Case 21-W-0338
Report on the Feasibility of Municipalizing Veolia Water New York, Inc.'s Rockland and Westchester Service Territories

June 30, 2022

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EXECUTIVE SUMMARY

On December 18, 2021, the Public Service Commission (the Commission) issued an Order approving Veolia Environnement S.A.'s (Veolia) acquisition of a majority of SUEZ S.A.'s outstanding shares of stock, resulting in Veolia's indirect ownership of the New York regulated subsidiary - Suez Water New York, Inc. (SWNY).[1] In March 2022, SWNY changed its name to Veolia Water New York, Inc. (VWNY). As part of the Acquisition Order, the Commission required the Department of Public Service Staff (Staff) to conduct a study on the feasibility of a municipal takeover of the water system assets owned and operated by VWNY.

VWNY serves approximately 128,000 customers of which approximately:

- 78,000 (61%) customers are in Rockland County;
- 48,000 (37%) customers are in Westchester and Putnam Counties; and
- 2,000 (2%) customers are in Tioga and Orange Counties.

This feasibility study analyzes whether savings can be achieved by creating two distinct municipal districts or public water authorities, one in Rockland County (Rockland Municipal) and one in Westchester and Putnam Counties (Westchester Municipal), which together make up over 98% of the VWNY's customer base.

In March 2021, the Department issued a report[2] on the feasibility of municipalizing New York American Water Company, Inc.'s (NYAW) Nassau County service territories. The Nassau Report concluded that significant savings could be achieved through municipalization, primarily because NYAW customers pay for property taxes at the town and county level both through their water bill and on property they

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[1] Case 21-W-0338, Veolia Environnement S.A. et. al., Order Approving the Acquisition of SUEZ S.A. by Veolia Environnement S.A. (issued December 16, 2021) (Acquisition Order).

[2] Report On the Feasibility of Municipalizing New York American Water Company, Inc.'s Nassau County Service Territories. (issued March 29, 2021) (Nassau Report).

own, whereas their neighbors are served by municipally-owned water systems only pay taxes on the property they own. The Nassau Report estimated that NYAW customers were incrementally paying $141 to $150 more in property taxes annually than their neighbors served by municipal water systems. The Nassau Report concluded that the property tax savings obtained through municipalization should be considered "true net savings," and should be considered as part of the total water bill savings that could be achieved. In Nassau County, municipalization would help correct an inequitable property tax collection system and achieve significant savings for the NYAW customers. With property tax savings included as part of the total savings calculation, the Nassau Report estimated that customers could potentially achieve $433 of annual savings on an average bill of $1,167, or 37% annual savings. Rockland and Westchester counties have a different set of circumstances when compared to Nassau County, particularly how the water service territories overlap the taxing authorities' boundaries.

In Rockland County, the vast majority (92%) of the residents get their water from VWNY, compared to only 25% of Nassau County residents served by NYAW. Almost all the property tax savings in customer water bills would likely need to be made up by the impacted taxing jurisdictions through higher residential and commercial property taxes. This burden of higher property taxes would largely fall on the same 92% of county residents that make up VWNY's customer base. There would be minimal true net savings related to the municipal water system being exempt from property taxes because the homeowners' property tax bills would increase as their water bills decrease. For Rockland Municipal, Staff estimates that current VWNY customers could potentially save 18% or $290 annually on their average water bills through municipalization. However, if property tax savings are not considered to be true net savings, we estimate that water bills would go down by $290 annually but property taxes would go up by $330 annually on average, resulting in a net increase in total

expenses of $40 annually per customer. This represents a net increase of approximately 3% relative to the no-municipalization forecast.

In Westchester County, much of VWNY's service territories align with the boundaries of the towns, cities, and villages it serves. It is primarily at the county level, where the boundaries do not align since VWNY serves less than 20% of the Westchester County population. However, the county taxes are minor compared to the property taxes paid to the cities, towns, villages, and school districts. County property taxes are roughly 10% of the total property taxes VWNY paid to local taxing authorities in Westchester County. The shortfall of the property tax revenue through municipalization would largely fall on taxpayers in those cities, towns, and school districts, which are largely the same people as the water customers, in the form of higher property taxes on their homes and/or businesses. For Westchester Municipal, we estimate that customers could potentially save 12% or $238 annually on their average water bills through municipalization. However, if the property taxes at the town/village and school levels are not considered to be true net savings, we estimate that water bills would go down by $238 annually but customer property taxes would go up by $319 annually on average, resulting in a net increase in total expenses of $81 annually per customer. This represents a net increase of approximately 4% relative to the no-municipalization forecast.

Starting a water utility from scratch is a difficult and complex undertaking and is not a decision that should be made lightly. There are substantial financial, managerial, technical, and efficiency risks, as well as risks related to an uncertain acquisition price and interest rate fluctuations. Given today's municipal interest rate environment, Staff forecasts the municipalization would result in costs exceeding savings for existing customers. In the future, if municipal interest rates decline to where they were six months ago, or below, some savings could potentially be achieved, but any projected savings needs to be weighed against the risks. This report makes no

conclusion as to whether the benefits of municipalization outweigh the substantial risks involved. These difficult decisions on the best path forward need to be made by the local communities and their elected representatives. This report is intended to allow them to make a more informed decision.

This report is divided into three parts. Part One addresses issues common to Rockland and Westchester. Part Two addresses Rockland-specific issues and Part Three addresses Westchester-specific issues.

PART 1 – ISSUES COMMON TO ROCKLAND AND WESTCHESTER

GENERAL BACKGROUND

Commission Order – Requesting a Municipal Feasibility Study

On December 18, 2021, the Commission issued the Acquisition Order approving Veolia's acquisition of a majority of SUEZ's existing shares of stock, resulting in Veolia's indirect ownership of SWNY, the New York regulated subsidiary. In March 2022, SWNY changed its name to Veolia Water New York, Inc. As part of the Acquisition Order, the Commission explained that Staff would conduct a study on the feasibility of a municipal takeover of the water system assets owned and operated by VWNY. This report is similar to Staff's Nassau Report.

Background Summary of VWNY

VWNY provides residential and non-residential metered and other water services, as well as public and private fire protection services, to approximately 128,000 customers in parts of Rockland, Westchester, Putnam, Orange, and Tioga counties in three rate districts: the Rockland district (including approximately 78,000 customers in Rockland and 500 in orange counties, 900 in the acquired Forest Parks systems, and 2,700 customers in the newly acquired Heritage Hills system); the Westchester district (approximately 44,000 customers); and the Owego-Nichols district (approximately 1,600 customers). This study focuses on the municipalization feasibility of the VWNY's water systems in Rockland and Westchester/Putnam counties since they account for over 98% of the customer base and are large enough to make municipalization efforts more viable. In the study, we assume that the customers in Orange County and the Owego-Nichols rate district, which only make up about 1.6% of the customer base, will remain

with VWNY. This assumption does not preclude those territories from being included in any municipalization efforts going forward.

Summary of the Service Territory

Ninety-six percent of New Yorkers receive water service from privately owned wells or by some type of government entity, whether that be a city, town, village, or authority/district. Only four percent of New Yorkers receive their water service from investor-owned utilities (IOUs) regulated by the Commission. The public water systems run by municipalities or authorities have significant cost advantages over IOUs, particularly with regard to being exempt from federal, state, and local taxes, and having a lower overall cost of capital.

VWNY is a regulated investor-owned utility (IOU) whose service territory is divided into separate rate districts:

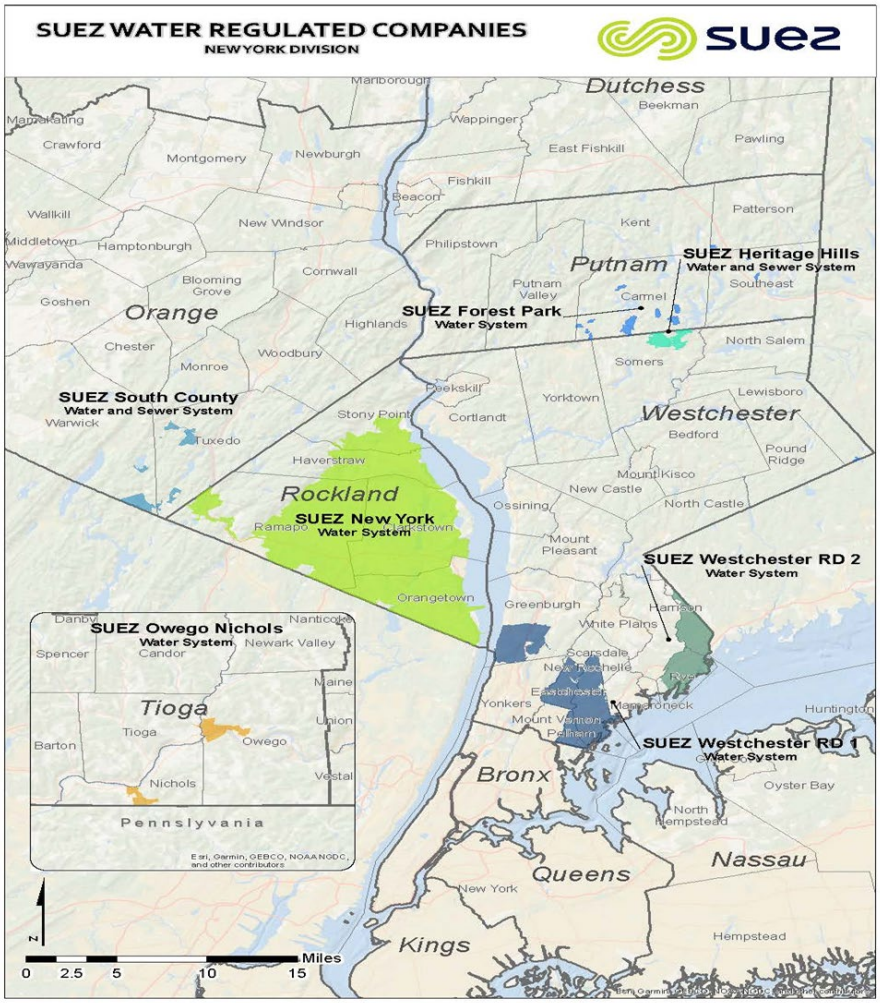
1) Rockland rate district (formerly Suez Water New York, Inc.), [3]
2) Westchester rate district (formerly Suez Water Westchester, Inc.), and
3) Owego-Nichols rate district (formerly Suez Water Owego-Nichols, Inc.).

The table below provides details of the customer count in each rate district.

Rate District	No. of Customers	County
Rockland	81,771	Rockland, Orange, Westchester, Putnam
Westchester	44,247	Westchester
Owego-Nichols	1,584	Tioga
Temporary Operator	172	Orange, Putnam
Total	127,774	

[3] Cases 19-W-0168 and 19-W-0269, Suez Water New York, Inc., Order Adopting Terms of Joint Proposal, Approving Merger, and Establishing Rate Plan (issued July 16, 2020) (2020 Order).

Below is a map of VWNY's service areas.



Filed Comments Regarding Municipalization

During Staff's investigation, several individuals and organizations filed comments. The comments relevant to this investigation and report are summarized below, and to the extent such comments are not already discussed in the body of this report, those comments are addressed here.

Commenters raised questions as to whether a municipal system would be more transparent in its operations and the provision of information; speculated whether land use and development would improve under a municipally owned water system;

questioned whether water quality, pressure, and fire protection service would improve under municipal ownership; and speculated on the effectiveness of water conservation efforts directed by a municipally owned water system. As discussed in the body of this report, any entity that would seek to acquire the water system assets of VWNY would need to possess sufficient technical, financial, and managerial capacities to provide safe and reliable service. The Commission would make a determination of sufficient capacity in a proceeding in which the parties to a transfer propose a specific transfer of ownership of all or a part of a water system. Further, as the capabilities of a theoretical municipal water system would be speculative at this juncture, as would customer response to and participation in any such programs, the scope of this report is purely on VWNY's operations, the current financial situation of VWNY, and the potential financial outcomes and ramifications of a municipal acquisition of VWNY's system(s).

Comments also raised the potential for a greater breadth of funding and grant options available to municipally owned water systems. While this could be a legitimate benefit to ratepayers, the magnitude of such funding and its potential impacts cannot be quantified at this time, and it should be noted that many grant and loan programs would still require an application and potentially a declaration of a hardship. Comments also raised questions regarding the fire that occurred at the Evergreen Court Home for Adults in Spring Valley, Rockland County, on March 23, 2021. As of the publication of this report, both the criminal proceedings and the Department's own investigation into this matter are both ongoing, and thus this report does not discuss the impacts or findings from these investigations.

Comments also requested that Staff prepare a comparison and individual discussion of the Rockland and Westchester service territories and prepare separate financial analyses for the municipalization of these systems. This report presents an overview of each system, its approximate financial standing, and the potential impacts of municipalization of each, to the extent possible.

Multiple comments focused on the property taxes of the Rockland service territory, the tax burden carried by VWNY, and the impacts of various municipalization outcomes on the revenues and taxes of those municipalities served by VWNY. Staff performed an analysis of the expenses of both the Rockland and Westchester territories, determined the tax burden carried by each, and prepared three operational scenarios for each territory to better compare the potential rate impacts on customers. One scenario assumes no change in ownership; the second scenario eliminates all property and income taxes from the theoretical municipal water system's revenue requirement; and the third scenario treats property tax expense as a pass-through and leaves it in the revenue requirement, under the assumption that property taxes would be reassessed to the customers through increased property tax rates. These scenarios are discussed at length in the body of the report, and the assumptions made in each are laid out in Appendix 2.B and Appendix 3.B for the respective Rockland and Westchester municipal scenarios.

Potential Savings/Costs – Due to Municipalization

There are generally three significant costs of providing service that IOUs are required to pay and pass to customers that municipal utilities either do not have to pay or pay at a reduced rate. For VWNY they are:

a. Property Taxes (~18% to 23% of the water bill)

b. New York State and Federal Income Taxes (~6% of the water bill)

c. Cost of Capital – Cost of Equity above cost of debt (~7% to 8% of the water bill)

Another area for potential savings is that municipal systems are more likely to receive state or federal assistance or grants related to lead service lines, pollution containment, and disaster relief. These potential savings are unquantifiable at this time, but nevertheless should be considered one of the benefits of municipalization.

There is one area where the regulated IOUs have a cost advantage over municipal utilities, and that relates to the treatment of the amount the acquiring utility pays over the book value for the assets. Rates for regulated utilities are generally set on the original cost of the assets less depreciation, or net book value of the assets. If a utility is acquired at a market value that is above the underlying net book value, the shareholders, not the customers, pay for that premium, which is also known as goodwill. Municipalities do not have shareholders to pass these costs along to, so the premium above net book value (i.e., the difference between market value and net book value) needs to be collected from customers in rates.

Risks Related to Municipalization

Creating a new municipal water system is a very large undertaking that comes with significant risks. Some of those risks include:

- Acquisition Premium Risk
- Interest Rate Risk
- Efficiency Risk

It is important to understand that the Commission does not control the sale price of a utility. The sale price is based on the fair market value of the assets. The sale price can either be negotiated between the owner and an interested buyer, or a government entity has the ability to condemn the property in eminent domain proceedings in the courts under the provisions of the New York Eminent Domain Procedure Law. In both situations, the sale price is based on the fair market value of the company.

Recent studies on municipalization in Nassau County have focused on these cost differences to estimate the net savings that could be achieved through municipalization. Staff's analysis assumes a cost of 1.5 times the net book value. Staff

made this assumption based on the recent sale price of NYAW to Liberty Utilities Inc. (Liberty). This assumption is merely a best guess estimate and is in no way a guarantee that the ultimate sales price of VWNY will be more or less than 1.5 times net book value, either through negotiated agreement or condemnation. If the ultimate sales price is higher than 1.5 times the net book value, the actual cost-per-customer will be higher than the estimates in our models.

The water utility business is capital intensive and therefore the cost of providing service is highly dependent on the cost of capital (interest rates and, if applicable, the cost of equity). When Staff first created its model for this report in February 2022, an AA-rated municipal bond rate was 2.07% for a 30-year term, using the average bond rate for November 2021. That model identified potential annual savings in the 7% to 10% range. AA-rated municipal bond rates have increased significantly in the past few months from 2.07% to the current rate of 3.93% based on the average bond rate for May 2022. With this increase in interest rates, our models went from projecting 7% to 10% savings through municipalization to projecting 3% to 4% higher costs through municipalization. This illustrates how dependent projected water rates are on interest rates. Therefore, there is a risk that projected savings could change materially from when the municipalization decision is made to when the acquisition is effectuated, which may take one to two years, depending on whether condemnation is needed. The projected savings/costs could fluctuate significantly if interest rates change in that time period.

Staff's models assume that a proposed municipal provider will provide service with the same efficiency as VWNY, which is a subsidiary of a publicly-traded company that specializes in providing water service. If that assumption is incorrect, and the new municipal provider is less efficient than VWNY, the actual cost-per-customer would be higher than those forecasted in Staff's models.

High Water Rates – Bill Comparison to Other New York Communities

VWNY customers pay among the highest water bills in New York State, compared with customers of the water systems run by public water authorities. In February 2017 the New York State Comptroller issued its Drinking Water Systems in New York -The Challenges of Aging Infrastructure Report.[4] (Comptroller's Report) (Appendix 1.A) In the table below we have updated the Comptroller's rate comparison for current 2022 rates and added a few more local water systems near VWNY's service territory. We also decreased the average monthly usage from 12,000 gallons per customer as utilized in the Comptroller's Report to VWNY's typical usage of 5,236 gallons per customer.

[4] https://www.osc.state.ny.us/files/local-government/publications/pdf/drinkingwatersystems.pdf

Monthly Water Bills*

	Monthly Usage 5,236 Gallon (7 CCF)	Est. Rates Assuming Tax Exempt and Lower Capital Costs
Veolia Water Companies		
VWNY - Rockland District	$78	$41
VWNY - Westchester RD 1	$61	$37
VWNY - Westchester RD 2	$56	$33
VWNY - Owego Nichols	$77	$41
Other Large Investor Owned Utilties		
LWNY - SA 1	$45	
LWNY - SA 2 Merrick	$35	
LWNY - SA2 Sea Cliff	$38	
Public Water Authorities (in 2017 Comptroller Report)		
Suffolk County Water Authority	$27	
Monroe County Water Authority	$26	
Erie County Water Authority	$46	
Onondaga County Water Authority	$31	
Mohawk Valley Water Authority	$39	
Water Authority of Western Nassau County	$32	
Water Districts (in 2017 Comptroller Report)		
New York City	$29	
City of Syracuse	$35	
City of Rocehster	$28	
City of Albany	$30	
Buffalo Water Authority	$33	
Water Districts in VWNY Territory		
Village of Nyack (Rockland)	$42	
Village of Suffern (Rockland)	$26	
Yonkers City (Westchester)	$34	
Mount Vernon (Westchester)	$25	

* Metered residential service to a 5/8 inch meter.
Including surcharges for VWNY and LWNY.
Water rates for public water authorities and water districts are based on published rates without details of components.

The column on the far right estimates what VWNY's rates would be if, similar to municipal water companies, it was exempt from paying property and income taxes and had a municipal bond rate as its cost of capital. This brings us much closer to an equitable comparison, but it is also true that some water districts collect part of the

costs of maintaining their water system through property taxes and not through water rates, so the water rates of some of the municipalities do not reflect the full cost of providing service. The adjusted VWNY rates are slightly higher than most of the water authorities. This is primarily due to Westchester having to purchase its entire water supply from the New York City Water Board, Westchester Joint Waterworks, and Aquarion Water Company of Connecticut. Additionally, VWNY's slightly higher rates reflect VWNY's significant investments in capital improvements – the need for which was the primary concern in the Comptroller's 2017 Report on aging water infrastructure.

Collecting Property Taxes Through the Water Bill

Since the vast majority of the savings that are achieved through municipalization come from the exemption from paying property taxes, the threshold question is whether the exemption from paying property taxes is truly a benefit of municipalization or just a shift in the collection of analogous dollars from customers' water bills to those customers' tax bills, since the taxing jurisdictions will either need to collect the lost tax revenue elsewhere, or possibly curtail services. In Rockland County, 92% of the County population receives its water from VWNY, so if the water utility becomes tax-exempt it would largely be the same customers making up for the shortfall in property tax collection through higher residential and commercial property taxes. In Westchester County, the service territory largely aligns with the boundaries of the villages, cities, and towns VWNY serves. It is primarily at the county level that the boundaries do not align, but Westchester County taxes only make up 10% of the total property taxes paid by VWNY in Westchester County. Therefore, in Westchester the tax revenue shortfalls through municipalization, would primarily be made up by the same VWNY customers in the form of higher village, city, school, and town property taxes,

with the exception of the County property taxes which would be shared with the 80% of the Westchester population that do not receive water service from VWNY.

Collecting property taxes through a water bill is inefficient, regressive, and results in an inequitable tax system. It is inefficient to collect property taxes through the water bill because water bills are not tax-deductible on personal income tax returns, but many citizens can deduct property taxes on their federal tax return, thereby reducing the federal taxes they are required to pay. This will be especially true when the limit on the state and local tax (SALT) deduction expires in 2025.

Most VWNY customers are unaware that almost 20% of their water bill consists of utility property taxes. Collecting property taxes through water bills is a regressive form of taxation because utility bills are a much larger burden for low-income households compared to higher-income households. Generally, property taxes on residential real estate are assessed based on the market value of the underlying property and often wealthier people have properties with higher assessment values.

Also, collecting property taxes through the water bill can result in inequitable taxation for IOU water customers in certain taxing jurisdictions. Although in Rockland County only approximately 8% of the population receives water from municipal systems, that 8% pays no property taxes in their water bills. For any taxing jurisdiction in Rockland County that collects property taxes from both VWNY and municipal customers, it is essentially an additional tax on the VWNY customers because they pay property taxes on both their houses and through their water bills, whereas municipal customers only pay property taxes on the real properties they own. In Westchester County, it is primarily at the county-level where the disparity occurs, since only approximately 20% of county residents receive their water from VWNY. The disparity is much less for the other Westchester taxing jurisdictions because the water service territory often aligns with the taxing jurisdiction boundaries. Also, for societal

reasons, certain non-profits, such as hospitals, and government entities are exempt from paying property taxes, but they are not exempt from paying property taxes indirectly through their water bills.

Since collecting property taxes through a water bill is inefficient, regressive, and can result in inequitable taxation, Staff posits that if municipalization does occur, property taxes should not be replaced with a payment in lieu of taxes (PILOT) program. Staff realizes that such a large tax shift in one year (approximately $25 million for taxing authorities in Rockland County and approximately $14 million for taxing authorities in Westchester and Putnam counties) might be difficult for the taxing authorities and may require a transition period. So, if a PILOT program is implemented in the newly created municipal water systems, Staff recommends that it be phased out over three to five years for the reasons stated above. Appendix 2.C and Appendix 3.C show the 2021/2022 property taxes paid by VWNY in the respective Rockland County, Westchester, and Putnam Counties being phased out over three-, five- and ten-year periods, which approximates the impact on the taxing jurisdictions if a phased-out PILOT system is implemented.

WATER UTILITY OPERATION

Operational Capacity

The Safe Drinking Water Act requires that technical, managerial, and financial capacity be present to operate a water utility system that meets U.S. Environmental Protection Agency and New York State Department of Health (NYSDOH) drinking water standards. Technical capacity refers to the ability to apply the requisite technical knowledge to operate and maintain the water system infrastructure and

source water adequately.[5] Managerial capacity refers to the expertise to administer the system's overall operation.[6] Financial capacity refers to the financial resources and fiscal management that support the cost of operating the water system.[7] All three areas need to be adequately addressed for the successful operation of the water system.

On August 6, 2000, the NYSDOH issued a Capacity Development Strategy Report with the assistance of stakeholder groups of state agencies, public water owners, technician assistance providers, local government representatives, and environmental groups.[8] In the Capacity Development Strategy Report, NYSDOH identified a set of criteria, found in Appendix C of NYSDOH's report, to be used to evaluate the technical, managerial, and financial capacity of public water systems in New York, which are summarized below.

Technical Capacity

Technical capacity includes possession of or plans to obtain technical knowledge, system infrastructure knowledge and plans, and source water knowledge and plans. Technical knowledge is based on the ability to meet, test compliance with, and report testing results regarding drinking water regulations; evaluate and record system conditions; record water production or treatment for each water source; be compliant with DOH inspection reports; and have an appropriately certified water operator(s). For system infrastructure, the water entity should have or aim to obtain plans, drawings, or maps of the water system facilities; know the location and

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5 https://www.health.ny.gov/environmental/water/drinking/capacity/docs/2016_capacity_development_report.pdf

6 Ibid.

7 Ibid.

8 https://www.health.ny.gov/environmental/water/drinking/capacity/report.htm

measurement of all mains, valves, and service shut-offs; know if system facilities meet water demands and pressures; and have a water conservation plan. For source water, it is important to conduct a source water assessment, know the source-pumping capacity, know the system's raw and finished water storage capacity, and have a wellhead protection program for the ground system.

A municipality or authority that already has experience operating a water system would need to determine if current resources are sufficient to meet the technical capacity requirements of the additional NYAW service territory, especially concerning the number and qualifications of the water system operator. An entity that does not currently meet the technical capacity requirements may do so by retaining the employees used to currently operate the VWNY systems or hiring other qualified employees and contractors to meet this requirement. Time would be needed to become fully acquainted with the current operation, design, and issues of VWNY's water system. This time would be needed regardless of the experience of the entity in operating other water systems; therefore, a transitional plan to allow for the exchange of knowledge while continuing with the operation of the water system should be considered.

Managerial Capacity

Managerial capacity can be achieved through clear identification of ownership and accountability for the system; having adequate staffing and organization; consolidation and restructuring; and, having an emergency response plan, effective water system policies, and proper record-keeping. Ownership identity includes having an identified owner and a plan for continuous operation. Adequate staffing and organization include continual education of system personnel; having someone responsible for policy, expenditure, and operational decisions; and having an appropriately state-certified water operator(s) or plans to achieve such requirements.

Consolidation and restructuring include examining the feasibility of connecting with exiting water systems and contracting for system management and operation. A water system should have an emergency response plan with determined responsibilities of personnel, and emergency notification and communication capabilities; written water operation policy or manual; and maintain records of the utility on the management and operation of the system, records, and correspondences with the DOH and the Commission, where appropriate.

A new entity that does not currently meet the managerial capacity requirements may retain VWNY personnel or contract for system management and operation with other water entities permanently or until the new entity is able to gain the necessary managerial capacity internally.

Financial Capacity

To achieve the financial capacity needed to deliver safe and adequate water service to the people of Rockland County and Westchester County, a new municipal utility would need to earn revenues sufficient to cover all cash operating expenses, service debt obligations, and fund reserves for capital projects, emergency repairs, and collection shortfalls. In addition, the utility will need to secure access to external capital at favorable terms in order to finance all prudent capital investments and working capital requirements.

Furthermore, municipal utilities are often eligible for grants from the federal and state governments, while investor-owned utilities usually are not. However, municipal utilities are, by definition, barred from raising capital in the equity markets. That is to say that municipal utilities are not permitted to issue stock, blocking this as a source of funding.

Regardless of whether a utility is owned by a government or by private investors, financial capacity is ultimately determined by internally generated funds. In other words, a utility must collect revenues sufficient to pay all the costs associated with keeping the utility in good working order. Accessing external funds at favorable terms will not be possible without credible evidence that the utility will earn and collect enough revenues. This means that solid financial capacity is underwritten by quality governance, a rigorous budgeting process, judicious capital planning, and careful treasury management. These are necessary in order to keep customer water rates set at appropriate levels and to establish credit. Accordingly, the utility should periodically review approved rates, charges, and billing frequency for their appropriateness, and adjust them, or request authority from its regulator to do so, as necessary.

A public water authority that does not currently meet the financial capacity must consider how it will achieve that financial capacity. The water systems eligible to receive Drinking Water State Revolving Fund (DWSRF) assistance are community water systems, municipal and privately owned water systems, non-community, and non-profit water systems.[9] The funds obtained can be used for systems upgrades or infrastructure replacement necessary to achieve or maintain compliance with federal state drinking water standards, improving delivery pressure, replacing contaminated supplies, treatment and performance criteria, upgrades to prevent contamination, and other projects needed to provide the public with safe drinking water. Section 145(a)(3) of the Safe Drinking Water Act applies to the public water system and requires DWSRF applicants to demonstrate that the water system has adequate technical, managerial, and financial capacity before receiving DWSRF assistance from New York State. However, New York State can provide DWSRF aid to

[9] https://www.health.ny.gov/environmental/water/drinking/iup/information_sheet.htm

the public water system if it agrees to implement effective measures to achieve the technical, managerial, and financial capacity of the water system long-term.[10]

Water Source and Quality

In Rockland County VWNY draws its groundwater from approximately 60 wells and from surface water sources, i.e., the Indian Kill, Blue Lake, Lake Deforest, and Letchworth reservoirs. The Westchester Rate District 1 (RD1) purchases all of its water supply directly from the New York City Water Systems, particularly from the Catskill and Delaware Aqueducts which carry water from surface water sources. The Westchester Rate District 2 (RD2) purchases 67% of its water from Aquarion of Connecticut through the Putnam Reservoir in Greenwich, Connecticut, and 33% of its water from the New York City Water Systems (Catskill and Delaware Aqueducts) through Westchester Joint Water Works. Service between Aquarion of Connecticut and VWNY occurs under a set of service agreements made between each entity's predecessor.

VWNY prepares annual water quality reports for its service territories. The Annual Quality Reports include a source water assessment susceptibility rating, based on the risk posed by each potential source of contamination and how rapidly contaminations can infiltrate the water sources. The susceptibility rating is an estimate of the potential for contamination of the source water and does not mean that the water delivered to customers will become contaminated.[11]

Regarding the various surface water sources in VWNYs systems, they were found to have an elevated level of susceptibility to contamination by pesticides, sediments, disinfection byproduct precursors, phosphorus, and microbials. The amount

[10] Ibid.

[11] SUEZ Annual Drinking Water Quality Reports, 2021.

of residential land cover and its associated uses are the primary drivers for susceptibility to contamination. Regarding the various groundwater sources in VWNY systems, they demonstrate medium to high susceptibility to microbials, nitrates, and industrial solvents. These ratings vary based on proximity to discharge facilities and associated industrial activity within the assessment areas. In addition, some wells draw from fractured bedrock and the overlying soils do not provide adequate protection from potential contamination.[12]

The source water assessment results are environmental factors that are unrelated to the operation of the private water company. Any owner of the wells, both private and public entities, would have to deal with these issues and needs to have operations and maintenance programs and/or capital projects to address these contaminants.

According to NYSDOH, emerging contaminants such as perfluorooctanoic acid (PFOA), and per-fluorooctane sulfonate (PFOS) are threats to drinking water supplies. These contaminants are man-made chemicals detected in water due to industrial pollution and can have adverse health effects. The maximum allowable concentration levels adopted by the New York State NYSDOH is 10 parts per trillion (ppt) for PFOA and PFOS. Both private and public entities are required to meet New York State drinking water standards for PFOA and PFOS.

VWNY proactively began testing all its water systems for the presence of PFOA and PFOS prior to New York State's adoption of maximum allowable concentration level standards and continues to conduct tests for these chemicals. VWNY budgets to invest in assets such as Granular Activated Carbon to treat PFOA and PFOS at sites where these chemicals are to be removed. Since these contaminants result from factors unrelated to the ownership structure of the water system, any entity would have to

[12] Id.

invest in similar assets to detect and treat these contaminants to not exceed the state-approved maximum allowable concentration levels.

Any entity must also strive to implement best practices for water conservation. In the 2016 Rate Case, SWNY established a Conservation and Efficiency Program (C&E Program) to reduce non-revenue water within its system. The C&E Program included an in-store rebate program to facilitate customer fixture replacements, incentives for water conservation measures, complimentary water efficiency audits, and conservation-specific outreach and education. Additionally, the C&E Program also initiated positive and negative revenue adjustment mechanisms to incentivize reaching rebate program goals. The C&E Program had a five-year budget of $5.2 Million per the 2017 Order.[13]

The 2020 Order expanded the C&E Program to include the Westchester service territory while revising certain program features and updating the annual budgets. The C&E Program annual costs were updated to a forecasted $1.141 million per rate year, and the revenue requirement impact of any cumulative underspending is to be deferred for customer benefit.

VWNY has inclining block rates for all service territories. Inclining block rates utilizes a rate structure that charges customers higher marginal per-unit prices with higher water consumption to promote lower usage. The use of inclining block rates is a practice commonly adopted for water systems in New York State. Although most of the public water systems have inclining block structures like VWNY, which will assist in meeting the New York State Department of Environmental Conservation's established water conservation goals, any public entity will need to be proactive and implement additional measures like VWNY's C&E program continually in the future to assist

[13]Case 16-W-0130, United Water New York Inc.- Rates, Order Establishing Rate Plan (issued January 24, 2017) (2017 Order).

customers in taking control over their water usage, reduce their water bill, and to support sustainability. Therefore, whether a water system is publicly or privately owned does not directly impact conservation efforts or efficacy; Conservation is instead focused on reducing water usage and waste, which respective regulators, water users, and residents of New York should work towards achieving collaboratively.

VWNY publishes Annual Water Quality Reports that comply with Title 10 of the New York State Codes, Rules and Regulations (10 NYCRR) §5-1.72 and Title 40 of the Code of Federal Regulations (40 CFR) Part 141, Subpart O for all its service territories. The water quality reports contain detailed information on the water source, contaminants detected and educational information.

The water source contaminants and the requisite treatments vary with each location within VWNY's service territory. For example, the surface water sources have varied treatment procedures depending on the water composition, which varies by location. Lake Deforest utilized aeration and filtration for physical treatment. Chemical treatment includes potassium permanganate, flocculation, alum, and disinfection via sodium hypochlorite. Polyphosphates are then added for corrosion control. Groundwater sources undergo varying treatment procedures depending on water composition and whether the well in question is under the influence of surface water. All wells are treated with sodium hypochlorite for disinfection, and where necessary polyphosphates for corrosion control. Wells that are under the influence of surface water employ additional treatment including UV disinfection and filtration.

Service Quality

VWNY service quality is measured by a mechanism known as the Customer Service Performance Indicator (CSPI). VWNY CSPI is composed of a Customer Satisfaction Survey Index which measures overall customer satisfaction and a PSC

Complaint Rate, which measures the number of escalated complaints reported to the Office of Consumer Services. Each metric is measured over a 12-month period and has associated targets along with a Negative Revenue Adjustment (NRA) should VWNY not meet the targets shown in Appendix 1.B. VWNY files these reports annually, and these reports are verified by Department Staff as part of the Annual Customer Service Performance Report presented to the Commission.

VWNY Customer Satisfaction Index for the years 2019, 2020, and 2021 was 76%, 82%, and 88% respectively. VWNY met its targets for the Customer Satisfaction Index and did not incur an NRA.

VWNY PSC Complaint Rate for the Westchester District for the years 2019, 2020, and 2021 was 0.6, 0.4, and 0.6 respectively. The PSC Complaint Rate for the Rockland District which was introduced in the 2020 Order was 2.1 for 2020 and 1.5 for 2021. VWNY met its targets for the PSC Complaint Rate and did not incur an NRA. Most of the complaints were related to high bills.

VWNY currently employs 17 customer service representatives with 11 located in West Nyack and six in Westchester. The call center is open Monday through Friday from 8:00 am to 4:00 pm with a customer service representative available after-hours for emergencies.

CONCLUSION

Municipalization is not an easy or quick process. There are complex legislative, legal, and financial issues that need to work their way through the legislature, the Public Service Commission, local government bodies, and potentially the courts before any form of municipalization could take effect, and its potential benefits realized.

Based on our assumptions and current interest rates, we estimate that municipalization would result in net costs exceeding savings by about 3% to 4%,

compared to VWNY's baseline case, assuming property tax savings are not considered true savings. These forecasts do not include any potential future savings that could be achieved through grants or awards that may be available to government-run water utilities. Consideration must be given to the significant risks related to municipalization, particularly the acquisition premium risk, interest rate risk and efficiency risk. Any potential savings that could be achieved through municipalization need to be weighed against the risks.

The primary concern of the Commission whenever a change in ownership is proposed is whether the acquiring entity has the technical, managerial, and financial expertise to operate a water company. Any plan to municipalize the water system needs to start with the premise that the acquiring entity has the capabilities to operate a well-run and efficient water utility.

This report makes no conclusion as to whether the benefits of municipalization outweigh the substantial risks involved. These difficult decisions on whether to municipalize need to be made by the local communities and their elected representatives. This report is intended to allow them to make a more informed decision.

PART 2 - POTENTIAL ROCKLAND MUNICIPAL SYSTEM
Cost of Service Analysis and Local Tax Impacts

Analysis of Potential Savings – Rockland

For the VWNY's water system in Rockland County, we compared the costs of providing water service under three different scenarios in order to calculate the forecasted savings that could be achieved through municipalization.

Base Scenario - VWNY Remains as the Service Provider – This analysis provides a baseline scenario to compare with the other scenarios under a public authority. All the cost-of-service elements in the model, except for return on equity (ROE), are based on the levels approved in the 2020 Rate Order for Rate Year 4 (RY4) ending on January 31, 2024, for the Rockland rate district, reduced by estimates for the Forest Park systems due to their physical locations in Putnam and Westchester Counties. Staff updated the ROE from the authorized 8.8% in the current rate plan to 9.2%, based on the most recent allowed ROE in the Commission's rate order for Orange and Rockland Utilities, Inc.[14]

Scenario 1 - Municipalization of VWNY Water Systems – Property taxes and income taxes are fully eliminated. The cost of capital reflects a 30-year long-term debt at a 3.93% interest rate for municipal bonds with a rating in the Aa/AA category[15]. This scenario assumes a purchase price of 1.5 times net plant value.

Scenario 2 - Same as Scenario 1, except that 92% of the property taxes are treated as revenue-neutral since the reduction in customers' water bills due to elimination of the property taxes most likely would be collected in the form of higher property taxes from the same water customers, therefore not providing a true-net-savings to most customers.

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[14] Case 21-G-0073/21-E-0074, Orange and Rockland Utilities, Inc. - Rates, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans, with Additional Requirements (issued April 14, 2022) (O&R Order).

[15] Mergent Bond Record - May 2022 average.

The two scenarios for municipal water service assume that VWNY's assets serving Rockland County territory are acquired by a newly formed public water authority. Since it will take some time to organize and acquire VWNY's assets, the revenue requirement model is based on a July 31, 2023, acquisition date, or the midpoint of RY4. Staff recognizes that government entities have different accounting rules compared to private investor-owned utilities, particularly when it comes to accrual accounting, accounting for loan payments, and the treatment of depreciation, but the model assumes investor-owned utility GAAP accounting to get a better apples-to-apples comparison to the baseline case.

The model assumes conservative estimates whereby the base cost of the acquisition is 1.5 times the net plant value of the Rockland system. The purchase price assumption of 1.5 times the net book value was used because that was the amount paid by Liberty in its recent acquisition of NYAW. The model adds the projected balances of net regulatory assets/liabilities as of July 31, 2023, to come up with an adjusted sales price, and then it adds projected cash flow needs for the municipality for the first few years of operations. The model projects a financing need of approximately $992 million in order to acquire and run the water system. A more detailed explanation of the assumptions used in the model can be found in Appendix 2.B. The table below shows the details of the financing needs for the municipalization of the Rockland County water system.

	Estimated Net Purchase Price and Cash Flow Needs - Rockland Assuming Municipalization Completed by 7/31/2023 ($, Million)		
	Net Plant on 1/31/2024	$	546.0
	Assumed Market to Book Ratio		1.5
A	Assumed Purchase Price		819.0
B	Net Deferral		2.7
C	Adjusted Purchase Price		821.7
D	Bond Issuance Cost (1% of principal)		8.2
E	Contingency Cash Flow Needs (4% of purcahse price)		32.9
F	Extra Cash for Two Years Future Plant Investment		125.1
G	Transaction Costs		4.5
	Total Amount to be Raised and Include in Rates	$	992.4

The table below summarizes our analysis of potential customer savings for the different scenarios.

Rockland Rate District (excluding FP and OC)	**Base Scenario**	**Scenario 1**	**Scenario 2**
	Continued IOU	Public Water Entity	Public Water Entity (incl. 92% of Total Property Tax)
Total Revenues ($000)	123,148	100,575	126,280
Savings from Base Scenario Scenario ($000)		(22,573)	3,131
Number of Customers	77,727	77,727	77,727
Average Annual Bill ($)	1,584	1,294	1,625
Average Bill Change per Customer from Base Scenario ($)		(290)	40
Percentage Change from Base Scenario		-18%	3%

As you can see in the table above, based on these assumptions the municipal annual revenue requirement is projected to be $101 million under Scenario 1, or an average of $1,294 per customer. This would produce an average savings of approximately $290 per year, or 18%, compared to the $1,584 average customer bill in the base scenario. However, if property tax savings are not counted as "true net savings" as in the estimate shown in Scenario 2, the model forecasts municipalization would actually increase overall expenses (with water bills going down by $290, but

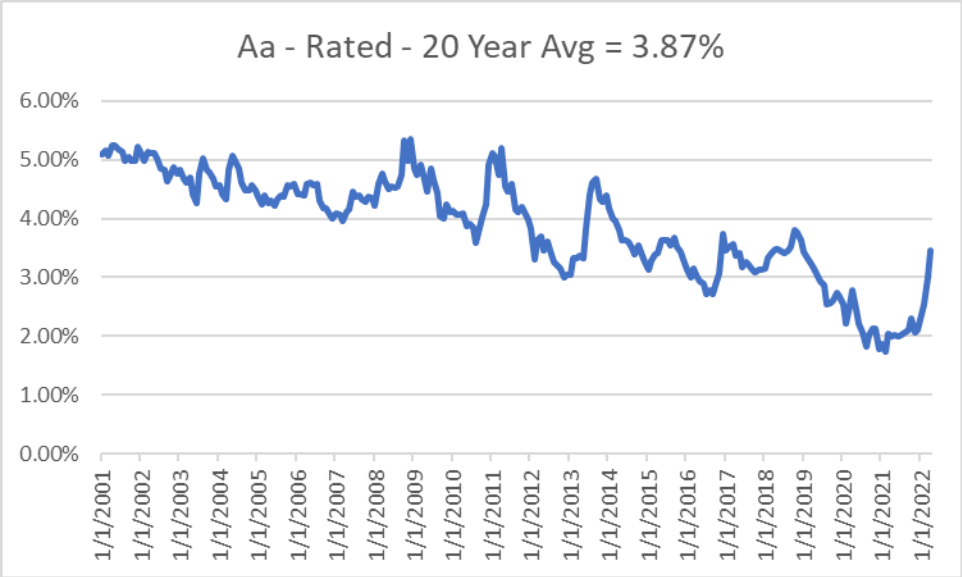
property taxes going up by $330) by about $40 per customer on average, or by about 3%, compared to the base scenario.

Staff notes that customers should see approximately an additional $10.4 million in annual savings beginning in Year 11, once the needed surplus[16] is built up to the target amount which is forecasted to occur in Year 10. Customers may see additional savings after paying off the initial 30-year long-term debt which finances the acquisition premium. However, Staff cannot quantify such savings after 30 years, due to uncertainty of the system's needs for capital investments and the conditions in financial markets. Another area for potential savings is that municipal systems are more likely to receive state or federal assistance or grants related to lead service lines, pollution containment, and disaster relief. These potential savings are unquantifiable at this time, but nevertheless should be considered one of the benefits of municipalization.

The water utility industry is very capital intensive and water rates are very sensitive to changes in interest rates, particularly when accessing the credit market all at once to borrow up to $992 million. Staff used the current AA municipal bond rate of 3.93% in our model, which forecasts an overall 3% expense increase under Scenario 2. In November 2021, the average AA municipal bond rate was only 2.07% and our model was showing a 10% savings under Scenario 2. This illustrates the significant impact changes in interest rates can have on the forecasted savings. The table below shows the AA-rated municipal bond rate over the past 20 years. The average rate over those 20 years was 3.87%, in line with the 3.93% current rate used in our model. To the extent the municipal bond rate fluctuates, that will impact the results of our savings analysis. Interest rate uncertainty is also one of the risks of municipalization because the savings calculation could change dramatically from when the decision is made to pursue

[16] Surplus for a government entity is the build up of earnings over time in order to decrease the risk of default. It is similar to retained earnings (equity) for non-government entities.

municipalization to when the deal is consummated and the bonds are actually issued, locking in the interest rate.



The table below shows a sensitivity analysis of the net forecasted savings based on a given interest rate. As you can see under Scenario 2, the estimated breakeven point is at an AA-rated interest rate of a little higher than 3.5%, which is about a half of one percent lower than today's rate. If interest rates go down from today's rates, the forecasted savings will increase and if interest rates increase further, the net cost of municipalization will increase.

Municipalization Savings Sensitivity to Interest Rate – Rockland*
(Negative indicates overall bill reduction)

Interest Rate	Scenario 1 (Zero PT)	Scenario 2 (incl. PT)
1.0%	-42%	-21%
1.5%	-38%	-17%
2.0%	-34%	-13%
2.5%	-30%	-9%
3.0%	-26%	-5%
3.5%	-22%	-1%
4.0%	-18%	3%
4.5%	-14%	7%
5.0%	-10%	11%
5.5%	-6%	15%
6.0%	-2%	19%

* This sensitivity analysis focuses on the impact related to the change in interest rates. It does not make any assumption on the impact of what the changing interest rate environment might have on the Commission's allowed ROE.

Property Tax Impacts on Taxing Jurisdictions - Rockland

By municipalizing, the water company that paid property taxes (VWNY) to the local taxing authorities will no longer exist, and it will be replaced by a tax-exempt water utility. As can be seen in the table below, VWNY paid approximately $25 million in local property taxes during the 2021-2022 tax year.

	Rockland County	% of Total
County	$ 1,774,089	7.0%
Town	6,311,794	25.0%
School	15,815,873	62.7%
Village	1,336,645	5.3%
Total	$ 25,238,401	100%

The impact on the local taxing authorities is one of the most important considerations when deciding whether to municipalize. Appendix C.2 shows the amount VWNY paid last year to each taxing authority in Rockland County, and thus a rough approximation of the loss in revenues to each taxing jurisdiction. If municipalization does occur it will probably take a couple of years to effectuate, and the

property taxes collected by each taxing jurisdiction from VWNY may change some in that time.

VWNY's service territory serves 92% of Rockland County, so if the shortfall in tax revenue due to municipalization is made up through a higher property tax rate, it will largely be the same customers that will be paying that higher rate. Much of the savings achieved on the water bills will be offset by higher property taxes.

PART 3 - POTENTIAL WESTCHESTER MUNICIPAL SYSTEM
Cost of Service Analysis and Local Tax Impacts

Analysis of Potential Savings - Westchester

For the VWNY's water system in Westchester and Putnam Counties, Staff compared the costs of providing water service under three different scenarios in order to calculate the forecasted savings that could be achieved through municipalization in a hypothetical Westchester Municipal system.

Base Scenario - VWNY Remains as the Service Provider – This analysis provides a baseline scenario to compare with the other scenarios under a public authority. All the cost-of-service elements in the model, except for ROE, are based on the levels approved in the 2020 Rate Order for RY4 ending on January 31, 2024, for the Westchester rate district, increased by estimates for the Forest Park and Heritage Hills systems due to the physical locations of these systems in Westchester and Putnam counties. Staff updated the ROE from the authorized 8.8% in the current rate plan to 9.2%, based on the most recent allowed ROE in the Commission's rate order for Orange and Rockland Utilities, Inc. [17]

Scenario 1 - Municipalization of VWNY Water Systems – Property taxes and income taxes are fully eliminated. The cost of capital reflects a 30-year long-term debt at a 3.93% interest rate for municipal bonds with a rating in the Aa/AA category[18]. This scenario assumes a purchase price of 1.5 times net plant value.

Scenario 2 - Same as Scenario 1, except that property taxes are treated as revenue-neutral since the reduction in customers' water bills due to elimination of the property

[17] Cases 21-G-0073 and 21-E-0074, Orange and Rockland Utilities, Inc. - Rates, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans, with Additional Requirements (issued April 14, 2022) (O&R Order).

[18] Mergent Bond Record - May 2022 average.

taxes most likely will largely be collected in the property tax bills of the same water customers, therefore not providing a true-net-savings to most customers.

The two scenarios for municipal water service assume that VWNY's assets serving Westchester and Putnam Counties are acquired by a newly formed public water authority. Since it will take some time to organize and acquire VWNY's assets, the revenue requirement model is based on a July 31, 2023 acquisition date, or the midpoint of RY4. Staff recognizes that government entities have different accounting rules compared to private investor-owned utilities, particularly when it comes to accrual accounting, accounting for loan payments, and the treatment of depreciation, but the model assumes IOU's GAAP accounting in order to get a true apples-to-apples comparison to the baseline case.

The model assumes conservative estimates whereby the base cost of the acquisition is 1.5 times the net plant value of the Westchester/Putnam County systems. The purchase price assumption of 1.5 times the net plant value was used because that was the amount paid by Liberty in its recent acquisition of NYAW. The model adds the projected balances of net regulatory assets/liabilities as of July 31, 2023, to come up with an adjusted sales price, and then adds projected cash flow needs for the municipality for the first few years of operations. The model projects a financing need of almost $648 million in order to acquire and run the water system. A more detailed explanation of the assumptions used in the model can be found in Appendix 3.B. The table below shows the details of the financing needs for the municipalization of the Westchester/Putnam County water system.

	Estimated Net Purchase Price and Cash Flow Needs - Westchester/Putnam Assuming Municipalization Completed by 7/31/2023 ($, Million)		
	Net Plant on 1/31/2024	$	380
	Assumed Market to Book Ratio		1.5
A	Assumed Purchase Price		570
B	Net Deferral		(15)
C	Adjusted Purchase Price		556
D	Bond Issuance Cost (1% of principal)		6
E	Contingency Cash Flow Needs (4% of purcahse price)		22
F	Extra Cash for Two Years Future Plant Investment		60
G	Transaction Costs		5
	Total Amount to be Raised and Include in Rates	$	648

The table below summarizes our analysis of potential customer savings for the different scenarios.

Westchester (including estimates for FP and HH)	**Base Scenario**	**Scenario 1**	**Scenario 2**
	Continued IOU	Public Water Entity	Public Water Entity (incl. 20% of County Level property tax)
Total Revenues ($000)	87,144	76,628	90,749
Savings from Base Scenario Scenario ($000)		(10,516)	3,605
Number of Customers	44,247	44,247	44,247
Average Annual Bill ($)	1,969	1,732	2,051
Average Bill Change per Customer from Base Scenario ($)		(238)	81
Percentage Change from Base Scenario		-12%	4%

As you can see in the table above, based on these assumptions the municipal annual revenue requirement is projected to be $77 million under Scenario 1, or an average of $1,732 per customer. This would produce an average savings of approximately $238 per year, or 12%, compared to the $1,969 average customer bill in the base scenario. However, if property tax savings are not counted as "true net savings" as in the estimate shown in Scenario 2, the model forecasts municipalization would actually increase overall expenses (with water bills going down by $238, but

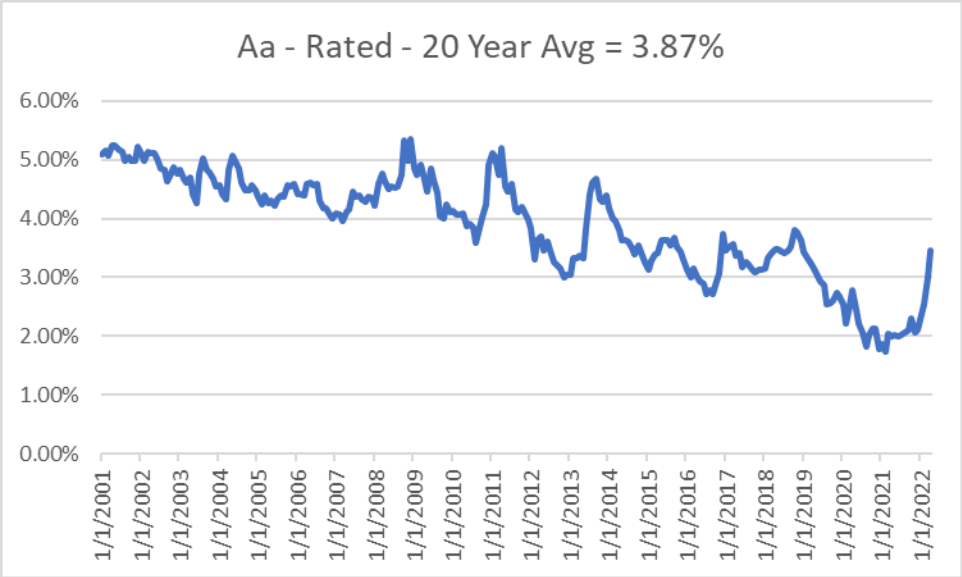
property taxes going up by $319) by about $81 per customer on average, or by about 4%, compared to the base scenario.

Staff notes that customers should see an additional roughly $7.3 million in annual savings beginning in Year 11, once the needed surplus[19] is built up to the target amount which is forecasted to occur in Year 10. Customers may see additional savings after paying off the initial 30-year long-term debt which finances the acquisition premium. However, Staff cannot quantify such savings after 30 years, due to uncertainty of the system's needs for capital investments and the conditions in the financial markets. Another area for potential savings is that municipal systems are more likely to receive state or federal assistance or grants related to lead service lines, pollution containment, and disaster relief. These potential savings are unquantifiable at this time, but nevertheless should be considered one of the benefits of municipalization.

The water utility industry is highly capital intensive and water rates are very sensitive to changes in interest rates, particularly when accessing the credit market all at once to borrow up to $648 million. Staff used the current AA municipal bond rate of 3.93% in our model, which forecasts an overall 4% cost increase under Scenario 2. In November 2021, the average AA municipal bond rate was only 2.07% and our model was showing a 10% savings under Scenario 2. This illustrates the significant impact changes in interest rates can have on the forecasted savings. The table below shows the AA-rated municipal bond rate over the past 20 years. The average rate over those 20 years was 3.87%, in line with the 3.93% current rate used in our model. To the extent the municipal bond rate fluctuates, that will impact the results of our savings analysis. Interest rate uncertainty is also one of the risks of municipalization because the savings calculation could change dramatically from when the decision is made to pursue

[19] Surplus for a government entity is the build up of earnings over time in order to decrease the risk of default. It is similar to retained earnings (equity) for non-government entities.

municipalization to when the deal is consummated and the bonds are actually issued, locking in the interest rate.



The table below shows a sensitivity analysis of the net forecasted savings based on a given interest rate. As you can see under Scenario 2, the estimated breakeven point is at an AA-rated interest rate is slightly less than 3.5%, which is a half of one percent below current interest rates. If interest rates go down from today's rates, the forecasted savings will increase and if interest rates increase further, the net cost of municipalization will increase.

Municipalization Savings Sensitivity to Interest Rates – Westchester/Putnam*
(Negative indicates overall bill reduction)

Interest Rate	Scenario 1 (Zero PT)	Scenario 2 (incl. PT)
1.0%	-34%	-18%
1.5%	-30%	-14%
2.0%	-26%	-10%
2.5%	-23%	-6%
3.0%	-19%	-3%
3.5%	-15%	1%
4.0%	-12%	5%
4.5%	-8%	8%
5.0%	-4%	12%
5.5%	0%	16%
6.0%	3%	20%

* This sensitivity analysis focuses on the impact related to the change in interest rates. It does not make any assumption on the impact of what the changing interest rate environment might have on the Commission's allowed ROE.

Property Tax Impacts on Taxing Jurisdictions – Westchester and Putnam Counties

By municipalizing, VWNY will no longer exist in the counties, and it will be replaced by a tax-exempt water utility. As can be seen in the table below, VWNY paid approximately $14 million and $91,000 in local property taxes in each of Westchester and Putnam counties during the 2021-2022 tax year.

VWNY 2021/2022 Property Taxes

	Westchester County	% of Total
County	$1,391,724	10%
Town/City	2,400,581	18%
School	8,711,095	64%
Village	1,078,574	8%
Total	$13,581,974	100%

	Putnam County	% of Total
County	$5,646	6%
Town/City	9,842	11%
School	75,258	83%
Total	$90,745	100%

The impact on the local taxing authorities is one of the most important considerations when deciding whether to municipalize. In Appendix 3.C you can see the amount VWNY paid in the 2021/2022 tax year to each taxing authority in Westchester and Putnam Counties. If municipalization does occur it will probably take a couple of years to effectuate, and the property taxes collected by each taxing jurisdiction from VWNY may change some in that period of time, but Appendix C.3 is a rough approximation of the loss in tax revenues each taxing jurisdiction could expect.

VWNY's service territory in Westchester County mostly aligns with the cities, towns, and villages it serves. If the shortfall in tax revenue to the tax authorities due to municipalization is made up through a higher property tax rate, it will largely be the same customers that will be paying that higher rate. Much of the savings achieved on the water bills will be offset by higher property taxes.

APPENDICIES

Appendix 1.B Customer Service Performance Targets

Appendix 2.A VWNY Capital Investments – Rockland District

Appendix 2.B Details of Scenario Analysis – Rockland District

Appendix 2.C VWNY Property Paid to Jurisdictions in Rockland County

Appendix 2.D Recent Rate History – Rockland District

Appendix 3.A VWNY Capital Investments – Westchester District

Appendix 3.B Details of Scenario Analysis – Westchester District

Appendix 3.C VWNY Property Paid to Jurisdictions in Westchester/Putnam County

Appendix 3.D Recent Rate History – Westchester District

Appendix 1.A Comparison of Water Rates

2017 Report on Drinking Water Systems in New York by the Office of New York State Comptroller

Figure 8

Largest Water System Operators in New York State, 2016

System	Service Area	Population Served	Water Source	Typical Monthly Water Cost*	Notes
New York City Water System	New York City	8,271,000	Surface (Catskills/ Delaware and Croton Watersheds)	$61.12	
Suffolk County Water Authority	Suffolk County	1,100,000	Ground	$29.22	
Monroe County Water Authority	Suburban Monroe County and Parts of Surrounding Counties	496,753	Surface (Lake Ontario, Hemlock Lake)	$40.38	
Erie County Water Authority	Suburban Erie County	480,939	Surface (Lake Erie, Niagara River)	$38.04	Operates 15 Systems
Suez Water (United Water)	Parts of Rockland and Westchester Counties.	471,028	Ground and Surface (Lake DeForest)	$111.85	Private Water Company - 3 Systems
New York American Water	Parts of Nassau County	422,540	Ground	$92.71	Private Water Company - 4 Systems
Onondaga County Water Authority	Suburban Onondaga County and Parts of Surrounding Counties	300,000	Surface (Lake Ontario, Otisco and Skaneateles Lakes)	$42.89	
Buffalo Water Authority	City of Buffalo	276,000	Surface (Lake Erie)	$48.19	
Rochester City	City of Rochester	214,000	Surface (Hemlock and Canadice Lakes)	$50.00	
Yonkers City	City of Yonkers	196,086	Surface (Purchased from NYC System)	$79.16	
Syracuse City	City of Syracuse	192,000	Surface (Skaneateles Lake)	$46.68	
Mohawk Valley Water Authority	Parts of Herkimer and Oneida Counties	130,000	Surface (Hinckley Reservoir)	$61.08	
Water Authority of Western Nassau	Part of Nassau County	120,000	Ground	$48.67	
Town of Hempstead Water Department	Part of Nassau County	110,000	Ground	$20.18	
Albany City	City of Albany	101,082	Surface (Alcove Reservoir)	$42.83	

Source: Safe Drinking Water Information System, United States Environmental Protection Agency, **https://www3.epa.gov/enviro/facts/sdwis/search.html.**

* Cost for residential customer using 12,000 gallons per month. Calculated by OSC based on information from each water system for the latest available year. Municipal water systems may also be funded with ad valorem or benefit assessments.

Appendix 1.B VWNY Customer Service Performance Targets

(Acquisition Order)

One basis point is equal to $30,846.

Customer Satisfaction Survey Index Annual Performance	NRA Amount *
> 75.7	None
≤ 75.7	5 basis points
≤ 73.4	10 basis points
≤ 71.1	15 basis points

Rockland Rate District	
PSC Annual Complaint Rate	**NRA Amount**
≥ 5.5	5 basis points
≥ 6.9	10 basis points
≥ 8.3	15 basis points

Westchester Rate Districts	
PSC Annual Complaint Rate	**NRA Amount**
≥ 5.7	5 basis points
≥ 6.5	10 basis points
≥ 7.7	15 basis points

* NRA amounts used to be measured in dollar amounts instead of basis points. In the 2019 Customer Service Report submitted by Department Staff on June 11, 2020, in Case 20-M-~~0046,~~ 0046, Staff found the dollar amounts varied significantly between each electric, gas, and water utility. To be consistent and to better align the potential NRA amounts utilities are exposed to, and to be fair and to serve as an effective deterrent to poor customer service Staff converted the dollar amounts to basis points. The value from a basis point changes from rate year to rate year. VWNY basis point value is calculated on February 1st for each new rate year.

Appendix 2.A VWNY Capital Investments – Rockland District

Veolia Water New York - Rockland County Territory			
Capital Expenditure Plan 2023-2025			
(In Thousands)			
Description	Planned Expenditures 2023	Planned Expenditures 2024	Planned Expenditures 2025
A. Source of Supply (Subtotal)	2,727	6,217	4,958
B. Treatment (Subtotal)	13,408	3,206	5,508
C. Pumping (Subtotal)	5,913	5,948	1,981
D. Transmission & Distribution (Subtotal)	27,631	28,719	29,787
E. Storage Tanks (Subtotal)	607	7,462	483
F. Services (Subtotal)	2,860	2,885	2,910
G. Meters (Subtotal)	2,859	3,265	3,087
J. Information Technology (Subtotal)	1,863	1,877	1,883
K. General Plant (Subtotal)	1,064	2,787	1,330
Net Plant Expenditures	58,932	62,366	51,927
Additional Capital Improvements	0	7,231	16,317
Total Plant Expenditures	58,932	69,597	68,244

Appendix 2.B Details of the Scenario Analysis – Rockland County

Assumptions and Schedules

VWNY Remains as the Service Provider

This is the baseline scenario and assumes that VWNY continues to operate as an IOU without any change to the property tax structure. The cost-of-service elements in the model reflect the rate year ending on 1/31/2024 in the 2020 Rate Order for the Rockland rate district, reduced by estimates for the Orange County and the former Forest Park systems. The table below shows the revenue requirement calculation.

VWNY Revenue Requirement - Rockland
For the Rate Year Ending January 31, 2024

	Rate Year Ending January 31, 2024	Revenue Requirement Adjustment	As Adjusted Rate Year Ending January 31, 2024
Total Operating Revenues	116,894,392	6,254,056	123,148,448
Operating & Maintenance Expense	34,387,408	56,268	34,443,676
Depreciation and Amortization	15,807,364	-	15,807,364
Taxes Other Than Income Taxes	29,297,315	21,574	29,318,889
Total Operating Expenses	79,492,086	77,843	79,569,929
Operating Income Before Income Taxes	37,402,306	6,176,214	43,578,519
State Income Taxes	2,114,968	516,331	2,631,299
Federal Income Taxes	4,842,619	1,188,575	6,031,195
Net Income Available for Return	30,444,718	4,471,307	34,916,025
Rate Base	$ 523,478,637	$ -	$ 523,478,637
Rate of Return	5.82%		6.67%

Municipalization – Rockland County Water Authority

The two scenarios under public water authority assume conservative scenarios whereby the base cost of the acquisition is 1.5 times the net plant value of the Rockland district.

The models add the projected balances of net regulatory assets/liabilities as of July 31, 2023, to come up with an adjusted sales price, and then adds projected cash flow needs for the municipality for the first few years of operations. The tables below show the calculations of estimates of the net purchase price and cash flow needs for the new public water entity in Rockland County.[20]

	Estimated Net Purchase Price and Cash Flow Needs - Rockland Assuming Municipalization Completed by 7/31/2023 ($, Million)		
	Net Plant on 1/31/2024	$	546.0
	Assumed Market to Book Ratio		1.5
A	Assumed Purchase Price		819.0
B	Net Deferral		2.7
C	Adjusted Purchase Price		821.7
D	Bond Issuance Cost (1% of principal)		8.2
E	Contingency Cash Flow Needs (4% of purcahse price)		32.9
F	Extra Cash for Two Years Future Plant Investment		125.1
G	Transaction Costs		4.5
	Total Amount to be Raised and Include in Rates	$	992.4

Assumptions on the Net Purchase Price and Cash Flow Needs:

Assumption A – Purchase Price - The base purchase price is 1.5 times the average net plant level of IOU for the rate year ending 1/31/2024 based on the purchase price of the Liberty acquisition of NYAW. Staff believes it represents a good conservative estimate of the fair market value of the Rockland system.

Assumption B – Net Deferrals - Deferrals are the technical term for amounts owed to the company by the customers or amounts owed to customers by the company.

Assumption C – Transaction and Startup Costs - The newly created Water Authority will incur the initial costs of forming the Board, developing business plans, integrating computer systems, developing a transition plan, and negotiating a purchase price before it can close on the transaction and begin collecting rates from customers.

Assumption D – Cash Contingency - Actual future costs will always deviate above or below the budgeted estimates. It is prudent to build in a contingency to make sure

[20] The figures represent conservative estimates. Actual purchase price determined through negotiation or a condemnation proceeding could be higher.

enough cash is in hand to pay all bills. Creditors will also want to be sure there is contingency cash budgeted. We estimated the contingency cash at 4% of the estimated purchase price.

Assumption E – Bond Issuance Costs - Estimated bond issuance cost is roughly 1% of the adjusted purchase price.

Assumption F– Future Plant Additions – 2 Years of **capital investment** - Since the proposed Water Authority is a self-sustaining entity and does not want to go back out to the bond market too quickly after its initial offering, we include additional cash needed for two years of short-term capital expenditures.

Assumption G – Building up of a Surplus - This assumption does not go into our estimate for cash needed for the Water Authority needs to raise initially, but it does go into our revenue requirement assumptions. We believe that for ten years it will need to collect approximately $10.4 million for Rockland Municipal to build up a 25% surplus (similar to equity). The 25% surplus goal is based on the surplus maintained at Suffolk County Water Authority.

	($, million)	Rockland
A	Base purchase price is 1.5 times net plant value of base scenario in RY4	819.0
B	Net regulatory Asset/Liability	2.7
C	Transaction Costs (Liberty/NYAW estimate)	4.5
D	Contingency (4% of purchase price)	33.6
E	Bond Issuance Cost (1% of principal)	8.2
F	Short term CAPEX need (2-year VWNY average budget)	125.1
G	Additional collections over 10-year to build surplus equal to 25% of RY4 net plant	10.4

Other Assumptions in our Revenue Requirement Models:

Net Investment Assumption – as detailed above we estimate that approximately $992 million in funds would need to be raised initially to form the Water Authority in Rockland County.

Cost of Capital (bond rate) – we estimate a 3.93% borrowing rate based on financing at an AA-rated municipal bond rate for a 30-year term.

Federal and State Income Taxes – unlike an investor-owned utility the Water Authority will not be required to pay federal and state income taxes.

Property Taxes – unlike an investor-owned utility the Water Authority will not be required to pay property taxes. The Water Authority may negotiate to initially pay a

PILOT that is phased out over several years. Our analysis provides the impact to jurisdictions of phasing out property taxes over three years, five years, and ten years for the potential Rockland public water authority.

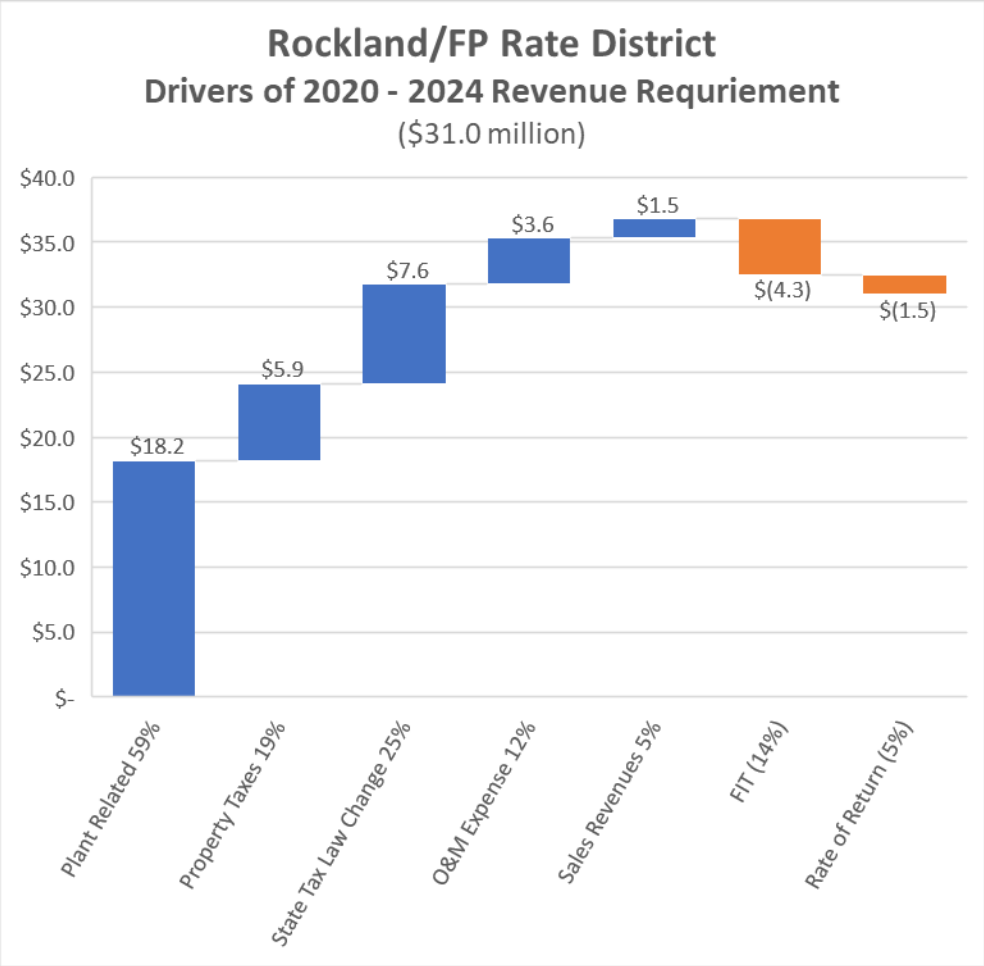
Operating Expenses – our estimates assume that the potential Rockland water authority would be able to operate as efficiently as VWNY.

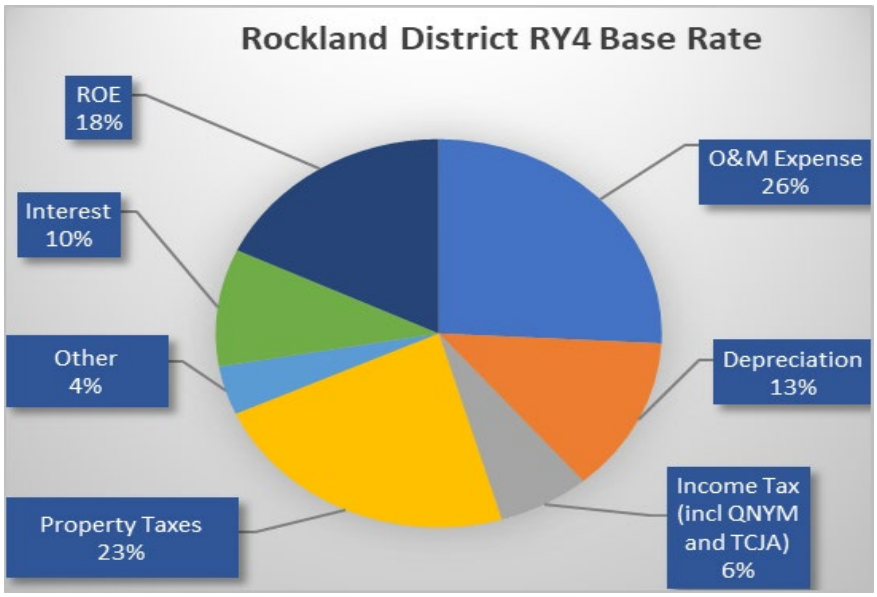
Appendix 2.C – VWNY Property Tax Payments to Towns, Villages and School Districts in Rockland County

			Annual Reduction in Property Tax Collection		
	Rockland County	% of Total	3 Year	5 Year	10 Year
County Level	$1,774,089	7.0%	$591,363	$354,818	$177,409
Towns					
Town of Clarkstown	2,438,549	9.7%	812,850	487,710	243,855
Town of Haverstraw	1,313,787	5.2%	437,929	262,757	131,379
Town of Orangetown	643,055	2.5%	214,352	128,611	64,305
Town of Ramapo	1,424,067	5.6%	474,689	284,813	142,407
Town of Stony Point	492,337	2.0%	164,112	98,467	49,234
Total Towns	6,311,794	25.0%			
Schools					
Clarkstown Central School District	4,311,516	17.1%	1,437,172	862,303	431,152
Nyack Union Free Central School District	763,210	3.0%	254,403	152,642	76,321
Nanuet Union Free Central School Distri	688,893	2.7%	229,631	137,779	68,889
East Ramapo Central School District	263,904	1.0%	87,968	52,781	26,390
North Rockland Central School District	1,985,200	7.9%	661,733	397,040	198,520
South Orangetown Central School Distri	1,223,170	4.8%	407,723	244,634	122,317
Nanuet Union Free Central School Distri	156,236	0.6%	52,079	31,247	15,624
Nyack Union Free Central School District	118,200	0.5%	39,400	23,640	11,820
Pearl River Union Free School District	787,378	3.1%	262,459	157,476	78,738
Suffern Central School District	2,351,634	9.3%	783,878	470,327	235,163
East Ramapo Central School District	1,810,255	7.2%	603,418	362,051	181,025
North Rockland Central School District	1,356,278	5.4%	452,093	271,256	135,628
Total Schools	15,815,873	62.7%			
Villages					
Airmont Village	22,225	0.1%	7,408	4,445	2,223
Montebello Village	19,791	0.1%	6,597	3,958	1,979
New Hempstead Village	8,479	0.0%	2,826	1,696	848
Sloatsburg Village	106,136	0.4%	35,379	21,227	10,614
Chestnut Ridge Village	17,357	0.1%	5,786	3,471	1,736
Grandview on the Hudson Village	2,356	0.0%	785	471	236
Haverstraw Village	198,376	0.8%	66,125	39,675	19,838
Hillburn Village	101,427	0.4%	33,809	20,285	10,143
Kaser Village	729	0.0%	243	146	73
New Square Village	9,414	0.0%	3,138	1,883	941
Nyack Village	4	0.0%	1	1	0
Piermont Village	63,215	0.3%	21,072	12,643	6,322
Pomona Village	35,181	0.1%	11,727	7,036	3,518
South Nyack Village	406	0.0%	135	81	41
Spring Valley Village	527,374	2.1%	175,791	105,475	52,737
Suffern Village	48,318	0.2%	16,106	9,664	4,832
Upper Nyack	19,347	0.1%	6,449	3,869	1,935
Wesley Hills Village	10,553	0.0%	3,518	2,111	1,055
West Haverstraw Village	145,956	0.6%	48,652	29,191	14,596
Total Villages	1,336,645	5.3%			
Total Rockland County	$25,238,401	100%			

Appendix 2.D Recent Rate History – Rockland District

In the 2020 Rate Order, the Commission approved VWNY's current rate plan for the Rockland rate district with a total revenue increase of $31 million over the four-year period from February 1, 2020, through January 31, 2024. The major drivers of the increase were plant additions and related depreciation expenses, property taxes, state tax law changes, and operations and maintenance expenses. The waterfall chart below provides the major drivers of the base rate increases over the term of the current rate plan. The pie chart shows the components of customer bills.




Rockland District RY4 Base Rate
ROE
18%
O&M Expense
26%
Interest
10%
Other
4%
Depreciation
13%
Income Tax
(incl QNYM
and TCJA)
6%
Property Taxes
23%

Appendix 3.A VWNY Capital Investments – Westchester District

Veolia Water New York - Westchester County Territory			
Capital Expenditure Plan 2022-2026			
(In Thousands)			
Description	**Planned Expenditures 2023**	**Planned Expenditures 2024**	**Planned Expenditures 2025**
B. Treatment (Subtotal)	**1,018**	**18**	**18**
C. Pumping (Subtotal)	**1,524**	**2,557**	**764**
D. Transmission & Distribution (Subtotal)	**26,985**	**27,141**	**27,276**
F. Services (Subtotal)	**6,250**	**6,438**	**6,631**
G. Meters (Subtotal)	**1,329**	**1,312**	**1,315**
J. Information Technology (Subtotal)	**71**	**68**	**71**
K. General Plant (Subtotal)	**64**	**114**	**464**
Net Plant Expenditures	**37,241**	**37,648**	**36,539**
Additional Capital Improvements	**100**	**7,305**	**19,900**
Concrete Main Evaluation	-	100	1,250
Concrete Main Rehab and Repairs	-	855	1,500
Supply and T&D Improvements, RD2	100	6,000	6,000
Booster upgrades - WJWW Interconnections	-	350	500
Lead Service Line Replacements	-	-	10,650
Total Plant Expenditures	**37,341**	**44,953**	**56,439**

Appendix 3.B Details of the Scenario Analysis – Westchester District Assumptions and Schedules

VWNY Remains as the Service Provider

This is the baseline scenario and assumes that VWNY continues to operate as an IOU without any change to the property tax structure. The cost-of-service elements in the model reflect the rate year ending on 1/31/2024 in the 2020 Rate Order for the Westchester rate district, increased by estimates for the former Heritage Hills and Forest Park systems. The table below shows the revenue requirement calculation.

VWNY Revenue Requirement - Westchester
For the Rate Year Ending January 31, 2024

	Rate Year Ending January 31, 2024	Revenue Requirement Adjustment	As Adjusted Rate Year Ending January 31, 2024
Total Operating Revenues	80,139,470	7,004,945	87,144,415
Operating & Maintenance Expense	32,595,596	39,017	32,634,614
Depreciation and Amortization	10,227,340	-	10,227,340
Taxes Other Than Income Taxes	16,757,748	62,818	16,820,566
Total Operating Expenses	59,580,684	101,836	59,682,520
Operating Income Before Income Taxes	20,558,786	6,903,109	27,461,896
State Income Taxes	1,091,893	577,100	1,668,993
Federal Income Taxes	2,494,703	1,328,462	3,823,165
Net Income Available for Return	16,972,191	4,997,547	21,969,738
Rate Base	$ 327,417,852	$ -	$ 327,417,852
Rate of Return	5.18%		6.71%

Municipalization – Westchester County Water Authority

The two scenarios under public water authority assume conservative scenarios whereby the base cost of the acquisition is 1.5 times the net plant value of the Rockland district. The models add the projected balances of net regulatory assets/liabilities as of July 31,

2023, to come up with an adjusted sales price, and then adds projected cash flow needs for the municipality for the first few years of operations. The tables below show the calculations of estimates of the net purchase price and cash flow needs for the new public water entity in Westchester County.[21]

	Estimated Net Purchase Price and Cash Flow Needs - Westchester Assuming Municipalization Completed by 7/31/2023 ($, Million)		
	Net Plant on 1/31/2024	$	380
	Assumed Market to Book Ratio		1.5
A	Assumed Purchase Price		570
B	Net Deferral		(15)
C	Adjusted Purchase Price		556
D	Bond Issuance Cost (1% of principal)		6
E	Contingency Cash Flow Needs (4% of purcahse price)		22
F	Extra Cash for Two Years Future Plant Investment		60
G	Transaction Costs		5
	Total Amount to be Raised and Include in Rates	$	648

Assumptions on the Net Purchase Price and Cash Flow Needs

Assumption A – Purchase Price - The base purchase price is 1.5 times the average net plant level of IOU for the rate year ending 1/31/2024 based on the purchase price of the Liberty acquisition of NYAW. Staff believes it represents a good conservative estimate of the fair market value of the Rockland system.

Assumption B – Net Deferrals - Deferrals are the technical term for amounts owed to the company by the customers or amounts owed to customers by the company.

Assumption C – Transaction and Startup Costs - The newly created Water Authority will incur the initial costs of forming the Board, developing business plans, integrating computer systems, developing a transition plan, and negotiating a purchase price before it can close on the transaction and begin collecting rates from customers.

[21] The figures represent conservative estimates. Actual purchase price determined through negotiation or a condemnation proceeding could be higher.

Assumption D – Cash Contingency - Actual future costs will always deviate above or below the budgeted estimates. It is prudent to build in a contingency to make sure enough cash is in hand to pay all bills. Creditors will also want to be sure there is contingency cash budgeted. We estimated the contingency cash at 4% of the estimated purchase price.

Assumption E – Bond Issuance Costs - Estimated bond issuance cost is roughly 1% of the adjusted purchase price.

Assumption F– Future Plant Additions – 2 Years of capital investment - Since the proposed Water Authority is a self-sustaining entity and does not want to go back out to the bond market too quickly after its initial offering, we include additional cash needed for two years of short-term capital expenditures.

Assumption G – Building up of a Surplus - This assumption does not go into our estimate for cash needed for the Water Authority needs to raise initially, but it does go into our revenue requirement assumptions. We believe that for ten years it will need to collect approximately $7.3 million for the Westchester public water authority in order to build up a 25% surplus (similar to equity). The 25% surplus goal is based on the surplus maintained at Suffolk County Water Authority.

	($, million)	**Westchester**
A	Base purchase price is 1.5 times net plant value of base scenario in RY4	570.4
B	Net regulatory Asset/Liability	(14.7)
C	Transaction Costs (Liberty/NYAW estimate)	4.5
D	Contingency (4% of purchase price)	22.2
E	Bond Issuance Cost (1% of principal)	5.6
F	Short term CAPEX need (2-year VWNY average budget)	60.1
G	Additional collections over 10-year to build surplus equal to 25% of RY4 net plant	7.3

Other Assumptions in our Revenue Requirement Models:

Net Investment Assumption – as detailed above we estimate that approximately $648 million in funds would need to be raised initially to form the Water Authority in Rockland County.

Cost of Capital (bond rate) – we estimate a 3.93% borrowing rate based on financing at an AA-rated municipal bond rate for a 30-year term.

Federal and State Income Taxes – unlike an investor-owned utility the Water Authority will not be required to pay federal and state income taxes.

Property Taxes – unlike an investor-owned utility the Water Authority will not be required to pay property taxes. The Water Authority may negotiate to initially pay a TEP or PILOT that is phased out over several years. Our analysis provides the tax-revenue impact to jurisdictions of phasing out property taxes over three years, five years, and ten years for the potential Westchester public water authority.

Operating Expenses – our estimates assume that the potential Westchester water authority would be able to operate as efficiently as VWNY.

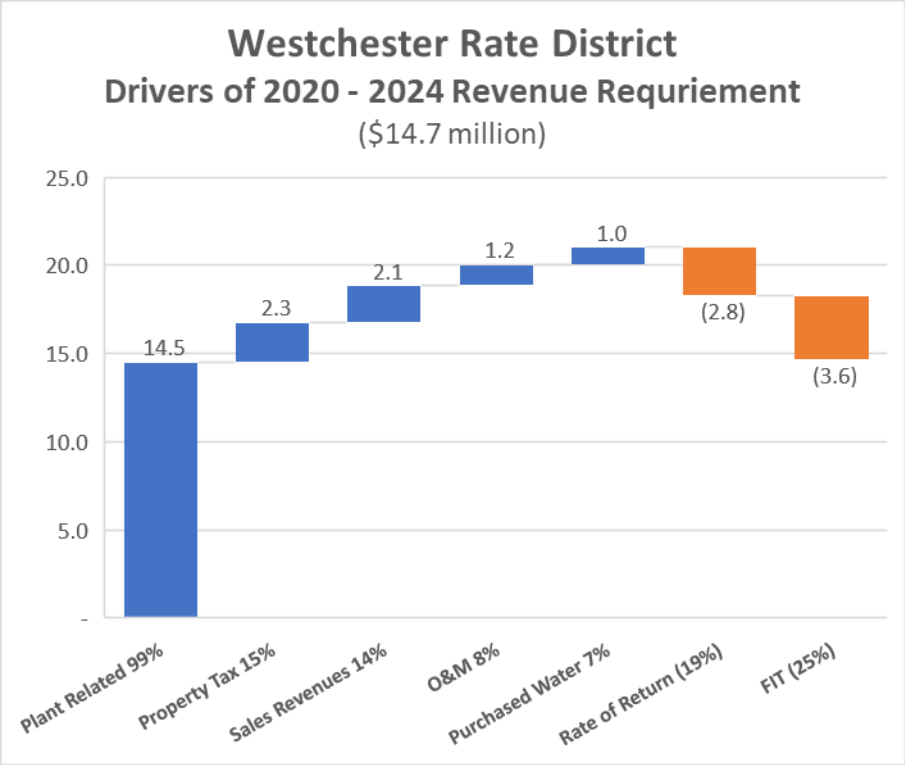
Appendix 3.C – VWNY Property Tax Payments to Towns, Villages and School Districts in Westchester and Putnam Counties

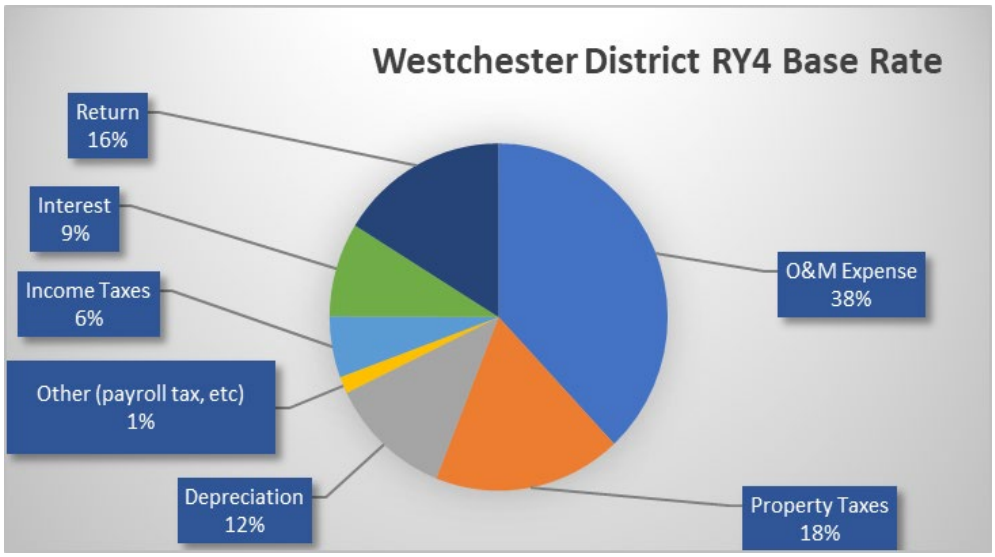
			Annual Reduction in Property Tax Collection		
	Westchester County	**% of Total**	3 Year	5 Year	10 Year
County Level	$1,391,724	10.2%	$463,908	$278,345	$139,172
Towns/Cities					
Town of Eastchester	729,975	5.4%	243,325	145,995	72,997
Town of Greenburgh	204,940	1.5%	68,313	40,988	20,494
Town of Mamaroneck	178	0.0%	59	36	18
City of New Rochelle	168,667	1.2%	56,222	33,733	16,867
Town of Pelham	22,965	0.2%	7,655	4,593	2,297
City of Yonkers	176,180	1.3%	58,727	35,236	17,618
City of New Rochelle	693,649	5.1%	231,216	138,730	69,365
City of New York	632	0.0%	211	126	63
City of Rye	208,386	1.5%	69,462	41,677	20,839
Town of Rye	61,279	0.5%	20,426	12,256	6,128
Town of North Castle	4,109	0.0%	1,370	822	411
Town of Pound Ridge	8,468	0.1%	2,823	1,694	847
Town of Somers (HH)	121,085	0.9%	40,362	24,217	12,109
Town of Lewisboro (FP)	68	0.0%	23	14	7
Total Towns	2,400,581	17.7%			
Schools					
Eastchester Union Free School District	1,662,202	12.2%	554,067	332,440	166,220
Ardsley Union Free School District	448,876	3.3%	149,625	89,775	44,888
Dobbs Ferry Union Free School District	273,524	2.0%	91,175	54,705	27,352
Edgemont Union Free School District	189,932	1.4%	63,311	37,986	18,993
Hastings Union Free School District	442,909	3.3%	147,636	88,582	44,291
Mamaroneck School District	384	0.0%	128	77	38
Pocantico Hills Central School District	1	0.0%	0	0	0
New Rochelle Central School District	2,423,523	17.8%	807,841	484,705	242,352
Pelham Central School District	352,000	2.6%	117,333	70,400	35,200
Village of Bronxville School District	109,960	0.8%	36,653	21,992	10,996
Tuckahoe Union Free Central School District	244,325	1.8%	81,442	48,865	24,432
Blind Brook School (Rye Union Free School District	312,734	2.3%	104,245	62,547	31,273
Port Chester School (Rye Union Free School Distric	752,247	5.5%	250,749	150,449	75,225
Rye City School Districts	597,618	4.4%	199,206	119,524	59,762
Bedford Central School District	49,875	0.4%	16,625	9,975	4,987
Somers Central School District (HH)	850,521	6.3%	283,507	170,104	85,052
Town of Lewisboro School District (FP)	465	0.0%	155	93	47
Total Schools	8,711,095	64.1%			
Village					
Village of Ardsley	182,081	1.3%	60,694	36,416	18,208
Village of Bronxville	26,945	0.2%	8,982	5,389	2,694
Village of Dobbs Ferry	96,860	0.7%	32,287	19,372	9,686
Village of Hastings	99,911	0.7%	33,304	19,982	9,991
Village of Pelham	55,556	0.4%	18,519	11,111	5,556
Village of Pelham Manor	83,585	0.6%	27,862	16,717	8,359
Village of Tuckahoe	93,578	0.7%	31,193	18,716	9,358
Village of Port Chester	257,022	1.9%	85,674	51,404	25,702
Village of Rye Brook	183,036	1.3%	61,012	36,607	18,304
Total Villages	1,078,574	7.9%			
Total Westchester County	$13,581,974	100%			

			Annual Reduction in Property Tax Collection		
	Putnam County	**% of Total**	3 Year	5 Year	10 Year
County Level	$5,646	6.2%	$1,882	$1,129	$565
Towns/Cities					
Town of Carmel	8,393	9.2%	2,798	1,679	839
Town of Southeast	1,449	1.6%	483	290	145
Total Towns	9,842	10.8%			
Schools					
Carmel Central School District	23,370	25.8%	7,790	4,674	2,337
Mahopac Central School District	30,044	33.1%	10,015	6,009	3,004
Lakeland Central School District	8,294	9.1%	2,765	1,659	829
Carmel Central School District	2,964	3.3%	988	593	296
Brewster Central School District	10,585	11.7%	3,528	2,117	1,059
Total Schools	75,258	82.9%			
Total Putnam County	$90,745	100%			

Appendix 3.D Recent Rate History – Westchester District

In the 2020 Rate Order, the Commission approved VWNY's current rate plan for the Westchester rate district with a total revenue increase of $14.7 million over four years from February 1, 2020, through January 31, 2024. The major drivers of the increase were plant additions and related depreciation expenses, property taxes, declining sales, operations and maintenance expenses, and purchased water. The waterfall chart below provides the major drivers of the base rate increases over the term of the current rate plan. The pie chart shows the components of customer bills.




Westchester District RY4 Base Rate
Return
16%
Interest
9%
Income Taxes
6%
Other (payroll tax, etc)
1%
Depreciation
12%
O&M Expense
38%
Property Taxes
18%