

CENTRAL IOWA REGIONAL WATER DISCUSSION - UPDATE

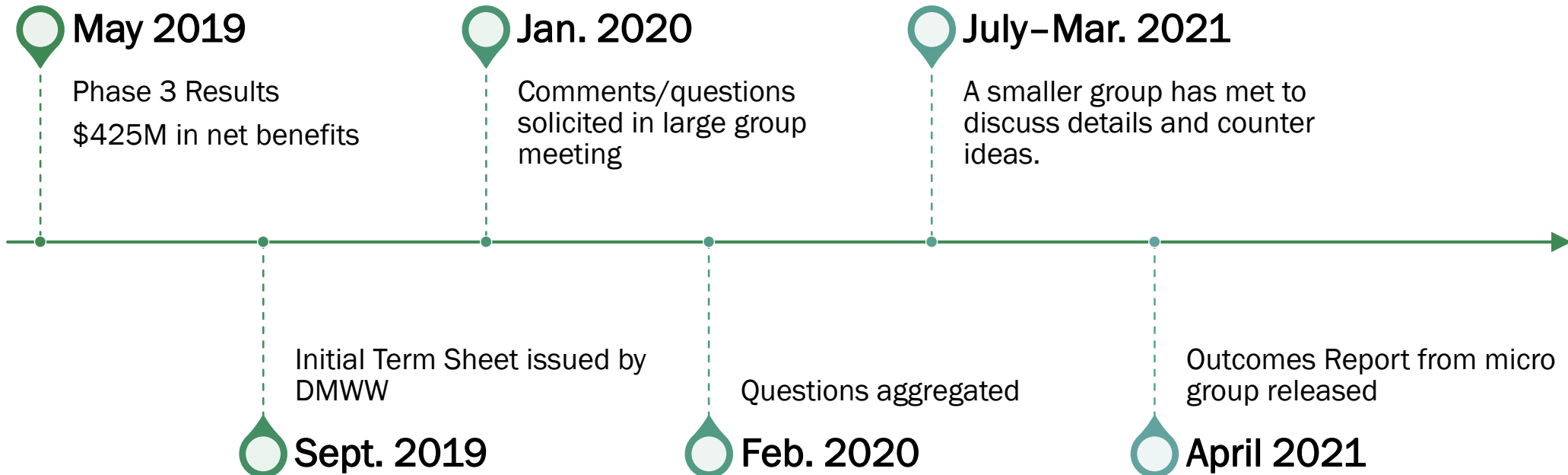
JUNE 17, 2021



AGENDA

- Where we've been
- Outcome Paper Highlights
 - Governance
 - Asset Transfer
 - Growth Costs
 - Other Items
- Current Status
- Next Steps
- Questions

WHERE WE'VE BEEN



OUTCOMES REPORT– GOVERNANCE

- How the Board will be seated
- How weighted voting will take place
- Committee structure

OUTCOMES REPORT– ASSET TRANSFER

- Certainty and timing of asset transfer
 - Optional vs. Certainty
- Two models under consideration
 - Rate credits/lease payments
 - Upfront reconciliation
- Reconciled depreciation differences to achieve equitable net book values
- Addressing debt and financing challenges

OUTCOMES REPORT– GROWTH COSTS

- Benefit pays for Benefit vs. Growth pays for Growth
- Analysis completed in Appendix

EXAMPLE OF BENEFIT PAYS FOR BENEFIT

Illustration of Expansion CIP Allocation

Entity A

	Benefit	Growth	Benefit + Growth
Expansion CIP ¹	\$ 1,000,000	\$ 1,000,000	
Percentage of expansion CIP	5% ²	95%	
Amount of expansion CIP allocated	\$ 50,000	\$ 950,000	
Entity A proportion	33% ³	8% ⁴	
Entity A share of costs	\$ 16,500	\$ 313,500	\$ 330,000 Entity A pays \$330,000

NOTES:

- 1) Non - expansion CIP, such as plant improvements and replacements, are not included in "expansion CIP."
These capital costs would be allocated based on average day, max day, or a blend of both.
- 2) The percentage attributed to benefit all, as negotiated in the 28E (assumed to be 5% for illustrative purposes only).
- 3) Entity A's proportion of the Region's maximum day demand.
- 4) Entity A's proportion of the Region's incremental growth.

OUTCOMES REPORT– OTHER ITEMS

- Staff for the new regional entity
- Length of management contracts
- Rate of Return
- Proposed methodology of allocation of production-related costs
- Initial capital contributions
- Long Range Planning
- Water Shortage Planning,
- 28E



STATUS

- Weighted Voting based on Flow or Population
- How Joint Capital Costs are Allocated
- Peaking ratio penalties and how to manage peak demands
- Asset Transfer Model
- What, if any, percentage of growth costs should be paid for proportionally by all

NEXT STEPS



Work through remaining issues



Complete financial analysis after remaining issues are resolved.



Get input from communities



Decision from communities by Q3/Q4



QUESTIONS & DISCUSSION

Initial Contribution Allocation Based on Annual Demand vs. Population

