

**CITY OF ANAHEIM
PUBLIC UTILITIES BOARD**

MINUTES

January 27, 2021

The agenda, including the Teleconference Notice, having been posted on Thursday, January 21, 2021, the Public Hearings / Regular Meeting of the Public Utilities Board (Board) were called to order by Chairperson E. Medrano at 5:00 p.m. on Wednesday, January 27, 2021, 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 (via teleconference), A. Abdulrahman (via teleconference), R. Bhalla (via teleconference), J. Showalter (via teleconference), V. Baroldi (via teleconference)

Board Members Absent: R. Gaona

City Staff Present: D. Lee, P. Starr, A. Kott, M. Moore (via teleconference), J. Lonneker (via teleconference), B. Beelner (via teleconference), J. Lehman (via teleconference), F. Barvarz (via teleconference), J. McBride (via teleconference), T. Mardikian (via teleconference), D. Ballin (via teleconference)

Guest(s) Present: Lisa S. Rouly – Court Reporter (via teleconference); Jesús Villaseñor - Orange County Translation & Interpretation Services (via teleconference)

AGENDA ITEM

ACTION TAKEN

PUBLIC COMMENTS.

One public comment was submitted pursuant to the Teleconference Notice. The public comment concerned general matters and Item 4 (Public Hearing). Staff's response was bifurcated so the aspect of the comment relating to the Public Hearing would be part of the record of the Public Hearing.

There were no oral comments and one public comment was submitted pursuant to the Teleconference Notice. Chairperson E. Medrano closed the public comments portion of the meeting.

1. APPROVAL OF THE MINUTES OF THE REGULAR PUBLIC UTILITIES BOARD MEETING OF DECEMBER 16, 2020. *

Vice-Chairperson J. Seymour moved approval of the Minutes of the Public Utilities Board Regular Meeting of December 16, 2020. A. Abdulrahman seconded the motion.

**MOTION VIA ROLL
CALL VOTE CARRIED:
5-0.
ABSTAINED: 1
[Chairperson E.
Medrano].
ABSENT: 1 [R. Gaona].**

2. PRESENTATION: TRANSFORMER REPLACEMENT PROGRAM.

F. Barvarz, Electric Transmission & Distribution Manager, gave a presentation on the Transformer Replacement Program (Program). F. Barvarz described the Program's objective to accelerate transformer replacements, track progress using metrics, use a "one-touch" approach to upgrade the transformer and its associated structures and electrical material, and implement upgrades in anticipation of customers' future needs. F. Barvarz discussed the criteria to prioritize the planned upgrades and indicated that the implementation of these upgrades will be completed using a combination of outside resources along with those of Anaheim Public Utilities (APU). F. Barvarz noted that the upgrades are expected to meet the customers' present electric service reliability and will provide for future needs, such as additional loads for electric vehicles, air-conditioning units as hotter temperatures arise, and additional computers and communication devices.

The Board inquired about whether the funding proposed is sufficient given the number of transformers in the system. Staff responded by explaining that the upcoming proposed budget will effectively double the current expenditure level to start the Program, and future funding level recommendations will be made based upon metrics.

The Board further inquired about the safety of underground transformers. Staff responded that only smaller residential transformers are placed underground which helps to address safety concerns, while larger commercial transformers are above ground for improved accessibility.

3. APPROVAL OF THE PROPOSED MODIFICATIONS TO RULE NOS. 3, 4, AND 23 AND THE INTRODUCTION PAGE OF THE *WATER RATES, RULES AND REGULATIONS* AND RULE NOS. 3, 4, 14, AND 23 AND THE INTRODUCTION PAGE OF THE *ELECTRIC RATES, RULES AND REGULATIONS* EFFECTIVE MARCH 1, 2021; AND DETERMINATION THAT THESE MODIFICATIONS ARE EXEMPT UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO THE PUBLIC RESOURCES CODE SECTION 21080(B)(8), AND SECTIONS

The Public Utilities Department presented the proposed modifications to Rule Nos. 3, 4, and 23 and Introduction page of the *Water Rates, Rules and Regulations* and Rule Nos. 3, 4, 14, and 23 and Introduction page of the *Electric Rates, Rules and Regulations*.

15061(B)(3) AND 15273(A) OF TITLE 14 OF THE CALIFORNIA CODE OF REGULATIONS. *

B. Beelner, Assistant General Manager – Finance and Energy Resources, introduced J. McBride, Utilities Strategic Planning Manager, who provided an overview of the proposed rule modifications. J. McBride explained that the proposed water and electric rule modifications would enhance APU’s ability to offer benefits to customers now and in the future. J. McBride indicated that the proposals include formalizing APU’s authority to provide water and electric bill credits during declared emergencies in order to help customers who may be struggling to pay their utility bills; modifying the bill credit offered to customers who elect paperless billing and automatic bill payments by providing a one-time, up-front \$10 bill credits; and enhancing flexibility to provide a meaningful bill credit to customers who experience an unplanned extended electrical outage. J. McBride noted that other modifications include enhancing the information provided in the Introductory page as well as minor grammatical corrections.

Chairperson E. Medrano requested that the authority to issue bill credits during declared emergencies not be limited to residential customers because many restaurants, small businesses, schools, and other customers may also be impacted by the same declared emergencies. D. Lee asked A. Kott if it would be feasible to address Chairperson Medrano’s request with regard to Water and Electric Rules No. 3. A. Kott confirmed the revision could be made by removing the word “residential” from Section F(1)(b) of Water Rule No. 3 and Section E(1)(b) of Electric Rule No. 3.

In order to address Chairperson E. Medrano’s request, A. Kott suggested a modification so that the proposed motion would be, “By resolutions presented to the Board, and fully set forth therein, that City Council determine that the modification to Rules Nos. 3, 4 and 23 and the Introduction page of the *Water Rates, Rules and Regulation* and Rules Nos. 3, 4, 14, and 23 and the Introduction page of the *Electric Rates, Rules and Regulations* are exempt from CEQA and further that City Council approve, the proposed modifications subject to striking the word “residential” in section E (1)(b) of Electric Rule No. 3 and section F (1)(b) of Water Rule No. 3 of proposed modifications to the *Water and Electric Rates, Rules and Regulations* effective March 1, 2021.”

4. PUBLIC HEARING: PROPOSED INCREASES TO THE WATER COMMODITY ADJUSTMENT (W-CA) AND WATER SYSTEM RELIABILITY ADJUSTMENT (W-SRA) RATES AND CORRESPONDING REVISIONS TO SCHEDULES W-CA AND W-SRA OF THE WATER RATES, RULES AND REGULATIONS. **

The Public Hearing was called to order by Chairperson E. Medrano.

B. Beelner, Assistant General Manager – Finance and Energy Resources, presented oral testimony explaining that APU is proposing to increase the Water Commodity Adjustment (W-CA) and Water System Reliability Adjustment (W-SRA) of the *Water Rates, Rules and Regulations*. The proposed WCA rate increase will help recover increasing water supply costs primarily driven by PFOA and PFAS regulations that caused APU to shut down the majority of its groundwater wells. The decreased use of groundwater and corresponding increase in higher-cost imported water coupled with increases in MWD’s rates caused APU’s overall water supply costs to increase. B. Beelner highlighted several initiatives APU employed to reduce costs, such as deferring non-critical projects, reducing operating expenditures, and deferring vehicle procurement, and noted that the City Council authorized APU to pursue litigation to recover damages from those entities responsible for the PFOA and PFAS in local groundwater.

B. Beelner explained that the proposed WSRA rate increase will help pay for improvements to APU’s water distribution system including replacement of aging pipelines and other critical water infrastructure.

D. Lee, Public Utilities General Manager, stated that 81,173 Notices of Public Hearing were mailed and, of those 1,698 notices were in Spanish and 79,475 notices were in English. He also indicated that one notice was returned because it was torn in delivery but indicated that a notice was re-sent to the address. D. Lee stated that 18 written protests were received as of the public

Chairperson E. Medrano moved approval of the proposed rule modifications, as modified. V. Baroldi seconded the motion.

MOTION VIA ROLL CALL VOTE CARRIED: 6-0.

ABSTAINED: 0.

ABSENT: 1 [R. Gaona].

The Public Utilities Department presented prepared testimony and oral testimony in support of its proposed (1) water rate increase to the Water Commodity Adjustment (W-CA) and Water System Reliability Adjustment (W-SRA)

Upon completion of the testimony and public comment, Chairperson E. Medrano entertained the following motion from A. Kott, who moved that all evidence, oral and written, submitted by staff, including the Prepared Testimony with exhibits from B. Beelner; the Affidavits of Publication of the Notice of Public Hearing; the Certificate of Mailing; and written protests filed with Secretary of the Board; and public comment become part of the record and submitted into evidence.

Chairperson E. Medrano granted A. Kott’s motion.

Chairperson E. Medrano entertained A. Kott’s request to close the record of the Public Hearing because there were no further witnesses or evidence to be

hearing date and one public comment, which D. Lee read and discussed.

Upon completion of the foundational testimony, Chairperson E. Medrano asked why APU does not rely exclusively on financial reserves and avoid a rate increase altogether when customers are struggling at this time due to the COVID-19 pandemic. D. Lee and B. Beelner shared information about the multiple financial models that were evaluated to consider whether to forgo or delay the rate increases. In order to maintain basic service and financial levels to meet other financial requirements, delaying the rate increase or relying solely on financial reserves will have negative consequences in future years and require larger rate increases.

Chairperson E. Medrano asked how water rates may be impacted in the future if APU receives some type of compensation as a result of the legal action authorized by the City Council. D. Lee and B. Beelner shared that all sources of revenue are added to the financial model to determine how to recover costs. As a not-for-profit agency, APU is only allowed to recover costs. If additional revenues come in, those revenues will augment other revenues and result in lower or static costs to customers.

Chairperson E. Medrano asked if there were any questions from Board members. A. Abdulrahman commented that he understands the needs of customers but knows there is a need for financial support to keep the agency going. D. Lee responded noting that APU staff understands the pressure many customers are under and considers those when developing rate proposals. D. Lee indicated that bill credits are currently provided to help customers with their bills.

One public comment was received asking about the figures used to determine the rate increase and how customers can feel confident that the charges are what customers should be paying. B. Beelner responded that the City Council approves APU's budget and finances are audited to assure numbers are accurate. D. Lee added that the majority of APU's operating costs relate to wholesale commodity supplies and those invoices are transparent and available to the public. D. Lee made some closing remarks.

A verbatim transcript of the Public Hearing with all testimony, exhibits, and the public comment that were a part of the public hearing was prepared by the Court Reporter. The certified original transcript will soon be on file in the 11th floor Department Records, Public Utilities Department, Anaheim West Tower. A certified copy of the original transcript will soon be on file in the City Clerk's office, 2nd floor, City Hall.

submitted by the Department for the Board's consideration. Since no objections to Staff's request were interposed, Chairperson E. Medrano closed the public hearing.

Chairperson E. Medrano summarized the prior testimony of D. Lee, concluding that the number of protests received did not constitute a majority protest to the proposed increases to the W-CA and W-SRA.

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

J. Lonneker, Assistant General Manager – Electric Services, discussed the capital improvement dashboard for electric services. She indicated that APU is on track with all projects.

The Board expressed appreciation for the quality work completed by the APU contractor on Andover Drive during a cable replacement project.

M. Moore, Assistant General Manager – Water Services, provided an overview of APU’s activity with the Water Services General Service Agreements and Master Construction Agreements for the past quarter. M. Moore indicated that the Capital Improvement Program dashboard shows Water Services encumbering about 50% of the budget year-to-date.

6. UPDATE ON ELECTRIC SYSTEM ITEMS.

J. Lonneker shared with the Board APU’s safety practices related to downed power lines. J. Lonneker described the operational response and field practices to secure an area to ensure the public is safe and that our field crews prioritize repairs when outages occur due to downed power lines. J. Lonneker also shared with the Board the APU public service announcement hosted on the local networks to educate the community on staying away from downed power lines and calling 911.

7. UPDATE ON WATER SYSTEM ITEMS.

M. Moore discussed the Water Supply dashboard. He noted that recent precipitation was not included in the dashboard. M. Moore mentioned that upcoming wet weather should make an improvement to snow and water levels throughout California.

M. Moore indicated that COVID-19 has affected employees and APU in many ways. He made the Board aware of the increase in demand for liquid oxygen by health care facilities and noted that APU’s liquid oxygen needs for the Lenain Water Treatment Plant have been secured with vendors so that APU will have adequate supply to meet the City’s needs. M. Moore explained that the liquid oxygen is used as the primary disinfectant at the water treatment plant.

M. Moore provided the Board an update on a joint community meeting which was held virtually on July 21 with the cities of Santa Ana and Fullerton. APU staff attended with Councilmember

Brandman to discuss strategies in providing clean and affordable water to disadvantaged communities.

Lastly, M. Moore mentioned that the State of California Division of Drinking Water recently conducted its annual inspection of APU's water system. M. Moore indicated that it was a thorough inspection and APU's water supply permit was approved for its annual renewal.

8. UPDATE ON FINANCE & ENERGY RESOURCES ITEMS.

B. Beelner discussed the monthly Finance dashboard with the Board. B. Beelner indicated that the year to date electric revenue through December 31, 2020 was 0.8% above budget (\$1.8M) due primarily to increased residential demand and increased wholesale sales caused by significant heat waves and stay-at-home orders during the late summer months. Electric costs for the fiscal year fell below budget by 6.0% (\$11.3M) causing a net positive budget variance of \$13.1M. B. Beelner then mentioned that year to date water revenue was 4.2% (\$2.2M) below budget due to weaker than anticipated commercial and industrial demand as a result of continued business restrictions related to the COVID-19 pandemic. Costs were below budget as well by 5.4% (\$2.2M) no net budget variance.

B. Beelner then discussed the Power Supply dashboard. He mentioned that system experienced its lowest recorded monthly peak demand of 277 MW. Despite this low level of demand by the Department's customers, system revenue for December was above budget. D. Lee mentioned to the Board that APU's budgeted revenue is lower than the previous year due to the financial impact the stay-at-home orders and travel restrictions had on retail revenue.

9. UPDATE ON ADMINISTRATION & RISK SERVICES ITEMS.

J. Lehman, Interim Assistant General Manager – Administration and Risk Services, provided two updates to the Board. The first was on the Wholesale Energy Risk Management (ERM) Program's Quarterly Compliance report for the first quarter of FY21, which was in the Board's packet. J. Lehman indicated that all wholesale energy transactions met the Program's requirements and that there were no violations of the ERM Program during this period. She shared that during this quarter in August 2020, there was a statewide blackout and APU was required to curtail load for approximately one hour on the evening of August 14th. The State conducted an extensive investigation into the blackouts and concluded that there was no single root cause, but rather, a series of factors that all contributed to the emergency. Efforts are underway by

the State to better ensure that this does not occur again which will likely have impacts to APU operations.

J. Lehman then shared that the State legislative session was underway, and that while the Legislature delayed returning to Sacramento by a week they have already introduced a number of bills. J. Lehman highlighted several bills and noted that new bills can be introduced up until February 19, 2021. She indicated that through Federal legislation, HR 133, the City had been allotted approximately \$11 million for rental assistance and a portion may be allocated toward utility bill relief. She shared that APU staff is working with the City to see how this can best be used to assist Anaheim residents.

10. ITEM(S) BY SECRETARY.

D. Lee gave an update on COVID-19 impacts on APU staff.

D. Lee reported the City Council's Board appointments and thanked J. Showalter for her service on the Board. D. Lee discussed Board Members attending the February Board meeting in person.

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

- Public Hearing – Underground District Formation on Cerritos/Nutwood
- Annual update on SCPPA Expenditures

D. Lee discussed the updated APU organizational chart with the Board. Integrated Resources and Technology Development will be reporting to B. Beelner; Customer Service will report to J. Lehman, who is Interim Assistant General Manager; and, Community and Sustainability Programs will report to M. Avelino-Walker, General Services Manager.

D. Lee requested that the meeting be adjourned in the name of former APU employee, Dee Treadway, who passed away.

11. ITEM(S) BY BOARD MEMBERS.

J. Showalter commented on her term concluding on the Board.

V. Baroldi discussed his experience with customer service regarding the level-paying program. He conveyed that he participated in the program to help work out any bugs, and provided feedback accordingly to improve the program for the benefit of other customers.

J. Seymour thanked J. Showalter for her time on the Board and congratulated A. Abdulrahman and E. Medrano on their re-appointments. He then asked staff to provide the Board members' term limit schedule.

Staff will provide term limit information to the Board.

E. Medrano requested a presentation on Community Choice Aggregation.

A presentation on Community Choice Aggregation will be provided at a future meeting.

12. ADJOURNMENT: (NEXT REGULAR MEETING AND PUBLIC HEARING ON FEBRUARY 24, 2021 AT 5:00 P.M. PLEASE BE ADVISED THAT SOME BOARD MEMBERS WILL PARTICIPATE IN THIS MEETING REMOTELY.)

Chairperson E. Medrano called for a minute of silence, followed by a call for a motion to adjourn the meeting in Memory of Dee Treadway.

V. Baroldi moved to adjourn the Public Hearing / Regular Meeting in Memory of Dee Treadway at 6:52 p.m., to the Board's Regular Meeting and Public Hearing date of February 24, 2021 at 5:00 p.m. A. Abdulrahman seconded the motion.

**MOTION VIA ROLL
CALL VOTE CARRIED:
6-0.
ABSTAINED: 0.
ABSENT: 1 [R. Gaona].**

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.