



## **Regional Sewerage Program Policy Committee Meeting**

### **AGENDA**

**Thursday, March 3, 2016**

**4:30 p.m.**

#### **Location**

Inland Empire Utilities Agency  
6075 Kimball Avenue  
Chino, CA 91710

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**Call to Order and Roll Call**

**Pledge of Allegiance**

**Public Comment**

- 1. Technical Committee Report – Ryan Shaw (Oral)**
- 2. Approval of Minutes**
  - A. Minutes of November 4, 2015 Joint IEUA Board and Policy Committee Workshop
- 3. Action Items**
  - A. Recycled Water Policy Principles (Written)
- 4. Informational Items**
  - A. Regional Contract Amendment
- 5. Receive and File**
  - A. RP-1/RP-5 Predesign Report
  - B. JCSD Recycled Water Term Sheet
  - C. Mid-Year Building Activity Update
  - D. Recycled Water Distribution – Operations Summary
  - E. Energy Management Plan
  - F. Recycled Water Semi-Annual Update
  - G. Organics Diversion Feasibility Study
  - H. Septic Area Analysis
  - I. IEUA Storage Agreement
  - J. El Nino Preparation
  - K. Regional Contract Audit Notification Process

Special Regional Sewerage Program Policy Committee Meeting Agenda  
March 3, 2016  
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**6. Other Business**

- A. IEUA General Manager's Update
- B. Committee Member Requested Agenda Items for Next Meeting
- C. Committee Member Comments
- D. Next Meeting – April 7, 2016

**7. Adjournment**

**DECLARATION OF POSTING**

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I, Laura Mantilla, Executive Assistant of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Monday, February 29, 2016.



Laura Mantilla

**APPROVAL OF  
MINUTES**

**2A**



**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

## **Regional Sewerage Program Policy Committee Meeting**

### **MINUTES OF November 4, 2015 MEETING**

#### **CALL TO ORDER**

A special meeting of the IEUA/Regional Sewerage Program – Policy Committee was held on Wednesday, November 4, 2015, at the Inland Empire Utilities Agency located at 6075 Kimball Avenue, Chino, California. Jim Bowman, City of Ontario, called the meeting to order at 11:30 a.m.

#### **ATTENDANCE**

##### **Committee Members:**

Eunice Ulloa	City of Chino
Jesse Sandoval	City of Fontana
Tricia Martinez	City of Montclair
Jim Bowman	City of Ontario
Debbie Stone	City of Upland
James Curatalo	Cucamonga Valley Water District
Terry Catlin	Inland Empire Utilities Agency

##### **Absent Committee Members:**

Peter Rogers	City of Chino Hills
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##### **Others Present:**

Ryan Shaw	City of Ontario
John Bosler	Cucamonga Valley Water District
Christina Valencia	Inland Empire Utilities Agency
Chris Berch	Inland Empire Utilities Agency
P. Joseph Grindstaff	Inland Empire Utilities Agency
Sylvie Lee	Inland Empire Utilities Agency
Melinda J. Temblador	Inland Empire Utilities Agency

#### **PLEDGE OF ALLEGIANCE**

Committee Member Jim Bowman, City of Ontario led those present in the Pledge of Allegiance.

#### **PUBLIC COMMENTS**

There were no public comments.



**1. TECHNICAL COMMITTEE REPORT**

Ryan Shaw/City of Ontario gave a brief update on the Regional Technical Committee meeting, stating that the committee neither approved, nor adopted, the Recycled Water Policy Principles. However, with the exception of Principle 3.2 which is still under discussion and revision, the Technical Committee is in support of the remaining Policy Principles as presented today.

**2. APPROVAL OF MINUTES****A. Minutes of August 5, 2015 Special Joint IEUA Board and Regional Policy Committee Meeting**

**Motion:** By Debbie Stone/City of Upland and seconded by Jesse Sandoval/City of Fontana to approve the minutes of the August 5, 2015 Meeting Special Joint IEUA Board/Regional Policy Committee meeting.

**Motion carried:** Unanimously.

**3. ACTION ITEMS****A. Recycled Water Policy Principles**

Sylvie Lee/IEUA reviewed the Recycled Water Policy Principles and requested comments and recommendations from the Policy Committee for IEUA Board consideration and approval, with the understanding that item 3.2 regarding entitlement is the one remaining item still under discussion. IEUA staff will continue conversation with the Technical Committee over the next several months to reach a consensus on the language and will bring the item back to the Policy Committee in the future. Debbie Stone/City of Upland agreed that more time was needed to discuss the remaining item, otherwise she was in support of the balance of the principles. Jim Bowman/City of Ontario also agreed, and there being no other comments or questions, it was the consensus of the Policy Committee to review the item in the future after refinement of item 3.2.

**4. INFORMATIONAL ITEMS**

**None.**

**5. RECEIVE AND FILE ITEMS****A. Building Activity Report (YTD)**

The Building Activity Report (YTD) was received and filed by the Committee.

**B. Recycled Water Operations Summary**

The Recycled Water Operations Summary was received and filed by the Committee.

**C. Annual Water Use Report**

The Annual Water Use Report was received and filed by the Committee.

**D. Ten-Year Growth Forecast**

The Ten-Year Growth Forecast was received and filed by the Committee.

**E. Conservation Program Update**

The Conservation Program Update was received and filed by the Committee.

**F. Energy Management Plan**

The Energy Management Plan was received and filed by the Committee.

**G. 4<sup>th</sup> Quarter Budget Variance**

The 4<sup>th</sup> Quarter Budget Variance was received and filed by the Committee.

**6. OTHER BUSINESS**

**A. IEUA General Manager's Update**

P. Joseph Grindstaff had no updates to report.

**B. Committee Member Requested Agenda Items for Next Meeting**

None.

**C. Committee Member Comments**

None.

**D. Next Meeting – December 3, 2015**

**7. ADJOURNMENT - Meeting was adjourned at 11:40 a.m.**

Transcribed  
by:

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Melinda J. Temblador  
Administrative Coordinator, IEUA

**ACTION  
ITEM**

**3A**

Date: March 3, 2016  
To: Regional Committees  
From: Inland Empire Utilities Agency  
Subject: Recycled Water Policy Principles

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### **RECOMMENDATION**

It is requested that the Regional Committees provide recommendation for IEUA Board's consideration and approval on the following items:

1. Recycled Water Policy Principles, and
2. Development of Regional Contract Amendment with the proposed Recycled Water Policy Principles.

### **BACKGROUND**

The Inland Empire Utilities Agency (IEUA) and its contracting agencies have developed a successful regional Recycled Water Program for both direct use and groundwater recharge. In 2000, the region identified that recycled water use was a critical component in drought-proofing and maintaining its economic growth. With imported water rates increasing and long-term imported supply reliability in decline, the region committed to aggressively and proactively develop local water supplies to offset these impacts. This set the path for the development of a regional recycled water distribution system.

While the foundational commitment to beneficial reuse of recycled water has remained unchanged, some fundamental concepts have been questioned over the past few years, particularly since 2011. This has resulted in the region working together to develop Recycled Water Policy Principles to address the changes since the inception of the program. The region's goal to maximize the beneficial use of recycled water has not changed. However, the commitment to connect additional recycled water users has stagnated over the past few years. At this time, several contracting agencies are struggling with the inherent conflict between use in excess of "base entitlement" (as defined by the Regional Sewage Service Contract) and the prioritization of direct use over groundwater recharge. The struggle has led some contracting agencies to be concerned about their local benefit and perceived inequities.

In order to move forward together as a region, it is appropriate to reevaluate and affirm the regional Recycled Water (RW) Policy Principles prior to implementing any remaining significant system improvements to the Recycled Water Program and to clarify how these principles will govern the future benefits received by all IEUA contracting agencies.

IEUA has been meeting with the contracting agencies for the last few years to develop modifications to the foundational principles. Subsequent to the Regional Technical Committee Meetings and Special Technical Committee Workshops held between July 2015 and January 2016, the agencies collectively provided input and guidance to finalize recommendations on the RW Policy Principles.

The proposed RW Policy Principles resulting from these discussions are summarized below and provided in the attachment in detail.

## **Recycled Water Policy Principles**

### **1. Maximize the beneficial use of recycled water to enhance local water resource availability and reduce reliance on imported water.**

1. IEUA will continue the development of the Regional Recycled Water infrastructure by providing equitable access for the contracting agencies to achieve reuse of 50,000 AF/year by 2025.
2. IEUA will pursue the long term acquisition of recycled water from out of service area sources to supplement the regional supply.
3. IEUA will pursue the long term transfer of recycled water from IEUA service area in exchange for supplemental water supply.
4. The parties acknowledge that IEUA is currently meeting the SAR Judgment obligation with recycled water.

### **2. Promote efficient application and use of recycled water as a reliable and fundamental component of drought-proofing the IEUA service area.**

1. Ensure efficient use of recycled water at the point of use, consistent with rules and expectations of responsible potable water use and laws governing the use of recycled water.

### **3. The regional recycled water entitlement will be based on the following:**

1. Contracting agency entitlement based on wastewater contribution, future external supplies and any acquisition of another contracting agency's unused entitlement.
  - i. This entitlement will be used for each contracting agency's Santa Ana River discharge obligations, direct use and /or regional recharge.
2. Contracting agency use above entitlement, as described in 3.1, will require replacement water (i.e., Stored water, surcharge, etc., acquisition of another contracting agency's unused entitlement, etc.), collected by IEUA, and passed on to contracting agencies with surplus entitlement.

- i. This entitlement may be used for Santa Ana River discharge obligations, direct use or regional recharge.
  - ii. If a contracting agency's current direct use exceeds entitlement, current direct use corresponding to existing customers will be temporarily substituted for entitlement until June 30, 2023, as defined in section 3.1. In addition, groundwater recharge allocations will be curtailed and redistributed to the other agencies under entitlement during the temporary period. Any new connections that require additional supplies above an agency's entitlement and the current grandfathered amount will require replacement water.
- 4. The regional recycled water system will be operated based on the following priorities for recycled water deliveries:**
  1. Minimal operational discharges (instrumentation, environmental obligations, etc.)
  2. Contracting agency deliveries
  3. Regional groundwater recharge
- 5. Meet peak recycled water direct demands through coordinated demand management of recycled water deliveries.**
  1. Large users will have pressure sustaining valves to ensure that overall regional demands are reliably met.
- 6. Maintain a financially viable recycled water program with rates that incentivize use of all available recycled water and that provides funding to achieve full cost-of-service for the recycled water program.**
  1. Set recycled water rates that cover the full cost of Operations & Maintenance (O&M) and Rehabilitation & Replacement (R&R) for the system.
- 7. Maximize the use of recycled water capital investments made by IEUA and its contracting agencies with recycled water use within the region.**
  1. Retail contracting agencies shall substantially fulfill prior recycled water connection commitments for all existing infrastructure.
  2. Firm contracting agency commitments for recycled water use will drive new regional investments.

The item will be presented to the Regional Technical Committee on January 28, 2016 and the Regional Policy Committee on February 4, 2016 for their consideration and recommendation to the IEUA Board.

The development of the Recycled Water Policy Principles is consistent with the *Agency's Business Goal* of increasing *Water Reliability* by meeting the region's need to develop reliable, drought-proof and diverse local water resources in order to reduce dependence on imported water supplies.

**PRIOR BOARD ACTION**

On November 4, 2015, the item was presented as an informational item to the Joint IEUA Board and Regional Policy Committee.

**IMPACT ON BUDGET**

There is no direct impact on the budget as a result of the adoption of the Recycled Water Policy Principles.

**ATTACHMENTS:** RW Policy Principles

## RECYCLED WATER POLICY PRINCIPLES

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### Introduction

The Inland Empire Utilities Agency (IEUA) and its contracting agencies have developed a successful regional Recycled Water Program for both direct use and groundwater recharge. As the Program continues to advance, it is important to summarize and update the history, operating philosophies, and policy principles on which the Program was founded.

In 2000, the region identified that recycled water use was a critical component in drought-proofing and maintaining its economic growth. With imported water rates increasing and long-term imported supply reliability in decline, the region committed to aggressively and proactively develop local water supplies to offset these impacts. This set the path for the development of a regional recycled water distribution system and a Recycled Water Implementation Plan.

The use of recycled water presented several advantages to the region: it is one of the most significant and underutilized sources of local water supply; it is reliable during drought and climate change conditions; and it requires significantly less energy than imported water to deliver to customers thus reduces greenhouse gas emissions. The development of recycled water is the cornerstone of a larger regional initiative to improve water supply reliability through enhanced local supplies. IEUA, in partnership with its contracting agencies and Chino Basin Watermaster (CBWM), invested over \$600 million over the last fifteen years in water recycling, conservation, recharge improvements, the MWD groundwater storage and recovery project, the Chino Desalter, and other water management programs. These programs collectively reduce the region's need for imported water especially during drought or conditions when imported water supplies are not available. In addition to the region switching large potable water users to recycled water, IEUA and CBWM obtained a landmark permit in 2005 for groundwater recharge using IEUA's high-quality recycled water.

By 2007, Southern California was experiencing one of its driest years with the potential for entering an extended drought period. The State of California subsequently made water recycling an important element of California's water supply policy and adopted a statewide goal of achieving 1,000,000 acre-feet (AF) of reuse by 2010. In response, in November 2007 IEUA and its contracting agencies unanimously adopted and committed to implement the Three Year Recycled Water Business Plan which laid out a focused and cost-effective approach to rapidly expand the availability and use of recycled water within IEUA's service area.

By 2014, over \$250 million has been invested into the implementation of a robust Recycled Water Program. The region has achieved Program success by leveraging heavily on grant funding and loans. With unanimous regional support, annual recycled water use grew from approximately 5,000 AF in FY 04/05 to over 38,500 AF in FY 13/14. Critical to the economical and efficient operation of the system, each contracting agency made commitments to complete initiatives with the goal to increase direct reuse within their service areas. While some contracting agencies accomplished or far exceeded their local goals, some contracting agencies have not been able to fully achieve their original commitments.



The region's goal to maximize the beneficial use of recycled water has not changed. However, the commitment to connect additional recycled water users has stagnated over the past few years. At this time, several contracting agencies are struggling with the inherent conflict between use in excess of "base entitlement" (as defined by the Regional Sewage Service Contract) and the prioritization of direct use over groundwater recharge. The struggle has led some contracting agencies to be concerned about their local benefit and perceived inequities.

In order to move forward together as a region, it is appropriate that we reevaluate and affirm the regional Recycled Water Policy Principles, in order to guide the updates to the Regional Sewer Service Contract, prior to implementing any remaining significant system improvements to the Recycled Water Program and to clarify how these principles will govern the future benefits received by all IEUA contracting agencies.

*These principles are not binding. These principles are intended to be a framework for the development of regional contract amendment.*

### **Recycled Water Policy Principles**

#### **1. Maximize the beneficial use of recycled water to enhance local water resource availability and reduce reliance on imported water.**

1. IEUA will continue the development of the Regional Recycled Water infrastructure by providing equitable access for the contracting agencies to achieve reuse of 50,000 AF/year by 2025.
2. IEUA will pursue the long term acquisition of recycled water from out of service area sources to supplement the regional supply.
3. IEUA will pursue the long term transfer of recycled water from IEUA service area in exchange for supplemental water supply.
4. The parties acknowledge that IEUA is currently meeting the SAR Judgment obligation with recycled water.

#### **2. Promote efficient application and use of recycled water as a reliable and fundamental component of drought-proofing the IEUA service area.**

1. Ensure efficient use of recycled water at the point of use, consistent with rules and expectations of responsible potable water use and laws governing the use of recycled water.

#### **3. The regional recycled water entitlement will be based on the following:**

1. Contracting agency entitlement based on wastewater contribution, future external supplies and any acquisition of another contracting agency's unused entitlement.
  - i. This entitlement will be used for each contracting agency's Santa Ana River discharge obligations, direct use and /or regional recharge.
2. Contracting agency use above entitlement, as described in 3.1, will require replacement water (i.e., Stored water, surcharge, etc., acquisition of another contracting agency's unused entitlement, etc.), collected by IEUA, and passed on to contracting agencies with surplus entitlement.

- i. This entitlement may be used for Santa Ana River discharge obligations, direct use or regional recharge.
  - ii. If a contracting agency's current direct use exceeds entitlement, current direct use corresponding to existing customers will be temporarily substituted for entitlement until June 30, 2023, as defined in section 3.1. In addition, groundwater recharge allocations will be curtailed and redistributed to the other agencies under entitlement during the temporary period. Any new connections that require additional supplies above an agency's entitlement and the current grandfathered amount will require replacement water.
4. **The regional recycled water system will be operated based on the following priorities for recycled water deliveries:**
  1. Minimal operational discharges (instrumentation, environmental obligations, etc.)
  2. Contracting agency deliveries
  3. Regional groundwater recharge
5. **Meet peak recycled water direct demands through coordinated demand management of recycled water deliveries.**
  1. Large users will have pressure sustaining valves to ensure that overall regional demands are reliably met.
6. **Maintain a financially viable recycled water program with rates that incentivize use of all available recycled water and that provides funding to achieve full cost-of-service for the recycled water program.**
  1. Set recycled water rates that cover the full cost of Operations & Maintenance (O&M) and Rehabilitation & Replacement (R&R) for the system.
7. **Maximize the use of recycled water capital investments made by IEUA and its contracting agencies with recycled water use within the region.**
  1. Retail contracting agencies shall substantially fulfill prior recycled water connection commitments for all existing infrastructure.
  2. Firm contracting agency commitments for recycled water use will drive new regional investments.

# Recycled Water Policy Principles



*Inland Empire Utilities Agency*

**A MUNICIPAL WATER DISTRICT**

IEUA Board of Directors Meeting

March 2016

# RW Policy Principles

- IEUA began discussions with member agencies in 2012
- Item was presented to the Policy Committee Dec 2014
- Discussions resumed in Jul 2015
- Item was presented to Technical Committee Oct 2015
- Item was presented to Policy Committee Nov 2015
- Based on member agency feedback, the revised RW Policy Principles are presented for consideration

# RW Policy Principles

## **1. Maximize the beneficial use of recycled water to enhance local water resource availability and reduce reliance on imported water.**

1. IEUA will continue the development of the Regional Recycled Water infrastructure by providing equitable access for the contracting agencies to achieve reuse of 50,000 AF/year by 2025.
2. IEUA will pursue the long term acquisition of recycled water from out of service area sources to supplement the regional supply.
3. IEUA will pursue the long term transfer of recycled water from IEUA service area in exchange for supplemental water supply.
4. The parties acknowledge that IEUA is currently meeting the SAR Judgment obligation with recycled water.

# RW Policy Principles

- 2. Promote efficient application and use of recycled water as a reliable and fundamental component of drought-proofing the IEUA service area.**
  1. Ensure efficient use of recycled water at the point of use, consistent with rules and expectations of responsible potable water use.



# RW Policy Principles

## **3. The regional recycled water entitlement will be based on the following:**

1. Contracting agency entitlement based on wastewater contribution, future external supplies and any acquisition of another contracting agency's unused entitlement.
  - i. This entitlement may be used for Santa Ana River discharge obligations, direct use and /or regional recharge.
  - ii. The parties acknowledge that the obligation created by the SAR judgment is a regional obligation.

# RW Policy Principles

3. ... continued
2. Contracting agency use above entitlement, as described in 3.1, will require replacement water (ie. Stored water, supplemental water, surcharge, acquisition of another contracting agency's unused entitlement, etc...) be passed on to contracting agencies with surplus entitlement, with the exception of the below in 2.ii.
  - i. This entitlement may be used for Santa Ana River discharge obligations, direct use or regional recharge.
  - ii. If a contracting agency's current direct use exceeds entitlement, current direct use corresponding to existing customers will be temporarily substituted for entitlement until June 30, 2023, as defined in section 3.1. In addition, groundwater recharge allocations will be curtailed and redistributed to the other agencies under entitlement during the temporary period. Any new connections that require additional supplies above an agency's entitlement and the current grandfathered amount will require replacement water.



# RW Policy Principles

## **4. The regional recycled water system will be operated based on the following priorities for recycled water deliveries:**

1. Minimal operational discharges (instrumentation, environmental obligations, etc.)
2. Contracting agency deliveries
3. Regional groundwater recharge

# RW Policy Principles

- 5. Meet peak recycled water direct demands through coordinated demand management of recycled water deliveries.**
  1. Large users will have pressure sustaining valves to ensure that overall regional demands are reliably met

# RW Policy Principles

- 6. Maintain a financially viable recycled water program with rates that incentivize use of all available recycled water and that provides funding to achieve full cost-of-service for the recycled water program.**
  - 1. Set recycled water rates that cover the full cost of Operations & Maintenance (O&M) and Rehabilitation & Replacement (R&R) for the system.**

# RW Policy Principles

**7. Maximize the use of recycled water capital investments of IEUA and its contracting agencies with recycled water use within the region.**

- 1. Retail contracting agencies shall substantially fulfill prior recycled water connection commitments for all existing infrastructure.**
- 2. Firm contracting agency commitments for recycled water connections will drive new regional investments.**

# Implementation of RW Policy Principles

- Beginning July 1, 2016:
  - Base entitlement will be established (Policy Principle 3.1)
    - Based on wastewater contribution until the Santa Ana River obligation requires the wastewater discharge to meet the judgement obligation (17,000 AFY) or until regional contract is renewed
  - For use above entitlement, conditions will be based on Policy Principle 3.2
    - If a contracting agency's current direct use exceeds entitlement, FY 14/15 direct use corresponding to existing customers will be substituted for entitlement until June 2020.

# Next Steps

- **January - February 2016: Technical/Policy Committee**
  - Action Item: RW Policy Principles
- **March 2016: IEUA Board**
  - Resolution for Amendment of Regional Contract for RW
- **April – May 2016: Technical/Policy Committee**
  - Regional Contract Recommendation for Approval
- **June 2016: IEUA Board**
  - Adoption of Regional Contract Amendment for RW





# Recommendations

## Regional Contract Amendment

1. Recommend for approval RW Policy Principles as Developed
2. Initiate Development of Regional Contract Amendment based on RW Policy Principles



**INFORMATION  
ITEM**

**4A**



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Date: March 3, 2016  
To: Regional Committees  
From: Inland Empire Utilities Agency  
Subject: Regional Sewage Service Contract Revision

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### **RECOMMENDATION**

This is an informational item for the Regional Committees regarding the Regional Sewage Service Contract Revision.

### **BACKGROUND**

In July 1972, the Inland Empire Utilities Agency (IEUA) and the Regional Contracting Agencies (Member Agencies) entered into the Regional Sewage Service Contract (the Contract). Since that time, the Contract has been amended in April 1984 and again in October 1994. In its current state, the Contract itself consists of eighty-seven pages with an additional ten exhibits ("A" through "J"), a Regional Pretreatment Agreement and Wastewater Ordinance that are essential components of the Contract.

The IEUA has evolved dramatically since the inception of the Regional Program. Producing high-quality renewable products such as recycled water, compost, and energy have become core business objectives, to name just a few. During this period, new policies and procedures have been implemented to accommodate the changing environment and reflect improved effectiveness and efficiencies of the Regional Program.

The Contract in its current state does not accurately reflect the IEUA's expanded operations, nor does it concisely follow IEUA business practices and key policy principles. There is a need to streamline the Contract for procedures, language and better understanding. As a result, the contract needs to be revised to address the items mentioned above.

As previously discussed with the Regional Technical Committee (Committee), it is IEUA's goal to complete revisions to the Contract by January 2017. In order to meet this schedule the Agency is proposing monthly workshops with the Committee to develop language for the Contract revision. The meetings through April 2016 will be used to prepare a term sheet with key principles for developing revised contract language.

On February 10, 2016, IEUA and Committee members met to discuss what contract revisions are important to the committee and what policy elements would the committee like to be considered in the Contract rewrite. Several draft documents were provided including the Regional Wastewater Contract Term Sheet. The Committee was asked to review the documents and provide feedback prior to or during the February 25<sup>th</sup> Committee meeting.

**ATTACHMENTS:** Regional Wastewater Contract Term Sheet

## **REGIONAL WASTEWATER CONTRACT TERM SHEET**

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Inland Empire Utilities Agency and its Member Agencies agree to the following as the terms of wastewater service within the IEUA service area:

### **IEUA Rights and Responsibilities**

- IEUA is responsible for the collection and treatment of wastewater that is generated by its Member Agencies within the IEUA service area.
  - IEUA shall approve any new connections to the IEUA Regional Sewer System.
- IEUA will responsibly plan for current and future development needs and provide reliable wastewater treatment and service consistent with governing regulations.
- IEUA will be fiscally responsible in the planning and operation of its facilities.
  - IEUA Board will adopt rates and charges for services provided.
  - IEUA shall administer the collection of sewer fees.
  - IEUA shall have the right to audit member agency financials for the appropriate collection of IEUA rates and charges.
- IEUA will be the lead agency for the pretreatment program for industrial users.
- IEUA shall have final approval for any requests for services outside of IEUA service area.

### **Member Agency Rights and Responsibilities**

- Member Agencies are responsible for the operation and maintenance of their respective local sewer systems.
- Member Agencies are responsible for the payment of applicable IEUA rates and charges.
- Member Agencies via the Regional Committees shall provide recommendations on budgets and policy issues to the IEUA Board.
- Member Agencies shall have the right to audit IEUA financials and operation records for transparency.
- Member Agencies shall collaboratively work with IEUA to protect the treatment plants.

### **Contract Term**

- Term of Contract will be 50 years with 5 year reviews or as requested by MA's.

### **Exhibit**

- Service Area Map

### **IEUA Documents of Governance**

- Recycled Water Ordinance
  - Rate Resolutions
- Regional Wastewater Ordinance with the following Exhibits
  - Regional Pretreatment Program
  - Determination of Sewer Fees
  - Rate Resolutions

### **IEUA Business Practices**

- IEUA Business Goals
- IEUA Financial Plan
- IEUA Operating Budget
- IEUA Comprehensive Annual Financial Report
- Ten Year Capital Improvement Plan
- Asset Management Plan (AMP)
- Wastewater Facilities Master Plan (WFMP)
- Recycled Water Program Strategy (RWPS)

**RECEIVE AND  
FILE**

**5A**

# RP-1 & RP-5 Expansion Pre-Design Report

## Project Nos. EN16025 & EN16028

### February 2016 Update



Shaun J. Stone, P.E.,  
Manager of Engineering



**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

# RP-1 & RP-5 Expansion PDR

## Project Background

- Wastewater Facilities Master Plan (WFMP) completed April 2015

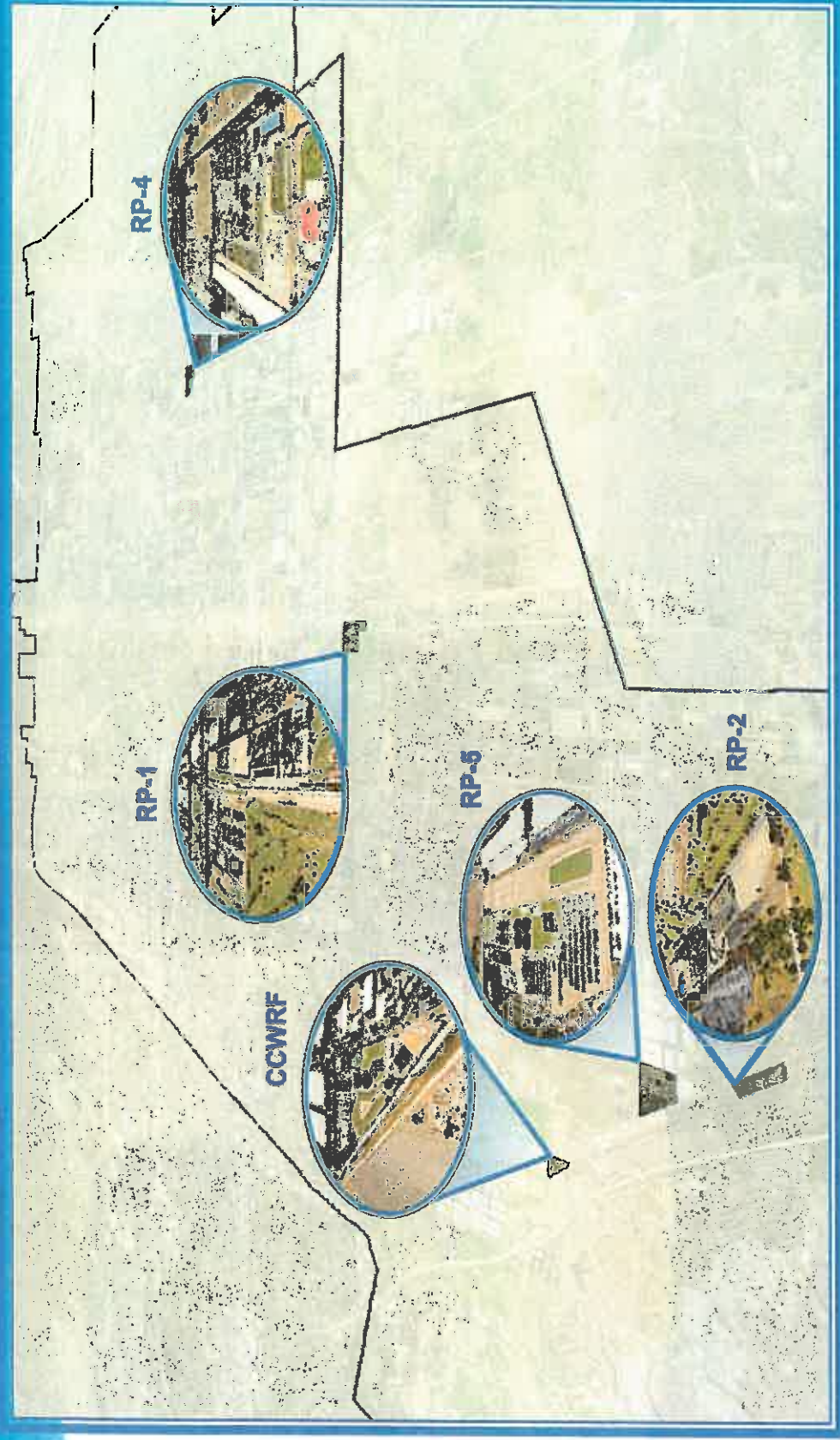
Forecasted Influent Sewer Flows for RP-1 & RP-5				
Facility	Existing Capacity	2035 Flow	2060 Flow	Capacity Exceeded
RP-1	32 MGD*	33.1 MGD	36.3 MGD	2030
RP-5	15.0 MGD	20.2 MGD	27.2 MGD	2025

\* 2015 Wastewater Facilities Master Plan Modeled Capacity with Installation of MLR Pumps

- Requirement to expand RP-1 by 2030
- Requirement to expand RP-5 by 2025
- Relocate RP-2 to new RP-5 Solids Treatment Facility prior to USACE completing project to raise elevation of Prado Dam Spillway.



# Project Locations



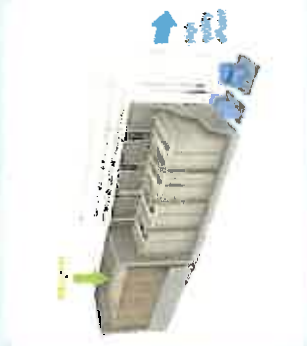


# Project Scope

One PDR with three  
separate volumes



RP-5  
Solids Treatment  
Facility



RP-5 Liquids  
Treatment  
Expansion



RP-1 Liquids &  
Solids Treatment  
Expansion

# Project Schedule



# Project Budget

Description	Projected Cost
Parsons Pre-Design Fee	\$2,431,598
Project Management (Est. Internal Labor)	\$650,000
<b>Total</b>	<b>\$3,081,598</b>
<b>Total Project Budget</b>	<b>\$5,000,000</b>

- Project is eligible for \$3M SRF Planning Loan

# Questions



**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

**RECEIVE AND  
FILE**

**5B**

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Date: March 3, 2016  
To: Regional Committees  
From: Inland Empire Utilities Agency  
Subject: Term Sheet for Recycled Water (RW) Interconnection with Jurupa  
Community Services District (JCSD)

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### **RECOMMENDATION**

This is an informational item for the Regional Committees to review.

### **BACKGROUND**

The item was presented as an action item at the IEUA Board of Directors meeting on November 18, 2015.





**Inland Empire Utilities Agency**  
**A MUNICIPAL WATER DISTRICT**

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**Date:** November 18, 2015

**To:** The Honorable Board of Directors

**Through:** Public, Legislative Affairs, and Water Resources Committee (11/11/15)  
Engineering and Operations Committee (11/11/15)  
Finance, Legal and Administration Committee (11/11/15)

**From:** P. Joseph Grindstaff  
General Manager

**Submitted by:** Chris Berch  
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee  
Manager of Planning and Environmental Resources

**Subject:** Term Sheet for Recycled Water (RW) Interconnection with Jurupa  
Community Services District (JCSD)

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**RECOMMENDATION**

It is recommended that the Board of Directors:

1. Approve the Term Sheet between Inland Empire Utilities Agency (IEUA) and JCSD for the development of a RW Interconnection; and
2. Authorize the General Manager to make non-substantive changes and execute the final Term Sheet.

**BACKGROUND**

In August 2013, IEUA began working on two of its long term planning initiatives; the Integrated Resources Plan (IRP) and Recycled Water Program Strategy (RWPS). Several conceptual projects have been identified in the IRP, including RW interties to supplement RW for the IEUA service area. As the RW system is being planned for growth and demand management, interties with neighboring agencies are being considered to maximize the beneficial use of RW.

One project that is being considered for the RW intertie is the recycled water from Western Riverside County Regional Wastewater Authority (WRCRWA). JCSD and Western Municipal Water District (WMWD) provide their sewage to WRCRWA for treatment, and the WRCRWA produces tertiary treated recycled water. This project would include a new connection between the existing IEUA recycled water system and the proposed WRCRWA RW system.

Over the past eighteen months, IEUA has been working with JCSD on a potential recycled water interconnection opportunity. In August 2014, a Memorandum of Understanding (MOU) was developed to initiate the planning process of creating alternative approaches in determining the long term water supply options for IEUA and the expansion of the recycled water system. Based on the results of the initial feasibility study and hydraulic modeling, 4,000 Acre Feet per Year (AFY) would be made available for the RW Interconnection Project.

Since then, staff has been working on developing a Term Sheet for the RW Interconnection, with a particular focus to submit a State Revolving Fund Loan Application utilizing the Proposition 1 funding opportunity by December 2, 2015. Key terms included in the Term Sheet are provided below:

- JCSD will develop 800 AFY of direct use.
- JCSD will deliver 4,000 AFY ultimately to the IEUA RW system, of which JCSD will receive 50% as recharge water credit in the Chino Basin.
- Capital costs for facilities will be paid based on the project benefit.
- Pending completion of this project, the previous MZ-3 agreement with JCSD (benefit of 950 AFY) will be modified to have a sliding scale benefit through the end of its term based on the total volume that is recharged in MZ-3.
- JCSD will pay for the groundwater recharge (GWR) maintenance charge (as adopted by the IEUA Board) currently at \$60/AF of RW recharged.
- For the first ten years, the O&M costs associated with additional RW pumping from RP-1 to GWR (approximately \$50/AF) will not be charged to JCSD. Following this time period, JCSD will fund the pro-rata portion of recycled water pumped from RP-1 to the 1158 pressure zone. The time period may be modified as part of the formal Agreement based on the expected pumping costs determined in the predesign report.
- IEUA and JCSD will be mutually responsible for any WRCRWA administrative or operational charges at the WRCRWA facility, on a pro-rata basis.

The current estimated total project cost for the project is \$52.46 million. IEUA's portion of the project cost is estimated to be \$13 million, and JCSD's share of the project costs is \$39 million. With Proposition 1 funding, the project is also eligible for a maximum principal forgiveness in the amount \$15 million. This project demonstrates the integrated regional approach of RW supply optimization.

This Term Sheet is consistent with the *Agency's Business Goal* of increasing *Water Reliability* by meeting the region's need to develop reliable, drought-proof and diverse local water resources in order to reduce dependence on imported water supplies.

### **PRIOR BOARD ACTION**

On August 20, 2014, the Board approved the MOU with JCSD and WMWD for the RW Interconnection project.



### **IMPACT ON BUDGET**

The Joint IEUA - JCSD Regional Water Recycling Program currently has a total project budget of \$10,000,000 in IEUA's Ten-Year Capital Improvement Plan (TYCIP). IEUA's total project share will be \$13,000,000, less approximately \$4,000,000 in principle forgiveness. The application would request \$52,460,000 in CWSRF funding.

Of the total project costs of \$52,460,000, JCSD's cost for this project is approximately \$39 million, less approximately \$11,000,000 in principle forgiveness.

	Anticipated Project Cost*		Anticipated Principle Forgiveness*		Net Project Cost*		Project Budget*
IEUA	\$	13 M	\$	4 M	\$	9 M	\$ 10 M
JCSD	\$	39 M	\$	11 M	\$	28 M	N/A
	\$	52 M	\$	15 M	\$	37 M	N/A

\*Numbers are rounded

Attachment: Term Sheet with JCSD

Jane F. Anderson, President  
Chad Blais, Vice President  
Kenneth J. McLaughlin, Director  
Betty A. Anderson, Director  
Joan E. Roberts, Ph.D., Director



**November 24, 2015**

**Joe Grindstaff  
Inland Empire Utilities Agency  
P O Box 9020  
Chino Hills CA 91709**

**Re: Term Sheet for the Joint Inland Empire Utilities Agency-Jurupa Community Services District (IEUA-JCSD) Regional Water Recycling Program**

At its meeting of November 23, 2015, the Board of Directors approved the Term Sheet between IEUA and JCSD for the development of a recycled water interconnection and delivery pipelines; and authorized the General Manager to execute the Term Sheet, subject to non-substantive changes. Enclosed please find a fully-executed original for your records.

If you have questions pertaining to the content of the Term Sheet, please contact Robert Tock, Director of Engineering & Operations, at (951) 685-7434.

**Sincerely,**

A handwritten signature in blue ink that reads "Rosemary Hernandez".

**Rosemary Hernandez  
Administrative Assistant**

**Enclosure**

**cc: Michelle Lauffer (w/o enc.)**

**JOINT IEUA – JCSD REGIONAL WATER RECYCLING PROGRAM PROJECT**  
**INTERCONNECTION CONSTRUCTION AND OPERATING TERM SHEET BETWEEN INLAND EMPIRE**  
**UTILITIES AGENCY AND JURUPA COMMUNITY SERVICES DISTRICT**

The Inland Empire Utilities Agency (Agency) and Jurupa Community Services District (District) (Collectively referred to as the Parties) agree to an “unbalanced exchange” regarding the conveyance of the District’s proportionate share of the Western Riverside County Regional Wastewater Authority (WRCRWA) treated wastewater effluent to the Agency for direct irrigation use by the Agency, as supply for the Agency’s Groundwater Recharge (GWR) program and corresponding District storage credits in Chino Basin. The recycled water will be conveyed through a series of pumping systems and pipelines (the Project) within the District and Agency service areas.

**Section 1. Recycled Water Supply Projections**

- A. It is understood that the following is the projected District proportionate share of WRCRWA treated wastewater:

Current Entitlement		Expansion Entitlement	
<u>Flow (mgd)</u>	<u>Volume/YR (AFY)</u>	<u>Flow (mgd)</u>	<u>Volume/YR (AFY)</u>
3.25	2600-3600	6.00	4800-6000

- B. It is acknowledged that this project is based on work to date regarding the current WRCRWA Petition for Change of Use (Discharge Permit) regarding releases to the Santa Ana River. This application is filed and well underway regarding required releases to the Santa Ana River. The final status or outcome is not known at present.
- C. District and Agency project available supply, at full development, estimated as follows:

District (Direct use)	800 AF/Year (16.6%)
Agency Deliveries	4000 AF/Year for use as:
1. Direct Use	2000 AF (41.7%); Use by Agency
2. Recharge	2000 AF (41.7%); District to receive recharge credits

- D. Both parties acknowledge that there are seasonal use aspects associated with recycled water deliveries for both direct use and recharge applications. Higher demands exist in the peak summer months while lower demands exist in the winter months. Both parties desire steady state daily flow availability (+/- 15%) because there is no reservoir storage contemplated in this project.
- E. In the event that the District identifies an opportunity to expand direct use in excess of the volume identified in Section 1C, the Agency and the District commit to meet and negotiate

reallocation/expansion terms in good faith consistent with this Term Sheet or the subsequent Agreement. Example: A connection between Ontario's future recycled water system and the District's Area B Development.

- F. Both parties acknowledge that Agency may request that Santa Ana River (SAR) discharges may be made in lieu of the Agency introducing reclaimed water into the Agency system as part of seasonal beneficial use. This is acceptable if coordinated with Section 2C, Beneficial Use, and Recharge Plan. District shall receive Recharge Credit as outlined in Section 1C.

## Section 2. Beneficial Use

- A. District will construct and convey recycled water for direct use by its large users within its retail water system.
- B. Agency will construct and convey recycled water for direct use, primarily within its lower 930 pressure zone.
- C. Agency will utilize existing infrastructure or construct necessary facilities for the introduction of this recycled water for recharge in the Chino Basin.
- D. Agency and District shall cooperatively develop, coincidental with the project design and commitments, a mutually-agreed upon plan through a Project Committee to maximize recharge primarily within the Chino Basin Management Zone 3. It is understood that this recharge plan may be phased in nature due to the concurrent planning and construction of recharge basins within the 2013 Chino Basin Recharge Master Plan Update.
- E. Agency and District acknowledge that , pending completion of Item D above, recharge capacity and other constraints may exist between this project and the provisions of the January 28, 2013 Management Zone 3 Recycled Water Groundwater Recharge Agreement (2013 Agreement). In consideration for the additional recharge associated with the Project, the maximum amount of groundwater recharge available through the 2013 Agreement will be amended as follows for the fiscal year immediately subsequent to the startup of the Project.

MZ-3 Recycled Water Recharge*	Maximum Eligible for RW Purchase Through 2013 Agreement
(AF/Yr)	(AF/Yr)
<4000	950
5000	850
6000	750
7000	650
8000	550
9000	450
10000	350

\*from prior year

**Section 3. Environmental, Pre- Design and Design**

- A. Parties acknowledge and agree to the current project description as contained in the Joint IEUA-JCSD Regional Water Recycling Program Project State Revolving Fund Loan/grant application. This is detailed as Alternative 4 table and map (Attachment A).
- B. Parties have mutually-funded and initiated the Preliminary Design Report under separate agreement. District has engaged the consultant in this work.
- C. District has completed required California Environmental Quality Act (CEQA Plus) documentation with Board of Directors acceptance on September 26, 2015. Agency and District shall coordinate funding at 50% each following the execution of this Term Sheet.
- D. District shall coordinate appropriate land at its existing American Heroes Park in support of this project during the design phase at no cost to the Parties. The design and construction of the pump station at the Park shall be completed with appropriate water conservation measures.
- E. The Agency shall lead the design effort for the Project. The selection of consultants shall be through a competitive solicitation process and led by the Agency with participation/input by the District.
- F. Parties agree to mutually fund project design in a pro-rata allocation as describe in Section 4 Construction and Ownership.
- G. Project management costs directly associated with the Project (project management, construction management, grants management, etc.) shall be included as actual project costs and as such, shall be subject to pro-rata funding as outlined in Section 4D.
- H. Design of Agency facilities shall be in conformance with Agency standards.
- I. Design of District facilities shall be in conformance with District standards.
- J. The Agency shall engage participation from the District throughout the design processes through the Project Committee.

**Section 4. Construction and Ownership**

- A. Parties acknowledge and agree that commitment to design and construction are subject to the successful obtainment of the Joint IEUA-JCSD Regional Water Recycling Program Project State Revolving Fund Loan/grant.
- B. It is contemplated, subject to further discussion, that the Project design will be conducted under one project award and subject to the same cost allocation as describe in Section 4D.
- C. Both parties agree that the final construction approach shall be performed with a mutual goal of efficient design and process in order to meet the commitments made through the Joint funding application. Determination of the number of bid packages and construction management leadership will be determined by the Agency and District concurrent with the design process, but prior to the finalization of the design.
- D. Capital Costs and ownership (Based on pro-rata volume methodology in Section 1C):

**Joint IEUA-JCSD RW Project Term Sheet**

<b>Facilities</b>	<b>District Share</b>	<b>Agency Share</b>
<b>WRCRWA Pump Station</b>	<b>58.3%</b>	<b>41.7%</b>
<b>Transmission Pipeline (WRCRWA-AHP)</b>	<b>58.3%</b>	<b>41.7%</b>
<b>Agency Booster Pump and Pipeline (AHP-930 PZ)</b>	<b>50.0%</b>	<b>50.0%</b>
<b>District Booster Pump and Pipeline (AHP-JCSD)</b>	<b>100.0%</b>	<b>0.0%</b>

- E. District shall operate and maintain the WRCRWA Pump Station, Transmission Pipeline (WRCRWA-American Heroes Park) and the District Pump Station and Pipeline to the retail area**
- F. Agency shall operate and maintain the Agency Pump and Pipeline from American Heroes Park to the 930 pressure zone connection point.**
- G. Agency and District coordination throughout the construction of the Project will be effectively communicated through the Project Committee.**

**Section 5. Operations and Maintenance Expenditures**

- A. Parties acknowledge and agree that the allocation and payment of annual operations and maintenance expenses shall on a pro-rata basis, consistent with that defined in Section 1C applied to actual expenditures.**
- B. District recognizes and agrees that there is a groundwater recharge maintenance charge (as adopted by the IEUA Board) currently at \$60/AF of recycled water recharged, that will be applied to the Project recharge.**
- C. Agency agrees that for the first 10-years, the O&M costs associated with additional recycled water pumping from RP-1 to GWR (approximately \$50/AF) shall not be charged to the District. Following this time period, the District will fund the pro-rata portion of recycled water pumped from RP-1 to the 1158 pressure zone. This time period (10-years) may be modified as part of the formal Agreement based on the expected pumping costs determined in the predesign report.**
- D. District shall coordinate electrical service for WRCRWA Pump Station and District distribution pumps at American Heroes Park.**
- E. Agency shall coordinate electrical service for the Agency Pump Station at American Heroe's Park.**
- F. Parties shall be mutually responsible (pro-rata Section 1C) for any WRCRWA administrative or operational charges at the WRCRWA facility.**
- G. Parties shall stay current on all operational billings and shall coordinate program reconciliations between the partnering agencies on a quarterly basis. Monthly reports shall include project expenditures, recycled water deliveries, and recharge credits.**
- H. Annual budgets and billings shall be reviewed by the Project Committee.**

**Section 6. Service Disruptions**

- A. District and Agency acknowledge that the provision of recycled water to this program is interruptible in nature. The supply is contingent on many factors including WRCRWA facility operations, and electrical service provision, which are provided by others.
- B. It is acknowledged that the current project does not include back-up power generation at any facilities.
- C. In the event of planned or unplanned supply disruptions, District shall make every reasonable effort to resume recycled water delivery as soon as possible and shall keep Agency informed as to the status of service.

**Section 7. Water Quality and Water Metering**

- A. District and Agency acknowledge that the water quality of the District wastewater shall comply with WRCRWA's Regional Water Quality Control Board Water reclamation requirements and Title 22 permits. Measurement shall be at the point of compliance at the WRCRWA facility.
- B. Water quality reports from WRCRWA shall be made available on an appropriate schedule.
- C. Agency is responsible to ensure that their direct use wholesale customers comply with all necessary regulatory and permit requirements for the application of the recycled water.
- D. Water deliveries shall be measured at the WRCRWA metering points within the facility and at American Heroes Park.
- E. Water quality and quantities shall be subject to review and validation by the Project Committee.

**Section 8. Financing**

- A. District hereby agrees to allow Agency to apply on District's behalf to the California State Revolving Fund Loan/grant program.
- B. Agency has negotiated an agreement with the Chino Basin Regional Financing Authority (CBRFA) that allows Agency to become the lead agency to apply for the above grant and CBRFA to administer the grant, if received.
- C. District shall annually appropriate funds for the repayment of the State Revolving Fund (SRF) Loan/Grant, if received.
- D. The District and the Agency may elect to pursue additional or alternate funding sources as otherwise agreed upon.

**Section 9. Term and Termination**

- A. It is contemplated that the SRF grant or Loan will have a repayment period of 30 years.
- B. This construction and operating agreement shall be for a period of 45 years, with automatic 10-year renewals unless either Party objects in writing.



- C. Each party shall have the right to terminate the agreement with a 3-year notice unless a shorter notice is mutually agreed upon in writing.
- D. The terminating party is responsible for repayment of the affected party's proportionate share of the project commitments that is outstanding at the time of termination.

**Section 10. Project Committee**

Consistent with the roles as defined within this Term Sheet, a Project Committee shall be established to ensure effective coordination between the Agency and District throughout the planning, design, construction and operation of the Project. The Project Committee shall be comprised of at least one leadership representative from each party. The Committee shall meet no less than twice per year to review Project design, construction, budgets, costs and operational coordination.

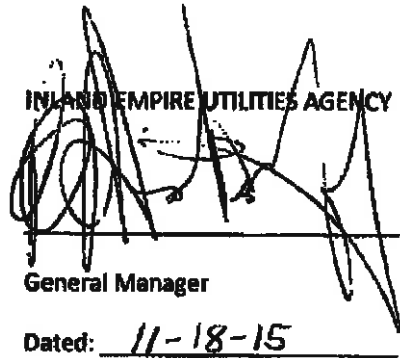
**Section 11. Preparation of an Agreement**

Both Parties agree to give best faith efforts to execute a formal Construction and Operations Agreement based on the terms identified herein within 180 calendar days, but no later than the award of a consultant design contract.

**Section 12. Contingent on Grant Funding and Change of Use Petition**

The obligations set forth in the formal Agreement shall not become effective, as to either party, unless and until the CBRFA executes a Grant Funding Agreement with the State of California which commits the delivery of grant funds to be applied to the Project as provided herein. In addition, project commitments shall be based on the successful issuance of a Change in Use permit regarding residual releases to the Santa Ana River.

**Section 13. Approval of Terms**

  
INLAND EMPIRE UTILITIES AGENCY  
General Manager  
Dated: 11-18-15

JURUPA COMMUNITY SERVICES DISTRICT

\_\_\_\_\_  
General Manager

Dated: \_\_\_\_\_

**Section 13. Approval of Terms**

**INLAND EMPIRE UTILITIES AGENCY**

\_\_\_\_\_  
**General Manager**

**Dated:** \_\_\_\_\_

**JURUPA COMMUNITY SERVICES DISTRICT**

  
\_\_\_\_\_

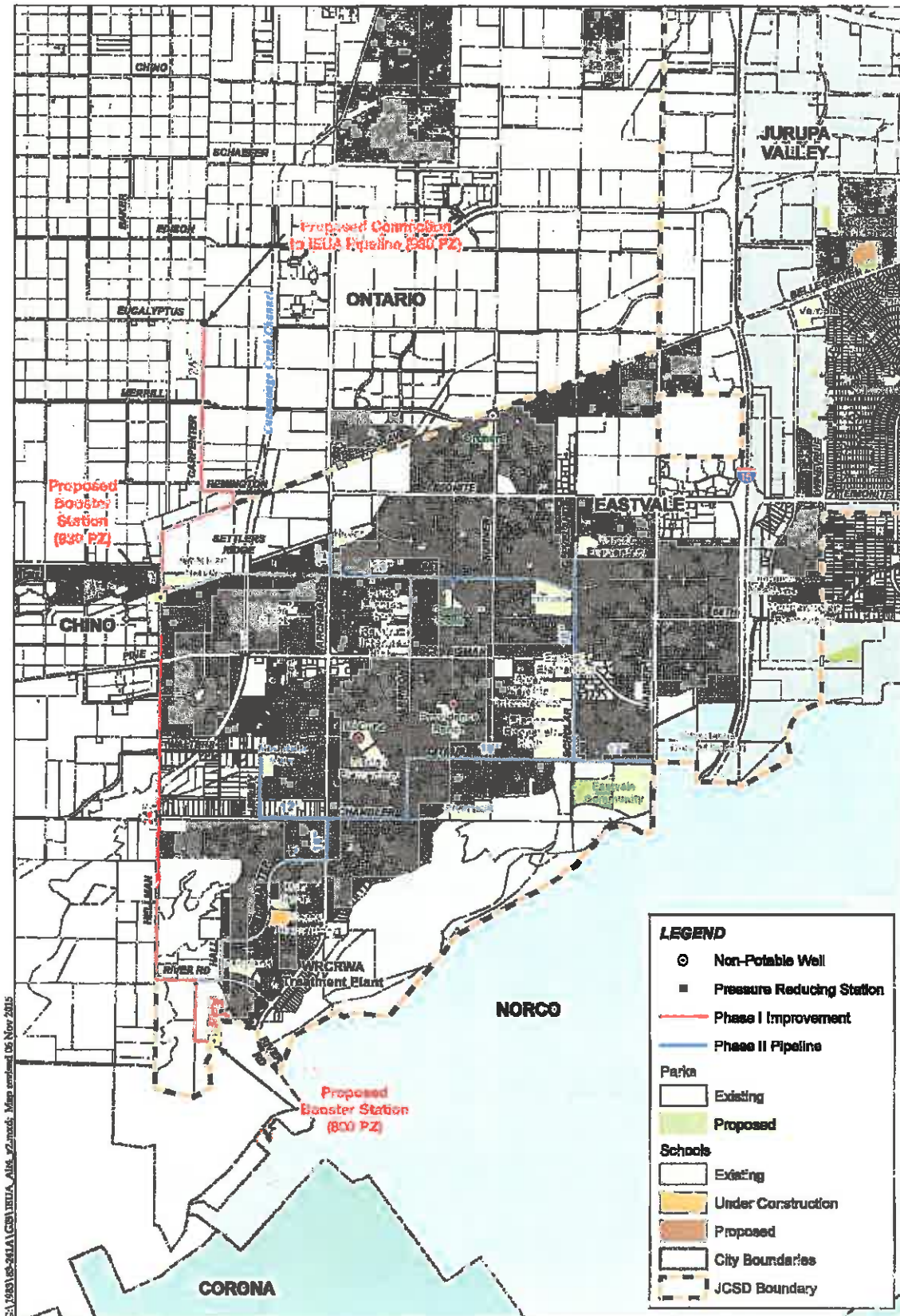
**Todd M. Corbin**  
**General Manager**

**Dated:** November 23, 2015

**ATTEST:**

  
\_\_\_\_\_

**Julie B. Saba**  
**Board Secretary**



CS:158318-241A1 C081 IEUA\_A104\_472.mxd, Map created 06 Nov 2015

Sources: Riverside Co. GIS, 2015; San Bernardino Co. GIS, 2015; Corona-Norco USD; Jurupa USD.



#### IEUA Alternative 4

No Reservoir Project - Future 800PZ Connection - Local 930PZ Connection

# Joint IEUA-JCSD RW Project Term Sheet

## EASTVALE RECYCLED WATER SYSTEM IEUA ALTERNATIVE 4 - OPTION 1 (NO IEUA RESERVOIR PROJECT - LOCAL & 300 PZ CONNECTION)

Phase	Facility	Estimated Construction Cost	Estimated Project Cost
I	Booster Station: from WRCRW Plant to 300 PZ POC on Pine Ave. (Approx. 750 HP) <sup>2</sup>	\$6,150,000	\$1,550,000
	24" Dia. Transmission Pipeline from WRCRW SS to 300 PZ POC on Pine Ave. (Approx. 16,300 LF)	\$5,940,000	\$8,320,000
	Sub-Total Phase I	\$12,090,000	\$16,870,000
II	24" Dia. Transmission Pipeline from Neilman Ave./Pine Ave. Intersection to SW Corner American Horse Park (Approx. 2,300 LF)	\$790,000	\$1,110,000
	30" Dia. 110 psi Distribution Pipeline, Section (Approx. 14,100 LF)	\$12,180,000	\$14,250,000
	42" Dia. Transmission Pipeline (200' Diameter) (Approx. 1,000 LF)	\$2,090,000	\$4,470,000
	Individual On-Site Infiltration Systems (Approx. 28 SAs)	\$470,000	\$490,000
	Sub-Total Phase II	\$15,530,000	\$20,460,000
III	Booster Station from SW Corner American Horse Park to 300 PZ POC (Approx. 750 HP) <sup>2</sup>	\$6,150,000	\$8,310,000
	24" Dia. Transmission Pipeline from SW Corner American Horse Park to 300 PZ POC (Approx. 11,800 LF)	\$4,800,000	\$6,480,000
	Sub-Total Phase III	\$10,950,000	\$14,790,000
TOTALS		\$38,570,000	\$52,490,000
			51.03% 72.37%

<sup>1</sup> Project cost is L10 times construction cost. Project cost includes: construction costs, construction contingencies, design engineering including plans and specifications, design and construction, surveying and mapping, geotechnical evaluation and reports, engineering contract administration, field inspection and environmental documentation. Costs are based on Engineering News-Record (ENR) Construction Cost Index for Angeles (ENR 10,611 - June 2015). Installation, financing, interest during construction, legal, and R-O-R costs are not included.

<sup>2</sup> Assume 24" dia. 110 psi and 50 psi transmission pressure at 300 PZ POC. Also assumes \$150,000 of upgrades required for proposed booster station that will be constructed with WRCRW's plant expansion.

<sup>3</sup> Assume 24" dia. 110 psi and 50 psi transmission pressure at 300 PZ POC. Also assumes \$150,000 of upgrades required for proposed booster station that will be constructed with WRCRW's plant expansion.

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# Mid-Year Building Activity Report (July - December 2015)

February 2016



***Inland Empire Utilities Agency***  
**A MUNICIPAL WATER DISTRICT**

Pietro Cambiaso  
Planning & Environmental Resources

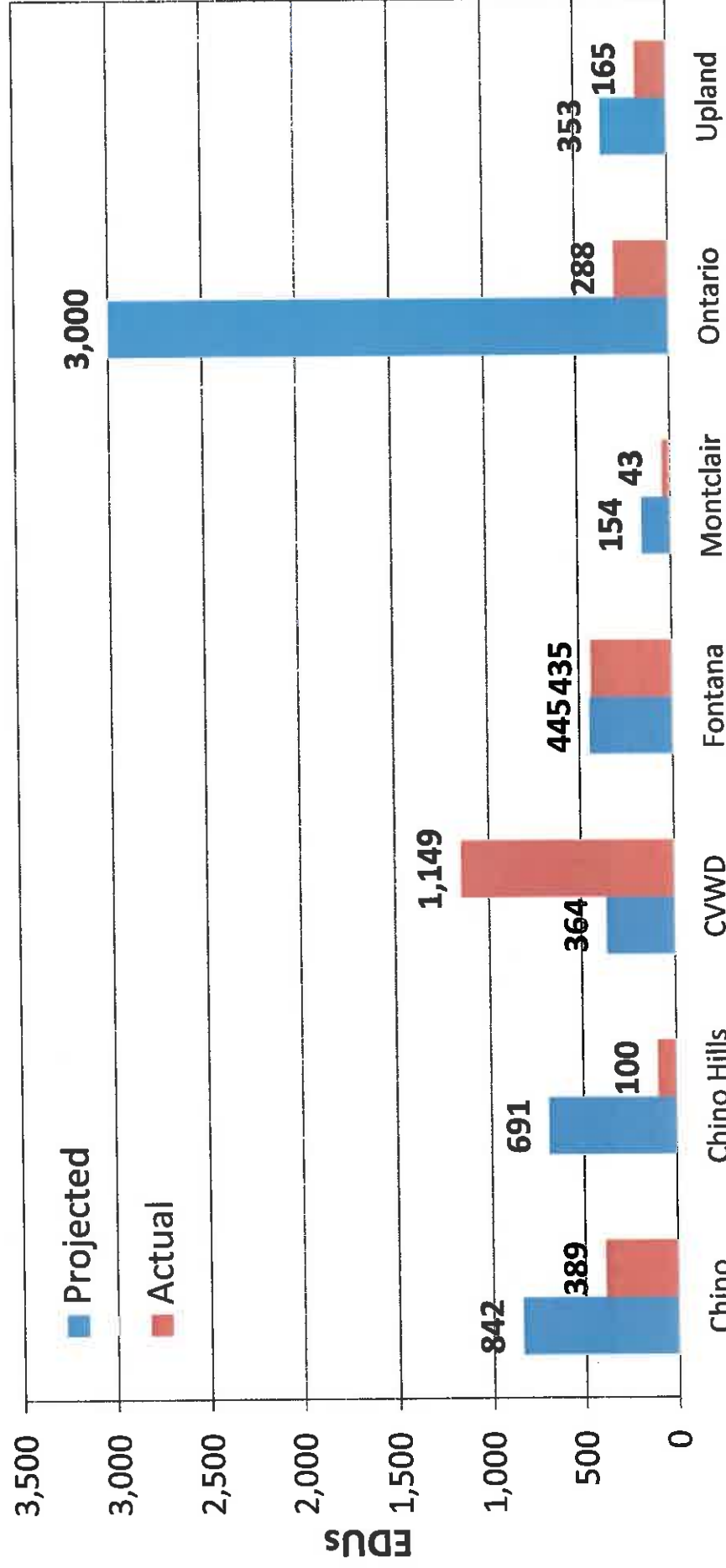


# Summary: Mid-Year Building Activity

- Member Agency Forecast: 5,849 EDUs
- IEUA Budgeted Forecast: 4,330 EDUs
- Building Activity (to date): 2,571 EDUs
  - 44% of Member Agency Forecasts
  - 59% of IEUA Budgeted Forecast

# Mid-Year 15/16 Building Activity

(July – December 2015)



- Partial EDUs rounded to the nearest whole number
- Pending Chino Hills December 2015 Data

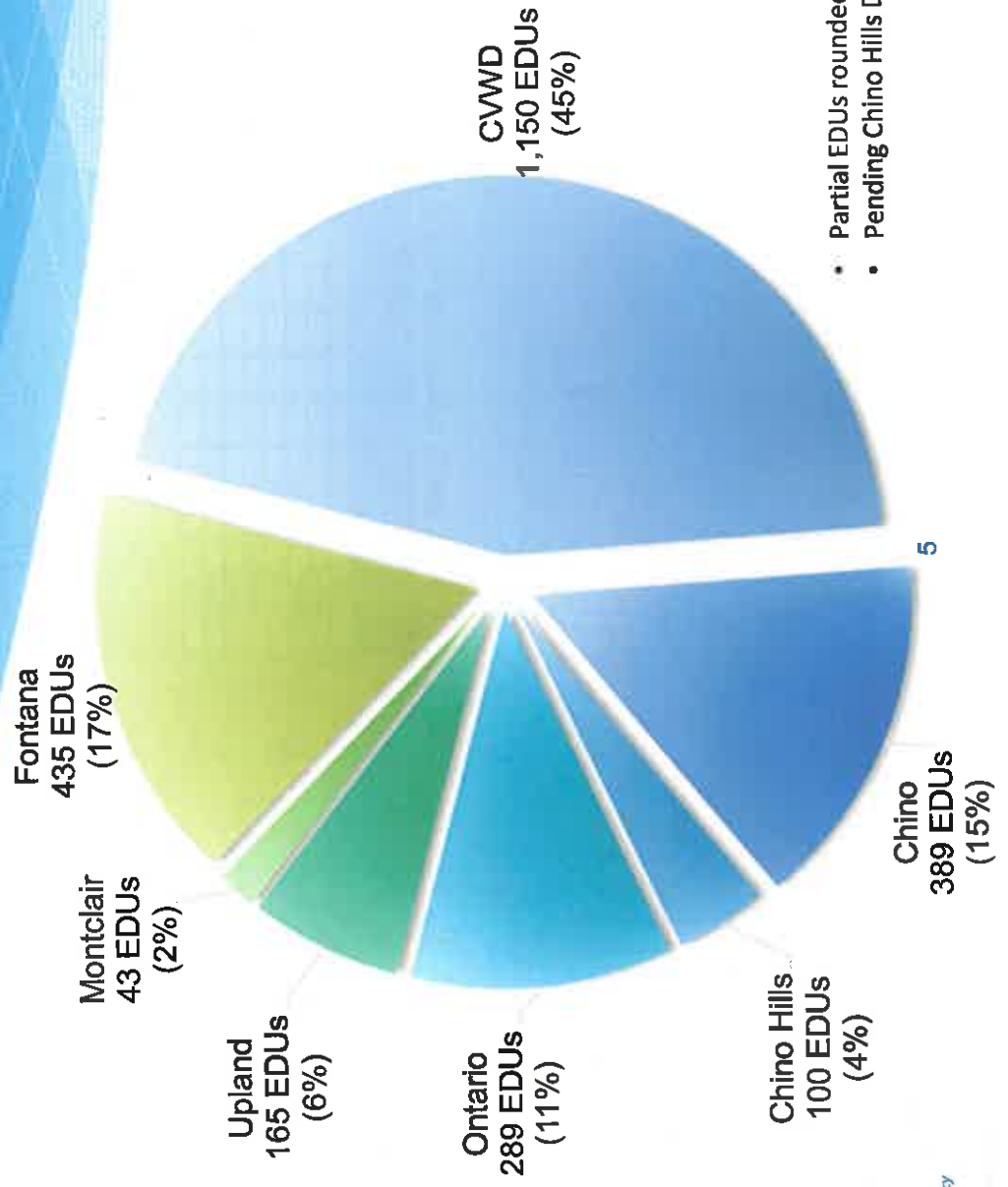
# Mid-Year 15/16 Building Activity

## (July – December 2015)

Contracting Agency	Residential (EDUs)	Commercial/ Industrial (EDUs)	Total (EDUs)
Chino	362	27	389
Chino Hills	39	61	100
CVWD	345	804	1,149
Fontana	382	53	435
Montclair	32	11	43
Ontario	158	130	288
Upland	133	32	165
Mid Year Actual Totals	1,451	1,118	2,571
<b>Projected Totals</b>	<b>4,599</b>	<b>1,250</b>	<b>5,849</b>

# Mid-Year 15/16 Building Activity

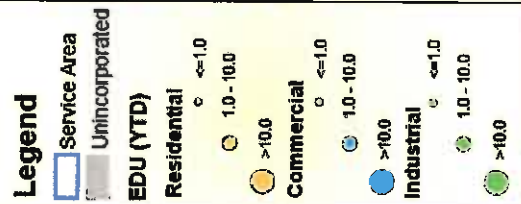
## EDUs Resulted in \$1.3M in CCRA Funding



- Partial EDUs rounded to the nearest whole number
- Pending Chino Hills December 2015 Data



# Building Activity Report - YTD Fiscal Year 2015/16

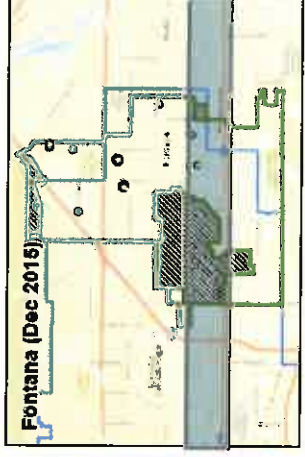
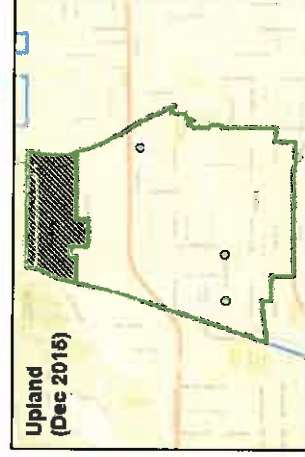
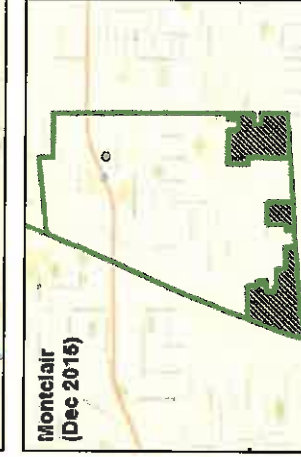
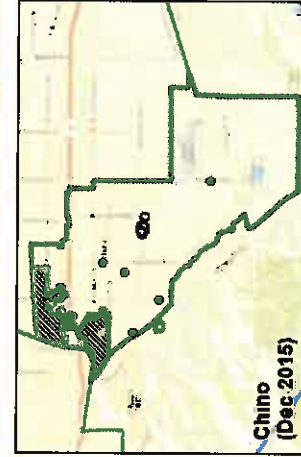


HALF MILE GRID: TOTAL EDU's (YTD)



TOTAL EDU BY CONNECTION TYPE (YTD)

Service Area	Residential (YTD)	Commercial (YTD)	Industrial (YTD)	Total (YTD)
Chino	302	27	0	329
Chino Hills	39	61	0	100
CWWD	345	318	646	1309
Fontana	302	49	23	445
Montclair	32	11	0	43
Ontario	250	61	70	381
Upland	113	31	0	144
Total	1451	392	739	2582



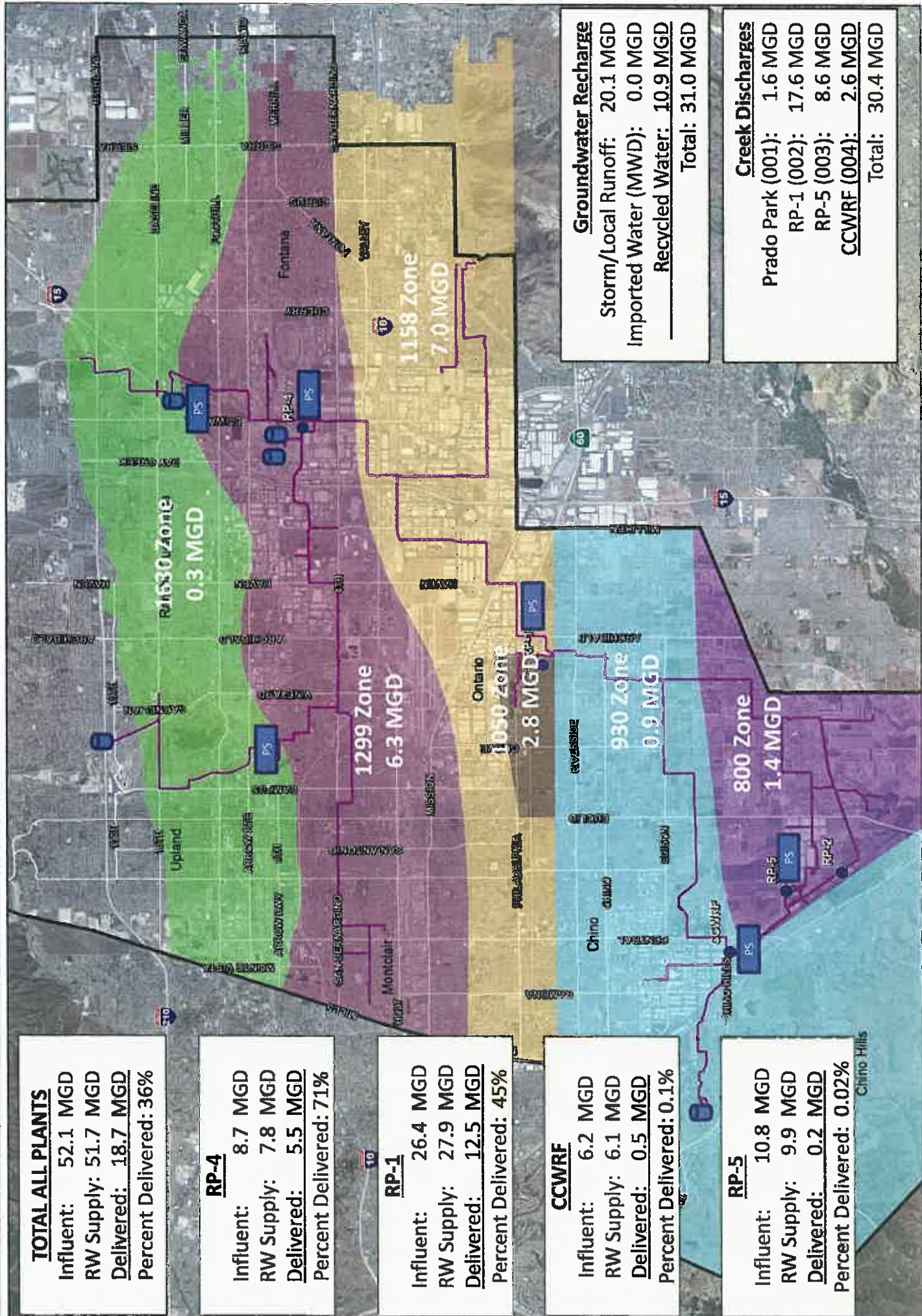
# Questions

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# IEUA RECYCLED WATER DISTRIBUTION – JANUARY 2016



## TOTAL ALL PLANTS

Influent: 52.1 MGD  
 RW Supply: 51.7 MGD  
Delivered: 18.7 MGD  
 Percent Delivered: 36%

## RP-4

Influent: 8.7 MGD  
 RW Supply: 7.8 MGD  
Delivered: 5.5 MGD  
 Percent Delivered: 71%

## RP-1

Influent: 26.4 MGD  
 RW Supply: 27.9 MGD  
Delivered: 12.5 MGD  
 Percent Delivered: 45%

## CCWRF

Influent: 6.2 MGD  
 RW Supply: 6.1 MGD  
Delivered: 0.5 MGD  
 Percent Delivered: 0.1%

## RP-5

Influent: 10.8 MGD  
 RW Supply: 9.9 MGD  
Delivered: 0.2 MGD  
 Percent Delivered: 0.02%

## Groundwater Recharge

Storm/Local Runoff: 20.1 MGD  
 Imported Water (MWD): 0.0 MGD  
Recycled Water: 10.9 MGD  
 Total: 31.0 MGD

## Creek Discharges

Prado Park (001): 1.6 MGD  
 RP-1 (002): 17.6 MGD  
 RP-5 (003): 8.6 MGD  
CCWRF (004): 2.6 MGD  
 Total: 30.4 MGD

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Date: March 3, 2016  
To: Regional Committees  
From: Inland Empire Utilities Agency  
Subject: Energy Management Plan (EMP)

---

**RECOMMENDATION**

This is an informational item for the Regional Committees to review.

**BACKGROUND**

The item was presented as an action item at the IEUA Board of Directors meeting on February 17, 2016.

---

**Date:** February 17, 2016

**To:** The Honorable Board of Directors

**Through:** Public, Legislative Affairs, and Water Resources Committee (02/10/16)

**From:** P. Joseph Grindstad  
General Manager

**Submitted by:** Chris Berch  
Executive Manager of Engineering/Assistant General Manager

Sylvia Lee  
Manager of Planning and Environmental Resources

**Subject:** Energy Management Plan (EMP)

---

### **RECOMMENDATION**

It is recommended that the Board of Directors concur with the proposed initiatives and findings as outlined in the Energy Management Plan.

### **BACKGROUND**

The primary objectives of the EMP is to benchmark the Agency's current energy performance and greenhouse gas emissions baseline; forecast future demands; and explore measures that will cultivate a reliable and sustainable energy infrastructure to achieve the objectives set forth in IEUA's Business Goals. This plan also aims to identify projects and business practices that can improve the Agency's Integrated Demand Side Management (IDSMS) and work in concert with energy utilities whenever possible to benefit grid management.

The major initiatives discussed in the EMP are:

- Peak power independence
- Grid interdependence
- Organics diversion, and
- Carbon neutrality

As described in past planning documents, peak power independence has been a central goal for the Agency due to cost of this power. IEUA has progressed toward this goal by developing a diverse energy portfolio that includes energy efficiency, as well as solar, wind, and fuel cell generation. As more renewable energy comes into the state's power grid; however, the State

must cope with changing grid conditions. This means that assumptions about peak power demand periods will shift, as will the times when surplus power needs to be taken off the grid. IEUA's demand response and battery storage projects are at the cutting edge of addressing this emerging grid management issue. Additionally, environmental regulatory issues related to energy generation will require detailed studies to identify new technologies to address these issues.

In concert with peak power independence and grid interdependence, the EMP also introduces a new initiative to assist the member agencies in complying with the State's anticipated increase in organics diversion requirements, by diverting food waste to the Agency's anaerobic digesters and composting facility. The State has a target to reduce landfilling of solid waste by 75% by 2020, and this is expected, under the 2016 Short Lived Climate Pollutants Plan, to increase to 90% by 2025 in order to further reduce greenhouse gas emissions. Staff is currently conducting a feasibility study to estimate the amount of food waste available in the service area; the biogas generation potential; and the possible alternatives to beneficially use the digester gas generated in a cost effective manner.

A direct consequence of the implementation of the first two initiatives is the proposed carbon neutrality goal, which requires the Agency to acquire 100 percent of its electricity needs from carbon neutral sources by 2030. This will be accomplished through increased energy efficiency and renewable energy generation, and optimized interdependence with the State's power grid. In addition to greenhouse gas emissions voluntary reporting initiated in 2013 (with an audited carbon emissions baseline completed in 2016), staff will establish a carbon impact evaluation criteria to ensure future energy projects selected for implementation contribute to the Agency's achievement of the 100% carbon neutral goal.

The EMP relied on forecasting to evaluate the feasibility of site-specific energy projects. Forecasts were developed by incorporating projects from the Ten-Year Capital Improvement Plan (TYCIP) and findings from the Wastewater Facilities Master Plans, as well as, the anticipated performance of applicable self-generation installations. Wastewater flow projections were utilized to forecast anticipated seasonal demands at each IEUA facility. The EMP identified several potential energy projects, such as lighting upgrades and expansion of the solar installation at the IERCF, that are recommended to undergo more detailed analyses to determine whether they will be incorporated into the 2016/17 TYCIP.

Focused business practices, such as energy procurement strategies and improved energy monitoring were discussed within the plan, as cost saving measures can extend beyond conservation projects. Through prudent planning that considers past performance and anticipates regional needs, this EMP constructs a blueprint to shape a reliable and efficient energy profile for the Agency and an open communication with energy utilities to enhance the water-energy relationship.

The EMP will be reevaluated every two years. A Programmatic Environmental Impact Report (PEIR) is being prepared and will incorporate the findings of the EMP, along with the remainder of the Agency's planning documents, such as the Wastewater Facilities Master Plan and the Integrated Resources Plan. Following the Board approval of the PEIR, anticipated in summer

2016, each of these planning documents will be brought to the Board for final approval. Development of the EMP is consistent with the IEUA business goal of *Wastewater Management*, namely optimizing facility energy use, achieving state environmental sustainability and renewable energy goals, effectively managing renewable resources to achieve peak power independence, and providing for future rate stabilization.

**PRIOR BOARD ACTION**

None.

**IMPACT ON BUDGET**

The EMP was entirely developed in-house. Projects recommended by the EMP will be included in the TYCIP to ensure they are properly funded.

**Attachments:**

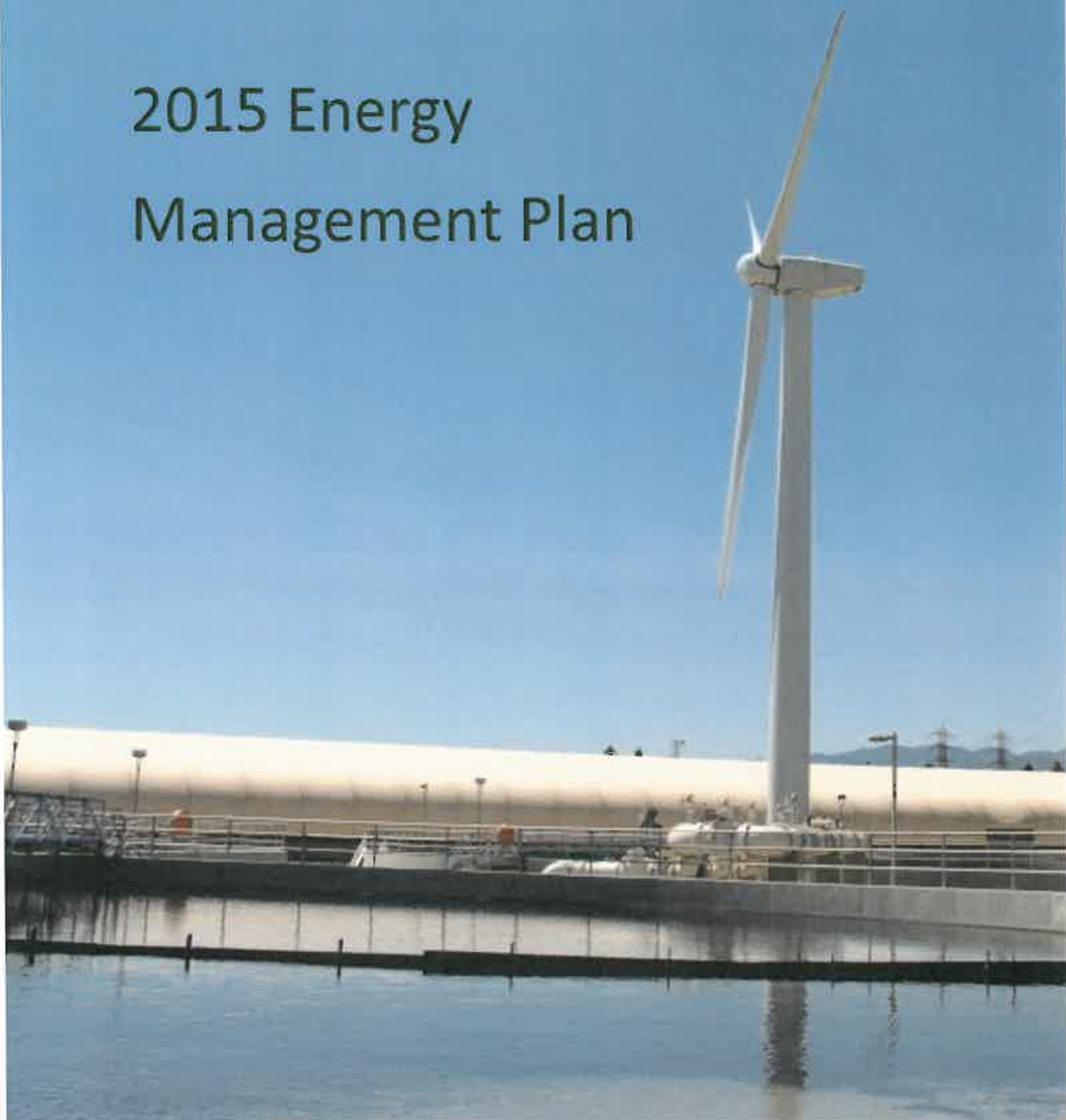
- Attachment 1: PowerPoint Presentation
- Attachment 2: 2015 Energy Management Plan
- Attachment 3: Fact Sheets





*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT

# 2015 Energy Management Plan



# Inland Empire Utilities Agency 2015 Energy Management Plan

**Inland Empire Utilities Agency**  
6075 Kimball Avenue  
Chino, CA 91708



# Executive Summary

**T**he Southern California water industry is currently operating within a burdensome climate, as adverse environmental conditions are driving policy change during a time of continued population growth and socioeconomic decline. Meeting both water and energy demands in this region in a reliable and environmentally responsible manner have converged to form a substantive challenge for water agencies. The Inland Empire Utilities Agency has addressed this challenge through the development of an Energy Management Plan (EMP) that will focus on resource optimization and sustainable operations.

This EMP analyzes historical energy usage, defines a current energy and Greenhouse Gas emissions baseline, forecasts future demands, examines procurement strategies, and proactively explores measures that can ease the Agency's load on the utility while cultivating a reliable and sustainable energy infrastructure across its facilities. This plan also aims to identify projects and business practices that can improve the Agency's Integrated Demand Side Management (IDSMD) and work in concert with energy utilities whenever possible to benefit grid management.

As detailed in past planning documents, grid independence during peak periods has been a central goal within the Agency. Though IEUA has taken advantage of its renewable resources by developing a diverse energy portfolio, further planning is needed to address changing environmental regulations that may dictate available technologies. The EMP introduces a new initiative to assist the member agencies in complying with the organic diversion goals, by diverting food waste to the agency's anaerobic digesters and composting facility. The EMP also establishes a new Business Goal that will require 100 percent of IEUA's electricity needs to be procured from carbon neutral sources by 2030 through strategic planning and renewable resource optimization.

Wastewater flow projections are utilized to forecast anticipated seasonal demands at each IEUA facility. The EMP relies on forecasting to evaluate the feasibility of site-specific energy projects, which resulted in a total of 11 projects that are estimated to require approximately \$38 million in capital expenditures. These projects will undergo more detailed analyses to determine whether they will be implemented into IEUA's Ten Year Capital Improvement Plan (TYCIP).

The EMP outlines economic, operational, environmental, and regulatory factors that influence new project implementation at the Agency's wastewater treatment plants, as well as current aspects that tend to impede new project development. Costly and time-intensive grid interconnections, generating capacity limitations on Net Energy Metering (NEM) eligible renewable installations, and limited economic incentives are all identified as elements that can negatively impact new energy management projects. This EMP also offers recommendations that would address each obstacle for regulatory consideration.

Focused business practices, such as energy procurement strategies and improved energy monitoring are discussed within the plan, as cost saving measures can extend beyond conservation projects. Through prudent planning that considers past performance and anticipates regional needs, this EMP attempts to construct a blueprint to shape a reliable and efficient energy profile for the Agency and open communication with energy utilities to enhance the water-energy relationship.



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# Acronyms

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<b>AMP</b>	Asset Management Plan
<b>AF</b>	Acre-foot
<b>BAC</b>	Bioenergy Association of California
<b>BCE</b>	Business Case Evaluation
<b>BTU</b>	British Thermal Unit
<b>CARB</b>	California Air Resources Board
<b>CASA</b>	California Association of Sanitation Agencies
<b>CBWM</b>	Chino Basin Watermaster
<b>CBWCD</b>	Chino Basin Water Conservation District
<b>CEC</b>	California Energy Commission
<b>CCWRF</b>	Carbon Canyon Wastewater Recycling Facility
<b>CEC</b>	California Energy Commission
<b>CEQA</b>	California Environmental Quality Act
<b>CH<sub>4</sub></b>	Methane
<b>CO<sub>2</sub></b>	Carbon Dioxide
<b>CO<sub>2e</sub></b>	CO <sub>2</sub> Equivalent
<b>CPUC</b>	California Public Utilities Commission
<b>CWCCG</b>	California Wastewater Climate Change Group
<b>DA</b>	Direct Access
<b>DG</b>	Distributed Generation

<b>DOE</b>	Department of Energy
<b>DR</b>	Demand Response
<b>EMP</b>	Energy Management Plan
<b>EMS</b>	Energy Management System
<b>ESP</b>	Energy Service Provider
<b>FY</b>	Fiscal Year
<b>GHG</b>	Greenhouse Gas
<b>GWP</b>	Global Warming Potential
<b>HVAC</b>	Heating/Ventilation/Air Conditioning
<b>ICE</b>	Internal Combustion Engine
<b>IDSM</b>	Integrated Demand Side Management
<b>IE</b>	Inland Empire
<b>IERCF</b>	Inland Empire Regional Composting Facility
<b>IOU</b>	Investor-Owned Utility
<b>KW</b>	Kilowatt
<b>KWH</b>	Kilowatt-hour
<b>MW</b>	Megawatts
<b>MWH</b>	Megawatt-hour
<b>MWD</b>	Metropolitan Water District of Southern California
<b>N<sub>2</sub>O</b>	Nitrous Oxide
<b>NEM</b>	Net Energy Metering
<b>NGOM</b>	Net Generation Output Meter
<b>O&amp;M</b>	Operations & Maintenance

<b>PPA</b>	Power Purchase Agreement
<b>REC</b>	Renewable Energy Certificate
<b>REEP</b>	Renewable Energy Efficiency Project
<b>RES-BCT</b>	Renewable Energy Self-Generation Bill Credit Transfer
<b>RFP</b>	Request for Proposal
<b>RP-1</b>	Regional Plant No.1 in the City of Ontario
<b>RP-2</b>	Regional Plant No.2 in the City of Chino
<b>RP-4</b>	Regional Plant No.4 in the City of Rancho Cucamonga
<b>RP-5</b>	Regional Plant No.5 in the City of Chino
<b>RP-5 SHF</b>	RP-5 Solids Handling Facility
<b>RPS</b>	Renewable Portfolio Standard
<b>RWRPs</b>	Regional Water Recycling Plants
<b>RWQCB</b>	Regional Water Quality Control Board
<b>SAWPA</b>	Santa Ana Watershed Project Authority
<b>SBCFCD</b>	San Bernardino County Flood Control District
<b>SCAQMD</b>	South Coast Air Quality Management District
<b>SCAP</b>	Southern California Alliance of Publicly Owned Treatment Works
<b>SCE</b>	Southern California Edison
<b>SCF</b>	Standard cubic feet
<b>SCGC</b>	Southern California Gas Company
<b>SGIP</b>	Self-Generation Incentive Program
<b>SLCP</b>	Short-Lived Climate Pollutant
<b>SWP</b>	State Water Project

<b>TA/TI</b>	Technical Assistance and Technology Incentives
<b>TCR</b>	The Climate Registry
<b>TOU</b>	Time of Use
<b>TYCIP</b>	Ten-Year Capital Improvement Plan
<b>VFD</b>	Variable Frequency Drives
<b>VOC</b>	Volatile Organic Compounds



# Introduction

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## WATER-ENERGY NEXUS

Tightening environmental regulations and increasing electrical demand has brought significant challenges to Southern California electrical utilities. Meeting the electrical demands of millions of consumers becomes more difficult during periods of peak activity (generally between 12:00 p.m. and 6:00 p.m., and highest in summer months), as reflected in increased utility rates during these times. The water industry is not only one of the electrical utilities' largest consumers, but is also subject to the same temporal variability in demand.

The water sector is subject to many energy-intensive processes, including water extraction, conveyance, treatment, distribution, and wastewater treatment. Since population growth drives demand for water and energy usage, both are expected to continue increasing in parallel. The wastewater treatment industry is in a unique position to positively impact both water and energy sectors through improved efficiency and using renewable resources from the process.

IEUA has taken advantage of its position by focusing efforts to reduce energy consumption and ease demand on the local electric utility. In 2012, IEUA developed an energy management plan with the goal of going "gridless" by 2020, with the intent of generating enough electricity on site that Agency facilities would be independent from the already taxed Southern California power grid system. IEUA has explored various power generating technologies in pursuit of this goal since its inception. Although IEUA prioritizes the utilization of renewable digester gas produced on site, a spectrum of renewable energy systems have been pursued to develop a robust portfolio across all facilities. While securing renewable technologies along the way, IEUA has also learned lessons that altered the roadmap to meet the 2012 goal.

In order to achieve grid independence with renewable technologies, IEUA must build an energy infrastructure that is capable of handling the full demand of each facility at any given time. Realistically, this would result in the daily export of energy back to the grid when generation exceeded demand. Furthermore, Southern California Edison (SCE) policies dictate that renewable installations are subject to standby and/or departing load charges that rise as the nameplate rating increases, hindering the

cost effectiveness of renewable technologies as the generating capacity grows. Since one of the pillars of the “Gridless by 2020” initiative was to hedge against market volatility, IEUA adjusted its focus on achieving relative independence from the grid during peak periods, when electricity costs are highest. This effort aligns with IEUA’s Business Goals (included in Appendix A), adopted by the Board of Directors in 2013 as part of the Agency’s Strategic Plan.

## REGIONAL PROGRAMS & FACILITIES OVERVIEW

IEUA is a regional wastewater treatment agency and wholesale distributor of imported water. Today the Agency is responsible for serving approximately 830,000 people over 242 square miles in western San Bernardino County. The Agency is focused on providing three key services: (1) treating wastewater, developing recycled water, local water resources, and conservation programs to reduce the region’s dependence on imported water supplies and drought-proof the service area; (2) converting biosolids and waste products into a high-quality compost made from recycled materials; and (3) generating electrical energy from renewable sources.

Industrial and municipal wastewater collections are provided through regional wastewater interceptors and two non-reclaimable wastewater pipeline systems. Recycled water is produced at four regional water recycling plants (RWRPs). In addition, the Agency has three facilities where the biosolids produced at the water recycling plants are handled: RP-1 Solids Handling Facility, RP-2 Solids Handling Facility, and the Inland Empire Regional Composting Facility. The Agency also has a solids handling facility at RP-5 which is leased to a private enterprise that intends to produce biogas and energy from food waste.

Although the Agency is a wholesale water provider, the Agency has very little infrastructure or assets related to potable water treatment, conveyance, or use. Water resources-related assets are primarily connected to the recycled water program. In addition to recycled water and wastewater services, the Agency operates a network of groundwater recharge facilities in partnership with Chino Basin Watermaster (CBWM), San Bernardino County Flood Control District (SBCFCD), Chino Basin Water Conservation District (CBWCD). The Agency also operates the Chino Desalter I facility in coordination with the Chino Desalter Authority. The Agency also manages an extensive regional water use efficiency program, and collaborates with Santa Ana Watershed Project Authority (SAWPA), Metropolitan Water District of Southern California (MWD), and the Regional Water

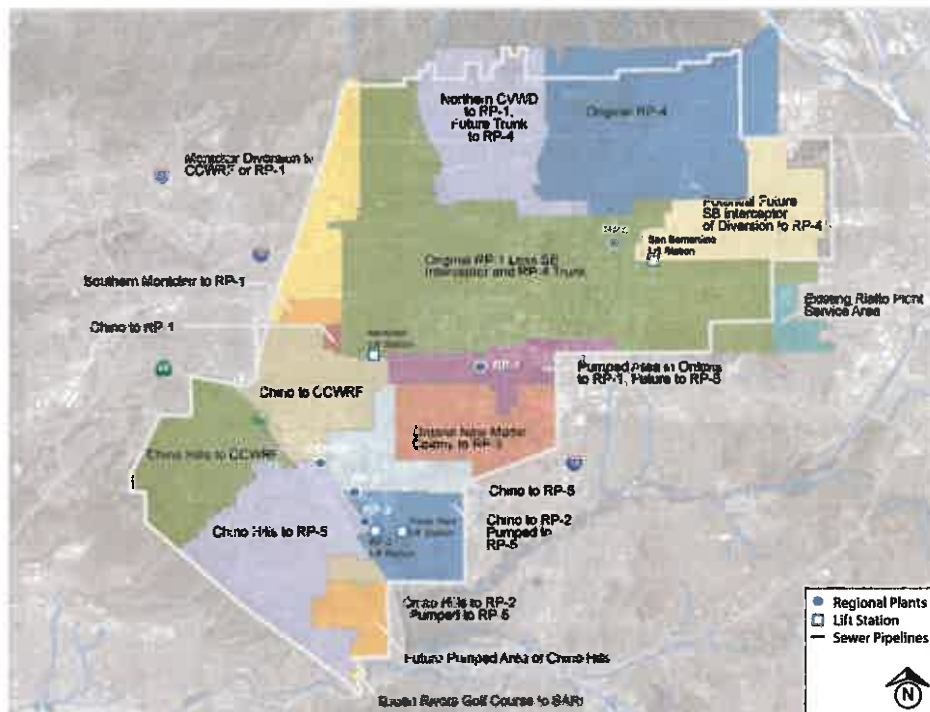
<sup>1</sup>Source: California Department of Finance, April 2013 census projection.

Quality Control Board (RWQCB) to develop regional planning documents.

### ***Regional Wastewater Facilities***

The Agency has four RWRPs which produce recycled water that meets Title 22 standards for indirect reuse and groundwater recharge. All of the RWRPs have primary, secondary, and tertiary treatment and recycled water pumping facilities and are interconnected in a regional network. Agency staff routinely uses the Agency's bypass and diversion facilities, such as the San Bernardino Lift Station, Montclair Diversion Structure, Etiwanda Trunk Line, and Carbon Canyon bypass, to optimize the Agency's flows and capacity utilization. In general, flows are routed between regional plants in order to maximize recycled water deliveries while minimizing overall pumping and treatment costs. Figure 1 illustrates the service area boundaries for the Agency's four RWRPs.

FIGURE 1. REGIONAL PLANT SERVICE AREA BOUNDARIES



The

four

Regional facilities are: Regional Water Recycling Plant No. 1 (RP-1), Regional Water Recycling Plant No. 4 (RP-4), Regional Water Recycling Plant No. 5 (RP-5), and Carbon Canyon Wastewater Recycling Facility (CCWRF). The biosolids produced at RP-4 and RP-1 are thickened, digested, and dewatered at solids handling facilities located at RP-1. Similarly, the CCWRF and RP-5 biosolids are treated at Regional Water Recycling Plant No. 2 (RP-2). The stabilized and dewatered solids are then transported to the Inland Empire Regional Composting Facility (IERCF) for processing into soil amendment.

The Agency has a network of regional interceptor sewers that can be used to bypass flow from one water recycling plant to another to balance and optimize the use of treatment capacity. Currently, the regional interceptors can bypass flow from RP-4 to RP-1 and from CCWRF to RP-5. In addition, primary effluent can be bypassed from the RP-1 equalization basins to RP-5.

The Agency also has four wastewater lift stations, which are used to shift flows that would naturally flow from one portion of the service area to a different treatment plant. The lift stations are instrumental in balancing flows and keeping water in the northern portion of the service area to maximize potential recycled water use.

### ***Recycled Water Distribution System***

The Agency has been serving recycled water to its member agencies since formation of the Regional Sewerage Service Contract in 1973. Initially, recycled water was delivered to Whispering Lakes Golf Course and Westwind Park in the city of Ontario, as well as to Prado Regional Park and El Prado Golf Course in San Bernardino County. In the early 1990's, the Agency planned and built the first phase of the Carbon Canyon Recycled Water Project, which now serves several customers in Chino and Chino Hills. The connected demand for the recycled water has more than tripled since FY 2006/07 from 13,000 AFY to over 43,800 AFY. Recycled water and groundwater recharge sales have nearly tripled as well.

### ***Groundwater Recharge Basins***

The Agency, in conjunction with the CBWM is implementing the groundwater recharge program to increase artificial groundwater recharge within Chino Basin using storm water, recycled water, and imported water. By enhancing the recharge capacity in the Chino Basin, greater quantities of high quality water can be captured

and stored during wet years. Subsequently, the stored water can be drawn from the Basin during droughts and shortages of imported water. Annual recharge varies due to weather patterns, and the availability of imported water and recycled water supplies.

### ***Inland Empire Regional Composting Facility***

The IERCF, constructed in Rancho Cucamonga in 2007 under a Joint Powers Authority agreement between the Agency and the CSDLAC, is completely enclosed to control odors and meet stringent air quality regulations. It is the nation's largest indoor biosolids composting facility. The IERCF uses the Aerated Static Pile composting process to recycle approximately 150,000 wet tons per year of dewatered and stabilized biosolids from the Agency and CSDLAC's wastewater treatment processes, as well as wood waste from local communities. It

The facility is currently operating at its design capacity, receiving nearly 600 tons per day of combined biosolids and recycled waste amendments and producing over 230,000 cubic yards of high quality compost each year for local landscaping and horticultural use. For energy management purposes, RP-4 and IERCF are considered to be a single entity, as they share the same electrical meter.

## **WORK COMPLETED SINCE 2008**

### ***Renewables***

IEUA began the renewable energy procurement process by issuing Requests for Proposals (RFPs) for solar, wind, fuel cell, and in-conduit hydroelectric projects in 2008. The RFPs offered vendors the ability to propose outright sale of equipment or Power Purchase Agreements (PPAs) that would eliminate up front capital costs, aside from labor, for the Agency. Multiple proposals were received for solar, wind, and fuel cell projects, while no in-conduit hydroelectric proposals were received. IEUA performed Business Case Evaluations (BCEs) for the proposals received to determine the most economical projects for each facility. In addition to cost and operational reliability, site variations such as digester gas production, land use, and electrical load were important factors in determining the site-specific feasibility of each project.

The first product of the RFP process was a PPA, signed in June 2008, for 3.5 MW of solar energy across four Agency facilities. The solar installations were completed in





December of the same year. Through the agreement, IEUA purchases the energy produced by the solar panels at a competitive rate with fixed escalation over a 20-year period.

This rate structure, typical for all PPAs that the Agency has since entered into, allows the Agency to avoid capital outlay while still receiving the benefit of on-site renewable energy. In each PPA project, the private entity has financed, designed, constructed, operated, and maintained the generation equipment. In return, the private entity receives any incentives available through government funding programs and sells the energy generated to IEUA at a fixed rate.

In March 2010, IEUA entered into a second public-private partnership to install a 1 MW wind turbine at Regional Plant No. 4. The PPA is structured similarly to the solar agreement, with the Agency purchasing 100 percent of the energy produced by the equipment at a fixed escalating rate over 20 years. The turbine installation was completed in December 2011.

In September 2010, IEUA entered into a third public-private partnership with an environmental engineering consulting firm to develop IEUA's RP-5 Solids Handling Facility (RP-5 SHF) as a food waste digestion site. The facility, initially designed as a

manure digestion site, has been diverting food waste regionally since 2012 with the goal of producing enough digester gas to fuel two 1.5 MW cogeneration engines that will provide power for the facility. The project is still under development, with engine commissioning expected in June 2015.

The Agency has historically employed cogeneration engines to combust the digester gas and produce heat and power to be used on-site. However, the 2008 amendment to South Coast Air Quality Management District (SCAQMD) Rule 1110.2 required cogeneration engines to be retrofitted with costly pollution control technologies in order to achieve stringent emissions limits. The Agency issued another RFP to evaluate potential alternatives that could utilize the digester gas in a more cost-effective manner.

In October 2010, IEUA entered into a PPA with a third party to install, maintain, and operate a 2.8 MW molten carbonate fuel cell operating on digester gas at Regional Plant No. 1. The fuel cell is also equipped with a 4.1 MMBtu/hr heat recovery unit to increase overall plant efficiency. As with other PPAs, the Agency agreed to purchase all renewable electricity generated by the fuel cell at a fixed escalation rate over 20 years. The agreement not only provided the Agency with the ability to procure clean renewable energy with no capital costs, but it also mitigated risk associated with the fuel cell technology by combining the digester gas cleaning system and fuel cell power plant under a single entity. In researching the feasibility of a fuel cell system, IEUA staff discovered that previous installations suffered from ineffective gas conditioning that resulted in prolonged shutdowns and reduced equipment lifecycles. IEUA's fuel cell agreement is structured to ensure that downtime is minimized and equipment maintenance is optimized.

### ***Conservation***

In addition to the renewable installations, IEUA worked with third parties to perform energy audits at Agency facilities. Select recommendations from these audits were implemented to reduce energy consumption. Lighting retrofits and controls were installed across several facilities, along with variable frequency drives (VFDs) on many pumps and motors. Damper installation on high volume air blowers also resulted in significant electricity savings at the Agency's composting facility. Furthermore, a project is currently underway to improve the aeration basin air handling system at Regional Plant No. 1 to minimize air leaks. This project is expected to reduce electricity consumption at the plant by approximately 1,500 MWh annually.

## ***Demand Response***

IEUA has also been involved in Demand Response (DR) programs to reduce Agency costs and to ease pressure on the electrical grid during times of high usage. The Agency's first involvement in DR was in a Time-of-Use Base Interruptible Program (TOU-BIP) from 2008 to 2010. However, because of the financial risk associated with the BIP, the Agency terminated the TOU-BIP contract, and since July 2011, has participated in a Demand Response (DR) program through EnerNOC (a SCE authorized third-party DR provider), a private entity providing energy intelligence software that displays real-time electricity usage. In addition to facilitating DR events, EnerNOC software is used to track consumption from facility processes over time.

The Agency has agreed to provide EnerNOC a total cumulative curtailment of 1,230 kW for all facilities enrolled in the program (RP-1, RP-2, RP-4/IERCF, RP-5 and CCWRF) at a value of approximately \$74,000 per year. Reduced energy import from the grid during demand response events is primarily achieved by shutting down some of the recycled water pump stations and through reduced ventilation at the IERCF. These temporary energy conservation techniques do not have any negative impact to the recycled water customers (operations staff was able to increase the reservoir level prior to the event) or to the indoor air quality at IERCF.

Table 1 shows the results of the six DR events that SCE dispatched during FY 13/14. Each facility enrolled in the DR program has a curtailment target, but the IEUA combined total of 1,230 kW is used to determine whether the Agency will be compensated for its performance during each event. IEUA's DR contract with EnerNOC contains a provision that requires the delivered load capacity to be at least 75 percent of the target reduction. If the delivered capacity falls below 75 percent, IEUA does not receive any credit for reducing load during the DR event. However, IEUA strives to reduce its load to match 100 percent of the target reductions at each plant during every event. In FY 13/14, IEUA reached its overall reduction goal in three of the six DR events.

Table 1 shows that IEUA's facilities generally perform better during DR events that occurred in warm months. The reason for this seasonal difference stems from reduced recycled water demand during winter months. Because each DR reduction target is calculated using a baseline averaging energy usage from the previous ten working days, reducing energy usage from RW pumping is difficult, or even impossible, during periods in winter months when pumping is limited or stopped completely due to low demand. The table also shows that RP-1 consistently



TABLE 1. FY 13/14 IEUA DEMAND RESPONSE RESULTS

Event Date	Percentage of Target Reduction Achieved					Overall
	RP-1	RP-2	RP-4/IERCF	RP-5	CCWRF	
7/31/2013	552	130	81	422	4	96
8/29/2013	484	90	95	974	6	125
8/30/2013	1,550	120	91	968	-20	160
2/6/2014	666	0	86	-636	-68	43
2/6/2014	1,608	0	44	-108	4	91
5/29/2014	786	0	114	428	80	145
<b>Average</b>	<b>941</b>	<b>57</b>	<b>85</b>	<b>341</b>	<b>1</b>	<b>110</b>

performed above expectations, while CCWRF had difficulty meeting its target goal. The DR capabilities of each facility will be examined in detail later in the EMP.

### ***Monitoring***

ENERNOC's software also allows IEUA to track electricity usage at each facility in real time. The Agency invested in sub-meters that gauge electricity usage from individual processes within the treatment facilities. Sub-metering involves the use of digital meters connected to the SCADA system as a resource to help monitor kW, kWh, amperes, load factor and other units of energy consumption.

A combination of sub-meters and load profiling data can help staff understand operating patterns, increase operating efficiency, assist in identifying malfunctioning equipment and reduce energy demand charges. In addition, this electronic data can be brought into the treatment plant control systems, which will enhance operational control of the facilities, reduce maintenance costs, and prolong equipment operating life.

As of April 2015, the sub-metering installation was complete, but various pieces of equipment were undergoing modifications to improve performance and reliability. Once the modifications are complete, IEUA intends to compare the energy usage of each process to industry metrics to gauge levels of efficiency. Continuous energy tracking of treatment processes will also allow Agency staff to measure the effectiveness of energy projects that are implemented.

## SHORT-TERM GOALS

This EMP establishes goals aimed to improve the Agency's energy management through various means, including renewable portfolio diversification, increased monitoring, resource optimization, and strategic procurement. This section focuses on goals that are to be achieved within the next five years.

### *Procurement*

IEUA's renewable PPAs benefit IEUA by establishing energy rates for the next 20 years and eliminating uncertainty that comes with purchasing imported electricity. Nevertheless, IEUA is continuously evaluating the economic landscape of its renewable resources, and is in the process of evaluating the option of purchasing the solar installations that were procured through a PPA in 2008. If the purchase value is economical, IEUA could benefit over the remaining term of the agreement. As the owner of the solar arrays, IEUA would assume responsibility for any required Operations and Maintenance (O&M) expenses, but would also avoid electricity expenses for the energy generated from the panels moving forward.

In addition to renewable installations, IEUA is consistently evaluating procurement options for imported purchases. IEUA purchases both electricity and natural gas from an Energy Service Provider (ESP) through the Direct Access (DA) program. These services are procured via an agreement that has a one-year term. The term length is designed to allow the Agency flexibility to adapt to market changes. IEUA will continue to evaluate its procurement options on an annual basis and extend the DA agreement in one-year increments, as necessary.

### *Integrated Demand Side Management*

The California Public Utilities Commission (CPUC) has funded programs designed to help Investor-Owned Utilities (IOUs) develop Integrated Demand Side Management (IDSM) programs that focus on energy efficiency, conservation, demand response, and distributed generation (DG). With an array of renewable resources at its disposal, IEUA has plenty of opportunity to assist the IOUs by improving demand side management at all of its facilities.

IEUA's solar, wind, and fuel cell installations provide a DG portfolio with a total nameplate capacity of 7.3 MW. IEUA will track the generation profiles of these resources to optimize their integration into the grid. Further expansion of the

Agency's renewable portfolio will consider current and future load demands to determine the impact on imported needs and potential for export. IEUA is also pursuing energy storage technology, which would add significant flexibility to the Agency's energy usage profile. By integrating energy storage into its renewable installations, IEUA could temporally manage its load on the grid at each facility. Storage would also impact procurement, as IEUA could take advantage of TOU rates by purchasing and storing electricity when grid demand and tariffs are lowest.

Integrating energy storage into IEUA's energy infrastructure would also benefit the DR capabilities of each facility. During DR events, facilities with energy storage maximize electricity consumption from batteries in order to offset grid demand. Unlike typical DR load reduction techniques, which require turning off equipment otherwise used for normal operations, integrating energy storage into IEUA's DR program would reduce imported electricity levels without interrupting operations. Combining both techniques could result in significantly more load reduction capacity to offer SCE during DR events.

Increasing energy efficiency at IEUA facilities is another component of improving IDSM. IEUA has partnered with The Energy Network, which is part of the Energy Coalition and funded by the California Public Utilities Commission (CPUC), to conduct comprehensive energy audits of IEUA's treatment plants and identify efficiency measures that can reduce energy consumption. Results from these audits will provide direction on the potential reductions that can be achieved at each site.



Each of these IDSM concepts will require collaboration with SCE. New distributed generation projects will require interconnection agreements with SCE, as will incorporating battery storage into IEUA's energy infrastructure. Efficiency projects may also be eligible for SCE's incentive programs, so IEUA will coordinate with The Energy Network and SCE to ensure that all available funding resources are properly utilized.

### ***Resource Management***

RP-1 and RP-2 generate renewable digester gas. Gas produced at RP-1 is either consumed by a fuel cell, boilers, or an emergency flare. Gas produced at RP-2 is either consumed by an internal combustion engine (ICE), boilers, or an emergency flare. Both sites utilize anaerobic digestion processes to generate the gas. The first phase of this process produces a low quality acid phase gas that has a heat content between 200 and 300 Btu/scf. Due to its reduced quality, this acid phase gas cannot be directly consumed by the boilers, ICE, or fuel cell. At RP-1, this acid phase gas is constantly flared. At RP-2, the acid phase gas is injected in the digester gas mixing system, blended with the high BTU gas, and beneficially used.

IEUA will conduct an evaluation to determine the most effective method of utilizing the acid phase gas at RP-1. Even with a low heat content, continuous flaring of this gas amounts to wasted energy that could otherwise be beneficially used. IEUA Engineering, Technical Services, and Operations staff will collaborate to identify projects that can utilize the acid phase gas through mixing, conditioning, or storage.

In addition, this EMP establishes a goal of reducing the total digester gas consumed by the flares at RP-1 and RP-2 by 50 percent within the next five years. Integrating acid phase gas into the gas loop will significantly reduce the amount of gas flared at RP-1, but IEUA will also pursue projects that optimize gas usage.

### **LONG-TERM GOALS**

Long-term goals, discussed in the following section, are expected to be completed within the next 20 years. These goals typically require significant modifications to the Agency's infrastructure and coordination with multiple utilities, which requires considerable planning and engineering efforts.

### ***Peak Independence***

IEUA's Business Goals state that peak power independence will be achieved by 2020. This EMP details the Agency's current sustainable capacity during peak periods. Achieving peak power independence will require further distributed generation projects and improved energy management capabilities. New projects that can take advantage of IEUA's renewable resources will be evaluated to determine the most cost effective and prudent path to accomplishing this goal.

### ***Carbon Neutrality***

In FY 13/14, approximately 36 percent of the electricity consumed at IEUA facilities was generated by carbon neutral sources. This includes IEUA's solar, wind, fuel cell, and biogas ICE installations, as well as a portion of imported electricity that was procured from Renewable Portfolio Standard (RPS) certified sources. By continuing to improve the Agency's renewable portfolio, optimizing digester gas utilization, increasing energy efficiency, and procuring greater amounts of RPS-certified electricity as needed, IEUA intends to procure 100 percent of its electricity needs from carbon neutral sources by the year 2030.

Table 2 summarizes the short and long-term goals established in this EMP. Each goal is evaluated in greater detail in following sections of the EMP.



TABLE 2. IEUA ENERGY MANAGEMENT GOALS

Type	Goal	Description	Estimated Completion
Energy Management	Provide Energy Management Training to Staff	Educating IEUA's Operations and Maintenance teams will not only increase awareness of the Agency's energy demands and usage, but also empower employees to consider new ways to conserve.	2 <sup>nd</sup> Quarter of FY 15/16 and once annually thereafter
Energy Management	Incorporate Energy Efficiency Measures Into Project Solicitation	Whenever new projects are solicited, IEUA issues RFPs that detail the scope of work and equipment required. Beginning in FY 15/16, RFPs issued by IEUA will require high-efficiency equipment that reduces energy consumption. Furthermore, the energy impacts of each proposal will be considered in the review and selection process.	End of FY 15/16
Energy Management	Develop Sub-meter Tracking Program	IEUA's sub-metering data contains valuable information that can be used to identify potential areas of improvement and provide a blueprint for each facility's demand side management. In order to take advantage of these resources, IEUA will need to develop a program to record and monitor the data on a regular basis.	End of FY 15/16
Operational Efficiency	Facility Energy Audits	Third party energy service companies can conduct comprehensive energy audits that not only evaluate potential savings from equipment retrofits, but also process modifications that can result in higher operational efficiencies.	End of FY 15/16
Operational Efficiency	Establish Efficiency Reduction Targets	Based on the results of the energy audits and existing energy usage baselines, IEUA will establish efficiency goals and target reductions in consumption for each Agency facility.	2 <sup>nd</sup> Quarter of FY 16/17
Energy Management	Evaluate Purchase of Existing Solar Installations	IEUA currently procures electricity from 3.5 MW of solar arrays through a PPA. Solar technology economics indicate that an outright purchase of the installations could benefit the Agency, although cooperation of the PPA provider and owner of the solar installations is required.	2 <sup>nd</sup> Quarter of FY 16/17

Type	Goal	Description	Estimated Completion
Operational Efficiency	Implement Efficiency Projects	IEUA will consider the recommendations from the energy audits and implement projects deemed to be cost effective.	End of FY 16/17
Renewable Resources	Digester Gas Optimization	Acid phase digester gas produced at RP-1 is currently sent directly to the flare due to its low quality and BTU content. IEUA will investigate options for incorporating the acid phase gas into facility's gas loop so that the renewable acid phase gas can be used beneficially. Options will include, but not be limited to, gas conditioning, mixing, and storage.	End of FY 16/17
Energy Management	Install Energy Storage at IEUA Facilities	Energy storage would significantly improve IEUA's IDSM capabilities. Traditional procurement strategies have shown current technology to be cost prohibitive, but IEUA will pursue alternative procurement strategies, including PPAs, grant subsidization, and Demand Response Energy Storage Agreements to cost effectively install energy storage at IEUA facilities.	End of FY 17/18
Renewable Resources	Reduce Flaring by 50 Percent	RP-1 and RP-2 operate emergency flares to combust digester gas that cannot be otherwise used beneficially. IEUA aims to reduce flaring at these treatment plants by 50 percent by the end of FY 18/19.	End of FY 18/19
Energy Management	Peak Power Independence by 2020	Aligning with IEUA's Business Goals, the Agency aims to achieve a level of sustainability that will ensure grid independence during peak periods.	2 <sup>nd</sup> Quarter of FY 20/21
Renewable Resources	100 percent Carbon Neutrality by 2030	IEUA's renewable portfolio and production of digester gas provide a blueprint for carbon neutrality. In 2013, IEUA established a carbon footprint by reporting GHG emissions to the Climate Registry. Annual emissions reporting will continue, and IEUA will strive to pursue projects with the goal of achieving 100 percent carbon neutrality by 2030.	2 <sup>nd</sup> Quarter of FY 30/31



## POLICY RECOMMENDATIONS

### *Inland Empire Utilities Agency*

Improving energy management requires effort in many facets of an organization. In addition to monitoring and analyzing energy data, IEUA staff must raise awareness within the Agency of energy conservation opportunities. Training will be given to IEUA employees to bring attention to current consumption trends and highlight areas or strategies that can improve efficiency. This training will be conducted annually to foster and maintain continued awareness.

Additionally, IEUA's procurement strategy will be revised to include standard language requiring high-efficiency equipment whenever possible. Proposals received are typically weighed by selection criteria such as cost, experience, and operational impact. IEUA will add another criterion that evaluates the impact on energy consumption. Proposals that reduce energy consumption will be judged more favorably than those with negligible or adverse impacts.

### *Southern California Edison*

Any substantial energy improvements at IEUA will rely on coordination with SCE. Each project is subject to the CPUC's policies, and interconnection of new projects requires significant effort from both SCE and IEUA staff. IEUA has secured interconnection agreements for all of the renewables at Agency facilities. Overall, IEUA has generally experienced difficulties during the interconnection process. Significant staff time and costs have been devoted to completing the agreements.

IEUA concedes that interconnecting large DG projects with the capacity for intermittent export presents complexities that must be addressed to ensure uninterrupted grid service. Interconnection agreements at RP-5 SHF and RP-1 saw marked progress improvement when twice-weekly conference calls were held with SCE staff, though SCE is assuredly not capable of offering this level of service for every interconnection agreement. IEUA believes that improving communication and policy understanding can streamline the interconnection process, and IEUA is committed to maintaining a dialogue with SCE and assist as needed.

IEUA's IDSM improvements rely on participation in SCE's DR program. IEUA is enrolled in SCE's Aggregator-Managed Portfolio DR program through EnerNOC. Increasing the Agency's load reduction capacity will benefit SCE during periods of

high grid demand. IEUA's contract with EnerNOC contains a provision that requires the delivered load capacity to be at least 75 percent of the target reduction. If the delivered capacity falls below 75 percent, IEUA does not receive any credit for reducing load during the DR event. As a result, IEUA is hesitant to increase the curtailment target until reliable load reduction measures can be identified.

Furthermore, the current DR program does not provide any incentive for additional power that is exported to the grid during DR events. Adding energy storage could further increase reduction capacities, but current DR program language is unclear regarding integration of energy storage. Modifying the DR program to include incentives for exported power above a baseline export level could result in higher DR commitments.

### ***California Public Utilities Commission***

IEUA has relied on PPAs to install renewable technologies, each of which has a purchase rates between \$0.08 and \$0.13 per kWh. Since exported is compensated at a rate between \$0.04 and \$0.06 per kWh, IEUA's DG projects are typically sized to maximize on-site use of the electricity generated and avoid export. Increasing export rates would benefit IEUA, but are unlikely to occur.

An alternative solution to improving renewable economics would rely on modifications to the RPS, which mandates that all electric service suppliers provide at least 33 percent of their energy from renewable sources by 2020. These suppliers can achieve the mandated limits by purchasing Renewable Energy Certificates (RECs) that satisfy one of three content categories, often referred to as buckets:

- ◊ **Bucket 1:** Energy and RECs (bundled) from an RPS-eligible facility that is directly connected to the transmission grid
- ◊ **Bucket 2:** RECs are purchased and renewable energy is firmed and shaped with substitute electricity that is scheduled into a California Balancing Authority within the same calendar year as the RPS generation
- ◊ **Bucket 3:** Unbundled RECs from RPS-eligible facility

Because IEUA uses the renewable energy it generates on site, any RECs generated fall into Bucket 3, which carries the lowest value on the trading market. IEUA's experience in pursuing RECs for its renewable installations found that the cost of obtaining the certificates often negated the potential profits of any sale. However, the California assembly, with assistance from the California Association of Sanitation Agencies (CASA) and the Bioenergy Association of California (BAC), is pursuing

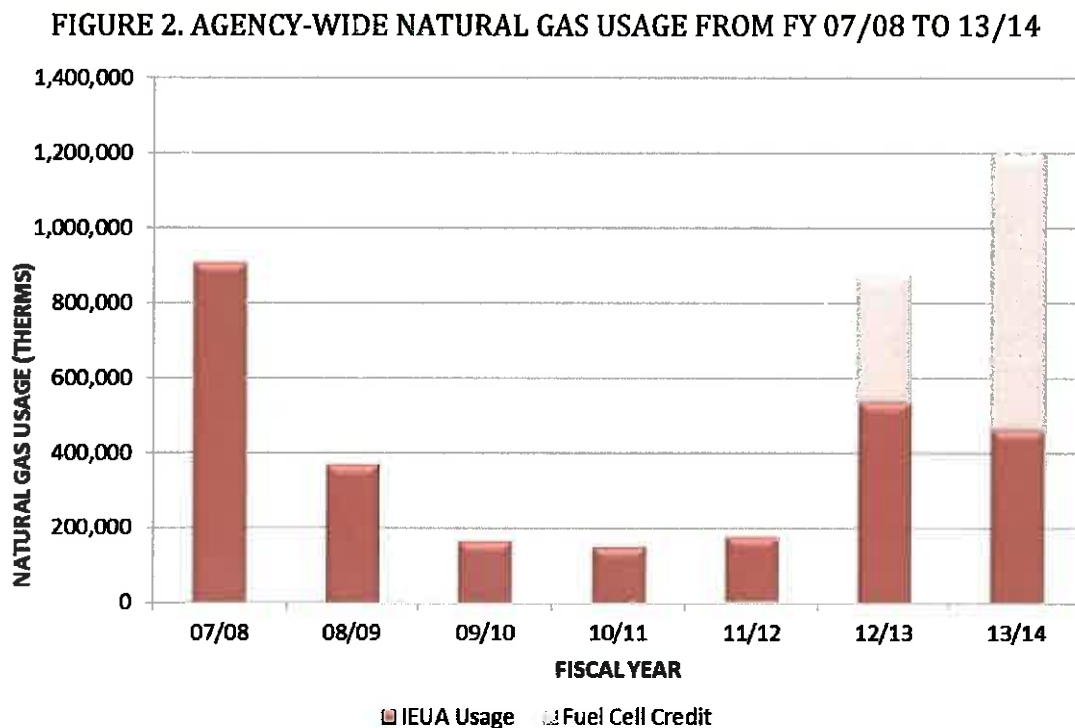
legislation that would allow for renewable installations at wastewater facilities to be eligible for Bucket 1 status as part of Assembly Bill 1144. This designation could drastically improve renewable project economics. IEUA is in support of AB 1144 and will track its progress closely.



# Energy Data

## NATURAL GAS

Figure 2 shows the Agency's wide fluctuation in natural gas usage in recent years. The changes are mainly due to the renewable self-generation technologies employed at the biosolids handling facilities. Beginning in 2001, IEUA operated natural-gas fired engines which generated electricity during peak periods to assist the SCE grid. A blend of natural gas and digester gas was also used in the cogeneration engines at RP-1. However, the peaking engines were removed from service in 2008, and SCAQMD Rule 1110.2 curbed natural gas usage in digester gas-fueled cogeneration engines in the same year, resulting in a dramatic reduction in natural gas consumption.





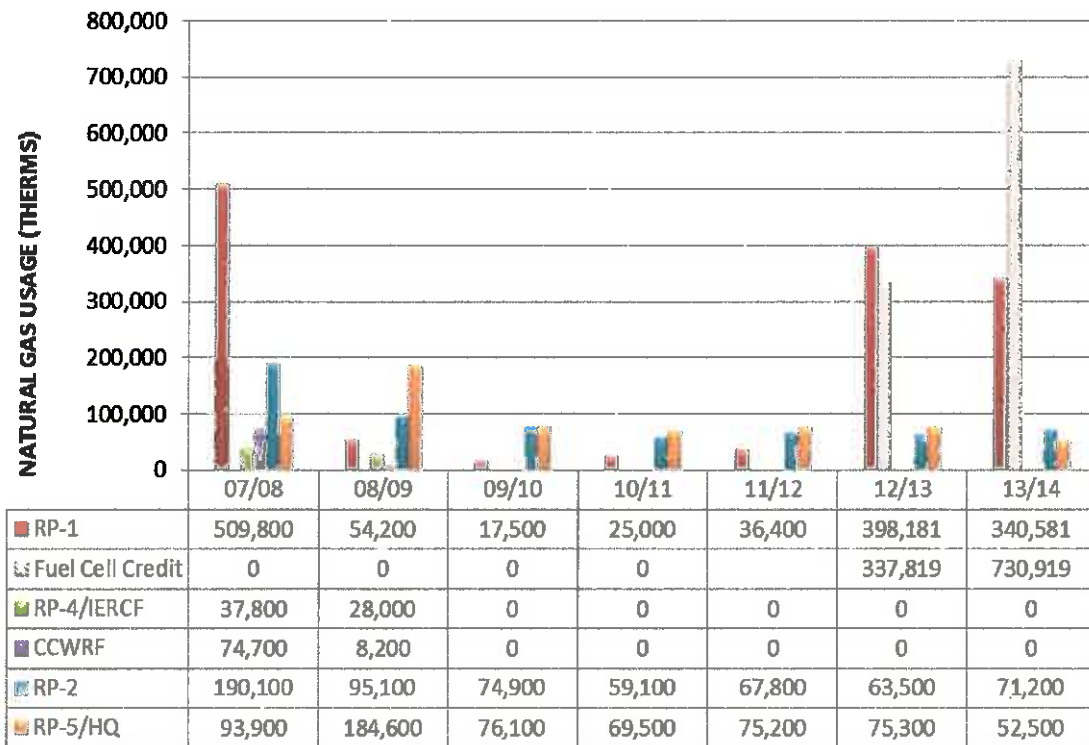
Between FY 09/10 and FY 11/12, the natural gas usage at the Agency was limited to hot water boilers used to meet the anaerobic digestion thermal demand and a minimal amount needed to maintain temperature in the digester gas-fueled cogeneration engines. The usage increase since FY 12/13 is due to the fuel cell installation, which is operated on a blend of digester gas and natural gas. Since the fuel cell catalyst is highly sensitive to air contaminants, the blend may vary depending on the status of the gas conditioning system. As such, natural gas can account for anywhere from 25 to 100 percent of the total fuel cell gas blend.



The fuel cell agreement structure contains provisions that outline IEUA's natural gas responsibility depending on the operating condition of the power plant. Under normal conditions, the fuel cell is expected to operate on a blend of approximately 75 percent digester gas and 25 percent natural gas by flow. As such, IEUA is responsible for the procurement of 25 percent of the natural gas utilized by the fuel cell. Natural gas usage on site is heavily dependent on the operational status of the fuel cell and digester gas conditioning systems. The figures included in this plan distinguish the natural gas used at IEUA's discretion and any supplemental natural gas required by the PPA provider to maintain operation of the fuel cell while the gas conditioning system is down ("Fuel Cell Credit").

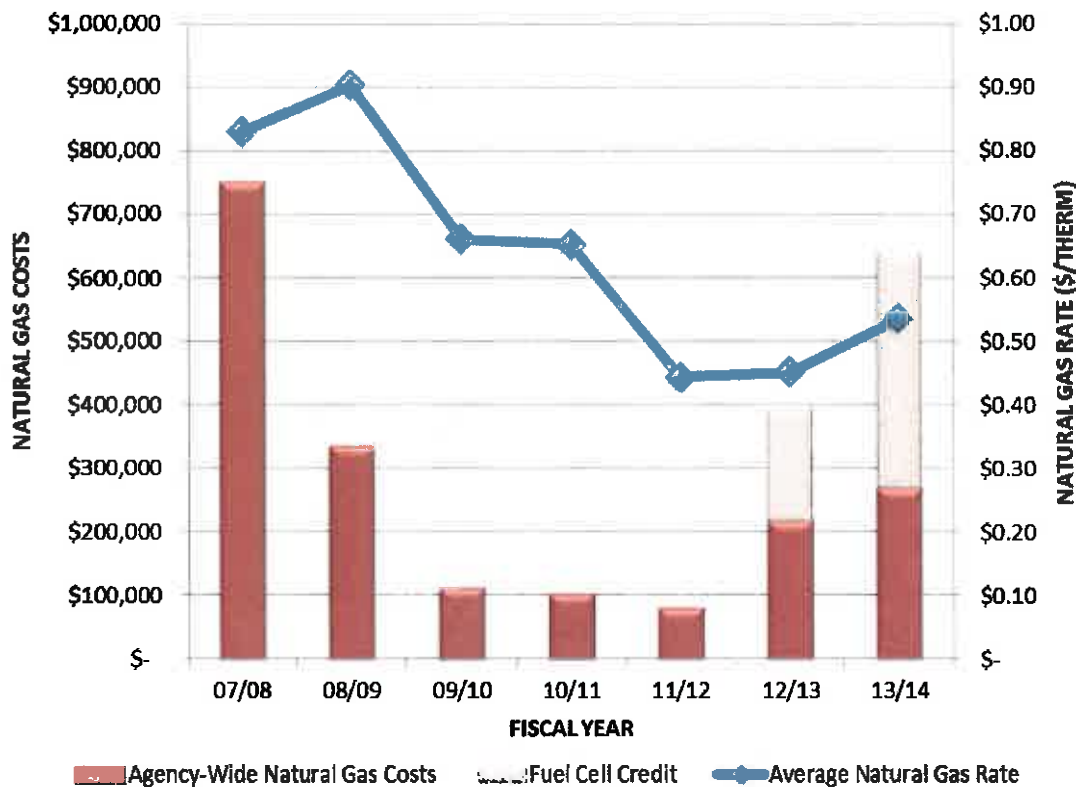
A breakdown of natural gas usage by facility is shown on Figure 3. This data further elucidates the point that natural gas usage at the Agency is driven by the requirements of the technologies installed. Natural gas usage was effectively terminated at RP-4 and CCWRF when the natural gas peaking engines were removed from service in 2008. Since the fuel cell was installed at RP-1 in 2012, the facility has accounted for approximately 87 percent of the Agency's total natural gas consumption.

FIGURE 3. NATURAL GAS USAGE FROM FY 07/08 TO 13/14 BY FACILITY



As aforementioned, one of the core goals of the Energy Management Plan is to reduce energy costs as well as usage. Figure 4 shows the Agency's overall costs for natural gas consumption from FY 07/08 to FY 13/14 with the average rate, on a \$/therm basis, tracked alongside. The recent decline in natural gas pricing resulted in lower natural gas costs for FY 13/14 when compared to FY 07/08, despite the fact that gas usage was approximately 31 percent higher in FY 13/14. Consequently, IEUA routinely analyzes energy rate trends in addition to overall cost.

FIGURE 4. AGENCY-WIDE NATURAL GAS COSTS FROM FY 07/08 TO 13/14



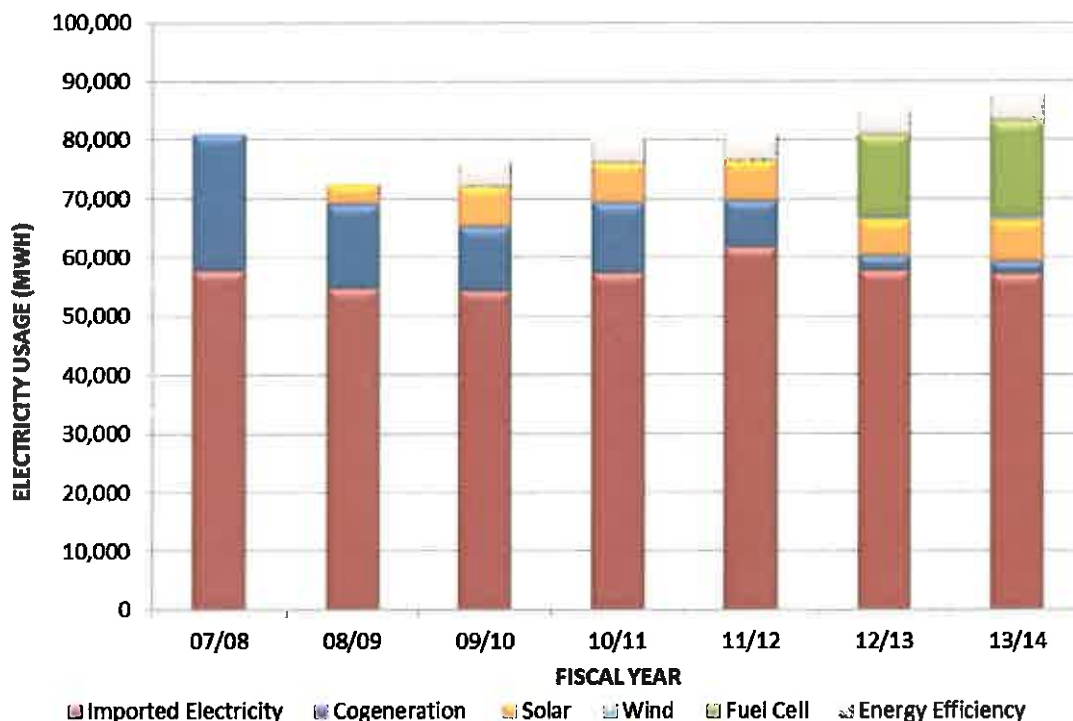
While the decreased price of natural gas has contributed to lower rates in recent years, IEUA has also reduced costs by procuring natural gas through an Energy Service Provider, rather than SCGC. The ESP offers both fixed and variable rates for natural gas that are based on market trends. By utilizing these variable rate structures through an ESP, IEUA has seen consistent cost savings when compared to SCGC rates.

## ELECTRICITY

The Agency's efforts to optimize electricity consumption by increasing energy efficiency and expanding its renewable portfolio are evident on Figure 5. The figure shows the total electricity usage for the regional wastewater facilities, composting facility, recycled water pumping stations, and groundwater recharge basins between FY 07/08 and FY 13/14, as well as the energy efficiency projects certified by SCE over the same time period. Efficiency projects included damper installations at the IERCF and VFD installations and chiller replacement at RP-1.



FIGURE 5. AGENCY-WIDE ELECTRICITY USAGE FROM FY 07/08 TO 13/14



In FY 08/09, IEUA installed its solar generation systems and began implementing energy efficiency projects, resulting in lower electricity usage when compared to FY 07/08. Electricity usage has climbed incrementally since FY 09/10. This can be attributed to expansions of the Agency's Recycled Water and Groundwater Recharge programs, which require significant pumping demand to move water regionally. Despite the increase in energy demand to the Agency, these practices play a vital role in sustainable water management in the region and significantly reduce the global energy consumed in importing water from the State Water Project (SWP). In FY 13/14 alone, the electricity used by IEUA to distribute 38,252 acre-feet (AF) of recycled water to end users and groundwater recharge basins resulted in the conservation of approximately 91,000 MWh that would have been required to pump the equivalent amount of water from the SWP.<sup>2</sup>

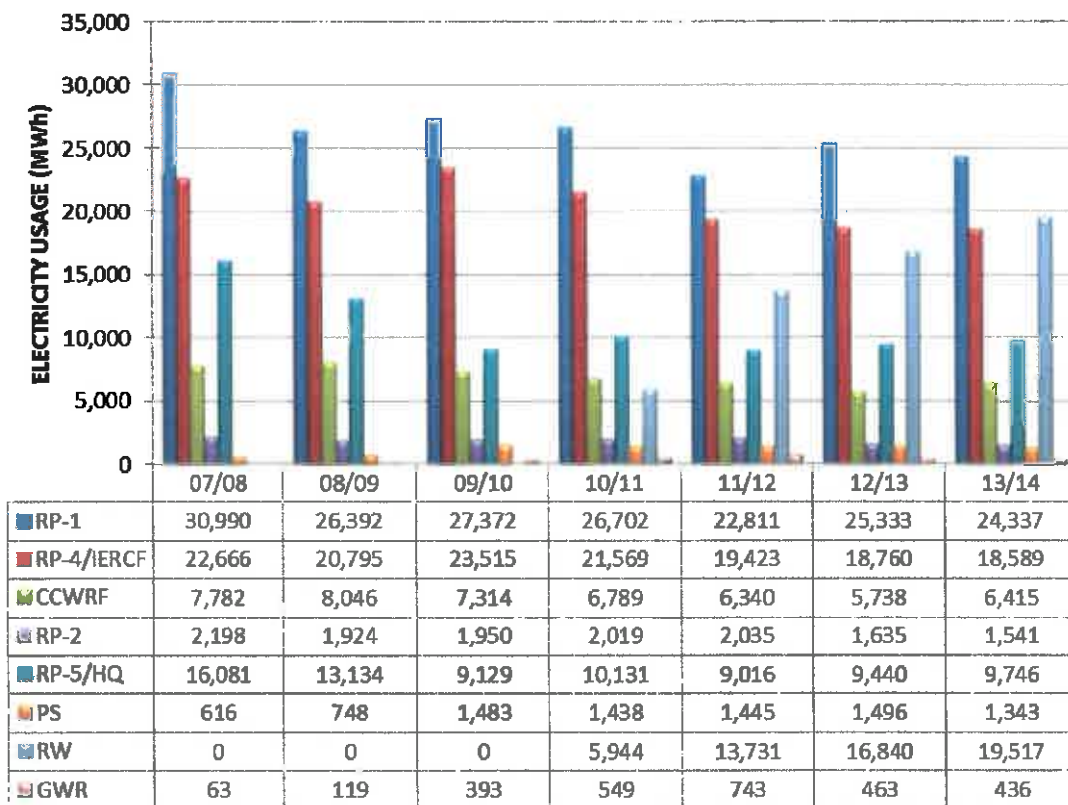
The amount of renewable energy utilized by the Agency has fluctuated annually, with electricity produced by cogeneration engines decreasing and low-emitting renewables (solar, wind, and fuel cells) steadily increasing each year. Due to increasingly stringent air quality regulations, the Agency has decreased reliance on the cogeneration engines in favor of technologies with lower emissions. The fuel cell installation at RP-1 resulted in a reduction of the facility's criteria pollutant

<sup>2</sup>Source: California's Water-Energy Relationship, Final Staff Report. California Energy Commission, 2005.

emissions by approximately 90 percent while matching the nameplate generation capacity, maintaining the ability to utilize digester gas, and recovering waste heat for the anaerobic digestion process.

Figure 6 shows the annual electricity usage at each facility, including lift stations, recycled water pumping stations, and groundwater recharge facilities. In 2011, IEUA began to separately track electricity consumed by the recycled water pumps at each RWRP. Prior to 2011, the lack of data availability prevented IEUA staff from separating electricity usages from treatment and RW processes, so the RW pumping power consumption is embedded in the totals for each plant. RP-1, RP-4, RP-5, and CCWRF all employ RW pumping stations on site. For the purposes of this Energy Management Plan, energy consumption in Fiscal Year 13/14 will be considered the baseline value when calculating potential future energy savings.

FIGURE 6. ELECTRICITY USAGE FROM FY 07/08 TO 13/14 BY FACILITY

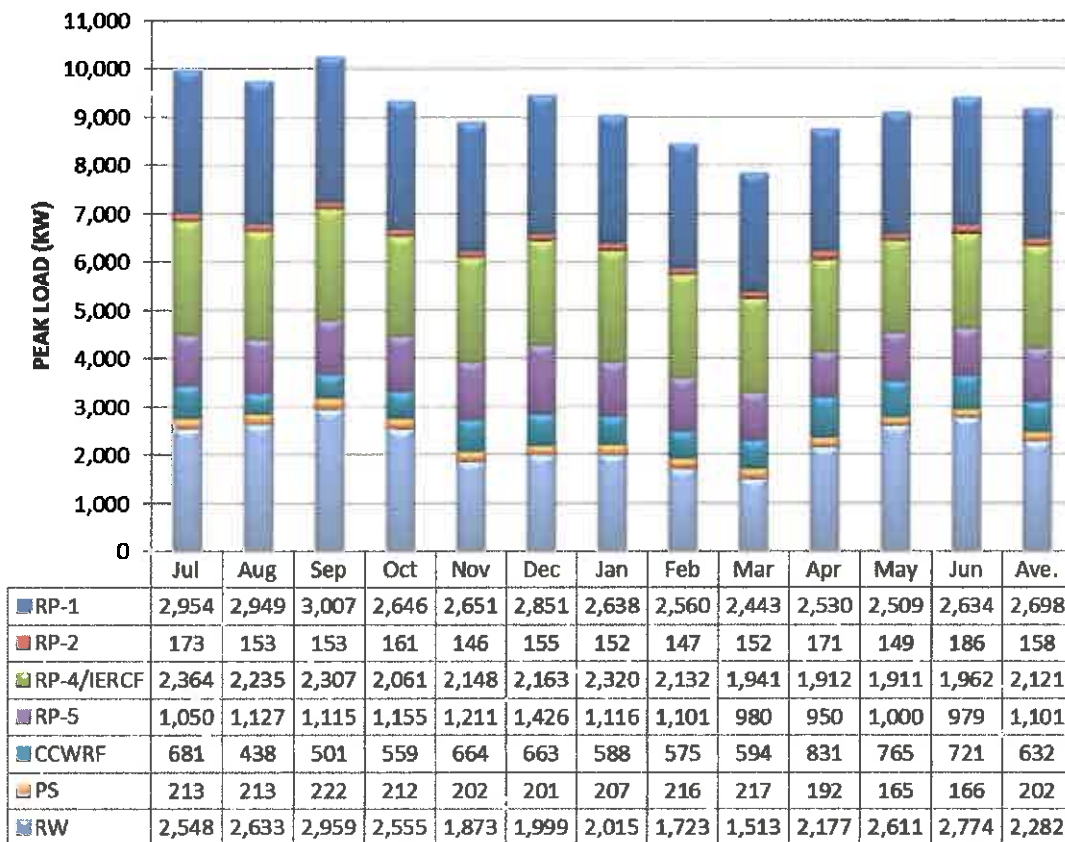


This figure illustrates the high energy intensity of RP-1 and RP-4/IERCF. In FY 2013/2014, these two sites combine to account for approximately 53 percent of the total Agency energy demand. As such, IEUA's Energy Management Plan has particularly focused on these facilities when exploring potential efficiency projects.

Recycled water pumping also contributes significantly to the Agency's electrical demand. RW usage in the region has grown steadily in recent years, and is expected to continue increasing moving forward. Due to the region's reliance on the Agency's RW distribution system, IEUA has begun to investigate projects that can optimize electrical consumption in the energy intensive process.

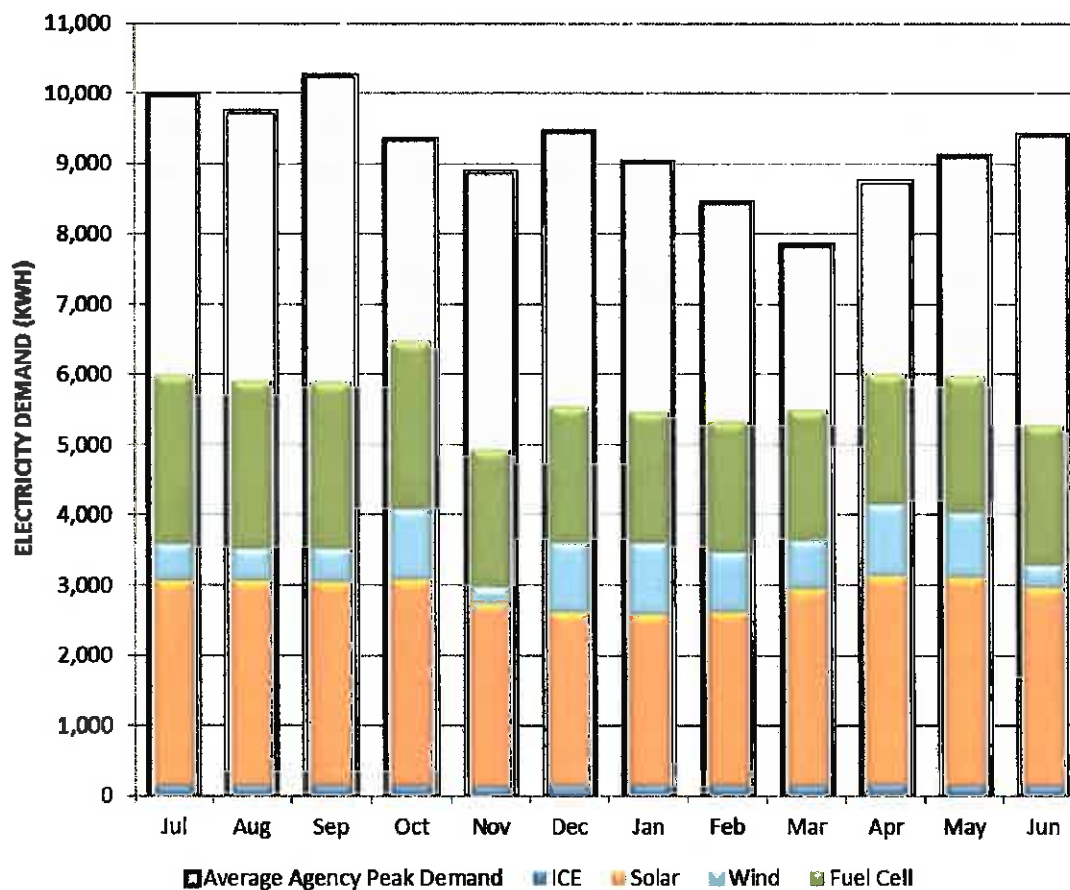
In addition to total electricity usage, the Agency monitors the electrical demand of each facility on an hourly basis. This information is required to assess the level of self-generation needed to pursue grid independence during peak periods. The electrical demand at IEUA's facilities fluctuates throughout the day and also varies by plant. As shown on Figure 7, the average hourly electrical demand across all IEUA facilities varies seasonally as well.

FIGURE 7. FY 13/14 AVERAGE PEAK FACILITY ELECTRICAL LOAD



For reasons explained in the following section, the Agency does not intend to install enough renewable energy technology to export electricity back to the grid. Instead, the goal of IEUA's Energy Management Plan is to procure sufficient renewable technology to meet the average load identified through historical and projected demand. Figure 8 compares the maximum hourly electrical generation by renewable sources during each month of FY 2013/2014 to the average peak load for all Agency facilities.

FIGURE 8. FY 13/14 MAXIMUM PEAK RENEWABLE GENERATION



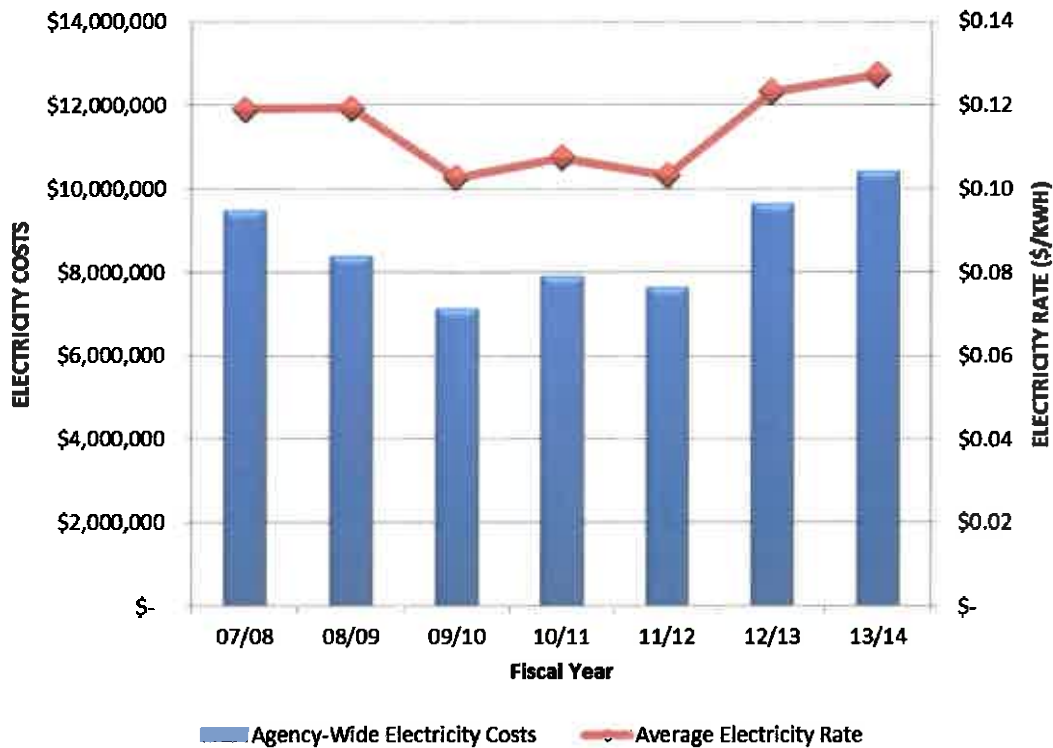
In FY 2013/2014, the Agency's renewable portfolio was capable of providing approximately 59 percent of the peak electrical demand for all facilities during summer months, and approximately 62 percent over the course of the entire year. Future energy efficiency projects and new technologies will be needed to grow the renewable portfolio and progress toward sustainability.

Unlike natural gas procurement, IEUA's electricity purchases are procured through a mixture of Direct Access and bundled service through SCE. The advantages of

bundled service (paying the local utility for both transmission and generation charges) through the IOU or DA (paying the local utility for transmission charges and a competing ESP for generation charges) vary greatly depending on many facility-specific factors.

Typically, ESPs offer cost savings opportunities with simplified rates that vary with market trends and do not include expensive demand charges. SCE's electricity rates, although fixed, vary with time of use, and can include standby and departing load charges that vary by facility and inflate (or in some cases, decrease) costs. Due to the temporal and site-specific variability in energy rates, the Agency closely evaluates the procurement options at each facility regularly. Figure 9 displays cost data beginning in FY 07/08, including the overall average electricity rate, on a \$/kWh basis, that the Agency paid. This rate is inclusive of all renewable, IOU, and ESP costs. Since there is no significant change over the years, the rate and usage data track each other fairly closely.

FIGURE 9. AGENCY-WIDE ELECTRICITY COSTS FROM FY 07/08 TO 13/14





Figures 10 and 11 outline IEUA's overall energy costs for FY 07/08 and FY 13/14 respectively. In both bases, electricity costs account for over 90 percent of the total energy costs. Furthermore, current natural gas usage is almost exclusively tied to fuel cell consumption, which is highly sensitive to operational adjustments. Electricity usage, on the other hand, is widespread across all facilities and offers more opportunities for optimization and efficiency increases. Therefore, much of the focus of this Energy Management Plan and projects discussed herein will be on reducing electricity consumption or increasing on-site electricity generation through various means.

FIGURE 10. FY 07/08 AGENCY-WIDE ENERGY COSTS

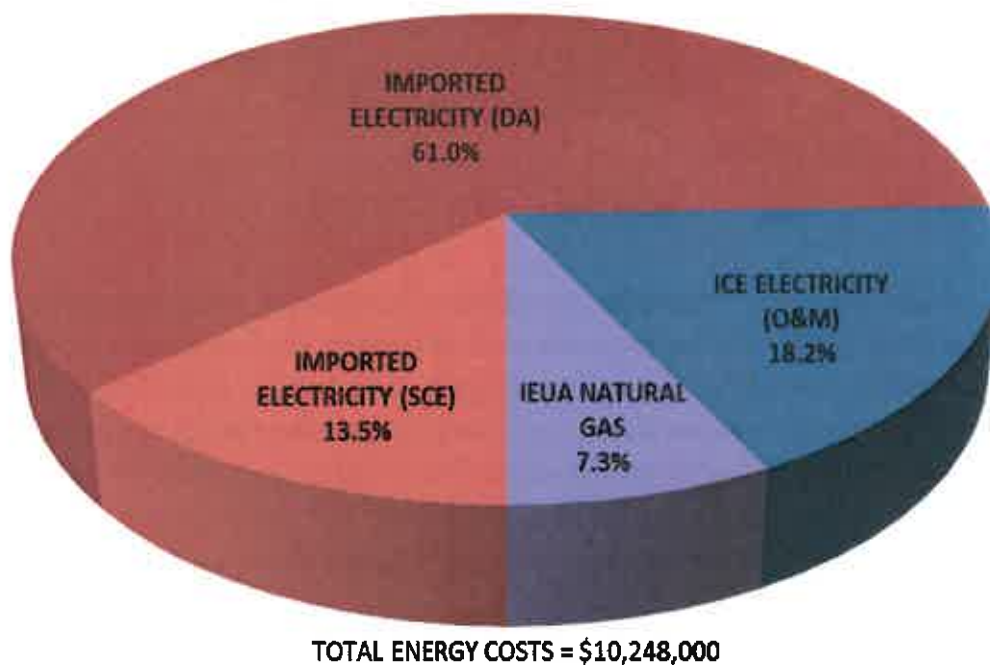
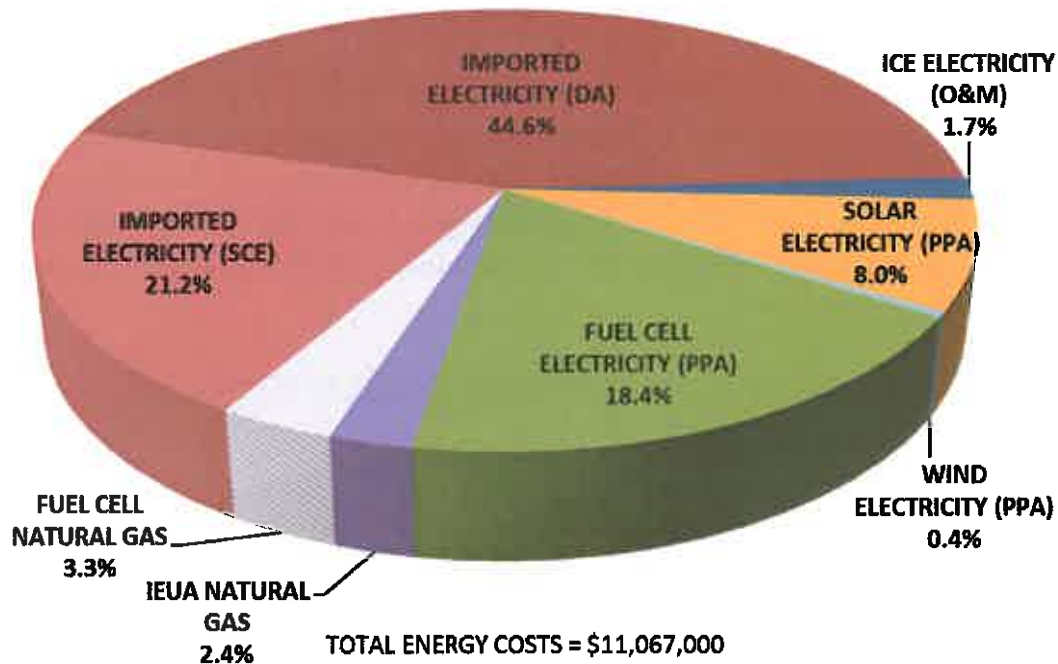


FIGURE 11. AGENCY-WIDE ENERGY COSTS FOR FY 13/14



The financial impact of renewable installations is apparent when comparing the two fiscal years. In FY 13/14, approximately 30 percent of all energy procurement came from PPA sources (including natural gas paid for by PPA provider). Imported electricity costs were reduced by approximately 10 percent, though the percentage of bundled electricity purchased increased. The changes seen since FY 07/08 are the result of several factors, including energy tariffs and procurement options. To better understand the variance with each facility, the following section includes details on each site.

## GREENHOUSE GAS EMISSIONS

Greenhouse Gases (GHGs) emitted in the state are regulated by the California Air Resources Board (CARB). CARB has also developed the Climate Change Scoping plan, most recently updated in March 2014, which targets industries and large facilities with high global warming potential and mandates reduction measures to in an effort to steadily decrease GHG emission levels. Wastewater treatment plants and composting facilities are not subject to the reduction measures addressed in the Scoping Plan. Furthermore, no IEUA facility emits GHGs at a level high enough to reach the regulated threshold for GHG reporting.



Despite the lack of any GHG reporting requirements, in February 2014, IEUA became a member of The Climate Registry (TCR), a nonprofit organization that develops standards and protocols for GHG calculations and reporting. Membership in TCR is voluntarily, and is a result of the Agency's aim to practice environmental stewardship as a regional leader. As a member of TCR, IEUA has committed to publicly report annual GHG emissions. The first Agency-wide reported inventory, spanning the 2013 calendar year, is shown in Table 3.

**TABLE 3. 2013 GREENHOUSE GAS EMISSIONS BY SOURCE**

<b>Source</b>	<b>GHG Emissions (Metric Tons CO<sub>2</sub>e)</b>	<b>Percentage of Total</b>
Heavy Duty vehicles	10	0.0
Fleet vehicles	297	0.9
Biosolids Hauling	124	0.4
Emergency Generators	99	0.3
LPG Combustion	33	0.1
Digester Gas Combustion	9,341	27.9
Natural Gas Combustion	6,735	20.1
Purchased Electricity	16,868	50.3
<b>Total</b>	<b>33,506</b>	<b>100.0</b>

The reported emissions use TCR protocols to calculate the metric tons of carbon dioxide equivalents (CO<sub>2</sub>e, a combination of CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O) emitted by IEUA processes. Both direct (i.e., stack emissions) and indirect (i.e., emissions associated with services procured by IEUA, such as purchased electricity) emissions were included in the calculations. 2013 GHG emissions were reported through TCR but not verified. IEUA has committed to pursuing verification for 2014 emissions.

In addition to annual reporting, IEUA aims to reduce these annual emissions moving forward in order to align with state and federal GHG reduction goals. An analysis of the reported data shows that an overwhelming majority of the Agency's GHG emissions came from electricity purchases and stationary combustion. Identifying the largest contributor to GHG emissions will also assist IEUA in determining where reductions can be most effectively achieved. Figures 12 and 13 compare the percentage of GHG emissions and electricity usage, respectively, for each facility.

FIGURE 12. 2013 GHG EMISSIONS BY FACILITY

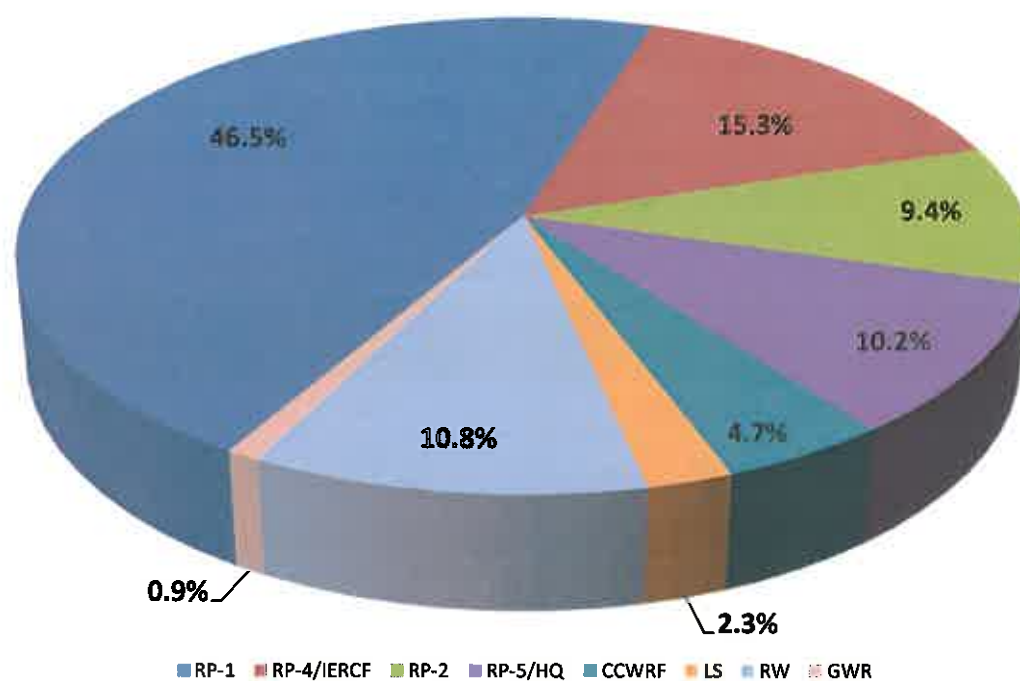
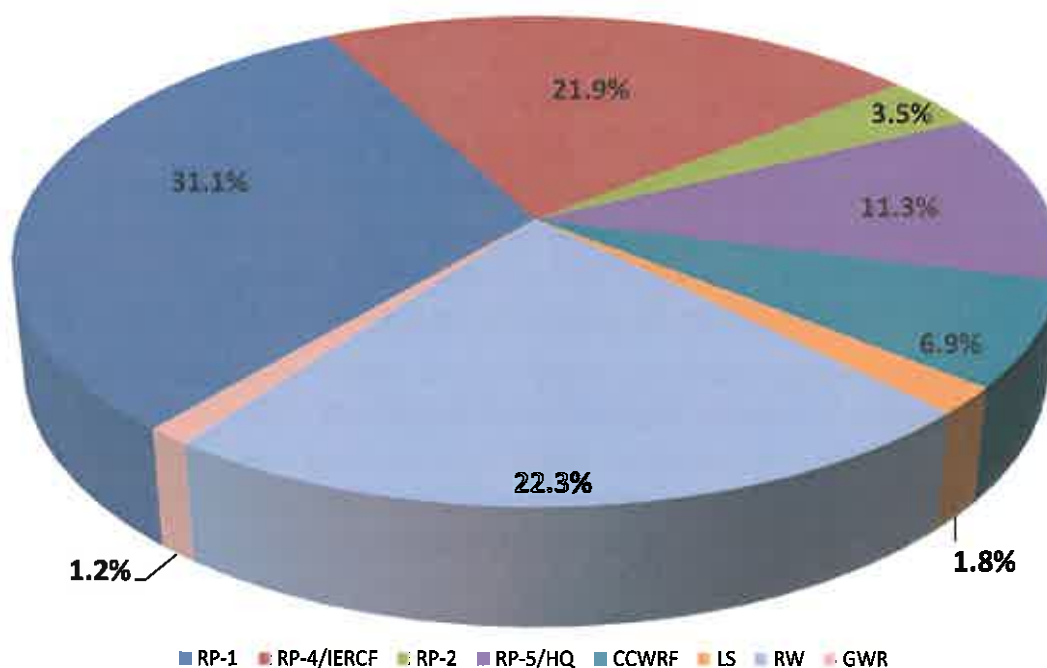


FIGURE 13. 2013 ELECTRICITY USAGE BY FACILITY



The contribution of gas combustion to GHG emissions is apparent when comparing the figures above. Three IEUA facilities (RP-1, RP-2, and RP-5) consume digester gas produced on-site. These facilities combine to account for approximately 66 percent of the Agency-wide GHG emissions. However, the same facilities accounted for only 46 percent of the electricity usage during the same time period.

RP-4/IERCF and the RW program, on the other hand, used a combined 46 percent of the Agency's electricity consumption in 2013, but only produced 29 percent of the GHG emissions. These data indicate that digester gas consumption is the major contributing factor to IEUA's carbon footprint.

The renewable installations and efficiency projects have had a significant impact on IEUA's GHG emissions profile. Although the Agency only began reporting GHG emissions in 2013, historical fuel usage and electricity purchase data can be used to determine emissions in previous years under the same standards. Due to the increase in on-site renewable generation and reduced cogeneration engine operation, IEUA has reduced GHG emissions by approximately 36 percent since 2008. Neither the 2008 or 2013 emissions have been verified by a certified third party.

**TABLE 4. GREENHOUSE GAS EMISSIONS COMPARISON**

<b>2008 GHG Emissions (Metric Tons CO<sub>2</sub>e)</b>	<b>2013 GHG Emissions (Metric Tons CO<sub>2</sub>e)</b>	<b>Percent Reduction</b>
52,400	33,506	36.1

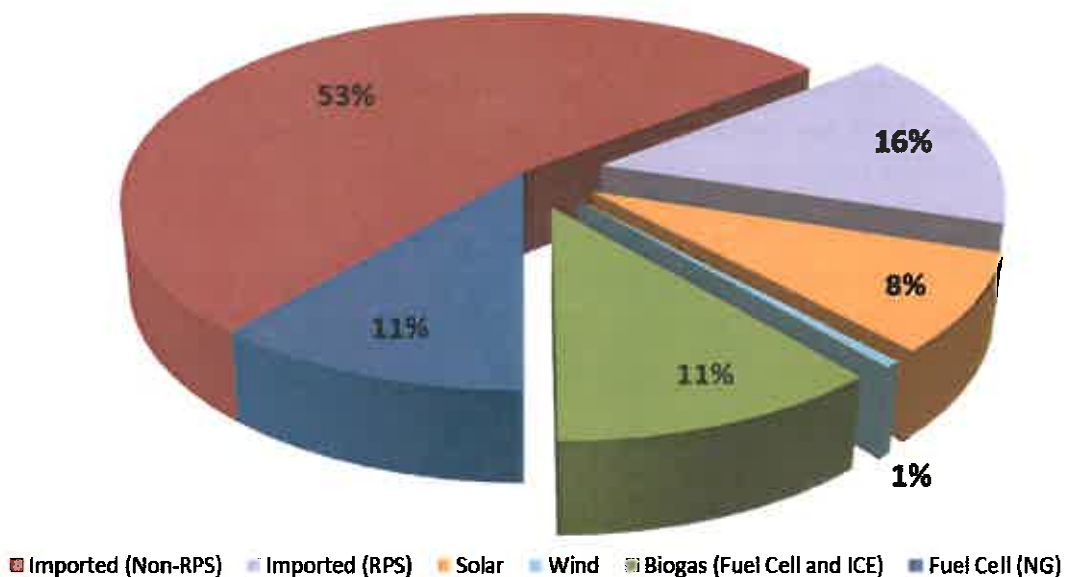
It should be noted that these emissions totals also include biogenic emissions, or GHGs that were recently contained in living organisms and are therefore considered carbon neutral. The Climate Registry requires these emissions to be reported, though they are distinguished from anthropogenic source emissions. Of the reported 2013 GHG emissions, approximately 28 percent are from biogenic sources.

Overall, approximately 36 percent of the electricity consumed at IEUA facilities during FY 2013/2014 was generated by carbon neutral sources (Figure 14). This value only considers the digester gas usage in the RP-1 fuel cell. Natural gas consumption in the equipment, though nearly devoid of criteria pollutant emissions, does result in anthropogenic GHG emissions. The carbon neutrality figure also accounts for the proportion of imported electricity that is obtained from renewable or hydroelectric sources, which were obtained from the IOU or DA

provider directly. As previously stated in the Introduction, IEUA strives to increase the carbon neutrality of electricity procurement to 100 percent by 2030. The long term is needed to account for the significant planning and engineering efforts involved in changing IEUA's generation and procurement strategies to permit 100 percent neutrality.

IEUA has developed a preliminary Carbon Management Plan, included in Appendix B, that identifies a proposed path to achieve 100 percent carbon neutrality. IEUA will work with third party consultants to further develop the Carbon Management Plan to include GHG reduction strategies and monitoring efforts.

FIGURE 14. CARBON NEUTRAL SOURCES OF FY 13/14 ELECTRICITY USAGE



Evaluations for new projects will consider potential GHG reductions that benefit the Agency's carbon footprint. Due to the relative infancy of the reporting protocols and emergence of new technologies, emission factors are not always readily available through TCR. In these cases, IEUA must perform independent research to estimate potential GHG emissions reductions.

Furthermore, IEUA has committed to assisting The Climate Registry to develop Water-Energy GHG Reporting Protocols. With the advent of these protocols, quantifying and verifying GHG emissions reductions can be standardized, an essential component in establishing GHG credits and measuring reductions.



IEUA is also aware of the impact its facilities can have in reducing emissions of methane, a short-lived climate pollutant (SLCP). In May 2015, CARB released a concept paper documenting the importance of decreasing SLCP emissions and potential measures that could achieve reductions. Wastewater treatment plants have the potential to reduce methane emissions through effective resource recovery. IEUA already utilizes anaerobic digestion and co-composting to minimize methane emissions at its facilities. In addition, the RP-5 SHF diverts organic food waste from landfills to further reduce methane emissions. This Energy Management Plan will consider additional ways that IEUA's facilities can minimize fugitive methane emissions from equipment and potentially divert more organic waste in a cost effective and reliable manner.



# Facility Descriptions

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## REGIONAL PLANT NO. 1

RP-1 is IEUA's largest treatment plant and is capable of treating an average of 44 MGD of wastewater flow. The facility employs primary, secondary, and tertiary treatment to produce Title 22 compliant recycled water that is provided to end users and groundwater recharge basins. RP-1 contains anaerobic digesters and dewatering facilities that generate renewable digester gas from the sludge removed during the liquids phase wastewater treatment process.

### *Gas Production*

RP-1 has seven digesters operated in a three-phase thermophilic process. In FY 13/14, the digestion operation produced an average of 560 standard cubic feet per minute (scfm) of digester gas, or approximately 800,200 scf per day. Approximately 14 percent of total gas production was acid phase gas, which is the product of the first phase of thermophilic digestion with a heat rating ranging from 200 to 300 Btu/scf. Due to its low quality, the acid phase gas is not consumed in the boiler or fuel cell. Instead, the gas is continuously flared.

The heating value of the remaining 86 percent of digester gas typically measures between 575 and 625 Btu/scf. The preferred destination for this gas is the 2.8 MW fuel cell operated on site. Prior to introduction to the fuel cell, the gas is directed through an extensive gas conditioning system that is designed to remove Volatile Organic Compounds (VOC), sulfides, and siloxanes that may prove harmful to the fuel cell catalyst. As part of the PPA, IEUA is required to deliver a minimum of 612,000 scf of digester gas per day to the fuel cell, averaged annually. This requirement accounts for approximately 90 percent of the total consumable (high Btu) gas produced at the facility daily.

RP-1's hot water boilers are the second option for the digester gas. The boilers are required to produce heat for the digestion process, and are capable of operating on either digester gas or natural gas, but not a blend. The boilers are operated on digester gas when production is high enough to operate both the fuel cell and

boiler, or when the fuel cell is operating exclusively on natural gas. In instances when the digester gas production exceeds both the fuel cell and boiler demands, the excess gas is combusted in the flare. The frequency of flare operation heavily depends on the status of the fuel cell's gas conditioning system. If the gas conditioning system is inoperable, the boilers can combust up to 420,000 scf per day, with the excess digester gas being flared.

### ***Facility Load***

The average hourly electrical load for summer (June through September) and winter (December through February) months at RP-1 are shown on Figure 15. Imported electricity, fuel cell generation, and solar generation are all included on these two load profiles. The figure shows a slight reduction in overall load during colder months, with peak consumption is approximately 4.2 MW in summer and approximately 3.9 MW in the winter. In both cases, the peak electrical load occurs around 13:00 in the afternoon. The generated solar electricity also varies between seasons, as days are longer and sunnier in summer than winter.

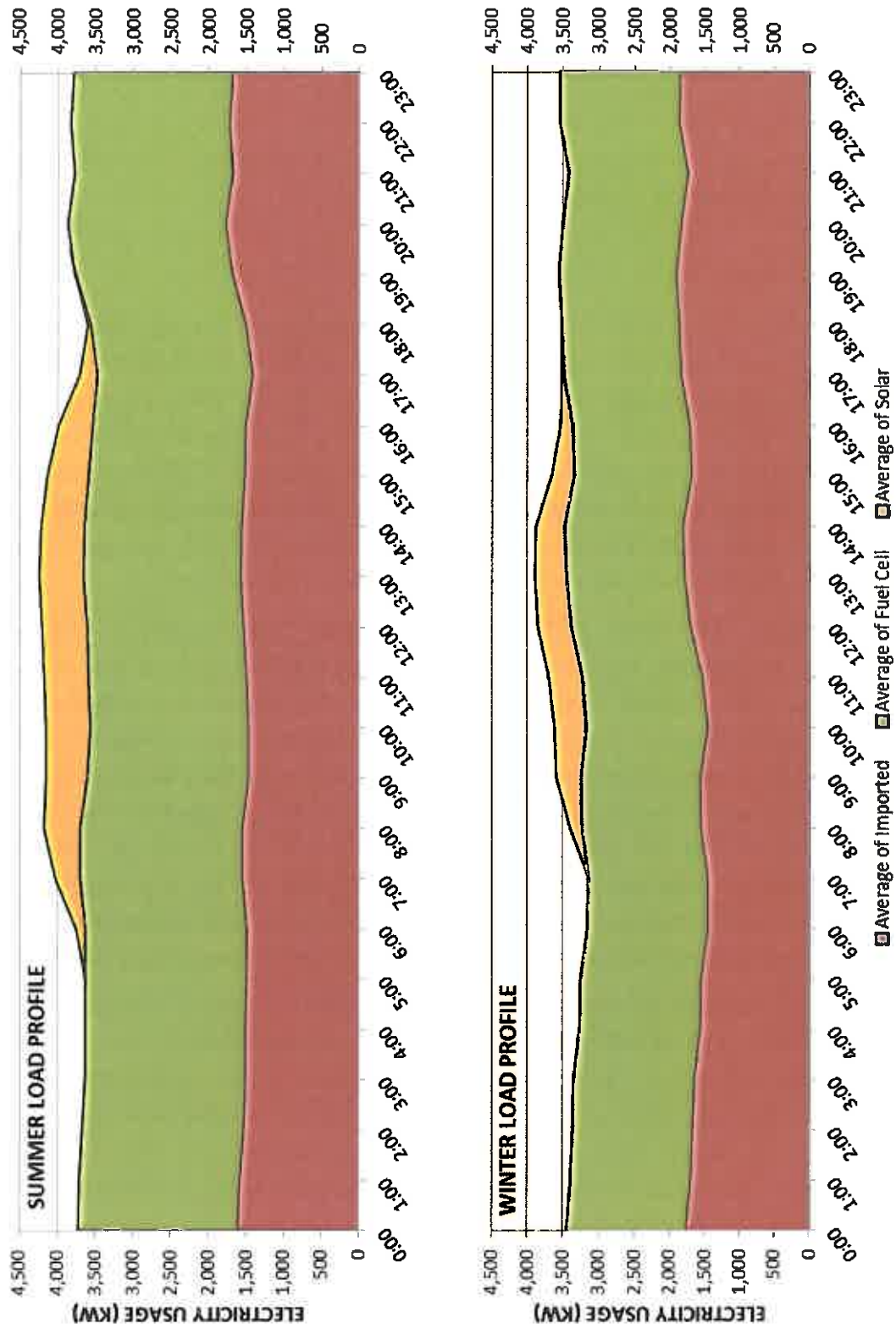
The figure also shows that imported electricity consumption is fairly steady throughout the day, with RP-1 purchasing approximately 1.4-1.7 MW throughout the year. The amount of electricity imported was higher than expected, as the generation capacities of the fuel cell and solar systems should have accounted for more of the total facility load. In September 2013, a sulfides breakthrough in the fuel cell's gas conditioning system diminished the catalyst performance and constrained fuel cell operation to a reduced load. In FY 13/14, the fuel cell generated, on average, approximately 420 kW less during winter months than during summer months. However, since this limitation was operational in nature, the power output of the fuel cell is not expected to vary seasonally in the future.

The data charted on Figure 15 includes electricity used by the recycled water distribution pumps located on site. These pumping demands were removed in previous sections to highlight the increasing power requirements that IEUA faces in distributing recycled water. However, these recycled water distribution pumping demands must be included when considering the overall facility load because they impact the procurement and self-generation opportunities that IEUA can pursue (as described below).



# IEUA 2015 ENERGY MANAGEMENT PLAN

FIGURE 15. FY 13/14 AVERAGE RP-1 LOAD PROFILE DURING SUMMER AND WINTER MONTHS



## ***Electricity Procurement***

RP-1 receives electricity from a mix of generation sources, which are listed in Table 5. RP-1's imported electricity purchases are obtained through Direct Access at day-ahead market pricing. The cost of generation is paid to an ESP, which means that RP-1 is not subject to high generation demand charges from SCE. Transmission costs, paid to SCE for the imported power, are determined by the applicable tariffs imposed by the IOU for large commercial customers with standby service (TOU-8-B-Standby). The facility is assessed demand charges as part of the transmission costs, although the demand is reduced by the nameplate rating of the fuel cell each month. RP-1 is also subject to departing load charges as a result of the on-site generation from the fuel cell.

**TABLE 5. FY 13/14 RP-1 ELECTRICITY PROCUREMENT**

<b>Generation Source</b>	<b>Service Type</b>	<b>Rate Type</b>	<b>Percentage of Facility Load</b>
Imported (as needed)	Direct Access	Market-priced	45
Fuel Cell (2.8 MW)	PPA	Fixed w/ annual escalator	50
Solar (0.83 MW)	PPA	Fixed w/ annual escalator	5

In FY 13/14, on-site generation, consisting of the fuel cell and solar array, accounted for 55 percent of the total facility load. This generation is lower than expected due to the fuel cell's extended operation at a reduced load. Table 6 shows the anticipated electricity procurement scenario assuming full operation from the fuel cell and 95 percent uptime.

**TABLE 6. ANTICIPATED RP-1 PROCUREMENT WITH FULL FUEL CELL OPERATION**

<b>Generation Source</b>	<b>Service Type</b>	<b>Rate Type</b>	<b>Percentage of Facility Load</b>
Imported (as needed)	Direct Access	Market-priced	34
Fuel Cell (2.8 MW)	PPA	Fixed w/ annual escalator	61
Solar (0.83 MW)	PPA	Fixed w/ annual escalator	5

From data graphed on Figure 15, the average hourly winter load at RP-1 varies from 3.1 – 3.8 MW, which means that RP-1's renewable installations are periodically capable of producing more than 100 percent of the facility's electrical demand during peak generation periods. As such, RP-1 was required to secure an export agreement with SCE to enable transmission of power back to the grid.

RP-1 was granted a multiple-tariff agreement that only compensates for power export from the solar array. The export agreement was completed by utilizing SCE's Net Energy Metering (NEM) program. However, because SCE's NEM program limits inclusion of fuel cells to systems below 1 MW, Since RP-1 is a DA customer, only the transmission portion of the power exported and attributed to the solar array will be compensated by SCE. The entire generation portion will be sold by the ESP at market price, effectively debiting the total electricity amount provided by the ESP per the DA contract.

### ***Demand Response***

RP-1 participates in the Demand Response program through ENERNOC. During a DR event, RP-1 staff is tasked with reducing the facility load by 50 kW through reduced operation of the recycled water pumps. This drop in load represents approximately four percent of the overall load reduction target of 1,230 kW that IEUA has agreed to across all Agency facilities. In FY 13/14, RP-1 exceeded 100 percent of its target in all six DR events and averaged a load reduction of 470 kW per event. The load reductions were achieved through limiting RP-1's recycled water pumping. In FY 13/14, RP-1's recycled water distribution increased to counteract the recycled water distribution that was lost due to a construction project at CCWRF. As a result, RP-1 had more flexibility to curtail RW load during DR events.

IEUA's DR contract with ENERNOC contains a provision that requires the delivered load capacity to be at least 75 percent of the target reduction. If the delivered capacity falls below 75 percent, IEUA does not receive any credit for reducing load during the DR event. As a result, IEUA is hesitant to increase the curtailment target until reliable load reduction measures can be identified.

Furthermore, the current DR program does not provide any incentive for additional power that is exported to the grid during DR events. RP-1's potential to export power is increased if load reductions are achieved during DR events. However, since only a portion of the power exported is compensated by SCE,

generating more energy than needed to meet the facility load provides no cost benefit to IEUA. If the DR program were to also incentivize power that is exported above the facility's baseline, IEUA could evaluate the potential for further reductions without fear of triggering cost prohibitive exports during DR events.

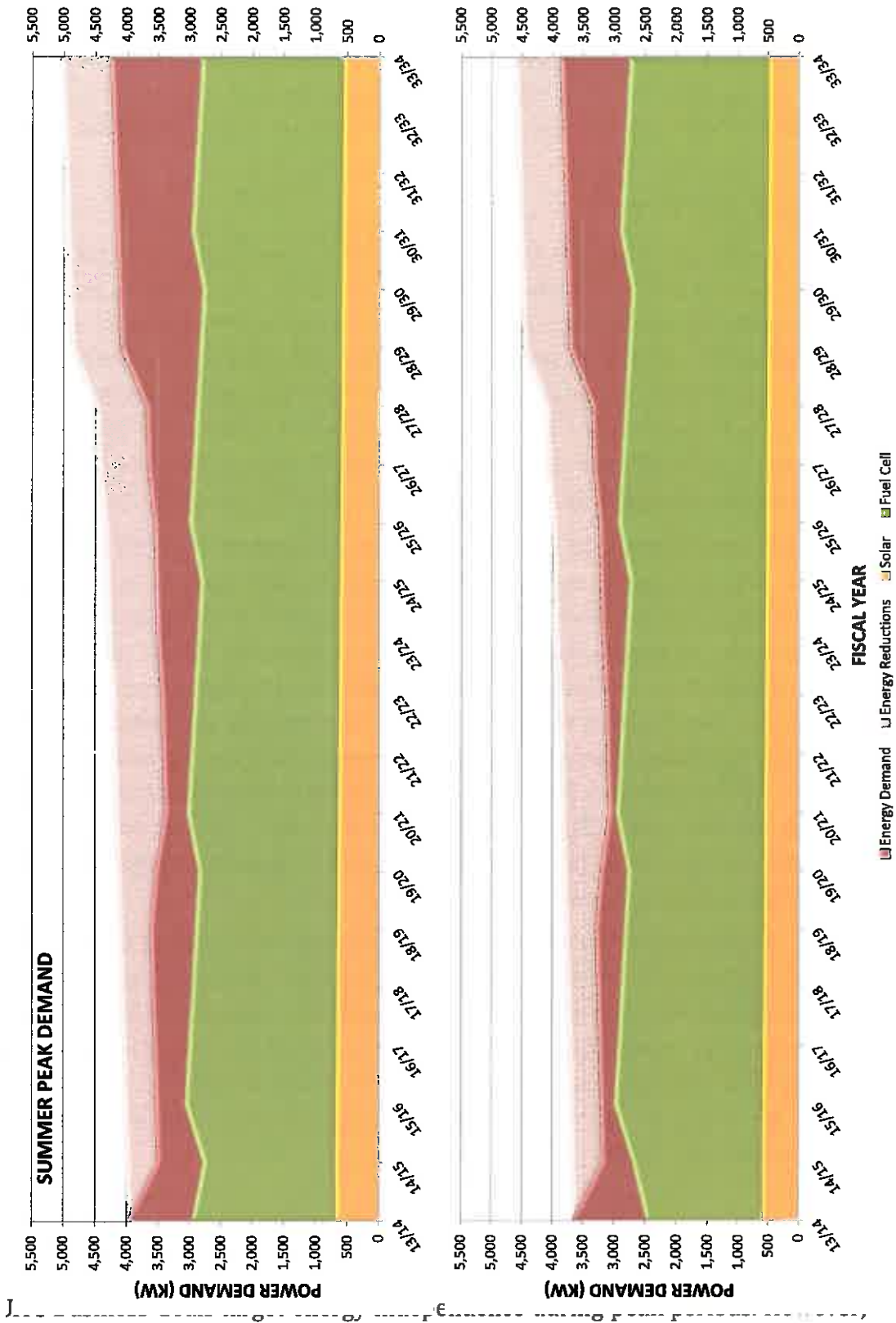
### ***Energy forecast***

IEUA's Wastewater Facilities Master Plan (WFMP) was developed to strategically prepare Agency facilities for forecasted flow demands. The WFMP is also used to recommend engineering projects that will modernize facilities to more effectively treat influent flows. The current WFMP forecasts flow projections and facility improvements through the year 2035. This EMP uses the same projections to forecast energy demands over the next 20 years to meet the anticipated flow increases and process changes. Figure 16 shows the forecasted demand for the summer and winter months, respectively.

The figure incorporates the expected renewable generation from the solar arrays and fuel cell with expected performance degradation and equipment (fuel cell catalyst) replacement factored in. The demand growth is proportional to expected flow increases of approximately 1 percent each year. The WFMP includes three major projects to be implemented at RP-1 within the 20-year period. The first two projects are modifications to the flow equalization process and installation of two additional anaerobic digesters, which will command a small increase in electrical demand. The third project involves the replacement of RP-1's aeration system with a membrane bioreactor (MBR) system and will result in a higher energy demand estimated at 10 percent. TYCIP projects included for implementation at RP-1 also considered in these projections.

The red shaded area in each figure represents the RP-1 demand exceeding the generation capabilities of RP-1's renewable portfolio. The red hatched area represents the anticipated energy reductions to be achieved through efficiency projects that are either under construction or included in the WFMP or TYCIP. The excess summer load ranges from approximately 500 kW in FY 15/16 to 1,400 kW in FY 33/34. The excess winter load fluctuates from approximately 200 kW in FY 15/16 to 1,100 kW in FY 33/34.

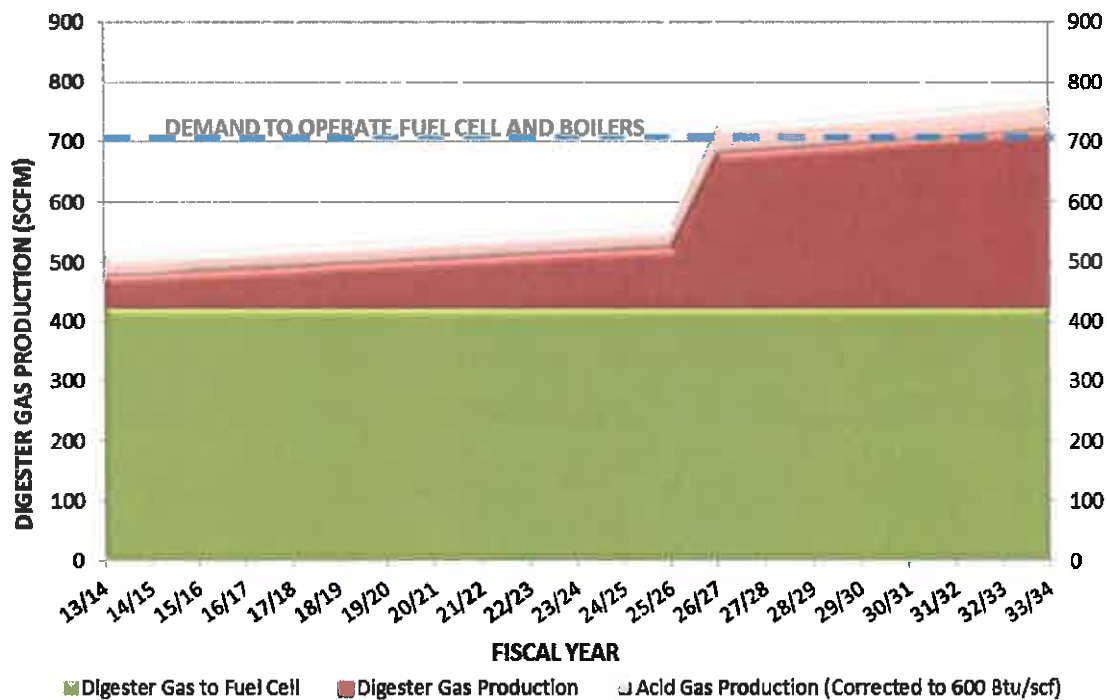
FIGURE 16. RP-1 20-YEAR POWER DEMAND FORECAST FOR SUMMER AND WINTER MONTHS



for a public agency with limited capital, it is essential to pursue self-generation projects that are cost effective. Renewable energy projects are typically cost effective at higher capacities and when the energy generated is used on-site. RP-1's renewable portfolio may be stagnant until the excess load during winter months approaches 1 MW, which is expected to coincide with the MBR installation. Alternatively, installing new distributed generation systems may make sense in the near term if IEUA can secure an export agreement with SCE that is economically favorable to power export from renewable sources. For these reasons, the focus on energy management at RP-1 over the next 10 years will be placed on conservation and efficiency projects.

RP-1's digester gas production also plays a vital role in the energy potential of the facility. In FY 13/14, the treatment plant produced an average of 560 scfm of digester gas. However, low BTU acid gas accounted for approximately 80 scfm of the production total. Figure 17 charts RP-1's anticipated gas production with expected flow increases, sludge thickening upgrades in the TYCIP, and two new digesters coming online over the next 20 years.

FIGURE 17. RP-1 20-YEAR GAS PRODUCTION FORECAST



Currently, the acid gas is combusted in the flare and only digester gas produced in



the second of third phases of the thermophilic process are utilized in the fuel cell. While there may be potential to use the acid gas phase in a future process, Figure 17 accounts for the difference in heat rating between the gases by converting the amount of acid gas to an equivalent quantity of digester gas with a heat rating of 600 Btu/scf (the average heat rating of digester gas used in the fuel cell).

The green shaded area represents the amount of digester gas that IEUA is contractually obligated to provide for the fuel cell operator. The dashed line shows the level of gas production needed to simultaneously operate the boiler and fuel cell at full load. Since RP-1's boilers are not currently capable of operating on a natural/digester gas blend, digester gas is only utilized in the boilers when the fuel cell is operating solely on natural gas due to gas conditioning restrictions. As a result, the facility is producing excess digester gas that cannot be used for energy generation. This EMP will explore several projects that can take advantage of the energy content in the digester gas.

### ***Potential New Projects***

RP-1's large electrical load and digester gas production offer a multitude of opportunities for additional self-generation and efficiency projects. Table 7 outlines projects that are being considered for implementation at RP-1 and discusses the feasibility of each. These projects may or may not align with the goals introduced in Table 2. The objective of this section is to evaluate any concept that could potentially result in energy conservation at IEUA facilities. Select projects in the table were evaluated in separate fact sheets, which are included in Appendix C.

TABLE 7. POTENTIAL RP-1 ENERGY PROJECTS

Project Type	Name	Description	Feasibility
Operational Efficiency	Energy Audit	Third party energy service companies can conduct comprehensive energy audits that not only evaluate potential savings from equipment retrofits, but also process modifications that can result in higher operational efficiencies.	IEUA has seen benefits from past audits, but has never committed to comprehensive evaluations of each facility. The Energy Network offers a no-cost audit service designed to assist public agencies with these types of evaluations. RP-1 would likely be the first facility considered for this service.
Operational Efficiency	Lighting Upgrades	RP-1 has extensive indoor and outdoor lighting systems that can be replaced with low-voltage LEDs or outfitted with controls to increase efficiency.	The high volume of lighting systems at RP-1 means that energy conservation opportunities are likely to be cost effective. A comprehensive audit of existing lighting infrastructure will be required to assess the potential savings and cost effectiveness.
Operational Efficiency	HVAC Controls and Upgrades	The RP-1 facility houses many buildings that use HVAC units for climate control. Many of these units can be upgraded to more efficient models or outfitted with controls that limit HVAC operation to non-peak periods.	An assessment of RP-1's existing HVAC units is underway to identify which pieces of equipment can be replaced. Controls to limit HVAC operation to non-peak periods is not currently considered cost effective, since RP-1 imports electricity through DA and therefore is not subject to the high TOU charges that these controls are designed to avoid.
Operational Efficiency	Compressed Air Optimization	Many of the treatment processes require compressed air. As a result, the facility contains multiple compressed air systems located throughout the facility. It is possible that energy savings could be achieved through centralizing or even downsizing the facility's compressed air systems.	An audit of the facility's compressed air system would be needed to assess the current infrastructure and determine if energy conservation measures are cost effective. This type of assessment could be achieved through a comprehensive energy audit.

<b>Project Type</b>	<b>Name</b>	<b>Description</b>	<b>Feasibility</b>
Operational Efficiency	Condense Operations Buildings	Operations and maintenance staff are scattered across the facility property, which requires multiple buildings, each requiring separate lighting and HVAC systems. The facility could potentially reduce overall electricity usage by condensing all staff offices into one building.	This measure would require significant planning and capital costs. IEUA will evaluate potential savings and operational impacts to determine feasibility.
Operational Efficiency	Aeration Basin Upgrades	Aeration is an energy intensive process, as it requires significant continuous air flow. Energy conservation could be achieved by upgrading the existing aeration system to higher efficiency blowers or diffusers with higher oxygen transfer efficiency.	IEUA would need to evaluate potential replacement options, identify cost effectiveness of the new equipment, and adjust operation schedules accordingly to allow for aeration retrofits.
Renewable Resources	Digester Mixing Optimization	The anaerobic digesters at RP-1 currently utilize gas mixing introduced at the base of the digesters to produce biogas. Alternative technologies or mixing strategies can be evaluated to determine if energy savings and/or increased gas production can be achieved.	Retrofitting the seven anaerobic digesters at RP-1 would be an expensive undertaking, and would potentially require subsidization from grants or other sources. Increased gas production could be used to eliminate natural gas in the boilers or to open an opportunity for further renewable technologies on site.
Renewable Resources	Digester Retrofit	Emerging technology focuses on retrofitting existing digesters with proprietary sludge mixing and thickening processes that are designed to increase the digestion capacity without increasing the digester footprint.	This retrofit project would require significant capital, unless pursued as a public-private partnership similar to existing PPAs. The innovative technology was recently implemented at other treatment facilities, so this project will be considered as further data becomes available.

Project Type	Name	Description	Feasibility
Renewable Resources	Install Gas Storage	The facility currently does not have the ability to store digester gas on site. Any gas that is not combusted in the boilers or processed in the fuel cell is combusted in the flare. Installation of low pressure gas storage tanks could provide cost effective storage and better utilize the facility's renewable resources. High pressure tanks could provide greater storage capacity, but would require more infrastructure for usage in facility equipment. This project could also include blending of the acid gas in order to increase the beneficial use of biogas.	Gas storage tanks would provide greater operational flexibility in utilizing the renewable digester gas at RP-1. However, an engineering evaluation would need to be conducted to determine how the additional stored gas would be utilized. This project may need to be considered in parallel with other projects that focus on increased gas production. Acid gas blending would require an evaluation of the gas quality to determine if the blended gas could meet the specifications required at the fuel cell. Any feasibility study conducted will also need to include potential gas compression costs.
Renewable Resources	Co-Digestion Project	RP-1 currently only accepts sludge from treated wastewater in its digestion process. Gas production could be increased with the introduction of food waste or Fats, Oils, and Greases (FOG) into the anaerobic digesters as well.	IEUA has explored food waste projects in the past and encountered operational challenges due to the lack of an appropriate automated food waste receiving and feeding station. Recent projects completed by other wastewater treatment facilities have shown positive results with co-digestion. Further evaluation would be required to identify influent sources, capacities, concentrations, and a potential receiving station.
Renewable Resources	Compressed Natural Gas (CNG) Installation	In addition to using digester gas in the boiler or fuel cell, IEUA staff has considered converting the biogas to CNG to be used in the Agency's fleet vehicles. Such a project would require retrofit of the fleet vehicles to operate on CNG. A CNG installation could take advantage of RP-1's location near several major highways and provide CNG for commercial use.	The scale of this project is currently not feasible, as a high majority of the biogas produced at RP-1 is processed in the fuel cell. IEUA is evaluating the viability of converting the acid phase gas to CNG as well. This project may become viable in the future with an increase in digester gas production and/or subsidized grant funding.

Project Type	Name	Description	Feasibility
Renewable Resources	Acid Phase Gas Turbine	The low heat content of the acid phase digester gas presents difficulties in producing renewable power. An emerging technology packages thermal oxidizers and gas turbines that can cost effectively utilize low quality biogas while producing electricity and heat.	While the technologies have been developed, there is little data indicating reliability. Unless such a project is heavily subsidized through grant funding, this project is likely infeasible until the technology is proven.
Renewable Resources	Expand Solar Installation	RP-1 currently has 0.83 MW of solar panels installed on site. The facility can evaluate the potential to install more solar on available land.	Any increase in solar generation at the facility would require a modified net metering agreement with SCE, which could take time considering the complexity of RP-1's current agreement. Additionally, the facility is subject to departing load charges, which would decrease the cost effectiveness of the technology. A feasibility study should consider that any new generation may result in power export at a low rate.
Renewable Resources	Electric Vehicle Charging Station	RP-1 can take advantage of its central location near major highways to install and operate an electric vehicle (EV) charging station powered by the on-site renewable installations. The station could be used by public and Agency fleet vehicles.	This project would require grant funding, as the charging station alone is not cost effective. The most viable route for project implementation would be as a component of a larger renewable energy project at the site or across Agency facilities.
Renewable Resources	Equalization Basin Cover and Solar Array	RP-1 currently uses flow equalization to temporarily store primary effluent during the treatment process, which can create odors. This project would install a cover over the basin with a solar array affixed atop the cover to generate electricity on-site.	Covering the equalization basin will require significant capital. Although costs may be offset by the solar installation, increasing the solar generating capacity of the facility could increase departing load charges and reduce the cost benefit.



Project Type	Name	Description	Feasibility
Energy Management	Purchase Existing Solar Installations	The power generated from the 0.83 MW of solar panels on site is currently sold to IEUA through a PPA. IEUA is considering purchasing the panels at fair market value to eliminate future electricity costs from solar generation.	IEUA has inquired about the potential purchase with the current project owner. However, the owner must be willing to sell the arrays at a value that is cost effective for the Agency. IEUA will continue to work with the PPA parties on this evaluation.
Energy Management	Convert Equalization Basin	RP-1 currently uses flow equalization to temporarily store primary effluent during the treatment process, which can create odors. Modifying the basins to store secondary or tertiary treated effluent may reduce odors while maintaining operational flexibility.	This project would require significant changes to the facility's piping infrastructure. Energy savings could be seen with reduced or off-peak pumping, though construction costs may be too high to be considered economical.
Energy Management	Energy Storage Installations	With the variation in load throughout the day and the potential for export during periods of peak renewable generation, RP-1 may benefit from the installation of energy storage technology to assist with load management. Storage could ensure that electricity purchases are minimized during peak periods and stored for later use on site when export would otherwise be required.	Current energy storage technology is not cost effective at RP-1 due to the facility's status as a DA customer. Load shifting, achieved through storing electricity during off-peak periods, has the potential to save on electricity costs by avoiding TOU demand charges. However, since RP-1 is not subject to these charges as a DA customer, the cost benefit is not enough to make the project viable without subsidization.



Project Type	Name	Description	Feasibility
Energy Management	Demand Response Energy Storage Installation	<p>Energy storage as a demand response tool is an innovative approach that is currently in initial stages of development. The project would involve a third party installing battery storage at host sites that could be used by IOUs for demand response during periods of peak consumption a portion of the time, and by the host site for peak shaving at other times. Capital expenditures for the storage installations would be covered by the third party.</p>	<p>IEUA has been approached by a third party to develop Demand Response Energy Storage projects at Agency facilities. The lack of capital costs and benefit of load flexibility and cost savings are attractive. IEUA will evaluate the potential agreement to determine the project's impact on the Agency's existing infrastructure.</p>

### ***Project Forecasts***

RP-1's procurement strategy, current demand, and limited capital eliminate many of these projects in the near term. Projects focusing on increasing operational efficiencies are more favorable to current conditions, assuming cost effective measures are identified. Table 7 includes broad areas of operation where energy reductions could be realized, but further work will need to be conducted to isolate and quantify savings from specific conservation measures. Tracking electrical demand with the facility's sub-meters will assist Agency staff IEUA in this endeavor. IEUA will work with a third party energy consultant within the next year to conduct a comprehensive energy audit of the RP-1 facility to develop a list of energy efficiency projects.

Despite the fact that RP-1 imported approximately 45 percent of the total electricity usage in FY 13/14, the potential to export power during periods of peak generation impacts the facility's ability to install new renewable generation projects. A revision of IEUA's net energy metering agreement with SCE would be required. Previous agreement revisions have proven to be costly and time consuming for Agency staff. Furthermore, any renewable technology utilizing digester gas would require an increase in gas production, as over 90 percent of RP-1's gas production is reserved for use in the fuel cell. The acid phase digester gas presents an opportunity for renewable technology on-site, but no reliable, cost effective solution has yet been found to properly utilize this gas.

Cost savings opportunities and operational flexibility could be achieved through gas storage projects. IEUA will conduct further evaluations to determine the potential savings opportunities from storing the gas, which will impact project viability. Energy storage projects that require IEUA to purchase battery storage are currently not cost effective because the facility purchases electricity through Direct Access. IEUA will continue to monitor energy storage technologies and pursue grant funding opportunities though, as the technology does present the benefit of operational flexibility and improved demand side management.

RP-1 contains a significant portion of the Agency's renewable portfolio that contributes toward the goal of peak power independence by 2020. Further evaluations will need to be conducted to determine the viability of expanding the facility's portfolio through increased digester gas production. In the short term, IEUA will commit to an energy audit to identify efficiency projects that can reduce the facility load and optimize the treatment processes.

## REGIONAL PLANT NO. 4 AND INLAND EMPIRE REGIONAL COMPOSTING FACILITY

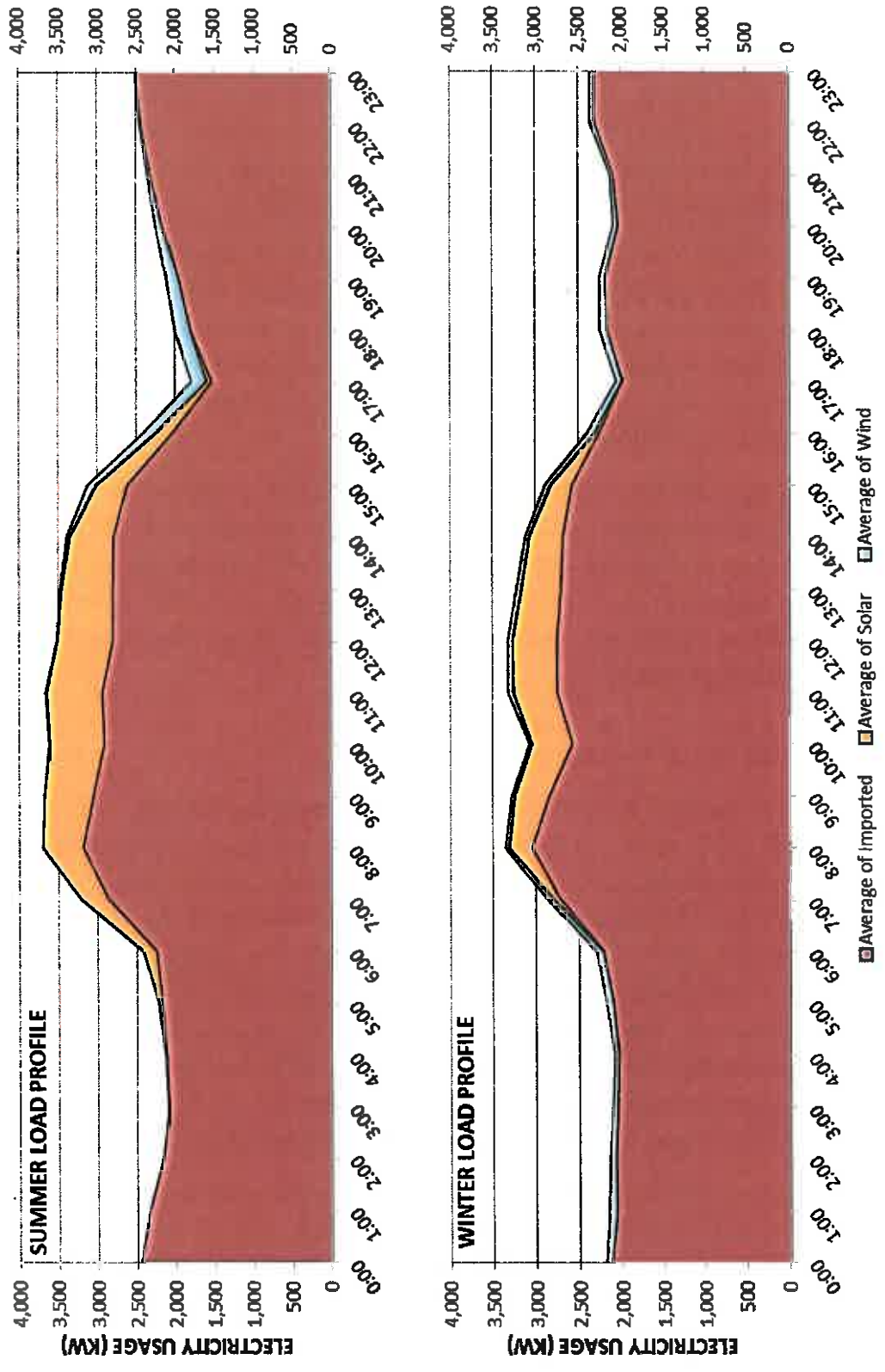
RP-4 and the IERCF are located adjacent to one another on 6<sup>th</sup> Street in Rancho Cucamonga. RP-4 is designed to treat an average of 14 MGD of wastewater flow. The treatment plant employs primary, secondary, and tertiary treatment to produce Title 22 compliant recycled water that is provided for direct use and groundwater recharge basins. Biosolids removed from the RP-4 treatment process are conveyed by gravity through the regional sewer system as influent to RP-1.

The IERCF is capable of recycling approximately 210,000 wet tons of biosolids and amendment per year into high quality compost. Although RP-4 and the IERCF operate independently of one another, the two facilities share the same electricity utility meter. For this reason, the EMP considers RP-4 and the IERCF together.

### *Facility Load*

The average hourly electrical load for summer (June through September) and winter (December through February) months at RP-4 and the IERCF are shown on Figure 18. Imported electricity, wind turbine generation, and solar generation are all included in the load profiles. The figure shows a slight reduction in overall load during colder months, with peak consumption at approximately 3.7 MW in summer and approximately 3.3 MW in the winter. In both seasons, the peak electrical load is generally stable between 8:00 and 15:00. The generated solar electricity also varies between the two seasons, as generation increases in summer months having more sunlight hours each day. During winter months in FY 13/14, the wind turbine produced more consistently. However, the maximum power generated occurred during summer months from the late afternoon to early evening.

FIGURE 18. FY 13/14 AVERAGE RP-4/IERCF LOAD DURING SUMMER AND WINTER MONTHS



The figure also shows that imported electricity demand peaks between the hours of 7:00 15:00. This coincides with typical operations at the IERCF. Large fans are used to continuously exhaust the fully enclosed composting process. These fans operate at a higher flow rate during the day to achieve more frequent air exchanges for staff working within the enclosed facility. As a result, the facility experiences peak demand during the middle of the day.

The RP-4/IERCF load charts include electricity used by the recycled water pumps at RP-4. These pumping demands were not included in previous sections to illustrate IEUA's increasing power requirements in distributing recycled water. However, these demands must be included when considering the overall facility load because they influence the power procurement and self-generation opportunities that IEUA can pursue.

The existing single electricity meter for RP-4/IERCF requires that the two facilities be considered as a single power entity. However, load management of RP-4/IERCF varies due to operational differences and can be improved by using the sub-metering equipment installed in 2014. Future versions of the EMP will use the sub-meter data to analyze the demand at each facility independently and focus on specific site opportunities.

### ***Electricity Procurement***

RP-4/IERCF receives electricity from a mix of generation sources, as summarized in Table 8. Until April 2014, RP-4/IERCF received imported electricity through Direct Access at day-ahead market pricing. These facilities were required to withdraw from the Direct Access program as a result of the interconnection agreement for RP-5 that was obtained through the Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) program. As part of that agreement, exported power is compensated with bill credits on other utility accounts owned by the generating Agency. In order to qualify, IEUA had to identify non-RP-5 bundled accounts with sufficient load to credit the full RP-5 generation capacity. RP-4/IERCF was selected as a credit account and removed from the DA program.

Switching to bundled service has resulted in high generation demand charges from SCE during peak periods. Transmission costs, paid to SCE for the imported power, are determined by the applicable tariffs imposed by the IOU for large commercial customers with standby service (TOU-8-B-Standby). The facility is assessed demand charges as part of the transmission costs, although the demand is reduced

by the nameplate rating of the wind turbine each month. RP-4/IERCF is also subject to departing load charges as a result of the on-site generation from the wind turbine.

TABLE 8. FY 13/14 RP-4/IERCF ELECTRICITY PROCUREMENT

Generation Source	Service Type	Rate Type	Percentage of Facility Load
Imported	Bundled	TOU-8-B Standby	90
Solar (1 MW)	PPA	Fixed with annual escalator	8
Wind (1 MW)	PPA	Fixed with annual escalator	2

In FY 13/14, on-site generation, consisting of the wind turbine at RP-4 and solar array at the IERCF, accounted for 10 percent of the total load of these facilities. As shown on Figure 18, the minimum load at RP-4/IERCF was approximately 2.1 MW. Even assuming peak generation, the wind turbine and solar array are not capable of matching the minimum RP-4/IERCF load. As such, RP-4/IERCF is not required to have an export agreement with SCE.

### ***Demand Response***

RP-4/IERCF participates in the DR program through EnerNOC. During a DR event, RP-4 staff reduces operation of the recycled water pumps and IERCF staff reduces fan operation. These practices aim to achieve reductions of 830 kW, which represents 67 percent of the overall Agency DR target. Additional reliable load reductions at RP-4 have been difficult to identify. IEUA's DR contract with EnerNOC contains a provision that requires the delivered load capacity to be at least 75 percent of the target reduction. If the delivered capacity falls below 75 percent, IEUA does not receive any credit for reducing load during the DR event. In FY 13/14, RP-4/IERCF reached 100 percent of their target in only one of six DR events. On average, RP-4/IERCF achieved 85 percent of its reduction goal, which is enough to achieve the minimum delivered capacity, but too low to commit to any additional reductions in the near future.





### ***Energy forecast***

Figure 19 shows 20 years of forecasted demands at RP-4/IERCF for the summer and winter months, based on the WFMP projections. The figure includes the expected renewable generation from the solar arrays and wind turbine with expected performance degradation factored in. The demand growth is proportional to an expected flow increase of approximately 2 percent each year at RP-4 and an expected 0.5 percent increase in energy demand each year at the IERCF. TYCIP and WFMP projects expected to affect the power demand were included in the forecast. However, the only significant project demand involves the replacement of RP-4's aeration system with a membrane bioreactor (MBR) system. This installation will result in a higher energy demand estimated at 10 percent.

The red shaded area in the two graphs represents the facility demand exceeding the generation capabilities of the solar and wind turbine installations. The red hatched area represents the anticipated energy reductions to be achieved through efficiency projects that are either under construction or included in the WFMP or TYCIP. The excess summer load ranges from approximately 1,500 kW in FY 14/15 to 3,700 kW in FY 33/34. The excess winter load fluctuates from approximately 1,400 kW in FY 14/15 to 3,600 kW in FY 33/34. Figure 19 shows that the peak demand at RP-4/IERCF does not have much seasonal difference.

FIGURE 19. RP-4/IERCF 20-YEAR POWER DEMAND FORECAST FOR SUMMER AND WINTER MONTHS

Despite the rated capacity of the solar and wind turbine installations, data have shown that RP-4/IERCF relies heavily on imported electricity during peak periods. This reliance is expected to increase steadily over the next 20 years. The amount of imported power indicates that the facility is capable of increasing the amount of renewable generation on site. Depending on the size and timing of any new renewable technology installed, it is possible that SCE would require an export agreement to be established. If the rated capacity of new distributed generation installations, when combined with the 2 MW generation capacity of the existing solar and wind installations, is more than or equal to the minimum demand of the facility at the time of installation, then IEUA will need to secure an export agreement with SCE.

### ***Potential New Projects***

The large electrical load and bundled service at RP-4/IERCF offer an array of opportunities for further self-generation, energy management, and efficiency projects. Table 9 outlines projects that have been considered for implementation at RP-4 and IERCF and discusses the feasibility of each.



TABLE 9. POTENTIAL RP-4/IERCF ENERGY PROJECTS

Project Type	Name	Description	Feasibility
Operational Efficiency	Energy Audit	Third party energy service companies can conduct comprehensive energy audits that not only evaluate potential savings from equipment retrofits, but also process modifications that can result in higher operational efficiencies.	IEUA has seen benefits from past audits, but has never committed to comprehensive evaluations of each facility. The Energy Network offers a no-cost audit service designed to assist public agencies with these evaluations. This service could yield several cost-saving measures at RP-4.
Operational Efficiency	Lighting Upgrades	RP-4 has extensive indoor and outdoor lighting systems that can be replaced with low-usage LEDs or outfitted with controls to increase efficiency. Lighting within the IERCF may not be as conducive to retrofit. Worker safety is paramount within the composting building, as visibility can be diminished without enough light.	A comprehensive audit of the existing lighting infrastructure will be required to assess the potential savings and cost effectiveness.
Operational Efficiency	HVAC Controls and Upgrades	RP-4 and IERCF have many buildings that use HVAC units for climate control. Many of these units can be upgraded to more efficient models or outfitted with controls that limit HVAC operation to non-peak periods.	An assessment of RP-4's existing HVAC units is underway to identify equipment that can be replaced. Controls to limit HVAC operation to non-peak periods can be cost effective because RP-4/IERCF is subject to high demand charges as a bundled service customer. IEUA will pursue an HVAC control project at the site.
Operational Efficiency	Compressed Air Optimization	Many of the RP-4 treatment processes require compressed air. As a result, the facility contains multiple compressed air systems located throughout the facility. It is possible that savings could be achieved through centralizing or even downsizing the facility's compressed air systems.	An audit of the facility's compressed air system would be needed to assess the current infrastructure and determine if energy conservation measures are cost effective. This type of assessment could be achieved through a comprehensive energy audit.

<b>Project Type</b>	<b>Name</b>	<b>Description</b>	<b>Feasibility</b>
Operational Efficiency	Aeration Basin Upgrades	Aeration is an energy intensive process, as it requires significant continuous air flow. Energy conservation could be achieved at RP-4 by upgrading the existing aeration system to higher efficiency blowers or diffusers with higher oxygen transfer efficiency.	IEUA would need to evaluate potential replacement options, identify cost effectiveness of the new equipment, and adjust operation schedules accordingly to allow for aeration retrofits.
Renewable Resources	Expand Solar Installation	The IERCF currently has 1 MW of solar panels installed on the roof of the composting building. There is additional space available for further arrays to be installed. The facility can evaluate the potential to expand the existing solar system using available roof space. Land space at RP-4 could also be utilized for additional arrays.	Any increase in solar generation at the facility would require a modified net metering agreement with SCE. Additionally, the facility is subject to departing load charges, which would decrease the cost effectiveness of the technology. A feasibility study will be conducted to determine the cost effectiveness of adding more solar panels to the site.
Renewable Resources	RP-4 Electric Vehicle Charging Station	RP-4 can take advantage of its central location near major highways to install and operate an electric vehicle (EV) charging station powered by the on-site renewable installations. The station could be used by public and Agency fleet vehicles.	This project would require grant funding, as the charging station alone is not cost effective. The most viable route for project implementation would be as a component of a larger renewable energy project at the site or across Agency facilities.
Energy Management	IERCF Purchase Existing Solar Installations	The power generated from the 1 MW of solar panels on site is currently sold to IEUA through a PPA. IEUA is considering purchasing the panels at fair market value to eliminate future electricity costs from solar generation.	IEUA has inquired about the potential purchase with the current project owner. However, the owner must be willing to sell the arrays at a value that is cost effective for the Agency. IEUA will continue to work with the PPA parties on this evaluation.



Project Type	Name	Description	Feasibility
Energy Management	Energy Storage Installations	Considering the facility load is highest during the middle of the day, when TOU pricing is highest from the IOU, RP-4/IERCF may benefit from the installation of energy storage technology to assist with load management. Storage could ensure that renewable installations could be used to charge batteries (or similar storage technology) outside of peak periods and then used on site when IOU rates are highest.	IEUA has received proposals from energy storage vendors and found that current technology is not cost effective at RP-4/IERCF. IEUA will continue to pursue the technology, as storage can provide invaluable management flexibility. The project may be viable with grant subsidization.
Energy Management	Separate RP-4 and IERCF with two utility meters	RP-4 and IERCF operate independently of one another but share an electrical utility meter. Separating the sites into two metered facilities could improve resource management and renewable incentive opportunities.	IEUA has received cost estimates from SCE for metering the two facilities independently and found the project to be cost prohibitive. However, the cost effectiveness would be different since the switch to bundled service. Separating the facilities would also mean the elimination of departing load charges, but also reduced benefit from standby demand pricing. Further evaluation is required to determine the cost impact of this project.
Energy Management	Increase Service Voltage	RP-4/IERCF currently operates on a 12 kV system. Facilities operating at service voltages above 50 kV can purchase electricity from SCE at tariffs that have lower transmission and generation rates.	Retrofitting the electrical distribution system at RP-4 and IERCF would require significant engineering and capital. A feasibility study would need to be conducted to evaluate the cost savings that could be achieved through such a project. Future cost savings would decrease with the implementation of additional renewable installations or energy storage.



### ***Project Forecasts***

Based on RP-4/IERCF's high electrical demand, current generation capacity, and status as a bundled service customer, there are many opportunities to improve energy management at these sites. Cost effectiveness will be the main consideration when determining the feasibility of potential new projects. Available space can also be a limiting factor when considering expansion of the solar system.

As RP-4/IERCF is IEUA's second largest user of electricity, IEUA will work with a third party energy consultant to conduct a comprehensive energy audit of the RP-4 and IERCF facilities once the RP-1 audit has been completed. Such an audit would be required to develop focused energy efficiency measures and reduce power consumption cost effectively.

RP-4/IERCF, as a bundled service customer, is an ideal candidate for energy management technologies that reduce load during peak periods. The load profile shows that IERCF's peak usage coincides with SCE's on-peak rates. Reducing imported electricity during these periods could result in savings from time-related generation and demand charges.

Improved HVAC controls could improve energy management and reduce the overall consumption across the facility during peak hours. IEUA staff intends to pursue the HVAC control technology for implementation at RP-4 and IERCF. Based on the project results, the technology could be used at other facilities as well.

Energy storage could have a large impact on load and cost management. As mentioned in Table 6, current storage technologies have proven cost prohibitive in IEUA's BCEs. IEUA is pursuing grant opportunities that will utilize energy storage with existing or new renewable technologies. Implementing energy storage on site is considered a valuable asset that can improve energy management capabilities, reduce operating costs, and provide relief for the grid during peak periods.

Solar costs and land-use efficiency have changed considerably since IERCF entered into its PPA in 2008. As a result, there may be the potential to add up to 1 MW of additional capacity between IERCF and RP-4. IEUA will pursue proposals for new solar installations at each site.

## CARBON CANYON WATER RECYCLING FACILITY

CCWRF is designed to treat an average of 11.4 MGD of wastewater flow. The treatment plant employs primary, secondary, and tertiary treatment to produce Title 22 compliant recycled water that is provided to end users. Biosolids removed from the treatment process are pumped to RP-2 for processing.

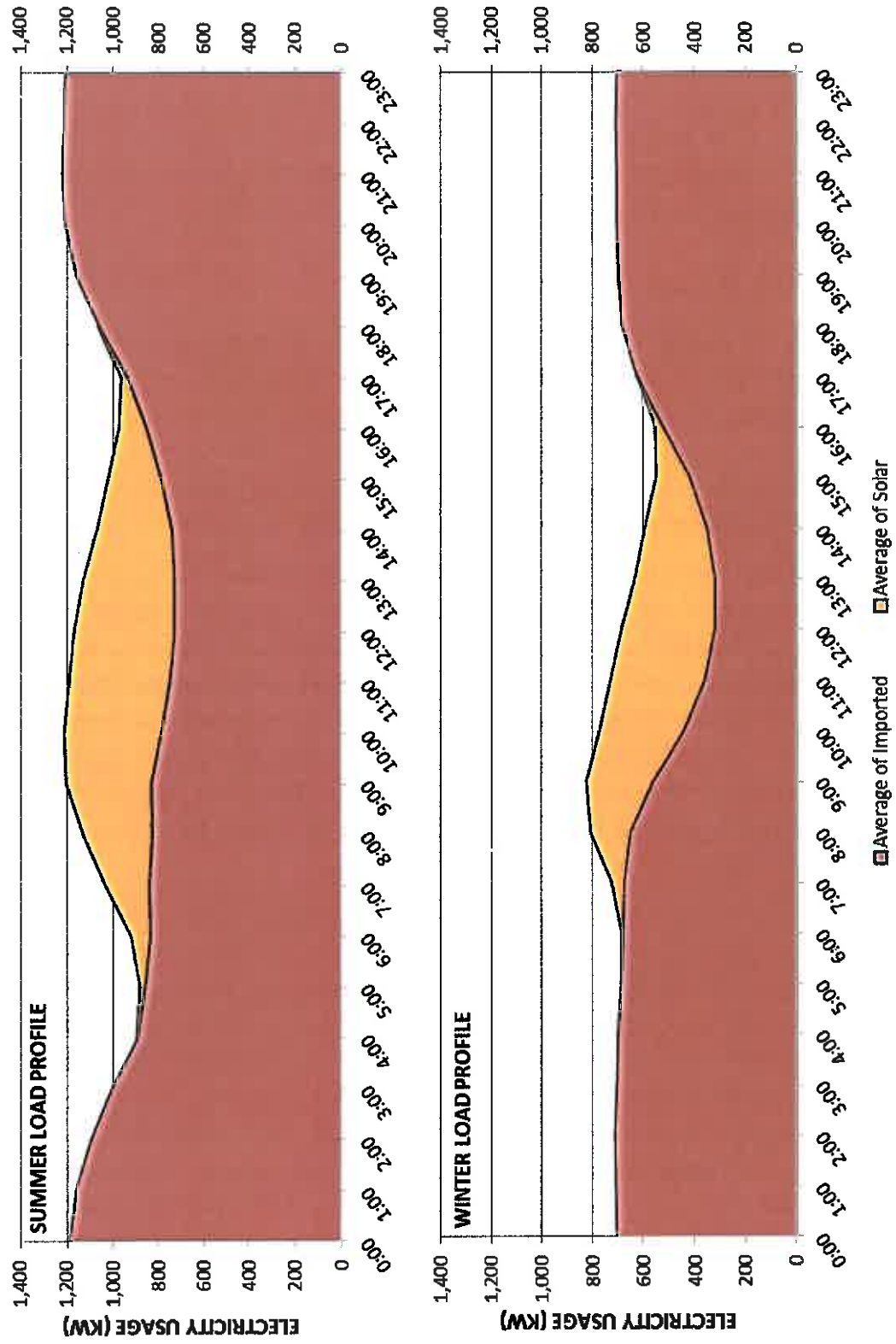
### *Facility Load*

The average hourly electrical load for summer (June through September) and winter (December through February) months at CCWRF are shown on Figure 20. Imported electricity and solar generation are included in the load profiles. The figure shows energy consumption is 30 to 40 percent lower during winter months than summer months. Peak summer consumption is approximately 1,200 kW and peak winter consumption is approximately 820 kW.

The variation is due to the operation of CCWRF's recycled water pumps. During the winter months in FY 13/14, the RW distribution system at CCWRF was under construction and did not operate. However, the operation of these pumps typically varies seasonally because RW direct usage is lower during winter months. When RW demand is low, IEUA is able to satisfy direct use customer needs through RP-1's supply system. As a result, the CCWRF RW pump distribution system can be non-operational for weeks or months at a time. Therefore, despite the lack of pump station operation, the FY 13/14 facility load is considered characteristic of operations during the summer and winter months.

The CCWRF load profiles are unique in that two peak usage periods occur, one during the morning (between 8:00 and 9:00) and the other during the evening (20:00 to 24:00). During summer months, the daily electrical load varies based on recycled water pumping demand. The load profile shows peak usage around 1,200 kW at 10:00 and a minimum consumption of approximately 880 kW at 5:00. During winter months, when the recycled water pumps are typically non-operational, the electrical load is consistent during the evening, then peaks in the morning. Peak usage (approximately 820 kW) occurs between 8:00 and 10:00, and the facility load is at a minimum (approximately 560 kW) between 15:00 and 16:00.

FIGURE 20. FY 13/14 AVERAGE CCWRF LOAD DURING SUMMER AND WINTER MONTHS



CCWRF receives electricity from two generation sources, as listed in Table 10. CCWRF purchases imported electricity through Direct Access at day-ahead market pricing. In FY 13/14, imported purchases accounted for approximately 83 percent of the total electricity consumed. The remaining consumption was generated from the solar array.

TABLE 10. FY 13/14 CCWRF ELECTRICITY PROCUREMENT

Generation Source	Service Type	Rate Type	Percentage of Facility Load
Imported	Direct Access	Market-priced	83
Solar (625 kW)	PPA	Fixed with annual escalator	17

As shown on Figure 20, CCWRF's winter power demand can drop below 600 kW in the afternoon. This demand could potentially be met with peak generation of the solar array, which would result in a small amount of power being exported. CCWRF does not currently have an export agreement with SCE. No export agreement will be pursued considering the infrequency and small amount of power that could be exported. However, if any additional distributed generation projects were installed at CCWRF, IEUA would need to enter into an export agreement with SCE.

### ***Demand Response***

CCWRF participates in the DR program through EnerNOC. During a DR event, CCWRF staff reduces operation of the recycled water pumps. The load reduction goal of 290 kW represents 24 percent of the overall Agency DR target. Due to the seasonal nature of CCWRF's recycled water operations, IEUA's ability to meet the reduction target varies. The DR program uses data from the ten working days immediately prior to a DR event to calculate the baseline for each DR event. If CCWRF did not utilize its recycled water pumps during these times, which is likely during winter months, then meeting a winter reduction goal at CCWRF is impossible.

In FY 13/14, CCWRF failed to reach 100 percent of its target in all six DR events and actually saw a load increase in two events. This was a result of the recycled water pumping system's non-operation during reconstruction. The Agency's total cumulative curtailment of 1,230 kW can be achieved through a combination of the enrolled facilities. In FY 13/14, RP-1 reduced recycled water pumping loads to

compensate for CCWRF's inability to drop load.

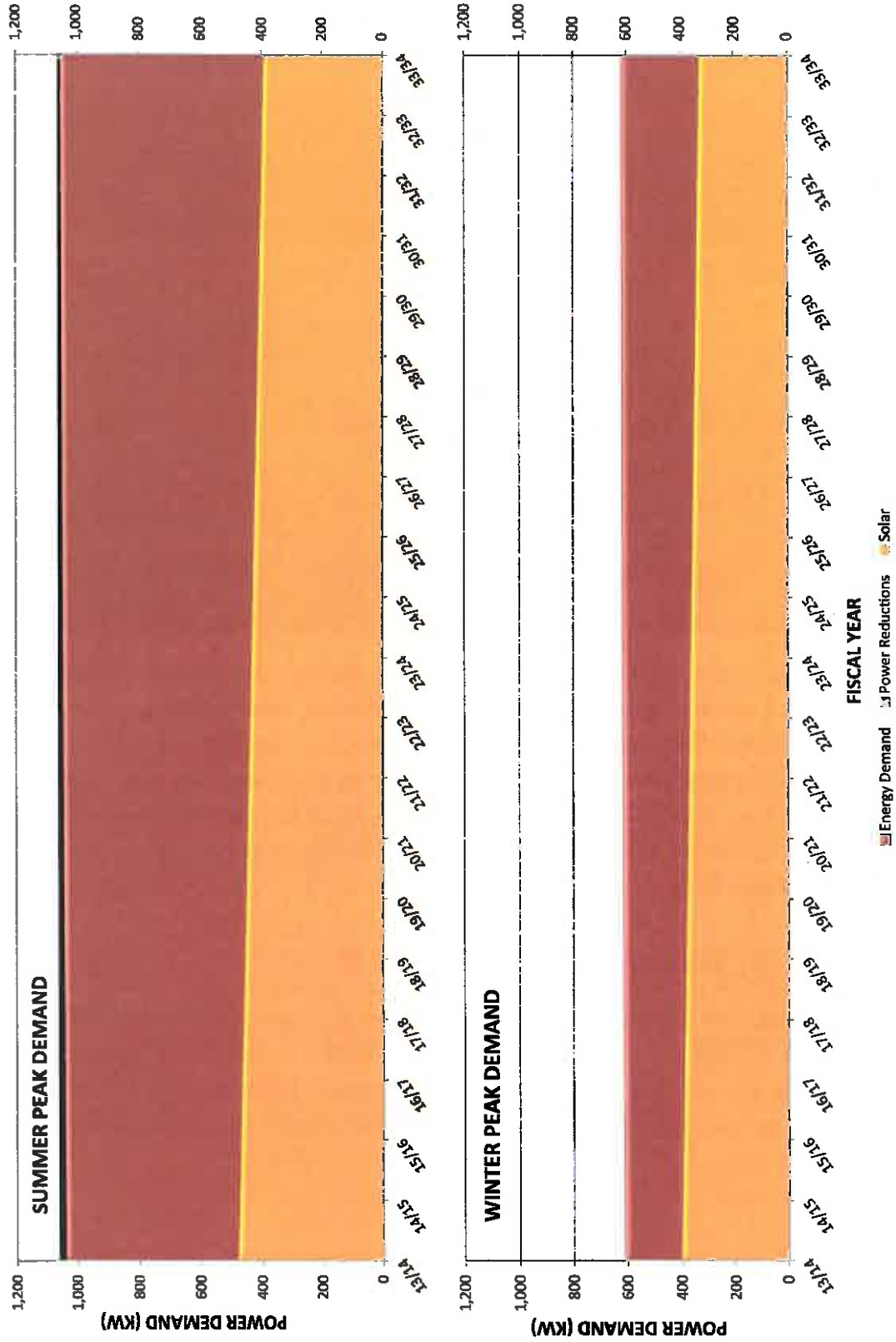
### ***Energy forecast***

Figure 21 shows the 20-year forecasted demand at CCWRF for the summer and winter months, respectively, based on the WFMP projections. The figure incorporates the expected renewable generation from the solar arrays, with expected performance degradation factored in. Flow projections at CCWRF are consistent with current operation, as the WFMP only predicts a cumulative increase of 0.1 MGD over the 20-year period. As such, there are no significant demand reduction projects expected at CCWRF. Existing equipment is expected to be capable of providing the treatment necessary to produce and distribute Title 22 quality water until at least 2034.

The red shaded area in each graph represents the facility demand exceeding the generation capabilities of the solar installation. There is no red hatched area on the figure because IEUA has not yet identified efficiency projects to reduce energy consumption. The seasonal difference in load at CCWRF is again apparent on Figure 21. Imported power demand during summer months ranges from approximately 560 kW in FY 14/15 to 660 kW in FY 33/34. The excess winter load fluctuates from approximately 130 kW in FY 14/15 to 220 kW in FY 33/34. The increase in these demands over the 20-year period is not a result of increased flow projections. Rather, it reflects the amount of imported electricity that is expected to increase each year because of the expected performance degradation of the solar arrays (estimated to be 1 percent annually).



FIGURE 21. CCWRF 20-YEAR POWER DEMAND FORECAST FOR SUMMER AND WINTER MONTHS







CCWRF projections indicate a reliable demand over the next 20 years. The amount of imported electricity during winter months is not well-suited toward adding additional renewable power projects, as installations in the 100-200 kW range are typically cost prohibitive. Furthermore, expansion of the current solar system on site is infeasible due to a lack of available space. Should a cost-effective distributed generation project be identified, it would almost certainly require an export agreement with SCE.

### ***Potential New Projects***

Opportunities for further self-generation, energy management, and efficiency projects at CCWRF are limited due to the consistent electrical load, existing solar generation, and status as a Direct Access customer. Table 11 lists projects that have been considered for implementation at CCWRF and discusses the feasibility of each.

TABLE 11. POTENTIAL CCWRF ENERGY PROJECTS

Project Type	Name	Description	Feasibility
Operational Efficiency	Energy Audit	Third party energy service companies can conduct comprehensive energy audits that not only evaluate potential savings from equipment retrofits, but also process modifications that can result in higher operational efficiencies.	IEUA has seen benefits from past audits, but has never committed to comprehensive evaluations of each facility. The Energy Network offers a no-cost audit service designed to assist public agencies with these types of evaluations. This service could yield cost-saving measures at CCWRF.
Operational Efficiency	Lighting Upgrades	CCWRF has indoor and outdoor lighting systems that can be replaced with low-usage LEDs or outfitted with controls to increase efficiency.	A comprehensive audit of the existing lighting infrastructure will be required to assess the potential savings and cost effectiveness.
Operational Efficiency	HVAC Controls and Upgrades	CCWRF has a handful of buildings that use HVAC units for climate control. Many of these units can be upgraded to more efficient models or outfitted with controls that limit HVAC operation to non-peak periods.	An assessment of CCWRF's existing HVAC units is underway to identify equipment that can be replaced. Controls to limit HVAC operation to non-peak periods will likely not be cost effective because CCWRF is a Direct Access customer and is not subject to high demand charges from SCE.
Operational Efficiency	Compressed Air Optimization	Many of the CCWRF treatment processes require compressed air. As a result, the facility contains multiple compressed air systems located throughout the facility. It is possible that energy savings could be achieved through centralizing or even downsizing the facility's compressed air systems.	An audit of the facility's compressed air system would be needed to assess the current infrastructure and determine if energy conservation measures are cost effective. This type of assessment could be achieved through a comprehensive energy audit.

Project Type	Name	Description	Feasibility
Operational Efficiency	Aeration Basin Upgrades	Aeration is an energy intensive process, as it requires significant continuous air flow. Energy conservation could be achieved by upgrading the existing aeration system to higher efficiency blowers or diffusers with higher oxygen transfer efficiency.	IEUA would need to evaluate potential replacement options, identify cost effectiveness of the new equipment, and adjust operation schedules accordingly to allow for aeration retrofits.
Energy Management	Purchase Existing Solar Installations	The power generated from the 625 kW solar array is currently sold to IEUA through a PPA. IEUA is considering purchasing the panels at fair market value to eliminate future electricity costs from solar generation.	IEUA has inquired about the potential purchase with the current project owner. However, the owner must be willing to sell the arrays at a value that is cost effective for the Agency. IEUA will continue to work with the PPA parties on this evaluation.
Energy Management	Energy Storage Installations	CCWRF may benefit from the installation of energy storage technology to assist with load management. Storage could ensure that electricity purchases are minimized during peak periods and stored for later use on site when export would otherwise be required.	Load shifting, achieved through storing electricity during off-peak periods, has the potential to save on electricity costs by avoiding TOU demand charges. Current energy storage technology is not cost effective at CCWRF due to the facility's status as a DA customer. However, subsidization or modifying the DA rate could potentially yield a cost effective project. IEUA will continue to evaluate potential energy storage projects.
Energy Management	Demand Response Energy Storage Installation	Energy storage as a demand response tool is an innovative approach that is currently in initial stages of development. The project would involve a third party installing battery storage at host sites that could be used by IOUs for demand response during periods of peak consumption a portion of the time, and by the host site for peak shaving at other times. Capital expenditures for the storage installations would be covered by the third party.	IEUA has been approached by a third party to develop Demand Response Energy Storage projects at Agency facilities. The lack of capital costs and benefit of load flexibility and cost savings are attractive. CCWRF would likely need to switch to bundled service to take advantage of peak period cost savings. IEUA will evaluate the potential agreement to determine the project's impact on the Agency's existing infrastructure.

### ***Project Forecasts***

IEUA's ability to install new renewable energy projects at CCWRF is limited by available land and low import demand. In the near term, IEUA will focus on energy efficiency projects to optimize the treatment process and minimize the electrical demand. IEUA will work with a third party energy consultant to conduct a comprehensive energy audit of CCWRF that will identify potential efficiency projects.





## REGIONAL PLANT NO. 2

RP-2 has been in operation since 1960. Originally designed to treat both liquids and solids, the facility has exclusively treated biosolids since 2002. At RP-2, all solids removed from RP-5 and CCWRF are thickened and digested. RP-2 contains digesters and dewatering facilities that generate renewable digester gas from the solids that have been removed during the liquids phase wastewater treatment process.

RP-2 is operated under a lease with the United States Army Corps of Engineers. With the lease term set to expire in 2035, IEUA plans to remove RP-2 from service within the next eight to ten years and relocate the solids processing to RP-5. As a result, the energy management opportunities at RP-2 are limited to projects with short payback periods without significant infrastructure.

### *Gas Production*

RP-2 has three anaerobic digesters in operation and an aerobic digester that is only put in service during emergencies. In FY 13/14, the digestion operation produced an average of 160 standard cubic feet per minute (scfm) of digester gas, or approximately 229,100 scf per day. The acid phase gas, which is the product of the first phase of mesophilic digestion, cannot be consumed in the boiler or cogeneration engine due to its low quality. Unlike RP-1, RP-2's acid phase gas is not continuously flared. The acid phase gas is sent to gas mixers and injected into the second phase of the digestion system. After assisting with solids mixing, the acid phase gas is combined with the digester gas from the second phase and is combusted as needed in RP-2's boilers, engine, or flare. The acid phase gas can also be sent directly to the flare if operating pressures of the second phase digesters are too high.

The heating value of the digester gas typically measures between 550 and 625 Btu/scf. The preferred destination for this gas is RP-2's 580 kW cogeneration engine. This ICE is operated and maintained by IEUA staff on site. In FY 13/14, the ICE consumed an average of 116 scfm. The ICE is subject to SCAQMD Rule 1110.2, which requires that stationary digester gas-fueled engines meet stringent emissions limits by January 1, 2016 for VOC, nitrogen oxides (NO<sub>x</sub>), and carbon monoxide (CO). While there has been discussion of extending this implementation deadline to January 1, 2017, no rule language has been promulgated indicating as

such. Retrofitting the RP-2 ICE with sufficient emissions control technology to meet these standards would prove to be cost prohibitive. Therefore, IEUA plans to remove the ICE from service by the end of the 2015 calendar year.

RP-2's hot water boilers are the second option for the digester gas. The boilers are required to produce heat for the digestion process, and are capable of operating on either digester gas or natural gas, but not a blend. The boilers are operated on digester gas when production is high enough to operate both the ICE and boiler, or when the ICE is down for maintenance. When the digester gas production exceeds both the ICE and boiler demands, the excess digester gas is combusted in the flare.

### ***Facility Load***

The average hourly electrical load at RP-2 for summer (June through September) and winter (December through February) months are shown on Figure 22. Imported electricity and ICE generation are included on these two load profiles. The figure shows a slight reduction in overall load during summer, with peak consumption around 180 kW in summer and approximately 165 kW during winter. The load at RP-2 is so low that approximately 40 percent of the electricity generated from the ICE was used on site in FY 13/14, while 60 percent was exported.



FIGURE 22. FY 13/14 AVERAGE RP-2 LOAD PROFILE DURING SUMMER AND WINTER MONTHS

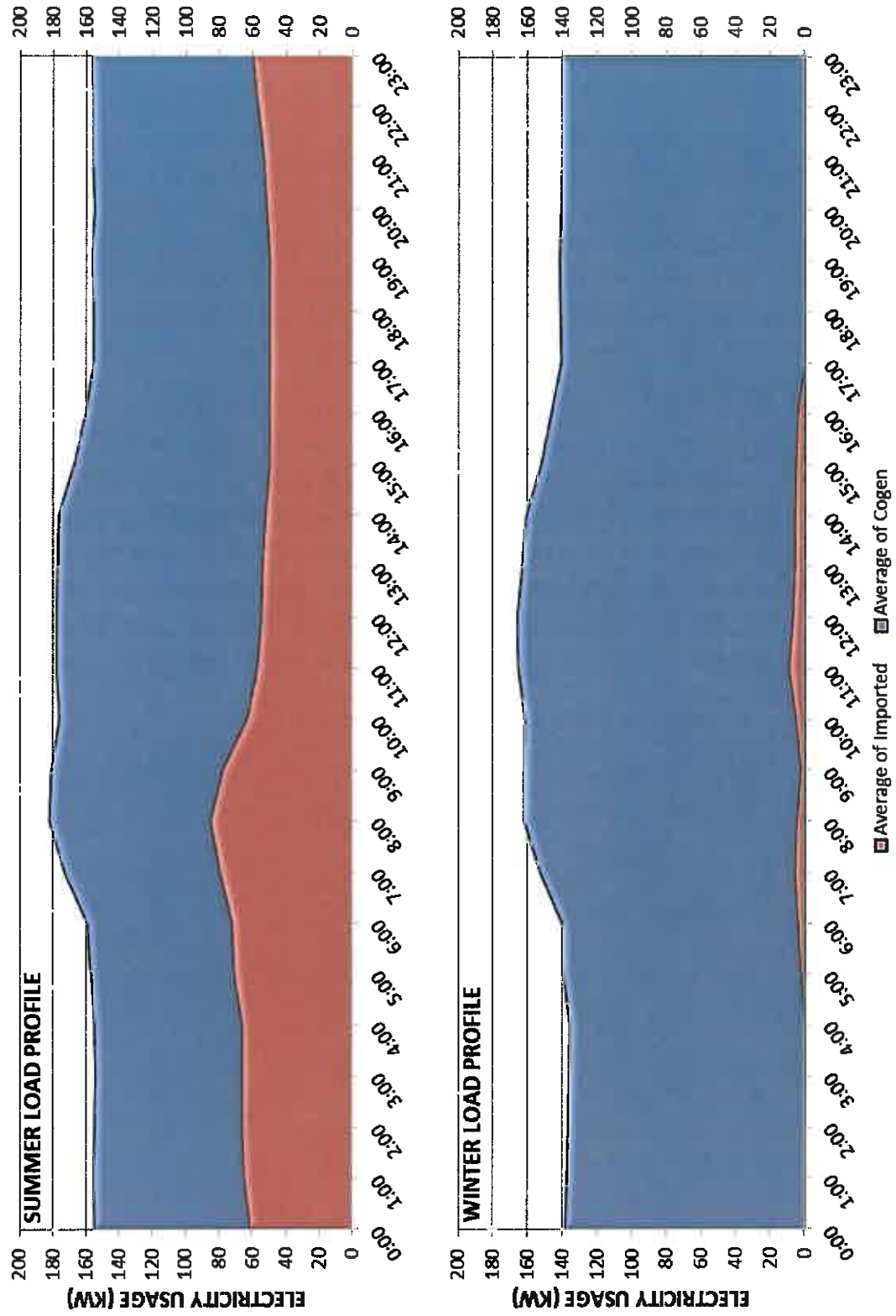


Figure 22 also shows that imported electricity consumption is much higher at RP-2 during summer months. RP-2 has two electrical meters with SCE. One meter serves the control room building, which typically imports electricity to power the lighting and HVAC needs of the building. The second meter services the rest of the treatment plant. With the two meter configuration, the ICE may be exporting power while RP-2 still receives imported electricity for the control room needs. Imported electricity is significantly lower during winter months, when the HVAC system is not operated as frequently.

### ***Electricity Procurement***

Table 12 lists the two sources of electricity at RP-2. Imported electricity purchases are obtained through general bundled service with SCE. The cost of the electricity generated by the ICE is determined by the average O&M costs IEUA spends to keep the ICE in operation divided by the total electricity produced. Electricity costs generated by the ICE have historically been estimated at \$0.08/kWh. The compensation that IEUA receives for exported power fluctuates each month. In FY 13/14, SCE paid IEUA an average of \$0.052/kWh for electricity exported from RP-2.

TABLE 12. FY 13/14 RP-2 ELECTRICITY PROCUREMENT

Generation Source	Service	Rate	Percentage of Facility Load
Imported	Bundled	General Service	22
ICE (580 kW)	-	O&M Costs	78

In FY 13/14, on-site generation accounted for 78 percent of the total facility load. As expected with the engine size, the amount of electricity generated on site regularly exceeds RP-2's total consumption. However, power generated by the ICE cannot be used in the control room building due to the separate utility metering. As a result, 22 percent of RP-2's power needs are met through importing electricity.

### ***Demand Response***

RP-2 participates in the DR program through EnerNOC. During a DR event, RP-2 staff is tasked with reducing the facility load by 10 kW, a nominal value that was selected in order to include RP-2 in the Agency's DR portfolio. This drop in load represents less than one percent of the overall load reduction target of 1,230 kW that IEUA has agreed to across all Agency facilities. In FY 13/14, RP-2 exceeded 100 percent of its target in two of the six DR events and averaged a load reduction of 6 kW per event.

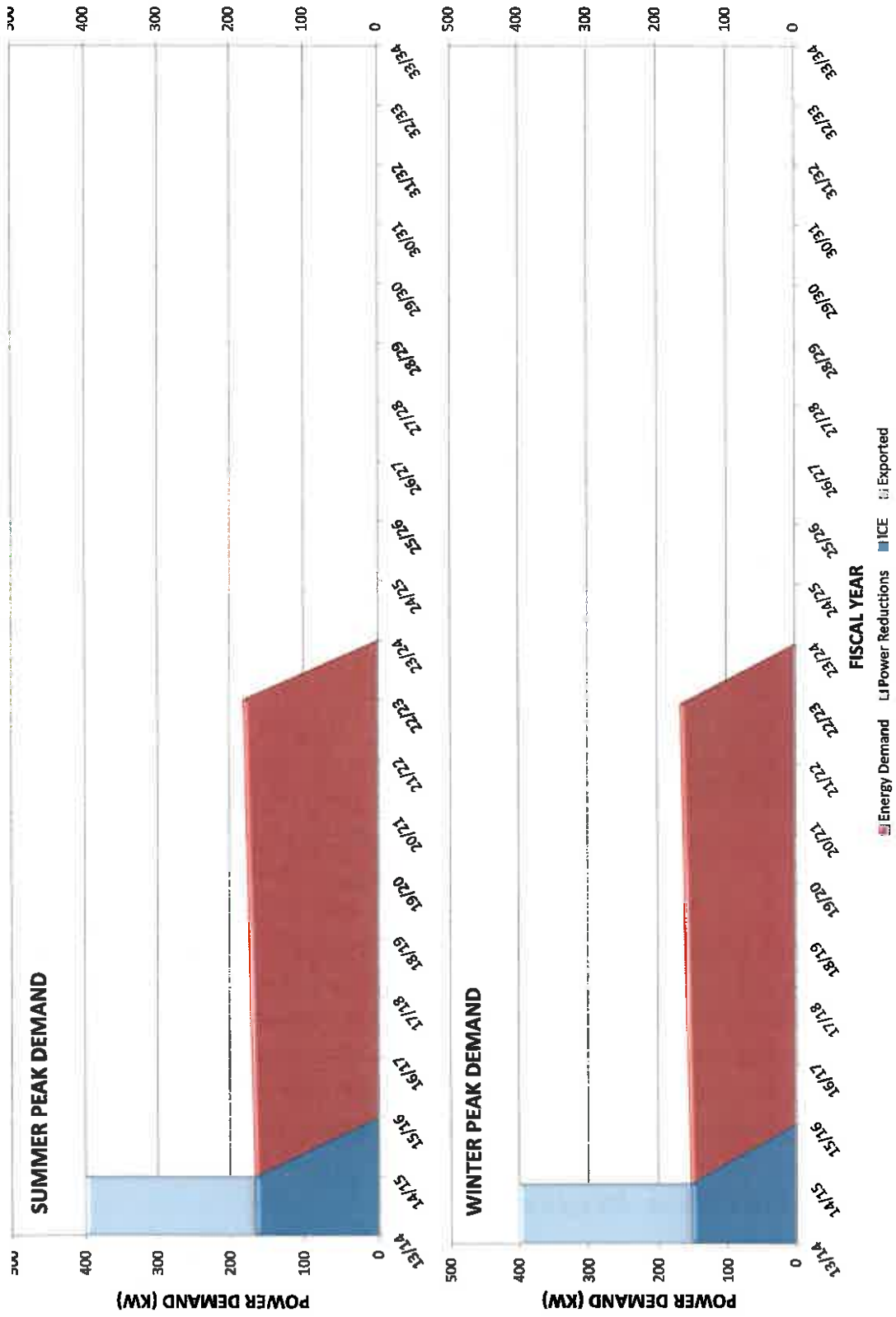
RP-2 could contribute additional load during demand response events in the form of exported power. Increasing the ICE output could have the same grid effect as dropping load at the facility, but exported power is not compensated in the current DR program. If the DR program were to incentivize power that is exported above the facility's baseline, IEUA could temporarily increase ICE load to maximize the power output.

### ***Energy forecast***

Figure 23 shows the 20-year energy forecast for RP-2. There are no significant energy demand projects planned for the facility because the solids processing is expected to be relocated within ten years. Figure 23 incorporates the expected renewable generation from the ICE through December 2015. The demand growth is assumed to be proportional to expected flow increases at CCWRF and RP-5.

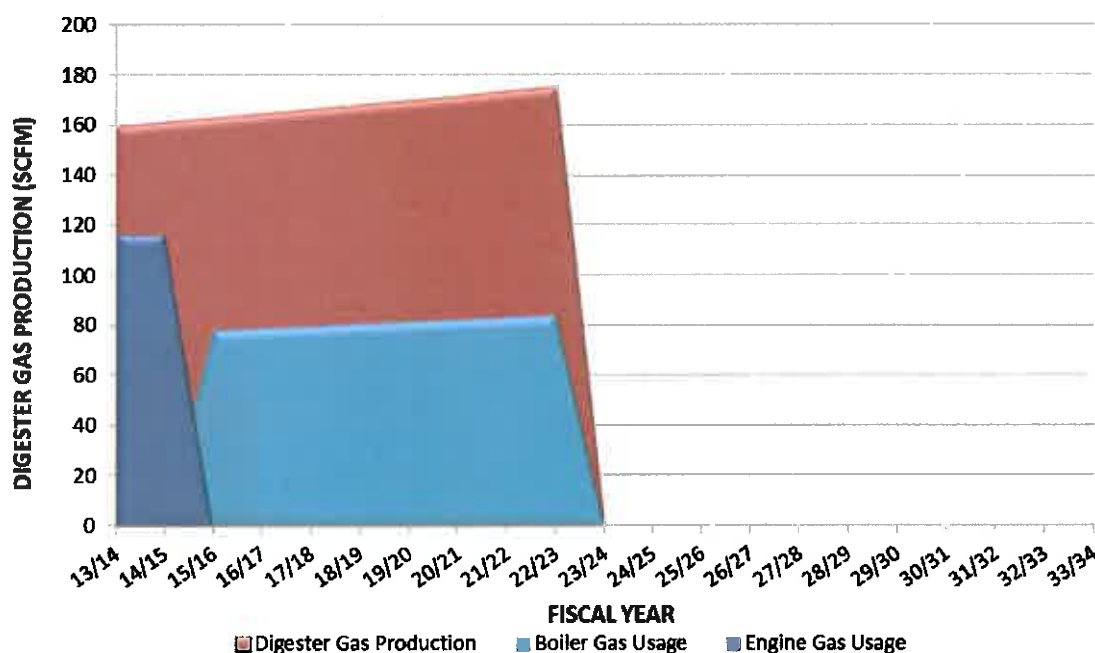
The blue shaded area in each figure represents the anticipated generation from the RP-2 ICE, which exceeds the RP-2 demand when operational. With the ICE operation terminated by the end of 2015, RP-2 will import electricity for all of its power needs beginning in 2016. The maximum summer load of approximately 180 kW occurs in FY 23/24, RP-2's expected final year of operation. The maximum winter load of approximately 170 kW occurs in FY 23/24 also. RP-2 is expected to remain in full operation until the solids processing operation is complete and active at RP-5.

FIGURE 23. RP-2 20-YEAR POWER DEMAND FORECAST FOR SUMMER AND WINTER MONTHS



Despite the ICE shutdown at the end of 2015, RP-2 will continue to produce digester gas. In FY 13/14, the treatment plant produced an average of 160 scfm of digester gas. Figure 24 charts RP-2's anticipated gas production based on expected flow increases to RP-5 and CCWRF. The projected ICE gas usage is shown in dark blue. Once the ICE is shut down, digester gas will primarily be consumed by the boiler. Boiler gas usage, shown in light blue, is estimated to meet the average heat demand of the facility beginning in 2016. RP-2's digestion process does not require the amount of heat generated by the boilers operating at full load, so there will be a portion of digester gas combusted in the flare as well.

FIGURE 24. RP-2 20-YEAR GAS PRODUCTION FORECAST



RP-2 is in a unique position as a generator of renewable digester gas as it will no longer be able to operate the existing ICE due to environmental restrictions. IEUA's Business Goals identify the need to beneficially use digester gas and strive toward energy independence during peak periods. However, these goals must be achieved cost effectively. New self-generation projects are difficult to justify for a facility that is only expected to be in operation for an additional eight to nine years.

### ***Potential New Projects***

RP-2's digester gas production offers several opportunities for distributed generation and efficiency projects, as shown in Table 13.

TABLE 13. POTENTIAL RP-2 ENERGY PROJECTS

Project Type	Name	Description	Feasibility
Operational Efficiency	Lighting Upgrades	RP-2 has many indoor lighting systems that can be replaced with low-usage LEDs or outfitted with controls to increase efficiency.	It is likely that lighting upgrades or retrofits would only be pursued if they carried a short payback and did not require significant work for staff. An audit of existing lighting infrastructure will be required to assess the potential savings and cost effectiveness.
Renewable Resources	Install Post-Combustion Control on ICE	This project would take advantage of the existing ICE by installing a gas conditioning system upstream of the ICE and emissions control technology downstream. Currently, only selective reduction catalyst (SCR) systems coupled with catalytic oxidizers have been proven to be effective at reducing emissions low enough to meet the 2016 emissions limits imposed by AQMD Rule 1110.2.	The facility layout, gas quality, and engine size all present complications when considering an SCR/catalytic oxidizer installation for the RP-2 engine. IEUA received proposals for such installations in the past and determined that the project would be cost prohibitive. Alternative control technologies are currently being demonstrated on digester gas-fueled engines, but nothing has yet proven to be effective.
Renewable Resources	Fuel Cell Installation	Once the ICE is shut down at the end of 2015, IEUA could install a digester gas fuel cell to generate heat and power from the gas produced on site. Based on proposals provided, a 300 kW fuel cell would be the optimal size for operation at RP-2. Emissions from the fuel cell would be low enough that they would not be regulated by the SCAQMD.	IEUA received a proposal for a 300 kW fuel cell installation. The estimate was determined to be cost prohibitive, even with government incentives. The technology would also be very difficult to relocate once the solids processing is moved to RP-5. This project was determined to be infeasible for implementation at RP-2.



Project Type	Name	Description	Feasibility
Renewable Resources	Microturbine Installation	This project would replace the cogeneration engine with a 600 kW microturbine and gas conditioning system. The microturbine would not be subject to emissions limitations under SCAQMD Rule 1110.2, and could utilize all of the gas produced by the facility to generate electricity and heat.	IEUA received a proposal for a 600 kW micro-turbine installation and is currently evaluating the feasibility of the project. Installation of the microturbine and gas conditioning systems would be designed with the intent of relocating after 7 to 8 years.
Renewable Resources	Compressed Natural Gas (CNG) Installation	IEUA staff has considered converting the bio-gas to CNG to be used in the Agency's fleet vehicles. Such a project would require retrofit of the fleet vehicles to operate on CNG. Based on the amount of digester gas available, RP-2 would generate enough CNG to develop a fueling station on site.	Although digester gas utilization is preferred, developing a CNG fueling station does not necessarily fit within IEUA's typical operations. Furthermore, relocating a fueling station would carry significant costs and difficulties. This project is currently infeasible at RP-2.
Renewable Resources	Natural Gas Pipeline Injection	This project would require conditioning the digester gas produced at the facility to a quality sufficient for direct injection into the Southern California Gas Company's (SCGC) pipeline. Significant sampling and recordkeeping would be required to document the gas quality. Costs of pipeline injection include gas conditioning, interconnection, and ongoing maintenance costs.	SCGC previously provided a biomethane injection evaluation to POTWs. Injection costs were considered so costly that only treatment plants consistently producing in excess of 1,000 scfm of digester gas were incentivized. As a result, IEUA facilities did not qualify for the proposed project. However, several grant opportunities are being considered, so IEUA will continue to evaluate this option.

### ***Project Forecasts***

The relocation of solids processing from RP-2 to RP-5 within the next ten years eliminates many energy projects from consideration. Efficiency projects with short paybacks may be warranted, but the introduction of large pieces of equipment is difficult to justify. Removing the cogeneration engine from service by the end of December 2015 complicates RP-2's energy forecast. RP-2 will continue to generate renewable biogas with valuable energy content, but investing capital into a facility expecting to cease operation within ten years has limited value.

IEUA evaluated several projects that could utilize RP-2's existing digester gas production and comply with the stringent air quality regulations. Of the projects identified, installation of a microturbine appears to be the most feasible based on cost and portability. However, project success would rely on meeting strict schedules and budgets. Deviating from either could drastically affect the cost effectiveness of the microturbine installation. IEUA will consider all aspects of this project before determining whether to invest in the technology.

## REGIONAL PLANT NO. 5 AND IEUA HEADQUARTERS

RP-5 is designed to treat an average of 15 MGD of wastewater flow. The treatment plant employs primary, secondary, and tertiary treatment to produce Title 22 compliant recycled water that is provided to direct use end users. Biosolids removed from the RP-5 treatment process are pumped to RP-2 for thickening, digestion, and dewatering.

RP-5 SHF is located adjacent to the RP-5 treatment plant and is designed to process up to 705 tons per day of food waste and dairy manure. IEUA currently leases the RP-5 SHF property and equipment to Inland Bioenergy, LLC (IBE). IBE operates and maintains the facility with the goal of producing sufficient biogas to operate two 1.5 MW cogeneration engines. IEUA has the option to purchase all of the power produced by the engines. Any excess power produced will be exported to SCE. Currently, RP-5 SHF only processes food waste in two anaerobic digesters. The first cogeneration engine began to produce power in February 2015. Currently, IBE plans to operate only one ICE at any time.

IEUA's two Headquarters (HQ) buildings are located directly west of the treatment plant. The electricity used at the buildings and Central Plant (designed for heating and cooling the HQ) is metered with the same utility meter as RP-5. For this reason, energy efficiency projects considered for implementation in the HQ buildings and Central Plant will be considered with RP-5.

### *Facility Load*

The average hourly electrical load for summer (June through September) and winter (December through February) at RP-5 are shown on Figure 25. Imported electricity and solar generation are included in the load profiles. The figure shows a slight reduction in average load during winter, with peak consumption at approximately 2.0 MW in summer and approximately 1.7 MW in the winter. The load reduction during winter months is a result of reduced HVAC operation and recycled water pumping. The generated solar electricity also varies between the two seasons, as generation increases in summer months, which have more sunlight hours each day than winter months.

FIGURE 25. FY 13/14 AVERAGE RP-5 LOAD DURING SUMMER AND WINTER MONTHS

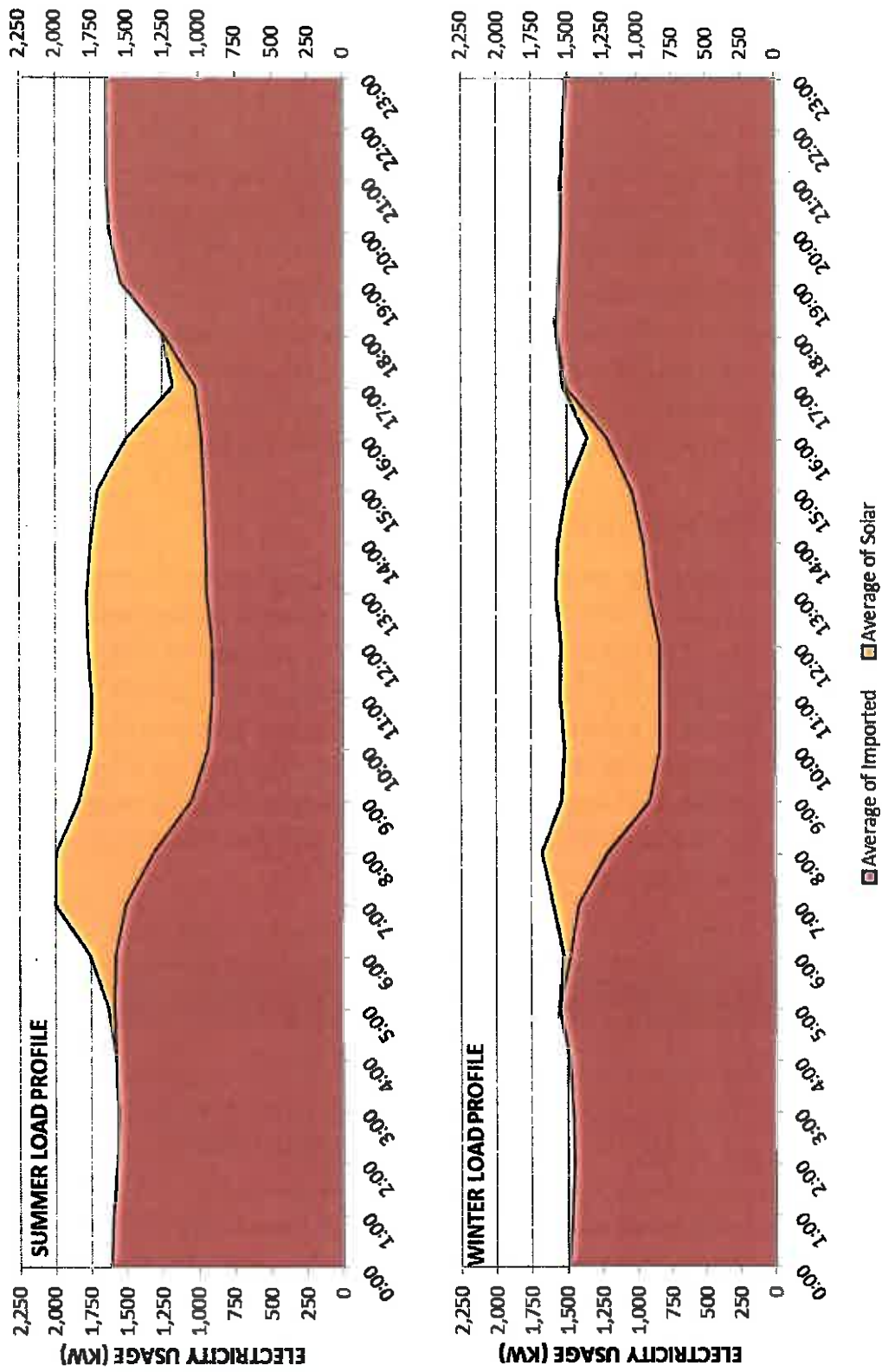


Figure 25 also shows that total electricity consumption is fairly steady throughout the day with the exception of a peak between the hours of 6:00 and 8:00 and a drop in consumption between 16:00 and 18:00. The variability in overall electrical consumption is more dramatic in summer months, as the average load fluctuates between 1,200 – 2,000 kW. In winter months, the average load varies between 1,400 – 1,700 kW. The amount of electricity imported is expected to decrease in FY 14/15 with the introduction of the cogeneration engines at RP-5 SHF.

Figure 25 includes electricity used by the recycled water pumps. These pumping demands were not included in previous sections to illustrate IEUA's increasing power requirements in distributing recycled water. However, these demands must be included when considering the overall facility load because they influence the power procurement and self-generation opportunities that IEUA can pursue.

### ***Electricity Procurement***

RP-5 receives electricity from the mix of generation sources listed in Table 14. Electricity imported to RP-5 is procured through bundled service with SCE. RP-5 also utilizes two distributed generation sources in addition to SCE import. The combination of 3 MW from the ICEs and the existing 1 MW of generation from the solar array results in a renewable generation capacity that exceeds the typical facility load. SCE required IEUA to obtain an interconnection agreement through the RES-BCT program, which compensates exported electricity through bill credits at other Agency facilities that are on bundled service. RP-5 distributed generation projects began to export power in March 2015.

**TABLE 14. FY 13/14 RP-5 ELECTRICITY PROCUREMENT**

<b>Generation Source</b>	<b>Service Type</b>	<b>Rate Type</b>	<b>Percentage of Facility Load</b>
Imported	Bundled	TOU-8-B Standby	82
Solar (1 MW)	PPA	Fixed with annual escalator	18
ICEs (3 MW)	PPA	89% of equivalent Import cost	0

IEUA did not purchase power from IBE in FY 13/14 because the ICEs were not yet operational. The procurement rate under the PPA with IBE allows IEUA to purchase the electricity generated by the engines at a rate equal to 89 percent of what IEUA would have otherwise paid SCE. A third-party energy service contractor developed the appropriate tariff structure for power generated from the engines.

The contractor will also annually reconcile the billing to ensure that the PPA provisions are met.

### ***Demand Response***

RP-5 participates in the SCE DR program through EnerNOC. During a DR event, RP-5 staff reduce operation of the recycled water pumps. The RP-5 reduction target of 50 kW represents 4 percent of the Agency's DR obligation. Achieving the DR target is difficult during winter months because RW pumping and demands are already reduced. In FY 13/14, RP-5 participated in four summer DR events and two winter DR events. During the summer events, RP-5 reached 100 percent of its target in all four events and averaged load reductions of 349 kW. However, during the winter events, RP-5's load increased by an average of 186 kW. Due to the seasonal demand variations, it is unlikely that IEUA will commit to additional load reduction measures.

If the ICEs are operated at full load, RP-5 will likely consistently export to the grid. Under this scenario, RP-5's participation in the DR program would be minimal because reductions could not be achieved from a facility with no appreciable load. Until the operational nature of the ICEs is known, RP-5's DR contribution will remain static.

### ***Energy forecast***

Figure 26 shows 20 years of forecasted average demands at RP-5 for the summer and winter months, based on the WFMP projections. The figure includes the expected renewable generation from the cogeneration engines and solar array including expected solar performance degradation. Although the engines have a combined capacity of 3 MW, their actual generation is limited by RP-5 SHF's digester gas production from the food waste feedstock available for processing. Because RP-5 SHF has yet to achieve full operation, this plan assumes a consistent output of 500 kW at the end of FY 14/15 and an increase of 500 kW every two years thereafter until reaching a maximum sustained generation of 1.5 MW in FY 18/19.

The energy demand growth at RP-5 is proportional to an expected flow increase of approximately 1 percent each year. TYCIP and WFMP projects expected to affect the power demand were included in the forecast. The relocation of RP-2 solids processing is expected to be completed in FY 23/24. This project is expected to





increase the facility load by over 50 percent. There are currently no energy reduction projects planned at RP-5.

Figure 26 shows that the peak energy demand at RP-5 does not have much seasonal difference. The red shaded area in the two graphs represents the facility demand exceeding the generation capabilities of the solar and cogeneration installations. Assuming the food waste digestion project is capable of generating approximately 800 kW, RP-5's renewable portfolio is expected to result in continuous energy export. Once RP-5 is expanded to include RP-2's solids processing, the facility load is expected to exceed the energy generated on site.

FIGURE 26. RP-5 20-YEAR POWER DEMAND FORECAST FOR SUMMER AND WINTER MONTHS

### ***Potential New Projects***

RP-5's imported electricity consumption depends heavily on the success of IEUA's food waste digestion project with IBE. With no generation from the engines, RP-5 will continue to import electricity and be subject to high SCE demand charges during peak periods. If the engines consistently produce more than 800 kW, RP-5 will likely become a continuous exporter of electricity.

Due to the high variability of RP-5's energy forecast, RP-5 would be best served by taking a cautious approach to new energy projects. Potential projects will also be evaluated as part of the RP-5 expansion and RP-2 relocation Pre-design Reports. Cost effective efficiency measures are most likely to be implemented in the short term. Table 15 outlines projects that have been considered for implementation at RP-5 and discusses the feasibility of each.



TABLE 15. POTENTIAL RP-5 ENERGY PROJECTS

Project Type	Name	Description	Feasibility
Operational Efficiency	Energy Audit	Third party energy service companies can conduct comprehensive energy audits that not only evaluate potential savings from equipment retrofits, but also process modifications that can result in higher operational efficiencies.	IEUA has seen benefits from past audits, but has never committed to comprehensive evaluations of each facility. The Energy Network offers a no-cost audit service designed to assist public agencies with these types of evaluations. This service could yield cost-saving measures at RP-5.
Operational Efficiency	RP-5/HQ Lighting Upgrades	RP-5 and HQ have extensive indoor and outdoor lighting systems that can be replaced with low-usage LEDs or outfitted with controls to increase efficiency. IEUA HQ buildings were designed as a LEED Platinum building, which required a level of lighting efficiency measures. However, a retrofit to LED technology could result in more energy savings.	A comprehensive audit of the existing lighting infrastructure will be required to assess the potential savings and cost effectiveness.
Operational Efficiency	HQ Central Plant Improvements	The heating and cooling for HQ is achieved through a central plant located at RP-5. Improving the efficiency of the plant through retrofits, controls, or modified operation could result in energy savings.	A project focusing on improving the reliability of the central plant was completed in 2014. As part of this project, a new, efficient electric chiller was installed. Due to the recent investment, retrofits are not likely to be considered, but an evaluation of the current operation is recommended to determine if the process can be optimized.

Project Type	Name	Description	Feasibility
Operational Efficiency	RP-5 Compressed Air Optimization	Many of the RP-5 treatment processes require compressed air. The facility contains multiple compressed air systems located throughout the facility. It is possible that energy savings could be achieved through optimizing the facility's compressed air systems.	An audit of the facility's compressed air system would be needed to assess the current infrastructure and determine if energy conservation measures are cost effective. This type of assessment could be achieved through a comprehensive energy audit.
Operational Efficiency	RP-5 Aeration Basin Upgrades	Aeration is an energy intensive process, as it requires significant continuous air flow. Energy conservation could be achieved by upgrading the existing aeration system to higher efficiency blowers or diffusers with higher oxygen transfer efficiency.	IEUA would need to evaluate potential replacement options, identify cost effectiveness of the new equipment, and adjust operation schedules accordingly to allow for aeration retrofits.
Renewable Resources	RP-5 Decrease Solar Installation	RP-5 currently has 1 MW of solar panels installed on the southwest portion of the facility, covering nearly 10 acres of land. With the relocation of solids processing to RP-5, land use is expected to be a concern when designing the plant modifications. An understanding of IEUA's options to remove or relocate a portion of the solar panels would be beneficial prior to project design.	Because the solar array is owned by a third party, IEUA will need to coordinate with the PPA provider to determine the feasibility of removing or relocating the panels. An option to retrofit existing panels with new, more efficient panels with smaller footprints should also be explored.
Renewable Resources	HQ Electric Vehicle Charging Stations	IEUA HQ is already equipped with several EV charging stations that can be used by public vehicles. IEUA can take advantage of the increased renewable energy by installing more EV charging stations powered by RP-5's distributed generation projects. Retrofitting the Agency vehicle fleet to EVs would also result in GHG reductions.	This project would require grant funding, as the charging station alone is not cost effective. The most viable route for project implementation would be as a component of a larger renewable energy project at the site or across Agency facilities.



Project Type	Name	Description	Feasibility
Energy Management	RP-5 Purchase Existing Solar Installations	<p>The power generated from the 1 MW of solar panels on site is currently sold to IEUA through a PPA. IEUA is considering purchasing the panels at fair market value to eliminate future electricity costs from solar generation. Ownership of the solar panels would also expand the Agency's options once solids processing is relocated to RP-5.</p> <p>As a bundled service facility, RP-5 may benefit from the installation of energy storage technology to assist with load management. Storage could ensure that renewable installations could be used to charge batteries (or similar storage technology) outside of peak periods and then used on site when IOU rates are highest.</p>	<p>IEUA has inquired about the potential purchase with the current project owner. However, the owner must be willing to sell the arrays at a value that is cost effective for the Agency. IEUA will continue to work with the PPA parties on this evaluation.</p>
Energy Management	RP-5 Energy Storage Installations	<p>Energy storage as a demand response tool is an innovative approach that is currently in initial stages of development. The project would involve a third party installing battery storage at host sites that could be used by IOUs for demand response during periods of peak consumption a portion of the time, and by the host site for peak shaving at other times. Capital expenditures for the storage installations would be covered by the third party.</p>	<p>IEUA has received proposals from energy storage vendors and found that current technology is not cost effective at RP-5. IEUA will continue to pursue the technology, as storage can provide invaluable management flexibility. The project may be viable with grant subsidization.</p>
Energy Management	RP-5 Demand Response Energy Storage Installation	<p>Energy storage as a demand response tool is an innovative approach that is currently in initial stages of development. The project would involve a third party installing battery storage at host sites that could be used by IOUs for demand response during periods of peak consumption a portion of the time, and by the host site for peak shaving at other times. Capital expenditures for the storage installations would be covered by the third party.</p>	<p>IEUA has been approached by a third party to develop Demand Response Energy Storage projects at Agency facilities. The lack of capital costs and benefit of load flexibility and cost savings are attractive. IEUA will evaluate the potential agreement to determine the project's impact on the Agency's existing infrastructure.</p>





### ***Project Forecasts***

Forecasting the energy future of RP-5 is difficult with the uncertainty surrounding the food waste digestion project at RP-5 SHF. The cogeneration engines fueled by the digester gas from RP-5 SHF are rated at 3 MW. The facility has secured an interconnection agreement with SCE that compensates the Agency for exported power, but the food waste project has yet to prove that sustained operation.

Projects focusing on energy efficiency and load flexibility should yield positive results regardless of the food waste digestion project's success. IEUA will work with a third party energy consultant to conduct a comprehensive energy audit of the RP-5 and HQ facilities to develop energy efficiency measures and reduce power consumption cost effectively.

As a bundled service customer with distributed generation, RP-5 is an ideal candidate for energy storage that could reduce utility costs during peak periods and optimize load management. Pursuing the Demand Response Energy Storage project could improve RP-5's resource flexibility and lower utility bills without committing capital outlay.

The relocation of RP-2's solids processing and RP-5 expansion will significantly impact RP-5's infrastructure and energy profile. The pre-design phase of the relocation project is expected to begin in July 2015. Given the large area currently dedicated to the solar array, IEUA will evaluate the available options for modifying the array if the land is needed for new solids processing equipment.

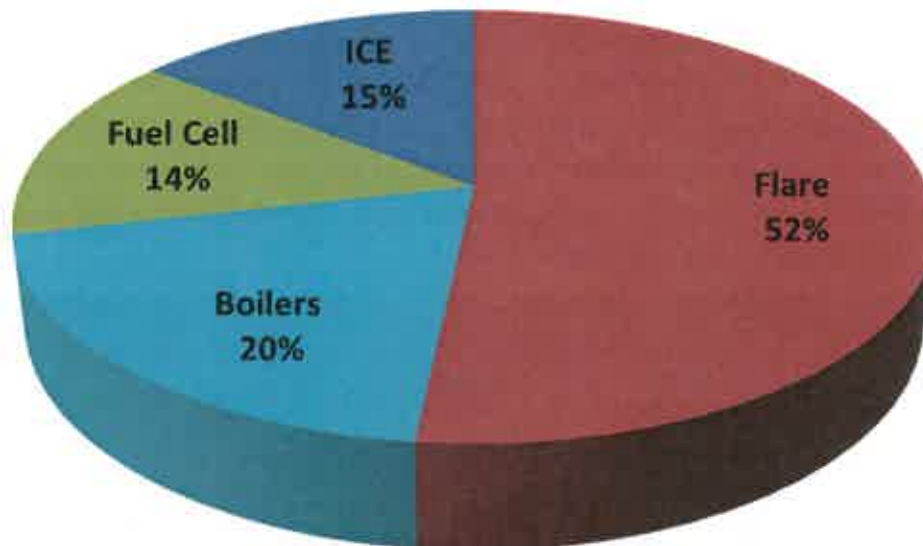
## ALL IEUA FACILITIES

Overall, IEUA has the capacity to treat an average of 84.4 MGD of wastewater flow. In FY 13/14, the RP-1, RP-4, RP-5, and CCWRF combined to produce 38,252 AF of Title 22-compliant recycled water for indirect reuse and groundwater recharge and the biosolids processed at RP-1 and RP-2 accounted for approximately 36 percent of the 147,800 wet tons of biosolids composted at the IERCF. In addition to the treatment plants and composting facility, electrical consumption from the pump stations and GWR facilities are included in this section as well.

### *Gas Production*

IEUA generates renewable digester gas from solids processing at RP-1 and RP-2. In FY 13/14, the two facilities combined to produce over 375 million cubic feet of biogas at an average of 715 scfm. One of the Agency's energy goals is to effectively manage the renewable digester gas by maximizing its beneficial use. Figure 27 categorizes the gas consumption at IEUA facilities in FY 13/14.

FIGURE 27. FY 13/14 DIGESTER GAS CONSUMPTION BY EQUIPMENT



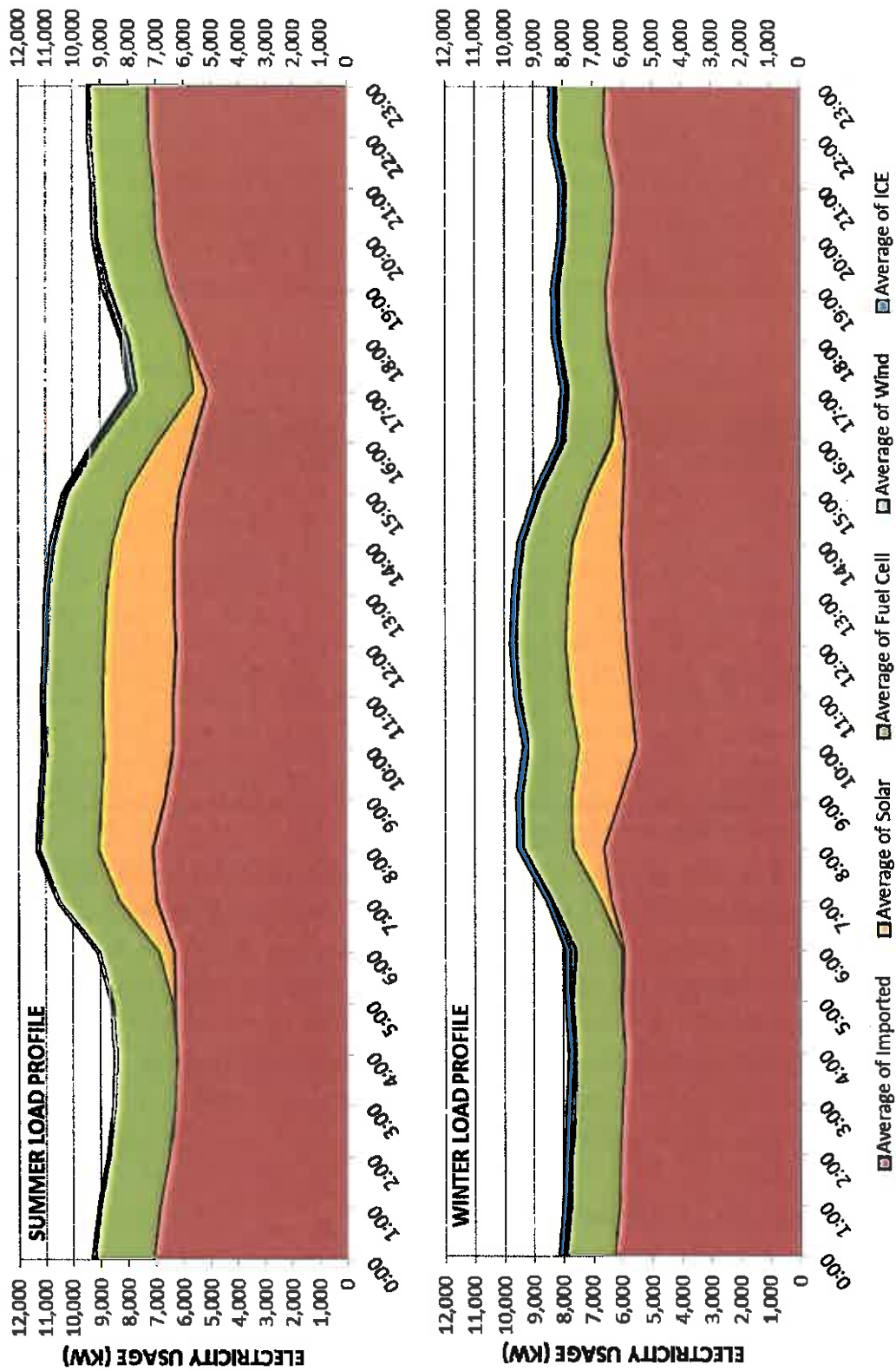
In FY 13/14, over half of the digester gas produced by IEUA facilities was flared. Ideally, the flares at RP-1 and RP-2 should be utilized as emergency relief valves for the gas loop, rather than serving as the primary consumer. However, the amount of gas flare in FY 13/14 was largely due to the complications with the fuel cell's gas conditioning system. Because the gas conditioning system was unable to sufficiently treat the digester gas for consumption in the fuel cell, the fuel cell operated strictly on natural gas during the majority of year. At RP-2, the ICE proved more reliable as a consumer of digester gas. In FY 13/14, only 34 percent of the digester gas produced at RP-2 was flared, while 58 percent of RP-1's gas was consumed by the flare. Predicting the Agency's gas consumption with full fuel cell operation will be shown in the Energy Forecast section of this plan.

### ***Agency Load***

The average hourly electrical load for summer (June through September) and winter (December through February) months at all IEUA facilities are shown on Figure 28. Imported electricity, energy reductions, and generation from solar, wind, fuel cell, and ICE installations are included on these two load profiles. Beginning in 2016, the RP-2 ICE will no longer operate, but the two 1.5 MW ICEs at RP-5 SHF are expected to be operational. The figure shows an average load reduction of 1.1 MW during colder months. Peak consumption is around 11,300 kW in summer and approximately 9,800 kW in the winter. In FY 13/14, on average, approximately 68 percent of the Agency's summer load was imported from the grid, and approximately 72 percent of the electricity consumed during winter months was imported. During peak periods, imported electricity accounted for 62 percent and 70 percent, respectively.



FIGURE 28. FY 13/14 AVERAGE IEUA LOAD PROFILE DURING SUMMER AND WINTER MONTHS





## ***Electricity Procurement***

IEUA's diverse generation portfolio results in a number of procurement strategies and sources. Table 16 lists the various sources of generation that provide power to the Agency. The fuel cell costs in Table 16 include IEUA's natural gas costs that are required for the fuel cell operation. The cost of the electricity generated by the cogeneration engines is determined by the average O&M costs IEUA spends to keep the ICE in operation. These costs have historically been estimated at \$0.08/kWh.

**TABLE 16. FY 13/14 IEUA ELECTRICITY PROCUREMENT**

<b>Generation Source</b>	<b>Service Type</b>	<b>Rate Type</b>	<b>Percentage of Overall Load</b>	<b>Percentage of Overall Costs</b>
Imported	Bundled	Various	23.0	21.7
Imported	Direct Access	Market-prices	45.8	45.7
Fuel Cell (2.8 MW)*	PPA	Fixed with annual escalator	19.6	22.3
Solar (3.5 MW)	PPA	Fixed with annual escalator	8.2	8.0
Wind (1 MW)	PPA	Fixed with annual escalator	0.6	0.4
ICE (0.58 MW)	-	O&M Costs	2.8	1.7

\*Includes IEUA's natural gas costs for fuel cell operation.

In FY 13/14, on-site generation accounted for 31 percent of the total facility load and 33 percent of the Agency's electrical costs. The load from each generation source only includes electricity. Thermal generation from the fuel cell and cogeneration engine is not included in this table. The table shows that the fuel cell electricity costs are the most expensive generation sources in IEUA's portfolio. It is likely that the proportionate cost of power generated from the fuel cell will decrease in future years because the PPA's annual escalation rate is lower than historically averaged imported rate increases.

## ***Demand Response***

IEUA participates in the DR program through EnerNOC. During a DR event, IEUA staff is tasked with reducing the overall Agency load by 1,230 kW. In FY 13/14, IEUA exceeded 100 percent of its target in three of the six DR events and averaged



a load reduction of 1,355 kW per event. IEUA's ability to meet its reduction target depended heavily on the time of year. Over the four warm weather DR events, IEUA facilities averaged a load reduction of 1,619 kW per event. Over two events during colder months, the average load reduction was 828 kW. The difference in reduction ability is due to the seasonal RW pumping demands to which IEUA is subject.

IEUA will further refine its demand response capabilities by evaluating the treatment processes that can be turned off during DR events. In coordination with Operations staff, IEUA's Energy Management group will use the sub-metering data to quantify the load required for each process, then formulate a DR plan that details which processes can be called upon for load reductions throughout the year. Seasonal variation will be avoided to the extent possible to ensure that DR load reduction targets can be reliably met.



For the time being, IEUA's inability to meet its DR reduction targets during colder months means that the Agency is unlikely to increase the target in the next DR contract. However, if SCE would consider compensating facilities for increased export during DR events, IEUA could optimize its renewable resources to increase the load available to the grid during demand response events.

IEUA will also evaluate Demand Response Energy Storage projects at several facilities. Using energy storage to reduce grid demand is a favorable alternative to taking facility processes offline. Stored electricity not used for grid dispatches can then be used for peak shaving, resulting in cost savings for the Agency. The proposed concept would also allow for more frequent demand response events, which means the IOU would benefit as well.

### ***Energy forecast***

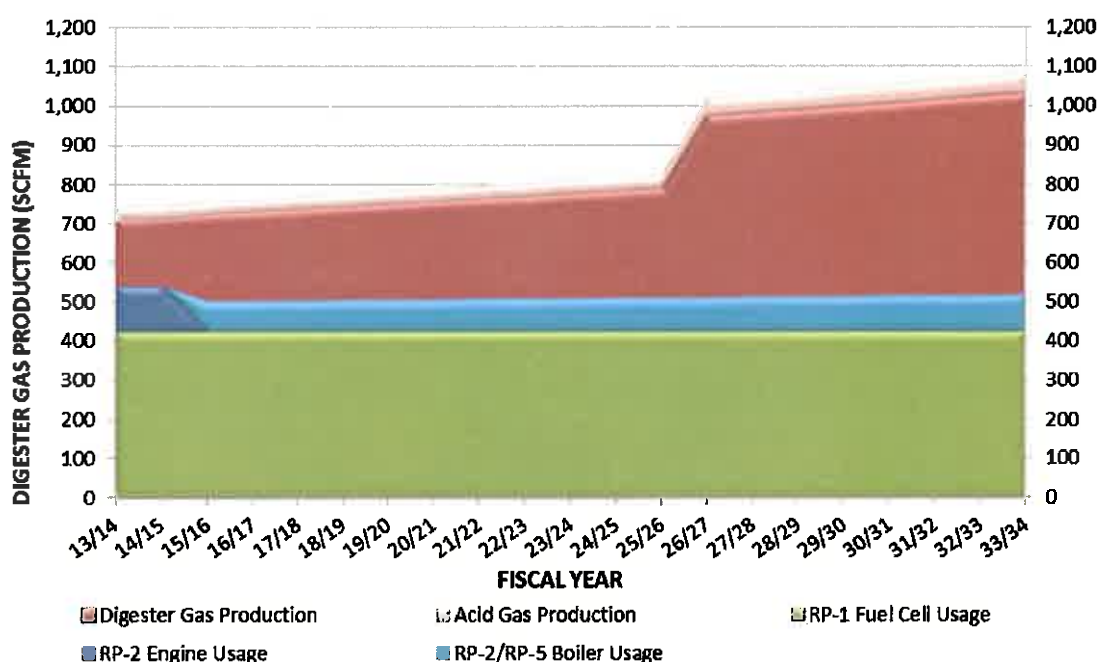
Figure 29 shows the 20-year energy forecast for the treatment plants, pump stations, and composting facility. Energy efficiency projects currently planned are anticipated to reduce peak consumption by approximately 875 kW. On site renewable generation is expected to account for a minimum of 49 percent of the Agency's load in FY 33/34, and a maximum of 72 percent of Agency load in FY 18/19.

The difference between summer and winter demand ranges from 830 kW to 920 kW. The minimum Agency load over the next 20 years is expected to occur in the winter of FY 14/15. In both summer and winter forecasts, the Agency demand is expected to increase by approximately 4 MW over the course of the next 20 years, with the largest demand increases coinciding with the solids expansion and MBR installation projects.

FIGURE 29. IEUA 20-YEAR POWER DEMAND FORECAST FOR SUMMER AND WINTER MONTHS

Gas production forecasts for the entire agency are shown on Figure 30. The figure estimates changes in gas production at RP-1, RP-2, and RP-5, as well as anticipated gas usages in the RP-1 fuel cell, RP-2 engine, and RP-2 boiler. The relocation of RP-2's solids handling process to RP-5 will result in the removal of the RP-2 boiler. However, because the heat demand is not expected to change with the solids handling relocation, an equivalently sized boiler is expected to begin operation at RP-5. For this forecast, the RP-2 and RP-5 boilers are estimated to use the same amount of digester gas.

FIGURE 30. IEUA 20-YEAR GAS PRODUCTION FORECAST



The dark red shaded area on the figure shows the average digester gas production that exceeds the needs of the digester gas-consuming equipment on site. IEUA will evaluate potential projects that can utilize this digester gas beneficially in order to minimize flaring and optimize renewable resources.

### Potential New Projects

This EMP has presented and assessed the feasibility of potential new projects at each facility. Table 17 summarizes the potential projects considered to be feasible based on available resources, facility load, and cost effectiveness. The projects listed in this table will be evaluated further for implementation at IEUA's facilities.

TABLE 17. IEUA ENERGY PROJECTS TO BE CONSIDERED FOR IMPLEMENTATION

Facility	Name	Project Type	Description	Path to Implementation	Estimated Budget
All	Comprehensive Energy Audits	Operational Efficiency	Third party energy service companies can conduct comprehensive energy audits that not only evaluate potential savings from equipment retrofits, but also process modifications that can result in higher operational efficiencies.	IEUA has signed up with The Energy Network and initiated the audit process in February 2015. IEUA engineering, operations, maintenance, and planning staff will coordinate efforts with The Energy Network to identify cost-effective energy conservation measures that can be implemented at each facility.	None (measures identified in audits will require future funding)
All	Lighting Upgrades	Operational Efficiency	All IEUA facilities can benefit from lighting retrofits and increased controls. A preliminary evaluation showed that retrofitting indoor and outdoor lighting systems with LEDs could reduce demand by over 550 kW and yield a payback of five years or less.	An audit of existing lighting infrastructure will be required to assess the potential areas of retrofit and/or control and identify the optimal equipment. Lighting efficiency will be a priority of the audits conducted by The Energy Network.	\$400,000
All	Purchase Existing Solar Installations	Energy Management	All of the existing solar arrays at IEUA are owned and maintained by a third party. If IEUA would like to purchase the arrays at fair market value in order to terminate ongoing costs of purchasing the power generated by the solar systems.	IEUA inquired with the PPA provider regarding a potential purchase of the arrays, but has not received any proposals. IEUA staff will continue to reach out to the PPA provider to pursue the purchase option. Once a proposal is received, IEUA will perform a cost-benefit analysis to determine if the arrays will be purchased.	\$7,500,000

Facility	Name	Project Type	Description	Path to Implementation	Estimated Budget
All	Install 5 MW Solar Array	Renewable Resources	SCE's RES-BCT program allows for exported electricity from renewable energy projects to act as credits on other accounts held by the same organization. This project would involve the installation of a solar array at one IEUA facility that could export enough electricity to offset utility costs at IEUA's other facilities.	IEUA will evaluate potential sites that can accommodate large solar arrays. Following site selection, a request for proposals will be issued to solar energy providers. A Business Case Evaluation will be conducted to determine the feasibility of the proposals received.	\$20,000,000
RP-1, RP-5, and CCWRF	Demand Response Energy Storage Installation	Energy Management	The DRES project would involve a third party installing battery storage at IEUA facilities (at no cost to IEUA) that could be used by IOUs for demand response during periods of peak consumption a portion of the time, and by the host site for peak shaving at other times.	IEUA entered into a Memorandum of Understanding with a third party to develop DRES projects at IEUA facilities. IEUA planning, engineering, maintenance, and contract services staff will collaborate to develop an agreement for a DRES project that meets IEUA's needs.	None (staff time only)
RP-1	Digester Gas Mixing	Renewable Resources	Acid phase gas produced at RP-1 is currently directed to the flare. Projects utilizing the gas for beneficial use have shown to be cost prohibitive. An evaluation will be conducted to determine the most cost efficient way to mix the acid phase gas with the digester gas loop so that all of the gas produced at RP-1 is beneficially used. The project could involve gas storage,	IEUA engineering, planning, operations, and technical services staff will collaborate to identify several options designed to incorporate the acid phase gas into the digester gas loop. Once all options have been assembled, a business case evaluation will be conducted to determine the cost effectiveness and operational feasibility of each option.	\$1,500,000

Facility	Name	Project Type	Description	Path to Implementation	Estimated Budget
RP-4/ IERCF	HVAC Controls and Upgrades	Operational Efficiency	RP-4 and IERCF have many buildings that use HVAC units for climate control. Many of these units can be upgraded to more efficient models or outfitted with controls that limit HVAC operation to non-peak periods.	An assessment of RP-4's existing HVAC units is underway to identify equipment that can be replaced. IEUA has met with a vendor to supply controls designed to limit HVAC operation to non-peak periods. IEUA will continue to work with the vendor to pursue implementation at RP-4 and IERCF.	\$125,000
RP-4/ IERCF	Expand Solar Installation	Operational Efficiency	The power generated from the 1 MW of solar panels on site is currently sold to IEUA through a PPA. IEUA is considering installing additional panels on the roof of IERCF or on available land at RP-4 to expand the solar generation capacity.	IEUA will consult with vendors to determine the potential generation capacity that could be achieved with the available land use. Following this consultation, a request for proposals will be issued and a Business Case Evaluation performed.	\$4,000,000
RP-4/ IERCF	Energy Storage Installation	Energy Management	Considering the facility load is highest during the middle of the day, when TOU pricing is highest from the IOU, RP-4/IERCF can benefit from the installation of energy storage technology to assist with load management. Storage could ensure that renewable installations could be used to charge batteries (or similar storage technology) outside of peak periods and then used on site when IOU rates are highest.	Previous proposals for the purchase of energy storage installations were cost prohibitive. IEUA has continued to pursue energy storage options and found energy service providers that offer cost share agreements or utilize government subsidies to make projects cost effective. IEUA will continue to discuss options with these providers to identify potential energy storage projects.	\$1,500,000



Facility	Name	Project Type <sup>e</sup>	Description	Path to Implementation	Estimated Budget
RP-2	Microturbine Installation	Renewable Resources	This project would replace the RP-2 ICE with a 600 kW microturbine and gas conditioning system. The microturbine would not be subject to emissions limitations under SCAQMD Rule 1110.2, and could utilize all of the gas produced by the facility to generate electricity and heat.	IEUA received a proposal for a 600 kW microturbine installation and is currently conducting a Business Case Evaluation of the project. Installation of the microturbine and gas conditioning systems would be designed with the intent of relocating after 7 to 8 years.	\$3,000,000
RP-5	Decrease Solar Installation	Renewable Resources	RP-5 currently has 1 MW of solar panels installed on the southwest portion of the facility, covering nearly 10 acres of land. With the relocation of solids processing to RP-5, land use is expected to be a concern when designing the plant modifications. An understanding of IEUA's options to remove or relocate a portion of the solar panels would be beneficial prior to project design.	Assuming the solar panels cannot be purchased, IEUA will coordinate with the PPA provider to determine the feasibility of removing or relocating the panels. Available options will be evaluated in parallel with the predesign phase of the solids handling facility relocation project, which is expected to begin in July 2015.	TBD



### ***Project Forecasts***

Implementing all of the projects listed in Table 13 is estimated to require \$38,025,000 in capital expenditures. However, these projects will require further evaluation before funds can be committed to the Agency's budget. Efficiency projects with low payback periods are most likely to be implemented. IEUA will depend on The Energy Network's comprehensive energy audits to identify potential efficiency projects at each facility. Measures identified will be assessed by IEUA staff for feasibility and operational impacts prior to implementation.

IEUA will investigate several new solar projects. Evaluating the cost effectiveness of purchasing the existing solar arrays is a current priority, although it requires collaboration from the PPA provider and equipment owner. Purchasing the

existing panels will also impact the Agency's ability to remove or relocate a portion of RP-5's solar array, if deemed necessary as part of the RP-2 solids processing relocation project. Potential solar system expansion will be considered at RP-4/IERCF, in addition to a new multi-megawatt capacity array that can benefit from SCE's RES-BCT program by crediting IEUA's SCE costs at Agency's facilities through export.

Energy storage will be heavily pursued to improve IEUA's demand side management capabilities. IEUA will pursue energy storage installations through two separate avenues: 1) as a demand response tool employed collaboratively with SCE, and 2) through direct purchase with subsidization. Introducing energy storage to IEUA's portfolio would allow progression toward the goal of peak period independence without devoting resources to new distributed generation projects.

Retrofitting inefficient HVAC equipment and installing controls to limit peak period operation will target cost reductions at RP-4/IERCF. This project will be closely monitored to determine actual savings based on system performance. If the project proves to be a success, it will be considered for implementation at other IEUA facilities that experience high demand charges.

Optimizing digester gas utilization will be addressed at RP-1 by evaluating options to allow for the beneficial use of acid phase gas. IEUA staff will coordinate with industry professionals to investigate several operational modifications that would permit RP-1's equipment to operate on a fuel mixture that includes the acid phase gas. At RP-2, removal of the ICE by the end of 2015 signals the end of distributed generation using digester gas. IEUA evaluated several projects that could utilize RP-2's existing digester gas production and comply with the stringent air quality regulations. Of the projects identified, installation of a microturbine appears to be the most feasible based on cost and portability. IEUA will perform a detailed BCE of this project before determining whether to invest in the technology.



# Path to Implementation

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Evaluating potential energy projects at each IEUA facility produced several viable projects to be considered for implementation. The process also uncovered complexities that frequently affected the viability of potential projects. This section aims to foster understanding of new project implementation by delineating the typical incentives and disincentives.

## NEW PROJECT DRIVERS

### *Electrical Demand*

Any energy project considered for implementation should cost effectively achieve at least one of two goals: 1) reduce the facility load through efficiency measures, process modification, or new technology, and/or 2) increase the Agency's self-generation capacity. These goals can be achieved in several ways, but in each case, the facility demand must be considered. Furthermore, recognition of the facility's electrical requirements alone is not enough. Since new projects are typically evaluated for feasibility over a ten to twenty year period, each evaluation must include current and future electrical loads. Forecasts should include anticipated demand increases as well as efficiency measures. The EMP also considers facility demands during summer and winter months because of seasonal variation in operations. For reasons described below, new project may be designed to avoid power export. In such cases, the lowest facility demand must be considered when determining the facility's available load.

The scope of potential projects at IEUA facilities will vary widely depending on the percentage of electrical load at each facility that is being supplied by an external source (through either bundled or Direct Access service). Evaluations conducted in this EMP have shown that projects focused on efficiency measures alone are more likely to be considered when the imported contribution to facility load is below 1 MW. Distributed generation projects below 1 MW typically carry long payback periods and/or risks that hinder viability.

### ***Available Resources***

New project implementation, especially for distributed generation projects, is also driven by the facility resources available. Renewable digester gas production at RP-1 and RP-2 opens up a multitude of projects that can take advantage of the heat content in the gas or optimize its use through more efficient processing. Increasing IEUA's renewable portfolio through additional solar or wind installations would require available land space, which is increasingly more difficult to attain as regional development grows.

### ***Regulatory Impact***

Environmental regulations must also be considered when evaluating a potential project. As a public agency located in Southern California, IEUA is located in a region that contains some of the more stringent regulatory air and water quality measures in the country. IEUA's ability to install renewable energy projects has been greatly affected by air quality regulations for digester gas-fueled engines. SCAQMD Rule 1110.2 played a role in IEUA's decision to pursue fuel cell technology at RP-1, and compliance with the rule will also factor into future ICE operations at RP-2 and RP-5 SHF.

Assembly Bill 32 (AB 32), the California Global Warming Solutions Act of 2006, requires industries to implement GHG reduction measures in order to achieve 1990 emissions levels by 2020 in the state. Although wastewater treatment plants have not been identified in the state's scoping plans and no IEUA facility emits GHGs above the reporting thresholds identified in the bill, the Agency has proactively begun to track GHG emissions and consider global warming potential of new projects. IEUA recently joined the Climate Registry to voluntarily report GHG emissions across the agency on an annual basis.

### ***Cost Effective Sustainability***

While each of these factors can drive potential projects toward or away from feasibility, IEUA's Business Goals dictate that new projects must be cost effective. This EMP strives to work within the confines of Southern California's environmental regulations and modest capital as a public agency to achieve sustainability at peak periods through efficiency projects and renewable generation. New projects often require subsidization from outside sources to be considered cost effective. As such, IEUA staff is continually pursuing grant



opportunities that can be applied toward beneficial projects.

IEUA has utilized several sources of grant funding since 2002 to develop energy efficiency projects. Both SCE and SCGC offer incentives for efficiency projects, although IEUA has partnered with SCE more regularly due to the amount of electricity usage at the Agency and greater potential for reductions. IEUA also received funding from the Department of Energy (DOE) and the Natural Resources Conservation Service to complete renewable generation projects in the past. The most significant source of grant funding has historically come from the California Energy Commission, which has provided nearly \$20 million to fund various energy projects across Agency facilities over the past 12 years.

## NEW PROJECT BARRIERS

In its experience installing and evaluating energy projects, IEUA has observed several barriers that can detrimentally affect project feasibility. Identifying these difficulties and offering solutions is imperative to fostering sustainable growth and a key component of this EMP.

### *Grid Interconnection*

Generating facilities in SCE's service area are required to obtain an interconnection agreement under SCE's Rule 21 tariff. All of IEUA's renewable energy installations have interconnection agreements, each achieved with varying levels of difficulty depending on the level of project complexity.

The 3.5 MW of solar arrays were granted interconnection with SCE in 2008. Interconnection of the 1 MW wind turbine was approved in 2010. The installations were not complex, so the interconnection agreements were obtained quickly and without difficulty. Because the nameplate capacities were designed to use 100 percent of the generated electricity on site, the interconnection agreements did not contain export provisions, which simplified the process.

RP-1's fuel cell installation proved to be a more complex interconnection process than previous agreements. The combined nameplate capacities of the fuel cell and solar array resulted in potential export during times of peak generation. In December 2012, IEUA submitted an interconnection application for the fuel cell and solar installations that would compensate IEUA for any electricity exported. SCE's NEM program allows for export from solar electrical generating facilities with capacities below 1 MW. However, SCE's fuel cell NEM schedule contains the



same 1 MW limit, which means that IEUA cannot export electricity from the fuel cell installation.

The combination of two renewable energy installations at the same facility with opposing export capabilities presented difficulties in the interconnection process. In April 2014, following extensive discussions with SCE staff, IEUA executed a multiple tariff interconnection agreement that would allow IEUA to export a maximum of 3.5 MW; however, only the portion generated by the solar facility would be eligible for compensation. Tracking the electricity from the renewable installations would be achieved through Net Generation Output Meters (NGOMs).

IEUA evaluated the proposed NGOM project and determined that installing the meters would be cost prohibitive. Considering RP-1's load and renewable generation capacity, the amount of electricity exported is expected to be minimal and sporadic. As of April 2015, IEUA was in discussions with SCE to allow for export from RP-1 without compensation, while maintaining the ability to install NGOMs in the future if the project is later deemed to be cost effective.

IEUA also encountered difficulties obtaining an interconnection agreement at RP-5 that would allow for export from the REEP ICEs. IEUA initially applied for an interconnection agreement for the ICEs in 2006 under SCE's biogas NEM program, but the agreement was never finalized because the ICEs were never commissioned. As a result, IEUA was required to submit a new application for interconnection under SCE's RES-BCT program, which would allow for exported electricity to be compensated as bill credits on IEUA's other SCE accounts. IEUA submitted the RES-BCT application in June 2013 and executed the interconnection agreement in May 2014. The REEP ICEs were commissioned in January 2015 and first exported to the grid the following month.

Based on these experiences, IEUA considers the process of obtaining interconnection agreements with SCE to be unfavorable toward new renewable projects. When progress stalled on both RP-1's NEM and RP-5's RES-BCT agreements, IEUA held conference calls with SCE staff twice per week to ensure that information was processed as quickly as possible and that the application evaluation continued in a timely manner. The recommendations and requirements provided by SCE to comply with interconnection standards were costly, and in the case of RP-1, were considered cost prohibitive. For a public agency attempting to expand renewable generation with a limited project budget, the interconnection process contains significant expenditures, both in capital outlay and staff time.

In both experiences at RP-1 and RP-5, the interconnection process was complicated because one renewable installation exceeded the 1 MW limit established in the NEM tariff. Increasing this limit to allow for larger renewable installations to be considered in the NEM program could reduce the time and costs involved in obtaining interconnection agreements. Furthermore, IEUA noticed a marked improvement in progress once regular conference calls were scheduled to maintain communication with SCE staff. Although this contributed to the considerable staff time devoted to the interconnection process, the conference calls reduced the overall duration of the application evaluation. Establishing frequent communication with SCE staff during the entirety of the evaluation process will be considered an essential component of any future interconnection agreement.

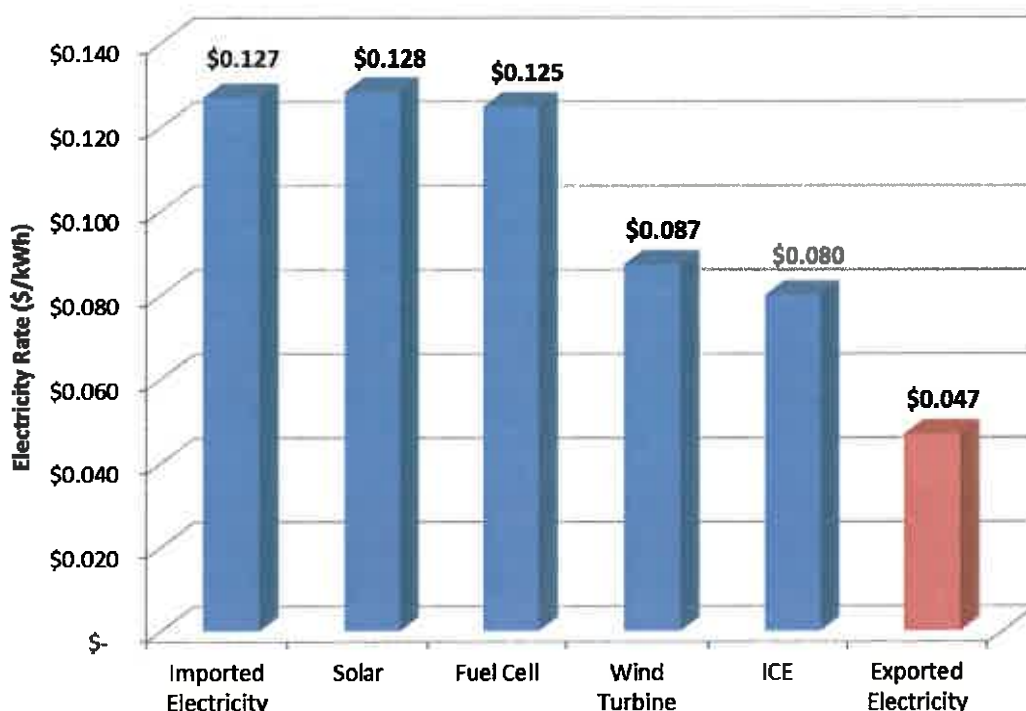
IEUA is currently working with BAC and CASA to open a dialogue with the CPUC regarding interconnection concerns. By communicating past difficulties to the CPUC, the IEUA is attempting to help identify straining areas of the interconnection process and hopefully foster discussion on potential paths to improvement.

### ***Renewable Energy Economics***

Consistent with IEUA's Business Goals, projects that improve sustainability during peak periods will only be pursued if they are determined to be cost effective after thorough analysis and evaluation. Most of the renewable installations at IEUA's facilities were designed to avoid exporting electricity when facility demand is lowest. Although inadvertent export is allowed under SCE's Rule 21 and IEUA is compensated for electricity exported at RP-2 and RP-5, the economics of exporting electricity to the grid are not favorable to IEUA. IEUA's average costs of electricity, on a \$/kWh basis, in FY 13/14 are shown on Figure 31. For comparison, SCE's average compensation rate for exported electricity from NEM customers is shown in red on the same figure.

The figure shows that current renewable installations are cost effective because they supplement imported electricity at a lower rate. Although the average cost of solar was \$0.001 higher per kWh in FY 13/14, the fact that solar panels generate power during SCE's peak periods means that the solar installations are cost effective on a TOU basis since they supplement imported electricity that would otherwise carry high demand charges.

FIGURE 31. FY 13/14 AVERAGE ELECTRICITY COST BY SOURCE



Because the export compensation rate is anywhere from \$0.033-0.081 lower per kWh than IEUA's electricity procurement rate (based on FY 13/14 data), IEUA cannot recover the procurement costs of exported electricity through compensation alone. Compensation rates for NEM customers are calculated using a market-based mechanism derived from hourly day-ahead electricity pricing, similar to the mechanism used by ESPs that provide electricity to IEUA through the Direct Access program. The rate reflects the costs that SCE avoids in procuring power during the time that it is produced by the generating facility. It is unlikely that SCE will substantially increase the compensation rate to accommodate facilities desiring more robust renewable portfolios with the ability to regularly export. As such, revised economic models must focus efforts elsewhere.

An alternative solution would rely on modifications to the CEC's RPS, which mandates that all electric service suppliers provide at least 33 percent of their energy from renewable sources by 2020. These suppliers can achieve the mandated limits by purchasing RECs that satisfy one of three content categories, often referred to as buckets. Because IEUA uses the renewable energy it generates on site, any RECs generated fall into Bucket 3, which carries the lowest value on the trading market.

IEUA's experience in pursuing RECs for its renewable installations found that the cost of obtaining the certificates often negated the potential profits of any sale. However, the California assembly, with assistance from CASA, is pursuing legislation that would allow for renewable installations at wastewater facilities to be eligible for Bucket 1 status as part of Assembly Bill 1144. This designation could drastically improve renewable project economics. IEUA is in support of AB 1144 and will track its progress closely.

In addition to export compensation, project economics also depend heavily on the capital expense required for installation. Although IEUA was able to avoid capital expenditures for the solar, wind, and fuel cell installations by entering into PPAs, the cost of installation was factored into the electricity procurement rate for each agreement. The procurement rate was also affected by potential government incentives, grant subsidizations, and for the wind and fuel cell installations, transfer of RECs to the PPA provider.

Whether IEUA pursues PPAs or outright purchase, the cost of installing renewable technologies greatly affects the project feasibility. In the past, IEUA evaluated several technologies for implementation that were determined to be cost prohibitive, including gas storage, energy storage, fuel cells, biogas conversion to compressed natural gas, small hydropower, geothermal, and biogas conditioning to inject into the natural gas pipeline. IEUA's resources allow for a wide array of energy projects, many of which are simply too expensive to implement at present. However, with additional government incentives or further subsidization opportunities, some of these technologies may be considered cost effective if the capital required is sufficiently reduced.

Furthermore, greater incentive and subsidization opportunities could result in more applications of new technology across the industry. The renewable resources utilized at IEUA are not unique to its facilities. With wider application of new technologies leading to greater market saturation, projects that were once cost prohibitive could now be considered cost effective.

### ***Energy Forecasting***

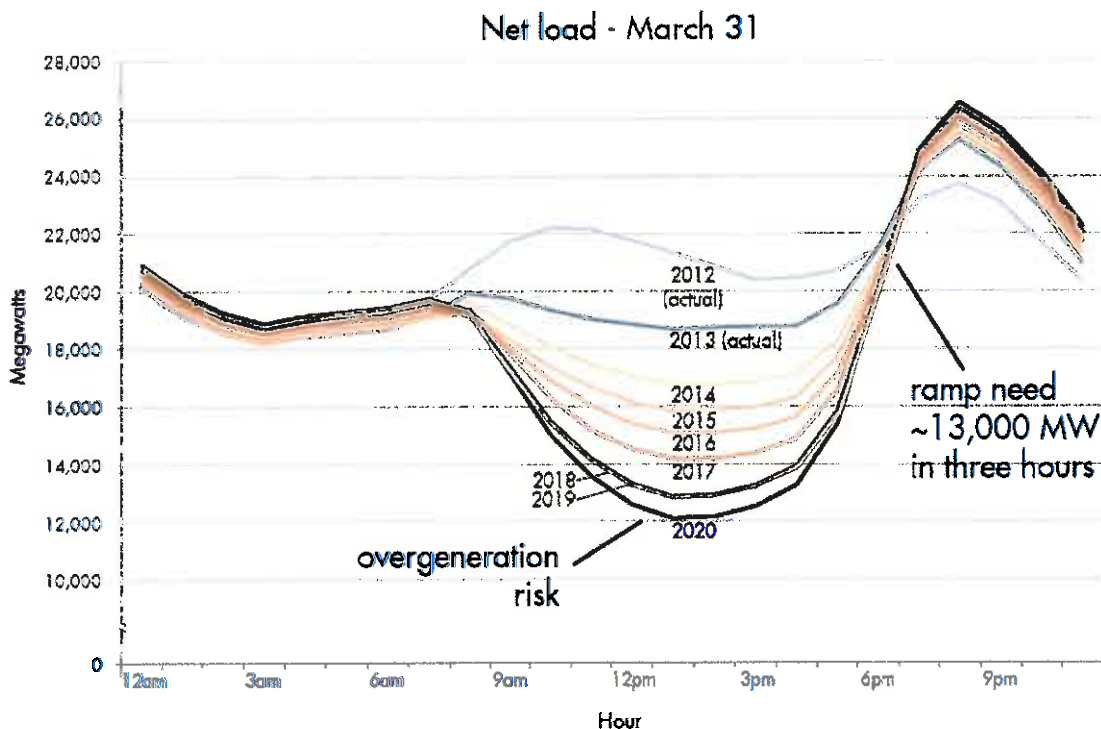
IEUA's BCEs rely on energy forecasts to determine potential savings over the life of the project being evaluated. IEUA uses the historical rates published by SCE to estimate average rate increases moving forward. Historically, SCE's rates for commercial customers have increased by an average of six percent per year, which

includes the rate of inflation. To remain conservative, IEUA uses annual utility increases of four and six percent when evaluating new projects, which provides a range of potential savings.

The California Independent System Operator (CAISO) operates the bulk of the state's wholesale energy market. CAISO's operation of the power grid allows insight and open access into the energy industry. As part of its activities, CAISO tracks the average net load for the state each day. In 2013, CAISO identified that California's solar installations have had a combined effect on the net load that could significantly influence the energy needs of the state in years to come.

Figure 32, often referred to as the "duck curve," shows CAISO's actual net loads for March 31 in 2012 and 2013, along with projections each year until 2020<sup>3</sup>. Between the hours of 7:00 p.m. and 7:00 a.m., the figure shows slight energy increases that closely track the previous year. Between the hours of 7:00 a.m. and 7:00 p.m., or during daylight hours, the demand on the grid declines sharply each year. Figure 32 estimates that mid-day grid demand in 2020 could be as much as 9,000 MW less than the actual demand in 2012. The reason for the drop in demand is the widespread installation of solar energy systems across the state, which will further reduce grid demand during daylight hours if solar installation trends continue.

FIGURE 32. CA'S NET LOAD PROJECTIONS THROUGH 2020 (DUCK CURVE)



<sup>3</sup>Source: "What the Duck Curve Tells us about Managing a Green Grid," CAISO, 2013.



This new load profile carries significant concern for the state's energy generators. Between the hours of 5:00 p.m. and 8:00 p.m. in 2020, grid demand is expected to increase by 80 percent over the course of three hours. The problems presented by this curve will require creative solutions by energy generators, and will involve employment of energy storage in large quantities. Nevertheless, the scope of this concern extends beyond IEUA's influence.

However, the Agency could be impacted by the resulting change in tariffs that utilities can implement in response to the duck curve. New projects are evaluated under the assumption that tariffs structures will be similar over the next 20 years. Certain potential projects, such as solar installations, rely on avoiding or reducing demand charges from the electrical utility to achieve an economic benefit. If the peak period is shifting from mid-day to late evening to match the expecting net load peak, project economics could be greatly affected. Other projects that increase efficiency or can be programmed to adjust to varying peak periods may not be affected by potential modifications to SCE's tariffs. IEUA will continue to monitor discussion of the duck curve, as well as SCE's plan to respond to the changing net load.





# Management Practices

In addition to tracking energy usage and evaluating potential projects, IEUA's EMP includes several measures that are applied throughout the year to optimize resources and better understand the Agency portfolio.

## PROCUREMENT

With the exception of RP-4 and RP-5, IEUA has the option of procuring electricity through IOUs or separate ESPs. Natural gas is procured through an ESP for IEUA's larger usage needs (core accounts), as well as its smaller accounts (non-core). IEUA currently purchases electricity through unbundled service, or DA, at three of its five largest accounts, and bundled service at the remaining two and all smaller

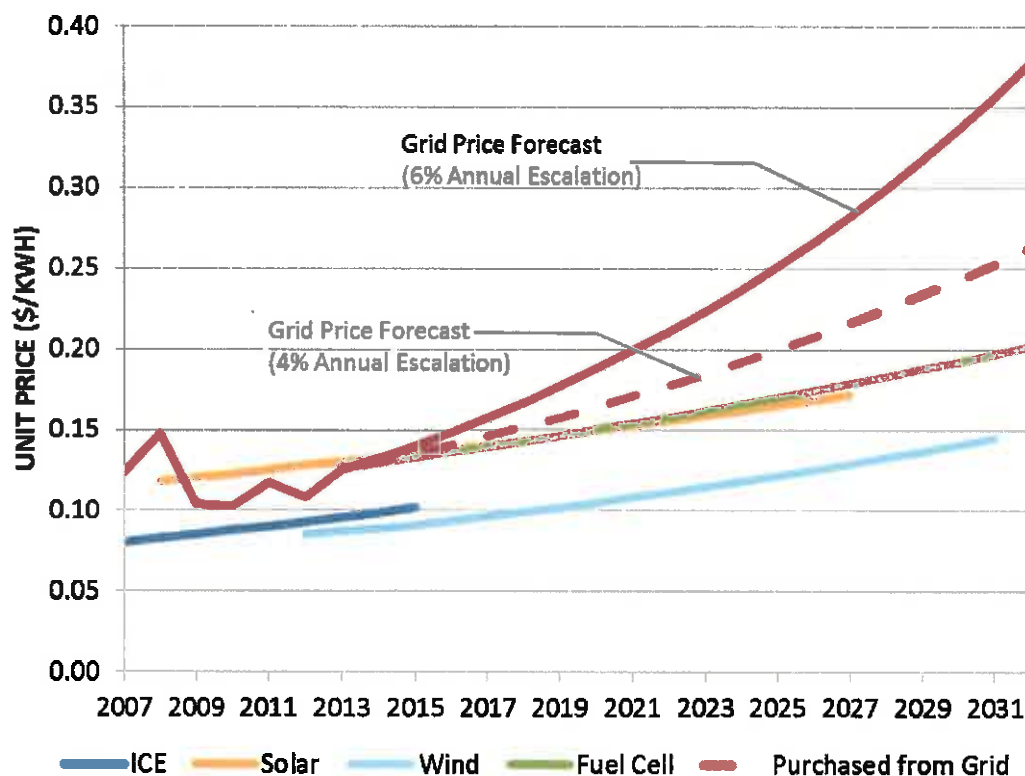


accounts (standalone RW and GWR facilities). The Agency has realized considerable savings during the summer months utilizing direct access (DA) agreement.

The pricing structure for electricity generated from IEUA's renewable installations varies between each agreement. The PPA rates are structured similarly, with fixed rates and annual escalators that were negotiated to produce long-term financial benefits for the Agency. Considering the large historical variation in grid pricing from year to year, establishing a fixed energy pricing forecast for much of the Agency's demand is a valuable planning tool for energy management.

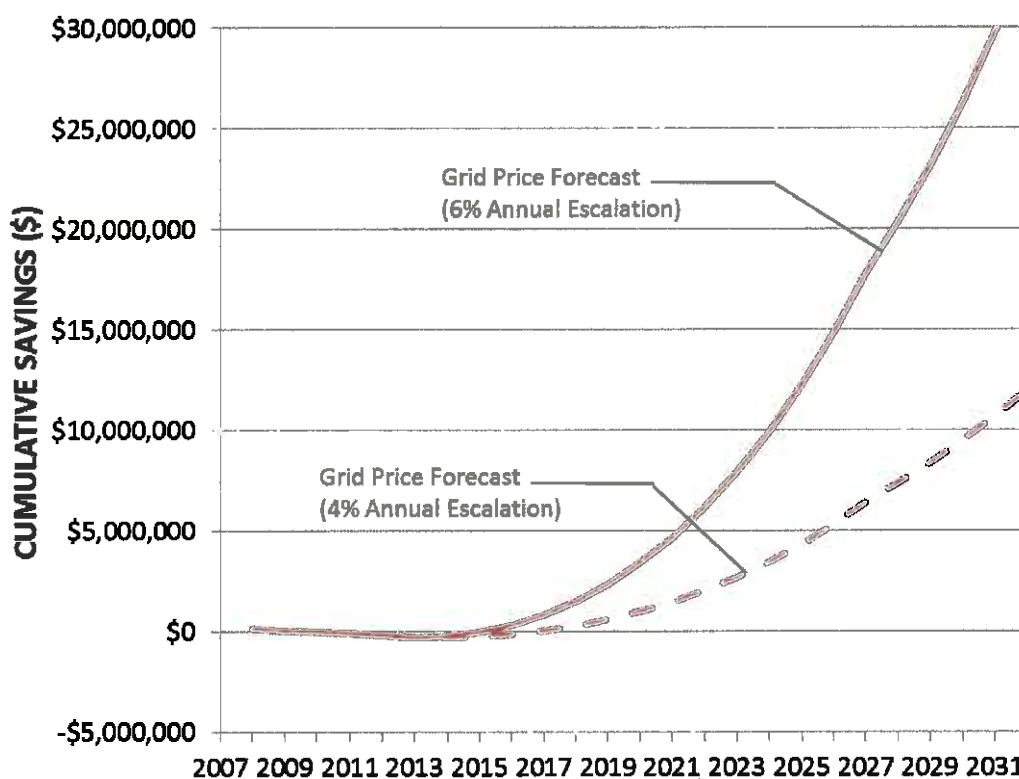
Prospective cost savings depend on the negotiated electricity purchase price of each PPA, anticipated rate increases from the electrical grid, and expected power generation from the installations. The negotiated purchase pricing (Figure 33), on a \$/kWh basis, generally compares favorably to grid purchase pricing.

FIGURE 33. PPA RATE COMPARISON TO GRID FORECASTS



Current PPA purchase rates are competitive with the grid purchase rates, but the long-term benefits become apparent when comparing the annual escalating scales between the two costs. Based on energy industry forecasts, grid electricity costs are expected to increase between four and six percent, on average, over the next 20 years. Since each PPA's annual escalation rate is below four percent, the Agency anticipates that all PPA installations will realize annual savings within the next two to three years. The amount of savings achieved can vary widely, as shown on Figure 34.

FIGURE 34. CUMULATIVE SAVINGS ESTIMATE FROM RENEWABLES



Each agreement also contains the option of purchasing the equipment rather than continue as a PPA customer. IEUA is continually evaluating this opportunity, as well as imported energy procurement options, annually to determine the most cost effective solution in both the short and long term.

### INCREASED MONITORING

With the advent of sub-metering at each facility, IEUA will have the capability of tracking electricity usage by process. As of April 2015, the Agency's sub-meter

equipment was still undergoing modifications to reliably provide electrical usage data. Once the installation is complete, IEUA will be able to identify the energy intensity of each treatment process. As aforementioned, the sub-meters will be used to quantify energy usage for each process and identify potential load reductions that can be incorporated in the DR program.

Several resources have made strides in recent years in establishing energy metrics for wastewater treatment processes. The Agency can use these resources to compare the sub-meter data and gauge potential areas for improvement. Rather than targeting processes that are simply energy-intensive, efficiency projects should focus on processes that use more energy than is considered necessary or standard within the industry.

Moreover, tracking energy usage from each process will benefit IEUA's Operations and Maintenance staff, as sudden variations in energy usage can signal the need for repair or replacement. To the extent allowed by currently available data, performance management tools (i.e., Key Performance Indicators (KPI) and Unit Production Costs (UPC)) are being used to monitor energy use and energy generation at the facilities. These tools are important components of an effective energy management program. As more data on energy use become available through sub-metering, the KPI and UPC tools will be expanded to take full advantage of the information collected from the meters. IEUA staff will be tasked with incorporating the process energy usage into regular Operations and Maintenance staff responsibilities.

## EDUCATION

In addition to tracking data and identifying programs, the Agency must educate its employees on their role in improving energy management. Raising awareness of energy usage and cost impacts can empower staff to conserve and even recommend process changes that might otherwise be overlooked by an auditor unfamiliar with process details.

IEUA's external affairs staff produces a monthly newsletter that is distributed to all employees at the Agency. Beginning in May 2015, the monthly newsletter will include a regular update focusing on energy management, conservation opportunities, or education. Additionally, IEUA Operations and Maintenance employees will be given annual training that explains IEUA's energy procurement strategy, cost impacts, and how they can help reduce energy usage.

## NEW PROJECT SOLICITATION

IEUA has the ability to include specific standards or performance objectives in project scopes whenever issuing RFPs. Beginning in FY 15/16, RFPs issued by IEUA will require vendors to include high-efficiency equipment in any project, as warranted. New project evaluations will also consider the impact on energy consumption and management. Proposals that improve energy management will be prioritized over similar proposals that are neutral or adverse to energy management.

## AUDITING

Along with sub-metering information data, an energy audit can help identify efficiency opportunities within the treatment plants. Agency staff regularly audits equipment through the Asset Management Plan to determine if processes can be optimized through equipment retrofit/replacement or operational adjustments. IEUA will utilize The Energy Network to conduct comprehensive energy audits of each of the treatment plants by the end of FY 15/16.

Furthermore, the Energy Management Plan, updated every two years, will serve as an annual analysis of energy usage with the goal of targeting energy intensive processes and uncovering potential conservation opportunities.



# Appendix A


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## IEUA Business Goals





# IEUA Business Goals



***October 2013***

# Business Goal Development

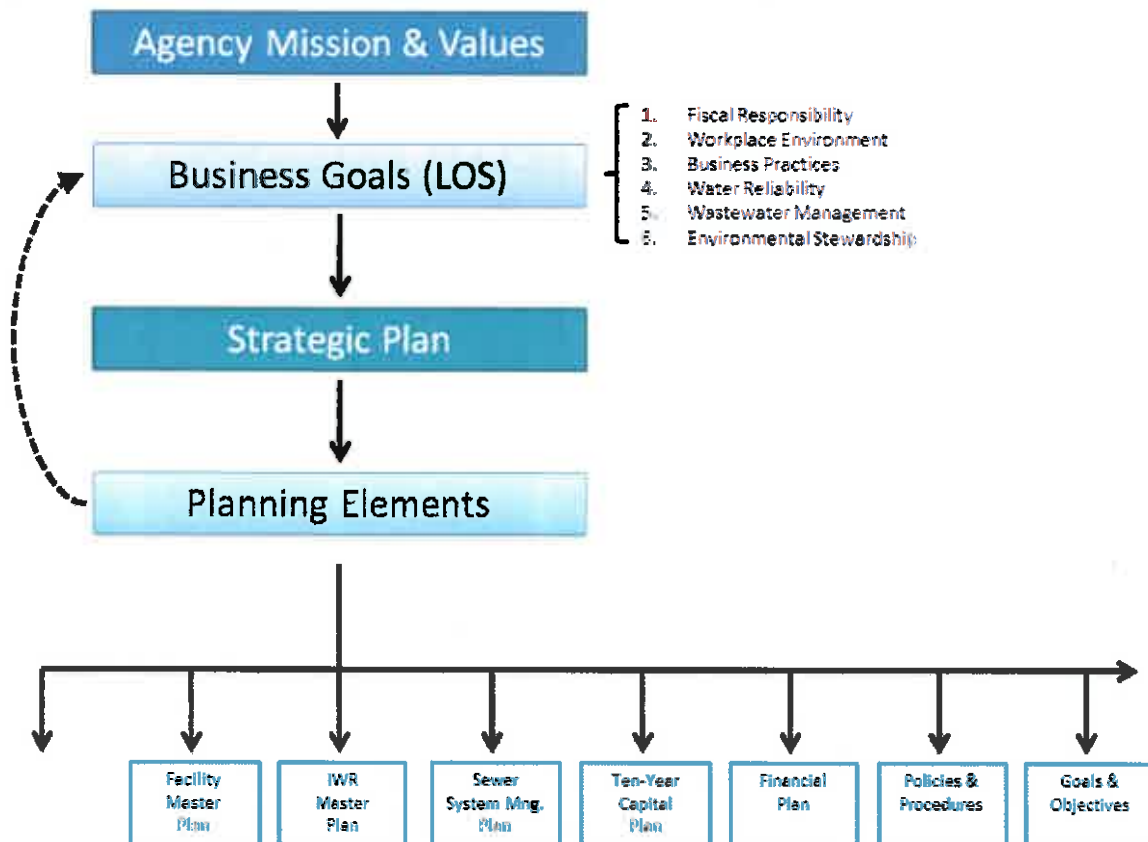
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**PURPOSE:** It is critical that IEUA Business Goals align with the Agency's Mission, Vision & Values which are defined by the needs of our Stakeholders and the value provided to the Public. The Business Goal Development process includes a review of existing Agency-wide policy goals and their refinement based on current and future needs. It is also critical in setting the framework for the development of the IEUA Strategic Plan that will shape and guide the Agency's fundamental decisions and actions over the next several years.

**BACKGROUND:** Over the last several years, the Agency-wide policy goals, which have guided the Agency's decisions and actions in executing its mission and attaining its vision, have been categorized into nine major thematic areas: Conservation & Water Quality, Technological Innovation, Rate Stabilization and Cost Effectiveness, Operational and Maintenance Efficiency, Strategic Planning and Capital Implementation, Waste Management and Resource Utilization, Interagency Relationships and Community Partnerships, Fiscal Accountability and Regulatory Compliance, and Staff Training, Development and Well Being.

These Agency-wide policy goals guide the development of the capital improvement program, operational budget, and organizational goals and objectives each budget cycle. As a way to further define the Agency's levels of service (LOS), several workshops were held with the IEUA Board of Directors in 2011. However, the LOS developed as part of these workshops were primarily focused on the Agency's operational functions. In early 2013 staff recommended the LOS be expanded into more broad based IEUA Business Goals to also include the following topics: water reliability, fiscal accountability and employee wellbeing. It was also determined that the development of the IEUA Business Goals should include input from Stakeholders including: IEUA Board of Directors, IEUA staff, Technical Committee members and Policy Committee members.

**BUSINESS GOALS FUNCTION:** For any organization to remain relevant and effective, its ability to adapt and prepare for change is essential. As illustrated below, the IEUA Business Goals must be continually evaluated as part of the planning process to ensure that they meet the current and future needs of the Region.



**BUSINESS GOALS STRUCTURE:** The IEUA Business Goals were categorized into six main areas: *Fiscal Responsibility, Workplace Environment, Business Practices, Water Reliability, Wastewater Management and Environmental Stewardship*. Within each Business Goal (i.e. Water Reliability), several Objectives were established to support the Business Goal (i.e. beneficial use of recycled water, etc.). For each Objective, a Commitment was developed to define the level of service that IEUA will provide (i.e. develop recycled water infrastructure to reuse 50,000 AFY). The structure of the Business Goals is shown in the following figure:

## IEUA Business Goals



**DOCUMENT STRUCTURE:** Included within this narrative is one page for each Business Goal – which outlines the Business Goal intent, each Objective and the corresponding recommended Commitment. Background on each Objective/Commitment is included within the Appendix.



**SCHEDULE:** The development, review and approval of Business Goals entails a sequence as indicated in the schedule below:



Following the completion of this process, the adopted Business Goals will be used as the basis for the development of several planning documents, including the Strategic Plan, Integrated Water Resources Plan, Facilities Master Plan Update and the Asset Management Plan.



**DEFINITIONS:** The following list is provided to define key terms utilized in the Business Goals Narrative.

**Board of Directors** – Five elected officials providing the governance of Inland Empire Utilities Agency and representing the following Divisions:

- Division 1: Terry Catlin
- Division 2: Gene Koopman
- Division 3: Steve Elie
- Division 4: Vacant
- Division 5: Michael Camacho

**Chino Groundwater Basin** – 5,000,000 AF of groundwater storage encompassing approximately 235 square miles of the upper Santa Ana River Watershed within San Bernardino, Riverside and Los Angeles Counties. A substantial portion of the Chino Groundwater Basin overlaps with the IEUA Service Area.

**IEUA Service Area** – 242 square miles located in the southwest corner of San Bernardino County incorporating: the City of Chino, the City of Chino Hills, the City of Fontana, the City of Montclair, the City of Ontario, the City of Upland and unincorporated areas of San Bernardino County.

**Imported Water** – A supplemental water source to local water supplies generally purchased through the State Water Project.

**Member Agencies** – Cities, agencies and districts that contract with IEUA for regional wastewater services and Imported Water deliveries (\* denotes member agencies who also are signatories to the Regional Sewage Contract):

- City of Chino\*
- City of Chino Hills\*
- Cucamonga Valley Water District\*
- City of Fontana\*
- Fontana Water Company
- City of Montclair\*
- Monte Vista Water District
- City of Ontario\*
- San Antonio Water Company
- City of Upland\*

**Policy Committee** – A committee comprised of policy members from Regional Sewage Contract member agencies and IEUA.

**Public** – The approximately 850,000 residents within the IEUA Service Area who receive the benefits of the services provided by the Member Agencies and IEUA.

**Region** – The geographical location where IEUA maintains a sphere of influence which is broader than the IEUA Service Area.

**Regional Water Agencies** – Agencies and districts having water interests within the Region but are not Member Agencies. These include but are not limited to:

- Chino Basin Watermaster
- Jurupa Community Services District
- Los Angeles County Sanitation District
- Metropolitan Water District
- Orange County Sanitation District
- Orange County Water District
- San Bernardino Flood Control and Water Conservation District
- Santa Ana Watershed Project Authority
- Western Municipal Water District

**Stakeholders** – A general term to define all interested parties including: Board of Directors, Policy Committee, Technical Committee, Member Agencies and Regional Water Agencies.

**Supplemental Water** – An additional water supply originating from outside the IEUA Service Area that may offset the demand for Imported Water – may include outside groundwater, recycled water, etc.

**Technical Committee** – A committee comprised of public works/water managers from the Member Agencies and IEUA.

## A. Business Goal: Fiscal Responsibility

*IEUA will safeguard the Agency's fiscal health through organizational efficiency, adoption of balanced multiyear budgets and rates that meet full cost-of-service targets, maintain a high quality credit rating and preserve established fund balance reserves to effectively address short term and long term economic variability. Furthermore, IEUA will provide open and transparent communication to educate the Member Agencies on the fiscal policies of the Agency.*

### 1. Funding & Appropriation *[Agency Management, Financial Planning, Accounting & Fiscal Management]*

**Objective:** IEUA will appropriately fund operational, maintenance and capital investment costs.

**Commitment:** IEUA will adopt service rates and fees that fully support the costs of service and provide a reliable and steady flow of operating revenue to support all operational expenses, capital replacement and debt service costs. In addition, IEUA will ensure that service rates and fees support the Agency's goal to sustain high quality Commitment Levels.

**Reference Material:** Appendix A.1

### 2. Budget Planning *[Agency Management, Financial Planning, & Accounting & Fiscal Management]*

**Objective:** IEUA will accurately forecast future operational, repair & replacement, capital improvement and debt service costs as needed for the creation of multiyear budgets and rate resolutions that create fiscal stabilization for IEUA and the Member Agencies.

**Commitment:** IEUA will provide multiyear forecasts for operational, repair & replacement, capital investment and debt service costs to support the adoption of multiyear budgets and rates enhancing dependability and stability.

**Reference Material:** Appendix A.2

### 3. Reserves *[Financial Planning, Accounting & Fiscal Management]*

**Objective:** IEUA will preserve fund reserves that sustain the Agency's long term fiscal health, high quality credit rating and ensure its ability to effectively address economic variability.

**Commitment:** IEUA will adopt financial policies to establish and preserve fund reserves above legally or contractually mandated levels to maintain Commitment Levels. In addition, IEUA will support short and long term funding requirements and sustain the Agency's long term fiscal health and high quality credit rating to reduce future borrowing costs.

**Reference Material:** Appendix A.3

### 4. Creditworthiness *[Financial Planning, Accounting & Fiscal Management]*

**Objective:** IEUA will sustain a high quality credit rating and debt service coverage ratio to safeguard the Agency's fiscal health and reduce future borrowing costs.

**Commitment:** IEUA will reinstate the Agency's credit rating to AAA by FY 17/18 to reduce borrowing costs anticipated for the expansion and improvement of existing facilities to meet future growth in the Agency's service area.

**Reference Material:** Appendix A.4

## B. Business Goal: Workplace Environment

**IEUA is committed to provide a positive workplace environment by recruiting, retaining and developing a highly skilled team dedicated to the Agency's Mission, Vision and Values.**

### 1. Mission, Vision & Values *[All Agency Staff & Board]*

**Objective:** IEUA will uphold Business Goals, Objectives and Commitment Levels that support and advance the Agency's Mission, Vision and Values.

**Commitment:** IEUA will maintain the highest standard of ethical conduct from all Agency staff by promoting values of prudent leadership, integrity, collaboration, open communication, respect, accountability, high quality, passion and efficiency to support the Agency's Mission, Vision and Values.

**Reference Material:** Appendix B.1

### 2. Employer of Choice *[Human Resources, & Agency Management]*

**Objective:** IEUA will be an Employer of Choice.

**Commitment:** IEUA will provide a work environment that will attract and retain highly skilled, motivated, professional and committed employees.

**Reference Material:** Appendix B.2

### 3. Training *[Agency Management & Human Resources]*

**Objective:** IEUA will provide employees with state-of-the-art skills and knowledge to meet current and anticipated Agency needs.

**Commitment:** IEUA will facilitate and provide opportunities for staff to further their personal/professional development in support of maintaining a highly skilled workforce.

**Reference Material:** Appendix B.3

### 4. Staff Safety *[Safety, Human Resources, & Agency Management]*

**Objective:** IEUA will promote and ensure a safe and healthy work environment to protect employees and Stakeholders.

**Commitment:** IEUA will have no more than 1 day of lost time due to work related illness or injury per 1,000 days worked.

**Reference Material:** Appendix B.4

## C. Business Goal: Business Practices

**IEUA is committed to applying ethical, fiscally responsible and environmentally sustainable principles to all aspects of business and organizational conduct.**

### 1. Efficiency & Effectiveness *[All Departments]*

**Objective** IEUA will promote standards of efficiency and effectiveness in all Agency business practices and processes.

**Commitment:** IEUA will integrate *Lean* techniques to evaluate its current business practices and processes and identify ways to improve the quality, cost and value of the services the Agency provides to the Member Agencies and the Public.

**Reference Material:** Appendix C.1

### 2. Customer Service *[All Departments]*

**Objective:** IEUA will provide excellent customer service that is cost effective, efficient, innovative and reliable.

**Commitment:** IEUA will respond to and meet the Member Agencies expectation for enhanced value added services. IEUA will solicit Stakeholder feedback on performance and goal alignment on an annual basis.

**Reference Material:** Appendix C.2

### 3. Regional Leadership and Community Relations *[Agency Management, Planning, & Engineering]*

**Objective:** IEUA will cultivate a positive and transparent relationship with its Stakeholders to enhance quality of life, preserve our heritage and protect the environment.

**Commitment:** IEUA will partner with its Stakeholders on common issues to create and implement integrated and innovative solutions, minimize duplication of efforts and support education and outreach to the Public. Furthermore, IEUA will incorporate Member Agencies and Regional Water Agencies into various IEUA related projects and programs to ensure that a transparent and broader regional representation is achieved.

**Reference Material:** Appendix C.3

### 4. Policy Leadership *[Agency Management, Planning, & Engineering]*

**Objective:** IEUA will effectively advocate, campaign and guide the development of policies and legislation that benefit the Region IEUA serves.

**Commitment:** IEUA will promote a collaborative approach for the development of positions on policies, legislation and regulations that impact Agency policy objectives.

**Reference Material:** Appendix C.4

## D. Business Goal: Water Reliability

*IEUA is committed to the development and implementation of an integrated water resource management plan that promotes cost-effective, reliable, efficient and sustainable water use along with economic growth within the IEUA Service Area.*

### 1. Water Use Efficiency & Education [Planning, Engineering, & Public Information]

**Objective:** IEUA will promote education and water use efficiency to enhance water supplies within the Region and exceed State goals for reductions in per capita water use within the IEUA Service Area.

**Commitment:** IEUA will promote to reduce water use in the IEUA Service Area to less than 200 gallons per capita per day (gpcd) by 2018.

**Reference Material:** Appendix D.1

### 2. New Water Supplies [Planning & Engineering]

**Objective:** IEUA will support the Member Agencies and Regional Water Agencies with the development of reliable, drought-proof and diverse local water resources and Supplemental Water supplies in order to reduce dependence on Imported Water supplies.

**Commitment:** IEUA will promote reducing demand for Imported Water during dry and normal years and storing Imported Water into the Chino Groundwater Basin during wet years. In addition, IEUA will support maximizing the beneficial use of existing water infrastructure, while meeting future increased demands through investment in local water resources, Supplemental Water supplies and conservation efforts.

**Reference Material:** Appendix D.2

### 3. Recycled Water [Planning, Engineering, Operations, & Maintenance]

**Objective:** IEUA will support maximizing beneficial reuse of recycled water to enhance reliability and reduce dependence on Imported Water.

**Commitment:** IEUA will complete the development of recycled water infrastructure and will support the Member Agencies in achieving reuse of 50,000 AFY by 2025.

**Reference Material:** Appendix D.3

### 4. Groundwater Recharge [Planning, Engineering, Operations, & Maintenance]

**Objective:** IEUA will maximize all sources of groundwater recharge.

**Commitment:** IEUA will support the recharge of all available stormwater and maximize the recharge of recycled water within the Chino Groundwater Basin. Furthermore, IEUA will pursue the purchase and storage of cost-effective Supplemental Water supplies.

**Reference Material:** Appendix D.4



## E. Business Goal: Wastewater Management

*IEUA systems will be master planned, managed and constructed to ensure that when expansion planning is triggered, designs/construction can be completed to meet regulatory/growth needs in an expeditious, environmentally responsible and cost effective manner.*

### 1. Capacity *[Planning, Engineering, & Construction Management]*

**Objective:** IEUA will maintain capacity within systems and facilities to meet essential service demands and to protect public health and environment.

**Commitment:** IEUA will ensure that systems are managed and constructed so that 90% of capacity is never exceeded.

**Reference Material:** Appendix E.1

### 2. On-Time Construction *[Engineering, & Construction Management]*

**Objective:** IEUA will ensure capital projects are designed and implemented in a timely and economically responsible manner.

**Commitment:** IEUA will design and construct facilities through efficient project management to ensure that 80% of projects are completed on schedule and 90% of projects are on budget.

**Reference Material:** Appendix E.2

### 3. Biosolids Management *[Operations & Maintenance]*

**Objective:** IEUA will manage all Agency produced biosolids in a compliant, fiscally prudent and environmentally sustainable manner.

**Commitment:** IEUA will ensure that 95% of the Inland Regional Compost Facility's capacity is utilized, all biosolids produced by IEUA are treated at IERCF, Agency solids generation is minimized through efficient dewatering operations and all compost is marketed for beneficial use.

**Reference Material:** Appendix E.3

### 4. Energy Management *[Planning, Engineering, Operations, & Maintenance]*

**Objective:** IEUA will optimize facility energy use and effectively manage renewable resources to achieve peak power independence, contain future energy costs, achieve statewide renewable energy, distributed generation and greenhouse gas reduction goals, and provide for future rate stabilization.

**Commitment:** IEUA will achieve peak power independence by 2020 through the implementation of renewable projects, energy management agreements and operational efficiencies.

**Reference Material:** Appendix E.4

## **F. Business Goal: Environmental Stewardship**

***IEUA is committed to the responsible use and protection of the environment through conservation and sustainable practices.***

### **1. Regulatory Compliance** *[Compliance, Operations, & Maintenance]*

***Objective:*** IEUA will comply with all federal, state and local laws at each Agency facility.

***Commitment:*** IEUA will have no more than 2 notices of violation annually from the State Water Resources Control Board, Air Quality Management District, or Non-Reclaimable Waste System for all Agency owned and operated facilities.

***Reference Material:*** Appendix F.1

### **2. Good Neighbor Policy** *[Compliance, Operations, & Maintenance]*

***Objective:*** IEUA will control odors at all Agency facilities for the purpose of improving the environment and being a good neighbor to the local community.

***Commitment:*** IEUA will perform a quarterly odor monitoring assessment to develop actual and acceptable baseline odor thresholds. Acceptable baseline thresholds will be used to measure treatment plant performance and drive necessary capital improvements.

***Reference Material:*** Appendix F.2

### **3. Response & Complaint Mitigation** *[Compliance, Operations, & Maintenance]*

***Objective:*** IEUA will investigate and appropriately respond in a timely manner to any environmental issue or complaint received at any Agency Facility.

***Commitment:*** IEUA will immediately respond to any event that threatens public health and safety and will respond within 5 working days to any non-emergency complaint or suggestion.

***Reference Material:*** Appendix F.3

### **4. Environmental Responsibility** *[Agency Management, Planning, & Engineering]*

***Objective:*** IEUA will strive to implement actions that enhance or promote environmental sustainability and the preservation of the region's heritage.

***Commitment:*** IEUA will consider and assess environmental sustainability, public use and heritage preservation options for all of its programs and projects.

***Reference Material:*** Appendix F.4

# Appendix

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## Reference Materials

### **A. Fiscal Responsibility**

- A.1 – Funding & Appropriation**
- A.2 – Budget Planning**
- A.3 – Reserves**
- A.4 – Creditworthiness**

### **B. Workplace Environment**

- B.1 – Mission, Vision & Values**
- B.2 – Employer of Choice**
- B.3 – Training**
- B.4 – Staff Safety**

### **C. Business Practices**

- C.1 – Efficiency & Effectiveness**
- C.2 – Customer Service**
- C.3 – Regional Leadership & Community Relations**
- C.4 – Policy Leadership**

### **D. Water Reliability**

- D.1 – Water Use Efficiency & Education**
- D.2 – New Water Supplies**
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- D.4 – Groundwater Recharge**

### **E. Wastewater Management**

- E.1 – Capacity**
- E.2 – On-Time Construction**
- E.3 – Biosolids Management**
- E.4 – Energy Management**

### **F. Environmental Stewardship**

- F.1 – Regulatory Compliance**
- F.2 – Good Neighbor Policy**
- F.3 – Response & Complaint Mitigation**
- F.4 – Environmental Responsibility**

## Appendix A.1

### **Fiscal Responsibility – Funding & Appropriation**

- Business Goal:** *IEUA will safeguard the Agency's fiscal health through organizational efficiency, adoption of balanced multiyear budgets and rates that meet full cost-of-service targets, maintain a high quality credit rating and preserve established fund balance reserves to effectively address short term and long term economic variability. Furthermore, IEUA will provide open and transparent communication to educate the Member Agencies on the fiscal policies of the Agency.*
- Objective:** *IEUA will appropriately fund operational, maintenance and capital investment costs.*
- Commitment:** *IEUA will adopt service rates and fees that fully support the costs of service and provide a reliable and steady flow of operating revenue to support all operational expenses, capital replacement and debt service costs. In addition, IEUA will ensure that service rates and fees support the Agency's goal to sustain high quality Commitment Levels.*
- 

#### **Commitment Level Background**

- Historically, the Agency's operating revenues (net of property tax supplement) have been lower than operating expenses (i.e., services provided by the Agency do not generate revenues needed to pay for total cost of operations), resulting in an operating structural deficit. The operating structural deficit has been supported by a combination of property tax receipts and fund reserves.
- The allocation of property tax receipts and fund reserves to support operating activities reduced the amount of property taxes available to support capital investment, and over time, diminished the Agency's fund reserve balances.
- Given the uncertainty of property taxes, it is essential for the Agency to reduce its reliance on this funding source to support recurring expenditures (O&M and debt service costs) over time.
- In 2013, IEUA will release the first Asset Management Plan, which will provide management strategies and funding requirements to repair and replace aging equipment at each of the treatment facilities based on condition assessments. Funding of R&R is essential to ensuring facilities are maintained to support the Agency's Commitment Levels.
- IEUA is committed to ultimately having rates that fully support recurring costs, including O&M, R&R, and debt service costs. Achieving this goal will allow the Agency to fully allocate property tax receipts to support capital investment, including future expansion of existing facilities, and reduce future borrowing costs.
- Fiscal Year 2013/14 is the second year of a three-year rate resolution adopted by the Agency's Board of Directors in February 2012 for the Regional Wastewater and Recycled Water programs. The multi-year rate increases begin to address the net operating structural deficit resulting from rates not fully recovering program costs.

## Appendix A.2

### **Fiscal Responsibility – Budget Planning**

**Business Goal:** *IEUA will safeguard the Agency's fiscal health through organizational efficiency, adoption of balanced multiyear budgets and rates that meet full cost-of-service targets, maintain a high quality credit rating and preserve established fund balance reserves to effectively address short term and long term economic variability. Furthermore, IEUA will provide open and transparent communication to educate the Member Agencies on the fiscal policies of the Agency.*

**Objective:** *IEUA will accurately forecast future operational, repair & replacement, capital improvement and debt service costs as needed for the creation of multiyear budgets and rate resolutions that create fiscal stabilization for IEUA and the Member Agencies.*

**Commitment:** *IEUA will provide multiyear forecasts for operational, repair & replacement, capital investment and debt service costs to support the adoption of multiyear budgets and rates enhancing dependability and stability.*

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#### **Commitment Level Background**

- In addition to the annual adoption of the Operating Budget and TYCIP, the Agency also prepares a Long Range Plan of Finance (LRPF).
- The LRPF aligns the Agency's financial capacity with long-term service objectives. The LRPF uses forecasts to provide insight into the Agency's future financial capacity so that Agency strategies can achieve long term sustainability of financial and service objectives. It provides the most cost-effective funding strategy to support the operations and capital requirements in line with established policies and goals.
- Based upon the LRPF and other financial documents, the Agency is committed to adopting multiyear budgets and rates to facilitate the integration of the financial and strategic planning.
- Adoption of multiyear budgets and rates will provide a more strategic approach to resource allocation, as well as streamline the Agency's rate increase process and provide long term stability.

## Appendix A.3

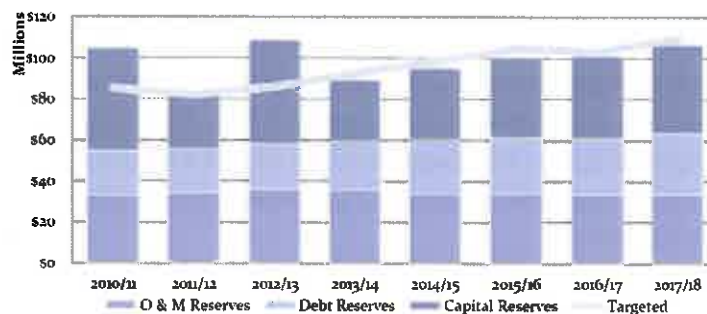
### Fiscal Responsibility – Reserves

- Business Goal:** *IEUA will safeguard the Agency's fiscal health through organizational efficiency, adoption of balanced multiyear budgets and rates that meet full cost-of-service targets, maintain a high quality credit rating and preserve established fund balance reserves to effectively address short term and long term economic variability. Furthermore, IEUA will provide open and transparent communication to educate the Member Agencies on the fiscal policies of the Agency.*
- Objective:** *IEUA will preserve fund reserves that sustain the Agency's long term fiscal health, high quality credit rating and ensure its ability to effectively address economic variability.*
- Commitment:** *IEUA will adopt financial policies to establish and preserve fund reserves above legally or contractually mandated levels to maintain Commitment Levels. In addition, IEUA will support short and long term funding requirements and sustain the Agency's long term fiscal health and high quality credit rating to reduce future borrowing costs.*

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#### Commitment Level Background

- Fund balance is a measure of the net worth (total assets minus total liabilities) of an organization and is a strong indicator of its financial health. In addition to consolidated fund balance at the Agency-wide level, IEUA also maintains fund balances at the individual program level.
- The fund balance reserves are designated for specific purposes, and include four month operating contingency and debt service as prescribed by the current bond covenants, capital construction, improvement and replacement, rate stabilization, self-insured workers' compensation and liability insurance, retiree medical benefits, and other short term and long term requirements.
- The figure below compares the Agency's actual and projected total fund balance to the "targeted" amount from FYs 2009/10 through 2016/17. Targeted fund balance as defined in the Agency's 2012 LRPF is the sum of 50 percent of operating revenues, and total fund balance reserves designated to support debt service costs.



- An update of the Agency's financial policies adopted in 2005 is planned in 2013 as part of the implementation of a long range financial model. A key objective will be to align reserves and thresholds to meet the Agency's short term and long term needs and develop a funding strategy.



## Appendix A.4

### Fiscal Responsibility – Creditworthiness

**Business Goal:** *IEUA will safeguard the Agency's fiscal health through organizational efficiency, adoption of balanced multiyear budgets and rates that meet full cost-of-service targets, maintain a high quality credit rating and preserve established fund balance reserves to effectively address short term and long term economic variability. Furthermore, IEUA will provide open and transparent communication to educate the Member Agencies on the fiscal policies of the Agency.*

**Objective:** *IEUA will sustain a high quality credit rating and debt service coverage ratio to safeguard the Agency's fiscal health and reduce future borrowing costs.*

**Commitment:** *IEUA will reinstate the Agency's credit rating to AAA by FY 17/18 to reduce borrowing costs anticipated for the expansion and improvement of existing facilities to meet future growth in the Agency's service area.*

#### Commitment Level Background

- As part of the 2012 multi-year rate increase, IEUA established minimum debt coverage ratio targets for the upcoming fiscal years. The following table shows the DCR targets, the actual DCR's and forecasted DCR's (F):

DCR	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
	Actual	Projected		Forecasts	
Target		1.43x	1.50x	1.70x	
Actual/Forecast	1.69x	1.92x	1.75x	2.01x	2.18x

- The FY 2011/12 Comprehensive Annual Financial Report (CAFR) reported an Agency DCR of 1.69x and the following credit ratings: AA- (S&P), Aa2 (Moody's), and AA- (Fitch).
- The adopted FY 2014-2023 Ten Year Capital Improvement (TYCIP) includes expansion of the Agency's southern service area facilities in FY 2018/19 where most of the future population growth is anticipated. This expansion is projected to be financed with new debt. Improvement of the Agency's long term credit rating to AAA and DCR to 2.70x (DCR is the ratio of net revenue available to meet debt service costs). In the current market, the differential cost of borrowing between AA and AAA is about 20 basis points. On a \$40 million bond issue, this equates to a borrowing-cost-savings of over \$2.4 million over a 30 year term.
- Lower borrowing costs equate to lower fees.

## Appendix B.1

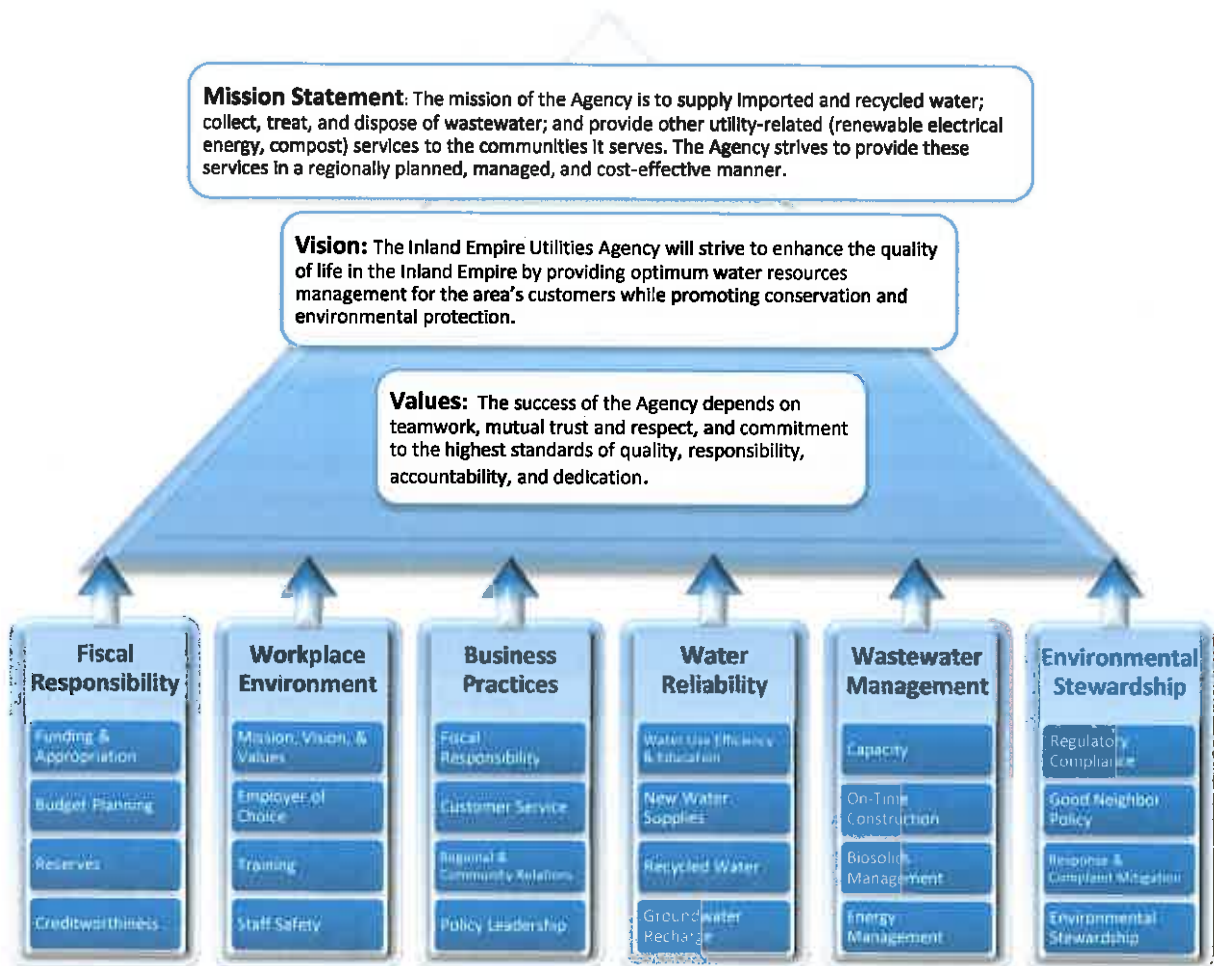
### Workplace Environment – Mission, Vision & Values

**Business Goal:** IEUA is committed to provide a positive workplace environment by recruiting, retaining and developing a highly skilled team dedicated to the Agency's Mission, Vision and Values.

**Objective:** IEUA will uphold Business Goals, Objectives and Commitment Levels that support and advance the Agency's Mission, Vision and Values.

**Commitment:** IEUA will maintain the highest standard of ethical conduct from all Agency staff by promoting values of prudent leadership, integrity, collaboration, open communication, respect, accountability, high quality, passion and efficiency to support the Agency's Mission and Vision.

#### Commitment Level Background



- Management will ensure that principles, policies and practices support the Business Goals, Mission, Vision and Values of the Agency.

## Appendix B.2

### Workplace Environment – Employer of Choice

**Business Goal:** *IEUA is committed to provide a positive workplace environment by recruiting, retaining and developing a highly skilled team dedicated to the Agency's Mission, Vision and Values.*

**Objective:** *IEUA will be an Employer of Choice.*

**Commitment:** *IEUA will provide a work environment that will attract and retain highly skilled, motivated, professional and committed employees.*

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#### **Commitment Level Background**

- IEUA will recruit, retain, and promote a diverse and qualified workforce committed to the Agency's Mission, Vision and Values. This will be achieved by utilizing modern recruitment practices that provide flexible and responsive recruiting solutions to assist with filling positions in a timely and effective manner.
- IEUA will encourage and maintain a highly motivated and trained staff by designing, implementing, and supporting a learning environment which encourages growth and development of Agency staff.
- IEUA will strive to align project/work tasks with the skills of its employees to create a rewarding and successful work environment.
- IEUA will create a culture that recognizes a dedicated staff and attracts qualified individuals through the use of creative communication methods and continued education of available employee benefits to increase knowledge of these programs and services. In addition, IEUA will update the Agency's various award recognition programs to reflect the Agency's cost containment strategies.
- IEUA will reduce stress from work-life imbalance by promoting partnerships, cross training, shared responsibilities, and a culture of teamwork to allow any and all employees recuperative time away from work activities.
- IEUA will inspire trust and confidence in Management by: clearly defining the Agency's Mission/Vision/Values, by creating Business Goals that support the Mission/Vision/Values, outlining a Strategic Plan to achieve those goals, communicating how the Agency is accomplishing these goals, and effectively linking these goals to each employee objectives and performance.

## Appendix B.3

### Workplace Environment – Training

**Business Goal:** *IEUA is committed to provide a positive workplace environment by recruiting, retaining and developing a highly skilled team dedicated to the Agency's Mission, Vision and Values.*

**Objective:** *IEUA will provide employees with state-of-the-art skills and knowledge to meet current and anticipated Agency needs.*

**Commitment:** *IEUA will facilitate and provide opportunities for staff to further their personal/professional development in support of maintaining a highly skilled workforce.*

---

#### Commitment Level Background

- All Agency employees have access to online training:
  - ◆ Leadership, Team Building, and Mentoring Skills Training
  - ◆ Microsoft Office Training
  - ◆ OSHA Required Safety Trainings

Employees are provided with login information, which allows the employee to perform trainings at the most optimum time to fit their daily schedule.
- Selected Agency employees have the ability to attend onsite classroom trainings. The following onsite classroom trainings are going to be provided for Fiscal Year 2013/2014: "7 Habits of Highly Effective People", (4) specialized onsite workshops, (12) 4-hour Microsoft Office trainings and policies and procedures training.
- Three types of offsite training are going to be provided for Fiscal Year 2013/2014:
  - ◆ Southern California Local Government Supervisory Program – This is a 3 day training course to provide skills for new supervisors.
  - ◆ Southern California Local Government Leadership Academy – This is a 7 day training program for Managers provided by current or retired City Managers.
  - ◆ Liebert Cassidy Whitmore Training – Legal Counsel provides workshops to Managers, Supervisors, and aspiring Supervisors on relational issues.
- IEUA also provides tuition reimbursement up to \$2,500 per year for employee educational expenses that increase their job knowledge and skills. Additionally, certification and degree incentives are awarded to employees who earn Associates, Bachelor's and Master's Degree, and specific program certification.
- Each Agency Department has training budgets to perform trainings on specialized skill sets for their employees.

## Appendix B.4

### Workplace Environment – Staff Safety

**Business Goal:** IEUA is committed to provide a positive workplace environment by recruiting, retaining and developing a highly skilled team dedicated to the Agency's Mission, Vision and Values.

**Objective:** IEUA will promote and ensure a safe and healthy work environment to protect employees and Stakeholders.

**Commitment:** IEUA will have no more than 1 day of lost time due to work related illness or injury per 1,000 days worked.

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#### Commitment Level Background

- IEUA will sustain a clean, safe, and healthy working environment for all Agency employees at all facilities. This will be achieved by:
  - ◆ Administering and monitoring required safety and regulatory trainings;
  - ◆ Conducting annual intra-department safety audits; and
  - ◆ Conducting annual emergency response drills, such as HAZWOPER training, fire drills, and earthquake drills
- IEUA has maintained an outstanding employee workplace injury record. For Fiscal Year 2012/2013 the Agency had no lost time due to work related illness or injury. Most employee workplace injury events that occur at IEUA are typically due to cuts, scrapes, and bruises. Rarely does a workplace injury incident result in lost time.
- Occupational Safety and Health Administration (OSHA) categorizes work related illnesses or injuries by: recordable cases (a case that resulted in medical treatment beyond 1<sup>st</sup> aid, loss of consciousness, or a significant injury diagnosed by a physician), transfers or restrictions (a case that resulted in an employee not being able to perform their job duties; however, their job duties were modified to meet the requirement of the illness or injury), lost time (a case that resulted in an employee not being able to work for one day after the date of injury), and death. For 2010 through 2012, IEUA had the following work injury statistics:

#### By Case

Calendar Year	Recordable Cases	Transfers or Restrictions	Lost Time	Deaths
2010	9	6	1	0
2011	12	6	1	0
2012	13	12	0	0

#### By Days

Calendar Year	Transfers or Restrictions	Lost Time
2010	81	180
2011	235	56
2012	390	0

## Appendix C.1

### Business Practices – Efficiency & Effectiveness

- Business Goal:** *IEUA is committed to applying ethical, fiscally responsible and environmentally sustainable principles to all aspects of business and organizational conduct.*
- Objective:** *IEUA will promote standards of efficiency and effectiveness in all Agency business practices and processes.*
- Commitment:** *IEUA will integrate **Lean** techniques to evaluate current business practices and processes and identify ways to improve the quality, cost and value of the services the Agency provides to the Member Agencies and the Public.*
- 

#### Commitment Level Background

- IEUA is committed to providing its Stakeholders with high quality service in a cost effective, regionally planned manner. Continued assessment and improvement of our business processes and practices is essential to ensure optimization of efficiency and effectiveness.
- **Lean** was originally developed to reduce waste in manufacturing and evolved from Total Quality Management (TQM); the manufacturing practices of the Toyota Motor Corporation. However, rather than focusing on mass production, **Lean** focus on the elimination of waste while providing the same, or enhanced, value to the customer.
- Application of **Lean** techniques will help define key performance indicators (KPIs) to more effectively measure, monitor, and realign processes to meet the Agency's business goals and objectives.
- In April 2013, the second phase of the Agency's Enterprise Resource Planning (ERP) business system, first implemented in 2007, went live to streamline the recording, tracking and reporting of employee and payroll data. This enhancement helps support the Agency's efficiency and effectiveness initiative by eliminating redundant systems, enhancing data integrity, and supporting more transparent and timely reporting.
- The Agency's ERP system and integrated format also helps support the transition from a reactive to a condition based monitoring (CBM) maintenance philosophy strategy; a key initiative of the Agency. Under CBM, the 45 percent of resources currently allocated to reactive maintenance (unplanned or emergency repairs) will shift to support a predictive strategy denoted by improved planning and scheduling and more effective diagnosis of equipment functionality.
- The same integrated approach is being applied to the Agency's existing Supervisory Control & Data Acquisition (SCADA) System network which is currently comprised of a wide variety of equipment and applications located throughout the various facilities. Significant effort went into documenting the current state and analyzing the Agency's SCADA systems resulting in the 2012 Board adoption of the Recycled Water, Groundwater Recharge and Facilities SCADA Master Plans.



## Appendix C.2

### Business Practices – Customer Service

**Business Goal:** *IEUA is committed to applying ethical, fiscally responsible and environmentally sustainable principles to all aspects of business and organizational conduct.*

**Objective:** *IEUA will provide excellent customer service that is cost effective, efficient, innovative and reliable.*

**Commitment:** *IEUA will respond to and meet the Member Agencies expectation for enhanced value added services. IEUA will solicit Stakeholder feedback on performance and goal alignment on an annual basis.*

---

#### Commitment Level Background

- IEUA is committed to providing excellent customer service by:
  - ◆ Providing the primary services of the Agency – water management, wastewater management, biosolids management, and other resources management disciplines.
  - ◆ Ensuring that these services are offered in an effective, sustainable and cost efficient method.
  - ◆ Providing clear and direct responses to customer suggestions, inquiries, and complaints.
  - ◆ Maintaining open sources of communication to ensure stakeholder's interests are discussed and opportunities are pursued.
- IEUA will optimize customer service by ensuring alignment and management of core procurement business functions, roles and responsibilities.
- Media relations will continue to be cultivated and press releases will remain a major effort along with the Agency internal and external newsletter and updates.
- Social networking and website maintenance will remain a top priority for Agency outreach and communication initiatives.
- IEUA will collaborate with all Stakeholders to ensure open communication and discussion of issues and policies that affect the IEUA Service Area, (i.e. topics such as imported water rates and deliveries, development and availability of local water supplies.)

## Appendix C.3

### Business Practices – Regional Leadership & Community Relations

**Business Goal:** *IEUA is committed to applying ethical, fiscally responsible and environmentally sustainable principles to all aspects of business and organizational conduct.*

**Objective:** *IEUA will cultivate a positive and transparent relationship with its Stakeholders to enhance quality of life, preserve our heritage and protect the environment.*

**Commitment:** *IEUA will partner with its Stakeholders on common issues to create and implement integrated and innovative solutions, minimize duplication of efforts and support education and outreach to the Public. Furthermore, IEUA will incorporate Member Agencies and Regional Water Agencies into various IEUA related projects and programs to ensure that a transparent and broader regional representation is achieved.*

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#### Commitment Level Background

- IEUA will promote and sustain effective communication between the Agency and its Stakeholders through use of various methods, including frequent meetings/workshops, newsletters and electronic media.
- Incorporating the Agency's branding initiatives, staff will create a recognizable standard to educate the public about water recycling, water conservation and capital infrastructure/replacement investments.
- IEUA is committed to taking actions that consider the cost, quality and value of service for communities we serve.
- The Agency strives to foster open, positive and collaborative relationships with all Stakeholders to meet the water needs of the Region now and in the future.



## Appendix C.4

### **Business Practices – Policy Leadership**

**Business Goal:** *IEUA is committed to applying ethical, fiscally responsible and environmentally sustainable principles to all aspects of business and organizational conduct.*

**Objective:** *IEUA will effectively advocate, campaign and guide the development of policies and legislation that directly benefit the Region IEUA serves.*

**Commitment:** *IEUA will promote a collaborative approach for the development of positions on policies, legislation and regulations that impact Agency policy objectives.*

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#### **Commitment Level Background**

- IEUA will provide leadership on legislative solutions and regulatory standards for water reliability, water quality, energy management, wastewater collection, treatment and reuse, organics management, and stormwater and watershed management.
- IEUA will continue to effectively seek State and Federal grant funding for Agency and regional projects that achieve IEUA's policy objectives; (e.g. the Recharge Master Plan, Renewable Energy, the Optimum Basin Management Plan, and the Recycled Water Program).
- IEUA will actively research, monitor, review, and adopt positions on federal and state legislation that benefit the IEUA's and the Member Agencies policy objectives. This information will be shared and discussed with all Stakeholders.
- IEUA will support the development of public affairs, public awareness, community education and outreach, media relations and legislative programs on issues that address the policy objectives of IEUA. Open communication and collaboration among the Agency and its Stakeholders is of prime importance.
- IEUA will work with Member Agencies to formulate methods and approaches for addressing community and agency concerns and ensure that concerns, needs, and requests are responded to in a timely manner.
- IEUA will actively review and provide recommendations on procedures and processes to improve the efficiency, cost effectiveness, customer responsiveness, quality and environmental sustainability of Agency programs and projects.
- IEUA will coordinate intergovernmental activities with Stakeholders, industry associations, and regulatory agencies and will appear before local and state bodies on public affairs and other matters.
- IEUA will comply with the Brown Act requirements, and other laws pertaining to special districts.
- IEUA will navigate and implement the regulatory changes as a result of pension reform.

## Appendix D.1

### Water Reliability – Water Use Efficiency & Education

**Business Goal:** *IEUA is committed to the development and implementation of an integrated water resource management plan that promotes cost-effective, reliable, efficient and sustainable water use along with economic growth within the IEUA Service Area.*

**Objective:** *IEUA will promote education and water use efficiency to enhance water supplies within the Region and exceed State goals for reductions in per capita water use within the IEUA Service Area.*

**Commitment:** *IEUA will promote to reduce water use in the IEUA Service Area to less than 200 gallons per capita per day (gpcd) by 2018.*

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#### Commitment Level Background

- The Water Conservation Act of 2009 (SBX 7-7) requires urban retail water suppliers to continue demand management measures to reduce water use, as measured by gpcd, by 10% by December 31, 2015 and by 20% by December 31, 2020 to maintain eligibility to receive state water management grants and loans.
- The baseline water use for the region from 1999 - 2008 was calculated to be 251 gpcd.
- The reduced water use targets can be achieved through: water use efficiency (WUE) active programs, WUE passive policy initiatives, and recycled water use. The current goal of the Urban Water Management Plan and the Water Use Efficiency Business Plan is to achieve the 20 x 2020 per capita water use reduction in the following manner:

	2015 Reduction	2020 Reduction
Projected Reduction from WUE Activities	5 gpcd	13 gpcd
Projected Reduction from Recycled Water Use	38 gpcd	45 gpcd
<b>TOTAL Projected Reduction</b>	<b>43 gpcd</b>	<b>58 gpcd</b>
<b>10 Year Baseline</b>	<b>251 gpcd</b>	
Target	226 gpcd	201 gpcd
<b>Projected Achievement</b>	<b>208 gpcd</b>	<b>193 gpcd</b>

- Additional per capita water use reductions can be achieved within the IEUA Service Area. IEUA's policy goal is to strive to achieve the 20 by 2020 reduction through conservation measures alone. IEUA will collaborate with all Member Agencies to review and update the Water Use Efficiency Business Plan to achieve this goal and will support the reduction of water use below 200 gpcd by 2018.
- IEUA will continue to expand regional water efficiency educational, outreach and rebate programs.

## Appendix D.2

### **Water Reliability – New Water Supplies**

**Business Goal:** *IEUA is committed to the development and implementation of an integrated water resource management plan that promotes cost-effective, reliable, efficient and sustainable water use along with economic growth within the IEUA Service Area.*

**Objective:** *IEUA will support the Member Agencies and Regional Water Agencies with the development of reliable, drought-proof and diverse local water resources and Supplemental Water supplies in order to reduce dependence on Imported Water supplies.*

**Commitment:** *IEUA will promote reducing demand for Imported Water during dry and normal years and storing Imported Water into the Chino Groundwater Basin during wet years. In addition, IEUA will support maximizing the beneficial use of existing water infrastructure, while meeting future increased demands through investment in local water resources, Supplemental Water supplies and conservation efforts.*

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#### **Commitment Level Background**

- As part of the 2010 Urban Water Management Plan (UWMP), IEUA has set a goal to maximize use of local water supplies and minimize the need for Imported Water, especially during dry years and other emergency shortages from Metropolitan Water District (MWD).
- Unless additional water reductions are achieved or new local water supplies are developed, current projections show that regionally an additional 10,000 AFY of costly Imported Water will be required by year 2025.
- It is understood that future Imported Water reliability will be lower and costs will be higher. Over the next ten years, it is estimated that the IEUA/Member Agencies will purchase \$600 million in Imported Water. A 10,000 AFY water supply shift from Imported Water would reduce MWD purchases by approximately \$100 million over the same ten year period.
- IEUA is in the process of preparing an Integrated Resources Plan (IRP), which will provide an achievable long-term strategy to meet current and future water needs. The IRP will evaluate existing water supplies and demands, forecast future water supplies and demands, and evaluate additional water efficiency and alternative sources of new water supply that will reduce future reliance on Imported Water.

## Appendix D.3

### Water Reliability – Recycled Water

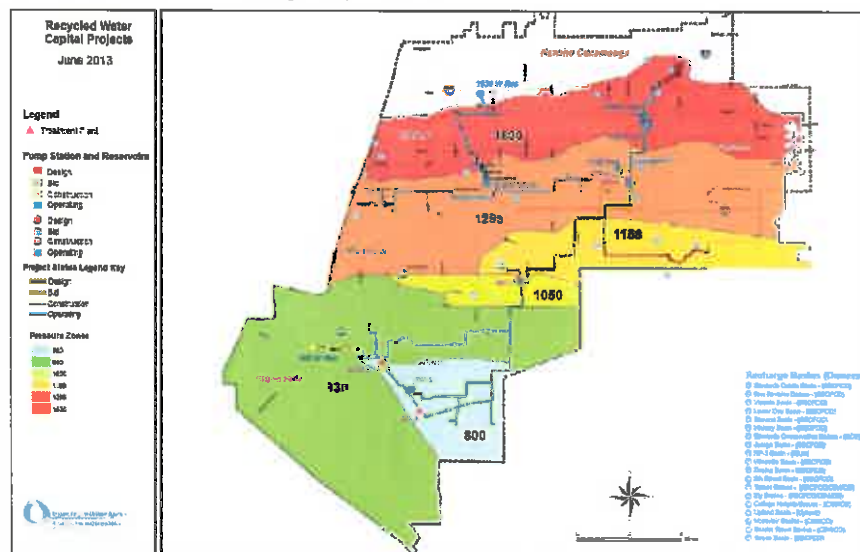
**Business Goal:** IEUA is committed to the development and implementation of an integrated water resource management plan that promotes cost-effective, reliable, efficient and sustainable water use along with economic growth within the IEUA Service Area.

**Objective:** IEUA will support maximizing beneficial reuse of recycled water to enhance reliability and reduce dependence on Imported Water.

**Commitment:** IEUA will complete the development of recycled water infrastructure and will support the Member Agencies in achieving reuse of 50,000 AFY by 2025.

#### Commitment Level Background

- IEUA has a current wastewater flow of approximately 60,000 AFY. Based upon wastewater forecasts and potential future interconnections, IEUA is targeting a reliable recycled water supply of 50,000 AFY for direct use and groundwater recharge by 2025.
- As outlined in the Recycled Water Business Plan, IEUA is in the process of expanding recycled water infrastructure to meet the 50,000 AFY delivery target. IEUA will release the Recycled Water Plan Update in 2014.
- In addition, the IRP will have specific focus on the development of additional direct recycled water connections and a specific emphasis on recycled water interties and enhanced groundwater recharge capabilities.



- Estimated Fiscal Year 2012/2013 recycled water delivery for direct use and groundwater recharge is 31,500 AFY. Increasing recycled water deliveries to 50,000 AFY is key to meeting the other three Objectives/Commitment Levels (Water Use Efficiency & Education, New Water Supplies, and Groundwater Recharge) for the Water Reliability Business Goal.



## Appendix D.4

### Water Reliability – Groundwater Recharge

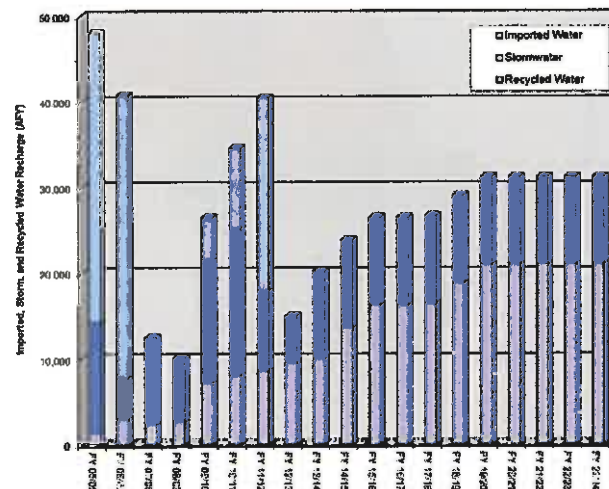
**Business Goal:** IEUA is committed to the development and implementation of an integrated water resource management plan that promotes cost-effective, reliable, efficient and sustainable water use along with economic growth within the IEUA Service Area.

**Objective:** IEUA will maximize all sources of groundwater recharge.

**Commitment:** IEUA will support the recharge of all available stormwater and maximize the recharge of recycled water within the Chino Groundwater Basin. Furthermore, IEUA will pursue the option to purchase and store cost-effective surplus Imported Water supplies.

#### Commitment Level Background

- Groundwater currently comprises about 60% of the water supply needed to meet urban water demand for the region.
- The Chino Groundwater Basin contains approximately 5 million AF of water storage with an additional 1 million AF in unused storage capacity. The current safe-yield of the Basin is 145,000 AFY and declining. Historically, discounted Imported Water has been available and utilized to recharge the Basin when pumping has exceeded the safe-yield. The MWD discounted replenishment water was discontinued in 2012, changing the economic impacts of over-production of groundwater.
- The Chino Basin Groundwater Recharge Program developed new sources of replenishment water: local stormwater and recycled water.
- IEUA has been shifting the need to buy Imported Water to meet replenishment needs, to the cost-effective use of stormwater and recycled water.



- IEUA will continue to partner with CBWM to maximize the recharge of all available stormwater and recycled water and will only recharge imported water proactively when economically viable or as necessary to meet replenishment requirements.

## Appendix E.1

### Wastewater Management – Capacity

**Business Goal:** *IEUA systems will be master planned, managed and constructed to ensure that when expansion planning is triggered, designs/construction can be completed to meet regulatory/growth needs in an expeditious, environmentally responsible and cost effective manner.*

**Objective:** *IEUA will maintain capacity within systems and facilities to meet essential service demands and to protect public health and environment.*

**Commitment:** *IEUA will ensure that systems are managed and constructed so that 90% of capacity is never exceeded.*

---

#### Commitment Level Background

- Economic development of the region is dependent upon well planned public works infrastructure in place prior to land development. Wastewater collection and treatment are critical components of this infrastructure.
- IEUA has and will continue to utilize operational flexibilities provided through flow diversion and bypass systems to maximize beneficial use and capacity of the integrated collection system, wastewater treatment system, recycled water system, and organics management system.
- For Fiscal Year 2012/2013, all four IEUA Wastewater Recycling Facilities have a Percent Capacity Utilization between 60% - 70%. The Ten-Year Percent Capacity Utilization projection shows slight increases for RP-1, RP-4, and CCWRF; however, RP-5 has a substantial increase to 95%:

Regional Water Recycling Plant	FY 2012/13 Actual*			FY 2022/23 Projection		
	Treated Influent Flow	Plant Rated Capacity	Percent Capacity Utilization	Treated Influent Flow	Plant Rated Capacity	Percent Capacity Utilization
RP-1	27.7	44.0	63%	30.4	44.0	69%
RP-4	9.8	14.0	70%	10.8	14.0	77%
CCWRF	7.4	11.4	65%	8.0	11.4	70%
RP-5	10.5	16.3**	64%	15.5	16.3	95%
IEUA Total	55.3	85.7	65%	64.7	85.7	76%

- For Fiscal year 2013/2014, IEUA will be updating the Facilities Master Plan, which will considered future growth patterns, alternatives for expansion of the Wastewater Recycling Facilities, and impacts to the Recycled Water and Organics Management systems.
- IEUA will ensure that all planning, design, construction, and start-up activities for treatment system expansions are scheduled and completed before the 90% Percent Capacity Utilization is reached.

## Appendix E.2

### Wastewater Management – On-Time Construction

**Business Goal:** *IEUA systems will be master planned, managed and constructed to ensure that when expansion planning is triggered, designs/construction can be completed to meet regulatory/growth needs in an expeditious, environmentally responsible, and cost effective manner.*

**Objective:** *IEUA will ensure capital projects are designed and implemented in a timely and economically responsible manner.*

**Commitment:** *IEUA will design and construct facilities through efficient project management to ensure that 80% of projects are completed on schedule and 90% of projects are on budget.*

---

#### Commitment Level Background

- IEUA is committed to ensuring that projects are completed: on-time to obtain the beneficial use of required equipment as required by Operations, Maintenance, and Compliance, and on budget to contain costs and accurately project Agency future expenditures.
- Constructability reviews, which will include technical input from Construction, Operations, Maintenance, and DCS staff, will be included as a standard design element with the goal of reducing the number of change orders experienced during construction.
- Construction Management staff have received schedule training to allow for detailed reviews of contractor construction schedules. Staff will effectively analyze contractor schedules to highlight deficiencies in critical paths that may result in extended project schedules.
- At the completion of a project pre-design report (PDR), budgets will be created with well-defined scopes of work that include all project costs: design/construction consultants, construction contract award, and all Agency labor costs (Engineering, Construction Management, Operations, Maintenance, DCS, Finance, and Accounting).
- A project will be deemed on budget if all design, construction, and start-up activities are completed and expenditures on the project are between 90-100% of the project budget.
- Schedules for duration of design and construction/start-up will be created at the time the project budget is created (completion of the PDR).
- The Engineering schedule metric will be based upon the project design kickoff meeting and the Award of Construction Contract. The Engineering activities will be deemed on schedule if the duration between the Award of Construction Contract and design kickoff meeting is +/- 10% of the initial estimate.
- The Construction Management schedule metric will start at the preconstruction meeting and conclude with the Operations acceptance of the project. The Construction activities will be deemed on schedule if the duration between the project acceptance and preconstruction meeting is +/- 10% of the initial estimate.

## Appendix E.3

### Wastewater Management – Biosolids Management

**Business Goal:** *IEUA systems will be master planned, managed and constructed to ensure that when expansion planning is triggered, designs/construction can be completed to meet regulatory/growth needs in an expeditious, environmentally responsible, and cost effective manner.*

**Objective:** *IEUA will manage all Agency produced biosolids in a compliant, fiscally prudent and environmentally sustainable manner.*

**Commitment:** *IEUA will ensure that 95% of the Inland Regional Compost Facility's capacity is utilized, all biosolids produced by IEUA are treated at IERCF, Agency solids generation is minimized through efficient dewatering operations, and all compost is marketed for beneficial use.*

---

#### Commitment Level Background

- In 2001, the Chino Basin Organics Management Business Plan set a goal for the region to divert organic solids from landfills and to consume locally generated recycled organic material. Under a Joint Powers Agreement, IEUA in partnership with Los Angeles County Sanitation District constructed the Inland Empire Regional Composting Facility (IERCF) to meet this goal.
- IERCF has an operating capacity of approximately 400 wet tons per day for wastewater biosolids. IEUA's owned portion of this operating capacity is equivalent to 50% or approximately 200 wet tons per day of biosolids material. IEUA currently generates approximately 190 wet tons per day of biosolids.
- IEUA's goal is to send all biosolids generated at its wastewater facilities to IERCF; however, IERCF requires one shutdown day per month to perform preventative maintenance on operating equipment. On maintenance days, IEUA will utilize the use of storage at RP-1 and RP-2, while maintaining contracts with third party composting facilities as a contingency.
- IEUA supports reducing solids generation at its wastewater facilities. Currently, start-up activities for the new RP-1 Centrifuge Dewatering Building are commencing and full operation should be achieved by the end of 2013. The new centrifuges will increase the biosolids total solids percentage from the current 16% up to 24%. This will decrease the IEUA biosolids generation by approximately 50 wet tons per day, resulting in excess IEUA capacity at IERCF.
- All biosolids and wood amendment sent to IERCF are processed and treated to produce a Class A exceptional quality compost. IERCF compost, which is created and marketed as SoilPro Premium Compost, is beneficially used by contracting agencies and sold as a soil conditioner that improves water retention, resulting in better plant growth and reduces water requirements.

## Appendix E.4

### **Wastewater Management – Energy Management**

**Business Goal:** *IEUA systems will be master planned, managed and constructed to ensure that when expansion planning is triggered, designs/construction can be completed to meet regulatory/growth needs in an expeditious, environmentally responsible, and cost effective manner.*

**Objective:** *IEUA will optimize facility energy use and effectively manage renewable resources to achieve peak power independence, contain future energy costs, achieve statewide renewable energy, distributed generation and greenhouse gas reduction goals, and provide for future rate stabilization.*

**Commitment:** *IEUA will achieve peak power independence by 2020 through the implementation of renewable projects, energy management agreements and operational efficiencies.*

---

#### **Commitment Level Background**

- IEUA facilities currently use approximately 75,000 MWh of electricity annually at an annual cost of approximately \$9,000,000. This is 26% of the non-labor Operations and Maintenance budget and the highest, non-labor cost of the Agency.
- The region's population is forecasted to increase by 50% by 2030, which will further increase demand and cost for electricity. Electricity prices are volatile; however, historically, the average annual increase has been between 4% - 6%.
- IEUA has created a preliminary Energy Management Plan to reach energy independence from the grid during peak energy use/pricing period (noon – 6:00 PM) by 2020 through increased energy efficiency, increased on-site energy generation, a diversified energy portfolio and energy demand response.
- Through Power Purchase Agreements (PPA's), IEUA has expanded its renewable energy portfolio to include 3.5 MW of solar, 1.0 MW of wind, and 2.8 MW of biogas fuel cell production.
- IEUA will develop an updated energy management plan that will focus on integrating energy efficiency, demand response, and renewable energy generation programs to contain future energy costs and contribute to achieving statewide renewable energy and greenhouse gas reduction goals.

## Appendix F.1

### Environmental Stewardship – Regulatory Compliance

**Business Goal:** IEUA is committed to the responsible use and protection of the environment through conservation and sustainable practices.

**Objective:** IEUA will comply with all federal, state and local laws at each Agency facility.

**Commitment:** IEUA will have no more than 2 notices of violation annually from the State Water Resources Control Board, Air Quality Management District, or Non-Reclaimable Waste System for all Agency owned and operated facilities.

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#### Commitment Level Background

- IEUA has set Key Performance Indicators (KPI) at each Agency facility to monitor compliance with all regulations stipulated in the NPDES, AQMD, and NRWS permits.
- When compliance KPI's are exceeded, incident reports are created to outline the facts and causes of any noncompliant event. The incident reports are reviewed and corrective action is taken to prevent future KPI noncompliance.
- It is up to the discretion of AQMD to issue NOV's; however, in general a NOV is issued for: operation of equipment without a valid permit to operate, excessive exceedance of a permit stipulated emissions requirement, or operations resulting in a nuisance to the public.
- For Calendar Year 2012, IEUA had the following AQMD notices of violation:

Date	Incident	Comments
9/5/12	Ammonia Tank Level Exceedance (greater than permitted capacity)	NOV issued (item resolved)
9/5/12	Unpermitted Pilot Unit Installation	NOV issued (item appealed)

- SWRCB defines violations as "serious" and "non-serious" and each type of violation may be subject to a minimum liability penalty (MMP). In addition, sewage spills, including large recycled water spills, are subject to administrative civil liability penalties (ACL). Any MMP or ACL would be considered a notice of violation. For Calendar Year 2012, IEUA had the following SWRCB incidents; however, no incidents were deemed serious:

Date	Incident	Comments
1/10/12	Turner Basin RW Release	
4/3/12	SB Lift Station Sewer Overflow	Spill was contained and cleaned before reaching surface water
4/12/12	CalPoly Pomona RW Release	
5/8/12	Philadelphia NRW Sewer Overflow	Spill was contained and cleaned before reaching surface water
12/19/12	CCWRF 7-d Median Coliform	Investigation identified issue as sample contamination



## Appendix F.2

### Environmental Stewardship – Good Neighbor Policy

**Business Goal:** *IEUA is committed to the responsible use and protection of the environment through conservation and sustainable practices.*

**Objective:** *IEUA will control odors at all Agency facilities for the purpose of improving the environment and being a good neighbor to the local community.*

**Commitment:** *IEUA will perform a quarterly odor monitoring assessment to develop actual and acceptable baseline odor thresholds. Acceptable baseline thresholds will be used to measure treatment plant performance and drive necessary capital improvements.*

---

#### Commitment Level Background

- IEUA facilities and processes have the potential to produce odors.
- Each facility is operated under AQMD permits that include odor control requirements.
- AQMD has a rule that prohibits odor impacts to the community.
- Substantial funding has been made into odor control technologies at Agency Facilities.
- IEUA routinely performs odor circuits around each facility to measure for hydrogen sulfide. Hydrogen sulfide has an odor described as smelling similar to rotten eggs and is generally used as a surrogate for wastewater odor presence.
- IEUA will review extending similar odor circuits to all Agency Facilities and will review expanding measurements to include ammonia (pungent smell) and mercaptans (rotten cabbage smell).
- In addition, IEUA will perform a quarterly odor profile analysis at each of the treatment facilities. An odor profile analysis is completed by inviting participants from Member Agencies and IEUA staff to survey facility odors and grade them by intensity (weak to strong) and characteristic (rotten eggs, fishy, rotten cabbage, etc.). See following diagram for example sample locations.

**Regional Plant No. 1**



**Regional Plant No. 5**



- Based upon the odor circuits and odor profile analysis, odor baselines will be created and thresholds will be set for each facility. An odor control plan will be created to determine any capital expenditures required to meet the established thresholds. Based upon the required capital expenditures, the odor thresholds may be adjusted to provide the most efficient odor control strategy.

## Appendix F.3

### **Environmental Stewardship – Response & Complaint Mitigation**

**Business Goal:** *IEUA is committed to the responsible use and protection of the environment through conservation and sustainable practices.*

**Objective:** *IEUA will investigate and appropriately respond in a timely manner to any environmental issue or complaint received at any Agency Facility.*

**Commitment:** *IEUA will immediately respond to any event that threatens public health and safety and will respond within 5 working days to any nonemergency complaint or suggestion.*

---

#### **Commitment Level Background**

- Generally, all Agency facilities have Operations & Maintenance staff onsite 10 hours per day, 7 days a week to respond to any compliance or public health & safety events. During hours when facilities are unmanned, Operations & Maintenance staff are on-call and receive alarm notifications for any compliance or public health and safety event.
- For Calendar Year 2012, IEUA had 17 onsite compliance related incidents, 2 emergency response events due to recycled water releases, and 2 response events to sanitary sewer overflows. Each event was responded to immediately.
- For Calendar Year 2012, IEUA received 4 odor complaints from members of the Public. Each complaint was thoroughly investigated by Agency staff and incident reports were created. Most complaints cannot be substantiated; however, the Agency has modified operations in an attempt to reduce the potential of creating odors.

## Appendix F.4

### **Environmental Stewardship – Environmental Responsibility**

**Business Goal:** *IEUA is committed to the responsible use and protection of the environment through conservation and sustainable practices.*

**Objective:** *IEUA will strive to implement actions that enhance or promote environmental sustainability and the preservation of region's heritage.*

**Commitment:** IEUA will consider and assess environmental sustainability, public use and heritage preservation options for all of its programs and projects.

---

#### **Commitment Level Background**

- IEUA constructed a new headquarters building and committed to design standards that ensured prudent use of natural resources and proactive conservation measures. This project has enabled the Agency to achieve recognition and leadership in support of building a sustainable environment. This recognition was presented to the Agency through the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED™) program earning the "Platinum" level rating by meeting specific requirements. IEUA will take actions to sustain the Platinum LEED status of its facilities.
- In 2007, IEUA opened the Chino Creek Wetlands and Educational Park, one portion of the overall efforts being taken in the watershed under the Chino Creek Integrated Plan (CCIP). The general function of the CCIP is to focus planning attention on the lower Chino Creek area of the Prado Basin in a process of preserving and restoring the Prado Basin, maximizing value to the community, improving water-quality and flood control, and providing habitat restoration, recreation, water conservation and public education. The park is open to the public during daytime hours and consists of: 22,000 various drought tolerant plants, 1.7 miles of nature trails, 22 acres of habitat, and 6 ponds.
- The 1630 West Recycled Water Pump Station was constructed at Vineyard Park in Ontario. As part of the project, new park bathroom facilities were constructed and improvements of the parking lot, electrical, and irrigation systems were completed providing benefit to the local residents.
- IEUA will expand its environmental and education programs including: annual Earth Day activities, Garden in Every School and Inland Empire Garden Friendly. IEUA will collaborate with all Stakeholders (including Cal State San Bernardino Water Resource Institute and Home Depot) on the Inland Empire Garden Friendly program to promote sustainable environmental principles and incorporate the history and tradition of the Region.
- IEUA completed construction of the wetlands mitigation area in Basin 2 of the RP-3 Recharge Facility in July 2004. Basins 1, 3 and 4 are used actively for groundwater recharge, while most of Basin 2 is occupied by the mitigation wetlands. The vegetation was planted and the irrigation system installed in May 2005.

# Appendix B

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## Carbon Management Plan



## CARBON MANAGEMENT PLAN

### INTRODUCTION

IEUA's Business Goals discuss the need for effective energy management in order to meet California's Greenhouse Gas (GHG) reduction goals. This Carbon Management Plan intends to provide a baseline for future reduction goals and introduce specific carbon management efforts that will be further developed and expanded upon in successive plans. Effective carbon management is instrumental in sustainably and efficiently treating wastewater and providing recycled water for the Chino Basin.

### GHG REPORTING

IEUA became a member of The Climate Registry (TCR) in 2013. TCR membership is voluntary, and requires an annual inventory of GHG emissions. IEUA's 2013 GHG emissions were reported, but not verified by an independent third party. IEUA has committed to pursue verification for the 2014 reported GHG emissions.

Figure 1 shows the breakdown of IEUA's 2013 GHG emissions by source. A more detailed categorization is shown in Table 1. GHG emissions reported through TCR are divided into Scope 1 (direct emissions) and Scope 2 (indirect) emissions. Approximately 21 percent of IEUA's GHG emissions are emitted directly from fossil fuel combustion at IEUA facilities (Scope 1). The remainder of the inventory is made up of indirect electricity purchases, emissions from mobile combustion related to biosolids hauling, or emissions from biogenic sources (Scope 2).

FIGURE 1. IEUA'S 2013 GHG EMISSIONS BY SOURCE

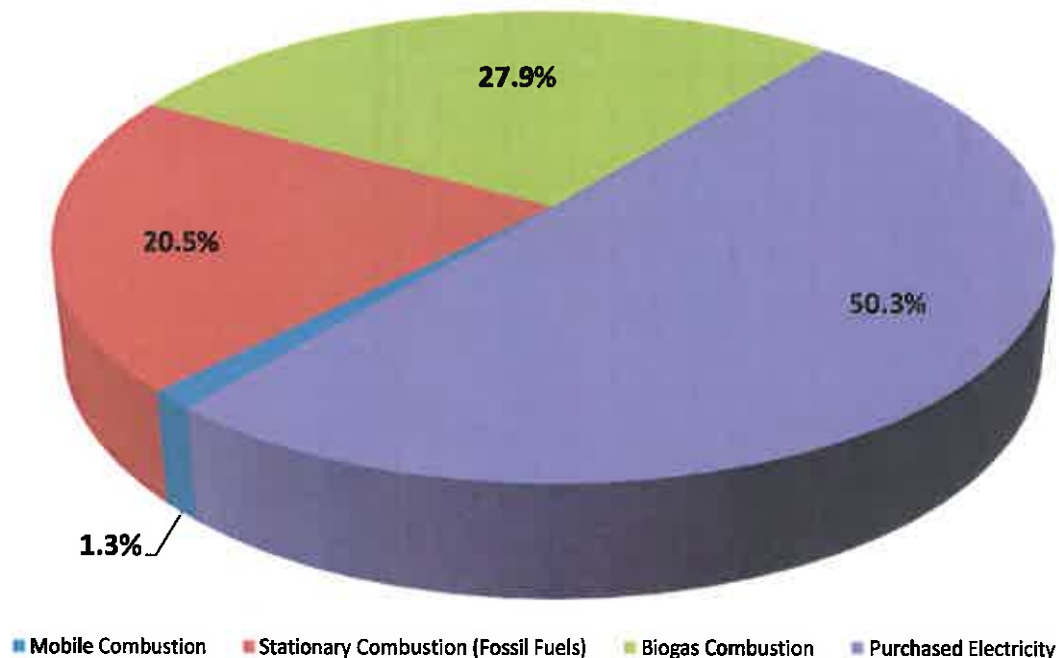




TABLE 1. IEUA'S 2013 GHG EMISSIONS BY SCOPE AND FACILITY

Source	Scope 1 (Direct Emissions)					Scope 2 (Indirect Emissions)				Scope 1 Total	Scope 2 Total	Total GHG Emissions
	Stationary Combustion			Mobile Combustion		Purchased Electricity	Biogas Combustion	Mobile Combustion (Diesel)				
	Natural Gas	Diesel	LPG	Gasoline	Diesel							
RP-1	5,671	33	33	-	-	3,066	6,559	-	5,737	9,625	15,362	
RP-4/IERCF	1	14	-	-	-	5,033	-	-	14	5,033	5,047	
RP-2	372	21	-	-	-	224	2,475	-	392	2,698	3,091	
RP-5/HQ	688	9	-	-	-	2,365	307	-	697	2,672	3,370	
CCWRF	3	23	-	-	-	1,519	-	-	26	1,519	1,544	
LS	-	-	-	-	-	775	-	-	0	775	775	
RW	-	-	-	-	-	3,559	-	-	0	3,559	3,559	
GWR	-	-	-	-	-	304	-	-	0	304	304	
Fleet Vehicles	-	-	-	297	10	-	-	-	307	0	307	
Biosolids Hauling	-	-	-	-	-	-	-	124	0	124	124	
Dechlorination Station	-	-	-	-	-	23	-	-	0	23	23	
Total	6,735	99	33	297	10	16,868	9,341	124	7,173	26,310	33,506	

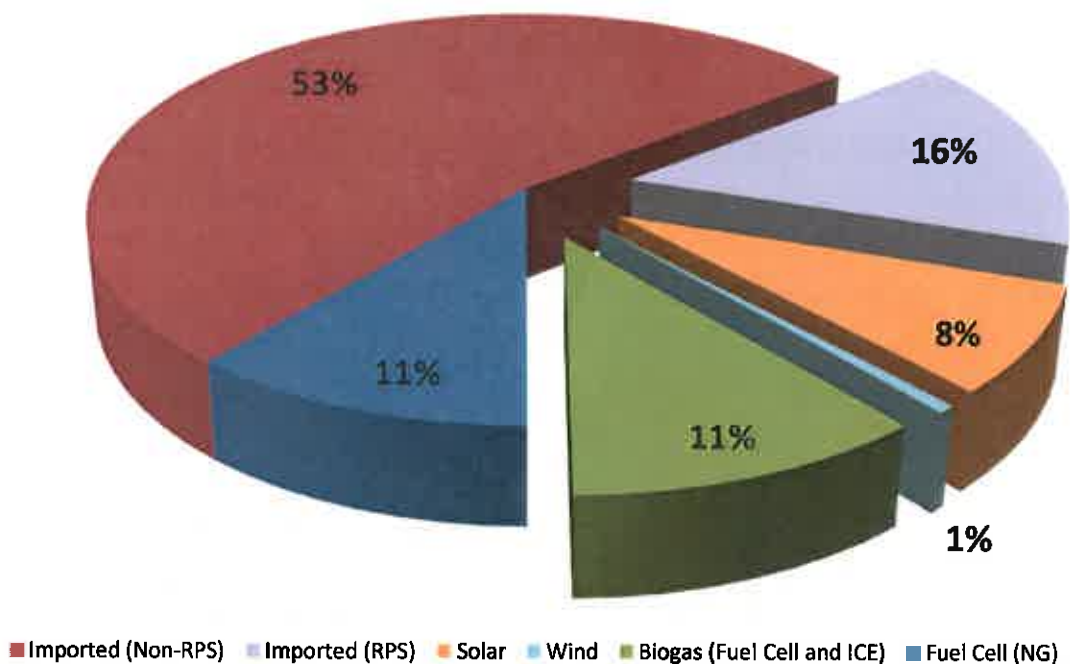
Note: GHG emissions from electricity used for recycled water pumping at RP-1, RP-4, RP-5, and CCWRF are included under "RW."

## CARBON NEUTRALITY BY 2030

In recent years, IEUA has worked to develop a diverse portfolio of renewable energy technologies. Since 2008, 3.5 MW of solar panels, a 1 MW wind turbine, and a 2.8 MW biogas fuel cell have been installed at IEUA facilities, which adds to a 580 kW biogas engine that has been in operation since 1990. In 2010, IEUA entered into a public-private partnership to operate a food waste digestion process designed to provide renewable fuel for two 1.5 MW biogas engines at IEUA's RP-5 facility. These biogas engines began to generate power in early 2015.

As shown in Figure 1, electricity purchases account for half of IEUA's GHG emission profile. Through renewable resource optimization and expansion, IEUA aims to procure 100 percent of its electricity through carbon neutral sources by 2030. In Fiscal Year 2013/2014, 36 percent of electricity purchases were procured from carbon neutral sources (Figure 2). It should be noted that only biogas used in the fuel cell was considered to be carbon neutral. Natural gas usage in the fuel cell was separately included in the 64 percent of procurement from non-carbon neutral sources.

FIGURE 2. IEUA FY 13/14 ELECTRICITY PROCUREMENT SOURCES



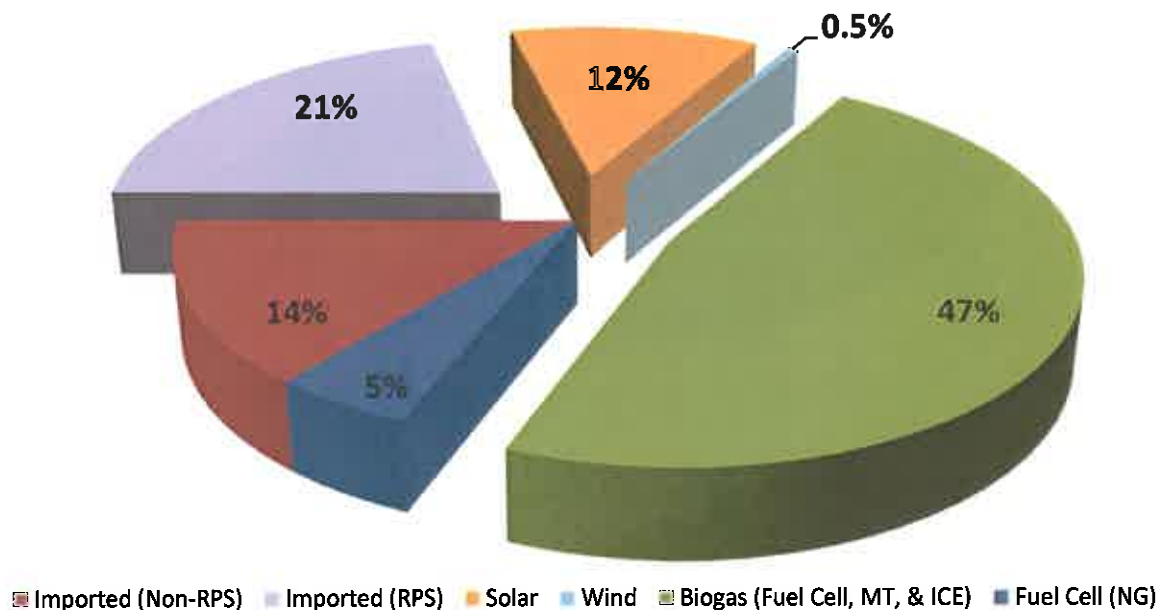
Achieving a goal of 100 percent carbon neutrality will require significant planning and engineering effort. Biogas optimization, increased plant efficiencies, and new renewable projects will all be pursued to work toward the 2030 goal. IEUA used information from the Wastewater Facilities Master Plan (WFMP) to project electrical needs over the next 20 years based on the anticipated increase in influent flows. IEUA also used the following assumptions to estimate the contribution of renewable resources toward meeting the 2030 electrical needs.

- **Food Waste Digestion Operations** – IEUA estimates that the cogeneration engines powered by the food waste digestion process will generate at 90 percent capacity by 2030.

- Microturbine Installation – IEUA is currently evaluating the installation of a microturbine that would operate on biogas and serve as a replacement of the 580 kW engine at RP-2.
- Fuel Cell Operations – IEUA assumes that the fuel cell at RP-1 will maintain operation on a 75/25 mixture of biogas and natural gas, respectively. Equipment degradation rates specified by the manufacturer are included in the projection.
- Solar Installations – IEUA is currently evaluating the installation of an additional 1 MW of solar generation, which was incorporated into the projection. Generation capabilities of the solar were estimated to decrease at a rate of one percent per year, consistent with manufacturer specifications.
- Increased RPS – Based on current legislation, IEUA anticipates that by 2030, 50 percent of electricity procured through import will come from renewable sources.
- Increased Energy Efficiency – Based on preliminary energy audit results, implementing energy efficiency measures at IEUA facilities is expected to reduce energy usage by 15 percent on average.

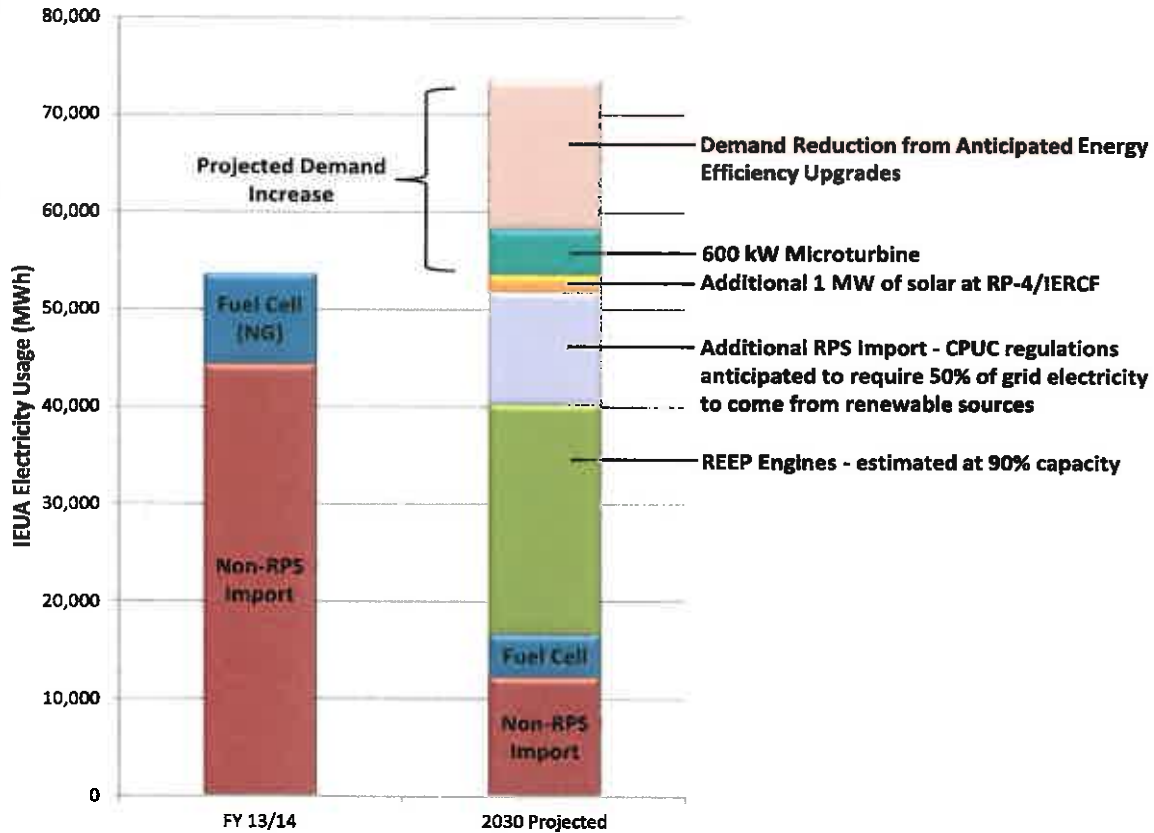
Using these assumptions and the projections from the WFMP, IEUA has estimated that 81 percent of its electricity needs in 2030 will be generated from renewable resources (Figure 3).

FIGURE 3. PROJECTED 2030 ELECTRICITY PROCUREMENT SOURCES



To better understand where the carbon neutral electricity will be coming from, Figure 4 breaks down the anticipated generation from carbon neutral sources in the 2030 projections. These estimates account for projected demand increases from the WFMP, as well as expected efficiency upgrades. Existing renewable resources (3.5 MW of solar, 1 MW wind turbine, 2.8 MW fuel cell, and 580 kW engine) are not included in either column.

FIGURE 4. PROJECTED 2030 CARBON NEUTRAL RESOURCES



Future planning efforts will be focused on tracking the performance of renewable installations, researching new opportunities to increase the procurement of electricity from carbon neutral sources, and identifying potential avenues of bridging the gap between the current level of carbon neutrality and the 2030 goal.

## GHG MANAGEMENT

In addition to achieving carbon neutrality, IEUA will evaluate and implement measures to improve GHG management. Beginning in FY 15/16, GHG reductions will be considered favorably in the selection criteria for proposals received for new engineering projects.

The Carbon Management Plan will also be revised in parallel with IEUA's Energy Management Plan to ensure continuous evaluation and improvement toward GHG goals. Future planning efforts will enlist the assistance of third party consultants to generate a more robust management plan that evaluates potential GHG monitoring and reduction measures such as the carbon neutrality of fleet vehicles, tracking GHG impacts in various water supplies, and expansion of IEUA's GHG inventory to include Scope 3 emissions.



# Appendix C

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## Organics Diversion





## **ORGANICS DIVERSION**

### **INTRODUCTION**

California has adopted several policies to reduce the short-lived climate pollutants (SLCP) and Greenhouse Gas (GHG) emissions by 2030, like the California Global Warming Solutions Act of 2006 (AB 32), and the mandatory commercial organics recycling law (AB 1826) in 2014. AB 1826 requires business to recycle organic waste by April 1, 2016, based on the amount of waste generated per week, and expects local governments to adopt and implement a mandatory commercial organic waste recycling program by January 1, 2016. Since composting and anaerobic digestion are acceptable alternatives to organics landfill disposal, Agency's facilities and staff know-how may represent a valuable resource to IEUA's Member Agencies required to comply with AB 1826.

### **FEASIBILITY STUDY**

The Agency's "Organics Diversion" initiative was introduced in support of IEUA's Member Agencies and local businesses, in complying with the State's organics diversion requirements. As result, staff is conducting a feasibility study in the Agency's service area, to evaluate the amount and the current processing and disposal practices of:

- fat, oil and grease (FOG)
- domestic and commercial food waste
- high strength industrial waste.

A critical element of the feasibility study is the digester gas production estimate associated with the amount and type of organic waste available in the Agency's service area, and the development of a business case evaluation related to co-digestion and digester gas utilization facilities. Potential beneficial use of the biogas generated is:

- electricity generation (internal combustion engine, microturbine, fuel cell)
- conversion to natural gas pipeline quality (pipeline injection and/or vehicle fuel)

Because of the significant energy value associated with food waste, the implementation of an organics diversion program and food waste co-digestion will be essential in supporting the Agency long term goals of peak power independence and carbon neutrality.

### **PROJECT BARRIERS**

Social, political, economic and regulatory barriers can adversely affect the implementation of the Organics Diversion initiative at IEUA. Community support is essential to ensure proper disposal and prevent food waste contamination; as well the full support of the Member Agencies directly responsible for providing waste management, or contracting the waste collection and disposal to a third party. Lack of funding, slow return on investments, uncertain revenue stream and incentives may be too risky for the Agency; and, delaying the implementation and enforcement of organic recycling laws may limit the amount of waste available for co-digestion, preventing the development of a competitive organic waste market, with tipping fees comparable to other disposal options.

.....  
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# Recycled Water Semi-Annual Update March 2016



***Inland Empire Utilities Agency***

**A MUNICIPAL WATER DISTRICT**

**Andy Campbell**  
Deputy Manager of Planning

# RW Project- Wineville Pipeline

- \* Wineville Extension to RP3
- \* Complete
- \* Increased RP3 Delivery Capacity
  - \* 4 cfs to 20 cfs
- \* Allows Declez Basin RW Start-up





# RW Project- San Sevaine

- \* San Sevaine 5 Pump Station & Pipeline to upper 3 Basins
- \* 85% design February 2016
- \* June/July 2016 Bid & Award
- \* 1 year construction
- \* Approx. 4,000-6,000 AFY RW capacity



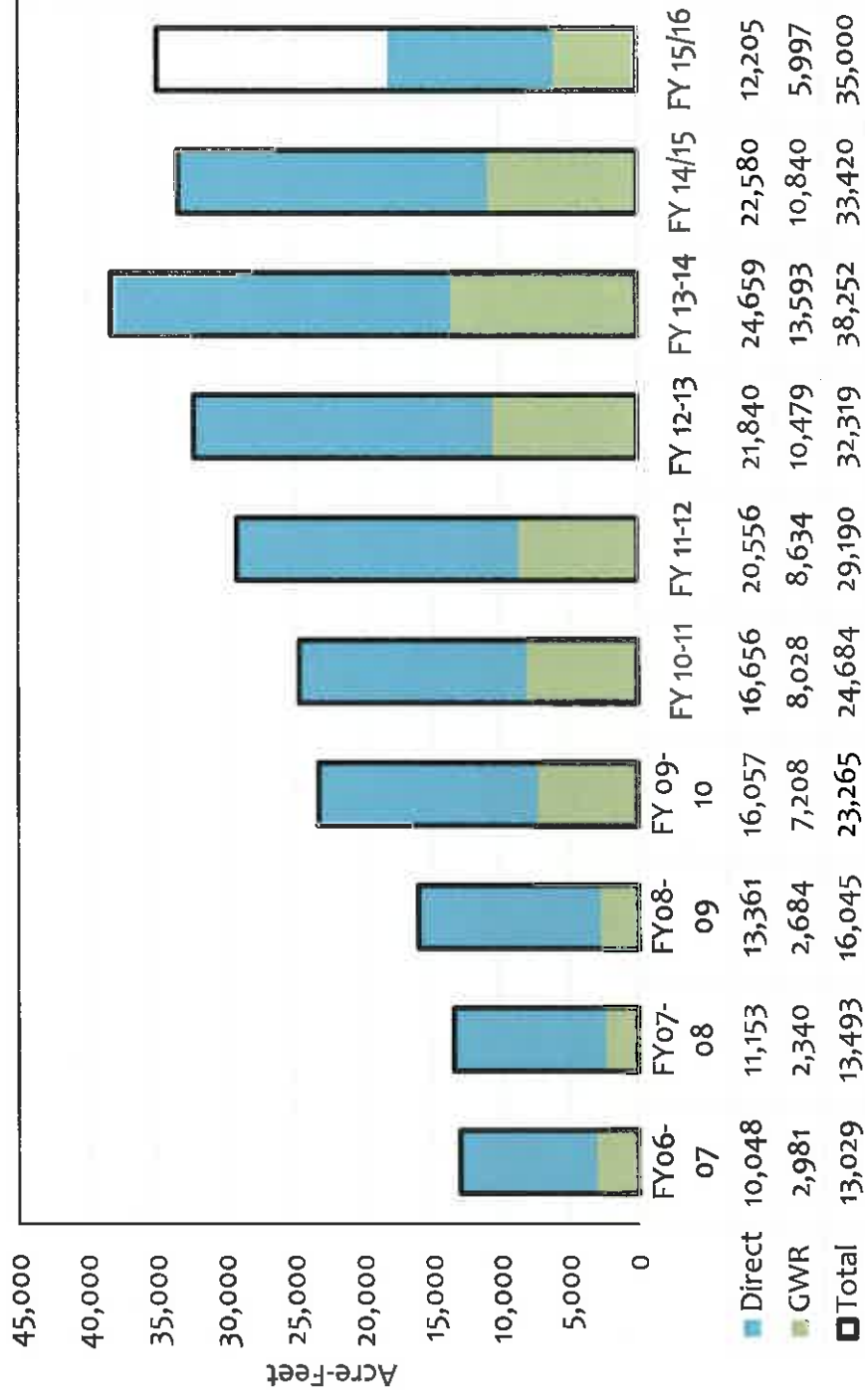
# RW Projects

- \* Prop 1 Grant Projects
  - \* State Board requested additional CEQA Information
  - \* Pending Award in Summer 2016

Project Name	Status	Estimated Completion Date	Project Benefit (AFY)
San Sevaine Basin Improvements	Design	Summer 2017	4,000 - 6,000
RP-1 1158 PS Upgrades	Pre Design	December 2018	Reliability
RP-5 RW Pipeline Bottleneck	Pre Design	December 2018	Reliability
Pressure Sustaining Valve Installation	Pre Design	December 2018	Reliability
RP-1 Parallel Outfall Pipeline	Pre Design	December 2018	Reliability
Napa Lateral	Pre Design	December 2018	1,000
Baseline RW Extension	Pre Design	December 2018	100
City of Ontario Euclid/Riverside Pipeline	Design	December 2018	600 - 1,200

- \* 1630 W and 1630 E Surge Projection Projects
  - \* Estimated completion: Fall 2016

# FY14/15 RW Demand (through December 2015)



# RW GWR Allocations Through December 2015

Agency	Pro Rata Share (%)	Recharge Allocation (Acre-Feet) FY 15/16
Chino	10.5	570
Chino Hills	9	480
CVWD	25	1,358
Fontana	19	1,037
Montclair	4.5	240
Ontario	22	1,169
Upland	10	537
<b>Total</b>	<b>100</b>	<b>5,392</b>
JCSD's Allocation:		605
<b>Total Amount Recharged:</b>		<b>5,997</b>

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# Organics Diversion Feasibility Study



*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT

1

January 2016





# Objective

- Assist Member Agencies to comply with the State's organics diversion requirements
- Divert organics from landfills to IEUA's solids facilities
- Reduce critical short-lived climate pollutants



**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

# Feasibility Study

- Waste grease assessment update (February 2016)
- Food waste survey (April 2016)
  - Domestic
  - Commercial
  - High strength industrial
- Digester gas beneficial use alternatives (April 2016)

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# Sewer Service to Septic Users

## Feasibility Study



***Inland Empire Utilities Agency***  
**A MUNICIPAL WATER DISTRICT**

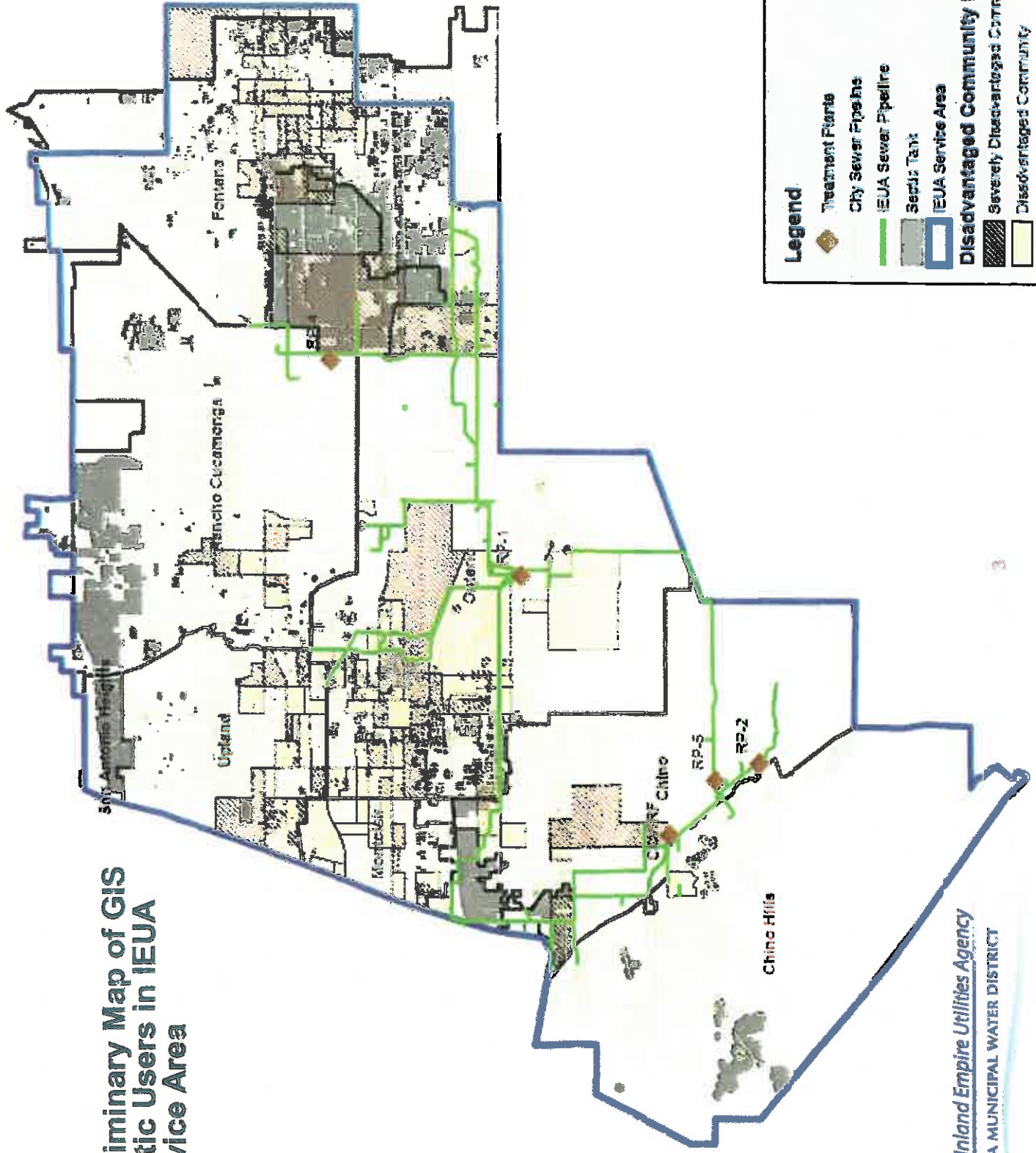
January 28, 2016

# Project Background and Benefits

- \* Sewering septic users will benefit the Service Area by:
  - \* Enhancement of groundwater supplies
  - \* Local development benefits
  - \* Sewer service reliability
  - \* Water supply benefits



# **Preliminary Map of GIS Septic Users in IEUA Service Area**



## **Legend**

- Treatment Plant
- City Sewer Pipeline
- IEUA Sewer Pipeline
- Septic Tank
- IEUA Service Area
- Disadvantaged Community Block Groups**
  - Severely Disadvantaged Community
  - Disadvantaged Community



# Project Goals and Scope

## Plan of Implementation for Individual Projects

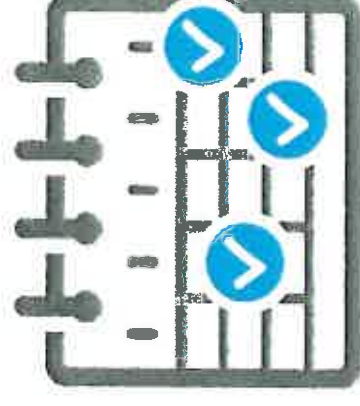
- \* Cost Effectiveness – ranking based on grant funding
- \* Groundwater quality benefits
- \* Sewer Capacity and Connection Analysis
- \* Associated Costs – including evaluation of connection fees
- \* Curb and Gutter – costs and benefits
- \* Economic Benefits to Region
- \* IEUA Recycled Water Program Impacts



# Project Timeline

## Project Schedule

- \* Advertisement of RFP – 1/7/2016
- \* Pre-proposal Briefing – 1/27/2016
- \* Closing Date – 2/23/2016
- \* RFP Evaluation, Interviews, & Contract Negotiation (Week of 3/7/16)
- \* RFP Contract Board Award/Approval - 4/6/2016
- \* Projected Feasibility Study Completion – September 2016.



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Date: March 3, 2016  
To: Regional Committees  
From: Inland Empire Utilities Agency  
Subject: IEUA Storage Agreement

---

**RECOMMENDATION**

This is an informational item for the Regional Committees to review.

**BACKGROUND**

The item was presented as an action item at the IEUA Board of Directors meeting on February 17, 2016.

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**Date:** February 17, 2016

**To:** The Honorable Board of Directors

**Through:** Public, Legislative Affairs, and Water Resources Committee (2/10/16)  
Finance, Legal, and Administration Committee (2/10/16)

**From:** P. Joseph Grindstaff  
General Manager

**Submitted by:** Chris Berch *CB*  
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee *SL*  
Manager of Planning and Environmental Resources

**Subject:** Water Purchase and Storage Agreement

---

### **RECOMMENDATION**

It is recommended that the Board of Directors:

1. Approve the Water Storage Agreement between Inland Empire Utilities Agency (IEUA) and Cucamonga Valley Water District (CVWD) for the purchase of up to 5,000 acre-feet of supplemental water;
2. Approve the use of \$2,700,000 of "one-time" incremental property taxes to fund the purchase of supplemental water; and
3. Authorize the General Manager, subject to non-substantial changes, execute the Agreement.

### **BACKGROUND**

In response to the 2015 Governor's Order, several IEUA member agencies have significantly reduced their demands on imported water purchases through Metropolitan Water District (MWD). These demands have resulted in ongoing operational challenges for the CVWD. As required within the MWD Administrative Code, CVWD must maintain a minimum flow of 15 cubic-feet/second (10% of total turnout capacity) to their water treatment plant through the MWD turnout at any time. Use below this level will be charged at 15 cubic-feet/second (take-or-pay).

Several planned IEUA water resource programs are contingent upon the development of Chino Basin groundwater storage. IEUA has a pending storage application with the Chino Basin Watermaster (CBWM); however, it is anticipated that the processing of the application will take at least a year to be formally considered and approved by CBWM. Storage of supplemental water during wet years and use of stored water during dry years is an IEUA Business Goal and a fundamental strategy within the Integrated Water Resource Plan.

In late 2015, CVWD and IEUA developed an approach that would help CVWD meet their minimum flow needs and enable IEUA to purchase and store water in the Chino Basin. This approach is memorialized in the attached Water Storage Agreement (Agreement). Key provisions of the Agreement are as follows:

- CVWD would maintain minimum MWD turnout flow rate
- CVWD would purchase actual water needed through the MWD turnout
- IEUA would purchase the additional increment of water needed for CVWD to meet the minimum flow requirement
- An equivalent volume of Chino Basin groundwater will be stored by CVWD for IEUA for all supplemental water purchases (in-lieu groundwater storage)
- CVWD will carry IEUA's water in storage until such time that IEUA elects to sell or transfer stored water

The approval of this Agreement would affect the purchase of up to 5,000 acre-feet of water. Based on the 2016 MWD Untreated Tier-1 rate of \$594/acre-foot, approximately \$3,000,000 of water could be purchased and stored under this Agreement. The purchase and subsequent resale of stored water will be recorded in the Water Resources (WW) Fund.

This Agreement meets the IEUA adopted Business Goal of *Water Reliability* by reducing demands for imported water during dry and normal years and storing imported water into the Chino Basin during wet years.

#### **PRIOR BOARD ACTION**

On June 17, 2015, the Board of Directors approved the use of "one-time" receipts as a funding source for the Supplemental Water Resource reserve.

#### **IMPACT ON BUDGET**

Upon approval, water purchases will be supported by "one-time" incremental property tax receipts of \$2,700,000 received in December 2015 as a result of the dissolution of redevelopment agencies. All revenues associated with the future sale of stored water will be used to make future supplemental water purchases.

Attachment: 2016 Water Storage Agreement



**2016  
WATER AGREEMENT**

**Inland Empire Utilities Agency  
and  
Cucamonga Valley Water District**

**This 2016 Water Agreement ("Agreement") is made as of \_\_\_\_\_, 2016, by and between the Inland Empire Utilities Agency, a Municipal Water District, ("IEUA"), and the Cucamonga Valley Water District ("CVWD"). IEUA and CVWD are hereinafter collectively referred to as the Parties or individually as a Party.**

**RECITALS**

**WHEREAS, The Chino Groundwater Basin (Chino Basin) is one of the largest subsurface storage aquifers in Southern California and has the potential to store large volumes of water for local use during dry periods.**

**WHEREAS, CVWD has pumping rights and storage rights within the Chino Basin.**

**WHEREAS, IEUA has the desire and ability to purchase untreated imported water to supplement local groundwater supply.**

**WHEREAS, IEUA contemplates delivering and storing supplemental water in the Chino Basin for the purpose of providing additional local water supplies during dry years.**

**WHEREAS, IEUA desires to have a designated storage account within the Chino Basin; a process that is scheduled to be worked through over the next year with the Chino Basin Watermaster (Watermaster).**

**WHEREAS, During times when water demands are very low, CVWD does not regularly have sufficient demand on the Metropolitan Water District (MWD) service connection that meets the minimum take-or-pay flow requirement.**

**WHEREAS, IEUA would be willing to supplement CVWD's minimum take-or-pay MWD service connection requirement, if the additional supplemental water supply could be credited to IEUA through CVWD's Chino Basin excess carryover storage account.**

**NOW, THEREFORE, the Parties hereto agree as follows:**

**SECTION 1: DELIVERY OF MWD TIER-1 WATER**

**A. Upon request by CVWD, or as otherwise coordinated between the Parties, IEUA shall at its own cost purchase and deliver to a service connection at one of CVWD's treatment facilities, as designated by CVWD, the volume of MWD water requested by CVWD to meet its minimum service connection flows from MWD and included within the CVWD Tier-1 allocation. The Parties acknowledge and agree that CVWD shall not be billed for any such deliveries; CVWD shall not be responsible for any and all applicable charges for such deliveries, including but not limited to MWD RTS charges, and IEUA shall be responsible for any charges. CVWD shall be responsible for all treatment and distribution costs incurred after the MWD service connection point to a CVWD treatment facility.**

**B. In the event CVWD desires to have IEUA purchase and deliver MWD Tier-1 water to a service connection at one of CVWD's treatment facilities to meet its minimum service connection flows in accordance with Section 1(A) above, CVWD shall, in good faith, provide IEUA a forecast of anticipated purchases no later than 30-days prior to the start of actual delivery. Any such water purchased and delivered by IEUA at the request of CVWD shall be counted towards the CVWD Tier-1 allocation. (limit is 28,368 for Fiscal Year 2015/16).**

**C. CVWD shall notify IEUA no later than 5-working days following the end of the calendar month (if deliveries have been made at the request of CVWD) of actual delivery of water through the MWD service connection that they wish to have applied to this agreement. The reported volume of water will therefore be paid for by IEUA and removed from any imported water billing to CVWD.**

**D. In the event IEUA desires to purchase and deliver additional MWD Tier-1 water to a service connection at one of CVWD's treatment facilities that is not covered by Section 1(A) above, and for which IEUA desires to receive a stored water credit in accordance with Section 2 below, IEUA shall submit a written request to CVWD for any such proposed transaction no later than 30-days prior to the proposed delivery, and any such proposed transaction shall be subject to written approval by CVWD within its sole and complete discretion. Any such water purchased and delivered by IEUA at the request of IEUA and approval of CVWD in accordance with this Section 1(C) shall be counted towards the IEUA Tier-1 allocation. The Parties acknowledge and agree that CVWD shall not be billed for any such deliveries and that IEUA shall be responsible for any and all applicable charges for such deliveries, including but not limited to MWD RTS charges, and that CVWD shall not be responsible for any charges.**

## **SECTION 2: STORED WATER CREDITS**

**A. Following the purchase and delivery of any water in accordance with Section 1 of this Agreement, CVWD shall account for an equivalent volume of Chino Basin groundwater to IEUA within CVWD's existing Excess Carryover Storage Account ("IEUA-credited stored water").**

**B. IEUA-credited stored water shall be subject to losses normally assessed to Appropriative Pool storage accounts by Watermaster and any such losses shall be passed-through to IEUA by CVWD.**

**C. In the event that IEUA desires to transfer all or any portion of its IEUA-credited stored water to another party, IEUA shall notify CVWD in writing of the requested transfer no less than 30-days prior to the proposed transfer being filed with Watermaster. Thereafter, CVWD shall, in good faith, file the necessary paperwork required by Watermaster within 30-days of receiving a written request from IEUA; provided, however, that IEUA shall cooperate in supplying CVWD with all necessary data and information that may be needed to complete the Watermaster paperwork, and provided further that CVWD shall have no responsibility, liability, duty to defend, or any other obligation in relation to the timing, Watermaster consideration, potential third-party protest, or any other factors affecting any proposed transfer by IEUA.**

**D. CVWD shall provide IEUA with a written summary of the IEUA-credited stored water balance (which shall include, at a minimum, prior water balance, water added, losses applied, transfers in/out and new water balance) within 45-days of the end of each quarter (i.e., May 15<sup>th</sup> for January – March).**

**E. Upon termination of this Agreement, CVWD shall notify IEUA of the balance of IEUA-credited stored water, which shall remain IEUA's asset. Subject to Watermaster approval, IEUA may transfer the remaining said balance of IEUA-credited stored water to IEUA's dedicated water storage account, request transfer of the water to another party, or leave the balance in CVWD's storage account for future transfer subject to the terms of this Agreement. IEUA shall make good faith efforts to ensure that all IEUA-credited stored water is removed from the CVWD storage account within 120-months following the termination of this Agreement. In the event any IEUA-credited stored water remains in the CVWD storage account at the end of said 120-month period, the Parties shall meet and confer in good faith to develop a mutually agreeable plan for the disposition of said water. If the Parties cannot reach agreement through the meet and confer process, the Dispute Resolution provision of this agreement shall be applied.**

### **SECTION 3: EFFECTIVE DATE**

This Agreement shall be effective from the date of execution of this Agreement by both Parties and shall terminate on June 30, 2017, unless a one-year extension is entered by written amendment to this Agreement executed by both Parties.

### **SECTION 4: MUTUAL INDEMNIFICATION**

Each Party agrees to protect, defend, indemnify and hold harmless the other Party and its officers, directors, agents, employees, volunteers, attorneys, consultants, and subcontractors from any and all liability, claims, judgments, costs and demands, including demands arising from injuries or death of persons and damage to property, occurring as a result of its own or its respective officers, directors, agents, employees, volunteers, attorneys, consultants, or subcontractor's wrongful or negligent acts or omissions in performing or failing to perform this Agreement. Each Party shall be responsible only to the extent of its negligence. Each Party further agrees to investigate, handle, respond to, and provide defense for any such claims, demands or suit required hereunder at its sole expense.

### **SECTION 5: OBSERVING LAWS AND ORDINANCES**

The Parties shall at all times observe and comply with all applicable laws, ordinances, regulations, requirements, orders and decrees affecting their respective performance under this Agreement, and a Party's failure to comply with applicable laws, ordinances, regulations, requirements, orders or decrees may constitute a breach of this Agreement and entitle the non-breaching Party to remedies as provided in this Agreement.

### **SECTION 6: DISPUTE RESOLUTION**

The Parties shall seek to resolve any dispute concerning the interpretation or implementation of this Agreement, including but not limited to an alleged breach of this Agreement, through good faith negotiation, involving, as and when appropriate, the general manager or chief executive officer of each of the Parties. A Party alleging a breach of this Agreement or other dispute arising under this Agreement shall send written notice with a reasonably detailed description of the alleged breach or other dispute to the other Party. The Party receiving the notice of the alleged breach or other dispute shall have thirty (30) calendar days to cure any such alleged breach or dispute to the satisfaction of the Party alleging the breach or other dispute. Any alleged breach or other dispute that remains unresolved sixty days (60) days after the initial written notice of alleged breach or other dispute is delivered shall be submitted to a single arbitrator with substantial experience in the matter or matters in dispute, and conducted in accordance with Judicial Arbitration and Mediation Services (JAMS). The JAMS arbitrator shall apply the JAMS rules of arbitration, which shall govern any arbitration. If the Parties cannot agree on a single arbitrator within ten (10) days of the written election to submit the matter to arbitration, any Party may request JAMS to appoint a single, neutral arbitrator. The Parties shall use their reasonable best efforts to have the arbitration proceedings concluded within ninety (90) business days of selection of the arbitrator.

## **SECTION 7: NOTICE**

Written notices to be given to any Party must be given by personal delivery or by registered or certified mail addressed and delivered as set forth below. Other correspondence and invoices may be sent by first-class mail, addressed and delivered as set forth below:

Inland Empire Utilities Agency  
8075 Kimball Avenue  
Chino, CA 91708  
Attention: Chris Barch

Cucamonga Valley Water District  
10440 Ashford Street  
Rancho Cucamonga, CA 91730  
Attention: John Bosler

## **SECTION 8: TERMINATION FOR CONVENIENCE**

In addition to other rights set forth in this Agreement, each Party reserves and has the right to immediately suspend, cancel or terminate this Agreement at any time upon thirty (30) days written notice to the other Party. In the event of such termination, the terminating Party shall pay the other Party any and all amounts owed for all authorized costs or any obligations hereunder up to the date of such termination. Any water remaining in a storage account at the time of termination shall be disposed of in accordance with the provisions of Section 2(E) of this Agreement.

## **SECTION 9: REPRESENTATION OF AUTHORITY**

Each Party represents to the other that it has the authority to enter into this Agreement and that the individual signing this Agreement on behalf of their respective Party has the authority to execute this Agreement and to bind their respective Party to the terms and conditions of this Agreement.

## **SECTION 10: GOVERNING LAW**

This Agreement shall be governed by and constructed in accordance with the laws of the State of California in the County of San Bernardino.

## **SECTION 11: INCORPORATION OF RECITALS**

The Recitals set forth above are incorporated herein and made a part of this Agreement.

**SECTION 12: ENTIRE AGREEMENT: NO THIRD PARTY BENEFICIARIES**

This Agreement is intended by the Parties as a complete and exclusive statement of the terms of their agreement and it supersedes all prior agreements, written or oral, as to the subject matter of this Agreement. This Agreement may be modified only upon the mutual written agreement of the Parties hereto. No third party beneficiary is intended or created by the execution of this Agreement.

**SECTION 13: ATTORNEYS' FEES AND COSTS**

In any proceeding to enforce or interpret the terms or provisions of this Agreement, the prevailing Party, in addition to costs, shall be entitled to recover its reasonable attorneys' fees.

**SECTION 14: COUNTERPARTS**

This Agreement may be signed in counterparts, each of which shall constitute an original, and which taken together shall constitute one and the same Agreement. Verifiable facsimile and electronic execution copies of this Agreement shall constitute original counterparts or copies of this Agreement.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its respective duly authorized officers. The effective date of this Agreement shall be the in accordance with the terms of this Agreement.

**INLAND EMPIRE UTILITIES AGENCY:      CUCAMONGA VALLEY WATER DISTRICT:**

\_\_\_\_\_  
P. Joseph Grindstaff  
General Manager

\_\_\_\_\_  
Martin E. Zvirbulis  
General Manager/CEO

Date: \_\_\_\_\_

Date: \_\_\_\_\_



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# Recycled Water Recharge and El Nino Preparations

February 2016



Bill Leever, PG, CHg  
Groundwater Recharge Coordinator  
Inland Empire Utilities Agency



*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT

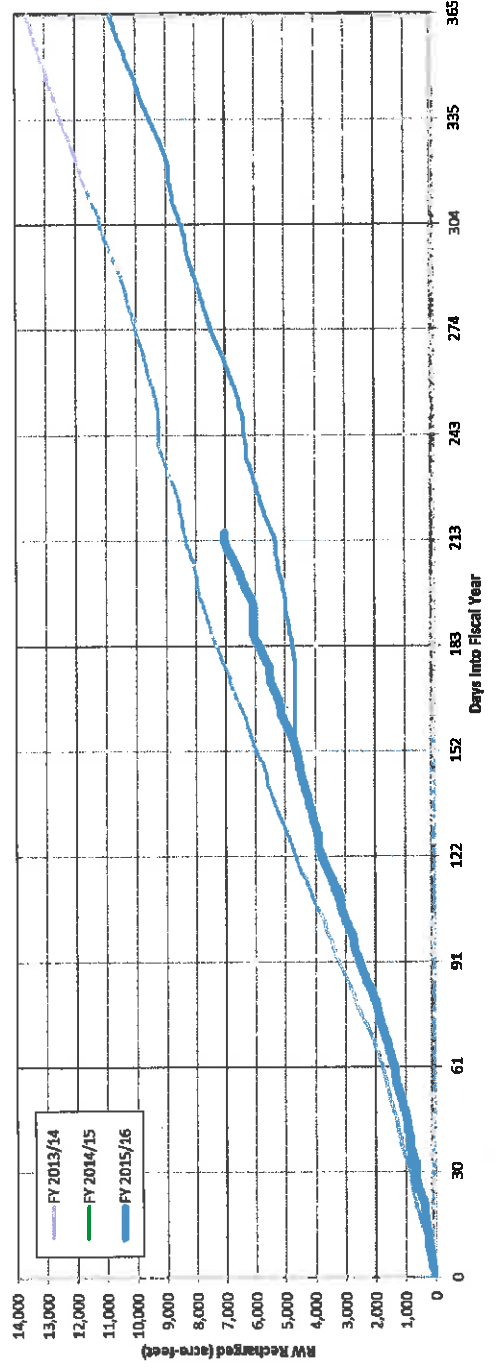
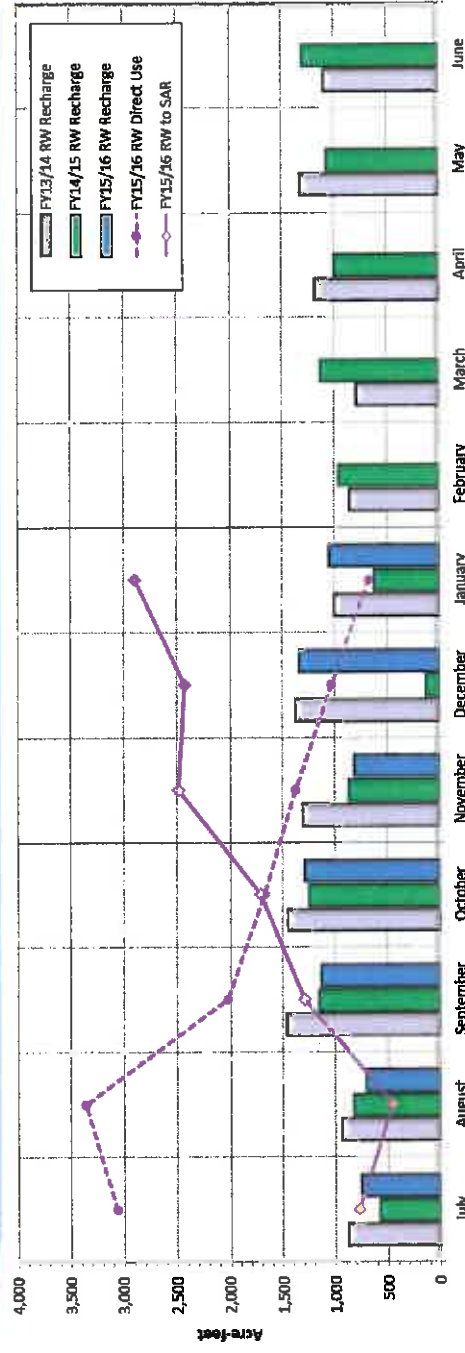


# Recycled Water Recharge

7,000 af

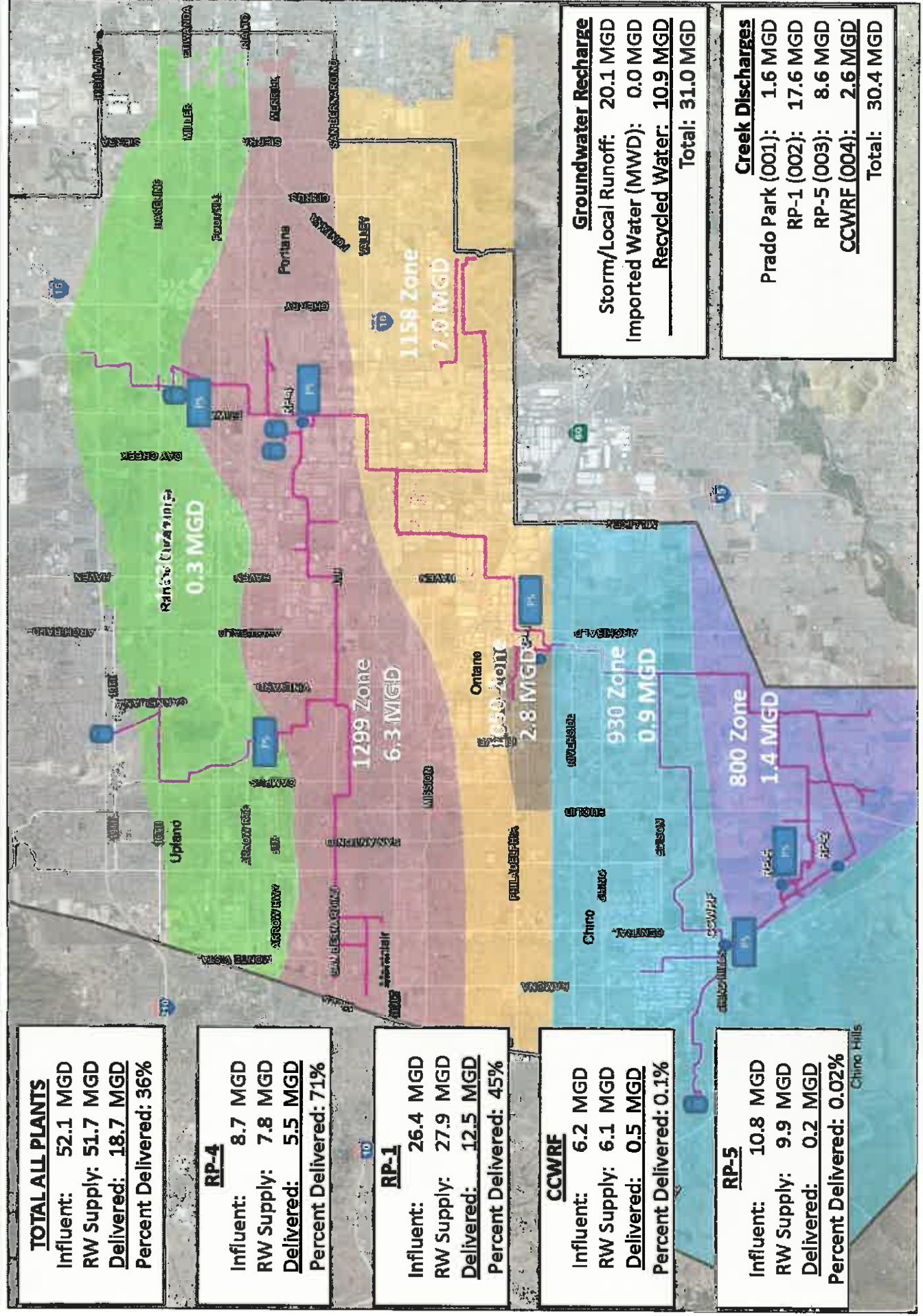
July 2015  
through

January 2016





# IEUA RECYCLED WATER DISTRIBUTION – JANUARY 2016



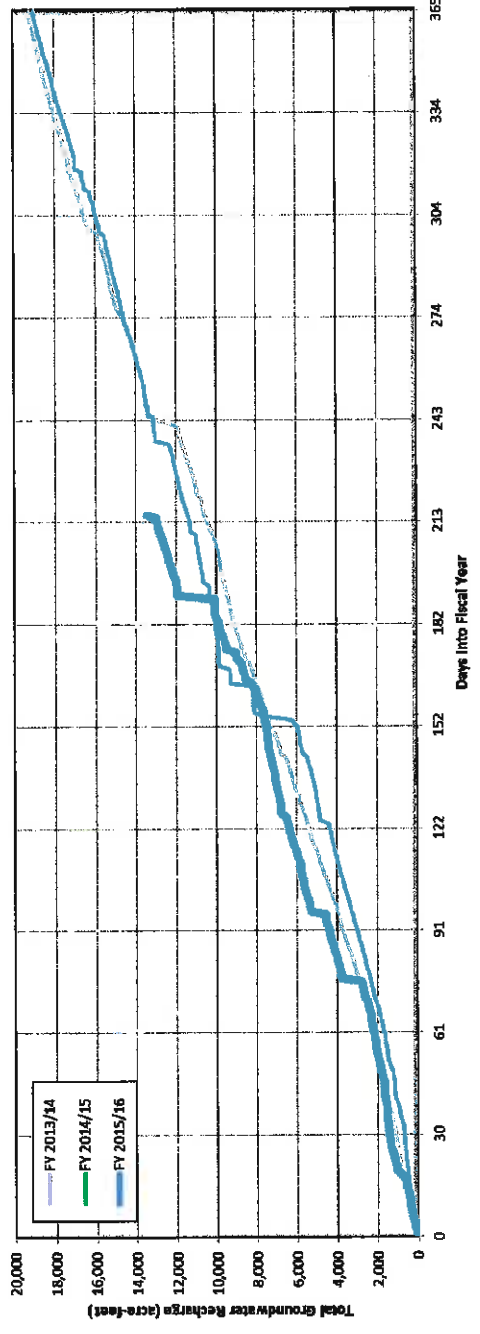
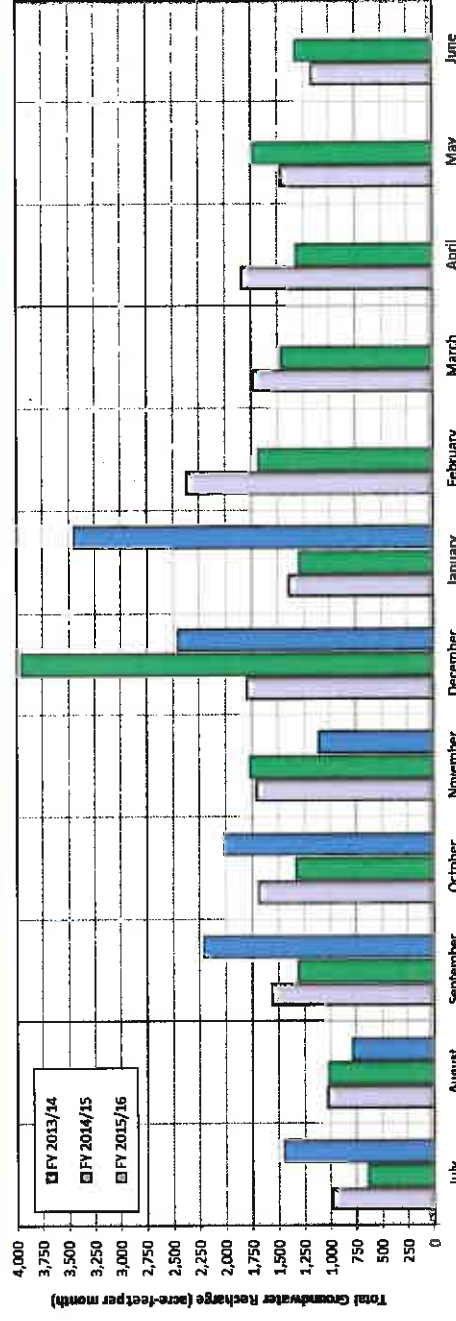
# Total Groundwater Recharge

13,500 af

July 2015

through

January 2016



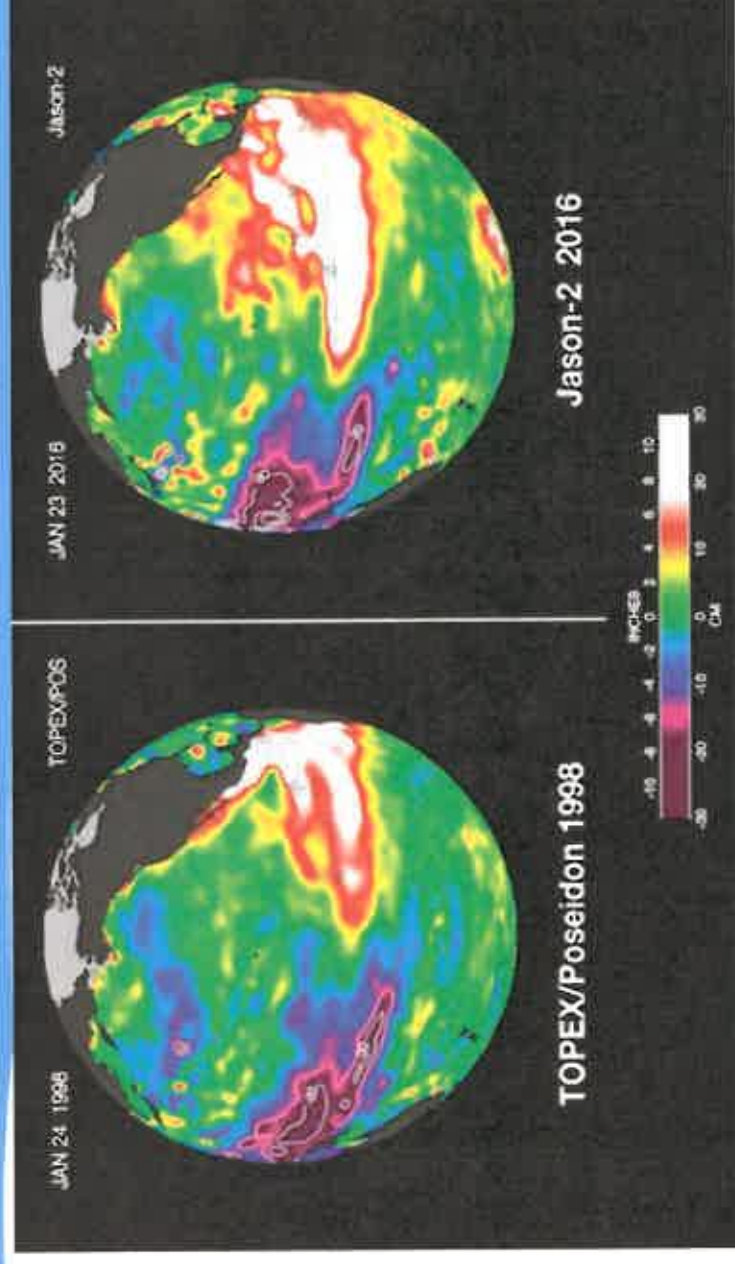
# Storm Water Capture and Recharge

(through Feb. 10, 2016)

- \* Eleven storm events with measurable storm water capture
- \* Total storm water capture approximately 5,900 acre-feet  
(value at MWD Tier 1 untreated rate is approximately \$3,500,000)
- \* RW deliveries to recharge basins continue as basin capacity and storm events dictate



# Where is El Nino?



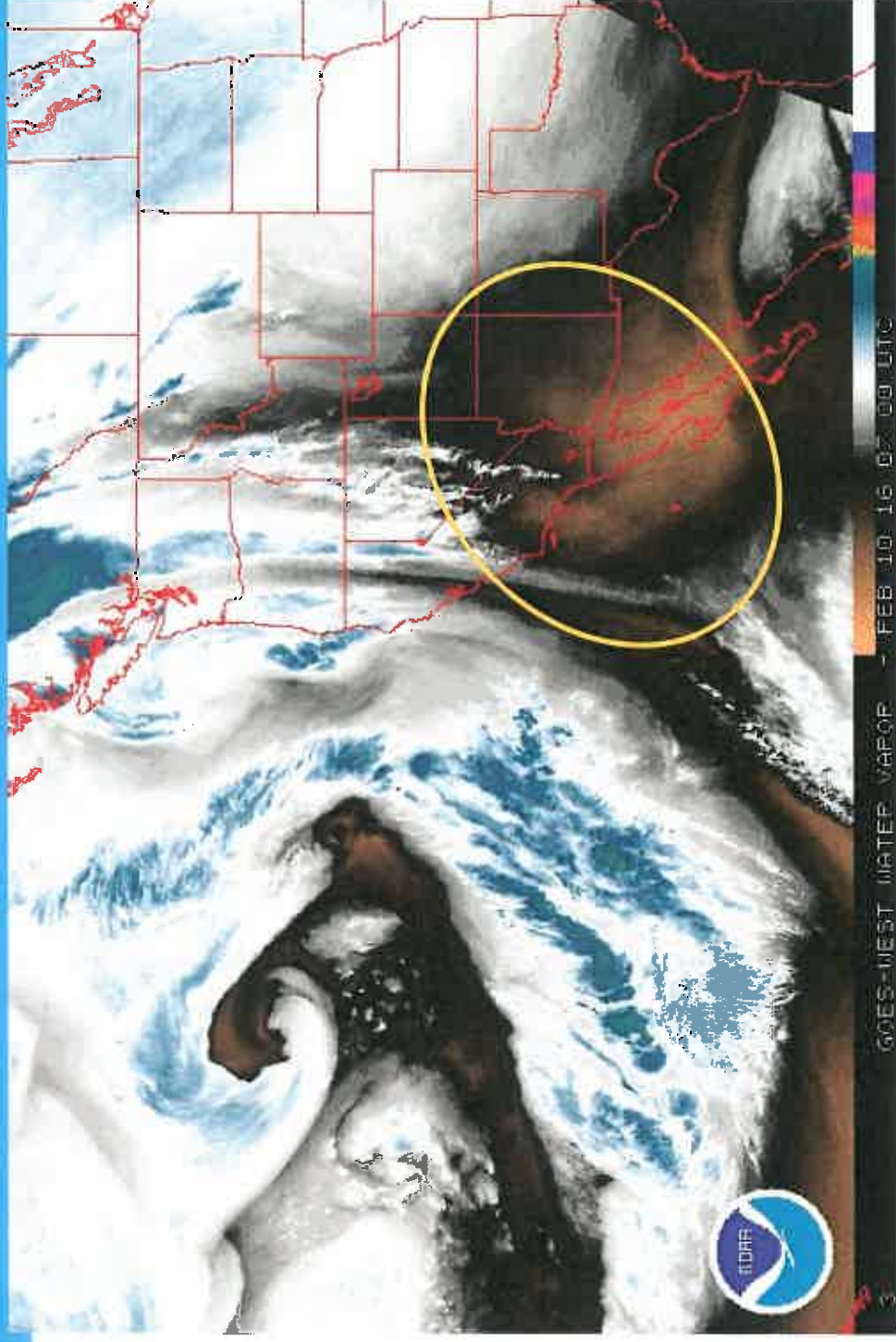
“Historically, El Nino has put on the big show in February and March,” Bill Patzert said.

Still, predicting El Niño’s behavior is always a tricky business.

“By late February, I’ll be nervous if something hasn’t happened,” he said.

Source: <https://sealevel.nasa.gov/news/31/>, February 9, 2016

# Where is El Nino?



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Date: March 3, 2016  
To: Regional Technical Committee  
From: Inland Empire Utilities Agency  
Subject: Regional Contract Audit Notification and Process

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### **RECOMMENDATION**

This is an informational item for the Regional Technical Committee to review.

### **BACKGROUND**

Throughout 2015, the Internal Audit Department of the Inland Empire Utilities Agency (IEUA) conducted a review to evaluate how each of the contracting agencies apply the Chino Basin Regional Sewerage Contract (Regional Contract). The intent of the review was to determine whether processes employed by the contracting agencies were in compliance with the Regional Contract requirements. It was hoped that the process would identify opportunities to improve procedures and make recommendations to consider as part of the Regional Contract renegotiations.

The final audit report was shared with the Regional Technical Committee in January 2016 and is attached. In general, the findings indicate certain inconsistencies in the implementation of the Regional Contract including several examples where connection fees were not charged to public schools, public facilities, hospitals and industries. There were also variances in how different contracting agencies interpreted the requirements of the Regional Contract.

Based on the sample of data evaluated, the findings of the audit strongly suggest that there is a significant economic impact to the regional sewerage system as a result of uncollected connection fees and service charges. The exact impact, however, cannot be determined until a physical fixture count of the various facilities has been completed. It is IEUA's intent to work closely with the contracting agencies on a cooperative basis to better understand the true nature and extent of the unpaid connection fees and service charges.

IEUA will continue to work with the Technical Committee to develop and implement an approach of defining the extent of this impact. Section 20D of the Regional Contract provides that if there is a disagreement or error in the computation of service charges for a contracting agency, IEUA shall provide written notice of same to the Regional Technical Committee and request a recommendation and report from the committee. Following validation efforts, IEUA will be asking the Technical Committee to provide this recommendation and report for collection of any unpaid connection fees or service charges.



**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

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**Date:** December 16, 2015  
**To:** The Honorable Board of Directors  
**Through:** Audit Committee (12/09/15)  
**From:** Teresa V. Velarde *T. Velarde*  
Manager of Internal Audit  
**Subject:** Regional Contract Review Final Report

---

### **RECOMMENDATION**

This is an information item for the Board of Directors (Board) to review.

### **BACKGROUND**

At the request of the Board and Executive Management, Internal Audit (IA) has been performing a review of the Agency's Regional Sewage Service Contract (Regional Contract Review) as implemented with the seven regional contracting agencies. The objectives of the Regional Contract Review include:

- Evaluate of how each of the seven contracting agencies apply the Regional Contract provisions.
- Determine whether processes are in compliance with the Regional Contract requirements.
- Determine opportunities to improve processes and procedures.
- Identify opportunities and make recommendations for consideration as part of the Regional Contract renegotiation.

The Regional Contract Review Final Report is consistent with the Agency's Business Goals of *Fiscal Responsibility, Workplace Environment and Business Practices* by providing independent evaluations of the financial and operational activities of IEUA's contracting agencies' implementation of the Regional Contract and suggesting recommendations for improvements.

### **RECOMMENDATIONS AND FINDINGS**

The final report presents recommendations in the form of potential new business models for the Agency to consider implementing:

- Best Practices – Actions/activities that could/should already be occurring
- Minor Changes – Revisions to Exhibit J and the 1997 sewer billing formula

- **Moderate Changes – Oversight, information, and recourse**
- **Major Changes – Develop a new way of doing business (centralize the collection of all fees at IEUA)**
- **Total regional restructuring**

The recommended business models address the findings noted consistently through the review:

- **Exhibit J of the Regional Contract should be revised and approved regularly. The review identified over \$160,000 in potential under-collections from just five businesses where there was a difference in the interpretation of the category type.**
- **Contracting agencies do not generally collect connection fees from public schools (K-12) since schools are permitted by the State. The review found 16 public school campuses with recent construction. In ten instances no connection fees were paid. IA conservatively estimates that at a minimum, connection fees of approximately \$230,000, and possibly as much as \$687,000, should have been collected.**
- **The region's main community college campus and one satellite campus did not pay connection fees for multiple new buildings, but the Fontana satellite campus paid approximately \$53,000, in connection fees for one new building. IA conservatively estimates that at a minimum, connection fees of approximately \$55,000, for the satellite campus and over \$180,000, for the main campus should have been collected, and possibly at least as much as \$530,000, should have been collected.**
- **The review found one hospital (Kaiser – Fontana) where no connection fees were collected. Two other hospitals with recent expansion each paid approximately \$1,400,000, in connection fees. IA conservatively estimates that at a minimum, connection fees of approximately \$1,300,000, should have been collected, but the amount could possibly be much higher.**
- **No difference is defined in the Regional Contract between public service facilities that are considered "publicly owned" vs. "publicly used." The review tested eight governmental facilities that were charged connection fees at the commercial category rate rather than the public service rate, resulting in potential under-collections of approximately \$64,000, for all buildings.**
- **The calculation worksheet should be standardized at all contracting agencies to ensure the fixture types and counts are consistent with Exhibit J. The review found that at one contracting agency the calculation worksheet is missing 15 categories from Exhibit J, yet includes three category types that are not part of Exhibit J. This created a potential extrapolated under-collection of approximately \$80,000 in connection fees in just one fiscal year.**



- A contracting agency gave an Industrial entity a credit of over \$500K for connection fees, with no documentation to support the credit.
- There is a need for clear guidance and detailed instructions for the assessment and collection of connection fees for Industrial entities. In evaluating the connection fees and monthly sewerage charges collected among various industrial entities, there appears to be no correlation or justification for some of the low rates currently paid.
- The EDU defined in the Regional Contract as 270 gallons per day (GPD) is no longer representative of modern water usage.
- IEUA should require contracting agencies to itemize monthly sewerage amounts for non-residential customers. Currently, the agencies provide total EDUs each month and IEUA issues an invoice for the self-reported amount without requiring additional support or verification.
- The 1997 Procedures for monthly sewer billing memorandum should be revised and approved regularly. The review found contracting agencies where approximately 25 percent of accounts tested for monthly sewer fees had errors. Errors/mistakes in monthly sewer billing act like an annuity, growing exponentially over time unless or until they are corrected.

IA would like to extend our appreciation to all seven contracting agencies, the IEUA Planning and Environmental Resources and Finance and Accounting Departments for their cooperation and assistance during this review. IA appreciates the opportunity to perform this review and stands ready to assist in any way possible as necessary and as requested.

To-date, IA has submitted as information items the following reports:

- Interim Audit Report for the City of Ontario (September 2015)
- "Draft" Interim Audit Report for the City of Ontario (June 2015)
- Interim Audit Report for the City of Chino Hills (June 2015)
- Interim Audit Report for the Cucamonga Valley Water District (March 2015)
- Interim Audit Report for the City of Chino (December 2014)
- Interim Audit Report for the City of Fontana (December 2014)
- Interim Audit Report for the City of Montclair (September 2014)
- Interim Audit Report for the City of Upland (September 2014)
- Survey of Comparative Information of the Seven Contracting Agencies (September 2014)
- Regional Contract Review – Review of the Ten Year Forecast (June 2014)
- Regional Contract Review – Survey of Comparable Agencies (June 2014)

#### **ATTACHMENTS**

The Regional Contract Review Final Report is attached.

**PRIOR BOARD ACTION**

On September 17, 2014, the Board approved the Fiscal Year 2014/15 Annual Audit Plan.

On December 18, 2013, the Board reconfirmed the approved Internal Audit Department Charter.

**IMPACT ON BUDGET**

The impact on the budget may be significant depending on additional revenues potentially collected, investment income potentially earned and the related staffing and other costs of potentially implementing a new business model or aspects thereof.



**Inland Empire Utilities Agency**  
**A MUNICIPAL WATER DISTRICT**

# **Regional Contract Review**

## **Final Report**

***The Regional Contract review is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by providing an independent evaluation of the Regional Contract and suggesting recommendations for improvements.***

**Prepared by:  
Internal Audit Department  
October 7, 2015**

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## **EXECUTIVE REPORT**

The objectives of the Regional Contract Review were to evaluate how each of the Contracting Agencies apply the Chino Basin Regional Sewerage Service Contract (Regional Contract) provisions, determine whether processes are in compliance with Regional Contract requirements, identify opportunities to improve procedures and make recommendations to consider as part of the Regional Contract renegotiation. The review covered the period from July 1, 2012 through December 31, 2013 and where possible considered events subsequent to that period. The audit included a review of the seven Contracting Agencies: Cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Upland and the Cucamonga Valley Water District.

The Regional Contract is a 50-year contract that expires in 2022. *This Executive Report provides a summary of the findings identified and a description of potential new Business Models with recommendations to address the findings and with suggestions for potential next steps.*

### **Findings & Observations**

In conducting the review, Internal Audit (IA) judgmentally selected between 40 and 75 businesses and Public Service Facilities (PSF) from a variety of different sources at each of the Contracting Agencies to test whether Connection Fees and Monthly Sewer Fees were accurately calculated, assessed, collected, and reported to IEUA in accordance with Regional Contract provisions. During this review, IA completed ten separate interim audit reports documenting the specifics of the observations, findings and recommendations identified. Information about the observations and findings is included in the attachments and summarized below:

- Exhibit J of the Regional Contract should be revised and approved regularly to include additional category types and provide users with clarification and detailed definitions to ensure consistency in its application. The review found there are many inconsistencies in the way Contracting Agencies interpret the category types provided in Exhibit J of the Regional Contract. This creates differences in interpretation and application among Contracting Agencies and differences in Connection Fees assessed and collected. This review identified over **\$160,000** in potential under-collections from just five entities where there was a difference in the interpretation of the category type.
- The review found that Contracting Agencies do not generally collect Connection Fees from public schools (K-12) because there is no established process in place to identify and collect fees since schools are permitted by the State. The review found 16 public school campuses with recent construction. In 10 cases no Connection Fees were paid or collected. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. Connection Fees ranged from \$23,000 to over \$270,000 per

campus for the other six campuses that paid fees. Therefore, at a minimum, using the lowest estimate, the Contracting Agencies should have collected a very conservative **\$230,000** in Connection Fees (10 campuses x \$23k – lowest estimate); however, based on the comparable information for the six schools that did collect fees, **\$687,000** is a closer estimate of Connection Fees that should at least have been collected.

- The review found that the region's main community college campus and one satellite campus, had not paid Connection Fees for multiple new buildings, but the Fontana satellite campus paid approximately \$53,000 in Connection Fees for one new building. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. Internal Audit attempted to perform a physical survey of the accessible areas of the three buildings at the Chino Campus (not including science laboratories or the banquet facility) and determined that Connection Fees would have exceeded **\$55,000**. At the main campus facility in Rancho Cucamonga, Internal Audit noted that ten new buildings have been added since 2008. Internal Audit was not able to perform a physical survey, however, using the conservative approach of approximately \$18,000 per building (\$55k / 3) noted at the Chino Campus, at a minimum **\$180,000** in Connection Fees should have been collected (10 campuses x \$18k); but the amount is possibly much higher, possibly **\$530,000** if we use the comparable information for the one building where fees were collected.
- As with most Public Service Facilities, the Contracting Agencies did not always collect for hospital construction because hospitals are also permitted by the State. The review found one hospital where no Connection Fees were collected. Internal Audit calculated the minimum possible Connection Fees based on the number of patient rooms (and not including cafeterias, surgical facilities, etc.). At a minimum a very conservative estimate of **\$1,300,000** in Connection Fees should have been collected. In comparison, two other hospitals in the Region with recent expansions each paid approximately \$1,400,000 in Connection Fees.
- The review noted differences in interpretation between Public Service Facilities that are considered "publicly owned" and/or "publicly used." There is no difference defined in the current Regional Contract. The review tested eight governmental facilities that were charged Connection Fees at the commercial category rate rather than the public service rate, resulting in potential under-collections of approximately **\$64,000** for all buildings.
- There is a need to standardize the calculation worksheet for all Contracting Agencies to ensure the fixture types and counts are consistent with Exhibit J. This would eliminate the inconsistencies and differences in fixture unit values assigned by the Contracting Agencies, creating differences in the Connection Fees assessed. The review found that in one agency, the Calculation Worksheet



is missing 15 categories from Exhibit J, yet includes three category types that are not part of Exhibit J. This created a potential extrapolated under-collection of approximately **\$80,000** in Connection Fees in only one fiscal year.

- The review also noted a questionable credit of approximately **\$560,000** given by the Contracting Agency to Evolution Fresh, an Industrial entity located in Rancho Cucamonga, with no documentation to support the credit.
- There is a need for clear guidance and detailed instructions for the assessment and collection of Connection Fees for Industrial entities. During the review, Contracting Agencies commented that they believe that new businesses find Connection Fees for Industrial activities to be both confusing and high, particularly the portion of the fee based on a wastewater analysis and that there are trade-offs between this cost and the ongoing costs of alternatively connecting to the NRWS lines. The review found differences in the interpretation and application of the Regional Contract for both Connection Fees and Monthly Sewer Fees for Industrial users, creating inconsistencies among customers that may appear to be inequitable among the Industrial customers.
- The 1997 Procedures for Monthly Sewer Billing memorandum should be revised and approved regularly to include additional category types and provide users with clarification and detailed definitions to ensure consistency in its application. The review found a variety of errors in the Contracting Agencies' billing systems ranging from data entry input errors, to categorization errors from unclear guidance in the 1997 document. The review found Contracting Agencies where approximately **25%** of accounts tested for Monthly Sewer Fees had errors. It is difficult to extrapolate the error rate to total revenue because each error/mistake can be unique and it is difficult to determine how long the error has existed. It is important to note that errors/mistakes in Monthly Sewer Fees act like an annuity, growing exponentially over time unless or until they are corrected.
- There is a need to reevaluate the EDU definition of 270 gallons per day (GPD) set forth in the Regional Contract. Our survey of comparable agencies showed that other similar agencies define their EDU equivalent between 235 and 310 GPD. Additionally, with water conservation efforts, more water efficient appliances and increased urban density, water usage has declined since the EDU was initially defined in the Regional Contract and 270 GPD is no longer representative of modern water usage.
- IEUA should require the Contracting Agencies to itemize Monthly Sewer Fees amounts for non-residential customers. Currently, the only information provided to IEUA by each Contracting Agency is total EDUs. No additional information is required. The review found that Contracting Agencies derive the total EDU number in various ways: One Contracting Agency calculates the EDU number based on the number of EDUs purchased by their customers. The other

Contracting Agencies calculate nonresidential EDUs from their water readings according to the "draft" 1997 billing memorandum, but some use differing methods: one backs into the total number of EDUs by dividing revenue billed in that month by the EDU rate, another reports EDUs only where monthly fees have been collected (not accounting for those still outstanding) and another does not report usage from their own governmental facilities.

The summary below shows findings related to uncollected Connection Fees, both minimum estimated fees and the fees based on comparable information:

### SUMMARY OF UNCOLLECTED CONNECTION FEES

#### CONNECTION FEES (Minimum Potential)

	CHINO	CHINO HILLS	CVWD	FONTANA	MONTCLAIR	ONTARIO	UPLAND
HOSPITAL	\$ -	\$ -	\$ -	\$ 1,300,000	\$ -	\$ -	\$ -
COLLEGE	55,000	-	180,000	-	-	-	-
SCHOOLS	23,000	23,000	69,000	-	46,000	69,000	-
GOVT FACILITIES	-	-	-	32,448	8,942	-	22,977
OTHER	141,006	7,641	586,687	-	(3,527)	16,550	5,246
<b>MINIMUM</b>	<b>\$ 219,006</b>	<b>\$ 30,641</b>	<b>\$ 835,687</b>	<b>\$ 1,332,448</b>	<b>\$ 50,965</b>	<b>\$ 85,550</b>	<b>\$ 28,223</b>

**TOTAL MINIMUM \$ 2,582,520**

#### CONNECTION FEES (Comparable Basis)

	CHINO	CHINO HILLS	CVWD	FONTANA	MONTCLAIR	ONTARIO	UPLAND
HOSPITAL	\$ -	\$ -	\$ -	\$ 1,300,000	\$ -	\$ -	\$ -
COLLEGE	55,000	-	530,000	-	-	-	-
SCHOOL	43,000	43,000	153,000	-	236,000	212,000	-
GOVT FACILITIES	-	-	-	32,448	8,492	-	22,977
OTHER	141,006	7,641	586,687	-	(3,527)	16,550	5,246
<b>COMPARABLE</b>	<b>\$ 239,006</b>	<b>\$ 50,641</b>	<b>\$ 1,269,687</b>	<b>\$ 1,332,448</b>	<b>\$ 240,965</b>	<b>\$ 228,550</b>	<b>\$ 28,223</b>

**TOTAL COMPARABLE \$ 3,389,520**

*IEUA and the Contracting Agencies are trapped in a spiral where the Contracting Agencies are not charging enough of the Connection and Monthly Fees that the Regional Contract requires leading to higher IEUA fees and an uneven playing field from Contracting Agency to Contracting Agency and from Regional Business to Regional Business.*

The renegotiation of the Regional Contract provides an opportunity for IEUA and the seven Contracting Agencies to consider a new way of doing business, hence a new business model for the Region. The following pages propose different business models to consider as part of moving forward with renegotiating/amending the Regional Contract and changing the way IEUA does business with the Contracting Agencies.

## Recommendations

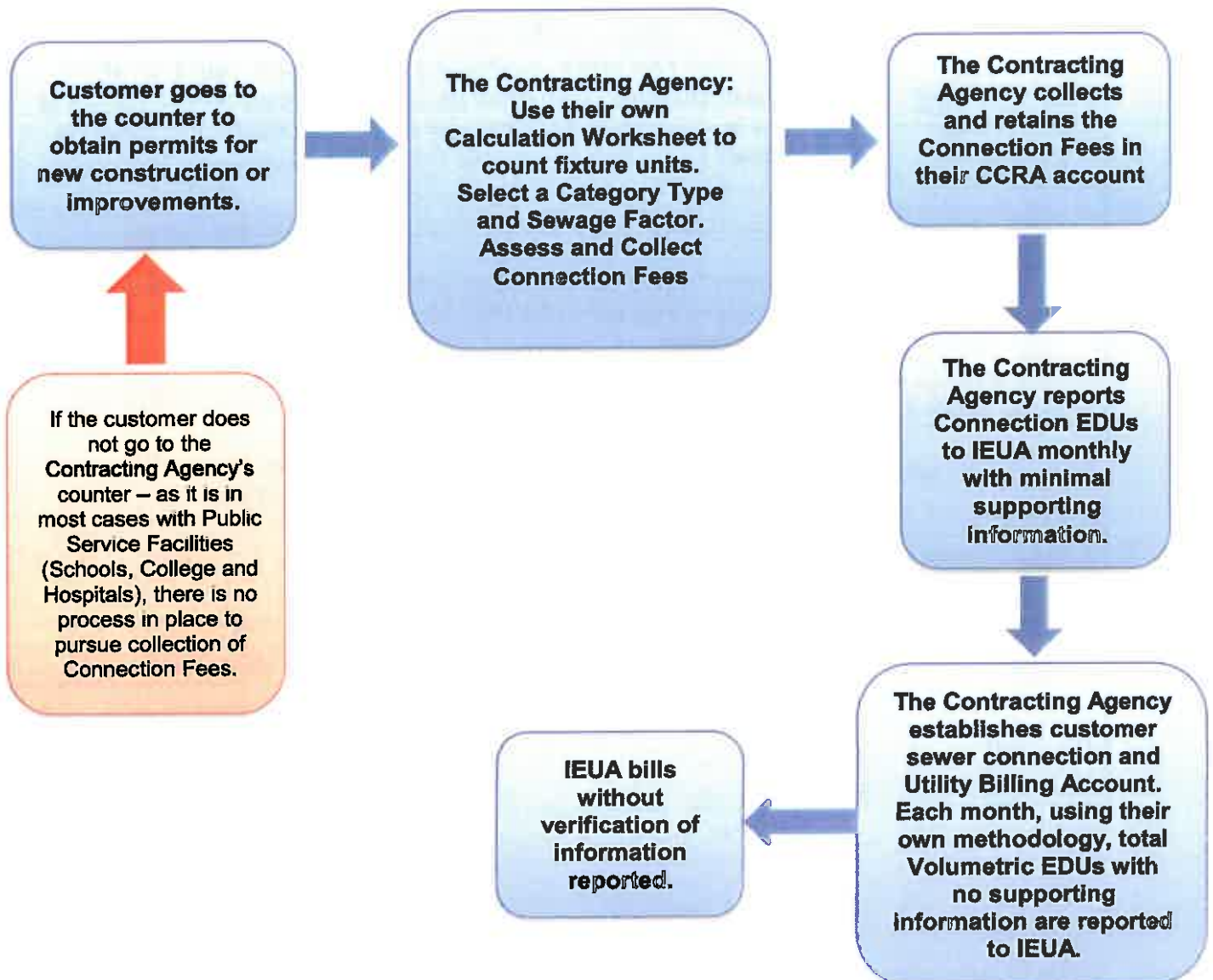
To address the findings identified by Internal Audit, prevent additional similar findings and to ensure the requirements of the Regional Contract are implemented consistently and equitably across all customers, Internal Audit developed a number of recommendations while performing the individual Regional Contract Reviews. These audit findings and resulting recommendations came up consistently at multiple Contracting Agencies (**Attachments 3 through 11**). Internal Audit has sorted the recommendations to create several possible business models as IEUA looks to the future of the Regional Contract and changing the business approach. The following pages provide additional details for each.

Each business model groups the audit recommendations by the magnitude of changes necessary to the way business is conducted. The table below provides highlights of each of the business models; additional details are also included in the **Attachments**:

Current Business Model/Practice	<ul style="list-style-type: none"> <li>• Connection Fees collected by Contracting Agencies at Building Department/Payments Counter</li> <li>• Connection Fees held by Contracting Agencies until “called” by IEUA</li> <li>• Schools, Hospitals construction administered by State with no process in place to ensure Connection Fees are collected by Contracting Agencies</li> <li>• Monthly Sewer Fees collected by Contracting Agencies and lump-sums remitted to IEUA without any detail or support</li> <li>• Proposition 218 is the responsibility of each Contracting Agency</li> </ul>
<u>Business Model #1</u> Minor Changes	<ul style="list-style-type: none"> <li>• Frequent/Regular and consistent revisions and updates to Exhibit J for Connection Fees and to the 1997 Monthly Sewerage Billing Formulas memorandum</li> </ul>
<u>Business Model #2</u> Moderate Changes	<ul style="list-style-type: none"> <li>• Additional oversight, information and recourse provisions as part of a revised Regional Contract <ul style="list-style-type: none"> <li>○ On-going Monitoring and Inspections by IEUA staff</li> <li>○ Recourse rights incorporated into the Contract</li> <li>○ Right to audit and access to records incorporated in Contract</li> </ul> </li> </ul>
<u>Business Model #3</u> Major Changes	<ul style="list-style-type: none"> <li>• <b>Centralize Connection Fees and Monthly Sewer Fees Billing at IEUA</b></li> <li>• <b>Evaluate and implement Variable vs. Fixed Cost Billing Models</b></li> <li>• <b>Utilize County Property Tax System to collect Monthly Sewer Fees</b></li> <li>• <b>Centralize Proposition 218 reporting of fee increases Region-wide</b></li> </ul>
The Future	IEUA has responsibility for and management of supply chain for all water and sewer related activities for the entire region, both locally and regionally.

### Current Business Model/Practice

The current Regional Contract business process/model is illustrated below and in **Attachment 2**. The current process centralizes responsibility for direct contact with customers with the individual Contracting Agencies, including the Proposition 218 notification of fee increases. IEUA's contractual relationship is only with the Contracting Agencies. Each individual Contracting Agency's relationship is with the customers in their service area. Theoretically, therefore, it is irrelevant to IEUA whether the individual Contracting Agencies collect Connection Fees and Monthly Sewer Fees from their individual customers as long as the Contracting Agencies remit those fees to IEUA from their own accounts. Unfortunately, the way the current contract is structured IEUA generally does not have enough information to reconcile or dispute the information provided by the Contracting Agencies and the Regional Contract does not include provisions to obtain that information. Therefore, the recommendations and potential next steps shown in each of the following Business Models consider ways for IEUA to enhance its relationship with the individual Contracting Agencies.



### **Business Model 1: Minor Changes**

This Business Model includes only recommendations for Regional Contract amendments and revisions that leave current business practices in place, but provide more clarity and consistency to those practices across the region, to ensure all Contracting Agencies apply the Contract consistently.

#### **MINOR CHANGES TO BUSINESS MODEL**

##### **Summary:**

- Regional Contract is updated, clarified and modernized, but is left largely unchanged as to the way the Region conducts business.
- Centralized responsibility for direct contact with customers remains with the individual Contracting Agencies.
- Contracting Agencies are responsible for the Proposition 218 notification of fee increases.
- IEUA's contractual relationship is only with the Contracting Agencies not the customers.

##### **Recommendations:**

- Frequent/Regular and consistent approved revisions to Exhibit J
- Frequent/Regular and consistent approved revisions to Monthly Sewerage Formula

##### **Next Steps:**

Regional Committees regularly provide:

- Revisions to Exhibit J and Monthly Sewerage Formulas for Board approval
- Standardization for Calculation Worksheet
- Guidelines for supporting documentation provided to IEUA for both EDU Building Activity Reports and Monthly Sewer Fees Reports

### **Business Model 2: Moderate Changes**

This Business Model includes recommendations for Regional Contract amendments that enhance IEUA's oversight over the way the region conducts business and provides the tools that are needed for IEUA to take responsibility for inspection, reconciliation and recourse.

#### **MODERATE CHANGES TO BUSINESS MODEL**

##### **Summary:**

- Regional Contract is updated, clarified and modernized.
- Assigns additional roles and responsibilities to IEUA staff to ensure additional monitoring and oversight and regular inspections if necessary.
- IEUA staff would ensure the Regional Contract is administered consistently throughout the region with a "level playing field" among the Contracting Agencies and from one local business to another through-out the region.
- Centralized responsibility for direct contact with customers remains with the individual Contracting Agencies.
- The Proposition 218 notifications remains with the Contracting Agency.
- IEUA's contractual relationship is only with the Contracting Agencies.

##### **Recommendations:**

- Oversight, information & recourse over Connection Fees and Monthly Sewerage billing
- Monitoring program to inspect facilities randomly and when discrepancies are suspected and as necessary to ensure Fees are assessed accurately
- Inspection, verification and recourse rights in Regional Contract
- Right to audit, full cooperation and access to records and documents

##### **Next Steps:**

IEUA and Contracting Agencies renegotiate provisions of Regional Contract:

- Require some expertise in-house (IEUA staff)
- Monitoring and inspection program
- Inspection, verification and recourse rights
- Right to audit, cooperation and access to records
- Regional Committees establish contract for monthly sewerage billing to eliminate invoicing process.



### **Business Model 3: Major Changes**

This Business Model includes recommendations to create a new paradigm for administering the business activities of the Regional Contract with IEUA taking over responsibility for fee calculation methods and collections.

#### **MAJOR CHANGES TO BUSINESS MODEL**

##### **Summary:**

- IEUA assumes primary responsibility for implementing Contract requirements.
- IEUA takes over collecting Connection Fees and Monthly Sewer Fees.
- IEUA determines billing methodologies.
- IEUA is in direct contact with all sewer customers in the region.
- IEUA assumes responsibility for Proposition 218 process for the region.

##### **Recommendations:**

- Consider legal, political and financial impacts of governing by ordinance vs. the Regional Contract.
- Resolve the under-collection findings noted through this audit process.
- Centralize Connection Fees and Monthly Sewer Fees Billing at IEUA.
- Consider County Property Tax collection method for Monthly Sewer Fees billing.
- Review and revise EDU formula.
- Evaluate methodologies/calculations:
  - Variable Cost Models: Water consumption models – water usage, other
  - Fixed Cost Models: EDUs purchased, dwelling or business size, other

##### **Next Steps:**

- Consider legal, political and financial impacts of:
  - governing by ordinance vs. the Regional Contract
  - revising EDU formula, and
  - resolving audit findings noted in this report
- Evaluate methodology for billing Connection Fees and Monthly Sewer Fees:
  - Fixed Cost: EDU, size/square feet or other
  - Variable Cost: Water consumption or other
- Develop and implement business plan for centralization of Connection Fees and Monthly Sewer Fees Billing.
- Consider alternatives to how collections are made for Public Service Facilities.
- Assume responsibility for the Proposition 218 process.

#### **Business Model 4: Total Restructuring**

The Regional Contract is a 50-year contract set to expire in 2022. In renegotiating the Regional Contract, Internal Audit recommends planning for the long-term future of the region. The State of California recently provided the first possibility for radical change and consolidation in the water industry by passing Senate Bill 88. Although this Bill is limited in scope and intended primarily to ensure safe drinking water to disadvantaged communities, it presents the possibility of consolidations to eliminate divisions among government entities. As IEUA and the Contracting Agencies consider the best scenario and business model possible for the future of the region, it is time to consider alternative ways to manage water supplies and water/wastewater/sewer services.

Total Restructuring
<p>IEUA takes full responsibility for managing the entire water and sewer related activities for the IEUA region:</p> <ul style="list-style-type: none"><li>• Manage, distribute &amp; account for all local, Metropolitan and other potable and recycled water.</li><li>• Manage, collect, treat and account for all wastewater.</li><li>• Construction &amp; maintenance of all infrastructure and capital projects</li></ul>

#### **Moving Forward**

The renegotiation of the Regional Contract provides an opportunity to consider how the different Business Models align with IEUA's Strategic Plan in achieving the Agency's Mission, Vision, Values and Business Goals. Board direction is needed to move forward:



1. Direct Staff to coordinate with legal counsel and the Contracting Agencies to resolve the findings identified through this audit and collect fees as appropriate.
2. Direct Staff to begin Contract negotiations, consistent with Major Changes to Business Model, including direct billing of Connection and Monthly Sewer Fees.

## ATTACHMENTS

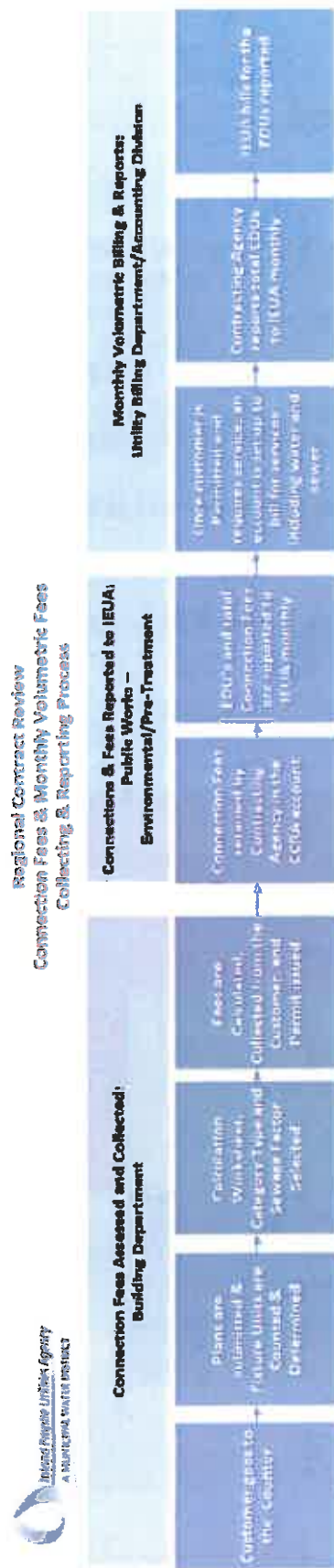
### Attachment 1 - Audit Risk Matrix

Based on the results of the Regional Contract Review, Internal Audit has developed an Audit Risk Matrix. This is a diagram that identifies the major events or situations that can result in IEUA not achieving the intent of the Regional Contract, ranked by the likelihood and impact to the Agency. Greater risks are noted in red, while moderate or minor risks are shown in yellow and green. Likelihood refers to the possibility for error, mistake or deficiency. Impact, refers to the magnitude of the potential error, mistake or deficiency in terms of financial losses.

This Risk Matrix highlights the areas IEUA should focus on and prioritize as part of re-evaluating and renegotiating the Regional Contract.

LIKELIHOOD				
<div style="text-align: center;">  </div>				
<div style="writing-mode: vertical-rl; transform: rotate(180deg);">IMPACT</div> <div style="text-align: center;">  </div>		LOW	MEDIUM	HIGH
	HIGH	<b>Monthly Sewerage Fees</b> <ul style="list-style-type: none"> <li>Not Collected from Governmental Facilities</li> </ul>	<b>Connection Fees</b> <ul style="list-style-type: none"> <li>Not Collected from Hospitals</li> <li>Industrial Entity Undercollection</li> </ul>	<b>Connection Fees</b> <ul style="list-style-type: none"> <li>Not Collected from Schools</li> <li>Not Collected from Community College</li> <li>Commercial Categorization Errors</li> </ul>
	MEDIUM	<b>Residential Monthly Billing</b> <ul style="list-style-type: none"> <li>Not Collected or Recorded</li> </ul>	<b>Commercial Monthly Sewerage</b> <ul style="list-style-type: none"> <li>Missing Accounts</li> <li>Rate errors</li> </ul>	<b>Commercial Monthly Sewerage</b> <ul style="list-style-type: none"> <li>Categorization Errors</li> </ul>
	LOW	<b>Residential Connection Fees</b> <ul style="list-style-type: none"> <li>Not collected</li> </ul>	<b>Connection Fees</b> <ul style="list-style-type: none"> <li>Calculation Worksheets do not align with Exhibit J</li> </ul>	<b>Connection Fees</b> <ul style="list-style-type: none"> <li>Fixture Count Errors</li> </ul>

## **Attachment 2 - Current Business Model/Process**



The current Regional Contract centralizes responsibility for direct contact with customers with the individual Contracting Agencies. IEUA's contractual relationship is only with the Contracting Agencies. Each individual Contracting Agency's relationship is with the customers in their service area.

### **Attachment 3 - Results: Connection Fees (Commercial Businesses)**

For the commercial businesses selected for review, IA noted instances of varying interpretation and application of Exhibit J of the Regional Sewerage Service Contract. This created differences in categorization; therefore, differences in the Connection Fees collected. For the five entities where there was a difference in the interpretation of the category type, IA identified over \$160,000 in potential under-collections, as follows:

<b>Contracting Agency</b>	<b>Category Used</b>	<b>Fees Collected</b>	<b>Alternative Category</b>	<b>Possible Fees</b>	<b>Difference/ Shortage</b>
<b>Residential Community Center</b>					
Chino	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$30,732	III: Hospital, Health Spa with Pool, full service restaurant	\$123,206	\$92,474
Chino	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$16,129	III: Hospital, Health Spa with Pool, full service restaurant	\$64,661	\$48,532
Ontario	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$112,297	-	-	-
<b>Restaurant</b>					
Montclair (Dragon 99 Restaurant)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$1,308	III: Hospital, Health Spa with Pool, full service restaurant	\$5,243	\$3,935
<b>Veterinary Hospitals/Facilities</b>					
Chino Hills (Pets N Vet Animal Hospital)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$2,539	III: Hospital, Health Spa with Pool, full service restaurant	\$10,180	\$7,641
Upland (Caremore Medical Enterprises)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$1,744	III: Hospital, Health Spa with Pool, full service restaurant	\$6,990	\$5,246

#### **Attachment 4 - Results: Connection Fees (Schools – K-12)**

According to the requirements of Exhibit J of the Regional Contract, any Public Service Facilities that have new construction or expansions are required to pay Connection Fees. The review found that Contracting Agencies do not have a process in place to identify and collect from schools because these are permitted through the State. IA identified 16 school sites that had construction and 10 did not pay Connection Fees. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. Using the lowest amount that was collected, IA conservatively estimates that at a minimum \$230,000 in Connection Fees should have been collected (10 x \$23,000); however, using the comparable information for those six schools that did pay fees, it is likely that fees approximated at least \$687,000.

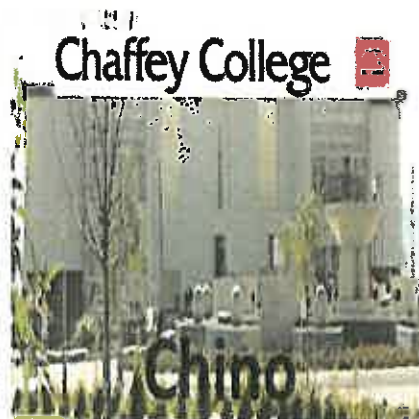
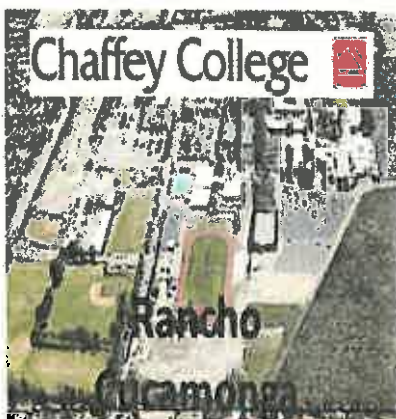
Contracting Agency	School Name	Type of Construction	Year	Connection Fees Collected	Possible "conservative" Estimate fees	Possible "comparable" Estimate Fees
City of Chino	Howard Cattle Elementary School	New classroom wing with restrooms	Summer 2012	0	\$23,000	\$43,000
City of Chino Hills	Chino Hills High School	Pool, Showers, and Locker rooms	Within the last 3 years	0	\$23,000	\$43,000
CVWD	Los Amigos Elementary School	New 14 classroom building	2013	0	\$23,000	\$67,000
CVWD	Bear Gulch Elementary School	New 14 classroom and bathroom building	2010	\$66,957	Collected	Collected
CVWD	Alta Loma High School	Classroom wing/building, Gymnasium Expansion, & Athletic Field Complex	Under Construction	\$42,792	Collected	Collected
CVWD	Etiwanda High School	Classroom wing/building, Food Service Building & Athletic Field Complex	Under Construction	0	\$23,000	\$43,000
CVWD	Rancho Cucamonga H.S	New Auditorium Building & Athletic Field Complex	Under Construction	0	\$23,000	\$43,000
City of Fontana	Jurupa Hills H.S	New High School	2009	\$272,182	Collected	Collected
City of Fontana	Citrus High School	New High School	2009	\$149,228	Collected	Collected
City of Montclair	Howard Elementary School	Multipurpose room with kitchen	2011	\$102,338	Collected	Collected
City of Montclair	Moreno Elementary School	Multipurpose room with restrooms	2013	\$0	\$23,000	\$102,000
City of Montclair	Montclair High School	New 32 Classroom building	2012	\$0	\$23,000	\$134,000
City of Ontario	Richard Haynes Elementary School	Multipurpose room with restrooms, warming kitchen, etc.	Summer 2012	\$0	\$23,000	\$102,000
City of Ontario	Ray Wiltsey Middle School	13 classroom modular facility with multiple restrooms, warming, etc.	Summer 2013	\$0	\$23,000	\$67,000
City of Ontario	Ontario High School	New classroom building, restrooms, football stadium & pool	Under construction	\$0	\$23,000	\$43,000
City of Upland	Upland H.S	New Gymnasium	2013	\$22,506	Collected	Collected
<b>Estimated Connection Fees: Conservative vs. Comparable</b>					<b>\$230,000</b>	<b>\$643,000</b>



**Attachment 5 - Results: Connection Fees (Community College)**

Exhibit J of the Regional Contract requires that Connection Fees be assessed to any Public Service Facilities that have new construction or expansions. Chaffey College, a two-year public Community College, has three campuses located within IEUA's service area. Based on IA's review, there were construction projects that resulted in new buildings and facilities being added at each of the campuses. Of the three with construction, only one Contracting Agency assessed and collected Connection Fees. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. IA attempted to perform a physical survey of the accessible areas of the three buildings at the Chino Campus (not including science laboratories or the banquet facility) and determined that Connection Fees would have exceeded \$55,000. At the main campus facility in Rancho Cucamonga, IA noted that ten new buildings have been added since 2008. IA was not able to perform a physical survey, however, using the approximately \$18,000 per building (\$55k / 3) at the Chino Campus, IA conservatively estimates that at a minimum \$180,000 in Connection Fees should have been collected (10 x \$18,000), but it is likely that it is much higher.

Contracting Agency	Location	Year Place in Operation	Minimum Estimated Connection Fees	Connection Fees Collected
CVWD	Rancho Cucamonga ~ Main Campus (10 buildings)	Various since 2007	Unable to estimate	\$ 0
City of Chino	Chino ~ Satellite/Off-site Campus (3 Buildings: Main Instructional, Health Sciences, and Community Center )	2008	\$ 55,000	\$ 0
City of Fontana	Fontana ~ Satellite/Off-site Campus (1 Building: Academic Center, two-story and approximately 30,000 square feet)	2011	N/A	\$ 52,845



### **Attachment 6 - Results: Connection Fees (Hospitals)**

IA identified the large scale hospitals and medical facilities that had new construction or expansions and reside within IEUA's service area. Connection Fees were collected for two of the three hospitals. For the City of Fontana Kaiser Hospital expansion, IA calculated the minimum possible Connection Fees based on the number of patient rooms (and not including cafeterias, surgical facilities, etc.). IA conservatively estimates that at a minimum \$1,300,000 in Connection Fees should have been collected, but it is likely that it is much higher.

Contracting Agency	Hospital	Year Fees Collected	Connection Fees collected
City of Upland	San Antonio Community Hospital – Addition	2011	\$ 1,370,197
City of Ontario	Kaiser Permanente – New Facility	2012	\$1,409,106
City of Fontana	Kaiser Permanente – Hospital and Inpatient Tower	N/A (Replacement Hospital Opened: 2013)	\$ 0



**Attachment 7 - Results: Connection Fees (Categorization Differences)**

IA identified the following governmental entities classified as commercial rather than public by Contracting Agencies. In some cases the rationale was used that although the buildings are publicly owned they are not publicly used, but rather offices and administrative spaces. The varying interpretations create differences in categorization and Connection Fees collected from Public Service Facilities:

<b>Contracting Agency</b>	<b>Description</b>	<b>Category Used</b>	<b>Fees Collected</b>	<b>Alternative Category</b>	<b>Possible Fees</b>	<b>Difference/ Shortage</b>
Fontana	Caltrans Facility (SRL Building)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 46,343	VI: Public Facility	\$ 65,756	\$ 19,413
Fontana	Caltrans Facility (Independent Assurance Building)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 14,178	VI: Public Facility	\$ 20,117	\$ 5,939
Fontana	Police Department	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 14,183	VI: Public Facility	\$ 21,018	\$ 6,835
Fontana	Police Department	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 622	VI: Public Facility	\$ 883	\$ 261
Montclair	Community Center (Bathrooms)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 18,962	VI: Public Facility	\$ 26,906	\$ 7,944
Montclair	Splash Pad	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 1,308	VI: Public Facility	\$ 1,856	\$ 548
Upland	Animal Shelter	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 36,761	VI: Public Facility	\$ 52,108	\$ 15,347
Upland	Fire Station	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 18,277	VI: Public Facility	\$ 25,907	\$ 7,630
<b>TOTALS FOR ITEMS TESTED</b>			<b>\$ 150,634</b>		<b>\$ 214,551</b>	<b>\$63,917</b>

For each instance above, Connection Fees were collected and at the time of assessment, they were classified as a Commercial Category I according to Exhibit J; however, they could have been classified as Category VI Public Facility and this would have resulted in greater Connection Fees collected.

**Attachment 8 - Results: Connection Fees (Commercial Fixture Unit Differences)**

IA identified that the fixture unit values utilized by the Contracting Agency may not always coincide with the descriptions and/or fixture unit values as outlined in Table 1 of Exhibit J of the Regional Contract. This issue was noted at least at two Contracting Agencies. The Connection Fees that have been over/under collected amounted to the following:

**Fixture Unit Value Differences**

<b>Contracting Agency</b>	<b>Description</b>	<b>Fees Collected</b>	<b>Fee per Audit Results</b>	<b>(Over)/Under Collected</b>
Montclair	Fixture Unit Value Differences: 4 businesses identified with different values	\$187,865	\$180,403	(\$7,462)
Ontario	Fixture Unit Value Differences - 2013/14: 10 businesses tested with different values	\$88,006	\$104,556	\$16,550

Additionally, the city of Ontario Calculation Worksheet is missing 15 categories from Exhibit J, yet includes three category types that are not part of Exhibit J. IA extrapolated the \$16,550 under-collection above to determine an impact of approximately \$80,000 in Connection Fees in only one fiscal year.

## **Attachment 9 - Results: Connection Fees (Industrial Businesses)**

According to Exhibit J of the Regional Sewerage Service Contract, Industrial businesses that engage in production, manufacturing or processing of material are required to pay Connections Fees and those fees are assessed differently than Commercial businesses enterprises. In addition to the Connection Fees calculated based on fixture units, industrial entities pay a variable component based on a wastewater analysis that includes: type of wastewater (domestic or non-domestic), sewage flow, Biochemical Oxygen Demand (BOD), and Total Suspended Solids (TSS).

### **Existing Fixtures Units**

For any commercial and industrial businesses that have expansions or additions, a credit is given for any demolished existing fixtures that were already located within the facility, and fees are only assessed on the net new fixture units added to the facility. This provision applies for all enterprises, regardless whether commercial or industrial.

IA noted that Contracting Agencies usually have supporting documentation to validate that there are existing fixtures and a credit should be applied. Evolution Fresh, an Industrial Entity in IEUA's service area received a credit for existing fixture units; however the Contracting Agency could provide no supporting documentation to validate that the credit was appropriately applied:

**Unsupported Credit for Existing Fixture Units**

<b>Contracting Agency</b>	<b>Description</b>	<b>Fees Collected</b>	<b>Fee per Audit Results</b>	<b>(Over)/Under Collected</b>
CVWD	Evolution Fresh – Juice Manufacturer	\$561,643	\$1,148,510	(\$586,687)

### **Industrial Fees**

During the Regional Contract Review, IA received feedback from the Contracting Agencies regarding Connection fees for Industrial Users. They included the following:

- Cost of Industrial Connection fees “deter businesses” from coming to the region
- Cost and proximity of the NRWS lines can impact costs to a business about deciding where to connect.
- Connection Fees based on BOD and TSS are not related to Fixture Units and guidance about transferability is unclear, and IEUA does not verify BOD and TSS reports.
- Value of Capacity Rights is unclear if an SIU is declassified.

### **Attachment 10 - Results: Industrial (Connection and Monthly Sewer Fees)**

#### **City of Ontario evaluation of Connection Fees and Sewer Fees:**

<b>Business</b>	<b>Description</b>	<b>Connection Fees Noted</b>	<b>Monthly Billing Example</b>	<b>April 2014</b>	<b>Ontario Comment</b>
Niagara Bottling(a)	Water bottling company	Commercial from 3/2006 to 6/2013: \$33,331	April 2014: Fixed 66 EDUs rate	\$883.74	Fixed EDU determined by permit, measurement and inspection. If use the NRW, then usually use a fixed factor.
New-Indy Ontario llc(a)	Paperboard Mill	In existence for extended period	April 2014: Fixed 47 EDUs rate	\$629.33	Same as above.
Greif	Packaging supply	In existence for extended period	No April 2014 billing for water or wastewater.	\$0.00	Part of a master meter.
Zurn Industries	Liquid waste disposal systems supplier	Per building permit fixtures established in 2001	April 2014: 2 meters: one with 5 HCF @ .0401 Factor & other with 0.	\$2.68	Use landscape factor (55%). Recently converted to recycled water.
Jogue, Inc.	Flavoring Syrups & Concentrates	June 2013: Domestic Industrial- \$10,313 Industrial-\$63,884	April 2014: 88 HCF @ .0202 Factor	\$23.80	Monthly based on 68% flow to sewer, 2,100 BOD and 31 TSS per lab data.
Wing Hing Foods	manufacturer of Chinese foods & noodles	March 2007: \$5,967 (originally purchased by Haliburton) April 2013: Industrial \$31,518	April 2014: 221 HCF @ .0087 Factor	\$25.74	Monthly based on lab data showing BOD=530mg/l, TSS=50mg/l and water to waste factor of 8.25%.
Haliburton	Manufacturer of soups & sauces	Commercial and Domestic industrial purchased from 2011 – 2013 \$69,043	April 2014: Fixed 186 EDU rate	\$2,490.54	Fixed industrial EDU was determined for monthly billing.
Tropicale Foods	Manufacturer of fresh fruit & ice cream bars	Commercial connections from 2007 – 2010: \$6,177	April 2014: 2,651 HCF @ .5902 factor (August 2014: 3,984 HCF @ .0411 factor reducing bill to \$2,356.25)	\$20,950.26	Industrial assessment was conducted between April and August to reassess based on new pretreatment activities and "SOPs" regarding discharge.
American Jerky	Manufacturer of chicken based pet treats.	2014: Domestic industrial and industrial: \$168,070.72	May 2014: First month billed for 91 HCF at office/commercial factor of .0729	\$88.78 (May – 1st month available)	New industrial not in production yet.



### **Attachment 11 - Results: Monthly Sewer Fees**

The Contracting Agencies assess and collect recurring fees from users (residential, commercial and industrial) that discharge into the IEUA's Regional Sewage System. The methodology used for assessing the Monthly Sewer Fees is based on a memorandum, which outlines the monthly/bi-monthly billing processes.

IA tested all items sampled to determine whether sewer billing is occurring and to ensure the appropriate business categories and rates are applied for the Monthly Sewer Fees. Based on IA's review, the following was noted:

- 1997 Memorandum entitled "Procedures for Establishing a Regional Sewer Billing Formula" was adopted by Regional Technical Committee. No evidence of IEUA's Board approval.
- Categories are inconsistent with those used in Exhibit J for Connection Fees.
- No guidance for "Master Meters".
- No minimum billing threshold established for commercial businesses (minimum 1 EDU).
- Billing classification differences that can result in under collected Monthly Sewer Fees paid to IEUA.
- Sampled Commercial businesses could not always be identified in the Utility Billing System .
- One Contracting Agency's EDUs for their own facilities were not included in the monthly EDUs reported to IEUA.
- One Contracting Agency relies on flow information provided by another agency and completeness of the information is questionable.
- Monthly Sewer Fees can be collected through the County's Property Tax Roll. One Contracting Agency uses this approach for residential properties.
- Monthly Sewer Fees can be assessed and collected based on Connection EDUs, rather than water consumption. One Contracting Agency uses this approach.
- EDUs reported to IEUA are generally based on the Monthly Sewer Fees billed. One Contracting Agency reports EDUs based on fees collected.

**Attachment 11 - Sewer Service Fees - continued**

Contracting Agency	Business	Billing Factor Applied	Billing Factor Should have been (Monthly/Bimonthly)	Actually Billed Amount	Estimated Sewer Fees Should Have Been	Estimated Amount (under-collected) and (under-paid) to IEUA for 12 months
Chino	Canabru Coffee	Commercial: 0.0729	Restaurant: 0.1042	\$ 28.05	\$ 41.02	(\$ 155)
Chino	Min's Dumpling House			\$ 48.78	\$ 55.79	(\$ 84)
Chino	McDonald's			\$ 54.88	\$ 78.75	(\$ 286)
Chino	Subway			\$ 14.63	\$ 21.33	(\$ 80)
Chino	Mountain Mike's Pizza			\$ 19.51	\$ 27.90	(\$ 101)
Ontario	Fast 5 Pizza	Commercial: 0.0729	Restaurant: 0.1042	\$ 16.60	\$ 23.72	(\$ 86)
Ontario	Home Pie Bakery/Cafe			\$ 256.69	\$ 366.95	(\$ 1,323)
Ontario	Miguel's Jr.			\$132.69	\$189.75	(\$ 685)
Ontario	J & R Deli			\$ 43.92	\$ 62.79	(\$ 226)
Ontario	Continental Funeral Home			\$ 74.18	\$ 107.06	(\$ 395)
Ontario	Office/Medical Building	Commercial: 0.0729	Mortuary: 0.1052	\$ 125.91	\$ 115.87	\$ 121
Ontario	Camacho's Bakery	Laundry/Car Wash: 0.0626	Bakery: 0.1042	\$ 113.95	\$ 189.75	(\$ 910)
Upland	ARCO AM/PM	Not entered to billing system	Commercial/Car Wash: 0.0364/0.0626	\$0.00	\$375.00	(\$2,089)
Upland	Crossfit Saber	Used: 0.0073	Commercial: 0.0364	\$50.11	\$250.00	(\$1,199)
Upland	Choice Market	Used: 0.0091	Commercial: 0.0364	\$63.14	\$253.00	(\$1,139)
Upland	Body Rituals	Used: 0.0164	Commercial: 0.0364	\$66.24	\$147.00	(\$ 485)
Total Amount of Sewer Service Fees Under Collected for a selection of Sample Items (only 16 items and only 1 year)						(\$9,122)

**Attachment 12 - Recommendations by Process**

**REGIONAL CONTRACT REVIEW  
CONNECTION FEES  
RECOMMENDATIONS**

<b>OVERALL RECOMMENDATIONS</b>	
Consider legal, political and financial impacts of governing by ordinance vs. contract	Major
Review and revise EDU formula	Major
Resolve identified differences of over/under collected amounts of Connection Fees and identified differences of over/under collected amounts of unreported monthly sewerage fees	Major

<b>CONNECTION FEES RECOMMENDATIONS</b>		
1.	Centralize the permitting process OR IEUA provides final sign-off and plumbing permit approval for all nonresidential entities	Major
2.	IEUA should establish monitoring program to inspect random facilities and those where there is a suspected discrepancy	Moderate
3.	Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees	Moderate
4.	Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Moderate
5.	IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly Building Activity Reports.	Moderate
6.	Two tier connection fees process that distinguishes between common features and unique features (ie., a toilet always costs the same regardless of type of business)	Minor
7.	Update Exhibit J regularly to include new/evolving business types	Minor
8.	Update & clarify Fixture Unit descriptions of Exhibit J regularly	Minor
9.	Standardize calculation worksheet to ensure it is consistent with Exhibit J and consistent region-wide	Minor
10.	IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly Building Activity Reports.	Minor
11.	Regular workshops, meetings, plant tours, etc. with staff in Building, Plan Check and Utility Billing/Financial Departments	Other
12.	IEUA develop fixture count expertise and provide regular/ongoing training for Contracting Agencies - Building Departments	Other
13.	Contracting Agency internal review of Connection Fees as part of preparing the Building Activity Report.	Other

**Attachment 12 - continued  
Recommendations by Process**

**REGIONAL CONTRACT REVIEW  
MONTHLY SEWER SERVICE FEES  
RECOMMENDATIONS**

<b>OVERALL RECOMMENDATIONS</b>	
Consider legal, political and financial impacts of governing by ordinance vs. contract	Major
Review and revise EDU formula	Major
Resolve identified differences of over/under collected amounts of Connection Fees and identified differences of over/under collected amounts of unreported monthly sewerage fees	Major

<b>MONTHLY SEWERAGE BILLING RECOMMENDATIONS</b>	
1. Collect monthly sewerage fees for the entire region through County's property tax roll.	Major
2. Evaluate methodology used for billing monthly sewerage fees (residential and commercial) and consider alternatives by water consumption, EDUs purchased or other methodology	Major
3. Standardize monthly report to provide IEUA automated, itemized listings of non-residential monthly sewerage charges	Moderate
4. Establish contract for monthly sewerage payments from Contracting Agencies rather than IEUA issuing monthly invoices	Moderate
5. IEUA exercise inspection, verification and recourse rights for under-collected/under-reported monthly sewerage fees	Moderate
6. Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Moderate
7. Update 1997 billing memorandum regularly for new business types to provide detailed definitions and descriptions	Minor
8. Create a correlation between monthly sewerage fees and Connection Fees	Minor
9. Add billing guidance for locations with multiple types of businesses serviced by a master meter	Minor
10. Bill commercial businesses at least a minimum of one EDU per month	Minor

**Attachment 12 - continued  
Recommendations by Process**

**REGIONAL CONTRACT REVIEW  
PUBLIC SERVICE FACILITIES  
RECOMMENDATIONS**

<b>OVERALL RECOMMENDATIONS</b>	
Consider legal, political and financial impacts of governing by ordinance vs. contract	Major
Review and revise EDU formula	Major
Resolve identified differences of over/under collected amounts of Connection Fees and identified differences of over/under collected amounts of unreported monthly sewerage fees	Major

<b>PUBLIC SERVICE FACILITY RECOMMENDATIONS</b>	
1 Consider legal, political and financial impacts of excluding Public Service Facilities from Connection Fees and monthly sewerage charges.	Major
2 Consider legal, political and financial impacts of IEUA assuming responsibility for Connection Fees calculations, collections and CCRA accounts	Major
3 Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees	Moderate
4 Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Moderate
5 Address difference between "Publicly Owned" vs. "Publicly Used"	Minor
6 Consider cross-departmental approach to the development review process as a regional model	PSF

**Attachment 13 - Recommendations by Business Model**

**MAJOR CHANGES TO BUSINESS MODEL:**

Consider legal, political and financial impacts of governing by ordinance vs. contract Review and revise EDU formula	All
Resolve identified differences of over/under collected amounts of Connection Fees and unreported monthly sewerage fees	All
Centralize the permitting process OR IEUA provide final sign-off and plumbing permit approval for all nonresidential entities	All
Collect monthly sewerage fees for the entire region through County's property tax roll.	Connections
Evaluate methodology used for billing monthly sewerage fees (residential and commercial) and consider alternatives by water consumption, EDUs purchased or other methodology	Monthly
Consider legal, political and financial impacts of excluding Public Service Facilities from Connection Fees and monthly sewerage charges.	Monthly
	PSF

**Moderate Changes to Business Model:**

IEUA should establish monitoring program to inspect random facilities and those where there is a suspected discrepancy	Connections
Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Fees	Connections
Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Connections
IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly BAR	Connections
Standardize monthly report to provide IEUA automated, itemized listings of non-residential monthly sewerage charges	Monthly
Establish contract for monthly sewerage payments from Contracting Agencies rather than IEUA issuing monthly invoices	Monthly
IEUA exercise inspection, verification and recourse rights for under-collected/under-reported monthly sewerage fees	Monthly
Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Monthly

**Minor Changes to Business Model:**

Two tier connection fees process that distinguishes between common features and unique features (ie., a toilet always costs the same regardless of type of business)	Connections
Update Exhibit J regularly to include new/evolving business types	Connections
Update & clarify Fixture Unit descriptions of Exhibit J regularly	Connections
Standardize calculation worksheet to ensure it is consistent with Exhibit J and consistent region-wide	Monthly
Update 1997 billing memorandum regularly for new business types to provide detailed definitions and descriptions	Monthly
Create a correlation between monthly sewerage fees and Connection Fees	Monthly
Add billing guidance for locations with multiple types of businesses serviced by a master meter	Monthly
Bill commercial businesses at least a minimum of one EDU per month	Monthly
Address difference between "Publicly Owned" vs. "Publicly Used"	PSF



# Attachment 14 - Background Financial Information

## IEUA's Board-Approved Rates

Rate	Fiscal Year			
	2014/15	2013/14	2012/13	2011/12
Connection Fee	\$5,107	\$5,007	\$4,909	\$4,766
Sewer Service Fee	\$14.39	\$13.39	\$12.39	\$11.14

## Connection Fees collected by Contracting and Deposits Held in CCRA <sup>(1)</sup> account

Contracting Agency	CCRA <sup>(1)</sup> Balance	Connection Fees		
	As of June 30, 2015	FY 2014/15	FY 2013/14	FY 2012/13
Chino	\$ 11,588,998	\$ 4,968,822	\$ 2,620,202	\$ 5,170,311
Chino Hills	2,994,978	587,139	1,985,132	207,452
CVWD	7,155,091	860,230	1,901,701	4,054,981
Fontana	6,756,345	2,527,708	830,226	1,675,004
Montclair	2,641,382	300,819	262,500	2,066,303
Ontario	8,759,593	4,824,272	1,674,395	770,709
Upland	2,493,009	1,001,277	514,478	600,987
<b>TOTAL</b>	<b>\$ 42, 839,396</b>	<b>\$ 15,070,267</b>	<b>\$ 9,788,634</b>	<b>\$ 14,545,747</b>

(1) = from the Building Activity Reports.

## Sewer Service Fees and EDU's Reported By Contracting Agency

Contracting Agency	Fiscal Year					
	2014/15		2013/14		2012/13	
	EDU's	Fees	EDU's	Fees	EDU's	Fees
Chino	344,326	\$ 4,954,854	343,012	\$ 4,592,930	338,269	\$ 4,191,152
Chino Hills	290,117	4,174,785	290,726	3,892,815	288,891	3,579,355
CVWD	819,522	11,792,929	768,353	10,288,244	769,392	9,532,767
Fontana	626,168	9,010,561	612,143	8,196,601	605,834	7,506,286
Montclair	145,037	2,087,075	147,955	1,981,117	144,095	1,785,337
Ontario	705,341	10,149,854	711,899	9,532,321	707,904	8,770,935
Upland	324,329	4,667,090	320,752	4,294,863	320,624	3,972,526
<b>TOTAL</b>	<b>3,254,840</b>	<b>\$46,837,148</b>	<b>3,194,840</b>	<b>\$42,778,891</b>	<b>3,175,009</b>	<b>\$39,338,358</b>

## Percentage of IEUA's Regional Wastewater Program to Total Revenue:

	FY 2014/15	FY 2013/14	FY 2012/13
Total of Connection and Sewer Service Fees:	\$61,907,415	\$52,567,525	\$53,884,105
Total Revenues, including Grants and Subsidies:	\$145,819,497	\$124,841,232	\$134,287,194
Percentage to Total Agency Revenue:	46%	42%	40%

**Attachment 15 - Excerpts from Comparable Survey Report**  
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**Attachment 15  
Excerpts from the Internal Audit Report: Regional Contract Review - External Comparable Survey**

	IEUA	SRCSD	LACSD	OCSD	EMWD
Number of agencies/ cities served:	7	4	23 independent special districts	23 cities, unincorporated areas and related special districts	8
Member agencies/cities served:	Chino, Chino Hills, Fontana, Montclair, Ontario, Upland, and Cucamonga Valley Water District	Sacramento Area Sewer District, City of Folsom, City of Sacramento, and City of West Sacramento	78 cities and unincorporated territory within the County, excluding majority of the City of Los Angeles.	(Northern and Central Section of Orange County) 1 Consolidated District -- 2 Revenue Areas	Hemet, Menifee, Moreno Valley, Murrieta, Perris, San Jacinto, Temecula, Wildomar, and unincorporated areas in Riverside County.
Service area:	242 square miles	375 square miles	800 square miles	479 square miles	555 square miles
Population served:	350,000	1.45 million	5.5 million	2.5 million	777,000
Average domestic household flow rate (Based on a Single-Family Residential)	270 gallons-per-day per EDU	310 gallons-per-day per ESD  Note: SRC is currently conducting a Class Study to update the flow and waste strength of an ESD.	260 gallons-per-day	253 gallons-per-day  Note: Flow factors are assumed for each land use and the model was calibrated using flow data collected over a five year period.	235 gallons-per-day per EDU
Unit of Measure: Connection Fees Single-Family Residential	1 EDU	1 ESD	One single family home is 1 Dwelling Unit	Number of bedrooms per unit Single Family Residential is 3- bedroom unit with base unit of 1.0.	1 EDU
Collection of Fees	<b>Contracting Agency Collects</b>	<b>District Collects</b>  The District's PSU or County of Sacramento Building Department collects the fees directly (Commercial and Residential Subdivision), and Internal Services Department records the payment.	<b>District Collects</b>  LACSD will verify all the data submitted, process the application forms, and collect all payments.  Residential, Commercial, Institutional, and Industrial applicants can pay for connection fees by mail or on-site at the District's Connection Fee counter.	<b>Member Agencies Collect</b>  Member agencies remit fees (from Residential, Commercial, and Industrial) on a monthly basis.	<b>District Collects</b>  EMWD holds the connection fee funds. An applicant pays the fees upon occupancy or when service commences.

Attachment 15 - continued

	IEUA	SRCSD	LACSD	OCSD	EMWD
Collection of fees from PSF	Connection Fees are collected when the contracting agency becomes aware of a new facility or improvements that have been made.	The intent is to charge them if the District knows about them. There are several commercial categories, such as office buildings, schools, parks, that cover public service buildings.	They are exempt from Connection Fees as long as meet exemption requirements in Ordinance. Schools, City Administration Offices, Courthouses, Libraries, etc. are all exempt. But, a City Power Plant or Water Treatment Facility would have to pay industrial surcharge and connection fees.	The fee is collected by the member agency.	Yes
Collection of Sewer Service Fees	Each contracting agency collects the fees directly from Residential, Commercial, and Industrial users. Billing for the fees varies by each contracting agency:	<b>Residential and Commercial:</b> Each member agency has a billing department that is responsible for the billing and collecting of the charges.  For Industrial users, the District's Waste Source Control Section monitors the flow and load from each user and determines the charges and bills the industrial users accordingly.	Majority of the service charges (Residential and Commercial) are collected through the Los Angeles County Property Tax Billing system. The County provides payment to the District's Accounting department upon receipt of payment, usually twice per year.  For Industrial users the Wastewater Surcharges are collected quarterly as described in the Ordinance.	The sewer service fees for Residential, Commercial, and Industrial are collected annually on the property tax bill for each parcel.  Note: Industrial Waste Discharges who require a discharge permit are invoiced separately.	If <u>EMWD bills</u> residential, commercial, and industrial users for potable water use, sewer fees are also billed to these customers on a monthly basis.  If <u>member agencies</u> provide the billing for potable water and are also connected to EMWD's sewer system, the member agency bills for sewer and remits the collected fees to EMWD on a monthly basis.
Remittance of Sewer Service Fees	Contracting Agencies provide the EDU information during the first 15 days after the close of the month. An	Depends on the contributing agencies - payment is made monthly, but some are	<b>Residential:</b> Service charges are collected through the Los Angeles County Property Tax Billing system.	OCSD Regional sewer service fees are placed on the Secured Property Tax Roll each year by the Orange	Sewer fees (non-connection fees) are remitted by our member agencies within the 2nd or 3rd week following the end

Attachment 15 - continued

	IEUA	SRCSD	LACSD	OCSD	EMWD
	Invoice is generated to bill each contracting agency on an EDU volumetric basis. Payment is due 45 days from the Invoice date to the Agency.	bimonthly. City of Roseville, a contracting agency, makes payment annually, but the revenue from Roseville is very small.	Commercial: Service charges are collected through the Los Angeles County Property Tax Billing system.  Industrial: charges are quarterly based on the August statement.	County Auditor/Controller's office and are apportioned to OCSD throughout the fiscal year. The Auditor/Controller's office charges a fee based upon the amount apportioned.	of the month.
Program structure -- Advantages		The new rate and fee structure that the District adopted recently provides a more sustainable and equitable structure. <i>The rate and fee structure is based on cost of service.</i> Regional San is one of the few utilities that adopt a structure with costs linked to pathogen and total kjeldahl nitrogen.	The Joint Outfall System (which handles about 90% of customer base) is large with shared expenses and good economies of scale. The billing of most of these customers through property taxes is very cost effective.	By placing our fee on the property tax bill, this program saves time and money. We do not have to spend staff time invoicing our customers or on collections.	Direct bill/payment to beneficiary and control over collections.
Program structure -- Disadvantages		The commercial user billing structure has 43 categories and a simpler structure with less categories is desired. There are billing inconsistencies that require reconciliation between District's staff and contributing agencies.	The service charge program uses assumed loadings rather than actual usage and there are inherent winners and losers. The simplicity of having a flat fee added to the property tax and maintaining rates well below national averages has always outweighed those concerns.	Our fees are based upon averages and not actual water consumption. We have a program for non-residential customers to submit their actual consumption for a rebate.	Administrative charges are higher due to tracking and collection efforts.

**Attachment 16 - Exhibit A**

Recommendations provided with Interim Reports

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Attachment 16 - continued  
Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
<b>OVERALL RECOMMENDATIONS</b>								
•	Consider legal, political and financial implications of governing by ordinance vs. contract	X	X	X	X	X	X	X
•	Review and revise EDU formula from current 270 gallons per day	X	X	X	X	X	X	X
•	Resolve identified differences of over/under collected amounts of Connection Fees and unreported services fees discovered during the Regional Contract Reviews and determine/establish working relationship with Contracting Agencies. IA identified businesses that are not reported to IEUA and fees not paid for the services provided by IEUA as well as classification errors and formula mistakes	X	X	X	X	X	X	X
		\$508,462	\$262,500	\$330,226	\$2,620,202	\$1,901,701	\$1,985,132	\$1,728,501
<b>CONNECTION FEES RECOMMENDATIONS and FEES: 2013/2014</b>								
1.	IEUA and the Contracting Agencies should consider centralizing the Connection Fee and wastewater permitting process or, as part of the permitting and plan check process, establishing a requirement that an IEUA representative provide final sign-off and approval prior to the Contracting Agency issuing a permit to a nonresidential entity and allowing a connection to the regional system. This added approval step will ensure IEUA agrees with the interpretation of the contract and the appropriate category type and sewage factor have been applied so correct connection fees are assessed and collected.	X	X	X	X	X	X	X
2.	IEUA Planning and Pretreatment groups should take the lead to exercise the authority provided under Regional Contract Section 26 Inspection of Facilities, and establish an on-going monitoring program to inspect random facilities or those where there is a suspected discrepancy in order to ensure the intent of the Regional Contract is applied and ensure the integrity of the Regional Program.	n/a	n/a	X	n/a	X	n/a	X
3.	IEUA and the Contracting Agencies should add language to the Regional Contract regarding IEUA's inspection and verification rights for connection fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported connection fees.	n/a	X	X	X	X	X	X
4.	Regional Contract should be updated to include IEUA right to audit, full cooperation and access to records and documents upon request	X	X	X	X	X	X	X
5.	IEUA should consider a two tier process of determining connection fees as part of Exhibit J that distinguishes between common features that are part of any commercial facility such as restroom toilets and sinks and those features that are unique to a specific site, such as a fire hub drain, butcher shop drain, a restaurant dishwasher or washing sink, etc. This would create consistency in the treatment of same-type and same-use fixture units.	X	n/a	n/a	X	X	X	X

Attachment 16- continued  
Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
6.	Exhibit J was recently updated and now provides detailed definitions for many business types, yet there is still room for varying interpretation and application. Businesses continue to evolve and new types of businesses emerge. Exhibit J should be updated regularly to provide additional language, definitions and guidance to ensure all types of commercial businesses are classified consistently. IEUA should consider documenting additional definitions and descriptions to the classification of businesses in Exhibit J. This would reduce the risk of misclassification of businesses and the potential under-collection of IEUA fees. Examples include fast-casual restaurants (where orders are placed at a register near the entrance but the restaurant provides table service for the food and beverage service), animal hospitals or shelters, community centers at newer residential communities and facilities that provide rehabilitative services. IEUA and the Contracting Agencies should develop and provide additional clarification and descriptive information for the various types of appliances, appurtenances or fixtures in the descriptions included in Exhibit J. Examples include defining the nature of an emergency drain, classification of a hub drain, clarifying differences between lavatories, wash fountains, receptors, sinks and mop basins and whether a drinking fountain that includes a separate basin for handicapped access consists of one or two fountains. The review revealed differences in interpretation.	X	X	X	X	n/a	X	X
7.	IEUA and the Contracting Agencies should consider developing a standardized calculation worksheet to assist Contracting Agencies in the connection fee calculations. Currently each Contracting Agency has its own unique calculation worksheet and it is not always consistent with the Regional Contract Exhibit J. A standardized calculation worksheet should mirror the fixture unit types in Exhibit J and provide additional clarification and uniformity to the fixture count process. The worksheet should be flexible enough to allow for multiple components of a business to be calculated at different commercial categories when there is more than one type of business at the same location (for example, a gas station/minimart with a car wash). A standardized calculation worksheet would provide assistance in computing the connection fees so that Contracting Agencies would not each need to develop their own tools, creating a lack of consistency and uniformity. IA noted varying application of fixture counts because the Contracting Agencies' calculation worksheets are not consistent.	X	n/a	X	X	X	X	X
8.	IEUA should require that Contracting Agencies provide copies of the connection calculation worksheets for all nonresidential entities included on their monthly Building Activity Reports. Calculation worksheets would provide IEUA staff greater visibility and documented support for the application of the category types and fixture counts utilized. IEUA staff would have the necessary information to contact the Contracting Agency if any questions or discrepancies are noted at the time that connections are reported	X	X	✓ Calculation worksheets provided with the BAR	X / ✓ (Calculation worksheet now follows Exhibit J)	✓ (Calculation worksheet follows Exhibit J)	X / ✓ (Calculation worksheet now follows Exhibit J)	X

Attachment 16- continued  
Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
10.	rather than identifying these later on. In addition to the regular meetings of the Regional Technical and Regional Policy Committees, IEUA has already begun to provide ad-hoc meetings and training as needed for things such as the updated excel Building Activity Report and the Exhibit J subcommittee. IA noted that great variability and understanding of IEUA, the Regional Contract and Exhibit J exists amongst Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing. In order to develop greater consistency and uniformity throughout the region, IEUA should consider taking the lead in holding quarterly or more regular workshops, meetings, plant tours and similar activities as an avenue where Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing and/or others as well can discuss and ask questions about the application of the Regional Contract and Program. The workshops would provide a forum to discuss questions about category types to apply, definitions, other questionable items and individual situations, and foster cooperation and collaboration among all. A Contracting Agency may encounter questions or situations that could apply to other Contracting Agencies. Frequent and on-going dialogue about the application of the Regional Contract would benefit all Contracting Agencies and the Regional Program to ensure consistent application of the Regional Contract and that issues are addressed on a timely basis.	X	X	X	X	X	X	X
11	IEUA should consider developing expertise in fixture count techniques and providing regular and ongoing training at the Building Departments of Contracting Agencies to develop consistency in the IEUA fixture count process across the region, including obtaining IEUA's guidance on the treatment of commercial businesses whose type is unique or does not fall into categories established in Exhibit J.	X	n/a	X	X	n/a	X	X
12	Contracting Agencies should consider adopting an internal review process for Connection Fees as part of preparing the Building Activity Report	n/a	n/a	✓ (Use I/R)	n/a	✓ (Use I/R)	n/a	n/a



Attachment 16 - continued  
Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
	<b>MONTHLY SEWERAGE BILLING RECOMMENDATIONS and FEES: 2013/2014</b>	\$4,294,883	\$1,981,117	\$8,196,001	\$4,592,330	\$10,288,244	\$3,882,815	\$9,532,321
1	IEUA and the Contracting Agencies should consider establishing the collection of monthly sewerage fees directly for the entire region through the County's property tax roll. Collection of sewerage fees through the property tax roll could result in a more efficient process and reduce the administrative resources used by Contracting Agencies in billing and collecting these fees. Residential properties could be transferred initially until consideration is given to ways in which and whether to transition commercial, industrial and other entities.	n/a	n/a	✓ (Property tax roll used for SFR & MFR)	n/a	n/a	X	X
2	IEUA and the Contracting Agencies should evaluate the methodology used for billing monthly sewerage fees and consider alternatives, either by water consumption or EDUs purchased. Since the adoption of the existing billing methodology in a 1997 memorandum efficiencies have been achieved in water usage, which may have an impact on the type and amount of sewerage discharged and the types of services provided to the region as a whole. The billing methodology should be aligned with the services provided. Another approach to consider as part of the billing methodology would be examining Winter season usage by residential properties to investigate a volumetric rather than EDU based rate structure. The billing methodology should be presented to the IEUA Board of Directors and formally adopted. As part of this process a Rate and Fee Study would assist in establishing a sustainable and equitable rate structure that recovers the cost of providing services.	X	X	✓ (EDU based rate structure)	X	X	X	X
3	IEUA and the Contracting Agencies should consider standardizing and providing automated and itemized listings of non-residential monthly sewerage charges. This would provide information that could be reviewed and researched for anomalies and reconciled on a regular basis.	X	X	X	X	X	X	X
4	IEUA should evaluate the current process used for invoicing each Contracting Agency for monthly sewer fees. By establishing a contract for monthly payment rather than relying on invoices, each Contracting Agency could provide the EDU information and remit the funds to IEUA directly within a reasonable period of time. This contrasts with the current approach whereby Contracting Agencies provide EDU information and then wait for an invoice from IEUA before payment thereby delaying payment for up to 45 days. By reengineering the process, IEUA would receive monthly sewer fees in a more efficient and timely manner.	X	X	X	X	X	X	X
5	IEUA should add language to the Regional Contract regarding IEUA's inspection and verification rights as to monthly sewerage fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or underreported such fees.	X	X	n/a	X	X	X	X
6	Regional Contract should be updated to include IEUA right to audit, full cooperation and access to records and documents upon request.	X	X	X	X	X	X	X
7	IEUA and the Contracting Agencies should consider updating the 1997 memorandum to consider new business types and provide more detailed definitions and descriptions. Since the adoption of the 1997 memorandum, businesses have continued to evolve and new types of businesses emerge. The 1997 memorandum should be updated regularly to provide additional language, definitions, and guidance to ensure	n/a	n/a	n/a	n/a	n/a	X	n/a

Attachment 16- continued  
Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
8.	all types of commercial businesses are classified consistently. Examples include pet related businesses such as pet shops, pet rescue locations, veterinarians and pet hospitals and clinics and spa related businesses such as spas, massage parlors, salons, foot spas and waxing businesses. Evaluate and consider the relationship between monthly sewer fees and Connection Fees and determine the need to create a correlation between the two. For example, fast-food restaurants and full-service restaurants are both included in Category 8 for monthly sewerage billing purposes and pay at the same rate. However, for purposes of Connection Fees fast-food restaurants are grouped with office, retail and similar uses (which are Category 1 for monthly sewerage billing). Therefore, fast-food restaurants incur lower Connection Fees, but pay monthly sewer fees at the higher rates charged to full-service restaurants.	X	X	X	X	X	X	X
9.	IEUA and the Contracting Agencies should consider the need for additional billing guidance for locations with multiple business types serviced by master meter, either blended, highest applicable or other methodology.	n/a	n/a	n/a	n/a	n/a	X	
10.	IEUA and the Contracting Agencies should consider billing commercial businesses that do not consume or discharge a minimum of one EDU at least that amount under the rationale that no business should pay less than the amount charged to a single family residence.	X	✓	X	X	✓	X	X

Attachment 16 - continued  
Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
<b>PUBLIC SERVICE FACILITIES RECOMMENDATIONS</b>								
	<i>Examples of recent Public Service Facilities with NO Connection Fees collected</i>	None noted, per audit sample	Moreno Elem classroom building (OMSD) Montclair H. S. classroom building (CJUHSD)	None noted, per audit sample (City made conscious choice not to charge Kaiser Fontana)	Howard Cattle Elem classroom building (CVUSD) Chaffey College - Chino Campus - multiple buildings	Los Amigos classrooms, Edwanda HS classrooms, perf. arts complex, athletic field Rancho Cuyamaca HS auditorium, athletic field Chaffey College - buildings	Chino Hills H. S. Swimming Facility, Showers and Locker Room (CVUSD)	Richard Haynes Elem Multipurpose (OMSD) Ray Wilsey classroom building (OMSD) Ontario H. S. Classroom building, football stadium, pool (CJUHSD)
1.	IEUA and the Contracting Agencies should consider the exclusion of Public Service Facilities from the charge for Connection Fees and Monthly Sewerage Charges. As documented under the audit report "Comparison of the Regional Sewerage Service Contract and Program with similar contracts and programs", IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public K - 14 schools and City governments from both Connection Fees and Monthly Sewerage Charges	n/a	x	n/a	x	x	x	x
2.	IEUA and the Contracting Agencies should consider the legal, political and financial impacts of centralizing the Connection Fee calculation, connection, CCRA account and wastewater permitting process for Public Service Facilities	x	x	x	x	x	x	x
3.	IEUA should add language to the Regional Contract regarding IEUA's inspection and verification rights for Public Service Facilities as to connection and monthly sewer fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported such fees	n/a	x	n/a	x	x	x	x
4.	Regional Contract should be updated to include IEUA right to audit, full cooperation and access to records and documents upon request	x	x	x	x	x	x	x
5.	Exhibit J was recently updated and now provides detailed definitions, yet there is still room for varying interpretation and application. Exhibit J should be updated regularly to provide additional language, definitions and guidance to consider clarification and descriptive information for categorizing public service facilities to expand and address the differences between publicly owned and publicly used.	x	x	x	x	x	x	x
6.	Consider the City of Upland's cross-departmental approach to the development review process as a regional model for Contracting Agencies to follow. The City of Upland has formed an inclusive group from all city departments that meets regularly to review new development. The group includes representatives from the Planning, Building, Public Works, and Police and Fire departments. Since planning for fire safety is required for new construction to ensure access and egress, Fire department representatives are often the first to know about new PSF construction. This will trigger Public Works and Building department representatives to be involved resulting in the assessment of connection fees, including those for IEUA in accordance with Exhibit J	✓ (Uses cross-departmental approach)	x	n/a	x	n/a (Not a city, water agency only)	x	x



### **Attachment 17 - Current and Prior Audit Reports Completed**

The following reports have been submitted as information items to the IEUA Board of Directors:

#### **Current Review**

2014-2015:

- Interim Audit Report for the City of Ontario (September 2015)
- Interim Audit Report for the City of Chino Hills (June 2015)
- Interim Audit Report for the Cucamonga Valley Water District (March 2015)
- Interim Audit Report for the City of Chino (December 2014)
- Interim Audit Report for the City of Fontana (December 2014)
- Interim Audit Report for the City of Montclair (September 2014)
- Interim Audit Report for the City of Upland (September 2014)
- "Survey of Comparative Information of the Seven Contracting Agencies" (September 2014)
- "Regional Contract Review – Comparable Survey" (June 2014)
- "Regional Contract Review – Ten Year Capacity Demand Forecast" (June 2014)

#### **Previous Reviews**

IEUA's Internal Audit Department and other external auditors have performed previous evaluations of the application and administration of the Regional Contract by the Contracting Agencies to ensure the contract provisions and requirements are being applied in a consistent manner:

- 2009 and 2010 Chino Basin Regional Sewage Service Contract Audit (Interim and Final)
- 2007 Sewage and Connection Fee Audit
- 2006 Independent Accountant's Report on Agree-Upon Procedures Performed
- 1999 Review of the Procedures on computing Equivalent Dwelling Units
- 1998 Agreed Upon Procedures Engagement: Equivalent Dwelling Unit Reporting and Compliance
- 1995 Agreed Upon Procedures Engagement pertaining to the Monthly Equivalent Dwelling Unit Computation and Reporting