



City of Davis

Utility Rate Advisory Commission Minutes

Community Chambers Conference Room, 23 Russell Boulevard, Davis CA 95616

Wednesday, July 17, 2019

6:30 P.M.

Commissioner Members Present: Gerry Braun, Olof Bystrom, Linda Deos, Jacques Franco, Lorenzo Kristov, Elaine Roberts-Musser, Johannes Troost (Chair)

Absent: Matt Williams (Alternate)

Staff Present: Stan Gryczko, Public Works - Utilities & Operations Director
Adrienne Heinig, Management Analyst

Additional Attending: Courtney Hall, Natural Resources Commission
Richard Tsai, Environmental Resources Manager
John Johnston

1. Call to Order and Roll Call

Meeting was called to order by Chairperson Troost at 6:29pm.

2. Approval of Agenda

L Deos moved to approve the agenda, seconded by O Bystrom. The motion passed as follows:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Roberts-Musser, Troost

Noes:

Absent: Williams

3. Brief Announcements from Staff, Commission Members, and City Council Members

This item was skipped.

4. Public Comment

None.

5. Consent Calendar

Prior to action being taken on the consent calendar, Item 6A was pulled for discussion.

A. Water Cost of Service Study Draft Request for Proposals

E Roberts-Musser requested that the section on the Rate Design Analysis on page 5 include reference to water budgets, and J Troost identified a clerical error on page 8. J Troost also asked if the cost of service study should take into account water safety, and the impact on the utility infrastructure from wildfires. S Gryczko indicated that the water plant has reported no issues of that nature.

J Troost spoke to the report listing a 20-year financial review, but that it did not address climate change. He indicated that he called around and spoke to some individuals on the

national level in consulting, and found that consulting firms that do rate studies are not including components on, or support staffing for, reviews of the impact of climate change, which should be included in everything (as fits with the City Council's Climate Change Emergency Declaration). He indicated his support that the City of Davis take the lead on the issue and insist on addressing the topic in proposals. He outlined that it is an important issue for rate studies especially, but for all studies, and would look to include a recommendation to the City Council at their next meeting. S Gryczko reiterated that the Cost of Service consultant would be looking at building a model associated with the cost of the utility, including the operations, labor, chemical use costs and costs related to water supply) and would provide placeholders for climate change impacts and resiliency planning, including the estimated costs associated with climate change. He indicated that staff would not look to a rate consultant firm to subcontract the work associated with climate change, rather staff would prefer to engage a consultant on the effort directly. L Kristov asked if it would be relevant for the rate study consultant to do a qualitative description of climate change impacts, and S Gryczko indicated that such work was not the forte of rate model consultant firms.

O Bystrom indicated that the scope of the cost of service study should include consideration of alternative scenarios for water consumption which will enable staff and council to better understand the sensitivity of our rates to changes in underlying fundamentals that drive water consumption (such as droughts, climate change, and economic cycles).

S Gryczko stated that the funding to look at the impacts of climate change is within the current budget for the Water Utility. J Troost indicated that the City should look to take a stand and include the requirement of a review of climate change impacts in the request for proposals. G Braun outlined that the study itself would be more or less valuable to the City, depending on accounting for the changes and review of future scenarios. He stated that there will be impact to customers (it would not be business as usual) and he would like to make sure that additional studies are not needed.

J Franco asked about the Drought Surcharge included in the last Proposition 218 notice, the period of which ended with the last water service charge increase in January of 2019. S Gryczko indicated that the current water study process should look to wrap up in the middle or end of 2020.

J Troost requested that more data be provided from consultants on cost of service studies for education and communication with the public. He stated that ratepayers need to be aware about what the future holds. L Kristov asked to include an item to develop a recommendation that future cost of service studies should include climate change impacts during the discussion of the long range calendar.

6. Regular Items

A. Organics Facility Feasibility Analysis Final Report.

The item was introduced by Richard Tsai, Environmental Resources Manager for the City. He gave a brief PowerPoint presentation, and introduced the consultant group that completed the study, connected via speakerphone to the meeting. He updated the Commission on two items in the report: 1) the option of the old Davis landfill for a location for the organics processing facility site was removed from consideration, as the city was considering other uses for that property, and 2) of the five organics options considered in

the report, the Recology to Jepson Prairie option (of utilizing an existing facility operated by Recology) was recommended to be removed from consideration by the NRC, based on the increased GHG emissions related to moving the material. Clarification was given that the current tipping fee for Yolo County Landfill referenced in the report includes operations and labor costs, but future tipping fees could increase, so are unknown at this time. The Commission discussed the collection of food waste separate from green waste, and the technology associated with the recommended options, as the longer a technology has been in use, the better the cost estimate. In addition, the Commission discussed the estimated capital costs and economic life of Anaerobic Digestion (AD) composting (20 years for the building, 10 years for the process equipment, 7 years for the rolling stock and other equipment) and the possibility of the leasing option at the UC Davis campus, adding to the cost of the program.

When asked about the timeline for the study, R Tsai indicated that staff would return to the City Council in September, as part of the long-term review of the solid waste options. He said the report would also include the short-term waste flow agreement on organics with the Yolo County Landfill. S Gryczko outlined that the timing to obtain permits (regardless of the choice for the operation) would include land use evaluations and CEQA. The Wastewater Treatment Plant owned by the City, and UCD would be established sites, and could possibly accelerate the process of CEQA. However the process would still be 2 to 3 years for development and permitting, followed by 2 to 4 years to operate.

S Gryczko indicated that staff have already been in contact with UC Davis to discuss the possibility of a joint effort on organics handling and processing. He added that the existing berm around the plant (for flood protection) would need to re-sized to accommodate organics processing if the Wastewater Treatment Plant location is chosen. In response to Commission questions, topics like staffing of the facility, and the exact timeline for implementation have not yet been discussed at this early stage. The Commission discussed the sale of compost and what assumptions had been included in the study.

Courtney Hall, participating in the discussion on behalf of the Natural Resources Commission, indicated that the NRC discussion included a recommendation that the end product of the organics processing would be used for the surrounding community, helping to cut GHG, and increase carbon sequestration in the city's "backyard." She also outlined the NRC preference for the CASP option, as the membrane cover would produce less GHG emissions.

In regard to the NRC recommendation not to include utilizing Recology's facility for organics, E Roberts-Musser indicated that she was not comfortable eliminating any option from consideration until the actual costs of each choice are clear. This is because so many of the costs are unknown, so trying to do price comparisons between the different options becomes meaningless. The Commission discussed the need to identify contingencies that needed to be addressed in the next stage of the study. The consensus of the commission was that there were a number of contingencies to consider, and the contingencies need to be pinned down before options are narrowed down. Specifically, confidence around the numbers being used as cost impacts for each option would need to be higher (within 10%).

The item was opened for public comment and one comment was received:

- John Johnston – stated that page 2 of the study being discussed indicated that the composition of the organics material from Davis was between 2-5% food waste. He also stated that the project would significantly increase the size of the utility, depending on the involvement with UC Davis. He stated that the organic waste from UC Davis was all animal bedding (which is different from Davis) and to consider if that mix of waste is a plus or minus to partnering efforts. He listed out the benefits of co-location with the Wastewater Treatment Plant, including the use of recycled water, and the possibility of anaerobic digestion (AD) capabilities if a third digester is built at the space.

E Roberts-Musser moved, seconded by L Deos, to support the City in negotiating a short-term agreement (10 years or less) with Yolo County Landfill to formalize the near-term disposition of the City’s organic waste. The motion passed by the following votes:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Roberts-Musser, Troost

Noes:

Absent: Williams

At the conclusion of the vote, there was discussion about including a clause in the short term agreement to end sooner than the full term, should the process to develop an organic processing facility be recommended and completed prior to the termination of the agreement.

E Roberts-Musser also moved, seconded by G Braun, that all options for City Organics Projects included in Table 1.1 of the Organics Processing Feasibility Analysis continue to be considered, less Option #2 [the Old Landfill site]. This motion passed by the following votes:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Roberts-Musser, Troost

Noes:

Absent: Williams

J Troost proposed to the Commission that Courtney Hall, or another representative from the NRC as necessary, be invited back to the Commission for further discussion on the Organics Processing Facility when and if the item is on the agenda.

B. Review and Feedback on Vision for Integration of Davis Utilities.

E Roberts-Musser presented the revised Vision document and highlighted the differences from the last version. There was discussion from the Commission as to the inclusion of the phrase “affordable and reasonable,” (on the first page in the short term column first bullet) with some voicing concern that the definition was too broad to be clear, however the consensus of the Commission was that the phrase captured the intent of reviewing equity for the utilities, and it matches the language used by the California Public Utilities Commission (CPUC).

There were some minor modifications to the language in the Vision, and E Roberts-Musser indicated that the newest version would be distributed to the group.

C. Update from Subcommittee to Determine the Plausibility and Net Benefits of Moving the Materials Recovery Facility (MRF).

L Deos introduced the item, reiterating the direction of the City Council to look at the location of the Materials Recovery Facility (MRF) at 2727 Second Street (currently operated by Recology Davis) and review the feasibility of relocating the facility somewhere else. E Roberts-Musser added that the Commission had two tracks for the review: to ask Recology to move the MRF, or to indicate the facility should remain at the site.

S Gryczko outlined some of the reasoning behind requesting the MRF to move, including the possibilities of redevelopment at the site, and that the capital equipment is old, and when investment is necessary, would it be beneficial to start revamping the equipment at a new site.

The Subcommittee reported in their review of the topic, there was currently no scenario they could necessity think of in the immediate future that appeared to “pencil out” as a benefit to the City. However, they did note the existing situation could change in the future, e.g. if state regulations changed. The Commission discussion also did not include an immediate scenario that would make the decision to move the MRF an attractive option. There was additional discussion about waiting until the current franchise agreement contract expires before having discussions about the MRF. With the proviso that if staff discovered a reason to re-engage on the topic, it would be brought back to the Commission for consideration, it was agreed that the discussion on the topic was concluded.

G Braun moved, seconded by O Bystrom, that having considered the question [of the Materials Recovery Facility move] posed by City Council, and having received input from a Commission subcommittee looking into the matter, the URAC recommends that no further analysis be done at this time, as no current scenario of requiring Recology to move has been identified that would benefit the City. The motion passed by the following votes:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Roberts-Musser, Troost

Noes:

Absent: Williams

D. Update on URAC/NRC Chair and Council Subcommittee on Commissions Discussion on URAC Charter and Inter-Commission Communication.

J Troost introduced the item, beginning with a brief overview of the language changes since the last review of the Charter. S Gryczko indicated that the item would be included in the Council meeting for September 30, 2019. E Roberts-Musser voiced concern that a number of items listed for the Commission to consider in the previous version of the charge were no longer included in the revised version, specifically: *operations and maintenance, repair and replacement, large capital projects, debt service payments and reserve requirements, enterprise utility fund reserves, customer demand forecasts and assumptions, demand side management programs, financing options, utility billing issues, customer notification, and regulatory compliance*. Commission discussion on the point raised included concern that too much detail would alienate the audience, or would further focus the Commission work back exclusively on rates. E Roberts-Musser explained that the wording of the new charter looked, in her opinion, like it was going all over the place, and the main focus of the Commission on rates would be lost. J Troost indicated that the items that were removed

from the section in question were covered in the Evaluate and Compare section of the new wording, and although it didn't read quite the same, the intent was there.

At the end of the discussion, J Franco moved, seconded by L Deos, to recommend adopting the URAC Charter and name [Utilities Commission] as amended. The motion passed by the following votes:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Troost

Noes: Roberts-Musser

Absent: Williams

7. Commission and Staff Communication

A. Long Range Calendar

G Braun asked that the "key" included in the Long Range Calendar to identify items list "study item" rather than "non-cost of service study item" to avoid the implication that the work of the Commission on these projects wasn't related to the cost of service for utilities.

By consensus of the Commission, the following items were added to the August 21, 2019 meeting agenda:

- Water special meeting
- The creation of a subcommittee on Solid Waste, and
- A recommendation to include reference to, and preparation for, climate change in all future studies conducted by the City.

8. Adjourn

J Troost made a motion to adjourn the meeting, seconded by L Kristov. The motion passed by the following votes and adjourned at 9:01pm:

Ayes: Braun, Bystrom, Deos, Franco, Kristov, Roberts-Musser, Troost

Noes:

Absent: Williams