

**CITY OF ANAHEIM
PUBLIC UTILITIES BOARD**

MINUTES

JANUARY 23, 2019

The agenda having been posted on Thursday, January 17, 2019, the Regular Meeting of the Public Utilities Board (Board) was called to order by Chairperson E. Medrano at 5:00 p.m. on Wednesday, January 23, 2019, in the 11th Floor Large Conference Room, Anaheim West Tower, 201 S. Anaheim Blvd., Anaheim, California.

Board Members Present: Chairperson E. Medrano, Vice-Chairperson J. Seymour, A. Abdulrahman, R. Nelson, J. Showalter

Board Members Absent: V. Ramirez, V. Baroldi

City Staff Present: D. Lee, L. Quiambao, M. Moore, B. Beelner, A. Kott, G. Bowen, J. Lehman, P. Oviedo, J. Lonneker, M. Seifen, P. Bogdanoff, J. McBride

Guest(s) Present: None

AGENDA ITEM

ACTION TAKEN

1. PUBLIC COMMENTS.

There being no public comments, Chairperson E. Medrano closed the public comments portion of the meeting.

2. APPROVAL OF THE MINUTES OF THE PUBLIC UTILITIES BOARD MEETING OF DECEMBER 19, 2018. *

J. Seymour moved approval of the Minutes of the Public Utilities Board Meeting of December 19, 2018. A. Abdulrahman seconded the motion.

**MOTION CARRIED: 5-0.
ABSTAINED: 0.**

**ABSENT: 2 [V. Ramirez,
V. Baroldi].**

3. PRESENTATION: COLORADO RIVER DROUGHT CONTINGENCY PLAN.

P. Bogdanoff, Engineering Manager, provided a presentation on the Colorado River Drought Contingency Plan (DCP). P. Bogdanoff discussed the history of the Lower Colorado River Basin, current water supply conditions, and the impacts to storage levels in Lake Mead. He provided an overview of the proposed DCP, which is currently in development. In the short term, the DCP is focused on avoiding shortages by implementing controlled cutbacks and modifying storage programs. P. Bogdanoff mentioned the Metropolitan Water District (MWD) has approved their participation in the DCP. However, all states and agencies need to approve the DCP for the Plan to move forward.

The Board inquired about how regional supplies, including the Colorado River affects Anaheim. M. Moore responded that of the 25% that the Public Utilities Department (Department) imports from MWD, approximately half comes from the State Water Project, and the remaining half from the Colorado River, which is different than southern Orange County agencies who rely almost exclusively on imported water.

4. PRESENTATION: UTILITY RATE AND RULE INITIATIVES.

J. McBride, Strategic Planning Manager, discussed the upcoming rate and rule initiatives that would reduce reliance on debt, equitably recover the Department's costs to serve customers in a timely manner, and maintain modest reserves.

J. McBride discussed the Department's proposed Water Commodity Adjustment (WCA) and Water System Reliability Adjustment (WSRA) rate adjustments. He explained that the proposed WCA adjustment would recover the increasing costs billed by wholesale water suppliers who have increased their rates that are billed to the Department and other water agencies in the area. J. McBride explained that the proposed WSRA adjustment would pay for capital improvements, including the replacement of aged water main pipes. The WSRA increase will also help reduce the amount of new debt by allowing the Department to pay for more of its capital investments on a cash basis.

J. McBride explained that the Department is proposing to establish a restricted water capital reserves account. The water capital reserves account is intended to (1) provide a funding mechanism which is independent of the debt market that will give the Department more flexibility on how it funds large water capital investments, (2) absorb uneven capital expenditures while maintaining stable rates, and (3) provide a reliable source of funding to help pay for system repairs in the event of major

damage to the water distribution system. J. McBride explained that funds in the capital reserves account would be used only for capital improvements and will not be used for day-to-day operation or labor costs.

J. McBride also explained that the Power Cost Adjustment (PCA) component of electric rates would increase by \$0.005 per kilowatt-hour (kWh) effective February 1, 2019. J. McBride explained that the ½ cent per kWh increase would recover a portion of the Department's operating costs for complying with evolving regulatory requirements, integrating new technologies that enhance operating performance and reliability, and keeping pace with the cost of increasing renewable mandates. J. McBride explained that the PCA rate component would result in a \$1.00 per month increase for a residential customer who consumes 500 kWh of energy per month. The amount could be more or less, depending on an individual customer's level of energy consumption.

J. McBride explained how residential time-of-use (TOU) rates work and discussed the Department's proposal to add a new optional TOU rate for residential customers. J. McBride explained that peak energy demand is shifting from early afternoon hours to early evening hours due to the abundance of solar energy generated that is not available during the early evening hours. The new optional residential TOU rate will align peak rate TOU periods with peak demand time periods.

The Department is proposing two rule modifications that improve customer service. The first is to provide a bill credit to customers who experience an unplanned electrical outage that lasts more than eight hours and is due to Department-owned equipment. The bill credit will be 50% of the non-time-related demand charge (for customers who are billed a demand charge) or \$50, whichever is greater, and will be available to all affected customers. The second is reduce the amount of time that the Department can back bill a customer due to billing errors that resulted in an under charge for electricity or water usage from 12 months to 4 months.

Additionally, the Department will propose rule modifications to make the Solar for Schools Program available to more customers and replace the complex credit calculation currently in place with a flat \$10 per month bill credit. A listing of income qualified programs will be consolidated into a single rule.

J. McBride then discussed proposed water and electric rule modifications that help public and private schools (grades K-12) implement water and electric upgrades. The proposed rule modifications will enable the Department to provide upfront funding assistance for those upgrades and schools will reimburse the cost of the upgrades over time as a line item component on their utility bills that includes the nominal cost of borrowing.

J. McBride concluded by stating that water and electric rate hearings are scheduled for March 27, 2019 at 5:00 p.m. in the Anaheim West Tower, Second Floor, Gordon Hoyt Conference Center.

The Board asked how staff intends to inform customers about the new residential TOU rate option. Staff explained that in addition to a mailer to all residents and property owners, the Department plans to utilize bill inserts and the *Anaheim Magazine* to make customers aware of the new rate option.

The Board asked who sets the maximum limit for WSRA rate changes. Staff explained that the WSRA rate schedule establishes a maximum 7½-cent increase per hundred cubic feet of water per year. D. Lee noted that the 7½-cent increase limit is to help ensure that customers are not subject to large WSRA rate increases.

- 5. APPROVE THE USE OF NECESSARY TRANSMISSION SERVICE AGREEMENTS (TRANSMISSION AGREEMENTS) WITH ARIZONA PUBLIC SERVICE COMPANY, LOS ANGELES DEPARTMENT OF WATER AND POWER, PUBLIC SERVICE COMPANY OF NEW MEXICO, SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, TUCSON ELECTRIC POWER COMPANY, WESTERN AREA POWER ADMINISTRATION LOWER COLORADO, COLORADO RIVER STORAGE PROJECT, IMPERIAL IRRIGATION DISTRICT, NEVADA POWER COMPANY (AKA NV ENERGY), PACIFICORP, PUBLIC SERVICE COLORADO, ARIZONA ELECTRIC POWER COOPERATIVE, INC. (FORMERLY KNOWN AS SOUTHWEST TRANSMISSION COOPERATIVE AND SOUTHWEST TRANSCO), TRI-STATE GENERATION & TRANSMISSION ASSOCIATION, BONNEVILLE POWER ADMINISTRATION, AND IDAHO POWER COMPANY, OR THEIR SUCCESSORS, WITH FEDERAL ENERGY REGULATORY COMMISSION (FERC) APPROVED OPEN ACCESS TRANSMISSION TARIFFS (OATT) FOR NOT MORE THAN 300 MEGAWATTS (MW) FOR A CUMULATIVE PERIOD NOT TO EXCEED TEN (10) YEARS PROVIDED, THE CITY OF ANAHEIM (ANAHEIM) REQUIRES THESE AGREEMENTS FOR OUTAGES, LOSS OF TRANSMISSION OR OPERATIONAL NEEDS. ***

A. Abdulrahman moved approval of the use of necessary Transmission Service Agreements with identified companies. R. Nelson seconded the motion. **MOTION CARRIED: 5-0. ABSTAINED: 0. ABSENT: 2 [V. Ramirez, V. Baroldi].**

G. Bowen, Assistant General Manager – Power Supply, shared that the Department contracts with many resource providers throughout the western United States to supply power to its customers and that most of these contracts have transmission needs associated with them, in order to bring the energy into Anaheim. However, there are occasions where the existing transmission lines may be out of service which requires the Department to find another source of

transmission to bring in its resources. In those instances, the Department utilizes standardized transmission contracts called Open Access Transmission Tariffs (OATT) or transmission service agreements.

G. Bowen indicated that the transmission service agreements allows the Department to re-route energy in the event of a transmission failure due to wildfires or mechanical failures such as transformer failures. G. Bowen made the Board aware that by entering into these transmission service agreements, the Department is not committed to buying or selling energy or transmission capacity; it simply allows the Department to purchase transmission service on an as-needed basis.

6. DISCUSSION: QUARTERLY STATUS REPORTS ON CAPITAL IMPROVEMENT PROJECTS, MASTER AGREEMENTS, GENERAL SERVICES AGREEMENTS, AND SPOT BID AWARDS.

D. Lee provided an overview of the two quarterly reports that provide detailed information on locations of capital projects, and individual transactions for master construction, general service consulting, and spot bid material awards. J. Lonneker stated that staff is developing a dashboard to help simplify the quarterly reports.

7. UPDATE ON ELECTRIC SYSTEM ISSUES.

J. Lonneker, Assistant General Manger – Electric Services, mentioned that the National Association of Music Merchants (NAMM) Convention will be taking place at the Anaheim Convention Center beginning Thursday, January 24th, through Sunday, January 27th. J. Lonneker made the Board aware of the Department's electrical circuits, which provide service to the Convention Center, have the capability to automatically transfer energy to emergency circuits within seconds should there be a power outage on a preferred circuit. She noted that the electrical equipment serving the Convention Center was recently tested and that the Department does not perform regular planned maintenance work affecting the circuits feeding the Convention Center throughout the duration of the NAMM convention.

J. Lonneker shared pictures of the new decorative vinyl wrapping used on the Department's high voltage electrical cabinets which is the preferred method for graffiti deterrence. J. Lonneker explained that graffiti paint does not adhere well to the vinyl wrap material and therefore is easier to clean with less ongoing maintenance as compared to artificial ivy, the alternate method being used. J. Lonneker described the different vinyl wrap designs, which resemble landscape plants or block walls, and are picked to camouflage the surrounding location of the high voltage

equipment. Lastly, J. Lonneker indicated that the Department would continue to maintain the existing artificial ivy installations, and use the preferred vinyl wrap where multiple instances of graffiti are reported, or as a replacement for damaged artificial ivy going forward.

8. UPDATE ON WATER SYSTEM ISSUES.

M. Moore, Assistant General Manager – Water Services, discussed the water supply dashboard with the Board. M. Moore noted local rainfall is looking to be above average for the year and that much of last week’s rainfall was captured behind Prado Dam. M. Moore indicated that the water is being released slowly to recharge the groundwater basin through the Anaheim Lakes. M. Moore mentioned that water storage levels for imported water supplies continue to decline in comparison with last year.

M. Moore mentioned that the Metropolitan Water District (MWD) released their annual report, “Water Tomorrow”, which describes MWD’s efforts to improve local water supplies and conservation. The report describes changes to MWD’s conservation program that are reducing water demands through water efficient fixtures.

Lastly, M. Moore indicated that the Department regularly seeks grants from the State of California to offset the cost of capital improvement projects. He reported that the Department received a grant for \$581,366 for the recycled water extension project at Pearson Park. M. Moore noted that the Department was awarded the funds due to Proposition 1, which funds recycled water projects.

9. UPDATE ON FINANCE ISSUES.

B. Beelner, Assistant General Manager – Finance and Administration, discussed the monthly dashboards with the Board that indicated that electric revenue for the Fiscal Year to Date December 31, 2018 was 7.0% above budget (\$16.4M) with electric costs coming in above budget as well by 3.3% (\$6.5M) causing a net positive budget variance of \$9.9M. Electric revenue and costs have both trended higher due to higher than expected wholesale power revenue and wholesale power costs driven by higher natural gas prices. B. Beelner then mentioned that the Year to Date December 31, 2018 water revenue was 1.6% (\$0.7M) below budget, however since water costs were under budget by 7.7% (\$2.8M) the Department experienced a net positive budget variance of \$2.1M.

B. Beelner then made the Board aware of the upcoming location move for the Department’s Call Center, which is currently located on the first floor of Anaheim West Tower and will be moving to the ninth floor on March 14th. B. Beelner mentioned that this

move would give the Department greater use of first floor space for customer engagement with a “one-stop shop” approach allowing the Department to serve most customer and constituent needs in a single location as opposed to having customer counters on multiple floors of Anaheim West Tower. B. Beelner then shared with the Board that the installation of the new customer service phone system would take place on March 21st, one week after the Call Center’s move to the ninth floor.

10. UPDATE ON POWER SUPPLY ISSUES.

G. Bowen provided the Board with an update on the Department’s power resources highlighting that generation was well above the forecasted levels for the month of December allowing the Department to recover most of the wholesale energy losses from the previous summer months. G. Bowen indicated that Southern California Gas Company’s major gas pipelines have undergone maintenance resulting in four pipelines being back at full capacity, two of the pipelines have been de-rated while testing is being conducted, and the last line is still undergoing maintenance with no estimated time of repair being provided. G. Bowen noted that in the following months the Department would continue to see higher levels of generation as a result of the gas line outages in the area pushing energy prices up.

11. UPDATE ON ENTERPRISE RISK AND COMPLIANCE.

J. Lehman, Chief Risk Officer, first discussed the Department’s Internal Compliance Report. She highlighted that there were minor exceedances of the air quality permit requirements at the Power Plants due to equipment failures. The incidents were self-reported and the issues corrected, and no violations are expected.

J. Lehman then provided the Board with a brief legislative update, highlighting that there would likely be another attempt at a water tax very similar to the one last year as the Governor has a placeholder fund for it in his budget. She stated that a major focus of the legislature this year would likely be issues related to the recent wildfires.

12. ITEM(S) BY SECRETARY.

D. Lee shared with the Board the items scheduled for the following Board meeting include:

- Recognition of IBEW Volunteers
- Presentation on Solid Dielectric Switches
- Annual SCPPA Expenditures Update
- Consulting Agreement for Energy Storage
- Internship Program with CSU Fullerton

D. Lee reported that board and commission appointments were discussed at the January 15th City Council meeting. The process was amended to require an appointment by a Council member, which needs to be approved by a majority of the Council. The Ordinance was introduced and is up for adoption on January 29th.

D. Lee reported that he and J. Lehman will be meeting with state representatives on February 4th as part of a contingent of utilities to discuss potential legislation and impacts on utility bills.

D. Lee requested that the meeting be closed in the memory of Mr. Rick Gomez, Utilities Field Services Supervisor, who passed away due to an illness. R. Gomez was a 24+ year employee who supervised 30 meter readers, field service representatives, and revenue protection staff.

13. ITEM(S) BY BOARD MEMBERS.

The Board did not have any items to report.

14. ADJOURNMENT IN MEMORY OF RICK GOMEZ, TO THE REGULAR MEETING ON FEBRUARY 27, 2019, AT 5:00 P.M., IN THE 11TH FLOOR LARGE CONFERENCE ROOM, ANAHEIM WEST TOWER, 201 S. ANAHEIM BOULEVARD, ANAHEIM, CALIFORNIA.

E. Medrano called for a minute of silence, followed by a call for a motion to adjourn in Memory of Rick Gomez.

J. Seymour moved approval to adjourn the Regular Meeting in Memory of Rick Gomez at 6:50 p.m., to the Board's Regular Meeting date February 27, 2019 at 5:00 p.m. A. Abdulrahman seconded the motion.

MOTION CARRIED: 5-0.

ABSTAINED: 0.

ABSENT: 2 [V. Ramirez, V. Baroldi].

Respectfully submitted,



Dukku Lee
Public Utilities General Manager

* Indicates item(s) that will be forwarded to City Council for action upon recommendation by the Board.

** Indicates item(s) that will be forwarded to City Clerk and City Council for informational purposes.