

MEMORANDUM

TO: Water and Light Advisory Board

FROM: Tad Johnsen, Water and Light Director

DATE: January 2, 2020

SUBJECT: Director's 2020 Annual Report to the Water and Light Advisory Board

This annual report is a brief overview of significant activities in 2019 and a look forward to 2020 and beyond for the water and electric utilities.

2019 started with approval of a new rate structure for the water utility. This was an important step that supports water conservation. This new rate structure was proposed by the water cost of service consultant after input from the City Council, Water & Light Advisory Board and City Staff. The resulting staff recommendation was to phase in the new water rate structure that supported water conservation. I would expect that discussion for the FY2021 budget will involve consideration of implementing the next phase for changes to the water rate structure.

Conservation programs in the provision of water service is not common in this area of the country, however as water uses increase and water availability decreases, conservation resources will need to be considered by more communities to help defer water treatment plant expansions.

Planning for the future of the treatment process used at the water treatment plant will certainly be a focus of attention over the next couple of years. While the current rehabilitation phase of the existing facility is underway, planning for the next phase will need to be a priority in order to provide a sufficient Public Improvement Process.

The final water utility issue I want to mention is regarding planning for the future of lime softening residuals at the Water Treatment Plant continues. The current approach of land application has proven to be expensive and costs are expected to increase. Many water utilities have found the best solution to be the piping of lime softening residuals to a river. We are still pursuing this as an option and if this is an option that can be considered another important decision will be steps to be used in this Public Improvement Process.

In the future electric utilities will need to make the transition from the provider of electric service to providing the different electric services customers want. This change will take time to implement and will need to take advantage of future technologies. Business model changes are needed to allow electric utilities to offer customers the services and products they want.

Community and/or neighborhood solar programs should play an increasing role in the provision of services customers want. We should look at the current community solar program under development as being a beginning step to providing these electric services and look forward to seeing growth in these type of programs.

Approval of the Boone Stephens Solar agreement was a significant step towards the city's long term renewable energy goals. As we push towards increased levels of renewable energy in our resource mix, we need to understand the impacts to market risk and potential impacts to electric rates these changes may have.

The Integrated Electric Resources and Master Planning process is currently underway and expect to see results from this project that will help guide the electric utility for years to come. In addition to the standard resource planning, system planning and cost of service goals expected from this type of project, I would also expect this process to guide how the integration of electric vehicles is planned for, the rate at which advanced metering infrastructure is implemented and the structure of future electric rates. It will be important for the results and goals of this project to be documented into actionable items on proposed time schedules. Getting results from a project of this scale will require this type of documentation, continued staff effort to implement and ongoing Water & Light Advisory Board support.

I believe in the FY2020 budget we made significant progress in employee compensation for the utilities. There will certainly be financial pressures in future budgets that will make continued progress in employee compensation challenging. While it is easy to see the short term financial benefits of not keeping pace with employee compensation needs, the long term consequences can be very costly and create problems that are very difficult to fix.

While use of city generated landfill gas is currently just an electric utility issue, I would encourage the Water & Light Advisory Board to be open to dialogue with other utilities and city entities when deciding the best use of this resource.

In looking ahead to 2020 planning for implementation of the Climate Action and Adaptation Plan (CAAP) should be expected. This planning could have an impact on how all of Columbia's Utilities provide services in the future. I hope the impact of these changes will be evaluated from different perspectives, including short term and long term financial costs, environmental impacts and quality of life effects.

As this is my last Director's Report I would like to say thanks for the support I have received from all of the Water & Light Advisory Board members I have had the privilege of working with over the last 10 years. The work relationship that staff has enjoyed with the Water & Light Advisory Board has been an invaluable asset in establishing and working toward water and electric utility goals. My hope is for that relationship to continue.

TAJ/cs