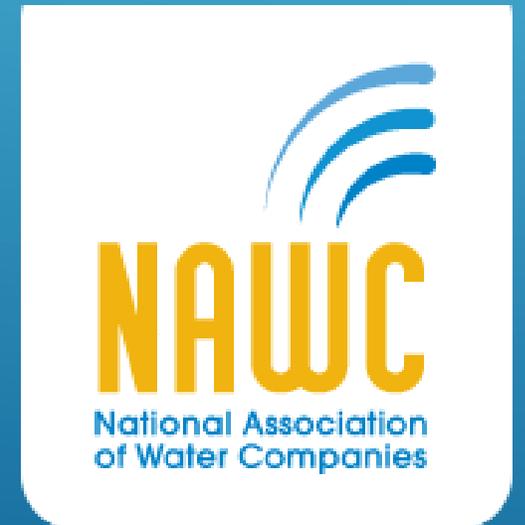


# CALIFORNIA WATER ASSOCIATION '18

Robert F. Powelson  
President & CEO  
National Association of Water Companies

October 30, 2018



# WORDS TO LIVE BY...

*“If we operate safely, ethically and with excellence, and we do it as a team, the revenue targets and regulatory outcomes will flow from that.”*

-Thomas Farrell, President & CEO, Dominion Resources

# TOP 3 ISSUES FACING THE WATER SECTOR

## ▶ **Infrastructure Investment**

- ▶ Constructive regulatory environment
- ▶ Alternative ratemaking mechanisms (DSIC, FTY)

## ▶ **Industry Fragmentation**

- ▶ Role of Fair Market Value legislation

## ▶ **Water Accountability**

- ▶ NJ and Indiana lead the way



# AGING INFRASTRUCTURE: BY THE NUMBERS

- ▶ 240,000 water main breaks each year in the US<sup>^</sup>
  - Over 2 trillion gallons of treated drinking water wasted as a result
- ▶ 1 million miles of pipes across the country are nearing the end of their useful life
  - 1/3 of water mains nationwide will require replacement by 2040\*
- ▶ \$1 trillion in infrastructure replacement needed over the next 25 years\*

**American Society of Civil Engineers (ASCE):  
2017 Infrastructure Report Card**

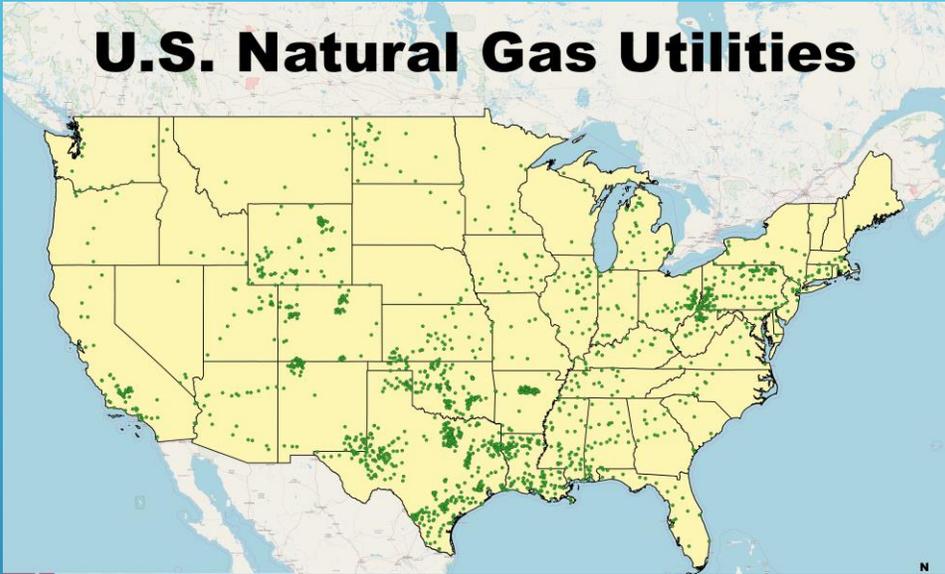
US drinking water infrastructure received a “D” grade

\* According to ASCE

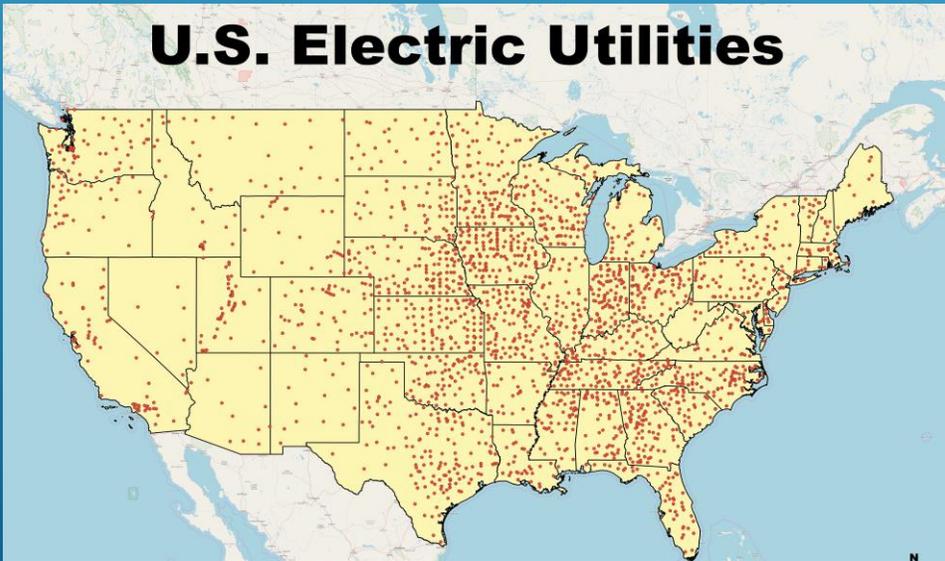
\*According to American Water Works Association (AWWA)

# WATER INDUSTRY FRAGMENTATION

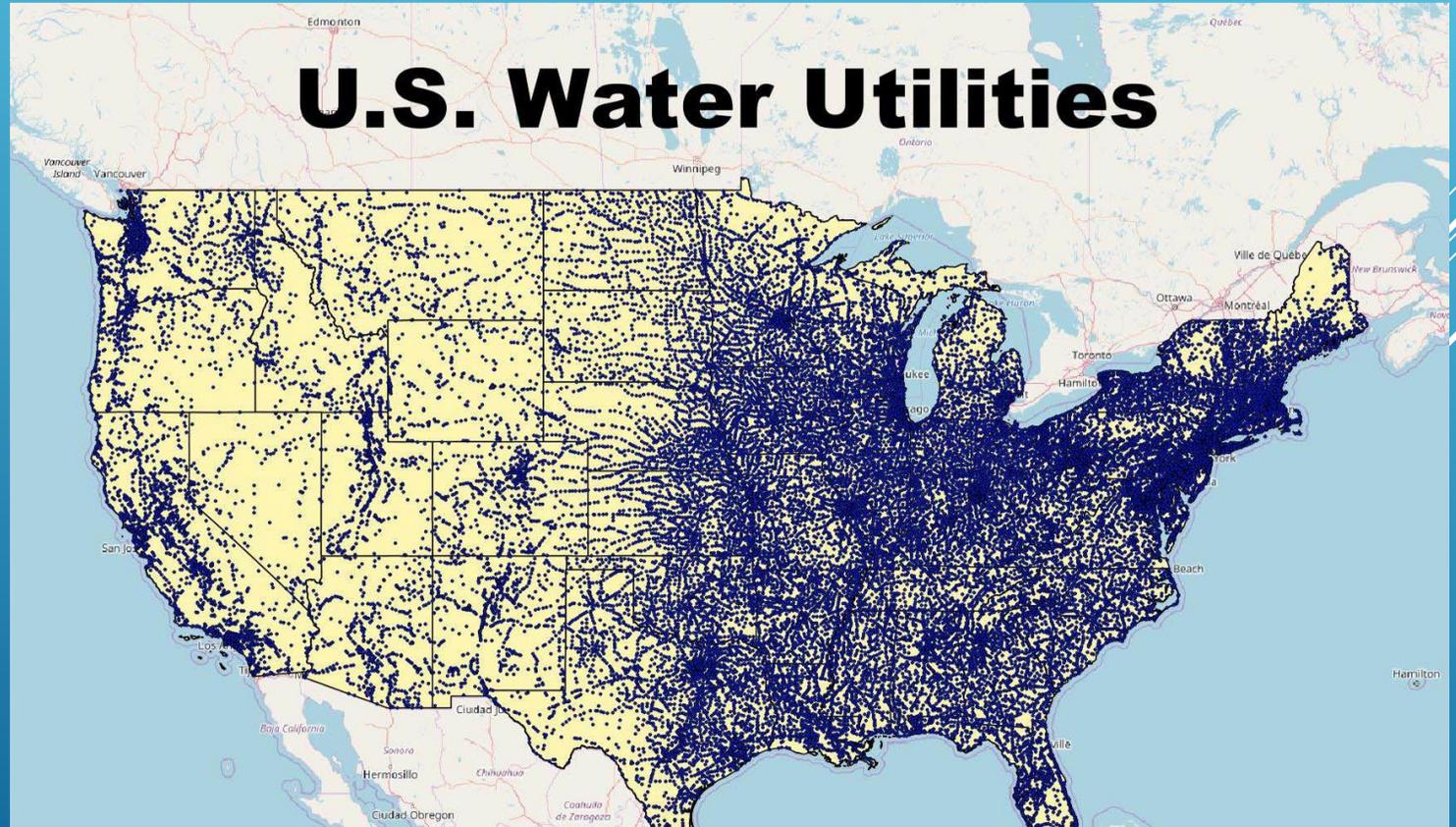
## U.S. Natural Gas Utilities



## U.S. Electric Utilities



## U.S. Water Utilities



# AFFORDABILITY: BPC REPORT

- The enormous need for investment in America's water infrastructure has resulted in increasing rates for water system
  - Between 2012 and 2016, water rates increased nationally by about 7% a year
- A recent report from the **Bipartisan Policy Center** (BPC)\* identified several factors that can help address water affordability challenges including:
  - Partnerships with the private sector
  - Sound asset management
  - Strategic infrastructure investment
- The BPC Report acknowledges the significant role the private sector noting that partnerships and regionalization can promote affordability by:
  - Lowering operating costs
  - Improving service
  - De-politicizing rates
  - Providing necessary capital for infrastructure improvements.

# WATER AFFORDABILITY

- Low water rates should not always be seen as a badge of honor.
  - The BPC report notes that “rates have historically been set too low due to political pressure, concerns over affordability, and limited understanding of all life-cycle O&M costs by utilities.”
- Asset Management Plans play an important role in affordability
  - By adopting asset management plans and strategically investing in water infrastructure, the large rate spikes that put so much pressure on family budgets can be minimized.

*“With their economies of scale and service efficiencies, private companies can bring savings in water system O&M costs of 15 percent to 30 percent, according to one estimate.”*

THANK YOU

