

**CITY OF ANAHEIM
PUBLIC UTILITIES BOARD**

MINUTES

May 22, 2024

The agenda having been posted on Wednesday, May 15, 2024, the Regular Meeting of the Public Utilities Board (Board) was called to order by Board Member M. Lee at 5:01 p.m. on Wednesday, May 22, 2024, in the Gordon Hoyt Conference Center, 2nd floor, Anaheim West Tower, 201 S. Anaheim Blvd., Anaheim, California.

Board Members Present: M. Lee, A. Pham, T. Bilezikjian, A. McMenamain

Board Members Absent: Chairperson J. Seymour, Vice-Chairperson A. Abdulrahman, T. Ibrahim

City Staff Present: D. Lee, P. Starr, B. Beelner, J. Lonneker, J. Lehman, C. Parker, M. Avelino-Walker, F. Barvarz, V. Tran, A. Nguyen, C. Pereyra, B. Mendoza, M. Seifen, T. Chen, A. Lee, F. Cuevas, D. Strain, A. Diaz, J. Raya, R. Emami, J. Vargas

Guest(s) Present: None.

Employee Recognitions: C. Parker, Assistant General Manager – Water Services, recognized D. Strain, Water Production Technician, and F. Cuevas, Apprentice Water Production Technician, for returning money and a gas bill that was found on the street to an Anaheim resident. C. Parker also recognized A. Diaz, Maintenance Pipefitter, and J. Raya, Public Works Maintenance Coordinator, for extinguishing a car fire and for efforts above and beyond their regular duties. R. Emami, Public Works Director, and J. Vargas, Public Works Tree Service Supervisor, also attended to recognize staff.

AGENDA ITEM

ACTION TAKEN

Prior to the start of the agenda items, D. Lee, Public Utilities General Manager, made the Board aware that due to the absence of Chairperson J. Seymour and Vice-Chairperson A. Abdulrahman, nominations would be held to nominate a Chairperson for this meeting.

A. Pham nominated M. Lee. T. Bilezikjian seconded the nomination.

There being no additional nominations, T. Bilezikjian moved to close the nomination process. A. Pham seconded the motion, and the Board voted to close the nomination process. M. Lee was then elected as Chairperson of the May 22, 2024 Board meeting.

T. Bilezikjian moved the Nomination of M. Lee as Chairperson of the Regular Meeting of May 22, 2024. A. Pham seconded the motion.
MOTION CARRIED: 4-0.
ABSTAINED: 0.
ABSENT: 3. [Chairperson J. Seymour, Vice-Chairperson A. Abdulrahman, T. Ibrahim]

1. PUBLIC COMMENTS.

J. Lonneker, Assistant General Manager – Electric Services, shared that a public comment was submitted by email anonymously by a resident from District 1, who reported that within the past two weeks the streetlights have gone out and have not been repaired.

The resident was informed that there have been several instances of streetlight copper wire theft in this area and repairs take longer when new wiring and related infrastructure are required. Permanent repairs have been made and the streetlights are now working.

2. APPROVE THE MINUTES OF THE REGULAR MEETING OF APRIL 24, 2024. *

M. Lee asked for a status on an action item in the Board Meeting Minutes regarding the Board’s inquiry of the blue and white lights that were recently installed on light poles on Nohl Ranch Road in Anaheim Hills.

J. Lonneker confirmed that the Anaheim Police Department (APD) installed the cameras resulting from a community request. APD responded to the request by installing cameras along Nohl Ranch Road for surveillance due to multiple issues in the area, not in relation to the street light wire theft.

3. APPROVE AND ADOPT THE ANAHEIM PUBLIC UTILITIES 2024 WILDFIRE MITIGATION PLAN AND AUTHORIZE ITS SUBMISSION TO THE CALIFORNIA WILDFIRE SAFETY ADVISORY BOARD.

F. Barvarz, Transmission and Distribution Manager, provided an overview of the 2024 Wildfire Mitigation Plan (WMP) and summarized the updates in the plan.

F. Barvarz shared the annual WMP objectives and touched on new requirements issued by the State Wildfire Safety Advisory Board (WSAB) that impact future mitigation efforts. F. Barvarz elaborated on Anaheim Public Utilities’ (APU) wildfire mitigation strategies which included tree trimming practices in the Fire Threat Zones (FTZ), regular infrastructure inspections to reduce the likelihood of the electric infrastructure igniting a wildfire, operational strategies to reduce the risk by high voltage lines, custom construction standards to harden the overhead infrastructure, undergrounding the remaining overhead lines within the FTZs, and coordinating with Anaheim Fire and Rescue (AF&R) to manage surface area vegetation around poles and wires.

F. Barvarz shared with the Board that there are two new recommendations from WSAB that APU will focus on incorporating in future WMPs. The WSAB would like to see a tracking of revisions year over year, which APU incorporated in the last section of the 2024 WMP. A quality assurance and quality control (QA/QC) process is recommended for the Independent Evaluators to field verify that the mitigation measures were implemented.

T. Bilezikjian moved the Approval of the Minutes of the Regular Meeting of April 24, 2024. A. McMenamin seconded the motion.

MOTION CARRIED: 4-0.

ABSTAINED: 0.

ABSENT: 3. [Chairperson J. Seymour, Vice-Chairperson A. Abdulrahman, T. Ibrahim]

A. McMenamin motioned to Approve and Adopt the 2024 Wildfire Mitigation Plan.

T. Bilezikjian seconded the motion.

MOTION CARRIED: 4-0.

ABSTAINED: 0.

ABSENT: 3. [Chairperson J. Seymour, Vice-Chairperson A. Abdulrahman, T. Ibrahim]

F. Barvarz discussed updated features to the 2024 WMP which included new wildfire cameras that are available for public access at AlertCalifornia.org and includes new weather stations at each site. F. Barvarz shared the planned wildfire mitigation undergrounding project that will address the remaining 2% of overhead lines within FTZs as part of a FEMA grant application. If the Board recommends approval, the 2024 WMP will be updated on APU's website for public viewing and will be submitted to the WSAB prior to the July 1, 2024 deadline.

The Board inquired if the WMP can be shared with the public in future district community meetings to provide awareness. D. Lee shared that there was a recent Wildfire Preparedness Symposium event hosted by Anaheim Fire & Rescue that was held at the North Net Training Center where APU spoke about the plan in conjunction with other presenters. Additional engagement opportunities will be coordinated with Anaheim Fire & Rescue.

The Board asked if the cameras will be available to the public for viewing. F. Barvarz responded that they are accessible on APU's WMP webpage.

APU will continue to look for future opportunities to engage with residents.

4. AWARD A DESIGN-BUILD AGREEMENT TO HENKELS & MCCOY WEST, LLC, FOR THE UNDERGROUND RELIABILITY IMPROVEMENT PROJECT TO ACCELERATE DIRECT BURIED CABLE REPLACEMENTS. *

J. Lonneker provided a brief background on the reliability challenges with direct buried cable systems where an increase in cable failures has resulted in multiple unplanned outage events. V. Tran, Electrical Capital Projects Manager, shared an overview of the Underground Reliability Improvement Project to accelerate direct buried cable replacements and explained the need to expedite replacements of priority locations where there have been multiple unplanned outages, and temporary repairs made.

V. Tran discussed using a 'one-touch' approach to reduce future repeated visits, and service disruptions to customers by making comprehensive improvements that not only focus on replacing direct buried cables with a new conduit system, but also upgrades to associated support structures and equipment at the same time.

V. Tran discussed the prioritization process to replace direct buried cables and associated equipment based on frequency of outages, duration of the outage for our field crews to diagnose and restore power to customers, equipment age and condition, coordination with other City of Anaheim (City) projects such as street paving, and availability of funds. Under the prioritization criteria, 30 neighborhoods were identified across the city where residents have

T. Bilezikjian moved the Approval of Awarding a Design-Build Agreement with Henkels & McCoy West, LLC. A. McMenamin seconded the motion.

MOTION CARRIED: 4-0.

ABSTAINED: 0.

ABSENT: 3. [Chairperson J. Seymour, Vice-Chairperson A. Abdulrahman, T. Ibrahim]

been impacted from previous unplanned outages that required field crews to perform emergency temporary repairs.

APU, in collaboration with the Public Works Department, facilitated a design-build two-step procurement process. V. Tran explained the overall project budget is \$36M for the design, material procurement and construction of the project. V. Tran indicated that Henkels & McCoy West, LLC who partnered with Cornerstone Utility Engineering, was ranked as the highest value proposal based on their design approach, qualifications, and total cost.

V. Tran indicated that in addition to the design-build award, the recommendation includes a California Environmental Quality Act (CEQA) categorical exemption and an amendment to the Fiscal Year (FY) 2023/24 budget that will enable APU to accelerate these project locations rather than extending them out over multiple years. V. Tran explained that there is sufficient funding to support this acceleration.

The Board inquired if the 30 project sites include all the known locations or are those sites considered the worst of all locations. V. Tran explained that the 30 project locations were prioritized based on previous unplanned outage occurrences, and that there are other direct buried cable locations where cable failures have not occurred yet.

The Board asked if by doing the design-build project now will eliminate the \$8M budgeted for future outyears. D. Lee indicated that APU still plans to utilize the \$8M budget to address routine cable replacements of locations that have shown signs of degradation and explained that the \$8M budget per year was not allowing APU to get ahead of the problem. This project will help alleviate the backlog of cable replacements.

The Board inquired about the typical construction duration and processes pertaining to trenching in front of customer's garages. V. Tran explained that customers will be notified in advance of construction activities, and trenches will be backfilled and paved temporarily to allow driveway access until final street restoration.

5. APPROVE THE FISCAL YEAR 2024/25 PROPOSED BUDGET.

B. Beelner, Assistant General Manager – Finance and Energy Resources, requested the Board's recommendation to City Council for the approval of the APU's FY 2024/25 budget. B. Beelner shared that the proposed budget of \$728.6M ensures that APU continues to provide reliable and sustainable service at affordable rates.

T. Bilezikjian moved the Approval of the Fiscal Year 2024/25 proposed budget. A. Pham seconded the motion. **MOTION CARRIED: 4-0. ABSTAINED: 0. ABSENT: 3. [Chairperson J. Seymour, Vice-Chairperson A. Abdulrahman, T. Ibrahim]**

B. Beelner made the Board aware that APU staff made two changes to the recommended budget from the proposed budget that was presented to the Board in April. The first change was an increase to the “Other Water Revenue” line by approximately \$60M to account for water revenue bonds APU plans to issue in the summer. The second change was the increase in proposed expenditures by \$2.2M to account for General Fund costs related to streetlighting and the 311-call center.

The Board asked about the 153.8% increase to water capital supplies and equipment. D. Lee explained that the increase is related to resuming capital investment in water main replacements and other infrastructure as groundwater treatment plants come online.

6. BY RESOLUTIONS, AUTHORIZE THE ISSUANCE OF NOT-TO-EXCEED \$380,000,000 AGGREGATE PRINCIPAL AMOUNT OF ANAHEIM HOUSING AND PUBLIC IMPROVEMENTS AUTHORITY (AHPIA) REVENUE REFUNDING BONDS, SERIES 2024-A (ELECTRIC SYSTEM); AND NOT-TO-EXCEED \$65,000,000 AGGREGATE PRINCIPAL AMOUNT OF AHPIA REVENUE BONDS, SERIES 2024-A (WATER SYSTEM). *

B. Beelner explained APU’s strategy to utilize debt financing to fund capital investments by spreading the cost of infrastructure over the length of the asset’s life to ensure current customers do not pay for an asset used by future customers, to ensure rate stability by smoothing out the cost of infrastructure over time, and to protect reserves from financial shock.

B. Beelner then discussed the proposed plan of finance which includes the potential refunding of up to \$380M of electric revenue bonds, and the issuance of up to \$6M of water revenue bonds to fund new capital infrastructure.

B. Beelner mentioned that APU would likely issue less than the proposed \$380M in electric refunding revenue bonds as APU plans to offer tenders where current investors agree to sell their current bonds early. B. Beelner indicated that typically, 25-40% of investors agree to tender their bonds. The Board asked why an investor would agree to sell their bonds early. B. Beelner responded that numerous factors are involved; for instance, investors’ future cash flow needs may change so they may want longer or shorter-term bonds, or they might want to hedge their investment if they feel interest rates may fall prompting them to sell now before the call date when rates may be lower.

B. Beelner then discussed the plan of finance for the water revenue bonds. B. Beelner explained that in an environment where interest rates are expected to drop it would not be prudent to issue fixed-rate

T. Bilezikjian moved the resolution of the not-to-exceed amount for the Anaheim Housing and Public Improvements Authority. A. McMenamin seconded the motion.

MOTION CARRIED: 4-0.

ABSTAINED: 0.

ABSENT: 3. [Chairperson J. Seymour, Vice-Chairperson A. Abdulrahman, T. Ibrahim]

bonds where APU would be compelled to pay higher interest rates than otherwise available. To mitigate this B. Beelner discussed using variable rate bonds, allowing APU to take advantage of lower variable interest rates with the strategy of refinancing the variable rate bonds with fixed rate bonds once interest rates drop from their current peak. B. Beelner emphasized how this strategy could save APU customers approximately \$750,000 per year compared to fixed rate bonds.

The Board asked if APU had ever issued variable rate bonds. B. Beelner informed them that APU had issued electric variable rate bonds before and had converted the interest rate once long-term rates had dropped to a prudent level. The Board inquired if the variable rate bonds have a maximum interest rate. B. Beelner responded that it's approximately 10%, but the rate will be fixed before it ever reaches that level.

The Board asked why there are different amounts shown in the presentation for the bond issuance. B. Beelner explained the difference has to do with legal, tax consulting and associated costs with issuing debt. The Board inquired what the timeframe is for resetting variable rates and B. Beelner responded that rates are reset weekly. The Board asked why APU rates are overall so much lower than surrounding utilities. B. Beelner explained APU's financial and debt management strategy and lack of shareholders as several reasons for the difference.

B. Beelner then discussed the timeline, indicating that subject to City Council and AHPIA approval, APU expects to receive credit ratings in late June and would price the bonds in mid-July.

7. UPDATE ON ELECTRIC SYSTEM ITEMS.

J. Lonneker shared with the Board that APU participated in a community event in support of the AF&R's Wildfire Preparedness Symposium held at the North Net Training Center on Saturday, May 18, 2024. J. Martinez, Electric Operations Manager, spoke about APU's involvement with Wildfire Mitigation. J. Martinez highlighted undergrounding in the City's FTZ's, wildfire cameras and weather stations, and discussed fire safety rebates on insulation and fire-resistant vents that the utility offers to customers.

J. Lonneker briefed the Board on the recent power outage impacting the Hilton Hotel. APU serves the hotel with 12,000 volts, and everything downstream of the termination point is customer-owned. Multiple cable failures were identified on the hotel's system that caused the electrical fault. APU's field staff were on-site to provide technical support, and assisted in re-energizing the equipment once repairs were made by their contractor. The hotel was without power for approximately 12 hours. APU plans to meet with the hotel

stakeholders to share maintenance, testing and replacement best practices to assist the hotel in minimizing future outage events related to their aging electrical equipment.

J. Lonneker shared about another outage event that was caused by a vehicle-hit pole on La Palma Avenue adjacent to the City of Orange. The pole is jointly owned by Southern California Edison (SCE), with APU's guy wire attached to support its overhead facilities across the street. When the vehicle struck the pole, the guy wire broke and made contact with APU's high-voltage wires resulting in a momentary outage. This event occurred early in the morning and fortunately no one was injured. Once SCE replaced the pole, APU was able to reattach the guy wire.

The Board inquired about transformer delivery status. J. Lonneker indicated that the delivery timeframe for overhead transformers is improving, and the overhead transformer replacement project is regaining momentum. However, the delivery timeframe for pad mount transformers is a challenge as the delivery timeframe is still between 40-52 weeks. The Board asked if any of the transformer delays will impact the Design-Build project construction timeline. J. Lonneker shared that the demand has been factored into our transformer purchase order and will continue to monitor delivery times but will adjust the project schedule accordingly if the delivery schedule experiences any delays.

The Board asked about material impacts during natural disasters such as tornadoes and if APU gets alerted that material procurement will get re-prioritized. J. Lonneker indicated that materials required for emergency events are prioritized first, then investor-owned utilities with higher purchasing power, and the remainder would be utilities similar to APU. APU meets weekly with vendors and the procurement team to review delivery schedules and update timelines to align with upcoming projects. D. Lee explained that APU is working on an alternative strategy to achieve better buying power by consolidating APU's material needs and other mid-size utilities.

8. UPDATE ON WATER SYSTEM ITEMS.

C. Parker briefed the Board on the current water supply condition. The Orange County Groundwater Basin is in good condition. The State Water Project is in good condition as well. The State, State Water Contractors (Metropolitan Water District of Southern California (MWD)), and environmental groups have been negotiating voluntary agreements so water can be moved through the Delta in Northern California without impacting protected species. In addition, the California Department of Water Resources recently completed a report stating that the benefits of the Delta

Conveyance Project that would allow movement of water around the Delta to reduce the impact to protected species is twice the cost.

C. Parker stated that the seven states are still negotiating how to reduce the demand on the Colorado River due to the river being overprescribed. The MWD storage is currently at 3.43-million-acre feet. C. Parker stated that the US Environmental Protection Agency recently released maximum contaminant levels (MCLs) for PFAS. The levels are at the detection level, the level that they can be measured. The MCLs will be enforced in five years to allow time for treatment to be built. Anaheim has four additional wells that will likely require treatment.

C. Parker shared a safety leadership award for the Lenain Water Treatment Plant for five consecutive years with no injuries resulting in days away from work.

The Board asked how the Orange County Groundwater Basin can be over 100% full. C. Parker stated that the definition of full means the optimum level to avoid natural springs occurring in the lower part of the basin. It is a theoretical number. There are currently no springs occurring.

The Board also inquired if the Orange County Groundwater District still recharges the Groundwater Replenishment System water when the basin is full. C. Parker stated yes, due to it being part of the base supply. The basin stays full due to this base supply because producers are constantly pumping groundwater out of the basin.

9. UPDATE ON FINANCE AND ENERGY RESOURCES ITEMS.

B. Beelner discussed the results of the pre-paid energy pricing that was previously approved by the Board and City Council. B. Beelner informed the Board that investor demand was much higher than expected resulting in 15.08% savings on the two pre-paid agreements. This savings level translates into approximately \$5.4M in annual cost savings.

B. Beelner then discussed the monthly Finance Dashboard with the Board through April 2024. Year-to-date electric revenue was 4.9% (\$17.7M) below budget due primarily to lower than projected industrial sales. Due to expected development in the resort and near the Honda Center this should not be a long-term problem. Electric operating costs were below budget by 17.7% (\$62.9M) due to much lower natural gas and energy prices than expected, causing a net positive budget variance of \$45.2M. Year-to-date water revenue was 4.4% below budget (\$3.7M) due to the drop in water consumption by APU's customers because of milder temperatures and wetter than normal weather. Water costs for the fiscal year were

below budget by 7.3% (\$5.0M) resulting in a net positive budget variance of \$1.3M.

B. Beelner discussed a Board tour of the Frank R. Bowerman Landfill. B. Beelner mentioned that this plant provides APU with 19.6 megawatts of power through landfill gas. B. Beelner mentioned that excess methane is still generated by the landfill which may result in additional generation potential that APU may be able to acquire in the future. The Board asked if APU has first right of refusal for this power. B. Beelner shared that APU does not. APU would be interested in taking the power because the project has deliverability and is operated reliably.

10. UPDATE ON ADMINISTRATION AND RISK SERVICES ITEMS.

J. Lehman, Assistant General Manager – Administration and Risk Services, invited the Board’s attention to the Internal Compliance Plan report. J. Lehman shared that the utility is highly regulated, and that the report is just an overview of the many compliance obligations that the utility must meet on a regular basis.

J. Lehman then shared the Administration and Risk Services Dashboard and showed that 252 bills were tracked. J. Lehman discussed specific state and federal bills:

- AB 2619 – California Public Utilities Commission (CPUC) rate authority over Publicly Owned Utilities (POUs): this bill was opposed by APU and is now dead;
- H.R. 7944/S. 1430 – Water System PFOS/PFOA Liability Protection: this bill is supported by APU;
- SB 308 – Carbon Dioxide Removal Market Development: this bill is opposed by APU; and,
- AB 1834 – Energy Market Design Clean-Up: this bill is supported by APU.

J. Lehman then shared the safety metrics, noting that there had been no reportable injuries during the reporting period, and that training and inspections continue to be a key focus in helping to prevent accidents.

J. Lehman mentioned that APU staff was recognized with the National Safety Council Awards. Canyon Power Plant was recognized for having ten years without a recordable injury. The Lenain Water Treatment Facility was also recognized for having five years without a recordable injury.

11. ITEMS BY SECRETARY.

D. Lee shared agenda items planned for next month:

- 2024 Bottled Water Art Student Recognitions
- 2024 Summer Readiness Presentation
- Five-Year Underground Conversion Plan
- Wholesale Energy Software System
- Elections for Board Chairperson and Vice-Chairperson and Underground Conversion Subcommittee
- Appointments for the Public Utilities Hearing Board and *ad hoc* Legislative Working Group

D. Lee shared updates from last month including:

- APU volunteers supported the Community Services Department by cleaning Peralta Park and Little People's Park in preparation of a KABOOM! playground being built;
- APU addressed concerns about homeless activity near the La Palma Complex by installing lights on poles, providing Dusk to Dawn lights to nearby businesses, and coordinating installation of fencing;
- APU hosted a Dusk to Dawn distribution event and attended a neighborhood meeting to share about various programs; and,
- APU staff attended the Children's Day Fair to provide resources to residents.

Lastly, D. Lee requested that the Board meeting be closed in memory of Mike Reynolds, a former 32-year employee who served as Electric Field Manager.

12. ITEMS BY BOARD MEMBERS.

A. Pham commented that the videos in presentations are appreciated. A. Pham thanked F. Barvarz for accompanying the Board at the Institute of Electrical and Electronics Engineers (IEEE) Power & Energy Society (PES) Transmission and Distribution Conference and Exhibition at the Anaheim Convention Center. A. Pham also thanked APU staff on responsive street light repairs, noting that other cities can take up to one year.

T. Bilezikjian thanked APU for their care and stewardship.

A. McMenammin thanked APU for cleaning up the well site on La Palma Avenue.

M. Lee thanked everyone for the nomination to be the Chairperson of the meeting. M. Lee also thanked APU staff for the presentations and professionalism.

13. ADJOURNMENT: (NEXT REGULAR MEETING ON JUNE 26, 2024, AT 5:00 P.M.)

T. Bilezikjian moved to Adjourn the Regular Meeting in the Gordon Hoyt Conference Center at 6:47 p.m. to the Board's Regular Meeting date of June 26, 2024 at 5:00 p.m.

A. McMenamin seconded the motion.

MOTION CARRIED: 4-0.

ABSTAINED: 0.

ABSENT: 3. [Chairperson J. Seymour, Vice-Chairperson A. Abdulrahman, T. Ibrahim]

Respectfully submitted,



Dukku Lee
Public Utilities General Manager

- * Indicates item(s) that will be forwarded to City Council for action upon recommendation by the Board.
- ** Indicates item(s) that will be forwarded to the City Clerk and City Council for informational purposes.