

Water and Wastewater Program

Proposed Rate Adjustment and Alternate Program Scenarios



Utilities Rate Advisory Commission

December 15, 2011

Presentation Overview

PROPOSED WATER & WASTEWATER PROGRAM

- Conceptual Approval by City Council on November 8, 2011
- Proposition 218 Rate Proposal
- Future Obligation of the 3-Year Rate Plan

COMPLYING WITH THE LAW

- Water and Wastewater Regulatory Requirements

ALTERNATE WATER & WASTEWATER PROGRAM SCENARIOS

- Fund Regulatory and Water Treatment Plant (Water Fund only)
- Fund Regulatory only
- Current Path

NEXT STEPS

Water and Wastewater Program

Conceptual Approval of the 30/5/3 Plan

- 30-Year Water & Wastewater Infrastructure Investment Program
 - Best Practices replacement cycle
 - Regulatory compliance
 - Sustainable financing

- 5-year Capital Improvement Program
 - Identify specific projects based on criticality and condition

- 3-year Rate Proposal
 - Accountability
 - Maintain flexibility
 - Secure credit

Water Program – Return on Investment

3-year Water Program – *What do you get?*

- ✓ Average \$19m/year on Meter Retrofit Program (\$57m)
- ✓ Robust water line conditioned assessment project (\$2.4m)
- ✓ Approximately 2 miles of transmission main replacement (\$6.6m)
- ✓ Approximately 9 miles of distribution main replacement (\$9m)
- ✓ Water treatment plants rehab (\$150m)
- ✓ Rehabilitation of 6 wells (\$6m)
- ✓ Fluoride equipment rehabilitation (\$3m)

Wastewater Program – Return on Investment

3-year Wastewater Program – *What do you get?*

- ✓ Approximately 1 mile of Combined System rehabilitation (\$2.4m)
- ✓ Approx. 3 miles of Separated System rehabilitation (\$4.5m)
- ✓ 7 Sump electrical rehabilitations (\$1m)
- ✓ Curtis Park Combined System Regional Storage (\$12m)
- ✓ 7th Street Improvement (\$2.5m)
- ✓ L Street Improvement (\$0.6m)

Proposition 218 Notice - Rate Proposal

- ▶ Meets critical, near-term regulatory and capital needs, including the meter transition program
- ▶ Utilizes existing resources to the fullest extent in order to mitigate rate increases
- ▶ Establishes a sustainable program that meets bond requirements

Enterprise Fund	Projected <u>daily</u> increase starting July 1, 2012	Projected <u>monthly</u> increase starting July 1, 2012
Water	11 cents	\$3.44
Wastewater	8 cents	\$2.36

Typical Single-Family Customer Monthly Bill¹

UTILITY SERVICES	NO RATE INCREASE IN FY12	RATE EFFECTIVE 7/1/11	PROPOSED INCREASE	RATE EFFECTIVE 7/1/12	PROPOSED INCREASE	RATE EFFECTIVE 7/1/13	PROPOSED INCREASE	RATE EFFECTIVE 7/1/14
Water (unmetered)	0%	\$34.35	\$3.44 10%	\$37.79	\$3.78 10%	\$41.57	\$4.16 10%	\$45.73
Wastewater ²	0%	\$14.74	\$2.36 16%	\$17.10	\$2.57 15%	\$19.67	\$2.75 14%	\$22.42
Storm Drainage	0%	\$11.31	0%	\$11.31	0%	\$11.31	0%	\$11.31
Solid Waste ³	0%	\$38.31	0%	\$38.31	0%	\$38.31	0%	\$38.31
TOTAL		\$98.71		\$104.51		\$110.86		\$117.77
Overall average increase		0.0%		5.9%		6.1%		6.2%

¹ Utility charges will vary based on type of structure, room count, and other components that determine the rates for each parcel. Rates shown reflect a single family home, 6-9 rooms, with unmetered water service.

² Wastewater charges are for City of Sacramento services only and do not include Sacramento Regional County Sanitation District (SRCSD) charges that the City collects for SRCSD. City wastewater charges do not apply to City residents receiving sewer service from the Sacramento Area Sewer District.

³ Solid waste services rate calculation uses a 96-gallon garbage container rate and the containerized green waste service rate.

Future Obligation – 3 Year Rate Adjustment

Future rate increases needed to meet program bond requirements and debt service obligations of proposed 3-year program:

- Water – 2% in FY16
- Wastewater – 1% in FY16

Potential consequences of not raising rates beyond FY16:

- Regulatory non-compliance
- Increased risk of pipe failure

Water and Wastewater Regulatory Programs

Complying with the Law

Water – Water Meter Program

Residential Water Meter Retrofit Program

- In 2004, Assembly Bill 2572 mandates metering of all residential accounts by January 1, 2025
- In 2005, City Council adopts Resolution 2005-347 directing installation of water meters throughout the City

Consequences of Non-compliance

- Ineligibility for state grants and low interest loans,
- Ability to retain the City's senior water rights could be impacted and future diversions off the Sacramento and American Rivers may be restricted

Wastewater – Combined Sewer System (CSS)

State National Pollutant Discharge Elimination System (NPDES) Permit

- Eliminates pollution discharged to the river
- Reduces outflows
- Reduced flooding

Requirements

- Treatment for discharges to the river
- Implementation of a Long Term Control Plan requiring a \$10 million annual CIP
- System-wide cleaning and inspection
- Extensive water quality monitoring and data analysis

Wastewater – Separated Sanitary Sewer System

Statewide General Waste Discharge Requirements (WDR)

- Prohibits sanitary sewer overflows (SSOs)

Requirements

- Implementation of a management plan
- System-wide cleaning, inspection and rehabilitation
- Fats, oils and grease (FOG) control program
- Root control program
- Short and long-term capital improvement program
- Notifications of SSOs to the State

Requirements affected by a Consent Decree

Wastewater – Consequences of Non-Compliance

- Federal/State Enforcement
 - ✓ Fines
 - ✓ Consent Decrees
 - ✓ Building Moratoriums
- Third party lawsuits
- Loss of local control

Water and Wastewater Program

Alternate Program Scenarios

Water Scenarios



Scenario	5-Year CIP	20-Year CIP	5-Year Rate	20-Year Rate*	Reduced 5-Year O&M
Scenario A <i>Baseline (Proposed)</i>	\$ 442.1 m	\$ 1,327.8 m	\$ 55.35	\$ 126.84	-
	Funds prudent level of capital projects.				
Scenario B <i>CIP Delay</i>	\$ 380.6 m	\$1,181.9 m	\$ 53.35	\$ 122.70	-
	Delays “best practices” capital projects by 5 years.				
Scenario C <i>CIP Delay</i>	\$ 225.4 m	\$ 1,211.0 m	\$ 40.87	\$ 129.23	-
	Delays “best practices” and water treatment plant projects by 5 years.				
Scenario D <i>Current Path</i>	\$ 106.5 m	\$ 1,272.1 m	\$ 47.75	\$ 126.24	(\$ 14.0 m)
	First 5 years: current capital funding and partial meter program funding; no unmet needs funded; no debt financing; 120-day operating reserve target unmet.				

Notes

CIP costs stated in nominal dollars. Rates are monthly and based on single family residential customer with 6-9 rooms. *20-year rates are for illustrative and comparative purposes only. Actual rates are highly dependent on capital funding strategy.

Water Scenarios



Water Fund Rate Adjustment Proposal CIP Scenarios and Impacts	FY2012/13	FY2013/14	FY2014/15	FY2015/16	FY2016/17	FY17/18 - FY21/22 (Avg Rate)	FY22/23 - FY26/27 (Avg Rate)
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Scenario A - Proposed	Start	Rate					Average Rate	
		10%	10%	10%	10%	10%	9%	6%
Regulatory Program (<i>Water Meter Program</i>)	Year 1							
Water Treatment Plant	Year 1							
Best Practices Infrastructure Replacement (10/5 ramp up)	Year 1							

Scenario B - Regulatory and WTP (<i>Delay BP 5 years</i>)	Start	Rate					Average Rate	
		10%	10%	10%	8%	8%	8%	6%
Regulatory Program (<i>Water Meter Program</i>)	Year 1							
Water Treatment Plant	Year 1							
Best Practices Infrastructure Replacement (15/10 ramp up)	Year 6							

Water Scenarios



Water Fund Rate Adjustment Proposal CIP Scenarios and Impacts	FY2012/13	FY2013/14	FY2014/15	FY2015/16	FY2016/17	FY17/18 - FY21/22 (Avg Rate)	FY22/23 - FY26/27 (Avg Rate)

Scenario C - Regulatory ONLY (Delay WTP & BP 5 years)	Start	Rate					Average Rate	
		0%	0%	4%	11%	3%	16%	6%
Regulatory Program (Water Meter Program)	Year 1							
Water Treatment Plant	Year 6							
Best Practices Infrastructure Replacement	Year 6							

Scenario D – Current Path (400 Yr replacement cycle; meters @ 3%)	Start	Rate					Average Rate	
		8%	7%	6%	7%	6%	10%	7%
Regulatory Program (Water Meter Program)	Year 1							
Water Treatment Plant	Year 6							
Infrastructure Replacement Cycle 400 Year	Year 1							

Wastewater Scenarios



Scenario	5-Year CIP	20-Year CIP	5-Year Rate	20-Year Rate*	Reduced 5-Year O&M
Scenario A <i>Baseline (Proposed)</i>	\$ 92.7 m	\$ 685.0 m	\$ 29.13	\$ 92.04	-
	Funds prudent level of capital projects.				
Scenario B <i>CIP Delay</i>	\$ 80.0 m	\$ 671.6 m	\$ 28.88	\$ 89.74	-
	Delays “Best Practices” capital projects by 5 years.				
Scenario B ¹ <i>CIP Delay</i>	\$ 80.0 m	\$ 671.6 m	\$ 27.88	\$ 90.70	-
	Delays “Best Practices” capital projects by 5 years. Smaller rate increases years 1 and 2 (compared to Scenario B). Slightly higher long-term rates.				
Scenario C <i>Current Path</i>	\$ 13.1 m	\$ 608.8 m	\$ 16.73	\$ 87.50	(\$ 34.5 m)
	First 5 years: no capital increases; no unmet needs funded; no debt financing.				

Notes

CIP costs stated in nominal dollars.

Rates are monthly and based on single family residential customer with 6-7 rooms.

*20-year rates are for illustrative and comparative purposes only. Actual rates are highly dependent on capital funding strategy.

Wastewater Scenarios



Wastewater Fund Rate Adjustment Proposal CIP Scenarios and Impacts	FY12/13	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18 - FY21/22 (Avg Rate)	FY22/23 - FY26/27 (Avg Rate)
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Scenario A - Proposed	Start	Rate					Average Rate	
		16%	15%	14%	14%	14%	10%	8%
Regulatory Program	Year 1							
Best Practices Infrastructure Replacement Combined 5; Separated 8	Year 1							

Scenario B - Regulatory only (Delay BP 5 years)	Start	Rate					Average Rate	
		15%	15%	14%	14%	14%	10%	8%
Regulatory Program	Year 1							
Best Practices Infrastructure Replacement (Combined 10; Separated 13)	Year 6							

Scenario C – Current Path	Start	Rate					Average Rate	
		7%	0%	0%	2%	4%	22%	8%
Regulatory Program	Year 1							
Infrastructure Replacement – 650 Year	Year 1							

Next Steps

- Community Engagement Activities – Ongoing
 - (Rate workshops, presentations, video/website)
- URAC – Public Rate Hearing – January 25, 2012
- Council Hearing – February, 2012
- Rates Effective – July 1, 2012

Questions?

