

# Rate Case Capital Projects Status Update

Natural Resources and Culture  
Committee

February 29, 2012

Item #7

*[Water and Sewer CIP Presentation NRC 022912 (v7)]*

# Presentation Overview

- 2007 Rate Case Capital Program Review
- CIP Execution
- Regulatory Compliance
- CIP Financing
- Actual Cash Available
- Use of Funds Review
- Cost of Service Study

# 2007 Rate Case Overview

Actual Proposition 218 public notice from 2007:

- “Principal reasons for water rate increases were to provide revenues sufficient to:
  - Operate and maintain, repair and replace water facilities to maintain system reliability, including water treatment plant upgrades and reservoir improvements.
  - Replace aging pipes, pumps and other infrastructure, including 75 miles of cast iron pipe, to reduce the number of pipeline breaks and emergency repairs.
  - Comply with federal and state environmental and safe drinking water rules, including a State Department of Health Services Compliance Order requiring, among other, things enhanced and expanded water treatment capacity.”

# 2007 Rate Case Overview

Actual Proposition 218 public notice from 2007:

- “The reasons for the proposed sewer rate increases are similar to those for the proposed water rate increases:
  - Operate and maintain, repair and replace wastewater facilities to maintain system reliability.
  - Replace aging infrastructure at an estimated cost of roughly \$650 million, including approximately 45 miles of sewer pipes per year.
  - Comply with federal and state environmental rules and guidelines, including resolution of litigation with the federal Environmental Protection Agency and environmental groups over past sewer spills.”

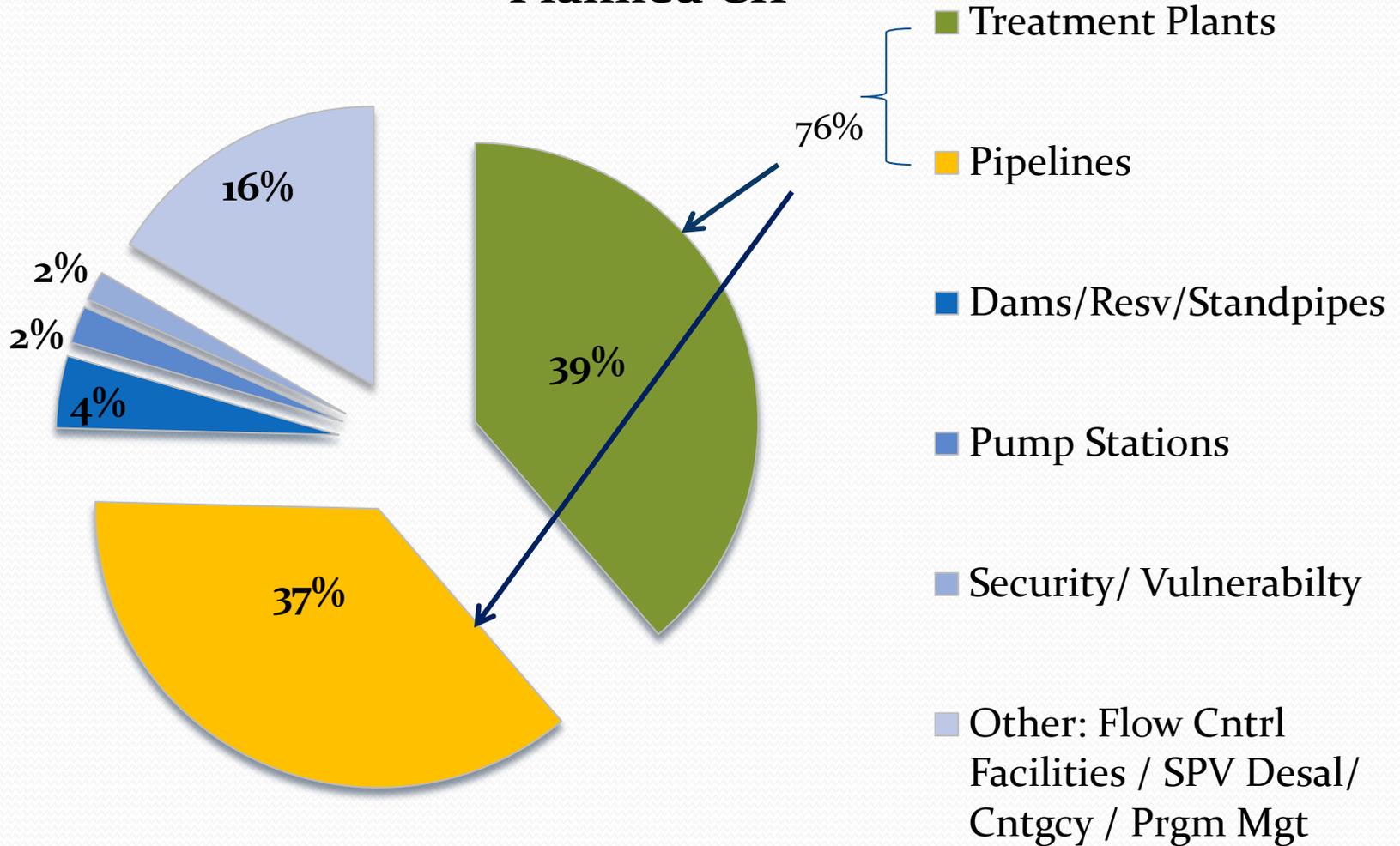
# FY2008 – 2011

## Capital Program Overview\*

- WATER
  - 61 Projects (Individual and “Annual Allocation”)
    - Treatment plants, pump stations, reservoirs, pipeline replacement, vulnerability mitigations
  - \$585 million
  - CA Department of Public Health Compliance Order
    - Cast Iron Main Replacements
  - Federal Safe Drinking Water Act
    - Treatment Plant Upgrades

\*As projected in the 2007 Rate Case

# \$585M Water Fund Planned CIP



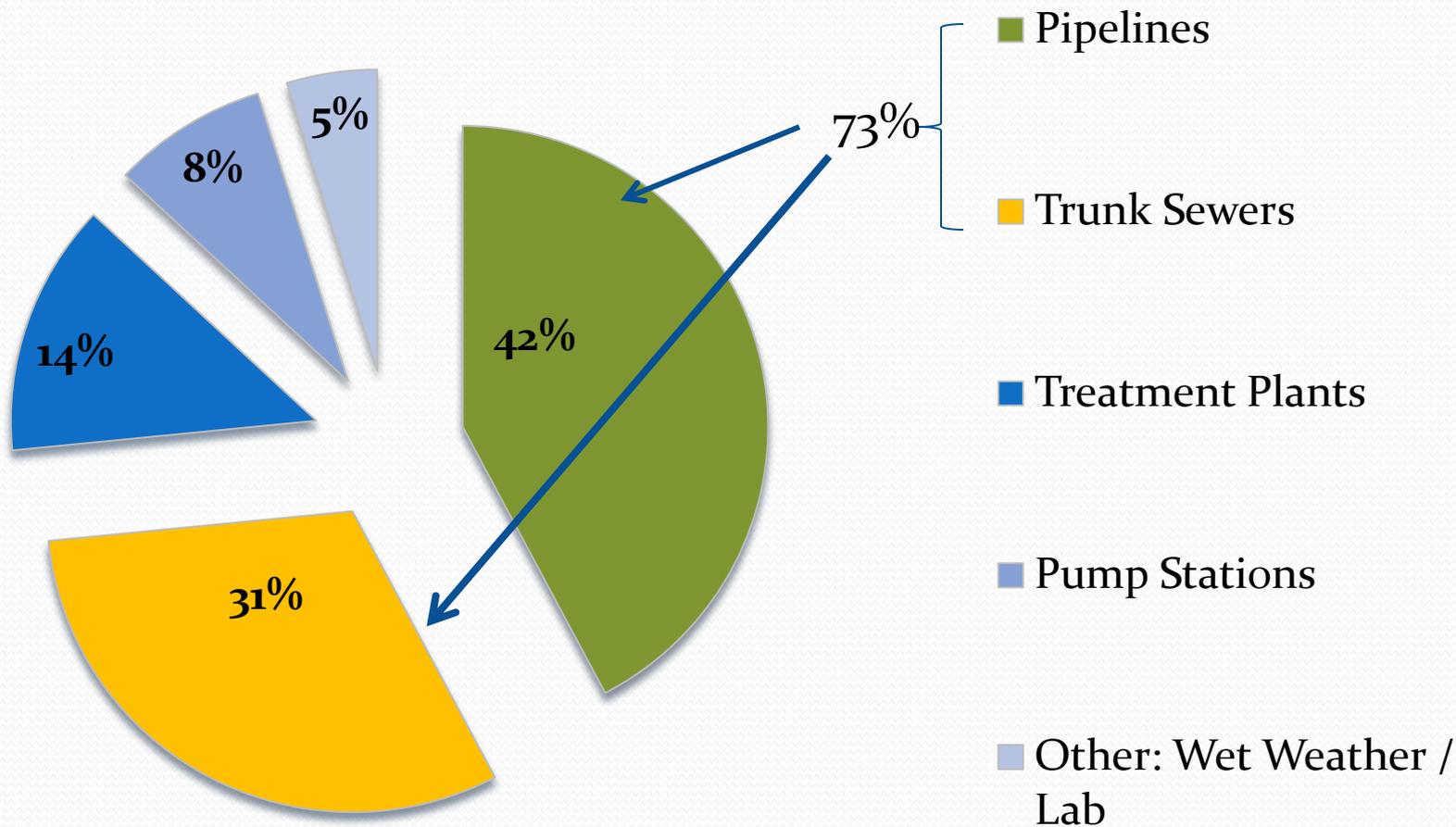
# FY2008 – 2011

## Capital Program Overview\*

- WASTEWATER
  - 50 Projects (Individual and “Annual Allocation”)
    - City Municipal system
      - Force mains, trunk sewers, pump stations
    - Metro system
      - Bio-solids storage, centrifuges, grit processing, control system upgrades, pump stations
      - 33.5% funded by Metropolitan System Joint Powers
  - \$585 million
  - EPA Consent Decree
    - 165 miles pipeline rehabilitation / replacement

\*As projected in the 2007 Rate Case

# \$585M Wastewater Fund Planned CIP

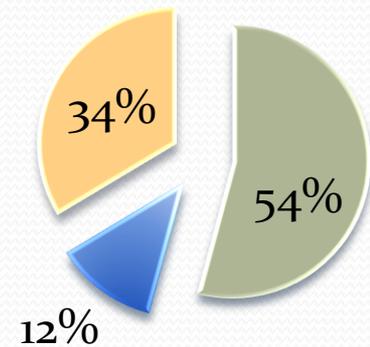


# CIP Execution (Actual/Planned – FY08-14)

- WATER

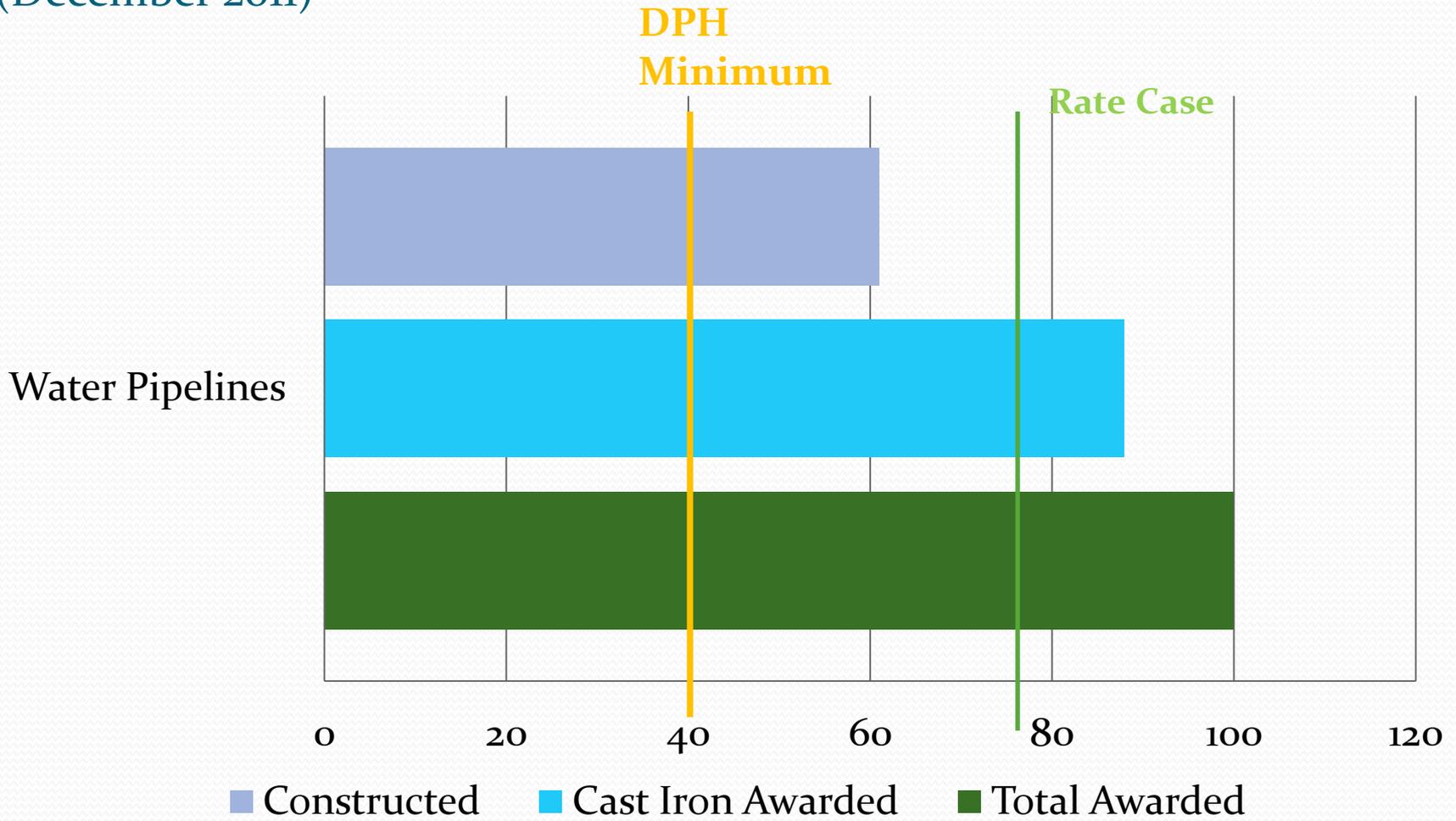
- 21 Projects completed - \$365.2M
- 27 Projects on-going - \$81.5M
- 49 Planned projects - \$225.9M
  - Recurring pipeline replacement of \$143M
  - 17 projects completed for \$96K
  - 14 projects under \$250K
- CIP execution initially delayed in FY2008
  - City still met regulatory requirements
- Significant savings from lower bids, financing costs, grants, SRF loans

Dollars:  
■ Completed ■ Ongoing  
■ Planned

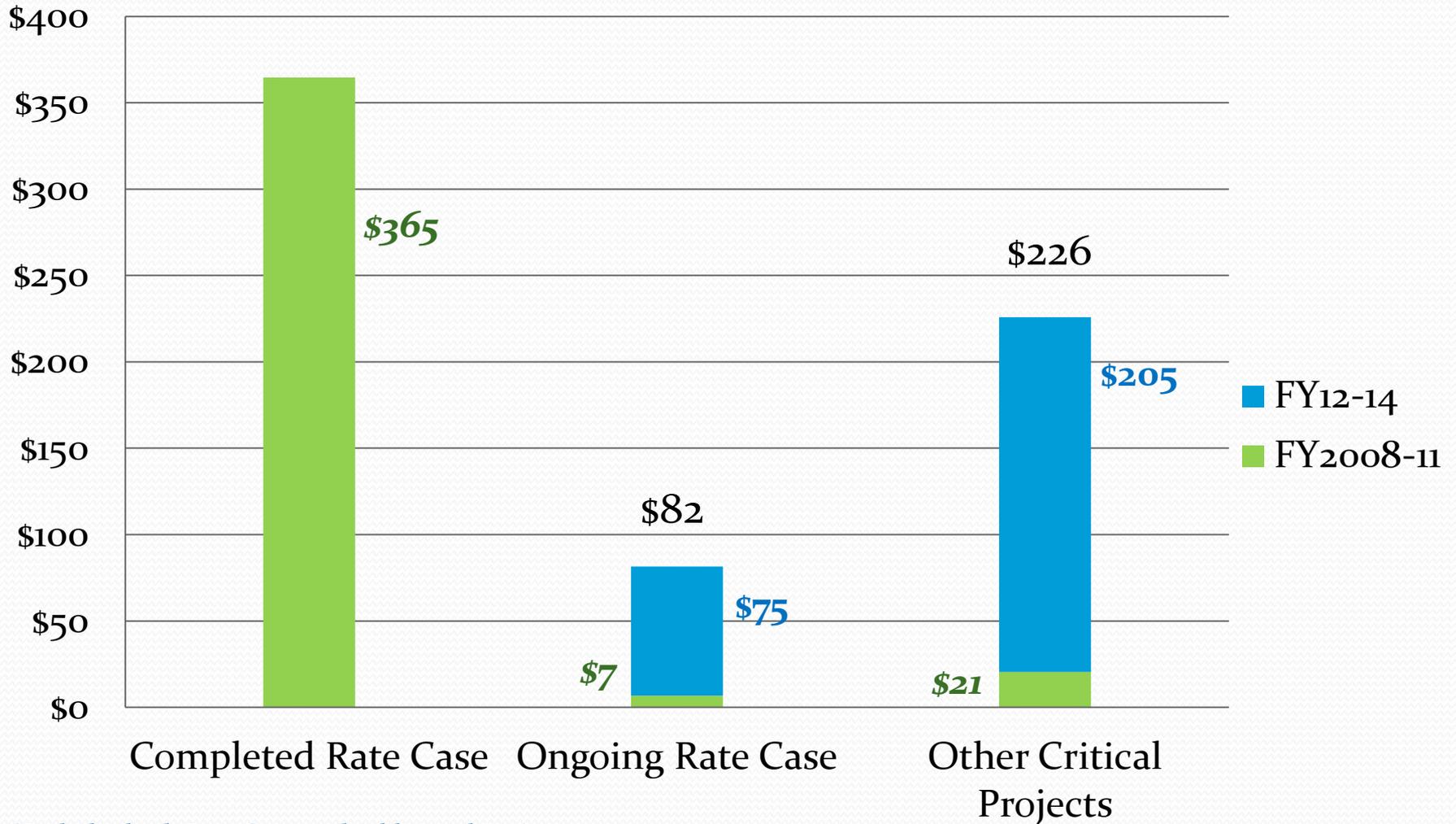


# Miles of Water Pipeline Replaced

(December 2011)



# Water Fund FY08-14\* millions



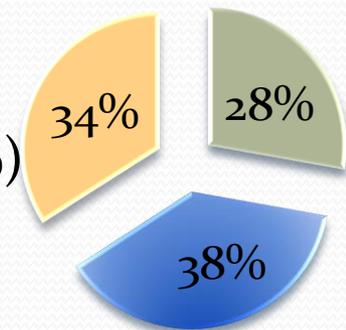
\*Includes both Rate Case and Additional Projects

# CIP Execution (Actual/Planned – FY2014)

- WASTEWATER

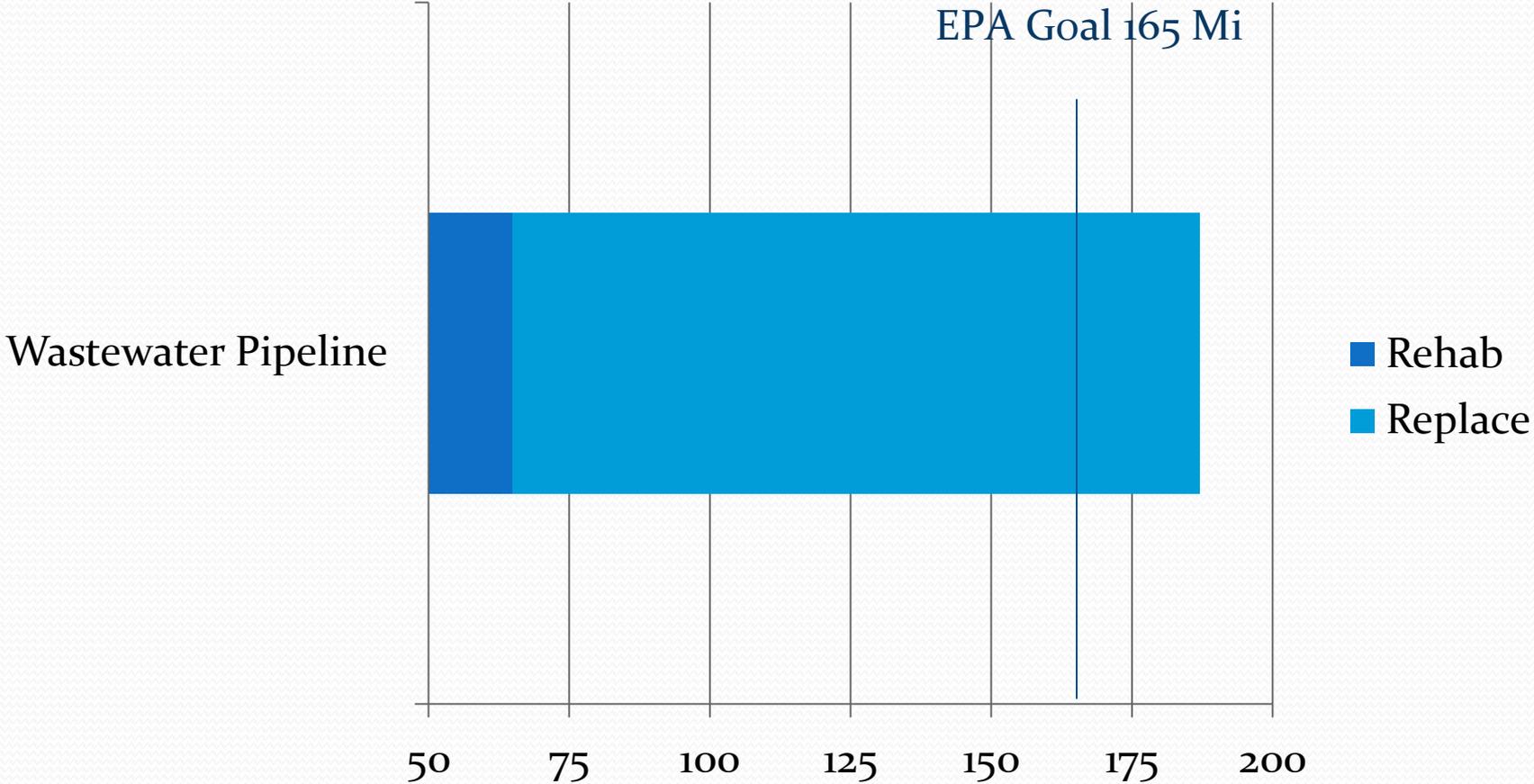
- 18 Projects completed - \$156M
- 19 Projects on-going - \$213M
- 22 Planned projects - \$191.6M
  - Pipeline rehab and replacement - \$153M (80%)
  - 13 completed projects - \$3.7M
- CIP execution initially delayed in FY2008
  - City still met regulatory requirements
- Significant savings from lower bids, financing costs, grants, SRF loans

Dollars:  
■ Completed ■ Ongoing  
■ Planned



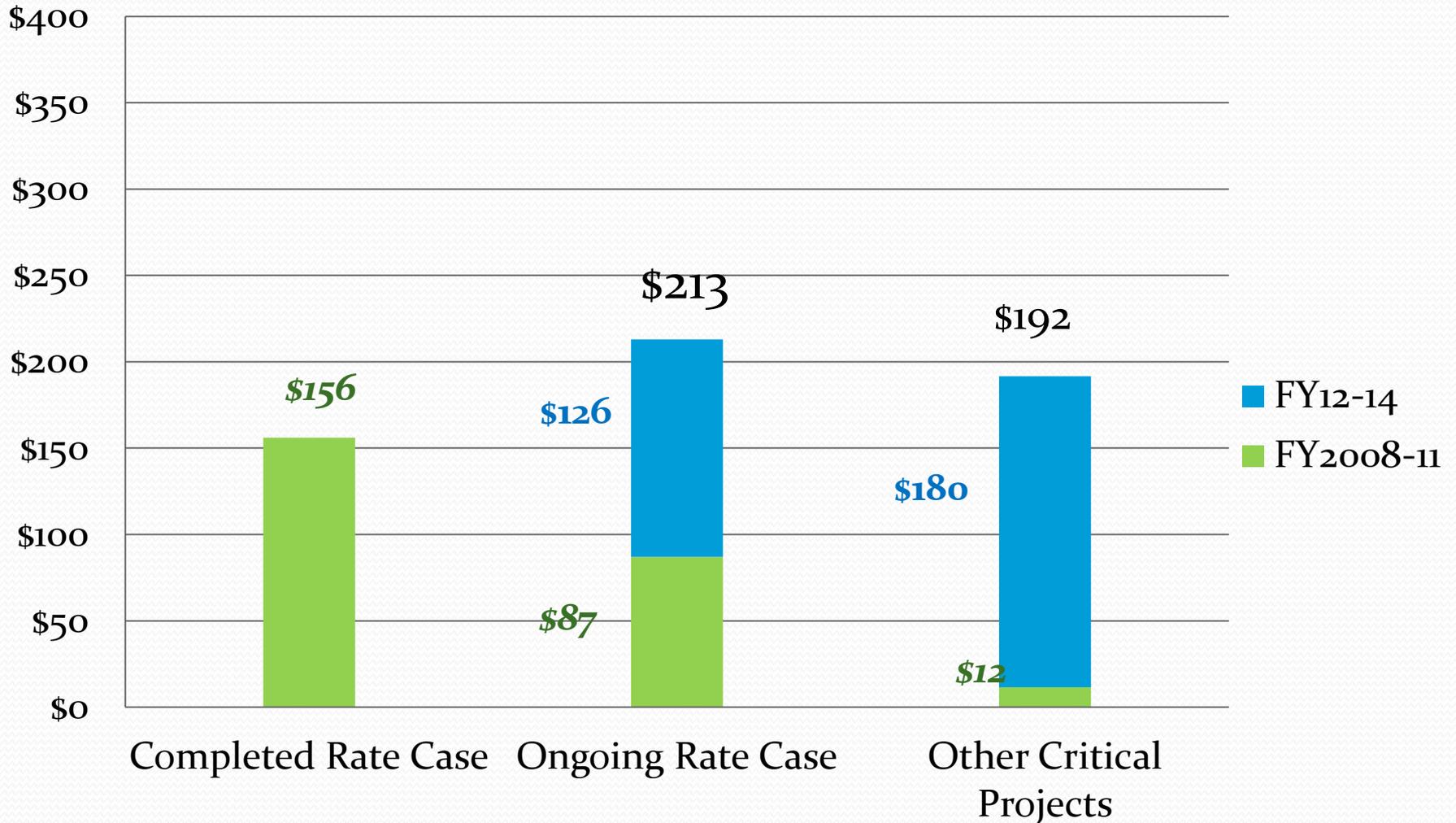
# Miles of Wastewater Pipeline

(December 2011)



# Wastewater Fund

FY08-14\*  
millions

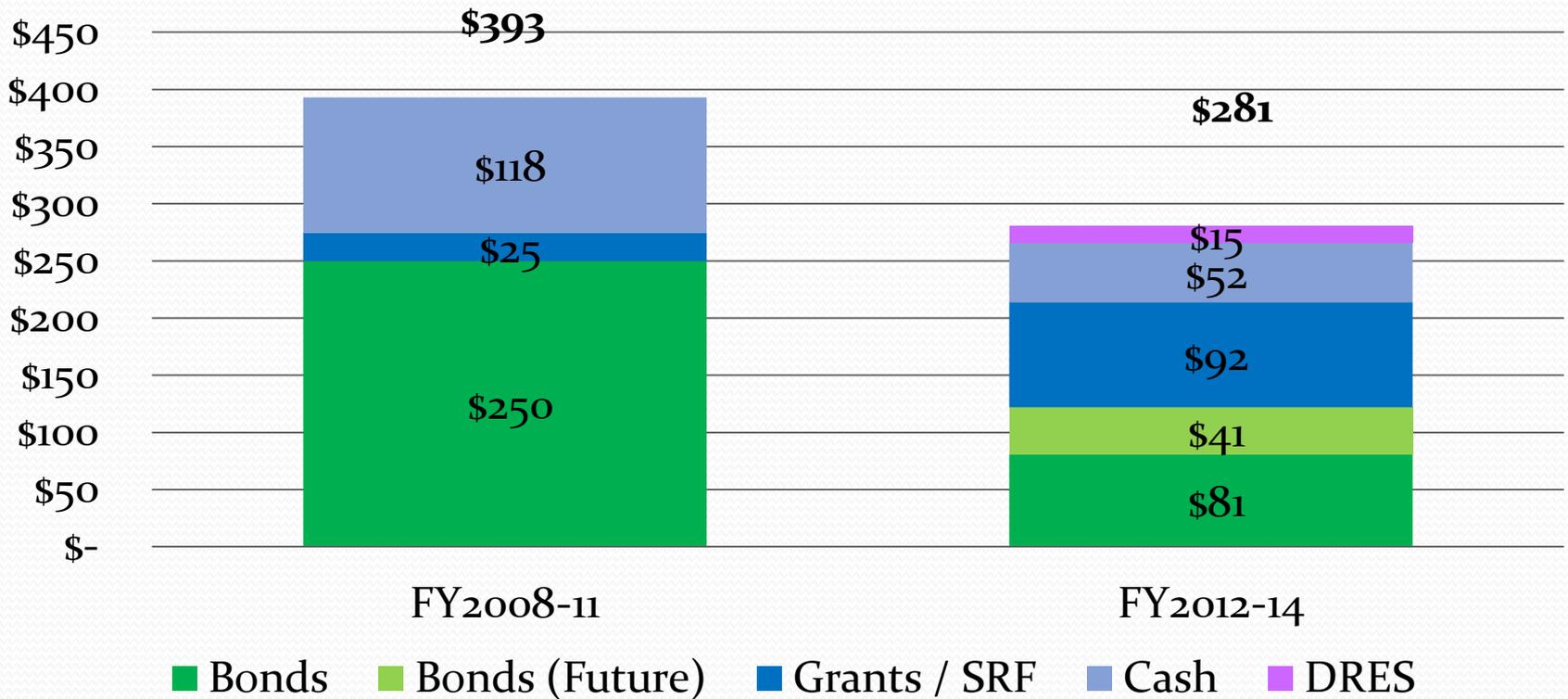


\*Includes both Rate Case and Additional Projects

# Regulatory Compliance

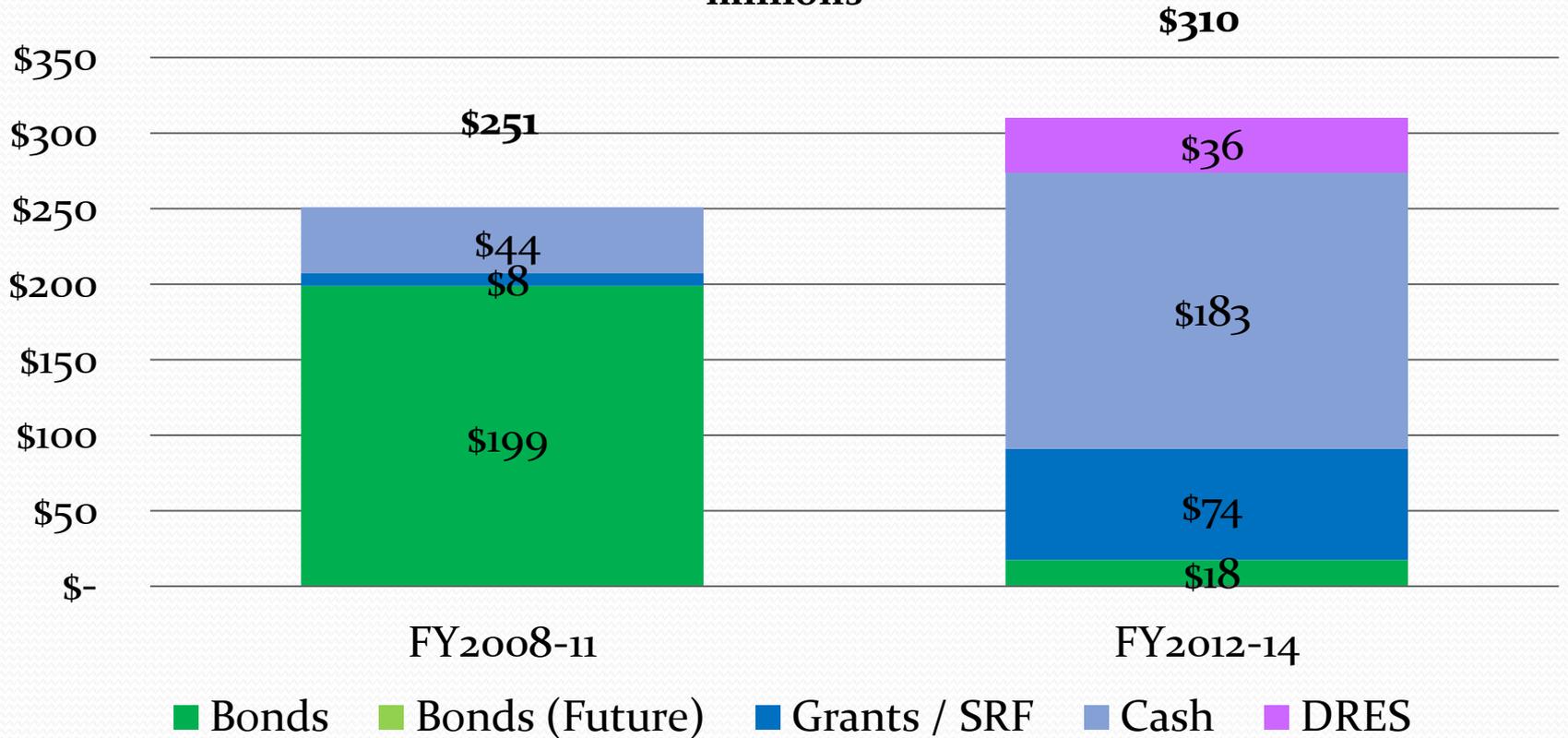
- ALL REQUIREMENTS HAVE BEEN MET FOR BOTH FUNDS
  - Despite delayed CIP ramp up in FY2008
- Exceeding the Pipeline Replacement Goals
  - Water Pipelines (Award 75 miles)
    - 100 miles awarded (88.1 miles of cast iron)
    - 61 miles constructed as of December 2011
      - 53 miles as of June 30, 2011
  - Wastewater Pipelines (Replace 50 miles, Rehab 115 miles)
    - 65 miles replaced as of Dec 2011
    - 122 miles rehabilitated as of Dec 2011

# Water CIP Program Financing millions



Figures rounded

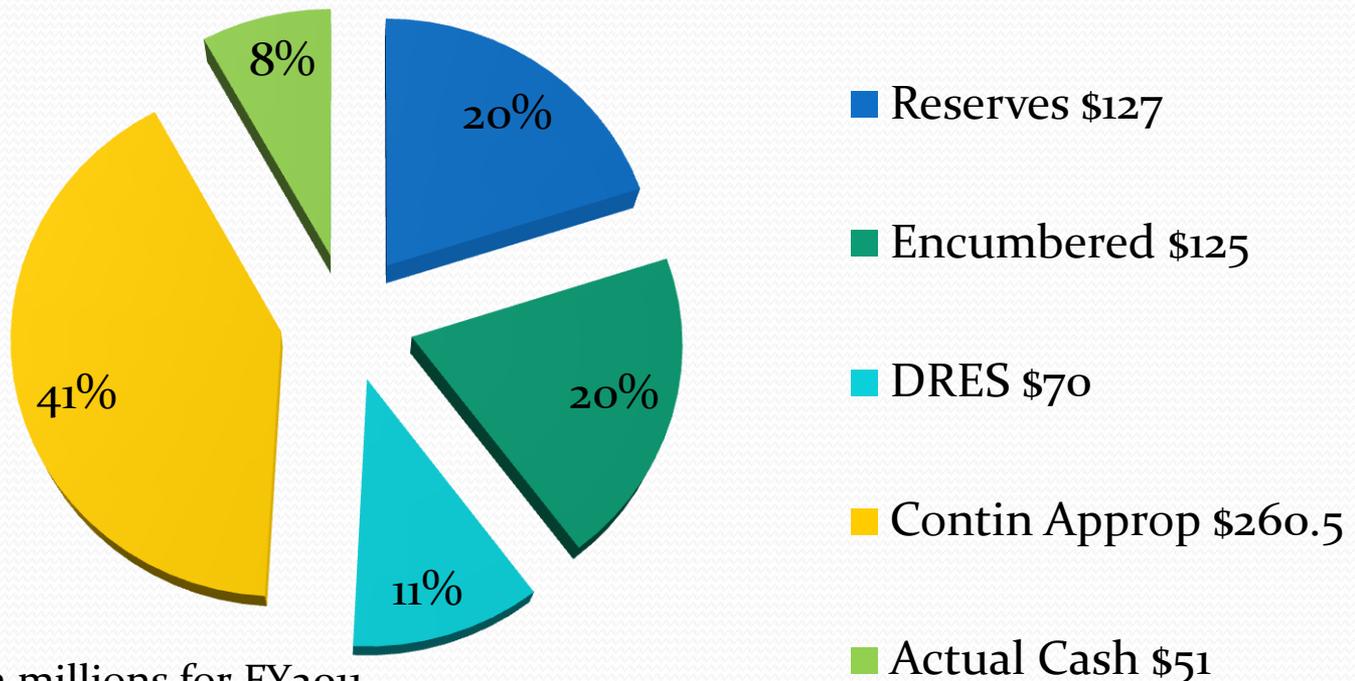
# Wastewater CIP Program Financing millions



Figures rounded

# Actual Cash Available

- \$630 million (combined Funds)
- Majority of “cash available” is allocated



Figures in millions for FY2011

# Cost of Planned CIP

- Actual cash(\$51M) + DRES will partially fund continued CIP FY 2012-2014:
  - \$280.6 million planned in water system expenditures
  - \$310 million planned in wastewater system expenditures
- Additional funding from bonds, SRF's, grants

# Use of Funds Review

- Performed at conclusion of the final “rate case” year
  - Last City rate increase effective beginning of FY2011
- Consistent with industry practices
- Currently selecting consultant
  - Will report to NR&C in March
  - Use of Funds Review anticipated to be complete end of 2012

# Cost of Service Study

- Methodical process reviewing revenue requirements to equitable costs in proportion to services by user class
  - Last study – December 2006
  - Individual studies for water and sewer funds
  - Consistent with industry practice
- Costs of providing water procurement, treatment and distribution
  - System investments in repair and replacement as well as investments for growth and expansion
- Rate structure review
  - Tier rate structures
  - Inter-class equity
- Determines necessity of change in revenue requirement



# Questions