

Central Iowa Regional Water Workgroup



Progress Report

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December 5, 2017



Introduction

What are we doing?

The objective of the working group and the workshops is to engage in an inclusive regional dialog about the formation of a regional governance structure for water production.

What is the goal?

The desired outcome of this effort is a 28E/F intergovernmental agreement that regional water boards and municipalities are willing and able to sign.



Workshop #5 Recap (Nov. 16th)

- ◆ **Built on concepts of business valuation**
 - Continued to refine concept of reserve capacity
 - Clarification on available capacity between DMWW and Purchased Capacity
- ◆ **Answered additional questions raised regarding evaluation**
 - Concepts for handling those without purchase capacity (e.g. Johnston)
 - Handling debt
 - Alignment of governance and asset transfer
 - **Understanding the inventory of assets**
 - Membership of the regional system: who is in?



Workshop #5 Recap: Where did it leave us?

- ◆ **To further explore asset transfer, we need to more carefully consider which assets should be included**
 - Send out survey to asset owners and use feedback in Workshop #6
 - Receive comments and report out to the group for further discussion
 - Focus on technical reasons for including or not including

- ◆ **There is an additional option of an expanded DMWW board to be addressed at the next workshop opportunity**



Workshop #6 Recap: Presenting Options

1. Existing and Future Capacity	2. Future Capacity Only	3. Expand DMWW Board
<ul style="list-style-type: none">• New regional entity handles <u>existing and future</u> water production• Involves transfer of existing assets• High alignment with obligation to serve• More difficult than other forms	<ul style="list-style-type: none">• New regional entity handles <u>future water production only</u>• No asset transfers necessary• All existing capacity (assets) remain with owners• Current agreements on use of existing capacity remain• Partial alignment with obligation to serve• Least difficult	<ul style="list-style-type: none">• Expanded board governs <u>existing and future</u> water production• No asset transfers necessary• Legal issues to address• Benefits dependent on board set up and control• Possible alignment with obligations



Workshop #6 Recap: Deep Dive into Expanded Board

◆ What is it?

- The DMWW board is expanded to include more (TBD) members from the region
- Expanded board handles all water production.

◆ What is it not?

- Does not interfere with local distribution decision making – that power is reserved for current DMWW board
- Does not require as much asset transfer
- Rather than forming a new board as in Options 1 and 2, it expands on the existing board for DMWW



Workshop #6 Recap: Deep Dive into Expanded Board

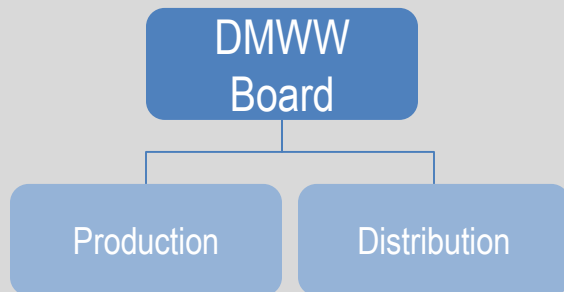
- ◆ **We discussed both legal and practical challenges of an expanded board**
- ◆ **Legal challenges**
 - Board appointments (Iowa Code 388.3)
 - Mayor appoints utility board “subject to approval of the [city] council.”
 - Local code 118-586 aligns with state code
 - Board size (Iowa Code 388.2)
 - Provides for appointment of either three or five members.
 - Local code 118-586 limits board to five members
- ◆ **Practical challenges**
 - Regional production vs. local distribution authorities



Workshop #6: Expanded Board Option

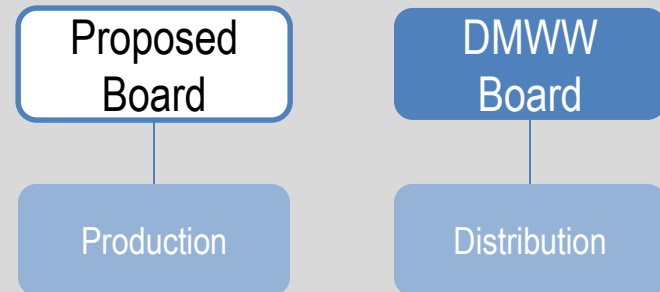
- ◆ We proposed a possible structure of an expanded board to address the practical challenges

EXISTING STRUCTURE



- All functions governed by existing 5-member board
- Under a single enterprise fund
- All members appointed by City of Des Moines Mayor
- Managed by existing DMWW staff

FUTURE STRUCTURE



- Production and distribution functions would be split internally
- Forming two separate enterprise funds, components of DMWW
- Managed by existing DMWW staff
- Members appointed by mix of local bodies



Workshop #6: Board Take-Aways

- ◆ **Additional complications were raised with regard to this option**
 - How would other production facilities be managed?
 - How would future ownership of assets be handled?

- ◆ **Meeting attendees raised the possibility that an additional board may need to oversee the two subset boards**
 - Would impact the independence of regional water production decisions

- ◆ **Between these legal and practical complications, this alternative may be seen as more complex than originally anticipated**



Workshop #6: Asset Inclusion

- ◆ **Existing and future capacity option requires asset transfer**
 - Prior to meeting, we sent out a survey to get feedback on which assets to include and determine technical, or other, reasons for asset inclusion

Total Assets in Survey	36
Total Consensus	23
Mostly Agree	12
Multiple Disagreement	1



Workshop #6: Asset Inclusion Using “Used and Useful” Concept

- ◆ **The group focused its discussion on asset inclusion around the “used and useful” concept**
 - The asset must generally be “in service”, i.e. useable
 - Assets are useful when they provide benefits to the ratepayers

- ◆ **Are water production assets that serve only a specific community “used and useful” to a regional entity?**
 - For: These assets are *used* to meet a portion of regional demand, and *useful* to meeting the regional obligation of service
 - Against: Only select customers *use* the water produced by these assets so they are not *useful* to all ratepayers, and therefore their costs should not be recovered by the entity

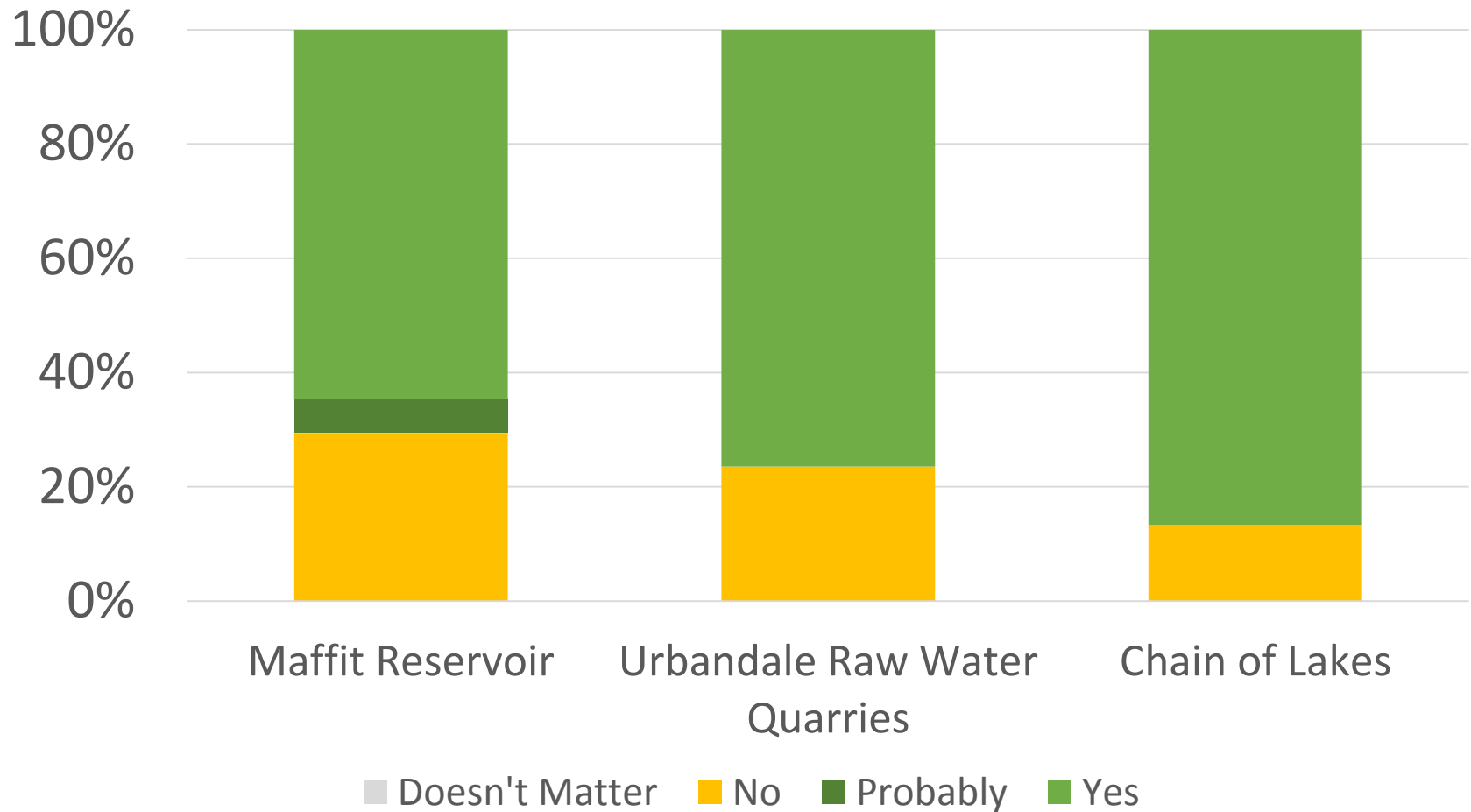


Workshop #6: Asset Inclusion Polling

- ◆ **After going over the “used and useful” concept, we used survey responses to go through all 13 assets without consensus**
- ◆ **We discussed technical and other reasons for their inclusion and polled meeting attendees to gauge preferences**

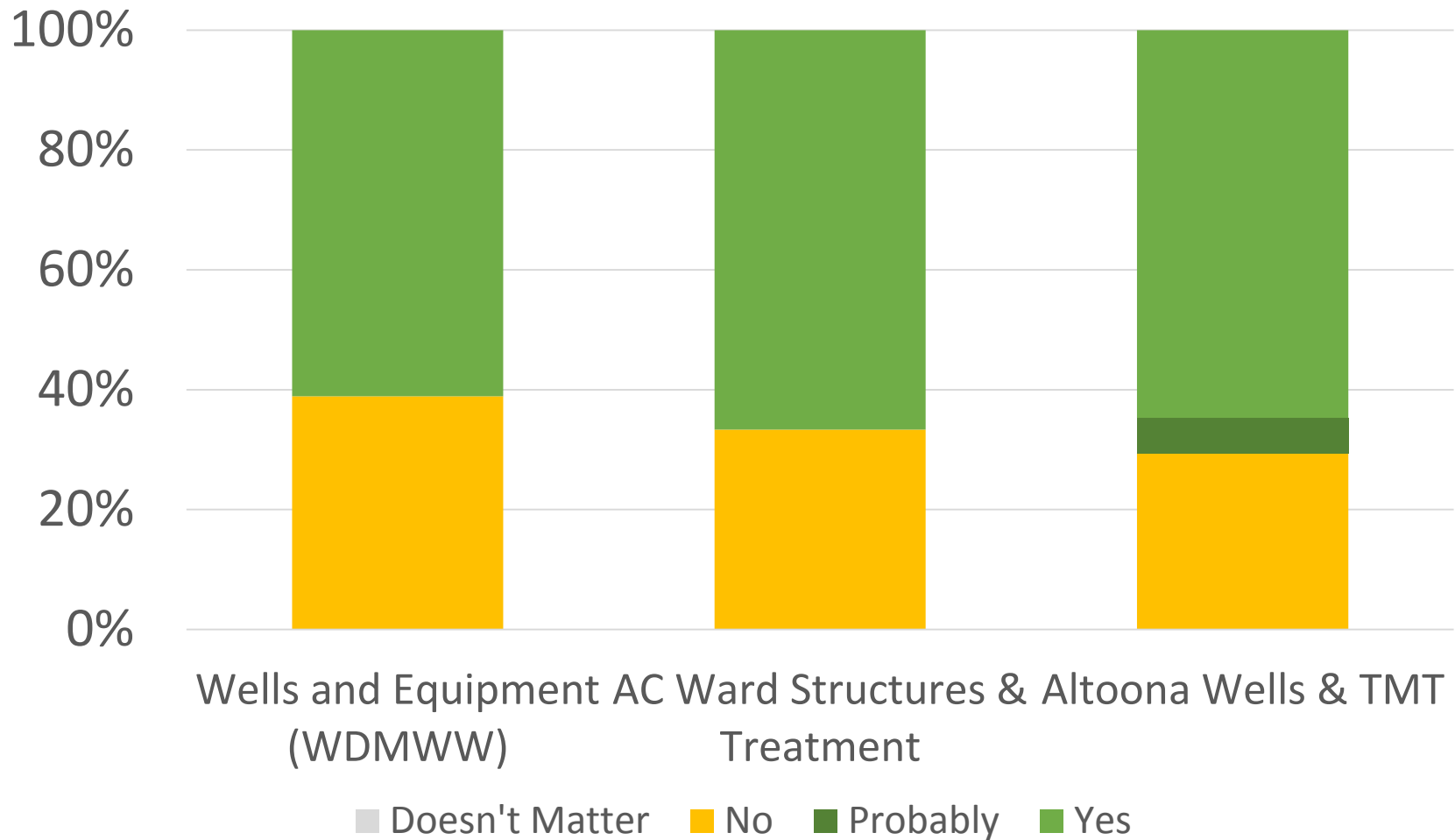


Poll Results: Source of Supply Assets



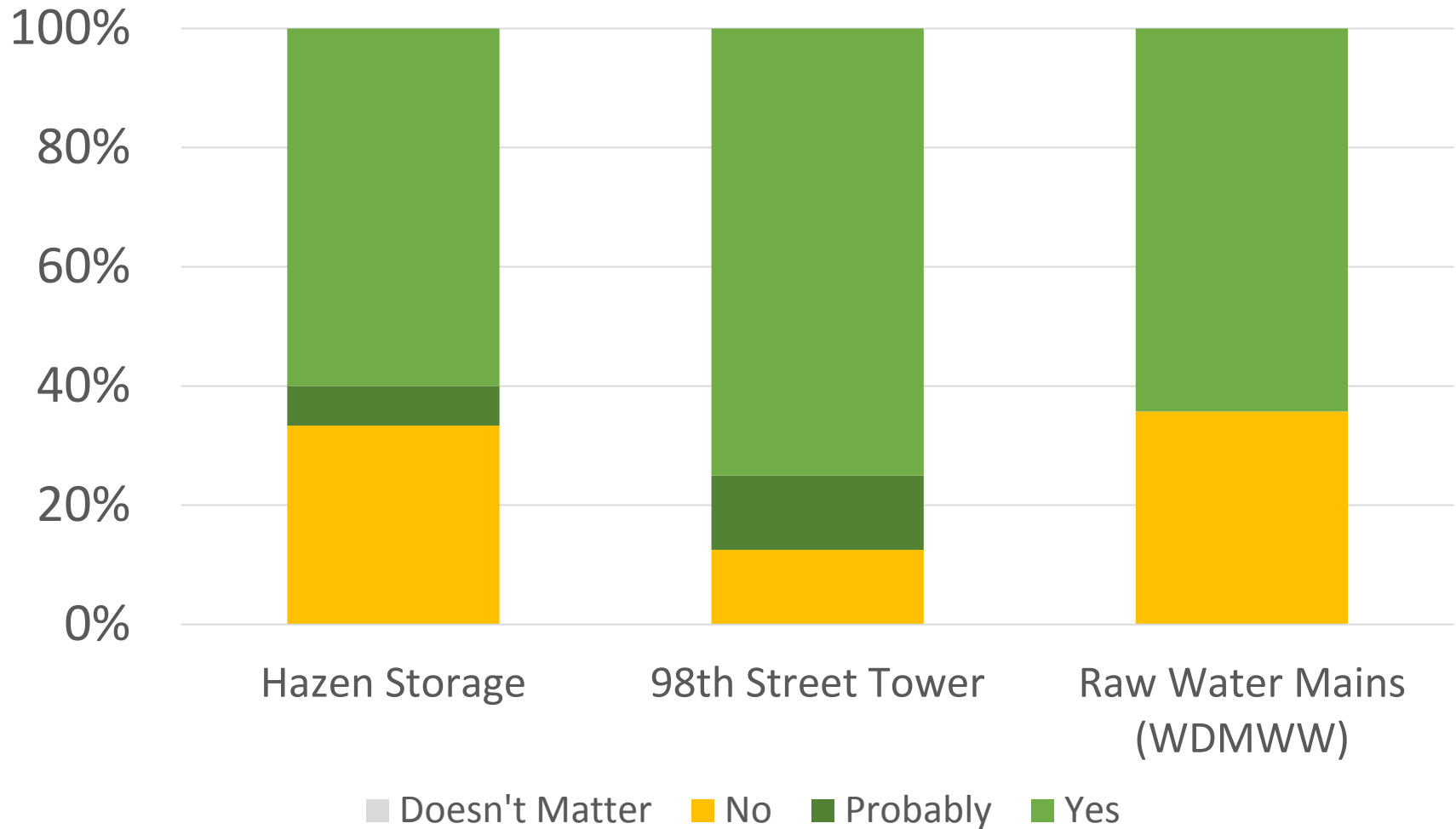


Poll Results: Wells & Treatment





Poll Results: Storage, Transmission & Meters





Workshop #6: Where are We Now?

- ◆ We conducted live polls before the workshop began and after...

BEFORE

AFTER

1st

Option 1: Existing & Future Capacity

Option 1: Existing & Future Capacity

2nd

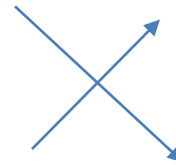
Option 3: Expanded Board

Option 2: Future Capacity Only

3rd

Option 2: Future Capacity Only

Option 3: Expanded Board





Agenda for December 5th

- ◆ **Proposal for advancing the regional formation under Option 1**
 - Inclusion of assets
 - Board formation and configuration

- ◆ **Discuss agendas for Week of December 11th**