

Sewerage and Water Board Provides Updates on Pumping, Power and Billing Ahead of City Council Public Works Committee Meeting

NEW ORLEANS – Tomorrow, the Sewerage and Water Board of New Orleans will provide its third quarterly report to the City Council Public Works Committee where the agency will deliver updates on pumping and canal cleaning, power and the Turbine 5 explosion and billing and finance.

Major highlights are included below.

DRAINAGE AND CANAL CLEANING/INSPECTIONS HIGHLIGHTS

As hurricane season has progressed, we have continued to inspect and clean our 235 miles of large pipes, culverts and canals:

- As of the last Public Works Committee report in June, SWBNO had **inspected 35 open canals**. In the last three months, **we have inspected 7 more open canals, as well as all drainage pumping stations**. Some of those inspections have resulted in the removal of significant blockages including a full-size couch, which was removed from the Morrison Canal in New Orleans East on September 13, ahead of Hurricane Sally (picture below).
- In total, SWBNO has now removed an additional **555 cubic yards of debris** from our pumping stations and canals and **1,764 cubic yards of sediment** from the city's open canals since June.
- As of June, we had **inspected 3.13 miles** of underground canals as part of our recurring canal inspection plan. Since then, we have **added another 1.2 miles** of planned inspections in Drainage Basins 1 and 6 (Uptown, Broadmoor, Central City, Carrollton, Riverbend), which are earmarked for attention in year one of our five-year closed canal inspection plan. We have also **inspected another 2.0 miles** of open and closed canals at the request of customers.

Morrison Canal – Red sofa was removed 9/13/2020



POWER HIGHLIGHTS

We have reached several critical milestones in the development of our modern power program:

- In August, **GE concluded its investigation of Turbine 5 (T5)** to identify potential damage resulting from last December's explosion. The investigators found **no significant or irreversible damage to the body of the turbine**. The primary damage was to the stack, which is repairable in a relatively short timeframe of 6-8 months. To ensure the safety of the employees working with T5, we also intend to completely improve the machine's control system (although it was not visibly damaged).
- Earlier this month, we received a debriefing from ABS Group on the root cause analysis for the T5 explosion. We expect to receive the final report at the end of this month and will share it upon receipt. We understand that the **cause of the explosion was due to a mechanical failure, and SWBNO was not at fault**.
- Finally, the **State has approved SWBNO's application for \$13 million of CDBG funds for use in purchasing a new, modern turbine (known as "T7")**. T7 eventually will replace T5 and become part of SWBNO's modernized suite of self-power generation that will be utilized as a backup power source once the substation is online as the primary source of power. The permitting and procurement process for CDBG-funded projects can take up to 12 months; as a result, T7 will not be on-site and operating prior to next year's hurricane season.
- Given these developments – particularly the lack of significant damage to T5 and the timeline for procuring T7 – **SWBNO has made the decision to repair T5**, with the intent to have it online and available again for use during the 2021 hurricane season.
- We are continuing to make improvements to our existing power equipment:
 - **Central Control: Ring Bus Upgrades** – Phase 1 Complete. This project, completed in July, enables us to run tests on our 25Hz power equipment with simulated loads and helps to avoid unexpected issues during rain or other high-power events. A second phase will need to be completed after hurricane season ends.
 - **Installation of a new 60 Hz feeder from Turbine 6 to Carrollton Frequency Changer to back up Entergy power** – Complete. Also finished in September, this project provides additional redundancy in the event of an Entergy outage.
 - **Design of feeder relocation (aerial to underground) from Station D Frequency Changers to Elysian Fields Ave.** – On hold due to lack of funding. In-house design is on-going. This project, once complete, would provide reliable 25Hz feeder cables from DPS 3 and DPS 7 to Station D, giving them access to our frequency changers at Station D.
 - **Upgrade of 25 Hz outdoor switch gear at Carrollton Water Plant** – This project replaced the switchgear at the Carrollton Plant, which was well beyond its service life. The upgrade will significantly increase reliability and flexibility at the plant to route power where it is needed during a storm. Equipment is on-site. Installation is pending asbestos abatement and a permanent slab construction.

BILLING

Billing continues to be both our top challenge and our top priority as an agency. While customers experience a myriad of issues with their bills, the underlying cause for most issues is the same: our use of estimates instead of actual reads to generate monthly bills. We developed an aggressive plan to increase meter reads and have been implementing the solution since mid-August. Below are details on the meter reading update, as well as bill investigations and other customer service metrics:

Meter Reading:

- Plan of action: Improve billing by decreasing customer estimates through meter reading staff augmentation
- Goal: minimum 80% actual reads
- Timeline: Three months (by Dec. 31, 2020)

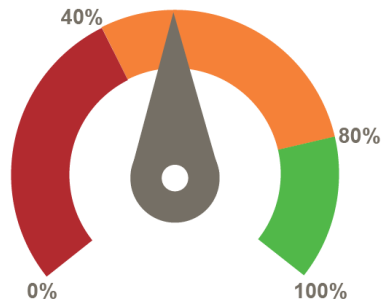
In mid-August, we contracted with Olameter, a professional meter-reading organization, to bring **20 additional readers to supplement our staff for 40 hours per week**. The Olameter team spent two weeks shadowing our staff and getting used to our unique meter system. They began reading meters in September.

In addition to hiring Olameter, our internal team **implemented a hiring initiative and increased the number of filled positions to 36 out of 60**. Last week, we approved the hiring of an **additional 24 readers** and expect them to be on board and trained by the end of the year. As of today, there are **56 available meter readers** between the SWBNO and Olameter teams.

We have developed a metric to chart the progress of this effort, with the ultimate goal of reading a minimum of 80% of our customers' meters every month. In the first month of implementation, actual reads have increased 10% (despite almost a week of storm-related days off, holidays, and retention issues). Given this result, we believe we can reach our goal in three months or by the end of the year. Below is a chart and corresponding graphic showing progress thus far:

Month	Average # of readers available/day	# of meters read	% of meters read
August	15	46,238	40%
September	36	57,772 ²	50%

Percent Meters Read September 2020



Billing Estimation Improvements:

- Goal: Improve the accuracy of estimates to reduce high bills and unexpected “true-up” bills
- Plan of action: Change the formula used to calculate estimates to capture more historic actual reads, and **ensure 28-32 day billing cycles.**
- Timeline: System changes completed.

We recognize that estimating customers’ bills causes inaccuracies and confusion. In addition to solving the root cause of this problem by increasing actual reads, we have focused on two additional fixes to improve estimate accuracy.

We previously used an estimation formula that sought two actual reads in the past four months of usage. That formula was proving unworkable given the reduction in actual reads for several months in a row in the spring and summer. As a result, customers were receiving the “default” estimate of 170 gallons/day (an industry average). For many customers, this was far too high or low and caused extreme “true-up” bills when they finally received an actual read.

To improve the formula, we **changed the billing system to reach back 10 months** to find two undisputed, actual reads upon which to base the estimate. This change has been in place for approximately 6 weeks, and we hope to begin seeing positive results in the near future.

Additionally, we issued a series of “catch-up” bills in July to re-set the clock on our billing cycles. Several cycles – which are based on meter reading routes – had grown to longer than our usual cap of around 32-34 days as we struggled to get actual reads. The longer cycles caused higher bills, and some accounts were pushed into higher water rate tiers as a result. Recognizing the effect of this issue, we made an effort to re-set those cycles. As of today, **all cycles should be back in the 28-32 day range.**

Automated Meter Infrastructure

Finally, we have moved toward **implementing an automated meter infrastructure (AMI).** Jacobs Engineering was selected as the Project Manager for this effort, and contract negotiations are underway. We anticipate that Phase 1 of the project – initial meter survey and development of an implementation RFP – will be complete in 12 months. Phase 1 will be funded via Fair Share recurring dollars. Actual AMI implementation likely will take between two and four years, depending on funding

availability to the tune of approximately \$40-50 million. We continue to pursue all options – including bonds, grants, and private financing – to fund this critical project.

FINANCES

- **SWBNO published its 2019 CAFR on August 31** meeting the time commitment required by the Continuing Disclosure Agreement between SWBNO and its bondholders. The annual audit reflects that all debt covenants have been met.

Funding/revenue efforts

We continue to aggressively seek funding for our critical capital projects, including the power program, improvements to the water distribution infrastructure, the water treatment plants, and AMI. Our federal, state and local partners have supported us, and our collective efforts have produced the following revenue opportunities:

- **WIFIA:** Our WIFIA loan application in the amount of \$254 million has been approved. Once the loan is closed, the funds will support the remainder of our sewer consent decree projects across the city, as well as sewer and water line replacements that are part of the JIRR program.
- **Fair Share:** As of September 23, we have received close to \$7 million in Fair Share dollars through the City's Infrastructure Maintenance Fund. The money will be spent on a slate of projects approved by the Infrastructure Advisory Board, including power improvements, water filter gallery upgrades, SELA drainage projects, and AMI Phase 1.
- **CDBG:** The State recently approved \$13 million in CDBG funds for the purchase of T7. This effort was the result of creativity and teamwork among state and local leaders, as well as SWBNO engineers.
- **Capital Outlay:** Working with the City's team and our legislative delegation, we continue to receive Capital Outlay funding from the State to support our substation project. We currently are spending the \$7 million appropriation from 2019 on the demolition and preparation of a site at the Carrollton Water Plant for construction of the substation.

Delinquency/AR

As expected, delinquent accounts increased significantly over the past months – with a correlating decline in billing revenue – due to COVID-19. The graphs in the attached report show improvement in delinquent accounts at the beginning of this year. In March, however, we suspended out water shut-off and late fee policies to support our customers facing COVID-related challenges (like many other water utilities around the country). Those policies remain suspended while we rebuild our meter reading team and improve billing reliability.