



**WE KEEP LIFE FLOWING™**



# A Pretty Penny: The Real Cost of Water Delivery

Presented by Rich Svindland, President  
December 6, 2018 – CFEE



CALIFORNIA  
AMERICAN WATER

# 100-PLUS YEARS AND FLOWING

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Founded in 1886, American Water has served customers and communities for more than 130 years. And as the country's largest publicly-traded water and wastewater utility company, we cover a lot of ground. Our size and scale greatly differentiate us from our competitors in terms of the types of solutions we are able to offer our communities. Here are a few of the numbers that we're proud to share.



# 1 BILLION

Gallons of water treated and delivered every day

# 7,100

Employees serving communities nationwide

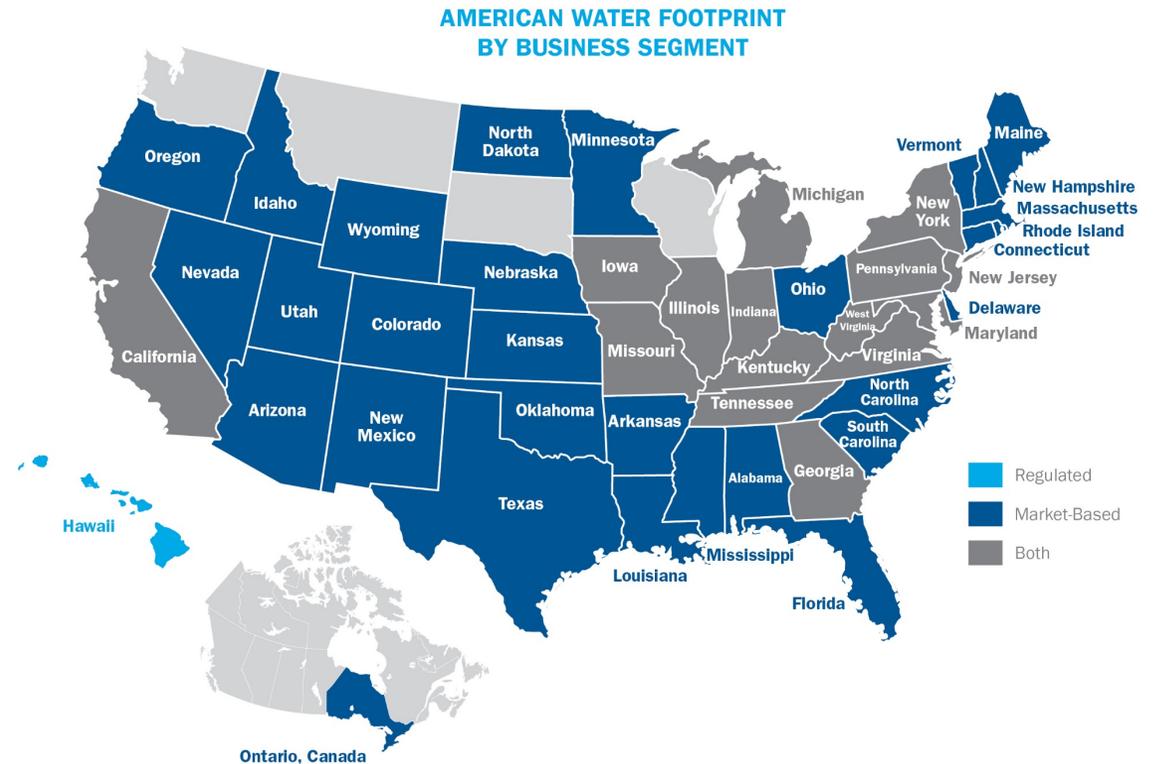
# 25

Years receiving awards for quality

# WHO WE ARE

We are the largest and most geographically diverse publicly traded water and wastewater service provider in the United States.

- ★ We serve a broad national footprint and a strong local presence.
- ★ We provide services to approximately 14 million people in **45 states** and Ontario, Canada.
- ★ We employ **7,100** dedicated and active employees and support ongoing community support and corporate responsibility.
- ★ We treat and deliver more than **one billion** gallons of water daily.



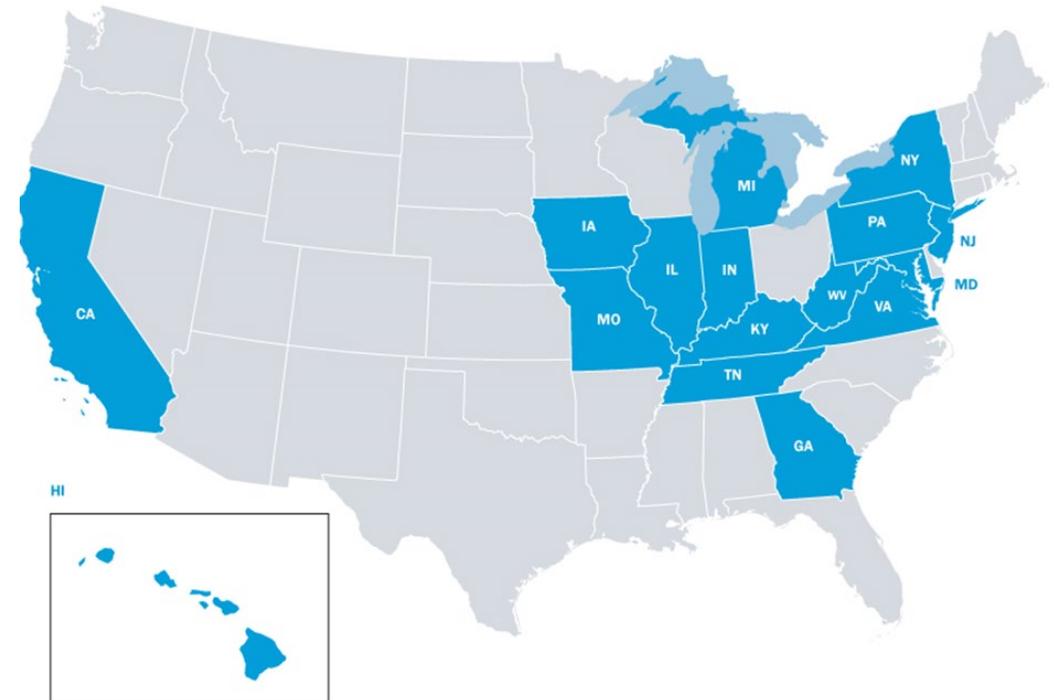
# OUR REGULATED BUSINESS

We manage more than 370 individual water systems across the country.

Every day, we operate and manage:

- ★ More than **50,000** miles of distribution and collection mains
- ★ **72** surface water treatment plants
- ★ **527** groundwater treatment plants
- ★ Over **1,100** groundwater wells
- ★ **127** wastewater treatment facilities

American Water's Regulated Presence



# CALIFORNIA REGULATED BUSINESS

We manage more than 25 individual water systems across California.

Every day, we operate and manage:

- ★ More than **2,100 miles** of water mains.
- ★ **2** water treatment plants (**1 CAW owned and 1 operated**)
- ★ **29** groundwater treatment plants
- ★ Over **170** groundwater wells
- ★ **7** wastewater treatment facilities
- ★ Approx. **178,000** service connections serving over 600,000 people.



# Where do our supplies originate?

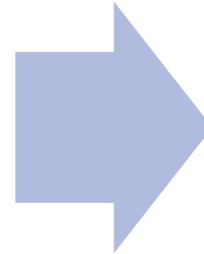


# How does the water get to the Customer? (simple)



## In Isleton:

- 3 groundwater wells
- feeding a 1.2 MGD treatment plant, then booster pumps to system.



## In Isleton:

- 7 miles of main connecting to 357 services with 59 Fire Hydrants and 155 valves.

# How does the water get to the Customer? (complex)



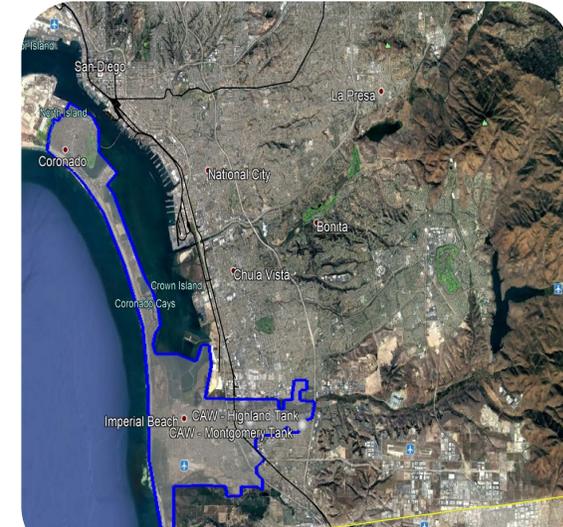
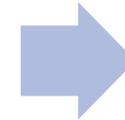
## To MWD

- via Colorado River Aqueduct
- or, State Water Project



## To SDCWA

- via San Diego (SD) aqueduct
- To City of SD
- To IB & Coronado



## To IB & Coronado

- via Lake Murray and Alvarado WTP or, locally from Lake Otay WTP
- 21,105 service connections via 160 miles of mains, 2 Tanks; 1,259 Fire Hydrants and 2,534 valves.

# Why is Water Regulated?

Water utilities are natural monopolies...

SWRCB – Regulates both Water Quality and Surface Water Rights.

CPUC – Regulates IOU's for rates and service levels



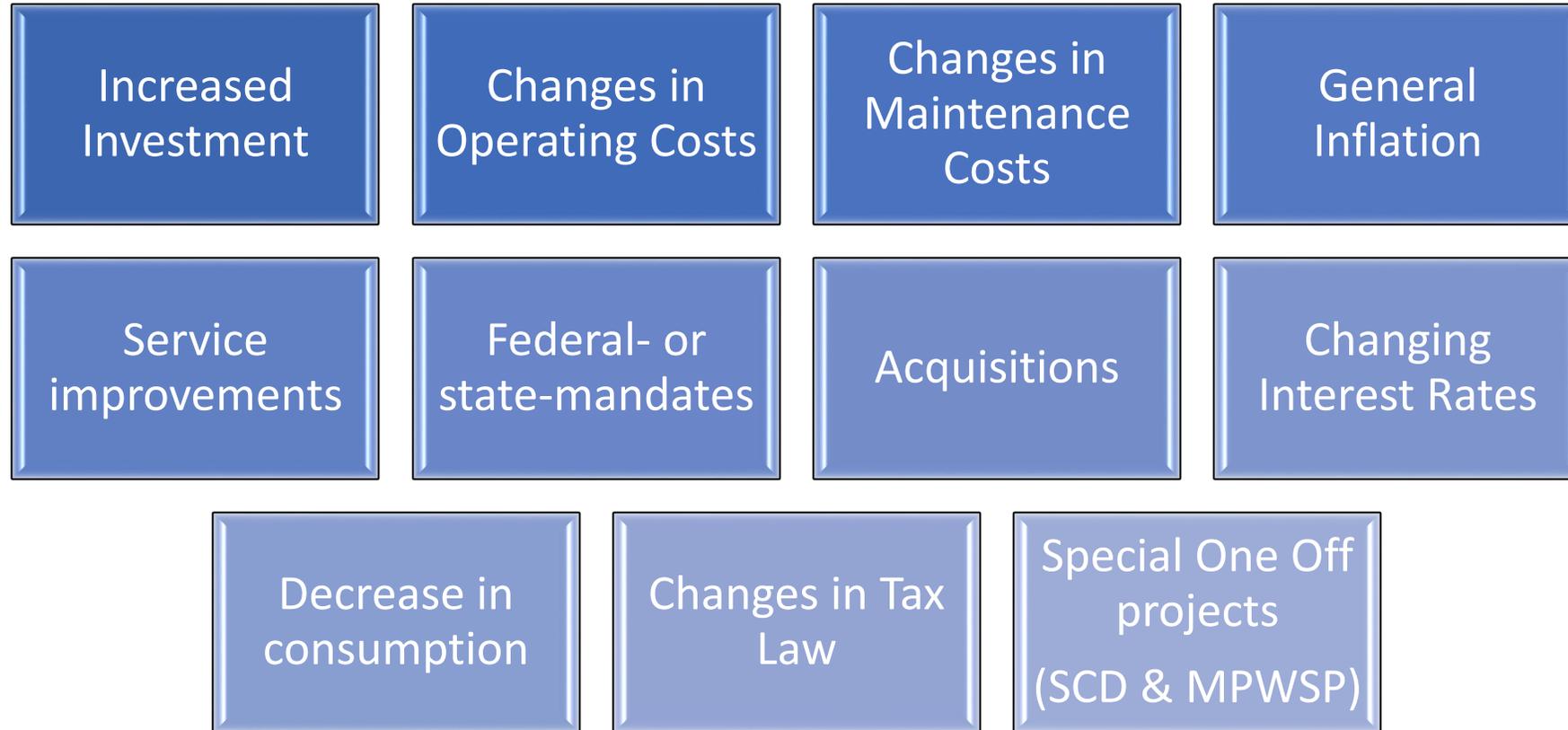
Water Masters – Regulate GW users in adjudicated basins.

Other agencies also have regulations that utilities must adhere to.

Regulation eliminates a competitive environment and requires mediator between supplier and consumer, also known as **regulators**.

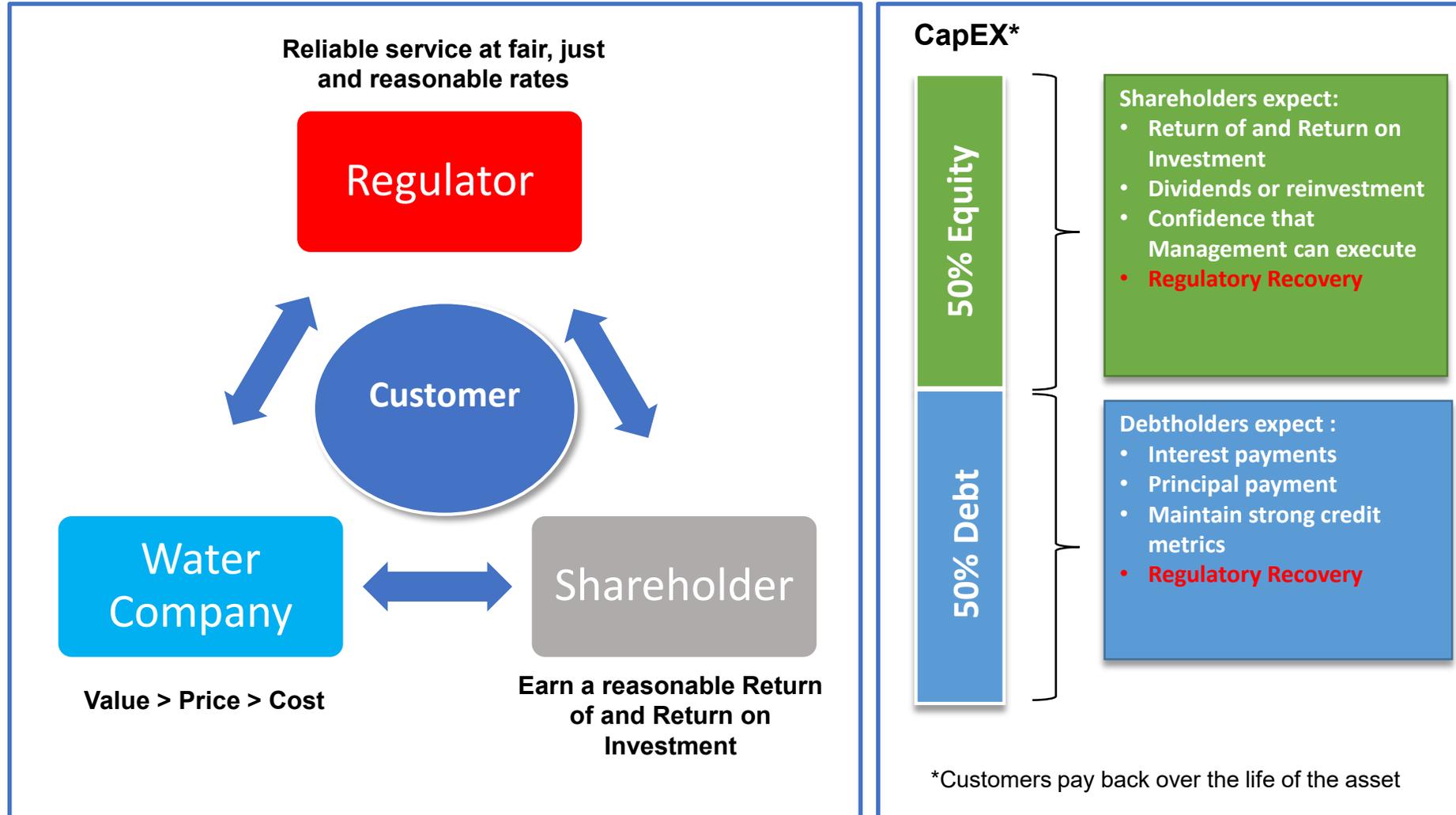
# Why we may need to change rates?

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**Changing rates involves entering a General Rate Case (GRC) or a Certificate of Convenience and Necessity (CPCN) at the CPUC**

# Overview : Regulatory & Investor Equation



# How are Revenues Determined?

## Typical Revenue Requirement 27-73 Debt/Equity + COS

Authorized ROE	9.20%
Debt Rate	1.90%
Depreciation	40 yr
Effective Tax Rate	27.98%
Tax Factor	1.39

## Typical Revenue Requirement 20 year Bond + COS

Bond Length	20 yr
Debt Rate	1.90%

## Typical Tax Requirement

Item	Year 1
Capital Cost	\$ 279,000,000
Annual RR - Equity	\$ 6,930,360
Annual RR - Income Tax	\$ 2,702,840
Annual RR - Debt	\$ 3,869,730
Depreciation	\$ 6,975,000
Property Taxes	\$ 1,395,000
O&M Labor	\$ 3,360,000
O&M (all others)	\$ 15,910,000
<b>Total Rev. Requirement</b>	<b>\$ 41,142,930</b>
AF Supply	10,668
Cost Per AF	\$ 3,857

Item	Year 1
Capital Cost	\$ 279,000,000
Interest & Principal	\$ 16,778,871
Debt Coverage	\$ 4,194,718
O&M Labor	\$ 3,662,400 +Pension
O&M (all others)	\$ 16,002,000 +Chemical
<b>Total Rev. Requirement</b>	<b>\$ 40,637,989</b>
AF Supply	10,668
Cost Per AF	\$ 3,809

	Pre TCJA	Post TCJA
Get Additional Rev	\$ 100.00	\$ 100.00
State Tax (8.84%)	\$ 8.84	\$ 8.84
Taxable for Fed	\$ 91.16	\$ 91.16
Pay Fed. Tax	\$ 31.91	\$ 19.14
<b>Total Tax</b>	<b>\$ 40.75</b>	<b>\$ 27.98</b>
Effective Tax Rate	40.75%	27.98%
Tax Factor	1.69	1.39

# What if we go over Budget?

## Over Budget

### Typical Revenue Requirement 27-73 Debt/Equity + COS

Authorized ROE	9.20%
Debt Rate	1.90%
Depreciation	40 yr
Effective Tax Rate	27.98%
Tax Factor	1.39

### Typical Revenue Requirement 20 year Bond + COS

Bond Length	20 yr
Debt Rate	1.90%



Item	Year 1
Capital Cost	\$ 299,925,000 +7.5%
Annual RR - Equity	\$ 7,450,137
Annual RR - Income Tax	\$ 2,905,553
Annual RR - Debt	\$ 4,159,960
Depreciation	\$ 7,498,125
Property Taxes	\$ 1,499,625
O&M Labor	\$ 3,360,000
O&M (all others)	\$ 15,910,000
<b>Total Rev. Requirement</b>	<b>\$ 42,783,400</b>
AF Supply	10,668
Cost Per AF	\$ 4,010

Item	Year 1
Capital Cost	\$ 329,917,500 10% Over
Interest & Prinicpal	\$ 19,841,015
Debt Coverage	\$ 4,960,254
O&M Labor	\$ 3,662,400 +Pension
O&M (all others)	\$ 16,002,000 +Chemical
<b>Total Rev. Requirement</b>	<b>\$ 44,465,669</b>
AF Supply	10,668
Cost Per AF	\$ 4,168

# CAW's Low Income Assistance Program?



## ASSISTANCE FOR LOW-INCOME CUSTOMERS

### ABOUT THE PROGRAM / INFORMACIÓN SOBRE EL PROGRAMA

California American Water's H<sub>2</sub>O Help to Others Program™ (H<sub>2</sub>O) provides assistance to low-income families. / El programa de California American Water titulado Programa H<sub>2</sub>O de Ayuda a Otros™ (H<sub>2</sub>O) ofrece ayuda a familias de bajos ingresos.

Eligible members are determined based on a household's gross yearly income (see the income guidelines chart) or participation in qualifying public assistance programs. If your household meets the necessary requirements, assistance will be provided in the form of a monthly discount on your water or sewer charges. / Para determinar si los miembros califican, se utilizan los ingresos brutos anuales del hogar (ver la gráfica de pautas sobre ingresos) o la participación en programas de asistencia pública. Si su hogar llena los requisitos necesarios, se le dará asistencia en forma de un descuento mensual en sus cargos de agua y alcantarillado.

For assistance, call (888) 237-1333, or visit [www.californiaamwater.com](http://www.californiaamwater.com). See H<sub>2</sub>O application on the reverse side. / Para obtener ayuda, llame al (888) 237-1333, o ingrese a [www.californiaamwater.com](http://www.californiaamwater.com). Consulte la solicitud para el H<sub>2</sub>O al reverso.

### LOW-INCOME DISCOUNT PROGRAM / PROGRAMA DE DESCUENTO PARA PERSONAS DE BAJOS INGRESOS



#### TO QUALIFY FOR H<sub>2</sub>O / REQUISITOS PARA EL PROGRAMA H<sub>2</sub>O

- You must be an individually metered or flat-rate residential customer, or have residential sewer services with California American Water. / Usted debe ser un cliente residencial con contador individual, o tener servicios residenciales de alcantarillado con California American Water.
- The water bill must be in your name. / La factura de agua debe estar a su nombre.
- You may not be claimed as a dependent on another person's tax return. / No puede figurar como dependiente en la declaración de impuestos de otra persona.
- You must reapply if you change your personal residence. / Debe volver a presentar la solicitud cada vez que cambie su lugar de residencia.
- You must renew your application every two years, or sooner, if requested. / Debe renovar su solicitud cada dos años, o antes, si se le solicita.
- You or someone in your household must participate in a qualifying public assistance program (see list of qualifying programs in the application on the reverse) OR your total annual income cannot exceed that on the chart below. Total income means the total income of ALL persons living full-time in your home as reported on Federal Income Tax Form 1040. / Usted o alguien en su hogar debe participar en un programa de asistencia pública que califique (ver por detrás del formulario de solicitud la lista de programas que califican) O el total de sus ingresos anuales no puede superar el de la gráfica que hay a continuación. El total de los ingresos significa los ingresos de TODAS las personas que viven de tiempo completo en su hogar, de acuerdo con lo que hayan reportado en el Formulario de Impuestos Federales 1040.
- California American Water must be notified within 30 days if you become ineligible for the H<sub>2</sub>O program. / Deberá notificar a California American Water dentro de los 30 días si deja de ser elegible para el programa H<sub>2</sub>O.

#### INCOME GUIDELINES / PAUTAS SOBRE INGRESOS (Effective June 1, 2018 to May 31, 2019 / Vigentes desde el 1 de junio de 2018 hasta el 31 de mayo de 2019)

Number of Persons in Household / Cantidad de personas en el grupo familiar	Total Combined Annual Income / Ingreso anual combinado total
1-2	\$ 32,920
3	\$ 41,560
4	\$ 50,200
5	\$ 58,840
6	\$ 67,480
7	\$ 76,120
8	\$ 84,760
Each Additional Person, Add / Cada Persona Adicional, Agregue	\$ 8,640

- 20% Reduction of Meter Charge and Volumetric rates in Tiers 1 & 2 for CAW customers not in our Monterey Main District.
- In Monterey Main District: 30% Reduction on Meter Charge and Volumetric rates in Tiers 1 – 4.
- We share low income customer data with Electric IOU's
- Cost of the program collected from remaining customers via a bill Surcharge.

# Thank You

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California American Water and Hawaii American Water

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