



CITY OF AZUSA
MINUTES OF THE REGULAR MEETING
OF THE AZUSA UTILITY BOARD/CITY COUNCIL
MONDAY, MARCH 27, 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 Management Analyst Lacasella.

ROLL CALL: Roll call was taken by Secretary Cornejo.

PRESENT: BOARD MEMBERS: CARRILLO (arrived late), 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 Dennis, Water System Engineer Barbosa

PUBLIC PARTICIPATION

Jorge V. Rosales inquired about the reasons for selecting Henkels & McCoy and for selecting only one firm in Item D-4; the annual revenue for the Public Benefits Program named in Item E-1; and the number of families who receive a benefit from the Public Benefits Program. The utility bill should show how taxes and fees are calculated and used.

UTILITIES DIRECTOR COMMENTS

Utilities Director Morrow reminded the Board of the proposed cancellation of the April 24 meeting. With respect to Mr. Rosales' question regarding Item D-4, staff intends to bring the same type of emergency agreement with several other contractors for approval.

UTILITY BOARD MEMBER COMMENTS

Vice Chair Macias appreciated information and displays presented at the community open house. Utilities Director Morrow added that all City departments joined together for the open house.

CONSENT CALENDAR

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

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

1. The minutes of the regular meeting of February 27, 2017 were approved as written.
2. Resolution No. UB-03-2017, approving an extension of the term of the Electric Rate "Schedule CEM – Co-Energy Metering" was adopted.
3. A maintenance contract in an amount not to exceed \$51,953 to perform work specified in the scope of work for Project LD2017-2 was awarded to Applied Engineering Concepts; and the Mayor was authorized to execute the contract in a form acceptable to the City Attorney.
4. An emergency Maintenance Services Agreement with Henkels & McCoy in an amount not to exceed \$150,000 was approved; and the Mayor on behalf of the City was authorized to execute the agreement in a form acceptable to the City Attorney.
5. Competitive purchase requirements pursuant to Section 2-521(a), Article VII, Chapter 2 of the Azusa Municipal Code were waived; and the issuance of a Purchase Order to Downtown Ford Sales of Sacramento, California, in an amount not to exceed \$52,968.91, including sales tax and delivery charges, for a 2017 Ford F-250 Supercab 4x2 diesel was approved.
6. The Request for Qualifications for well and booster pump maintenance service was approved; and staff was authorized to solicit qualifications for well and booster pump maintenance services.
7. The Director of Utilities was authorized to sign the letter supporting funding for the Low Income Home Energy Assistance Program (LIHEAP).
8. Cancellation of the regular April 24, 2017 meeting of the Utility Board was approved.

SCHEDULED ITEMS

1. Modifications to Electric Utility Rule No. 18 – Public Benefits Program.

Utilities Director Morrow noted the proposal to amend the low-income assistance program was raised at the last meeting. Five hundred thirty-six low-income customers received discounts totaling approximately \$44,000 in the prior fiscal year. The Public Benefits Program provides funding for this program and energy efficiency assistance rebates. The State mandates 2.85% of revenues be collected through the utility bill and allocated to the Public Benefits Program. The current assistance program is difficult to manage and labor intensive. In addition, customers use more than their usual amount of electricity during the free month. The average bill for a free month is \$81 compared to an average bill of \$67 for other customers. Most cities in the area have a program that provides a fixed assistance payment to low-income customers. Staff proposes to amend Rule 18 to set assistance at \$80 for one month per year. Staff also proposes language to combine and simplify the Energy Star Appliance Rebate Program, to clarify the Weatherization Incentive Program, and to institute a time limit on rebate applications.

In response to Board Member questions, Utilities Director Morrow advised that staff wants to be generous in providing a 12-month period for customers to submit rebate applications. If customers had not applied within 12 months, they probably had lost the receipt or the receipt was too faded to read. The 2.85% collected for the Public Benefit Program

generates approximately \$950,000 annually. Funds are sufficient to cover the number of applications submitted, but they are fully expended each year.

Chair Carrillo joined the meeting at 6:42 p.m.

Moved by Board Member Gonzales, seconded by Chair Carrillo, to adopt Resolution No. UB-04-2017 approving Electric Utility Rule No. 18 – Public Benefits Program.:

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

STAFF REPORTS/COMMUNICATIONS

Water Supply Update.

Utilities Director Morrow provided a report for Water System Manager Macias. Water supply continues to improve with rainfall at approximately 150% of normal. The reservoir storage level is high; it is probably at 40,000 usable acre feet now. The spreading grounds remain a little bit low but should be full by summer if scheduled water deliveries occur. The aquifer level has reached 182 feet but remains below the 200-250 feet the Water Master prefers. The Water Master is moving forward with a Resource Development Program to assess all producers in the basin for the purchase and storage of water. The first year assessment would likely be nominal at \$20/acre foot of production. For ALW, that assessment could total about \$380,000. Over 5 years, the assessment could increase to \$175/acre foot and be a significant charge if rainfall does not remain at or close to normal. Suspected quagga mussel larvae were found in the State Water Project supply. At the current time, no conclusive determination has been made that the larvae is quagga mussel. The County controls the river and has suspended water deliveries into the area. The parties are in discussions, and a resolution should be reached. In addition, a rupture or overflow of the Pasadena Hydro Conduit occurred. The Forest Service is not allowing Pasadena to access the area pending receipt of permits to do work.

In response to Board Member inquiries, Utilities Director Morrow stated that quagga mussels are small in size. ALW is impacted by the conduit rupture but has no liability for it.

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

Business Manager Tran reported the Water Fund has a positive cash flow of more than \$500,000. Total revenues are at 56% of budget, and operating expenses are at 48% of budget. Retail water sales are up 6.2% over the prior fiscal year, and the debt coverage ratio is 1.46, which is more than the minimum of 1.25. Cash reserves are \$24.6 million. In the Electric Fund, cash flow is positive at \$1.5 million. Revenues and O&M expenses are tracking with the budget. The debt coverage ratio is outstanding at 8.7, where the required minimum is 1.1. Sales are down by 0.9%, which is consistent with the prior year. Cash reserves are up at \$24.7 million.

Report on February 27 GHG Allowance Auction Participation and Auction Results.

Utilities Director Morrow advised that the Power Resources Group participated in the California Air Resources Board's greenhouse gas allowance auction held February 22. The clearing price was the floor price of \$13.57 per allowance. The option was undersubscribed, which means not all allowances offered were sold. ALW purchased all 120,000 allowances made available to the auction at a price of approximately \$1.6 million. ALW sold 57,000 allowances for revenue of \$780,000. Allowances not sold will be carried forward to the next quarterly auction on May 16. Because the floor price continues to increase slightly, ALW may receive additional revenues. With these allowances, ALW can meet the State's mandate to surrender allowances for projects with greenhouse gas impacts.

Assistant Director Resource Management Lehr noted this was the second year that auctions were undersubscribed. At the previous year's third quarterly auction, the undersubscription cleared, and staff hopes that will be the case for this year.

SCPPA Federal Legislative Update.

Utilities Director Morrow indicated an update was contained in the Board's packet. Recently, SCPPA and APPA held their annual lobby day. Key messages were support for tax-exempt bonds, hydroelectric power relicensing reform, and nuclear storage.

In response to an inquiry regarding the interest rate and amount outstanding for the water plant bonds, Utilities Director Morrow agreed to provide information at the next meeting. The City had taken advantage of the markets in the last few years to obtain a very good rate and reduce outstanding liabilities.

CMUA Legislative Update

Utilities Director Morrow remarked that the State Legislature is considering a multitude of bills. Approximately 200 bills could impact electric and water utilities. Senate Bill (SB) 584 proposes to increase the Renewable Energy target from 50% by 2030 to 2025 and set a second target of 100% by 2045. ALW has reached the target of 33% by 2020; however, targets of 50% and 100% could cause issues. Strategically, staff is modifying electric rates to reflect new time and use periods and costs reflected in the markets. Public and private utility companies are trying to educate the Legislature about these issues. SB 57 would continue the prohibition of natural gas injection into the Aliso Canyon storage facility. SB 5 proposes a \$3.5 billion bond for projects related to drought, water, parks, trails, etc.

CLOSED SESSION

None

ADJOURNMENT

The meeting was adjourned by consensus of the Utility Board.

TIME OF ADJOURNMENT: 7:08 P.M.



CITY CLERK/SECRETARY