

United Water's Proposed Hudson River Desalination Plant The Estimated Annual Cost To Customers

United Water's proposal to construct a desalination plant in Haverstraw NY is being promoted as a source of additional property tax revenue for the North Rockland School District and the Town of Haverstraw.

However, the average North Rockland United Water customer will likely see an increase in annual water bills of **\$485**, roughly 2.2 times the estimated **\$221** annual property tax revenue that would accrue to the benefit of the average North Rockland customer / household from property taxes derived from a desalination plant.

The information below is based on current estimates. It is common that desalination plant construction costs go tens or even hundreds of millions of dollars over budget. The desalination process also requires a great amount of electrical energy, the cost of which is certain to increase in the future, as will other operating expenses.

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|--|---------------------------|
| Capital Cost Of Construction ¹ | \$140,000,000 |
| Annual Expenses: | |
| Plants Normal Operating Costs ² | \$25,000,000 |
| Return Paid To United Water / Suez Stockholders ³ | \$6,300,000 |
| Property Taxes Paid To The North Rockland Community ⁴ | <u>\$2,649,470</u> |
| Total Expenses | \$33,949,470 |
| | |
| Number Of United Water Customers In Rockland County ⁵ | 70,000 |
| Annual Average Cost To Each Customer In The Towns Of Ramapo, Clarkstown And Orangetown (\$33,949,470 divided by 70,000) | \$485 |
| | |
| Number Of United Water Customers In North Rockland ⁶ | 12,000 |
| Average Cost To Each North Rockland Customer (Same as other towns) | \$485 |
| Less The Average Property Tax Revenue Per North Rockland Customer (\$2,649,470 divided by 12,000 customers) | <u>\$221</u> |
| Annual Average Net Cost To Each North Rockland Customer ⁷ | \$264 |

Bob Dillon 9/26/10

Note: A more detailed analysis could be done differentiating between residential and commercial customers and municipal subdivisions. Such an analysis would require the cooperation of United Water and responsible governmental agencies.

¹ Testimony of Michael J. Pointing, United Water NY, NYS PSC rate case 09-W-0731.

² Based on public comments made by representatives of UWNY on 4/21/10 and 9/21/10. Normal operating costs are expenses such as wages, rent, insurance, etc.

³ Based on a typical equity capitalization ratio of 45% and equity return of 10.0%.

⁴ From Haverstraw Water Supply Project Draft Environmental Impact Statement - In 2008, the Project Sites generate approximately \$95,490 in property taxes. In the future, according to the tax projections, the Proposed Project would generate total real estate tax revenues of \$2,649,470 upon completion of its first phase, in 2016.

⁵ From United Water New York.

⁶ Approximately 17% of United Water New York's 70,000 Customers reside in the Towns of Haverstraw and Stony Point.

⁷ The Towns of Haverstraw and Stony Point share a common school district, North Rockland, which will receive the greatest share of the property tax revenue. Because the plant will be located in the Town of Haverstraw a share of the property tax revenue will go to Haverstraw. This will cause the average net cost to Stony Point customers to be higher and the average net cost to Haverstraw customers to be lower. A small percentage of the property tax will be paid to the County of Rockland.