

**CITY OF BELLEVUE
ENVIRONMENTAL SERVICES COMMISSION
MEETING MINUTES**

Thursday
June 21, 2018
6:30 p.m.

Conference Room 1E-113
City Hall
Bellevue, Washington

COMMISSIONERS PRESENT: Sanjay Kumar (Vice Chair), Vanja Knezevic, Anne Howe, Lisa Schreiner, Ling Zhuang

COMMISSIONERS ABSENT: Diann Strom (Chair), Aaron Morin,

OTHERS PRESENT: Nav Otal, Director; Lucy Liu, Assistant Director – Resource Management & Customer Service; Brian Pugliese - Smart Water Infrastructure & Technology Project Manager; Martin Chaw, Fiscal Manager; Jared Nieuwenhuis, Council Liaison, Minutes Taker Laurie Hugdahl

1. CALL TO ORDER:

The meeting was called to order by Vice Chair Kumar at 6:33 p.m.

2. APPROVAL OF AGENDA

Motion made by Commissioner Schreiner, seconded by Commissioner Knezevic, to approve the agenda as presented. Motion passed unanimously.

3. ORAL AND WRITTEN COMMUNICATIONS

None.

4. COMMUNICATIONS FROM CITY COUNCIL, COMMUNITY COUNCIL, BOARDS AND COMMISSIONS

Councilmember Nieuwenhuis commented that the Council is spending significant time and effort around the idea of a shelter LUCA. The Council held an extremely well-attended public hearing recently and will be reconvening on that issue next week to possibly take action.

5. STAFF REPORTS

Director Otal reminded the ESC about the upcoming CIP tour.

6. APPROVAL OF MINUTES

June 7, 2018 Regular Meeting Minutes

Motion made by Commissioner Howe, seconded by Commissioner Zhuang, to approve the June 7, 2018 minutes as presented. Motion passed unanimously.

7. UNFINISHED BUSINESS

- Epoxy Socks
Presenter: Nav Otal, Utilities Director

Director Otal responded to the question about whether or not there are any harmful environmental impacts from using the epoxy socks. Staff has researched the topic and found that there are no harmful effects once the socks are cured.

8. NEW BUSINESS

- AMI Program Update
Presenter: Brian Pugliese - Smart Water Infrastructure & Technology Project Manager

Mr. Pugliese gave a project status update on the Water Advanced Metering Infrastructure (AMI) or Smart Water Meter project. He gave some background on the reasons to support AMI such as customers having more information about and control over their water usage and providing proactive leak detection. He reviewed the benefits and requirements of the AMI project. An RFP was put together in early 2017 which resulted in a tremendous amount of interest and nine submittals for proposals. Four proposers came to City Hall to make a presentation on their solution and what is involved. The committee came up with a number one ranked proposer, but ultimately the City and that proposer weren't able to come to an agreement on the contract terms. The City is now working with negotiations with the number two ranked proposer who was very close in the evaluation to the number one selection. Mr. Pugliese reviewed how the contract is structured to include the hardware and a series of services. He also reviewed the project timeline. Staff is expecting to complete negotiations in July or August. The contract is expected to be submitted to the Council for approval in September or October and the new AMI system should be operational by 2020. Staff is planning on coming to the ESC for input on various topics regarding changes in customer experience such as the new metering standard, privacy, meter sites for initial deployment (pilot), update to leak adjustment policy, and billing frequency.

Commissioner Knezevic asked how buildings with multiple units would be handled. She recommended that each unit in a building should have their own meter in order to also achieve the benefits of AMI. Mr. Pugliese replied that was not in the scope of the project at this point. He noted that it is traditional for there to be only a single meter for a building, but indicated that staff could look into

this and come back. Commissioner Knezevic asked for information on how many buildings there are in Bellevue that have a single meter.

Mr. Pugliese reviewed the new meter standard which is that Utilities will provide one standard two-way communicating meter to customers; non-communicating meters will be the old standard of collecting consumption. There is an issue that some customers do not like technologies that use wireless communications citing potential adverse health effects, risks to privacy, and safety concerns. Mr. Pugliese commented that there hasn't been any research showing any risks to health, but some individuals say they have a sensitivity.

Vice Chair Kumar asked how many people do not like the wireless technology. Mr. Pugliese did not have a specific number, but noted that it is very small. Director Otal commented that there will be a significant amount of education required for this project. She noted that the City has only heard from two or three customers who are not interested in having them. Commissioner Knezevic commented that PSE has given those customers an option to opt out because there was no other solution available.

Mr. Pugliese referred to privacy concerns and noted that municipal government data is a pretty low value target. Hackers don't appear to be interested in the data contained in a meter. Nonetheless, Utilities requirements are for secured network communications and encrypted data. The City complies with stringent state laws and is updating its privacy protection standards. Safety concerns are tied to electric meter devices and installation practices, but safety is not a high-level concern for water service. There was discussion about how other jurisdictions have handled this situation. Smart water meters are the standard for Olympia, Sammamish, Walla Walla, and Woodinville, and there is no option to opt out. Mr. Pugliese reviewed how this was handled in Seattle. Vice Chair Kumar commented on the expense related to those customers who choose to opt out. Commissioner Knezevic spoke to the need to do appropriate research on any health or safety concerns. Vice Chair Kumar emphasized that the City is well past the point of doing that kind of research. There was discussion about how to address those customers who might have concerns and want to opt out.

Commissioner Howe expressed concern about comparing water meters with electric meters because the two are very different. She thinks the conversation should be solely about water meters. She referenced an article she saw recently in the AWA Journal which talks about this subject which may be helpful.

Councilmember Nieuwenhuis asked if any other surprises were discovered with other municipalities who rolled out AMI. Director Otal replied that there were not. Mr. Pugliese explained that the City owns the water facilities up to and including the meter. As the owner and operator, Utilities has the responsibility to select and maintain its equipment.

Mr. Pugliese stated that as of today, four residents have contacted Utilities citing personal reasons for not wanting a two-way communicating meter. These all cited health concerns. Options for addressing this include:

- All customers receive the same standard meter
- Customers seeking an alternative could get a new digital meter without a communications module. More study would have to be done on the fees associated with this. There would be an administrative charge to cover costs of setting up a non-standard service and a manual meter reading fee for Utility expense each billing cycle.

Vice Chair Kumar thought that the environmental benefits of AMI were some of the most compelling reasons. Commissioner Zhuang thought that attaching a price tag to the option to opt out might have an impact on those numbers. Director Otal indicated staff would bring back data related to the costs. Commissioner Knezevic also recommended communicating to customers that the cost savings of replacing older meters was also being communicated to customers. Commissioner Howe asked if communication to the greater population has happened. Mr. Pugliese noted that it has been done, but additional outreach will be happening.¹

- Utilities Rate Relief Program Review

Presenter(s): Lucy Liu, Assistant Director - Resource Management & Customer Service

Aleksandra Gancheva, Business Service Manager

Lucy Liu and Aleksandra Gancheva reviewed the rate relief program. Ms. Gancheva gave an overview of the Utility Rate Relief program and sought input from the ESC. The Utility Rate Relief (URR) program is a discount on utility bills for seniors or disabled persons. It is administered by Utilities and funded by rates. The Utilities Tax Relief program (UTR) is an occupational tax rebate with no age or disability requirements. It is owned by Parks, administered by Utilities, and funded by the General Fund. The City is legally authorized to provide assistance and reduce utility rates for low income persons. The City ordinance also supports this. The guiding principles include: simplicity and accessibility, equity and diversity, affordability and sustainability, conservation, and accountability.

Utility Rate Relief Program details were reviewed by Ms. Gancheva including customers served, program costs, program coverage, and challenges. The scope of the evaluation of the program will include program effectiveness and administrative efficiency. The ability to help someone who needs temporary help will also be explored.

¹ Councilmember Nieuwenhuis left the meeting at 7:37 p.m.

Commissioner Zhuang referred to the challenges and asked if the costs associated with processing could be reduced by technology and then used to help additional customers.

Commissioner Howe referred to the economy and asked if there is any thought that the number of applicants may increase and, if so, how that has been planned for. She spoke in support of looking at temporary relief for customers given the economic uncertainty the region is going through right now. Commissioner Knezevic spoke in support of looking into partnerships with other organizations and offered her help.

Ms. Gancheva reviewed the next steps. Council thanked her for the presentation.²

- Rate Review and Recommendation on Budget Proposals
Presenter(s): Lucy Liu, Assistant Director - Resource Management & Customer Service
Martin Chaw, Fiscal Manager
Joe Harbour, Asst. Director of Field Operations

Director Otal reviewed the budget development process and explained staff would be seeking a recommendation from the ESC for the leadership team. The rates are guided by Council-adopted policies including capital investment policies and rate management policies. She recapped the budget priorities of having sustainable services and certainty and predictability of rates. The goal is to maintain services with minimal new requests. 2019-2025 The capital budget, CIP Investments (\$217.9M), and the 75-year infrastructure replacement and funding strategy, the proposed 2019-2020 Utilities Operating Budget, and local operating costs were reviewed.

Assistant Director Liu reviewed the rates that would be needed to fund the proposed budget as shown on slides in the presentation. The rates forecast for water, sewer, and storm were discussed with breakdowns for local and wholesale costs. She reviewed a typical residential combined monthly bill for combined water, sewer and storm utility monthly bill rate drivers. She summarized that the total increase in the monthly bill for the average single family residence would be \$7.72 in 2019 and \$6.73 in 2020. Bellevue's combined water/sewer/stormwater utility bill was compared to Bellevue's neighbors (e.g., Issaquah, Kirkland, Mercer Island, Redmond, Renton, Seattle). It was shown that Bellevue's rates are competitive especially when considered that Bellevue is proactively setting aside funds for future capital needs. Next steps for the budget review process were then reviewed. There will be multiple opportunities for community engagement.

² Commissioner Knezevic left the meeting at 8:07 p.m.

Commissioner Zhuang asked how accurate the long-term forecast of costs really was. Director Ota acknowledged that it is not perfect, but commented that the assumptions of the forecast were carefully calculated. There is a lot of detail that has gone into the estimates. She clarified that it is fine-tuned with every budget, and the assumptions will change over time with every budget. Commissioner Zhuang stated that as a new member of the ESC she still was not comfortable enough with the rates to support them.

Commissioner Howe spoke in support of the whole budget package. She was surprised and happy with the minimal rate increases compared to the jurisdiction that she works with. She appreciates the long-term planning done by staff.

Motion made by Commissioner Schreiner, seconded by Commissioner Kumar, to make a recommendation in support of the rate recommendations to the leadership team. Motion passed unanimously (3-0) with Councilmember Zhuang abstaining.

9. ORAL AND WRITTEN COMMUNICATIONS

David Plummer urged the ESC to consider that the Council's original estimate for the AMI System was based on an incomplete and vague description of business requirements. He expressed concern that the budget is in 2016 dollars and has not been updated. Additionally, when the Council made their decision there was no life cycle cost estimate provided for the system. He asserted that the AMI system is not cost effective and has a much higher 20-year cost than the way we are currently doing business. He referred to several letters he has sent to the Commission documenting the reasons for his position. Finally, he stated that there has been very little contact with customer base that the City provides water and sewer service to. He urged the ESC to do more research on the system.

10. REVIEW OF ESC CALENDAR/COUNCIL CALENDAR

Director Ota reviewed these items. In July there will be a CIP tour beginning at 5:30 p.m. August will be a recess. In September there will be another update on AMI and follow up on budget items along with sewer and storm cost of service and Utility Rate Relief Program updates. In September there will also be a Wastewater System Plan briefing. October and November will be focused almost entirely on the budget and finalizing the rates.

11. ADJOURNMENT

Motion made by Commissioner Schreiner, seconded by Commissioner Howe, to adjourn the meeting at 8:56 p.m. Motion passed unanimously.

The meeting was adjourned at 8:56 p.m.