Water Supply Capacity Expansion in Uncertain Times:

Strategies to Overcome Perceptions, Politics and Sticker Shock

Lake Oswego · Tigard Water Partnership

JUST ADD WATER
A Recipe For Life
PNWS
Boise 2011

A Case Study Presented By

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THE FOLLOWING **PRESENTATION** HAS BEEN APPROVED FOR

M	**MATURE WATER PROFESSIONALS**

PRESENTATION DOES NOT REFLECT POLITICAL VIEWS OF PRESENTER

Overview

- Partnership background
- “We have an Agreement, now what?”
- “Take two and call me in the morning,” or?
- Perceptions, politics and sticker shock
- Strategies to improve chances of success
- Supply Facilities Capital Improvement Program

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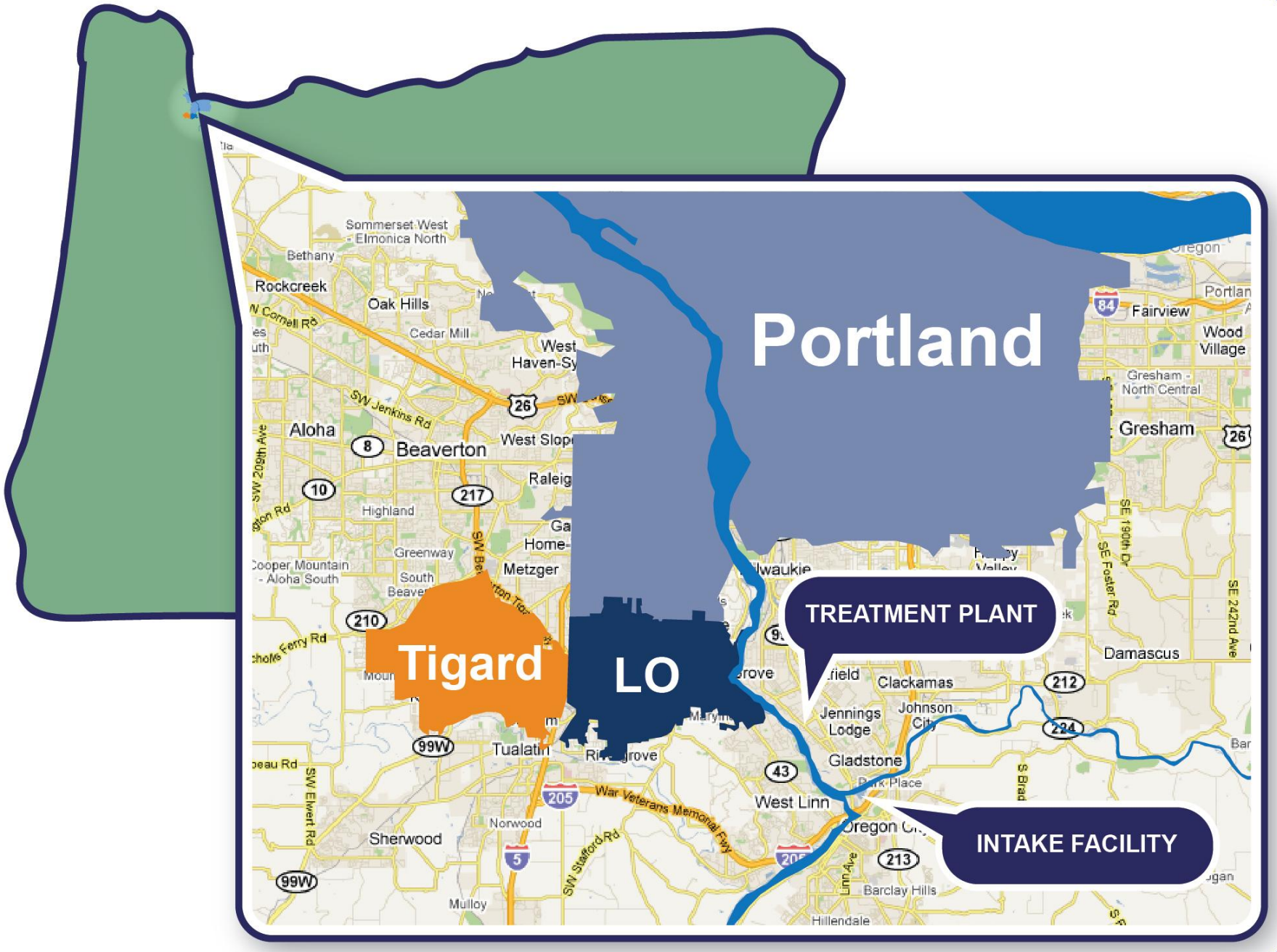
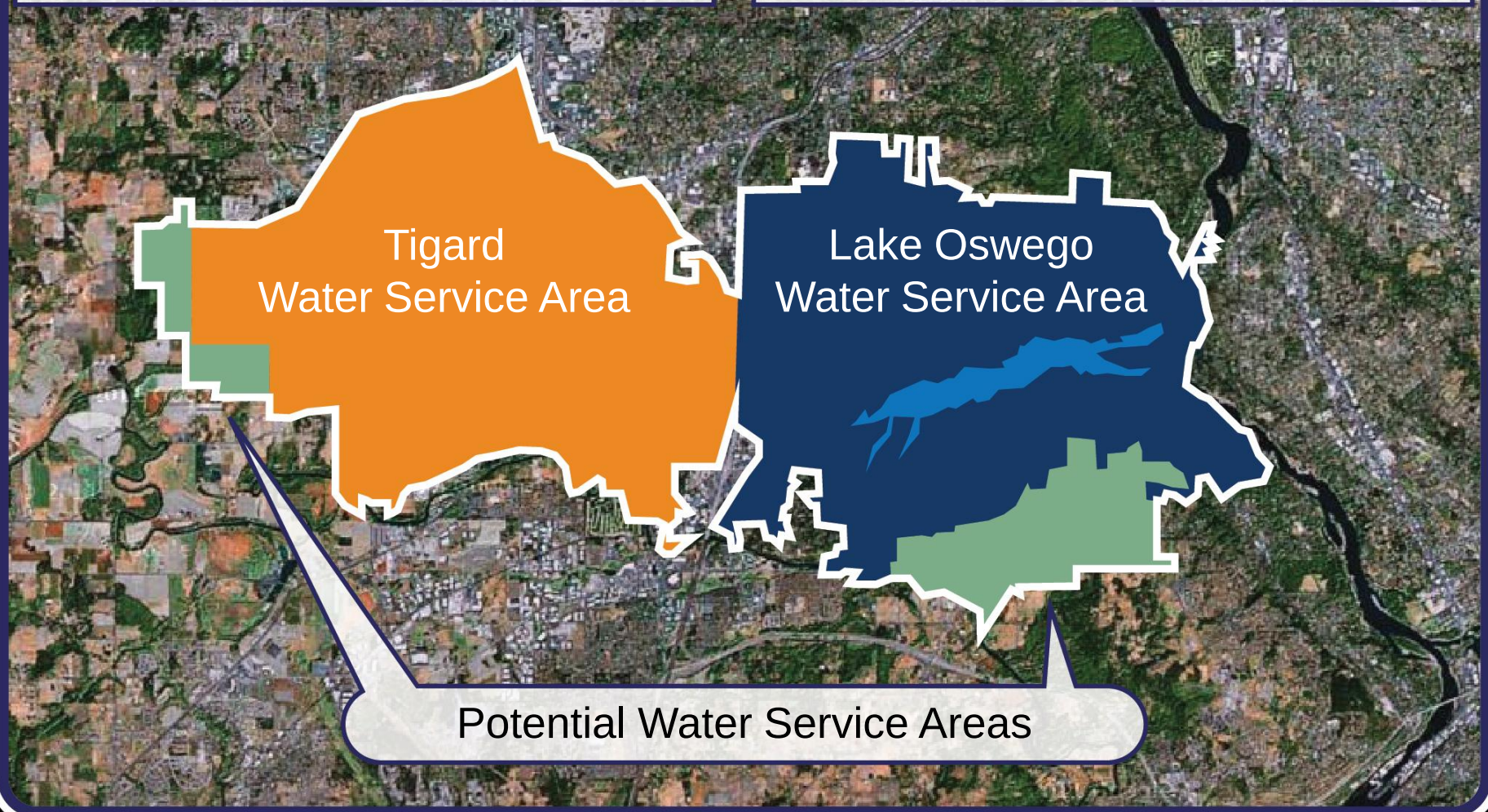

Portland
Tigard
LO
TREATMENT PLANT
INTAKE FACILITY
Sommerset West
Elmonica North
Bethany
Rockcreek
Oak Hills
Cedar Mill
West Haven-Sy
West Slope
Aloha
Beaverton
Raleig
Highland
Greenway
Cooper Mountain
Aloha South
South Beaver
Metzger
Home-
Tualatin
Sherwood
Norwood
Mulloy
Fairview
Wood Village
Gresham - North Central
Gresham
Damascus
Clackamas
Jennings Lodge
Johnson City
Gladstone
West Linn
Oregon City
Barclay Hills
Hillendale
Milwaukie
Happy Valley
Rivergrove
Marylhurst
Park Place
SW Jenkins Rd
SW 209th Ave
N Cornell Rd
SW Scholls Ferry Rd
SW Elwert Rd
SW Stafford Rd
War Veterans Memorial Fwy
SE 190th Dr
SE Foster Rd
SE 242nd Ave
Linn Ave
26
8
10
217
210
99W
205
5
43
84
212
224
213

Population: 55,000
Connections: 22,000
ADD: 6.4 mgd
PDD: 13 mgd
King City, Durham, TWD

Population: 37,000
Connections: 13,000
ADD: 6 mgd
PDD: 16 mgd
Serve 5 wholesale customers



Potential Water Service Areas

LO's Infrastructure Needs

- 40+ year old system
- Structural deficiencies
- Obsolete equipment
- Critical lifelines
- Flexibility to meet future needs

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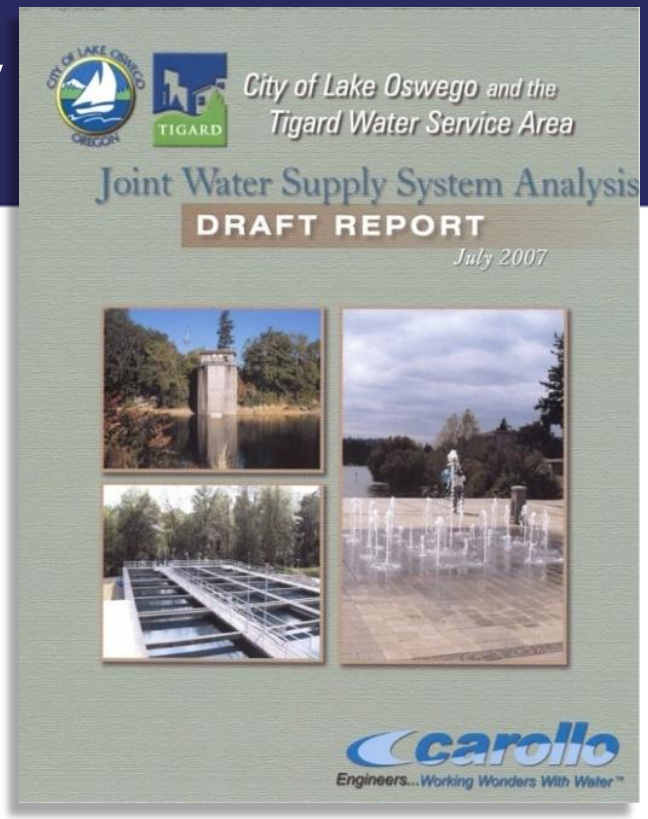
2006 Feasibility Study



- Reliability & Resiliency
- Control rate growth through expanded rate base
- Beneficial use of water rights
- System ownership to establish basis for growth related charges
- Opportunities for broader regionalization

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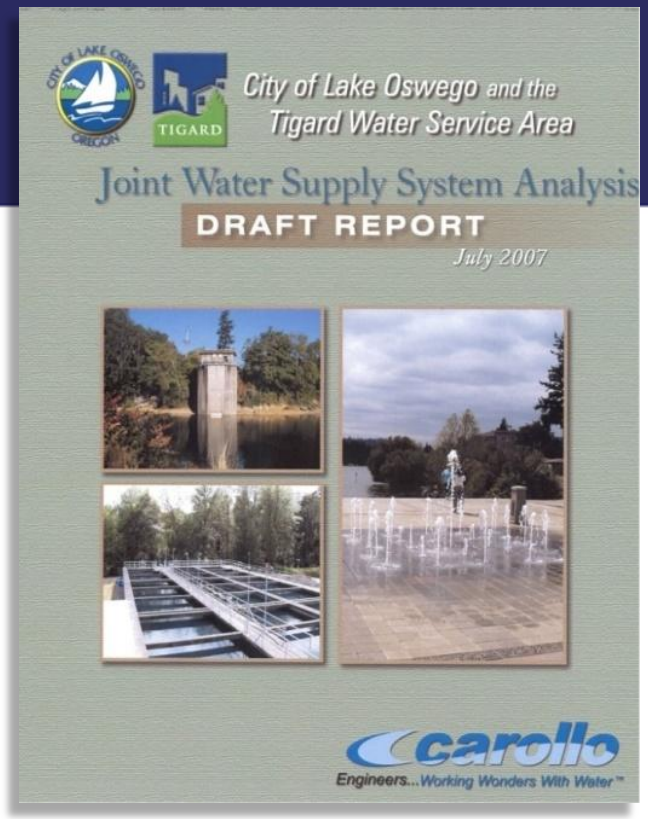
2007 Conclusions



Lake Oswego Supply Option (2006 dollars/25 years)

"Go it Alone"	Partner with Tigard	**Savings**
$118 million	$83 million	**$35 million**

Tigard Supply Options (2008 dollars / 50 years)

Portland	Willamette Alone	Tualatin Basin	Partner with L.O.	**Savings**
$294 million	$269 million	$250 million	$208 million	**$42-86 million**

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August 2008

"We have an Agreement, now what?"

Economic turmoil

Global conflict

Party polarization

Public Overwhelmingly Sees Increasing Partisan Bickering

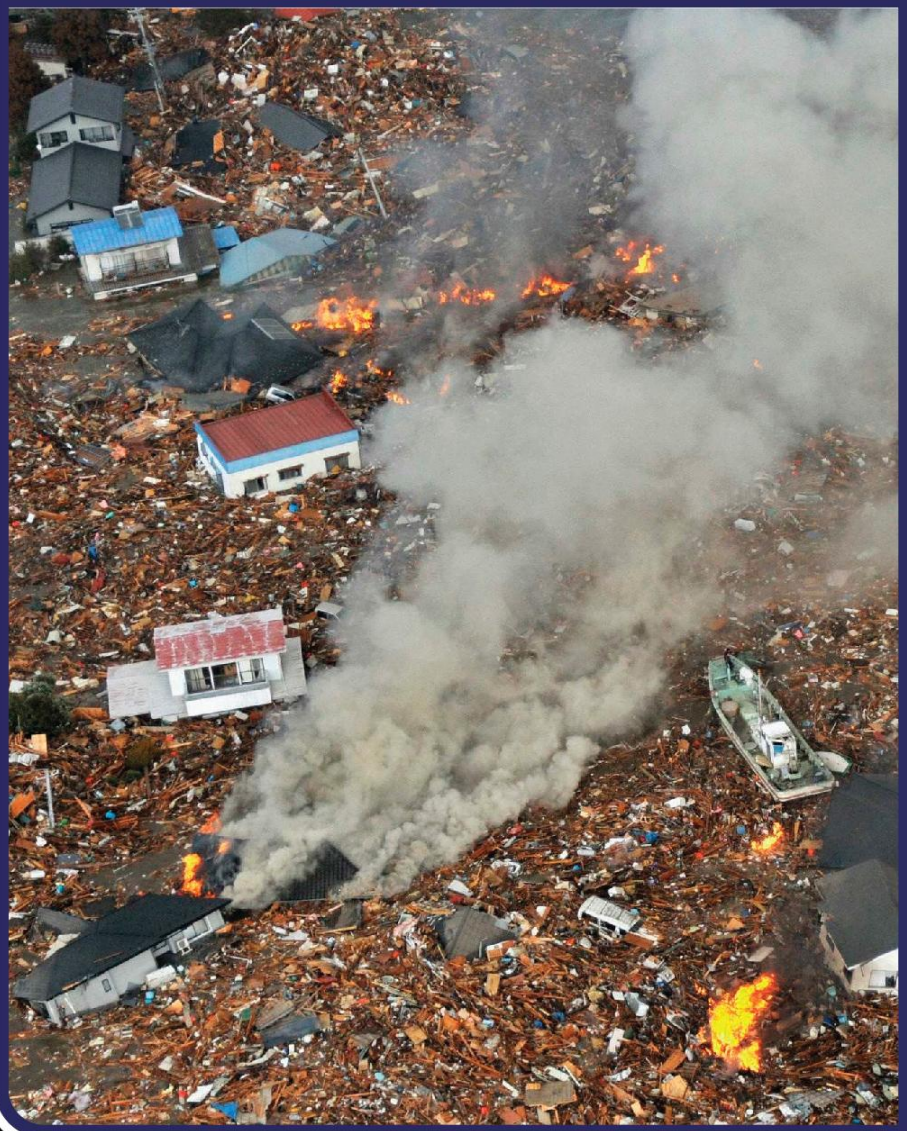
This year, Reps and Dems in Washington have been...	April 2009			October 2010		
	Working together more	**Bickering more**	**Same/ DK**	**Working together more**	**Bickering more**	**Same/ DK**
	%	%	%	%	%	%
Total	25	53	22=100	8		
Republican	14	59	28=100	6		
Democrat	33	55	13=100	6		
Independent	25	50	25=100	10		

PEW RESEARCH CENTER/NATIONAL JOURNAL Sept. 30-Oc

Figures may not add to 100% because of rounding.

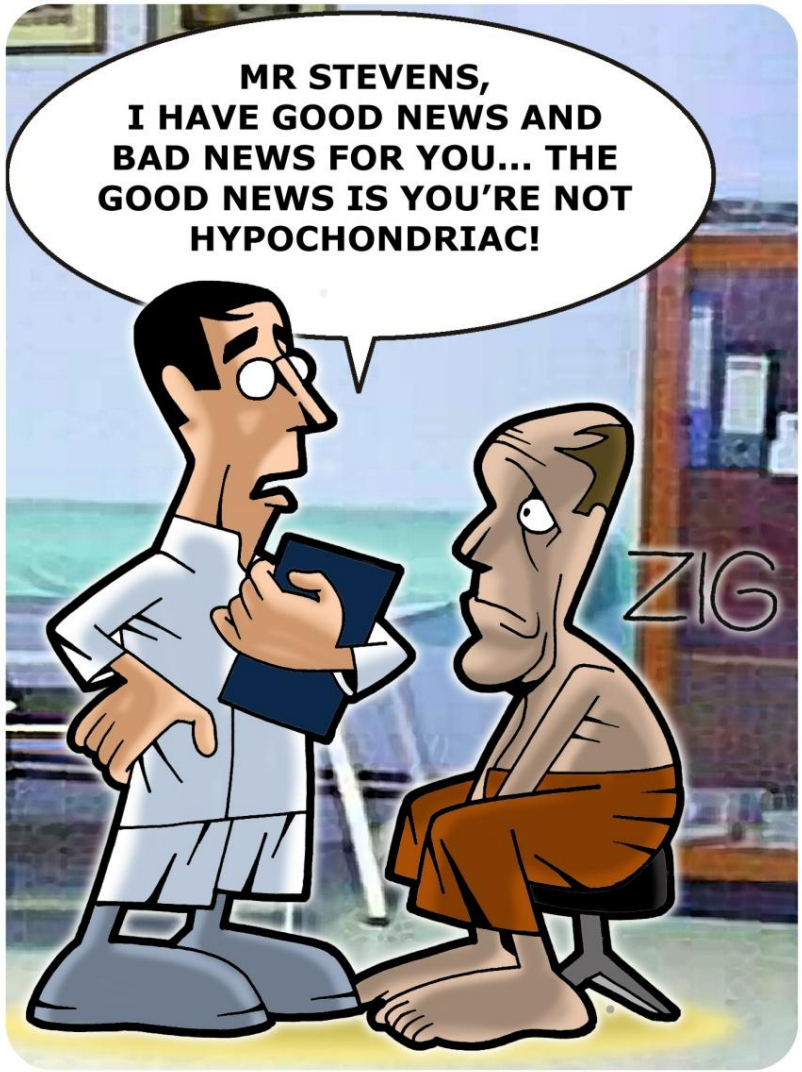
Climate change

Disasters



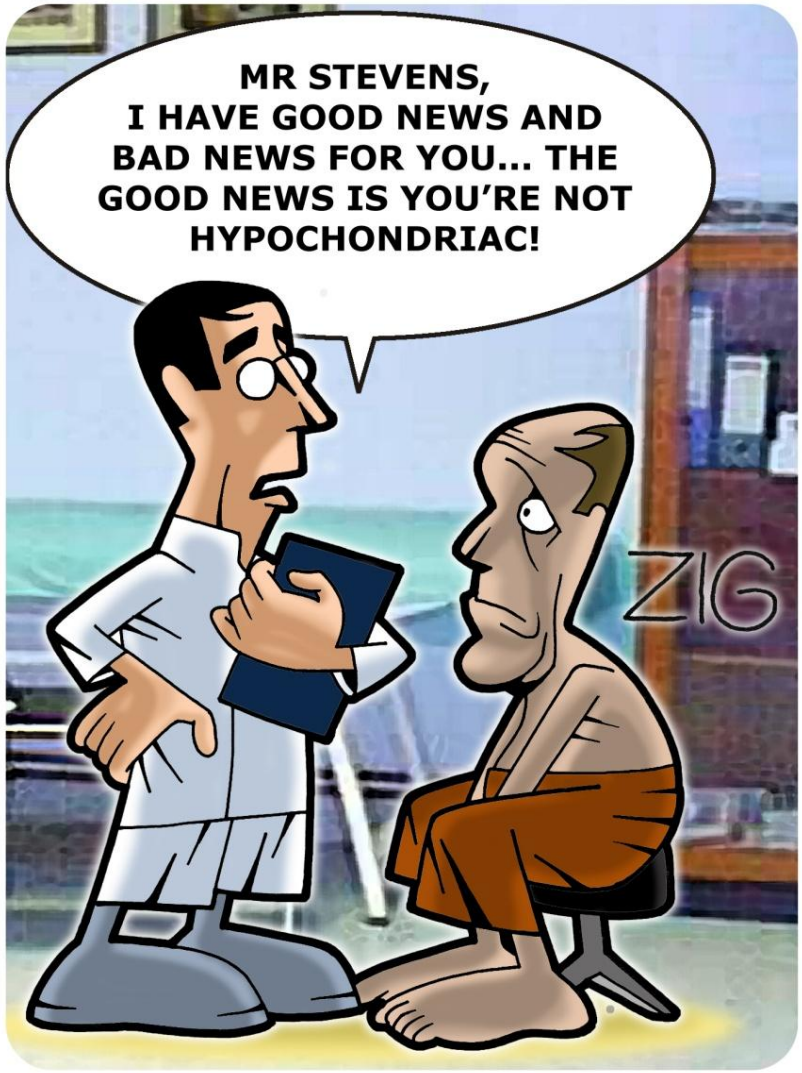
“Take two and call me in the morning,” or ?

- Natural response to stress: “hunker down”; anxiety, anger, oppose change.
- Tendency to:
  - Avoid or defer decisions
  - Short term
  - Least cost
- Minimize political risk of decisions

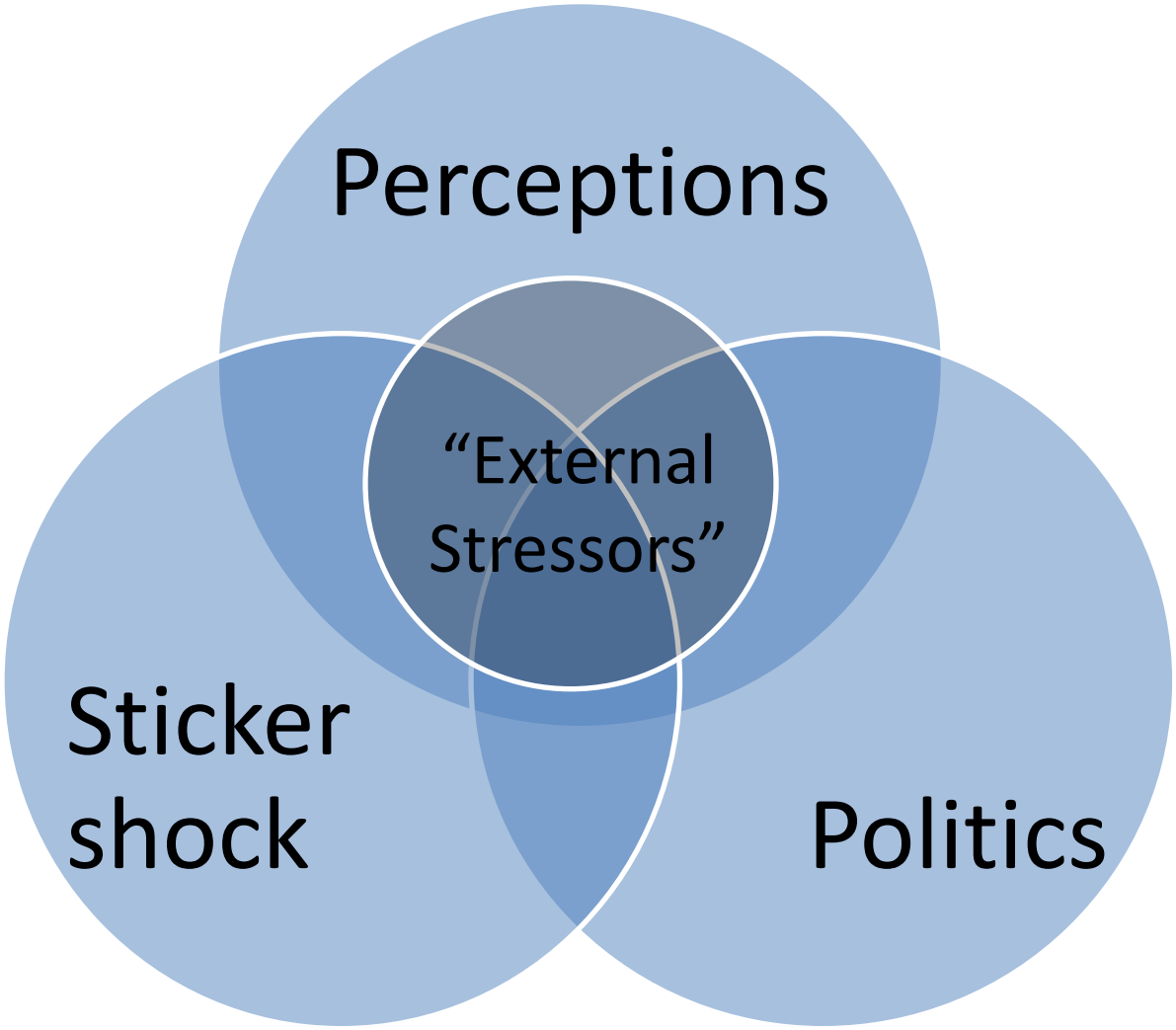


“Take two and call me in the morning,” or ?

- Customers still expect reliable “on-demand” service at affordable costs
- Last thing your customer needs is to lose confidence in their water service



Perceptions, politics, & sticker shock



Strategies to improve chances of success

- Establish value of service:
  - Convenient
  - Safe
  - Reliable
  - Available
  - Affordable
- Cost of Service studies
- Financial advisors
- Begin building “nest egg” now

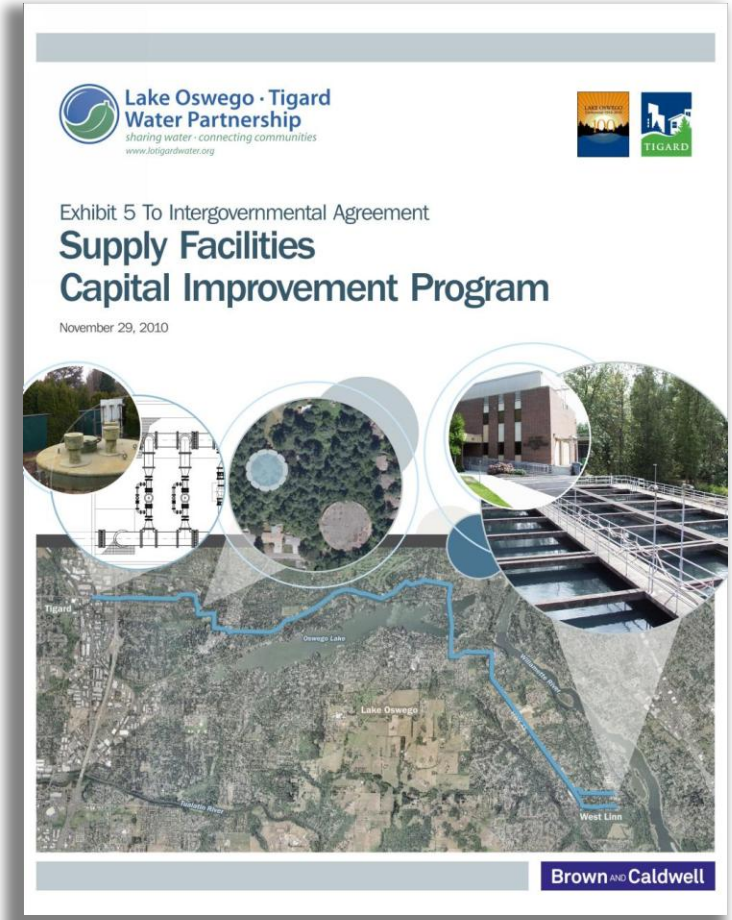
Strategies…(Con't)

- Use relatable metrics when discussing costs
- LOS is basis for investment decisions
- Establish historical context for policy makers:
  - LOS today due to past decisions
  - What will LOS look like for next generation?
- Case for capacity expansion ($$$) must be compelling

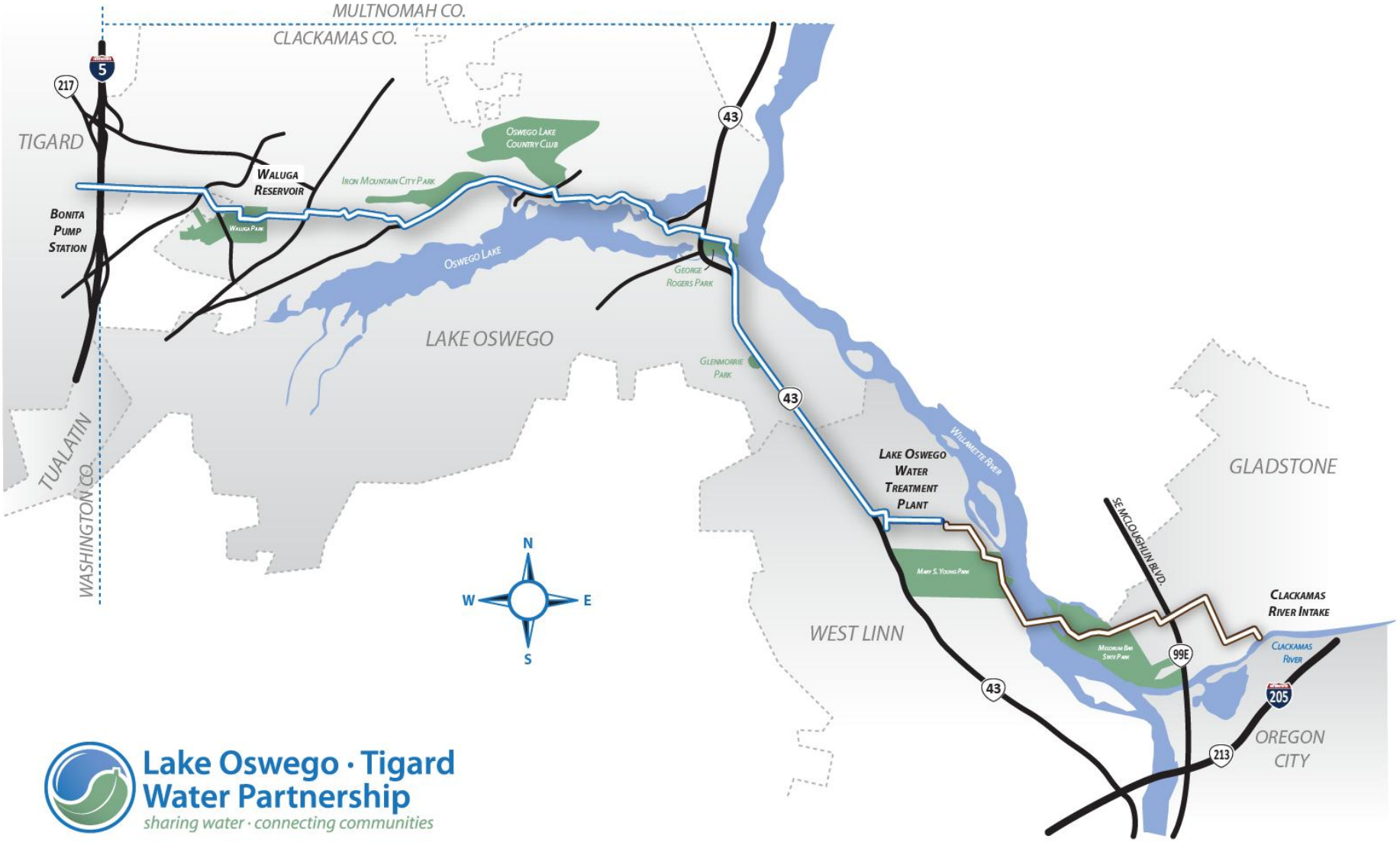
Strategies (Summary)

Supply Facilities Capital Improvement Plan

- Foundational document for:
  - –Permitting
  - –Value planning
  - –Design
  - –Financing
  - –Future supply planning
  - –Water rights



Planned Water System Improvements



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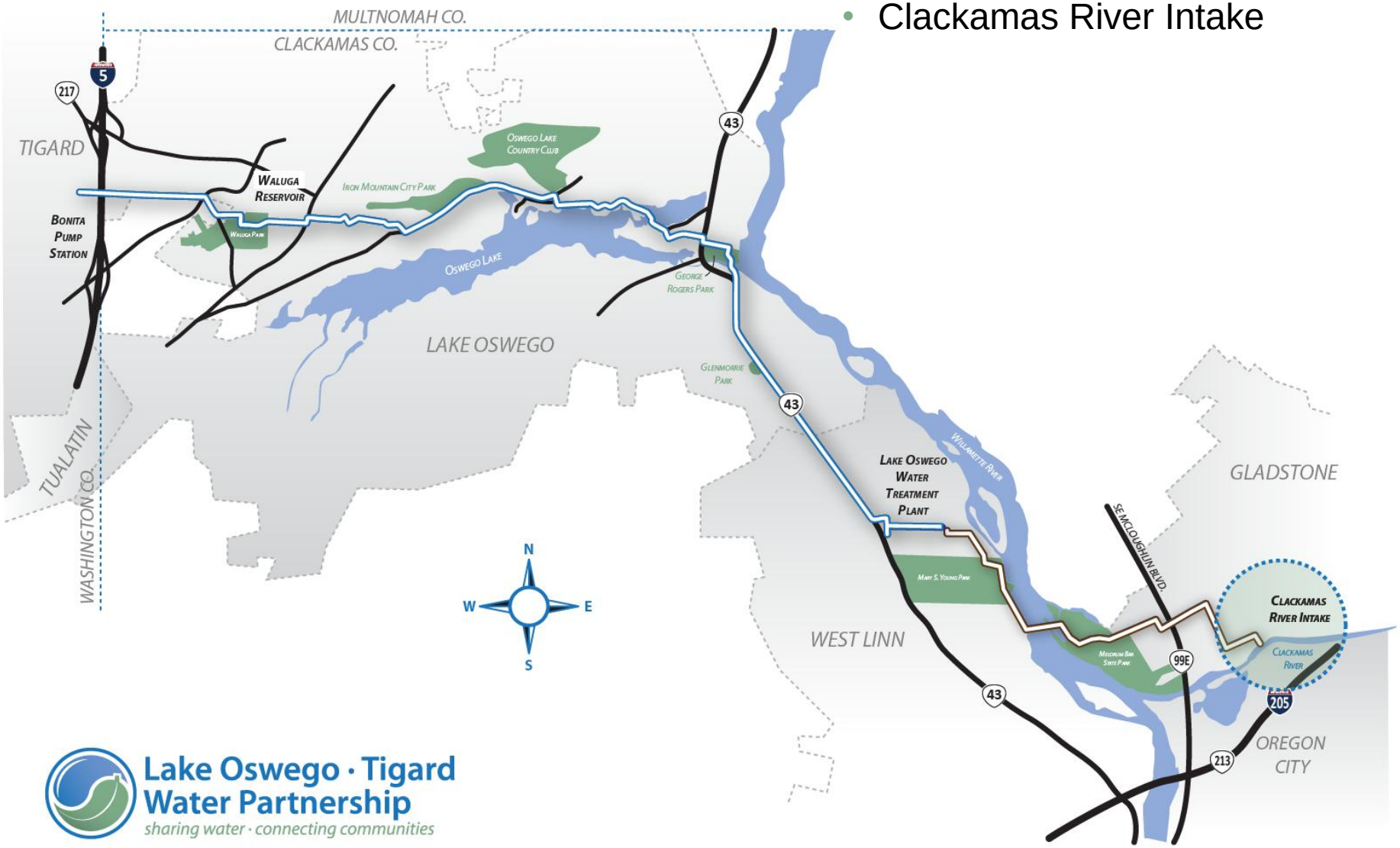
Planned Water System Improvements

- Clackamas River Intake



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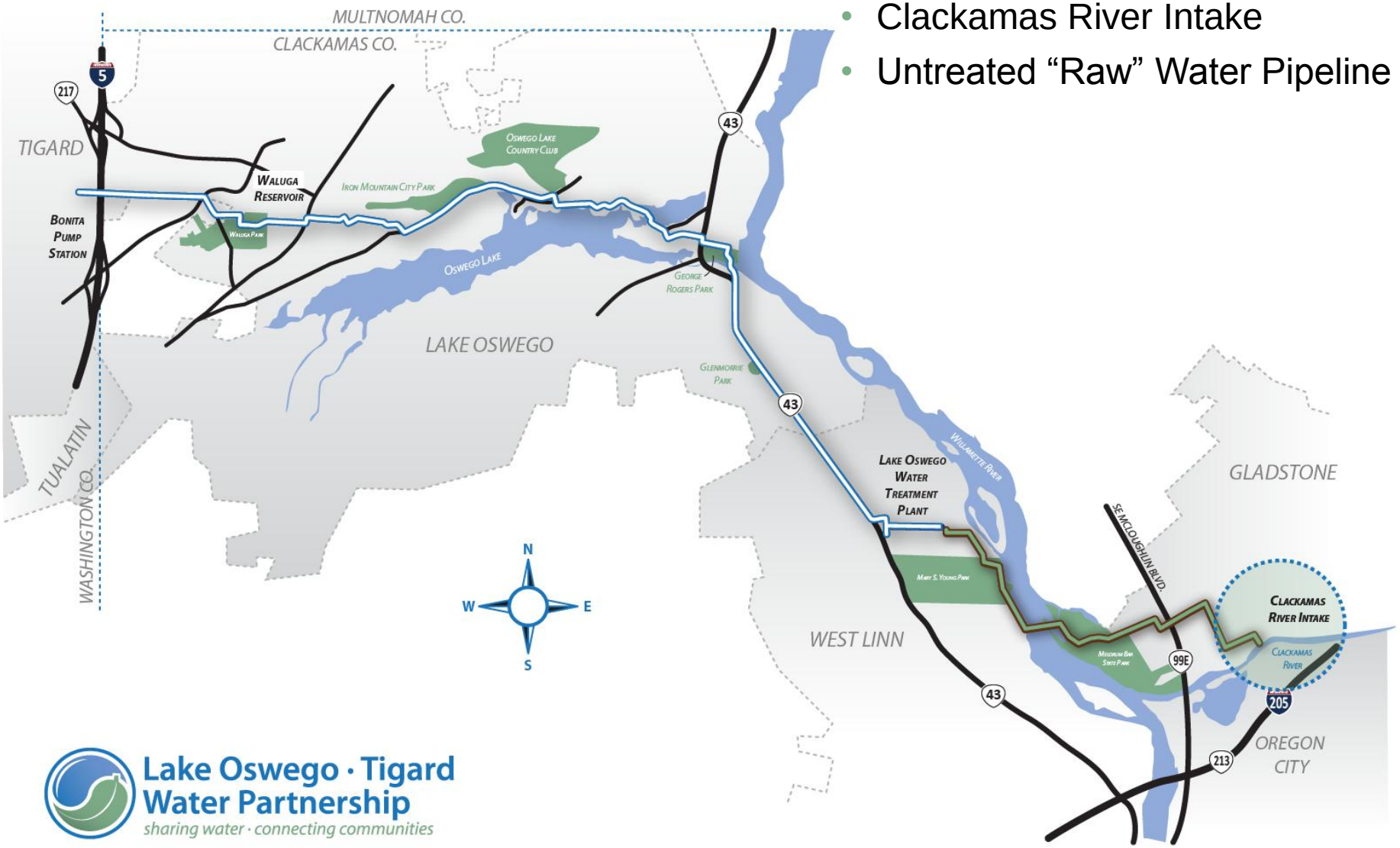
Planned Water System Improvements

- Clackamas River Intake
- Untreated “Raw” Water Pipeline



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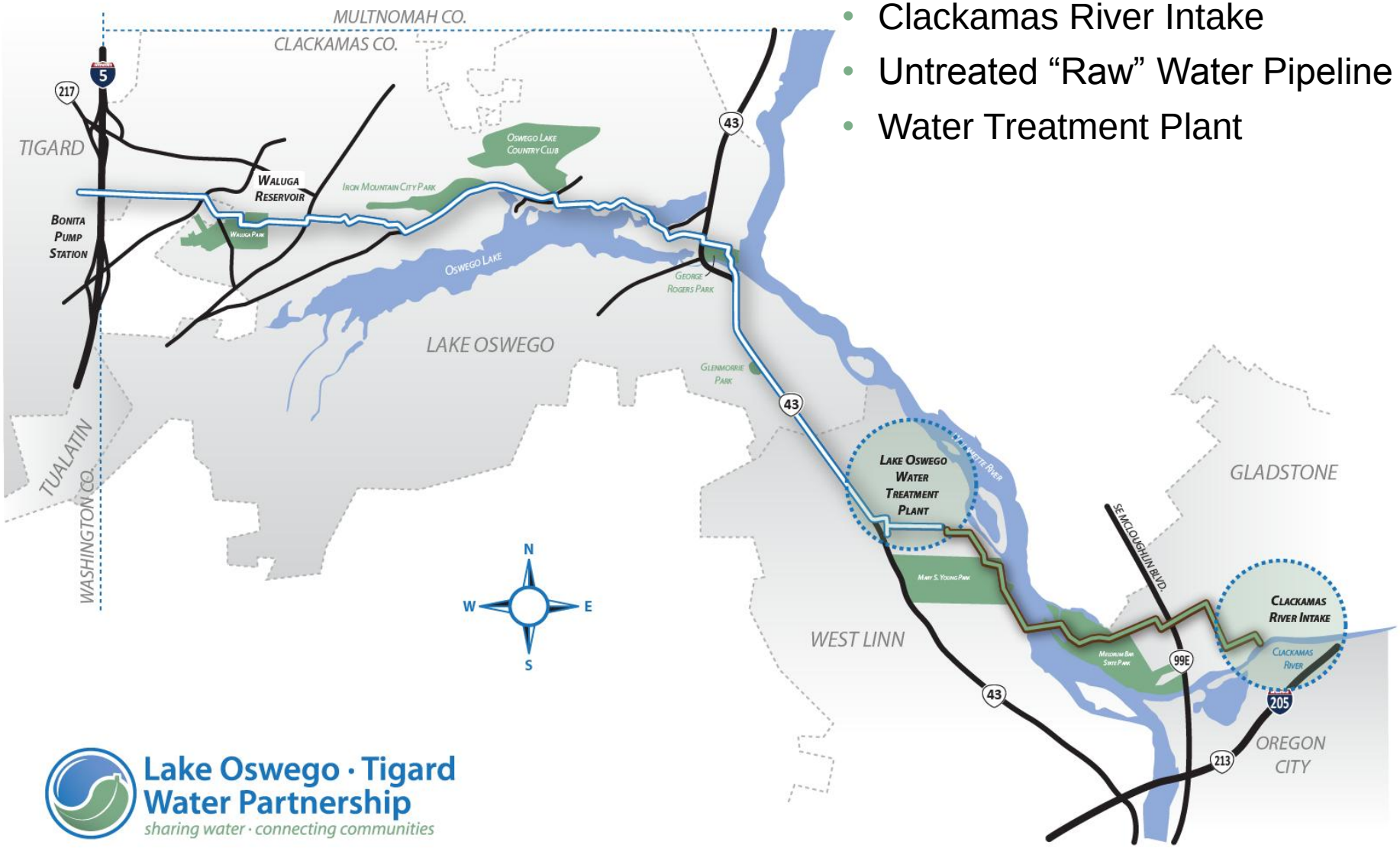
Planned Water System Improvements

- Clackamas River Intake
- Untreated “Raw” Water Pipeline
- Water Treatment Plant



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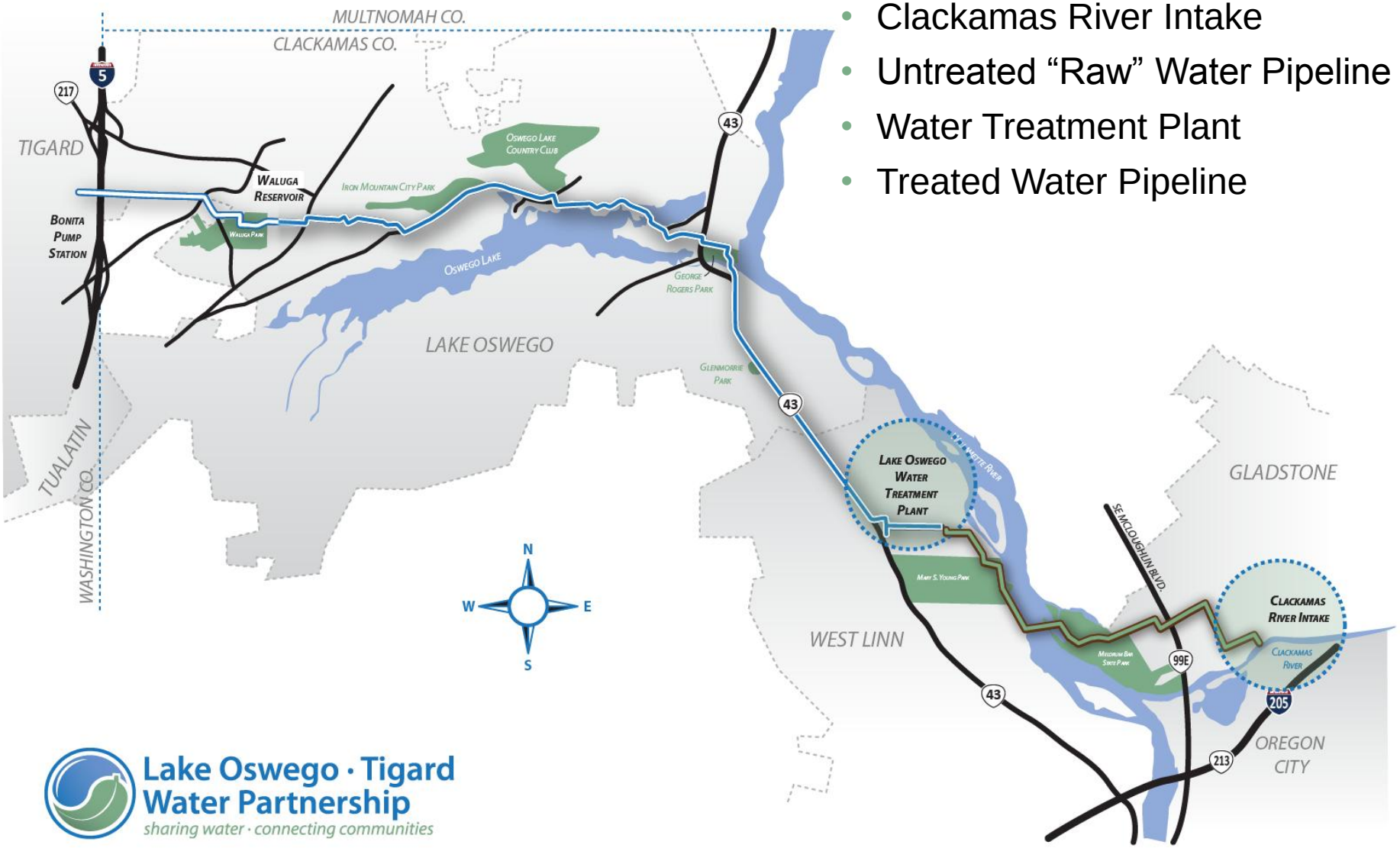
Planned Water System Improvements

- Clackamas River Intake
- Untreated “Raw” Water Pipeline
- Water Treatment Plant
- Treated Water Pipeline



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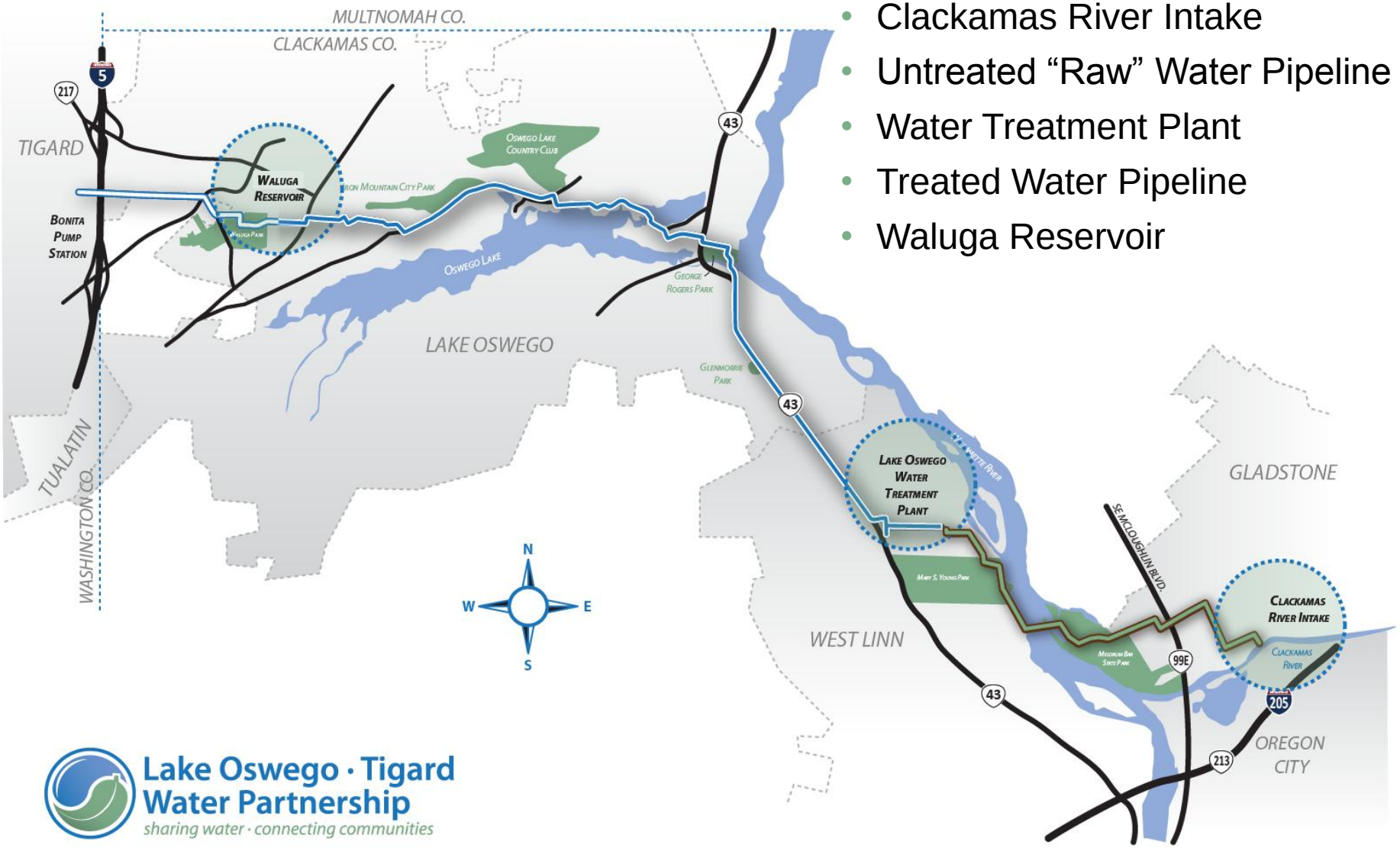
Planned Water System Improvements



- Clackamas River Intake
- Untreated “Raw” Water Pipeline
- Water Treatment Plant
- Treated Water Pipeline
- Waluga Reservoir

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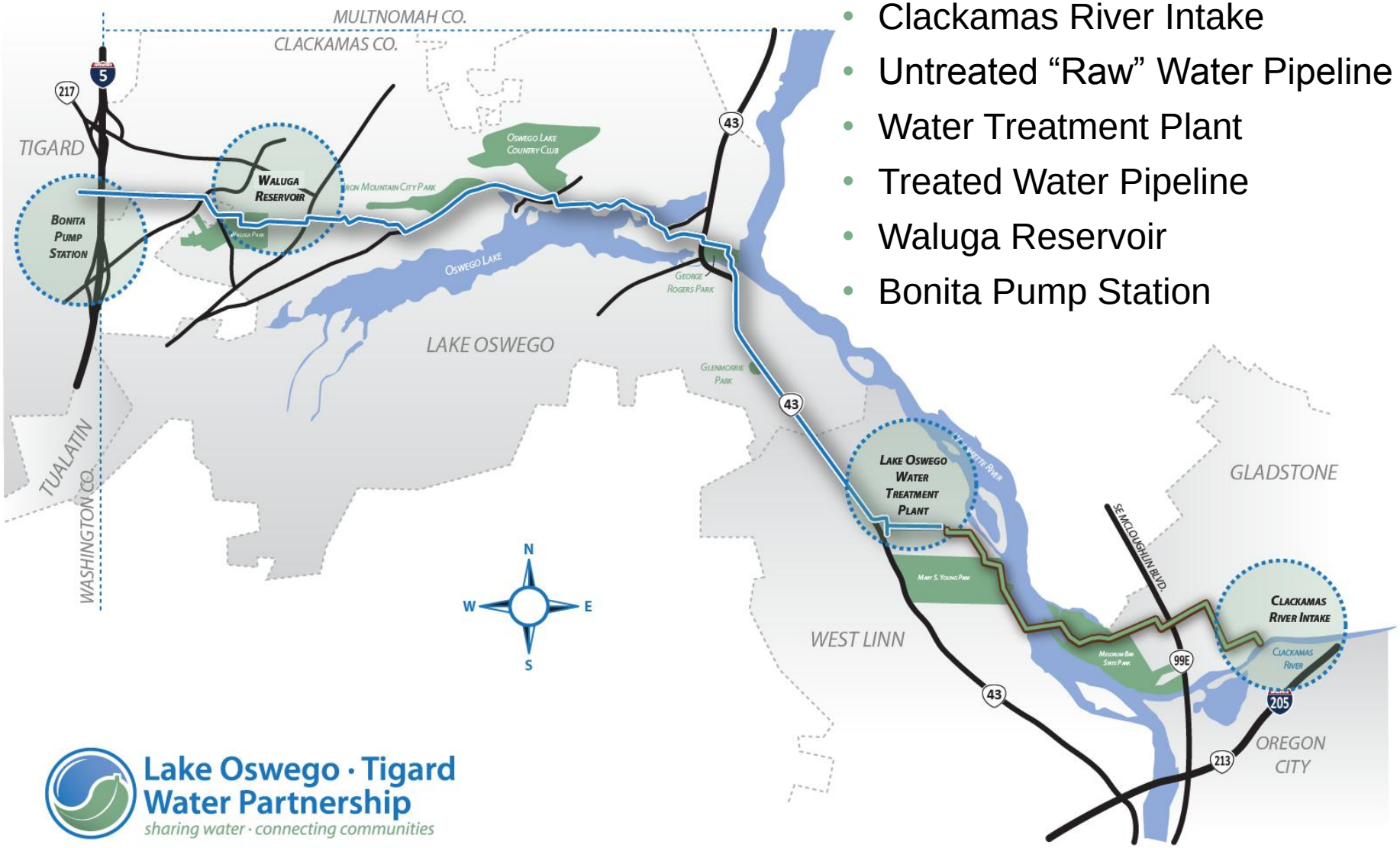
Planned Water System Improvements



- Clackamas River Intake
- Untreated “Raw” Water Pipeline
- Water Treatment Plant
- Treated Water Pipeline
- Waluga Reservoir
- Bonita Pump Station

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Design Services Packaging

- Package #1 – Water Treatment Plant
- Package #2 – Pipelines – RWP and FWP (includes any HDD work)
- Package #3 – Storage and Pumping Facilities – RIPS, Waluga Reservoir and Bonita Pump Station
- Package #4 – Program-Wide SCADA programming and integration

Design Consultant Procurement Process

- Phase 1 of the procurement process
  - RFQ/SOQ for all projects – Issued October 2010; SOQs received December 2010
  - Short-listing of qualified firms – February 2011
  - Firms could submit separate SOQs for each package they were attempting to qualify for
  - A total of 21 SOQs were received; 11 submittals were short-listed

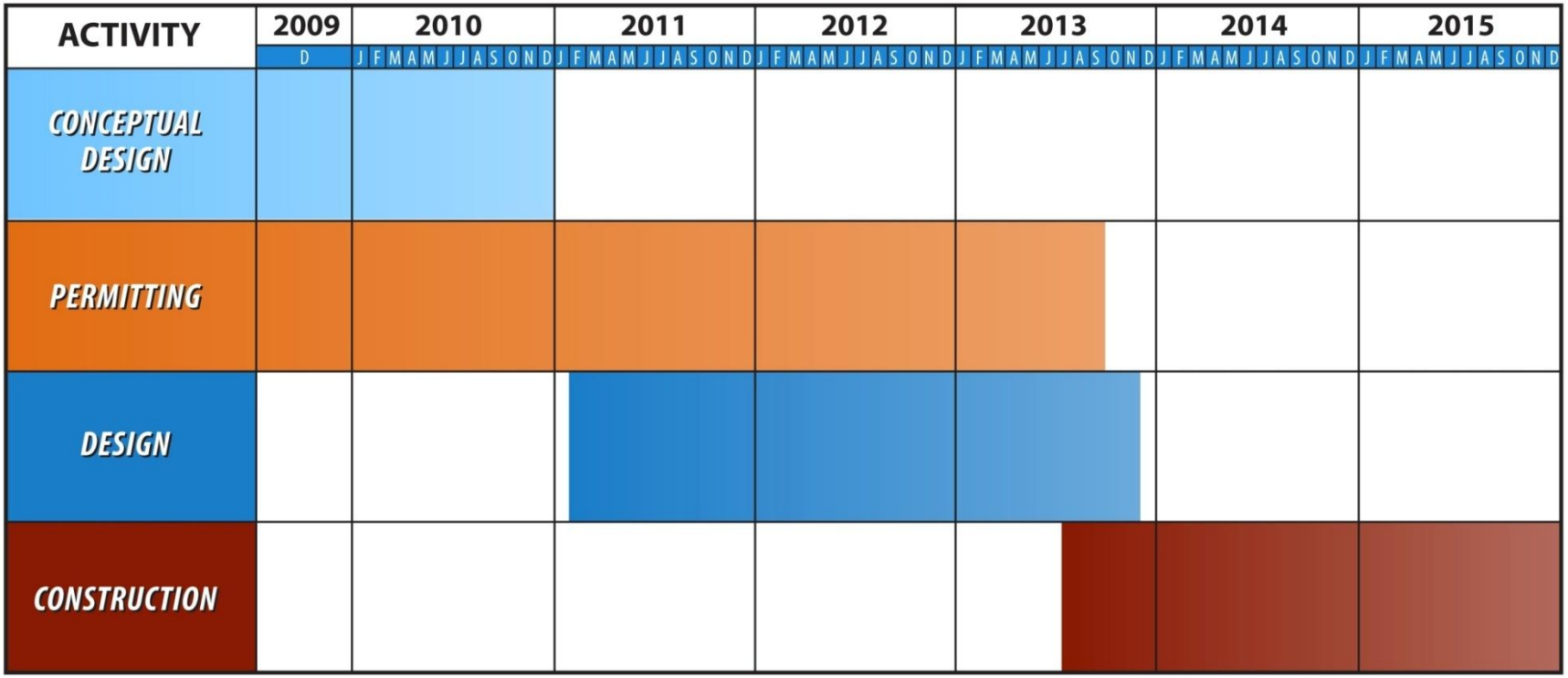
Design Consultant Procurement Process

- Phase 2 of the procurement process
  - RFPs/Proposals for short-listed firms
  - First RFP issued for Package 1 – January; proposals received March 2011
  - Additional RFPs have been issued for:
    - Package 4 - proposals received March 31
    - Package 2 – proposals due May 12
    - Package 3 – RFP being developed

Program Cost Estimates

- 2007 Carollo Report - $135M
- 2009 cost adjustment to mid-point of construction (2013) - $200M
- 2010 cost adjustment based on project definition work - $230M (+30% to -20%)

Program Schedule

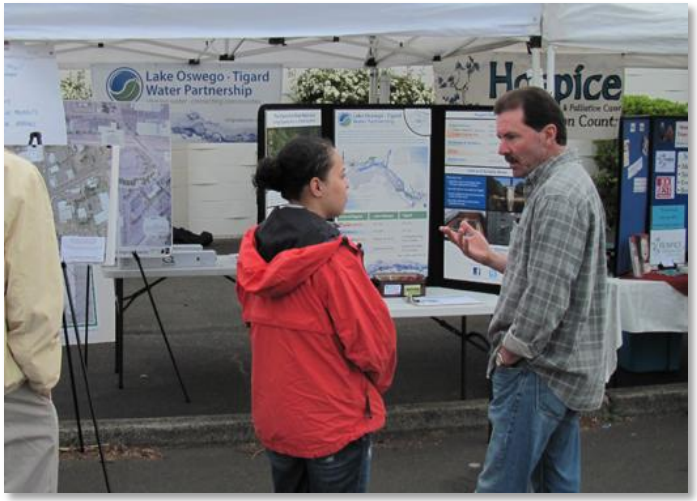


Challenges ahead

- Water rights
- Property acquisition
- NEPA Analysis
- HDD
- Schedule
- Timing of debt issuance

For more information

Questions?
Comments?



For more information

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Thank you