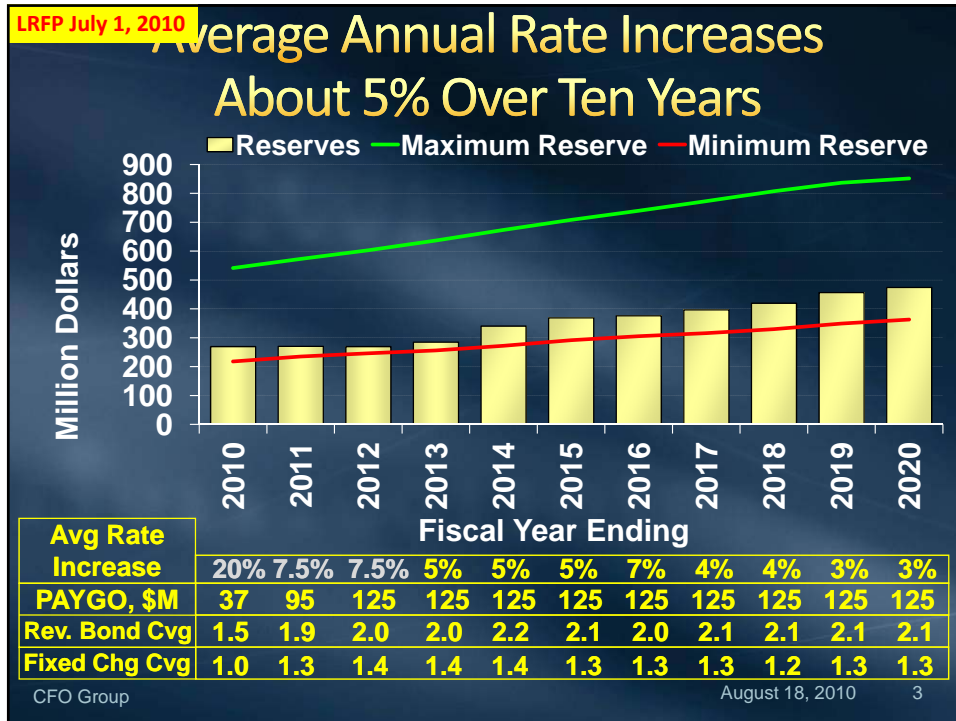


# Long Range Finance Plan 2010 Update

August 18, 2010

## Agenda

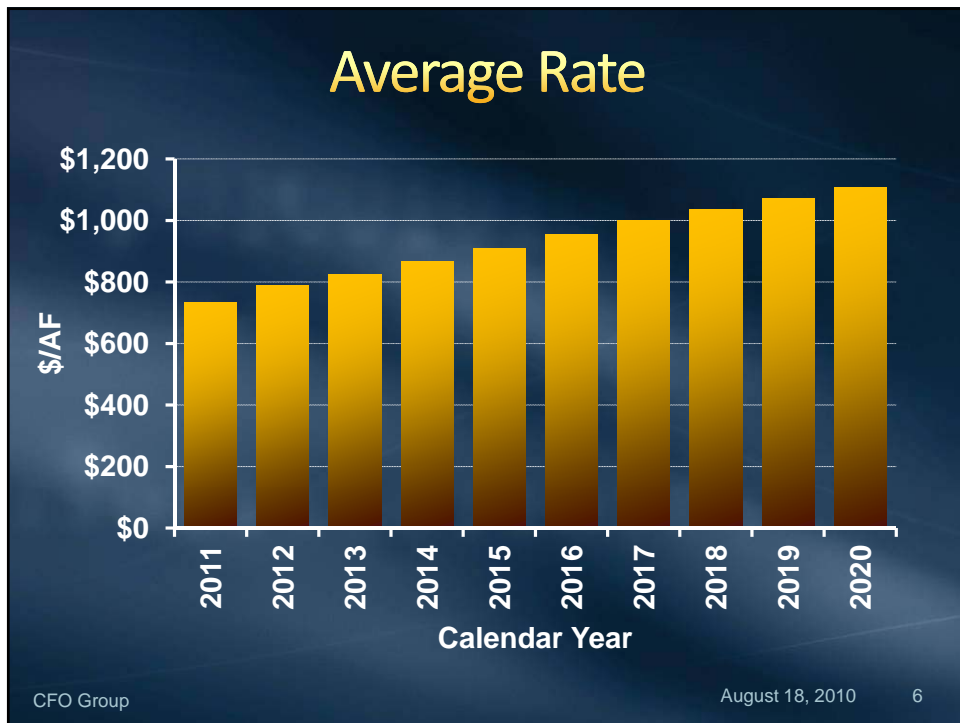
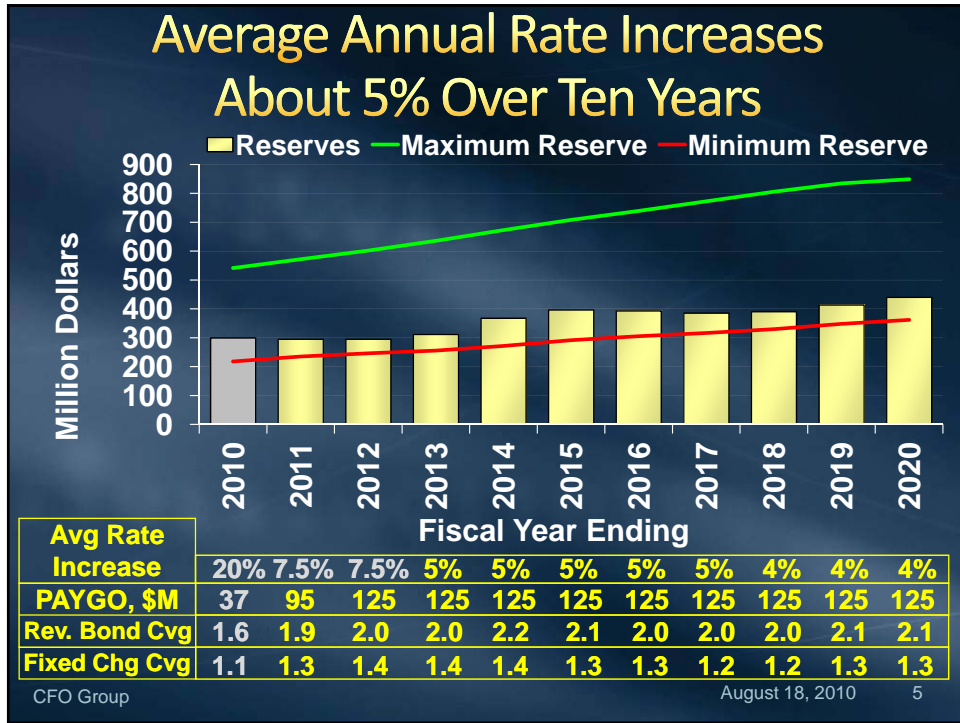
- 10-year forecast
  - SWP cost clarification
- Sensitivities



## 10-Year Rate Forecast

- Change from July 1, 2010 Meeting
  - 2009/10 updated with actuals
  - long-term rates smoothed (2016 was 7%)

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## Long-Term Estimated Rate Increases (Based On Existing COS Method)

Rates and Charges Effective January 1 (\$/AF)											
	2010	2011	2012	2013	2014	2015	2016	2017	2017	2019	2020
Untreated Full Service											
Tier 1	\$484	\$527	\$560	\$590	\$615	\$651	\$690	\$729	\$759	\$791	\$827
Tier 2	\$594	\$652	\$686	\$708	\$737	\$780	\$820	\$860	\$896	\$930	\$962
Untreated Repl.	\$366	\$409	\$442	\$472	\$497	\$533	\$572	\$611	\$641	\$673	\$709
Untreated Ag.*	\$416	\$482	\$537								
Treated Full Service											
Tier 1	\$701	\$744	\$794	\$834	\$875	\$918	\$962	\$1,005	\$1,040	\$1,083	\$1,126
Tier 2	\$811	\$869	\$920	\$952	\$997	\$1,047	\$1,092	\$1,136	\$1,177	\$1,222	\$1,261
Treated Repl.	\$558	\$601	\$651	\$691	\$732	\$775	\$819	\$862	\$897	\$940	\$983
Treated Ag.*	\$615	\$687	\$765								
Untreated Whlg	\$314	\$372	\$396	\$408	\$426	\$458	\$487	\$515	\$539	\$561	\$580

\* The Interim Agricultural Water Program will be discontinued after 2012.

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## Long-Term Estimated Rate Increases (Based On Existing COS Method)

Rates (\$/AF) and Charges Effective January 1											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Tier 1 Supply Rate*	\$170	\$155	\$164	\$182	\$189	\$193	\$203	\$214	\$220	\$230	\$247
Tier 2 Supply Rate	\$280	\$280	\$290	\$300	\$311	\$322	\$333	\$345	\$357	\$369	\$382
System Access Rate	\$154	\$204	\$217	\$227	\$242	\$259	\$277	\$295	\$310	\$319	\$330
Water Stewardship Rate	\$41	\$41	\$43	\$45	\$48	\$54	\$57	\$58	\$58	\$61	\$64
System Power Rate	\$119	\$127	\$136	\$136	\$136	\$145	\$153	\$162	\$171	\$181	\$186
Treatment Surcharge	\$217	\$217	\$234	\$244	\$260	\$267	\$272	\$276	\$281	\$292	\$299
RTS Charge (\$M)	\$114	\$125	\$146	\$155	\$168	\$175	\$183	\$196	\$208	\$213	\$221
Capacity Charge (\$/cfs)	\$7,200	\$7,200	\$7,400	\$7,400	\$7,600	\$7,600	\$7,900	\$8,200	\$8,600	\$9,000	\$9,300

\* with Delta Supply Surcharge

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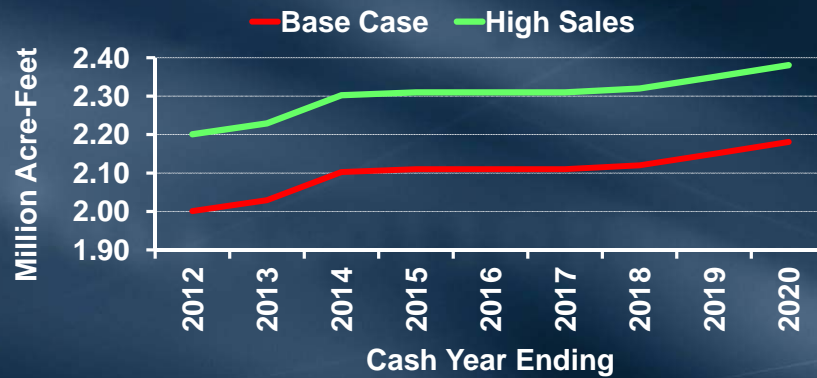
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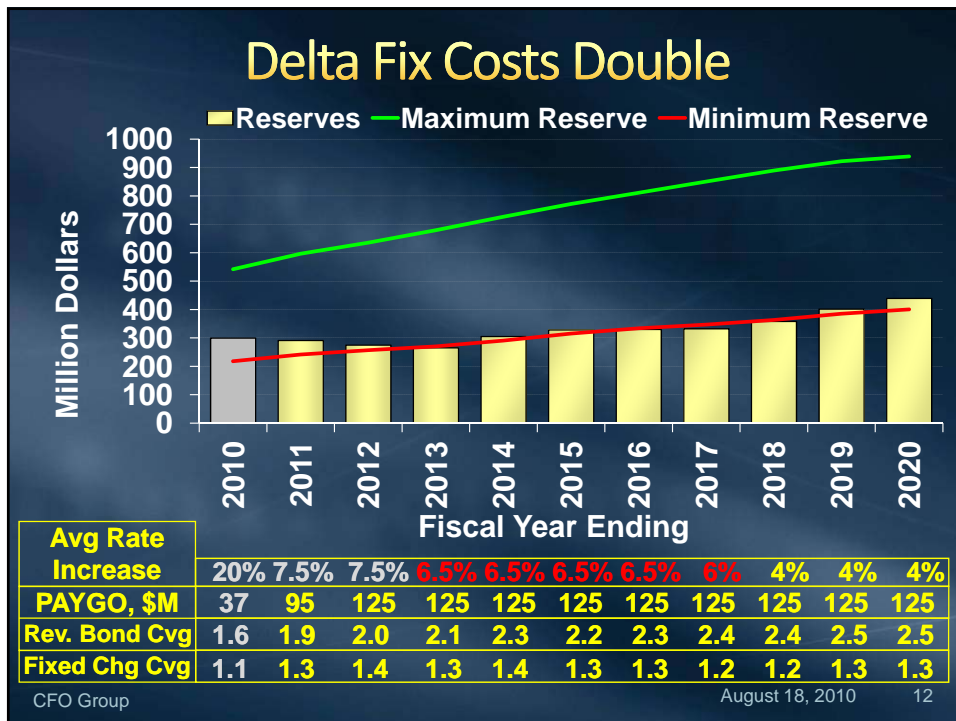
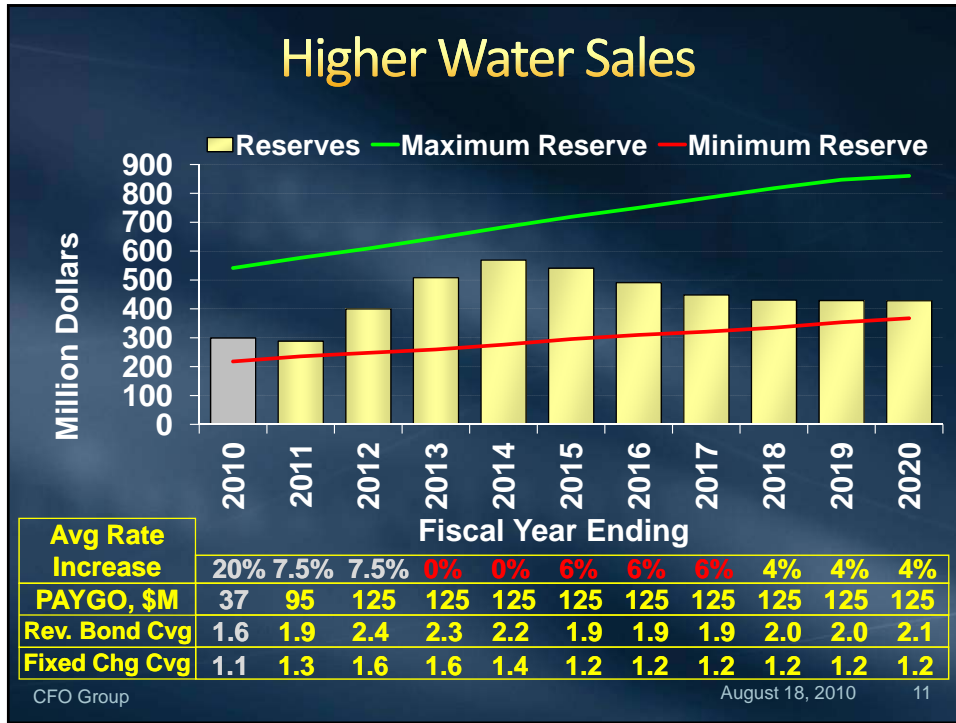
## Rate Sensitivities

- Higher Water Sales
- Delta Fix Costs Double
- Higher Interest Rates
- Combo Scenario

## Higher Water Sales

- Water Sales & Wheeling is 200 TAF higher than forecasted
- SWP supplies are also 200 TAF higher

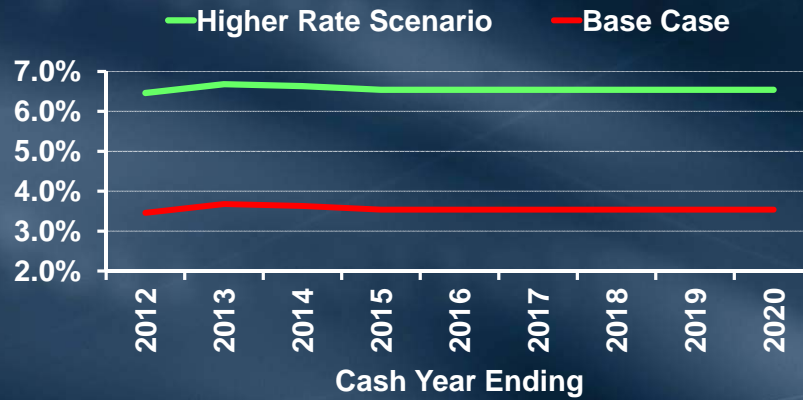




## Higher Interest Rates

300 Basis Point Increase FY2012 to FY2020

### ● Interest Income



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## Higher Interest Rates

### ● Revenue Bonds

- **Base Case**
  - Fixed Rate: 5.00%
  - Variable Rate: 2.30%
- **Higher Interest Rates Scenario**
  - Fixed Rate: 8.00%
  - Variable Rate: 5.30%

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## Higher Interest Rates

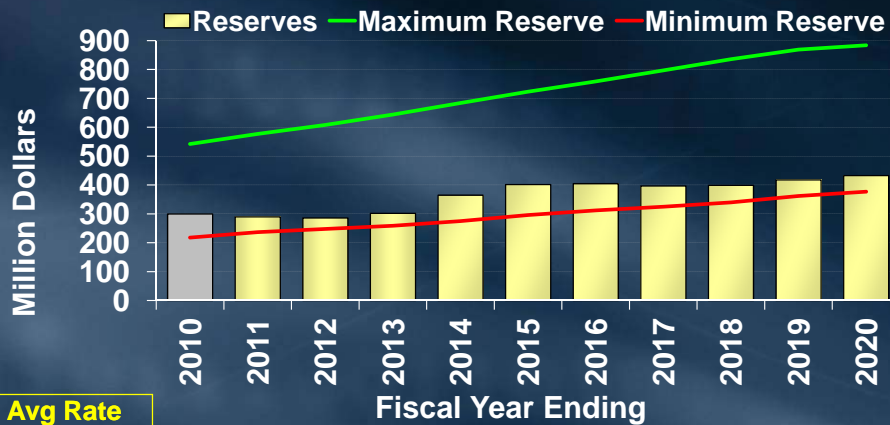
- Interest Income offsets higher debt service
- Net cost of \$1 to \$4 million per year
- Negligible Rate Impact

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## Higher Interest Rates



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Avg Rate Increase</b>	20%	7.5%	7.5%	6%	5%	5%	5%	5%	4.5%	4%	4%
<b>PAYGO, \$M</b>	37	95	125	125	125	125	125	125	125	125	125
<b>Rev. Bond Cvg</b>	1.6	1.9	1.9	2.0	2.1	2.0	1.9	1.9	1.9	1.9	1.9
<b>Fixed Chg Cvg</b>	1.1	1.3	1.4	1.4	1.4	1.3	1.3	1.2	1.2	1.3	1.3

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# Combo Scenario

ALL IMPACTS START 2011/12

- 1.9 MAF of Sales
  - lower SWP allocation
- Higher SWP R&R costs
  - \$5M in 2011/12
  - \$10M in 2012/13
  - \$15M in 2013/14 and beyond
- Delta Fix Costs Double
- Higher Interest Rates



## Future Risks

- Higher Costs
  - Supply Costs
  - Interest Rates
  - Delta Conveyance
  - SWP Infrastructure
    - Potential increase of SWP facilities' R&R expenditures
  - Metropolitan Aging Infrastructure
    - Potentially Higher R&R expenditures
- Loss of Supply
  - Increased Environmental Restrictions, drought
  - Water Quality
- Lower Water Sales
  - Weather
  - Weak economic recovery
  - Local supply development, conservation

## Next Steps

- **September 30: Draft of LRFP Update**
  - Align forecast with IRP
- **October 15: Comments due on Draft**
- **November 8: B&F information**
- **December 13: B&F action to adopt**

# Discussion