UTILITY ADVISORY BOARD AGENDA

August 08, 2024 at 5:15 PM

Water Utility Shop 2520 Barrett Ave./Zoom Webinar

https://juneau.zoom.us/j/83013202186 or 1-253-215-8782 Meeting ID: 830 1320 2186

A. CALL TO ORDER

B. LAND ACKNOWLEDGEMENT

We would like to acknowledge that the City and Borough of Juneau is on Tlingit land, and wish to honor the indigenous people of this land. For more than ten thousand years, Alaska Native people have been and continue to be integral to the well-being of our community. We are grateful to be in this place, a part of this community, and to honor the culture, traditions, and resilience of the Tlingit people. Gunalchéesh!

C. ROLL CALL

D. APPROVAL OF AGENDA

E. APPROVAL OF MINUTES

1. September 14, 2023 - Regular Meeting
2. December 18, 2023 - Special Meeting
3. July 11, 2024 - Regular Meeting

F. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

G. AGENDA TOPICS

4. Utilities Updates
    - CCR (Annual Water Quality Report)
    - LSLI (Lead Service Line Inventory)
    - Salmon Creek Penstock Construction Updae
    - May EPA Visit
    - Upcoming EPA Visit
    - PFAS/Microplastics Regulatory Updates
5. August PWFC Meeting and Rate Study Presentation

H. NEXT MEETING DATE

6. September 12, 2024 at 5:15 PM

I. SUPPLEMENTAL MATERIALS

J. ADJOURNMENT

ADA accommodations available upon request: Please contact the Clerk's office 36 hours prior to any meeting so arrangements can be made for closed captioning or sign language interpreter services depending on the meeting format. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.gov.

UTILITY ADVISORY BOARD MINUTES - DRAFT

September 14, 2023 at 5:15 PM

Water Utility Shop 2520 Barrett Ave./Zoom Webinar

https://juneau.zoom.us/j/83013202186 or 1-253-215-8782 Meeting ID: 830 1320 2186

A. CALL TO ORDER

The meeting was called to order at 5:19pm by Acting Chair Larson.

B. ROLL CALL

Members Present: Mr. Larson, Mr. Cohen, Mr. Ritter, Ms. Hall Schempf (Zoom).

CBJ Staff: Brian McGuire, Utilities Superintendent; Denise Koch, EPW Director, Ty Yamaoka, Utilities Admin; Alan Steffert, Utilities Engineer II (Zoom).

AEL&P Staff: Lori Sowa and Bryan Farrell

C. APPROVAL OF AGENDA

Mr. Cohen suggested adding agenda items on Bill Financing and FOG but those were delayed unless there was time at the end of the meeting. The agenda was approved.

D. APPROVAL OF MINUTES

There were not any minutes to approve.

E. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

F. **AGENDA TOPICS**

1. AEL&P Presentation on Salmon Creek Water Supply and Facility Updates

Staff from AEL&P (Mr. Farrell and Ms. Sowa) presented an overview of a proposal to replace the Salmon Creek Penstock. They indicated that Items 1 and 2 on the agenda were for the same thing. This influences the water supply.

Salmon Creek and Annex Creek are both of a project that is being proposed. AEL&P showed maps showing the locations of the Salmon Creek penstock and road. Staff also showed a timeline of development of the penstock and license changes.

The unit is an 8.4-megawatt generator that is hydraulically limited to about 5.5 megawatts. This represents 6% of Juneau's energy supply. The dam has an intake structure at its base. The upper penstock is over 100 years old and is made of riveted steel. The new penstock will be buried for as much as it can, as it helps reduce maintenance and insulation needs.

The upper hand riveted penstock will be replaced with a modern well based penstock. This will help deliver both electricity and municipal water. The new penstock will have the same basic alignment, will have the same creek crossings. The project will work bottom up, and finish at the dam. One goal is to continue to provide water to the hatchery. Because of this, it would take 3 years to complete the project. Without that requirement it could be completed in 1 year.

The alternative to replacing this penstock is to allow it to run through it's useful life and then shut it down and find alternatives for power and water supply to CBJ.

There is a grant possibility for this. AEL&P is hoping that UAB will write a letter of support for that application. The grant application is due October 6th. It is a department of energy section 246 grant – maintaining and enhancing hydropower. With a new penstock, with reduced losses, there is a possibility of generating more energy out of the system. Other groups are also working on letters of support. There have been templates created so that things can be looked at. The grant requirements are very specific, and AEL&P is applying under the "Grid Resilience" portion of the grant. There is also a subcategory for quickly adapting to changing conditions. Letters of support are looking for benefits to lower socioeconomic committees.

Mr. Gubala: CBJ is also getting more pressure as well about security sources of water.

Ms. Hall-Schempf asked about instream flow requirements. Is the instream flow requirement still in effect, and, if so, does the new system protect the instream flow release?

Mr. Farrell: Yes. AEL&P can add water to the stream. Required to add water when it's below 9 CFS. There is a supplemental valve at the top of the dam that can provide 3.5 CFS – that will be unaffected by the installation.

Mr. Cohen: Question about financing. The Penstock provides water for the powerhouse, water for the city, and water for the hatchery. Does the city pay for part of the project, or does the grant pay for all of it?

Mr. Farrell: The grant does not pay for all of it. AEL&P has not discussed with the city any payment on the project.

Mr. Cohen: Ok. And if you didn't get a grant, then would AEL&P be to borrow money and then put that onto the ratepayers?

Ms. Sowa: This grant would reduce the amount of money that has to be recovered through rates.

Mr. Larson made two comments. There is an impact on rates here that people would have to pay for water if there had to be a new alternative supply established because Salmon Creek was no longer a viable source. The bulk of the support letter would need to come from staff. The articulations that could be provided by staff will be vital.

Ms. Koch suggested that Ms. Sowa, as AEL&P representative, send the template to Mr. McGuire and Mr. McGuire. They can ask any questions they have, fill in information, and then circulate the letter through UAB and complete a virtual vote.

Mr. Gubala had a discussion with Steve Locks and Salmon Creek production manager already to start this conversation. Questions: Are there any anticipated shifts to water quality during the project?

Mr. Farrell: During construction there would be no water available from Salmon Creek. Outside of the construction, there may be an improvement to water quality because of improvement to the pipe in use (bare steel pipe to polyurethane coated nsf 61 rate certified coating and lining).

Mr. Larson: UAB will support but CBJ staff who are the ones that's equipped to review and modify the suggested language from AEL&P. UAB's oversight would include a final review. Question: What is the percentage of water that comes from Salmon Creek on an annual basis?

Mr. McGuire: It's somewhere in the range of a quarter to a third.

Mr. Farrell: The only change you'll see after the installation is the amount of the water, in the tail race, which is where CBJ receives its municipal water. The amount provided to CBJ would still be more than the 20 CFS agreed upon in the tripartite agreement.

The UAB agreed to spend a week on a letter of support that would be provided to AEL&P around September 26, 2023.

Mr. Larson: It seems that the UAB will support this project for reasons of safety (fire protection), security of water source, improvement, and quality.

Ms. Koch: Procedurally we'll ask each person to vote yes or no so that there's something clear in the record.

Mr. Larson: If the staff can confirm that the Public Meetings Act allows for that. If we need to reconvene, we can.

MOTION: UAB members will review the letter individually and vote virtually, if allowed. Otherwise, a special meeting will occur. Mr. Cohen seconded. There were no objections. Motion Passed.

At this time Ms. Sowa and Mr. Farrell departed.

2. AEL&P Request for Letter of Support for Salmon Creek License and Grant Applications
   See above

3. Rate Increase Discussion
   Mr. McGuire began a discussion about future rate increases. The Utility conducted a review and is in the second to last period of the rate increases approved in 2019. July 2024 will be the last 2% pre-negotiated increase. The goal would be to have something in front of the assembly well before July 1, 2025. Mr. McGuire then showed a graph of the Utility rate history since 1992 compared to US Inflation. In 2019, the expected major priorities included a Biosolids Dryer at $20 million. Finishing this project would, at full capacity, reduce and eliminate shipping costs by $1 – 1.5 million per year, keeping biosolids locally. Mr. Cohen asked how close CBJ got to their target.

   Mr. McGuire answered that while CBJ was doing it locally, CBJ had to pay for the landfill for a little bit and the costs got down to about $750,000 annually, but that didn't last very long before the city began having to ship out again.

   Mr. McGuire: The Utility was also planning to spend $5-7 million a year on wastewater CIP's with a focus in SCADA, Vactor Dump, and Liftstations. $5 – 5.5 million a year on Water on distribution main replacements/repairs. The Utility was also anticipating sales tax support – about $2 million for Wastewater and $1 million for water between FY20 – FY29. At the time a revenue rate increase was being requested at 4% a year between FY20-24, and 3.5% from FY25-29. The Utility modeled this assuming 2.1% inflation. The resulting projected budgets were around $10 million a year for wastewater and around $3 million for water.

   Mr. Larson: The ending fund balance is really the driver of the rate analysis because that needs to be maintained. CIP's need to be covered. So, if something drops off, something has to drop on. The city and

UAB is always looking at that fund balance to be at more or less a specific level at a reasonable balance.

Mr. Koch: There are also general government accounting principles and guidelines about how many months of operations to keep in the balance, etc.

Mr. McGuire. Yes. When the 2019 rate study was done the fund balance target for Wastewater was 7 million, and the minimum was a 3-4 month minimum, which is around $3-4 million dollars. Water was a little bit less. The way these were calculated was by dividing up 12-month operational costs.

Mr. McGuire returned to expected priorities from the previous rate study. The Biosolids Dryer had some startup problems, and CBJ did not entirely get out of shipping. PFAS also hit the EPA/DEC Threat Horizon and a full Class A end use permit was not granted. The regulatory environment also changed. ADEC also issued a COBC intent to seek penalties in 2019. It was signed in 2021. CIP focuses then shifted to compliance related projects. Mr. Cohen asked how large the biosolids issue was. Mr. McGuire answered that about 30% of the Wastewater budget is used to dry and then ship the biosolids. The dryer is run with #2 diesel.

Mr. Cohen began talking about FOG and argued that it could be used to heat a building. Mr. Cohen was not sure if FOG could be used to dry biosolids but was curious if it was possible as it would reduce FOG export and would save money. Mr. McGuire indicated that it was a potential heat source. Ms. Koch also mentioned that it may not be as reliable as other fuel sources. Drying biosolids is essential and the City needs fuel that is consistent and reliable. Mr. Gubala indicated that one challenge with FOG is that it typically needs to be blended with #2 diesel to be able to be combustible. This adds technical challenge.

Mr. McGuire returned to the presentation. The Utility was not able to get ahold of any sales tax support, that was an assumption that did not work out. The rate increases were lower. Then inflation that applied to operational and CIP costs was higher. Anchorage CPI was average 5-7% a year. That was quite a big increase that especially hit shipping costs. The budgets were just a little bit higher than that because of that. Future vital wastewater CIP projects include treatment process upgrades at JDTP, a replacement for the UV system, which parts are not made for anymore, roof and structure repairs. Mendenhall will also need a UV system replacement, FOG and Grit, and SBR Tank Rehab and floor aeration. Mendenhall also has a project identified for treatment process repairs & upgrades. Collections also has $3-4 hundred thousand a year in road repairs. The target CIP spending is $5-7 million annually. CIP projects are the main variable for managing the fund balance. Operational expenses should be fixed. There's one major opportunity to save money operationally on the wastewater side, that's when the crusher comes in and CBJ can ship less. After that, if CBJ can get a local thermal treatment, shipping would be reduced entirely. This local thermal treatment would be hot enough to destroy PFAS in the water.

There is a public process schedule for rate increases. It will be introduced briefly at PWFC on Monday, September 18. CBJ staff will say they're working with UAB to come up with a recommendation.

Mr. Larson argued for having an actual proposal by the September 18 meeting based on the current information that is known, including having no sales tax support, increased inflation, and prior rate increase requests that were not met. Mr. Larson argued for being transparent with the assembly now about the need for a significant rate increase.

Ms. Koch added that CBJ staff have already met with the Managers Office about the rate increase, and that CBJ staff want to introduce the concept of the rate increase to PWFC before the election. It may not be advantageous to propose high rate increases to the Assembly and ask them to work through that process, which will include PWFC meetings, Finance committee meetings, and Committee of the Whole meetings, all while working on the regular budget. The Assembly may not have enough bandwidth to manage this at the same time as the budget bigger discussion. This is why the rate increase will be introduced now so that the Assembly can consider it separately.

Mr. Larson indicated that when he gave the annual report to the assembly committee, the deputy mayor asked what rates will look like, and he answered that they would be high. Mr. Larson indicated that a number should be shared now.

Mr. Ritter asked how many individuals on PWFC might not still be there after the October election. Ms. Koch indicated that only one assembly member will change based on the election, but that after the election, the Mayor can make changes to the committee as they see fit. So the conversation will need to occur both before and after the election.

Mr. Gubala added that CBJ has a significant deferred maintenance backlog that should be addressed. There is a higher risk of facility failures currently. There are also opportunities to improve current facilities, like UV basins, which are not yet upgraded to LED infrastructure.

Mr. McGuire showed some rate comparisons with other SOA municipalities. Any areas that are cheaper have 301h waivers for primary treatment, so they are not directly comparable. The only more expensive municipality is Fairbanks, which discharges to a river, so it could not be considered for a 301h waiver.

Ms. Koch added that two pieces of information will be crucial for determining rate increases: how much money is needed and how much of that money might come from other sources than rate payers, like bonds. CBJ staff can work on building that information, but it will be important for UAB to weigh in.

Mr. Larson indicated that UAB members should start doing outreach to assembly members soon to educate them about this process and the importance of rate increases. Having a ballpark number for those increases would be helpful. UAB members should be prepared to talk about past shortfalls, inflationary pressures, and more.

Mr. Cohen asked about increased property tax, and if that would have an effect. Ms. Koch answered that the Utility does not receive property tax and has not been receiving sales tax.

Ms. Hall-Schempf finalized the discussion by saying that it was important for the UAB to be honest and up front about the rate increase needs, and not to sugar coat things.

4. Cruise Ship Sewage Fees

Mr. McGuire outlined how the Cruise Ship fee structure works. Cruise ships are charged a metered base rate for the free limit to start with. From there, the rate will change with the loading of the wastewater. There’s an increase to this charge proportional to strength. CBJ’s free limit for BOD and TSS, is in the code that nobody is supposed to discharge anything that’s more than 300 mg/L via BOD or 350 mg/L for TSS. As cruise ships go above that limit the rate increases significantly, sometimes tripling. Cruise ships are the only rate payers that pay a strength charge.

Mr. Cohen indicated that Juneau would have 1.6 million passengers by the end of the summer. If all those passengers were using the sewage facility, and it was broken down into passenger days, it would be a huge percentage of the population. How many are using the facility? Mr. McGuire indicated that Juneau has actuals data from the past several years that CBJ staff are working to turn into a household equivalent. Most ships are not unloading in Juneau.

Mr. Gubala indicated that at the start of the season the cruise lines have new environmental people that are on board that get used to what the regulatory patterns look like and how to comply with the State of Alaska's regulatory expectations. Mr. Gubala indicated there will probably be increasing pressure for discharge to Juneau with time, especially if we make it convenient for them to do so. CBJ staff are working to calculate out and ensure that visitors are paying their fair with regards to treatment capacity.

5. Flood Update

Mr. McGuire showed photos of the flood. Photos included the back of the plant, and another owner who lost 10-15 feet of yard. There is no indication of damage at this point, but there is a goal to look at the discharge to assess for damage. Mr. Cohen inquired how much damage there was and if there was any danger from another event like this in the future.

Mr. McGuire and Mr. Gubala answered: Some rock around where the diffuser comes out was lost as well as slightly up stream at the corner of the lot. 5-6 feet of rock was lost and about 10 feet of pavement. JPD was on site and indicated there were vehicles parked against the fence line that were in danger of sliding into the river. Regarding the danger for future floods, this could happen again, yes. EPW Engineers moved fast to get the bank re-rocked and a replacement fence installed. Isostatic rebound is also a challenge. In addition to uplifting, Juneau is also pitching towards the East every year. That's been noticeable in Skagway with the Skagway River forcing itself onto that side of the bank.

Mr. McGuire showed some Google Earth overview photos of the Dike trail from 2016, 2020, and 2023. Changes to the river are visible in each photo, which helps do demonstrate how the Utility can be impacted near the river. There are 3 lift stations on Lake View drive, and in some other places. In the past pumps had been covered with water, but that wasn't a problem. This time water went up over the electric and it had to dry out before they could start up. View Drive was one place where the Utility had to wait for it to dry out. One pump was going and the other had to dry out. In this CIP request the Utility wants to move these electrical panels up and get them out of the way of future outburst floods.

G. NEXT MEETING DATE

8. October 12, 2023 – 5:15 PM

J. ADJOURNMENT – Meeting adjourned at 6:50 pm

ADA accommodations available upon request: Please contact the Clerk's office 36 hours prior to any meeting so arrangements can be made for closed captioning or sign language interpreter services depending on the meeting format. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.gov.

UTILITY ADVISORY BOARD SPECIAL SESSION MINUTES - DRAFT

December 18, 2023 at 5:15 PM

Zoom Webinar

https://juneau.zoom.us/j/83013202186 or 1-253-215-8782 Meeting ID: 830 1320 2186

A. CALL TO ORDER

The meeting was called to order at 5:19pm by Chair Campbell.

B. ROLL CALL

Members Present: Chair Andrew Campbell (Zoom), Janet Hall Schempf (Zoom), Geoff Larson (Zoom), Stuart Cohen (Zoom)

CBJ Staff: Brian McGuire (Zoom), Utilities Superintendent; Denise Koch (Zoom), EPW Director; Chad Gubala, Utilities Product & Treatment Manager (Zoom); Ty Yamaoka, Utilities Administrative Coordinator

C. APPROVAL OF AGENDA

Approved at 05:19PM

D. AGENDA TOPICS

1. Legislative Priorities (FOG/Grit) & Rate Increase Discussion
Mr. Larson indicated the Assembly is going to need to come to a decision over the holidays about State Legislature funding requests. There is an opportunity to reach out to the assembly to raise awareness about Utility projects and work to increase the priority of related projects.

Chair Campbell indicated that the goal is to bump a project up related to pretreatment removal technologies for FOG at the MWWTP. Chair Cambell offered to speak to the Mayor and Ella Atkison.

Mr. Larson indicated he had already had in informal conversation with Wade Bryson. He also agreed to meet with Alicia Hughes-Skandijs and Paul Kelly.

Mr. Cohen indicated he could talk to Christine Woll and Michelle Hale. He then asked Mr. Gubala about the consolidated waste stream and whether he had reached out to other towns about their data.

Mr. Gubala has reached out to Whitehorse and Anchorage. Whitehorse: their specific burner is dedicated to used motor oil. They have looked at how they might be able to recycle FOG as well but could not find enough material that would have a clear specific use. Anchorage: There were attempts to get something up and running in the past, but it did not work out. In Juneau there is a chance that FOG can be dealt with locally, eventually. Some things with PFAS would need to be worked out. Mr. Cohen asked if there is PFAS in the FOG, and Mr. Gubala and Mr. Larson indicated that it was possible. There are things in FOG (lipids) that can capture PFAS. PFAS tends to bind with proteins. There is data that shows municipal wastewater systems concentrate PFAS. There is an opportunity to raise awareness about FOG.

Mrs. Hall-Schempf offered to meet with Barbara Blake and Greg Smith.

Mr. Cohen asked if Mr. Gubala sent talking points in the past about the pitch and if CBJ is in violation due to FOG?

Mr. Gubala indicated that FOG contributes to CBJ challenges as it inhibits the treatment process and is a high intensity waste. Reducing it enhances treatment performance and cuts down on loading. There is an argument to be made that reducing the loading will create additional space for growth at MWWTP to take on additional domestic loads in the future. Layering in this plant upgrade with other efforts to engage in source control and to use social mechanisms to reduce domestic loading of FOG, there is an opportunity for increased capacity.

Mr. Larson asked about how much money would be needed based on previous year requests. Ms. Koch answered that the previous request was for $6 million. Mr. Larson pointed out that this also falls into line with future compliance expectations. Mr. Gubala pointed out that CBJ is technically in a grace period for those compliance requirements, which ends in 2025. After the end of 2025 there are stipulated penalties. If CBJ returns to permit overages there will be health and safety issues as well as financial issues related to regulatory fines.

Mr. Cohen asked about the lead time needed on this project, including shipping and installation, if approved. Mr. Gubala indicated it could take 12-18 months, and that having the process underway would help in conversations with regulators.

Mr. McGuire changed the subject at this point to discuss a memo that he was going to send out about rate increases. He indicated that the memo might be helpful related to the conversations with assembly members. The memo outlines the need for significant rate increases and/or bonds to cover critical projects. Based on conversations with Docks and Harbors, doing a rate study is going to be vital for getting rates increased. Docks and Harbors had asked for increases without doing a study and were denied but were able to get one approved after going back and doing the study.

Chair Campbell indicated that the memo should be helpful because the assembly members often ask a lot of questions, including what the specific ask will be for. Mr. McGuire shared that at the September PWFC meeting, a large number ($10-15 million) was shared. There are several ways to manage the increased costs – including DEC loans, Bonds, etc.

Ms. Koch commented that it is important to let the assembly member know how much money is needed. A 10-15% rate increase is unlikely to be well received and would likely not be approved. Following the Docks and Harbors rate increase was important – it took the rate study and even then, it barely passed, 5-4.

Mr. Larson inquired as to capital project funding. Mr. McGuire responded that the annual plans that are sent out each July have an expressed need of $10-15 million per year. Not everything is picked up, and the Utility completes what it has budgetary and personnel capacity for. Keeping in mind the degradation of the infrastructure, and how that should feed into the next 5-10 years of capital planning, internally CBJ would like to spend $8 million/year for wastewater based on the need and what CBJ can handle. $4 million for water.

Mr. Larson and Ms. Hall Schempf indicated that the conversations should have common talking points and should be able to be short: between 2 and 10 minutes with each assembly members. The 2% increases over the last 5 years were hard fought for and there have been significant changes due to inflation and revenue shortfalls from the cruise industry.

Ms. Koch also added that there have been discussions at the finance committee recently about Bond capacity. The committee has talked about specific projects, including projects for the Utility.

Chair Campbell notes that the rate increases over the last 5 years have been half of what was recommended by UAB. There has also been the loss of sales tax funding. The goal of this outreach is to focus on the FOG project moving. The rate increases can be a longer, later conversation.

Mr. Larson: By getting the prioritization changed and hopeful funding from SOA, there may be a reduction on how much money needs to be found elsewhere, like from rate increases.

Mr. McGuire: The goal of sending the memo is to highlight the funding/rate needs, not to take away from the conversation about the FOG project.

Mr. Larson: Feels strongly that this is a broad-based pitch to enhance Utility services to residences and to the employers who employ those residents. There may be sources of FOG that can be controlled, but residences cannot be so easily controlled. FOG in the system will take decades to come through the system.

Mr. Campbell: The goal is to meet with assembly members by the end of the week, before their next meeting.

Ms. Koch: Today there was a PWFS meeting. The major action that they took was to adopt recommendations from various boards and committees. The next step is a homework assignment for the assembly members over the Christmas break. The assembly should get their response back before January 2nd. Getting in contact with Assembly members this week would be important.

Ms. Hall Schempf agreed to send out the assigned Assembly Members to the UAB via email.

E. NEXT MEETING DATE

8. January 11, 2024

F. ADJOURNMENT – Meeting adjourned at 6:00 pm

ADA accommodations available upon request: Please contact the Clerk's office 36 hours prior to any meeting so arrangements can be made for closed captioning or sign language interpreter services depending on the meeting format. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.gov.

UTILITY ADVISORY BOARD MINUTES

July 11, 2024 at 5:15 PM

Water Utility Shop 2520 Barrett Ave./Zoom Webinar

https://juneau.zoom.us/j/83013202186 or 1-253-215-8782 Meeting ID: 830 1320 2186

A. CALL TO ORDER

Chair Campbell called the meeting to order at 5:17 PM.

B. LAND ACKNOWLEDGEMENT

We would like to acknowledge that the City and Borough of Juneau is on Tlingit land, and wish to honor the indigenous people of this land. For more than ten thousand years, Alaska Native people have been and continue to be integral to the well-being of our community. We are grateful to be in this place, a part of this community, and to honor the culture, traditions, and resilience of the Tlingit people. Gunalchéesh!

C. ROLL CALL

UAB Members Present: Chair Campbell, Mr. Ritter, Mr. Cohen, Mr. Larson, Ms. Hall Schempf (Zoom)

CBJ Staff Present: Brian McGuire, Utilities Superintendent; Denise Koch, EPW Director; Chad Gubala (Zoom), Utilities P&T Plant Manager; Alan Steffert (Zoom), EPW Engineer; Nathan Bodenstadt, Utilities Admin Coordinator

D. APPROVAL OF AGENDA

Approved without objection.

E. APPROVAL OF MINUTES

1. December 14, 2023 - Regular Meeting

   Approved without Objection.

2. February 01, 2024 - Regular Meeting

   Approved without objection.

3. March 14, 2024 - Regular Meeting

   Approved without objection.

F. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

No members of the public present.

G. AGENDA TOPICS

4. Discuss 2024 UAB Annual Report Draft (2023 report attached for reference)

   Chair Campbell thanked Ms. Hall Schempf for putting together the draft document.

   Ms. Hall Schempf walked through the document with the UAB members, and discussed items that were not yet finalized. Discussion included marine passenger fees, utilities cost escalations due to inflation, outreach and education efforts, UAB vacancies, and pieces to be updated by CBJ staff, including the UAB attendance table and an update to CBJ staff listings.

   One addition was added to Attachment B (Utilities Rate History) at the request of Mr. Larson. This addition more clearly indicated that past rate increases to the Utilities has a deficit of funding due to past rate increases being smaller than necessary to maintain proper revenue flow. Mr. Ritter inquired as to how CBJ/UAB could calculate what that deficit was, taking into account inflation and past rate increases. Chair Campbell indicated that conversation should occur as a part of a future discussion. Ms. Koch asked Mr. McGuire to include that as a part of the current CBJ Utilities Rate Study.

Chair Campbell inquired if there were any objections to the board approving the annual report, pending the changes that were discussed in the meeting. There were no objections.

5. Board Update and Board Member Recruitment (Resolution 2299 Section 2)

   UAB members reviewed Resolution 2099 (UAB establishing resolution) and discussed the current board vacancy. Some names had been discussed at previous meetings, but those individuals were not interested in joining UAB. Previously a posting had been put out by the City Clerks office that included a number of board vacancies, including UAB. There were not any appications received from that outreach.

   UAB discussed what types of individuals might qualify based on the guidance provided by Resolution 2099 about board makeup. A number of current UAB members could be considered to fit into different categories, giving some flexibility about who might be eligible. The UAB also agreed that the position had been vacant for long enough that the primary focus of recruitment should be to find someone interested, not necessarily someone who fit the explicit recommentations in Resolution 2099.

   Chair Campbell agreed to take on the task of finding a new UAB member.

6. Utility Update

   Mr. McGuire gave an update on various subjects related to the CBJ Utility, including CDS Recommendations, Bonds, Rate Study, and Wastewater Plant Capacity.

   <u>CDS:</u>

   With letters of support from UAB, the Utility submitted recommendations for legislative priorities to the State Legislative delegation through the City Manager's office several months ago. Mr. McGuire thanked the UAB for their support. Utilities projects were not picked up by state legislators this year.

   <u>Bond:</u>

   The CBJ Assembly has approved a request to propose a $10 Million bond to Juneau voters this fall that would provide the Utility funding for major projects. The primary identified project is the Juneau-Douglas Treatment Plant Clarifier building, which is quite aged. Mr. McGuire showed UAB photos of the building and it's significant degradation. The Clarifier itself is in good working order but it needs a new building surround. An engineering firm has been inspecting the building and is putting together an estimate for replacing it. There is optimism that the estimate will be lower than initially expected as the foundation of the current building is in better condition than previously thought. Mr. Cohen inquired as to whether or not a bond transfers the burden of this cost from the Utilities Rate Payer to Property Tax Payers and if property tax would need to be raised to cover the bond. Ms. Koch responded, indicating that the Bond would be covered by the General Fund, which is made up of both property tax and sales tax revenue. A $10 million bond is significant, but not the nearly the largest burden placed upon the general fund, especially taking into account the current budgetary challenges of the Juneau School District and Bartlett Regional Hospital. Mr. Cohen indicated that there was already some concern about the bond being expressed on social media and that he was working to respond and educate individuals who were posting.

   <u>Rate Study:</u>

   Mr. McGuire discussed the current Utilities Rate Study that was taken on by DOWL and FCS. Past experience with rate increases has shown that doing a study makes for a much stronger argument when the Assembly gets involved. CBJ has provided data and met with the contractors on the rate study and they are making progress. Ideally DOWL/FCS will present to the PWFC Committee in August, and if properly approved, the full Assembly in September. Mr. Larson commented on two past rate studies completed in 2003 and 2013. In 2003, there was a significant rate increase proposed without public comment or prior introduction, and that was not well received. In 2013 the contractors held several public forums prior to meeting with the Juneau Assembly that included a presentation and a Q&A session for individuals. Mr. Campbell also indicated that if information could be shared with UAB before public or assembly presentations, the UAB members could do outreach to the Assembly to express their support and educate. Ms. Koch and Mr. McGuire indicated that they would share information with UAB as they received it and that public engagement is in the current DOWL/FCS Rate Study contract. Mr. Larson noted that the aim of the Rate Study should be to come up with a 5-year plan for rate increases as completing these rate studies and requesting increases annually take up significant staff time and financial resources.

<u>Wastewater Plant Capacity:</u>

Mr. McGuire gave an overview of the Wastewater collections system and plants in Juneau, including the Mendenhall Wastewater Treatment Plant (MWWTP), Auke Bay Treatment Plant (ABTP), and Juneau-Douglas Treatment Plant (JDTP). As Juneau continues to expand housing development, especially with the possibility of a second Douglas crossing, the Utility is carefully considering plant capacity. Current and possible future developments are most likely to impact the MWWTP plant capacity, which is the closest to maximum capacity today. Ways to manage capacity include adding new assets (i.e. new plants or technologies at current plants) and/or reducing the current load on a plant by redirecting flow.

Following this discussion, the rest of the Utilities Update was skipped to move on to other agenda items. Items to be covered in a future meeting include: The 2023 Annual Water Quality Report, Lead Service Line Inventory Update, Salmon Creek Penstock Construction Update, EPA Visits, and PFAS/Microplastics Regulatory Updates.

7. Presentation: Non-Resident Wastewater Disposal

Mr. Cohen started a discussion about non-resident utility rates. Based on his knowledge, cruise ships are the only current non-resident utility users. Mr. Cohen argued that utility rates are not equitable between residents and non-residents due to residents paying property tax and sales tax in addition to Utility rates. Mr. Cohen's goal for the presentation was to request a rate increase for non-resident users, up to 3 times the current rate. Mr. Cohen indicated that CBJ should consider reaching out to other municipalities where Cruise ships offload wastewater to complete a rate comparison. Mr. Cohen also asked where the standards for the current rates came from, who created them, and how long they had been around. Mr. McGuire indicated that CBJ staff had been unable to find any information on that subject.

Ms. Koch informed the UAB group that she has met with the CBJ Department of Law on this subject. CBJ Law indicated that having a different rate for resident and non-resident users would not be legal. Ms. Koch also asked about if rates could be raised on cruise ships specifically. CBJ law provided two relevant Alaska Statues. AK 42.05.381 - "All rates demanded or received by a public utility, or by any two or more public utilities jointly, for a service furnished or to be furnished, shall be just and reasonable." AK 42.05.391 - Discrimination in Rates: "A public utility may not establish or maintain an unreasonable difference as to rates, either as between localities or between classes of service." Mr. Cohen responded that he did not feel that the statutes would necessarily preclude an increase on cruise ships, and that he felt they were currently paying an unreasonable rate.

Mr. McGuire explained that currently cruise ships are paid the same base rate as a commercial customer in Juneau, but that cruise ships would pay an additional cost based on their wastewater loading. The rate is 2.5 to 3 times what a Juneau resident pays based on that loading. Mr. McGuire also looked at the plant capacity, and on days that cruise ships discharge, they made up about 15% of the plant capacity.

Mr. Cohen asked if it costs more to process more concentrated waste. Mr. McGuire responded that the cost to process the waste would not be double or triple what standard waste would pay. Mr. Larson also indicated that the JD plant has capacity and there is not an issue of running out of capacity. Mr. Larson also expressed that raising rates may precipitate a lawsuit or that revenue may be lost if cruise ships elected to process elsewhere. Mr. Cohen indicated that his understanding was that these ships had to discharge in Juneau, which is why they were doing so. Chair Campbell indicated that although it's currently unknown how the rates were setup for cruise ships, it likely did include negotiation with cruise lines. Any rate increase would need to be incremental and CBJ should proceed with caution. By learning more, it may be possible to come up with a fair way to change rates for cruise ships. Ms. Koch indicated that one option for Cruise Ships is to change their itineraries to not stop in Juneau and instead change their route to allow for offshore dumping. Mr. Campbell expressed concern about approaching the Assembly to ask for a tripling of rate increases for cruise ships. Ms. Hall Schempf noted that the role of the UAB is to do what is best for the Utility and for the broader Community. As an advisory board, UAB can make recommendations, even if they are not politically popular.

Mr. Larson suggested looking at ways to partner with the cruise industry in a manner similar to the current head tax. For example, improvements to the JDTP that would allow Juneau to better serve cruise ships and reduce the impact on the plant. Mr. McGuire indicated that there was an ask for Marine Passenger Fees this year to purchase a surge tank for JDTP. Ms. Koch indicated that submitting for Marine Passenger Fees for next year would be a possibility, and UAB could provide a support letter. Mr. Cohen indicated that using Marine Passenger Fees in this manner would take away from other possible projects.

Chair Campbell requested that CBJ staff continue to research how the current cruise ship rates were determined, if there was a negotiation, etc. That could inform future discussions. Mr. Cohen also requested that CBJ staff contact other municipalities where offloading is occurring to learn more about their treatment process and their rates.

8. Presentation: UAB Energy Conservation/Cost Cutting for CBJ Utilities

   This item was moved to the next meeting due to having gone well over the allotted time for the July meeting.

H. NEXT MEETING DATE

9. August 8, 2024 at 5:15 PM

I. SUPPLEMENTAL MATERIALS

10. 2023 Annual Water Quality Report

J. ADJOURNMENT

Meeting adjourned at 6:44 PM.

ADA accommodations available upon request: Please contact the Clerk's office 36 hours prior to any meeting so arrangements can be made for closed captioning or sign language interpreter services depending on the meeting format. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.gov.

PWFC
Proposed Utility Rate Increase

Brian McGuire

8/8/2024

Agenda

- Overview of Utility Assets
- Rate Increase Revisit
- Rate Study
- Utility Goals

Section G, Item 5.

Utility Wastewater Infrastructure:

1.2B GALLONS EVERY YEAR

Wastewater Treatment &Collections

3 Wastewater Treatment Plants

Mendenhall –	1960/1989
Juneau-Douglas -	1970's
Auke Bay -	1970's/1997

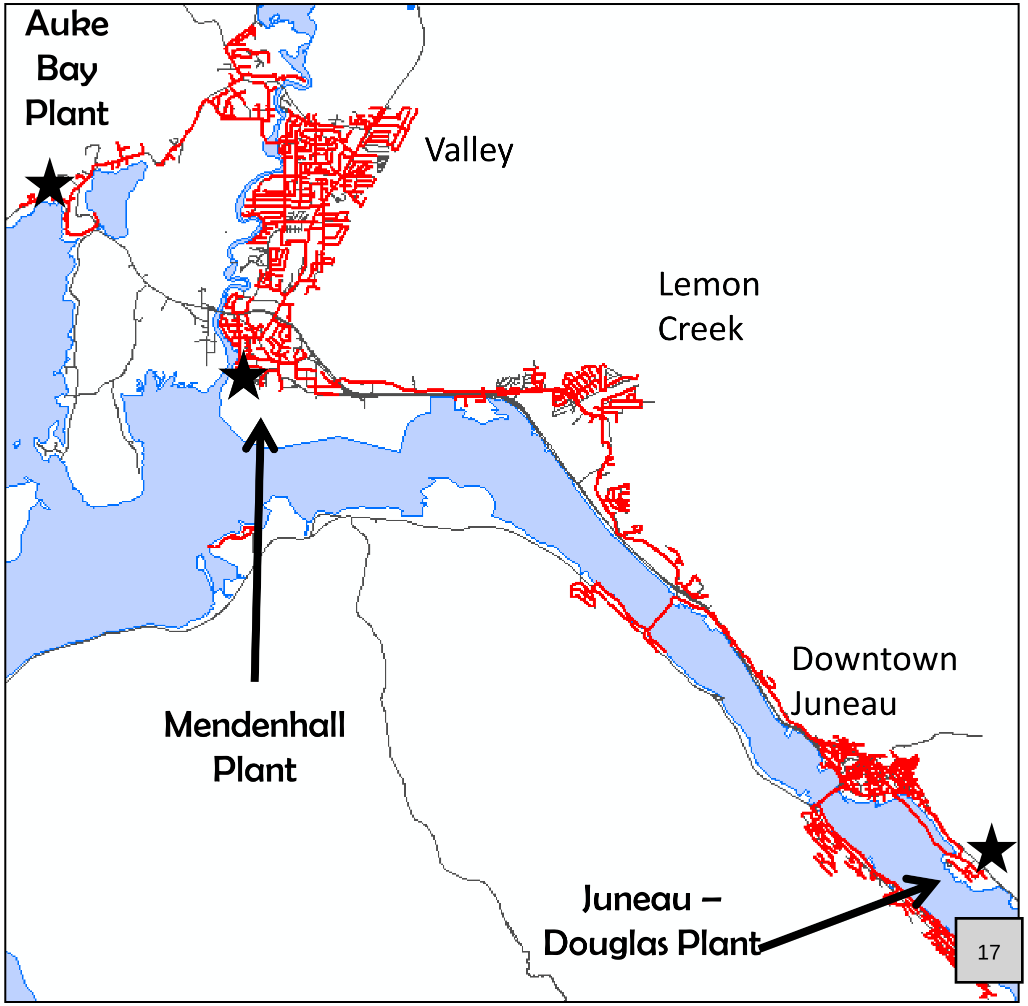
12 clarifying basins (in the plants)

45 Sewer Lift Stations

140 Miles of Pipes

7100 Service Connections

$109 Million – Original Cost



Section G, Item 5.

Utility Water Infrastructure:

PRODUCES
1.1B
GALLONS
EVERY
YEAR

Water Production & Distribution

2 Water Sources & Treatment Facilities

6 Reservoirs

3 Contact Tanks

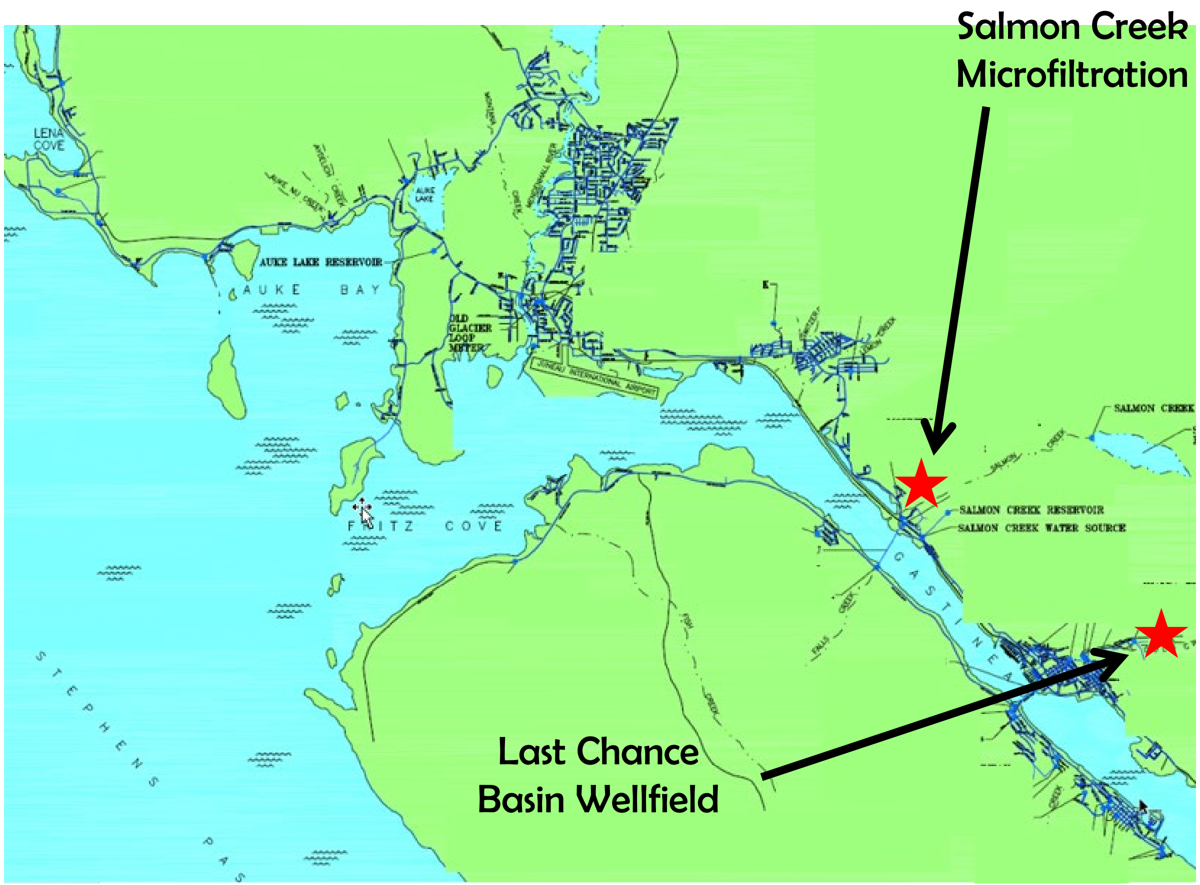
8 Pump Stations

37 Pressure Regulating Values

175 Miles of Pipes

8500 Service Connections

$113 Million – Original Cost



Water & Sewer Rate Increase

- Last Utility Rate Increase took effect FY 25 (7/1/24 – 6/30/25)

- Request: Increase during period FY26-FY30

State of the Effort

- September 2023 – Presented to PWFC on rates.

  – Funding Increases of 10-15%

  ($15 - $22)

  - Via Rates, Bonds, Combo, other?

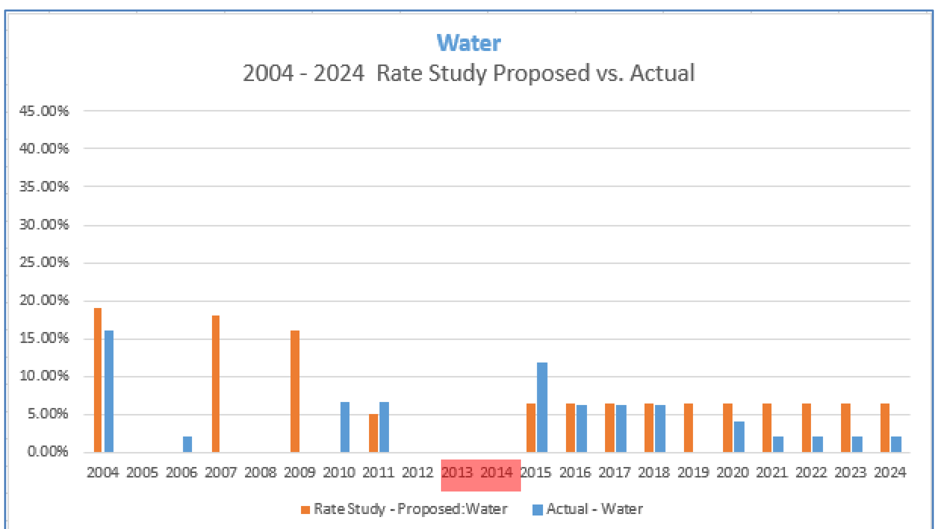
The Utility has been working with UAB for over a year. UAB is supportive of rate increases.

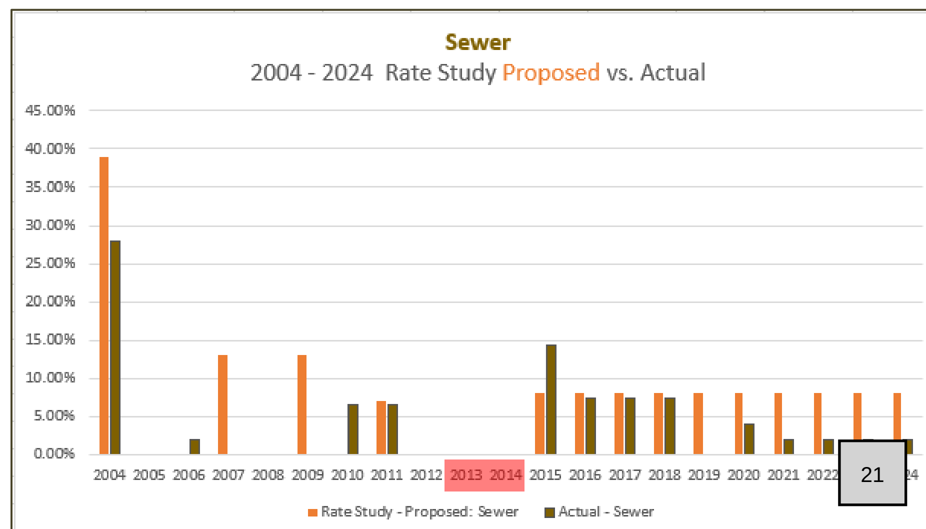
CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY
UTILITIES DIVISION

How we got here

Utility Timeline

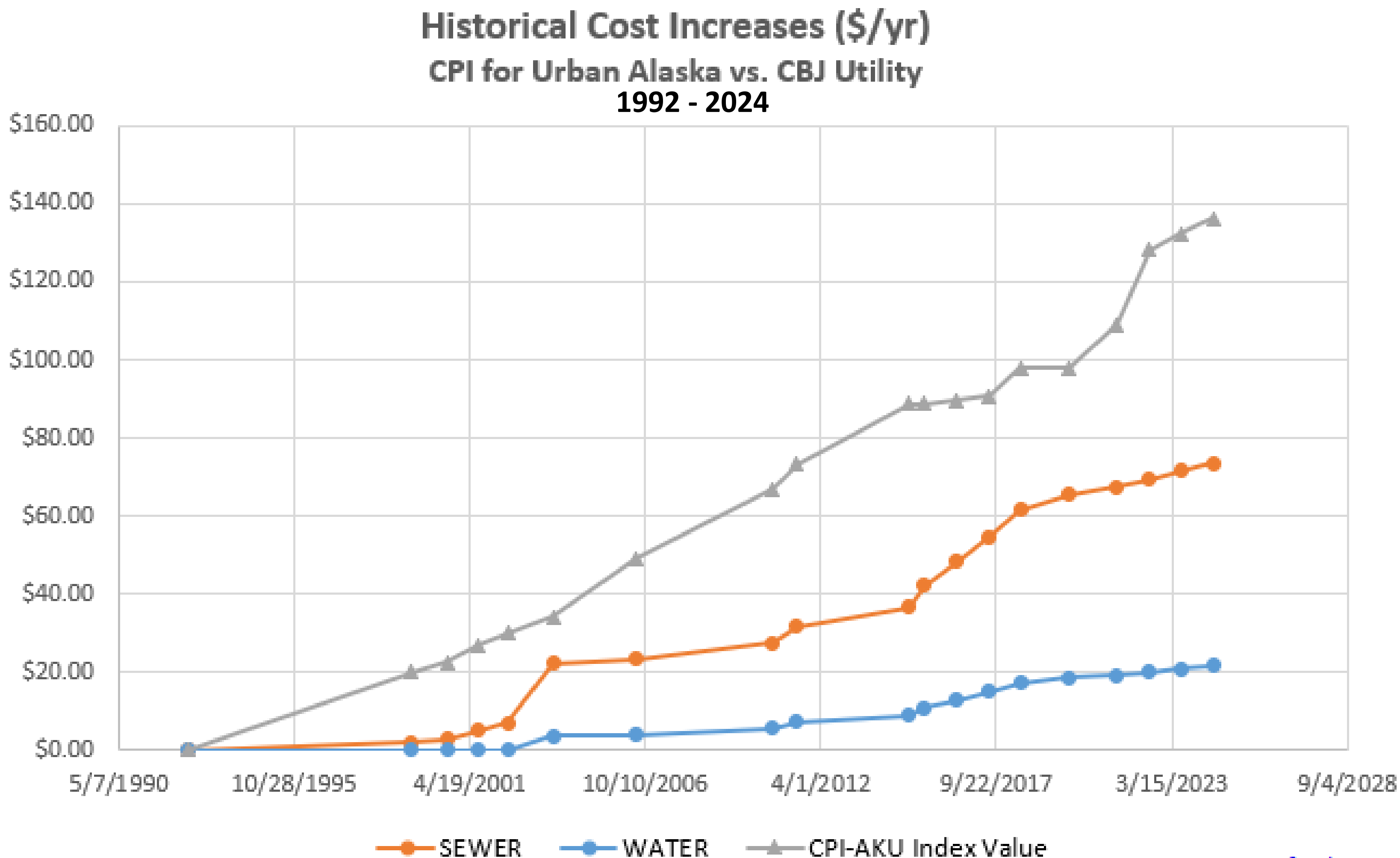
1984 - 2003	2004 - 2024
• Relatively new • MWWTP Modernization • Few Rate Increases • Utility had overall operating loss • No Depreciation	• 1st Rate Study • Formation of Utilities Advisory Board • Began Rate Increase Efforts • Overall, increases below recommendations • Sales Tax ($4MM, $13.5MM)





Note: FY2013 & FY2014 were not covered under the past rate studies

Water & Sewer Rate History



Source: U.S. Bureau of Labor Statistics

Utility Goal

Supporting Community Health through Provision of Essential Services

- Reliability
- Resilience
- Maintenance
- Safety/Security

Outside Expertise

- Hired FCS for:
  - Broad utility expertise
  - Deep accounting expertise
  - Objectivity

Thank you

CITY AND BOROUGH OF JUNEAU

Water & Wastewater Rate Study

Paul Quinn, Project Manager
Angie Sanchez Virnoche, Principal

August 05, 2024

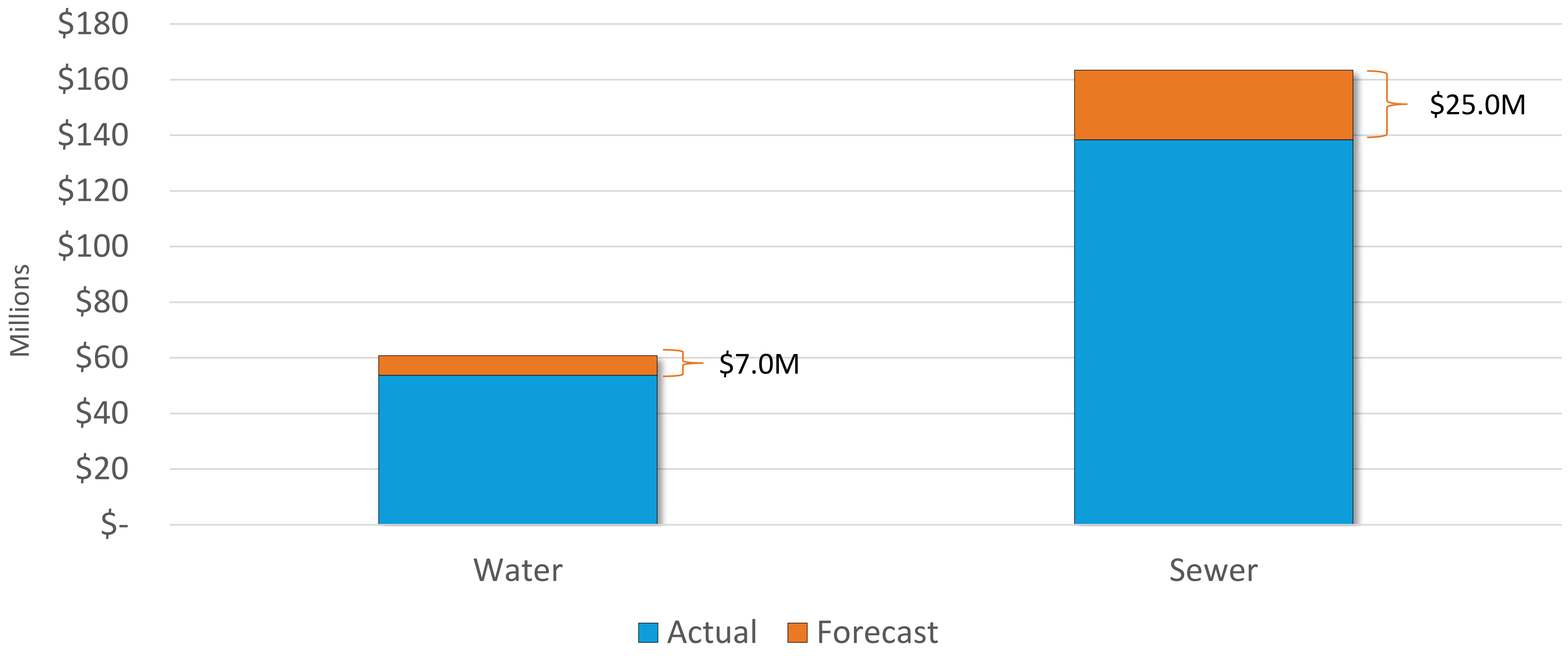
FCS GROUP
Solutions-Oriented Consulting

Agenda

- Review of past rate study
- Overview of revenue requirement
- Key assumptions
- Preliminary results
- Feedback

Forecast vs. Actual Revenue Difference

- Compares total forecast rate revenue vs. actual collected from FY2014 – FY2024



Rate Study Components

Cash Needs

- O&M Costs
- Debt Service
- Capital Needs
- Cash Reserves
- Fiscal Policies

Long-Range Financial Planning Model

Resources

- Monthly Rates
- Misc. Fees
- Cash Reserves
- Debt Proceeds

Craft a multi-year rate and financing plan to support the operations and capital needs of each utility

Financial Forecast Key Assumptions

Forecast Basis
Study Period: FY2025-2030
Budget: FY 2025 and 2026 used as baseline

Reserve Target
90 days of Operating Expenses + 2% of Assets

Customer Growth
Minimal Growth

Annual Rate Revenue
Water: $5.6M
Sewer: $15.3M

Operating Expense Inflation
4.0% to 5.0% annual cost inflation factors

Capital Expense Inflation
5.0% to 7.0% annual cost inflation

Existing Debt Service
Water: $0.3M
Sewer: $1.3M

Capital Plan
Water: $4.1M avg. annual
Sewer: $5.9M avg. annual

Capital Plan

- Developed by DOWL in consultation with the utilities
  - Three alternatives developed
  - Smallest capital plan available for the utilities selected for today's consideration
- FY2026-2030
- Addresses some of the highest priority projects
  - Defers majority of projects beyond study period (FY2030)
- Risk to utility service exists under this plan

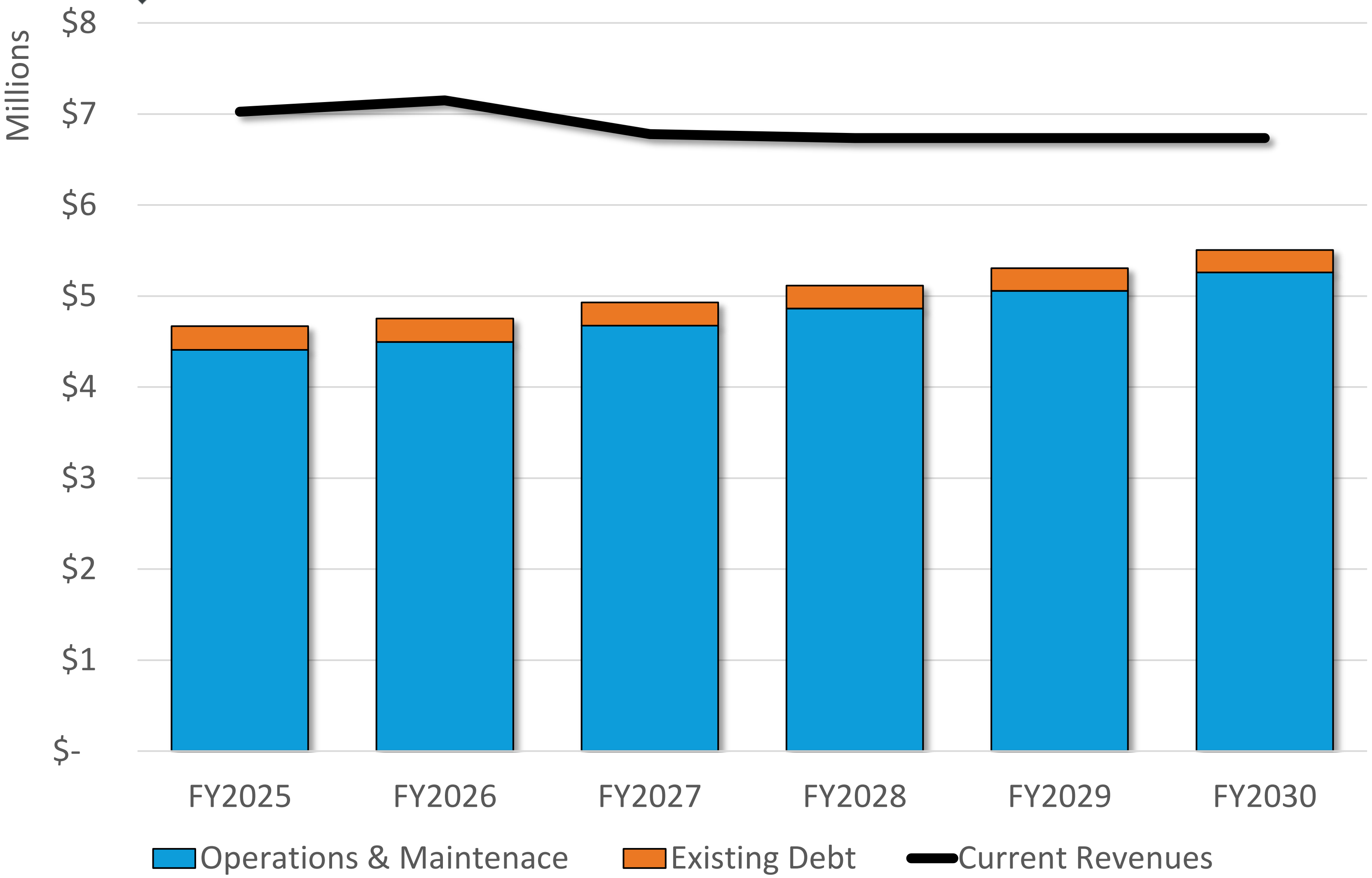
Capital Plan vs. Current Assets

- Water infrastructure
  - » 2 water sources and treatment facilities
  - » 6 reservoirs
  - » 8 pump stations
  - » 175 miles of pipes
- Sewer infrastructure
  - » 3 wastewater treatment plants
  - » 45 lift stations
  - » 12 clarifying basins
  - » 140 miles of pipes

Description ($M)	Water	Sewer
Reproduction Cost of Assets	$264.1	$263.5
FY25 – FY30 CIP	$24.7	$35.6
CIP as a % of Assets	9.4%	13.5%

Water Utility

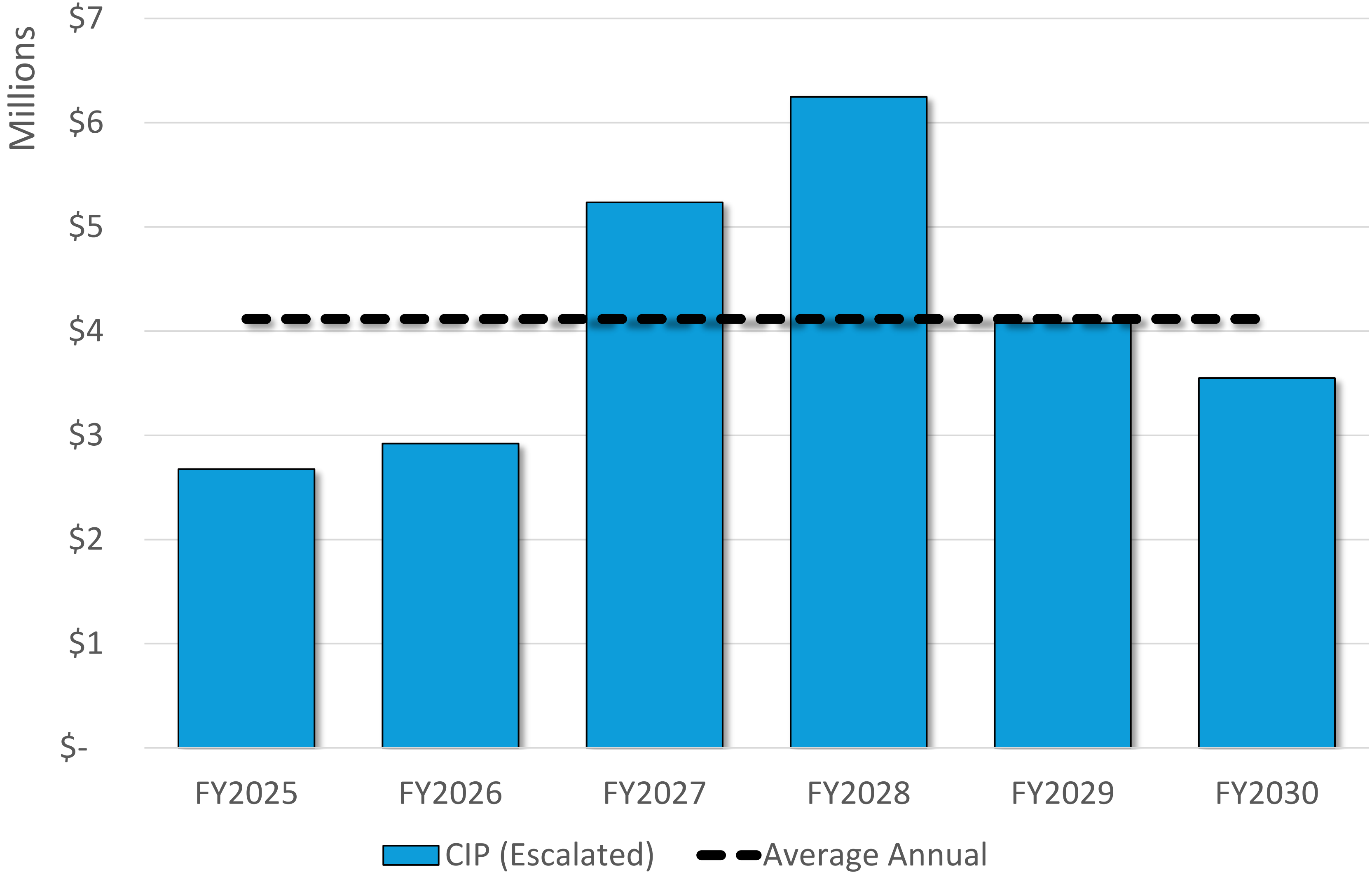
Water Operating Obligations



- O&M costs: $4.4 - 5.3M
- Debt: $0.3M annually
- Revenue: $6.7 – 7.0M

- Under current rates average of $1.8M available for capital each year

Water Capital Plan



- $24.7M in total capital spending needs
- $4.1M average annual capital spending
- ***<u>Deferring $141.1M beyond FY2030</u>***

Water Capital Funding Options

- Scenario 1: 100% Cash Funding
  - » Completely fund the capital plan through available fund balance or rate increase
  - » Results in the highest rate impacts

- Scenario 2: Debt Funding
  - » Issue the maximum amount of debt that may be available
  - » Assumed to be 20% of FY2026-2030 capital funded through State loans
    - – $4.3M in debt proceeds

Alaska Loan Forgiveness

- State loans are assumed to be paid back by the utilities
- State offers loan forgiveness/grants
  - Prioritizes disadvantaged communities
  - Looks at various metrics including
    - Lowest quintile income relative to state's figure
    - Utility rates relative to lowest quintile income
    - Number of households receiving SNAP benefits
    - Number of households below poverty level relative to state average
    - Unemployment rates relative to state average
    - Population change
- <u>Juneau is not a good candidate for loan forgiveness/grants</u>

Water Scenario Comparisons

Fixed Residential Bill	Current	FY2026	FY2027	FY2028	FY2029	FY2030
Cash Funding	$40.72	$44.89	$49.50	$54.57	$60.16	$66.33
Debt Funding	$40.72	$43.57	$46.62	$49.88	$53.38	$57.11

FY30 Moderate CIP
$114.64
$95.15

$ Change to Bill	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Cash Funding	$4.17	$4.60	$5.07	$5.59	$6.17	**$25.61**
Debt Funding	$2.85	$3.05	$3.26	$3.49	$3.74	**$16.39**

Debt Proceeds ($M)	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Cash Funding	$-	$-	$-	$-	$-	**$-**
Debt Funding	$0.60	$1.00	$1.20	$0.80	$0.70	**$4.30**

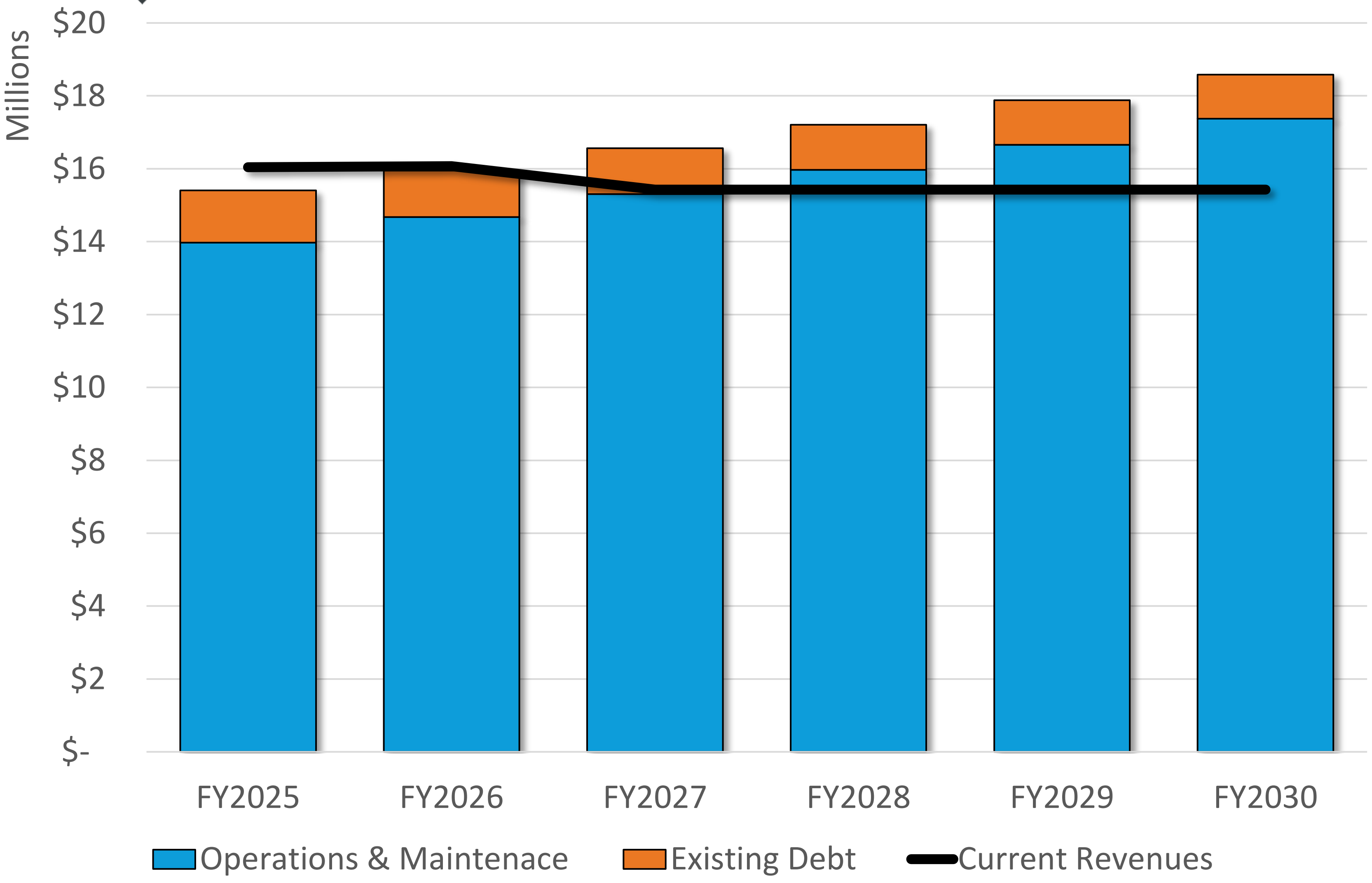
% Rate Adjustments	FY2026	FY2027	FY2028	FY2029	FY2030
Cash Funding	10.25%	10.25%	10.25%	10.25%	10.25%
Debt Funding	7.00%	7.00%	7.00%	7.00%	7.00%

FY26 Moderate CIP
23.00%
18.50%

Note: Rate adjustments would apply to all customers

Sewer Utility

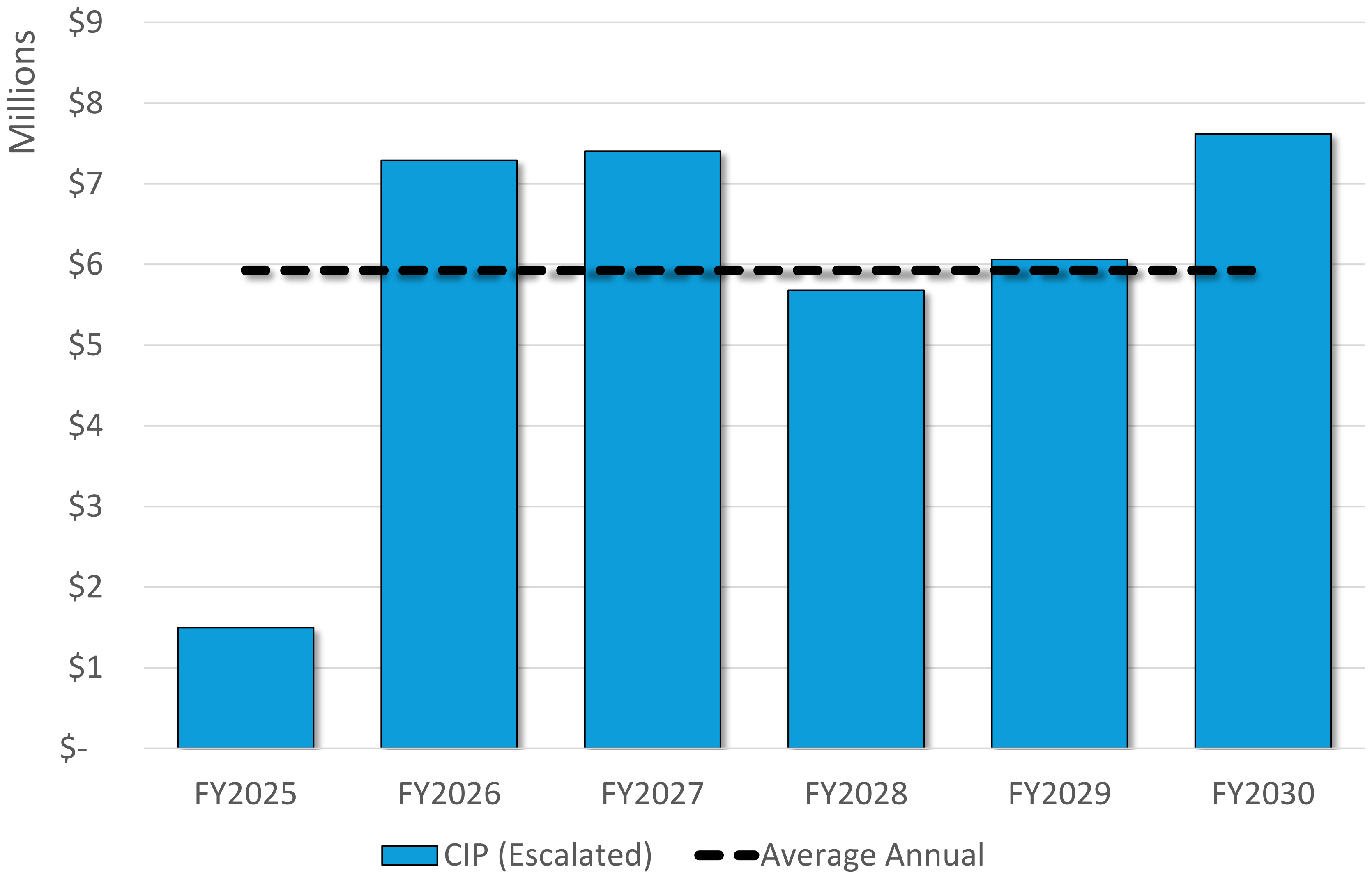
Sewer Operating Obligations



- O&M costs: $14.0 – 17.4M
- Debt: $1.2 – $1.4M
- Revenue: $15.4 – $16.1M

- No cash generated for capital
  - » Rate increase necessary to address operating deficiency

Sewer Capital Plan



- $35.6M in total capital spending needs
- $5.9M average annual capital spending
- ***<u>Deferring $210.5M beyond FY2030</u>***

Sewer Capital Funding Options

- Scenario 1: 100% Cash Funding
  - » Completely fund the capital plan through available fund balance or rate increase
    - – Includes JD clarifier project
  - » Results in the highest rate impacts
- Scenario 2: Bond Vote Passes & Cash
  - » Issue $10.0M of bonds to fund the JD clarifier
    - – Debt to be repaid through property taxes
  - » All other projects cash funded
- Scenario 3: Bond Vote Passes & Debt
  - » Bond vote passes & utility secures the maximum amount of State loans that may be available
  - » Assumed to be 20% of FY2026-2030 capital funded through State loans
    - – $4.8M in debt proceeds
    - – Clarifier project to be funded through separate $10.0M bond

Sewer Scenario Comparisons

Fixed Residential Bill	Current	FY2026	FY2027	FY2028	FY2029	FY2030	FY30 Moderate CIP
Cash Funding	$106.08	$142.15	$167.73	$176.12	$184.93	$194.17	$225.47
Bond Vote Passes & Cash	$106.08	$119.61	$134.85	$152.05	$170.67	$191.58	$219.71
Bond Vote Passes & Debt	$106.08	$118.28	$131.88	$147.05	$163.22	$181.18	$212.26

$ Change to Bill	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Cash Funding	$36.07	$25.59	$8.39	$8.81	$9.25	**$88.09**
Bond Vote Passes & Cash	$13.53	$15.25	$17.19	$18.63	$20.91	**$85.50**
Bond Vote Passes & Debt	$12.20	$13.60	$15.17	$16.18	$17.95	**$75.10**

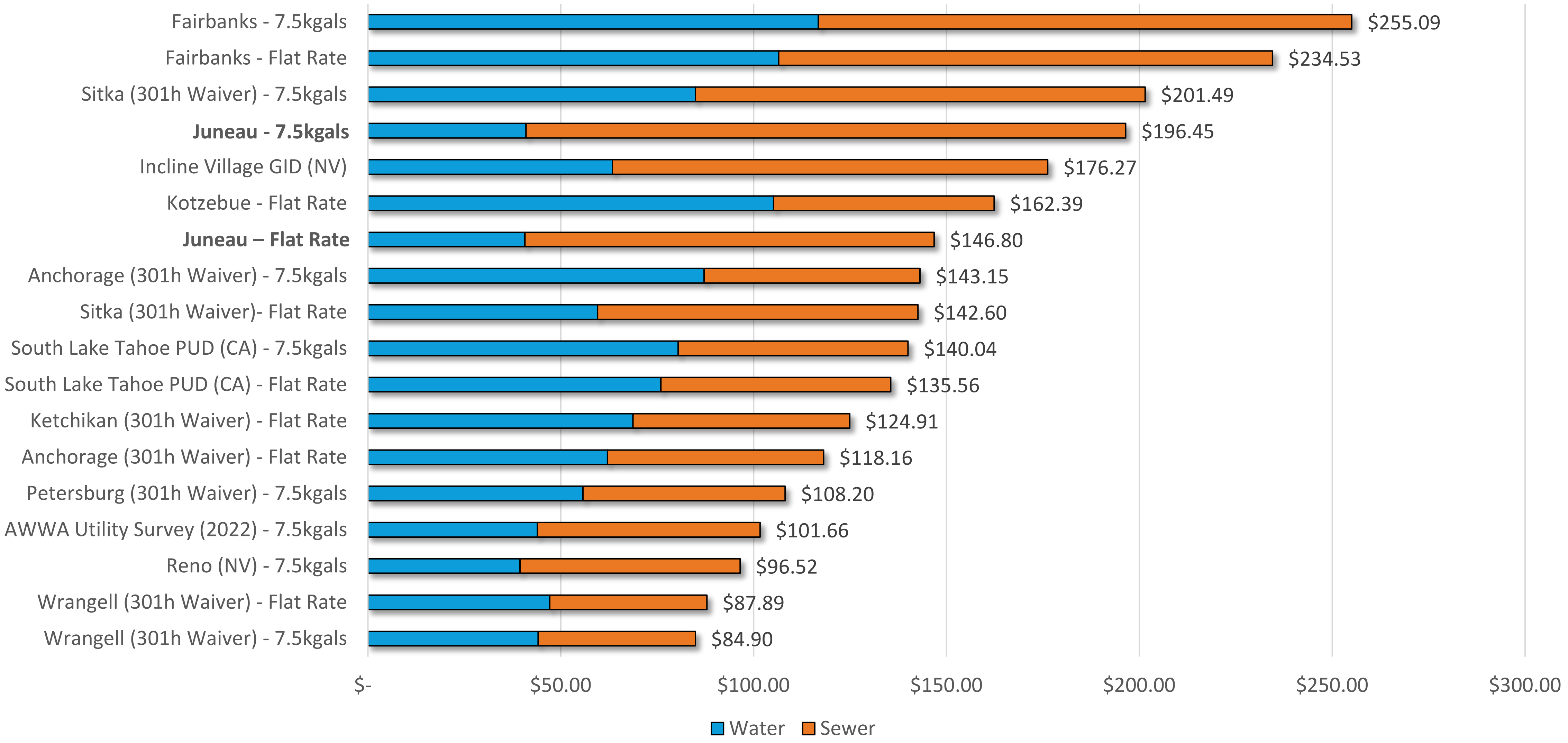
Debt Proceeds ($M)	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Cash Funding	$-	$-	$-	$-	$-	**$-**
Bond Vote Passes & Cash	$10.00	$-	$-	$-	$-	**$10.00**
Bond Vote Passes & Debt	$10.50	$0.50	$1.10	$1.20	$1.50	**$14.80**

% Rate Adjustments	FY2026	FY2027	FY2028	FY2029	FY2030	FY26 Moderate CIP
Cash Funding	34.00%	18.00%	5.00%	5.00%	5.00%	95.00%
Bond Vote Passes & Cash	12.75%	12.75%	12.75%	12.25%	12.25%	65.00%
Bond Vote Passes & Debt	11.50%	11.50%	11.50%	11.00%	11.00%	50.00%

Note: Rate adjustments would apply to all customers | Clarifier bond to be repaid through property taxes

Conclusion

Rate Benchmarking



Note: AWWA represents median of utilities surveyed

Next Steps / Discussion

- Water Rate Scenarios:

Fixed Residential Bill	Existing	FY2026	FY2027	FY2028	FY2029	FY2030
Cash Funding	$40.72	$44.89	$49.50	$54.57	$60.16	$66.33
$ Change to Bill		*$4.17*	*$4.60*	*$5.07*	*$5.59*	*$6.17*
Debt Funding	$40.72	$43.57	$46.62	$49.88	$53.38	$57.11
$ Change to Bill		*$2.85*	*$3.05*	*$3.26*	*$3.49*	*$3.74*

- Sewer Rate Scenarios:

Fixed Residential Bill	Existing	FY2026	FY2027	FY2028	FY2029	FY2030
Cash Funding	$106.08	$142.15	$167.73	$176.12	$184.93	$194.17
$ Change to Bill		*$36.07*	*$25.59*	*$8.39*	*$8.81*	*$9.25*
Bond Vote Passes & Cash	$106.08	$119.61	$134.85	$152.05	$170.67	$191.58
$ Change to Bill		*$13.53*	*$15.25*	*$17.19*	*$18.63*	*$20.91*
Bond Vote Passes & Debt	$106.08	$118.28	$131.88	$147.05	$163.22	$181.18
$ Change to Bill		*$12.20*	*$13.60*	*$15.17*	*$16.18*	*$17.95*

- Feedback?

Thank you!
Questions?

www.fcsgroup.com

FCS GROUP
Solutions-Oriented Consulting