

**DRAFT MINUTES OF THE SPECIAL EMERGENCY MEETING
CITY OF ALAMEDA PUBLIC UTILITIES BOARD**

December 29, 2022

1. ROLL CALL

Vice President McKenna called the meeting to order at 9:00 a.m. On roll call, the following commissioners were present: Vice President McKenna, Commissioner Giuntini, and Commissioner Hunter. President Serventi and Acting City Manager Smith were absent.

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

None.

3. SPECIAL PRESENTATION

None.

4. CONSENT CALENDAR

None.

5. AGENDA ITEMS

A. By Resolution, Authorize an Increase in the Power Cost Budget of \$3,000,000 and Authorize the Transfer of Additional Funds to Northern California Power Agency in an Amount Not to Exceed \$3,000,000 for Use as Collateral at the California Independent System Operator

The recommendation for this agenda item was updated to: (a) make findings to hold this emergency special meeting based on energy markets in December 2022 fluctuating significantly in a short period of time, potentially jeopardizing AMP's ability to transact in the energy markets and to provide electric service to its customers, thus constituting a crippling activity, without immediate action; and (b) approve by resolution an increase in the power cost budget of \$3,000,000 and authorize the transfer of additional funds to Northern California Power Agency in an amount not-to-exceed \$3,000,000 for use as collateral at the California Independent System Operator.

After a presentation by Senior Energy Resources Analyst Alan Harbottle, Commissioner Giuntini asked what the practical implications will be to AMP's customers and budget.

General Manager Procos said that, in theory, once things return to a state of normalcy, the collateral amount will be recalculated and some of that money will returned, and it should not have an impact on the budget in terms of the power cost. Before this incident, AMP was trending towards being at budget or slightly above, and this is going to increase the

amount over budget. AMP is facing a lot of budgetary constraints, not only in power costs, but other areas as well, and there is concern about continued unforeseen situations with cost impacts are happening across the board. As AMP staff begins the budget process in the next couple of months, there are going to be tough conversations and decisions to be made.

Commissioner Giuntini agreed and added that the earlier in the process AMP and the Board start to look at the impacts, the better. AMP does have the 5 percent rate increase constraint, and she asked whether that amount is going to be a sufficient increase to cover the large ticket items that have come up. She is not a proponent of big rate raises, but does think it advisable to consider the impacts these unforeseen expenses have on the overall budget and on AMP.

General Manager Procos reported that the 5 percent rate increase has been subject to conversations, as it is going to be very difficult, if not impossible, to address the increased and unexpected costs while staying within that constraint. There are limitations in the ratemaking policy which require Board approval to deviate from the 5 percent rate increase cap. Other utilities have been implementing very large rate increases. Roseville just added an 8 percent increase on top of the initial 3 percent in budget. Every utility is feeling the impacts of the cost increases.

Commissioner Giuntini expressed the desire to see research done as to the contributing factors for the natural gas price increases and how to avoid the same going forward. Mr. Harbottle said that the rest of the country maintained normal gas prices throughout the same period, whereas the increases are a West Coast market phenomenon and typically there would be enough gas transmission to get all the needed gas, and prices should have stabilized, but this recent event showed there was fundamental market weakness. It likely is some combination of natural gas storage on the West Coast as well as transmission capacity. The hope is that as the weather warms up, storage levels will also go up.

Commissioner Hunter thanked AMP staff for preparing the report and presentation. She asked what the risk is for this same effect to happen in the future, if the decision to increase hydro generation would mitigate the issue, and if there are other mitigation factors. Mr. Harbottle noted that in any given month, load and resource balance look a little different, with December and January being the two highest load months. It is unlikely there will be an issue for February, but there may be a small position in March to cover. Most of the year, AMP is more than 90 percent covered and it is only in those two months with higher loads that staff will have to be more active looking for hedges, knowing that there are weaknesses in the market.

General Manager Procos noted that the situation is very fluid and that the numbers kept changing while staff was preparing the report, so there is a built-in cost buffer to account for potential issues that could arise in January and February. And there is more certainty and confidence in the hydro situation for January and February.

Vice President McKenna thanked Mr. Harbottle and AMP staff members who worked on the report and presentation to get it ready in such a short time. She remarked that she had

not seen natural gas prices so high in California since 2000. She asked if the price increases also affected Southern California utilities. Mr. Harbottle confirmed that the increases affected the entire West Coast including Northern and Southern California, Oregon, and Washington.

Vice President McKenna said she was interested to learn more about why the prices shifted so high. It seems that one of the contributing factors is likely lower natural gas storage levels. General Manager Procos noted that storage is trending lower than in the previous five years, but how that occurred will be subject to future discussion. He anticipates that the topic will feature prominently in discussions with legislators during the upcoming California Municipal Utilities Association Capitol Day on February 6, 2023.

Vice President McKenna asked if the additional monies provided as collateral would eventually be returned to AMP once the market returns to normal. General Manager Procos expects that the monies will be returned within the next couple of months. The amount is based on a dynamic calculation that reflects market changes, which means a good portion if not all of the additional monies will be returned once prices stabilize and decrease.

Vice President McKenna said she shares the concerns of her colleagues about what this will mean long term for AMP's customers, particularly as this is not a situation that anyone could have predicted and hasn't been seen in nearly 23 years. She thanked staff for their hard work. General Manager Procos echoed her thanks to staff, acknowledging that several staff members put in late hours in order to have the item ready, and that they did an excellent job.

With a motion from Commissioner Giuntini and a second from Commissioner Hunter, the Board unanimously approved the item as updated.

6. COUNCIL COMMUNICATIONS

None.

7. BOARD COMMUNICATIONS

None

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

None.

9. ADJOURNMENT

Vice President McKenna adjourned the meeting at 9:28 a.m.