

# Replacing Aging Water Infrastructure

Judy Kelley, President



# Replacing Infrastructure

- Make it a priority
- Have a plan
- Consider depreciation as funds
- Water rates will increase

# Why Replace?

Old



New

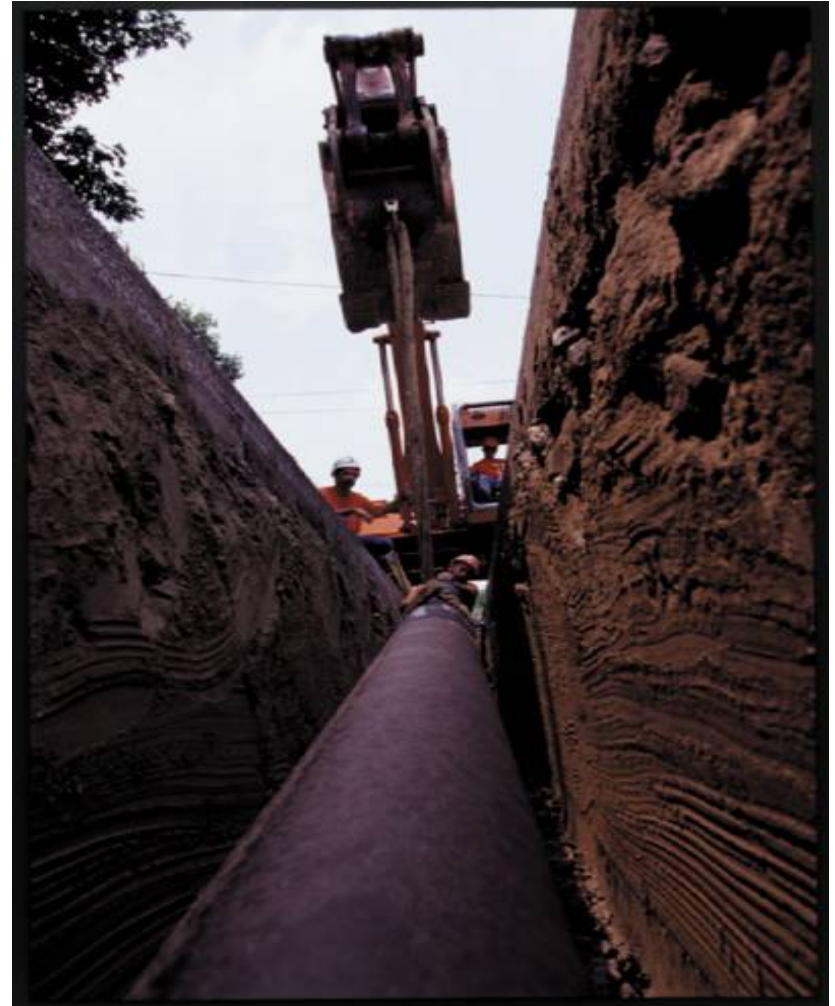


# Reactive vs. Proactive

**Reactive**



**Proactive**



# Not Just Mains

**Old**

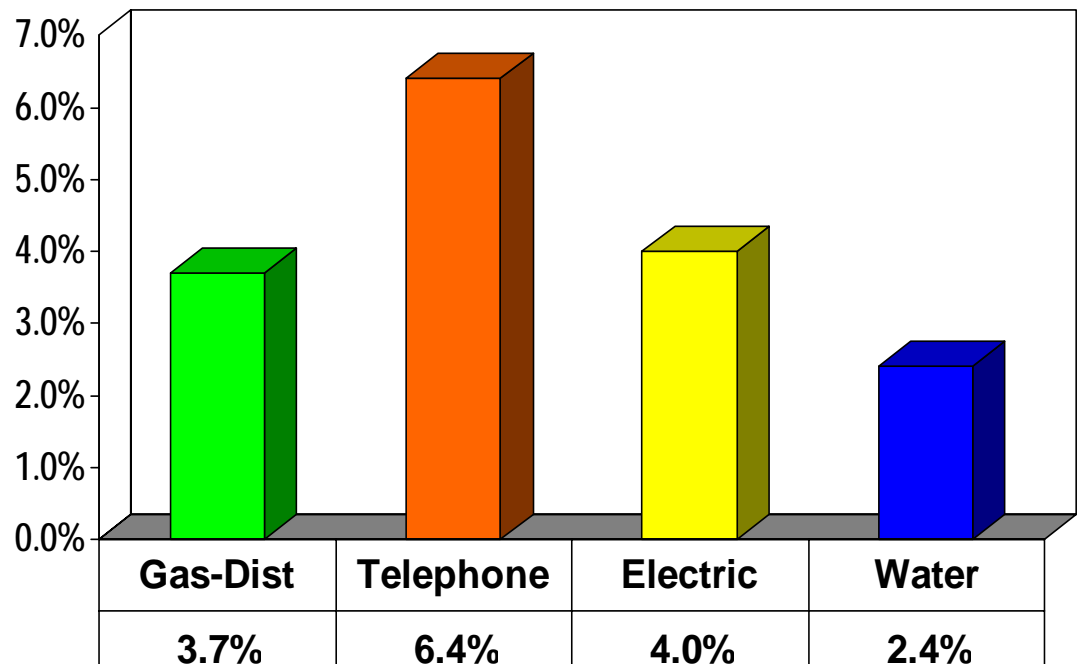


**New**



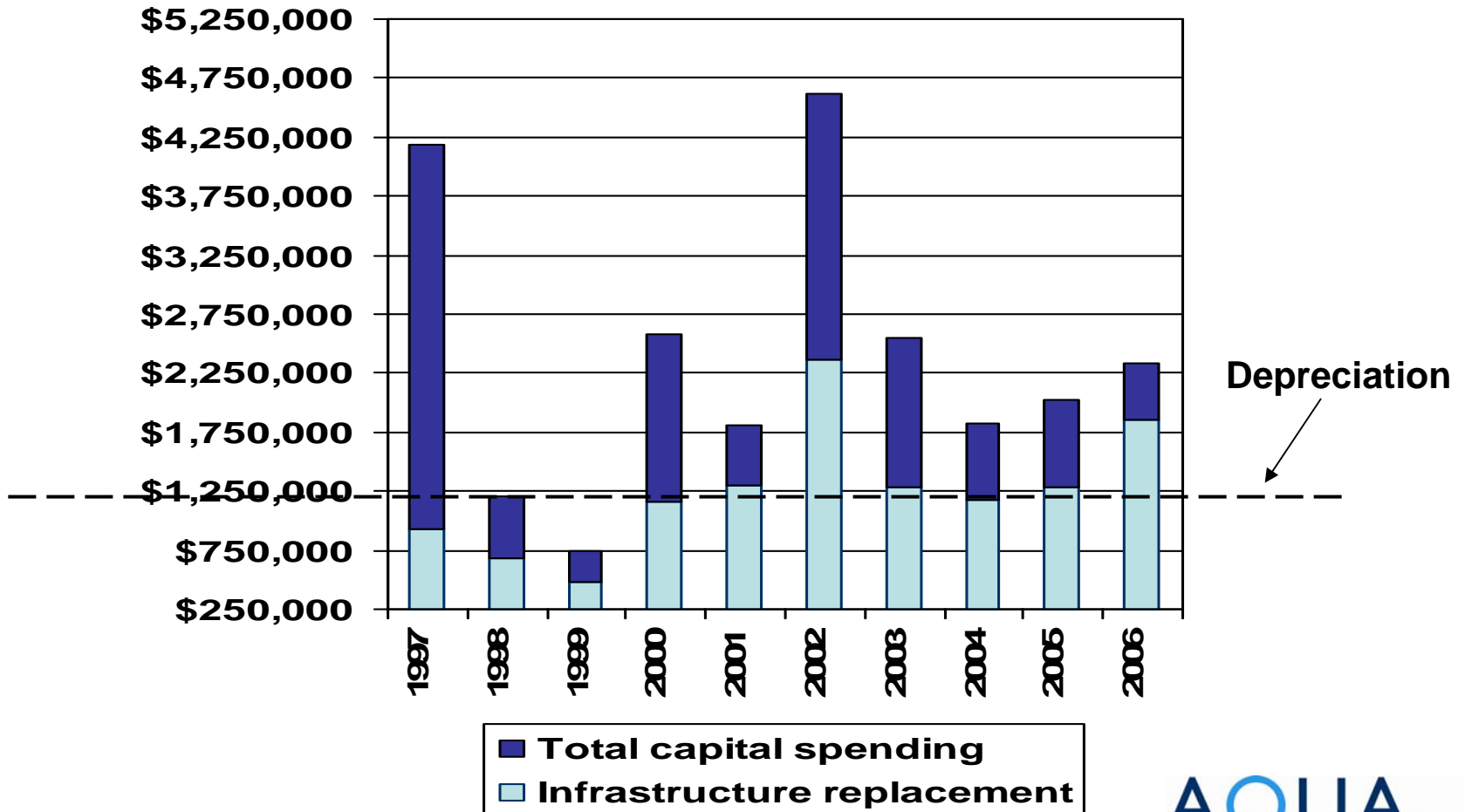
# Water Industry has a Low Depreciation Rate

- **Water industry is the most capital intensive**
- **Long recovery period (low depreciation rates)**
- **Historic cost much lower than replacement cost**

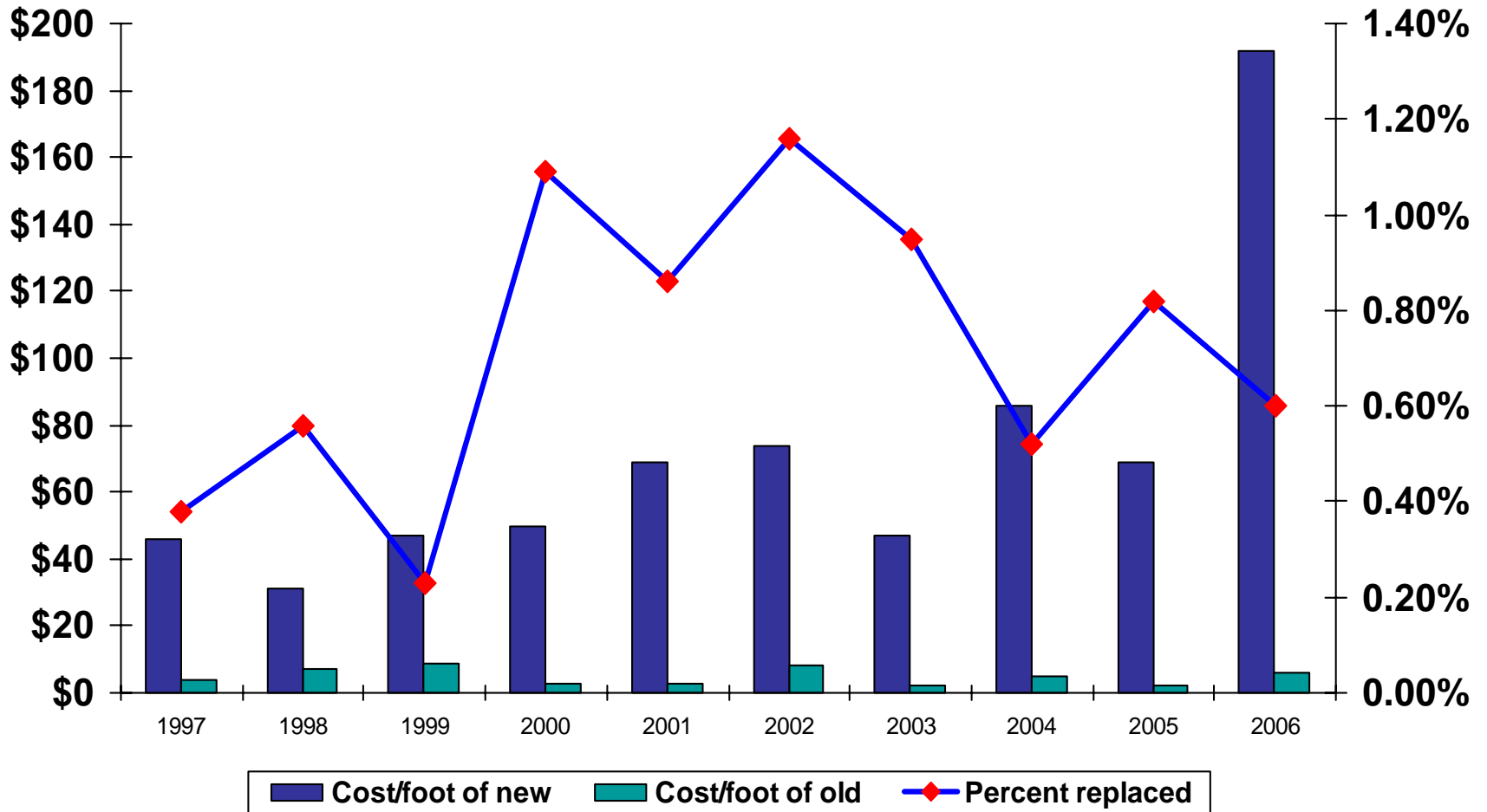


**Annual Depreciation Rates**

# Ten Year History of Spending



# History of Main Replacement 1997-2006



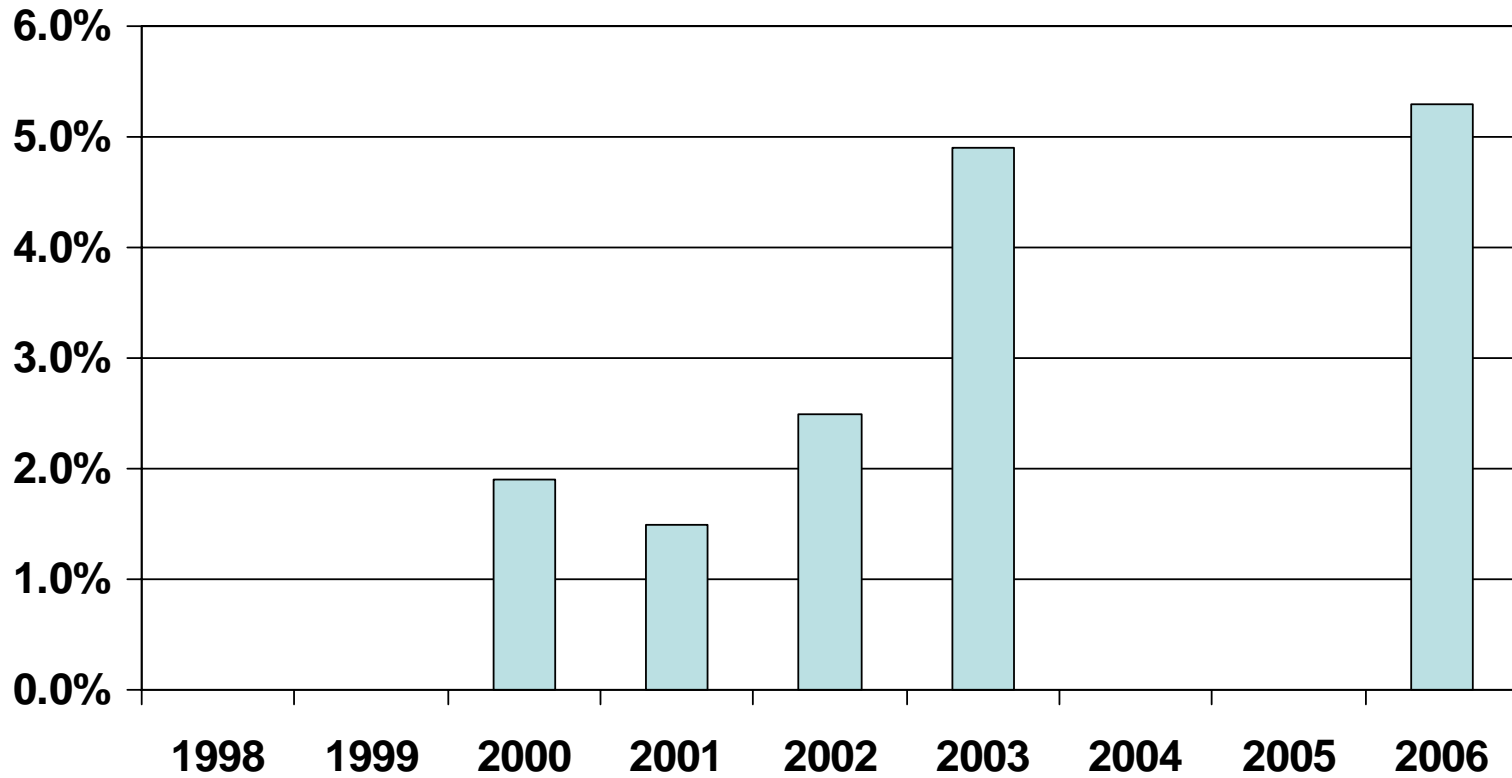
# Funding the Replacement

## Creativity and Diversity

- Depreciation- internal funds
- Debt
  - SRF funds
  - Bank loans
  - Long term bonds
- Shareholder funds
- Partnering with communities
  - CDBG grants
  - Tax-exempt financing
  - Asset ownership options

# History of Rate Increases

Overall Percent Increase



# Mechanisms to Raise Water Rates

- Traditional rate increase filings before the PUC
- Infrastructure Surcharge Mechanisms
  - Many states allow an “automatic” surcharge on water bills to support cost of infrastructure replacement- PA, OH, IN, IL, MO
    - Computed quarterly and approved by PUC
    - No more than 5% in total
    - Built into base water rates in each overall rate proceeding

# Summary

- Made it a priority
- Had a plan
- Considered depreciation as funds
- Water rates increased

# A Corollary The Aging Workforce



Thank-you!

Judy W. Kelley

[jwkelley@aquaamerica.com](mailto:jwkelley@aquaamerica.com)

1-800-287-1643

