

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

April 17, 2023

1. ROLL CALL

President Serventi called the meeting to order at 4:00 p.m. On roll call, the following commissioners were present: President Serventi, Commissioner McKenna, Commissioner Giuntini, Commissioner Hunter, City Manager Ott. City Manager Ott left at 4:15 p.m.

2. ORAL COMMUNICATIONS – AGENDA ITEMS (Public Comment)

None

3. SPECIAL PRESENTATION

None

4. CONSENT CALENDAR

None

5. AGENDA ITEMS

A. Budget Workshop

Assistant General Manager Orbeta provided a detailed overview of the work AMP staff has been doing on the fiscal year 2024 budget.

President Serventi asked if the Payment in Lieu of Taxes (PILOT) and Return on Investment (ROI), as set by City ordinance, are a fixed amount that cannot go up by more than 2 percent. Assistant General Manager Orbeta said that there is a formula based on utility assets for the year the ordinance was passed. There are two different asset numbers; the ROI was passed in 2004 and the PILOT was passed in 2000 or 2001. The increase is based on a Consumer Price Index (CPI), but is capped at 2 percent.

President Serventi asked if there is a cap on the City transfer. Assistant General Manager Orbeta said that there is no cap for the City transfer and that the amount is based on the Bay Area CPI, which is typically higher than the national average CPI. The Bay Area CPI number won't be out for a couple of weeks, so it will be incorporated into the final budget in June. The CPI numbers that have been coming out recently for the national average are around 5 percent. The placeholder Bay Area CPI used for the budget workshop presentation was 7 percent.

Commissioner McKenna asked if the \$2.45 million increase in the purchased power operating expense was based on forecasts from the Northern California Power Agency (NCPA) and AMP. Assistant General Manager Orbeta said that the number is based on NCPA's forecast, though NCPA is also working on finalizing its own budget. General Manager Procos noted that there are also more projects slated for the upcoming fiscal year, like energy storage at the geothermal plants, steam injected gas turbines (STIG), and maintenance and capital work, that contributed to the higher purchase power number.

Commissioner Hunter asked if the City transfer would always be based on the Bay Area CPI. Assistant General Manager Orbeta confirmed that it would be unless there is a vote taken to change it.

Commissioner Hunter noted that there appeared to be flexibility around when low carbon fuel standards (LCFS) funds can be monetized and asked if there was a limit on how long a utility has to monetize the credits after they are generated. Supervisor of Energy Resources Alan Harbottle said that while there is no formal requirement, there are pressures to keep pace with spending. There are also more low-income usage requirements moving forward each year. General Manager Procos added that the monthly General Manager's Report details how AMP spends LCFS, renewable energy credits (RECs), and Cap and Trade (C&T) funds. AMP has a fair bit of cash in the LCFS fund and can wait for prices to go up to monetize them.

Commissioner Hunter asked if holding onto REC funds generates a return. Assistant General Manager Orbeta said that those funds are pooled with the rest of the investments, which together generate about \$1 million a year. Typically, that goes into the operating funds. Commissioner Hunter wanted to know if the Board had a strategy for how to spend the REC funds and if that strategy determines the amount that can be spent each year. General Manager Procos said that there is a policy that governs how the money is spent, but it does not limit the amount. If there is an interest in changing the policy, it would need to go before the Board for a vote.

President Serventi wanted to confirm that the deficit for this year was taken from the current budget, and may be a different actual amount at the end of the year. Assistant General Manager Orbeta said that is correct, as there are still a lot of moving pieces in regard to things like capital and labor. President Serventi referenced the amount budgeted for the Underground Utility District (UUD) project, and asked if there would be any impact on the budget if that amount was eliminated, since it would be coming from the reserves even though it shows up in the capital projects fund. Assistant General Manager Orbeta said there would be no impact to the budget if the amount was eliminated.

Commissioner Hunter asked if the PILOT, ROI, and City transfer amount has been at 10 percent of the total budget expenditure makeup since the ordinance was passed, or if that percentage has increased over the years. Assistant General Manager Orbeta said that it has increased and part of that is due to the CPI. Commissioner Hunter said she was concerned that if the City transfer increases by the CPI every year, and the CPI remains high, which it may because inflation is high, that percentage increase may keep getting

larger and larger, making it difficult to sustain that payment long term. She would like to have a conversation about this going forward. President Serventi concurred that it would be a good discussion. He noted that the PILOT and ROI pieces can be changed by a City Council vote, but as the City transfer was established in the Charter, it would have to be voted on by the public. One thing that he would like to see is a division of the total percentage for every customer listed on the bill so that customers can see that part of their customer charge goes toward that City transfer. Commissioner Hunter agreed. General Manager Procos said that when the City streetlights were transferred to Public Works, the amount of AMP's transfer to the City increased by \$1 million to account for that change. This increase, as well as linking the amount to the CPI, was codified by a public vote.

Commissioner McKenna asked why there was a big drop in the garage fees and sewer City related expenses. Assistant General Manager Orbeta responded that part of the reason for the reduction is that AMP has recently updated its vehicle fleet with electric vehicles (EVs), and that this should bring down costs for maintenance and fuel.

President Serventi asked when the City cost allocation was last checked. With Prop 26, AMP should only be charged for direct costs. Assistant General Manager Orbeta said that it used to be done by formal study every four years or so. The number for fiscal year (FY) 2024 was updated and came from the City, though he did not know the reason for the reduction in cost. He said the City is planning to do another cost allocation study, but the timing of it will be dependent on other City financial projects. General Manager Procos added that it has been challenging over the last couple of years as each new City Manager and Assistant City Manager has their own perspective on how cost allocation should work. AMP's focus is on making sure the cost allocation makes sense and is justified. AMP used to be charged 100 percent of the cost of a dedicated Human Resources (HR) staff member in addition to an HR department allocation. Now AMP is only being charged the HR department allocation, and that accounts for some of the reduction in overall cost allocation.

Commissioner Hunter asked what accounted for the increase in electricity sales in the actual part of the budget. Assistant General Manager Orbeta said that AMP saw an increase in load this past winter, likely due to large storms, customers staying home more, and reduced solar production.

Commissioner Hunter wondered about long term strategy for funding rebate programs once AMP runs out of REC funds, as those funds are currently being used for clean energy, energy efficiency, and electrification rebates, but will also be used for the Doolittle Solar project, which will be a significantly larger draw. General Manager Procos said that the Doolittle Solar project will take some time to draw down the REC funds, and would be spread over a 5–10-year period. Both the rebates and Doolittle can continue to be funded by RECs for some time, which gives AMP more time to consider that long-term strategy.

President Serventi suggested looking into offering rebates for customers switching out kitchen appliances, like replacing a gas stove with an induction cooktop, as that aligns

with the City's Climate Action and Resiliency Plan (CARP). Assistant General Manager Ferrara said that AMP staff would look into that. Assistant General Manager Orbeta noted that there have been discussions about including those rebates in next year's budget. There is a substantial cost for induction stoves right now and hopefully overtime, costs will go down. Commissioner McKenna added that she does not think that the technology or adoption has yet reached the tipping point of price reduction, because there are other factors and expenses with induction cooktops, like changing to compatible cookware. It really is a matter of finding the best way to incentivize customers to make that change. Commissioner Hunter proposed expanding customer outreach efforts beyond EV Expos to also include Electrification Expos, with a focus on showcasing other technologies for home electrification.

Alameda Resident Ruth Abbe, a member of Community Action for a Sustainable Alameda (CASA), spoke on the budget. She said she sees it as the most important policy action that the Board takes. She expressed her support for the UUD project, noting its resiliency benefits, and asked about the project timeline. On the topic of electrification and adoption of new technologies, she would like to see outreach and education from AMP that emphasizes getting ready for electrification when customers find themselves needing to replace existing appliances as they break. She also would like to see the City or AMP work with local electrical contractors and plumbers to make sure they are educated on the City's goals for electrification.

6. COUNCIL COMMUNICATIONS

None

7. BOARD COMMUNICATIONS

None

8. ADJOURNMENT

President Serventi adjourned the meeting at 5:39 p.m.