

**DRAFT MINUTES OF THE REGULAR MEETING
CITY OF ALAMEDA PUBLIC UTILITIES BOARD**

March 20, 2023

1. ROLL CALL

Vice President McKenna called the meeting to order at 6:00 p.m. On roll call, the following commissioners were present: Vice President McKenna, Commissioner Giuntini, Commissioner Hunter, and City Manager Ott. President Serventi was absent.

2. ORAL COMMUNICATIONS – NON-AGENDA (Public Comment)

None.

3. SPECIAL PRESENTATION

None.

4. CONSENT CALENDAR

- A. Minutes of the February 13, 2023, Regular Meeting of the City of Alameda Public Utilities Board
- B. Listing of Bills Paid – February 2023
- C. Financial Report – January 2023
- D. Treasurer’s Report for the Month Ending January 31, 2023
- E. By Motion, Accept Alameda Municipal Power’s Senate Bill 1037 Energy Efficiency Report for Fiscal Year 2022
- F. By Motion, Approve the Purchase of Testing Equipment through Technology International, Inc., in an Amount Not to Exceed \$136,739
- G. By Motion, Requiring Four-Fifths Vote, Delegate Authority to the General Manager to Sole Source the Purchase of GEC Durham Industries’ Current Transformers from McAvoy & Markham Engineering & Sales Co. for a Term of Three Years Commencing Fiscal Year 2024 in an Amount Not to Exceed \$60,000
- H. By Motion, Authorize the General Manager to Issue Purchase Orders to B&H International in an Amount Not to Exceed \$48,437.27, with a Contingency of \$4,843.73, for a Total Not-to-Exceed Amount of \$53,281 for Four Substation Transformer Load Tap Changer Oil Filtration Units

Commissioner Hunter requested to pull Item E from the Consent Calendar pending further discussion.

Following a motion from Commissioner Giuntini and a second from City Manager Ott, the Board unanimously approved the balance of the consent calendar.

Commissioner Hunter thanked AMP staff and leadership for putting together the report for Item E, which she found comprehensive and clearly written. She noted that for the time period covered in the report, the target for non-residential energy efficiency savings had not been met. She wondered how AMP could still reach its non-residential energy efficiency savings target while eliminating the Energy Plus program and relying only on the self-install program, which does not provide as much in net savings.

Assistant General Manager Ferrara explained that cost was the major factor for ending the Energy Plus program, about \$6 million over five years. Staff is looking for a better, more cost-efficient way to incentivize customers and achieve the desired savings. In addition, some of the resources that went toward the Energy Plus program will now be reallocated to electrification efforts.

General Manager Procos said the Energy Plus program was very successful and added that the energy efficiency targets are done on a three-year basis, with the next cycle soon approaching. When staff sets the new targets, there will likely be a downward push on energy efficiency savings and a pivot to electrification, as Assistant General Manager Ferrara mentioned.

Commissioner Hunter asked if the focus shift toward electrification, which may add additional kilowatt hours, would mean that the new targets for energy efficiency will be lower. Supervisor of Customer Resources Heather Heinbaugh responded that this is the expected outcome, as the targets would recalibrate based on the demand.

Vice President McKenna asked how, in moving forward with electrification, AMP can ensure that customers, especially non-residential customers, are taking advantage of the best and not simply the most available technologies, and if an energy efficiency rebate could help to bridge that gap. Ms. Heinbaugh said she felt the best approach would be in program design and appropriate outreach.

Following the discussion about Item E, a motion from Commissioner Giuntini, and a second from Commissioner Hunter, the Board unanimously approved consent calendar Item E.

5. AGENDA ITEMS

A. For Information Only, Summary of 10-Year Financial Pro Forma Analysis

Following a presentation by Supervisor of Energy Resources Alan Harbottle, City Manager Ott noted that the Capital Improvement Projects (CIP) cost went up to \$18

million, and asked if AMP expected that all of the projects included in that total to be completed in the upcoming fiscal year, or if it would make sense to spread the cost out over a couple of years. General Manager Procos said that the Underground Utility District (UUD) project is a priority and he is optimistic about its completion in the fiscal year. However, the current fiscal year (FY) has been very challenging because of supply chain issues. There have been a variety of items before the Board due to price increases or timeline extensions. Some of the projects that are now slated for FY 2024 were actually planned for FY 2023, but needed to be pushed out because of pricing, scheduling, and supply chain challenges. General Manager Procos agreed that it could be difficult to manage all of the planned projects for FY 2024, but circumstances constantly change and therefore it is possible to be able to adhere to the CIP schedule as presented.

City Manager Ott expressed her support of the UUD and its positive impact for communities and neighborhoods. Given that AMP has already seen so many delays and challenges in the current climate, she suggested pushing the UUD out for another year could potentially allow for consideration of a lower rate increase, if there is reason to expect the project will not be completed in FY 2024. Mr. Harbottle noted that the CIP cost is not included in AMP's operating income and that particular constraint will not be alleviated by reducing CIP, though it would help the cash position.

City Manager Ott remarked that it seemed many other utilities would be enacting rate increases given recent inflation and she does understand a need for an increase at AMP, as well. She said that, for comparison, before the Budget Workshop it would be helpful to see what a rate increase would look like at a 1.75 debt coverage ratio and also what that potentially would do to the operating cash flow or deficit. Mr. Harbottle said that the rate increase would be just over 5 percent in order to get to 1.75. This would not be too big of a difference at first, but it would cause a waterfall effect with an extra year in the 4 percent rate increase range in FY 2029, and two more years when an increase of 4.5 percent would be required to maintain necessary coverage. While doable, it would mean less flexibility in the future.

Commissioner Giuntini echoed the request to see what it would take for AMP to be able to stay at a 5 percent rate increase, if possible.

General Manager Procos said that a lower rate increase would mean a potentially larger draw from reserves. There are big projects in the pipeline for AMP's substations, which could cost tens of millions of dollars. In putting together the proposed 7 percent increase, staff considered the unique and challenging circumstances of the last few years which do not appear likely to abate in the near future, to hedge against uncertainty. If AMP opts for a smaller rate increase in FY 2024, and if revenues then drop and costs continue to go up, the likely outcome is an even higher rate increase the following year. Commissioner Giuntini agreed that while a 1 or 2 percent rate increase over 5 percent is meaningful to customers, it would be better in the long term for AMP from a sustainability and stability standpoint. She would still like to see what a lower rate increase would look like practically, so as to understand all possibilities and make the best-informed decision moving forward.

Commissioner Hunter agreed with Commissioner Giuntini's statements and City Manager Ott's line of questioning. She expressed the desire to see different rate increase scenarios laid out in the April Board meeting so as to be completely transparent about the options reviewed. She asked if the expectation is that all rates for all classes will rise proportionally, or if the rate increase percentage is an average, with individual rates increasing in different amounts. Mr. Harbottle said the percentage is an average. AMP did a new Cost of Service (COS) analysis, which meant some minor adjustments to certain rates in order to better be in line with actual cost. The recommendation will likely be about a 6-8 percent increase for individual rate classes.

Commissioner Hunter asked if, in a particular rate like the electric vehicle time-of-use rate (EV-TOU), every time within that rate will rise the same amount or if the times may vary in order to hit a net increase target. Mr. Harbottle said that was up for discussion. His view was that the \$.50 on-peak rate is too high as is, and that it would make more sense to shift any increase to the fixed charge and off-peak rate for EV-TOU specifically.

Commissioner Hunter recalled a public comment from the February Board meeting regarding TOU rates and expressed her interest in seeing these expanded to all AMP customers, or at least to those investing in electrification technologies beyond EVs. In the April meeting, she would like to explore what options there could be for that expansion, while meeting the 1.75 debt coverage ratio and making the overall required rate increases.

Vice President McKenna asked what assumptions were used in estimating for future inflation. Mr. Harbottle responded that for the next year, the estimation was a 4–5 percent range, but most costs are in the 2–3 percent range. Vice President McKenna asked if that range included electric costs. Mr. Harbottle said that power purchase was based on Northern California Power Agency's (NCPA) actual market forecast, from its vendors.

Vice President McKenna said that she is not fond of the proposed rate increase, but in the last few years, there have been so many unexpected challenges and complications, particularly in energy and on the fiscal side, that it's critical to ensure AMP is prepared and able to remain flexible.

City Manager Ott would like to get more information on the upcoming substations project, including timeline, scope, and how much of the cost would be financed versus paid out of reserves, so as to get a sense of which years could have a large draw on reserves. Vice President McKenna added that it would also be helpful to know if there is any flexibility in the timeline and financing of the substations project. General Manager Procos said that AMP will be working with a financial consultant to do a deep dive into the metrics and requirements informing rate design as it has been a number of years since the 145 days of cash reserves and 1.75 debt coverage ratio policies were established and much has changed in the interim.

6. GENERAL MANAGER'S REPORT

General Manager Procos introduced Teri Alderson, AMP's new Finance and Utility Billing Manager. Ms. Alderson worked at East Bay Municipal Utilities District (EBMUD) for the past 29 years in various positions, including Customer Service Manager in Charge of Billing and Remittance.

AMP has installed two new payment kiosks in the service center front lobby for customer self-service payments. The kiosks accept all major debit and credit cards and electronic checks.

The number of customer accounts on the new online customer portal continues to increase, with about 15,000 accounts and 75 percent of those enrolled in paperless billing.

Cyber security is a big discussion topic. AMP's Utility Information Systems team enabled a new artificial intelligence (AI) component to its employee phishing training platform. This AI component dynamically adjusts security tests based on past employee behavior to provide an optimal and tailored training experience. After the roll out, the staff phish-prone average went from 0 percent up to about 3 percent, demonstrating the effectiveness of the new AI component and the need for continuous vigilance and training. Ensuring AMP's cyber security is an important and ongoing educational process, particularly in light of the recent cyber-attack on the City of Oakland.

7. CITY COUNCIL COMMUNICATIONS

City Manager Ott reported that in its next closed session, the City Council will be talking about new developments at the base to continue building out infrastructure and housing. There is another agenda item asking City Council to approve design services for the second and third phases of the base construction project. Phase one is currently underway for all utilities, including the joint trench for electrical and water infrastructure. That will be completed by early 2024.

One of the annual reports that will be presented to City Council at the next regular meeting is the Climate Action and Resiliency Plan (CARP). The plan is available to view on the Council agenda.

Two big picture items City staff and Council are working on are the City Strategic Plan and Budget. There will be another retreat for the Strategic Plan with the Council in April. There are two Budget work sessions in May and then the Budget approval will be in June.

8. BOARD COMMUNICATIONS

None.

9. ORAL COMMUNICATIONS – NON-AGENDA (Public Comment)

None.

10. ADJOURNMENT

Vice President McKenna adjourned the meeting at 6:48 p.m.