. These “deadbeats” are getting a free ride on the backs of millions of law-abiding water ratepayers. An analysis prepared by NRDC several years ago found that other water utilities around the nation were taking more aggressive steps to collect on overdue water accounts, including the suspension of water services to customers with long-standing records of non-payment of water fees, following appropriate notice. We are aware that DEP has taken modest steps in the last several years to improve its collection processes. But more is needed both to collect outstanding debts and insure fundamental fairness for all water ratepayers.

Fourth, we continue to believe that the current arrangement for water ratepayers to continue making “rental payments” to the city must be revised or terminated. The system is not logical and continues to breed public cynicism. For FY2012, it should be revamped or removed.

In sum, NRDC understands the importance of the Water Board’s mission and the difficult choices it faces. For the reasons stated above, we reluctantly support this year’s proposal, although even at this late date we hope some opportunity for a reduction in the level of increase might be found. Over the long-term, we believe the double-digit increases are not sustainable and should not again be proposed, absent the most compelling public emergency. For that reason and others, we look forward to working with the DEP in the coming year to advance the four proposals for reform that we have identified above. We are encouraged that the new DEP Commissioner seems committed to move many of these ideas forward.