

HOW MUCH PIPELINE REPLACEMENT DO WE WANT/NEED TO BE DOING EACH YEAR?

1. Director of Engineering David Gould presented an informative chart of “Pipeline Replacement Schedules” in a Staff Report dated March 16, 2021 which was included in the board packet for March 23, 2021:
(extracted and paraphrased from memo)

75-year replacement schedule can be achieved by replacing 1.27 miles/year at a cost of \$3.2M/year									
80-year replacement schedule	“	“	“	1.19 miles/year	“	“	“	“	\$3M/year
85-year replacement schedule	“	“	“	1.12 miles/year	“	“	“	“	\$2.8M/year
90-year replacement schedule	“	“	“	1.05 miles/year	“	“	“	“	\$2.6M/year
95-year replacement schedule	“	“	“	1.00 miles/year	“	“	“	“	\$2.5M/year
100-year replacement schedule	“	“	“	0.95 miles/year	“	“	“	“	\$2.4M/year
2. The PAYGO Scenario presented by Raftelis in February 2021 claims an 85-90 year pipeline replacement schedule can be achieved with a flat 7% rate increase over 10 years and \$5M CIP/year (doing 1.05-1.12 miles/year?)
3. The PAYGO Scenario 1 in current agenda packet claims that approximately 2.12 miles of pipeline can be replaced per year for 20 years at a cost of \$5.6M/year by imposing the following rate increases: 3 years of 11% rate increase (FY22-24) followed by 2 years of 8% rate increase (FY25-26) and lower rate increases thereafter would achieve \$5.6M/approx. 2mi. in pipeline replacement per year for 20 years (not specified---total CIP budget per year).

CONCERN: I believe the scenario described in 3 above is unrealistic and the title of the scenario “Level CIP” is a misnomer. The scenario graph shows CIP starting at a low of \$5M CIP for FY2022 and rising to a high of \$10M CIP for FY2031. If the intent is to have a steady CIP budget of \$5.6M for pipeline replacement and make up the shortfall with reserves, then how much is being allocated to CIP for non-pipeline replacement projects, i.e., are we talking about a total annual CIP budget of \$8M (\$5.6M pipeline replacement + \$2.4M non-pipeline projects)? An annual CIP budget of \$8-9M seems unrealistic.

WHAT’S REALISTIC: I believe a more reasonable plan would be the Raftelis PAYGO Scenario (item 2 above) which claims to achieve a 85-90 year pipeline replacement schedule, or attempting a 75-year replacement schedule of 1.27 miles/year.