CITY OF RIVERSIDE

BOARD OF PUBLIC UTILITIES

Minutes of: Special Strategic Planning Workshop Meeting of the Board of Public Utilities

Date of Meeting: July 29, 2015

Time of Meeting: 8:00 am

Place of Meeting: Mayor's Ceremonial Room
7th Floor City Hall
3900 Main Street
Riverside, California

PLEDGE OF ALLEGIANCE TO THE FLAG WAS GIVEN

Roll Call

Present: Susan Cash, Dave Austin, Nick Ferguson, Jennifer O'Farrell, Justin Scott-Coe, Andrew Walcker

Absent: Darrell Ament (absence due to illness)
Ron Cole (excused absence due to vacation)

MINUTES

The workshop minutes from the Board of Public Utilities meeting held on July 13, 2015 were approved as submitted.

Motion – Austin. Second – Ferguson.

Ayes: Cash, Austin, Ferguson, O'Farrell, and Scott-Coe.

Abstain: Walcker.

Absent: Darrell Ament (excused absence due to illness)
Ron Cole (excused absence due to vacation)

CITIZENS PARTICIPATION

1 Public Comment Period: NONE

WORKSHOP

2 BOARD OF PUBLIC UTILITIES STRATEGIC PLANNING WORKSHOP – UTILITY 2.0; REVIEW INITIAL PRESENTATIONS ON ELECTRIC INFRASTRUCTURE, WATER INFRASTRUCTURE AND WORKFORCE DEVELOPMENT ROADMAPS THAT OUTLINE CURRENT AND FUTURE ISSUES THAT RIVERSIDE PUBLIC UTILITIES WILL FACE AS IT PREPARES FOR AND RESPONDS TO THE TRANSFORMATIONAL CHANGE AFFECTING THE UTILITY INDUSTRY

The Board of Public Utilities convened to continue the 2015 Strategic Planning process. The discussion today was a presentation to provide further explanation of Electric and Water Infrastructure Roadmaps, and the Workforce Development Roadmap based on feedback from the Board at the July 13, 2015, meeting. In addition, three new roadmap presentations were presented on Electric and Water Supply, and Thriving Financially. All presentations serve to guide the Utility over the next 10 year planning cycle. The four hour

meeting provided detailed information to inform the decision making process for infrastructure, finance and workforce improvements in order to move the department toward Utility 2.0.

Electric Infrastructure Roadmap Re- Cap Presentation/Board Comments:
Assistant General Manager Pat Hohl, provided a 20 minute presentation in response to feedback comments given by the Board on the original presentation made on July 13. He underscored need by illustrating specific equipment needs and the associated replacement rate for each investment option presented, which served to provide the Board more concrete detail. The Board provided feedback and input as listed below:

Electric Infrastructure

Member	Recap Comments
Cash	• What percent of electric fund budget is current? • Thank you for the graphic state of current infrastructure. • Are there costs associated with ramping & are they included?
Austin	• Recap shows need for infrastructure improvements sooner than later. • Option 3 should be the min. option
Ferguson	• In isolation the tendency is to select option 3. However all options need to be presented together with resources to determine what is affordable & impact on ratepayer.
O'Farrell	• As Pat stated if option 3 is approved, how do we get there? • Option 3 – 4Ps, Proactive, Positive future, Productive Infrastructure, Protective
Scott-Coe	• I prefer the proactive (option 3) approach but need to see how 2016 investments fits into other utility cost centers. • We need and we should enhance reliability.
Walcker	• How does RTRP play into the investment options? • Do the investment options internal cost to implement? Does this include staffing, different positions, workforce, etc.? • Is it appropriate to look at dark fiber in this conversation? Is there ways to offset electric infrastructure cost with monetizing dark fiber?

Water Infrastructure Roadmap Re-Cap Presentation/Board Comments:
Interim Assistant General Manager Todd Jorgenson, provided a 20 minute presentation in response to feedback comments given by the Board on the original presentation made on July 13. He underscored need by illustrating specific equipment needs and the associated replacement rate for each investment option presented, which served to provide the Board more concrete detail. He also explained what the 2006 Safe W.A.T.E.R. plan and associated rate increases did to replace aging infrastructure. The Board provided feedback and input as listed below:

Water Infrastructure

Member	Recap Comments
Cash	• Please explain Gage water treatment option 4. • Where is 42" techite pipe located? What is magnitude of effect if fails? • Would like more detail of Safe Water (Plan) improvements. Good graphics but general. • Something like Safe Water dollars = what improvement per year
Austin	• We did a good job with the Safe Water Plan. • Techite pipe needs to be replaced ASAP. • Pipe replacement needs to be priority.
Ferguson	• Need to have all the various options and price tags for all the strategic plan areas to see the financial impact, and to what extent we can afford them without overly impacting rate payer.
O'Farrell	• Option 3 & 4

Scott-Coe	• We need to do two things a) Make major investments in transmission b) Ramp up distribution replacement rate to sustainable level • We need to balance water independence savings with regional partnership opportunity savings. • Regulators vs focused on leak prevention – worth getting ahead of curve, invest in leak detection technologies. • We must get at or below 100yr replacement rate. • We need AMI eventually, but not sure when is the best time to implement?
Walcker	• What was the source of imported water? Where was it delivered? Bunker Hill?

Workforce Development Roadmap Re-Cap Presentation/Board Comments:
Deputy General Manager Kevin Milligan, provided a 20 minute presentation in response to feedback comments given by the board on the original presentation made on July 13. He further explained the next steps in the process for creating a workforce equipped to support the skill sets and manpower needed to shift to Utility 2.0. The Board provided feedback and input as listed below:

Workforce Development

Member	Recap Comments
Cash	• What is interface of career ladder discussion with union? • Very sound planning
Austin	• Workforce plan is in place. Need to make sure it is carried out.
Ferguson	• Liked the individual training program. It has many positive benefits.
O'Farrell	• IDP rollout is a solid retention & enrichment opportunity.
Scott-Coe	• Really like career ladder approach – succession planning is huge. • Thoughtful, proactive, employee-focused approach to workforce needs – fills me with hope for the future of utilities.
Walcker	• Great direction, need to assign a person or dept. to implement with goals that are frequently reviewed and evolve as necessary.

Electric Infrastructure Roadmap - Power Supply Presentation/Board Comments:
Assistant General Manager Reiko Kerr, provided a 30 minute presentation that communicated a detailed history, operational context and specific power supply planning and contract procurement methodology to secure reliable, cost-effective and regulatory compliant power for Riverside. The Board provided feedback and input as listed below:

Electric Supply

Member	What should we accelerate?	slow down?
Cash	• Develop data unit to serve all of RPU.	Nothing
Austin	• Expand analytics to make sure we have the information to make good decisions. • Rate structure changes due to roof top solar. • Lost revenue from solar. • Ensure projects in progress go live to meet 50/50 plan. • IPP Replacement Plan Development.	No comment
Ferguson	• No Comment	No comment
O'Farrell	• Succession plan - continue with strategies laid out.	No comment
Scott-Coe	• Is there a numerical value to internal generation as preserving load control? • What is the value of increased peak- shaving programs? • Frac- moo duck curve strategy.	No comment

Walcker	• Balancing future electric rates w /PV and efficiencies should be top of the conversation. • Find ways to de-risk songs. Restricted funds? Insurance? ETC?	No comment

Member	What did you like?	What's missing?
Cash	• Comprehensive presentation very clear. • Wonderful idea regarding creating strategic data unit.	• What role of small scale energy storage? • What is plan for failure in Salton Sea geothermal? • Projection of power resources if we continue natural gas IPP.
Austin	• No comment	• No comment
Ferguson	• RPU has done an excellent job adjusting to legislated power requirement (less fuel more renewable).	• As solar use increases and revenue drops, was the scale of excess solar RPU was required to buy and therefore sell in RPU's number / analysis?
O'Farrell	• Great work.	• With the duck curve, I wonder what examples can be offered to CC to correlate how technology (Adv. Meters) can assist with communicating to customers. And knowing our customers better.
Scott-Coe	• Very solid presentation we are in good hands.	• Riverside should set own goals, eg a Riverside carbon free energy standard.
Walcker	• Balance CA renewable sources with nonrenewable should be done keeping the overall rate as low as possible. • Don't overdo the more expensive CA renewable electricity.	• No comment

Member	Other Comment?
Cash	• No comment
Austin	• SONGS Issues- Continue fund in house. • Need to keep close watch on regulatory issue.
Ferguson	• What is SCE's plan to provide alternative power due to power outage /interruption at Vista?
O'Farrell	• No comment
Scott-Coe	• Does IPP provide additional benefit of maintaining transmission of alternative non-fossil power supplies?
Walcker	• No comment

Water Infrastructure Roadmap Water Supply - Presentation/Board Comments:
Interim Assistant General Manager Todd Jorgenson, provided a 30 minute presentation that illustrated water supply planning and future investment needs for the future of our water supply. He identified a 30,000 acre-feet supply gap by 2035 that the Water Resources group is planning to fill with a combination of storm water capture, recycled water and conservation measures. The Board provided feedback and input as listed below:

Water Supply

Member	What should we accelerate?	slowdown?
Cash	• More precision of forecasting	No comment
Austin	• Backup plan if conservation does not continue after drought.	
Ferguson	No comment	
O'Farrell	• Conservation & pride in conservation landscape.	
Scott-Coe	• Balance between inexpensive resource costs & appropriate uses of a community value resource. • Riverside needs to be part of regional & statewide solutions provide leadership economically and environmentally.	

Walcker	• 30K AFY Gap good to identify. • I believe the timing is good to pursue these important projects. • Monetize water rights is good. Should be done primarily to assist city residence outside of RPU service area first.	

Member	What did you like?	What's missing?
Cash	• Great visuals.	• Need clearer picture of what is needed? • What % of water demand can be mitigated in natural disaster? • What are priorities over 20 years?
Austin	• No comment	No comment
Ferguson	• RPU has done a great job with water resources to remain water independent. • Extremely cost effective for ratepayers!	No comment
O'Farrell	• Great images to contextualize info.	• Beyond Andrew's questions & as the press has asked about monetizing water, could we have more info on that what's our solution if earthquakes hit? • How do we store rubber dam water? • Is there water loss in transfer accounted for?
Scott-Coe	• Like perspective of different water supply costs. • Like using water principles to frame & determine future investment needs.	• Analytics on future demand (the "new normal") • Quantification & benefits of monetization opportunities. • What is an appropriate efficiency factor for Riverside as stewards of a locally controlled resource? (Will impact demand projections)
Walcker	• No comment	• Work with City Development Dept. to come up with green landscape design guidelines for new development. • New development should not qualify for turf removal program. • Explore urban storm water quality issues with storm water capture/ recharge projects. Solve two problems with one solution.

Member	Other Comment?
Cash	No comment
Austin	• Must remain 100% independent.
Ferguson	• Impact of July rainfall (2nd highest record rainfall in July). • Degree of well replenishment? Recapture?
O'Farrell	• No comment
Scott-Coe	• Concern with ability to hold onto recharged storm water & recycled water.
Walcker	• 100% independent? • How do we state this and still import water? Mixed message.

Thriving Financially Roadmap Presentation/Board Comments:
Assistant General Manager Laura Chavez-Nomura, provided a 30 minute presentation that provided comparisons, background, principles and history related to rate design, structure and impacts to consider when planning for rate increases. She also gave explanation of funding sources (rates, debt and reserves) and how they work together to make recommendations to the Board and City Council. It was explained how the 10 year Financial Pro Forma will be used to analyze future rate plans. The Board provided feedback and input as listed below:

Thriving Financially

Member	What should we accelerate?	slow down?
Cash	• Develop rate making principles • Revise reserve policy	No comment
Austin	• Need plan to cover roof top solar revenue loss. • Financial policy must be clear and easily understood.	
Ferguson	No comment	
O'Farrell	• Love review discussion & next steps for reserve policy.	
Scott-Coe	• Reserve policy is overdue & necessary, but best done in our current long term strategic planning context.	
Walcker	• Discussion on restricted and unrestricted reserves is appropriate	• Any conversations on rate increase needs to involve a lot of transparency and input. Will be viewed critically.

Member	What did you like?	What's missing?
Cash	• Clear presentation • Unbundle rates to meet 2.0 • Appreciate more comprehensive rate comparison. • 10yr. pro forma tool for decision making future great!	No comment
Austin	• When using pro forma options would like to see many different options.	No comment
Ferguson	No comment	• Rationale for 30 year debt instruments? • Need current expenditure level for each roadmap to help us understand the additional resources are needed above current budget.

Member	What did you like?	What's missing?
O'Farrell	• Love the audits. • Super job • Great breakdown.	• Many articles discussed "decoupling" as transition solution utilities have used I Utility 2.0 transition. • What are staff's thoughts in decoupling? • With utility 2.0 there will be gradual transition & shifts in regards to our financial principles and best practice models. It looks like other PU needed reevaluation to ensure revenue is made. Are our or will our principles support reevaluation?
Scott-Coe	• Really well explained: logical, direct, and engaged. • Like formal rate-making principals excellent examples.	• Need to evaluate potential rate impact on conservation. • Are there better rate structures e.g.(allocation based) that rebalance fixed variable "fix". • How can we better define reserve adequacy?
Walcker *(Orange)*	• Unbundle services is good to address PV customers. • Address fixed vs variable cost. This should be done sooner to get out in front of changing business model.	• Changes to rate payers bills to make easier to understand and therefore to affect consumed change.

Member	Other Comment?
Cash	No comment
Austin	• Rates must maintain and improve the utility to be the best it can be.
Ferguson	• Sale of surplus property/ asset management what caused a delay in Northridge area? • To set capital needs for all areas staff should prioritize them. Structure priorities with options. Maximize revenues (monetize) and O/M efficiencies before asking for rate increases. • Contradictions/ explanation to ratepayer: Lost revenues mean rate increase? Gen, fund transfer plus rate increase? High revenues – need rate increase? Conservation – need rate increase? Solar – need rate increase?
O'Farrell	• Seems like a lot of chicken egg scenarios which first? • Is our tier rate language similar to other terms of "performance based rates? • Does unbundling take advanced metering support? • Can we unbundle with our current tech? Or is this situation the chicken & egg scenario?
Scott-Coe	• Will there be changes to the structure of monthly/ quarterly/ annual financial reports? • What will be the board's role in the CMO audit? • How much should potential rate impacts determine our decision making on needed investments? • How much investment can we afford & not afford to make?
Walcker	No comment

Meeting Summary:

What went well with the meeting (plus)? What can we improve (delta)?

Plus	Delta
Thoroughness & backtrack to catch up board members.	Is there a structured way to solicit community group comments?
Great presentations – solid manageable amount of time for information presented.	Schedule the community group mtgs.
Good distribution of information.	Where does communication, EE, conservation fit in?
Understandable process & high level review.	Gap between message of doing well vs need for rate increases.
Value of learning about utility & RPU	Start planning post September & public involvement.
Recap & highlights - reinforces financials.	
Integrated look at RPU, instead of silos.	

PUBLIC COMMENT:

Mr. Jason Hunter distributed a memo dated March 23, 2015 that was sent to Lee McDougal, Interim City Manager, regarding a professional consultant services agreement. He also reported that these workshops should be brought to the public at community meetings.

UPCOMING MEETING

Chair Cash adjourned the workshop meeting at approximately 12:07 pm. The next workshop will be a joint meeting with City Council and the Board of Public Utilities to be held on **August 28, 2015** at **8:00 a.m**. in the Mayor's Ceremonial Room, 7th Floor City Hall, located at 3900 Main Street, Riverside, California.

By: _____
Girish Balachandran, Secretary
Board of Public Utilities

Approved by: City of Riverside Board of Public Utilities

Dated: _____