Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

MINUTES OF THE
WORKSHOP
OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, SEPTEMBER 2, 2015
10:00 A.M.

DIRECTORS PRESENT:
Michael Camacho, Vice President
Terry Catlin, President
Steven J. Elie, Secretary/Treasurer
Jasmin A. Hall

DIRECTOR ABSENT:
Gene Koopman

STAFF PRESENT:
P. Joseph Grindstaff, General Manager
Chris Berch, Executive Manager of Engineering/Assistant General Manager
Christina Valencia, Chief Financial Officer/Assistant General Manager
Pietro Cambiaso, Supervisor-Environmental Compliance and Energy
Javier Chagoyen-Lazaro, Manager of Finance and Accounting
Jason Gu, Grants Officer
Paula Hooven, Financial Analyst II
Alex Lopez, Senior Financial Analyst
Jeff Noelte, Deputy Manager of Technical Services
Jesse Pompa, Senior Associate Engineer - PE
Jeannette Smith, Accountant I
Shaun Stone, Manager of Engineering
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT:
Jean Cihigoyenetche, Cihigoyenetche, Grossberg, and Clouse

A meeting of the Board of Directors of the Inland Empire Utilities Agency* was held at the office of the Agency, 6075 Kimball Avenue, Bldg. A., Chino, California on the above date.

President Catlin called the meeting to order at 10:03 a.m., and he led the pledge of allegiance to the flag. A quorum was present.

President Catlin stated that members of the public may address the Board. There was no one desiring to do so.

President Catlin asked if there were any changes/additions/deletions to the agenda. There were no changes/additions/deletions to the agenda.

*A Municipal Water District

1. **ENERGY MANAGEMENT PLAN WORKSHOP**

Supervisor-Environmental Compliance and Energy, Pietro Cambiaso gave a PowerPoint presentation on the Energy Management Plan (EMP). He stated that the purpose of the workshop is to introduce the Energy Management Plan (EMP). He discussed the Plan's goals and objectives and how these goals and objectives will be achieved in a cost-effective manner. He said that the EMP is a comprehensive and detailed plan for each facility. He focused on the current energy usage. Mr. Cambiaso stated that over the last six years, the energy usage at the Agency has been steady overall. It dropped in 2009, with the implementation of Fuel Energy Efficiency Project at RP-1 and the IERCF. Since then it has been increasing primarily due to usage from recycled water pumping, which is consistent with the recycled water usage. He noted that the annual peak demand for 2013/14, may change between 8,000 and 10,000 kW, basically a change within 20% for the year. He also stated that daily peak demands could change within the same 24 hours. This is critical if the Agency wants to achieve peak power independence, because the Agency would have to be sure that we have an export agreement with Edison, or the Agency has an option to store the energy through the energy storage, and move the peaks to other days. Currently, the Agency has several renewable projects, and overall the projects are meeting the peak demand goal by 60-70%. Mr. Cambiaso reported that over the last few months, the Renewal Energy Efficiency Project (REEP) is being commissioned and for now, it looks to be achieving the goal. Mr. Cambiaso reported RP-1 is close to peak generation, and sometime within the year, the Agency may be allowed to export. He stated that the only site that the Agency may have a gap between the demand and the generation is RP-4. He further stated that one of the benefits of the renewable project is the Green House Gas (GHG) reduction achieved for the last six years. The Agency was able to achieve approximately 36%. It is not required to report and track the GHG emissions; however, after the Agency becomes a registered member of the Climate Registry, the emissions will be verified, which is required for Cap-and-Trade funding. He stated for the remaining GHG emissions, 50% is from energy purchase, and the remaining is from combustion of non-renewable and renewable sources of biogas digestion.

Senior Associate Engineer – PE, Jesse Pompa continued the PowerPoint presentation discussing the demand forecast and how the proposed EMP will allow the Agency to achieve the peak power independence goal by 2020. He stated that another component of the EMP was looking at facility assessments, which meant taking a detailed look at all the Agency's treatment plants and the composting facility. Staff looked at the following: What renewable resources does the Agency currently have on site? Is the Agency optimizing the digester gas production on site? What is the load demand for each facility – how does it vary throughout the year? How do we procure the electricity and the natural gas at each site? How are we taking advantage of the demand response capabilities – could we expand them if possible? He reported that for each site a 20-year energy forecast was generated, and incorporated information from the Wastewater Facilities Master Plan and the Ten Year Capital Improvement Plan, to include any projects that were coming on line over the next 20 years. From that, staff looked at potential energy projects that could be implemented on a site specific basis, based on feasibility and cost-effectiveness. Based on that analysis, staff determined if projects were not feasible, should be slated for further analysis, or moved into short or long term goals for the Agency. Mr. Pompa reviewed the short-term goal projects, which are achievable within the next three years, and that sufficient planning efforts have been completed to become comfortable with implementation. He stated that several of the projects were the results of comprehensive energy audits that were conducted by the Energy Network at no cost to the Agency. The total anticipated capital costs for the short-term goal projects is $2,825,000, and some of the projects will qualify for funding assistance. He noted that the payback of the efficiency projects would generally be within the next 5-7 years, and would reduce the demand approximately 15%. Mr. Pompa provided the forecasting demands for over the next 20 years for the Agency total power demand. He stated that this is a representation of meeting the peak power demand by 2020. Mr. Pompa highlighted a couple of the long-term goal projects, which are ones that require more planning to implement or will be outside the three-year window. Mr. Pompa discussed staff's recent efforts; such as completed energy audits, identified efficiency measures, developed an Energy Storage Agreement, and currently evaluating the microturbine project. The next step will be to implement goals and strategies identified, complete a Programmable EIR, and update the EMP every two years.

Director Camacho left the meeting room at 10:20 a.m.
Director Camacho entered the meeting room at 10:24 a.m.

2. <u>LONG RANGE PLAN OF FINANCE WORKSHOP</u>

Manager of Finance and Accounting, Javier Chagoyen-Lazaro gave a PowerPoint presentation on the 2016 Long Range Plan of Finance. Mr. Chagoyen-Lazaro stated an element of long term financial planning is identifying and planning for potential changes in economic or environmental conditions that may negatively impact the Agency's financial stability. He provided different scenarios and assumptions to "stress test" the Agency's financial strength for FYs 2015/16 through 2024/25. He stated that the adopted Biennial Budget and Ten Year Capital Improvement Plan (TYCIP) serves as the "baseline" for comparing three scenarios that will significantly change some of the Agency's major funding sources. For each scenario, the fiscal impact on the Agency's program fund reserves and total debt coverage ratio were identified, along with some of the potential remedies for recovering the projected funding shortfalls.

Mr. Chagoyen-Lazaro stated that the Scenario 1 (50% reduction in growth beginning FY 2015/16), assumes an economic downturn, which results in a slowdown in new development and a reduction of 50% in number of connections for both wastewater and water over the Agency's 10-year forecast. The loss of connection fee revenues will adversely impact all of the Agency's program funds reserves, and the allocation of connection fees will be cut in half. He listed some of the remedies, such as: actively pursue all grant opportunities available to support projects included in the TYCIP; additional annual rate increase for wastewater connection fees and water connection fees, add a surcharge on the monthly volumetric EDU rate; and a possible capital call from member agencies to support critical construction projects. Scenario 1 will fund both the reserve level and total DCR, restoring total fund balance to the Baseline level.

Mr. Chagoyen-Lazaro stated that Scenario 2 (100% shift of property taxes by the State beginning FY 2018/19), only considers the loss of approximately $331 million in property taxes through FY 2024/25, and not the compounding impact of an economic downturn to other funding sources. He stated that the only exception is the early retirement of the $125 million 2008A Bonds that will be included as one of the potential remedies to mitigate the estimated loss. He noted that in Scenario 2, the Agency program funds with the highest allocation of property taxes are the hardest hit. He listed some of the remedies, such as: actively pursue all grant opportunities available to support projects included in the TYCIP; no early repayment of the $125 million 2008A Bonds for a favorable cash flow of approximately $88 million over the ten year period; higher annual increases for wastewater and water connection fees; and imported water (meter unit equivalent) rates. Scenario 2 will improve and recover the reserve balances for all program funds to the level close to the Baseline scenarios.

Mr. Chagoyen-Lazaro stated that Scenario 3 (50% reduction in growth and 50% reduction property taxes) assumes a 50% shift in property taxes by the State beginning in FY 2018/19. The shift aligns with the expiration of the temporary state tax increases approved under Proposition 30. Also, a 50% reduction in the number of new connections for both wastewater and water is assumed from the slowdown in new development as a result of an economic downturn. He listed some of the remedies, such as: actively pursue all grant opportunities available to support projects included in the TYCIP; no early repayment of the $125 million 2008A Bonds for favorable cash flow of approximately $88 million over the ten year period; higher annual rate increase for wastewater connection fees; a possible demand deficit capital call from member agencies to support critical construction projects; and an increase in monthly volumetric EDU rates. Scenario 3 will help bring total fund balances and DCR close to the Baseline level.

Mr. Chagoyen-Lazaro reported that the next steps are finalizing the water rates, adoption of the Energy Management Plan, completion of the IRP, schedule a Property Tax Workshop, and follow-up on the Long Range Plan of Finance workshop.

With no further business, President Catlin adjourned the meeting at 11:05 a.m.

Steven J. Elie, Secretary/Treasurer

APPROVED: October 14, 2015