



CITY OF AZUSA
MINUTES OF THE REGULAR MEETING
OF THE AZUSA UTILITY BOARD/CITY COUNCIL
MONDAY, NOVEMBER 28, 2016 – 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 Chairman Macias called the meeting to order at 6:31 P.M.

Pledge to the flag was led by Acting Captain Mike Bertelsen.

ROLL CALL: Roll call was taken by Secretary Cornejo.

PRESENT: BOARD MEMBERS: CARRILLO, MACIAS, ROCHA, GONZALES, ALVAREZ
ABSENT: BOARD MEMBERS: NONE

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, Acting Captain Bertelsen, Chief Deputy City Clerk Garcia.

PUBLIC PARTICIPATION

None.

UTILITIES DIRECTOR COMMENTS

Utilities Director Morrow noted the few items on the agenda.

UTILITY BOARD MEMBER COMMENTS

None.

CONSENT CALENDAR

Moved by Board Member Gonzales, seconded by Board Member Alvarez, to approve Consent Calendar Items 1-5 by the following vote of the Board:

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

1. The minutes of the regular meeting of October 24, 2016 were approved as written.
2. Authorization to release a Request for Proposals (RFP) for professional services to install, program and upgrade the Water System Supervisory Control and Data Acquisition System (SCADA) and Radio Communication and to accept proposals from qualified firms was approved.
3. Waiver of the competitive bidding process, as authorized under Azusa Municipal Code Chapter 2, Article VII, Sec. 2-520(b); approval of a Professional Service Agreement (PSA) with ID Modeling, Inc. to purchase Sedaru annual software licenses and create six water production workflows and advanced production reports in the amount of \$44,945; and authorization of the Mayor to execute the agreement in a form acceptable to the City Attorney were approved.
4. Adoption of Resolution No. UB-14-2016 approving Utility Rate Schedule EV-Level 2 applicable to electric vehicle public charging stations was approved.
5. Cancellation of the December Utility Board meeting of December 27, 2016 was approved.

SCHEDULED ITEMS

1. Amendment to Power Sales Agreement with SCPA for Procurement of Renewable Energy from the Metropolitan Water District.

Assistant Director of Resource Management Lehr reported the MWD hydroelectric power agreement is a part of the Integrated Power Resource Plan approved by the Utilities Board. Azusa entered into the agreement in 2008 through SCPA. At the time, renewable resources were very expensive. A few months ago, a consortium of three municipalities through SCPA approached MWD and requested MWD reprice the contract. The consortium held the two-year termination clause as leverage, if needed. MWD agreed to reprice the agreement to \$54.71 per megawatt hour, which is now a competitive price. Based on the typical annual take, ALW would be saving about \$200,000 per year until 2023. The agreement entails approximately 3.7 megawatts of capacity for ALW. Power is generated from four small hydroelectric generating units embedded in the MWD water distribution system throughout Los Angeles and Riverside Counties. The only changes to the agreement are the lower price and elimination of the two-year termination clause.

In response to Board Members' questions, Assistant Director Lehr explained that the MWD agreement would provide approximately 10 percent of ALW's renewable power portfolio and approximately 2 percent of the total portfolio. The Garnet agreement would provide approximately three times the amount of power of the MWD agreement. Theoretically, the MWD contract price would remain the same until termination of the contract in 2023. Regarding resource adequacy capacity, ALW would receive full credit for the 3.74 megawatts of power. Utilities Director Morrow added that with solar power being daytime oriented, wind power could fill the need for energy during evenings and nights.

Moved by Board Member Rocha, seconded by Board Member Gonzales to approve the first amendment to the MWD Hydroelectric Project Power Sales Agreement between SCPA and ALW and to authorize the Mayor to execute the Amendment in a form approved by the City Attorney by the following vote of the Board:

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

2. Procurement of Multi-Year Energy and Capacity Products to Replace San Juan Energy After December 2017.

Utilities Director Morrow reported a key component of the the Integrated Power Resource Plan was time to procure replacement energy for San Juan. Divesture of San Juan would be effective at the end of 2017. Staff obtained some quotes on replacement energy costs, which are extremely attractive at the moment. Staff would issue an RFP with the Board's concurrence to request different types of quotes. The maximum purchase would not exceed 15 megawatts. San Juan provided 30 megawatts, much of which was in excess of need. Staff will need to accept or reject bids quickly, possibly within an hour. The San Juan Energy cost is averaging about \$70 per megawatt hour. The quotes indicate prices would vary between \$20 and 40 per megawatt hour, depending on the time of year and time of day. An average price could be approximately \$30 per megawatt hour. That price supports the economics provided to the Board when staff recommended divestiture from San Juan. The annual cost of purchases is projected to be about \$3 million under the replacement energy. A power cost adjustment will provide the benefits of this pricing to the citizens of Azusa.

Moved by Vice Chair Macias, seconded by Board Member Gonzales to approve the issuance of one or more Requests for Proposal for purchase of any combination of the products presented in the attachment, not to exceed 15 MW in any hour, and to authorize the City Manager, or his designee, to enter into and administer any requisite purchase contracts and agreements in a form approved by the City Attorney, on behalf of Azusa Light and Water by the following vote of the Board:

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

STAFF REPORTS/COMMUNICATIONS

Water Supply Update.

Utilities Director Morrow remarked that the area was still short on rainfall as of November 1. The aquifer is basically missing four years of recharge that typically comes from storms. The Water Master is proposing to buy water, which is expensive. The cost would be spread across all producers in the basin and would raise ALW's current assessment for the Water Master to \$65 in the first year, which would be paid in September 2017. The cost would increase over five years until it reaches a maximum of \$200 per acre foot. The Water Master committed to an annual fluid evaluation. The process for the next six months is to continue to assess the plan, which would not be firm until May 2017.

Fiscal Year 2016/2017 First Quarter Budget Reports for Electric and Water Funds.

Utilities Director Morrow summarized both funds as being positive. The Water Fund has a positive cash flow of about \$700,000 for the first quarter. Revenues are at 30 percent of budget with a target of 25 percent. Revenues are higher than projections, and operating expenses are below budget at 22 percent. Sales are up 13 percent over the first quarter of last year. Debt service coverage is good, and reserves are at \$24-\$25 million. The Electric Fund is also positive with cash flow of about \$1.7 million. O&M expenses are on target at 25 percent. Revenue is at 29 percent with increased sales of 7 percent. Reserves improved to about \$25 million, and debt service coverage is good.

SCPPA Federal Legislative Update.

Utilities Director Morrow indicated the monthly report is in the packet. The report is dated before the election, so there would be changes in the next report.

Board Members and Utilities Director Morrow discussed the effect of possible changes in national policies on state policies with respect to cap and trade and renewable energy sources.

CLOSED SESSION

None

ADJOURNMENT

The meeting was adjourned by consensus of the Utility Board.

TIME OF ADJOURNMENT: 6:56 P.M.

A handwritten signature in cursive script, reading "Jeffrey Lawrence Lopez, Jr.".

CITY CLERK/SECRETARY