

**CITY OF ANAHEIM
PUBLIC UTILITIES BOARD**

MINUTES

APRIL 24, 2019

The agenda having been posted on Thursday, April 18, 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, April 24, 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, R. Bhalla, J. Showalter, R. Gaona, A. Abdulrahman

Board Members Absent: V. Baroldi

City Staff Present: D. Lee, L. Quiambao, M. Moore, B. Beelner, A. Kott, G. Bowen, J. Lehman, J. Lonneker, C. Zapata, M. Seifen, P. Oviedo, B. Fruchter, V. Castillo, H. Nielson, C. Espinoza, Y. Saldivar, A. Nguyen, H. Mendoza, C. Pereyra, J. Sanks

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 PUBLIC HEARING / REGULAR MEETING OF MARCH 27, 2019. *

J. Seymour moved approval of the Minutes of the Public Utilities Board Public Hearing / Regular Meeting of March 27, 2019. A. Abdulrahman seconded the motion.
MOTION CARRIED: 5-0.
ABSTAINED: 0.
ABSENT: 2 [R. Bhalla, V. Baroldi].

3. PRESENTATION: INFORMATION TECHNOLOGY OVERVIEW.

B. Fruchter, Enterprise Information Technology Manager, presented an overview of the use of Information Technology for the Public Utilities Department (Department). B. Fruchter discussed priorities of infrastructure resilience, customer convenience, customer data and systems security, and business process improvement. A number of information systems were shared that provide flexibility to customers in accessing customer service and paying utility bills using multiple methods including self-service options available after-hours. B. Fruchter presented information regarding the data flow from smart meters to billing and online payment processing. He then explained other back-office and operational systems that provide accountability, compliance, and operational efficiencies to the Department. Lastly, B. Fruchter discussed information security objectives and identified some of the controls in place to protect customer data and information systems.

The Board inquired about the status of 5G wireless telecommunications technology deployment and uses by the Department. D. Lee responded that the City and the Department are working with major cell phone service carriers on the deployment of small cell antennas on street lights in the City. As infrastructure is built out, it can provide greater opportunities for devices requiring high bandwidth such as video. B. Fruchter responded that the current smart meter communications use a different radio frequency, but 5G will provide future options for greater connectivity. The Board asked about information system backups. B. Fruchter responded that data is backed up nightly and, in some cases, more frequently. The Board asked about the timeframe of the current projects. B. Fruchter responded that they are expected to go live this calendar year. The Board asked about the use of Oracle databases. B. Fruchter responded that both Oracle and Microsoft SQL Server databases are used.

4. PRESENTATION: PUBLIC UTILITIES DEPARTMENT'S FISCAL YEAR 2019/20 BUDGET PRESENTATION.

A. Nguyen, Utilities Budget Administrator, provided the Board with an overview of the budget cycle and commonly used terms. Afterward, he compared the Department's current year projections against the fiscal year (FY) 2018-19 Amended budget, noting how electric wholesale revenue and power supply expenditures are expected to exceed the annual budget allotted for it because of greater economic dispatch of the Canyon Power Plant during the year. A. Nguyen mentioned that all other current year projections are expected to remain under budget.

Comparing the FY 2019-20 Proposed budget against the FY 2018-19 Adopted budget, A. Nguyen described how solar installations

and energy efficiency from customers will likely offset the load from customer expansion, causing electric retail sales to remain flat against the Adopted budget. He also mentioned that electric non-retail sales are expected to increase approximately 10% from the Adopted budget as generating units like the Canyon Power Plant will continue to be dispatched to support integration of renewable resources. A. Nguyen also noted the Department's plan to issue \$60 million in electric utility bonds and \$30 million in water utility bonds for next fiscal year.

A. Nguyen discussed the Department's proposed budget for expenditures, explaining that the Department's supplies and equipment budget was increasing to cover upgrades and replacements in the area of technology systems. He also explained that debt service was proposed to increase by approximately 11% because of the proposed bond issuances. B. Beelner, Assistant General Manager – Finance and Administration, remarked that staff had budgeted conservatively here, as market rates may not always be favorable, but that staff will continue identifying financing and refinancing opportunities that lower borrowing costs. A. Nguyen explained the Department's FY 2019-20 Proposed budget, noting that it was approximately \$601.6 million, and was increasing by only 2.5% against the FY 2018-19 Adopted budget.

A. Nguyen then described the Department's authorized position count for next year, indicating that full-time positions would remain flat, but are requesting two additional, part-time administrative interns to build the Department's bench, noting that such an initiative will help the Department assess and develop prospective talent in preparation for future recruitment opportunities.

A. Nguyen highlighted the Solar for Schools Project, described how over 4,200 LED street lights had been installed, and noted some undergrounding projects in progress such as Euclid and Orangewood. He described a proposal to replace the Department's current crew quarters facility, noting that facility repairs were too costly and ineffective versus a replacement that incorporates a backup electric and water operations center and secondary customer call center for operational continuity. He added that a Sustainability Education Center, intended to provide local students and community learners with hands-on experience with sustainable utility industry technologies, is also proposed. Reviewing water capital, A. Nguyen described how a grant would be utilized to construct more recycled water pipelines in Anaheim for irrigation and chiller uses, noting that such a project could save over 250 million gallons of potable water annually.

Lastly, A. Nguyen and B. Beelner offered interested Board members the opportunity for an individual one on one meeting to discuss the FY 2019/20 Budget proposal in greater depth ahead of a request for recommendation at the May Board meeting.

5. RECOMMEND APPROVAL OF AN AMENDMENT OF THE PUBLIC UTILITIES DEPARTMENT’S FISCAL YEAR 2018/19 POWER SUPPLY BUDGET. *

G. Bowen, Assistant General Manager – Power Supply, discussed with the Board the FY 2018/19 Power Supply Budget Amendment request which would authorize the amendment of the Power Supply budget by \$30,000,000, which would be offset by corresponding wholesale revenues. G. Bowen briefed the Board about the role solar and wind play in providing renewable energy in California, explaining that these resources are intermittent making it more difficult for the California Independent System Operator (CAISO) to manage the power grid. G. Bowen explained that over the last several months Anaheim’s power plants have been dispatched to help the CAISO manage the electric grid when renewable resources such as wind and solar were not readily available. Additionally, G. Bowen explained that the cost of natural gas was more expensive due to the Southern California Gas Company’s extended gas line maintenance and outages creating upward pressure on gas prices resulting in a \$30 million increase in the Department’s Power Supply costs for the current Fiscal Year, noting that offsetting revenues would mitigate any impact to retail customers.

J. Seymour moved to recommend approval of an amendment to the Public Utilities Department FY 2018/19 Power Supply Budget by \$30,000,000, which would be offset by corresponding wholesale revenues. A. Abdulrahman seconded the motion.

**MOTION CARRIED: 5-0.
ABSTAINED: 0.
ABSENT: 2 [R. Bhalla, V. Baroldi].**

6. APPROVAL OF POSTING THE 2019 WATER QUALITY REPORT ON THE CITY OF ANAHEIM PUBLIC UTILITIES WEBSITE AND AUTHORIZE THE PUBLIC UTILITIES GENERAL MANAGER OR DESIGNEE TO PROVIDE A CERTIFICATION OF COMPLETION OF POSTING TO THE STATE WATER RESOURCES CONTROL BOARD (SWRCB) DIVISION OF DRINKING WATER. **

J. Lehman, Chief Risk Officer, discussed the 2019 Annual Water Quality report (Report) detailing that the Department either met or exceeded all federal and state water quality requirements based on extensive testing and sampling conducted each year.

A. Abdulrahman moved approval to post the 2019 Water Quality Report on the City of Anaheim Public Utilities website and provide Certification of Completion of Posting to the State Water Resources Control Board Division of Drinking Water. J. Showalter seconded the motion.

**MOTION CARRIED: 5-0.
ABSTAINED: 0.
ABSENT: 2 [R. Bhalla, V. Baroldi].**

J. Lehman requested the Board’s approval to post the Report on the Department’s web site and certify to the State Water Resource Control Board when the posting was completed. She mentioned that customers would be informed on their bill inserts that the Report was available, and how to receive a hard copy if they preferred one.

7. UPDATE ON ELECTRIC SYSTEM ISSUES.

J. Loncker, Assistant General Manager – Electric Services, made the Board aware that Department staff would be participating in Anaheim Fire and Rescue’s fire preparedness event to be held on Saturday, April 27, between 9 am and 1 pm. The Department will have staff available to provide information on rebates for attic insulation and venting and seminars on “firescaping” as part of the Tree Power program. Additionally, staff will provide information

on the proposed fire cameras within Anaheim as part of a regional network for added visibility within high fire threat areas.

8. UPDATE ON WATER SYSTEM ISSUES.

Because M. Moore, Assistant General Manager – Water Services, had to leave the Board Meeting for an emergency water main break, D. Lee, Public Utilities General Manager, briefed the Board about the emergency and then discussed the Water Supply dashboard.

9. UPDATE ON POWER SUPPLY ISSUES.

G. Bowen, provided an update on the Department's Power Supply Portfolio indicating that the Kraemer Power Plant would be out for the next few months as staff reviews options for the repair or shutdown of the facility. G. Bowen also indicated that the runoff from the melting snowpack would increase hydro power production during the late spring and early summer.

Lastly, G. Bowen updated the Board on the Tree Planting event that took place at Anaheim Hills Elementary School on Friday, April 19th, to celebrate Earth Day.

10. UPDATE ON FINANCE ISSUES.

B. Beelner, discussed Moody's Investor Services (Moody's) recent report on California Publicly Owned Utilities (POUs) and their relative financial risks due to wildfires. B. Beelner discussed why Moody's rated the Department's Electric Utility as "Stable" in its review of wildfire risks and how it has set itself apart in its risk mitigation from those Southern California POUs that Moody's placed on "Negative Outlook."

B. Beelner then discussed the monthly dashboard with the Board indicating that the electric revenue for the Fiscal Year to Date March 31, 2019 was 9.2% above budget (\$30.1M) with electric costs coming in above budget as well by 4.6% (\$13.5M) causing a net positive budget variance of \$16.6M. 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 as more fully described by G. Bowen. B. Beelner then mentioned that the Fiscal Year to date March 31, 2019 water revenue was 4.2% (\$2.6M) below budget, however since water costs were under budget by 12.5% (\$6.8M) the Department experienced a net positive budget variance of \$4.2M.

11. UPDATE ON ENTERPRISE RISK AND COMPLIANCE.

J. Lehman discussed the Internal Compliance Report with the Board and highlighted that there were two minor exceedances of the air quality permit requirements at the power plants due to

equipment failures. J. Lehman indicated that the incidents were self-reported and the issues corrected, so no violations were expected. She also reported that the Department received an order to begin monitoring water wells for Perfluorooctanoic Acid (PFOA) and Perfluorooctanesulfonic Acid (PFOS). J. Lehman noted that while these were both unregulated substances if specific levels set by the State are exceeded, requirements are triggered, including notifications. These substances are found in fire retardants and Teflon-like coatings. She also shared that the Department had met the annual NERC (North American Electric Reliability Corporation) self-certification for compliance with the federal reliability standards.

J. Lehman then provided the Board with a brief legislative update, highlighting that the legislative session was in full swing, bills were being revised at a very quick pace, and that many of the concerning bills have either been amended to exclude POU's, or may become two year bills, with the understanding that language could change potentially drawing POU's back into the bills. She further reported that the water tax bill was still moving along though the bill's author has significantly decreased the initial level of the tax as compared to last year's version of the bill. However, it still would provide a placeholder where the dollar amount could be potentially increased in the future, and it sets a precedent for levying taxes on other special interests in the future.

J. Lehman also shared that the Department is advocating for wildfire liability fund bills to be voluntary considering the level of effort that the Department has invested to proactively mitigate wildfire risk. Though, she pointed out that there is not much detail in the bills at this point and that things could change. She indicated that a Legislative Working Group meeting has been scheduled for next month.

Lastly, J. Lehman indicated that, in response to a Board member request last month, the Department's Earthquake Preparedness-efforts will be highlighted in the Annual Emergency Response Plan exercise in August and presented in the program's annual update in October.

12. ITEM(S) BY SECRETARY.

D. Lee discussed the updated location of one of the four wildfire cameras based on feedback received from the Board at the March Board meeting. The change of location was discussed with Anaheim Fire and Rescue, and will be presented to City Council for approval.

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

- Cap and Trade Compliance Update
- Hearing for Public Health Goals
- Proposed Budget
- WaterSmart Landscape Awards

He requested three volunteers from the Board to participate in the annual student scholarship program. Board members J. Showalter, R. Bhalla and R. Gaona volunteered to review essays and conduct interviews of the five finalists.

13. ITEM(S) BY BOARD MEMBERS.

R. Bhalla inquired about the status of the 98% of power lines being undergrounding in high fire threat zones and what is the plan for the remaining 2%. D. Lee responded that one area has already been de-energized proactively, and the other location has been recommended for undergrounding, which will be brought forward for Board consideration. R. Bhalla also asked how effective the goats are at clearing the brush. Staff indicated the goats are utilized by Anaheim Fire and Rescue to clear out dry brush and reduce the risk of wildfire ignition.

J. Showalter reported she will be attending the upcoming Metropolitan Water District Hoover Dam Trip on May 3 – 5, 2019.

14. ADJOURNMENT: (NEXT REGULAR MEETING ON MAY 22, 2019, AT 5:00 P.M., IN THE 11TH FLOOR LARGE CONFERENCE ROOM, ANAHEIM WEST TOWER, 201 S. ANAHEIM BOULEVARD, ANAHEIM, CALIFORNIA).

J. Seymour moved approval to adjourn the Regular Meeting at 6:59 p.m., to the Board’s Regular Meeting date of May 22, 2019 at 5:00 p.m. A. Abdulrahman seconded the motion.
MOTION CARRIED: 6-0.
ABSTAINED: 0.
ABSENT: 1 [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.