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Addressing Our Infrastructure Needs



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Addressing Our Infrastructure Needs: DSIC Safeguards

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Risks Unique to Water



- Raising the necessary capital to invest in infrastructure improvement
- Integration of small, troubled water systems
- Low depreciation rates/slow recovery of investment
- Evolving operational and environmental compliance issues

Distribution vs. Production

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Why the DSIC helps financially?



Production

- \$50M treatment plant takes 12 months to place in service
- Accrue AFUDC at 2% or \$1M for carrying costs

Distribution

- 50 main replacement projects costing \$1.0M each
- Take 30 days to complete
- No AFUDC & carrying costs of \$1.0M will reduce earnings

Why the DSIC helps operationally?



- Reduced main breaks
- Replace old valves
- Address water pressure problems
- Reduces unaccounted for water
- Accelerates the replacement of aging infrastructure
- Allows for proactive planning
- Positive impact on capital attraction and cost of capital

Pro Active Planning



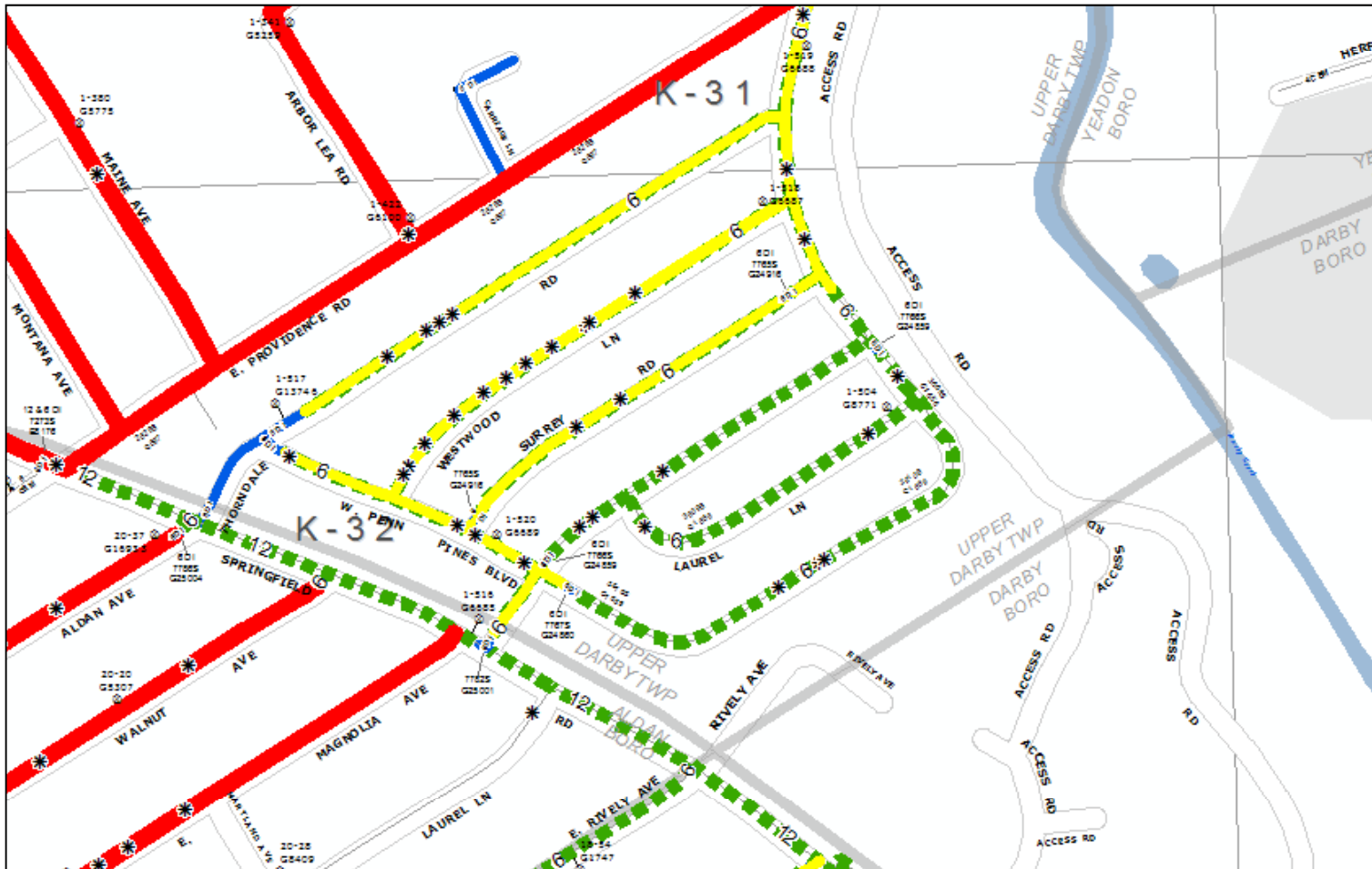
Select Water Mains

	Size	Mat	Prop Mat	Prop Size	Div	State Rd?	Cost /ft	Score	Shape_Length	Cost	Year
▶	4	CEM	DI	8	Southern	No	\$155	30	213	\$33,015	2009
	4	CEM	DI	8	Southern	No	\$155	35	307	\$47,585	2009
	4	CEM	DI	8	Southern	No	\$155	32	292	\$45,260	2009
	4	CEM	DI	8	Southern	No	\$155	30	297	\$46,035	2009

Project Cost: \$171,895
Total Length: 1,109
Cost Per Ft: \$155
Weighted Score: 32
% State Road: 0

Add Main Select Project
Create Project Reset Done

Pro Active Planning



How is the DSIC reviewed?



- **3 Different Reviews**
 - Annual Reconciliation
 - DSIC Audit
 - Rate Case

How is the DSIC reviewed?



(1) Annual Reconciliation:

- Budgeted revenue are used in the DSIC calculation
- After year end collection, compare actual to budget to determine if there is an over or under collection
- If over or undercollection, addressed in the subsequent period on the bill

How is the DSIC reviewed?



(2) DSIC Audit:

- Staff audit on a yearly basis
- Discovery questions
- On site audit
- Review projects qualifying for DSIC & costs

How is the DSIC reviewed? AQUA™

(3) Rate Case

- 6 to 12 month process
- All active parties
- Just and reasonable/prudent standards

Regulatory Oversight



- Formal process
- Consumer Advocate/Staff
- Assigned administrative law judge
- Recommendation
- Commission order



Thank you!