Utilities Success Indicators

Reporting Period
Jul 1 – Dec 31, 2019

“I am so grateful to live in this beautiful City, and to know that our public servants care and are attentive to the community they serve. Thank you!” - Kelly J.
Mission, Key Objectives, and Goals

Anaheim Public Utilities’ (APU) mission is to add value to the community through a customer-focused approach by 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 its performance in meeting these six high level objectives, APU established meaningful performance goals that 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 July 1, 2019 – December 31, 2019.

Notable Events in the Reporting Period

American Public Power Association Designation

In August, the American Public Power Association recognized APU as a Smart Energy Provider (SEP). SEP is a national two-year designation that recognizes utilities for demonstrating commitment to and proficiency in energy efficiency, distributed generation, renewable energy, and environmental initiatives. APU currently offers more than 45 rebates and incentive programs to assist Anaheim businesses, residents, income-qualified customers, and schools save water, energy, and money.

Pop-up Community Events

Since July, APU has organized five community pop-up events throughout Anaheim to connect with the community and educate residents on the different water and energy efficiency programs available to them. These events occurred at different multi-family communities including Solara Court Senior Apartments, Villa Anaheim Senior Complex, Anton Monaco Apartments, Park Vista Apartment Community, Satellite Mobile Home Park, and Pradera Apartments. Visitors also had the opportunity to enter raffles, win prizes, and paint pots with succulents. Of the 270 visitors, 40 registered to receive Home Utility Check-ups and over 100 enrolled in the Green Power Discount Program.
Key Capital Project Milestones

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

Electric

- In November, a dedication event recognized the completion of Harbor Substation, the City’s 14th high-voltage electric substation that has enough capacity to serve an additional 15,000 customers in Anaheim. It was constructed inside a building designed to blend with surrounding structures in the area and will help meet existing and future power demands for anticipated development.

- Approximately 1.3 circuit miles of overhead wires are currently being undergrounded on Euclid St. from Broadway to the south city limits, with project completion planned for spring 2020.

- Over 2,500 LED street lights were installed during the reporting period throughout various neighborhoods, including Katella Ave. from Walnut St. to Lewis St., Rio Vista St. Neighborhood, Manchester Ave. from Lincoln Ave. to Ball Rd., Gilbert St. Neighborhood, Addington Dr. Neighborhood, and Barton Park.

Water

- The Lenain Treatment Plant upgrade and expansion project is approximately 90% complete. Upgrades include replacing outdated valves, electrical controls, and pumps; retrofitting facility structures to meet current seismic codes; and constructing new pipelines and a storage facility to house a control system. The plant is currently undergoing testing and project completion is planned for spring 2020.

- The Linda Vista Phase II project is currently under construction and will replace all existing pumps, upgrade electrical equipment, and construct a new building to house and protect the new pump station electrical and control equipment. Project completion is planned for spring 2021.

- Over 1,400 ft. of water mains were installed and placed into service on Fern Haven Ln., E. Hadrians Crescent, and Pepper Creek Way. An additional 3,600 ft. are currently under construction on State College Blvd. with anticipated completion by spring 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.

<table>
<thead>
<tr>
<th>A. Sustain a High Level of Customer Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Effectiveness</td>
</tr>
<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>
</tr>
</tbody>
</table>

| Customer Satisfaction                           |
| **Goal:** Meet or exceed at least 90% of Anaheim Anytime Survey respondents’ expectations |
| **Result:** Over 90% of survey respondents’ expectations were met or exceeded |

| Timely Customer Service                         |
| **Goal:** Respond to customer calls in the Utility Call Center in 3 minutes or less |
| **Result:** Customer calls were answered within 2.1 minutes on average |

| Timely Street Light Repairs                     |
| **Goal:** Ensure street light repairs are made within 4 business days on average |
| **Result:** Street light repairs were completed within 2.4 business days on average |
### 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 and frequency of outages; restoration time just 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 96.6% average availability rate; note: Kraemer Power Plant was officially retired on December 31, 2019 and is no longer part of APU’s power resource portfolio

### 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 3.7 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 monthly maintenance goal by exercising an average of 750 valves and inspecting an average of 313 hydrants
## C. Preserve Competitiveness & Financial Health

<table>
<thead>
<tr>
<th><strong>Competitive Electric Rates</strong></th>
<th>![Traffic Light]</th>
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<tbody>
<tr>
<td><strong>Goal:</strong> Maintain annualized Electric rates below rates paid by other Orange County cities</td>
<td><strong>Result:</strong> Annualized electric rates are at least 18% below rates paid by other Orange County cities</td>
</tr>
<tr>
<td>![Traffic Light]</td>
<td><strong>Goal Met</strong></td>
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<table>
<thead>
<tr>
<th><strong>Competitive Water Rates</strong></th>
<th>![Traffic Light]</th>
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<tbody>
<tr>
<td><strong>Goal:</strong> Maintain annualized Water rates under the average of local agencies in the county</td>
<td><strong>Result:</strong> Annualized water rates are approximately 27% below the average of local agencies in the county</td>
</tr>
<tr>
<td>![Traffic Light]</td>
<td><strong>Goal Met</strong></td>
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<table>
<thead>
<tr>
<th><strong>High Bond Ratings</strong></th>
<th>![Traffic Light]</th>
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<tbody>
<tr>
<td><strong>Goal:</strong> Remain in the A rated or higher categories for bonds</td>
<td><strong>Result:</strong> 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&amp;P</td>
</tr>
<tr>
<td>![Traffic Light]</td>
<td><strong>Watch</strong></td>
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<table>
<thead>
<tr>
<th><strong>Sufficient Liquidity</strong></th>
<th>![Traffic Light]</th>
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<tbody>
<tr>
<td><strong>Goal:</strong> Maintain 90 Days + $50 million of cash on hand for Electric, and 120 days cash on hand for Water</td>
<td><strong>Result:</strong> Both Electric and Water remained above their respective targets for days cash</td>
</tr>
<tr>
<td>![Traffic Light]</td>
<td><strong>Goal Met</strong></td>
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<tr>
<th><strong>Strong Positive Cash Flow</strong></th>
<th>![Traffic Light]</th>
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<tbody>
<tr>
<td><strong>Goal:</strong> Maintain debt service coverage ratio (DSCR) for Electric at 1.6 or higher, and for Water at 2.0 or higher</td>
<td><strong>Result:</strong> As of June 30, 2019, Electric and Water Utility’s DSCR is projected at 2.0 and 1.7, respectively</td>
</tr>
<tr>
<td>![Traffic Light]</td>
<td><strong>Watch</strong></td>
</tr>
</tbody>
</table>
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%

GOAL MET

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 0.0

GOAL MET

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

GOAL MET

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

GOAL MET
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 270 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%.

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. 94% of the total 270 respondents that completed an Anaheim Anytime survey during the reporting period indicated that their expectations had been met or exceeded.
For the entire 2019 calendar year, over 520 respondents completed a survey and 93% of them indicated that their expectations had been met or exceeded.

APU recently launched a new cloud-based phone system and began offering a new automated phone survey option to callers in October. This survey assesses customer service at the APU Call Center which answers an average of over 18,000 calls monthly. Survey results will be incorporated into future versions of this report once sufficient data is available for a full reporting period.

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. 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. Customers who call the Utility Call Center can choose to speak to a live representative within 10 – 50 seconds, depending on the menu option

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1 Average is based on monthly Utility-related calls answered from January to December 2019.

2 This metric is calculated by taking the total call wait duration in a twelve-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.

3 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.
they choose from the Interactive Voice Response (IVR)\textsuperscript{4}, 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.

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 CSRs are assigned to answer these calls with urgency.

**Result:** Utility-related call wait times averaged 2.1 minutes with an average daily volume of 876 calls for the reporting period. Average daily calls handled decreased slightly over the last few months, which partly attributable to APU launching its new online chat feature in October. Customers can now connect with a CSR via online chat for their inquiries instead of calling. To date, CSRs have assisted an average of 80+ customers monthly through the online chat, and this total may increase as more customers become aware of this feature. To utilize online chat, visit [anaheim.net/3374/Customer-Service](http://anaheim.net/3374/Customer-Service).

Call wait times for 311 averaged 0.9 minutes with an average daily volume of 74 calls during the reporting period. Wait times for 311 calls are typically much lower than Utility-related calls because of the lower call volume and because specific CSRs are assigned to answer these calls with urgency.

### Average Wait Time & Daily Calls Handled

(12 Month Rolling Average)

<table>
<thead>
<tr>
<th>Month</th>
<th>Average Wait Time (Mins)</th>
<th>Average Daily Calls Handled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 19</td>
<td>2.3</td>
<td>897</td>
</tr>
<tr>
<td>Feb 19</td>
<td>2.3</td>
<td>896</td>
</tr>
<tr>
<td>Mar 19</td>
<td>2.2</td>
<td>898</td>
</tr>
<tr>
<td>Apr 19</td>
<td>2.3</td>
<td>894</td>
</tr>
<tr>
<td>May 19</td>
<td>2.3</td>
<td>891</td>
</tr>
<tr>
<td>Jun 19</td>
<td>2.3</td>
<td>888</td>
</tr>
<tr>
<td>Jul 19</td>
<td>2.4</td>
<td>880</td>
</tr>
<tr>
<td>Aug 19</td>
<td>2.2</td>
<td>876</td>
</tr>
<tr>
<td>Sep 19</td>
<td>2.1</td>
<td>874</td>
</tr>
<tr>
<td>Oct 19</td>
<td>2.1</td>
<td>874</td>
</tr>
<tr>
<td>Nov 19</td>
<td>2.1</td>
<td>875</td>
</tr>
<tr>
<td>Dec 19</td>
<td>2.1</td>
<td>876</td>
</tr>
</tbody>
</table>

\textsuperscript{4} 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).
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 a straightforward and quick repair. However, for wiring issues or infrastructure repairs or replacements, more time may be required for proper repair.

**Result:** **Goal Met.** Over 950 street lights were repaired during the reporting period within 2.4 business days on average. For the entire 2019 calendar year, over 1,790 street lights were repaired within 2.5 business days on average.

Currently, annual street light repairs are performed on less than 10% of the total ~20,000+ street lights in Anaheim. While the majority of repairs are performed on high pressure sodium (HPS) street lights, as APU continues to install more LEDs, repairs are expected to decrease over time. As of December 2019, roughly 52% or over 10,900 street lights are LED. APU has also found an LED solution for its colony and traditionaire style street lights, which comprise approximately 3,700 or 18% of Anaheim’s total street lights. These distinctive style street lights are planned for replacement starting in Fiscal Year 2020/21.
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.5

- **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 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 and frequency of outages. Average restoration time compared favorable to other neighboring utilities, but was over the top quartile benchmark as shown in the charts below.

Underground cable failure comprised nearly a third of all outages during the reporting period. Repairs to such outages usually range between 8 – 10 hours to complete whereas an overhead outage typically averages a 2 hour repair time. Underground cable failure outage repairs are typically more extensive because it requires electric troubleshooters and field crews to locate the fault (electric failure), dig up the fault, and

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5 Benchmark data is provided by PA Consulting Group Inc. as part of their annual, national benchmarking study, consisting of over 150 participating electric utilities. PA Consulting Group Inc., “System Reliability, Restoration, and Response Report (SR3), Reliability Data for Calendar Year 2018”.

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 2018, with the exception of LADWP which have provided FY 2019 results on their website.
either splice the electric wire or completely replace it if it is beyond repair. To help mitigate these types of outages, APU continues to replace aged and degraded cable from the 1970s and 1980s that developers placed directly into the dirt without conduit or tubing. In the last fiscal year, APU replaced 12 circuit miles of direct buried (DB) cable. Since 2003, APU has replaced approximately 210 circuit miles of DB cable.

**Duration of Outages (mins)**

<table>
<thead>
<tr>
<th>Utility</th>
<th>Average Duration (mins)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anaheim</td>
<td>42.0</td>
</tr>
<tr>
<td>SCE</td>
<td>71.3</td>
</tr>
<tr>
<td>LADWP</td>
<td>175.8</td>
</tr>
<tr>
<td>SDG&amp;E</td>
<td>77.8</td>
</tr>
<tr>
<td>PG&amp;E</td>
<td>126.3</td>
</tr>
<tr>
<td>Top 25% POUs in Nation</td>
<td>46.4</td>
</tr>
</tbody>
</table>

**Restoration Time (mins)**

<table>
<thead>
<tr>
<th>Utility</th>
<th>Average Restoration Time (mins)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anaheim</td>
<td>83.0</td>
</tr>
<tr>
<td>SCE</td>
<td>99.6</td>
</tr>
<tr>
<td>LADWP</td>
<td>195.4</td>
</tr>
<tr>
<td>SDG&amp;E</td>
<td>123.8</td>
</tr>
<tr>
<td>PG&amp;E</td>
<td>118.3</td>
</tr>
<tr>
<td>Top 25% POUs in Nation</td>
<td>66.5</td>
</tr>
</tbody>
</table>

**Frequency of Outages (# per customer)**

<table>
<thead>
<tr>
<th>Utility</th>
<th>Frequency (# per customer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anaheim</td>
<td>0.51</td>
</tr>
<tr>
<td>SCE</td>
<td>0.72</td>
</tr>
<tr>
<td>LADWP</td>
<td>0.90</td>
</tr>
<tr>
<td>SDG&amp;E</td>
<td>0.63</td>
</tr>
<tr>
<td>PG&amp;E</td>
<td>0.96</td>
</tr>
<tr>
<td>Top 25% POUs in Nation</td>
<td>0.58</td>
</tr>
</tbody>
</table>
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.

A new 36 Megawatt (MW) solar resource is currently under construction and is expected to come online in FY 2020/21. The solar project is located in Riverside County and will provide enough renewable energy to power over 17,300 Anaheim homes and reduce 86,000 metric tons of carbon dioxide annually. The power purchase agreement was approved by City Council in February 2018 and is structured to help meet RPS mandates.

**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.

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. While the long-term goal is to phase out of carbon-based resources, today’s influx of intermittent solar and wind requires the ability to integrate renewables, especially as solar comes offline in the evening timeframe. 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 Canyon Power Plant (Canyon) since Kraemer Power Plant (Kraemer) is no longer operational.

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6 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](https://focus.senate.ca.gov/sb100/faqs) for more information.

7 The Kraemer Power Plant was officially retired on December 31, 2019 will be removed from this metric for future report iterations.
**Result:** Goal Met. During the reporting period, Canyon recorded an average availability rate of 96.6%. On December 31, 2019, Kraemer was officially retired due to the inability to maintain the older unit and is no longer part of the resource portfolio.

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.

**Result:** Goal Met. APU met 100% of drinking water standards 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.

Recently, the State Water Resources Control Board established stricter standards for drinking water to address manufactured chemicals from past decades that have been found in groundwater. These chemicals are known as perfluorooctanoic acid (PFOA) and perfluorooctane sulfonate (PFOS), also referred to collectively as per- and polyfluoroalkyl substances (PFAS). PFAS were used from the 1940s to the early 2000s in a variety of consumer products such as cookware, stain-resistant clothing, carpet, firefighting foam, and in industrial applications. Although these chemicals are no longer in use in the United States, new detection technologies have identified them in groundwater supplies across the country after decades of use. Scientific studies have shown that long-term exposure to PFAS at high levels can cause health issues.

APU is closely monitoring PFAS in water and has taken some groundwater wells offline in accordance with state and federal guidelines. In the near term, APU will import water that does not contain these chemicals to help meet water demands. APU is currently evaluating long-term solutions to address PFAS in groundwater, including investing in groundwater treatment solutions to help bring Anaheim groundwater wells back online. For the latest information on APU’s actions to address PFAS, visit www.anaheim.net/3302/PFOS-PFOA.

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8 See [https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/PFOA_PFOS.html](https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/PFOA_PFOS.html) for the State Water Resources Control Board’s regulations and updates on PFAS.

9 Refer to the National Institute of Environmental Health Sciences for details on the health impacts associated with exposure to PFAS. Please see [www.niehs.nih.gov/health/topics/agents/pfc/index.cfm](http://www.niehs.nih.gov/health/topics/agents/pfc/index.cfm).
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 pipeline. 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.”

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.

Main breaks can occur for any number of reasons including corrosive soil, age of pipe, 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. 3.7 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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11 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.

12 Results from other agencies are from FY 2019, with the exception of LADWP and Fullerton which currently have FY 2019 data available. Data from Orange is collected on a calendar year basis and the latest data available is CY 2017.
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 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: Goal Met. During the reporting period, APU maintained an average of 313 hydrants and 750 valves monthly, exceeding both targets by approximately 45% and 15% respectively.
APU is currently on track to meet the maintenance target for the current three-year cycle ending June 30, 2020.

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 18% more, and South Orange County cities served by San Diego Gas & Electric pay approximately 79% more.

### Monthly Residential Bill Comparison

<table>
<thead>
<tr>
<th>City</th>
<th>Bill Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>South OC (SDG&amp;E)</td>
<td>$153.98</td>
</tr>
<tr>
<td>North OC (Edison)</td>
<td>$101.43</td>
</tr>
<tr>
<td>Anaheim</td>
<td>$86.10</td>
</tr>
</tbody>
</table>

Source: Calculated Using CPUC Utility Tariff Information
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\(^\text{13}\) indicates, some cities have an additional utility user’s tax, which Anaheim does not.

### Average Customer Cost Per kWh (in $/kWh)*

<table>
<thead>
<tr>
<th>Utility</th>
<th>Average Customer Cost Per kWh ($/kWh)**</th>
<th>Utility User’s Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG&amp;E*</td>
<td>0.1232</td>
<td>0.2477</td>
</tr>
<tr>
<td>SCE*</td>
<td>0.1326</td>
<td>0.2109</td>
</tr>
<tr>
<td>PG&amp;E*</td>
<td>0.1382</td>
<td>0.2012</td>
</tr>
<tr>
<td>Glendale</td>
<td>0.1232</td>
<td>0.1807</td>
</tr>
<tr>
<td>Alameda</td>
<td>0.1232</td>
<td>0.1923</td>
</tr>
<tr>
<td>Banning</td>
<td>0.1232</td>
<td>0.1923</td>
</tr>
<tr>
<td>LADWP</td>
<td>0.1232</td>
<td>0.1905</td>
</tr>
<tr>
<td>Pasadena</td>
<td>0.1232</td>
<td>0.1896</td>
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<tr>
<td>Burbank</td>
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<tr>
<td>Lodi</td>
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<tr>
<td>Lompoc</td>
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<td>Azusa</td>
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<td>0.1302</td>
</tr>
<tr>
<td>Imperial ID</td>
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<td>0.1232</td>
</tr>
<tr>
<td>Merced ID</td>
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<td>0.1165</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>0.1232</td>
<td>0.1158</td>
</tr>
</tbody>
</table>

*Utility User’s Tax varies by cities served by investor owned utilities

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

\(^\text{13}\) 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.
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 rates remain competitive with other 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.

In February 2020, a rate adjustment was made primarily to recover rising water supply costs and also to help pay for continued investment in Anaheim’s water system infrastructure. As previously mentioned in the water quality section, APU will curtail the amount of water pumped from the groundwater basin because of revised state regulations on PFAS substances, and will begin importing more water from the Metropolitan Water District. This shift in Anaheim’s water mix is necessary to avoid noncompliance with state regulations, but comes at a higher cost. APU expects to resolve the groundwater PFAS issue within the next five years as plans are underway to build groundwater treatment facilities, while also seeking financial remedies such as cost recovery through Orange County Water District and legal actions against those who caused the water quality issues.
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.”14

**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.15 FitchRatings, however, reaffirmed the Water Utility’s AAA rating as recently as January 2020, noting the Water Utility’s “healthy” debt service coverage and liquidity, “favorable, affordable rate structure,” and “manageable capital plan.”16

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Water</th>
<th>Electric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s</td>
<td>Not rated</td>
<td>Aa3</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>AA+</td>
<td>AA-</td>
</tr>
<tr>
<td>FitchRatings</td>
<td>AAA</td>
<td>AA-</td>
</tr>
</tbody>
</table>

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


15 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).

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 December 31, 2019, the Electric Utility had 195 days of cash on hand, while the Water Utility had 278 days of cash on hand.\(^{17}\) The charts below demonstrate that utilities can maintain a high credit rating without possessing excessive amounts of cash on hand.\(^{18}\)

Water’s days cash on hand is projected to remain at current levels through Fiscal Year 2020/21 because the majority of Water Utility capital projects are funded through existing bond funds. APU’s strategic financial plan focuses 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.

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\(^{17}\) The Electric and Water Utility’s days cash are unaudited estimates as of June 30, 2019.

\(^{18}\) For consistency, 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, 2019. 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 details, see S&P Ratings.
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. 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.

**Result:** Watch. As of December 31, 2019, the Electric and Water Utility’s debt service coverage ratios are projected at 2.0 and 1.7, respectively. As discussed in the water quality and water rates sections of this report, stricter regulations on PFAS substances will require a shift towards importing more water, which is costlier than pumping groundwater. This cost increase in purchased water is forecasted to decrease the Water Utility’s DSCR through Fiscal Year 2020/21. The Water Utility’s DSCR is expected to return to 2.0 in Fiscal Year 2021/22 as groundwater treatment solutions are implemented.

**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. During the reporting period, no material violations or compliance issues arose, and counterparty default risk was kept at 0%.

**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

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19 Total available cash to meet debt obligations is before any general fund transfers.
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.21

**Result: Goal Met.** For the reporting period, APU recorded a DIR of 0.00. Although no injury cases were recorded this period, the occurrence of safety incidents are 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.

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 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.22 For benchmarking against other electric utilities nationally, APU uses the American Public Power Association (APPA) “Selected Financial and Operating Ratios of Public Power Utilities.”23

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21 For a six-month period, the DIR is calculated by multiplying the number of injuries resulting in days away from work by 100,000 (half of the 200,000 annual labor hours), and dividing this product by the number of total employees hours worked. See the Bureau of Labor Statistics’ website on “How To Compute a Firm's Incidence Rate for Safety Management”: http://www.bls.gov/iif/oshewal.htm

22 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.

23 Ibid.
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.24

**Result:** **Goal Met.** The Electric Utility had nearly 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 over 25% 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.25

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### 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.

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24 AWWA published their 2017 benchmarking in 2018. See “2018 AWWA Utility Benchmarking Performance Management for Water and Wastewater.” Anaheim’s Water Utility had 615 water customers for every water employee compared to the AWWA median benchmark of 486 water customers per employee.

25 Each agencies’ employee count was compiled from FY 2019 budget information found on their website, with the exception of Riverside Public Utilities which has FY 2018 data available. 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.
**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**

As part of wildfire mitigation, APU partnered with University California San Diego Scripps to deploy cameras for wildfire monitoring of Anaheim’s high-fire threat zones. Each camera location features two high resolution, infrared-capable cameras that can pan, tilt and zoom and will provide the ability to quickly monitor fire hazard areas and validate calls for service. A total of four cameras have been installed at two locations, and in September, UC San Diego connected the cameras to their ALERT Wildfire network, which is accessible to Anaheim Fire & Rescue Dispatch and APU Operations.

**Student Engagement**

Over the reporting period, APU hosted the following student engagement events.

- **CSUF Internship Program:** Last year, the PUB and City Council approved a collaboration between APU and California State University, Fullerton (CSUF) to provide internship opportunities to the students. The internship is open to all CSUF students in majors related to the utility industry, with priority given to residents of the City of Anaheim. CSUF utilizes its existing programs and resources to recruit students, and coordinates with APU for student placement within the organization for nine weeks. Over the reporting period, two interns assisted the Water Engineering group from September through December.

- **AUHSD Mentoring:** From August to December, APU staff hosted 18 students from Western High School. Six mentors engaged students each month with career-building activities such as resume development, interview etiquette, and communications within a professional setting. The students were also given tours of different utility work sites and introduced to different work groups, providing them a glimpse of various career options. At the end of the mentorship, the students worked together to present and reflect on their
internship, an experience designed to prepare them for upcoming career milestones like applying to college or their first professional job.

- **Public Power Week**: In October, APU participated in Public Power Week, an annual nationwide event to celebrate the importance of publicly owned electric utilities across the country. Over 150 students from Maxwell and Jefferson Elementary School toured a variety of exhibits on energy conservation, electric vehicles, power delivery, and electrical safety. Other attendees received information on money-saving efficiency programs and rebates.

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*

**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 10,000 courtesy notifications are made annually.
*Effective since Feb. 2016*

**790+**
customer accounts where fees were waived
▲ 11% from last reporting period

**5,900+**
courtesy notifications
▲ 18% 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*

$87,410+

Customer savings from reduced fees

▲ 24% 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 34,300 extensions and 740 payment plans are granted annually.

*Effective since Feb. 2016*

13,700+

Extensions

1,000+

Payment plans

▲ 12% 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*

7,100+

Active customers

▲ 2% 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*

$33,300+

Customer savings from waived deposit fees

▲ 14% 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
- Reduced service establishment fees
- Established a developmental non-residential EV rate
- Added payment and construction flexibility for development projects
- Added financing options for school facility upgrades

7,200+ new electric service connections & upgrades since June 2014

**New Water Service Connections & Upgrades**

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

560+ new water service connections & upgrades since June 2014