

BUILDING A WORLD OF DIFFERENCE

31 JULY 2013

WATER & WASTEWATER COST OF SERVICE STUDY - UPDATE

NATURAL RESOURCES & CULTURE COMMITTEE



BLACK & VEATCH
Building a world of difference.®

QUICK RECAP

PUBLIC UTILITIES DEPARTMENT



Provide services to the 8th largest US city and surrounding area

1.3M water & 2.5M sewer customers

Operate complex water and wastewater systems

Heavily regulated by Federal & State agencies

USEPA, State WRB, CA DPH

DPH Compliance Order

EPA Consent Decree

Large capital intensive programs

Almost \$1B invested in systems over last 5 years

More than \$412M planned capital projects over next 2 years

Significant fixed costs

Purchased water costs of \$209M (43% budget)

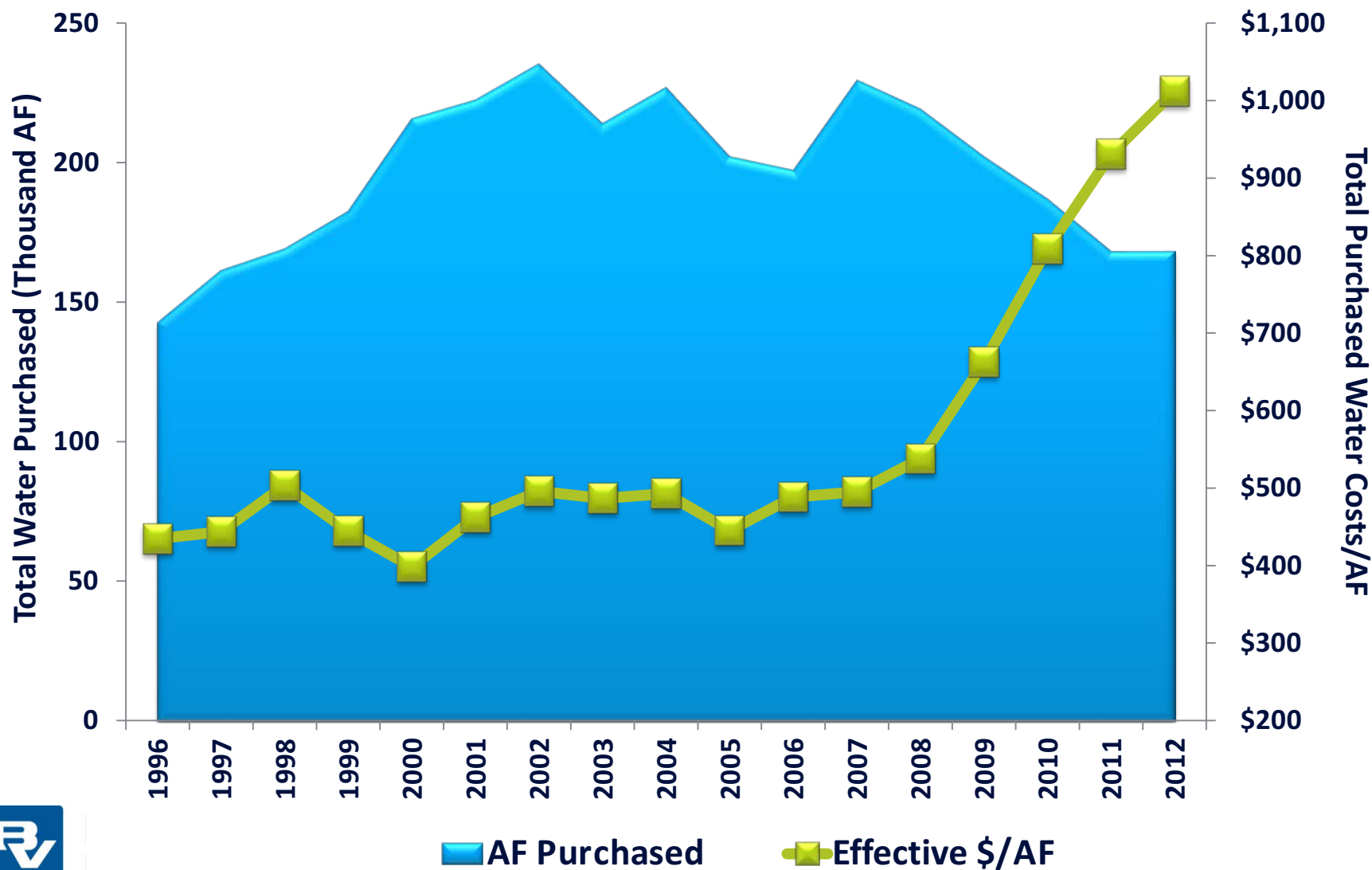
Over \$2B outstanding debt

Annual debt payments of \$180M

KEY ELEMENTS FOR FINANCIAL VIABILITY



2013 RATE CASE DRIVERS: INCREASING WATER PURCHASE COSTS



2013 WATER RATE CASE

- Revenue increases are either...

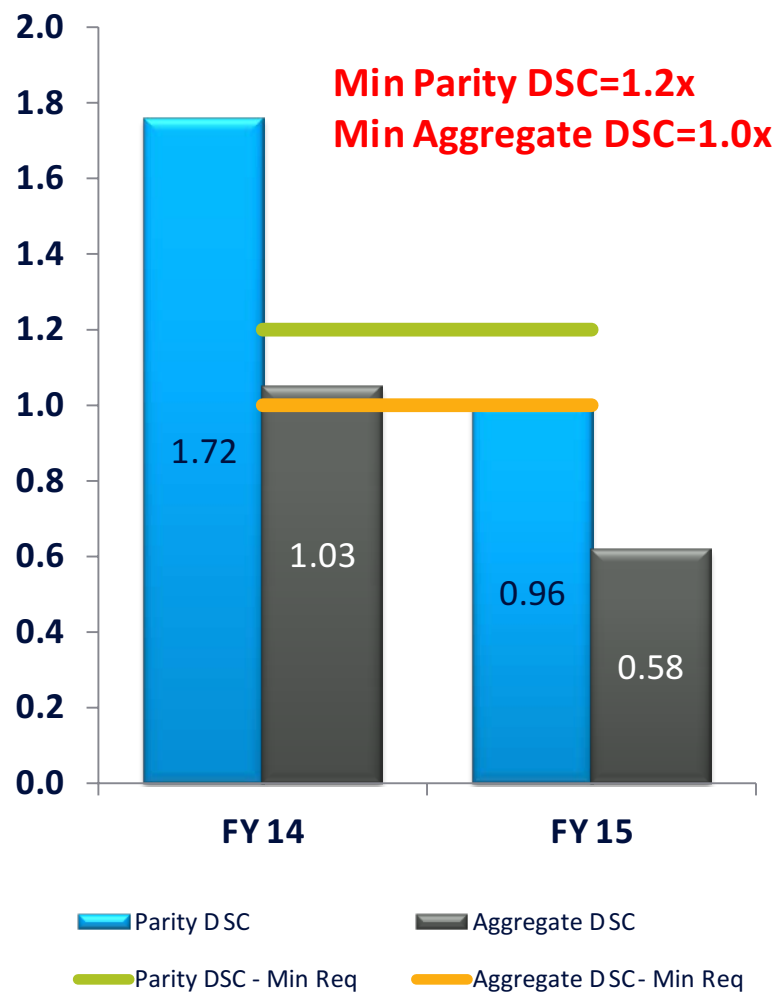
- Cash flow driven
- Coverage driven

- Analysis shows that Water Utility has a coverage-driven problem

- Absorbed CY 12 & CY 13 CWA increases
- Absorb CY 14 CWA increase

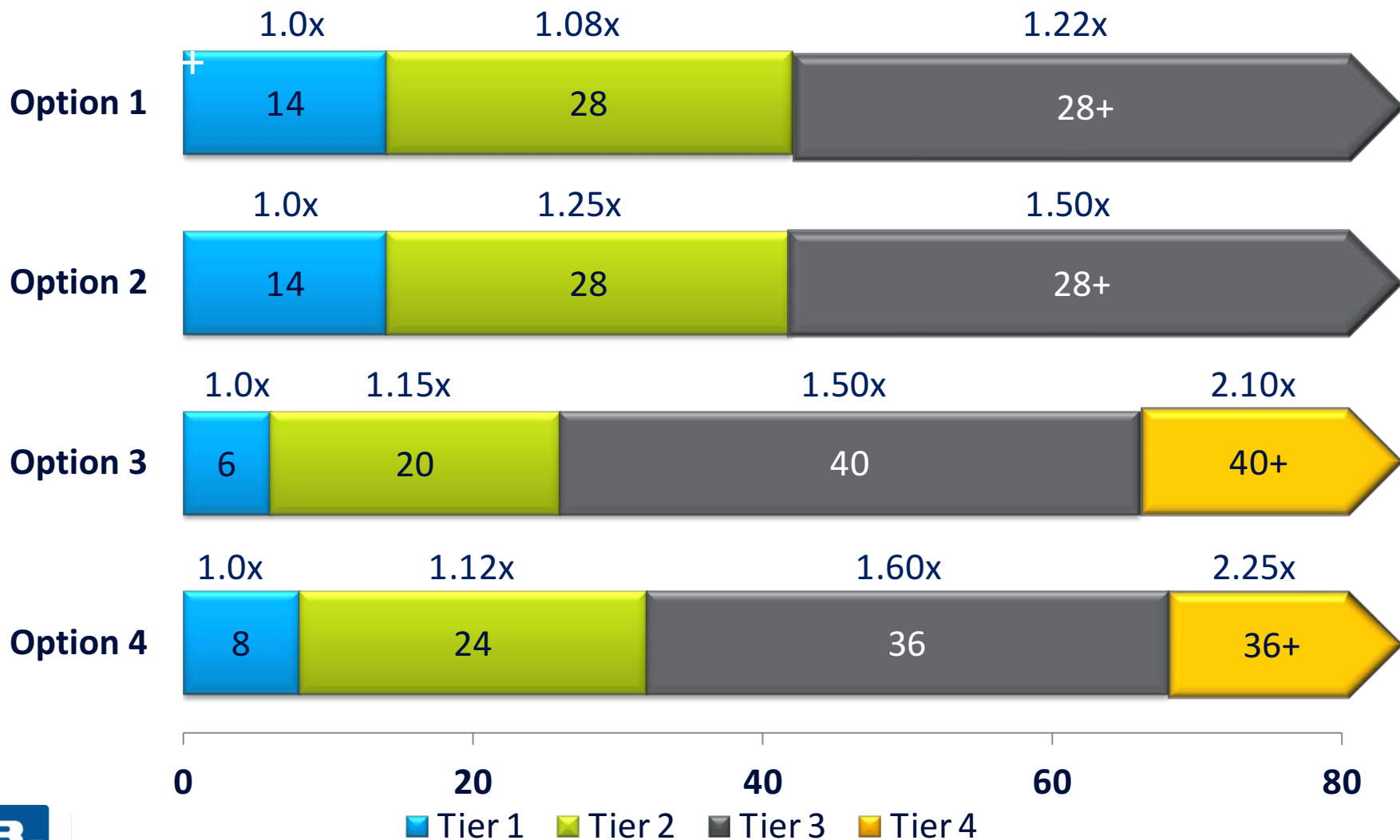
- Recommendations

- Pass-through CWA increases
- Set Aggregate DSC target of 1.25x



RATE STRUCTURE UPDATE

SFR BI-MONTHLY TIER RATE STRUCTURE OPTIONS (HCF)





NON-RESIDENTIAL RATE STRUCTURE OPTIONS

Irrigation Customers

1. Keep existing structure
 - Uniform Rate
2. Develop 3-tiered rate structure

Multi-family, Commercial & Industrial remain the same

METER CHARGE

Meter Size	Meter Charge		
	Existing Rates	Option 1	Options 2, 3 & 4
	(\$/monthly)	(\$/monthly)	(\$/monthly)
5/8", 3/4"	19.33	20.34	18.89
1"	28.46	29.95	25.59
1.5"	49.34	51.94	40.89
2"	75.44	79.42	60.03
3"	136.74	143.98	104.98
4"	224.15	236.03	169.07
6"	440.73	464.10	327.86
8"	701.64	738.85	519.16
10"	1,006.94	1,060.36	742.99
12"	1,875.82	1,975.34	1,380.05
16"	3,267.86	3,441.25	2,400.67

PRIVATE FIRE PROTECTION

Line Size	Fire Protection		
	Existing Rates	Option 1	Options 2, 3 & 4
	(\$/monthly)	(\$/monthly)	(\$/monthly)
5/8", 3/4"			
1"	6.26	6.57	2.40
1.5"	6.26	6.57	2.40
2"	8.35	8.77	3.73
3"	12.53	13.16	14.42
4"	16.70	17.54	18.44
6"	25.05	26.30	27.23
8"	33.40	35.07	38.46
10"	41.75	43.84	49.68
12"	50.10	52.61	59.29
16"	66.80	70.14	96.14

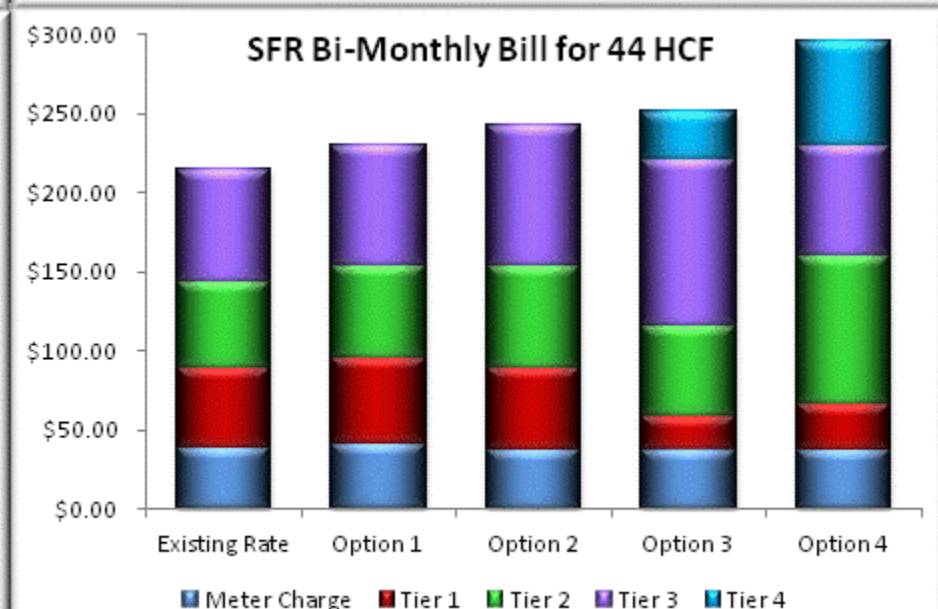
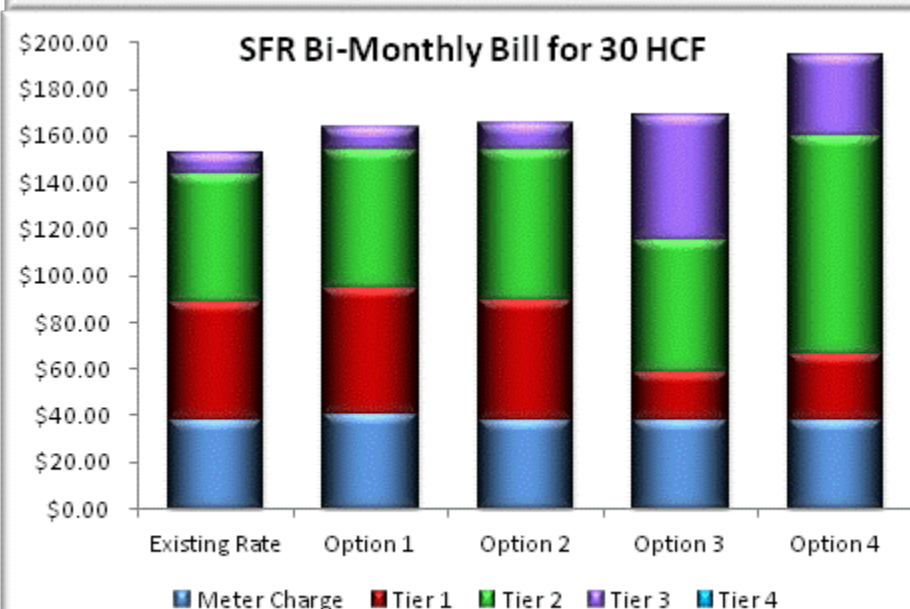
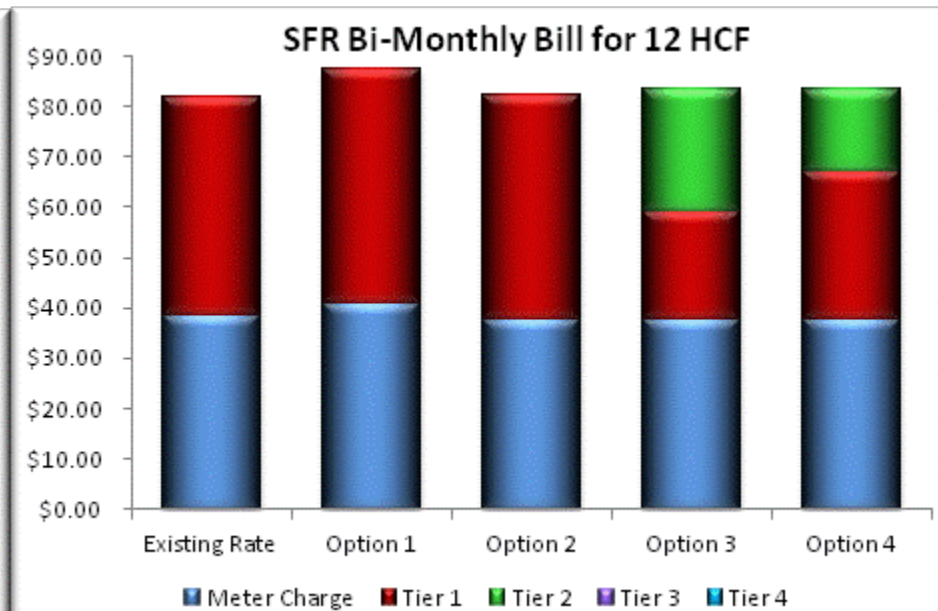
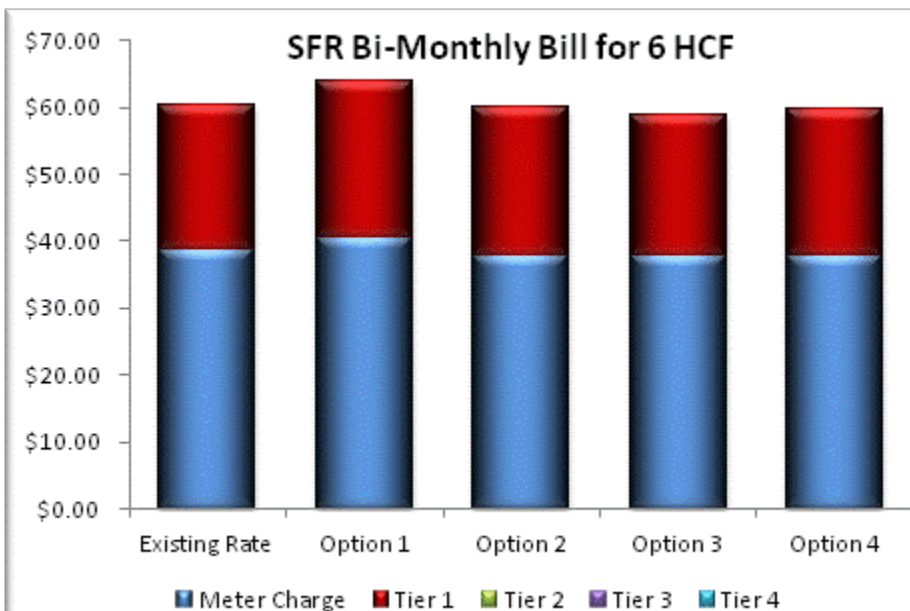
COMMODITY CHARGES

Class	Monthly Tiers [*]		Rate			Monthly Tiers [*]		Rate	Monthly Tiers [*]		Rate
	From	To	Existing Rates	Option 1	Option 2	From	To	Option 3	From	To	Option 4
	hcf	hcf	\$/hcf	\$/hcf	\$/hcf	hcf	hcf	\$/hcf	hcf	hcf	\$/hcf
Single Family	0	7	3.61	3.89	3.71	0	3	3.52	0	4	3.64
	8	14	3.92	4.21	4.62	4	10	4.05	5	12	4.08
	15+		4.40	4.72	5.54	11	20	5.29	13	18	5.82
						21+		7.40	19+		8.19
Other Domestics			3.92	4.21	4.34			4.34			4.34
Non Residential			3.76	4.04	4.17			4.17			4.17
Temp Construction			4.01	4.31	4.62			4.62			4.62

Class	Monthly Tiers [*]		Rate		Meter Size	Monthly Tiers [*]		Option 2
	From	To	Existing Rates	Option 1		From	To	
	hcf	hcf	\$/hcf	\$/hcf	inches	hcf	hcf	\$/hcf
Irrigation	All Use		4.01	4.62	≤ 1	0	25	4.45
						26	70	4.58
						>71		4.72
					1½ & 2	0	80	4.45
						81	200	4.58
						>201		4.72
					≥ 3	0	525	4.45
						526	4,100	4.58
						> 4,100		4.72

[*] Bi-monthly tiers are twice monthly allowances





QUESTIONS