

Report of Rate Consultant

December 18, 2006

Anthony J. Ferrara, Chairman
and the Members
Albany Water Board
35 Erie Boulevard
Albany, New York 12207

Members of the Board:

Pursuant to Section 6.2(b)(3) of the Financing Agreement between the City of Albany, the Albany Municipal Water Finance Authority (the "Authority"), and the Albany Water Board (the "Board"), dated October 1, 1987, and in our capacity as rate consultant pursuant to Section 709 of the Albany Municipal Water Finance Authority Water and Sewer System General Revenue Bond Resolution (as amended), we have completed a study of the Board's current rate structure for the purpose of providing recommendations as to any necessary or advisable revisions of rates, fees, and charges, as required under the Financing Agreement, and for the purpose of determining the Board's requirements as to system cash flow and compliance with its minimum debt service coverage ratio of 115%.

Our recommendation as to the system's rate structure is principally based on current cash flows and certain historical and estimated future trends which may effect revenues and operating and maintenance expenses. We have considered in our recommendation the impact of the September 2003 refunding of the Authority's 1993 and 2000 General Revenue Bonds, the result of which will significantly increase debt service requirements in future years. The recommended rate structure contemplates the financing of certain future planned capital projects and, in addition, enhanced billing efficiencies and practices, including the aggregation, for billing classification purposes, of certain large user accounts. The recommended rate structure also takes into account the conclusions of an independent engineering firm regarding the adequacy of funding levels for planned capital projects.

In connection with our study, and as more fully detailed on the attached *Schedule of Proposed Rate Structure*, we recommend increases to the current rate structure (which was effective January 1, 2006) of 9.5% for all residential and other regular users (approximating 28,000 system users), 25% for all defined large users (approximating 30 system users), and 50% for all federal and state governmental users (including component units of the federal government or the State of New York). We recommend all such increases be effective February 1, 2007. In addition, beginning in 2008, annual rate increases and/or other increases in revenues will likely be required, but the need for any such increase will be evaluated in future years.

Very truly yours,

UHY ADVISORS NY, INC.

William M. Kahn, CPA

**ALBANY WATER BOARD
SCHEDULE OF PROPOSED RATE STRUCTURE**

EFFECTIVE FEBRUARY 1, 2007

	RESIDENTIAL/ COMMERCIAL RATE ^(A) <u>(per 100 cf)</u>	LARGE USER RATE ^(C) <u>(per 100 cf)</u>	GOVERNMENTAL LARGE USER RATE ^(C) <u>(per 100 cf)</u>	UNMETERED RATE <u>(per unit, per cycle)</u>	VACANT PROPERTY <u>(per front foot, per year)</u>
Rates Prior to December 31, 2005	\$1.71	\$2.40	\$2.40	\$128.00	\$1.37
Rates through January 31, 2007 ^(B)	\$1.96	\$2.75	\$2.75	\$147.00	\$1.57
Rates Effective February 1, 2007	\$2.15	\$3.44	\$4.13	\$220.00	\$1.72

----- SEWER CHARGE IS BILLED AT 100% OF ABOVE WATER RATES -----

- (A) *The minimum water charge for residential customers will be increased 9.5%, from \$25.63 (per 4 month billing cycle) to \$28.06 (per 4 month billing cycle). The minimum amount includes 1,300 cubic feet of water per billing cycle.*
- (B) *Current rates were effective January 1, 2006.*
- (C) *Beginning February 1, 2007, water usage will be aggregated for all customer owned properties for purposes of applying the large user rate (combined water usage in excess of 4,000 cubic feet per day). The governmental large user rate, to be effective February 1, 2007, will apply to all federal and state users, including component units of the federal government or the State of New York.*
- (D) *A 1% monthly finance charge (or 12% annually) is currently charged on any unpaid accounts (those not paid within 30 days of the date billed) based on the average monthly balance of the account. This finance charge will remain unchanged.*
- (E) *A one time penalty of 5% is currently charged to all accounts not paid within 30 days of the initial date of billing. An additional penalty of 5% is currently charged to all accounts delinquent as of November 30 of each year and, as such, subject to rollover and collection by the City of Albany on the City's general taxes. These penalties remain unchanged.*

ALBANY WATER BOARD
SCHEDULE OF COST RECOVERY AND OTHER COMMERCIAL RATES
(EFFECTIVE FEBRUARY 1, 2007)

	<u>Summary of Rates</u>	
	<u>Prior to February 1, 2007</u>	<u>Effective February 1, 2007</u>
<u><i>Air Conditioning</i></u>		
Recirculating	\$10.95/H.P.	\$12.50/H.P.
Non-recirculating	\$53.95/H.P.	\$62.00/H.P.
<u><i>Refrigeration (applies to existing services only)</i></u>		
Recirculating	\$10.95/Ton	\$12.50/Ton
Non-recirculating	\$53.95/Ton	\$62.00/Ton
<u><i>Fire Service/Sprinklers</i></u>		
3" service or less	\$85.00	\$98.00
4" service	\$169.00	\$194.00
6" service	\$254.00	\$292.00
8" service	\$338.00	\$389.00
Over 8" service	\$507.00	\$584.00
<u><i>Fire Hydrant Charges (Non-Emergency)</i></u>		
Base permit charge for up to 5,000 gallons (Up to 10 calendar days)	\$189.00	\$218.00
Charge for each additional day (beyond 10 days)	\$19.00	\$22.00
Large usage charge for each 1,000 gallons (Over 5,000 gallons)	\$2.70	\$3.40
Fire hydrant meter deposit	\$190.00	\$200.00

Closing Meter Reading Charge

A charge of \$40.00 will be made for each closing reading taken by Water Department personnel.

Tapping Charges

Charges will range from \$303.00 (for a 3/4" tap) to \$1,133.00 (for a 12" tap). (See page 3)

Meter Fees

Charges will range from \$250.00 (for a 5/8" meter) to \$5,290.00 (for a 8" meter). (See page 3)

Fire Flow Charges

\$275.00 each test.

Terminations

Charges for water and restoration will be billed for labor and material.

Other

Charges for labor and materials, relating to work performed on private property pursuant to a signed consent form, will be billed on a flat basis.

**ALBANY WATER BOARD
SCHEDULE OF MATERIAL AND LABOR FEES
(EFFECTIVE FEBRUARY 1, 2007)**

<u>Tapping Charges</u>	
¾"	\$303.00
1"	\$377.00
1 ½"	\$453.00
2"	\$529.00
4"	\$680.00
6"	\$831.00
8"	\$982.00
12"	\$1,133.00

All tapping rates include material and equipment charges.

<u>Trace Water Meter Charges</u>	
5/8"	\$250.00
1"	\$340.00
1 ½"	\$590.00
2"	\$760.00

	<u>Turbine Meter Charges</u>	<u>Strainers</u>	<u>Total with Strainers</u>
3"	\$1,000.00	\$405.00	\$1,405.00
4"	\$1,465.00	\$610.00	\$2,075.00
6"	\$3,290.00	\$730.00	\$4,020.00
8"	\$3,890.00	\$1,400.00	\$5,290.00

Frozen meter replacements

Such replacements will be charged for the cost of a new meter, for the size currently in place, plus labor and equipment:

- Labor and equipment charge during working hours- \$138.00 *(Plus cost of meter)
- Labor and equipment charge during non-working hours- \$230.00 *(Plus cost of meter)

**ALBANY WATER BOARD
SCHEDULE OF MATERIAL AND LABOR FEES
(EFFECTIVE FEBRUARY 1, 2007)**

Water Service Repair Charges

¾" up to 1" service repair	\$3,600.00
1 ¼" up to 2" service repair	\$3,800.00

Fire Branch and Private Water Main Repair Charges

4"	\$3,510.00
6"	\$3,600.00
8"	\$3,670.00