

# ***SRCS D Stands by \$2.06 Billion Cost Projection***



## **Overview**

The Central Valley Regional Water Quality Control Board (Regional Board) issued a draft permit that recommends very strict standards for the Sacramento Regional County Sanitation District's (SRCS D) wastewater treatment facility. If adopted, the permit will require the Sacramento region to pay approximately \$2 billion in additional treatment processes – even though the Regional Board cannot make a clear and compelling case that demonstrates real environmental benefits to justify this significant financial burden.

The State Water Contractors – water agencies that pump water from the Delta and send it south – support the Regional Board's recommendations. To undermine the concerns expressed by the Sacramento community, the State Water Contractors have made several allegations regarding SRCS D's cost projections to build the facilities and infrastructure outlined in the draft permit. These allegations are intended to serve as a distraction from the real issue – that the Sacramento region could be forced to pay the price for new wastewater treatment processes that are not adequately based on sound and compelling science.

It is in the State Water Contractors' interest to minimize the significant economic impact to this region since that is one of the factors the Regional Board must consider when weighing this issue. Moreover, if the costs come in much higher following adoption of this permit, the State Water Contractors will not be impacted - since they and their ratepayers won't have to pay the price. The Sacramento region will.

The Coalition for a Sustainable Delta sustains the same views as the State Water Contractors.

## **Getting it Right**

### **Construction Costs**

#### **State Water Contractors' Myth:**

Competing cost analyses demonstrate SRCS D has deliberately exaggerated the cost projections – totaling \$2.06 billion.

#### **Reality:**

***Accurate cost analyses require detailed knowledge.***

- The District's cost estimates were prepared by Carollo Engineers, a highly-regarded, national engineering firm that has worked on numerous municipal wastewater treatment facility design and construction projects. Moreover, Carollo Engineers is very familiar with SRCS D's treatment process, unique water quality issues, space availability, site conflicts and the difficulties associated with implementing a large-scale capital project in a facility that must remain in operation throughout the improvements.
- HDR Engineering, another nationally known and highly-regarded engineering firm, independently estimated the cost of ammonia and nitrate removal based on entirely different treatment technologies, and the costs estimated by HDR are comparable to those prepared by Carollo Engineers.
- Conversely, the two other cost analyses were prepared by companies – PG Environmental and Trussell Technologies (State Water Contractors' consultant) – that have no direct knowledge of the infrastructure or construction challenges at SRCS D's wastewater treatment plant. In fact, PG Environmental, LLC is a small engineering firm with offices in Denver and Virginia. Based on information provided on their Web site, PG Environmental, LLC does not appear to have any experience in implementing large-scale municipal wastewater treatment facility projects.

***The Regional Board staff has history of underestimating the cost of these types of construction projects.***

- The Regional Board staff has a long and consistent history of underestimating the cost of improvements required to meet new permit conditions they impose, primarily because they have neither project economics planning expertise, nor significant, real-world staff experience in planning, designing and building these massive facilities. For example, in the NPDES permit issued in 2003 when SRCSD added Walnut Grove to its service area, the Regional Board estimated the cost of new treatment processes to meet permit requirements would be \$2 million. The District's consultant, Brown and Caldwell Environmental Engineers, another nationally known and highly-regarded engineering firm, estimated the treatment system upgrade costs to be about \$12 million. The actual cost of the project ended up being \$20 million due to necessary pipeline system investments.

***The State Water Contractors should understand the risk in underestimating costs for a large infrastructure project***

- In May 2008, costs for the peripheral canal, strongly supported by the State Water Contractors and others who want to continue to pump water from the Delta, were estimated at \$4.2 billion. In July 2010, that estimate grew to \$11.9 billion.

## **Proposed Rate Structure**

**State Water Contractors' Myth:**

SRCSD's proposed rate structure was designed to inflate costs by forcing new businesses and home builders to pay for the construction costs in a single, one-lump payment while allowing existing ratepayers to slowly pay for the costs in their monthly bills.

**Reality:**

***SRCSD's estimates were calculated with the same methodology used today.***

- The projected rate and impact fee estimates were calculated using the existing methodology that is consistent with the rates and fees that are in effect today. This is the only way to accurately provide the Sacramento region an "apples to apples" comparison.

***No matter how you slice the pie, a \$2 billion hit is a lot for the Sacramento region to swallow.***

- The bottom line is that no matter how you slice the pie, the Sacramento region's ratepayers will end up paying over \$2 billion in capital costs and over \$77 million a year in operation and maintenance costs.

## **Monthly Rates**

**State Water Contractors' Myth:**

SRCSD ratepayers can afford to absorb the potential rate increases since SRCSD monthly rates are 45% below statewide average.

**Reality:**

- Residential ratepayers in SRCSD's service area pay an average monthly sewer bill of more than \$38 for sewer collection and treatment, which is 12.6% higher than the state average monthly service charge of \$33.82.
- The State Water Contractors' calculations failed to recognize that customers in the Sacramento region must pay SRCSD rates and local sewer collection rates.
- If the draft permit is adopted, total sewer rates for residential ratepayers in the Sacramento region will likely reach \$80 per month when SRCSD rates are added to local sewer collection rates.

Visit [www.sacdeltasolutions.com](http://www.sacdeltasolutions.com) to learn more about the Regional Board's draft permit recommendations and the impact the cost of implementing them would have on the Sacramento region.