Mission, Key Objectives, and Goals

Anaheim Public Utilities’ (APU) mission is to add value to the community through a customer-focused approach to providing reliable, high-quality water and power at competitive rates. To fulfill this mission, APU strives to meet six key objectives: sustain a high level of customer satisfaction, deliver daily operations excellence, preserve competitiveness and financial health, effectively manage enterprise risk, invest in a positive and productive work environment, and maintain alignment with the City of Anaheim’s (City) goals.

To assess APU’s performance in meeting these six high level objectives, meaningful performance goals have been established, and progress in meeting these goals are tracked and reported. APU staff carefully evaluates each performance metric to determine how the utility is performing and whether certain processes or practices require closer monitoring or adjustment. To foster a culture of continuous improvement, APU will modify or replace goals as needed to ensure that the Utilities Success Indicators report is current, relevant, and moves APU forward into the future.

This report is an update on APU’s progress in meeting its key performance goals. This report covers the reporting period January 1, 2019 – June 30, 2019.

Notable Events in the Reporting Period

OC Green Expo

In June, APU partnered with over 40 organizations to host the OC Green Expo, a family-friendly event promoting sustainability and encouraging attendees to reduce their carbon footprint. Visitors participated in many sustainable practices and demonstrations such as the following:

- Painting terra cotta pots for drought tolerant plants;
- Exploring a mobile interactive exhibit simulating the effects of pollution and other impacts on the ecosystem;
- Engaging with smart home technology options to monitor energy usage;
- And learning about rebates and incentives available for conserving water and energy.

The event drew over 600 attendees, with 170 attendees participating in an electric vehicle test drive.
APPA Community Service Award

In June, APU received the American Public Power Association Community Service Award for its partnership with the Salvation Army in constructing a 224-bed temporary homeless shelter. The shelter provides wraparound services to help address homelessness in the area and includes a community dining and lounge area, storage for personal property, space for pets, laundry facilities, onsite security, and an open space for walking and recreation. APU also organized a Community Art day where members of the community came together to paint art canvases, which were used to decorate the shelter’s perimeter.

WaterSmart Recognition

During Water Awareness Month in May, APU partnered with Anaheim Beautiful to host the annual WaterSmart Landscape Contest. Contest entries, which are open to Anaheim residents and businesses, are judged on appropriate plant selection, project creativity, landscape design, and irrigation systems that reduce runoff. Two residents and one business were selected as winners and recognized at a Public Utilities Board meeting.

Key Capital Project Milestones

Below are key capital milestones that were completed during the reporting period.

Electric

- APU completed the undergrounding of approximately 4 circuit miles of overhead wires on Lincoln Avenue and Rio Vista in April 2019. Remaining telecommunications infrastructure are scheduled for removal by summer 2020.
• Over 2,800 LED street lights were installed during the reporting period. In total, APU installed over 5,000 LED street lights during FY 2018/19, surpassing the annual goal for that year by over a thousand LED street lights. Some projects completed over the reporting period include the following: La Palma Avenue and Kraemer Boulevard, Cambria Street, Orangethorpe Avenue from Lemon Street to Raymond Avenue, Valley Street, and Manchester Avenue.

• Harbor Substation is energized and project completion is anticipated later this summer. The new substation is equipped with two transformers with the capacity to serve an additional 15,000 customers. The new substation is expected to enhance service reliability in central Anaheim.

**Water**

• The Linda Vista Complex Phase II construction contract was awarded in June and construction is anticipated to begin later this summer. This project includes the replacement of all existing pumps, upgrade of electric equipment, and construction of a new building to house and protect the facility’s electrical components and control panels.

• As part of the Lenain Water Treatment Plant upgrade and expansion project, a back-up emergency water supply pipeline was installed, and approximately 500 feet of effluent pipeline was placed underground. The project remains under construction and is slated for completion in spring of 2020.
Summary of Results for Reporting Period

This section provides a brief summary of APU’s performance in meeting or exceeding its goals during the reporting period. Following this section is the Appendix, which provides definitions, descriptions, and a more comprehensive analysis of APU’s performance during the reporting period.

A. Sustain a High Level of Customer Satisfaction

<table>
<thead>
<tr>
<th><strong>Employee Effectiveness</strong></th>
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<tbody>
<tr>
<td><strong>Goal:</strong> Meet at least 85% of Anaheim Anytime survey respondents’ evaluation of employee effectiveness (with a rating of “good” or “superior”) in the categories of employee courtesy, time to respond, and employee effectiveness</td>
</tr>
<tr>
<td><strong>Result:</strong> All three measures were above the 85% target</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Customer Satisfaction</strong></th>
</tr>
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<tbody>
<tr>
<td><strong>Goal:</strong> Meet or exceed at least 90% of Anaheim Anytime Survey respondents’ expectations</td>
</tr>
<tr>
<td><strong>Result:</strong> Over 90% of survey respondents’ expectations were met or exceeded</td>
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</table>

<table>
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<tr>
<th><strong>Timely Customer Service</strong></th>
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<tbody>
<tr>
<td><strong>Goal:</strong> Respond to customer calls in the Utility Call Center in 3 minutes or less</td>
</tr>
<tr>
<td><strong>Result:</strong> Customer calls were answered within 2.3 minutes on average</td>
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<table>
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<tr>
<th><strong>Timely Street Light Repairs</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Goal:</strong> Ensure street light repairs are made within 4 business days on average</td>
</tr>
<tr>
<td><strong>Result:</strong> Street light repairs were completed within 2.5 business days on average</td>
</tr>
</tbody>
</table>
B. Deliver Daily Operational Excellence

**Electric Reliability**
*Goal:* Maintain electric system reliability indicators in the top 25% of the municipal utility category nationally
*Result:* APU was in the top 25% of public power agencies nationwide for outage duration; frequency of outages and restoration time missed the top quartile mark

**Renewable Portfolio**
*Goal:* Procure adequate renewable resources to comply with state mandates on renewable portfolio standard, meet interim targets, and remain well-positioned for future compliance periods
*Result:* APU is in compliance with all applicable state mandates and is on-track to meet the RPS target of 33% by 2020 and the accelerated RPS target of 60% by 2030

**Generator Availability**
*Goal:* Maintain electric generation availability rate at 95% or better
*Result:* Canyon Power Plant recorded a 99.7% average availability rate while Kraemer posted a 33.7% average availability rate

**High Quality Drinking Water**
*Goal:* Meet or exceed all state and federal drinking water quality standards.
*Result:* Drinking water quality met or exceeded all state and federal standards

**Water System Reliability**
*Goal:* Minimize main breaks per 100 miles of pipe to under 8 annually, which is approximately 40% below the national average
*Result:* APU recorded 4.9 main breaks per 100 miles of pipe

**Water System Maintenance**
*Goal:* Meet the three-year maintenance goal of exercising all 23,000 system valves (or 639 per month) and inspecting all 7,800 hydrants (or 217 per month)
*Result:* APU met its valve goal by averaging 642 valves monthly but missed the hydrant goal by averaging only 215 hydrants monthly (2 hydrants short of the goal)
**C. Preserve Competitiveness & Financial Health**

### Competitive Electric Rates
**Goal:** Maintain annualized Electric rates below rates paid by other Orange County cities  
**Result:** Annualized electric rates are at least 21% below rates paid by other Orange County cities

### Competitive Water Rates
**Goal:** Maintain annualized Water rates under the average of local agencies in the county  
**Result:** Annualized water rates are approximately 27% below the average of local agencies in the county

### High Bond Ratings
**Goal:** Remain in the A rated or higher categories for bonds  
**Result:** All bonds are currently rated A or above; this goal remains at *Watch* as APU develops strategies and tools for the Water Utility to regain its AAA rating from S&P

### Sufficient Liquidity
**Goal:** Maintain 90 Days + $50 million of cash on hand for Electric, and 120 days cash on hand for Water  
**Result:** Both Electric and Water remained above their respective targets for days cash

### Strong Positive Cash Flow
**Goal:** Maintain debt service coverage ratio (DSCR) for Electric at 1.6 or higher, and for Water at 2.0 or higher  
**Result:** As of June 30, 2019, both Electric and Water Utility’s DSCR is projected at 2.0
D. Effectively Manage Enterprise Risk

**Legislative & Regulatory Risk Management**

**Goal:** Proactively identify and manage enterprise-wide risks so that all key risks are properly addressed or mitigated, and no material violations occur that would adversely affect APU’s operations or its assets

**Result:** No material violations or compliance issues arose and counterparty default risk was kept at 0%

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E. Invest in a Positive & Productive Work Environment

**Strong Safety Culture**

**Goal:** Maintain an industrial safety and health injury rate that does not exceed 1.0

**Result:** The disabling injury rate was 0.56

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**Employee Efficiency**

**Goal:** Meet or exceed industry benchmark for employee efficiency

**Result:** APU exceeded its employee efficiency benchmark with over 40% more electric customers per non-power generation employee and nearly 30% more water customers per water utility employee

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F. Maintain Alignment with the City’s Goals

**City Council, Public Utilities Board & City Manager Vision**

**Goal:** Support City Council policies and initiatives, seek the Public Utilities Board’s recommendations and direction, and implement programs and projects at the City Manager’s direction

**Result:** APU continued to support and expand many City Council and City Manager policies and initiatives throughout the reporting period
APPENDIX

Metric Goals, Definitions, Results
A. SUSTAIN A HIGH LEVEL OF CUSTOMER SATISFACTION

1. Meet at least 85% of Anaheim Anytime survey respondents’ evaluation of employee effectiveness (with a rating of “good” or “superior”) in the categories of employee courtesy, time to respond, and employee effectiveness

Detail: APU strives to achieve high satisfaction ratings through its many customer interactions, which occur through the call center, at the service counter, in the field, and on phone calls or emails. Through Anaheim Anytime, an interactive customer service tool, APU customers can rate the service they received in categories like service effectiveness, quality of service, and timeliness of response. Each of these categories can be rated on a scale of poor, below average, average, good, or superior. This metric will focus on the percentage of responses rated “good” or better during the reporting period.

Result: Goal Met. For the reporting period, APU received a total of 254 Anaheim Anytime surveys and the percentage of responses that rated service effectiveness, quality of service, and time to respond with a “good” or better rating was over 85%.

![Service Effectiveness](image1)

![Time to Respond](image2)

![Employee Courtesy](image3)

2. Meet or exceed at least 90% of Anaheim Anytime survey respondents’ expectations

Detail: Overall customer satisfaction is a barometer of whether APU is meeting the needs of its residential and business customers. Through Anaheim Anytime, APU customers have the opportunity to ask questions, put in a service request, communicate about an issue that needs service or immediate attention, and rate whether their service expectations were met. This metric will focus on the percentage of respondents that rated their expectations as being “met” or “exceeded” during the reporting period.

Result: Goal Met. 92% of the total 254 respondents that completed an Anaheim Anytime survey during the reporting period indicated that their expectations had been met or exceeded.
Recently, APU launched its new cloud-based phone system that has an array of quality assurance features, including an automated phone survey option so that callers can rate the service they’ve just received. Future versions of this report may include such results to better assess and improve customer service.

3. **Respond to customer calls in the Utility Call Center in 3 minutes or less**

**Detail:** Customer Service Representatives (CSRs) in the Utility Call Center are trained APU staff members who strive for the highest quality of professionalism, effectiveness, and courtesy when answering phone calls from customers. They are trained to provide answers and solutions to a number of issues relating to the customer’s utility account or any number of city-wide issues.

Customer wait times are calculated in this report by totaling the duration of minutes where customers experienced a wait before speaking to a representative and dividing this total by the number of calls answered.\(^1\) This indicator is calculated each month using a twelve-month rolling average to remove the effects of seasonality, and only utility-related calls during normal business hours are included in this calculation. Call volume is calculated by dividing the total number of calls answered in a period by the total number of full work days in the same period; a twelve-month rolling average is also applied.\(^2\) Customers who call the Utility Call Center can speak to a live representative within 30 – 60 seconds, depending on the menu option they choose from the Interactive Voice Response (IVR)\(^3\), which provides a selection of commonly requested, self-service options. Wait times begin immediately after a customer listens to the IVR message and ends when a service representative answers their call.

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\(^1\) This metric is calculated by taking the total call wait duration in a six-month period and dividing it by the total calls answered within that same period; this calculation also filters out customers who drop their call before speaking with a representative.

\(^2\) Similar to call wait times, the daily call volume calculation filters out calls that were dropped. Full work days in the calculation are for business weekdays only with at least 10.5 work hours.

\(^3\) The Interactive Voice Response (IVR) provides immediate self-service options for customers and may also alert customers to issues like fraudulent callers pretending to be utility employees. For more information on scammers targeting utility customers, including tips on how to avoid such scams, please see [www.anaheim.net/4755/Scam-Alert](http://www.anaheim.net/4755/Scam-Alert).
In addition to utility calls, CSRs answer phone calls for the City’s 311 service, a non-emergency service allowing callers to report graffiti, submit code enforcement and community preservation requests, make general city-related inquiries, or follow-up on requests made through Anaheim Anytime. Wait times for 311 calls are typically much lower than Utility-related calls due to the lower call volume and because specific call center representatives are assigned to answer these calls with urgency.

**Result:** Utility-related call wait times averaged 2.3 minutes with an average volume of 854 calls daily for the reporting period.

Call wait times for 311 averaged 0.9 minutes with an average volume of 76 calls daily during the reporting period. In the last year, the number of callers has trended higher each month, with callers requesting information on a range of topics such as power outages, solar program rebates, graffiti issues, and housing assistance.

4. **Ensure street light repairs are made within 4 business days on average**

**Detail:** Repairing street lights promptly is a high priority for residents and businesses and is therefore tracked as its own metric. APU’s goal is to repair street lights within 4 business days on average. For many street light repairs, a light bulb and photo sensor are replaced – which is
straightforward and quick repair. However, if wiring or infrastructure repair or replacement is needed, more time may be required for proper repair.

**Result:** Goal Met. During the reporting period, over 840 street lights were repaired within 2.5 business days on average.

As mentioned in *Key Capital Project Milestones*, APU has an annual target to replace 4,000 street lights with LEDs. While LEDs provide enhanced lighting to improve pedestrian safety and roadway visibility, they have also become an industry standard because of their efficiency and longevity. Yearly street light repairs are expected to decrease over time as APU replaces more high pressure sodium (HPS) street light with LEDs. To date, APU has replaced approximately 8,100 (or 39%) of Anaheim’s street lights with LEDs.

### B. DELIVER DAILY OPERATIONS EXCELLENCE

1. **Maintain electric system reliability indicators in the top 25% of the municipal owned utility category nationally**

   **Detail:** APU monitors its service reliability by tracking the following key reliability indicators against the top quartile of municipal utilities across the nation, as well as neighboring utilities.\(^4\)

   - **Duration of Outages:** The system average interruption duration index (SAIDI) is an indicator of system performance and reflects the integrity of the local electric grid. It measures the number of minutes over the year that the average customer is without power by dividing the total customer minutes out by the number of electric service customers.

   - **Restoration Time:** The customer average interruption duration index (CAIDI) is an indicator of response time for every occurring outage, indicating how quickly power was

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<tbody>
<tr>
<td># Repairs</td>
<td>1,996</td>
<td>1,837</td>
<td>1,884</td>
<td>1,608</td>
<td>840</td>
</tr>
</tbody>
</table>

\(^4\) Benchmark data is provided by PA Consulting Group Inc. as part of their annual, national benchmarking study, consisting of over one hundred and fifty participating electric utilities. PA Consulting Group Inc., "System Reliability, Restoration, and Response Report (SR3), Reliability Data for Calendar Year 2017”.

APU looks at neighboring utilities whenever publicly available data is available. Only sustained outages, defined here as those outages lasting 5 minutes or more, are included for comparison. Total system indices, which include distribution and transmission indices, are also used. Major event days from benchmark agencies are excluded for a more accurate comparison. Results from other agencies are from calendar year 2017, with the exception of LADWP which have provided FY 2019 results on their website.
restored to customers. It measures the average amount of time a customer is without power per interruption by dividing the total customer minutes out by the number of customer interruptions.

- **Frequency of Outages**: The system average interruption frequency index (SAIFI) is an indicator of system resilience, reflecting how often a typical customer is affected by an outage. It measures the number of times an average customer experiences an interruption by dividing the number of customer interruptions by the number of service customers.

**Result: Watch.** For the reporting period, Anaheim placed in the top national quartile of the municipal-owned category for duration of outages. Average restoration time and frequency of outages compared favorable to other neighboring utilities, but were slightly over the top quartile benchmark as shown in the charts below.

Power outages can occur for a number of reasons, such as direct buried underground cable failures, metallic balloons, power pole car accidents, and wildlife contact with electrical equipment. An underground switch failure in June resulted in multiple circuit outages. While this is a rare occurrence, restoration efforts lasted longer due to vehicles obstructing access to electrical underground vaults, where repairs needed to be made.

Metallic balloons caused roughly 9% of the outages during the reporting period, a significant decrease from 2018 when such outages comprised about a quarter of unplanned outages. During the year – and especially around holidays like Valentine’s Day or when school graduations occur in June – APU will employ bill reminders and social media tools to remind customers that metallic balloons can cause power outages when in contact with a power line.
2. **Procure adequate renewable resources to comply with state mandates on renewable portfolio standard, meet interim targets, and remain well-positioned for future compliance periods**

**Detail:** APU remains committed to reducing greenhouse gas emissions through increasing its renewable resources while lowering more carbon-intensive resources like coal in its power resources portfolio. State legislation requires a 33% renewable portfolio standard (RPS) by 2020, 60% RPS by 2030, and 100% carbon-free energy by 2045. California’s governor signed the last two provisions into law (known as SB 100) on September 10, 2018.

While renewable resources like solar, wind, geothermal, and biogas have traditionally been costlier to procure than non-renewable resources, APU has been incrementally phasing in new renewables to mitigate the potential of large rate spikes to its customers, while diversifying its power portfolio, reducing GHGs, and meeting state mandates and regulations. APU continues to plan and strategize on managing its overall energy resource into the next decade and will continue updating its progress and results to policymakers and the general public.

**Result:** **Goal Met.** APU’s renewable portfolio standard (RPS) is currently at 33%, and APU is on track to meet its RPS goals in compliance with state mandates.

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See Senate Bill (SB) X1-2 for 33% RPS by 2020 and Senate Bill (SB) 100 for 60% RPS by 2030 and 100% carbon-free energy by 2045. SB 100 allows the 100% clean-energy provision to be met through eligible renewable resources along with “existing large hydro and any other zero-carbon polluting resources” – which was intended to “leave the door open” to potential new technologies in the future. See focus.senate.ca.gov/sb100/faqs for more information.
3. **Maintain generation availability rate at 95% or better**

**Detail:** Generation availability is a barometer of reliability, indicating the percentage of time the power plant is available to operate and generate power. This metric is calculated by dividing the total number of hours the plant is available to operate by the total number of hours in the reporting period. Results of generation availability will be provided for both the Canyon Power Plant (Canyon) and Kraemer Power Plant (Kraemer).

**Result:** Watch. During the reporting period, Canyon Power Plant recorded an average availability rate of 99.7% while the Kraemer Power Plant only reached a 33.7% average availability rate. Since March 2019, the Kraemer Power Plant has been on an extended forced outage due to issues with a turbine’s fan and enclosure. Staff is currently reviewing potential repair options, including the timing on performing such needed repairs. A Public Utilities Board update on the plant’s status is scheduled for this fall.

4. **Continue to meet or exceed all state and federal standards for drinking water quality**

**Detail:** APU conducts more than 44,000 analyses each year to ensure its customers receive high quality tap water that is clean, safe, and great-tasting. As a public water agency, Anaheim is required by the U.S. Environmental Protection Agency (U.S. EPA) and the State Water Resources Control Board (formerly regulated by the Department of Public Health) to comply with all regulations that limit the amount of certain contaminants in water. For more information about Anaheim’s drinking water quality and how it is tested, please see Anaheim’s most recent Water Quality Report: [www.anaheim.net/2092/Water-Quality-Report](http://www.anaheim.net/2092/Water-Quality-Report).

**Result:** Goal Met. 100% of drinking water standards were met this reporting period. Anaheim’s drinking water continues to meet or surpass all federal and state standards as established by the U.S. EPA and State Water Resources Control Board.

5. **Minimize main breaks per 100 miles of pipe to under 8 annually, which is approximately 40% below the national average**

**Detail:** A key reliability indicator that measures the strength and reliability of water system infrastructure is the number of main breaks per 100 miles of distribution piping. According to the Water Research Foundation and Partnership for Safe Water, “main breaks are a primary indicator of the condition of distribution system infrastructure because they are a critical
element in maintaining distribution system integrity and have a large and very visible impact on several other key operational parameters.⁶

Anaheim’s performance goal is calculated by dividing the annual number of main breaks by the total miles of pipe (per 100 miles) in the distribution system. To encourage greater pipeline replacement throughout Anaheim while minimizing the number of main breaks, a goal of under 8 main breaks per hundred miles of pipe was established – a level that is approximately 40% below the national average.⁷

Main breaks can occur for any number of reasons including corrosive soil, age of pipe, climate, pipe installation methods, tree root intrusions, or even incidents where a pipe is inadvertently struck by a contractor. Consequently, the number of main breaks per month can vary significantly, which is why this metric is typically reported as an annualized figure. For consistency with other agencies and benchmarks, a 12-month moving total of this metric will be utilized.

**Result:** Goal Met. 4.9 main breaks per 100 miles of distribution pipeline were recorded for the reporting period. Although various factors can influence the likelihood of a main break, the number of main breaks in Anaheim remains under the national average and compares favorably against neighboring agencies.

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⁷ See Folkman’s comprehensive study, which represents the survey results from 308 participating utilities for the year 2018, making it “one of the largest surveys conducted on water main failures” that provides “an accurate representation of water main performance and operating conditions in North America.” *Water Main Break Rates in the USA and Canada: A Comprehensive Study,* March 2018, Steven Folkman.
6. Meet the three-year maintenance goal of inspecting all 7,800 hydrants (or 217 per month) and exercising all 23,000 system valves (or 639 per month)

**Detail:** Preventative maintenance on hydrants and valves is important to managing the operability of the water distribution system, as well as minimizing customer outages when main breaks occur. Activities in this area are tracked monthly to ensure performance is on target to meet program goals. On average, 217 hydrants should be serviced monthly to meet the goal of inspecting all hydrants every three years (7,800 total hydrants divided by 36 months), while 639 valves should be exercised monthly in order to meet the goal of exercising all valves every three years (23,000 total valves divided by 36 months).

Monthly performance on such maintenance activities may fluctuate as staff may be reassigned to support higher priority activities such as supporting time-sensitive construction, water line repairs, or planned outages. Moreover, maintenance performed in high-traffic intersections or other locations requiring additional staff for safety may also impact monthly performance.

**Result:** Watch. During the reporting period, APU met its valve goal by exercising an average of 642 valves monthly, but only 215 hydrants were inspected on average – two hydrants shy of the goal. Water maintenance staff will now start on the final year of its three year preventative maintenance cycle to finish inspecting and exercising all remaining hydrants and valves. APU is 95% on track to complete its three-year goal.
C. PRESERVE COMPETITIVENESS & FINANCIAL HEALTH

1. Maintain annualized electric rates below other Orange County cities

Detail: An electric rate comparison is based on a typical single-family home that consumes 500 kilowatt hours (kWh) of energy per month. APU is the only municipally-owned utility in Orange County, while the rest of the county is served by Southern California Edison and San Diego Gas & Electric.

Result: Goal met. Annualized residential electric rates remain lower than rates paid by other Orange County cities. This savings increases as usage increases because investor owned utilities typically have multiple escalating rate tiers.

For typical residential usage of 500 kilowatt hours of energy per month, Anaheim customers pay $86.10 per month, while North Orange County cities served by Southern California Edison pay approximately 28% more, and South Orange County cities served by San Diego Gas & Electric pay approximately 83% more.

For reference, a comparison of system average rates is shown below. This rate captures the average kilowatt hour cost across all customer segments, and reflects several factors including power supply costs, customer type, number of customers, volume of sales, and efficiency of customer load. As the chart\(^8\) indicates, some cities have an additional utility user’s tax, which Anaheim does not.

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\(^8\) Figures from the “Average Customer Cost Per kWh” chart were calculated or obtained from publicly available information including the California Public Utilities Commission (CPUC) and U.S. Energy Information Administration (EIA) 861 filings.
2. Maintain annualized water rates under the average of other Orange County competitors

Detail: Water rates are compared based on residential usage of 16 hundred cubic feet (HCF) per month, which is equal to nearly 12,000 gallons of water per month. This represents the total amount of water consumed by a typical residential household in Anaheim per month.

Many water districts are supported through revenue sources like property taxes or bonds paid through property taxes, which can artificially lower their water rates significantly. This is because the true cost of providing water service, which can be expensive especially in times of drought, is subsidized through water district property taxes. In contrast, Anaheim's water rates are not supported by any property taxes and only reflect the true cost of providing water service. Despite these differences, Anaheim remains one of the most competitive water agencies in Orange County.

Result: Goal met. Annualized water rates remained under the average of local Orange County competitors during the reporting period. For a typical household, Anaheim’s water bill was $57.02, approximately 27% below the Orange County average. Adjusting for property taxes,
which water districts rely on to offset their costs, the chart below shows Anaheim remains competitive amongst its peers.

3. Remain in the A rated or higher categories for bonds

**Detail:** Moody’s, Standard & Poor’s (S&P), and Fitch provide credit ratings “about the ability and willingness of an issuer, such as a corporation, state or city government, to meet its financial obligations in full and on time. Credit ratings can also speak to the credit quality of an individual debt issue, such as a corporate or municipal bond, and the relative likelihood that the issue may default.”

**Result:** Watch. Although both the Water and Electric Utility maintained its high credit rating with a long-term outlook rated in the A category or higher, this metric remains on Watch to develop strategies and tools for the Water Utility to regain its AAA rating from S&P, which was lowered on Sept. 2016 during a statewide drought that resulted in a significant reduction in water revenue.

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10 S&P lowered its long-term rating on the Water Utility from ‘AAA’ to ‘AA+’ in Sep. 2016 after revising its rating criteria consisting of an enterprise and financial risk framework. S&P noted that the Water Utility’s practices were “supportive of high credit quality” and that its credit rating could be raised if “financial metrics improve such that the financial risk profile is commensurate with peers at a higher rating level.” To view the S&P ratings report, click here: [www.anaheim.net/DocumentCenter/View/10032](http://www.anaheim.net/DocumentCenter/View/10032).
4. Maintain days cash on hand of 90 Days + $50 million for the Electric Utility and 120 days for the Water Utility

**Detail:** Days cash on hand is a liquidity ratio that indicates the number of days an organization can meet its operating expenses using the cash it currently has available. The higher the number, the more days an organization can sustain its operations without any additional cash inflows. The ratio is calculated in this report by dividing the unrestricted cash balance by the total projected cash expenses for the entire fiscal year and multiplying this quotient by 365 days. For the Electric Utility, the $50 million balance – to meet specified financial performance goals and debt service coverage requirements – is converted into days using this formula and added on to the 90 days target. Currently, the target for the Electric Utility is approximately 140 days.

**Result: Goal Met.** As of June 30, 2019, the Electric Utility had 199 days of cash on hand, while the Water Utility had 301 days of cash on hand. The charts below demonstrate that utilities can maintain a high credit rating without possessing excessive amounts of cash on hand.

Because existing bond funds are currently used to fund a majority of the Water Utility’s capital projects, Water’s days cash on hand is projected to remain at current levels until fiscal year 2020-21. Afterward, an increasing percentage of Water Utility capital projects are expected to be cash-funded, which will lower Water’s days cash on hand. APU is focused on cash-funding more routine, capital improvement projects as a way to minimize bond issuances, lower future debt service costs, and to provide greater financial flexibility. A capital reserve fund has been developed and approved for this plan, and is expected to keep days cash on hand at more

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<tr>
<th>Rating Agency</th>
<th>Water</th>
<th>Electric</th>
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<td><strong>Moody’s</strong></td>
<td>Not rated</td>
<td>Aa3</td>
</tr>
<tr>
<td><strong>Standard &amp; Poor’s</strong></td>
<td>AA+</td>
<td>AA-</td>
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<tr>
<td><strong>Fitch Ratings</strong></td>
<td>AAA</td>
<td>AA-</td>
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11 The Electric and Water Utility’s days cash are unaudited estimates as of June 30, 2019.

12 For consistency and standardization, credit ratings are taken from S&P Ratings only; the rating reflects S&P’s long term rating for that agency’s senior-lien revenue bonds. Days cash was calculated based on financial figures listed in each respective agency’s Comprehensive Annual Finance Report (CAFR) for the fiscal year ending June 30, 2018. CAFR for the fiscal year ending June 30, 2019 is not yet available for all agencies at this time.

S&P’s highest rating is AAA, followed by AA+, AA, and AA-. The modifiers “+” or “-” indicates the relative status of that rating within the rating category. For more detail, see S&P Ratings.
stable levels in the future as bond issuances – which typically cover capital project costs over multiple years – are minimized.

5. Maintain a debt service coverage ratio of 1.6 or higher for the Electric Utility, and 2.0 or higher for the Water Utility

Detail: Debt service coverage ratio (DSCR) is a financial metric that assesses an organization’s ability to pay its debt. The metric in this report is calculated by dividing a fiscal year’s total available net revenue to meet debt obligations by total direct debt service in that same period.¹³ The goal for this metric was established in accordance with Governmental Accounting Standards Board (GASB) rules. Please note that financial figures in this report are unaudited, and may change after the year-end audit when all adjustments have been made and are finalized.

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¹³ Total available cash to meet debt obligations is before any general fund transfers.
**D. MANAGE ENTERPRISE RISK EFFECTIVELY**

1. **Proactively identify and manage enterprise-wide risks so that all key risks are properly addressed or mitigated, and no material violations occur that would adversely affect APU’s operations or its assets**

   **Detail:** APU manages its enterprise-wide risks on an ongoing basis and prepares an internal compliance plan to monitor and report on its compliance with applicable laws and regulations. Enterprise-wide risks also include keeping counterparty default risk – or the risk that the other party in a transaction will be unable to fulfill its obligations – under a half percentage of short-term power supply costs. APU minimizes such counterparty default risk through analyzing and monitoring the credit risk of counterparties, and through employing a default risk model against APU’s short term power supply costs.

   **Result:** Goal Met. No material violations or compliance issues arose during the reporting period, and counterparty default risk was kept at 0%. Staff continues to address and mitigate risks that are identified as part of APU’s enterprise-wide risk management program, including wildfire risk. Staff recently partnered with UC San Diego Scripps to deploy cameras for wildfire monitoring (see Alignment with City Goals).

   Staff is also addressing a recommendation from last year’s Wildfire Mitigation Plan that calls for undergrounding electrical lines adjacent to or within Fire Threat Zones – which includes overhead power lines running approximately a third of a mile on Eucalyptus Drive in east Anaheim. Approximately 98% of City-owned power lines in the Tier 3 high fire threat zones are already underground, so undergrounding this portion of overhead lines on Eucalyptus Drive would further mitigate Anaheim’s wildfire risk.

**E. INVEST IN A POSITIVE AND PRODUCTIVE WORK ENVIRONMENT**

1. **Maintain an industrial safety and health injury rate that does not exceed 1.0**

   **Detail:** Many organizations measure the effectiveness of their safety program and culture through an industrial safety metric known as the Disabling Injury Rate (DIR), or the number of injury cases involving days away from work for every 100 employees. According to some
safety experts, this rate “does a better job of representing the actual rate of workplace injury,” because it actually shows the incidence of serious injuries.

This safety metric conforms to the standard base rate calculation used by the Occupational Safety and Health Administration (OSHA): a base of 100 employees, working 40 hours a week, and 50 weeks per year is applied (for a total of 200,000 labor hours). To calculate the DIR, multiply the number of injury incidents resulting in days away from work by 200,000, and divide this product by the number of total employee hours worked.

**Result:** Goal Met. For the reporting period, APU recorded a DIR of 0.56; for fiscal year 2018-19, the DIR is 0.87. While the occurrence of safety incidents at any workplace may be unpredictable, APU attempts to minimize the probability and severity of such incidents through promoting a culture of safety and awareness, which includes conducting regular safety meetings, trainings, and safety-related events; analyzing all actual incidents and near-misses to learn from and correct any operational processes or procedures; and emphasizing that safety is every employee’s responsibility.

As part of National Safety Month in June, APU organized its third annual Safety Fair with the City’s Public Works Department to promote safety in the workplace. Over twenty vendors participated in the fair, showcasing their utility safety and operating equipment, and demonstrating how to use such equipment properly, safely, and for optimal protection.

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**SAFETY: DISABLING INJURY RATE**

<table>
<thead>
<tr>
<th>Year</th>
<th>DIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>0.88</td>
</tr>
<tr>
<td>FY18</td>
<td>0.62</td>
</tr>
<tr>
<td>FY19</td>
<td>0.87</td>
</tr>
</tbody>
</table>

**Target:** <= 1

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2. **Meet or exceed industry benchmark for employee efficiency**

**Detail:** A widely-used measure of employee efficiency in the electric utility industry is the number of retail customers per non-power generation employee. This is a ratio that divides the average number of retail customers by the number of full-time and part-time employees.

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15 For more information, see the Bureau of Labor Statistics’ website on “How To Compute a Firm’s Incidence Rate for Safety Management”: [http://www.bls.gov/iif/osheval.htm](http://www.bls.gov/iif/osheval.htm)
that are not involved in the generation of power. To calculate this ratio, the average number of electric meters in the reporting period is used as a proxy for the number of electric retail customers. Additionally, to maintain accuracy when comparing this metric against industry benchmarks, APU prorates employees that are shared with the Water Utility. For benchmarking against other electric utilities nationally, APU uses the American Public Power Association (APPA) “Selected Financial and Operating Ratios of Public Power Utilities.”

For the Water Utility, APU uses the same methodology as above, dividing the number of water customers by the number of full-time and part-time water employees. The number of water meters is used as a proxy for the number of water customers. Employees that are shared with the Electric Utility, such as customer service or billing staff, are prorated as part of this calculation. APU uses the American Water Works Association (AWWA) benchmark to compare itself against other water utilities nationally.

Result: Goal Met. The Electric Utility had 40% more retail customers per non-power generation employee than the median benchmark reported by the American Public Power Association for public power utilities with 100,000+ customers. The Water Utility had nearly 30% more water customers for every water employee than the median benchmark reported by the American Water Works Association.

The charts below demonstrate how both Electric and Water Utility’s meters-per-employee indicator compare favorably against other peers.

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16 See “APPA Financial and Operating Ratios of Public Power Utilities, 2018,” American Public Power Association. Anaheim’s Electric Utility had 442 retail customer per non-power generation employee compared to the APPA median benchmark of 315 retail customers per non-power generation employee.

17 Ibid.

18 AWWA published their 2016 benchmarking in 2017. See “2017 AWWA Utility Benchmarking Performance Management for Water and Wastewater.” Anaheim’s Water Utility had 622 water customers for every water employee compared to the AWWA median benchmark of 484 water customers per employee.

19 Each agencies’ employee count was compiled from FY 2018 budget information found on their website. Because peer agencies do not specify how many generation employees they have, Anaheim includes all of its Electric Utility employees in this comparison chart for a fair apples-to-apples comparison.
F. MAINTAIN ALIGNMENT WITH CITY GOALS

1. Support City Council policies and initiatives, as well as the City Manager’s direction

**Detail:** This section will describe how APU supports City Council and City Manager policies and initiatives. Although definitive targets are not always available for these broad, city-wide initiatives, APU will provide specific examples of programs and efforts that are in-line with the City’s vision and goals.

**Result:** **Goal Met.** During the most recent reporting period, APU supported City Council and City Manager policies and initiatives through community and student engagement events while also promoting customer service initiatives.

**SMART City Initiatives - Wildfire Camera Network**

During the reporting period, the Public Utilities Board (PUB) and City Council approved an agreement with University California San Diego Scripps to deploy four cameras for wildfire monitoring of Anaheim’s most fire-prone areas. The cameras will become a part of a larger regional network spanning San Diego and Orange County, Central California, and parts of Nevada. Anaheim Fire & Rescue will also have access to these cameras in real-time, which can be utilized for early detection or confirmation of wildfires.

**Volunteering at the Big Give**

In May, APU staff members joined with other City of Anaheim employees for the Big Give, a half day event where city staff and their families volunteered on community projects benefiting local schools, nonprofits, and individuals in need. APU staff participated in various projects including gardening plants at Paul Revere Elementary and at Grandma’s House of Hope, preparing food packages and care kits for families in need, repairing an Anaheim home through Habitat for Humanity OC, and painting artwork for Schweitzer Park, Edison Elementary, and the Salvation Army Temporary Homeless Shelter.
Student Engagement

APU hosted an array of student engagement opportunities during the reporting period including the following listed below.

- **2019 Solar Cup**: APU sponsored Anaheim and Magnolia High School’s entry in the 17th Annual Metropolitan Water District of Southern California (MWD) Solar Cup Race, which was held in May. Over a seven-month period, students from these high schools collaborated to build a solar-powered boat for the race while learning about conservation of natural resources, electrical and mechanical engineering, and problem solving. Over 40 teams competed in this year’s competition, and MWD recognized Anaheim High School with a Teamwork Award. Congratulations to Anaheim and Magnolia High School’s team for their engineering talent!

- **CSUF Internship Program**: Two student interns were recently selected for APU’s inaugural summer internship series in partnership with Cal State University, Fullerton. The internships began in June, and the students were placed with APU’s finance and electrical engineering divisions. The summer interns gained hands-on work experience, networked with staff throughout the City of Anaheim, and toured numerous utility facilities.

- **Scholarship Recipients**: In June, APU awarded scholarships to two local high school recipients: Milene Ly from Canyon High School ($3,000 scholarship) who will be attending the University of California, Santa Barbara and William Perez from Katella High School ($2,000 scholarship) who will be attending Dartmouth College. Both students also participated in a 6-week summer internship with APU, where they learned about Anaheim’s power resource portfolio, renewable energy, and community and sustainability programs.

- **AIME High School Interns**: APU also collaborated with Anaheim’s Innovative Mentoring Experience (AIME) to provide a 6-week summer internship for high school students. This year, APU provided internships for two students from Savanna High School and Western High School within the communications and administrative services divisions. The students concluded their internship with a presentation about their experience to school officials, their peers, and city staff.
Customer Service Initiatives
To improve customer service, APU has been systematically modifying rules with the goal of simplifying them, reducing costs for customers, and providing more flexibility for utility customers. City Council has approved modifications to 42 of the 51 rules in APU’s Rates, Rules, and Regulations since 2012. The measures below show how customers benefited from such service initiatives during the reporting period.

WAIVED ACCOUNT ESTABLISHMENT FEE
APU waives a $10 service establishment fee for income qualified or declared emergency customers. On average, the fee is waived for approximately 1,200 customer accounts each year.

Effective since Jan. 2013

815+
customer accounts where fees were waived

▲ 12% from last reporting period

COURTESY NOTIFICATION PROGRAM
APU provides a personalized phone call or email to alert customers when their bill is past due to prevent unwanted disconnection of service. On average, roughly 13,400 courtesy notifications are made annually.

Effective since Feb. 2016

5,630+
courtesy notifications

▲ 20% from last reporting period

REDUCED CUSTOMER SERVICE FEES
Reconnection fees were reduced from $30 or $40 to a flat $20 fee, while the same day service establishment fee was reduced from $40 to $35.

Effective since May 2017

$97,210+
customer savings from reduced fees

▲ 30% from last reporting period
EXTENSIONS AND PAYMENT PLANS

Customers requiring assistance with payment of service may request an extension or payment plan. On average, approximately 35,400 extensions and 560 payment plans are granted annually.

Effective since Feb. 2016

15,720+ extensions
350+ payment plans

▲ 15% from last reporting period

INCOME QUALIFIED DISCOUNTS

Income qualified seniors, veterans, and long-term disabled customers can receive a 10% discount on the electric portion of their utility bill. Of the total active customers receiving this discount, 69% are seniors, 27% are long-term disabled customers, and 3% are veterans.

Effective since Sep. 2015

6,955+ active customers

▲ 1% from last reporting period

WAIVED DEPOSIT FEE

A temporary water meter is typically requested by contractors requiring water service for their projects. Deposit fees of $270 for 2” and smaller meters and $700 for 2.5” meters were removed to reduce upfront costs for new customers.

Effective since Feb. 2015

$24,350+ customer savings from waived deposit fees

▲ 11% from last reporting period
ENCOURAGING BUSINESS DEVELOPMENT & GROWTH

Staff has recommended and City Council has approved several rule modifications since September 2013 intended to encourage greater development and growth within Anaheim. Such rule changes allow for new electric and water service connections and upgrades through streamlined plan checks, more flexible options and rates, and reduced service establishment fees and deposits. The graphs below depict the growth in new service connections and upgrades over the last five years.

New Electric Service Connections & Upgrades

- Waived fees for interconnection plan checks under 4 hrs
- Established a developmental non-residential EV rate
- Reduced service establishment fees

6,600+ new electric service connections & upgrades since June 2014

New Water Service Connections & Upgrades

- Eliminated temporary water meter deposit
- Added payment and construction flexibility for development projects
- Added financing options for school facility upgrades

530+ new water service connections & upgrades since June 2014