



CITY OF AZUSA
MINUTES OF THE REGULAR MEETING
OF THE AZUSA UTILITY BOARD/CITY COUNCIL
MONDAY, OCTOBER 23, 2017 – 6:30 P.M.

Chairman: Uriel E. Macias
Vice Chairman: Robert Gonzales
Board Member: Joseph R. Rocha
Board Member: Edward J. Alvarez
Board Member: Angel A. Carrillo
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.

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, GONZALES, ROCHA, ALVAREZ, CARRILLO

ABSENT: BOARD MEMBERS: NONE

ALSO PRESENT

Elected Officials: Secretary Cornejo

City Attorney: Jeff Ferre

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

A. PUBLIC PARTICIPATION

Jorge Rosales remarked that energy costs have decreased since the drought ended; yet, residents are charged the same rates as during the drought. It is unfair that residents have paid above and beyond a fair price for water and electricity in order to pay for advanced metering.

B. UTILITIES DIRECTOR COMMENTS

Utilities Director Morrow advised that the reserve policy is a minimum amount, and electricity cost reductions are automatically passed through to customers. An electric rate decrease of 10% went into effect July 1. No other electric utility is reducing rates. Customers reduced water consumption as much as 30% during the drought. Water consumption remains 20-25% below the fiscal year 2013 amount. Since the drought ended, water rates have not changed significantly because consumption patterns remain down.

C. UTILITY BOARD MEMBER COMMENTS

None.

D. CONSENT CALENDAR

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

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

1. The minutes of the regular meeting of September 25, 2017 were approved as written.
2. A Water Supply Agreement with Meritage Homes of California, Inc., was approved.
3. The Director of Utilities was authorized to undertake definite steps to terminate ALW's Puente Hills Power Sales Agreement with the Southern California Public Power Authority (SCPPA) and to complete the reassignment of ALW's 1 MW share of the Puente Hills Project contract to the City of Banning, including executing and processing any required documentation in a form acceptable to the City Attorney.
4. The Director of Utilities was authorized to execute and administer the Astoria 2 and DSR2 Project Share Exchange Agreement with the City of Colton, including preparation and execution of related documents, as necessary, in a form acceptable to the City Attorney.
5. The purchase of the annual turnkey interactive LivingWise® Conservation Education Program from Resource Action Programs, LLC, for Azusa fifth-grade students at a cost not to exceed \$30,000 through a Southern California Public Power Authority (SCPPA) joint purchase agreement pursuant to AMC Section 2-520(b) "sole source" and 2-521(a) "cooperative and piggyback purchases" was approved; and the Director of Utilities was authorized to execute the associated SCPPA Task Order in a form acceptable to the City Attorney.

[The Board considered Item 6 following Item E1.]

SPECIAL CALL ITEMS

Moved by Board Member Carrillo, seconded by Vice Chair Gonzales, to approve Item 6, the issuance of a Purchase Order to Survalent Technology Corporation in an amount not to exceed \$41,940 to acquire the new software upgrade for the electric SCADA system, by the following vote of the Board:

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

E. SCHEDULED ITEMS

1. Approval of Advanced Metering Infrastructure Agreement with Sensus USA and Other Related Documents/Actions.

Assistant Director Customer Care Solutions Kalscheuer reported the negotiation and drafting of a turnkey contract has been underway for some time. With Advanced Metering Infrastructure (AMI), electric meters and water meters will be able to communicate via a wireless network. The project calls for installation of three base stations and antennae and installation and integration of software. The benefits of AMI include automated meter reading, remote check reads and

turning service on and off, monitoring of transformer loading, and mapping of power outages. Sensus USA was selected through a competitive bid process. The contract will focus on modernizing operations and providing faster service to customers at a lower cost. Sensus USA is the prime contractor. Harris Computer and Utility Partners of America (UPA) are subcontractors. Systems & Software is not part of the contract; it is the current Customer Information System (CIS) vendor. CIS will need modifications to accept data from new devices and from other information systems. Phase 1, Proof of Concept, includes installation of three base stations and establishment of backhaul communications to an offsite network operations center. Staff will not be needed to manage servers or software as software and servers will not be located onsite. ALW will be responsible for installing 55 electric meters, 75 water meters, and a few industrial time-of-use meters. Once all network devices and software are operational, a third party will conduct functional acceptance testing of the AMI system on behalf of the utility. Phase 1 is expected to last approximately 12 months. Phase 2 is full deployment. UPA will install 17,000 electric and 23,000 water meters. Meters less than 12 years old will be retrofitted rather than replaced. ALW will replace 40 industrial time-of-use meters. Over 12-18 months, meters will be installed based on utility billing routes. In addition, staff will develop new job descriptions to align with the transition plan proposed at the Utility Board's July 24, 2017, meeting. Phase 3, Ancillary Services, includes software enhancements, possible integration with CIS, and items not completed in Phase 1. Phase 4, Ongoing Operations, begins with the successful completion of Phase 1 and functional acceptance testing and extends over ten years. Sensus is responsible for network as a service, maintenance of software as a service, and managed hosting services for the Meter Data Management System (MDMS). Harris is responsible for MDMS and integration with CIS and other systems. The master contract includes a roadmap for options at the end of the ten-year term to allow ALW to control costs and services. Staff intends to issue an RFP for functional acceptance testing. Prior to the end of Phase 1, staff intends to seek bids from water and electric independent contractors to perform work incidental to mass meter replacements. This is a software-intensive project, and Customer Services needs the proper staff to manage software applications. Staff will upgrade an existing vacant position and fill the position to assist with this project.

Utilities Director Morrow noted resources were added in the water and electric engineering groups. Customer Services has a critical need for technology support.

Assistant Director Customer Care Solutions Kalscheuer indicated that the contract contains provisions for payment holdbacks, testing requirements, and termination options to limit the City's liability to less than \$1 million in Phase 1. ALW will pay only for meters ordered and installed. The ongoing service agreements contain Service Level Agreements with penalties.

Utilities Director Morrow remarked that the bulk of funds will be spent for hardware that has long-term value to ALW. Meters lose accuracy over time and need to be replaced whether or not this project occurs.

Assistant Director Customer Care Solutions Kalscheuer advised that capital costs are \$10.4 million over three years. The contract value of ongoing service costs over Years 2-11 is approximately \$2.5 million for a total contract cost of \$12.9 million. The City contracted with Utiliworks to perform a business case analysis, which was completed in 2016. Based on a review of all information and on a cost of \$12.7 million over 11 years, Utiliworks concluded that the project would result in positive cash flow by Year 3 and would reach the breakeven point at Year 8. The project cost has escalated slightly to approximately \$12.9 million. Potential grant funds of \$1 million has increased the attractiveness of the project. Ongoing annual costs of \$225,000 will likely increase to \$312,000 by Year 11. ALW's costs for meter reading operations are currently approximately \$1 million annually. This project will perform the same functions at a much lower cost. Funding for capital costs are \$3.7 million from the Electric Fund and \$6.7 million from the Water Fund. The \$1 million grant would reduce the amount of funds from the Water Fund. Approval of this contract would support the City's application for grant funding. While the project is financially beneficial, it is deemed necessary in order to maintain infrastructure and operations according to industry standards and practices. The Proof of Concept Phase will enable ALW to test critical aspects of the project prior to full committal to project costs and full deployment. Phases 1 and 2 will be funded from ALW cash reserves in the amount of \$10.4 million. The modernization project will result in more efficient operations and faster service delivered to customers.

Utilities Director Morrow reviewed the recommendation and noted Harris Computing is the parent company of ALW's CIS provider. This project is now standard practice in that almost every utility in the state has either deployed smart metering or is in the process of deploying it. After the drought, smart metering has become standard for water utilities. Realtime information will allow staff to identify leaks and deploy other technology to locate them. With this system,

customers can view day-to-day consumption and calculate their bill amounts. Customers have reduced their utility bills by 10-15 percent by using realtime information, and staff supports reduced consumption.

In response to inquiries, staff explained that the expected lifespan of a new water meter is 20 years and 20-plus years for a new electric meter. However, software obsolescence is hard to predict. Research suggests an 8-year lifespan for software. Without this project, Customer Services needs one person to handle the different software applications that connect to CIS. A person with advanced education and experience in utility applications is needed in the office daily to work on issues, bugs, enhancements, and troubleshooting. That person could be a contractor, but the person needs to be intimately familiar with ALW's business and data management and available daily. Utilities Director Morrow expressed support for an employee rather than a contractor. From time to time, a contractor can be used to supplement staff but it is not always the best solution. Staff explained the circumstances around filling the position previously.

Moved by Board Member Carrillo, seconded by Vice Chair Gonzales, to approve a Master Agreement with Sensus USA, including Exhibits A-K, a Support Services Agreement with N. Harris Computing Corporation, and an AMI Integration Proposal by Systems & Software; and to authorize the Mayor to sign documents, subject to the City Attorney's approval of any minor changes.

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

F. STAFF REPORTS/COMMUNICATIONS

1. Energy Star Appliance Purchase and Weatherization Incentive Program – Bill Credit Implementation

Utilities Director Morrow reported staff has combined the rebate forms for Energy Star appliances and weatherization incentives. In addition, staff has developed and implemented procedures for customers to receive a bill credit or a check for the rebates. Customers can select their preference of the two.

2. Azusa Light & Water to Receive APPA's 2017 Excellence in Public Power Communications Award

Utilities Director Morrow recognized Utilities Communications and Environment Programs Specialist Sagun for her work on ALW's "Living Greener" booklet, which has received the 2017 Excellence in Public Power Communications Award. She will attend the Customer Connections Conference in Sacramento on November 5-8 to accept the award on behalf of ALW. This is ALW's second communications award in the last few years.

3. Federal Legislative Update

Utilities Director Morrow noted the update was provided in the Board's staff report.

G. CLOSED SESSION

None

H. ADJOURNMENT

The meeting was adjourned by consensus of the Utility Board.

TIME OF ADJOURNMENT: 7:18 P.M.



CITY CLERK/SECRETARY