

**CITY OF ANAHEIM
PUBLIC UTILITIES BOARD**

MINUTES

April 28, 2021

The agenda, including the Teleconference Notice, having been posted on Thursday, April 22, 2021, the Regular Meeting of the Public Utilities Board (Board) was called to order by Vice-Chairperson J. Seymour at 5:00 p.m. on Wednesday, April 28, 2021, in the Gordon Hoyt Conference Center, 2nd floor, Anaheim West Tower, 201 S. Anaheim Blvd., Anaheim, California.

Board Members Present: Vice-Chairperson J. Seymour, A. Abdulrahman, N. Campos Kurtz, V. Baroldi, R. Gaona (via teleconference), R. Bhalla (via teleconference)

Board Members Absent: Chairperson E. Medrano

City Staff Present: D. Lee, P. Starr, A. Kott, M. Moore, J. Lonneker, B. Beelner, J. Lehman, M. Seifen, F. Barvarz, J. Sanks, S. Smith, A. Nguyen, C. Pereyra (via teleconference)

Guest(s) Present: None.

AGENDA ITEM

ACTION TAKEN

1. PUBLIC COMMENTS.

There being no oral public comments and no submitted public comments pursuant to the Teleconference Notice, Vice-Chairperson J. Seymour closed the public comments portion of the meeting.

2. APPROVAL OF THE MINUTES OF THE PUBLIC HEARING/PUBLIC UTILITIES BOARD REGULAR MEETING OF MARCH 24, 2021. *

A. Abdulrahman moved approval of the Minutes of the Public Hearing / Public Utilities Board Regular Meeting of March 24, 2021. N. Campos Kurtz seconded the motion.

**MOTION VIA ROLL
CALL VOTE CARRIED:
5-0.
ABSTAINED: 0.**

3. PRESENTATION: FISCAL YEAR 2021/22 BUDGET.

A. Nguyen, Utilities Budget Administrator, began his presentation with an overview of the budget cycle and common terms used. A. Nguyen then reviewed Fiscal Year (FY) 2022 projections for both revenue and expenses, describing how COVID-19 stay-at-home restrictions had severely impacted electric retail demand from industrial and commercial customers; he noted it also impacted water sales but to a lesser extent than electric. A. Nguyen indicated that because of hot and extreme weather events, higher wholesale energy revenue is anticipated for the current FY. Reviewing projected expenses, he mentioned how Anaheim Public Utilities Department (APU) expects to save \$4.4M in labor costs, mainly from the City's Accelerated Separation Program. A. Nguyen also noted how power supply costs are expected to be \$24M under budget from refinancing the Canyon Power Project bonds and other savings.

A. Nguyen showed a short video of APU's current year accomplishments, which included, COVID-19 support that was provided, community events held, and capital projects completed. A Board member indicated he was impressed that nearly 70% of Anaheim's streetlights are now LED. For APU's FY22 Proposed budget, A. Nguyen explained that although the economic outlook has improved next year's electric retail sales forecast is conservative and assumes industrial and commercial load will not return to pre-pandemic levels in the near term. Describing water revenue, A. Nguyen mentioned that almost half of next year's increase in water revenue is expected to result from reimbursement by the Orange County Water District (OCWD) for groundwater treatment capital expenses.

Discussing FY 22 proposed expenditures, A. Nguyen indicated that 41 vacant positions were placed in a holding unit, totaling nearly \$6.3M – he explained that these positions would remain vacant until a need arises and the local economy and APU's finances improve. A. Nguyen also indicated that the power supply budget would decrease by \$17M due to refinanced and retired debt. A. Nguyen underscored how APU's operating budget for next year was flat, but capital investments are proposed to increase by nearly \$17M – reflecting the need to resume capital investments for reliability and resiliency. He also mentioned that the budget for APU was balanced.

The Board inquired about the planned bond issuance proposed for the next FY, asking whether APU still plans to move towards greater cash funding for capital projects. B. Beelner, Assistant

General Manager – Finance and Energy Resources, indicated that it is still APU’s plan to transition to cash funding. He mentioned that the proposed electric bond issuance was one of the few planned for this decade (before APU is able to cash fund more of its routine capital needs), and the balance between rates and bonds will continue to be adjusted based on certain factors.

A Board member reflected on the number of vacancies, questioning whether it would impact service. D. Lee, Public Utilities General Manger, suggested that the City’s Accelerated Separation Program was intended to create vacancies and financial savings, but that APU would backfill critical utility positions, continue to focus on maintaining reliable services, and prioritize apprenticeship positions for organizational development.

A. Nguyen introduced C. Pereyra, Utilities Analyst, who spoke about utility industry challenges such as extreme weather events and changes in legislation impacting the electric and water system. C. Pereyra also described APU’s ongoing maintenance and inspection programs, its role in supporting development throughout the Anaheim, and initiatives and programs planned for next year in the areas of sustainability, community outreach, and student engagement.

The Board was encouraged to review the budget documents and reach out to staff if they have any questions or would like a more detailed review prior to staff seeking their recommendation to City Council next month.

4. APPROVAL AND AUTHORIZING THE POSTING OF THE 2021 WATER QUALITY REPORT ON THE ANAHEIM PUBLIC UTILITIES WEBSITE AND PROVIDING THE CERTIFICATION OF COMPLETION OF POSTING TO THE STATE WATER RESOURCE CONTROL BOARD DIVISION OF DRINKING WATER.

J. Sanks, Environmental Services and Safety Manager, provided a presentation summarizing the content of the Water Quality Report (Report), affirmed that APU met or exceeded all federal and state water quality standards, and discussed the various methods in place to ensure that all customers and visitors continue to receive high quality water. J. Sanks mentioned that customers would be informed through their billing statements that the Report is to be available on APU’s web site and a hardcopy of the Report would be mailed to customers upon request. J. Sanks also discussed methods for protecting source water, water testing conducted by APU, laboratory capabilities, and how water quality is maintained throughout the drinking water system.

N. Campos Kurtz moved approval of authorizing the posting of the 2021 Water Quality Report on the Anaheim Public Utilities website. A. Abdulrahman seconded the motion.

**MOTION VIA ROLL
CALL VOTE CARRIED:
6-0.**

ABSTAINED: 0.

**ABSENT: 1 [Chairperson
E. Medrano].**

The Board asked whether any private wells were located in the City. J. Sanks indicated that there are some private wells that are not connected to APU's water system. The Board inquired about the difference between requirements for potable versus non-potable water, such as recycled water, and staff expressed the water quality report is for drinking water standards, which is very stringent.

5. PRESENTATION: 2021 WILDFIRE MITIGATION PLAN UPDATE.

F. Barvarz, Electric Transmission & Distribution Manager, gave a presentation on APU's 2021 Wildfire Mitigation Plan Update (Plan) and covered the regulatory requirements including incorporation of the new guidelines by the Wildfire Safety Advisory Board (WSAB) to streamline plan preparations by publicly-owned electric utilities. F. Barvarz also covered the wildfire cameras that provide situational awareness to APU and fire crews for improved response. Lastly, he discussed APU's wildfire mitigation measures including vegetation management and undergrounding of the Eucalyptus Drive neighborhood, which is located in a high fire thread zone.

6. APPROVAL OF THE FIRST AMENDMENT TO AGREEMENT BETWEEN THE ORANGE COUNTY SANITATION DISTRICT AND THE CITY OF ANAHEIM FOR CONSTRUCTION OF WATER FACILITIES IN CONJUNCTION WITH THE STATE COLLEGE BOULEVARD SEWER PROJECT TO INCREASE THE REIMBURSEMENT AMOUNT BY AN ADDITIONAL \$513,439.00. *

M. Moore, Assistant General Manager – Water Services, discussed the background of the Agreement with Orange County Sanitation District (OCS) regarding the construction on State College Blvd. M. Moore indicated that the amendment is needed due to the unforeseen site conditions during construction resulting in additional work to complete the project.

A. Abdulrahman moved approval of the First Amendment to the Agreement between the Orange County Sanitation District and the City of Anaheim for Construction of Water Facilities in Conjunction with the State College Boulevard Sewer Project. V. Baroldi seconded the motion.
MOTION VIA ROLL CALL VOTE CARRIED: 6-0.
ABSTAINED: 0.
ABSENT: 1 [Chairperson E. Medrano].

7. PRESENTATION: DISTRIBUTED GENERATION AND ELECTRIC VEHICLE (EV) GROWTH AND IMPACTS.

S. Smith, Integrated Resources Manager, provided an update on the growth and impacts of distributed generation and electric vehicles (EV) on APU. S. Smith discussed APU's goal is to be balanced and strategic in managing the impacts and position on distributed generation. S. Smith explained solar growth due to

legislative and regulatory matters lead to steep price declines. S. Smith noted that the ramping of manufacturing furthered price declines. S. Smith explained the current solar installations are at 37 MW in 2020 with projections out to the year 2030 to grow to 75 MW. S. Smith indicated that peak demand shifted to the early evening as the sun goes down due to the influx of solar in the California Independent System Operation (CAISO) wholesale market. However, solar paired with energy storage can help alleviate this issue in the future.

S. Smith discussed battery energy storage systems and EV's, which both currently use lithium ion chemistries. S. Smith explained that major car manufactures have committed to an EV future. Additionally, California mandates will accelerate adoption in California. He noted that similar to solar, batteries experienced dramatic price declines and EV's cost parity with internal combustion engines are projected to occur in the 2023 to 2025 range.

S. Smith noted that currently, there are 53 DC fast chargers of the 443 public access EV chargers located in Anaheim. S. Smith showed a future grid profile for EV and solar combined and the synergies that can occur.

Lastly, the cost of solar installations as well as wholesale procurement of renewables focusing on solar plus storage options in the future were discussed.

The Board noted that the market penetration is still relatively modest, and that state goals may be optimistic at this time. The Board also commented that commercial and industrial buildings may be future opportunities to include solar.

D. Lee made the Board aware that S. Smith will be leaving APU and recognized him with a plaque for his hard work and service to Anaheim.

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

M. Moore, Assistant General Manager – Water Services, went over the Capital Improvement Projects (CIP) for the water utility. M. Moore noted that APU is currently working on 41 projects, 5 are in construction, and 7 of those have been completed.

J. Lonneker, Assistant General Manager – Electric Services, indicated that the electric utility has used 62% of the allotted budget for CIP. J. Lonneker noted that the substation project is a

multi-year project. J. Lonneker then went over the projects that are in construction, currently 24 which are scheduled to be completed FY 21.

D. Lee described the Master Agreements for construction projects under \$500,000 and noted that due to the \$2 million per contractor cap, that staff has seen a reduction in the number of bids resulting in reduced competition to mitigate price increases. He explained that staff is looking into increasing the cap to \$3 million to address this issue, and when the Board inquired if that cap is sufficient, J. Lonneker explained that it balances the need for multiple bids with the goal of fostering balance of awards between multiple contractors.

9. UPDATE ON ELECTRIC SYSTEM ITEMS.

J. Lonneker made the Board aware of recent power outages resulting from metallic balloons making contact with the power lines. J. Lonneker reported that approximately 5,000 customers were impacted over the last 30 days resulting from five separate metallic balloon incidents. J. Lonneker mentioned that a community Public Service Announcement (PSA) about safe handling of metallic balloons is currently running on the local networks through June as a reminder to help reduce these power outages.

10. UPDATE ON WATER SYSTEM ITEMS.

M. Moore discussed the water dashboard for the month of April. M. Moore indicated that dry conditions in California and the Colorado River basin are continuing to reduce water storage levels. Additionally, he noted that drought conditions are now statewide, and Governor Newsom has declared an emergency in two northern California counties. M. Moore indicated that notifications to reduce water waste are being planned for this summer and APU is providing rebates and assistance to customers to reduce water usage.

M. Moore made the Board aware that City Council approved the Phase A construction contract award for the Groundwater Treatment Plant on April 27th and that APU is also getting ready to release the solicitation for Phase B this summer.

M. Moore mentioned that an open house for the neighbors of the La Palma Complex was held on April 24th. M. Moore shared that several neighbors attended and were interesting in hearing the construction plans for Phase A of the Groundwater Treatment Plant.

Lastly, M. Moore shared photos of a tour of the Lenain Water Treatment Plant which was provided to Councilmember Trevor O’Neil and City Manager Jim Vanderpool.

11. UPDATE ON FINANCE & ENERGY RESOURCES ITEMS.

B. Beelner discussed the monthly finance dashboard with the Board indicating that the year to date electric revenue through March 2021 was 0.7% below budget (\$2.3M) due primarily to

decreased commercial and industrial demand. B. Beelner explained that electric costs for the fiscal year fell below budget by 8.0% (\$22.6M) causing a net positive budget variance of \$20.3M. B. Beelner then mentioned that year to date water revenue was 5.4% (\$4.0M) below budget due to weaker than anticipated commercial and industrial demand as a result of continued business restrictions related to the COVID-19 pandemic. He noted that costs were below budget as well by 5.2% (\$3.0M) causing a negative \$1.0M budget variance.

B. Beelner then discussed the monthly Power Supply Dashboard. He mentioned that due to both an extended outage at the Magnolia Power Plant and lower than normal wholesale power prices APU did not gain revenue from the wholesale market in March. B. Beelner shared that Magnolia Power Plant should return to service on April 30, 2021.

12. UPDATE ON ADMINISTRATION & RISK SERVICES ITEMS.

J. Lehman, Interim Assistant General Manager – Administration and Risk Services, discussed the Wholesale Energy Risk Management (ERM) Program’s Quarterly Compliance report for the second quarter of FY 21 with the Board. J. Lehman indicated that all wholesale energy transactions met the Program’s requirements and that there were no violations of the ERM during this period. J. Lehman shared that the Bowerman Landfill Gas Power Plant was impacted by the Silverado fire during this period but has been back on-line since December 2020.

J. Lehman then shared that the PUB Legislative Working Group met prior to the Board meeting to review key bills with the potential to impact utility operations. J. Lehman indicated that even though the State Capitol is closed, except to the Legislators and limited staff when they vote, there have been a number of hearings and proceedings related to the over 2,000 bills that were introduced this year. J. Lehman highlighted three of the legislative bills that APU is following.

J. Lehman then went over the safety metrics and shared that APU is meeting its targets and that the statistics were very similar to last year with the exception of COVID-19 related illnesses and a shoulder injury that resulted in restricted work duties. J. Lehman noted that the metrics help APU monitor the safety program and proactively identify areas that may require further attention.

13. ITEM(S) BY SECRETARY.

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

- Urban Water Management Plan
- Summer Readiness Presentation
- Imported Water Supply Update

D. Lee then shared photos of APU's TreePower Program with the Board.

D. Lee then discussed the high school scholarship program and requested an additional volunteer for the virtual interview panel. Board Members N. Campos Kurtz, R. Gaona, and V. Baroldi volunteered to participate on the panel.

D. Lee shared a thank you e-mail that was received from Anaheim Elementary School District for staff's assistance with electric charging for their new electric buses.

14. ITEM(S) BY BOARD MEMBERS.

V. Baroldi made staff aware of road conditions in the Westmont area of District 3 due to telecommunication construction. Staff discussed that the Public Works Department is working to address roadway impacts and is working with the City Attorneys' Office.

A. Abdulrahman inquired about the status of employees that have been telecommuting and if the City will be mandating vaccinations. D. Lee indicated that the City Manager has given all Anaheim employees a return to the office date of May 3, 2021 and that vaccines are not mandated but are made accessible to those who want them.

15. ADJOURNMENT: (NEXT REGULAR MEETING ON MAY 26, 2021 AT 5:00 P.M. PLEASE BE ADVISED THAT SOME OF THE BOARD MEMBERS MAY PARTICIPATE IN THIS MEETING REMOTELY.)

N. Campos Kurtz moved to adjourn the Regular Meeting at 6:55 p.m., to the Board's Regular Meeting date of May 26, 2021 at 5:00 p.m. V. Baroldi seconded the motion. **MOTION VIA**

ROLL CALL VOTE
CARRIED: 6-0.
ABSTAINED: 0.
ABSENT: 1 [Chairperson
E. Medrano].

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.