

Central Iowa Regional Water Workgroup



Progress Report

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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 Format

THE RIGHT TO SERVE (VER 1.0)

THE OBLIGATION TO SERVE (VER 1.0)

What is it? The obligation to serve describes what the regional entity will provide, how it will be provided, to whom, and when. The definition of the obligation to serve will impact other important regional issues. The obligation to serve works together with the right to serve (i.e. exclusivity within a given area) and regulated price of service (i.e. rate making) to form what is often called a "regulatory compact". That "compact" is a fundamental condition that allows municipal and public utilities to operate in the public interest.

How is it in the Regional Plan? Think of the obligation to serve as the mission of the regional entity. A promise to the members that they can rely on.

A PROPOSED STARTING POINT FOR DISCUSSIONS:

Element of the Obligation to Serve	Specific Provisions
Services Provided by the Regional Entity	<ul style="list-style-type: none"> For the purpose of delivering drinking water to its members: Withdrawal of source waters from any surface or groundwater resources Storage of source waters Treatment of source waters Transmission and pumping of drinking water Storage of drinking water
Services <u>not</u> Provided by Regional Entity	<ul style="list-style-type: none"> Distribution of drinking water beyond defined points of delivery to the members
The Area Served by the Regional Entity	<ul style="list-style-type: none"> Within the current and future political boundaries of its members
Level of Service Provided	<ul style="list-style-type: none"> Sufficient to meet all current and future demands up to the maximum-day demand (member distribution systems to meet any max-hour and fire flow demands) At sufficient pressures

to serve will provide the regional entity with protection from competition for service and within the geography defined by its obligation of service. The right to serve is a condition that, with the obligation to serve, and regulated price of service (i.e. rate making) is often called a "regulatory compact". That "compact" is a fundamental condition that allows municipal and public utilities to operate in the public interest.

Regional Plan? Think of the right to serve as the promise that the members are making in exchange for the entity's promise to guarantee service to its members (i.e. at board-regulated prices/rates).

STARTING POINT FOR DISCUSSIONS:

Right to Serve	Specific Provisions
Right to Sole Service	<ul style="list-style-type: none"> For all services described in the Obligation to Serve Within the service area described in the Obligation to Serve For all current and future drinking water demands
Right to Exclusivity to and will	<ul style="list-style-type: none"> Apply for new Water Use Allocation Permits from the State of Iowa, or expand existing permits Construct new drinking water treatment facilities, or expand existing drinking water facilities Alter the flow or quality of source water to the intake points managed by the regional entity including all surface and groundwater resources Alter the flow of drinking water into or through the transmission and storage facilities owned or managed by the regional entity Acquire, contract for, or otherwise procure any portion of their drinking water supplies any party other than the regional entity. See exceptions below. Members who currently own and operate water production facilities may continue to operate those facilities under the following conditions:

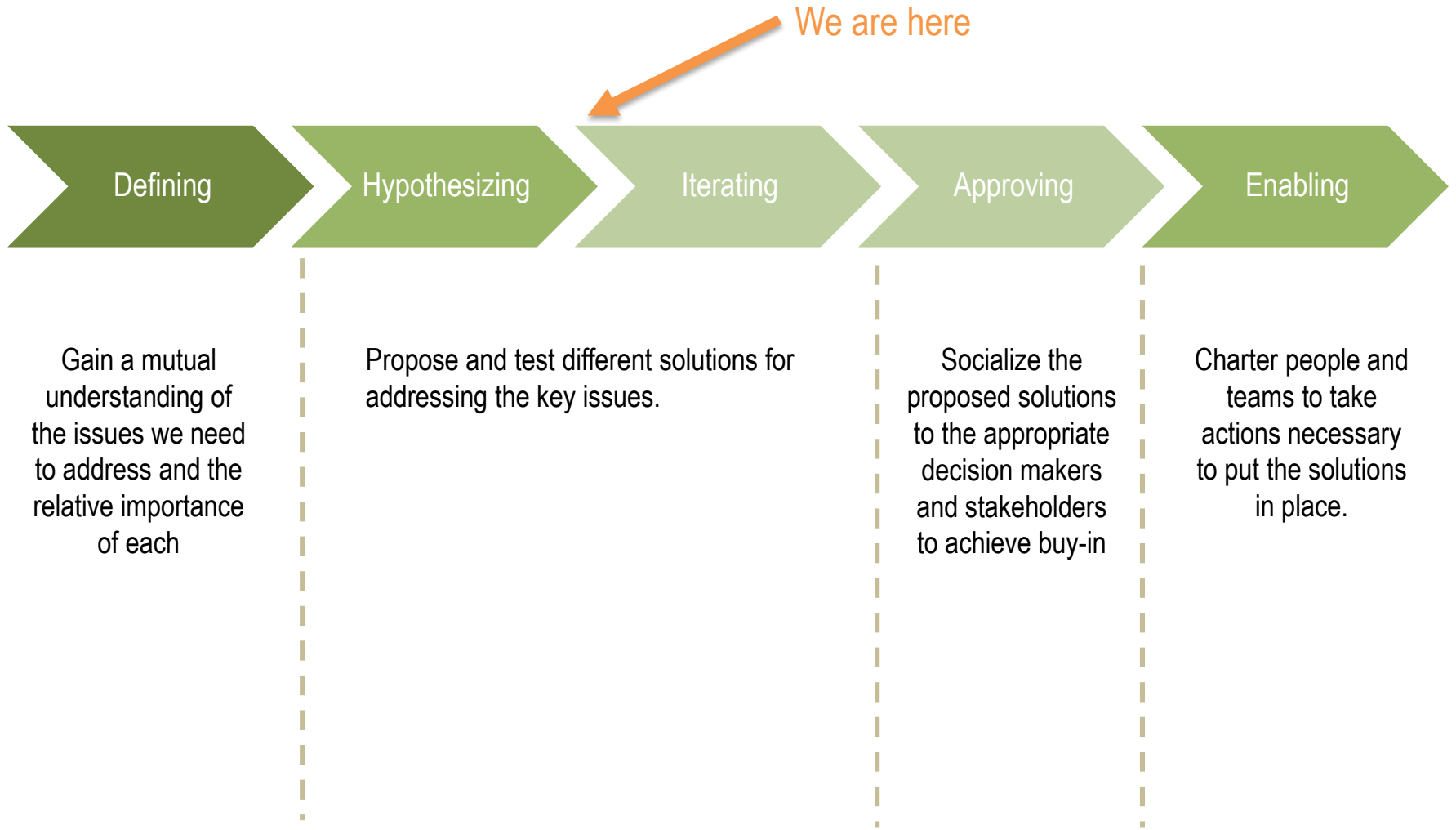
GROUP

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- Schedule topics based on priority
- Provide participants with background "issue papers"
- Conduct facilitated discussion on topics
- Record consensus, disagreement, new issues, action items



Overview of Approach





Workshop #1 Topics

Obligation to Serve

The promise between the entity and its members. It is the mission for the regional entity and defines what it provides, how, when, where, and to whom.

Right to Serve

The promise between the members and the entity that grants the entity exclusive rights to provide water production in the region in exchange for its obligation to serve.



Workshop #1 – Workshop Consensus

OBLIGATION OF THE WATER AUTHORITY TO PROVIDE SERVICE. The Water Authority shall provide for all drinking water production requirements of its Members whenever requested, subject to the following additional provisions:

- A. The Water Authority shall plan for and deliver no more than the Members' maximum-daily demands,
- B. The Water Authority shall provide for sufficient water pressure at the Members' delivery points at levels to be determined in coordination between the Members and the Water Authority,
- C. The Water Authority shall not deny service to any Member who requests it so long as requests are made reasonably in advance,
- D. The Water Authority may curtail service to the Members in the event of mechanical failures, unforeseen events, or Force Majeure. In such instances, curtailments shall be made proportionately without preference to any Member,
- E. All drinking water delivered by the Water Authority shall meet all applicable state and federal water quality regulations,
- F. The Water Authority shall provide services to its Members at a price that is reasonably related to its actual costs, at levels determined by its Board to be sufficient to pay the expenses of the Water Authority and to provide for the current and future financing of the Water Authority's capital projects.



Workshop #1 – Workgroup Consensus

EXCLUSIVE RIGHTS OF THE WATER AUTHORITY. The Water Authority shall have the exclusive right to provide all the drinking water production needs within the current and future political boundaries of its Members, subject to the following additional provisions:

- A. The Water Authority's right to serve applies to the provision of drinking water production only, which specifically includes the following activities:**
 - 1. Withdrawal of surface or groundwater supplies,
 - 2. Storage of source water,
 - 3. Treatment of source water,
 - 4. Storage of treated drinking water,
 - 5. Transmission and pumping of treated drinking water to individual, metered delivery points of the Members'.
- B. Without exception, this Agreement does not grant the Water Authority the right to serve within the individual distribution systems of the Members.**
- C. During the term of this Agreement, the Members will not:**
 - 1. Contract for drinking water supplies from any party other than the Water Authority,
 - 2. Acquire or expand water production assets that infringe on the Water Authority's right to serve as described in this Section, with the following exceptions
 - a) Members who own water production assets that provide service only within their own distribution network as of the date of this Agreement, may continue to operate those assets at their current design capacity levels.
 - b) Such Members may not, however, expand water production beyond the current design capacity of the existing assets.
 - 3. **TBD** Apply for Water Allocation Permits from the State of Iowa, or in any way alter the flows or water quality of the Water Authority's surface and/or groundwater supplies, except that Members may own and operate aquifer storage and recovery (ASR) assets, including applying for and maintaining any regulatory permits necessary for the operations of their ASR assets.



Workshop #2 Topics

Capitalization

The authority of the regional entity to fund its capital projects with various sources of debt, member contributions, cash reserves, or other sources.

Accounting Framework

How the regional entity will keep track of its revenues, expenses, assets, and liabilities; and how that tracking overlaps or defers to member accounting.



Workshop #2 – Workgroup Consensus

- ◆ **The regional entity should have the authority to issue revenue bonds pledged against its own wholesale revenues.**
- ◆ **The authority to issue revenue bonds will require a 28F form of agreement rather than a 28E.**



Workshop #2 – Areas of Contention

- ◆ **Regarding existing production capacity, the regional board cannot assume the fiduciary responsibilities of another board or council.**
 - This creates practical issues with respect to the accounting of regional assets and related costs, and this affects flow of critical financial information
- ◆ **Practically, for existing water production, the regional entity could only replicate or review the accounting information of others.**
 - Does this situation give the regional entity the level of independence that the region desires?
- ◆ **These issues are less contentious regarding future investments for the region – the regional entity can have a greater role.**



Workshop #3 Topics

Operational Authority

How much control the regional entity will have to carry out the responsibilities of day-to-day operations to meet its obligations of service.

Planning Authority

How much control the regional entity will have to plan for future capacity needs for the region in order to meet its obligation of service in future periods.



Workshop #3 – Areas of Contention

- ◆ **Participants came to the realization that the regional entity would likely not have the level of authority needed to fulfill the vision without authority for the assets and their operation**
- ◆ **The discussion then turned to suspending the Guiding Principles in order to discuss how a transfer of assets might occur**
- ◆ **This brought up older issues about “value” and transaction models**
- ◆ **The change in direction has caused us to go back and change the schedule of facilitated topics, and the topics themselves**



Workshops #4/5 Agenda

Valuation and Transfer of Assets

Given that this topic has already been discussed once before leading to no consensus within the group, is there a different way forward to accomplish a reorganization of the assets under regional authority that will benefit the ratepayers without causing financial harm?



Topics We Were Planning On

- ◆ **Authorities of the Regional Board (Workshop #4)**
- ◆ **Composition Structure of the Regional Board (Workshop #4)**
- ◆ **Economic Model / Cost-Sharing Framework of Water Production (Workshop #5)**
- ◆ **Cost Efficiency of Regional Model (Workshop #6)**
- ◆ **Parking Lot Issues / Clarifications / Iterations (TBD)**
- ◆ **Draft 28F Terms (TBD)**

These topics may be changed and rescheduled pending the outcome of this week's workshops.