



CITY OF AZUSA
MINUTES OF THE REGULAR MEETING
OF THE AZUSA UTILITY BOARD/CITY COUNCIL
MONDAY, MAY 22, 2017 – 6:30 P.M.

Chairman: Angel A. Carrillo
Vice Chairman: Uriel Edward Macias
Board Member: Joseph Romero Rocha
Board Member: Edward J. Alvarez
Board Member: Robert Gonzales
Secretary: Jeffrey Lawrence Cornejo, Jr.

The Utility Board/City Council of the City of Azusa met in regular session, at the above date and time, in the Azusa Light and Water (ALW) Conference Room, located at 729 North Azusa Avenue, Azusa, California.

Vice Chair Macias called the meeting to order at 6:30 P.M.

Pledge to the flag was led by City Attorney Ferre.

ROLL CALL: Roll call was taken by Secretary Cornejo.

PRESENT: BOARD MEMBERS: MACIAS, ROCHA, GONZALES

ABSENT: BOARD MEMBERS: CARRILLO, ALVAREZ

ALSO PRESENT

Elected Officials: Secretary Cornejo

City Attorney: Jeff Ferre

Staff Members: City Manager Butzlaff, Utilities Director Morrow, Assistant Director Customer Care Solutions Kalscheuer, Assistant Director of Electric Operations Langit, Utilities Communications and Environment Programs Specialist Sagun, Utility Programs Specialist Reid, Assistant Director Resource Management Lehr, Management Analyst Lacasella

A. PUBLIC PARTICIPATION

None.

B. UTILITIES DIRECTOR COMMENTS

Utilities Director Morrow reported he attended the Association of California Water Agencies spring conference, where he learned about small hydroelectric projects, Proposition 218 and its impact on ratemaking, and groundwater management.

In response to Vice Chair Macias' question, Utilities Director Morrow advised that repairs to the dam are not complete.

C. UTILITY BOARD MEMBER COMMENTS

1. Election of Officers.

Board Member Gonzalez nominated Vice Chair Macias as Chair, seconded by Board Member Rocha.

Vice Chair Macias nominated Board Member Gonzalez as Vice Chair, seconded by Board Member Rocha.

Moved by Board Member Rocha, seconded by Vice Chair Gonzalez, to approve the nominations of Board Member Macias as Chair and Board Member Gonzalez as Vice Chair and to affirm the City Clerk's continued service as Secretary by the following vote of the Board:

AYES: BOARD MEMBERS: MACIAS, ROCHA, GONZALEZ
NOES: BOARD MEMBERS: NONE
ABSENT: BOARD MEMBERS: CARRILLO, ALVAREZ

D. CONSENT CALENDAR

Moved by Vice Chair Gonzales, seconded by Chair Macias, to approve the Consent Calendar by the following vote of the Board:

AYES: BOARD MEMBERS: MACIAS, GONZALES, ROCHA
NOES: BOARD MEMBERS: NONE
ABSENT: BOARD MEMBERS: CARRILLO, ALVAREZ

1. The minutes of the regular meeting of March 27, 2017 were approved as written.
2. The proposal by Systems & Software for batch bill print file generation using Document Designer in the amount of \$29,300 and authorization of the Mayor to execute the proposal in a form acceptable to the City Attorney were approved.
3. The Amended and Restated Professional Services Agreement with Sequoia Financial for collection agency services and authorization of the Mayor to execute the agreement in a form acceptable to the City Attorney were approved.
4. The Amendment to the Professional Services Agreement with IDS Group for architectural and construction management services for the lobby remodel project and authorization of the Mayor to execute the contract amendment in a form acceptable to the City Attorney were approved.
5. A Master Maintenance Service Contract for well and booster pump maintenance services with General Pump Company in an annual amount not to exceed \$140,000, a Master Maintenance Service Contract for well and booster pump maintenance services with Weber Water Resources in an annual amount not to exceed \$140,000, authorization of the Mayor to execute the two Master Maintenance Services contracts in a form acceptable to the City Attorney, and the award of Task Order 1 – Well 5 to General Pump Company under the Master Maintenance Service Contract in an amount not to exceed \$100,549 were approved.
6. Temporary water rights lease agreements with the City of Monrovia, the City of South Pasadena, the Valley County Water District, and the La Puente Valley County Water District and execution of same by the Director of Utilities pursuant to Utility Board Resolution 09-C69 were approved.
7. Adoption of the latest APPA Safety Manual (16th Edition, 2017) as the primary safety guidelines/rules for electric workers was approved.
8. The general Scope of Work and authorization to issue a Request for Proposal (RFP) for professional engineering services in order to perform a preliminary design and feasibility study for the proposed electric substations capacity upgrades were approved.
9. Receipt and filing of Staff's plan to competitively procure required system, local, and flexible Resource Adequacy capacity for calendar year 2018 and authorization of Staff to competitively procure system, local, and flexible Resource Adequacy capacity for calendar years 2019 and 2020 were approved.

10. Resolution No. UB-05-2017, accepting the Grant of Easement document from Mr. Jose Antonio Mendoza, was adopted, and authorization of the City Clerk to file and record the document at the Los Angeles County Recorder Office was approved.
11. The waterless urinal retrofit project was accepted, and authorization of Staff to file a Notice of Completion for the project was approved.

E. SCHEDULED ITEMS

1. Proposed Revisions to Water Rule 21, Titled "Water Conservation," to Remove Watering Day Restrictions, Reaffirm Mandatory Water Use Restrictions Including Citations/Fines, Establish Voluntary Water Conservation Targets, and Make Various Other Revisions.

Utilities Director Morrow reported water resource conditions have improved dramatically. The Governor has rescinded his emergency drought declaration. The State Water Board followed the Governor's lead and eliminated the mandatory conservation standards for water agencies. Statewide mandatory water conservation measures for water users remain in effect. The State Water Project has an 85% allocation. The three reservoirs above Azusa contain 40,000 AF of usable water. Because of concerns about the Key Well level, the Watermaster is planning to purchase 100,000 AF of water from MWD, using funds developed through a Resource Development Assessment that all producers in the basin will have to pay. The level of the underground water aquifer is lower than desired. The Pasadena hydroelectric conduit will probably be out of service for a year. The County is extremely concerned about a possible quagga mussel infestation through the State Water Project. The County can dry out the riverbed in order to kill quagga mussels, but they cannot dry out the spreading basins. Staff proposes relaxing the mandatory two-day per week watering restriction and implementing a voluntary schedule of three days per week in the summer months and two days per week in the winter months while encouraging water conservation. Staff will send correspondence to customers and place ads about limiting water usage to the amount used in the prior year. Other mandatory water conservation measures will remain in effect and be subject to warnings and citations.

Board Member Rocha suggested continuing with the two days per week schedule. If rainfall is not plentiful in the coming year, restrictions can be imposed again in 2018. He also suggested adding "may be done on any day" to the end of "watering by handheld hose must be done with a positive shut-off nozzle."

In response to Chair Macias' questions, Utilities Director Morrow explained that the state is no longer in a drought emergency. Staff proposes only one real change to Rule 21, which is to allow customers to water on any day they choose with a voluntary limit of three days per week. Staff will not write tickets or issue citations for wrong day watering.

Vice Chair Gonzalez preferred to set a mandatory limit of three days per week for watering during summer months with Staff not issuing citations for watering more than three days per week. Next year, the Board can review the situation and determine whether to add a fourth day per week.

Assistant Director of Customer Care Solutions Kalscheuer indicated Staff typically issues warnings and tries to educate the public. In instances of water runoff or repeat violations, Staff does issue citations. Some residents are under the impression that ALW is following the Governor's lead and relaxing the days of week restriction. If the Board chooses to continue to limit the number of days per week, Staff needs to do more public education.

Utilities Director Morrow suggested the Board continue the item until all Board Members are present to review changes. Three days per week is logical for the summer months. Staff will do a lot of communication about changes.

Board Members concurred with allowing watering three days per week beginning in June and discussed whether to allow customers to choose three days, to implement a schedule for three days, or to maintain the current two-day schedule and allow customers to choose a third day. Board Members suggested Staff hold community meetings regarding changes and provide notice in three languages. Utilities Director Morrow advised that Staff will send correspondence to customers, place an ad in the *Tribune*, and provide information via social media.

Chair Macias announced the item is continued to the Council's special meeting scheduled for May 30, 2017.

F. STAFF REPORTS/COMMUNICATIONS

1. Water Supply Update.

Utilities Director Morrow indicated water conditions were provided in the previous item.

2. Replacement Water Cost Adjustment Factor Update.

Utilities Director Morrow reported the Water Rules provide an opportunity to implement a Replacement Water Cost Adjustment Factor. The last one was implemented in 2009. The Watermaster's Resource Development Assessment and the increased cost of replacement water were not included in water rates. The Water Rules contain a formula to calculate the Replacement Water Cost Adjustment Factor. Based on that formula, Staff is proposing to implement a Replacement Water Cost Adjustment Factor on July 1 of 9.37¢ per CCF.

3. Advanced Metering Infrastructure (AMI) Project Update.

Utilities Director Morrow advised that progress is being made on the Advanced Metering Infrastructure Project. The contract contains a tremendous amount of detail. Staff previously provided the Board with financial information. The City applied for a \$1 million grant, but an award has not yet been announced. Regardless of the grant, Staff intends to proceed with the project as it is becoming the industry standard. The first phase is a proof of concept or pilot phase, which will last about a year. If all works well, the project will move to full deployment and then a ten-year program. Hopefully, in July the Board can review the project and approve a commitment.

4. Fiscal Year 2016-2017 Third Quarter Budget Reports for Electric and Water Funds.

Business Manager Tran reported financial information as of March 31, 2017. The Water Fund has a positive cash flow of more than \$700,000 with revenues at 83% of budget and operating expenses at 69% of budget. The debt coverage ratio is 1.5, and cash reserves total \$24.8 million. The Electric Fund has a positive cash flow of \$871,000 with expenses at 70% of budget and revenues at 72% of budget. The debt coverage ratio is great. Electric sales are down 0.4% compared to 2016, and cash reserves total \$24 million.

5. Outstanding Bonds Report.

Utilities Director Morrow advised that ALW has four outstanding bond issues. None of them are eligible for refinancing under the Tax Code with the exception of 2012B. However, 2012B is not eligible for refinancing until the final year, when it would not be feasible to refinance the bond. The bonds have been refinanced or refunded in past years, and the savings are shown in the final column of the table. If the Tax Code allowed refinancing, the opportunity to refinance has passed because of interest rates.

6. AB 32 Annual Greenhouse Gas Compliance Report for 2016.

Utilities Director Morrow indicated ALW's 2016 report has been submitted to the Air Resources Board. Everything looks good, and ALW has sufficient free GHG allowances. The Air Resources Board will review the filing in the future.

Assistant Director Resource Management Lehr added that the report is subject to verification by CARB, which usually occurs by September. Based on verification of ALW's filing, ALW will receive another set of free allowances for calendar year 2018.

Utilities Director Morrow advised that AB 32 expires in 2020. ALW has free allowances to that point, but the free allowances decline each year. The question is whether ALW will receive free allowances after 2020.

7. Community Choice Aggregation (CCA).

Utilities Director Morrow reported a 2002 State law allows a governmental entity to form a Community Choice Aggregation (CCA) entity in order to purchase electric power for consumers within its jurisdiction. CCAs only apply in the jurisdictions of private utilities. ALW is already a CCA for all practical purposes. To date, approximately ten CCAs

are being formed or in operation and serve approximately 1 million customers. Under current market conditions, a CCA can purchase power cheaper than a local investor-owned utility can provide it. Most CCAs are attempting to separate themselves from investor-owned utilities by providing more renewable energy and more greenhouse gas free energy at a lower cost. In April, Los Angeles County approved formation of a CCA for all entities within its jurisdiction.

8. Proposed Senate Bill 100 – Acceleration and Increase of the Renewable Portfolio Standard to 100% by 2045.

Utilities Director Morrow advised that Senator de Leon is proposing Senate Bill 100, which will accelerate renewable energy targets to 45% in 2023, 50% in 2026, and 60% in 2030. SB 100 also talks about 100% clean, green, renewable, greenhouse gas-free energy by 2045. ALW will have to increase its efforts to reach a target of 45% renewable in 2023. Costs will likely increase as more renewables are added to the portfolio.

In response to Chair Macias' inquiry, Utilities Director Morrow explained that Hoover is greenhouse gas free, but it does not count as renewable energy because of its size. Folks pushing these bills seem to want new renewable projects built in California but not nuclear energy. The cost of energy from Palo Verde is dramatically dropping because ALW has paid off its debt service. ALW will receive a couple of decades of cheap energy from Palo Verde, which provides greenhouse gas free energy and is a well-run project.

9. CPUC GO 165 & 74 Inspections Report.

Utilities Director Morrow remarked that the California Public Utility Commission requires the performance of regular system inspections, which ALW does. ALW updates and replaces equipment as necessary and as needed. Staff filed inspection reports for 2014, 2015, and 2016.

In reply to a Board Member question, Assistant Director of Electric Operations Langit explained that a third party performs ultrasound and infrared inspections and submits reports for those inspections.

10. Social Media for Utility-Related Information.

Utilities Director Morrow noted the City Council approved a social media policy in April. Staff will set up an ALW Facebook page and may expand from there in the future. The intent is to share more information with customers.

In response to Chair Macias' inquiry, Utilities Director Morrow indicated Staff will share information related to power outages, drought restrictions, and weekend programs. Currently, ALW information is also relayed through the Police Department's Twitter account.

Utilities Communications and Environment Programs Specialist Sagun added that social media is a low-cost tool to communicate and helps the public put a face to utility staff.

G. CLOSED SESSION

None

H. ADJOURNMENT

The meeting was adjourned by consensus of the Utility Board.

TIME OF ADJOURNMENT: 7:34 P.M.



CITY CLERK/SECRETARY