



Riverside and Imperial LAFCO's have received the following comment letters in response to the March 2023 Draft Alternative Governance and Electricity Services Study – Imperial Irrigation District. A copy of each comment letter received can be found in Attachment A. The following is a brief overview of the comment letters received.

- August 8, 2023 from the Coachella Valley Water District. Requesting additional time be granted to identify an overall recommendation that is the most cost-effective and efficient implementation scenario.
- August 3, 2023 from the Electric Ratepayer Alliance. Requesting that a financial impact analysis of each option under consideration be conducted.
- August 30, 2023 from the Imperial Irrigation District. Providing clarifying comments in regard to their existing customer service programs, the 1934 Agreement of Compromise, Legal complexities associated with alternatives under consideration. Suggesting that a cost analysis effort is beyond the scope of the original LAFCO effort and should be conducted after a consensus-based alternative and corresponding service responsibilities are defined.
- August 23, 2023 from the Coachella Valley Energy Commission. Requesting a supplemental financial analysis and extension of the public comment period to October 15, 2023.
- August 30, 2023 from the City of La Quinta. Requesting additional time be granted to identify an overall recommendation that is the most cost-effective and efficient implementation scenario.
- August 30, 2023 from the County of Riverside. Providing suggested guiding principles with respect to governance, system reliability, cost-efficient services, and accommodating future growth equitably. Requesting a supplemental financial analysis to include certain information by jurisdiction.

Riverside and Imperial LAFCO's appreciate the level of stakeholder engagement throughout the study process; including consensus-based solutions for the Coachella Valley service territory. The Riverside and Imperial LAFCO's would like to thank those that have submitted a comment letter.

Below are responses to address the following comment letter overarching themes:

- 1) Riverside and Imperial LAFCO's did not fulfill the required scope of work.
- 2) An overall recommendation is not provided in the draft Study.
- 3) A supplemental financial analysis is required.
- 4) The public comment period needs to be extended.

1) Riverside and Imperial LAFCOs did not fulfill the required scope of work.

Response:

Riverside and Imperial LAFCO's have determined that the comments received on this topic have misinterpreted the required scope of work indicated in the grant funding agreement and the professional services agreement with Dopudja & Wells Consulting. The scope of services clearly indicates that the effort *"should utilize currently available information rather than initiate new analysis"*. While Riverside and Imperial LAFCO's understand the desire for more financial analysis, it was not necessary for evaluation of

cost-effectiveness under this scope of work. As further outlined below, Riverside and Imperial LAFCO recommend that the desired financial analysis be performed once the participants make the necessary policy decisions.

Background:

In May 2022, the Riverside and Imperial LAFCO's entered into a study grant funding agreement with the State Water Resources Control Board in response to legislation introduced by former-Assembly Member Chad Mayes to conduct a study to evaluate alternative governance structures and alternative electricity services provided by the Imperial Irrigation District. In August 2022, a professional services agreement was executed between the Riverside LAFCO and Dopudja & Wells Consulting to analyze and prepare the "Alternative Governance Structures and Alternative Electricity Service Provision – Imperial Irrigation District" study report (Study).

The Scope of Services per Exhibit A of the August 2022 professional services agreement with Dopudja & Wells required the consultant to review the current conditions relative to the electricity service provisions by the Imperial Irrigation District and address two requirements: Options for providing continued electricity services, and options for alternative governance structures for Coachella Valley customers. According to the agreement, the consultant was expected to address the two requirements in a cost-effective manner, utilize the information that is currently available rather than initiate new analyses, conduct the analysis in a collaborative fashion with opportunities for input and review by stakeholders, create a product that will assist with making conclusions and decisions regarding the recommendations, and have all work products readily accessible and easily understandably by the general public. It is the opinion of the Riverside and Imperial LAFCO's that all requirements have been met by the consultant and that no new financial or technical analyses were required. If such studies and associated information were available, the Study effort would still not be responsible for producing a new financial analysis and would have used the information to validate the final recommendations as being the most cost-effective and efficient implementation scenario for further consideration, as required by the scope of work.

In August 2022, the consultant initiated Task 2 - Information Collection and Verification effort. This task was to gather and obtain all existing and available information. In preparation, the consultant submitted a list of data requests seeking to collect enough information to construct the Study objectives prior to conducting outreach. In September 2022, the consultant commenced stakeholder outreach and was to conclude by November 2022 in order to meet project scheduling requirements. This work actually concluded in February 2023 after conducting eleven interviews with individual stakeholders. By the time outreach was complete, little to no operational or financial information was provided to the consultant and several stakeholder contacts were still outstanding. In response to stakeholder availability and limited information received, the Riverside and Imperial LAFCO's agreed to extend stakeholder outreach to February 2023 in an attempt to help facilitate and guide the Study's approach and overall determination of alternatives under potential consideration. Eleven stakeholder interviews were held over the course of the outreach period.

In January 2023, Task 3 – Administrative/Agency Draft Study Report was initiated to start the development of the draft Study. It was the opinion of the Riverside and Imperial LAFCO's that the overall objective of the draft Study was accomplished and; although general, the draft Study did include a discussion of general capital requirements and a rate comparison to alternative service providers. In response to the limited amount of data made available, the approach taken by the consultant was focused exclusively from input received by stakeholders to help prioritize alternative options for further consideration. Ranking of the alternative options was performed by determining the extent each of the seventeen

foundational objectives are addressed. Those alternatives which addressed the most foundational objectives were then prioritized as the top recommendations.

The two alternative options with the highest ranking included:

- Option 1.D: Joint Powers Authority
- Option 2.B: Form a New Utility District

2) An overall recommendation is not provided in the draft Study.

Response:

Riverside and Imperial LAFCO's agree that the draft Study does not conclude with an overall recommendation. The final Study will identify an overall recommendation for the most cost-effective and efficient implementation scenario of the alternative options under consideration.

Background:

According to Task 3 – Administrative/Agency Draft Study Report requirements, the Study shall synthesize the analysis into an overall recommendation for the most cost-effective and efficient implementation scenario. The LAFCO's agree that the draft Study does not conclude with an overall recommendation, instead identifies the following foundational objectives as most important among the stakeholders when considering further evaluation of each proposed alternative option:

- A Governance Structure Uncomplicated to Implement
- Ability to Achieve Vertically Integrated Utility Status
- Ability to Adapt to Future Changes and Responsibilities

When comparing the above foundational objectives against the alternative options ranked highest, the reader will need to determine the importance of each previously mentioned objective in regard to future electrical service provisions for the Coachella Valley service territory. If the desire among Coachella Valley stakeholders is to pursue an alternative option that is efficient to implement, flexible and adaptable going forward, then Option 1.D should be further developed and pursued. The intent of structuring the draft Study this way was to assist with ongoing stakeholder collaboration, as each member continues to identify and determine their local and regional priorities prior to concluding which alternative option is financially sustainable.

The final Study will include an overall recommendation by identifying the most cost-effective and efficient implementation scenario. Identifying the most cost-effective and efficient implementation scenario will be based on the information provided to-date and supplemental information provided on September 7, 2023, from IID and their financial consultant. The extent of validation will assume that each of the two previously mentioned recommendations (Option 1.D and 2.B) provide an alternative governance opportunity but offer varying degrees of flexibility in service responsibilities. The extent of service responsibilities will be the key criteria used when determining cost-effectiveness and efficient implementation. Any additional financial evaluations beyond what has been described are beyond the scope of services.

3) A supplemental financial analysis is required.

Response:

Refer to comment 1 response and summary below regarding this topic. It's apparent that the Coachella Valley parties have made significant progress over the years and must acknowledge that Coachella Valley Energy Commission (CVEC) has promoted collaboration and has been effective at advancing development on this issue. Despite the progress that has been made, there are still several key determinations needing to be addressed in order to advance discussion and conduct further financial and technical evaluations. A summary of outstanding policy and key determinations is provided below and summarized in Table 1 at the end of this letter on page 6.

Background:

The parties must acknowledge that little to no information is available from IID on assets and capital improvements exclusive to the Coachella Valley service territory. At the July 27, 2023 CVEC meeting, it was discussed that IID had information that could support further evaluations for the Coachella Valley territory. In response to this notice, the consultant scheduled a review meeting with IID and their cost of service consultant to review the latest effort and help assist with validating the draft Study's recommendations. A review meeting was held on September 7, 2023. At the meeting it was evident that IID has little to no disaggregated data separately available for the Coachella Valley service territory. All assessments performed by IID are done as a "integrated-whole" and not broken down by jurisdiction. Information on asset inventory and capital planning is not segregated by jurisdiction. IID was able to provide limited customer data summarized by jurisdiction. The data received by IID can be found in Attachment B. Since data exclusive to the Coachella Valley service territory is not available from IID, the parties need to determine how such information can be generated to support further financial and/or technical evaluations.

To date, it's apparent that several key determinations are still required prior to initiating any future financial or technical evaluations. Any such evaluations performed at the moment will largely depend on broad assumptions which would lack the requisite precision and would likely continue to result in inconclusive outcomes. To produce an analysis that can clearly weigh benefits, risks and corresponding rate impacts, the following determinations, at a minimum, must be made. Based on the observation of the Riverside and Imperial LAFCO's, the following items appear to be fundamental prior to conducting any further evaluations.

Summary of policy and key determinations needing to be addressed by Coachella Valley Parties:

- It's unclear if members would like to pursue an alternative option with IID continuing to provide some degree of electrical services. Determining each member's interest in changing from IID provision of full electrical service to any other alternative would be fundamental to understanding potential financial and rate impacts.
- If a consensus-based alternative is not feasible among all parties, identifying each party's preference for either a JPA or new utility district will be necessary to assess financing and revenue requirements.
 - o To note, existing IID policy does not include funding for un-committed customer driven growth-related projects, i.e. substations, line extensions, etc.. Under the JPA membership, the parties might need to consider establishing a financing authority, or

similar revenue mechanism if growth related projects are desired to be funded differently than current IID policy and/or adopted rates.

- The parties should also determine membership eligibility and enabling legislation needs to prohibit a member's ability to join any alternative option under consideration. Existing legislation prohibits certain public districts from owning and operating electrical assets.
- The parties will need to understand the associated investments of IID and CVWD upon the termination of leased power rights under the Agreement of Compromise, including each party's respective legal and equitable rights in said power rights, works and facilities on or in connection with the All-American Canal. Over the course of developing the draft Study, a number of discussions were held around this topic with no clear or consistent indication of outcome. It would be crucial to understand the potential impact this could have on IID and/or the proposed successor utility.
- The parties should obtain an opinion on asset disposition and/or associated cost to potentially acquire existing assets from IID. Through the course of this effort, it was not apparent if existing assets would be made available, or at what price. To note, limited information is available from IID on existing/planned assets for the Coachella Valley territory and the parties will likely need to obtain this information from other sources, e.g. conducting a comprehensive assessment and inventory of assets, before further analysis is performed. As stated earlier, performing a financial evaluation prior to obtaining this information will depend largely on broad assumptions and could result in significant unforeseen financial impact to members pursuing an alternative option with service responsibility.
- To identify unforeseen risk potentials with the forming and operating a new utility, it's advisable that a risk assessment be performed to understand potential market drivers, trends, mandates, and requirements for low-income areas. All items carry a degree of uncertainty and must be quantified in order to determine cost mitigation efforts if such items were to be realized. For example, a few of these items are captured in IIDs Energy Cost Adjustment (ECA) charge.
- To aid in the assessment and decision-making process, it's advisable that the parties develop general debt policy guidelines to identify limits, obligations, and associated risk mitigation measures for uncertain market drivers and customer demands. These guidelines will assist with issuing, managing, and adhering to affordability standards for the proposed alternative option under consideration. This could also assist with balancing obligations associated with asset acquisitions, associated rehabilitation and replacement projects, and new capital investment planning.

It should be noted that IID is underway with technical and financial evaluations as part of their 2023 cost-of-service effort. Summary findings provided by IID are included in Attachment C. Depending on the outcome of the above determinations, the parties could potentially consider opportunities with IID and the current cost of service effort to identify a solution beneficial to the entire service territory. The technical work appears to be complete and IID is evaluating rate structure strategies and policy before potential Board consideration.

4) The public comment period needs to be extended.

Response:

As a result of comments received, the Riverside and Imperial LAFCO's have agreed to extend the public comment period from August 30, 2023 to October 15, 2023. We respectfully request that the parties continue collaborative efforts to ensure a successful next phase in the decision making process. Additional comments are to be submitted to the Riverside and Imperial LAFCO's. At the completion of the extended public comment period, that final Study will be produced, addressing the comments received and submitted by November 30, 2023.

In summary, Table 1 was developed to compare the two alternative options ranked highest in the draft Study against the outstanding items needing to be addressed before further assessment can be performed. The comparison provides a general indication of each option's cost effectiveness and implementation complexity. When comparing the top two alternatives shown in Table 1, Option 1.D: Joint Powers Authority provides an alternative governance structure and ***assumes no ownership or operation of electrical assets.***

Table 1: Items Needing to be Addressed Depending on the Alternative Governance Option Desired by Coachella Valley Parties.

Outstanding Items to be Addressed Prior to Conducting Further Assessments on Alternative Energy Service Options for the Coachella Valley Service Territory	Top Ranked Alternative Options	
	Option 1.D: Joint Powers Authority	Option 2.B: Form a New Utility District
Identify preferred governance alternative	Required	Required
Determine enabling legislation requirements	Required	Required
Establish service territory	Not Required	Required
Obtain opinion on disposition of assets	Not Required	Required
Perform asset inventory and conditional assessment	Not Required	Required
Determine acquisition, upgrade, and severance costs	Not Required	Required
Perform financial evaluation	Not Required ⁽¹⁾	Required
Determine financing options and bonding capacity	Not Required ⁽¹⁾	Required
Perform rate study	Not Required	Required

Notes: (1) Potentially required if Public Financing Authority is pursued.

List of Attachments

Attachment A: Public Comment Letters

Attachment B: Data Received from Imperial Irrigation District

Attachment C: Imperial Irrigation District 2023 Cost-of-Service Effort

Attachment A: Public Comment Letters



August 23, 2023

Stephen Dopudja, P.E.
President
Dopudja & Wells Consulting
6789 Quail Hill Parkway, #421
Irvine, California 92603

RE: Request for Supplemental Financial Analysis and Extension of Comment Period on the Draft Alternative Governance and Electrical Service Study

Dear Mr. Dopudja,

The Coachella Valley Energy Commission (CVEC) appreciates the opportunity to provide comments on the governance alternatives analyzed in the joint Imperial County and Riverside County LAFCOs draft "Alternative Governance and Electricity Service Study" (Study) published in March of this year. We also thank you and LAFCO staff for participating in the August 17 CVEC monthly meeting discussion related to the Study. As you are aware, CVEC directed the formal request of the following items through this letter:

- Publication of a revised Study by September 30, 2023 that is to include supplemental financial analysis conducted by LAFCO.
- Extension of the Study comment period to October 15, 2023.

CVEC appreciates your acknowledgement of our efforts in Section 9.5 of your report and we look forward to using the final Study to aid our ongoing discussions and engagements. We appreciate the opportunity to comment on alternatives for analysis in the LAFCO study process and look forward to working with your team, the Imperial County and Riverside County LAFCOs and affected stakeholders throughout the remainder of this process. If you have any questions, please contact Emmanuel Martinez at emartinez@cvag.org or Susie Carrillo at scarrillo@iid.com.

Sincerely,

A handwritten signature in black ink, appearing to read "JB Hamby".

J.B. Hamby
Chairman

A handwritten signature in black ink, appearing to read "Joseph Mirelez".

Joseph Mirelez
Vice Chair

A handwritten signature in blue ink, appearing to read "Linda Evans".

Linda Evans
Vice Chair



cc: Augustine Band of Cahuilla Indians
Cabazon Band of Cahuilla Indians
City of Coachella
City of Indio
City of La Quinta
Coachella Valley Association of Governments
Coachella Valley Water District
County of Imperial
County of Riverside
Cove Communities Services Commission
Imperial Irrigation District
Torres Martinez Desert Cahuilla Indians
Twenty-Nine Palms Band of Mission Indians
Imperial County LAFCO
Riverside County LAFCO



COACHELLA VALLEY WATER DISTRICT

Established in 1918 as a public agency

GENERAL MANAGER
Jim Barrett

ASSISTANT GENERAL MANAGER
Robert Cheng

CLERK OF THE BOARD
Sylvia Bermudez

ASSISTANT GENERAL MANAGER
Dan Charlton

August 8, 2023

VIA EMAIL AT GTHOMPSON@LAFCO.ORG, INFO@LAFCO.ORG & U.S. MAIL

Gary Thompson
Executive Officer
Riverside County Local Agency Formation Commission (LAFCO)
6216 Brockton Avenue, Suite 111-B
Riverside, CA 92506

Dear Mr. Thompson:

Subject: CVWD Comment Letter: March 2023 Draft
Alternative Governance and Electricity Services Study - Imperial Irrigation District

Coachella Valley Water District (CVWD) welcomes the opportunity to provide comments to the Riverside County Local Agency Formation Commission (LAFCO) on the March 2023 Draft Alternative Governance and Electricity Services Study – Imperial Irrigation District (Study).

As you may know, CVWD serves approximately 300,000 residents in its 1,000 square-miles of service area ranging from the San Geronio Pass to the Salton Sea, mostly within the Coachella Valley area of Riverside County, including much of the same electrical service area of the eastern Coachella Valley contemplated in the Study.

CVWD appreciates LAFCO's efforts in compiling this Study which provides alternative energy and governance solutions for the eastern Coachella Valley region when the 99-year agreement between the Imperial Irrigation District (IID) and CVWD expires in 2032. IID's eastern Coachella Valley territory accounts for over 60% of IID's rate paying customer base, and CVWD has a direct vested interest in the issue as the largest electrical customer in this territory.

With regret, CVWD is unable to provide meaningful feedback on the Study by the August 30, 2023 deadline without the financial and cost analysis that was stipulated in the Scope of Work and Schedule of the Memorandum of Understanding between the State Water Resources Control Board (SWRCB) and Riverside and Imperial LAFCOs necessary to provide the "overall recommendation for the most cost effective and efficient implementation scenario for each required option" called for in Task 3iii.

Gary Thompson
Executive Officer
Riverside County Local Agency Formation Commission (LAFCO)
August 8, 2023
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It is CVWD's understanding that this financial information from IID was not available at the time the Study was published for comment, but that on July 27, 2023, IID staff informed the Coachella Valley Energy Commission (CVEC) that the financial information was now available.

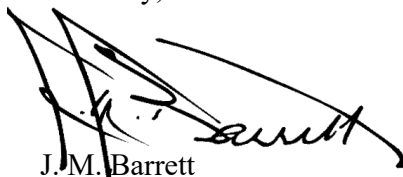
CVWD respectfully requests this financial information be used to expand the depth of the analysis on the options provided, and that overall recommendations for the most cost effective and efficient implementation scenario be included per the study's scope of work. Meaningful and constructive comment cannot be made without substantially deeper analysis and specific recommendations in this Study. This is critical to resolving the issue of determining what is the most prudent way for appropriate local representation and ensuring reliable and affordable electrical service for existing and future customers in the eastern Coachella Valley, including CVWD so it can continue to provide reliable water and wastewater services.

Governor Newsom vetoed AB 1021 (Mayes, 2021), the bill that authorized the Study, and his veto message emphasized the need to "invest the proper resources, time, and stakeholder engagement into studying the complex impacts of the..." termination of the Compromise Agreement in 2032. Although a delay is not desirable, too much time and resources from all involved have been invested in this process; it would be unfortunate to not achieve the Study's core goal due to timing of availability of key data which can now be accessed. A little extra time is a small price to pay to make substantial progress in moving us forward to answering a question so important to many stakeholders with consequences far into the foreseeable future.

Coachella Valley Water District is grateful for the opportunity to provide comments and looks forward to continued collaboration with our partners in the Valley, IID, stakeholders, the Consultants, and Riverside and Imperial LAFCOs.

Please do not hesitate to contact me at (760) 398-2651 or JBarrett@cvwd.org with any questions or concerns.

Sincerely,



J.M. Barrett
General Manager

Gary Thompson
Executive Officer
Riverside County Local Agency Formation Commission (LAFCO)
August 8, 2023
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cc: Anthony Madrigal, At-Large, Tribal Nations
Blaine Carian, At-Large, Counties
Gloria Fernandez, Riverside County
JB Hamby, Imperial Irrigation District
John Aguilar, Coachella Valley Water District
John Ramont, Cove Communities Services Commission
Joseph Mirelez, Tribal Nations
Juan Perez, County of Riverside
Karin Eugenio, Imperial Irrigation District
Linda Evans, City of La Quinta
Lavon Jaksch, Imperial County
Philip Bettencourt, At-Large, Cities
Bill Pattison, City of Coachella
Waymond Fermon, City of Indio

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August 3rd, 2023

LAFCO

Re: Public Comment on Draft Study Report dated March 2023 entitled "Alternative Governance and Electricity Service Study – Imperial Irrigation District"

Dear Gentilepersons:

The Electric Ratepayers Alliance (ERA) is a non-profit organization formed in 2016 as a California Mutual Benefit Corporation. ERA's mission is to promote verifiably clean, local energy sources and programs that save consumers money, while building a resilient community grid to replace aging grid systems. ERA continues to advocate for all electric ratepayers across California, to achieve the ultimate goal of fueling our world with clean, dependable, localized energy. ERA members include, among others, leaders in the renewable energy industry, as well as non-profit entities with expertise in the renewable energy sector and consumer advocacy. The members of ERA seek to ensure that all ratepayers enjoy barrier-free access to affordable, sustainable, localized power, while promoting the common business interests of renewable power entities and affiliated industries.

ERA has reviewed the Draft Study Report dated March 2023, which is titled "Alternative Governance and Electricity Service Study – Imperial Irrigation District" (referred to herein as the "Draft Study Report" or simply as the "Report.") That Report discusses various options for potential alternative electrical service governance structures for the IID's extended service territory in the Coachella Valley. One of those options, which is described in the Report as Option 2.B, is to "form a new utility district with specific roles." For the reasons discussed below, ERA believes Option 2.B is the best path forward both to accomplish the objectives described in the Report, and to further the best interests of the ratepayers in the Coachella Valley.

1. Governance and Representation: Option 2.B allows for the creation of a new, localized governance structure that allows for local representation and decision-making power. A newly created local district would provide a stronger voice for ratepayers and consist of responsive leadership as compared to the current representation by the existing utility model in Eastern Riverside County. It maximizes public involvement and local control of assets, which results in efficient use of public resources, more meaningful oversight, and makes the system more representative and adaptable to the fundamental energy needs of the local constituency.

A new utility district, focused solely on Eastern Riverside County, naturally provides for greater local representation and local control. This blueprint is preferable to a competing model that services a broader area and varying interests. The Draft Study Report specifically identifies this as a top priority, regardless of the structure chosen.

Seeking to ensure all ratepayers enjoy barrier-free access to affordable, sustainable, localized power, while promoting the common business interests of renewable power entities and affiliated industries.

2. Elimination of Existing Issues/Mitigation of Future Issues: Establishing a new utility district for Eastern Riverside County would allow local representatives to develop and implement energy policies that better align with the local ratepayers' values and needs. These values and objectives include, but are not limited to: system reliability (the avoidance of frequent/prolonged outages); affordable, reliable electricity (which means a durable, updated infrastructure); accommodation for growth (both commercial and residential development); meeting renewable energy goals set by the state and federal government for the future of the local residents and ratepayers; managing funding of capital improvements; supporting local power program offerings for alternative and independent sources of energy such as wind, water and solar; managing rates and maintaining affordability; and maintaining the efficient use of public resources.

Maintaining the status quo not only fails to achieve these stated goals, but also will lead to further degradation of infrastructure as well as increased rates for the local residents and the suppression of development and growth. The existing structure has not provided a clear path out of the bleak economic predicament that Eastern Riverside County faces, which has resulted from a decaying infrastructure and climbing electricity rates. Maintaining the status quo, through which these problems arose, is far more likely to worsen the issues than to resolve them.

3. Advisory Role and Efficient Resource Allocation: The formation of a new utility district allows for more focused energy resource allocation through customized planning and implementation processes driven by local needs and priorities. A separate, publicly owned district, governed by a flexible structure, can better manage, and allocate energy resources specific to its region, ensuring that the needs of local ratepayers are met more effectively, efficiently, and financially.

A locally operated utility prioritizes its constituent ratepayers' interests over third parties such as shareholders, special interests, and other unrelated entities. Minimizing conflicts among the needs of disparate groups with varying motivations and the appropriate allocation of limited assets and resources results in equity, efficiency, and economy.

4. Financial Independence and Stabilization: Creating a new utility district will provide financial advantages to the community such as targeted taxation and revenue generation mechanisms for long-term infrastructure investment. Ratepayers and their representatives can better manage their financial resources related to energy generation, delivery, and maintenance by forming a separate district tailored to their specific economic circumstances.

Any cost associated with forming a new entity or energy utility is far outweighed by the benefits. The deteriorating IID electrical infrastructure must be updated/improved subject to any one of the proposed alternatives/options. A local, centralized entity/utility will be able to focus its tax and revenue for planned infrastructure improvement and maintenance in a direction/manner approved by its constituents, rather than groups or individuals with diverging concerns. This minimizes financial risk and provides flexible funding and financing opportunities for the improvement and maintenance of infrastructure.

ERA requests that a financial impact analysis of each option under consideration be conducted to provide a more in-depth analysis regarding the costs and financial risks associated with each possible approach. Creation of a new utility district, under Option 2.B in the Draft Study Report, should be included in that financial impact analysis.

5. Improvement of Services and Economic Prosperity: A new local utility district has the ability and flexibility to tailor its services to the unique needs of its constituents. Such a utility would provide programs and initiatives specifically designed to address the challenges and opportunities in the community. This will lead to more efficient and effective service delivery and a reduction of outages and lost revenue. This, in turn, shall promote the overall growth of the community by promoting and supporting local commercial and residential development, which results in a better, more stable future for the local population.

As the eight options discussed in the Draft Study Report are assessed, ERA concludes that Option 2.B will be the most favorable alternative to accomplish the objectives described in the Draft Study Report. Creation of a new utility district to serve the ratepayers in the IID not only promotes local interests and protects the area's ratepayers, but it also offers the advantages of financial stability and provides a more auspicious path for upgrading infrastructure in the manner that best serves affected stakeholders.

The members of the ERA thank you for your time and consideration.



IID

A century of service.

www.iid.com

Since 1911

August 30, 2023

Via Electronic Mail

(For convenience, paper copy to follow via Federal Express)

Stephen Dopudja, P.E.
President Dopudja & Wells Consulting
6789 Quail Hill Parkway, #421
Irvine, California 92603

Re: Imperial Irrigation District's Comments on the *Alternative Governance and Electricity Services Study-Imperial Irrigation District* (the "Study")

Dear Mr. Dopudja,

The Imperial Irrigation District ("IID") appreciates the efforts of the Riverside and Imperial County Local Agency Formation Commissions to explore options for alternative governance structures to address the concerns of its Coachella Valley electrical customers and other stakeholders. IID is proud of its history of providing its customers with reliable electrical service while emphasizing environmentally friendly operations and maintaining some of the lowest electric rates in California. Consideration of potential alternative governance structures should be predicated on maintaining these standards. By these comments, IID seeks to clarify the record with respect to the 1934 Agreement of Compromise between IID and the Coachella Valley Water District (the "1934 Compromise Agreement") and provide additional context against which stakeholders should evaluate the proposed alternatives.

I. In Evaluating Potential Changes to the Status Quo, Customer Satisfaction Should Be The Top Priority.

In all of its operations, IID puts customers first. The Study identifies several concerns voiced by Coachella Valley energy stakeholders but does not attempt to correlate these concerns with day-to-day customer satisfaction. For example, when evaluating IID's performance from an industry perspective, in terms of sustained interruptions, frequency of sustained interruptions, and average durations of interruptions, the data show that IID consistently outperforms similarly situated utilities. Since 2018, IID has evaluated and tracked (by random sampling) customer satisfaction with regard to trouble calls that ask, among other things, the customer's overall experience, the courtesy

and professionalism of staff, the resolution of the issue, and whether the job was completed in the appropriate time frame. IID received an overall rating of “Outstanding” in those four categories. IID provides excellent service to customers at low cost, in comparison to investor-owned utilities and other publicly-owned utilities of similar scale confronted with weather-imposed challenges and rapidly growing demand coupled with material seasonal demand fluctuations.

IID has taken significant steps toward addressing the concerns identified in the Study while maintaining excellent customer service and low rates. IID is capitalizing on new technologies, securing affordable energy resources, expanding our capacity for local generation, and strengthening our power delivery system, all the while keeping the rates to customers low. Since the establishment of the Coachella Valley Energy Commission (“CVEC”) in 2021, IID has been committed to working with the diverse stakeholders in the eastern Coachella Valley within the IID electrical service area. IID, alongside diverse municipal, county, tribal, and public stakeholders, has worked to ensure the CVEC is focused on developing an effective long-term strategic plan for continued energy service to the Coachella Valley following the expiration of the 99-year lease provision of the 1934 Compromise Agreement.

IID’s willingness and ability to respond to the divergent needs of specific communities within the current legal framework is reflected in the voluntary, cooperation-based joint exercise of powers agreement recently approved by IID and the City of Indio which will facilitate the accelerated expansion and enhancement of electrical service within Indio.

II. The 1934 Agreement of Compromise Does Not Expire in 2033 and None of the Alternatives Will Terminate the 1934 Agreement of Compromise.

The Study states that the 1934 Compromise Agreement “expires” in 2033 and that some of the alternatives would result in the “termination” of the 1934 Compromise Agreement. Both assertions are wrong. The 1934 Compromise Agreement contains several provisions regarding Colorado River matters, IID water entitlement priority ahead of the Coachella Valley Water District (“CVWD”), and related issues that will continue in perpetuity unless changes are mutually agreed to by IID and CVWD. Only one provision – Section 17, Lease of Power Rights – has a termination date (January 1, 2033.) On that date, IID’s exclusive right to the sale, use and control of power rights (as defined in the agreement) based on the All-American Canal system in exchange for its obligation to pay CVWD 8% of net proceeds will end. All other provisions of the 1934 Compromise Agreement will remain in force.¹

¹ Under the terms of the 1934 Compromise Agreement, upon the expiration of the Lease of Power Rights, “. . . the rights and privileges of the parties thereto shall be segregated and/or adjusted as may be equitable and just, having in view the business, interests and investments of the parties and their respective

The 1934 Compromise Agreement is a contract between IID and CVWD that third parties cannot “terminate” without IID and CVWD’s consent. As noted in the Study, unless IID and/or CVWD consent to an alternative that impacts the terms of the 1934 Compromise Agreement, protracted litigation could ensue. Each of the proposed alternatives that purport to “terminate” the 1934 Compromise Agreement (alternatives 1.C and all Option 2 alternatives) could result in potential claims by IID and/or CVWD against a new entity. Thus, stakeholders need to consider the rights of IID and CVWD in evaluating each alternative.

III. Several of the Alternatives Are Not Legally Viable.

The Study provides a thorough survey of possible alternative governance structures. However, some of the proposed alternatives would face legal and/or practical hurdles that render them not viable. For instance, Option 1.B proposes annexation of the Coachella Valley electrical service area (the “Coachella Valley Service Area”) into the IID. Existing law does not permit this approach absent an extension of water service to the Coachella Valley Service Area. Because IID already provides electrical service to the Coachella Valley Service Area, annexation of this area into IID requires an extension of service as a matter of law. Absent the extension of services in addition to retail electric service (such as water service) into the Coachella Valley Service Area, no legal grounds for annexation exist. Given IID’s water entitlement priority, it is unrealistic to assume any extension of water service in support of annexation.

This option has a practical impediment as well. The population differences between the Coachella Valley Service Area and the IID jurisdictional boundary would likely allow the Coachella area voters to elect a significant majority of a single governing board. The Study suggests that under Option 1.B, Coachella area directors will recuse themselves on water matters. But with a majority of the board having to recuse themselves when that board acts on water matters, the board will likely fail to have a quorum, preventing any decisions from being made. In addition, closed session discussions on water matters by the IID area elected directors would be more difficult or impossible unless there is a separate general manager and general counsel, and even perhaps a chief financial officer, for water services in order to protect confidential water-related discussions.

Option 1.C is also legally problematic. A new “sub-Board of Directors” is proposed to govern all matters related to the new jurisdictional area encompassing the Coachella Valley Service Area, while the existing Board would continue to govern matters related to IID’s jurisdictional boundary. Such an approach is without legal support. Irrigation district boards are not authorized to delegate board responsibility to a sub-board or to anyone else.

legal and equitable rights in said power rights, works and facilities on or in connection with the All-American Canal.”

IV. The Most Viable and Preferred Alternative is the Utilization of the JPA Structure to Accomplish the Various Goals of Different Coachella Valley Interests.

Option 1-D – Coachella Valley Parties Establish a Joint Powers Authority with IID – is the most legally viable alternative discussed in the Study. All entities described in the Study have the authority to coordinate with one another to form a JPA. The powers that each is allowed to exercise differ, which creates limitations on which entities could participate in forming a JPA whose purpose will be to provide electricity services to Coachella Valley customers, but there are practical workarounds to those obstacles.

JPA's can only exercise whatever powers are common to all the entities that formed it. This is the "common powers rule." For purposes of providing electricity services, this means that all entities that form the new JPA must each have the independent authority to provide electricity services. IID, the cities, and the Tribes clearly have that authority. The Government Code endows counties with the power to construct, acquire, and develop works for the generation of hydroelectric or wind power and to operate and maintain such works, but it does not confer authority to provide electricity services. Thus, Riverside and Imperial counties could not participate *directly* in the formation of a JPA because they do not have the independent authority to provide electricity.

However, in order to provide representation to customers living in unincorporated areas of the counties, Riverside and Imperial counties could participate in a JPA with IID through the creation of Public Utility Districts within their territories outside of incorporated areas. As discussed in the Study, PUDs can be utilized to enable counties to provide electricity service in unincorporated areas, and thus participate in a JPA to do so. JPA's have additional benefits. They can be tailored to the specific goals of the members, be governed by the existing governance of the members, and be modified over time for purpose and powers by agreement among the members. They thus appear to be more suitable as a tool to adapt and evolve the present setting to a changing energy future in the Coachella Valley, and would allow participation and representation of unincorporated areas in a JPA structure as a member agency.

In addition to the benefits of JPA's described in the Study, the JPA approach has the additional benefit of having already been implemented, albeit on a smaller and limited scale, between IID and the City of Indio. The IID/Indio JPA could serve as a blueprint for future JPA's between IID and the Coachella Valley parties.

V. Further Study Should Include The Comparative Costs of Each Alternative.

While a comparative cost analysis was beyond the scope of the Study, as the range of possible alternatives is reduced, the costs associated with those alternatives needs to be closely examined. Change will come with a price, and future analysis should clearly indicate how each alternative will impact rates, so that stakeholders can fairly weigh the benefits of a proposed alternative against the costs of change.

Although costs and revenue information about IID service to the Coachella Valley is useful, those factors do not provide much guidance about the new cost consequences of changing from IID provision of full service to any other alternative, or the portion of costs associated with different aspects of energy service and the corresponding benefits of different alternatives. IID remains committed to working with Coachella Valley parties to define a consensus-based alternative and conducting appropriate financial analyses of such a defined consensus-based alternative.

VI. Conclusion

The Imperial Irrigation District Board of Directors and staff appreciate the opportunity to participate in this Study process and will continue to foster and participate in collaborative efforts with our partners, stakeholders, and customers in the eastern Coachella Valley long after the completion of the Study process. We look forward to ensuring that the positive efforts between IID and Coachella Valley parties over the last two years continue and will yield durable, adaptable, and effective solutions for the next century of service in the Coachella Valley and beyond.

Sincerely,



Alex Cardenas, President



JB Hamby Vice President



Gina Dockstader, Director



Karin Eugenio, Director



Javier Gonzalez, Director

August 30, 2023

Page 6 of 6

cc: Imperial County LAFCO
Riverside County LAFCO
Augustine Band of Cahuilla Indians
Cabazon Band of Cahuilla Indians
City of Coachella
City of Indio
City of La Quinta
Coachella Valley Association of Governments
Coachella Valley Water District
County of Imperial
County of Riverside
Cove Communities Services Commission
Torres Martinez Desert Cahuilla Indians
Twenty-Nine Palms Band of Mission Indians



EXECUTIVE OFFICE

JEFFREY A. VAN WAGENEN, JR.
COUNTY EXECUTIVE OFFICER

JUAN C. PEREZ
CHIEF OPERATING OFFICER

DAVE ROGERS
CHIEF ADMINISTRATIVE OFFICER

SAYORI BALDWIN, ASSISTANT CEO
HUMAN SERVICES

CHARISSA LEACH, ASSISTANT CEO
PUBLIC WORKS & COMMUNITY SERVICES

MICHELLE PARADISE, ASSISTANT CEO
PUBLIC SAFETY

ZAREH SARRAFIAN, ASSISTANT CEO
HEALTH SYSTEMS

August 30, 2023

Gary Thompson, Executive Officer
Riverside County Local Agency Formation Commission
6216 Brockton Avenue, Suite 111-B
Riverside, CA 92506

Re: Initial Comments to Alternative Governance and Electricity Services Study -
Imperial Irrigation District (March 2023 Draft)

Dear Mr. Thompson:

The County of Riverside ("County") is appreciative of the work done to date by the Riverside and Imperial County Local Agency Formation Commissions (LAFCO) in the preparation of the Alternative Governance and Electricity Study. We also appreciate the granting of an extension to the comment period requested by the Coachella Valley Energy Commission (CVEC) to October 15, 2023, and LAFCO's willingness to prepare and circulate a financial analysis prior to that date to provide all stakeholders and the public with the ability to offer more complete comments. We offer these initial comments on the March 2023 draft Alternative Governance and Electricity Services Study - Imperial Irrigation District (the "Draft Study") in the interest of sharing initial observations with LAFCO and stakeholders, while expecting to submit additional comments by October 15th.

The County unincorporated area constitutes the largest jurisdictional subdivision within the Imperial Irrigation District ("IID") Electric Service Territory in Riverside County. The County's current unincorporated area population within that territory is estimated to exceed 60,000. As we look back over the tremendous growth that the Electric Service Territory has experienced during the 90 years that the arrangement with IID has been in place, it is critically important to plan for how the area may continue to grow into the future.

Guiding Principles

As LAFCO and the stakeholders move closer to identifying the most beneficial alternatives, the County offers the following comments on key aspects that we would like to see addressed moving forward as the alternatives are narrowed down:

a. Governance.

Population projections based on build-out of General Plan land uses forecast a future unincorporated area population of about 350,000 residents (not accounting for possible annexations). Having a governance model which provides for a greater direct voice for our growing unincorporated area, through a means of representation, is one of the key desired outcomes in order to have an electric utility system which is responsive to the needs of its customers – our County constituents.

b. Ability to provide reliable electricity.

A reliable and resilient system for the provision of electricity services is paramount to assure that the needs of our existing residents are met to protect their health, safety and quality of life. The system should include the necessary capital improvement and preventative maintenance components to assure that power can continue uninterrupted, and to be able to quickly respond to emergency conditions to restore power as soon as practicable

c. Cost-effective service for ratepayers.

Having a system that can provide cost-efficient services in order to keep utility rates comparatively low will be another key component for consideration. The County unincorporated area includes several disadvantaged communities, which are particularly sensitive to the impacts of high utility costs. The financial analysis being conducted by LAFCO will provide important insight on this topic to further inform future discussions.

d. Ability to plan for and equitably pay for future growth.

Given the significant growth that is expected to occur in our unincorporated area, we need to collectively plan for a system that can feasibly expand in order to support our growing population and allow for economic development opportunities. The cost of expanding infrastructure to accommodate growth should be primarily borne by those development projects contributing to the expansion need, while minimizing any impacts to existing residents and ratepayers.

e. Operational ability.

The electric service provider needs to have, or reasonably be able to develop, the operational and organizational capacity and know-how to operate a complex electrical system, so that it can be responsive to the needs of the community while providing reliable and resilient electrical service.

Initial Comments on Service Options.

We acknowledge and appreciate the commitments by LAFCO to provide the requested additional financial analysis, which will yield needed additional information to assess the alternatives against the collective priorities of all stakeholders. Based on County staff's review of the eight (8) alternatives identified in the Draft Study, in light of our guiding principles noted above, it is our assessment that Option 1.A (Maintain Status Quo), Option 2.A (Merge to Investor-Owned Utility) and Option 2.D (Form a Community Choice Aggregator) are the least likely to meet the County's objectives. This opinion is also shared by the Draft Study which identified those as the lowest ranked of the alternatives studied. As such, if there is a need or interest in narrowing down the alternatives as part of the next steps of the analysis, those three alternatives would warrant less consideration.

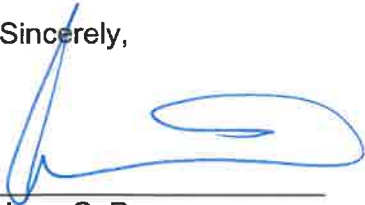
Financial Analysis

The County requests that certain information be included and considered as part of the fiscal analysis, to the practicable extent possible, as part of the cost comparison of alternatives:

- Overall number and mix (residential, commercial, etc.) of ratepayers, by jurisdiction.
- Rate revenue collected over a reasonably available period of time, by jurisdiction.
- Available information on the inventory of transmission and other assets, by jurisdiction.
- Summary information of what may be currently programmed through IID's approved Capital Improvement Program, by jurisdiction.

The County extends our thanks to all of the stakeholders that have come together, using CVEC as a forum, and the work being done by LAFCO and its consultants as we work to plan the best electrical energy future possible for the Coachella Valley. We appreciate the ability to submit our initial comments now and look forward to commenting further as the additional fiscal analysis becomes available, and to continuing to work in collaboration with all stakeholders through CVEC as this moves forward to the next stage of analysis and discussion

Sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'J' followed by a horizontal line and a loop.

Juan C. Perez
Chief Operating Officer

August 30, 2023

Gary Thompson, Executive Officer
Riverside County Local Agency Formation Commission (LAFCO)
6216 Brockton Avenue Suite 111 B
Riverside, CA 92506
gthompson@lafco.org or info@lafco.org

Re: Alternative Governance and Electricity Services Study - Imperial Irrigation District

Dear Mr. Thompson,

The La Quinta City Council is submitting this comment letter in response to the March 2023 DRAFT Alternative Governance and Electricity Services Study – Imperial Irrigation District (Study), prepared by Dopudja & Wells Consulting (Consultant).

In February 1934, the Coachella Valley Water District (CVWD) and Imperial Irrigation District (IID) entered into a 99-year Agreement of Compromise, granting IID to be the electrical service provider for parts of the Coachella Valley located in Riverside County, California. Since this agreement expires on December 31, 2032, and the La Quinta residents and businesses receive electrical service from IID, we have a vested interest in the governance and delivery of services post 2032.

We are aware that this Study was commissioned as a result of legislation (AB 1021) introduced by former-Assembly Member Chad Mayes that outlined a governance structure that provided for fair representation of the IID customers within Riverside and Imperial Counties. Currently, the IID Board is comprised of members elected by Imperial County residents within defined geographic districts located only within Imperial County. There is no representation or voting rights for stakeholders within IID's territory of Riverside County. While the legislation was vetoed, the Governor approved State funds to commission a study to evaluate "alternative governance and electrical services" post the IID/CVWD agreement.

In July 2021, also during and as a result of Mayes' proposed legislation, IID formed the Coachella Valley Energy Commission (CVEC). CVEC is comprised of elected officials and at-large representatives of Coachella Valley energy stakeholders and its purpose is to determine the energy needs of the greater Coachella Valley portion served by IID and develop a long-term strategic plan, including governance, for continued energy service beyond 2032.

On May 1, 2022, Riverside and Imperial County LAFCOs and the California State Water Resources Control Board (State Water Board) entered into a \$500,000 Study Grant Agreement to conduct a study to evaluate alternative governance structures and or alternative electricity services currently provided by IID.

Exhibit A of that Agreement contains the Scope of Work and Schedule (page 7 of 18).

In Exhibit A, A.2., 3. Study Report, 3.1 Prepare an Initial Draft Study that includes:

3.1.1 An executive summary that includes background information on the Project, the issues and options to be analyzed, and recommendations for implementation.

3.1.2 An analysis section that includes a detailed discussion for each of the options and scenarios developed for the two issues required to be studied.

3.1.3 A conclusion and recommendations section that synthesizes the analysis into an overall recommendation for the most cost effective and efficient implementation scenario for each required option.

In March 2023, LAFCO published the Consultant's 159-page draft Study for public comment, which outlines multiple options with variations available to stakeholders in moving forward with a new contract.

Our Findings:

The Study does not include cost analyses or an overall recommendation for the "most cost effective" scenario. It does not include transitional cost and time frames, how funding is covered, and what new rates for service are estimated to be going forward. It does not provide "recommendations" at all. Instead, it lists options and information that were largely derived from the work conducted by CVEC since its inception in July 2021.

La Quinta has been and remains strongly committed to its participation and collaboration with CVEC, and supports CVEC's continuous efforts for engagement to identify viable electrical service alternatives and ensure proper representation of the Coachella Valley ratepayers as this process progresses. And, while governance issues and models are discussed with CVEC, the IID Board is still the authority for decision-making.

CVEC members, upon inquiry, were informed by IID staff during the July 27, 2023 CVEC meeting that the financial reports from IID became available too late to include in the Draft Study. CVEC members recommended that IID submit the financial information requested for the Study so that the Scope of Work requirements of the State Water Board Agreement can be met. We do believe, however, that the Study should have included cost analyses based on research that should have been performed by the Consultant.

Without the required information and critical cost analysis, a municipality cannot make an informed decision about the future of electrical service for its residents/businesses.

We ask that LAFCO fulfill its contractual obligation to meet the requirements as outlined in the State Water Board agreement as noted in Exhibit A – Scope of Work and Schedule.

With receipt of financial data from IID, that will provide critical information needed to determine the best "cost effective" option for our residents/businesses, we understand the financial analysis performed will be available for review no later than September 30, 2023. We also have learned that both Imperial and Riverside LAFCOs have authorized to extend the comment period to October 15, 2023. Thank you for making adjustments to the timeline and comment period.

We support a governance structure for electrical/power service that is representative of and inclusive of the Coachella Valley stakeholders that is separate from the current IID board representing Imperial County stakeholders for both water and power. We prefer a Coachella Valley board that represents the area divided into districts, with board members elected by registered voters of each district.

We would also like to see a governance structure that plans for and prioritizes ongoing maintenance of equipment, upgrading of outdated equipment, and proactive addition of substations as needed to ensure capacity to better serve existing ratepayers and new development. IID needs to be transparent as to issues critical to power delivery in both the short term and long term. The cities and impacted agencies need to be included in planning, site location, future transmission requirements, and path of those lines through the cities.

Increasing population, system reliability, aging infrastructure, capacity limitations, new development, frequent service outages, stable costs for ratepayers, and questions regarding timely implementation of capital improvements are among our top concerns. These concerns have driven the Coachella Valley stakeholders to request representation and provide oversight on electrical service matters. Thank you.

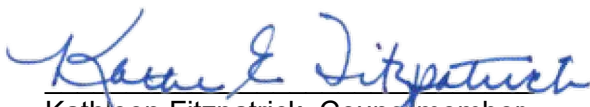
Sincerely,




Linda Evans, Mayor
City of La Quinta



Steve Sanchez, Mayor Pro Tem
City of La Quinta



Kathleen Fitzpatrick, Councilmember
City of La Quinta



John Peña, Councilmember
City of La Quinta



Deborah McGarrey, Councilmember
City of La Quinta

Cc: Jon McMillen, City Manager, La Quinta

Attachment B: Data Received from Imperial Irrigation District

	City	kWh	Billing	Customer Count
City	Indio	776,731,036	\$95,041,122	38,487
City	La Quinta	593,339,522	\$72,820,681	27,051
City	Coachella	246,096,192	\$57,135,787	11,559
City	Rancho Mirage	23,073,317	\$2,752,123	664
City	Palm Desert	111,623,651	\$13,865,070	6,533
City	Indian Wells	4,738,219	\$613,625	485
County	Indio Hills	2,834,818	\$379,920	69
County	Thousand Palms	85,609,739	\$10,701,651	4,163
County	Bermuda Dunes	37,875,372	\$4,694,143	2,011
County	Chiriaco Summit	2,390,277	\$276,963	18
County	Thermal	162,480,027	\$19,806,248	3,930
County	Mecca	46,781,268	\$5,957,663	2,168
County	North Shore	16,617,373	\$2,070,200	1,068

Totals:	2,110,190,812	\$286,115,196	98,206.00
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Sky Valley	no meters
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Oasis	no meters
-------	-----------

Billing period is January 1, 2022 through December 31, 2022. IID audited data.

City	kWh	Billing	Municipal Service	AG Pump	Ag Pump NET	Large Ag	Large Ag NET	Large Commercial	Large Commercial NB	Large Commercial NET	Mobile Home	Mobile Home NET	Mobile Home NB	Residential	Residential NB	Residential NET	Small Commercial	Small Commerical NB	Small Commerical NET	Metered Streetlight	General Wholesale	Total Customer Count
Indio	776,731,035.94	\$ 95,041,121.86	298	25	1	7	1	184	4	10	30			30700	1793	1452	3943	11	27	1		38,487
La Quinta	593,339,522	\$ 72,820,680.62	197	3				136	3	5	4			22527	880	775	2503	4	14			27,051
Coachella	246,096,192	\$ 57,135,786.79	134	56		12	4	60	8	5	9	1		8794	895	452	1102	12	15			11,559
Rancho Mirage	23,073,317	\$ 2,752,123.32	11					10	1	1				427	26	32	154	1	1			664
Palm Desert	111,623,651	\$ 13,865,070.45	13					22		1	1			5516	135	145	698		2			6,533
Indian Wells	4,738,219	\$ 613,624.95	1					1						432		3	48					485
Indio Hills	2,834,818	\$ 379,919.89						2						58	1	1	6		1			69
Thousand Palms	85,609,739	\$ 10,701,650.68	4	3				33	1	1	1			3550	28	45	494	1	2			4,163
Bermuda Dunes	37,875,372	\$ 4,694,143.11		1				9	1					1,669	32	52	245		2			2,011
Chiriaco Summit	2,390,277	\$ 276,962.55						3			2						13					18
Thermal	162,480,027	\$ 19,806,248.23	1	431	1	12		46	9	7	14	1	1	2,570	43	25	763		5	1		3,930
Mecca	46,781,268	\$ 5,957,662.81		107		4	1	13	3	1	6			1679	104	42	202	1	3		2	2,168
North Shore	16,617,373	\$ 2,070,200.30		18				2						941	15	17	75					1,068

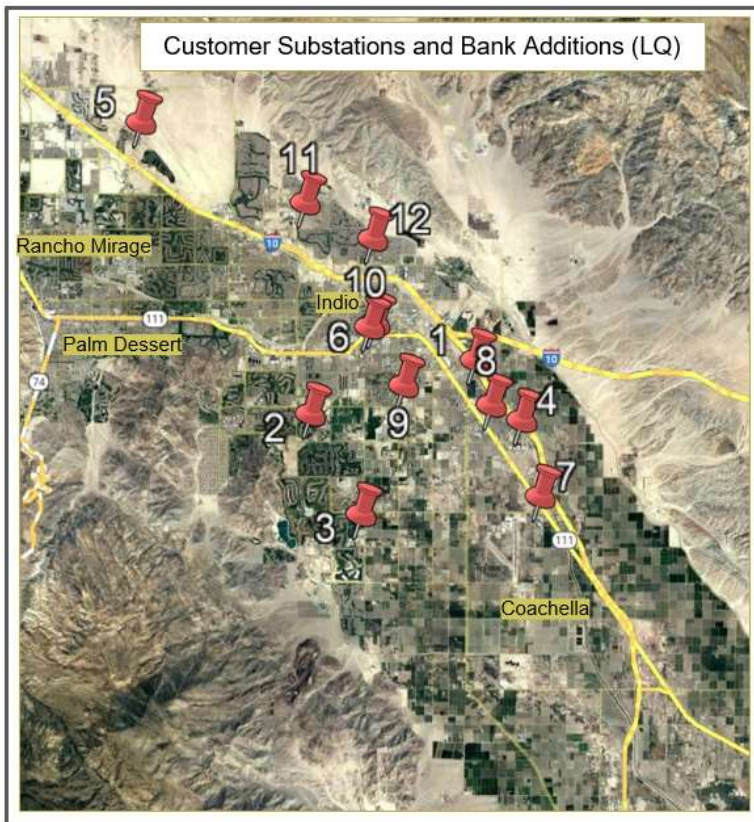
Attachment C: Imperial Irrigation District 2023 Cost-of-Service Effort

I am advised that in the current cost of service the total substation costs of \$194,555,700 are proposed to be funded as follows:

- A. Rate Funded of \$36,512,000
- B. Debt Funded of \$10,901,000
- C. Developer Funded of \$147,142,700

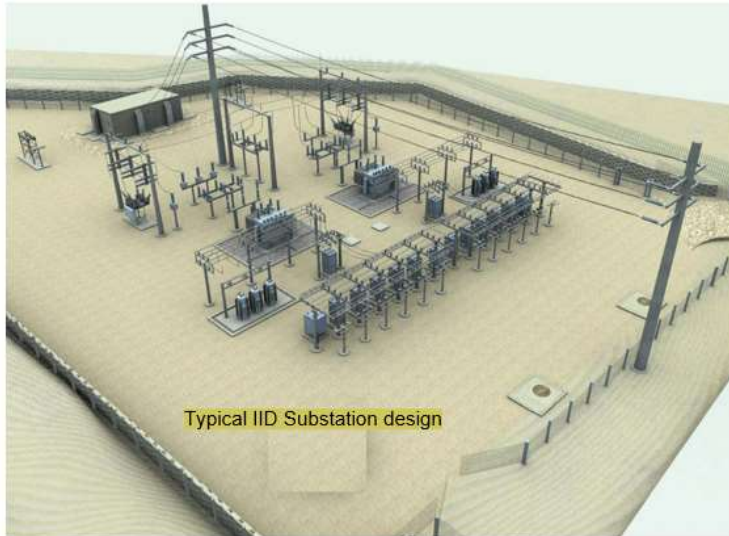
Please see below the detail per substation. Please note some of these substation CODs extend beyond the COS horizon so no allocations were provided for that infrastructure. The rate funded portion was allocated conceptually based on overall benefit to all rate payers of the District as a result of increased reliability, resiliency, etc. Please note that these values may change over time based upon system conditions, but were included in the cost of service study. IID has not implemented the findings of that COS.

Sum of 2023-2027 Substations Included in						
#	Description		COS	Sum of Rate	Sum of Debt	Sum of Customer
1	Cannabis AWZ Coachella (48%)	\$	14,000,000	\$ -	\$ -	\$ 14,000,000
2	Jefferson 3rd Bank (45%)	\$	2,300,000	\$ 800,000	\$ -	\$ 1,500,000
3	Avenue 58 3rd Bank	\$	17,000,000	\$ 4,000,000	\$ -	\$ 13,000,000
4	Ave 52 2nd Bank (70%)	\$	8,500,000	\$ -	\$ -	\$ 8,500,000
5	Classic Club Sub 1 (65%)	\$	27,270,300	\$ -	\$ -	\$ 27,270,300
6	Carreon 2nd Bank	\$	11,000,000	\$ 204,000	\$ -	\$ 10,796,000
7	New Thermal/Airport	\$	500,000	\$ -	\$ -	\$ 500,000
8	Coachella Switching 3rd Bank	\$	14,000,000	\$ 7,700,000	\$ -	\$ 6,300,000
9	New Jackson 4th Bank	\$	7,300,000	\$ 200,000	\$ -	\$ 7,100,000
10	Indio Downtown New Substation (75%)	\$	10,804,000	\$ 204,000	\$ -	\$ 10,600,000
11	Avenue 40 Substation (40%)	\$	7,204,000	\$ 204,000	\$ -	\$ 7,000,000
12	New North Indio Substation	\$	9,000,000	\$ -	\$ -	\$ 9,000,000
13	Marshall 3rd Bank	\$	11,800,400	\$ -	\$ 10,901,000	\$ 899,400
14	Northgate Substation / Magestic Project	\$	18,107,000	\$ 9,000,000	\$ -	\$ 9,107,000
15	Rio Del Sol Substation	\$	17,770,000	\$ 1,200,000	\$ -	\$ 16,570,000
16	Frances Way 2nd Bank	\$	5,000,000	\$ -	\$ -	\$ 5,000,000
17	Mecca 2nd Bank (64%)	\$	-	\$ -	\$ -	\$ -
18	Heber Distribution Substation 2nd Bank	\$	6,500,000	\$ 6,500,000	\$ -	\$ -
19	Gateway Distribution Substation 2nd Bank	\$	6,500,000	\$ 6,500,000	\$ -	\$ -
20	Lavinge Distribution Substation	\$	-	\$ -	\$ -	\$ -
21	Victoria Ranch Distribution Substation	\$	-	\$ -	\$ -	\$ -
Grand Total		\$	194,555,700	\$ 36,512,000	\$ 10,901,000	\$ 147,142,700



	2023	2024	2025	2026	2027
1. Cannabis AWZ Coachella (New Sub LQ, \$14 MM)					\$14 MM
2. Jefferson 3 rd Bank (New Bank LQ, \$5.3 MM)				\$1 MM	\$4.3 MM
3. Avenue 58 3 rd Bank (New Bank LQ, \$17 MM)		\$3 MM	\$6.5 MM	\$7.5 MM	
4. Ave. 52 2 nd Bank (New Bank LQ, \$8.5 MM)				\$5 MM	\$3.5 MM
5. Classic Club Sub 1 (New Sub LQ, \$27.2 MM)	\$8 MM		\$5 MM	\$7 MM	\$7 MM
6. Carreon 2 nd Bank (New Bank LQ, \$11 MM)	\$0.2 MM	\$5 MM	\$5.5 MM		
7. New Thermal/Airport (New Sub LQ, \$18.6 MM)				\$9.6 MM	\$9 MM
8. Coachella Switch. 3 rd Bank (New Bank LQ, \$14 MM)		\$2 MM	\$6.3 MM	\$5.7 MM	
9. New Jackson 4 th Bank (New Bank LQ, \$11.8 MM)		\$1.5 MM	\$4.5 MM	\$5.7 MM	
10. Indio Downtown New Subst. (New Sub LQ, \$14.6 MM)	\$0.2 MM		\$3.8 MM	\$5.6 MM	\$5 MM
11. Avenue 40 Substation (New Sub LQ, \$7.2 MM)	\$0.2 MM			\$2 MM	\$5 MM
12. New North Indio Substation (New Sub LQ, \$18.6 MM)				\$9.6 MM	\$9 MM

IID Substations and Bank Additions



Typical IID Substation design

	2023	2024	2025	2026	2027
13. Marshall 3 rd Bank (New Bank LQ, \$11.8 MM)	\$3.2 MM	\$8.5 MM			
14. Northgate Subst. / <u>Majestic</u> (New Sub LQ, \$18.1 MM)	\$5.9 MM	\$2.3 MM	\$9.8 MM		
15. Rio del Sol Substation (New Sub LQ, \$22,5 MM)		\$6.8 MM	\$7.5 MM	\$4 MM	\$4 MM
16. Frances Way 2 nd Bank (New Bank LQ, \$11 MM)		\$3 MM	\$3 MM	\$5 MM	
17. Mecca 2 nd Bank (New Bank LQ, \$7 MM)				\$1.5 MM	\$5.5 MM
18. Heber Distr. Subst. 2 nd Bank (New Sub IV, \$6.5 MM)		\$5 MM	\$1.5 MM		
19. Gateway Distr. Subst 2 nd Bank (New Sub IV, \$6.5 MM)		\$5 MM	\$1.5 MM		
20. <u>Lavinge</u> Substation (New Sub IV, \$12 MM)				\$12 MM	
21. Victoria Ranch Distr. Subst. (New Sub IV, \$12 MM)					\$12 MM



April 24, 2023

IMPERIAL IRRIGATION DISTRICT ELECTRIC UTILITY FINANCIAL FORECAST RESULTS



NewGen
Strategies & Solutions

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AGENDA

- Financial Forecast Overview and Results
 - Role of Power Supply Costs
 - Base Rates and Energy Cost Adjustment (ECA)
- Cost of Service
 - Revenue Requirement
 - Functionalized Revenue Requirement
 - Classified Revenue Requirement and Fixed Cost Recovery
 - COS results by class
- Potential Rate Making Strategy and Results
- Steps in public rate making

KEY FINANCIAL METRICS DRIVING THE RESULTS AND THEIR IMPORTANCE TO IID

- Debt Service Coverage Ratio (DSCR):
 - Measures utility's ability to pay for annual debt service expenses (Principal and Interest)
 - Typically requires 1.0X the total annual debt service
 - Required by bond covenants (IID covenants require 1.3, target of 2.0)
- Days Cash on Hand (Cash Reserves):
 - Measures utility's amount of working capital or days of operating expenses (typical targets of 150 to 174 days cash on hand)
 - Acts as cash flow management for utility
 - At times can offset short-term rate increases or reduce the need to frequently change specific cost recovery rates (e.g., Energy Cost Adjustments)

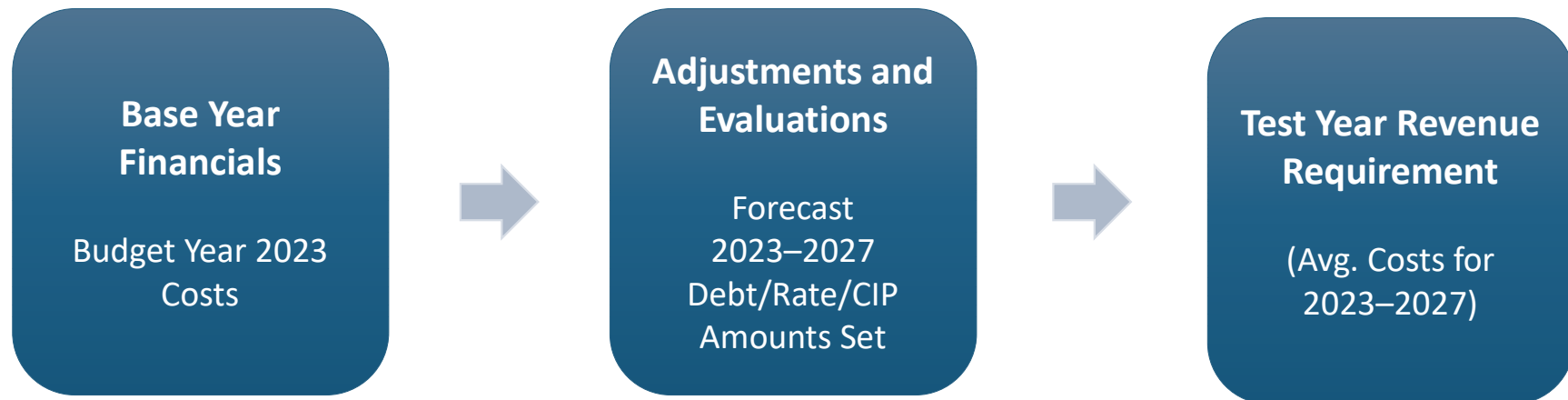
Cash reserves and DSCR will directly impact IID's credit rating.

- Declining or lower levels of DSCR and cash reserves likely lead to lower credit ratings and increased costs of debt.
- Higher levels of reserves and DSCR will increase credit ratings and reduce costs of debt.

FINANCIAL FORECAST AND REVENUE REQUIREMENT

Test Year Revenue Requirement:

Total costs to provide electric services to customers over the study period (2023–2027). Foundation of the COSA and based on forecast



KEY INPUTS AND DATA FOR REVENUE REQUIREMENT

Capital plan

- Capital plan through 2030 totals \$1.5 billion
- Five-year (2023-2027) COS planning horizon capital plan totals \$1.1 billion

	2023-2027
Capital Plan	
Customer Funded	\$332,082,796
Rate Funded	\$279,999,451
Debt Funded	\$510,000,000
Total	\$1,122,082,247

KEY INPUTS AND DATA FOR REVENUE REQUIREMENT

- Used IID 2023 budget as the starting point, escalated accounts from there to 2027
- O&M expenses are stable, forecast aligns with historic levels
- Capital plan for 2023–2027
- Set debt financing of CIP at 60% of the total for the forecast period
 - Allows room for increased debt if capital costs increase above budgeted amount (e.g., continued inflationary pressure and supply chain issues).
 - Debt funding allows for flexibility if projects are delayed / supply chain impacts
- Rate increases would contribute to remaining CIP and maintaining financial KPIs (cash reserves and DSCR)

KEY CAPITAL COST DRIVERS

- Aging Infrastructure:
 - Many existing IID assets are at or nearing the end of their depreciable life
 - Need to replace old unreliable assets with new and more efficient ones to ensure reliability
- Generation capital replacement needs:
 - Yucca and Unit 4 (138 MW, date in service 1959) ~ 64 years in service
 - Coachella Gas Turbines (date in service 1973) ~ 50 years in service
 - Rockwood Gas Turbines (date in service 1979) ~ 44 years in service
- Growth:
 - Microgrid Project
 - 15 substations needed in the Coachella Valley as well as 10 additional banks
 - Growth of number of customers in service territory is not equivalent to growth in load
 - Offset by Distributed Energy Resources (DER) and energy efficiencies

KEY CAPITAL COST DRIVERS – CONTINUED

- Transmission Needs:
 - R-Line consist of 33.8 miles of upgrades required for storm outage prevention and OATT projects
 - S-Line consist of 18.1 miles of upgrades as a result of contract between CAISO and IID
 - K-Line consist of storm hardening 28 miles of transmission line
 - Grapefruit Switching Station, CN and CL Line reconstruction of approximately 7 miles
 - ***Remedial Action Plan under IID's Transmission Planning TPL Standard***
 - North Gila to Imperial Valley 500kV
- Reliability:
 - Substation upgrades to increase load capacity in IV and LQ
 - Restore battery storage to its original 20MW capacity
- Regulatory and Operational
 - El Centro Generation Station Wastewater Mitigation
 - Energy Imbalance Market (EIM) Upgrades to enable the participation in the ISO's WEIM

INCREASING MARKET DRIVERS AND CUSTOMER DEMANDS

Customers' needs are evolving due to regulatory and competitive forces, resulting in the need for new infrastructure investments and updated COS and rate options.

Rate redesign and introduction of new rates are necessary to meet evolving market drivers

- Public EV Charging:
 - Fast Chargers
 - Low load factor
 - High infrastructure costs
- Fleet Charging
- Microgrids

FORECAST RESULTS – STATUS QUO, NO RATE INCREASE OR DEBT ISSUE

	2023	2024	2025	2026	2027
Status Quo					
Revenues	\$563,915,252	\$564,946,509	\$567,805,436	\$568,344,518	\$572,712,179
Revenue Requirement	\$608,228,730	\$705,471,912	\$748,799,003	\$780,633,941	\$708,974,506
Over (under) Collection	(\$44,313,479)	(\$140,525,403)	(\$180,993,566)	(\$212,289,424)	(\$136,262,328)
DCOH	83	(16)	(140)	(284)	(374)
DSCR	2.0	1.6	1.7	1.6	1.6

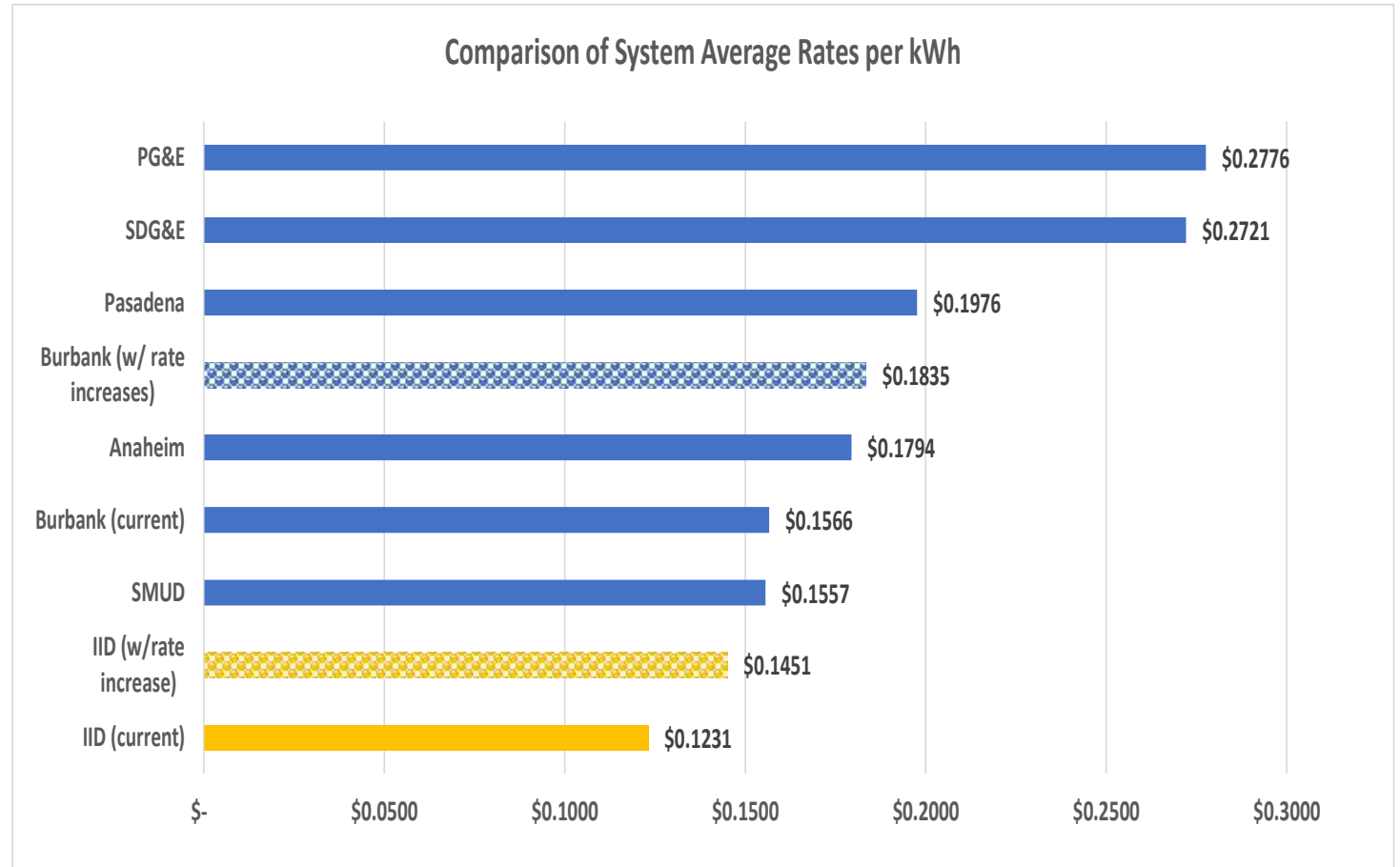
To address the diminishing Days Cash on Hand (DCOH) and Debt Service Coverage Ratio (DSCR), it is recommended that IID issue debt and increase rates

FORECAST RESULTS – INCLUDING RATE RECOMMENDATIONS

	2023	2024	2025	2026	2027
Revenues	563,915,252	610,876,452	664,926,354	665,732,818	670,368,532
Revenue Requirement	528,828,438	549,766,056	552,456,782	752,134,661	733,282,750
Over (Under) Collection	35,086,814	61,110,396	112,469,572	-86,401,843	-62,914,219
DCOH	138	177	254	193	149
DSCR	1.8	2.1	2.8	2.4	2.4
Recommendations					
Total Rate Increase Needed for Financial Stability	0.0%	8.3%	8.8%	0.0%	0.0%
Approximate increase to System Base Rate (\$/kWh)	\$0.00000	\$0.01295	\$0.01425	\$0.00000	\$0.00000
Debt Issued	\$250,000,000		\$260,000,000		

SYSTEM AVERAGE RATES COMPARISON

California Utilities
Years 2021-2023



BASE RATE AND ECA/ECAR

Base Rates:

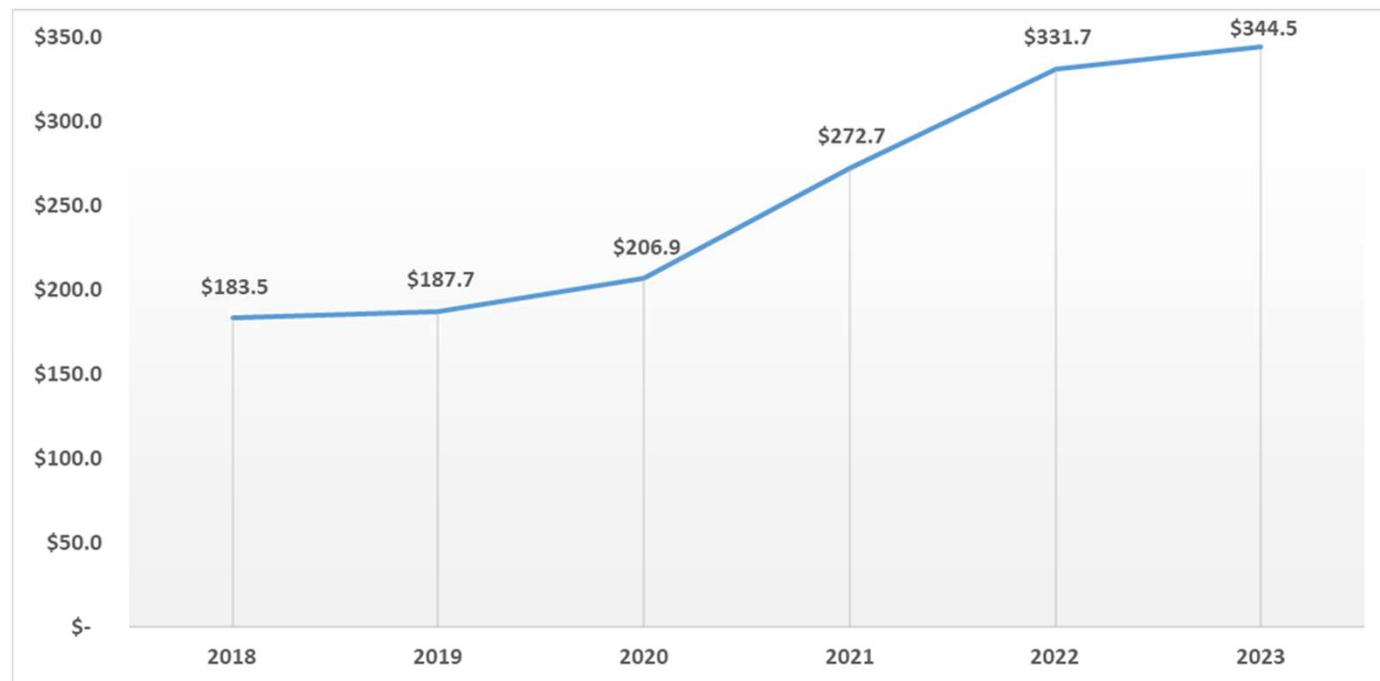
- Rates and Charges to recover the core costs of operating the utility
- Costs primarily managed and controlled by the utility (IID)
- May include a portion of power supply/market costs
 - ECA: \$0.0562/kWh included in Base Rate

Pass Throughs/Energy Cost Adjustments:

- Rates to recover costs not under full control of the utility (IID)
- Pass through all or a portion of market costs, market volatility to customers
- Best practice to provide transparency and calculation for adjustment; typically, the entire power supply costs or the difference in budgeted (base rate) vs. actual costs
- Common practice for utilities to charge Energy Cost Adjustments Factors
 - Turlock Irrigation District
 - Los Angeles Department of Water and Power
 - Salt River Project

ECA FACTORS

Fuel and
purchased power
costs have
increased by 88%
since 2018



The ECA recovers the costs of fuel, energy, capacity, transmission, purchased power and transmission costs, net revenues from wholesale sales not recovered in the base energy charge of the District.

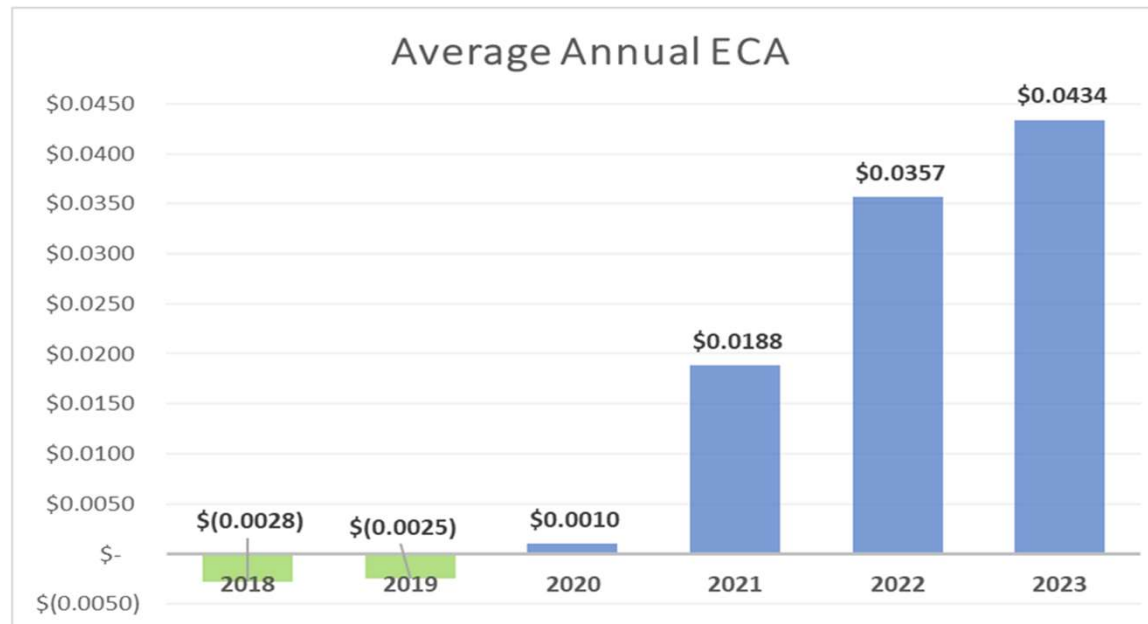
Slide 14

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IID to Update this graph

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HISTORY OF THE ECA CHARGES – 2018–2023



- As purchase power and fuel costs have increased so has the ECA billing factors in order to recover costs
- In the years 2018 and 2019 there was \$9.1M credit back given to customers via ECA factors

Slide 15

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IID to update graph

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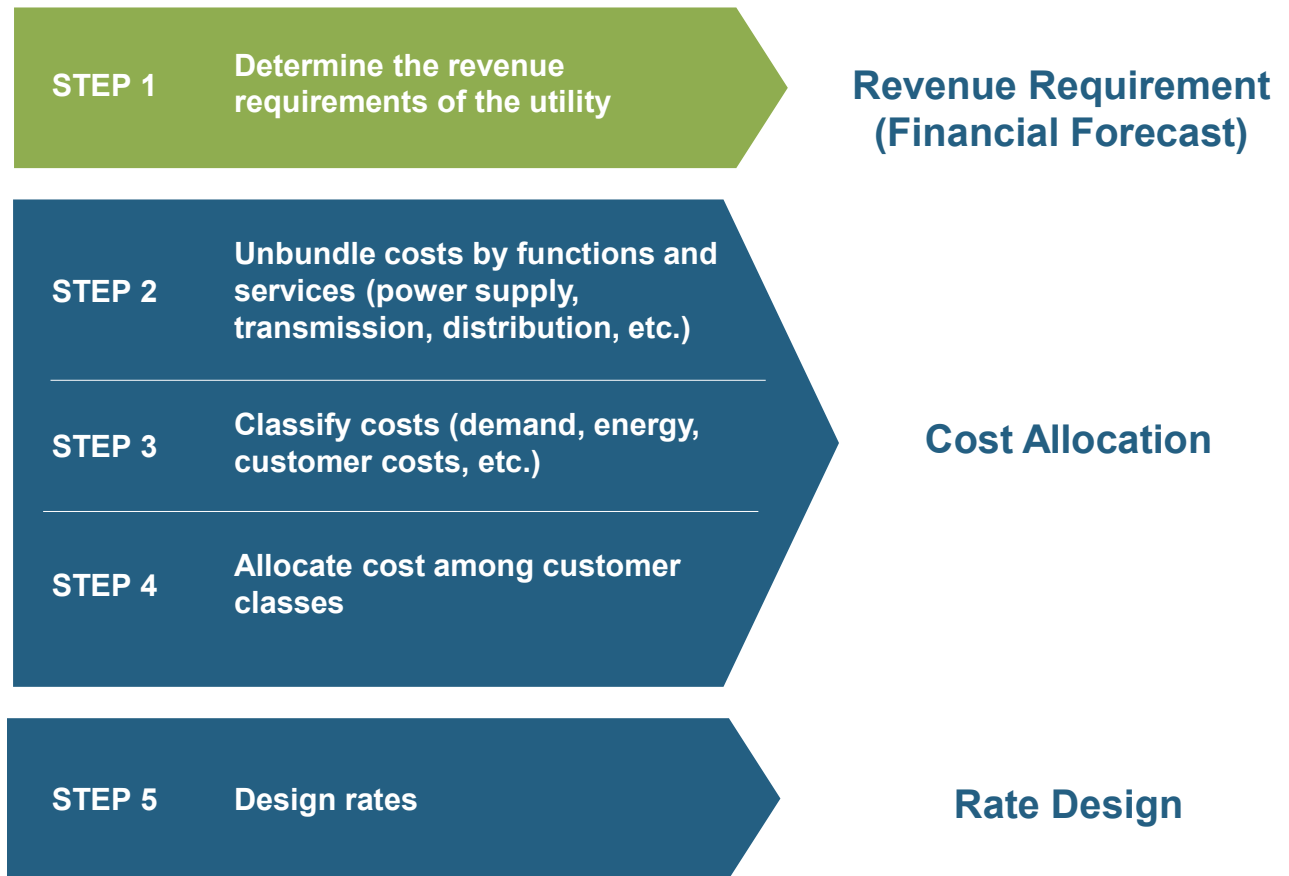
CURRENT ELECTRIC RATES

	Customer Charge	Demand Charge	Energy Charge Including ECA Base	Energy Rate Excluding ECA Base
Rate Class				
Residential	\$9.60	N/A	\$0.1169	\$0.0607
Large Commercial Rate	\$140.00	\$6.75	\$0.930	\$0.0368
Small Commercial Rate	\$12.00	N/A		
Tier 1 (<1,000 kWh)			\$0.1231	\$0.0669
Tier 2 (Next 6,000 kWh)			\$0.1205	\$0.0643
Tier 3 (Over 7,000 kWh)			\$0.1169	\$0.0607



COST OF SERVICE PROCESS AND RESULTS

Rate Study Process

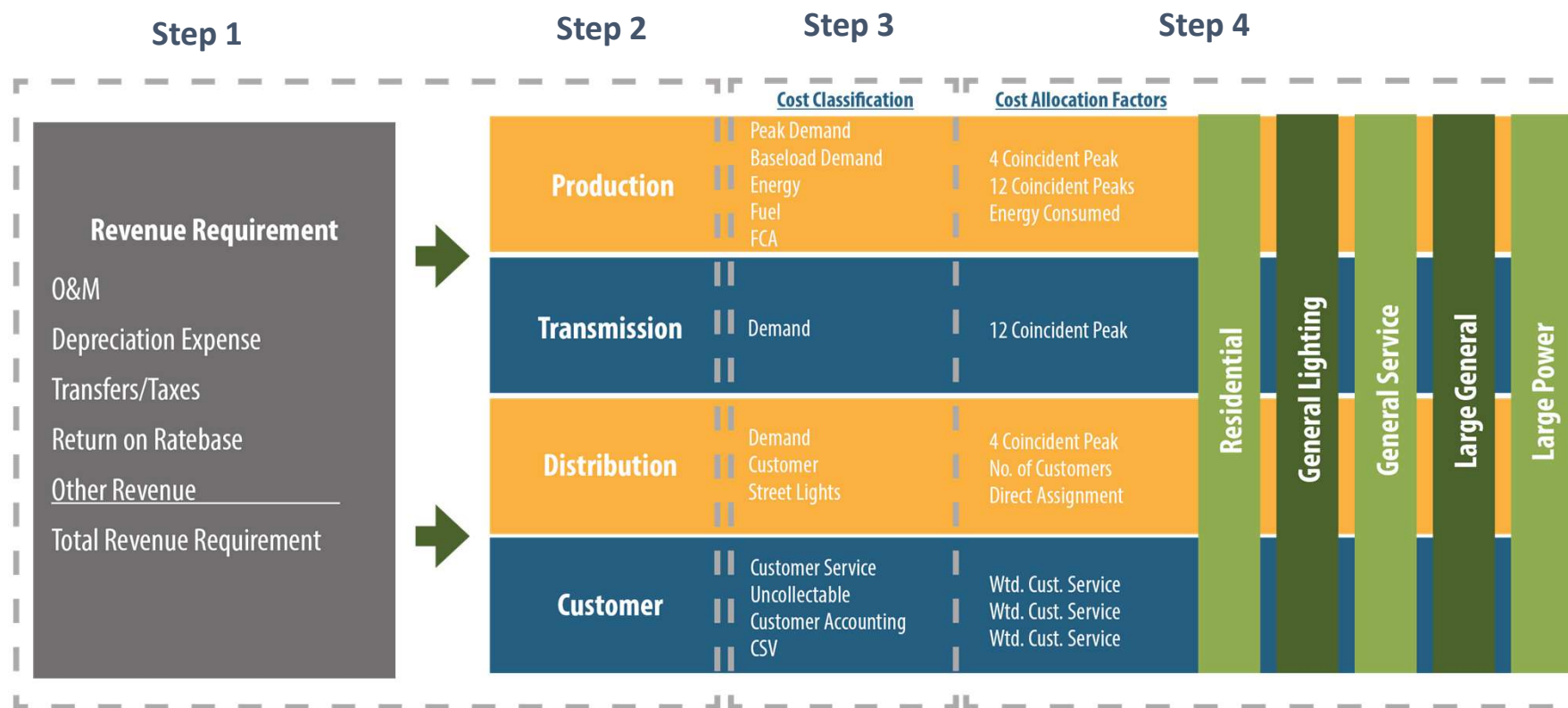


REVENUE REQUIREMENT

Based on the Financial Forecast, a 5-year average Test Year is developed to eventually calculate the COS by each customer class

Revenue Requirement	Amount	Percentage
Power Supply	\$329,801,570	52%
O&M	\$201,840,309	32%
Debt Service	\$61,823,230	10%
Cash Funded Capital	\$69,427,186	11%
Less Other Income	(\$39,598,558)	-6%
Contributions to Reserves	\$11,870,144	2%
Total	\$635,163,881	
Current Revenues	\$569,552,312	
Total Rate Increase Needed		12%

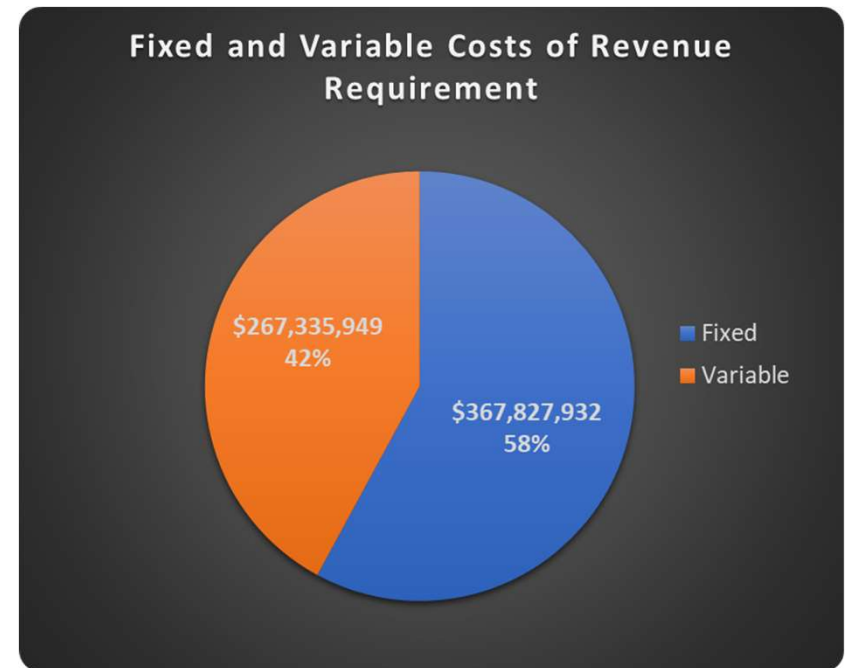
KEY COS STEPS AND PROCESS



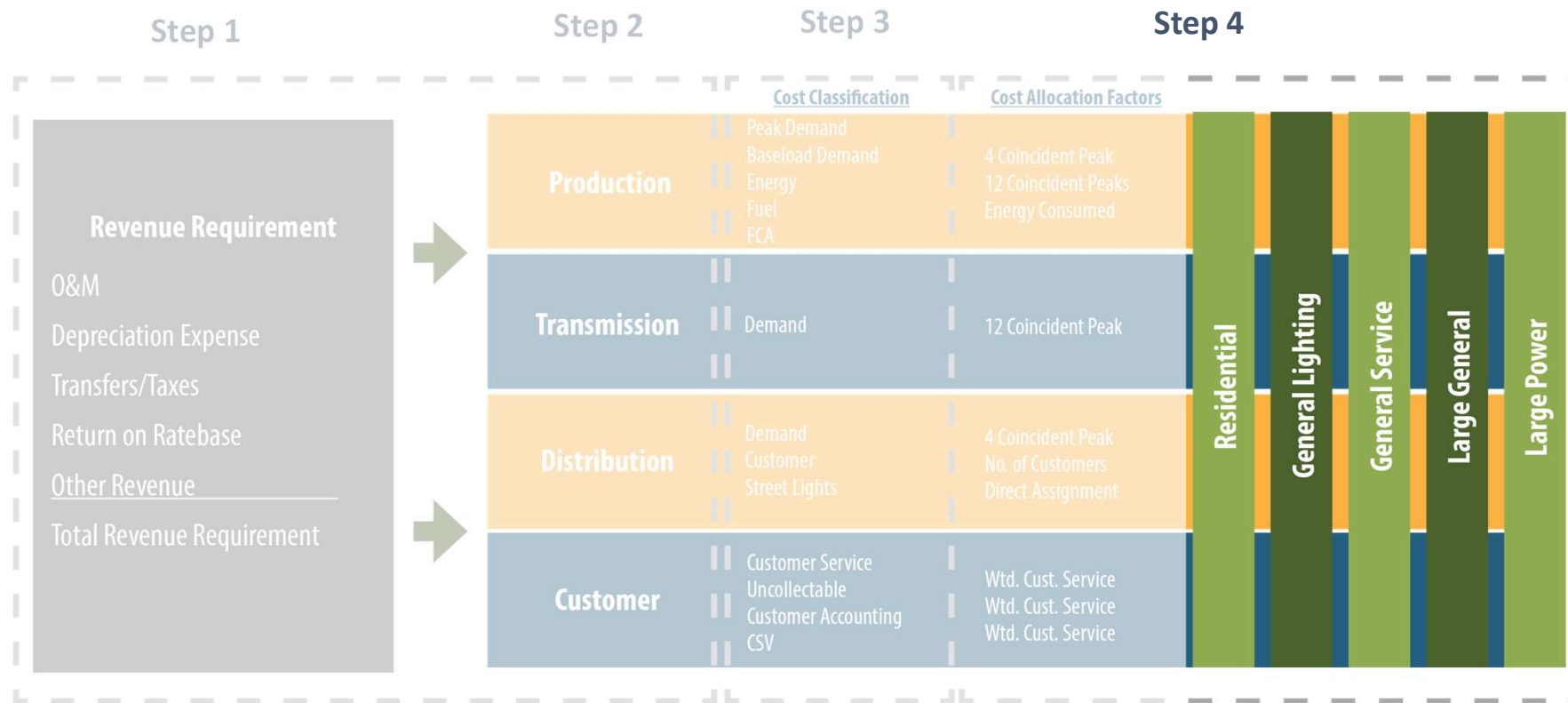
COST OF SERVICE RESULTS

Function	Amount
Power Supply	\$444,802,728
Transmission	\$76,001,613
Distribution	\$83,995,600
Customer	\$30,363,940
Total	\$635,163,881

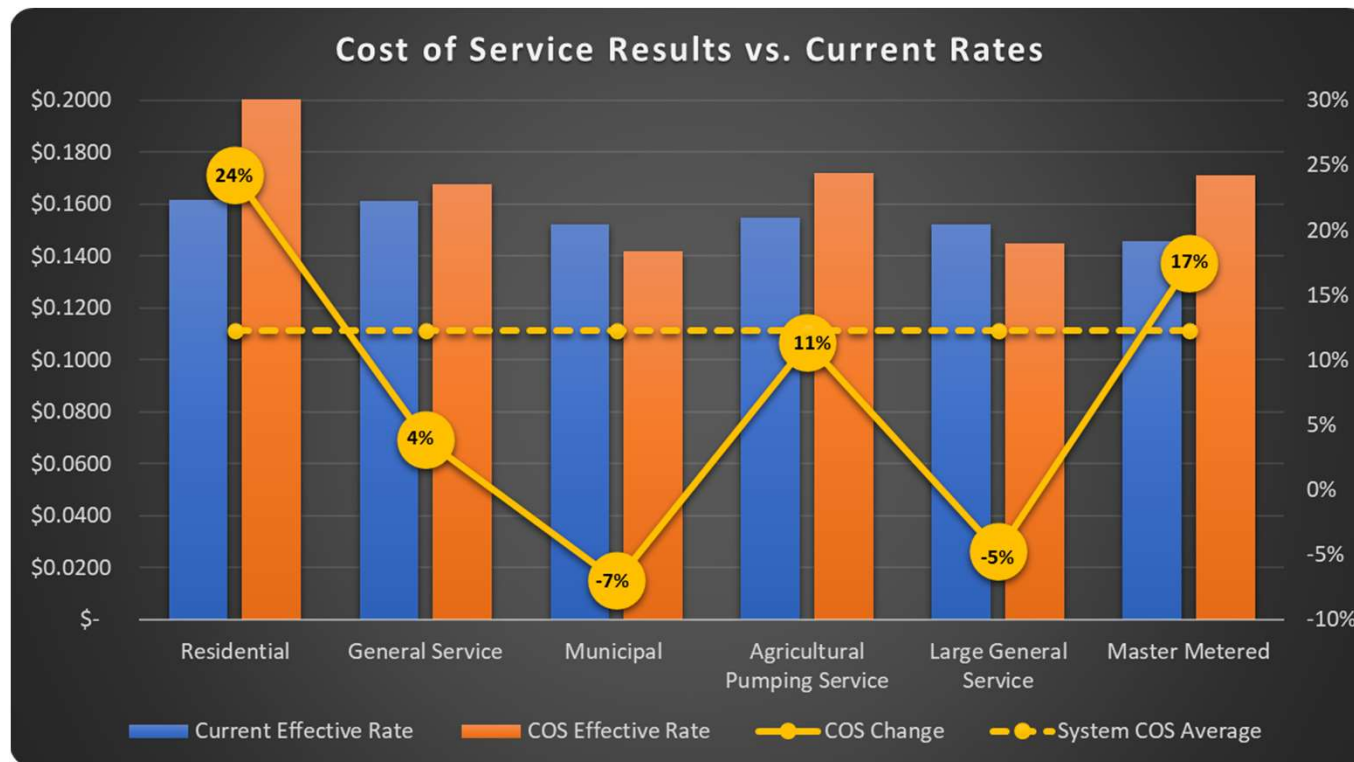
Classification	Amount	Percent
Customer	\$39,818,121	6%
Demand	\$328,009,811	52%
Energy	\$267,335,949	42%
Total	\$635,163,881	



COST OF SERVICE – CUSTOMER CLASS IMPACTS



COST OF SERVICE RESULTS BY CUSTOMER CLASS



RATE STRATEGY BASED ON COST OF SERVICE RESULTS

- COS is one step in rate making, rate making considers the COS, policy, and rate designs available
- As COS results show significant rate increases in some classes, we would propose gradualism or a “phased-in” approach to work towards the COS, but may not reach the final COS results
- Limit rate decreases, thus limiting rate increases

PROPOSED RATE STRATEGY

- No class receives a rate decrease
- No class receives more than 1.5 times the system average per phase, reallocate to all classes as needed
- System wide Rate increase is \$0.01295 per kWh increase
 - No class will receive more than a \$0.0194 per kWh increase

NEXT STEPS IN COS

- Guidance on rate increases, follow recommendation of two years with rate increases
- The COS provides the foundation to design all class's rates
- Provides foundation to finalize NEM, TOU, and Microgrid rates
- Design rates for all classes to generate the required revenues in 2024 and 2025 to fund IID costs and capital
- Typical next steps in in proposing rate changes for a public utility

QUESTIONS



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Add Picture

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CURRENT ENERGY RATE COMPOSITION OPTIONS

