

CENTRAL IOWA REGIONAL WATER WORKSHOP 5

Thursday, November 16, 2017

4:00 p.m.

Des Moines Water Works

2201 George Flag Parkway, Des Moines, IA 50321

Present:

City of Altoona – City Councilmember Vern Willey

City of Ankeny – Mayor Gary Lorenz

City of Des Moines – Mayor Frank Cownie; City Manager Scott Sanders

City of Clive – City Manager Dennis Henderson

City of Johnston – Mayor Paula Dierenfeld; City Manager Jim Sanders

City of Urbandale – Mayor Bob Andeweg

City of Waukee – City Manager Tim Morman

City of West Des Moines – Mayor Steve Gaer

Des Moines Water Works – Sue Huppert, Board Chair and Marc Wallace, Board Member; Ted Corrigan, Peggy Freese, Mike McCurnin, and Laura Sarcone, staff

Urbandale Water Works – John McCune, Board Chair; Dale Acheson, staff

West Des Moines Water Works – Karen Novak, Board Chair and Jody Smith, Board Member;
Diana Wilson, staff

Also in attendance: Jason Mumm and David Gordon, FCS Group; and members of the public.

At 4:02 p.m., the meeting began.

1. Valuation Concepts – Mr. Mumm provided a recap of ideas from last discussion, including:

- **Asset transfer is one of the possible paths forward**
 - One option was transferring the capacity from McMullen and Saylorville (perhaps some others) to the regional entity
 - A second option involved transferring all water production assets to the regional entity
 - These ideas challenge the Guiding Principles, but there was agreement that exploring these ideas was important
- **Expansion of the DMWW Board of Trustees**

Mr. Mumm provided a list of questions that have arose throughout the process that will be discussed at the end of this workshop:

- What about those who have not bought in to capacity?
- What about agencies with debt?
- Who does asset ownership and governance align given the proposed asset transfer?
- What is the inventory of assets?
- Who is the regional membership?

Mr. Mumm also provided a recap of examples and the pros and cons of different ways to look at reorganization of the assets under regional authority that will benefit the ratepayers without causing financial harm.

- a. **Contribute – Unrestricted:** Reserve capacity is contributed to the regional entity with no restrictions on how it is used, and the capital cost recovery is averaged across all demands in the region instead of non-Purchased Capacity customers only.
- b. **Contribute – Restricted:** Reserve capacity is contributed to the regional entity, but some or all the reserve is restricted for the future use of Des Moines only.
- c. **Sell and Buy Back:** Reserve capacity is “sold” to the regional entity with the cost of the sale spread among all regional customers, but with specific benefit to DMWW.

There was discussion on operational versus design capacity, forecasting, and growth.

The group discussed the question: *what is the inventory of assets?* Mr. Mumm mentioned there is some belief that regional water production assets should include more of the suburban facilities. Ms. Wilson stated that is her belief that A.C. Ward should not be included as a regional asset. Mr. Stowe and Mr. Corrigan stated that to be truly regional, we need to include all plants in the region, including West Des Moines, Altoona, Polk City, others. Mr. Mumm suggested an approach:

- Take asset inventory that had been previously reviewed and circulate to technical experts (Des Moines Water Works, West Des Moines Water Works, Urbandale Water, Altoona, Polk City, Xenia, Grimes) to describe technical criteria and regional/policy criteria for including/not including given assets.
- Report results back to group at next workshop.

Mr. Mumm posed the question: *what about those who have not brought in to capacity?* There are wholesale customers who are not purchase capacity customers (e.g. Johnston). These customers currently pay full With Storage charge to DMWW. Mr. Mumm provided two possible methods for addressing concern:

- It is a matter for local governance (i.e. DMWW) because wholesale contract goes through that entity.
- Regional rate differential:
 - Region can have different rate just as DMWW has differential rate today.
 - Optionally, these customers could buy-in to purchase capacity.

Mr. Mumm posed the question: *what about agencies with debt?* Some agencies contributing equity to the system still are paying debt on that contribution. Mr. Mumm provided possible suggestions:

- Full credit for contributions post-transaction.
 - Each agency receives 100% credit for the capacity that is contributed to the region. Includes all invested capital.
- Regional entity takes on debt.
 - Each agency receives credit but only for the equity portion of invested capital.
 - Debt service picked up in regional entity rates.

Mr. Mumm asked the question: *how does asset ownership and governance align given the proposed asset transfer?* We discovered in previous workshops that in order for the Regional Entity to have actual authority, it probably needs asset ownership.

With the proposed asset transfers:

- Establishes entity with ownership of assets. But, those who paid for the assets still retain equity positions (i.e. credit).
- Means Regional Entity has its own balance sheet for assets, liabilities, and equity.
- Which means it has authority to approve budgets and other necessary governance.
- Which means the Regional Entity has clear authority to meet its obligations of service.

Mr. Mumm asked the question: *who is in the regional membership?* We don't have clarity on "what the region is?" because we don't know with certainty who the members might be.

Mr. Mumm provided suggestions:

- Assumption: everyone who is served by DMWW will continue to be served by the region.
 - That includes Purchase Capacity, Wholesale, Total Service, and DMWW retail.
- The Long Range Plan provided some polling where agencies indicated interest in participating.
 - We can use that list as an assumption for now.
- We could do our own polling.

Mr. Mumm inquired about the idea of expanding existing DMWW Board with representation from suburban customers. Mayor Lorenz agreed that it should be looked at. Mr. Stowe noted there would be state law and hold harmless considerations.

Mr. Mumm proposed topics for next workshops:

- Asset inclusion
- Board expansion

2. Public Comments – No comments from the public were received.

An updated revised meeting schedule was presented:

- **Week of November 27:** No formal meetings. Individual calls/interviews (Jason will schedule).
- **Week of December 4:**
 - December 4, 11:00 a.m.-1:00 p.m., DMWW (working lunch)
 - December 6, 7:30 a.m., Urbandale City Hall
 - December 6, 4:00-6:00 p.m., DMWW
- **Week of December 11:**
 - December 14, 4:00-6:00 p.m., DMWW (report out)
 - December 15, 7:30 a.m., Urbandale City Hall

Meeting ended at 6:06 p.m.