

August 31, 2023

Toyasha Sebbag
Assistant to the City Manager, Utilities Division
150 South Palm Avenue
Rialto, CA 92376

cc: Tom Crowley, Utility Director

Dear Toyasha,

In response to your email dated August 28, 2023, Rialto Water Services LLC (Concessionaire) has reviewed the proposed scope and changes to the capital programs for the water and wastewater utilities.

First, we want to compliment the City's efforts in moving forward with a plan to address the next generation capital needs in the water and wastewater utilities. As you are aware, the origin of the capital program originates in the annually updated 5-year Asset Management Plan. The purpose of the Asset Management Plan is to inform the Rialto Utility Authority (RUA) and City of Rialto (City) of necessary capital projects that are consistent with Section 7.1 of the Standard of Services and Wastewater Facility Performance Guarantee defined in the concession contract. Specifically, the Concessionaire shall perform the services in accordance with Prudent Industry Practices, Good Engineering Practices and applicable law.

While the scope of the wastewater capital improvements outlined in your August 28, 2023 email is generally consistent with the Asset Management Plan's capital recommendations (with the exception of the Rialto Habitat Nature Center \$3MM which is in the WIFIA application, but is not part of the RWS Asset Management Plan), the water capital improvements fall short of the necessary level of investment. RWS is concerned that substandard investment in water, delaying the replacement of water lines that are more than 50 years old, and other long overdue capital projects, will result in repeated higher cost emergency repairs in order to continue serving ratepayers. In addition, there will be the higher escalated cost of future placement, which is likely to exceed today's cost. Continuing to delay these projects places a more severe cost burden on rate payers in the future. We urge the RUA/City to reconsider its position on the scope of the water capital program investment.

After carefully reviewing the changes in scope to the water and wastewater capital programs we are providing more detailed feedback and comments below.

Water Utility Capital Improvements

The proposed \$8.9 MM in core water capital improvements represents a 64% reduction to the \$24.85 MM in capital improvements outlined in the recommended water capital plan. The magnitude of this change represents a severe reduction in capital investment. Over the last ten years, the city has consistently communicated its desire to address water leaks and aging pipeline infrastructure. The proposed level of investment is inconsistent with Prudent Industry Practices and fails to address the cities expressed desire to address aging water infrastructure.

According to FG Solutions analysis, \$1 per month in water utility revenue services \$3.5 MM of WIFIA debt. The difference in the monthly water bill for a \$8.9 MM versus \$24.85 MM capital program is \$4.56 a month. Noting a significant above average increase in median household income in the city over the last 10 years, this level of rate burden would seem reasonable and avoids higher future rates resulting from chronic water line repairs and the inevitable higher cost of replacing these water lines in the future.

We see the immediate need, within the next 2 years, to invest \$14.55 MM in water infrastructure as outlined below, with the balance of the \$24.85 MM program (\$10.30 MM) completed by 2028. We do not view these improvements as non-essential to the needs of the water utility.

Water: \$14.55 MM (next two years) with the balance of the program (\$10.30 MM) completed by 2028 reflecting total investment of \$24.85 MM.

- Etiwanda Avenue Water Main Replacement: \$6.7M
- Well, 3A Arsenic Treatment: \$2.2M Remaining.
- Aged Water Main Replacement Merrill from Sycamore to Eucalyptus (Pavement Project): \$4.4M
- Pressure Relief Valves (PRVs) Zone 2 to Zone 3: \$250,000
- Cedar Reservoir 2, Overhaul, and Dome Preservation: \$1M

Following from the above, failure to make these investments will result in more leak repairs and ultimately higher replacement costs that are not in the interest of rate payers.

CORE WATER

Fiscal Year	Asset Description	Estimated Cost	Total Year Cost
2024	Aged Water Main Replacement Etiwanda from Riverside to Eucalyptus (Pavement Project)	\$6,700,000	\$6,700,000
2025	Pressure Relief Valves (PRVs) Zone 2 to Zone 3	\$250,000	\$4,100,000
2025	Service line replacements on South Alice, South Palm, West Godden and Alu St.	\$1,200,000	
2025	Main and service line replace; Bonnie View between Acacia and Eucalyptus	\$2,400,000	
2025	Mainline Valve Replacements	\$250,000	
2026	Cedar Reservoir 2, Overhaul, and Dome Preservation	\$1,000,000	\$4,250,000
2026	4" South Oakdale and South Marcella between East Rialto Ave and Allen St	\$3,000,000	
2026	Mainline Valve Replacements	\$250,000	
2027	Mainline and Service Line, Hydrant Laterals, and Mainline Replacement Below Etiwanda between Lilac and Sycamore Streets: Cornell and Victoria	\$2,500,000	\$4,050,000
2027	Service Line Replacement, Hydrant Lateral for Woodcrest, Yucca, Miramonte, Arrowhead, and Althea	\$1,300,000	
2027	Mainline Valve Replacements	\$250,000	
2028	Service Line Replacement between Cedar and Larch below Etiwanda on Streets Victoria, Cornell, Rosewood, Church, and Folk	\$2,200,000	\$5,750,000
2028	Service Line Replacement, Hydrant Laterals for Palm, Orange, Olive, Date Between Foothill to Train Tracks (Part 1)	\$3,300,000	
2028	Mainline Valve Replacements	\$250,000	
Core Water Totals		\$24,850,000	\$24,850,000

SPECIAL WATER

Fiscal Year	Asset Description	Estimated Cost	Total Year Cost
2025	Automatic Meter Infrastructure (AMI)	\$8,000,000	\$12,200,000
	Well "City 3A" Groundwater Treatment System Project	\$4,200,000	
2026	Security for Water	\$2,000,000	\$2,000,000
Special Water Totals		\$14,200,000	\$14,200,000

Wastewater Utility Capital Improvements

We are pleased to see that wastewater utility capital improvements are generally in line with the level of investment defined in the 5-year asset management plan. We want to emphasize the importance of completing a full final vetting of the microgrid project and its ability to access more than \$17MM in state and federal funds, including funds toward needed, known wastewater capital projects.



Our comments on the wastewater plan are as follows:

- Willow Sewer Upsizing -as stated in the WW Master Plan this project should be done in the next 5 years or sooner.
- Secondary Clarifier 1 and 2 Upgrades: \$0.5M - there are two at \$500k each thus \$1 million total.

CORE WASTEWATER

Fiscal Year	Asset Description	Estimated Cost	Total Year Cost
2024	Upsizing Sewer Mains in Sycamore Ave. and moving flows to Acacia Ave. via Baseline Road (Master Plan)	\$3,000,000	\$33,200,000
2024	Upsizing Sewer Mains in Acacia Ave. - Victoria to McKinley (Master Plan)	\$2,000,000	
2024	Digester 1 and 2 Transition, Cleaning, and Rehabilitation	\$1,800,000	
2024	Solids Handling Upgrades at the WWTP	\$26,400,000	
2025	Agua Mansa Sewer Lift Station	\$2,000,000	\$5,450,000
2025	Repair/Replacement of Aging Spencer Aeration Blowers	\$750,000	
2025	Manhole Replacement and Rehabilitation	\$200,000	
2025	Upsizing Sewer Mains in Acacia Ave. - Bonnie View to South (Master Plan)	\$500,000	
2025	Upsizing Sewer Mains in Merrill Ave. - Acacia to Sycamore (Master Plan)	\$2,000,000	
2026	Plant 5 Aeration Basins 1 & 2 Overhaul	\$600,000	\$3,300,000
2026	Plant 5 Secondary Effluent Clarifiers A&B Overhaul	\$500,000	
2026	Upsizing Sewer Mains in Willow Ave. - Grove to Foothill (Master Plan)	\$500,000	
2026	Upsizing Sewer Mains in Sycamore Ave. - Huff to Randall (Master Plan)	\$1,500,000	
2026	Manhole Replacement and Rehabilitation	\$200,000	
2027	Ayala Lift Station Upgrade and Repair	\$2,000,000	\$3,400,000
2027	Manhole Replacement and Rehabilitation	\$200,000	
2027	Aged Sewer Main Replacement	\$1,200,000	
2028	Equalization Basin Rehabilitation	\$1,000,000	\$2,400,000
2028	Manhole Replacement and Rehabilitation	\$200,000	
2028	Aged Sewer Main Replacement	\$1,200,000	
Core Wastewater Total		\$47,750,000	\$47,750,000



SPECIAL WASTEWATER

Fiscal Year	Asset Description	Estimated Cost	Total Year Cost
2024	Microgrid / Cogen	\$20,000,000	\$39,300,000
	Demolish Plants 1 and 2	\$2,300,000	
	Electrical Upgrade	\$8,800,000	
	Lake Rialto	\$8,200,000	
2025	SCADA Upgrades to Lift Stations	\$750,000	\$2,150,000
	Installation of fourth Disk Filter	\$500,000	
	Backup generators for Cactus, Lilac, and Ayala Lift Stations	\$900,000	
2026	Security for Wastewater	\$2,000,000	\$2,000,000
Special Wastewater Totals		\$43,450,000	\$43,450,000

In closing, we want to clearly express our appreciation and sensitivity towards the impact of higher levels of capital investment on rate payers. The \$4.50 incremental monthly impact on the water bill implied by funding the entirety of the \$24.85 MM water capital program will result in lower rates over time, when compared to fixing chronic leaking pipelines and ultimately replacing these water lines in the future. The immediate availability of WIFIA financing to fund these projects provides rate payers with a material cost advantage that lowers rates over the 35 year span of WIFIA funding. As ever, we fully support the idea of working on rate assistance for qualifying senior and low-income ratepayers for whom \$4.50 additional monthly impact is a hardship.

Sincerely,

Peter Luchetti

Megan Matson