AGENDA

January 24, 2017

PUBLIC UTILITIES COMMISSION MEETING
7:00 p.m.
City Council Chambers
311 Vernon Street
Roseville, California

1. **ROLL CALL**

2. **PLEDGE OF ALLEGIANCE**

3. **APPROVAL OF NOVEMBER 22, 2016 MINUTES**

3.1. November 22, 2016 Minutes

4. **ORAL COMMUNICATIONS/PUBLIC COMMENT**

5. **NEW BUSINESS**

5.1. Roseville Electric Utility Monthly Update

Report by Electric Utility Director Michelle Bertolino summarizing monthly status of Electric Utility issues, for information.

5.2. Roseville Electric Utility Trading Authority Policy Update

Report by Electric Resources Analyst Petra Wallace providing an overview of Electric Utility Risk Management Policies and describing planned updates to the Energy Trading Authority Policy, for information.

5.3. Roseville Electric Utility Financial Policies

Report by Electric Rates and Financial Administrator Philip McAvoy and Electric Business Analyst Lisa Gist summarizing updates to Roseville Electric's Financial Policies, for recommendation.

5.4. Environmental Utilities Monthly Update

Report by Acting Environmental Utilities Director Dale Olson summarizing monthly status of Environmental Utilities issues, for information.

5.5. Environmental Utilities "Making Water Conservation a California Way of Life"

Presentation by Assistant Environmental Utilities Director Kelye McKinney on "Making Water Conservation a Way of Life", for information.

5.6. Environmental Utilities Recycled Water Program Overview

Presentation by Senior Engineer Todd Jordan on the Recycled Water Program Overview, for information.

6. REPORTS - COMMISSION/STAFF

7. ADJOURNMENT

PUBLIC UTILITIES COMMISSION

Title:	November 22, 2016 Minutes

Meeting Date: 1/24/2017
Item #: 3.1.

ATTACHMENTS:

Description

November 22, 2016 draft minutes

CITY OF ROSEVILLE CALIFORNIA

MINUTES
Public Utilities Commission
November 22, 2016
7:00 p.m.

Council Chambers
311 Vernon Street
Roseville, CA 95678

1. Roll Call

PUC Commissioners Present:	Blandon Granger Gretchen Hildebrand James McHan Kerry Schmitz John Speight Jim Viele
PUC Commissioners Absent:	John Vertido
Staff Present:	Mike Bloom, Electric Assistant Utility Director Shawn Matchim, Electric Regulatory Compliance Administrator Sonny Person, Electric Assistant Utility Director Mark Wilhelm, Power Engineering Manager Philip McAvoy, Electric Rates & Financial Administrator Jason Miller, Power Plant Engineer Christopher Romero, Administrative Analyst Richard Plecker, Director of Environmental Utilities Dale Olson, Environmental Utilities Principal Engineer Jose Lopez, Environmental Utilities Senior Engineer George Hanson, Environmental Utilities Senior Engineer Sean Bigley, Public Affairs & Communications Administrator Joe Mandell, Senior Deputy City Attorney Cheryl Hammond, Recording Secretary

2. Pledge of Allegiance

3. Minutes of October 25, 2016

The minutes of October 25, 2016 were approved as presented.

4. Oral Comments/Public Comment

None

5. New Business

a. Roseville Electric Utility Monthly Update
Report by Electric Regulatory Compliance Administrator Shawn Matchim summarizing monthly status of Electric issues, for information.

Public Comment: None

b. Roseville Electric Utility Legislative Update
Presentation by Administrative Analyst Chris Romero on the 2016 Legislative Update, for information.

Public Comment: None

c. Roseville Electric Utility CIP Update
Presentation by Electric Finance & Administration Manager Philip McAvoy on the Electric Utility Capital Improvement Projects, for information.

Electric Finance & Administration Manager Philip McAvoy presented on Technology, Power Engineering Manager Mark Wilhelm presented on Distribution and Dispatch Center and Power Plant Engineer Jason Miller presented on Power Plants.

d. Environmental Utilities Monthly Update
Report by Environmental Utilities Director Rich Plecker summarizing monthly status of Environmental Utilities issues, for information.

Public Comment: None

e. Environmental Utilities Capital Improvement Projects Overview
Presentation by Principal Engineer Dale Olson on the Capital Improvement Projects Overview, for information.

Senior Engineer Jose Lopez presented on Water CIP Projects and George Hanson on presented Waste Water CIP Projects.

Public Comment: None

f. Environmental Utilities Legislative Update
Presentation by Public Affairs Administrator Sean Bigley on the Legislative Update, for information

Public Comment: None

6. Reports – Commission/Staff

None.

7. Proposed Future Agenda Items

Commissioner Viele requests Roseville Electric and Public Works Traffic Engineering to present on LED Streetlight Retrofit Plan. Roseville Electric will coordinate this for a future meeting.

8. Adjournment

Commissioner Schmitz moved for adjournment of the November 22, 2016 Public Utilities Commission meeting. Commissioner Hildebrand seconded the motion. The motion passed unanimously at 8:33 p.m.

John Speight
Chairperson

Cheryl Hammond
Recording Secretary

PUBLIC UTILITIES COMMISSION

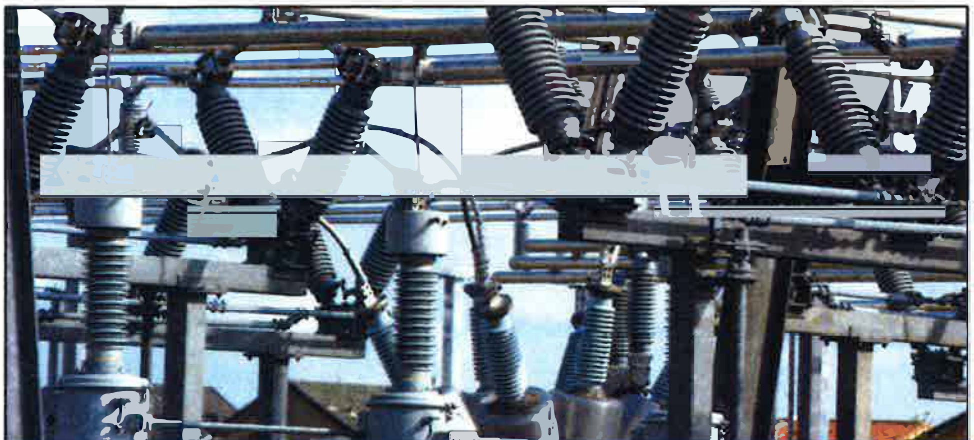
Title:	Roseville Electric Utility Trading Authority Policy Update

Meeting Date: 1/24/2017
Item #: 5.2.

ATTACHMENTS:

Description

Electric Risk Management Policy Update



Electric Risk Management Policy Update and Overview

Petra Wallace, Electric Resources Analyst

January 24, 2017

ROSEVILLE

Roseville Electric Utility

- Sound and stable utilities is a City Council priority
  - Well run, reliable and low cost utilities provides an economic advantage for Roseville
- Utility costs are subject to external forces
  - Energy costs are a large portion of costs
  - Risk Management used to stabilize energy costs

Energy Risk Management

- Answers the following questions:
  - What is the probability of experiencing a loss due to uncertain events?
  - How large is the magnitude of a potential loss?
  - What can be done to mitigate those potential losses?

Energy Risk Policies

- Reflect Roseville's risk tolerance
- Drive risk mgmt. activities
- Outline decision making process
- Council reaffirms risk policies at least every 2 years

Energy Risk Policies

Energy Risk Management Policy

- **Fixed Price** / **Cost Control**
- **Credit Policy**
- **Trading Policy**

- Oversee at multiple levels
- Control primary risks
- Manage secondary risks

Energy Risk Management Policy

- Goals and objectives
- Roles and responsibilities
- Many eyes watching

City Council
↓
Risk Oversight Committee
↓
Risk Mgt. Committee
↓
Staff

Energy Hedge Policy

- Defines Roseville Electric's hedging goals, risk tolerances, and reporting requirements
- Two active policies within the Hedge Policy:
  - Fixed Price Energy Policy
  - Power Supply Cost Control Policy

Energy Credit Policy

- How we set credit limits
- Implemented by Council through master contracts
- Tied to agency credit ratings
- Limits exposure to default

Trading Authority Policy

- Who can trade what, when, where
- Defines delegation of authority - Council has ultimate control
- City Manager trades to comply with policies
- Tight control means no costly mistakes

Changes to Trading Policy

- Add following locations to Trading Authority Policy
  - Mid-Columbia
  - John Day
  - Big Eddy
- Enable spread trading among authorized locations

Drivers for Policy Changes

- Expands ability to buy power in the northwest market
- Further increases utilization of Roseville's transmission rights by accessing these markets
- Delivery of energy by one of two methods:
  - Purchase energy and transmission
  - Spread trading (new product)

PUBLIC UTILITIES COMMISSION

Title:	Roseville Electric Utility Financial Policies

Meeting Date: 1/24/2017
Item #: 5.3.

ATTACHMENTS:

Description

Electric Utility Financial Policies Update

Roseville Electric Utility Financial Policies Updates

Philip McAvoy, Electric Rates & Financial Administrator
Lisa Gist Electric Business Analyst
January 24, 2017

Roseville Electric Financial Policies

- Establish guidelines for:
  - Achieving City Council priorities
  - Maintaining fiscal strength
  - Rate setting
  - Maintaining and improving bond ratings
  - Provide long term direction for resource and operational decisions

History of Financial Policies

- 2005 - Originally adopted
- 2009 – Revised
- 2015-2016 – Informal use of new metrics and policies
- 2017- Proposed revisions recommended

Updated and New Financial Policies

1. Rate Stabilization Fund
2. Debt Service Coverage Ratio
3. Variable Rate Debt
4. Debt to Asset Ratio
5. Days Cash on Hand (new)
6. Fixed Cost Coverage (new)
7. Debt Service Reserve (new)

1. Rate Stabilization Fund

- Purpose:
  Provides reserves to cover large contingencies and limits rate volatility

- Measurement:
  Rate Stabilization Fund balance as a percentage of annual operating expenses

1. Rate Stabilization Fund

- **Current Policy**:
  Rate stabilization fund = 40% to 90% of operating expenses with a target of 75%

- **Recommended Policy Update**:
  Rate stabilization fund = 40% to 90% of operating expenses with a target of ~~75%~~ ***65%***

- **Current Measurement** = 40%

2. Debt Service Coverage Ratio

- Purpose:
  Measures cash available, after paying operating costs, to pay debt service. This is a key indicator used by rating agencies, bond insurers and investors.
- Measurement:
  Net operating revenue (operating revenue less operating costs) divided by annual debt service

2. Debt Service Coverage Ratio

- **Current Policy**:
  1.5 minimum ratio, 2.0 target
- **Recommended Policy Update**:
  2.0 minimum ratio, consistent with AA rating
- **Current Measurement** = 2.94

3. Variable Rate Debt Levels

- Purpose:
  Limit exposure to volatility of variable rate debt

- Measurement:
  Variable debt as a percentage of the rate stabilization fund

3. Variable Rate Debt

- **Current Policy**:
Maintain variable rate debt less than Rate Stabilization Fund balance

- **Recommended Policy Update**:
Maintain **unhedged** variable rate debt less than Rate Stabilization Fund balance

- **Current measurement:** No unhedged variable rate debt

4. Debt to Asset Ratio

- Purpose:

Measures the percentage of assets that were funded by debt – this is a measurement of financial leverage and ability to issue future debt if needed.

- Measurement:

Total liabilities divided by total assets

4. Debt to Asset Ratio

- **Current Policy**:
  Debt to asset ratio of less than 50%
- **Recommended Policy Update**:
  No Change
- **Current measurement:** 52%

5. Days Cash on Hand (new)

- Purpose:

Measures the number of days that the utility can continue to pay for operations, given the amount of cash available. This is a primary measure of fiscal health for the utility.

- Measurement:

Cash divided by annual operating expenses less non cash expenses, divided by 365 days

5. Days Cash on Hand (new)

- **Recommended New Policy**:

Maintain cash balance greater than 250 days cash, consistent with AA rating.

- **Current measurement:** 275 days cash

6. Fixed Cost Coverage (new)

- Purpose:

Measures a firm's ability to pay all of its fixed expenses with income before interest. This is a key indicator used by rating agencies.

- Measurement:

Adjusted Net Revenue plus Debt Service divided by Debt Service.

6. Fixed Cost Coverage (new)

- **Recommended New Policy:**

Minimum fixed cost coverage ratio of 1.50, consistent with AA rating

- **Current measurement:** 1.63

7. Debt Service Reserve (new)

- **Purpose**:
Ensures adequate cash is available to fund payments to bond holders

- **Measurement:**
Set by bond covenants, approximately one full year of debt service

7. Debt Service Reserve (new)

- **Recommended New Policy**:
Fully fund debt service reserve as required by bond covenants

- **Current measurement:** debt service reserve is fully funded.

Summary Recommendation

Staff requests that the RPUC recommend City Council approve the proposed updated and new Financial Policies.

PUBLIC UTILITIES COMMISSION

Title:	Environmental Utilities Recycled Water Program Overview

Meeting Date: 1/24/2017
Item #: 5.6.

ATTACHMENTS:

Description

EU Recycled Water Program Overview

Environmental Utilities
Recycled Water Program Overview

Todd Jordan, Senior Engineer
January 24, 2017

Recycled Water Uses

- Keeping Roseville Green
  - Parks
  - Golf Courses
  - Schools
  - Streetscapes
  - Landscapes
- Energy Production
  - Cooling Units

Construction and Residential Use

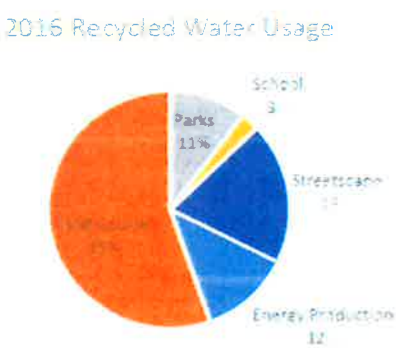
Program Growth

- New Developments
  - Streetscapes
  - Landscapes
- Mahany Park

ROSEVILLE

Continue to Pursue RW Projects

2016 Summary



- +920 million gallons served
- Down 15% from last year
- Relaxed drought conditions
- Construction drop-off
- Low residential demand

ROSEVILLE

Questions